

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

Remuneration Committee

The Board of Directors of ICA Gruppen AB has established a Remuneration Committee to perform the tasks incumbent upon a remuneration committee according to the Swedish Code of Corporate Governance ("the Code"). The Remuneration Committee consists of the Chairman of the Board Claes-Göran Sylvén (chairman) and Board members Magnus Moberg and Andrea Gisle Joosen. Magnus Moberg replaced Fredrik Hägglund as a member of the Remuneration Committee on 11 April 2019.

Under the Code, the Remuneration Committee is among other things to monitor and evaluate all variable remuneration programmes for the executive management, the application of the guidelines for remuneration of senior executives that the annual general meeting has established, as well as the current remuneration structures and levels in the company. The Board of Directors hereby submits the following report on the evaluation carried out by the Remuneration Committee during the year.

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

This follow-up and evaluation pertains to the guidelines and to the remuneration structures and remuneration levels that were approved by the 2019 Annual General Meeting.

The 2019 Annual General Meeting resolved that the company's forms of remuneration for senior executives are to be in line with the market, well-balanced and reasonable based on the executive's expertise, responsibilities and performance. 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.

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 total remuneration package is to consist of the following components: basic pay, pension benefits, variable remuneration in the form of cash bonus, other remuneration and benefits, and severance pay.

A more detailed description of the current guidelines can be found in the minutes of the 2019 Annual General Meeting.

The 2019 Annual General Meeting resolved that, just as in previous years, the CEO and other senior executives – with the exception of the CEO of ICA Bank – are to be included in a variable remuneration system taking the form of a cash bonus. The CEO of ICA Bank is excluded from the bonus on account of the stricter rules that apply to remuneration systems in credit institutions.

The variable remuneration systems consist in part of a cash-based bonus programme linked to target figures for the financial year (Annual Bonus Programme) and in part of a cash-based three-year bonus programme linked to value creation in the Group (Long-term Bonus Programme).¹ The targets in the variable remuneration systems are mainly to be based on financial performance targets, but performance can 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, target groups and maximum cost.

The size of the bonus is maximized per person and year at the equivalent of 100% of annual salary for the CEO and the equivalent of 50% of annual salary for other senior executives. For the 2019 Annual Bonus Programme, the maximum outcome is 50% of annual salary for the CEO and 25% of annual salary for other senior executives. For the 2019 Long-term Bonus Programme, the maximum outcome is 50% of annual salary for the CEO and a maximum of 25% of annual salary for other senior executives.

It was decided that the targets for the Annual Bonus Programme are to

¹For information on the remuneration paid to the CEO and other senior executives for 2019, please refer to Note 4 for the Group (pages 58–59) in the 2019 annual report.

consist of 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 Annual Bonus Programme is to have targets linked to ICA Gruppen's strategies, which may be both financial and non-financial in nature.

The targets for the Long-term Bonus Programme are to be linked to both absolute and relative performance requirements. Fulfilment of the absolute performance criteria is to account for 60% of the maximum outcome in the Long-term Bonus Programme and refers to (i) EBIT margin excluding items affecting comparability, (ii) return on capital employed (ROCE) for the Group excluding ICA Bank, (iii) net sales increase and (iv) decrease in greenhouse gases excluding carbon offset.

The relative performance criteria are to account for the remaining 40% of the maximum outcome in the Long-term Bonus Programme and relate to the company's position in a comparison group consisting of 10 companies running similar operations. The outcome depends on where the company ranks within this comparison group in terms of (i) net sales increase and (ii) EBIT margin.

Under the guidelines adopted at the 2019 Annual General Meeting, the Board has the right to deviate from the guidelines if special circumstances exist. There are two deviations and these are described in the guidelines adopted at the 2019 Annual General Meeting:

- 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. Following 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.

Monitoring and evaluation

Among other things, during the year the Remuneration Committee monitored and evaluated variable remuneration programmes – both ongoing and those that have ended – for executive management, the application of guidelines for remuneration of senior executives that the annual general meeting is legally obliged to establish, as well as current remuneration structures and levels in the company. Overall, 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 Remuneration Committee determines that the adopted guidelines have been adhered to in payments of salaries and bonuses. 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.

Stockholm, 9 March 2020

The Board of Directors of ICA Gruppen AB

Claes-Göran Sylvén (Chairman)	Jonathon Clarke	Cecilia Daun Wennborg
Lennart Evrell	Andrea Gisle Joosen	Fredrik Hägglund
Jeanette Jäger	Magnus Moberg	Fredrik Persson
Magnus Rehn	Bo Sandström	Anette Wiotti