

Corporate governance report 2016



Corporate Governance Report 2016

Good corporate governance is the foundation for a healthy business culture

A changing world and the acquisition of IKI in Lithuania were important focus areas in the Board's work in 2016. In addition, we have continuously monitored our performance in relation to Group-wide targets and the strategic priorities we have set.



One of the Board's most important tasks is to apply well-adapted corporate governance processes to create the right climate for a corporate culture that can help the Group and the business develop in the best possible way. To facilitate this we have stable systems, routines and procedures in place, enabling us to continually follow up on targets, internal control and risk management.

Participation and continuity

It gives me great pleasure to again note the high level of commitment among the Board members. Once again the discussions during the year have been intense, constructive and characterised by openness and distinguished by an enduring ambition to think in new ways – all the qualities we need to enable us to continue to develop as an organisation. The Board has performed its duties during the year through formal Board meetings and in various committees. The fact that each Board member serves on at least one committee allows participation and continuity to be maintained between the formal meetings.

A changing world

A major focus of the Board's work in the past year has been the rapid changes taking place in the world around us and in the markets. The most distinctive aspects are changed consumer behaviour, extensive cross-industry offerings and digitalisation, which are

affecting most of the areas where we operate. We have talked about this for a long time and over the past year the trends have become even more pervasive. The new conditions entail both challenges and opportunities to a large organisation like ICA Gruppen. They require a readiness to change and courage to continue developing. This also requires a strong capacity and ability for continued investments.

Capacity for continued investments

In recent years we have made major structural changes involving both acquisitions and divestments – most recently the acquisition of IKI in Lithuania, which has been discussed at numerous Board meetings in 2016. We have a strong financial position and a stable platform for continued growth. Our strong cash flow and healthy capital structure put us in a strong position to be able to continue to invest and to provide good and stable returns to our shareholders.

Agile and long term oriented

Just as the rest of the organisation, the Board needs to make sure that we are sufficiently agile to quickly take advantage of opportunities or react to events in the world around us or within our own organisation. At the same time, we must maintain a long-term perspective in all situations. In 2017, it will be 100 years since ICA was founded and we want to be here for at least 100 years more. Our decisions on goals, strategies and special initiatives are always based on this long-term perspective.

In a fast-changing world it is of great importance to constantly evaluate the Board's composition and combined expertise. Over the past years we have added reinforcements to the Board in important areas and in my opinion, the Board holds today a good mix of expertise.

New Sustainability Committee

Our foremost strategic priorities include continued investments in sustainability. The goal we have established is that ICA Gruppen's operations are to be

climate neutral by 2020 – a goal that is both challenging and inspiring. The Board is following the progress made carefully and with great interest. To firmly establish the comprehensive sustainability perspective further, we formed a committee in 2016 entirely dedicated to this issue.

Courage to continue developing

One of the Board's most important tasks is to support and challenge members of the ICA Management Team (IMT) and critically evaluate their work. To succeed in this, there has to be an open and constructive dialogue between the Board and the IMT. From the Board's perspective, we experience that this is the case. I would also like to express our appreciation for the commitment that everyone in the entire organisation has shown and continues to show. We live and work in a fast-changing era, where the ability and courage to think in entirely new ways is critical for success. The enthusiasm that has characterised the past year bodes well as we now take on the next 100 years.

Stockholm, February 2017

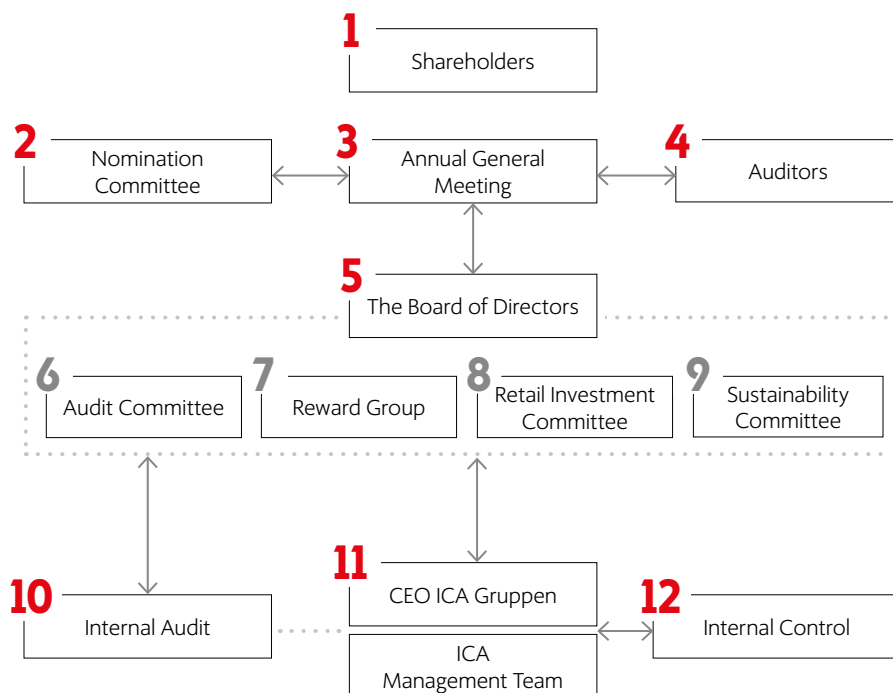
Claes-Göran Sylvén
Chairman of the Board

Further information:

- Swedish Companies Act, www.government.se
- Nasdaq Stockholm, www.nasdaqomxnordic.com
- Swedish Corporate Governance Code, www.bolagsstyrning.se
- ICA Gruppen's Articles of Association, www.icagruppen.se

Governance for value creation

Good corporate governance is about ensuring, on behalf of all shareholders, that the Company is managed in a sustainable and responsible way and as efficiently as possible. The overall goal is to increase shareholder value and in so doing, meet the requirements owners have with respect to their invested capital. The main external and internal control instruments for ICA Gruppen AB (ICA Gruppen or the Company) are the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), the Articles of Association adopted by the Annual General Meeting of the Board of Directors, the instructions for the Board committees, the instructions for the CEO, including instructions on financial reporting, and the policies established by the Board. ICA Gruppen's Board of Directors is responsible for the Company's organisational structure and the administration of the Company's affairs. The CEO is responsible for ensuring that the day-to-day administration of the Company is carried out in accordance with the Board's guidelines and instructions. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is otherwise responsible for providing the meetings with information documents and materials for use as a basis for decisions.



Shareholders

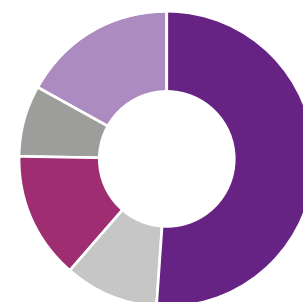
1 ICA Gruppen is listed on Nasdaq Stockholm in the Large Cap segment since 8 December 2005. The largest shareholder is ICA-handlarnas Förbund with a holding of 51.3%. The second largest shareholder, AB Industrivärden, owns 10.3% of the shares. As of 31 December 2016 the remaining shares were owned by 46,437 natural and legal persons. As of that date, none of these shareholders held more than 10% of the shares in the Company, neither directly nor indirectly. In voting at general meetings each share carries entitlement to one vote and each person may vote for the full number of shares he/she represents.

Until 20 January 2016, the Company had a share structure with two classes of shares: ordinary shares and C shares. The C shares, which constituted 40.8%

of the total number of shares, were unlisted and did not carry entitlement to cash dividends. The remaining 59.2% were listed ordinary shares with dividend entitlement. On 20 January 2016 the C shares were converted to ordinary shares with entitlement to dividends.

The share capital in ICA Gruppen amounts to SEK 502,866,988, distributed among 201,146,795 shares, each with a quota value of SEK 2.50. As of 31 December 2016 the Board of Directors had no outstanding authorisations from the Annual General Meeting for the Board to issue new shares or acquire treasury shares. More information on ICA Gruppen's shares and shareholders can be found in the section "Shares and shareholders" on pages 72–73 and on the Company's website, www.icagruppen.se.

Shareholders



- ICA-handlarnas Förbund
- Foreign financial institutions
- Industrivärden
- Swedish private individuals
- Swedish financial institutions

Nomination Committee

2 The rules for ICA Gruppen's Nomination Committee were adopted at the 2016 Annual General Meeting. The Nomination Committee is to consist of four members representing the Company's shareholders. ICA Gruppen's Chairman is to be co-opted onto the Nomination Committee. Two of the members are nominated by the largest shareholder and two by the next two largest shareholders. The largest shareholders in terms of votes are to be determined based on the list of registered shareholders maintained by Euroclear Sweden AB as of the last trading day in August. If, during the Nomination Committee's term, one or more of the shareholders who have appointed members to the Committee are no longer among the three largest shareholders, the members appointed by such shareholders are to vacate their positions and the shareholder or shareholders now among the three largest shareholders shall appoint members. The Nomination Committee will present proposals regarding the following matters prior to the 2017 Annual General Meeting:

- (i) proposal for a chairman for the general meeting;
- (ii) proposal for members of the Board of Directors;
- (iii) proposal for Chairman of the Board;
- (iv) proposal for Board fees, broken down into amounts for the Chairman of the Board and other Board members and as remuneration for committee work; and
- (v) proposal for auditor or auditors and proposed fees to be paid to the Company's auditor.

The work of the Nomination Committee

The composition of the Nomination Committee was announced on 28 September 2016. It consists of representatives from the three largest shareholders: Claes Ottosson and Anna-Karin Liljeholm representing ICA-handlarnas Förbund, Annika Lundius representing Industrivärden and Hans Ek representing SEB Investment Management. No compensation is paid by ICA Gruppen to the members of the Nomination Committee for their work and the members have concluded that there are no conflicts of interest that would affect their assignment. The chairman of the Company's board, Claes-Göran Sylvén, was co-opted onto the Nomination Committee. The Nomination Committee met with CEO Per Strömberg and CFO Sven Lindskog who, along with Claes-Göran Sylvén, provided information on ICA Gruppen's operations, board work and future focus areas. The Nomination Committee was also presented with the results of the 2016 evaluation of the Board. In addition, the chairman of the Audit Committee, Cecilia Daun Wennborg, informed the Nomination Committee about the work of the Board, of the Audit Committee and of ICA Gruppen's Accounting department. Cecilia Daun Wennborg also informed the Nomination Committee about an evaluation of the audit work carried out by the Audit Committee in 2016 and the purchases of audit services that the audit committee has made in 2016.

The Nomination Committee has applied rule 4.1 of the Code in the form of a diversity policy, through which the Nomination Committee ensures that the

Board of Directors, taking into consideration the nature of the Company's business, stage of development and circumstances in general, has an appropriate composition characterised by diversity and width 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 in the Board.

With regard to the above, the Nomination Committee has obtained a sound basis for assessing whether the composition of the Board is satisfactory, whether the Board has satisfactory expertise, width and experience, and to provide proposals regarding audits of the Company. Shareholders have been given the opportunity to submit suggestions and points of view on the work of the Nomination Committee prior to the 2017 Annual General Meeting. The Nomination Committee's proposals for the 2017 Annual General Meeting are presented in the notice of the meeting and on the Company's website, www.icagruppen.se. More information on the work of the Nomination Committee will be presented in the Nomination Committee's report prior to the 2017 Annual General Meeting.

Annual General Meeting

3 The general meeting of shareholders is ICA Gruppen's highest decision-making body. The general meeting that is held within six months after the end of the fiscal year and that sets out the income statement and balance sheet is known as the Annual General Meeting (AGM). ICA Gruppen's Annual General Meeting is normally held in the Stockholm area. In addition to decision on the income statement and balance sheet, the Annual General Meeting also decide on, among other things, the appropriation of earnings, the composition of ICA Gruppen's Board of Directors, fees for the Board and guidelines for remuneration to senior executives. The AGM also elects external auditors. General meetings are advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette) and on the Company's website, www.icagruppen.se. When a general meetings is

convened this information is advertised in Svenska Dagbladet, Dagens Nyheter and Dagens Industri. Shareholders who are registered in the share register five working days prior to a general meeting and who have duly notified ICA Gruppen of their intention to attend are entitled to participate in the general meeting, in person or by proxy, to vote at the meeting for or against the proposals presented and to pose questions to the Board of Directors and the CEO. Decisions at the AGM are normally taken by simple majority. However, certain decisions, such as on amendments to the Articles of Association, must be approved by a qualified majority.

2016 Annual General Meeting

The 2016 Annual General Meeting was held on Wednesday 20 April 2016 at Friends Arena in Solna. In

addition to shareholders, the meeting was attended by ICA Gruppen's Board of Directors, Management Team, employees, media representatives and a number of invited guests. The minutes from the Annual General Meeting and related documents are available on ICA Gruppen's website, www.icagruppen.se.

2017 Annual General Meeting

The 2017 Annual General Meeting will be held on Friday 7 April 2017 at Stockholm Waterfront. Shareholders who, no later than Saturday 1 April 2017, are registered in the share register (maintained by Euroclear Sweden AB), which in practical terms means no later than Friday 31 March 2017, and who no later than Monday 3 April 2017 have notified the Company of their intention to participate in the AGM are entitled to participate in the AGM, in person or by proxy.

Auditor

4 According to the Articles of Association, the Annual General Meeting is to appoint a minimum of one and a maximum of two auditors, or one or two registered public accounting firms. The accounting firm of Ernst & Young AB was elected audi-

tor at the 2016 Annual General Meeting for a term of one year. Ernst & Young AB has therefore audited the Company's accounts for 2016, and the authorised public accountant Erik Åström was the auditor in charge. The auditors attended one Board meeting to

present Ernst & Young AB's audit process for ICA Gruppen and to give Board members an opportunity to ask questions without the presence of ICA Management Team. In addition, the auditors attended all of the meetings of the Board's Audit Committee.

Rules and regulations

External rules

As a Swedish public limited company with securities listed on Nasdaq Stockholm, ICA Gruppen is, among other things, obliged to comply with the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Code.

Deviations from the Code, stock exchange rules or good stock market practice

The Company has not deviated from the Code or the stock exchange rules. Nor has the Company been subject of a decision by the Nasdaq Stockholm Disciplinary Committee or a decision on infringement of good practice in the stock market by Aktiemarknadsnämnden (the Swedish Securities Council).

Internal rules

ICA Gruppen has a number of internal rules which, together with the external rules, provide a framework for its operations. The main rules are the Articles of Association, the rules of procedure for the Board of Directors and each committee, the instructions for the CEO including instructions on financial reporting, instruction for conflicts of interest and Bill of Authority. The Company's internal rules with respect to ethics and social responsibility are brought together under the concept ICA's Good Business. Linked to ICA's Good Business are the Sustainability Policy, the Business Ethics Policy, the Sponsorship Policy and the Customer Policy. In addition, the following fundamental policies are in place:

- Financial Policy
- Risk Management Policy
- Insider Policy
- Tax Policy

ICA's Good Business

ICA's Good Business is designed to be applied practically in day-to-day operations. ICA's Good Business states that ICA Gruppen shall:

- be driven by profitability and high ethical standards;
- listen to customers and always base decisions on their needs;
- nurture diversity and growth among its employees;
- maintain an open dialogue internally and with the community;

- ensure quality and safe products;
- promote a healthy lifestyle; and
- adopt sound environmental practices to promote sustainable development.

Governance of ICA Gruppen's sustainability work

In September 2016 the Board of Directors decided to appoint a Sustainability Committee within the Board and at the same time the Board revised the processes for governing the Company's sustainability work. Below is a description of the situation after September 2016. For a description of how sustainability work was governed before this date, please refer to the 2015 Corporate Governance Report.

The strategic direction for the Company's sustainability work is set by the Board of Directors through the Sustainability Committee and is managed through strategic planning and business planning processes. The Sustainability Committee's mandate is based on the Code's rules on the responsibility of a board of directors to set the guidelines for how the Company should behave in society. The Committee's duties include preparing policies on business ethics and sustainability and preparing sustainability reports (annually and quarterly), and following up business ethics and sustainability issues. Furthermore, the Board of Directors annually review ICA Gruppen's sustainability work and how it relates to ICA's Good Business. The review involves risk analysis, a focus on ethical dilemmas and providing an in-depth training in specific identified areas.

Although the CEO has ultimate responsibility for sustainability issues within the Group, the day-to-day sustainability work has been delegated to the Chief Corporate Responsibility Officer. This position has been part of the ICA Gruppen's Management Team (IMT) since the autumn of 2016. The IMT, under the leadership of the Chief Corporate Responsibility Officer, is tasked with developing and, if need be, monitoring the Company's application of ICA's Good Business. To support the IMT and the Chief Corporate Responsibility Officer the Company has established a Sustainability Work Group. The Sustainability Work Group is cross-functional and address matters regarding sustainability. The IMT suggests sustainability prior-

ities to the Board and monitors ethical dilemmas, risks and public opinion. The IMT is also tasked with proposing policies to the Board and revising existing ones.

For a number of years the operating companies in ICA Gruppen have been using selected key indicators in the areas of the environment, gender equality, human rights and quality. The Company publishes quarterly reports on its sustainability work showing ongoing progress during the year. The report covers all operating companies within the Group. In addition, the Company publishes an annual sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines to provide an overall picture of its sustainability work. Read more about the Group's sustainability work starting on page 26 and on the Company's website, www.icagruppen.se.

All employees are responsible for ensuring that the Company is in compliance with external and internal rules, including ICA's Good Business. Employees are encouraged to report any irregularities in the Company's operations. Employees can report any issues to their immediate superior, the safety officer or the HR department. It is also possible to report issues through the Company's online whistleblower service or to the head of the Company's Internal Audit function. Issues can be reported through the whistleblower service anonymously. The status of individual employees is not negatively affected if they raise an issue or concerns about irregularities.

ICA retailers, i.e. business owners operating ICA stores and thus not employed by ICA Gruppen, are responsible for ensuring that their business is in compliance with external and internal rules. These include, among other things, a set of rules called ICA's Good Business for Stores describing how ICA retailers are to behave under the ICA brand. The Company and the ICA retailers membership organisation ICA-handlarnas Förbund (the Association of ICA Retailers) have together created an accountability board tasked with addressing accountability matters relating to the commitments of the ICA retailers and their responsibilities pursuant to the statutes of ICA-handlarnas Förbund, including ICA's Good Business for Stores. The accountability board can issue reminders or warnings and make expulsions from ICA-handlarnas Förbund.

The Board of Directors

5 The Board of Directors is responsible for establishing the Company's overall goals and strategies. The duties of the Board include, among other things:

- appointing, evaluating and, if needed, dismissing the CEO and approving assignments which the CEO has outside the Company;
- establishing the requisite guidelines for how the Company is to behave in the community to ensure its ability to create long-term value;
- ensuring that there are appropriate monitoring and control systems in place for the Company's operations and for the risks the Company faces associated with its operations;
- ensuring that there is satisfactory control of the Company's compliance with laws and other regulations that apply to the Company's operations, and ensuring the Company's compliance with internal rules; and
- ensuring that the Company's information procedures are correct, relevant, reliable and transparent.

According to the Articles of Association, ICA Gruppen's Board of Directors is to consist of between five and ten members elected by the Annual General Meeting. There are no other rules in the Articles of Association concerning the appointment or dismissal of Board members. The present Board has ten AGM-elected members, three of which are women. The CEO makes presentations at Board meetings and the Company's General Counsel is the secretary to the Board. In addition to the AGM-elected members, the Board has two employee representatives, each with a deputy. The Board is made up of individuals with extensive and solid expertise in ICA's affairs, retail, business development, IT, corporate finance, corporate governance, sustainability and industry.

Independence of Board members

Four of the Board's members, Cecilia Daun Wennborg, Jan Olofsson, Jeanette Jäger and Andrea Gisle Joosen, are independent in relation to ICA Gruppen, its management and the principal shareholders. Bengt Kjell is independent in relation to ICA Gruppen and its management but not in relation to the Company's principal shareholders as he is a member of the board of AB Industrivärden. Fredrik Hägglund and Göran Blomberg are independent in relation to ICA Gruppen and its management but not in relation to the principal shareholders since they are employed by ICA-handlarnas Förbund. Peter Berlin and Magnus Moberg are ICA retailers and members on the board of the Association of ICA Retailers. They are regarded as independent in relation to ICA Gruppen and the Company's management, but not in relation to the principal shareholder

ICA-handlarnas Förbund. With respect to Peter Berlin, in conjunction with the establishment of his ICA store ICA Kvantum Emporia, ICA Sverige AB (a subsidiary of ICA Gruppen) provided a financing solution according to the normal routines within ICA Sverige AB. This does not affect his independence in relation to the Company or his membership of ICA-handlarnas Förbund. Claes-Göran Sylvén was CEO for the Company up to 20 May 2013. Accordingly, under the Code he is not considered independent in relation to the Company and its management. In his capacity as an ICA retailer and member of ICA-handlarnas Förbund he is not regarded as independent in relation to ICA-handlarnas Förbund either.

The work of the Board

The main mission of the Board of Directors is to establish the Company's overall goals and strategies. The key issues for the Board to address are strategy work, monitoring and controlling the Company's operations and risks, value creation and monitoring the Company's compliance with external and internal rules and regulations. The processes for following up and controlling the Company's risk are described in more detail in the section "Risks and risk management" on pages 52–56. One of the ways the Board monitors the Company's compliance with internal and external rules and regulations is through the risk-based audits performed by Internal Audit; see the section "Internal Audit" below. The Board is guided in its work by the Chairman. The Board's work is regulated in the rules of procedure established by the Board each year, and by applicable laws and regulations. Every year the Board decides on instructions for the CEO and for the working committees, as well as other policy documents that provide guidance for ICA Gruppen's employees. The rules of procedure and instructions now in place, other than the instructions for the Sustainability Committee, were discussed and formally adopted at the Board meeting on 24 May 2016. The instructions for the Sustainability Committee were adopted at the Board meeting on 26–27 September 2016. The Board of Directors met 11 times in 2016.

Conflicts of interest

ICA Gruppen's Board of Directors has decided that Board members and the CEO must not deal with matters relating to agreements between themselves and the Company nor matters between the Company and third parties if the person in question has a significant interest that could conflict with the Company's interests.

10 Internal Audit

The Company has created an independent and objective Internal Audit function that works on tasks assigned by the Board of Directors. Internal Audit examines corporate governance, risk management and the management and control of ICA Gruppen's business processes. The mandate of the Internal Audit function covers all operations within ICA Gruppen in Sweden and the Baltic countries. Each year the Audit Committee draws up a risk-based plan for Internal Audit work to ensure that it focuses on the areas where the most value can be added to ICA Gruppen. In 2016 the scrutiny of Internal Audit included ongoing programmes for change, IT security in operations, e-commerce, compliance with external

Key issues and matters dealt with in 2016

January

- All C shares were converted into ordinary shares.

February

- Increased investment in the service offering in health through opening of three new "Minute Clinics" (Minut-kliniker) within Apotek Hjärtat.

June

- Decision to divest inkClub.

September

- Decision to establish the Sustainability Committee from among members of the Board.
- Kerstin Lindvall is appointed as ICA Gruppen's Chief Corporate Responsibility Officer (CCRO) and as a member of the ICA Gruppen Management Team.

December

- ICA Real Estate divests ICA Eiendom Norge AS.
- ICA Gruppen sign an agreement to acquire the Lithuanian grocery retail chain IKI.

regulations, and management and control of personal data. Store audits constitute a special area within the review of business processes. The observations and recommendations made by Internal Audit aim to reduce the level of risk within a business area and to increase efficiency and improve ICA Gruppen's processes. It is the responsibility of the respective management team to put in place appropriate action plans based on the recommendations made by Internal Audit. An important aspect of Internal Audit's work is to review the established action plans quarterly. Internal Audit reports quarterly to ICA Gruppen's Audit Committee, which in turn reports to the Board. This reporting covers the audit work carried out over the past quarter and the status of the action plans. Internal Audit also prepares a report annually which is presented to the Board.

Evaluation of the Board of Directors

An evaluation of the Board of Directors is carried out every year in order to develop the work of the Board and provide a basis for the Nomination Committee's evaluation of the Board's composition. The evaluation of the Board in 2016 was carried out by Board members completing a questionnaire. Their responses were then compiled into a report that was remitted to the Board. The evaluation showed that the Board functioned very well and that considerations from the evaluation performed in 2015 have been taken into account but that there is room for further improvement. The evaluation further showed that the Board is a well-composed group of highly committed individuals and that each of the members contributes broad expertise and many years' experience in various areas that are relevant to ICA Gruppen's operations.

Remuneration to the Board of Directors

The Nomination Committee submits proposals to the Annual General Meeting for resolutions on Board fees. The 2016 Annual General Meeting approved the Nomination Committee's proposal concerning fees. Information on Board fees in 2016 can be found in Group notes, Note 4 on pages 64–65 and on pages 87–89. The Nomination Committee's remuneration proposals for the 2017 Annual General Meeting are presented in the notice of the meeting.

In September 2016 the Sustainability Committee was established. Supported by a resolution at the 2016 Annual General Meeting on earmarking SEK 300,000 to allow the Board to form additional committees, it was decided that the Board members appointed to the Sustainability Committee would be remunerated for the period until the next AGM in an amount equivalent to half the remuneration for the members of the Retail Investment Committee and the Reward Group.

Board committees

ICA Gruppen's Board has four regular committees: the Audit Committee, the Reward Group, the Retail Investment Committee and the Sustainability Committee. The committees report to the Board on an ongoing basis on their work. The committees are to be regarded as the Board's working committees and do not assume the responsibility that is incumbent upon the Board as a whole.

6 The Audit Committee

The Audit Committee's mandate is to supervise the Company's accounting and financial reporting and to monitor the effectiveness of the Company's internal control, internal audit, risk management and compliance with rules and regulations. The Audit Committee shall also keep itself informed concerning the audit of ICA Gruppen and shall review and monitor the impartiality and independence of the audit. The Audit Committee assists with the preparation of proposals to the Annual General Meeting concerning the election of auditors. In 2016 the Audit Committee conducted an evaluation of the auditing of the Company. The Committee also carried out a procurement

process regarding auditing services that aimed at providing a recommendation on auditors to the Nomination Committee. In 2016 the Audit Committee consisted of Cecilia Daun Wennborg (chairman), Bengt Kjell, Göran Blomberg and Magnus Moberg. The Company's CFO is responsible for presenting information.

7 The Reward Group

The Reward Group is responsible for the preparation and evaluation of issues regarding remuneration and other terms of employment for the ICA Management Team, including pay structures, pension plans, incentive programmes and other terms of employment. The Reward Group also monitors and evaluates ongoing and concluded remuneration programmes for the IMT during the year, and monitors and assesses the implementation of the guidelines for remuneration to senior executives adopted by the Annual General Meeting, as well as remuneration structures and levels within the Company. In 2016 the Reward Group consisted of Claes-Göran Sylvén (chairman), Andrea Gisle Joosen and Fredrik Häggglund.

8 The Retail Investment Committee

The Retail Investment Committee's shall review and quality assure the documentary basis for decisions on acquisitions and divestments, including necessary risk analyzes. In addition, the Retail Investment Committee has an investment and divestment mandate as set out in the Company's Bill of Authority. In 2016 the Retail Investment Committee consisted of Claes-Göran Sylvén (chairman), Jan Olofsson, Jeanette Jäger and Peter Berlin.

9 The Sustainability Committee

The Sustainability Committee's mandate is based on the Code's rules on the responsibility of a board of directors to set the guidelines for how a company should behave in society. The Committee's duties include preparing policies on business ethics and sustainability as well as sustainability reports (annually and quarterly), and following up on business ethics and sustainability issues. The Sustainability Committee consists of Cecilia Daun Wennborg (chairman), Andrea Gisle Joosen and Fredrik Häggglund.

ICA Gruppen's Board of Directors



	Claes-Göran Sylvén	Peter Berlin	Göran Blomberg	Cecilia Daun Wennborg	Andrea Gisle Joosen	Fredrik Hägglund
Born	1959	1960	1962	1963	1964	1967
Education	Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Science in Business and Economics, Cand. Merc.	Master of Laws
Elected	2013	2011	2013	2005	2010	2013
Other significant assignments	Chairman of the Board MQ Holding AB. Board member Centrum Fastigheter i Norrtälje AB and HUI Research etc. ICA retailer, ICA Kvantum Flygfyrn in Norrtälje.	Chairman of the Board ICA-handlarnas Förbund etc. Board member Hyllie Mat AB and Grobladet AB. CEO Hyllie Mat AB. ICA retailer, ICA Kvantum Emporia in Malmö.	Chairman of the Board Urbano AB, Expandia Modular AB and Retail Finance Europe AB. Board member Hakon Media AB etc. CFO ICA-handlarnas Förbund	Board member Getinge AB, Loomis AB, Bravida Holding AB, Sophiahemmet, Atvexa AB, Hotell Dipolmat and Oxfam Sverige etc.	Chairman of the Board Teknikmagasinet AB. Board member Dixons Carphone plc, BillerudKorsnäs AB, Mr Green & Co AB and James Hardie Industries plc.	Board member Svensk Handel and Independent Retail Europe etc. CEO ICA-handlarnas Förbund.
Previous significant positions	Chairman of the Board ICA AB. Board member Svensk Handel. CEO Hakon Invest AB (publ) and ICA-handlarnas Förbund.	Chairman of the Board Sandby Livs AB. Board member Erfa gruppen AB and ICA AB. CEO Erfa gruppen AB and Sandby Livs AB.	Board member ICA AB and Rindi Energi AB, etc. CFO Hakon Invest AB, RNB Retail and Brands AB, Portwear AB and Pronyx AB.	Vice President Ambea AB, President and CFO Carema Vård och Omsorg Aktieföretag, Acting CEO Skandia-banken, Head of Skandia Sweden and CEO Skandia-Link Livförsäkrings AB.	Board member Lighthouse Group AB and Elektronikbranschen Sverige etc. CEO Boxer TV Access AB, CEO Panasonic Nordic AB, CEO Chantelle AB.	Board member ICA AB, the Swedish Anti-Corruption Institute and EuroCommerce. Vice President and General Counsel ICA-handlarnas Förbund. General Counsel Hakon Invest AB. Lawyer, Clifford Chance, Brussels. Assistant Lawyer, Linklaters.
Total remuneration in 2016, SEK	1,175,000	475,000	510,000	632,500	500,000	500,000
Independence	Not independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.
Shareholding	657,889 shares (incl. related parties)	141,680 shares (incl. related parties)	20,625 shares (incl. related parties)*	3,125 shares (incl. related parties)	1,780 shares (incl. related parties)	17,067 shares (incl. related parties)*
Committees	Member of the Reward Group (chairman) and the Retail Investment Committee (chairman)	Member of the Retail Investment Committee	Member of the Audit Committee	Member of the Audit Committee (chairman) and the Sustainability committee (chairman)	Member of the Reward Group and the Sustainability Committee	Member of the Reward Group and the Sustainability Committee
Attendance at board meetings	11/11	10/11	10/11	9/11	11/11	11/11
Attendance at Audit Committee meetings	-	-	4/4	4/4	-	-
Attendance at Reward Group meetings	7/7	-	-	-	7/7	7/7
Attendance at Retail Investment Committee meetings	11/11	10/11	-	-	-	-
Attendance at Sustainability Committee meetings	-	-	-	1/1	1/1	0/1

*As appose to previous years, the shareholding includes shares in a pension insurance. plan.



Jeanette Jäger	Bengt Kjell	Magnus Moberg	Jan Olofsson	Jonathon Clarke	Magnus Rehn	Ann Lindh
1969	1954	1966	1948	1968	1966	Deputy member Employee representative Unionen
Business studies, Stockholm University	Master of Science in Business and Economics	Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Trained welder, studies in labour law	Upper secondary school	Born: 1964 Education: Upper secondary school Appointed: 2013 Previous significant positions: Employee representative ICA AB. Total remuneration 2016: SEK – Independent: – Shareholding: 0 (incl. related parties) Attendance at board meetings: 5/11 Attendance at Audit Committee meetings: – Attendance at Reward Group meetings: – Attendance at Retail Investment Committee Meetings: –
2015	2013	2008	2005	2013	2013	
Director Digital Solutions, Bankgirot.	Chairman of the Board Hemfosa Fastigheter AB and SSAB. Board member AB Industrivärden, Indutrade AB and Pandox AB etc.	Chairman of the board, Nya Ulfmag AB. Board member, ICA-handlarnas Förbund, Jomag AB and Storbutiken i Falköping AB etc. CEO Storbutiken i Falköping AB. ICA retailer, Maxi ICA Stormaknad Falköping.	Chairman of the Board Korshags Food AB. Board member and CEO Kabi- nettet AB.	Employee representative	Employee representative	
Board member SeeCity AB. Head of Marketing and Communications Tieto, VP Financial Services Global Tieto, VP Capital Markets Global Tieto, Product and Market Director Tieto, TDC. CEO Inne AB. Market- ing Director Paynova AB. Mentor in Womentor.	Chairman of the Board Kungsleden AB and Skån- ska Byggsvaror Group AB. Board member Höganäs AB, Skanska AB, Munters AB, Össur Hf, Fermenta AB, Byggnadsfirman Wallen- stam AB, Bonifazius AB, Gandalf AB, Helsingborgs Dagblad AB, AB Handel och Industri, Nordic Tank- ers Holding AB, Plastal Industri AB, Hoist Interna- tional AB, etc. Acting CEO AB Industrivärden, CEO AB Handel och Industri, Dep- uty CEO, Industrivärden, Senior Partner, Navet Affärsutveckling AB. Head of Corporate Finance, Securum AB.	Chairman of the Board Köpet i Sandared AB. Board member Moberg & Svensson i Sandared AB and Ulfmag AB.	Chairman of the Board Init AB, Arkitektkopia AB, Silva AB, Printley AB and Bindo- matic AB. Board member MultiQ International AB and Koneo AB. Head of Mergers & Acquisitions and Deputy Head of Cor- porate Finance Handels- banken Capital Markets. Deputy CEO and Vice Pres- ident Essete AB.			
475,000	510,000	510,000	475,000	–	–	
Independent in relation to the Company, its manage- ment and the Company's principal shareholders.	Independent in relation to the Company and its man- agement, but not in rela- tion to the Company's principal shareholders.	Independent in relation to the Company and its man- agement, but not in rela- tion to the Company's principal shareholders.	Independent in relation to the Company, its manage- ment and the Company's principal shareholders.	–	–	
300 shares (incl. related parties)	1,000 shares (incl. related parties)	50,000 shares (incl. related parties)	3,750 shares (incl. related parties)	0 shares (incl. related parties)	250 shares (incl. related parties)	
Member of the Retail Investment Committee	Member of the Audit Committee	Member of the Audit Committee	Member of the Retail Investment Committee			
10/11	9/11	11/11	11/11	11/11	10/11	
–	4/4	4/4	–	–	–	
–	–	–	–	–	–	
11/11	–	–	11/11	–	–	
–	–	–	–	–	–	

Marcus Strandberg
Deputy member
Employee representative
The Commercial
Employees' Union

Born: 1966
Education:
Upper secondary school
Appointed: 2013
**Previous significant
positions:**
Employee representative
ICA AB.
**Total remuneration
2016:** SEK –
Independent: –
Shareholding:
0 (incl. related parties)
**Attendance at board
meetings:** 9/11
**Attendance at Audit
Committee meetings:** –
**Attendance at Reward
Group meetings:** –
**Attendance at Retail
Investment Committee
Meetings:** –

CEO and Management Team

11 **CEO**
 CEO Per Strömberg is responsible for the day-to-day administration of the Company in accordance with the guidelines and instructions issued by the Board. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is responsible for providing the meetings with information documents and material as a basis for decisions. In addition, the CEO must ensure that the members of the Board receive information on ICA Gruppen's performance in order to make well-founded decisions. The Board has approved Per Strömberg's significant assignments and financial commitments outside the Company, such as his positions as industrial advisor to Segulah Advisor AB, board member of Childhood Foundation and The Consumer Goods Forum and member of the Steering Group for GEN-PEP. The CEO has no significant shareholdings or proprietary involvement in companies with which the Company has significant business ties. An evaluation of the CEO was carried out by the Board in 2016 without the CEO and other members of management being present.

ICA Management Team

Alongside CEO Per Strömberg, the members of ICA Gruppen's Management Team (IMT) are the CFO, Chief HR Officer, Chief Strategy Officer, Chief Corporate Communication Officer, Chief Corporate Responsibility Officer and the CEOs of ICA Sweden (also Deputy CEO of ICA Gruppen), Apotek Hjärtat, Rimi Baltic, ICA Real Estate, ICA Bank and ICA Special. The IMT meets regularly to discuss matters relating to, for example, corporate governance, reporting and strategy. In addition, the IMT prepares information on matters where the rules of procedure state that a decision by the Board is required, and assists the CEO in executing decisions made by the Board.

In addition to their collective responsibility for the management of the Company, each member of the IMT bears individual responsibility for his or her respective area of the Company. To support the IMT's work the IMT has set up four committees: the Reward Group, the Sustainability Work Group, the Retail Investment Committee and the Group Risk Management Committee. Furthermore, separate meetings are held on a regular basis for an update on internal audit matters (IMT audit update) at which IMT members are present. At the beginning of each fiscal year the IMT assesses its work, focusing on the quality of decisions, agendas, the meeting structure, effectiveness and the IMT's overall performance.

Central departments

The Company has 11 central departments: Corporate Communication, Strategy & Business Development,

Corporate Responsibility, HR & ICA School, Legal, Group Risk Management, Accounting, Internal Control, Treasury & Tax, Group IT and Internal Audit.

Remuneration to senior executives Guidelines 2016

The Company's guidelines for remuneration to senior executives, adopted at the 2016 Annual General Meeting, state that the remuneration packages are to be in line with market terms for senior executives in similar industries and are aimed at recruiting, developing and retaining senior executives with relevant experience and expert leadership qualities. 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 and measurable 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 consist of the following components: basic salary, pension benefits, bonus, other remuneration and benefits, and severance pay. The 2016 AGM also decided to authorise the Board to make decisions regarding a share investment programme for 2016 under which the senior executives are expected to invest a certain portion of their gross salary in shares in the Company.

• Basic pay

Basic pay 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 norms and that follow the principles described above.

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.

• Bonus

The CEO and other senior executives in the Company are 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 bonus programme). The size of the combined bonus is maximised per person and year at the equivalent of 59% of annual salary (18% for the CEO). The bonus is not pensionable.

Payment of bonus is to be contingent upon the participants' employment not being terminated during the term of the programme. The Board of Directors has the right to adjust the bonus system in the case of, for example, extraordinary increases or decreases in the Group's earnings.

– Annual bonus programme

A cash-based bonus programme linked to the targets for each fiscal year and maximised at 27% of annual salary (54% for the CEO). The bonus programme is to be based on financial and operational targets linked to ICA Gruppen's strategic themes and must be objectively quantifiable. The financial targets for the bonus programme are determined by the Board of Directors ahead of each fiscal year and individual bonus agreements are to be signed with each participant. The terms of these bonus agreements depend on the participant's position when the agreement is entered into.

– Long-term bonus programme

A cash-based, three-year bonus programme linked to value creation within the Group and maximised at 32% of annual salary (64% for the CEO). The targets for the bonus programme must be objectively quantifiable and determined by the Board, and must be linked to both absolute and relative performance criteria. Fulfilment of the absolute performance criteria accounts for 60% of the maximum outcome and the relative performance criteria for the remaining 40%.

• Share investment programme

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 annually according to which the senior executives are expected to invest a certain portion of their gross salary in shares in the Company.

The CEO and senior executives were expected, during a period established by the Reward Group as of the day after the Annual General Meeting until the end of 2016, to acquire shares in the Company for an amount of between 5% and 10% of their fixed gross salary for the fiscal year. Shares already held are not to be included in the calculation. Acquired shares are to be held for the entire period the executives are employed by the Group.

Twelve months after the shares in the Company are acquired as described above, the executives will receive a net sum from the Company equivalent to 50% of their investment, provided that all of the following criteria are met:

- (i) the executive is still employed by the Group (period of notice of termination does not count as employment);

- (ii) the executive still holds all of the acquired shares; and
- (iii) the threshold of at least 50% of the outcome of the annual bonus programme for the investment year in question has been reached.

• Notice of termination and terms of severance pay

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

There are exceptions to the notice period, severance pay and deduction clause in a few agreements entered into before the 2016 Annual General Meeting.

• 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.

• Special circumstances

The Board has the right to deviate from the guidelines proposed above if there is particular reason to do so. The Board has deviated from the guidelines on one occasion in 2016:

According to the employment agreement for the CEO of Apotek Hjärtat that was in effect at the time of the acquisition of Apotek Hjärtat in 2014 and that still is in effect the CEO of Apotek Hjärtat has pension benefits

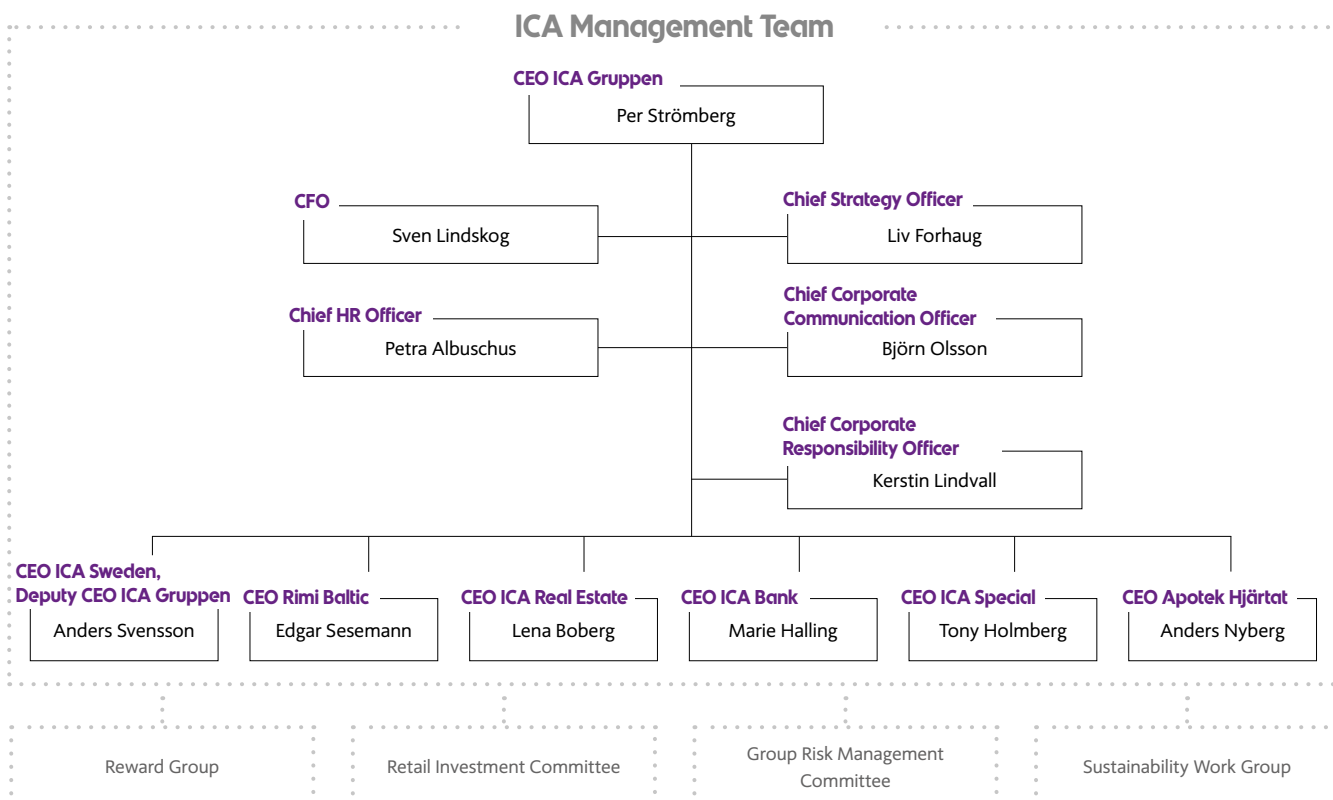
in accordance with ITP1. This means that his bonus, as oppose to bonus to other senior executives, is pensionable.

Proposal to the 2017 Annual General Meeting

The Board of Directors preliminary proposes to the 2017 Annual General Meeting that the guidelines described above, with minor adjustments and with the exception of the share investment programme, be re-adopted. The Board's final proposal for guidelines are presented in the notice of the Annual General Meeting.

Further information

More information on fixed and variable remuneration is available on the Company's website, in the Board's account of the Reward Group's evaluation according to item 9.1 of the Code, in the notice to attend the Annual General Meeting and in Group notes, Note 4.



ICA Gruppen's Management Team (IMT)



	Per Strömberg	Petra Albuschus	Lena Boberg	Liv Forhaug	Marie Halling	Tony Holmberg
	CEO ICA Gruppen. Employed at ICA and member of IMT since 2012.	Chief HR Officer (CHRO) ICA Gruppen. Employed at ICA since 2008 and member of IMT since 2015.	CEO ICA Real Estate. Employed at ICA since 2007 and member of IMT since 2010.	Chief Strategy Officer (CSO) ICA Gruppen. Employed at ICA and member of IMT since 2013.	CEO ICA Bank. Employed at ICA and member of IMT since 2014.	CEO ICA Special. Employed at ICA since 1991 and member of IMT since January 2016.
Born	1963	1968	1970	1970	1963	1971
Education	Master of Science in Business and Economics	Master of Science in Engineering	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Laws	Completed management and finance courses at INSEAD Business School, IHM Business School, internally at ICA etc.
Other assignments	Industrial advisor to Segulah Advisor AB, board member Childhood Foundation and The Consumer Goods Forum. Member of the Steering Group GEN-PEP.	Board member Electra Gruppen AB.	Board member Rikshem AB.	Board member Thule Group AB and Hufvudstaden AB.	-	-
Experience	CEO Lantmännen (2007–2012) and Sardu AB (2006–2007). Kraft Foods (1988–2006), inter alia as CEO Kraft Foods Sweden, CEO Kraft Foods Denmark, Director Business Development Kraft Foods International, London. Various managerial positions at Kraft Freia Marabou, Sweden.	SVP Logistics, ICA Sverige (2008–2015). Procter & Gamble (1993–1998, 2005–2008), Procter & Gamble UK (1998–2001), Procter & Gamble ETC Belgium (2001–2005), inter alia as Director of Logistics, Nordics.	CFO ICA Real Estate (2007–2011) and Skandrenting AB (1999–2007). Project Manager and Consultant Knowit AB (1999). Financial Manager Hagströmer & Qviberg Fondkommission AB 1996–1998, Financial Manager Nordien System AB 1995.	McKinsey & Company, Partner and head of the retail sector in Scandinavia (2006–2013), previously Project Manager and Consultant (1996–2005). Worked in Sweden, elsewhere in Europe and in the US.	Swedbank (2005–2014), inter alia as head of the Eastern region and member of Swedbank's Group Executive Committee, head of Retail Banking and Private Banking. FöreningsSparbanken (1996–2005), inter alia as Head of Corporate Banking FöreningsSparbanken Stockholm.	SVP Sales & Operations ICA Sweden (2010–2015), Rimi Baltic as Country Manager for Rimi Lithuania, etc. (2008–2010), Business Development Manager, Market department ICA AB (2007–2008). Format Director ICA Kvantum and other ICA assignments (1991–2007).
Shareholding	14,070 shares (incl. related parties)	1,690 shares (incl. related parties)	1,914 shares (incl. related parties)	4,800 shares (incl. related parties)	3,250 shares (incl. related parties)	6,000 shares (incl. related parties)



Sven Lindskog	Kerstin Lindvall	Anders Nyberg	Björn Olsson	Edgar Sesemann	Anders Svensson
CFO ICA Gruppen AB. Employed at ICA and member of IMT since 2014.	Chief Corporate Responsibility Officer (CCRO) ICA Gruppen. Employed at ICA since 1997 and member of IMT since 2016.	CEO Apotek Hjärtat. Employed at ICA and member of IMT since 2015 (CEO of Apotek Hjärtat since 2009).	Chief Corporate Communication Officer (CCCO) ICA Gruppen AB. Employed at ICA since 2004 and member of IMT since 2009.	CEO Rimi Baltic. Employed at ICA since 1999 and member of IMT since 2008.	CEO ICA Sweden and Deputy CEO (DCEO) ICA Gruppen. Employed at ICA and member of IMT since 2009.
1963	1971	1956	1971	1961	1964
Master of Science in Business and Economics	Agronomist	Studies in business and finance, Stockholm University DIHR, Institutet för högre kommunikations- och reklamutbildning	Master's degree in Political Science, Economics and Commercial Law	Diploma in Market Economics	Master of Science in Business and Economics
–	SVP Corporate Responsibility ICA Sverige AB. Board member KRAV and member of Monitoring Board of the Swedish Chemicals Agency.	Board member Swedish Pharmacy Association.	–	–	Vice Chairman Swedish Grocery Trade Federation, Deputy Chairman Svensk Handel AB and board member Confederation of Swedish Enterprise. Member of AMS Sourcing B.V. supervisory board.
CFO Höganäs Group (2007–2014). CFO Sardus Group (2006–2007). CFO Unilever Nordic (2005–2006). Other senior positions at Unilever Nordic (1998–2004). Unilever global head office the Netherlands (1996–1998). Unilever Hungary (1994–1996). Unilever Sweden (1989–1993).	ICA Sweden (1997–), SVP Corporate Responsibility (2010–), Head of Environment & Social Responsibility (2002–2009), Quality specialist (1999–2001) and Head of environment (1997–1999). Swedish Board of Agriculture, coordinator for EU funding (1996–1997).	Deputy CEO ICA AB (2006–2008) and Axfood (2001–2005). ICA (1992–2000); Deputy CEO ICA Sweden, SVP Strategy & Business Development, CEO ICA Öst. Åhléns (1988–1992), Regional Manager/Marketing Manager Livs. Chairman of the Board, Swedish Pharmacy Association (2012–2016).	Head of Media Relations/Acting Head of Communications Svensk Handel (Swedish Trade Federation) (2000–2003).	ICA, inter alia as CEO Rimi Estonia (2008), Sourcing Director ICA AB, ICA Sverige AB and ICA Handlarnas AB (1999–2008). Business Unit Director Grocery KF Stormarknader (1992–1998). Category Director B&W Stormarknader (1990–1992). Department Manager B&W Falkenberg and B&W Täby (1986–1990).	Arla (2002–2009), inter alia as SVP Arla Foods Consumer Nordic, Managing Director Arla Foods Sweden. Procter & Gamble Nordic and Procter & Gamble UK (1993–2002), inter alia as Director of Logistics, Nordic, and Sales Director, Sweden. Consultant Andersen Consulting (1988–1993).
2,100 shares (incl. related parties)	750 shares (incl. related parties)	8,035 shares (incl. related parties)	1,923 shares (incl. related parties)	3,100 shares (incl. related parties)	4,740 shares (incl. related parties)

Internal control over financial reporting

This section has been prepared in accordance with the Code and the Annual Accounts Act, and describes the Company's internal control and risk management in relation to financial reporting. The aim is to provide shareholders and other stakeholders with an understanding of how internal control over financial reporting is organised within the Company.

12 The Board of Directors is responsible for ensuring that ICA Gruppen has good internal control and routines to guarantee compliance with established principles for financial reporting and internal control. The Board is also responsible for ensuring that financial reporting conforms to the Swedish Companies Act, applicable accounting standards and other requirements applicable for listed companies.



Internal Control department

ICA Gruppen has an Internal Control function tasked with coordinating and supervising the process of internal governance and control within the Group. The Internal Control department is also responsible for contributing to and supporting all internal control work within ICA Gruppen. The process of internal control over financial reporting is aimed at managing the risk of material errors in financial reporting with a reasonable degree of certainty and in compliance with laws and regulations. Internal Control defines the business critical processes and key controls that are part of the Group's regular evaluation of internal control processes. The evaluation is based on a process of periodic self-evaluation. The results are compiled in reports submitted by Internal Control to the ICA Management Team and the Audit Committee.

Model for internal control

ICA Gruppen employs a model that has three "lines of defence" describing how responsibility for internal governance and control is organised. The first line of defence is operational management who, in their respective areas, are responsible for maintaining good internal control and in doing so, identifying and managing the risk of errors in financial reporting. The second line of defence is the Group's risk and control functions, which are tasked with supporting the first line of defence and providing information to the management. The third line of defence is the independent Internal Audit function, which is tasked with examining the efficiency and reliability of the Group's internal governance and control.

ICA Gruppen's internal control work is based on the framework for internal governance and control produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework has five basic components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information & communication and 5. Monitoring and improvement activities.

1. Control environment

A good control environment forms the foundation for an effective internal control system within a company. It is built on an organisation with clear decision paths, where authority and responsibilities have been distributed based on guidelines and where there is a corporate culture with shared values. The control environment is also affected by management's and individual employee's actions based on these values. The Board's rules of procedure and the instructions for the CEO ensure a clear division of roles and responsibilities designed for effective control and management of operational risks. The Board has also adopted a number of basic policies and governing documents of significance for maintaining effective control, such as the Bill of Authority, the Risk Management Policy, Financial Policy, Sustainability Policy, Business Ethics Policy and Communication Policy. Management has also established guidelines for financial reporting, guidelines for HR and guidelines for preventing and identifying irregularities.

2. Risk assessment

The Audit Committee is responsible for ensuring that significant risks of errors in financial reporting are identified and managed. Within ICA Gruppen there is continuous dialogue with each operating company to ensure good internal control and awareness of operational risks. For a description of the Group's risks and risk management, see the section "Risks and risk management" on page 52-56.

3. Control activities

The Board is of the opinion that there is a solid understanding among the employees of the need for good control over financial reporting. ICA Gruppen's internal control structure is based on established policies and guidelines. The point of departure for ICA Gruppen's internal control structure is the Group's business critical processes in which control activities have been implemented based on the assessed risk of errors.

The Company mainly uses three types of controls:

- Group-wide controls relating to the Company's adherence to the Group policies and guidelines.
- Process controls for the Group's business critical processes. Many different types of activities are included, such as approval, permits, controls, reconciliation, scrutiny of the business outcomes, securing assets and division of responsibilities. These control activities are aimed at managing the risk of errors in each of the processes. The controls that manage the material risk of errors are classified as key controls and are included in the Group's regular monitoring of internal control.
- IT controls cover the IT processes, IT environment and IT applications that are critical from a financial or commercial perspective.

4. Information & communication

Efficient and correct communication of information, both internally and externally, is important for ensuring complete and accurate financial reporting at the right time. Policies, routines, handbooks and other documents of significance for financial reporting are updated and communicated to the relevant employees on an ongoing basis. The Group's Accounting function has direct operational responsibility for ongoing financial accounting and works to achieve consistent application of the Group's guidelines, principles and instructions for financial reporting. Subsidiaries and operating units provide regular financial reports and reports on operating activities to the Management Team which in turn reports to the Board of Directors. The Communication Policy and associated guidelines ensure that external communication is correct and meets the requirements for companies listed on Nasdaq Stockholm. Financial information is provided regularly through annual reports, interim reports, press releases and notices on the Company's website, www.icagruppen.se.

5. Monitoring activities

The Board continually assesses the information submitted by the Management Team and the Audit Committee. The Audit Committee's work on monitoring the efficiency of internal control is of particular importance. As part of the monitoring process, Internal Audit reports quarterly and Internal Control biannually to the Committee. These reports describe any deficiencies identified in internal control and the plan of action established to deal with these. The monitoring process ensures that action is taken to deal with any deficiencies and that proposed measures arising from internal and external audits are heeded. In addition, the Management Team, Internal Audit and Internal Control review and follow up as described in this section.

Auditor's report

To the general meeting of the shareholders of ICA Gruppen AB (publ), corporate identity number 556048-2837

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts ICA Gruppen AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 2–3, 8–23, 42–116 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Revenues from services and dividends based on agreements with ICA merchants are recognized as the service is delivered or the right is

provided. Accounting principles regarding revenue is presented in Note 1 and the allocation of nature of income in Note 2. When preparing the financial statement, the company estimates and assesses the revenues relating to the current period. These estimates and assessments affect the recognized amounts in the financial statement, why we assess that this area is a key audit matter.

We have reviewed the company's agreements with ICA merchants and performed analytical review of recognized amounts. We have also reviewed method of calculations and control testing of input of supporting documents and evaluated allocation to a particular period at year-end. We have assessed whether rendered information is appropriate.

Goodwill and trademarks

Goodwill and trademarks amount to SEK 16 301 million and SEK 13 353 million as per December 31, 2016 in the consolidated financial statement. The company tests at least yearly, and when indication of impairment, that the carrying amount does not exceed the recoverable amount for these assets. The recoverable amounts and is determined by calculating the present value of future cash flows.

The calculation is based on the expected outcome of a number of factors based on the company's business plans and forecasts. The Company's impairment testing for 2016 did not result in any impairment. Accounting policies and significant assumptions and estimates of goodwill and trademarks stated in Note 1 and information on the impairment test is provided in Note 11. As a result of the assumptions and estimates made in the calculation of value, we determined that goodwill and trademarks is a particularly important area of the audit.

We have reviewed the company's process for performing impairment tests. We have also reviewed how cash-generating units have been identified and comparing it to how the company internally follows up on goodwill. Further, we have evaluated the company's valuation methods and calculation models. The reasonableness of the assumptions and sensitivity analysis of changes in the assumptions have been reviewed with the support from our valuation specialists and comparisons to historical results, and the precision of previous forecasts. Furthermore, we have evaluated the reasonability assessment in discount rate and long-term growth for each unit by comparison to other companies within the same industry sector. We have no significant findings from our year-end audit.

IT-system and related controls

The company's operations depend on complex IT systems and if these do not function properly there is a risk that errors occur affecting the financial reporting. IT systems and related controls have therefore assessed this area as a key audit matter.

We have, with support of our IT-audit specialists, evaluated and tested the effectiveness of the IT-related controls relevant to financial reporting. We have evaluated the processes for program development, program changes, access management and identified compensating controls where appropriate. We have also examined the organization, accountability and governance in the IT sector and the company's monitoring and management of incidents.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1, 4–7, 24–41, 120–137.

The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any possible significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ICA Gruppen AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The

Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm 10 February 2017

Ernst & Young AB

Erik Åström
Authorized Public Accountant

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.apotekhjartat.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