

Report of the Nomination Committee prior to the **2017** Annual General Meeting



The Nomination Committee's report prior to the 2017 Annual General Meeting

The Nomination Committee for ICA Gruppen, which was appointed according to the principles adopted at the 2016 Annual General Meeting, consisted of Claes Ottosson and Anna-Karin Liljeholm, both appointed by ICA-handlarnas Förbund (the Association of ICA Retailers), Annika Lundius appointed by AB Industrivärden and Hans Ek appointed by SEB Investment Management AB. The composition of the Nomination Committee prior to the 2017 Annual General Meeting was published on 28 September 2016 and has been made available on the Company's website. The three largest shareholders at that time represented around 63% of the voting power of all shares in the Company.

ICA Gruppen's Chairman, Claes-Göran Sylvéén, was co-opted onto the Nomination Committee. Shareholders with suggestions and points of view on the work of the Nomination Committee in preparation for the 2017 Annual General Meeting have been given an opportunity to submit their points of view to the Nomination Committee no later than Friday, 3 February 2017. Sveriges Aktiesparares Riksförbund ("Aktiespararna") has written to the Nomination Committee to raise the issue of whether the proposed members of the Board can dedicate sufficient time and commitment to board work for ICA Gruppen. No other suggestions have been submitted to the Nomination Committee.



Annika Lundius
Board member AB Industrivärden



Claes Ottosson
ICA retailer in Hovås
Chairman of the Nomination
Committee
ICA-handlarnas Förbund



Hans Ek
Deputy CEO
SEB Investment Management AB



Anna-Karin Liljeholm
Chief Legal Officer
ICA-handlarnas Förbund

The work of the Nomination Committee

The Nomination Committee's duties include evaluating the Board of Directors and preparing proposals ahead of the Annual General Meeting on a chairman for the Meeting, the Chairman of the Board and other members of the Board, fees for the Board and election of and fees for auditors.

The Nomination Committee held three meetings and its members have been in regular contact via email and phone.

The Nomination Committee met with CEO Per Strömberg and CFO Sven Lindskog who provided information on ICA Gruppen's operations, Board work and future focus areas. Chairman of the Board Claes-Göran Sylvén has described the work of the Board and also informed the Nomination Committee about the 2016 evaluation of the Board of Directors. The chairman of the Audit Committee, Cecilia Daun Wennborg, has reported on the Audit Committee's work and cooperation with ICA Gruppen's Accounting department. Cecilia Daun Wennborg also informed the Nomination Committee about the evaluation of the audit work in 2016 and the procurement of auditing services carried out by the Audit Committee in 2016.

This information provided to the Nomination Committee gave the Committee a sound basis for an assessment on whether the composition of the Board is satisfactory and on the type of expertise and experience needed on the Board in the future. The Nomination Committee's evaluation of the Board's work and the interviews conducted have confirmed the Board's opinion that there is good cooperation within the Board. The members of ICA Gruppen's Board are to have broad and deep knowledge of ICA Gruppen's various operations and, together, possess many years of experience of management and board assignments for various listed companies and organisations. The Nomination Committee is of the opinion that the current Board of Directors more than meets the criteria of expertise and experience, taking into account the Company's business and future development.

The Nomination Committee has applied rule 4.1 of the Swedish Corporate Governance Code ("the Code") as the diversity policy with which the Nomination Committee is to ensure that the Board of Directors, taking into consideration the nature of ICA Gruppen's business, stage of development and circumstances in general, has an appropriate composition characterised by diversity and breadth with respect to the expertise, experience and backgrounds of the members elected by the general meeting. The Nomination Committee also focuses on meeting the goal of having a balanced gender distribution on the Board.

Based on the letter from Aktiespararna, the Nomination Committee has placed particular emphasis on assessing whether the proposed members of the Board have the ability to dedicate sufficient time on board work within ICA Gruppen. The Nomination Committee has in particular evaluated attendance and commitment to board and committee work of the members who have multiple other board assignments.



Anette Wiotti

Anette Wiotti (born 1966) has many years of experience as an ICA retailer. Anette Wiotti has been a member of the board of ICA-handlarnas Förbund and has served as its Vice Chairman since 2010. In addition Anette Wiotti is an elected representative on several boards and committees within ICA-handlarnas Förbund and ICA Sverige AB. Anette Wiotti has also studied business administration and retail economics. Anette Wiotti holds 6,455 shares in ICA Gruppen AB (incl. related parties).

Based on the above, the Nomination Committee proposes the re-election of Göran Blomberg, Cecilia Daun Wennborg, Andrea Gisle Joosen, Fredrik Häggglund, Jeanette Jäger, Bengt Kjell, Magnus Moberg, Jan Olofsson and Claes-Göran Sylvén, and proposes electing Anette Wiotti as a new member.

Peter Berlin has declined re-election.

Independence

Four of the proposed Board's members, Cecilia Daun Wennborg, Andrea Gisle Joosen, Jan Olofsson, Jeanette Jäger are independent in relation to ICA Gruppen, its management and the largest shareholders.

Magnus Moberg and Anette Wiotti are ICA retailers and members of the board of ICA-handlarnas Förbund. ICA-handlarnas Förbund is a non-profit association for Sweden's ICA retailers. According to the Code's rules on independence, Magnus Moberg and Anette Wiotti are independent in relation to ICA Gruppen and its management, but not in relation to the principal shareholder ICA-handlarnas Förbund.

Fredrik Häggglund and Göran Blomberg are considered independent in relation to ICA Gruppen and its management. As employees of ICA-handlarnas Förbund, Fredrik Häggglund and Göran Blomberg are not considered independent in relation to the Company's principal shareholder ICA-handlarnas Förbund.

Claes-Göran Sylvén was employed as President and CEO of the Company until 20 May 2013 and is therefore, according to the Code, not considered independent in relation to ICA Gruppen and its management. Claes-Göran Sylvén is an ICA retailer and member of ICA-handlarnas Förbund, and is therefore not regarded as independent in relation to ICA-handlarnas Förbund.

Bengt Kjell is independent in relation to ICA Gruppen and its management, but not in relation to the Company's largest shareholders as he is a member of the board of AB Industrivärden.

Fees

The Nomination Committee proposes that the remuneration to the Board remains unchanged compared to previous year. The Sustainability Committee was formed in the 2016 financial year. Taking into account fees for those working on the Sustainability Committee, the Nomination Committee proposes raising the fees for committee work by SEK 175,000.

No fees were paid by ICA Gruppen to the members of the Nomination Committee for their work.

Investing

The Nomination Committee considers it of great importance for members of the Board to own shares in the Company. The Nomination Committee would therefore like to see the Board applying the same principles for the members' shareholding in the Company as those adopted the previous year. Those principles state that:

- Within a specific period, members of the Board are to accumulate a shareholding in the Company that corresponds to at least one year's board fees after tax;
- members of the Board are to retain a shareholding of at least this size as long as they are members of the Board; and
- a portion of the board fees are to be paid out during the term of service so that a Board member can use the board fees to acquire shares in the Company as soon as it is reasonably possible to do so after being elected to the Board by the Annual General Meeting.

Auditor

The accounting firm of Ernst & Young AB was elected as auditor at the 2016 Annual General Meeting for a term of one year until the end of the 2017 Annual General Meeting and new auditors are therefore to be elected. In 2016 the Audit Committee was engaged in a process to procure audit services and therefore recommends that the Nomination Committee proposes KPMG as the new auditing firm for the upcoming term. The reason for the Audit

Committee's recommendation is primarily that KPMG AB is deemed to have a strong, motivated and highly competent team of accountants. KPMG AB also has broad and deep expertise as well as a modern and proactive approach to accounting. The Audit Committee has therefore concluded that KPMG AB can add substantial value by taking a new approach and exploring new avenues.

Taking into account the Audit Committee's recommendation the Nomination Committee proposes that accounting firm KPMG AB be elected as auditor for a term of one year until the end of the 2018 Annual General Meeting. KPMB AB has informed ICA that, should the firm be selected, Thomas Forslund will be appointed as auditor in charge.

Procedure for electing the Nomination Committee

The Nomination Committee proposes that the procedures for electing the Nomination Committee that were adopted at the 2016 Annual General Meeting be re-adopted with the additional stipulation that the Nomination Committee is to apply item 4.1 of the Code as its diversity policy.

Proposals to the Annual General Meeting

The Nomination Committee's proposals to the 2017 Annual General Meeting are as follows:

- The Nomination Committee proposes electing Claes-Göran Sylvén as chairman of the 2017 Annual General Meeting.
- The Nomination Committee proposes that the Board will consist of ten members.
- The Nomination Committee proposes the following Board of Directors:
 - Re-election of Göran Blomberg, Cecilia Daun Wennborg, Andrea Gisle Joosen, Fredrik Häggglund, Jeanette Jäger, Bengt Kjell, Magnus Moberg, Jan Olofsson and Claes-Göran Sylvén.
 - Election of new member, Anette Wiotti.

Information on the current members of the Board can be found under the heading "Corporate Governance" on ICA Gruppen's website.

- The Nomination Committee proposes that Claes-Göran Sylvén be elected as Chairman of the Board.
- The Nomination Committee proposes board fees to be paid in the amount of SEK 1,025,000 (1,025,000) to the Chairman of the Board and SEK 425,000 (425,000) to each of the other members.
- The Nomination Committee proposes that SEK 1,300,000 (1,125,000) be paid as follows:
 - For work on the Audit Committee, compensation totalling SEK 425,000 (425,000) to be paid, of which SEK 170,000 (170,000) to the chairman and SEK 85,000 (85,000) to each of the other members.
 - For work within the Reward Group, compensation totalling SEK 175,000 (175,000) to be paid, of which SEK 75,000 (75,000) to the chairman and SEK 50,000 (50,000) to each of the other members.
 - For work on the Retail Investment Committee, compensation totalling SEK 225,000 (225,000) to be paid, of which SEK 75,000 (75,000) to the chairman and SEK 50,000 (50,000) to each of the other members.
 - For work on the Sustainability Committee, compensation totalling SEK 175,000 to be paid, of which SEK 75,000 to the chairman and SEK 50,000 to each of the other members.
- A total of SEK 300,000 (300,000) will be held in reserve to give the Board the ability to appoint up to six additional committee members or create additional Board committees.

- If the Annual General Meeting resolves in accordance with the Nomination Committee's proposals, the fees will total SEK 6,150,000 (5,975,000), which means an increase in board fees by SEK 175,000 due to the creation of the Sustainability Committee.
- The Nomination Committee proposes that an accounting firm be elected as auditor.
- The accounting firm KPMG AB is proposed as the auditor.
- It is proposed that remuneration to auditors be paid based on approved invoices.
- Proposed principles for the Nomination Committee ahead of the 2018 Annual General Meeting:

The Company's Nomination Committee is to consist of four (4) members representing the Company's shareholders. ICA Gruppen's Chairman is to be co-opted onto the Nomination Committee.

Two of the members are to be nominated by the largest shareholder and two by the two next largest shareholders. The largest shareholders in terms of voting power are to be determined based on the list of registered shareholders maintained by Euroclear Sweden AB as of the last trading day in August and they will be contacted by the Company at the earliest opportunity after that date. If any of the three largest shareholders decide to relinquish their right to appoint a representative to the Nomination Committee, this right will be transferred to the shareholder who has the next largest shareholding as of the stated date. The names of the shareholder representatives and the names of the shareholders they represent are to be published no later than six months before the Annual General Meeting. The Nomination Committee's term of service is to continue until a new Nomination Committee has been appointed. The chairman of the Nomination Committee will, unless the members agree otherwise, be one of the members representing the largest shareholders in terms of voting power. The chairman is to have the casting vote.

If, during the Nomination Committee's term, one or more of the shareholders who have appointed members to the Nomination Committee are no longer among the three largest shareholders, the members appointed by those shareholders are to vacate their positions and the shareholder or shareholders who are at that point among the three largest shareholders are to appoint members. In the absence of any special reasons, however, no changes are to be made to the Nomination Committee's composition if only minor changes in ownership have taken place or if the change takes place later than two months before the Annual General Meeting. Shareholders who have been appointed as members of the Nomination Committee have the right to dismiss those members and appoint new members to the Nomination Committee. Changes in the Nomination Committee's composition are to be announced on the Company's website as soon as they have taken place.

The Nomination Committee is to apply rule 4.1 of the Swedish Corporate Governance Code as the diversity policy with which the Nomination Committee will ensure that the Board of Directors, taking into consideration the nature of ICA Gruppen AB's business, stage of development and circumstances in general, has an appropriate composition characterised by diversity and breadth with respect to the expertise, experience and backgrounds of the members elected by the Annual General Meeting. The Nomination Committee is also to aim to achieve the goal of having a balanced gender distribution on the Board.

The Nomination Committee is to present proposals regarding the following matters prior to the Annual General Meeting:

- proposal on a chairman for the meeting,
- proposal on the number of members of the Board,
- proposal on the members of the Board,
- proposal on the Chairman of the Board,
- proposal for board fees, broken down into amounts for the Chairman of the Board and other members of the Board, and remuneration for committee work,
- proposal on the number of auditors,
- proposal on an auditor or auditors and proposed fees to be paid to the Company's auditor or auditors, and
- proposal on principles for the Nomination Committee.

The Nomination Committee is to perform the other duties that are incumbent upon the Nomination Committee according to the Code. The Company will, at the request of the Nomination Committee, provide personnel resources, such as a secretary for the Committee, to facilitate its work. If required, the Company is also to be responsible for reasonable costs for external consultants that the Nomination Committee considers it necessary to engage to fulfil its responsibilities.

Any questions about the work of the Nomination Committee can be addressed to the Nomination Committee's chairman Claes Ottosson, claes.ottosson@kvantum.ica.se

ICA Gruppen AB is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic which mainly conduct grocery retail, ICA Real Estate which owns and manages properties, ICA Bank which offers financial services and Apotek Hjärtat which conducts pharmacy operations. The Group also includes the company Hemtex.

www.icagruppen.se



ICA Gruppen AB • 171 93 Solna, Sweden. Visiting address: Svetsarvägen 16. Tel.: +46 8 561 500 00. www.icagruppen.se
Corporate identity number 556048-2837

ICA Sverige AB

171 93 Solna, Sweden
Visiting address:
Svetsarvägen 16
Tel.: +46 8 561 500 00
www.ica.se

Rimi Baltic AB

A. Deglava Str 161
LV-1021 Riga, Latvia
www.rimibaltic.com

Apotek Hjärtat AB

171 93 Solna, Sweden
Visiting address:
Svetsarvägen 16
Tel.: +46 8 561 500 00
www.apotekhartat.se

ICA Fastigheter AB

721 84 Västerås, Sweden
Visiting address:
Ingenjör Bååths gata 11, T2
Tel.: +46 21 19 30 00
www.icafastigheter.se

ICA Banken AB

171 93 Solna, Sweden
Visiting address:
Svetsarvägen 16
Tel.: +46 8 561 500 00
www.icabanken.se

Hemtex AB

Box 495, SE-503 13 Borås,
Sweden
Visiting address:
Druveforsvägen 8
Tel.: +46 33 20 69 00
www.hemtex.se