

Item 19

The Board's proposed guidelines for remuneration and other employment terms for the Management Team

For the senior executives of the Group the guidelines for remuneration approved by the 2014 Annual General Meeting were applied during 2014. In this context, "senior executives" refers to the CEO of ICA Gruppen and members of the ICA Management Team who report directly to him. From the evaluation by the Board it has emerged that the guidelines have functioned well.

The Board proposes that the guidelines below are approved by the 2015 Annual General Meeting for the period until the conclusion of the 2016 Annual General Meeting.

Current terms of employment

The primary content of the current employment contracts with senior executives who were employed within ICA Gruppen during the 2014 financial year is reported in the corporate governance report for 2014 and in Note 4 (pages 85-87) of the Company's Annual Report for 2014.

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.

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.

There is also a share investment programme for senior executives.

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 practices and that follow the principles described above.¹

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.

Bonuses

The CEO and other senior executives in the Group are to be 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 incentive programme). The size of bonus in the 2015 long-term incentive programme is maximised at 64% for the CEO and 32% for other senior executives. The maximum has been increased because the Company wants to create long-term variable remuneration that encourages strong performance. The size of bonus in the annual bonus programme is maximised at 54% for the CEO and 27% for other senior executives. 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.

The Board will determine annually whether new programmes are to be started and will decide the financial targets, target groups and maximum cost.

More detailed terms of the annual bonus programme and long-term incentive programme are given in [Appendix 1](#).

Notice of termination and terms of severance pay

A mutual notice period of six (6) months is to apply to senior executives. Severance pay can be paid to senior executives at up to 12 months of basic cash salary if the Company terminates employment. Such 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.

¹ The relevant pension terms for the Company's CEO and other senior executives are reported in Note x (pages 85-87) of the Company's Annual Report for 2014.

Certain agreements entered into prior to the 2014 Annual General Meeting are exempt from the provisions regarding notice period, severance pay and deduction.

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.

Share investment etc.

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 each year that senior executives are expected to invest a certain portion of their gross salary in shares in the Company.

During a period to be specified by the Remuneration Committee that starts on or after the day following the Annual General Meeting and ends on or before 31 December 2015, the CEO and senior executives are expected to acquire shares in the Company for a sum amounting to between 5% and 10% of their fixed gross salary for the current financial year. Shares already held are not to be included in the calculation. Acquired shares are to be held throughout the period the executive is employed by the Group.

Twelve months after the shares in the Company are acquired as described in the previous paragraph the Company's executives will receive a net sum equivalent to 50% of their investment, on condition that all the following criteria are met:

- (i) the executive is still employed by the Group,
- (ii) the executive still holds all of the acquired shares, and
- (iii) the threshold of at least 50% of the average outcome of the annual bonus programme for ICA Gruppen for the investment year in question has been achieved.

The costs of remuneration to senior executives for share acquisitions is shown in [Appendix 2](#).

Special circumstances

The Board has the right to deviate from the guidelines proposed if special circumstances exist.

Deviation from guidelines in 2014

Under the guidelines adopted at the 2014 Annual General Meeting, the Board is entitled to deviate from the guidelines in special circumstances. On the following occasions the Board deviated from the guidelines due to special circumstances:

Stay-on agreement, ICA Norge AS



The CEO of ICA Norge AS was offered the opportunity to be included in a stay-on bonus so that action could be taken to ensure that the CEO of ICA Norge AS remains employed for a period, in order to carry out work according to the plan established.

Share investment programme 2014 for Management Team

With regard to the share investment programme approved by the 2014 AGM, the Board decided to defer the acquisition period from April–June 2014 until 13 November–31 December 2014. The payout has been postponed accordingly. The period was deferred because the senior executives concerned had been prevented by law from acquiring shares since they had what is known as inside information concerning current business projects.

Current long-term incentive programme

In view of the sale of ICA Norge AS, the CEO of ICA Norge AS will receive compensation corresponding to the full programme period for the long-term incentive programme 2013. The compensation has been calculated based on the average historical outcome of ICA Gruppen's completed long-term incentive programmes.

Appendix 1

Bonus/incentive programmes for 2015

STI (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 of ICA Gruppen).

The targets for the bonus programme are to be decided by the Board ahead of each financial year and individual bonus agreements are to be arranged with each participant, the content of which depends on the participant's position at the time the agreement is arranged. The targets are to be objectively quantifiable and related to budget. The targets shall be financial and operational targets linked to ICA Gruppen's strategic focus.

The bonus will be determined annually in conjunction with publication of the year-end report for the respective financial year, based on an evaluation of the participants' achievement of the targets as described in the bonus agreements. Payment of bonus will be conditional upon the participant remaining employed for the duration of the programme. The Board of Directors has the right to adjust the bonus system during the term of the programme in the case of, for example, extraordinary increases or decreases in the Group's earnings. In the event of maximum outcome, the cost of the 2015 annual bonus programme would provisionally involve a cost including social security contributions of approximately SEK 18.8 million in total, of which approximately SEK 6.1 million relates to the CEO and approximately SEK 12.7 million relates to other senior executives

LTI (long-term incentive programme)

LTI Programme 2015

A long-term incentive programme linked to value creation in the Group and maximised at 32% of annual salary (64% in the case of the CEO).

The targets for the incentive programme are to 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 criteria accounts for 60% of the maximum outcome of the long-term incentive programme and relates to:

- (i) operating margin (EBIT margin) excluding non-recurring items,
- (ii) return on capital employed (ROCE) in the Group excluding ICA Bank, and
- (iii) net sales increase.

The relative performance requirements account for the remaining 40% of the maximum outcome in the long-term incentive programme and relate to the Company's ranking in a benchmark group

consisting of ten other 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, and
- (ii) operating margin (EBIT margin).

In the event of a ranking of 9 to 11, no bonus will be paid in relation to the relative performance requirements.

Fulfilment of the relative performance requirements is evaluated annually and the average for the entire bonus period is determined by the average for each individual year. Payment of bonus will be conditional upon the participant remaining employed for the duration of the programme. The Board of Directors shall have the right to adjust the bonus system during the term of the programme in the case of, for example, extraordinary increases or decreases in the Group's earnings.

In the event of maximum outcome, the cost of the 2015 long-term (three-year) incentive programme would provisionally involve a cost including social security contributions of approximately SEK 21.8 million in total, of which approximately SEK 7.2 million relates to the CEO and approximately SEK 14.6 million relates to other senior executives.

Previous programmes

Information on existing bonus/incentive programmes for senior executives can be found in [Appendix 3](#).

Special circumstances

The Board has the right to deviate from the guidelines proposed above in special circumstances.

Preparation

The proposals above concerning the annual bonus programme and long-term incentive programme were prepared by the Remuneration Committee within ICA Gruppen's Board and have been approved by the Board of ICA Gruppen in its entirety.

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

Appendix 2

Share investment programme 2015

The cost of the compensation to senior executives for acquisitions of shares could provisionally involve a maximum cost including social security contributions of approximately SEK 5.7 million in total, of which approximately SEK 1.1 million relates to the CEO and approximately SEK 4.6 million relates to other senior executives.

Appendix 3

Existing bonus/incentive programmes for senior executives

In 2012 ICA AB approved a cash-based three-year incentive programme (2012–2014) for the CEO and other senior executives linked to value creation in the Group and maximised at 25% of annual salary (50% 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 incentive programme² would provisionally involve a cost including social security contributions of approximately SEK 4.4 million in total for 2014, of which approximately SEK 1.8 million relates to the CEO and approximately SEK 2.6 million relates to other senior executives.

The formation of ICA Gruppen in 2013 meant that the results of ICA Gruppen AB rather than ICA AB became relevant for calculating the outcome of the long-term incentive programmes. This in turn meant that the financial basis of calculation for the ongoing long-term incentive programme for 2012–2014. In order to calculate the outcome for year 3 the average fulfilment for year 1 and 2 was used instead of the actual outcome year 3 (ICA AB's results for year 3 was no longer relevant). This method has not affected the maximum outcome in the programme.

In 2013 ICA AB approved a cash-based three-year incentive programme (2013–2015) for the CEO and other senior executives linked to value creation in the Group and maximised at 25% of annual salary (50% for the CEO). The targets for the incentive programme are objectively quantifiable and linked to both absolute and relative performance requirements. In the event of maximum outcome, the cost of the 2013 incentive programme³ would provisionally involve a cost including social security contributions of approximately SEK 5.2 million in total for 2014, of which approximately SEK 1.9 million relates to the CEO and approximately SEK 3.3 million relates to other senior executives.

The formation of ICA Gruppen in 2013 meant that the results of ICA Gruppen AB rather than ICA AB became relevant for calculating the outcome of the long-term incentive programmes. This in turn meant that the financial basis of calculation for the ongoing long-term incentive programme for 2013–2015 had to be addressed. The outcome for 2013 was calculated based on ICA AB's results, while the outcomes for 2014 and 2015 are calculated based on the results of ICA Gruppen AB. This method has not affected the maximum outcome in the programme.

In 2014 ICA Gruppen AB approved a cash-based three-year incentive programme (2014–2016) for the CEO and other senior executives linked to value creation in the Group and maximised at 25% of annual salary (50% for the CEO). The targets for the incentive programme are objectively quantifiable

² The cost relates to 1/3 of the long-term incentive programme.

³ The cost relates to 1/3 of the ongoing long-term incentive programme.



and linked to both absolute and relative performance requirements. In the event of maximum outcome, the cost of the 2014 incentive programme⁴ would provisionally involve a cost including social security contributions of approximately SEK 5.4 million in total for 2014, of which approximately SEK 1.9 million relates to the CEO and approximately SEK 3.5 million relates to other senior executives.

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

⁴ The cost relates to 1/3 of the ongoing long-term incentive programme.