

Item 19

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

The remuneration guidelines approved by the 2018 Annual General Meeting have been applied for senior executives of the Group in 2018. Senior executives in this context are the CEO of ICA Gruppen and the senior executives on the ICA Management Team (IMT). In its evaluation the Board has determined that the guidelines have worked well.

The Board of Directors proposes the following guidelines for approval by the 2019 Annual General Meeting, to apply until the end of the 2020 Annual General Meeting.

Current terms of employment

The main content of the current employment contracts with senior executives who were employed by ICA Gruppen during the 2018 financial year is described in the 2018 Corporate Governance Report and in Note 4 (pages 90–92) of the 2018 Annual Report.

The Board's proposed guidelines

The Company must seek to offer its senior executives terms that provide motivation and are in line with market levels, and that are also well-balanced and reasonable based on the executives' expertise, responsibilities and performance. The total remuneration package consists of the following components: basic salary, pension benefits, variable remuneration in the form of cash bonus, severance pay, and other remuneration and benefits.

It is important for the Company to provide competitive remuneration packages in line with market levels for senior executives so that the Company can recruit, develop and retain senior executives with relevant experience and advanced leadership skills. The levels of remuneration paid to senior executives are to be compared annually with the levels of remuneration paid to executives with similar responsibilities in other companies.

The remuneration principles are also to motivate senior executives to improve the Group's market position and earnings, and are to be linked to long-term growth in shareholder value. Variable remuneration is to be linked to pre-determined and measurable criteria.

Basic salary

Basic salary is to be on market terms and based on skills, responsibility and performance. Salary levels are to be reviewed regularly (usually annually) in order to ensure that salaries are in line with market levels and reward performance.

Pensions

Total pension premiums for the CEO and other senior executives are to amount to a maximum of 35% of annual basic salary and holiday supplement. Premiums will be paid for as long as the individual is employed. The normal retirement age is 65. Usually the pension plan is designed such that the senior executive receives Alternative ITP/Alternative BTP (the occupational pension scheme for the banking sector). The premium for the alternative solution is adjusted so that the total premium is at the agreed level.

ITP 1/BTP 1 can be applied as a pension plan for senior executives. In the case of ITP 1/BTP 1 the total pension premium may exceed 35% of annual basic salary and holiday supplement because the collective bargaining agreement states that bonuses are also to be pensionable.

Senior executives who held another position within ICA Gruppen before becoming senior executives and were at that time covered by ITP 2/BTP 2 may in certain cases be offered the opportunity to remain in ITP 2/BTP 2 after becoming senior executives. ITP 2/BTP 2 is applied in accordance with the collective bargaining agreements. This means that in the case of ITP 2/BTP 2 the total pension premium may exceed 35% of annual basic salary and holiday supplement.

Senior executives employed locally in countries other than Sweden have pension agreements in line with national practice but in accordance with the principles described above. Special pension agreements will be entered into for employees working abroad.

Bonus

The CEO and other senior executives in the Group, with the exception of the CEO of ICA Bank, are to be covered by two variable remuneration schemes in 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 targets in the variable remuneration systems are mainly to be based on financial performance targets, but performance may also be measured against non-financial targets linked to ICA Gruppen's strategies. The Board of Directors decides on an annual basis whether new programmes will be launched and determines the financial targets and maximum cost.

Variable remuneration systems must always have a maximum level. For the 2019 Annual Bonus Programme, the bonus is maximised at 50% of annual salary for the CEO of ICA Gruppen and 25% for other senior executives. For the 2019–2021 Long-term Bonus Programme, the bonus is maximised at 50% of annual salary for the CEO and 25% for other senior executives. The size of the combined bonus is maximised per person and year at the equivalent of 50% of annual salary (100% of annual salary for the CEO of ICA Gruppen).

As a result of stricter rules on remuneration systems at credit institutions the CEO of ICA Bank is not covered by the bonus programmes adopted after 31 December 2016 for the CEO of ICA Gruppen and other senior executives within the Group. The loss of this bonus is taken into account when the total compensation package is established for the CEO of ICA Bank, within the framework of applicable guidelines. The CEO of ICA Bank is still included in the bonus programmes adopted in 2016.

Bonus will not be pensionable unless otherwise stated in collective bargaining agreements.

Payment of bonus is to be contingent upon the participants' employment not ending during the term of the programme.

Further details of the terms and conditions of the Annual Bonus Programme and the Long-term Bonus Programme are provided in [Appendix 1](#).

Terms of severance pay and notice of termination

A mutual notice period of six (6) months is to apply to senior executives. Severance pay to senior executives is payable at up to 12 months of basic cash salary if the Company terminates employment. Such severance pay is to be deductible from earnings from future employment.

If a senior executive resigns, the Company may in certain cases choose to apply a non-competition clause. During the period the non-

competition clause applies, the Company will pay compensation equivalent to a maximum of 60% of fixed salary. Severance pay and compensation paid during the non-competition period will not be pensionable.

Terms for postings abroad

In the case of postings abroad special terms are to be offered. The structure of these terms is to be in line with the guidelines for remuneration to senior executives.

Other remuneration and benefits

Other remuneration and benefits are to be of limited value in relation to the total remuneration package and in line with market norms.

Deviating terms for certain senior executives

Two senior executives have terms that deviate from the guidelines for senior executives described above:

- One senior executive has deviating terms regarding severance pay and deductibility of severance pay.
- As of 1 January 2019 the employment of the CEO of Rimi Baltic transitioned from being a limited-term posting abroad to local employment in Latvia. After the transition to local employment the CEO of Rimi Baltic is receiving a monthly pay supplement to compensate for the loss of pension provisions and other benefits related to the posting abroad.

Special circumstances

The Board may deviate from the proposed guidelines if special circumstances exist.



Appendix 1

Bonus programmes 2019 Annual Bonus Programme

Cash-based bonus programme linked to target figures for the financial year.

The bonus programme is mainly to be measured against financial targets, either at Group level or at unit level. The targets are to be established by the Board of Directors ahead of each financial year. In addition, the bonus programme is to be measured against targets linked to ICA Gruppen's strategies, which may be both financial and non-financial in nature. The Company is to enter into individual bonus agreements with the respective participants, and the terms of such bonus agreements are to depend on the participant's position at the time the agreement is made. The resulting bonus will be determined annually in connection with the publication of the year-end report for the financial year in question, based on an evaluation of performance relative to the targets set out in the bonus agreements. The cost¹ of the 2019 Annual Bonus Programme assuming maximum outcome, including social security charges, will preliminarily amount to a total of around SEK 18 million, of which around SEK 6 million pertains to the CEO of ICA Gruppen and around SEK 12 million pertains to other senior executives.

Long-term Bonus Programme

Long-term Bonus Programme 2019–2021

A long-term bonus programme linked to value creation in the Group.

The targets for the bonus programme are to be linked to both absolute and relative performance requirements. Fulfilment of the absolute performance requirements accounts for 60% of the maximum outcome in the Long-term Bonus Programme and pertains to:

- (i) the operating margin (EBIT margin) excluding items affecting comparability,
- (ii) the return on capital employed (ROCE) in the Group excluding ICA Bank,

¹ The cost is an estimate calculated by the Company based on certain assumptions. The calculation does not take into account any index-linked increase for salary reviews or inflation, currency movements or any changes in the composition of the ICA Gruppen Management Team. The actual costs may therefore deviate from the preliminarily calculated costs.

(iii) the net sales increase, and
(iv) the reduction in greenhouse gas emissions excluding carbon offset. The relative performance criteria account for the remaining 40% of the maximum outcome for the Long-term Bonus Programme and relate to the Company's position in a comparison group consisting of 10 other companies running similar operations. The outcome is dependent on the Company's ranking in this comparison group in terms of:

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

With a ranking of between 9 and 11, no bonus is payable for the relative performance requirements.

Fulfilment of the performance requirements is evaluated yearly, after which the final outcome is calculated as the average of the annual results. This applies to all targets except for the climate target (reduction in greenhouse gas emissions excluding carbon offset), where the outcome is instead calculated based on the result at the end of the programme term.

The cost² of the 2019–2021 Long-term Bonus Programme (three years) assuming maximum outcome, including social security charges, will preliminarily amount to a total of around SEK 18 million, of which around SEK 6 million pertains to the CEO and around SEK 12 million to other senior executives.

Earlier programmes

Information on existing bonus programmes for senior executives is provided in [Appendix 2](#).

Special circumstances

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

Drafting

The Reward Group within ICA Gruppen's Board has drafted the proposals described above for the Annual Bonus Programme and Long-

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term Bonus Programme, which have been adopted by the Board of Directors of ICA Gruppen in its entirety.



Appendix 2

Existing bonus programmes for senior executives

In 2016 a decision was made within ICA Gruppen AB on a cash-based three-year bonus programme (2016–2018) for the CEO and other senior executives, which may amount to a maximum of 32% of the executive's annual salary (64% for the CEO). The targets for the bonus programme are objectively measurable and are linked to both absolute and relative performance requirements. The forecast cost of the 2016 bonus programme assuming maximum outcome, including social security charges, is around SEK 23 million³, of which around SEK 8 million pertains to the CEO of ICA Gruppen and around SEK 15 million to other senior executives.

In 2017 a decision was made within ICA Gruppen AB on a cash-based three-year bonus programme (2017–2019) for the CEO and other senior executives, which may amount to a maximum of 30% of the executive's annual salary (60% for the CEO). The targets for the bonus programme are objectively measurable and are linked to both absolute and relative performance requirements. The forecast cost of the 2017 bonus programme assuming maximum outcome, including social security charges, is around SEK 20 million⁴, of which around SEK 8 million pertains to the CEO of ICA Gruppen and around SEK 12 million to other senior executives.

In 2018 a decision was made within ICA Gruppen AB on a cash-based three-year bonus programme (2018–2020) for the CEO and other senior executives, which may amount to a maximum of 25% of the executive's annual salary (50% for the CEO). The targets for the bonus programme are objectively measurable and are linked to both absolute and relative performance requirements. The forecast cost of the 2018 bonus programme assuming maximum outcome, including social security charges, is around SEK 16 million⁵, of which around SEK 6 million pertains to the CEO of ICA Gruppen and around SEK 10 million to other senior executives.

The total cost is an estimate calculated by the Company based on certain assumptions. The calculation does not take into account any index-linked increase for salary reviews or inflation, currency movements or any changes in the composition of the ICA Gruppen

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

⁴ Pertains to the term of the entire programme (three years).

⁵ Pertains to the term of the entire programme (three years).

Management Team. The actual costs may therefore deviate from the preliminarily calculated costs.