

Second quarter 2018 in summary

- ICA Gruppen's greenhouse gas emissions continued to decrease during the quarter. Since the base year 2006, GHG emissions have decreased by 56%. The decrease is mainly attributable to lower energy and refrigerant emissions at Swedish ICA stores and a change-over to renewable fuels.
- Target achievement for social audits and quality certifications of suppliers of ICA Gruppen's corporate brands was in line with the preceding period, except for with respect to follow-up social audits, where target achievement decreased by 4 percentage points since the preceding quarter.
- Launch of Mitt klimatmål ("My climate target"), a digital tool that helps ICA Sweden's customers lower their carbon footprint.
- The 2018 Annual General Meeting adopted the Board's proposed guidelines for remuneration of senior executives. The guidelines now stipulate that performance can also be measured according to non-financial targets, e.g. ICA Gruppen's overarching climate target.
- Continued work on reducing the amount of plastics. Among other things this includes intensive work on replacing fossil-based raw material in plastic packaging with fossil-free or recycled raw material.
- Start of ICA 50/50 Potentials. The aim is to motivate and spur development of young female leaders with potential to rise into higher positions.

Transparency and openness important also in the future

ICA Gruppen's ambition is to be a leader in corporate responsibility. It is a position we want to achieve in part because we have a responsibility by virtue of our size, and in part because we clearly see that sustainability drives growth. We see this in our figures already today, but it is even more apparent from the future report we published in early May. In this report we set out to predict what the world will look like in 2030 from the consumer's perspective. We have analysed what we will be consuming – and which values will steer our consumption. Among the more exciting conclusions are that demands for transparency and control will continue to increase. It is believed that conscious consumption will elevate the social status of consumers to an even higher degree than today. For this to happen will require full insight into how consumer products are produced, taking into account factors such as carbon emissions, biodiversity, soil health, public health, social factors, fair pay structures and proactive work environments.

For our part, we must continue to be open and clear, but we must also present information and data in a comprehensible manner. We took a big step in this direction during the spring through the launch of our digital service Mitt klimatmål ("My climate target"), which allows our customers to see the carbon footprint of their own food consumption. The food we eat

amounts for roughly a third of people's total carbon footprint, and in Sweden the carbon footprint is far higher than the UN's recommendations. We want to help change this. Small differences in people's everyday lives can make a big difference, and easily accessible data is a good step in this direction.



After this summer's heat wave and drought, Sweden's farmers are facing major challenges – and at ICA Gruppen we naturally do what we can to support. Among other things, we are actively working to further increase the proportion of Swedish meat in our products, now that meat supply has increased as a result of increased slaughter. This work is done in close dialogue with the Federation of Swedish Farmers (LRF). ICA has been working purposefully for many years to ensure Swedish production and today, about 90 percent of the meat ICA Sweden sells is from Sweden. At the local level, it is gratifying that many ICA retailers acted quickly by, for example, offer leftover fruits and vegetables as feed. More on this will be in the next sustainability report.

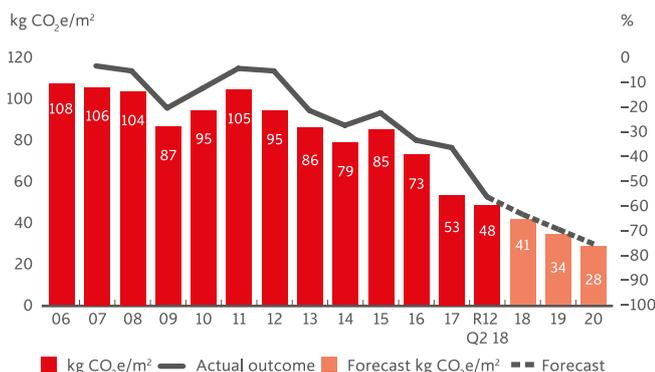
Per Strömberg, CEO ICA Gruppen

Key figures

ICA Gruppen's operations will be climate-neutral by 2020	Q3 2017–Q2 2018 (rolling 12 months)	Q3 2016–Q2 2017 (rolling 12 months)
Decrease in emissions compared with 2006	56%	42%

100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited	Q3 2017–Q2 2018 (rolling 12 months)	Q3 2016–Q2 2017 (rolling 12 months)
Outcome	97%	97%

Emissions kg CO₂e/m² 2006–Q2 2018 and forecast to 2020



The carbon footprint that cannot be eliminated in operations by 2020 will be addressed through offsets.

At least 90% of ICA Gruppen's corporate brand suppliers in high-risk countries will have a valid follow-up social audit before year-end 2020	Q2 2018	Q1 2018
Outcome	75%	79%

90% of ICA Gruppen's corporate brand suppliers will be quality certified by year-end 2020	Q3 2017–Q2 2018 (rolling 12 months)	Q3 2016–Q2 2017 (rolling 12 months)
Outcome	86%	86%

ICA Sweden	Q3 2017–Q2 2018 (rolling 12 months)
Sales development, ecolabelled, organic and ethically labelled range*	-1%
Sales development, organic range**	1%

* Pertains to total sales of ICA Sweden's ecolabelled, ethically labelled and organic range in Swedish ICA stores, excluding local purchasing by ICA stores.
** Pertains to total sales of ICA Sweden's organic range in Swedish ICA stores, excluding local purchasing by ICA stores.

For a Good Tomorrow

ICA Gruppen's sustainability work is wide-ranging and embodies high ambitions and a variety of activities. For structured communication surrounding this work, the concept För en god morgondag ("For a Good Tomorrow") has been launched. For a good tomorrow is broken down in five defined areas: local, environment, health, diversity and quality.

LOCAL

Entrepreneur award presented

ICA Gruppen's newly created entrepreneur award was presented in early May to the companies Hippogriff and Skedvi Bröd. The award is handed out to give recognition to local entrepreneurs and entrepreneurial initiatives throughout Sweden. The winners have demonstrated a strong drive and successful entrepreneurship.

In connection with the ICA Retailers Day on 17 May, the Claes-Göran Sylvén Entrepreneurship Fund also handed out awards to actors that have developed ideas and demonstrated exceptional entrepreneurship in retailing. Among this year's winners were the company Karma, which works to reduce food waste.

ENVIRONMENT

Climate target – now used as criterion for bonuses

The 2018 Annual General Meeting adopted the Board's proposed guidelines for remuneration of senior executives. The guidelines now stipulate that the variable remuneration systems shall mainly be based on financial performance targets, but that performance can also be measured according to non-financial targets coupled to ICA Gruppen's strategic themes. These include, among other things, ICA Gruppen's overarching climate target.

Continued work toward the goal of being climate-neutral by 2020

Since the base year 2006, ICA Gruppen's greenhouse gas emissions have decreased by 56%. During the second quarter the statutory refrigerant reports from Swedish ICA stores came in, and they show considerably lower emissions due to a changeover to refrigerants with a lower climate impact. For the first time, Rimi Baltic reported the use of renewable fuels in goods transports, which is contributing to lower emissions. However, the reduction in emissions was countered somewhat by higher energy consumption in all markets during the quarter as a result of warmer weather. For the full year 2018 the ambition is to achieve a 63% reduction in GHG emissions compared with the base year 2006.

In addition, Rimi Baltic is continuing its work on replacing lighting and refrigerants to alternatives with a lower climate impact. During the quarter, refurbishment was completed of Rimi's store in Kaunas, one of the largest in Lithuania. The refurbishment included installation of a new, modern refrigeration system that uses natural refrigerants with a low climate impact.

Launch of "My climate target"

In April ICA Sweden launched its Mitt klimatmål ("My climate target") service, a new digital tool that enables ICA customers to monitor the climate impact of their food purchases. With the help of tips and climate-guided recipes, customers can also get help in reducing their carbon footprint. The service is a further development of ICA's award-winning Klimaträtt pilot project, and the goal is to guide customers towards sustainable choices.

Continued efforts to reduce the use of plastics

Several initiatives are being conducted in ICA Gruppen to successively reduce the total volume of plastics used. ICA Sweden stands fully behind the industry-wide agreement presented by Svensk Dagligvaruhandel in April, which entails replacing fossil-based raw materials in plastic packaging with fossil-free or recycled raw material by 2030. Work towards this goal is already being conducted with full force.

Rimi Baltic is also working actively to reduce the use of plastics. During the quarter a trial was conducted in which customers were encouraged to

use their own containers for prepared foods bought in stores. Now, reusable bags for fruits and vegetables are offered in all Rimi hypermarkets.

The work on reducing the volume of plastics used also includes the use of plastic bags. For the past several years, all plastic bags in ICA Sweden's central assortment are made of renewable polyethylene based on sugar cane. From May 2017 the same applies for Apotek Hjärtat's plastic bags. All of ICA Sweden's plastic and paper bags are climate-neutral since June 2017.

Since Apotek Hjärtat in May 2017 became the first pharmacy chain in Sweden to charge customers for plastic bags, the use of plastic bags has decreased by nearly 60%, corresponding to 65 tonnes of plastic, or 10 million plastic bags. Sales of plastic bags continue to decrease also for Swedish ICA stores and Hemtex stores. Sales of plastic bags by Hemtex have decreased by 45% in 2018 to date.

Reduced sales of ecolabelled, organic and ethically labelled assortment

Store sales of ecolabelled, organic and ethically labelled products in ICA Sweden's central assortment decreased by 1% during the period July 2017–June 2018 (rolling 12 months) compared with the corresponding period a year ago. Measured as a share of total sales, ecolabelled, organic and ethically labelled products accounted for 10% during the same period.

Reduction in food waste

For both financial and environmental reasons, ICA Gruppen is striving to minimise food waste in all levels of the value chain – from purchasing all the way to customers. During the quarter a large project that began in 2017 was concluded. The aim was to reduce food waste in ICA Sweden, primarily in warehousing and in the logistics chain. The project comprised several sub-components – the most important being an overview of warehouse operations. The changes include new routines, increased control, more structured follow-up and a generally higher focus on process compliance designed to reduce food waste and maintain good quality. The project was conducted cross-functionally, and in addition to a significant reduction in food waste, the measures have also resulted in better service to stores.

HEALTH

Pilot project focusing on child obesity

Overweight and obesity among children is a major health problem. Today more than 20% of Swedish children are overweight, and just under 5% of children suffer from obesity. In partnership with Lovisa Sjögren – a doctor at the Region Halland paediatric clinic – ICA Sweden and the ICA Retailers in Varberg and Kungsbacka have started a pilot project aimed at helping children with obesity. During a three-month period, 60 patient families are being offered ICA pre-packed grocery bags at a reduced price to study if this can contribute to better eating habits and meals among the patient families. The initial evaluation of the pilot project is coupled to a bachelor's thesis at Stockholm University. The pilot project has received partial funding from the ICA Foundation. ICA's partner Generation Pep is also participating in the project.

Two "Minute Clinics" opened

Apotek Hjärtat continues to invest in healthcare and wellness services. During the quarter two new "Minute Clinics" (Minutkliniker) were opened – one in Stockholm adjacent to Maxi Haninge, and one in Gothenburg adjacent to Maxi Högsbo. Minute Clinics offer easily accessible healthcare and wellness services, such as vaccinations, birthmark checks and treatment of infections – on a walk-in basis at locations directly adjacent to Apotek Hjärtat pharmacies. A total of eight Minute Clinics are now in operation.

Extensive health initiatives at Rimi Baltic

Interest in health and wellbeing is great in Estonia, Latvia and Lithuania, and as a leading grocery retailer Rimi Baltic is working in various ways to

promote healthy lifestyles. During the quarter a large number of activities were carried out to inspire consumers toward activity, exercise and a healthy diet. Among the larger of these was Rimi Children's Day – the largest sporting event for children in the Baltic countries – sponsorship of the Riga Lattelecom marathon, and participation in various exercise events.

DIVERSITY

Asllani Court inaugurated in Vimmerby

On 21 May, Asllani Court was inaugurated in Bullerbyn outside Vimmerby, Sweden. The football pitch takes its name from Swedish women's national team player Kosovare Asllani, who comes from the same town. The aim of the pitch is to give more young girls an opportunity to play football at a safe and inspiring place. ICA Real Estate supported the initiative financially and served as project leader in the construction and design of the football pitch. The project is one of ICA Real Estate's expanded initiatives in social sustainability and community engagement.

Work for more women in senior positions

In June the ICA 50/50 Potential programme started for female leaders at ICA Gruppen in Sweden. The aim is to motivate and support the development of junior, women leaders with potential to serve in higher positions.

ICA Sweden and ICA-handlarnas Förbund have jointly decided that by 2020, 50% of all newly recruited ICA retailers shall be women. Today this share is approximately 30%. To succeed with this a number of projects have been initiated – all with the joint purpose to challenge and tear down structural barriers and to strengthen and inspire women to dare take the step. During the quarter recruitment was carried out for ICA Sweden's company management programme for prospective retailers. The programme has 16 places, and 50% of the participants are now women.

QUALITY

Positive effects of pea project in Guatemala

Between 2015 and 2017 ICA Sweden participated in a project together with the Dutch aid organisation IDH in Guatemala focused on pea farming. The aim was to work more directly with local farmers and thereby contribute to local development, reduced poverty and more long-term sustainable farming – and also to ensure access to high quality produce. During the quarter IDH presented an impact analysis of the entire project. In addition to improved yields and higher revenue for the farmers, the project also led to an increase the number of women farmers. On top of this, it had positive health effects from the installation of water purification systems and new cooking stoves.

Follow-up social audits of suppliers in high-risk countries

During the quarter, the share of suppliers that have undergone an initial social audit was 97%, which is in line with the preceding quarter. The share of suppliers in high-risk countries that have undergone a follow-up social responsibility audit within a set time interval decreased during the quarter from 79% to 75%.

The decrease is attributable to certain internal processes that led to delayed bookings in follow-up audits. Operations are focused on remedying this during the coming quarter.

Fair Trade Day at Rimi

Rimi Lithuania participated in World Fair Trade Day on 12 May by arranging in-store events at which customers could buy Fairtrade certified products and learn about the Fairtrade principles.

Criticism, media debate and dialogues

Textile workers' situation in Bangladesh

A new report from Swedwatch addresses textile workers' situation in Bangladesh and what Swedish companies, including ICA Sweden and Hentex, are doing to take and ensure social responsibility. The report can be downloaded from www.swedwatch.org/.

FIFA World Cup and human rights

As one of the sponsors of the Swedish Football Association (SvFF), ICA Sweden was involved in the debate surrounding human rights that took place in connection with the FIFA World Cup in Russia. To find out how companies that sponsor SvFF are managing human rights risks associated with the World Cup in Russia, Swedwatch conducted a survey. ICA Sweden was one of the few companies that agreed to participate in the survey. A report can be downloaded from www.swedwatch.org/.

Awards and distinctions:

- Following the June 2018 FTSE4Good Index Series review, it was confirmed that ICA Gruppen remains a constituent of the FTSE4Good Index Series, which measures the performance of companies' Environmental, Social and Governance (ESG) work.
- Rimi Latvia's work with sustainability received recognition for the third year in a row at the platinum level in the Sustainability Index Award 2017. The initiative-takers were the Corporate Sustainability and Responsibility Institute, the Employers' Confederation of Latvia (LDDK) and the Free Trade Union Confederation of Latvia (LBAS).
- In June 2018 ICA Sweden won the International Award for Marketing Fresh Produce to Children at the annual London Produce Show and Conference. ICA Sweden won the award for its creation of a healthier range of Halloween products consisting of root vegetables, vegetables and fruits. The aim was to inspire children and young teens to eat more vegetables and fruit during a holiday season that is otherwise dominated by sweets.
- During the quarter the ICA Skona soap bottle won a 2018 International Salute to Excellence Award from the Private Label Manufacturers Association (PLMA) in the Household Cleaning Products category. The bottle is made solely of recycled plastic that has been collected and recycled in Sweden.
- In May the White Guide Green announced its selection of the year's sustainable grocery stores. In all, some 350 grocery stores throughout Sweden were reviewed. The main award – Sustainable Grocery Store of the Year – went to ICA Kvantum in Lidingö. Among other awards presented were Sustainable Action of the Year, which was won by ICA Kvantum in Gislaved, which was first in Sweden to stop selling plastic grocery bags. In all, five of ten awards were won by ICA stores.

About this report

This is a quarterly status report with information about ICA Gruppen's work on issues relating to sustainability. The report highlights continuing developments during the year and covers all companies within ICA Gruppen. The report is not reviewed by the Company's auditors. The criteria applied in preparation of this report are based on the annual sustainability report published by ICA Gruppen. The quarterly report is not prepared in accordance with the GRI Guidelines and therefore does not address certain issues. ICA Gruppen's sustainability report is published once a year, follows the GRI Guidelines and provides an all-embracing description of the Group's sustainability work. For measurement and calculation methods, boundaries and a materiality analysis, see ICA Gruppen's 2017 Annual Report:

- www.icagruppen.se/arsredovisning/arsredovisning2017/sv/index.html
Pages 120, 121 and 129

Contact and calendar

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Calendar:

25 October 2018	Sustainability Report July–September 2018
6 February 2019	Sustainability Report October–December 2018

Other

For more in-depth information, see the sustainability reports from other ICA Gruppen companies:

- Apotek Hjärtat: www.apotekhjartat.se/om-oss/hallbarhet/
- Hemtex: www.hemtex.fi/media/Sustainability%20report_Hemtex_2017_webb.pdf
- Rimi Estonia: www.rimi.ee/ettevottest/rimi-uhiskonnas/vastutustundlikettevotlus

About ICA Gruppen

ICA Gruppen AB (publ) is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which mainly conduct grocery retail, ICA Real Estate, which owns and manages properties, ICA Bank, which offers financial services, and Apotek Hjärtat, which conducts pharmacy operations. The Group also includes Hemtex. For more information see icagruppen.se.