

Remuneration report ICA Gruppen AB 2020

Introduction

This remuneration report provides an overview of how ICA Gruppen AB's ("the Company") guidelines for remuneration of executive management were applied in 2020. In addition, the remuneration report includes more detailed information about remuneration of the Company's CEO and Deputy CEO.

The report has been prepared in accordance with the Swedish Companies Act and the *Rules on Remuneration of the Board and Executive Management and on Incentive Programmes* issued by the Swedish Corporate Governance Board.

Information on remuneration of executive management that is to be provided in accordance with Chapter 5, Sections 40-44 of the Swedish Annual Accounts Act (*Årsredovisningslagen (1995:1554)*), is provided in Note 3 on pages 102-103 of ICA Gruppen's 2020 annual report ("the Annual Report").

Information on the Remuneration Committee's work in 2020 is provided in the Corporate Governance Report on page 54 of the Annual Report.

Remuneration of board members is not covered by or reported in this remuneration report. Remuneration of board members is decided on yearly by the Annual General Meeting, and information about it is provided in Note 4 (Group) on pages 83-84 of the Annual Report.

Overview 2020

ICA Gruppen's (by "ICA Gruppen" is meant the Company and subsidiaries) development in 2020 is described in general on pages 7-8 of the Annual Report.

The Company's remuneration guidelines: application area, purpose and departures

ICA Gruppen's business strategy aims to ensure enduring growth and profitability in a market that is in constant change.

The Company's guidelines for remuneration of executive management aims to promote ICA Gruppen's business strategy, long-term interests and sustainability, and contribute to long-term value creation for the

shareholders. Successful implementation of ICA Gruppen's business strategy and the safeguarding of ICA Gruppen's long-term interests requires that ICA Gruppen can recruit, develop and retain members of executive management with relevant experience, competence and qualified leadership qualities. From this it follows that it is important that ICA Gruppen can offer its executive management a competitive total remuneration package, which the remuneration guidelines allow.

According to the remuneration guidelines, remuneration of executive management shall be in line with the going rate in the market and be justified, and shall be well-balanced and reasonable in view of the executive's competence, responsibility and performance. Remuneration may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits.

Variable cash remuneration shall be coupled to financial or nonfinancial criteria. The criteria shall be determined so that they promote ICA Gruppen's business strategy and long-term interests, including sustainability, by having a clear coupling to business objectives and/or ICA Gruppen's strategies.

The applicable guidelines for remuneration of executive management, adopted by the Company's 2020 Annual General Meeting, governed remuneration matters in 2020 related to executive management. The guidelines in their entirety are provided on pages 64-65 of the Annual Report.

The Company's assessment is that the Company followed the applicable guidelines in 2020 without departures. The auditor's opinion on how the Company has complied with the guidelines is available on the Company's website: www.icagruppen.se (search path "About ICA Gruppen/Corporate Governance/AGM 2021).

Total remuneration CEO and Deputy CEO¹

Name of executive	Year	Fixed remuneration		Variable remuneration		Pension benefits (SEK 000)	Total remuneration (SEK 000)	Proportion of fixed and variable remuneration ⁶
		Base salary ² (SEK 000)	Other benefits ³ (SEK 000)	Annual bonus programme ⁴ (SEK 000)	Long-term bonus programme ⁵ (SEK 000)			
CEO ICA Gruppen <i>Per Strömberg</i>	2020	9,559	253	4,895	4,148	3,427	22,282	59%/41%
Deputy CEO ICA Gruppen <i>Anders Svensson</i>	2020	5,536	189	1,254	1,161	1,929	10,069	76%/24%

¹ Remuneration is reported exclusive of employer payroll taxes and special employer's payroll tax.

² Base salary reported includes vacation supplement.

³ Other benefits consist mainly of car benefit, private health insurance and household services.

⁴ The annual bonus programme consists of the outcome of the 2020 annual bonus programme, which is payable in 2021.

⁵ The long-term bonus programme consists of the long-term bonus programme 2017-2019, which was paid out in 2020.

The reported amounts for the annual and long-term bonus programmes do not correspond exactly to the amounts stated in the Annual Report, Note 3 (Parent Company) and Note 4 (Group), for variable remuneration. This is because the respective Notes 3 and 4 report amounts that have been expensed for the bonus programmes. Notes 3 and 4 thus provide an overall view of the expected level for current and recently concluded bonus programmes, while the table above instead reports the actual outcomes.

⁶ Fixed remuneration includes, in addition to base salary and other benefits, also pension benefits.

Variable remuneration programmes

Members of executive management can be included in two variable remuneration programmes in the form of cash bonuses, one of which runs for one year ("Annual bonus programme") and the other of which runs for at least three years ("Long-term bonus programme").

The financial performance metrics in both the annual bonus programme and the long-term bonus programme are based on the long-term financial targets that have been set by the Board of Directors for ICA Gruppen:

- Grow faster than the market
- Achieve an operating margin of at least 4.5%
- Achieve a return on capital employed (ROCE) of at least 7.5%

In addition to the financial targets, both the annual and long-term bonus programmes include other performance metrics that aim to support and drive ICA Gruppen’s vision and strategic targets, including targets with a direct coupling to ICA Gruppen’s work on leading developments in sustainability and health. For ICA Gruppen this means active sustainability work and strong community engagement combined with long-term profitability.

Group-wide ambition	Annual bonus programme – financial targets		Long-term bonus programme – all targets
	CEO	Deputy CEO	CEO and Deputy CEO
Long-term financial target: grow faster than the market	ICA Gruppen net sales growth	ICA Sweden market share growth	Absolute target metric: ICA Gruppen Net sales growth
			Relative target metric: * ICA Gruppen Net sales growth
Long-term financial target: EBIT margin excl. items affecting comparability 4.5%	ICA Gruppen operating profit (EBIT) excl. items affecting comparability	ICA Gruppen operating profit (EBIT) excl. items affecting comparability	Absolute target metric: EBIT margin
		ICA Sweden operating profit (EBIT) excl. items affecting comparability	Relative target metric: EBIT margin
Long-term financial target: return on capital employed (ROCE) 7.5%	ICA Gruppen return on capital employed (ROCE)	ICA Sweden operating working capital days rolling	Absolute target metric: ICA Gruppen return on capital employed (ROCE)
Sustainability target 2020: ICA Gruppen’s operations will be climate-neutral			Absolute target metric: ICA Gruppen’s operations climate-neutral

Outcome, variable remuneration for CEO and Deputy CEO

During the 2020 financial year, remuneration from the annual bonus programme for 2020 was earned and remuneration for the long-term bonus programme 2017-2019 was paid out. The tables below report on the evaluation and outcome of these bonus programmes.

Annual bonus programme 2020

Annual bonus programme 2020	Performance targets	Relative weighting (%)	Outcome a) Outcome performance targets b) Achieved level of outcome
CEO ICA Gruppen Per Strömberg	Criterion A: ICA Gruppen operating profit (EBIT) excl. items affecting comparability	25	a) SEK 5,831 m b) 25%
	Criterion B1: ICA Gruppen operating profit (EBIT) excl. items affecting comparability	15	a) SEK 5,831 m b) 18%
	Criterion B2: ICA Gruppen net sales growth	25	a) 6.1% b) 30%
	Criterion C: ICA Gruppen return on capital employed (ROCE)	10	a) 9.2% b) 12%
	Criterion D: individual targets	25	a) 72% b) 18%
Total target achievement			103%*
Confirmed outcome of programme			100%*
Total amount payable (SEK 000s)			4,895
Amount payable as % of annual salary**			50%

*Total target achievement was 103%. The outcome is reduced to 100%, as it makes up the cap for the programme.

** Annual salary is defined as annual base salary including vacation supplement.

Annual bonus programme 2020	Performance targets	Relative weighting (%)	Outcome a) Outcome CPI b) Achieved portion of performance requirement
Deputy CEO ICA Gruppen Anders Svensson	Criterion A: ICA Gruppen operating profit (EBIT) excl. items affecting comparability	25	a) SEK 5,831 m b) 25%
	Criterion B1: ICA Sweden operating profit (EBIT) excl. items affecting comparability	15	a) SEK 4,240 m b) 18%
	Criterion B2: ICA Sweden market share growth	25	a) -0.19% pts b) 16%
	Criterion C: ICA Sweden operating working capital days rolling	10	a) -21.5 days b) 10%
	Criterion D: individual targets	25	a) 90%
			b) 23%
Total target achievement			91%
Total amount payable (SEK 000s)			1,254
Amount payable as % of annual salary*			23%

* Annual salary is defined as annual base salary including vacation supplement.

The annual bonus programme measures performance during the calendar year. The programme mainly measures financial targets, either at the Group or company level. In addition, it includes targets coupled to ICA Gruppen's strategic themes, which can be of both a financial and nonfinancial character.

The financial targets consist to 75% of the maximum outcome of the annual bonus programme. Individual bonus targets account for the remaining 25% of the maximum outcome of the annual bonus programme. The targets are based either on key ratios in the operative activities or are coupled to ICA Gruppen's strategic themes, including ICA Gruppen's sustainability targets.

The 2020 annual bonus programme ran during the period 1 January–31 December 2020.

The individual targets according to which the CEO and Deputy CEO were measured during 2020 aimed to achieve specific and quantifiable performance requirements coupled to priority step-change areas.

If the maximum target level for a performance requirement is fulfilled or exceeded, a maximum outcome of between 100% and 120% of the weighted performance target is generated. However, total payment from the programme is limited to 100% of the programme's total weighting.

For the annual bonus programme, the maximum outcome may amount to 50% of annual base salary and vacation supplement for the CEO of ICA Gruppen and 25% for the Deputy CEO of ICA Gruppen.

Long-term bonus programme 2017–2019

Long-term bonus programme 2017–2019	Performance targets	Relative weighting (%)	Outcome a) Outcome performance target b) Achieved outcome
CEO ICA Gruppen <i>Per Strömberg</i> and Deputy CEO ICA Gruppen <i>Anders Svensson</i>	Absolute performance requirement 1: ICA Gruppen's EBIT margin	20	a) 4.33% b) 15%
	Absolute performance requirement 2: ICA Gruppen's net sales growth	20	a) 3.61% b) 20%
	Absolute performance requirement 3: ICA Gruppen's return on capital employed (ROCE)	20	a) 10.75% b) 20%
	Relative performance requirement 1: EBIT margin, ranking in comparison group	20	a) Ranking: 5 b) 16%
	Relative performance requirement 2: net sales growth, ranking in comparison group	20	a) Ranking: 5 b) 16%

Total target achievement	87%
CEO ICA Gruppen, amount paid out (SEK 000s)	4,148
<i>Amount paid out as % of annual salary*</i>	<i>44%</i>
Deputy CEO ICA Gruppen, amount paid out (SEK 000s)	1,161
<i>Amount paid out as % of annual salary*</i>	<i>22%</i>

* Annual salary is defined as annual base salary including vacation supplement.

The long-term bonus programme measures performance over a three-year period. A new long-term bonus programme is typically started each year. This entails that the following three long-term bonus programmes ran concurrently during 2020:

- Long-term bonus programme that measures performance 1 January 2018–31 December 2020
- Long-term bonus programme that measures performance 1 January 2019–31 December 2021
- Long-term bonus programme that measures performance 1 January 2020–31 December 2022

The targets of the long-term bonus programme are coupled to both absolute and relative performance requirements. Achievement of the absolute performance requirements accounts for 60% of the maximum outcome in long-term bonus programmes and pertains to:

- EBIT margin excluding items affecting comparability
- Return on capital employed (ROCE) for the Group excluding ICA Bank
- Net sales growth, and
- Decrease in greenhouse gas emissions excluding carbon offset

Since 2018, decrease in greenhouse gas emissions excluding carbon offset constitutes an absolute performance requirement within the framework of the long-term bonus programme.

For programmes launched prior to 2018, the absolute performance requirements consist of achievement of target levels coupled to EBIT margin, return on capital employed (ROCE) and net sales growth.

The relative performance requirements account for the remaining 40% of the maximum outcome in the long-term bonus programme and pertain to ICA Gruppen's ranking in a comparison group consisting of ten other

companies that conduct similar operations. The outcome depends on the ranking in this comparison group in terms of:

- Net sales growth, and
- EBIT margin

For the relative performance requirements, the ranking in the comparison group is calculated as an average outcome, where the rankings both with respect to the growth in net sales and the EBIT margin make up opening values. The ranking cannot be calculated until all companies in the comparison group have published their yearly results, which in certain cases will not happen until during the second quarter of 2021. In this remuneration report it is therefore not possible to report on the outcome of the long-term bonus programme that was concluded on 31 December 2020, which is why the outcome for the long-term bonus programme that was concluded on 31 December 2019 is the one that is reported.

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

Comparison of total remuneration and financial key ratios

Remuneration level	2020
Total remuneration ¹ (SEK 000s) CEO ICA Gruppen <i>Per Strömberg</i>	23,533
Total remuneration ¹ (SEK 000s) Deputy CEO ICA Gruppen <i>Anders Svensson</i>	10,500
Total remuneration ¹ (SEK 000s) of employees ² (Average for FTE employee of ICA Gruppen AB)	837
Financial key ratios	
Net sales (SEK m)	126,283
Operating profit (EBIT) excluding items affecting comparability (SEK m)	5,831

¹ According to the expensed amount, which is used as the documentation for Note 3 (Parent Company) and Note 4 (Group) in the Annual Report.

² Reported amount does not include members of Executive Management.

Remuneration for the CEO and Deputy CEO varies mainly as a result of salary revisions and varying outcomes for the bonus programmes.

Employees of the Parent Company work mainly in staff functions that are joint for the entire Group. On top of salary revisions, the average total remuneration for employees is affected mainly by factors such as bonus outcomes, organisational changes and employee turnover.