Hakon INVEST

Board report on the Remuneration Committee's evaluation in accordance with section 9.1 of the Swedish Code of Corporate Governance

The Remuneration Committee considers that both the remuneration structure and the remuneration levels are well balanced, at a market level and can be justified based on the executives' skills, responsibilities and performance. The Committee confirms that the guidelines adopted have been complied with in payments of salary and bonuses for 2012.

Follow-up and evaluation

The Board of Directors of Hakon Invest AB has set up a Remuneration Committee, made up of the Chairman of the Board Hannu Ryöppönen and Board member Anders Fredriksson. Since the 2012 Annual General Meeting the Committee has held three meetings at which minutes were taken and has also been in contact at other times when needed.

In accordance with section 9.1 of the Swedish Code of Corporate Governance, the Remuneration Committee of Hakon Invest's Board of Directors has monitored and evaluated the application of the guidelines for remuneration to senior executives that must, by law, be passed by the Annual General Meeting, the prevailing structures and remuneration levels in the company, and also current programmes and those concluded during the year in respect of variable remuneration to the executive management. In addition, the outcome in respect of other variable remuneration was followed up.

The Board's evaluation was based on the company' results, supplemented by interviews with the company's management and the Board's own observations during the year.

Current guidelines

The 2012 Annual General Meeting resolved that the company's forms of remuneration for senior executives shall be on market terms, be long-term and quantifiable, and shall promote Group unity. Improvements, particularly in earnings per share, shall be rewarded and there shall be a ceiling on variable remuneration. Total remuneration shall be made up of the following components: basic salary, pension benefits, severance pay, bonus, share-related incentive programmes, plus other remuneration and benefits. A more detailed description of the current guidelines can be found in the documentation for item 18 in the notice convening the 2012 Annual General Meeting.

The 2010, 2011 and 2012 Annual General Meetings approved incentive schemes taking the form of combined share matching and performance share programmes.

Prior to these Annual General Meetings, the Board of Directors established that linking employees' pay with the company's earnings and value added rewards long-term value growth and gives employees and shareholders similar goals.

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The incentive programmes also require employees to make an investment of their own. The earnings period is three years. In the programmes, employees actively purchase new shares (known as saving shares) at market price and lock these in for a period of three years. Provided that the participants remain employed and still hold their saving shares, they can obtain what are known as matching shares at no cost. If certain clearly defined performance requirements are achieved, additional rights can be exercised to obtain what are known as performance shares.

Follow-up and evaluation of current guidelines, remuneration structure and remuneration levels

The basic gross salary framework approved for the CEO for 2012 was SEK 7.4 million. The gross salary framework includes salary, holiday pay, social security contributions, pension expenses and other expenses such as company car, etc. For other senior executives[1] the basic salary costs, benefits and pension costs excluding social security contributions amounted to SEK 9.5 million in total for 2012.

For fiscal year 2011, 50% of the maximum bonus was paid to the CEO and other senior executives. For 2012, 100% of the maximum bonus was paid to the CEO and other senior executives.

Prior to the 2012 Annual General Meeting the Remuneration Committee found that the bonus system in place at the time was producing volatile results that were associated not just with Hakon Invest's underlying business, but also with one-off factors such as a number of extraordinary items that had been updated within ICA AB and had directly affected Hakon Invest's results. The Remuneration Committee noted that the extraordinary items also derived from times when members of Hakon Invest's management were not employed in the company.

The Remuneration Committee therefore proposed new bonus principles to the Board of Directors.

The 2012 Annual General Meeting resolved that, just as in previous years, the CEO and other senior executives should be included in a variable remuneration system taking the form of a cash bonus. The size of the bonus was maximised per person and year at the equivalent of six (6) months' salary for the CEO and four (4) months' salary for other senior executives.

The Board is to 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 Hakon Invest's earnings per share[2] and in other

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[1] Other senior executives refers to the people who, together with the CEO, make up the Group Management.

[2] For the calculation of bonuses and incentive programmes, Hakon Invest's Board has established that Hakon Invest's earnings per share for 2012 were SEK 5.20. The reason for this is that ICA's tax expense that arose in respect of a tax dispute relating to interest allowances

financial targets,

ii. improved EBITA for ICA AB,
iii. improved EBIT for Hakon Invest's portfolio companies,
iv. quantifiable 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 repaid if its payment was based on information which later proves to have been clearly incorrect.

The Remuneration Committee considers that the 2012 bonus programme is well designed and that the programme rewards the company's long-term strategy better than previously. Moreover, it provides scope for the Board to adjust the targets to the prevailing circumstances, both internal and external, at the start of each fiscal year. The new performance requirements in the 2012 programme are clear and specific, and the members of the executive management themselves feel that they have been able to influence the fulfilment of the performance requirements to a greater extent than previously.

The Remuneration Committee has individually evaluated the performance of the CEO and other executives during the year and was subsequently able to establish that they had met the targets set for 2012.

The Remuneration Committee considers that there are good grounds for paying the maximum bonus for the 2012 fiscal year and that this complies with the guidelines adopted.

The Remuneration Committee feels that both the remuneration structure and the remuneration levels are well balanced, at a market level and can be justified based on the executives' skills, responsibilities and performance. In addition, the Committee has established that the guidelines adopted have been complied with in payments of salary and bonuses.

Under the guidelines adopted at the 2012 Annual General Meeting, the Board is entitled to depart from the guidelines in *special circumstances*. This has been done on one occasion with the decision to pay a one-off cash bonus of three months' salary each to the CEO and the other three senior executives, resulting in a total cost to the company of SEK 3.8 million including social security contributions. The bonus relates to the 2013 fiscal year. The bonus is being paid to reward these senior executives for their valuable efforts in the work involved in the acquisition of the shares in ICA AB from Royal Ahold, as well as for the significant value to the shareholders that the Board considers that this work has added and will add in the future. Since some of the senior executives will be leaving the company in conjunction with the current

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for the period 2004-2008 should not negatively impact the bonus and incentive programmes for 2012 (SEK 2.02 + SEK 3.18).

reorganisation, the Board felt it appropriate to settle these matters before the Annual General Meeting. Overall, the Board feels that the bonus and its size are compatible with the principles set out in the Swedish Code of Corporate Governance and that there were special circumstances which justified the deviation from the current guidelines.

Follow-up and evaluation of the 2010-2012 programme

The Remuneration Committee has established that no share-related incentive programmes expired in 2012, and that the executive management acquired the maximum number of saving shares – that is, 8,700 shares – in the 2012 share-related incentive programmes.

Last year the Remuneration Committee considered that the structure of the 2010 and 2011 programmes fulfilled the aims presented to the Annual General Meetings by focusing on value growth and on the investment process, but that it had been difficult for the participants to influence certain parameters and that the programmes therefore did not fulfil the aim of rewarding long-term value growth in the company.

Hakon Invest’s Board therefore proposed a share-related incentive programme for 2012 with slightly different performance requirements to those established in previous years’ programmes (refer to item 19 of Hakon Invest’s 2012 Annual General Meeting). The new programme was adopted by the Annual General Meeting on 19 April 2012.

The Remuneration Committee finds that the new performance requirements in the 2012 programme are clear and relevant, and that the members of the executive management themselves feel that they have been able to influence the fulfilment of the performance requirements to a greater extent than previously. The follow-up of the company’s results against the performance requirements that has taken place each quarter starting from the 2012 fiscal year has helped make the performance requirements more understandable to participants than previously. In view of the above, the Remuneration Committee considers that the programme fulfils its aim of rewarding long-term value growth in the company and that it works well.

However, since a new management team will be put in place at Hakon Invest on 20 May 2013, consisting mainly of individuals from ICA AB, the Remuneration Committee recommends that the new management is instead included in programmes that are adapted to the operations of ICA and ICA Gruppen. In view of this, the Board has also proposed to the Annual General Meeting that Hakon Invest’s outstanding share-based incentive programmes be terminated.

Stockholm, 16 April 2013

Board of Directors, Hakon Invest AB

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