

Accounting principles for sustainability reporting

ICA Gruppen has drawn up its own accounting principles, which are detailed below. The accounting principles are partly based on the GRI framework, but have been adapted for the Group's operations based on the materiality analysis. The Sustainability Report mainly covers operations that have a significant, direct impact from a sustainability perspective, i.e. ICA Gruppen's own operations. The Report covers all companies within ICA Gruppen. There are certain exceptions, however, which are detailed below. A Group-wide IT system is used to collect sustainability data. The system supports continuous reporting with the aim of ensuring the long-term quality of the indicators included in ICA Gruppen's continuous monitoring and reporting of sustainability work. Each company reports data according to the Group's definitions and procedures for sustainability reporting. The accounting principles are explained in detail below.

Energy

Comprises stores, pharmacies, warehouses and offices.

To calculate electricity consumption (kWh) in Swedish stores a sampling of stores from each format is used. The same calculation principle is used for the pharmacies. The actual consumption is then extrapolated by the total number of stores and pharmacies in order to report the total energy consumption at the end of the reporting period.

To calculate energy consumption per square metre in stores, pharmacies, warehouses and offices, the area (in square metres) of the stores, pharmacies, warehouses and offices in operation at the end of the measurement period is used.

Renewable energy is energy from renewable sources such as wind, solar and hydro power, while non-renewable energy refers to energy from fossil sources such as coal and oil.

Energy consumption has been calculated on the following basis:

- ICA Sweden's stores: The calculation is based on actual use of electricity in stores covered by the central electricity agreement. Total consumption is extrapolated by the number of stores at the end of the reporting period using a standard formula. The standard formula is based on the following: Maxi ICA Stormarknad hypermarkets: 97% renewable and 3% non-renewable energy, ICA Kvantum: 88% renewable and 12% non-renewable energy, ICA Supermarket: 82% renewable and 18% nonrenewable energy, and ICA Nära: 77% renewable and 23% non-renewable energy. This breakdown was established by a review in January 2018.
- Rimi Baltic stores: The actual consumption for all Rimi Baltic stores is used.
- Apotek Hjärtat pharmacies: The calculation is based on actual electricity used by pharmacies covered by a central electricity agreement. Total consumption is extrapolated using the number of pharmacies at the end of the reporting period. The standard formula is based on 40% renewable and 60% non-renewable energy.

Emissions of CO₂ from energy have been calculated on the following basis:

- The Nordic electricity mix emission factor 2006 is used to calculate carbon emissions from the use of non-renewable energy in Sweden (source: Swedenergy, published 2007).
- When calculating carbon emissions for renewable energy in Sweden the emission factor from Bixia/Östkraft (2007) is used.

- When calculating carbon emissions for non-renewable energy in the Baltic countries an average value for each country's electricity production in the years 2000–2005, according to IEA (2007), is used.
- When calculating carbon emissions for renewable energy in the Baltic countries an average emission factor for renewable electricity from IEA (2009) is used.
- When calculating carbon emissions from district heating an average emission factor from the Swedish Energy Agency is used, as recommended by the GHG Protocol (Carbon dioxide evaluation of energy use, supporting reports, the Swedish Energy Agency 2008).

Goods transports

Comprises the transportation of goods between ICA Gruppen's warehouses and stores/pharmacies. The transportation of goods to warehouses is not included. Apotek Hjärtat only uses leased transport solutions, while ICA Sweden uses leased transport solutions for the majority of goods transports but owns the e-commerce transport solutions and also has number of transport solutions of its own. Rimi Baltic uses both owned and leased transport solutions.

All the haulage companies working with ICA Sweden report actual transport data, for both diesel and renewable fuels.

The haulage companies working with Apotek Hjärtat report a mix of actual consumption and standard amounts based on distances driven.

Fuel consumption for transport vehicles leased by Rimi Baltic is calculated based on distances driven and average fuel consumption. Fuel consumption for Rimi Baltic's own transportation of goods is obtained directly from the fuel supplier.

Emissions of CO₂ from goods transport have been calculated on the following basis:

- Emission factor for diesel from NTM, Nätverket för Trafik och Miljö (2006).
- Emission factor for ethanol from the Swedish Road Administration (2009).
- Renewable fuels from the Swedish Transport Administration (2016).
- Fossil fuels are calculated according to Scope 1 and renewable fuels according to Scope 1 and 3.

Refrigerants

Comprises refrigerant refills in all warehouses and stores. Data for ICA Sweden's warehouses is based on official refrigerant reports and is

reported for the current year. Data on refrigerants in ICA Sweden's stores refers to the previous year's consumption. Data on Rimi Baltic's consumption of refrigerants, in warehouses and stores, refers to the current year's consumption.

Emissions of CO₂ from refrigerants have been calculated on the following basis:

- Global Warming Potential (GWP) for each type of refrigerant according to the Montreal Protocol and IPCC (2006–).

Business travel

Comprises business travel by air booked through the central travel agency for ICA Gruppen in Sweden.

Comprises business travel by rail for ICA Gruppen in Sweden booked through the central travel agency or directly through travel providers using the ICA customer number.

Comprises business travel by car for Rimi Baltic and ICA Gruppen in Sweden except Apotek Hjärtat.

Emissions of CO₂ from business travel have been calculated on the following basis:

- Carbon dioxide emissions from air and rail travel are obtained from the travel provider in Sweden.
- The GHG Protocol's emission factor for business travel by car (2005).

Climate neutrality

ICA Gruppen is to be climate neutral by 2020. This means that ICA Gruppen must reduce its climate impact as much as possible, and by at least 70% by 2020 compared with 2006. Any remaining emissions will be offset by ICA Gruppen using emission allowances. The emissions covered are greenhouse gas emissions from refrigerants and energy use in stores, pharmacies, warehouses and offices, from goods transport between warehouses and stores/pharmacies and from business travel (Scope 1, Scope 2 and parts of Scope 3). Both the Swedish and the Baltic operations are included. By climate neutral ICA Gruppen means zero net greenhouse gas emissions. This is in line with the definition used by the Swedish Environmental Protection Agency.

Climate impact

At the end of 2015 the ICA Management Team set a new climate target. The target was set in accordance with the method for Science Based Targets and the GHG Protocol Corporate Accounting and Reporting Standard. The year 2006 is the fixed base year for emission factors. For any new energy and fuel types introduced after 2006, emission factors are set in accordance with the IPCC's recommendation. In this report, ICA Gruppen's direct greenhouse gas emissions are reported per square metre of total area in stores, pharmacies, warehouses and offices. The aim is to improve transparency and accuracy, since the outcome will track changes in the Group's operations (major mergers and divestments will not in themselves affect the outcome for emissions).

Emissions according to the GHG Protocol include the following in each scope:

Scope 1: Emissions from refrigerants in warehouses and in stores owned by ICA Gruppen itself, emissions from business travel using leased company cars and cars provided as a fringe benefit.

Scope 2: Emissions from energy in warehouses and in stores, pharmacies and offices owned by ICA Gruppen itself.

Scope 3: Emissions from business travel, emissions from Swedish ICA stores not owned by ICA Gruppen and emissions from transport between warehouses and stores/pharmacies.

Climate ambition for ICA Gruppen's suppliers

In 2018 the Group raised its climate ambition further to include an additional target: that suppliers of consumer goods sold accounting for an estimated 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest. The outcome is calculated as follows: The climate impact from suppliers has been calculated based ICA Gruppen's store sales 2018 and emission factors from the GHG Protocol tool Scope 3 Evaluator (kg CO₂-eq/USD, source: World Input Output Database). The exchange rate is the Riksbank (Sweden's central bank) average for the year 2018 (USD 1 = SEK 8.6921). Value, currency and emission factors are updated every three years starting in 2018. The combined estimated climate footprint of the suppliers constitutes 100% of ICA Gruppen's upstream climate impact.

Suppliers with set climate targets approved by the Science Based Targets initiative are updated on the Science Based Targets website. The estimated climate footprint of ICA Gruppen's suppliers that have approved climate targets is then established in relation to the total climate footprint of ICA Gruppen's suppliers to determine the extent to which targets have been met.

Waste

Comprises ICA Sweden's and Rimi Baltic's warehouses, as well as Rimi Baltic's stores. Apotek Hjärtat is not included in the reporting.

National laws and regional waste management systems define the types of waste included.

Information on waste management methods and amounts is obtained from waste contractors.

Rimi Baltic's waste from stores is based on actual volumes of waste for 98% of the stores, with the remaining 2% being calculated based on the actual waste volumes.

Composted waste consists of biodegradable organic waste, i.e. waste sorted as compostable and 90% of organic waste fractions including packaging.

Incinerated waste consists of waste fractions that can be incinerated and 10% of organic fractions including packaging.

Recycled/reused waste includes glass, metal, wood, plastics and other non-landfill waste.

For categories where ICA Gruppen has producer responsibility, such as pharmaceuticals, batteries, electronic products and packaging, disposal is in accordance with applicable legal requirements and any permits required. The waste arising from ICA Gruppen's producer responsibility is not included in the reported waste volumes.

ICA Gruppen seeks to reduce waste to landfill and improve the conditions for sorting and recycling of waste.

Food waste

ICA Gruppen intends to reduce its food waste in half by 2025 with 2016 as the base year, which is in line with goals set by the Consumer Goods Forum. Food waste is measured according to the FLW Protocol (Food Loss and Waste Protocol). Cutting food waste in half means reducing the food waste weightshare by 50%. This is measured by dividing total food waste (tonnes) by total food sold (tonnes).

Food waste is food that is prepared to be eaten by humans but

which, for various reasons, is not eaten by humans. Food consists of the main food categories of Fresh Foods, Dry Groceries and Fruit & Vegetables. Both food and inedible parts (e.g. peel and bones) are included. The weight of packaging is not included.

ICA Gruppen's food waste is waste that arises in ICA Gruppen's own food handling, which includes:

- 1 Food waste from stores
- 2 Food returned from stores
- 3 Food waste from warehouses
- 4 Food waste from e-commerce warehouses

Food waste from which compensation is received from external actors (e.g. suppliers) is not included in ICA Gruppen's food waste.

Reporting includes the warehouses and stores of ICA Sweden and Rimi Baltic.

For the Swedish ICA stores the calculation is based on total food waste (tonnes) of the actual food waste from a selection of stores (50–75% of the stores were part of the selection in 2016–2019). Total food waste (tonnes) is extrapolated by the number of stores at the end of the reporting period using a standard formula.

For ICA Sweden's warehouses and e-commerce warehouse and Rimi Baltic's warehouses and stores, the actual data for total food waste (tonnes) is used.

Historically, it has not been possible to measure food registered as food waste and then donated to charity for ICA Sweden and the Swedish ICA stores and it is thus included in the food waste data for the years 2016, 2017 and 2018. For 2019 part of this will be excluded from total food waste (tonnes). For Rimi Baltic food that is donated to charity has been excluded since the base year 2016.

Customer surveys

ICA Gruppen's target of by 2020 being perceived by consumers as the actor in the market that most clearly helps them make healthy choices is measured and monitored through the Customer Satisfaction Index for ICA Sweden, the Nielsen Omnibus Survey for Rimi Baltic and Nepa Brand Attributes for Apotek Hjärtat.

Supplier-related data

Quality-certified suppliers are all suppliers of ICA Gruppen's corporate brands who have undergone an assurance procedure and hold an associated valid certificate in accordance with one of the quality standards accepted by ICA Gruppen.

Information on socially audited suppliers refers to active corporate brand suppliers in high-risk countries whose production units have undergone an initial ICA Social Audit and/or an audit under any of the third party audit schemes accepted by ICA Gruppen. If zero tolerance deviations are detected the supplier will not be approved. If critical deviations are identified during audit the supplier generally gets a chance to correct the problem within a set period of time stated in the audit protocol. If the supplier corrects the problem to the Group's satisfaction within the period set, the supplier is approved. The length of time the supplier is approved is determined by the principles for approval in the relevant standards and, if the standards do not stipulate a timeframe for approval, by ICA Gruppen's governing documents. In individual cases a personal assessment is made on dates of validity based on ICA Gruppen's governing documents. Production unit refers to a factory, farm or processing plant.

High-risk countries are defined according to the BSCI (Business Social Compliance Initiative) definition for the current reporting period. BSCI

factors in, for example, political stability and absence of violence, quality of regulatory systems, rule of law, control of corruption, government effectiveness and the ability of people to be heard.

Since 2018 the outcome for quality-certified suppliers, socially audited suppliers in high-risk countries and socially re-audited suppliers in high-risk countries has been measured on a rolling 12-month basis. Earlier periods have been recalculated using a new calculation model.

Sales trends and number of products

Sales data for ICA Sweden includes all products in ICA Sweden's central assortment sold from Swedish ICA stores. Sales percentages for ICA Sweden consist of all products in ICA Sweden's central assortment, excluding the non-food assortment.

Sales data for the ICA stores' own sourcing from external suppliers is not included.

Organic products are defined as products with one of the following labels: EU organic, KRAV, GOTS and OCS. The number of items refers to the total number of unique EAN codes in ICA Sweden's product assortment in the current year.

Quality work and product safety

Public recalls are recalls where there is considered to be a risk to health or the environment, i.e. the public is informed via a press release or by other means.

Quality in stores

The number of certified ICA stores in Sweden refers to stores approved and certified by a third party in accordance with Swedish standard for food handling in stores. Stores that have adopted Swedish standard for food handling in stores are Swedish ICA stores that apply the standard but have not been certified by a third party.

Environmental work in stores

Swan ecolabelled stores are ICA stores in Sweden approved and certified by a third party in accordance with the Swan criteria.

Stores that have been approved according to the Miljösmart butik (smart green store) support tool are Swedish ICA stores that have been approved in an internal audit performed by ICA Sweden's sustainability coaches.

Employees

Employees are personnel employed by ICA Gruppen, i.e. including employees in stores owned by a company within the Group. Data is based on the number of employees at year-end, with the exception of the categories Average number of employees (FTEs) and Gender distribution all employees, which are based on the average number of full-time employees during the year. Average number of employees (FTEs) consists of permanent, probationary and temporary employees. Employee turnover is calculated as the number of permanent employees who leave during the year in relation to the average number of permanent employees. Sickness-related absence is calculated as the number of hours of sickness-related absence in relation to the number of scheduled working hours. From 2018 sickness-related absence is calculated on a rolling 12-month basis up to and including November current year. Gender distribution, all management levels refers to all managers with responsibility for staff within the Group.

Type of employment relates to all employees, broken down into those that work full-time (100%) and those that work part-time, i.e. less than 100%.

Percentage of employees by age group is a breakdown of all individuals employed on a permanent basis.

Permanent employees means individuals employed for an indefinite period or on a probationary basis, regardless of their degree of employment, as of December. Temporary employees means staff whose employment is for a limited term.

Significant changes since the previous reporting period

Climate ambition for ICA Gruppen's suppliers

In 2018 the Group raised its climate ambition further to include an additional target: that suppliers of consumer goods sold accounting for 70% of ICA Gruppen's upstream climate impact are to have adopted science-based climate targets by 2025 at the latest. For the full accounting principles, see page 131.

Food waste

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Recalculation of data based on divestment of Hemtex

Historical data in which Hemtex was included has been recalculated following the divestment. Hemtex has been excluded from all historical data.

Significant events ahead of the upcoming reporting period

Goods transport

The accounting principles for emissions from goods transport by ICA Gruppen in Sweden will be changed in the coming year.