

Point 19

The Board's proposed resolution on the adoption of principles for remuneration and other terms of employment for the members of the Executive Management

The remuneration guidelines approved by the 2015 Annual General Meeting have been applied for senior executives of the Group in 2015. By senior executives is meant in this context the CEO of ICA Gruppen and the executives on the Executive Management Team who report directly to him. The evaluation performed by the Board has determined that the guidelines have worked well.

The Board of Directors proposes the following guidelines for approval by the 2016 Annual General Meeting, to apply until the end of the 2017 Annual General Meeting.

Current terms of employment

The main content of the current employment contracts with the senior executives who were employed by ICA Gruppen during the 2015 financial year is reported in the 2015 Corporate Governance Report and in Note 4 (pages 87-89) of the 2015 Annual Report.

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 that is in line with the going rate in the market for senior executives in similar sectors.

In addition, the remuneration principles shall motivate senior executives to strengthen the Group's market position and earnings, and shall be coupled to long-term growth in shareholder value. Further, variable remuneration shall be coupled to measurable criteria set in advance.

The levels of remuneration paid to senior executives in related industries and markets is continuously monitored and assessed. The total remuneration shall comprise the following components: base salary, pension benefits, share investment programme, bonuses, other remuneration and benefits, and severance pay.

Base salary

The base salary shall be in line with the going rate in the market and be based on the individual's expertise, responsibilities and performance.

Pensions

For the CEO and other senior executives, a defined-contribution pension plan shall be applied, with pension premiums amounting to a maximum of 35% of pensionable salary. Premiums are to be paid as long as the individual remains employed by the Company. Senior executives employed in a country other than Sweden have pension agreements in line with national practice and that follow the principles described above.¹

A few senior executives with older contracts have the right to retire at 62 years of age with a defined-benefit pension during the time until they reach the normal retirement age of 65.

Bonuses

The CEO and other senior executives in the Group are covered by two variable remuneration programmes taking the form of a cash bonus, one of which runs for one year (Short-Term Incentive programme) and the other for three years (Long-Term Incentive programme). For the 2016 Long-Term Incentive programme, the maximum bonus can amount to 64% for the CEO and 32% for other senior executives. For the Short-Term Incentive programme, the maximum bonus can amount to 54% for the CEO and 27% for other senior executives. The amount of the combined bonuses has a cap per person and year corresponding to 59% of annual salary (118% for the CEO).

Bonus payments are not pensionable.

The Board shall decide annually whether new programmes are to be started and set financial targets, and decide on eligible participants and the maximum cost.

Further details on the terms and conditions of the Short-Term Incentive programme and the Long-Term Incentive programme are provided in [Appendix 1](#).

Terms for notice of termination and severance pay

A mutual notice period of six (6) months shall apply for senior executives. Severance pay for senior executives shall be paid at up to 12 months' cash base salary upon notice served by the Company. Such severance pay shall be deductible from earnings from future employment.

In the event the executive gives notice and the Company chooses to apply a non-compete clause that is included in the executive's contract in certain cases, the Company shall provide compensation during the time covered by the non-compete clause at a maximum amount of 60% of the executive's base salary. Severance pay and compensation paid during the non-compete period shall not be pensionable.

¹ The current terms of retirement for the Company's CEO and other senior executives are reported in Note 4 (pages 87–89) of the Company's 2015 Annual Report.

Exceptions for notice periods, severance pay and severance pay deduction clauses exist for certain contracts entered into prior to the 2015 Annual General Meeting.

Other remuneration and benefits

Other remuneration and benefits shall be of limited value in relation to the total remuneration and shall be in line with standard market practice.

Share investment, etc.

For the purpose of increasing the senior executives' identification with and interests in the Company and its value growth, the Board shall make a decision annually that senior executives be expected to invest a certain portion of their gross salary in shares in the Company.

During a period specified by the Remuneration Committee that started on or after the day following the Annual General Meeting and ended on or before 31 December 2015, the CEO and senior executives were expected to buy shares in the Company for a sum amounting to between 5% and 10% of their fixed gross salary for the financial year.

Shares already held may not be included in the calculation. Purchased shares shall be held throughout the period the executive is employed by the Group.

Twelve months after the shares in the Company have been purchased 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 of 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) a threshold of at least 50% of the average outcome for ICA Gruppen of the Annual Bonus programme for the investment year in question has been achieved.

The cost for remuneration of senior executives for purchases of shares is shown in [Appendix 2](#).

Special circumstances

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

Departures from the guidelines 2015

Under the guidelines adopted at the 2015 Annual General Meeting, the Board has the right to depart from the guidelines if special circumstances exist. The Board departed from the guidelines on the following occasions, due to special circumstances:



ICA Gruppen's Long-Term Incentive (LTI) programme

In connection with the acquisition of Apotek Hjärtat and the appointment of Apotek Hjärtat's CEO as a senior executive in ICA Gruppen, it was decided that the CEO of Apotek Hjärtat would be included in ICA Gruppen's LTI programme on a pro rata basis in relation to the point in time on which he became a senior executive of ICA Gruppen. The CEO of Apotek Hjärtat is thus covered by one-third of the 2013–2015 LTI programme and two-thirds of the 2014–2016 LTI programme, and fully by the 2015–2017 LTI programme

Pension

In accordance with the employment contract that the CEO of Apotek Hjärtat had at the time of the acquisition of Apotek Hjärtat and which is still in force, the CEO of Apotek Hjärtat has pension benefits in accordance with ITP1, which in turn entails that bonuses, in contrast to the other members of Executive Management, are pensionable.

Appendix 1

Bonus programmes 2016

STI (Short-Term Incentive) programme

This is a cash-based bonus programme coupled to targets per financial year; payment may amount to a maximum of 27% of the executive's annual salary (54% for the CEO of ICA Gruppen).

The targets for the STI programme shall consist of financial and operational targets coupled to ICA Gruppen's strategic focus areas, and shall be objectively measurable. The financial targets for the bonus programme shall be set by the Board prior to each financial year. The Company shall reach individual bonus agreements with the respective participants, and the terms of such bonus agreements depend on the participant's position at the time the agreement was made.

The bonus shall be set annually in connection with the publication of the year-end report for the respective financial years and shall be based on an assessment of the participants' achievement of the targets set out in the respective bonus agreements. Payment of bonuses shall be conditional upon the participant's continued employment during the term of the programme. The Board shall have the right during the term of the programme to adjust the bonus amount in the event of e.g., extraordinary increases or decreases in the Group's earnings. The cost of the 2016 STI programme, presuming a maximum outcome, including social security charges, will preliminarily amount to a total of approximately SEK 18.0 million, of which approximately SEK 6.3 million pertains to the CEO of ICA Gruppen and approximately SEK 11.7 million pertains to other senior executives.

LTI (Long-Term Incentive) programme

LTI programme 2016

This is a long-term incentive programme coupled to value creation in the Group, which can amount to a maximum of 32% of the participant's annual salary (64% for the CEO).

The targets for the bonus programme shall be objectively measurable and set by the Board as well as being coupled to both absolute and relative performance requirements. Fulfilment of the absolute performance requirements accounts for 60% of the maximum outcome in the Long-Term Incentive programme and pertains to:

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

The relative performance requirements account for the remaining 40% of the maximum outcome in the Long-Term Incentive programme and pertain to the Company's ranking in a benchmark group consisting of ten peer companies in Europe. The outcome is dependent on the Company's ranking in this benchmark group in terms of:

- (i) the net sales increase, and
- (ii) the operating margin (EBIT margin).

With a ranking of nine through eleven, no bonus is payable for the relative performance requirements.

Fulfilment of the performance requirements is evaluated yearly, and the average for the entire bonus period is based on the average of each individual year. Payment of bonuses shall be conditional upon the participant's continued employment during the term of the programme. The Board shall have the right during the term of the programme to adjust the bonus amount in the event of e.g., extraordinary increases or decreases in the Group's earnings.

The cost of the 2016 LTI programme (3 years), presuming a maximum outcome, including social security charges, will preliminarily amount to a total of approximately SEK 21.2 million, of which approximately SEK 7.5 million pertains to the CEO and approximately SEK 13.7 million pertains to other senior executives.

Earlier programmes

Information on existing bonus programmes for senior executives is provided in [Appendix 3](#).

Special circumstances

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

Drafting

The Remuneration Committee within ICA Gruppen's board has drafted the proposals described above for the Short-Term Incentive programme and Long-Term Incentive programme, which have been adopted by the Board of Directors of ICA Gruppen in its entirety.

The total cost is an estimate that is based on certain assumptions. However, the calculations do not take into account any indexing-related increases for salary reviews or inflation, or currency movements. The actual costs may therefore deviate from the preliminarily calculated costs.



Appendix 2

Share Investment programme 2016

The cost of compensation for senior executives to buy shares, including social security charges, would preliminarily amount to a maximum of approximately SEK 5.7 million, of which approximately SEK 1.2 million pertains to the CEO and approximately SEK 4.5 million to other senior executives.

Appendix 3

Existing bonus programmes for senior executives

In 2013 a decision was made in ICA AB on a cash-based three-year bonus programme (2013–2015) for the CEO and other senior executives, coupled to value creation in the Group. The bonus may amount to a maximum of 25% of the executive's annual salary (50% for the CEO). The targets of the bonus programme are objectively measurable and are coupled to both absolute and relative performance requirements. The prognosticated cost for the 2013 bonus programme upon maximum outcome, including social security charges, is approximately SEK 15.5 million,² of which approximately SEK 5.6 million pertains to the CEO and approximately SEK 9.9 million pertains to other senior executives.

The formation of ICA Gruppen in 2013 entailed that it was the earnings of ICA Gruppen AB instead of ICA AB that became relevant for calculating the outcome of the Long-Term Incentive programmes. This, in turn, gave rise to a need to address the financial calculation bases for the ongoing 2013–2015 LTI programme. The outcome for 2013 was calculated on the basis of ICA AB's earnings, while the outcomes for 2014 and 2015 are calculated on the basis of ICA Gruppen AB's earnings. This has not affected the potential, maximum outcome of the programme.

In 2014 a decision was made in ICA Gruppen AB on a cash-based three-year bonus programme (2014–2016) for the CEO and other senior executives, coupled to value creation in the Group. The bonus may amount to a maximum of 25% of the executive's annual salary (50% for the CEO). The targets of the bonus programme are objectively measurable and are coupled to both absolute and relative performance requirements. The prognosticated cost for the 2014 bonus programme upon maximum outcome, including social security charges, is approximately SEK 15.4 million,² of which approximately SEK 5.8 million pertains to the CEO of ICA Gruppen and approximately SEK 9.6 million pertains to other senior executives.

In 2015 a decision was made in ICA Gruppen AB on a cash-based three-year bonus programme (2015–2017) for the CEO and other senior executives, coupled to value creation in the Group. The bonus may amount to a maximum of 32% of the executive's annual salary (64% for the CEO). The targets of the bonus programme are objectively measurable and are coupled to both absolute and relative performance requirements. The prognosticated cost for the 2015 bonus programme upon maximum outcome, including social security charges, is approximately SEK 20.8 million,² of which approximately SEK 7.5 million pertains to the CEO and approximately SEK 13.3 million pertains to other senior executives.

² Pertains to the term of the entire programme (3 years).



The total cost is an estimate that is based on certain assumptions. However, the calculations do not take into account any indexing-related increases for salary reviews or inflation, or currency movements. The actual costs may therefore deviate from the preliminarily calculated costs.