

## **The Board's statement on the Remuneration Committee's evaluation in accordance with section 9.1 of the Swedish Corporate Governance Code**

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 performances. The Committee has declared that the guidelines adopted have been complied with in payments of salary and bonuses for 2013.

### **Follow-up and evaluation**

The Board of Directors of ICA Gruppen AB has set up a Remuneration Committee, consisting of the Chairman of the Board Claes-Göran Sylvén and the Board members Andrea Gisle Joosen and Fredrik Hägglund. Since the 2013 Annual General Meeting the Committee has held six meetings at which minutes were kept and has also been in contact at other times when needed.

In accordance with section 9.1 of the Swedish Corporate Governance Code, the Remuneration Committee of ICA Gruppen'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 current 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 Remuneration Committee's evaluation was based on the Company's results, supplemented by questionnaires completed by the Company's management and the Board's own observations during the year.

### **Current guidelines**

The 2013 Annual General Meeting resolved that the forms of remuneration paid to the Company's senior executives shall be on market terms, shall motivate senior executives to enhance the Group's market position and earnings, and shall be linked to increased shareholder value and long-term growth in value. In addition, the variable remunerations shall be linked to quantifiable criteria set in advance. The total remuneration is to be made up of the following components: basic salary, pension benefits, severance pay, bonus, plus other remunerations and benefits. A more detailed description of the current guidelines can be found in the documentation for item 19 in the notice convening the 2013 Annual General Meeting.

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

With one exception, the current senior executives took up their positions on 20 May 2013, the date of the 2013 Annual General Meeting. This follow-up and evaluation therefore relates only to the guidelines, remuneration structure and remuneration levels that were adopted at that meeting.

The 2013 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 100% of annual salary in the case of the CEO and 50% of annual salary for other senior executives, and consists of both a cash-based bonus programme linked to the budget for the financial year (annual bonus programme) and a cash-based three-year bonus programme linked to value creation in the Group (long-term bonus programme).<sup>1</sup>

With respect to the annual bonus programme it was decided that the targets should be objectively measurable and related to a budget consisting of financial and operational key indicators such as:

- (i) consolidated operating profit (EBITA)<sup>2</sup>;
- (ii) consolidated net sales;
- (iii) return on capital employed in the Group excluding ICA Banken (ROCE);
- (iv) cost control targets; and
- (v) individual targets

In some cases different targets were to apply to ICA Banken, related to return on equity (ROE), loan loss ratio and C/I ratio.

For the long-term bonus programme it was decided that the targets should 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 was to account for 40% of the maximum outcome in the long-term bonus programme and would relate to the change in consolidated operating profit (EBITA) and the return on capital employed in the Group excluding ICA Banken (ROCE). The relative performance requirements were to account for the remaining 60% of the maximum outcome in the long-term bonus programme and would relate to the Company's ranking in a benchmark group consisting of ten companies in Europe conducting 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 (ROCE) excluding ICA Bank.

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<sup>1</sup> For more information on remuneration paid to the CEO and other senior executives for 2013, please refer to Note 4 (pages 124–125) in the Annual Report 2013.

<sup>2</sup> 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.

For the annual bonus programme 2013 the maximum outcome for the CEO is 82.5% of maximum bonus and for other senior executives the average is around 70% of maximum bonus. In respect of the long-term bonus programme that was adopted at the 2013 Annual General Meeting, one third of the programme's term has passed.

The Remuneration Committee has considered that the design of the 2013 bonus programme is good and rewards the Company's long-term strategy. Moreover, it provides scope for the Board to adjust the targets to the prevailing circumstances, both internal and external, prior to each Annual General Meeting. In view of this, the Board has decided to propose to the 2014 Annual General Meeting that slightly adjusted targets are adopted for both the annual bonus programme and the long-term bonus programme. The adjusted targets relating to the annual bonus programme are intended to improve transparency in the system. The adjusted targets for the long-term bonus programme are intended to better reflect the Group's goals. In addition, the distribution between the absolute and the relative performance requirements in the long-term bonus programme have been changed so that the bonus is paid based on the Group's performance rather than on general market developments. The adjusted targets for the two programmes will also increase the focus on cash flow.

For the purpose of increasing the senior executives' identification with and interest in the Company and the development of its value, it is proposed that the Board will decide each year that senior executives are expected to invest between 5% and 10% of their gross basic salary in shares in the Company. In return, it is proposed that, after a year, the Company will compensate the executives with a net amount corresponding to 50% of their investment.

Overall, 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 2013 Annual General Meeting, the Board is entitled to depart from the guidelines under special circumstances. Due to extraordinary circumstances, this occurred on one occasion in 2013 when the CEO of ICA Norway was offered other remuneration in the form of a conditional bonus of a maximum of 30% of basic salary covering an 18-month period starting in 2013.

Stockholm, 6 March 2014

The Board of ICA Gruppen AB

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Peter Berlin

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Göran Blomberg

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Cecilia Daun Wennborg

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Andrea Gisle Joosen

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