

Third quarter 2018 in summary

- ICA Gruppen's greenhouse gas emissions continued to decrease during the quarter, but at a slightly slower pace than previously. This development is mainly due to an increase in transports and higher energy consumption at stores and pharmacies associated with the warm summer in Sweden. In addition, a new law requiring a so-called reduction obligation has led to a lower blend of HVO (hydrogenated vegetable oil) in fuel used in goods transports, which has resulted in higher GHG emissions.
- ICA Gruppen's overall climate ambition has been approved by the Science Based Targets initiative.
- New Group strategy for plastics. ICA Gruppen is working actively to reduce the environmental impact of the plastics used in its assortment. The new strategy lays out the course going forward and sets clear goals for this work.
- Strengthened position in health through investment in Min Doktor.
- Efforts in response to drought. The past summer's drought has struck a hard blow to Sweden's farmers. ICA Sweden's already extensive work on increasing sales of Swedish meat has continued and further intensified after the summer.

Strengthened position in health

ICA Gruppen aspires to be a positive force that leads development toward a more sustainable and healthy society. One of our foremost priorities is therefore to contribute to improved public health. Through our grocery stores, pharmacies and Minute Clinics we are working in several health areas – from preventing, caring for and curing to inspiring and guiding people to a healthy lifestyle. With our investment in Min Doktor we have further strengthened our health position. ICA Gruppen's vision is to make every day a little easier, and together with Min Doktor we will now be able to make healthcare services even more accessible, whether it be getting help via a mobile phone or in person at any of our Minute Clinics in connection with a visit to the grocery store.

Other key events during the quarter include the decision on a new, Group-wide strategy for plastics – an important area where we, by virtue of our size, can make a difference. The strategy has a wide angle of approach with a number of focus areas. Among other things, by 2020 we aim to phase out disposable plastic items within the Group.

In early October the IPCC's global warming report was published. The message is clear: limiting global warming to 1.5C requires rapid and sweeping changes throughout society on an unprecedented scale. As early as 2030, global carbon emissions must be reduced by 45% compared with 2010 levels. Strong measures are required by governments,

companies and private individuals. We all have a great responsibility. It is therefore gratifying that ICA Gruppen is now Sweden's first retailer whose climate ambition is approved by the Science Based Targets initiative. It is an important step to ensure that both we and our largest suppliers do our part to slow down the global warming.

Looking at ICA Gruppen's greenhouse gas emissions, we note a continued decrease, albeit at a slightly slower pace than previously. The explanations include increased transports and increased energy consumption by stores and pharmacies as a result of the warm summer in Sweden, but also a lower blend of HVO in the fuel used for goods transports. The fuel market is undergoing change, and we are now working intensively to come up with a fuel strategy that both addresses the challenges and capitalises on opportunities.

The past summer's heat and drought have also presented Sweden's farmers with major challenges. At ICA Gruppen we are doing what we can to lend support in a difficult situation. Among other things we have carried out more promotional campaigns for products with Swedish ingredients and adopted more clear labelling of Swedish meat and Swedish products. We will continue with this work also in the future.

Per Strömberg, CEO ICA Gruppen

Key figures

ICA Gruppen's operations will be climate-neutral by 2020	Q4 2017–Q3 2018 (rolling 12 months)	Q4 2016–Q3 2017 (rolling 12 months)
Decrease in emissions compared with 2006	-57%	-47%

Emissions kg CO₂e/m² 2006–Q3 2018 and forecast to 2020



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

100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited	Q4 2017–Q3 2018 (rolling 12 months)	Q4 2016–Q3 2017 (rolling 12 months)
Outcome	96%	97%

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	Q3 2018	Q2 2018
Outcome	80%	75%

90% of ICA Gruppen's corporate brand suppliers will be quality certified by year-end 2020	Q4 2017–Q3 2018 (rolling 12 months)	Q4 2016–Q3 2017 (rolling 12 months)
Outcome	86%	86%

ICA Sweden	Q4 2017 – Q3 2018 (rolling 12 months)
Sales development, ecolabelled, organic and ethically labelled range*	-3%
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 into five defined areas: local, environment, health, diversity and quality.

LOCAL

Efforts in response to drought and wildfires

The past summer's heat and drought has struck a hard blow to Sweden's farmers. Higher costs for seed and animal feed combined with a grain shortage has led to higher overall costs. ICA Sweden's already extensive work on boosting sales of Swedish meat continued after the summer and has been further intensified. Among the more extensive measures include promotional campaigns for Swedish ground beef, a changeover to Swedish ingredients in ICA's own meatballs, and clearer labelling of Swedish meat and Swedish products.

In connection with the numerous, major wildfires during the summer, local ICA retailers and several Apotek Hjärtat pharmacies provided support in the firefighting effort, such as by giving access to premises and donating beverages, hydration drinks, wound care and medicines to rescue workers and people evacuated from their homes.

Processing of ICA's bacon and production of mineral water moved to Sweden

During the period the decision was made to move the processing of ICA's bacon from the Netherlands to Halmstad, Sweden. The pork has always been sourced in Sweden, but to date there has not been enough capacity in Sweden to handle the process of curing, smoking and packaging. Through a collaboration with the company Charkuterifabriken, production will be moved to Sweden. As a result of this move, the meat is now processed closer to both Swedish producers and consumers, which in turn will result in lower climate-affecting emissions related to transports. Production of ICA's own mineral water has also been moved to Sweden; the water is now sourced from a spring north of Köping after previously having been sourced from Telemark, Norway. This new arrangement entails shorter transport distances and thus also lower climate-affecting emissions.

ENVIRONMENT

Continued work toward target of being climate-neutral by 2020

Since the base year 2006, ICA Gruppen's total greenhouse gas emissions have decreased by 57%. Seen over a 12-month period the trend is still falling, but compared with the preceding quarter the pace of decline has slowed somewhat. This development is mainly due to increased transports and higher energy consumption at stores and pharmacies as a result of the warm summer. In addition, the blend of HVO in fuel for goods transports has decreased, which has resulted in an increase in transport-related emissions. Underlying the lower blend are higher prices for HVO as a result of the so-called reduction obligation that was adopted in Sweden on 1 July.

>>Read more about ICA Gruppen's climate targets at icagruppen.se.

ICA Gruppen's overall climate ambition approved by the Science Based Targets initiative

In September ICA Gruppen's overall climate ambition was approved by the Science Based Targets initiative. The ambition includes two targets that call for reducing direct, climate-affecting emissions in operations by at least 70% compared with the base year 2006 (as part of ICA Gruppen's target of becoming climate neutral by 2020), and ensuring that ICA Gruppen's largest suppliers have adopted climate targets in accordance with the Science Based Targets initiative by 2025. This approval validates that the targets have been set based on a scientific method that ensures

that they are in line with the global Paris agreement on climate change. The method has been created by the UN Global Compact, CDP and WWF, among others.

New, joint-Group strategy surrounding plastics

Several initiatives are being conducted in ICA Gruppen to successively reduce the environmental impact of the plastics used in the product range. In September a decision was made on a new, joint-Group strategy for plastics with the overall goal of contributing to a circular and sustainable plastics system, where plastic is reused and recycled as far as possible, where no plastics end up as litter in nature, and where the raw material used is recycled or comes from renewable sources. The strategy covers the design and shape of products and packages, smart use of material, and product and packaging innovations.

Strategic area	Goal
Design of products and packaging according to circular concept	All private label food packages made of plastic are recyclable* by 2022
Smart use of material	All disposable items** in our range are made of renewable or recycled material by 2020
Product and packaging innovations	All private label food packages made of plastic consist of recycled or renewable material by 2030

*Reuse, refill and/or material recycling

**Straws, glasses/mugs, plates, cutlery, cotton swabs

Reduced sales of ecolabelled, organic and ethically labelled assortment

Since the end of 2017, the previous strong organic trend has shown signs of slowdown for the Swedish grocery market. This is also reflected in sales development within ICA Sweden. Store sales of ecolabelled, organic and ethically labelled products in ICA Sweden's central assortment decreased by 3% during the period October 2017–September 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. Affecting factors are the growing interest in local and Swedish products and reduced sales of certain product categories during the summer's barbecue ban. However, in the fruit and vegetable category, sales growth is still positive.

Continued investment in charging stations

As part of efforts to make it easier for customers to make environmentally conscious choices, during the period the next step was taken in the investment in charging stations for electric hybrids and e-vehicles. In partnership with E.ON, ICA Real Estate offers a concept which, in addition to charging stations, also includes service, support and monitoring. To date 11 stores have installed the new charging stations.

HEALTH

Investment in Min Doktor

During the period Apotek Hjärtat acquired 42% of Min Doktor, a digital primary care service. The investment strengthens ICA Gruppen's position in health. Min Doktor is now ramping up for a rapid expansion of the number of clinics, which will primarily be located adjacent to ICA stores. By combining Min Doktor's Swedish operations with Apotek Hjärtat's "Minute Clinic" concept, patients will be able to get help both online and at smaller clinics staffed by registered nurses.

DIVERSITY

#icaförmångfald

To honour diversity and the equal value of all people, the rainbow flag was raised at ICA's offices and warehouses around Sweden in connection with the EuroPride festival. Many ICA stores also flew the flag.

Increased knowledge about diversity, inclusion and unconscious bias

ICA Gruppen is working actively to spread knowledge about diversity and inclusion, and to increase awareness of unconscious bias and prevent offences. During the period a large number of activities were carried out in various parts of the organisation. One of the goals is that all leaders and employees will know about ICA Gruppen's zero tolerance policy with respect to discrimination and harassment, the discrimination grounds and what they entail, and the routines to follow in cases of discrimination.

Partnership with Swedish Public Employment Service

ICA Gruppen and the Swedish Public Employment Service (Arbetsförmedlingen) have partnered in an initiative to stimulate employment for newcomers primarily in stores. The partnership is one of several initiatives for achieving the goal of taking in 500 newcomers in 2018. Simplified processes at Arbetsförmedlingen and a strong focus on joint communication – both internal and external – are key components of the initiative.

QUALITY

ICA Gruppen's supplier targets for quality and social responsibility

During the quarter, target achievement for quality certifications of suppliers of ICA Gruppen's corporate brands was in line with the preceding period. The outcome of the target for social audits in high risk countries has decreased one percentage point, due to an increased supplier base, partly due to changes in risk classification of high-risk countries as well as delays in internal follow-up processes. The process of changes in risk classification is long, and the outcome for rolling 12 months is adversely affected. Target achievement for valid follow-up social audits of suppliers in high-risk countries has increased by five percentage points since the last quarter due to the focus on increased efforts to reach the target by 2020.

New version of Bangladesh Accord signed

ICA Special and Hemtex have signed the new version of the Accord on Fire and Building Safety in Bangladesh 2018 – a framework agreement that was drawn up in the aftermath of the factory building collapse at Rhana Plaza in 2013 that caused more than 1,100 deaths. The agreement is legally binding and sets demands for safety inspections. Read more at bangladeshaccord.org.

Criticism, media debate and dialogues

Presence at Almedalen and Järva

During the period ICA Gruppen participated at the week-long political policy conferences in Almedalen and in Järva, outside Stockholm. By itself and together with others ICA Gruppen participated in a number of seminars on themes ranging from integration, entrepreneurship and modern food security to social development and sustainability.

Awards and distinctions

- ICA Gruppen's 2017 Annual Report won first place in PwC's competition "Best Reporting on Value Creation". The jury stated in its citation that the Annual Report "both meets and exceeds the criteria for Value Creation, Comprehensibility and Thoroughness", and that ICA Gruppen "has integrated sustainability issues in its strategy in a well thought out manner".
- In mid-September the network Hållbar Livsmedelskedja ("Sustainable Supply Chain for Food in Sweden") was awarded the 2018 Livsmedelspriset ("The Food Award 2018"). The network was recognised for "its impactful work on bringing together industry, the grocery retail trade and WWF in an exemplary partnership to draw up definitions and goals, develop concrete tools, and set a joint roadmap for a more sustainable food chain by 2030". ICA and Lantmännen are the initiative-takers behind Hållbar Livsmedelskedja. The Food Award is presented by Livsmedelsföreningen to recognise inspiring initiatives for further development of the food industry.

EVENTS AFTER THE END OF THE QUARTER

ICA Gruppen is one of Sweden's most equal listed companies. It is stated in the Allbright Foundation's latest report published shortly after the end of the quarter. The report is based on a review of gender distribution in Swedish listed companies' management teams and boards. Read more on allbright.se.

Auditor's Review Report on ICA Gruppen AB's Sustainability Report July-September 2018

To ICA Gruppen AB (publ), Corp. Id. 556048-2837

Introduction

We have been engaged by the Board of Directors of ICA Gruppen AB to review ICA Gruppen AB's Sustainability Report for the period 1 July–30 September 2018.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for ongoing activities regarding the environment, health & safety, quality, social responsibility and sustainable development, and for the preparation and presentation of the quarterly report in accordance with the applicable criteria, as explained in the paragraph "About this report" in the quarterly report. As stated in the paragraph "About this report", ICA Gruppen AB's Sustainability Report for the period July–September 2018 is not a complete GRI report, but is a status report on the material areas reported on in the 2017 Sustainability Report for ICA Gruppen AB. The Sustainability Report for the period July–September 2018 is therefore a complement to the 2017 Sustainability Report and should be read in connection to this.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Report July–September 2018 based on the procedures we have performed.

We have performed our review in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, issued by IFAC. A review consists of making inquiries, primarily of persons responsible for the preparation of the quarterly report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Our assurance does not comprise the assumptions used, or future oriented information (e.g., goals, expectations and ambitions). The criteria on which our review is based on are stated in the section "About this report". We consider these criteria suitable for the preparation of ICA Gruppen AB's Sustainability Report July–September 2018.

Our review has, based on an assessment of materiality and risk, e.g. including the following procedures:

- a. an update of our knowledge and understanding of ICA Gruppen AB's organisation and activities
- b. assessment of the suitability and application of criteria in respect to stakeholders' need of information
- c. read internal and external documents to assess if the reported information is complete, correct and sufficient
- d. analytical review of reported information
- e. overall impression of the quarterly report and its format
- f. reconciliation of the reviewed information against the sustainability information in ICA Gruppen AB's Sustainability Report for 2017

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusions

Based on our review, nothing has come to our attention that cause us to believe that the information in ICA Gruppen AB's Sustainability Report for the period 1 July–30 September 2018 has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 25 October 2018
KPMG AB

Thomas Forslund
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR

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 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/en/index.html
Pages 120, 121 and 129

Contact and calendar

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Calendar:

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.