

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

The Remuneration Committee is of the opinion that both the remuneration structure and remuneration levels are well-balanced, in line with the going rate in the market and are reasonable in view of the executives' expertise, responsibilities and performance. The committee has determined that the adopted guidelines have been adhered to in payments of salaries and bonuses for 2016.

Follow-up and evaluation

The Board of Directors of ICA Gruppen AB has a Remuneration Committee, which is composed of Claes-Göran Sylvén (chairman) and board members Andrea Gisle Joosen and Fredrik Hägglund.

In accordance with section 9.1 of the Swedish Corporate Governance Code, the Remuneration Committee has monitored and evaluated the application of the guidelines for remuneration of senior executives which the Annual General Meeting must vote on by law, as well as the applicable structures and remuneration levels in the Company, and ongoing programmes and programmes that have been concluded during the year for variable remuneration of the Executive Management Team.

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

Applicable guidelines

The 2016 Annual General Meeting resolved that the forms of remuneration paid to the Company's senior executives shall be in line with the going rate in the market, shall motivate senior executives to strengthen the Group's market position and earnings, and shall be coupled to long-term value creation for the shareholders. In addition, variable remuneration shall be coupled to measurable criteria that are set in advance. An executive's total remuneration shall be made up of the following components: base salary, pension benefits, severance pay, bonuses, and other remuneration and benefits. A more detailed description of the current guidelines can be found in the documentation for item 19 in the notice convening the 2016 Annual General Meeting.

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

This follow-up and evaluation pertains to the guidelines as well as to the remuneration structures and levels approved by the 2016 Annual General Meeting.

The 2016 Annual General Meeting resolved that, just as in previous years, the CEO and other senior executives shall be included in a variable remuneration system taking the form of a cash bonus. The level of the bonus was capped per person and year at the equivalent of 118% of annual salary in the case of the CEO and 59% of annual salary for other senior executives, and consists in part of a cash-based bonus programme coupled to the budget for the financial year (annual bonus programme), and in part of a cash-based three-year bonus programme coupled to value creation in the Group (long-term bonus programme).¹

With respect to the annual bonus programme, it was decided that the targets should be objectively measurable, and should consist of financial and operational targets coupled to ICA Gruppen's strategic focus areas.

With respect to the 2016 long-term bonus programme, it was decided that the targets should be objectively measurable and set by the Board as well as being coupled to both absolute and relative performance requirements. Fulfilment of the absolute performance requirements was to account for 60% of the maximum outcome in the long-term bonus programme and would pertain to (i) the operating margin (EBIT margin) excluding non-recurring items, (ii) the return on capital employed (ROCE) in the Group excluding ICA Bank, and (iii) the net sales increase. The relative performance requirements were to account for the remaining 40% of the maximum outcome in the long-term bonus programme and would pertain to the Company's ranking in a benchmark group consisting of ten peer companies in Europe. The outcome is dependent on the Company's ranking in this benchmark group in terms of (i) the net sales increase, and (ii) the operating margin (EBIT margin).

For the 2016 annual bonus programme, the maximum outcome is 54% of annual salary for the CEO and 27% of annual salary for other senior executives. For the 2016 long-term bonus programme, the maximum outcome is 64% of annual salary for the CEO and 32% of annual salary for other senior executives. With respect to the long-term bonus programme that was approved by the 2016 Annual General Meeting, one third of the programme's term has passed.

The Remuneration Committee is of the opinion that the design of the current incentive programmes is well-balanced and that the programmes promote the Company's long-term strategy. The design provides scope for the Board to adjust targets to the prevailing circumstances, both internal and external, prior to each Annual General Meeting.

¹ For information on the remuneration paid to the CEO and other senior executives for 2016, please refer to Note 4 (pages 87–89) in the 2016 Annual Report.

On the whole, the Remuneration Committee is of the opinion that both the remuneration structure and remuneration levels are well-balanced, in line with the going rate in the market and are reasonable in view of the executives' expertise, responsibilities and performance.

Under the guidelines adopted at the 2016 Annual General Meeting, the Board has the right to depart from the guidelines if special circumstances exist. The Board departed from the guidelines on one occasion, due to special circumstances: in accordance with the employment contract that the CEO of Apotek Hjärtat had at the time of the acquisition of Apotek Hjärtat in 2014 and which is still in force, the CEO of Apotek Hjärtat has pension benefits in accordance with ITP 1 – which in turn entails that, in contrast to the other senior executives, bonuses are pensionable.

Stockholm, 7 February 2017

The Board of Directors of ICA Gruppen AB

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Andrea Gisle Joosen

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