

Item 19

The Board's proposed guidelines for remuneration of senior executives

The Board of Directors proposes that the following guidelines for remuneration of senior executives be approved by the 2020 Annual General Meeting and apply until further notice.

These guidelines are to be applied to remuneration that is agreed, and to changes that are made to previously agreed remuneration, from the time the guidelines are adopted.

Senior executives in this context are the CEO of ICA Gruppen, the Deputy CEO of ICA Gruppen and the senior managers making up the executive management of ICA Gruppen.

How the guidelines promote the company's and the Group's business strategy, long-term interests and sustainability

In brief, the company's and the Group's business strategy is aimed at ensuring lasting growth and profitability in a market in major transition. One of the strategic objectives determining priorities is that ICA is to be a positive force in the community. This means that ICA aspires to lead the development towards a more sustainable and healthier society. More information on the company's strategic priorities can be found in the company's Annual Report and on the company's website, among other places.

To successfully implement the company's and the Group's business strategy and safeguard the long-term interests of the company and the Group, the company and the Group need to be able to recruit, develop and retain senior executives with relevant experience, expertise and advanced leadership skills. It is therefore important that the company and the Group are able to offer their senior executives a competitive remuneration package.

On this basis, the company and the Group must seek to offer their 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 guidelines for remuneration aim to provide a clear framework for remuneration of senior executives so that terms can be formulated that benefit the company's business strategy and long-term interests – including its lasting growth and profitability – and that contribute to long-term growth in shareholder value.

Components of the remuneration package

The remuneration package is to be in line with market levels and may consist of the following components:

- Fixed cash remuneration
- Variable cash remuneration
- Pension benefits
- Other benefits

Fixed cash remuneration

The fixed cash remuneration for senior executives is to be in line with the market and based on responsibilities, expertise and performance. The level of fixed cash remuneration is to be reviewed regularly, usually annually.

Variable cash remuneration

Senior executives may be included in two variable remuneration programmes 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 variable cash remuneration is to be linked to pre-determined and measurable criteria which may be financial or non-financial. The criteria are to be designed so as to promote the company's and the Group's business strategy and long-term interests, including sustainability, by being clearly linked to business targets and/or the company's and the Group's strategies.

The Board of Directors makes decisions regarding:

- Whether a new Annual Bonus Programme is to be launched
- Whether a new Long-term Bonus Programme is to be launched
- The structure and details of the bonus programmes, based on these guidelines
- Cost frameworks for the bonus programmes
- The financial targets for the Annual and Long-term Bonus Programmes
- Adjustments to the arrangements of current bonus programmes in extraordinary circumstances

- Authorisation of the company's Remuneration Committee to make decisions regarding variable cash remuneration, with the authorisation effective from time to time being regulated by instructions for this work

Financial targets

Financial targets that the company generally considers to have a good link to promotion of the company's and the Group's business strategy, long-term interests and lasting growth are:

- Operating profit/loss (EBIT)
- Net sales growth
- Market share growth
- Return on capital employed (ROCE)
- Operating working capital days

In bonus programmes covering senior executives the figures stated above are to be weighted such that, combined, they make up at least 60% of the total potential outcome relating to financial targets.

Assessing the fulfilment of criteria

At the end of the measurement period for fulfilment of the criteria for paying variable cash remuneration it shall be determined to what extent the criteria have been fulfilled. This assessment shall be based on an evaluation of the criteria as they are described in the senior executives' bonus agreements.

A maximum level of combined variable remuneration shall be set for each senior executive and year. The total variable cash remuneration paid to the CEO of ICA Gruppen shall not exceed 100% of annual basic salary and holiday supplement. For other senior executives the total variable cash remuneration paid shall not exceed 50% of annual basic salary and holiday supplement.

The amounts paid under variable remuneration programmes shall not be pensionable, unless stated otherwise in the rules of any collectively agreed pension plans that are applied.

Payment of variable cash remuneration shall be conditional upon the senior executive remaining employed for the full term of the bonus programme. If a senior executive retires during the term of a programme, payment may be allowed provided that the senior executive participated in the programme for at least two thirds of its term.

Annual Bonus Programme

The total bonus paid to the CEO of ICA Gruppen under the Annual Bonus Programme shall not exceed 50% of annual basic salary and holiday supplement. For other senior executives the total bonus paid under the Annual Bonus Programme shall not exceed 25% of annual basic salary and holiday supplement.

The framework for the total potential outcome of the Annual Bonus Programme shall be as follows:

- At least 50% of the total potential outcome shall be based on the outcome for financial targets. These may be measured at both Group and/or unit level.
- Up to 50% of the total potential outcome may be based on non-financial targets. These shall normally be linked to business targets and/or strategies at Group and/or unit level.

The targets shall be reviewed ahead of the launch of each new Annual Bonus Programme so that they are relevant in terms of the current strategic focus and priorities.

Long-term Bonus Programme

The total bonus paid to the CEO of ICA Gruppen under the Long-term Bonus Programme shall not exceed 50% of annual basic salary and holiday supplement. For other senior executives the total bonus paid under the Long-term Bonus Programme shall not exceed 25% of annual basic salary and holiday supplement.

The framework for the total potential outcome in the Long-term Bonus Programme shall be as follows:

- At least 30% of the total potential outcome shall be based on the outcome for financial targets. These may be measured at both Group and/or unit level.
- At least 30% of the total potential outcome shall be based on the relative financial outcome. This is assessed by comparing the results for financial key ratios that are considered to contribute to long-term growth in shareholder value with the corresponding key ratios for a pre-determined comparison group of companies with similar operations. The outcome shall be dependent on the company's ranking in comparison with this group.
- At least 15% of the total possible outcome shall be based on targets clearly linked to the company's and the Group's aspiration to lead the development towards a more sustainable and healthier society.

Special arrangements for variable remuneration programmes at credit institutions

Due to the stricter rules on remuneration programmes at credit institutions, the CEO of ICA Bank is not covered by the variable remuneration programmes launched for senior executives. This is taken into account – within the framework of applicable guidelines – when the total remuneration package is determined for the CEO of ICA Bank.

Pension benefits – retirement pension

Senior executives may be covered by an individually designed pension plan or a collectively agreed pension plan.

Individually designed pension plan

Senior executives who are covered by an individually designed pension plan shall have a total premium for retirement pension, including waiver of premium, amounting to a maximum of 40% of annual basic salary and holiday supplement.

Collectively agreed defined contribution pension plan

For senior executives with contracts stating that they will receive a pension in accordance with a collectively agreed defined contribution pension plan, premiums will be paid in accordance with the detailed terms of the collectively agreed pension plan.

The company has no direct influence over the maximum premium levels for collectively agreed pension plans and consequently no maximum premium is stated in these guidelines.

Collectively agreed defined benefit pension plan

For senior executives with contracts stating that they will receive a collectively agreed pension plan that is principally a defined benefit plan, premiums will be paid in accordance with the detailed terms of the collectively agreed pension plan.

The company has no direct influence over the maximum premium levels for collectively agreed pension plans and consequently no maximum premium is stated in these guidelines.

Pension benefits – disability pension

Disability benefits for senior executives shall be designed so as to replicate the benefits paid under collective agreements applied within the company and the Group. In addition, senior executives may be

offered financial cover for any higher salary elements for which collective agreements do not provide compensation in the form of disability benefits.

The company has no direct influence over the maximum premium levels for disability insurance and consequently no maximum premium is stated in these guidelines.

Other benefits

The cost of other benefits for senior executives employed in Sweden shall not normally exceed of 15% of fixed annual cash salary. Examples of other benefits which senior executives employed in Sweden may receive include a company car, health insurance, domestic services and financial cover for family/survivors. In special cases the cost may exceed 15%, but shall not then exceed 70% of fixed annual cash salary. Where a decision is taken to allow the cost to exceed 15% there must be special circumstances. Examples of special circumstances include overnight accommodation or visits home that are taxed as benefits where these are paid for in full or in part by the employer for a limited period of time due to the executive's family residing in a different location to the executive's place of work.

Employment arrangements that are entirely or partly subject to rules other than Swedish rules

Senior executives whose employment arrangements are entirely or partly regulated by rules other than Swedish rules may receive a level of remuneration or remuneration components that deviate from these guidelines. However, the total remuneration shall be assessed as being relevant as regards promoting the company's and the Group's business strategy, long-term interests and sustainability, and the terms shall be adapted to binding legislation, regulations and practice in the market concerned.

Senior executives whose terms of employment are entirely or partly regulated by rules other than Swedish rules may be covered by an expanded package of other benefits. The value of this expanded package shall not exceed 200% of their fixed annual cash salary. Examples of benefits that may be included in an expanded package include paid accommodation, insurance for working abroad, payment of school fees for accompanying children and paid visits home for the family.

Remuneration in extraordinary circumstances

Additional remuneration may be paid in extraordinary circumstances, provided that such extraordinary arrangements are made only at an individual level and with a view to either recruiting or retaining a senior executive, or as compensation for extraordinary work beyond an individual's usual duties. Such remuneration may not be paid in an amount exceeding 100% of fixed annual cash salary per year and senior executive. Decisions on such remuneration shall be made by the Board of Directors after being prepared by the Remuneration Committee.

Terms relating to termination of employment and severance pay

A mutual notice period of six (6) months shall apply to senior executives. Severance pay corresponding to a maximum of 12 months of fixed cash salary may be payable to senior executives if the employer terminates the employment. Any earnings from new employment shall be deducted from such severance pay.

If a senior executive resigns, the employer may choose to invoke a non-competition clause in cases where such a clause has been agreed. During the period the non-competition clause applies, the employer will pay compensation equivalent to a maximum of 60% of fixed salary. Severance pay and compensation paid during the non-competition period shall not be pensionable.

Consideration of remuneration and employment terms for other employees

In preparing the Board's proposal for these guidelines on remuneration, consideration was given to the salaries and employment terms of the company's and the Group's other employees. To do this, the Remuneration Committee and the Board of Directors took into consideration information concerning the employees' remuneration and remuneration components, as well as the rate of increase in remuneration over time, as part of their assessment of whether the guidelines are reasonable.

Decision process for establishing, reviewing and implementing the guidelines

The Remuneration Committee shall monitor and evaluate the application of the guidelines, variable remuneration programmes for senior executives that are ongoing and those that were concluded during the year, as well as remuneration structures and levels within the company and the Group. For each financial year the Board of Directors shall prepare a remuneration report and make this available to

shareholders on the company's website at least three weeks prior to the Annual General Meeting.

The duties of the Remuneration Committee include preparing the Board's resolution on proposed guidelines for remuneration of senior executives. The Board is to prepare proposed new guidelines at least every four years and submit the proposal for decision at the Annual General Meeting. The guidelines shall apply until new guidelines have been adopted by the Annual General Meeting.

Proposed new/revised fixed cash remuneration and variable cash remuneration for the CEO of ICA Gruppen shall be prepared by the Remuneration Committee for decision by the Board of Directors. The CEO of ICA Gruppen shall not be present when the Board is deciding on these matters.

Deviation from the guidelines

The Board of Directors may decide to deviate entirely or partly from the guidelines in individual cases provided that there are judged to be special circumstances that make it necessary to deviate from the guidelines in order to satisfy the long-term interests of the company and the Group or to ensure the financial viability of the company and the Group.