

Fourth quarter 2018 in summary

- Continued work toward goal of being climate-neutral by 2020
- Mitt klimatmål (“My climate target”) now part of ICA Spara
- Strong environmental focus in newly built stores
- ICA’s Entrepreneur Award – this year one with focus on health
- 100 Club initiative concluded – target far exceeded
- Several initiatives focusing on diversity, inclusion and bias

CEO’s comments

Since spring 2012 we have reported on the progress of our sustainability work every quarter in a separate sustainability report. Now it is time to take the next step. Starting with the next quarter this reporting will instead be included as part of our regular interim report. The work with various sustainability aspects is an integral part of our daily operations, and should therefore also be reported as part of them.

In the years that have passed we have noted significantly greater interest in sustainability issues among customers, suppliers, employees, owners and the capital market. Issues surrounding our carbon footprint, social responsibility and health have made a clear imprint in the general public debate – and in many cases have contributed to both stronger and more sound companies.

Looking at our own work, we have successively raised our level of ambition and advanced our positions. We have set tough and challenging goals that have forced us – and our suppliers – to stay on our toes.

In 2019 we will further intensify our efforts, not least in the areas of health and the climate. We will continue our work on reducing our own carbon footprint, and we will work with our suppliers to reduce the carbon footprint further down in the supply chain. We will also put even greater focus on inspiring our customers to make sustainable and healthy choices. We are doing this because by virtue of our position and

size we have a responsibility, but also because we clearly see that it drives both growth and profitability.

As for our own carbon footprint, our target is for our operations to be climate-neutral by 2020. Compared with the base year 2006 our emissions have decreased overall by 61%. Looking at our performance in 2018, we note that the rate of decline slowed somewhat, partly as a result of an increase in transports and higher energy consumption, but also as a result of decreased use of HVO biofuel for goods transports. We described the trend for HVO in the third quarter interim report, and it has become even more apparent now. Our contracted distributors still meet the set requirements, but as a result of highly volatile prices since the introduction of the so-called reduction obligation in Sweden on 1 July, the use of HVO has gradually been reduced. The entire market for renewable fuels is undergoing change, and we – and many others – need to adapt. As part of this work, during the first half of 2019 we will present a long-term fuel strategy. More will follow in our next report!



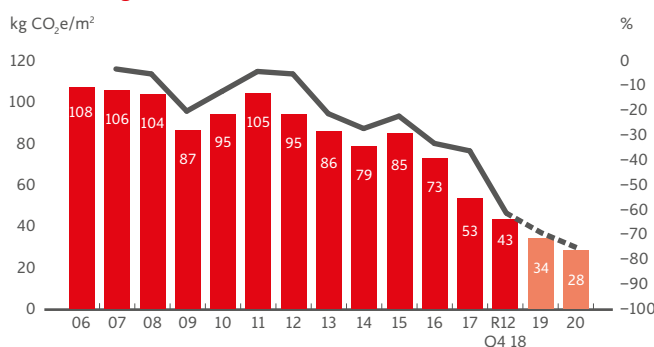
Per Strömberg, CEO ICA Gruppen

Key figures

ICA Gruppen’s operations will be climate-neutral by 2020	Q1 2018–Q4 2018 (rolling 12 months)	Q1 2017–Q4 2017 (rolling 12 months)
Decrease in emissions compared with 2006	-61%	-51%

100% of ICA Gruppen’s corporate brand suppliers in high-risk countries will be socially audited	Q1 2018–Q4 2018 (rolling 12 months)	Q1 2017–Q4 2017 (rolling 12 months)
Outcome	95%	97%

Emissions kg CO₂e/m² 2006–Q4 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 by year-end 2020	Q4 2018	Q3 2018
Outcome	79%	80%

90% of ICA Gruppen’s corporate brand suppliers will be quality certified by year-end 2020	Q1 2018–Q4 2018 (rolling 12 months)	Q1 2017–Q4 2017 (rolling 12 months)
Outcome	85%	86%

ICA Sweden	Q1 2018–Q4 2018 (rolling 12 months)
Sales development, ecolabelled, organic and ethically labelled range*	-3%
Sales development, organic range**	-3%

* 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 strives to be a positive force in society. Our ambition is to be a leader in corporate responsibility. Our sustainability work is extensive and encompasses a wide range of activities structured in five overarching areas: local, environment, health, diversity and quality.

LOCAL

Fundraising and campaigns

During the quarter a large number of fundraising and other activities were conducted in support of people in need. In an effort to promote engagement and integration in Sweden, from mid-November through the end of December ICA Sweden conducted a fundraising campaign for the benefit of the Red Cross, where a percentage of 27 selected Christmas products was donated to the Red Cross's work. A number of fundraising campaigns were also conducted during the quarter by Rimi Baltic, such as for children in need.

ENVIRONMENT

Continued work toward goal of being climate-neutral by 2020

Since the base year 2006, ICA Gruppen's total greenhouse gas emissions have decreased by 61%. Seen over a rolling 12-month period the trend is still falling, but as in the preceding quarter the pace of decline has slowed somewhat. This development is due in part to increased transports, higher energy consumption at stores and pharmacies, and increased use of refrigerants as a result of the warm summer in Sweden. In addition, the blend of HVO (Hydrogenated Vegetable Oil) in fuel for goods transports has decreased, which has led to 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. In addition, in November it was decided that the classification of PFAD (palm fatty acid distillate), which is one of the ingredients in HVO, will be changed with effect on 1 July 2019. This change will likely lead to a shortage of HVO and further price increases.

The fuel market is undergoing change, and work is being conducted in ICA Gruppen to formulate a long-term fuel strategy that both meets challenges and takes advantage of opportunities. The strategy is expected to be ready during the first half of 2019.

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

Lower sales of ecolabelled, organic and ethically labelled range

Since the end of 2017 the previously strong organic trend has shown signs of slowing for the Swedish grocery retail market as a whole. This is also reflected in sales development for ICA Sweden. Store sales of ecolabelled, organic and ethically labelled products in ICA Sweden's central range decreased by 3% in 2018 compared with the preceding year. The factors underlying this decrease include growing interest in local and Swedish products.

Viewed as a share of total sales, ecolabelled, organic and ethically labelled products accounted for 10% during the same period. The total sales value of organic products amounted to approximately SEK 6.3 billion during the last 12-month rolling period, compared with approximately SEK 6.5 billion in the preceding 12-month period.

Mitt klimatmål ("My climate target") now part of ICA Spara

In October the ICA Spara ("ICA Save") app was launched, enabling all ICA cardholders to gain an easy overview of their entire personal economy. Customers can view their grocery purchases, bills and subscriptions in one place. In addition, the app is coupled to the Mitt klimatmål ("My climate target") service, which allows customers to monitor the carbon footprint from the food they buy at ICA.

Inspiration for sustainable choices

One of ICA Gruppen's goals is to help and inspire customers to make sustainable choices. For environmental reasons during the quarter ICA Sweden decided to phase out disposable aluminium grills from its central range. Until better alternatives are available from an environmental perspective, ICA Sweden will not be buying in disposable grills.

To support growers who feel the direct effects of climate change, ICA Sweden has begun buying coffee beans from the Aproexports agricultural collective in Peru for ICA's I love eco coffee. One krona from every package sold is being donated to the agricultural collective's work on climate-adapting the coffee growers' farms.

At the end of the year Hemtex joined the 2025 Sustainable Cotton Challenge. Through this initiative Hemtex has undertaken to ensure that all of its cotton textiles will come from sustainable sources by 2025.

New environmental information for OTC medicines at Apotek Hjärtat

Diclofenac is an over-the-counter (OTC) pain medicine with environmental risks for Sweden's aquatic systems. This has been previously pointed out by several actors in the pharmaceutical field, including pharmaceutical experts of the Swedish County Councils. As a joint initiative conducted together with other pharmacy chains, since 3 October Apotek Hjärtat has been providing environmental information for OTC medicines containing diclofenac. The environmental information is provided both in physical pharmacies and online. The aim is to help reduce any adverse environmental impact from diclofenac on Sweden's aquatic systems.

Sustainability a common thread at ICA Gruppen's head offices

During the first quarter of 2019 ICA Gruppen's head offices will move to new premises in Arenastaden, in Solna. The building is environmentally certified according to the BREEAM Excellent rating. This is the second-highest level possible and one of the world's most widely used environmental certification systems. The building is assessed according to a number of criteria, including choice of material, waste and water management, indoor climate, innovative technical solutions, the construction process and operations.

Strong environmental focus in new stores

During the period, ground was broken for construction of two new ICA stores in Sweden, in Bålsta and in Trosa. Both stores will have a strong environmental focus with geothermal energy as an energy source for the stores' heating and cooling. They will also be certified according to GreenBuilding Gold level and will have a strong emphasis on sustainable transports, featuring bike corrals, clearly marked pedestrian and bike paths, and charging posts. With these new buildings ICA Real Estate is striving to develop existing retailers' stores and thereby elevate their profiles as a community meeting place.

HEALTH

ICA's Entrepreneur Award – now with focus on health

During the quarter, the nomination period began for ICA Sweden's Entrepreneur Award, which this year put extra emphasis on health aspects through the category "Health Entrepreneur of the Year". Criteria for winning the award include that the nominee must have started a company that promotes and inspires good public health. The second category is "Local Hero of the Year".

Buddy with Your Body

For the past 17 years ICA Sweden has been conducting the Kompis med kroppen (“Buddy with Your Body”) initiative. Since the project’s inception some 950,000 school children have completed the course in which they learn about the importance of healthy, sustainable eating habits with focus on fruits and vegetables as well as the importance of exercise. All course material is available for downloading free of charge from www.ica.se/kompismedkroppen.

Reduced sugar content

Both ICA Sweden and Rimi Baltic are gradually rolling out various initiatives to reduce the content of sugar in foods. During the quarter Rimi in Lithuania decided to reduce the sugar content in all products in the bread and baked goods category by 20%. The goal is that this will be achieved by the first quarter of 2020. Ahead of the Christmas season, ICA Sweden launched a mulled wine (“glögg”) variant with 30% lower sugar as an extension of its previous reductions in the sugar content of ICA’s own soda pop, fruit juice and fruit drinks.

Fruit and vegetable range for Halloween

For the second year in a row ICA Sweden came out with a seasonal Halloween range featuring root vegetables, other vegetables and fruits that alluded to Halloween in a playful manner. The aim was to inspire children and young people to eat more vegetables and fruit during a holiday that is otherwise mainly dominated by sweets.

ICA Sweden and Apotek Hjärtat main sponsors of Cancerfonden’s Pink Ribbon campaign

In October Cancerfonden (the Swedish Cancer Fund) carried out its Pink Ribbon campaign, with ICA Sweden and Apotek Hjärtat as two of the main sponsors. Support to the campaign consists of sales of pink ribbons, pink products and donation activities. In total ICA Gruppen and its customers raised SEK 54 million for the campaign. In addition, during the autumn all of Apotek Hjärtat’s employees received internal education about cancer therapy.

Perfume-free week at Apotek Hjärtat

Roughly a third of the adult population in Sweden say that they have some form of hypersensitivity to odours, and 6% have receive a diagnosis of sensory hyperreactivity (SHR). To spread knowledge about oversensitivity to odours and the importance of being considerate to people with the condition, Apotek Hjärtat – together with the Swedish Asthma and Allergy Association – carried out a “Perfume-free week” during November.

DIVERSITY

ICA exceeds target for newcomer employment and ramps up its ambitions

ICA Gruppen is one of 31 employers in Sweden to participate in the government’s 100-klubben (“the 100 Club”) initiative, whose aim is to create jobs for newcomers. Since the initiative was launched in 2015, 970 newcomers have been put to work at ICA stores and Apotek Hjärtat. This corresponds to 26% of the total number of people who secured employment within the framework of the 100 Club. ICA is now taking the next step to open up more internships and jobs for newcomers. This is being done through a new collaboration to fast-track contacts between local public employment offices and ICA stores.

Networking meeting for “ICA’s youths”

During two days in October, for the fourth year in a row younger employees of ICA Gruppen met for an “ICA’s youths” network gathering, with sustainability as a special theme. The approximately 20 participants came from across the country and represented stores, offices, warehouses and pharmacies, among other areas.

Activities and training in diversity, inclusion and bias

ICA Gruppen is working actively to increase knowledge about diversity and inclusion, shine light on unconscious bias, and prevent offences. During the period a large number of activities were conducted in essentially all areas of the organisation. Among other things, by year-end seven of ten Group Management teams had carried out workshops on gender equality, diversity, inclusion and unconscious bias. In addition, new instructions and templates were published in the managers’ manual as support for competence-based recruitment. In addition to social aspects, the physical environment such as office buildings was reviewed to identify the risk for discrimination against people with functional disabilities.

During the quarter Rimi Baltic launched the #AgeDoesNotMatter campaign to highlight the risk for age-based discrimination.

QUALITY

Numerous audits performed

During the autumn a large number of inspections and audits were performed in various parts of ICA Gruppen. Among other things, the Swedish Medical Products Agency performed an inspection to see if ICA Sweden is in compliance with laws governing the wholesale licence for pharmaceuticals. Also during the quarter, ICA Sverige Logistik’s and ICA Sverige Sortiment & Inköp’s respective ISO 14001, ISO 9001 and ISO 22000 certifications were renewed.

Electronic support for better pharmaceutical control

During the autumn Apotek Hjärtat carried out activities aimed at increasing the use of EES, an electronic decision-making tool for pharmacists. The decision-making tool, which is now used in approximately 15% of all customer visits, entails that submitted prescriptions are analysed both individually and in combination with the customer’s previous prescriptions. Through EES, the pharmacist receives automated support in checking, for example, dosages, duplicate prescriptions and drug interactions. The aim is to detect if the customer is using several drugs with the same effect, drugs that work against each other, drugs that are not suitable due to the customer’s age, or if the dosage is too high. The system also facilitates the pharmaceutical control that is always conducted in connection with the filling of drug prescriptions.

Criticism, media debate and dialogues

About the water shortage in Peru's Ica Valley

In November Swedwatch published a report focusing on Peru, where a water shortage in the Ica Valley is creating serious problems, among other things concerning health and employment. The region is a major grower of asparagus, among other produce. The situation in the Ica Valley is serious, and ICA Sweden is currently working together with suppliers to find a long-term solution.

About the merger of Minutkliniken and Min Doktor

In September ICA Gruppen announced the pending merger of Minutkliniken and Min Doktor. This received mainly a positive response, however, critical comments came to light after a few days from the Swedish Medical Association, which questioned the form of ownership for the new company, i.e., that a pharmacy actor is becoming the part-owner of a healthcare company. The article, which was published in the Swedish business daily Dagens Industri, was responded to jointly by ICA Gruppen and Min Doktor in a reply on the newspaper's web version. In addition, the issue was discussed on radio channel P1's programme "Studio Ett" in October as well as in a panel discussion at a Pharmacy Market Day in November.

Dialogue with suppliers

During the quarter ICA Sweden carried out a dialogue with its suppliers on the importance of adopting science-based climate targets. Among others, the issue was taken up at ICA Sweden's annual Supplier Day and at a meeting with specially invited key suppliers. The aim was to persuade suppliers to adopt science-based climate targets in their operations in line with ICA Gruppen's climate ambitions.

Awards and distinctions

- **ICA Sweden's Mitt klimatmål recognised**

ICA Sweden's Mitt klimatmål ("My climate target") digital tool was nominated during the quarter for a number of distinctions. Among other things, Mitt klimatmål was a finalist for the Blåslampan award presented by the Swedish Consumers Association and the consumer magazine Råd & Rön; and the Sustainability Initiative presented by the Grocery Retail Gala and grocery retail industry magazine Fri Köpenskap; as well as nominated for the Environmental Strategy Award 2018 presented by the environmental magazine Miljö & Utveckling.

- **Rimi Baltic wins employer award**

During the quarter Rimi Baltic was named as a Capable Employer 2018. The award was presented to Rimi Baltic for its work on creating jobs for people with functional disabilities.

- **Hemtex's work with cotton and down**

Hemtex received recognition during the quarter for its work with cotton and down. Hemtex is one of a total of five companies on Better Cotton's list of companies that use more than 75% of cotton certified as Better Cotton. In addition, Textile Exchange awarded Hemtex a fourth place for its increased share of traceable down in its products. This means that the feathers are sourced from ducks and geese that have been traced from farm to product by a third party.

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. 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:

5 March 2019	Annual Report incl. Sustainability Report 2018
3 May 2019	Interim Report January–March 2019
15 August 2019	Interim Report January–June 2019
24 October 2019	Interim Report January–September 2019
6 February 2020	Year-end Report 2019

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.se/info/hallbarhet/hallbarhetsredovisning/
- Rimi Estonia: www.rimi.ee/ettevottest/rimi-uhiskonnas/vastutustundlik-ettevotlus

Om 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.