

Second quarter 2017 in summary

- ICA Gruppen's greenhouse gas emissions decreased by 41% during the period July 2016–June 2017 compared with the base year 2006. The large decrease is mainly attributable to the changeover to renewable fuels in the Swedish operations and continued investments in renewable electricity at Rimi Baltic.
- The share of socially audited suppliers of ICA Gruppen's corporate brand products was 97% during the quarter, which is level with the preceding quarter.
- The share of quality-certified suppliers of ICA Gruppen's corporate brand products in high risk countries was 85% which exceeds the target level of 80%.
- Continued growth in sales of ecolabelled, organic and ethically labelled products in ICA Sweden's central assortment. In total, sales of such products during the period July 2016–June 2017 grew 8% compared with the corresponding period a year ago.
- New packaging contributing to lower food waste. By changing over to a new form of packaging for large parts of the meat range, considerably longer shelf life has been achieved as well as improved flavour.
- Food waste becomes fish in circular system. Waste from potatoes is being used to breed insects, which in turn are being used as fish feed for Arctic char sold under ICA Sweden's private label.
- During the spring Apotek Hjärtat changed over to using plastic bags made of sugar cane. When incinerated the bags produce 85% less CO₂ than petroleum-based bags.

CEO's comments

For ICA Gruppen, a determined sustainability effort and strong community engagement go hand in hand with long-term profitability. This has been the case since ICA was established back in 1917. Even then our retailers recognised the importance of taking responsibility, acting long-term, and giving back to the local communities they worked in.

Since then we have successively advanced our positions, and sustainability is today an integral part of all our processes. By virtue of our size we have a great responsibility, but on top of this we also clearly see that sustainability is a driver of growth – now more than ever. We see it in our figures, and it is also evident in numerous, independent studies: companies with effective sustainability work are on average more profitable and deliver higher returns to their shareholders. And actually this is not so strange. End customers are demanding products that meet high sustainability standards, while suppliers are keen on working with innovative, long-term and stable customers. Moreover, it is a major competitive advantage

in the fight for tomorrow's talents. If we look at what characterises an attractive employer, responsibility is high on the list of desired attributes.

To communicate this even more clearly and assemble everything we are doing in sustainability, we are now launching "A good tomorrow" (En god morgondag), through which we will showcase everything we are doing in five defined areas: local, environment, health, diversity and quality. By clearly communicating how we are contributing in these respective areas and our ambitions going forward, we hope to inspire others – customers and suppliers as well as other companies.



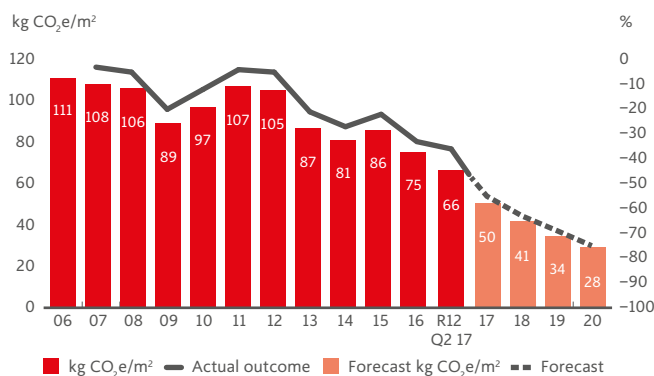
Per Strömberg, CEO ICA Gruppen

Key figures

ICA Gruppen's operations will be climate-neutral by 2020	Rolling 12 months (Q3 2016 – Q2 2017)	Previous rolling 12 (Q3 2015 – Q2 2016)
Decrease in emissions compared with 2006	-41%	-27%

100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited	Q2 2017	Q1 2017	Full year 2016
Outcome	97%	97%	98%

Emissions kg CO₂e/m² 2006–Q2 2017 and forecast to 2020



The climate impact that cannot be eliminated in operations by 2020 will be addressed through offsets.

80% of ICA Gruppen's corporate brand suppliers will be quality certified	Q2 2017	Q1 2017	Full year 2016
Outcome	85%	87%	87%

ICA Sweden	Rolling 12 months (Q3 2016 – Q2 2017)
Sales development, ecolabelled, organic & and ethically labelled range*	8%
Sales development, organic range**	6%

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

Support customers' sustainable choices:

Continued growth in sales of ecolabelled, organic and ethically labelled products

Store sales of ecolabelled, organic or ethically labelled products in ICA Sweden AB's central assortment increased by 8% during the period July 2016–June 2017 (rolling 12 months) compared with the corresponding period a year ago. As a share of total sales, ecolabelled, organic and ethically labelled foods amounted to 10.4% during the same period.

The total sales value of organic products amounted to SEK 6.4 billion on a rolling 12-month basis, compared with approximately SEK 6.0 billion for the preceding 12-month period. Sales of organic foods including fruits and vegetables as a share of total grocery sales were 6.1% on a rolling 12-month basis. The organic range was expanded during the quarter with a number of new products, of which most were under the ICA I love eco brand, including flank steak and smoked pork loin. Sales growth for organic products thus far in 2017 is at lower levels than in 2016. Despite continued growth in customer demand, sales growth has been tempered by low availability of certain high-volume products.

New packaging reduces food waste

To enable longer shelf life for products and thereby also contribute to lower food waste, ICA Sweden is changing over to a new form of packaging for large parts of its meat range. The new, skin pack vacuum packaging results in a near doubling in shelf life for meats compared with traditional packaging. Moreover, since the new packaging has less air, transports can be further optimised. The new packaging method also enhances the natural tenderising process, resulting in better meat flavour. A number of ICA's own frozen fish products also use this new, smart packaging.

Rescued fruit a finalist in environmental award

ICA Sweden and its partner Rescued Fruits have been chosen as a finalist in the Nordic Council's Environment Prize for their work on using fruit that would otherwise have gone to waste. Leftover fruit from ICA stores and warehouses is being rescued and made into fruit drink sold under ICA's own brand. Through this partnership a significant volume of fruit is being processed that would otherwise have been wasted. Since the launch in spring 2016 more than 33,000 kg of fruit has been rescued from ICA's stores and warehouses, and has instead been used to produce more than 54,000 bottles of fruit drink.

Food waste becomes fish in insect-based circular system

In partnership with the Swedish foodtech company Nutrient, ICA Sweden has created a circular system based on insects. ICA will use waste from its production of organic potatoes as food for insects. Through a legislative change that took effect on 1 July 2017, such insects may be used as fish feed, for instance for Arctic char sold under ICA's private label. Using insects instead of other fish as feed dramatically relieves the burden on the world's oceans. Moreover, the insects used are rich in omega 3 and 6.

Food production of the future

In partnership with the trend analysis company Sprillo, ICA Sweden has commissioned interviews of some thirty leading researchers, entrepreneurs and experts about the future. The results have been compiled in the report "100 years and forward" (100 år och framåt), which presents five conceivable future scenarios by the year 2040 and their consequences for society and food production. Each scenario

points to the fact that major changes will be required in both lifestyles and food habits in order to achieve a sustainable future, including a greater need for self-reliance and demand for new types of products. The report was presented at the Sweden Food Tech international food conference in Stockholm in early June.

Research into sustainable consumption

ICA Sweden is participating in a four-year research programme entitled "Sustainable consumption – from niche to mainstream", which aims to stimulate a shift towards more sustainable consumption. The programme, which is being led by KTH Royal Institute of Technology, aims to boost knowledge about how to upscale sustainable consumption patterns so that they will be more common among large population groups. In early June the Swedish Foundation for Strategic Environmental Research (Mistra) awarded a grant of SEK 45 million to the research programme, which will begin in 2018.

ICA Sweden is also participating in the Vinnova-funded research project "SuBoot", which is being led by Research Institutes of Sweden (RISE). The project aims to devise an environmental footprint through digitalisation of sustainability information in the grocery supply chain and other product supply chains.

ICA's laser marking pilot project to be permanent

In December 2016 ICA Sweden was the first Swedish grocery chain to begin testing a new method for marking fruits and vegetables. Instead of using stickers or packaging products in trays and cellophane wrap, the products are marked directly on their skin using a laser. The method is more sustainable and results in better traceability. During the second quarter the decision was made to continue using this method and also to expand the use of laser marking to more organic fruit and vegetable products.

Keen interest in veg recipes

The growing interest in healthy and vegetarian food alternatives can be seen not only in ICA's sales statistics. Owing to the large offering of vegetarian recipes (more than 2,000 today) offered by ICA, an increase has also been noted in the number of visits to ica.se. In the weeks leading up to Easter, searches on ica.se were up a full 140% compared with a year ago.



High ambitions for sustainability

ICA Gruppen's ambition is to be a positive force in society by being a leader in sustainability and actively advocating for long-term sustainable development of society. The ambition is to be a forerunner in key issues such as the environment, quality, health, diversity and local sourcing based on a strong community engagement. The reporting in this interim report is structured according to ICA Gruppen's strategic priorities to support customers' sustainable choices and conduct climate-smart business.



Environmentally adapted plastic bags

Since 2016 ICA Sweden's central assortment includes exclusively plant-based plastic bags, which when incinerated produce 85% lower fossil-based CO₂ emissions than petroleum-based bags. ICA has now decided to start an environmental fund in which a share of proceeds from sales of plastic bags will be donated to an environmental organisation dedicated to minimising environmental impacts from plastics. ICA will also create offsets for the climate impact generated by its plastic bags during their lifecycle and in such way achieve climate neutrality for its plastic grocery bags.

In spring 2017 Apotek Hjärtat also switched over to plastic bags made from sugar cane. Hemtex plans to change over to sugar cane-based bags in autumn 2017. Parallel with the changeover, Apotek Hjärtat and Hemtex have begun charging customers for plastic bags.

These measures are in line with the EU's goal to dramatically reduce the number of plastic bags used per person by 2025. In accordance with the underlying EU directive, more detailed information is now also being provided to consumers on the environmental impacts of plastic bags and about what ICA Sweden, Apotek Hjärtat and Hemtex are doing to reduce the number of bags used.

New life for 7,000 coats from Apotek Hjärtat

After seven years, Apotek Hjärtat has changed the design of the coats worn by its pharmacists and pharmacy technicians. In connection with the Swedish Society for Nature Conservation's clothes swap day in early April, Apotek Hjärtat's employees donned their new coats and at the same time donated their more than 7,000 used coats to health-care workers in countries in need around the world through the aid organisation Human Bridge.

New running of ICA-klassikern

In April a new running was started of the "ICA Classic" (ICA-klassikern). In a short time this event has grown to become one of the largest health initiatives in Sweden, attracting some 39,000 participants between 18 and 74 years of age in a challenge spanning more than 420 kilometres. ICA-klassikern gets its inspiration from "A Swedish Classic" (En Svensk Klassiker), which is a nationwide event comprising the four disciplines cycling, swimming, running and cross country skiing. The difference with ICA-klassikern is that the participants have a longer time and can complete the events at their own pace.

Extensive health initiative at Rimi Baltic

Interest in health and wellbeing is great in Estonia, Latvia and Lithuania, and as a leading grocery retailer Rimi Baltic aspires in various ways to contribute to a sound lifestyle with respect to food and drink as well as exercise. During the quarter a large number of health-related activities and initiatives were started. Among the larger of these are the launch of the "Rimi nutritionist suggests" marking on a large number of selected products, the "Gourmands Class" initiative in schools, and extensive campaigns promoting responsible alcohol consumption. In addition, Rimi Baltic has also taken the initiative for several sport and exercise events, including the Lattelecom Riga Marathon.

"A good tomorrow"

ICA Gruppen's sustainability work is extensive and encompasses a large range of activities with high ambitions. In spring 2017 ICA began the launch of "A good tomorrow" (En god morgondag), which aims to help provide a clearer picture of how this work is conducted and which issues are of most importance. A good tomorrow comprises five subcategories: local, environment, health, diversity and quality. Concrete ambitions and goals have been drawn up for each of these areas, and all parts of ICA Gruppen can have activities within the respective areas.

Conducting climate-smart business

Continued work towards goal of being climate-neutral by 2020

To contribute to the UN's goal of limiting Earth's temperature increase, ICA Gruppen has set an ambitious climate target – that its operations will be climate-neutral by 2020. This target will be achieved by reducing climate-impacting emissions and through more efficient use of resources. The climate impact that cannot be eliminated in operations by 2020 will be compensated through offsets.

During the quarter, several important steps were taken in the effort to gradually reduce ICA Gruppen's climate impact. In total, ICA Gruppen's greenhouse gas emissions decreased by 41% during the period July 2016–June 2017 (rolling 12 months) compared with the base year 2006.

Continued investments in renewable electricity at Rimi Baltic

In the Baltic operations, continued investments in renewable electricity resulted in a decrease in greenhouse gas emissions by approximately 7,700 tonnes CO₂e compared with the same quarter in 2016, representing a 47% decrease in Rimi Baltic's electricity-based emissions.

Renewable fuels contribute to major reductions in emissions

During the quarter, ICA Sweden's work on increasing the share of renewable fuels in the logistics operations continued to generate major reductions in emissions – approximately 5,000 tonnes CO₂e compared with the same quarter 2016, representing a halving of ICA Sweden's emissions from goods transports between warehouses and stores.

Project focusing on geothermal systems

To help bring about a long-term reduction of energy consumption in stores, during the quarter ICA Real Estate continued its work on identifying and enabling savings and optimisation measures, most notably by improving the recovery of waste heat from refrigeration systems. Among more exciting projects include the installation of geothermal heat pump systems. The pilot project conducted at ICA Kvantum in Sala has shown an energy savings potential of up to 80%.

E-vehicle charging posts

During the quarter ICA Real Estate began work on a concept for charging posts for e-vehicles and plug-in hybrids. The concept will be offered to all ICA stores. The aim is to offer charging for customers in connection with their visits to stores. The concept has been evaluated at three stores in the greater Stockholm area during the summer, and the goal is to roll out a full launch during the autumn of 2017.

Criticism and media debate

Social responsibility & transports

In recent years Swedish media has reported on improper conditions in the transport sector. During the spring ICA Sweden conducted a pilot project focusing on social responsibility and social audits in the transport sector. The project's aim is to devise a tool that makes it possible in a structured manner to monitor contractual parties and their subcontractors, and to gain assurances about how they work in areas such as documentation, training, working hours, compensation, special treatment and health. The project was successful, and the tool is planned to be used later this year.

Awards and distinctions

- ICA was named as Sweden's greenest grocery retail company in a survey published in April. When 1,000 persons aged 15 to 74 were asked to rank Sweden's greenest brand, ICA scored second place overall and number one on the list of the greenest grocery chains. The survey was conducted by the branding agency Differ.



- Rimi Latvia received several different accolades for its sustainability work during the quarter, including a Platinum Level Sustainability Index Award 2017, a Fair Trade Award, and an award as Employer of the Year 2017.
- ICA and its partner Rescued Fruits have been chosen as a finalist in the Nordic Council's Environment Prize for their work on producing a fruit drink using fruit that would otherwise have gone to waste.

About this report

This is a quarterly status report containing information about ICA Gruppen's work on issues relating to sustainability. The report aims to show developments during the year and covers all companies within ICA Gruppen. The report has not been reviewed by the company's auditors.

The criteria applied for 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 for this reason certain issues are omitted. ICA Gruppen publishes a complete sustainability report once a year in accordance with the GRI Guidelines, which provides an all-embracing description of the Group's sustainability work during the year.

For measurement and calculation methods, and boundaries, see:
https://www.icagruppen.se/en/rapportportal/annual-report-2016/#!/#@sustainability-information_measurement-and-calculation-methods

<https://www.icagruppen.se/en/rapportportal/annual-report-2016/#!/#@sustainability-information>

Contact and calendar

For further information, please contact:

Kerstin Lindvall, Chief Corporate Responsibility Officer, ICA Gruppen
tel. +46 8-561 502 90
ICA Gruppen press service tel +46 10 422 52 52

Calendar:

10 November 2017 Sustainability report July–September 2017

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. För mer information se icagruppen.se