

Item 19

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

For the current CEO and other senior executives of the company the guidelines for remuneration approved by the 2012 Annual General Meeting were applied during 2012. Other senior executives refers to the people who, together with the CEO, make up the Group Management. From the evaluation by the Board it has emerged that the guidelines have been followed and have functioned well.

In view of the completion of Hakon Invest's acquisition of the remaining shares in ICA AB, a new Group Management has been appointed at Hakon Invest. The new Group Management largely comprises ICA AB's former Group Management, and all the individuals concerned will take up their Group Management positions at Hakon Invest on unchanged terms of employment.

The Board proposes that the guidelines below be approved by the 2013 Annual General Meeting for the period up until the end of the 2014 Annual General Meeting. The guidelines shall be applied in agreements subsequently concluded and thus do not affect employment contracts concluded previously within ICA AB.

Current terms of employment

The primary content of the current employment contracts with senior executives who were employed by Hakon Invest during the 2012 fiscal year is reported on pages 86-88, Note 8, of the company's Annual Report for 2012. The primary content of the employment contracts for the new Group Management will be reported in the Annual Report for 2013.

The Board's proposed guidelines

For the company to be able to recruit, develop and retain senior executives with relevant experience and expert leadership qualities it is important to have a competitive remuneration package in line with market terms for senior executives in similar sectors. Moreover, the remuneration principles shall motivate the senior executives to enhance the Group's market position and earnings, and shall be linked to growth in shareholder value and long-term value added. In addition, variable remuneration shall be linked to quantifiable criteria set in advance. The levels of remuneration paid to senior executives in related industries and markets is continually investigated and assessed. The total remuneration shall comprise the following components: basic salary, pension benefits, severance pay, bonus plus other remuneration and benefits.

Basic salary: The basic salary shall be on market terms and based on skills, responsibility and performance.

Pension: For the CEO and other senior executives a defined contribution pension plan shall be applied, with the pension premiums amounting to a maximum of 35 per cent of pensionable salary. The premiums shall be paid as long as the person is employed in the company.

Executives employed in countries other than Sweden and members of the Group Management have pension agreements in line with national practice and which abide by the above principles.

This guideline represents a departure from current agreements for certain senior executives, which provide the right to retire at the age of 62 with a defined benefit pension during the period up to the conventional pension age of 65 years.

The relevant pension terms for the company's current CEO and other senior executives are reported on pages 86-88, Note 8 of the company's Annual Report for 2012.

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 basic cash salary if the company terminates employment. The severance pay shall be deductible. If it is the executive that terminates the employment and the company decides to apply a non-competition clause which has been agreed in certain cases, the company shall provide compensation during the period the non-competition clause applies at a maximum amount of 60 per cent of basic salary. Severance pay and compensation paid during the non-competition period shall not be pensionable.

This guideline represents a departure from the prevailing agreements for certain senior executives, which provide entitlement to non-deductible severance pay. Certain senior executives have a notice period of up to 24 months.

Bonus: The CEO and other senior executives in the company shall be included in two variable remuneration schemes taking the form of a cash bonus, one of which runs for one year¹ and the other for three years². The size of the combined bonus is maximised per person and year at the equivalent of 50 per cent of annual salary (100 per cent for the CEO). The bonus shall not be pensionable. The Board shall annually determine whether new programmes shall be started and determine thresholds, participants and maximum cost.

Annual bonus programme

Cash-based bonus programme linked to the budget for the fiscal year, which can amount to a maximum of 25 per cent of annual salary (50 per cent for the CEO and the CEO of ICA

¹ STI (Short-Term Incentive Programme)

² LTI (Long-Term Incentive Programme)

Banken AB).

The targets for the bonus programme shall be decided by the Board ahead of each fiscal year and individual bonus agreements shall be concluded with each participant, the content of which depends on the participant's position at conclusion of the agreement. The targets shall be objectively quantifiable and related to budget. The targets shall consist of financial and operational key figures such as:

- i. consolidated operating profit (EBITA)³,
- ii. consolidated net sales,
- iii. return on capital employed in the Group excluding ICA Bank (ROCE),
- iv. cost control targets, and
- v. individual targets.

For ICA Banken AB partly different targets apply related to return on equity (ROE), loan loss ratio and the C/I ratio.

The bonus shall be determined annually in conjunction with publication of the year-end report for the respective fiscal year based on an evaluation of the participants' achievement of the targets as described in the bonus agreements. Payment of bonus shall be conditional upon the participant's employment not ending during a bonus year. The Board shall be entitled during a current bonus year to adjust the bonus system in the event of extraordinary upturns or downturns in consolidated earnings and after the end of the bonus year, but before payment is made, to adjust the outcome in the event this is warranted by extraordinary company circumstances. In the event of maximum outcome, the cost of the 2013 annual bonus programme would provisionally involve a cost including social security contributions of approximately SEK 17.3 million in total, of which approximately SEK 4.7 million relates to the CEO and approximately SEK 12.7 million relates to other senior executives.

Long-term bonus programme

Cash-based three-year bonus programme linked to value creation in the Group, which can amount to a maximum of 25 per cent of annual salary (50 per cent for the CEO). The CEO of ICA Banken AB is not included in this bonus programme.

The targets for the bonus programme shall be objectively quantifiable and determined by the Board as well as being linked to both absolute and relative performance requirements. Fulfilment of the absolute performance requirements accounts for 40 per cent of the maximum outcome in the long-term bonus programme and relates to change in consolidated operating profit (EBITA) and return on capital employed in the Group excluding ICA Bank

³ EBITA is defined as operating profit (EBIT) before impairments and gains/losses as well as non-recurring costs approved by the Board and relating to the structural consequences of major programmes.

(ROCE). The relative performance requirements account for the remaining 60 per cent of the maximum outcome in the long-term bonus programme and relate to the company's ranking in a benchmark group consisting of ten companies in Europe which conduct similar operations. The outcome is dependent on the company's ranking in this benchmark group in terms of (i) net sales increase, (ii) EBIT margin and (iii) return on capital employed excluding ICA Bank (ROCE). In the event of a ranking of 9-11, no bonus will be paid in relation to the relative performance requirements.

Fulfilment of the relative performance requirements is evaluated annually and an average for the entire bonus period is determined by the average for each individual year. The Board shall be entitled during a current bonus year to adjust the bonus system in the event of extraordinary upturns or downturns in consolidated earnings and after the end of the bonus year, but before payment is made, to adjust the outcome in the event this is warranted by extraordinary company circumstances.

In the event of maximum outcome, the cost of the 2013 long-term bonus programme would provisionally involve a cost including social security contributions of approximately SEK 18.1 million in total, of which approximately SEK 5.6 million relates to the CEO and approximately SEK 12.5 million relates to other senior executives.⁴

Previous programmes

Information on existing bonus programmes for the members of Group Management who will take up their positions on 20 May 2013 can be found in Annex 1.

Other remuneration and benefits: Other remuneration and benefits shall be of limited value in relation to the total remuneration and shall correspond to the market norm.

Special circumstances

The Board is entitled to depart from the guidelines proposed above should special circumstances prevail, among other things in connection with the consequences of the fact that Hakon Invest has acquired the remaining shares in ICA AB and that ICA AB has thus become a wholly owned subsidiary in the Hakon Invest Group.

Preparation

The proposals above concerning the annual and long-term bonus programmes were prepared by the Remuneration Committee within ICA AB's Board, and after being approved by ICA AB's Board were presented to the Board of Hakon Invest. Other remuneration principles were prepared by Hakon Invest's Remuneration Committee and adopted by Hakon Invest's Board as a whole.

⁴ The total cost is a cost estimated by the company which is based on certain assumptions. However, the calculation does not take into account upward adjustment of holiday pay, any indexation for salary revision or inflation. The actual costs may therefore deviate from the provisionally estimated costs.

Annex 1

Existing bonus programmes for members of Group Management who will take up their positions on 20 May 2013⁵⁶⁷

In 2010 ICA AB approved a cash-based three-year bonus programme (2010-2012) for the CEO and other senior executives (that is, the company's new Group Management) linked to value creation in the Group, which can amount to a maximum of 25 per cent of annual salary (50 per cent for the CEO). The targets for the bonus programme are objectively quantifiable and linked to both absolute and relative performance requirements. In the event of maximum outcome, the cost of the 2010 bonus programme would provisionally involve a total cost including social security contributions of approximately SEK 9.0 million for 2013, of which approximately SEK 1.9 million relates to the CEO and approximately SEK 7.1 million relates to other senior executives. It is planned that a final calculation will be made in June/July 2013, with payment to the participants in September 2013.

In 2011 ICA AB approved a cash-based three-year bonus programme (2011-2013) for the CEO and other senior executives (that is, the company's new Group Management) linked to value creation in the Group, which can amount to a maximum of 25 per cent of annual salary (50 per cent for the CEO). The targets for the bonus programme are objectively quantifiable and linked to both absolute and relative performance requirements. In the event of maximum outcome, the cost of the 2011 bonus programme would provisionally involve a total cost including social security contributions of approximately SEK 11.7 million for 2013, of which approximately SEK 3.7 million relates to the CEO and approximately SEK 7.9 million relates to other senior executives.

In 2012 ICA AB approved a cash-based three-year bonus programme (2012-2014) for the CEO and other senior executives (that is, the company's new Group Management) linked to value creation in the Group, which can amount to a maximum of 25 per cent of annual salary (50 per cent for the CEO). The targets for the bonus programme are objectively quantifiable and linked to both absolute and relative performance requirements. In the event of maximum outcome, the cost of the 2012 bonus programme would provisionally involve a total cost including social security contributions of approximately SEK 15.7 million for 2013, of which approximately SEK 5.6 million relates to the CEO and approximately SEK 10.1 million relates to other senior executives.

⁵ See Note 4 above concerning calculation of total costs of the programmes.

⁶ The total costs of the existing programmes are calculated based on the number of participants at that time who actually remain in employment and will receive a bonus under the programmes. Since there have been changes in ICA AB's executive management since 2010 and certain individuals who participated in the programmes at the time are no longer employed, there is some fluctuation in the total costs of the various programmes.

⁷ The CEO of ICA Banken AB is not included in these existing bonus programmes.