

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

The Remuneration Committee is of the opinion that both the remuneration structure and remuneration levels are well-balanced, in line with the going rate in the market, and can be justified on the basis of the executives' expertise, responsibilities and performance. The committee has determined that the adopted guidelines have been adhered to in payments of salaries and bonuses for 2015.

Follow-up and evaluation

The Board of Directors of ICA Gruppen AB has a remuneration committee, which is composed of Claes-Göran Sylvén, Chairman of the Board, and board members Andrea Gisle Joosen and Fredrik Hägglund. During the period between the 2015 Annual General Meeting and 16 March 2016 the committee held eight meetings at which minutes were recorded, and maintained informal contacts between its meetings when needed.

In accordance with Chapter 9.1 of the Swedish Corporate Governance Code, the Remuneration Committee has monitored and evaluated the application of the guidelines for remuneration of senior executives which the Annual General Meeting must vote on by law, as well as the applicable structures and remuneration levels in the Company, and ongoing programmes and programmes that have been concluded during the year for variable remuneration of the executive management. In addition, a follow-up was performed of the outcome of other forms of variable remuneration.

The Remuneration Committee's evaluation was based on the Company's earnings, complemented by questionnaires completed by members of the Executive Management and the Board's own observations during the year.

Applicable guidelines

The 2015 Annual General Meeting resolved that the forms of remuneration paid to the Company's senior executives shall be in line with the going rate in the market, shall motivate senior executives to strengthen the Group's market position and earnings, and shall be coupled to increased shareholder value and long-term value creation. In addition, variable remuneration shall be coupled to measurable criteria that is set in advance. An executive's total remuneration shall be made up of the following components: base salary, pension benefits, severance pay, bonuses, and other remuneration and benefits. A more detailed description of the current guidelines can be found in the documentation for item 19 in the notice convening of the 2015 Annual General Meeting.

Follow-up and evaluation of applicable guidelines, and of remuneration structures and remuneration levels

This follow-up and evaluation pertains to the guidelines as well as to the remuneration structures and levels approved by the 2015 Annual General Meeting.

The 2015 Annual General Meeting resolved that, just as in previous years, the CEO and other senior executives shall be included in a variable remuneration system taking the form of a cash bonus. The level of the bonus was capped per person and year at the equivalent of 118% of annual salary in the case of the CEO and 59% of annual salary for other senior executives, and consists in part of a cash-based bonus programme coupled to the budget for the financial year (Short-Term Incentive programme), and in part of a cash-based three-year bonus programme coupled to value creation in the Group (Long-Term Incentive programme).¹

With respect to the Short-Term Incentive programme, it was decided that the targets should be objectively measurable and related to the budget, and consist of financial and operational targets coupled to ICA Gruppen's strategic focus areas. For the 2015 Short-Term Incentive programme the maximum outcome was 54% for the CEO and 27% for other senior executives.

For the 2015 Long-Term Incentive programme, the maximum outcome was 64% for the CEO and 32% for other senior executives.

With respect to the 2015 Long-Term Incentive programme, it was decided that the targets should 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 was to account for 60% of the maximum outcome in the Long-Term Incentive programme and would pertain 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 were to account for the remaining 40% of the maximum outcome in the Long-Term Incentive programme and would 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 respect to the Long-Term Incentive programme that was approved by the 2015 Annual General Meeting, one-third of the programme's term has passed.

The Remuneration Committee is of the opinion that the design of the 2015 Long-Term Incentive programme is good and that the programme promotes the Company's long-term strategy. It provides scope for the Board to adjust targets to the prevailing circumstances, both internal and external, prior to each Annual General Meeting.

¹ For information on the remuneration paid to the CEO and other senior executives for 2015, please refer to Note 4 (pages 87-89) in the 2015 Annual Report.

On the whole, the Remuneration Committee has been of the opinion that both the remuneration structure and remuneration levels are well-balanced, in line with the going rate in the market, and can be justified on the basis of the executives' expertise, responsibilities and performance. In addition, the committee has determined that the adopted guidelines have been adhered to in payments of salaries and bonuses.

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. This means that the CEO of Apotek Hjärtat is 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.

Stockholm, 16 March 2016

The Board of Directors of ICA Gruppen AB

Claes-Göran Sylvén

Peter Berlin

Göran Blomberg

Cecilia Daun Wennborg

Andrea Gisle Joosen

Jeanette Jäger



Fredrik Hägglund

Bengt Kjell

Jan Olofsson

Magnus Moberg

Magnus Rehn

Jonathon Clarke