



Corporate Governance Report 2017

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Good corporate governance – the basis of continued long-term profitable growth

The rapid changes in the market and in the world around us have very much shaped the work of the Board over the past year. Recurring areas naturally included monitoring the Group-wide targets and strategic priorities decided on previously.



ICA Gruppen operates in a market characterised by great pressure to change – with rapid digitalisation, changes in consumer behaviour and extensive blurring of industry lines being some of the main elements. The pace has been fast for many years, but has increased further in the past year.

For a large organisation such as ICA Gruppen, such significant and rapid changes in the world around us bring both challenges and opportunities. This calls for agility, a readiness to change and courage to continue developing. The changes are influencing our offering and our interactions with customers. They are also affecting internal processes, leadership and how we organise ourselves. The situation is complex – challenging, but also incredibly stimulating. We find ourselves continuing to plough, sow and harvest, all while simultaneously changing over to a different cultivation process.

The Board's task in this situation is to mark out our direction and create the conditions for continued positive development – despite the fact that we do not know exactly what tomorrow will look like. To succeed, we need to look beyond short-term trends. We are not the kind of organisation to run with the crowd. When

we make decisions concerning targets, strategies and specific initiatives, we always do so from a long-term perspective and with a clear agenda.

Constructive discussions

One of the Board's most important tasks is to apply well-adapted corporate governance processes to create the right climate for a corporate culture that can help the Group and the business develop in the best possible way. To facilitate this we have well thought-out routines and stable systems in place, enabling us to continually follow up on targets, internal control and risk management. In terms of actual Board work, I can state that the Board members have maintained their high level of commitment. Discussions have been constructive and characterised by an ambition to dare to think along new lines.

The Board has performed its duties during the year through formal Board meetings and in various committees. The fact that each Board member serves on at least one committee allows participation and continuity to be maintained between the formal meetings.

In a fast-changing world it is of great importance to constantly evaluate the Board's composition and combined expertise. We review our composition continually and in recent years have reinforced our expertise in important areas. In my opinion, the mix of skills on the current Board corresponds well to developments in the world around us.

100 years and going forward

2017 was the 100th anniversary of the birth of the ICA Idea. Entrepreneurship, a desire to evolve and seeing things from the retailer's perspective have been key parts of our DNA right from the start – and they continue to be

important pieces of the puzzle as we look ahead. We have no intention of standing still, but instead will continue to develop ICA Gruppen. We are in a strong starting position. As a result of the structural changes that we have made in recent years, we now have a stable platform and a financial position that provide good conditions for continued profitable growth, investment drives and a stable return for shareholders.

Commitment and drive

One of the Board's tasks is to support the ICA Gruppen Management Team (IMT) and critically evaluate its work. To succeed in this, there has to be an open and constructive dialogue between the Board and the IMT. From the Board's perspective, our experience is that this is indeed the case. I would also like to take this opportunity to express the Board's appreciation of the commitment seen throughout the organisation. It is impressive and inspiring to hear ideas and see the drive that permeates all our work. With this as a starting point we move into our next year of business.

Stockholm, February 2018

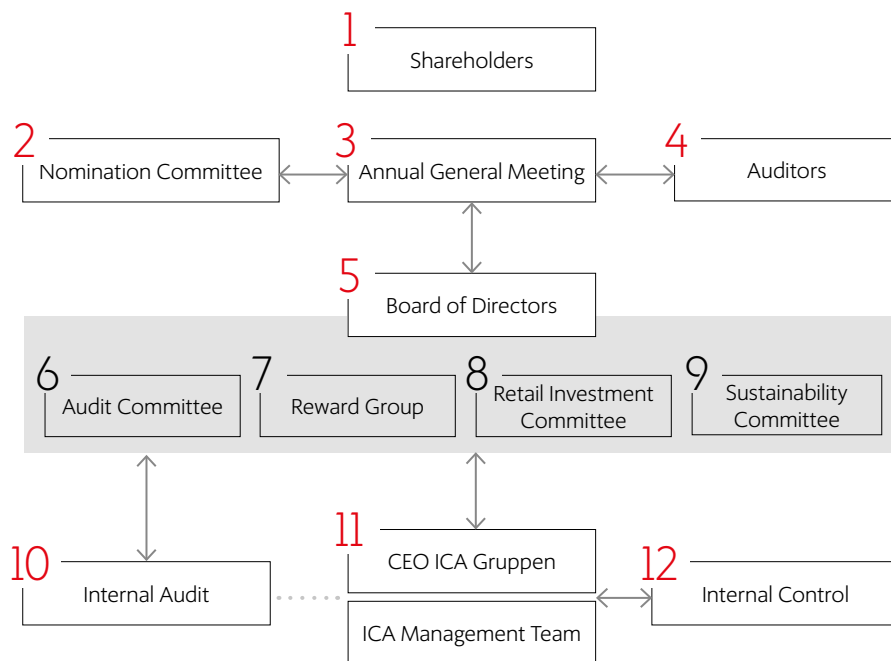
Claes-Göran Sylvén
Chairman of the Board

Further information

- Swedish Companies Act, www.government.se
- Nasdaq Stockholm, www.nasdaqomxnordic.com
- Swedish Corporate Governance Code, www.corporategovernanceboard.se
- ICA Gruppen's Articles of Association, www.icagruppen.se/en

Governance for value creation

Good corporate governance is about ensuring, on behalf of all shareholders, that ICA Gruppen AB (ICA Gruppen or the Company) is managed in a sustainable and responsible way and as efficiently as possible. The overall goal is to increase shareholder value and in so doing, meet the requirements owners have with respect to their invested capital. The main external and internal control instruments for ICA Gruppen are the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the Code), the Articles of Association adopted by the Annual General Meeting, the rules of procedure for the Board of Directors, the instructions for the Board committees, the instructions for the CEO, including instructions on financial reporting, and the policies established by the Board. ICA Gruppen's Board of Directors is responsible for the Company's organisational structure and the administration of the Company's affairs. The CEO is responsible for ensuring that the day-to-day administration of the Company is carried out in accordance with the Board's guidelines and instructions. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is otherwise responsible for providing the meetings with information documents and materials for use as a basis for decisions.

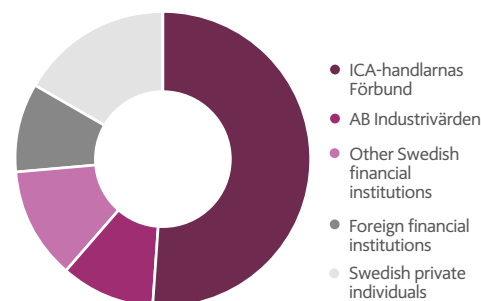


Shareholders

1 ICA Gruppen has been listed on Nasdaq Stockholm in the Large Cap segment since 8 December 2005. The largest shareholder is ICA-handlarnas Förbund with a holding of 51.3%. The second largest shareholder, AB Industrivärden, owns 10.3% of the shares. As of 31 December 2017 the remaining shares were owned by 50,083 natural and legal persons. As of that date, none of these shareholders held more than 10% of the shares in the Company, either directly or indirectly. The Company has one class of shares with equal voting rights and

dividend entitlement. In voting at general meetings each share carries entitlement to one vote and each person may vote for the full number of shares he/she represents. As of 31 December 2017 the Board of Directors had no outstanding authorisations from the Annual General Meeting for the Board to issue new shares or acquire treasury shares. More information on ICA Gruppen's shares and shareholders can be found in the section "Shares and shareholders" on pages 72–73 and on the Company's website, www.icagruppen.se/en.

Shareholders



Nomination Committee

2 The rules for ICA Gruppen's Nomination Committee were adopted at the 2017 Annual General Meeting. The Nomination Committee is to consist of four members representing the Company's shareholders. ICA Gruppen's Chairman is to be co-opted onto the Nomination Committee. Two of the members are nominated by the largest shareholder and two by the next two largest shareholders. The largest shareholders in terms of votes are to be determined based on the list of registered shareholders maintained by Euroclear Sweden AB as of the last trading day in August. If, during the Nomination Committee's term, one or more of the shareholders who have appointed members to the Committee are no longer among the three largest shareholders, the members appointed by such shareholders are to vacate their positions and the shareholder or shareholders now among the three largest shareholders are to appoint members. The Nomination Committee will present proposals regarding the following matters prior to the 2018 Annual General Meeting:

- (i) proposal for a chairman for the general meeting;
- (ii) proposal for number of board members;
- (iii) proposal for members of the Board of Directors;
- (iv) proposal for Chairman of the Board;
- (v) proposal for Board fees, broken down into amounts for the Chairman of the Board and other Board members and as remuneration for committee work;
- (vi) proposal for number of auditors;
- (vii) proposal for auditor or auditors, and proposal

for fees to be paid to the Company's auditor or auditors; and
(viii) proposed principles for the Nomination Committee.

The work of the Nomination Committee

The composition of the Nomination Committee was announced on 14 September 2017. It consists of representatives from the three largest shareholders: Claes Ottosson and Anna-Karin Liljeholm representing ICA-handlarnas Förbund, Annika Lundius representing Industrivärden and Hans Ek representing SEB Investment Management. No compensation is paid by ICA Gruppen to the members of the Nomination Committee for their work and the members have concluded that there are no conflicts of interest that would affect their assignment. The Chairman of ICA Gruppen's Board, Claes-Göran Sylvé, was co-opted onto the Nomination Committee. The Nomination Committee met with CEO Per Strömberg and CFO Sven Lindskog who, along with Claes-Göran Sylvé, provided information on ICA Gruppen's operations, Board work and future focus areas. The Nomination Committee was also presented with the results of the 2017 evaluation of the Board. The chairman of the Audit Committee, Cecilia Daun Wennborg, informed the Nomination Committee about the work of the Audit Committee and cooperation with ICA Gruppen's Accounting department, and the evaluation of the audit work carried out by the Audit Committee in 2017.

In preparing its proposal for the Board of Directors, the Nomination Committee applied rule 4.1 of the Code as a diversity policy, through which the Nomination Committee has considered that the Board of Directors shall, taking into account the nature of the Company's business, its stage of development and circumstances in general, have an appropriate composition characterised by diversity and breadth with respect to the expertise, experience and backgrounds of the members elected by the general meeting. The Nomination Committee also focuses on meeting the goal of having a gender balance on the Board. Based on the information received by the nomination committee regarding the work of the Board of Directors and the Audit Committee, as described above, the Nomination Committee has obtained a sound basis for assessing whether the composition of the Board is satisfactory, whether the Board has satisfactory expertise, breadth and experience, and for making a proposal for the election of an auditor. Shareholders have been given the opportunity to submit suggestions and points of view on the work of the Nomination Committee prior to the 2018 Annual General Meeting. The Nomination Committee's proposals for the 2018 Annual General Meeting are presented in the notice of the meeting and on the Company's website, www.icagruppen.se/en. More information on the work of the Nomination Committee will be presented in the Nomination Committee's report prior to the 2018 Annual General Meeting.

Annual General Meeting

3 The general meeting of shareholders is ICA Gruppen's highest decision-making body. The general meeting that is held within six months of the end of the financial year and that presents the income statement and balance sheet is known as the Annual General Meeting (AGM). ICA Gruppen's Annual General Meeting is normally held in the Stockholm area. In addition to decisions on the adoption of the income statement and balance sheet, the Annual General Meeting also decides on, among other things, the appropriation of earnings, the composition of ICA Gruppen's Board of Directors, fees for the Board and guidelines for remuneration to senior executives. The AGM also elects external auditors. General meetings are convened by being advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette) and by posting the notice of the meeting on the Company's website,

www.icagruppen.se/en. When a general meeting is convened this information is advertised in Svenska Dagbladet, Dagens Nyheter and Dagens Industri. Shareholders who are registered in the share register five working days prior to a general meeting and who have duly notified ICA Gruppen of their intention to attend are entitled to participate in the general meeting, in person or by proxy, to vote at the meeting for or against the proposals presented and to pose questions to the Board of Directors and the CEO. Decisions at a general meeting are normally taken by simple majority. However, certain decisions, such as on amendments to the Articles of Association, must be approved by a qualified majority.

2017 Annual General Meeting

The 2017 Annual General Meeting was held on Wednesday 7 April 2017 at Stockholm Water-

front. In addition to shareholders, the meeting was attended by ICA Gruppen's Board of Directors, Management Team, employees, media representatives and a number of invited guests. The minutes from the Annual General Meeting and related documents are available on ICA Gruppen's website, www.icagruppen.se/en.

2018 Annual General Meeting

The 2018 Annual General Meeting will be held on Thursday 12 April 2018 at Quality Hotel Friends in Solna. Shareholders who, no later than Friday 6 April 2018, are registered in the share register (maintained by Euroclear Sweden AB) and have notified the Company of their intention to participate in the AGM are entitled to participate in the AGM, in person or by proxy.

Auditor

4 According to the Articles of Association, the Annual General Meeting is to appoint a minimum of one and a maximum of two auditors, or one or two registered public accounting firms. The accounting firm KPMG AB was elected as auditor at the 2017 Annual General Meeting for a term of one year. KPMG AB has therefore audited the Company's accounts for 2017, and the authorised public accountant Thomas Forslund was the auditor in charge. The auditors attended one Board meeting to present KPMG AB's audit process for ICA Gruppen and to give Board members an opportunity to ask questions without the presence of the ICA Management Team. In addition, the auditors attended all of the meetings of the Board's Audit Committee.

The Board of Directors

5 The Board of Directors is responsible for establishing the Company's overall goals and strategy. The duties of the Board include, among other things:

- appointing, evaluating and, if needed, dismissing the CEO and approving assignments which the CEO has outside the Company;
- establishing the requisite guidelines for how the Company is to behave in the community to ensure its ability to create long-term value;
- ensuring that there are appropriate monitoring and control systems in place for the Company's operations and for the risks the Company faces in connection with its operations;
- ensuring that there is satisfactory control of the Company's compliance with laws and other regulations that apply to the Company's operations, and ensuring the Company's compliance with internal rules; and

- ensuring that the Company's information procedures are correct, relevant, reliable and transparent.

According to the Articles of Association, ICA Gruppen's Board of Directors is to consist of between five and ten members elected by the Annual General Meeting. There are no other rules in the Articles of Association concerning the appointment or dismissal of Board members. The present Board has ten AGM-elected members, four of whom are women. The CEO makes presentations at Board meetings and the Company's General Counsel is the secretary to the Board. In addition to the AGM-elected members, the Board has two employee representatives, each with a deputy. The Board is made up of individuals with extensive and solid expertise in ICA's affairs and in retail, business development, IT, corporate finance, corporate governance, sustainability and industry.

Board committees

ICA Gruppen's Board has four regular committees: the Audit Committee, the Reward Group, the Retail Investment Committee and the Sustainability Committee. The committees report to the Board on an ongoing basis on their work. The committees are to be regarded as the Board's working committees and do not assume the responsibility that is incumbent upon the Board as a whole.

6 **Audit Committee**
The audit committee is to supervise the Company's accounting and financial reporting and to monitor the effectiveness of the Company's internal control, internal audit, risk management and compliance with rules and regulations. The Audit Committee is also to keep itself informed concerning the audit of ICA Gruppen and to review and monitor the impartiality and independence of the audit. The Audit Committee assists with the preparation of proposals to the Annual General Meeting concerning the election of auditors. In 2017 the Audit Committee conducted an evalu-

ation of the auditing of the Company. The Audit Committee consists of Cecilia Daun Wennborg (chairman), Bengt Kjell, Göran Blomberg and Anette Wiotti. The Company's CFO is responsible for presenting information.

7 **Reward Group**
The Reward Group is responsible for the preparation and evaluation of issues regarding remuneration and other terms of employment for the ICA Management Team (IMT), including pay structures, pension plans, incentive programmes and other terms of employment. The Reward Group also monitors and evaluates remuneration programmes for the IMT, both those that are ongoing and those that were concluded during the year, and monitors and assesses the implementation of guidelines for remuneration to senior executives as well as remuneration structures and levels within the Company. The Reward Group consists of Claes-Göran Sylvén (chairman), Andrea Gisle Joosen and Fredrik Hägglund.

8 **Retail Investment Committee**
The Retail Investment Committee is responsible for the review and quality assurance of the documentary basis for decisions on acquisitions and divestments, including necessary risk analysis. In addition, the Retail Investment Committee has an investment and divestment mandate as set out in the Company's Bill of Authority. The Retail Investment Committee consists of Claes-Göran Sylvén (chairman), Jan Olofsson, Jeanette Jäger and Magnus Moberg.

9 **Sustainability Committee**
The Sustainability Committee's mandate is based on the Code's rules on the responsibility of the Board of Directors to establish guidelines for how the Company should behave in society. The Committee's duties include preparing policies on business ethics and sustainability, as well as sustainability reporting (annual and quarterly reports) and monitoring of business ethics and sustainability. The Sustainability Committee consists of Cecilia Daun Wennborg (chairman), Andrea Gisle Joosen and Fredrik Hägglund.

Independence of Board members

Four of the Board's members – Cecilia Daun Wennborg, Jan Olofsson, Jeanette Jäger and Andrea Gisle Joosen – are independent in relation to ICA Gruppen, its management and the principal shareholders. Bengt Kjell is independent in relation to ICA Gruppen and its management, but not in relation to the Company's principal shareholders as he is a member of the board of AB Industrivärden. Fredrik Hägglund and Göran Blomberg are independent in relation to ICA Gruppen and its management, but not in relation to the principal shareholders since they are employed by ICA-handlarnas Förbund. Anette Wiotti and Magnus Moberg are ICA retailers and members of the board of ICA-handlarnas Förbund and are considered to be independent in relation to ICA Gruppen and its management, but not in relation to the principal shareholder ICA-handlarnas Förbund. Claes-Göran Sylvén was CEO of the Company up until 20 May 2013. Accordingly, under the Code he is not considered independent in relation to the Company and its management. In his capacity as an ICA retailer and member of ICA-handlarnas Förbund, he is not regarded as independent in relation to ICA-handlarnas Förbund either.

The work of the Board

The main mission of the Board of Directors is to establish the Company's overall goals and strategy. The key issues for the Board to address are strategy work, monitoring and control of the Company's operations and risks, value creation and monitoring the Company's compliance with external and internal rules and regulations. The processes for monitoring and control of the Company's risk are described in more detail in the section "Risks and risk management" on pages 53–57. One of the ways that the Board monitors the Company's compliance with internal and external rules and regulations is through the risk-based audits performed by the Internal Audit department; see the section "Internal Audit" below. The Board is guided in its work by the Chairman of the Board. The Board's work is regulated in the rules of procedure established by the Board each year, and by applicable laws and regulations. Every year the Board decides on instructions for the CEO and for the working committees, as well as other policy documents that provide guidance for ICA Gruppen's employees. The rules of procedure and instructions now in place were addressed and formally adopted at the Board meeting on 30 May 2017. The Board of Directors met 14 times in 2017.

Conflicts of interest

ICA Gruppen's Board of Directors has decided that Board members and the CEO must not deal with matters relating to agreements between themselves and the Company, nor matters between the Company and third parties if the person in question has a significant interest that could conflict with the Company's interests.

10 Internal Audit

The Board has established an independent and objective Internal Audit department that works on tasks assigned by the Board of Directors. Internal Audit examines corporate governance, risk management and the management and control of ICA Gruppen's business processes. The mandate of the Internal Audit department covers all operations within ICA Gruppen in Sweden and the Baltic countries. Each year the Audit Committee draws up a risk-based plan for Internal Audit work to ensure that it focuses on the areas where the most value can be added to ICA Gruppen. In 2017 the scrutiny of Internal Audit included ongoing programmes for change within ICA Gruppen, business continuity planning, e-commerce, product sourcing, compliance with external regulations, and management and control of personal data. Store audits constitute a special area within the review of business processes. The observations and recommendations made by Internal Audit aim to reduce the level of risk within a business area and to increase efficiency and improve ICA Gruppen's processes. It is the responsibility of the respective management team to put in place appropriate action plans based on the recommendations made by Internal Audit. An important aspect of the internal auditing process is to conduct a quarterly review of the established action plans. Internal Audit reports quarterly to ICA Gruppen's Audit Committee, which in turn reports to the Board. This reporting covers the audit work carried out over the past quarter and the status of the action plans. Internal Audit also prepares a report annually which is presented to the Board.

Evaluation of the Board of Directors

An evaluation of the Board of Directors is carried out every year in order to develop the work of the Board and provide a basis for the Nomination Committee's evaluation of the Board's composition. The evaluation of the Board in 2017 was carried out by Board members completing a questionnaire. Their

responses were then compiled into a report that was remitted to the Board. The evaluation showed that the Board functioned very well and that considerations from the evaluation performed in 2016 have been taken into account, but that there is room for further improvement. The evaluation further showed that the Board is a well-composed group of highly committed individuals and that each of the members contributes broad expertise and many years' experience in various areas that are relevant to ICA Gruppen's operations.

Remuneration to the Board of Directors

The Nomination Committee submits proposals to the Annual General Meeting for resolutions on Board fees. The 2017 Annual General Meeting approved the Nomination Committee's proposal concerning fees. Information on Board fees in 2017 can be found in the Group notes, under Note 4; see page 89 and on pages 64–65. The Nomination Committee's remuneration proposals for the 2018 Annual General Meeting are presented in the notice of the meeting.

Rules and regulations

External rules

As a Swedish public limited company with securities listed on Nasdaq Stockholm, ICA Gruppen is, among other things, obliged to comply with the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Code.

Deviations from the Code, stock exchange rules or good stock market practice

The Company has not deviated from the Code or the stock exchange rules. Nor has the Company been the subject of a decision by the Nasdaq Stockholm Disciplinary Committee or a decision on infringement of good practice in the stock market by Aktiemarknadsnämnden (the Swedish Securities Council).

Internal rules

ICA Gruppen has a number of internal rules which, together with the external rules, form the framework for its operations. The main rules are the Articles of Association, the rules of procedure for the Board of Directors and each

committee, the instructions for the CEO including instructions on financial reporting, instructions for conflicts of interest and the Bill of Authority. The Company's internal rules with respect to ethics and sustainability are brought together in the Sustainability Policy and the Business Ethics Policy. Linked to the Sustainability Policy and the Business Ethics Policy are guidelines on their application in practice in day-to-day operations. In addition, the following fundamental policies are in place:

- Financial Policy
- Risk Management Policy
- Insider Policy
- Tax Policy
- Communication Policy
- Customer Policy

All employees are responsible for ensuring that the Company is in compliance with external and internal rules. Employees are encouraged to report any irregularities in the Company's operations. Employees can report any issues to

their immediate superior, the safety officer or the HR department. It is also possible to report issues through the Company's online whistleblower service, or to the head of the Company's Internal Audit department.

ICA retailers, i.e. business owners operating ICA stores and thus not employed by ICA Gruppen, are responsible for ensuring that their business is in compliance with external and internal rules. These include, among other things, a set of rules called ICA's Good Business for Stores describing how ICA retailers are to behave under the ICA brand. The Company and the ICA retailers' membership organisation ICA-handlarnas Förbund have together created an accountability board tasked with addressing accountability matters relating to the commitments of the ICA retailers and their responsibilities pursuant to the statutes of ICA-handlarnas Förbund, including ICA's Good Business for Stores. The accountability board can issue complaints or warnings and can expel members from ICA-handlarnas Förbund.

ICA Gruppen's business ethics work

Ethics and anti-corruption work are of utmost importance for building trust and strengthening ICA Gruppen's community relations. The Group, including the Board of Directors, CEO and Management Team, does not accept any kind of bribery or corruption, and works actively to ensure that they do not occur. In 2017 work continued in accordance with the business ethics governance model which has been applied within the Group since 2015.

ICA Gruppen's Business Ethics Policy and guidelines describe, among other things, ICA Gruppen's stance on and guidelines for anti-corruption action, including how to approach gifts and benefits, conflicts of interest and fair competition. In addition to the Business Ethics Policy, there are internal guidelines regarding representation, meetings and travel. All supplier agreements must contain clear wording on business ethics to ensure that ICA Gruppen's position on these issues is upheld.

The Board of Directors sets ICA Gruppen's policy for business ethics and makes revisions to it. The Company's Sustainability Work Group prepares information and analysis on business ethics to provide to the

Board's Sustainability Committee, which in turn monitors business ethics work within the Group. This is done according to an established process to monitor compliance with the Company's policies and guidelines. The issue of business ethics is also included as an area in the overall risk analysis performed for each company within the Group.

All members of ICA Gruppen's Management Team have a responsibility to ensure that activities in their area of responsibility are conducted in accordance with the Group's Business Ethics Policy and guidelines. Managers within the Group are responsible for ensuring that the policy and guidelines are implemented within the organisation according to ICA's internal rules framework. Every employee is responsible for complying with these steering documents and, in doing so, helping to promote a sound business ethics culture.

Internal online training is provided to ensure that all employees are familiar and act in accordance with the Business Ethics Policy. This training is mandatory for all white-collar employees within the Group and is available to other employees as well. The number of employees who have com-

pleted the training is monitored and reported internally. To complement the online training, classroom-based courses are provided to the groups of employees who are the most exposed to business ethics dilemmas. A number of additional measures are employed to raise knowledge about business ethics within ICA; for example, information and issues relating to business ethics are provided on ICA Sweden's intranet and information support for managers enabling them to continue the dialogue on business ethics in their respective leadership forums.

ICA Gruppen's external, web-based whistleblower service allows employees to anonymously report any irregularities that they believe contravene laws, rules or important position statements in ICA's steering documents, including ICA Gruppen's Business Ethics Policy. The whistleblower service has clear rules and procedures for how to handle any issues reported. The whistleblower service was available throughout 2017 to ICA Gruppen's employees in Sweden (although not those working for Hemtex AB or individual store subsidiaries), in the Baltic states and in Asia. In 2017 a process was started to connect Hemtex AB to the service.

ICA Gruppen's Board of Directors



	Claes-Göran Sylvén	Göran Blomberg	Fredrik Häggglund	Andrea Gisle Joosen	Jeanette Jäger	Bengt Kjell
Born	1959	1962	1967	1964	1969	1954
Education	Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Laws	MSc International Business	Business studies	Master of Science in Business and Economics
Elected	2013	2013	2013	2010	2015	2013
Other significant assignments	Chairman of the Board MQ Holding AB. Board member Centrum Fastigheter i Norrtälje AB and HUI Research etc. ICA retailer, ICA Kvantum Flygfyren in Norrtälje.	Chairman of the Board Urbano AB, Expandia Moduler AB and Retail Finance Europe AB. Board member Hakon Media AB etc. CFO, ICA-handlarnas Förbund.	Board member Svensk Handel and Independent Retail Europe etc. CEO ICA-handlarnas Förbund.	Board member Dixons Carphone plc, Billerud-Korsnäs AB, Mr Green & Co AB and James Hardie Industries plc.	CEO, Bankgirot.	Chairman of the Board Hemfosa Fastigheter AB and SSAB. Board member AB Industrivärden, Indutrade AB and Pandox AB etc.
Previous significant positions	Chairman of the Board ICA AB. Board member Svensk Handel. CEO Hakon Invest AB and ICA-handlarnas Förbund.	Board member ICA AB and Rindi Energi AB etc. CFO Hakon Invest AB, RNB Retail and Brands AB, Portwear AB and Pronyx AB.	Board member ICA AB, Swedish Anti-Corruption Institute and EuroCommerce. Vice President and General Counsel ICA-handlarnas Förbund. General Counsel Hakon Invest AB. Lawyer, Clifford Chance, Brussels. Assistant Lawyer, Linklaters.	Chairman of the Board Teknikmagasinet AB, Board member Lighthouse Group AB and Elektronikbranschen Sverige etc. CEO Boxer TV Access AB, CEO Panasonic Nordic AB and Chantelle AB.	Board member SeeCity AB. Head of Marketing and Communications Tieto, VP Financial Services Global Tieto, Capital Markets Global Tieto, Product and Market Director TDC. CEO Inne AB. Marketing Director Paynova AB. Mentor in Womentor.	Chairman of the Board Kungälv AB and Skånska Byggarvar Group AB. Board member Högnäs AB, Skanska AB, Munters AB, Össur Hf, Fermenta AB Byggnadsfirma AB, Bonifazius AB, Gandalf AB, Helsingborgs Dagblad AB, AB Handel och Industri, Nordic Tankers Holding AB, Plastal Industri AB and Hoist International AB etc. Acting CEO AB Industrivärden, CEO AB Handel och Industri, Deputy CEO AB Industrivärden, Senior Partner Navet Affärsutveckling AB and Head of Corporate Finance Securum AB.
Total remuneration in 2017, SEK¹⁾	1,175,000	510,000	525,000	525,000	475,000	510,000
Independence	Not independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company, its management principal shareholders.	Independent in relation to the Company, its management principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.
Shareholding	657,889 shares (incl. related parties)	12,625 shares (incl. related parties)	17,067 shares (incl. related parties)	2,000 shares (incl. related parties)	600 shares (incl. related parties)	1,000 shares (incl. related parties)
Committees	Member of the Reward Group (chairman) and the Retail Investment Committee (chairman).	Member of the Audit Committee.	Member of the Reward Group and the Sustainability Committee.	Member of the Reward Group and the Sustainability Committee.	Member of the Retail Investment Committee.	Member of the Audit Committee.
Attendance at Board meetings	14/14	13/14	13/14	13/14	12/14	12/14
Attendance at Audit Committee meetings	–	4/4	–	–	–	3/4
Attendance at Reward Group meetings	5/5	–	5/5	5/5	–	–
Attendance at Retail Investment Committee meetings	9/9	–	–	–	9/9	–
Attendance at Sustainability Committee meetings	–	–	4/5	5/5	–	–

1) Compensation approved at the Annual General Meeting.



Magnus Moberg	Jan Olofsson	Cecilia Daun Wennborg	Anette Wiotti	Jonathon Clarke	Magnus Rehn
1966	1948	1963	1966	1968	1966
Various courses of study (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Science in Business and Economics	Various courses of study (finance, business management, leadership development etc.)	Trained welder, studies in labour law	Upper secondary school
2008	2005	2005	2017	2013	2013
Chairman of the Board Nya Ulfmag AB, Storbütiken i Falköping AB and ICA-handlarnas Förbund. Board member Jomag AB etc. CEO Storbütiken i Falköping AB. ICA retailer, Maxi ICA Stormarknad Falköping.	Chairman of the Board Korshags Food AB. Board member and CEO Kabinettet AB.	Board member Getinge AB, Loomis AB, Bravida Holding AB, Hoist Finance AB, Oncopeptides AB, Sophiahemmet and Atvexa AB.	Board member ICA-handlarnas Förbund. Elected representative on boards and committees within ICA-handlarnas Förbund and ICA Sweden. ICA retailer, ICA Kvantum Arvika.	–	–
Chairman of the Board Köpet i Sandared AB. Board member Moberg & Svensson i Sandared AB and Ulfmag AB.	Chairman of the Board Init AB, Arkitektkopia AB, Silva AB, Printley AB and Bindomatic AB. Board member MultiQ International AB and Koneo AB. Head of Mergers & Acquisitions and Deputy Head of Corporate Finance, Handelsbanken Capital Markets. Deputy CEO and Vice President Esselte AB.	Vice President Ambea AB, President and CFO Carema Vård och omsorg Aktiefbolag, Acting CEO Skandiabanken, Head of Skandia Sweden and CEO Skandialink Livförsäkrings AB.	Various roles as elected representative within ICA-handlarnas Förbund and ICA Sverige AB.	Employee representative, The Commercial Employees' Union	Employee representative Unionen.
492,000	475,000	670,000	256,000 ³	–	–
Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company, its management and the Company's principal shareholders.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholders.	–	–
50,000 shares (incl. related parties)	3,750 shares (incl. related parties)	3,125 shares (incl. related parties)	6,455 shares (incl. related parties)	0 shares (incl. related parties)	250 shares (incl. related parties)
Member of the Retail Investment Committee. ²	Member of the Retail Investment Committee.	Member of the Audit Committee (chairman) and Sustainability Committee (chairman).	Member of the Audit Committee.	–	–
13/14	12/14	14/14	8/14	12/14	13/14
1/4	–	4/4	2/4	–	–
–	–	–	–	–	–
7/9	7/9	–	–	–	–
–	–	5/5	–	–	–

2) Member of the Audit Committee until 7 April 2017 and thereafter a member of the Retail Investment Committee.

3) Board member since 7 April 2017.

Ann Lindh
Deputy member
Employee representative
Unionen

Born: 1964

Education:
Education: Upper secondary school

Appointed: 2013

Previous significant positions: Employee representative, ICA AB.

Total remuneration 2017: –

Independence: –

Shareholding:
0 (incl. related parties).

Attendance at Board meetings: 9/14

Attendance at Audit Committee meetings: –

Attendance at Reward Group meetings: –

Attendance at Retail Investment Committee meetings: –

Marcus Strandberg
Deputy member
Employee representative
The Commercial Employees' Union

Born: 1966

Education:
Upper secondary school.

Appointed: 2013

Previous significant positions: Employee representative, ICA AB

Total remuneration 2017: –

Independence: –

Shareholding:
0 (incl. related parties).

Attendance at Board meetings: 11/14

Attendance at Audit Committee meetings: –

Attendance at Reward Group meetings: –

Attendance at Retail Investment Committee meetings: –

CEO and Management Team

11 CEO
 CEO Per Strömberg is responsible for the day-to-day administration of the Company in accordance with the guidelines and instructions issued by the Board. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is responsible for providing the meetings with information documents and material as a basis for decisions. In addition, the CEO must ensure that the members of the Board receive information on ICA Gruppen's performance in order to make well-founded decisions. The Board has approved Per Strömberg's significant assignments and financial commitments outside the Company, such as his positions as industrial advisor to Segulah Advisor AB, board member of Childhood Foundation and the Consumer Goods Forum, and member of the Steering Group for GEN-PEP. The CEO has no significant shareholdings or proprietary involvement in companies with which the Company has significant business ties. An evaluation of the CEO was carried out by the Board in 2017 without the CEO and other members of management being present.

ICA Management Team

Alongside CEO Per Strömberg, the members of ICA Gruppen's Management Team (IMT) are the CFO, Chief HR Officer, Chief Strategy Officer, Chief Information Officer (since January 2018), Chief Corporate Communication Officer, Chief Corporate Responsibility Officer and the CEOs of ICA Sweden (also Deputy CEO of ICA Gruppen), Apotek Hjärtat, Rimi Baltic, ICA Real Estate, ICA Bank and ICA Special. The IMT meets regularly to discuss matters relating to, for example, corporate governance, reporting and strategy. In addition, the IMT prepares information on matters where the rules of procedure state that a decision by the Board is required, and assists the CEO in executing decisions made by the Board. In addition to their collective responsibility for the management of the Company, each member of the IMT bears individual responsibility for his or her respective area of the Company. To support the IMT's work, the IMT has set up four committees: the Reward Group, the Sustainability Work Group, the Retail Investment Committee and Group Risk Management. Furthermore, separate meetings are held on a regular basis for an update on internal audit matters (IMT audit update) and are attended by all IMT members.

At the beginning of each financial year the IMT assesses its work, focusing on the quality of decisions, agendas, the meeting structure, effectiveness and the IMT's overall performance.

Central departments

The Company has 11 central departments: Corporate Communication, Strategy & Business Development, Corporate Responsibility, HR & ICA School, Legal, Group Risk Management, Accounting, Internal Control, Treasury & Tax, Group IT and Internal Audit.

Remuneration to senior executives Guidelines 2017

The Company's guidelines for remuneration to senior executives, adopted at the 2017 Annual General Meeting, state that it is important for the Company to provide competitive remuneration packages in line with market terms for senior executives in similar industries so that the Company can recruit, develop and retain senior executives with relevant experience and advanced leadership skills.

The remuneration principles are to motivate senior executives to improve the Group's market position and earnings, and are to be linked to long-term growth in shareholder value. Variable remuneration is also to be linked to pre-determined quantifiable and measurable criteria.

The levels of remuneration paid to senior executives in related industries and markets are continually monitored and evaluated. The total remuneration package is to consist of the following components: basic salary, pension benefits, variable remuneration in the form of cash bonus, other remuneration and benefits, and severance pay.

• Basic pay

Basic pay is to be on market terms and based on skills, responsibility and performance.

• Pensions

For the CEO and other senior executives a defined contribution pension plan is to be provided, whereby the Company pays pension premiums amounting to a maximum of 35% of pensionable salary, paid as long as the individual is employed. The normal retirement age for the CEO and other senior executives is 65.

A few senior executives have pension terms that differ from those described above, based on contracts signed previously. These individuals

are instead covered by ITP1 or ITP2. One senior executive is entitled, under a contract signed previously, to retire at the age of 62 and is covered by a defined benefit pension plan for the period until the normal retirement age of 65.

Senior executives employed in a country other than Sweden have pension agreements in line with national norms and that follow the principles described above.

• Bonus

The CEO and other senior executives in the Group, with the exception of the CEO of ICA Bank, are covered by two variable remuneration schemes in the form of a cash bonus, one of which runs for one year (annual bonus programme) and the other for three years (long-term bonus programme). The size of the aggregate bonus is maximised per person and year at the equivalent of 57.5% of annual salary (115% for the CEO).

The bonus is not pensionable, except in the case of the two senior executives covered by ITP1 or ITP2.

Payment of bonus is to be contingent upon the participants' employment not being terminated during the term of the programme. The Board of Directors decides on an annual basis whether new programmes will be launched and determines the financial targets, target groups and maximum cost.

Due to stricter rules on variable remuneration schemes for credit institutions, the 2017 Annual General Meeting decided that the CEO of ICA Bank would not be included in the bonus programmes that apply to other senior executives within the Group and which were adopted after 31 December 2016. The CEO of ICA Bank is compensated for the loss of bonus through a higher fixed salary according to the criteria for basic pay (i.e. on market terms). The CEO of ICA Bank is still, however, covered by the bonus programmes adopted in 2014, 2015 and 2016.

– Annual bonus programme

A cash-based bonus programme linked to the targets for each financial year and maximised at 27.5% of annual salary (55% for the CEO). The bonus programme is to be based on financial and operational targets linked to ICA Gruppen's strategic themes and must be objectively quantifiable. The financial targets for the bonus programme are determined by the Board of Directors ahead of each financial year,

and individual bonus agreements are to be signed with each participant. The terms of these bonus agreements depend on the participant's position when the agreement is entered into. The bonus outcome is determined annually in connection with the publication of the year-end report for each financial year, based on an evaluation of the participants' performance in relation to the targets as described in the bonus agreement.

– Long-term bonus programme

A three-year bonus programme linked to value creation within the Group and maximised at 30% of annual salary (60% for the CEO). The targets for the bonus programme must be objectively quantifiable and determined by the Board, and must be linked to both absolute and relative performance criteria. Fulfilment of the absolute performance criteria accounts for 60% of the maximum outcome and relates to (i) operating margin (EBIT margin) excluding items affecting comparability*, (ii) return on capital employed (ROCE) for the Group excluding ICA Bank, and (iii) net sales increase. The relative performance criteria account for the remaining 40% of the maximum outcome for the long-term bonus programme and relate to

*The term items affecting comparability corresponds to the earlier used term non-recurring items.

the Company's position in a comparison group consisting of ten other companies running similar operations. The outcome depends on where the Company ranks within this comparison group in terms of (i) net sales increase and (ii) EBIT margin.

• Terms relating to termination of employment and severance pay

A mutual notice period of six (6) months is to apply to senior executives. Severance pay corresponding to maximum 12 months of basic cash salary is payable to senior executives if the Company terminates the employment. Severance pay is deductible.

A few senior executives have deviating terms with respect to notice period, severance pay and deductability of severance pay, in accordance with previously signed contracts.

Upon termination of employment by a senior executive, the Company may in certain cases invoke a non-competition clause. During the period for which the non-competition clause is invoked, the executive is entitled to compensation from the Company equivalent to a maximum of 60% annual fixed salary. Severance pay and compensation paid during the non-competition period will not be pensionable.

• Other remuneration and benefits

Other remuneration and benefits shall be of limited value in relation to the total remuneration package and in line with market practise.

• Special circumstances

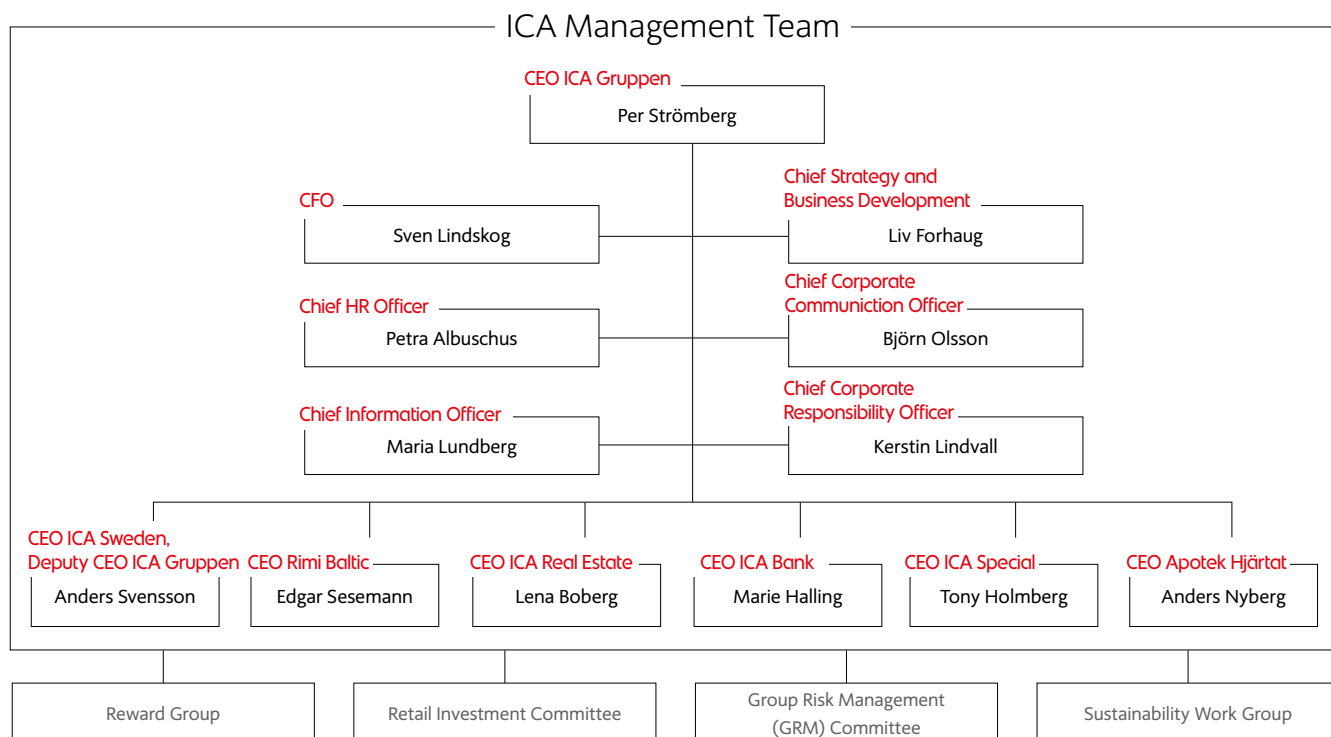
The Board may deviate from the stated guidelines if there is particular reason to do so. As described above, there were a few deviations from the guidelines in 2017 as regards terms for pension and notice period in relation to a few senior executives in accordance with previously signed contracts.

Proposal to the 2018 Annual General Meeting

Preliminarily, the Board of Directors proposes to the 2018 Annual General Meeting that the guidelines, with minor adjustments, be re-adopted. The Board's final proposal for guidelines is presented in the notice of the Annual General Meeting.

Further information

More information on fixed and variable remuneration is available on the Company's website, in the Board's account of the Reward Group's evaluation according to item 9.1 of the Code, in the notice to attend the Annual General Meeting and in Group notes, Note 4.



ICA Gruppen's Management Team (IMT)



Per Strömberg

CEO ICA Gruppen
Employed at ICA and
member of IMT since 2012.

Petra Albuschus

Chief HR Officer (CHRO)
ICA Gruppen. Employed
at ICA since 2008 and
member of IMT since 2015.

Lena Boberg

CEO ICA Real Estate
Employed at ICA since 2007
and member of IMT since
2010.

Liv Forhaug

Chief Strategy & Business
Development Officer
(CSO), ICA Gruppen.
Employed at ICA and
member of IMT since 2013.

Marie Halling

CEO ICA Bank. Employed at
ICA and member of IMT
since 2014.

Tony Holmberg

CEO ICA Special. Employed
at ICA since 1991 and
member of IMT since 2016.

Born	1963	1968	1970	1970	1963	1971
Education	Master of Science in Business and Economics	Master of Science in Engineering	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Laws	Completed management and finance courses at INSEAD Business School, IHM Business School, inter- nally at ICA, etc.
Other assign- ments	Industrial advisor to Segulah Advisor AB. Board member Childhood Foundation and the Consumer Goods Forum. Member of the Steering Group for GEN-PEP.	Board member Electra Gruppen AB.	Board member Rikshem AB.	Board member Thule Group AB, Hufvudstaden AB and HUI Research AB.	–	–
Experience	President and CEO Lantmännen (2007–2012) and Sardus AB (2006– 2007). Kraft Foods (1988– 2006), inter alia as CEO Kraft Foods Sweden, CEO Kraft Foods Denmark, Busi- ness Development Director Kraft Foods International, London. Various managerial positions at Kraft Freia Marabou, Sweden.	SVP Logistics, ICA Sverige (2008–2015). Procter & Gamble Nordic (1993–1998, 2005–2008), Procter & Gamble UK (1998–2001), Procter & Gamble ETC Belgium (2001–2005), inter alia as Director of Logistics, Nordics.	CFO ICA Real Estate (2007–2011) and Skandrenting AB (1999– 2007). Project Manager and Consultant Knowit AB (1999). Financial Manager Hagströmer & Qviberg Fondkommission AB (1996–1998), Financial Manager Nordien System AB (1995).	McKinsey & Company (1996–2013), Partner and head of the retail sector in Scandinavia (2006–2013) and previously Project Manager and Consultant (1996–2005), working in Sweden, elsewhere in Europe and in the US.	Swedbank (2005–2014), inter alia as head of the Eastern region and member of Swedbank's Group Executive Committee, head of Retail Banking and Private Banking. FöreningsSparbanken (1996–2005), inter alia as head of Corporate Banking FöreningsSparbanken Stockholm.	SVP Sales & Operations ICA Sweden (2010–2015), Rimi Baltic as Country Manager for Rimi Lithuania etc. (2008–2010), Business Development Manager, Market department ICA AB (2007–2008), Format Director ICA Kvantum and other ICA assignments (1991–2007).
Share- holding	14,070 shares (incl. related parties).	1,690 shares (incl. related parties).	1,914 shares (incl. related parties).	4,800 shares (incl. related parties).	3,250 shares (incl. related parties).	6,000 shares (incl. related parties).



Sven Lindskog

Maria Lundberg

Kerstin Lindvall

Anders Nyberg

Björn Olsson

Edgar Sesemann

Anders Svensson

CFO ICA Gruppen. Employed at ICA and member of IMT since 2014.

Chief Information Officer (CIO), ICA Gruppen. Employed at ICA since 2015. Member of IMT since 2018.

Chief Corporate Responsibility Officer (CCRO) ICA Gruppen. Employed at ICA since 1997 and member of IMT since 2016.

CEO Apotek Hjärtat. Employed at ICA and member of IMT since 2015. (CEO of Apotek Hjärtat since 2009).

Chief Corporate Communication Officer (CCCO) ICA Gruppen. Employed at ICA since 2004 and member of IMT since 2009.

CEO Rimi Baltic. Employed at ICA since 1999 and member of IMT since 2008.

CEO ICA Sverige and Deputy CEO (DCEO) ICA Gruppen. Employed at ICA and member of IMT since 2009.

1963

1968

1971

1956

1971

1961

1964

Master of Science in Business and Economics

Master of Science in Engineering

Agronomist

Studies in business and finance

Master's degree in Political Science, Economics and Commercial Law

Diploma in Market Economics

Master of Science in Business and Economics

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SVP Corporate Responsibility ICA Sverige AB. Board member KRAV and member of Monitoring Board of the Swedish Chemicals Agency.

Board member Swedish Pharmacy Association.

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Board member Stockholm School of Economics in Riga Foundation (SSE Riga).

Chairman Swedish Grocery Trade Federation and Svensk Handel AB, Board member Confederation of Swedish Enterprise. Member of AMS Sourcing B.V. supervisory board.

CFO Höganäs Group (2007–2014). CFO Sardus Group (2006–2007). CFO Unilever Nordic (2005–2006). Other senior positions at Unilever Nordic (1998–2004). Unilever global head office, the Netherlands (1996–1998). Unilever Hungary (1994–1996). Unilever Sweden (1989–1993).

CIO ICA Sweden 2015–2017, Head of Development Axfood IT 2011–2015, SVP Tieto Sweden AB Head of Retail & Services 2008–2010, other senior roles within Tieto 1999–2008.

ICA Sweden (1997–), inter alia as SVP Corporate Responsibility (2010–), Head of Environment & Social Responsibility (2002–2009), Quality Specialist (1999–2001) and Head of Environment (1997–1999). Swedish Board of Agriculture, coordinator for EU funding (1996–1997).

Deputy CEO ICA AB (2006–2008) and Axfood (2001–2005). ICA (1992–2000), Deputy CEO ICA Sweden, SVP Strategy & Business Development, CEO ICA Öst. Åhléns (1988–1992), Regional Manager/Marketing Manager Livs. Chairman of the Board, Swedish Pharmacy Association (2012–2016).

Head of Media Relations/Acting Head of Communications, Svensk Handel (Swedish Trade Federation) (2000–2003).

ICA, inter alia as CEO Rimi Estonia (2008), Sourcing Director ICA AB, ICA Sverige AB and ICA Handlarnas AB (1999–2008). Business Unit Director Grocery KF Stormarknader (1992–1998). Category Director B&W Stormarknader (1990–1992). Departmental Manager B&W Falkenberg and B&W Täby (1986–1990).

Arla (2002–2009), inter alia as SVP Arla Foods Consumer Nordic, Managing Director Arla Foods Sweden. Procter & Gamble Nordic and Procter & Gamble UK (1993–2002) inter alia as Director of Logistics, Nordic, and Sales Director, Sweden. Andersen Consulting (1988–1993), Consultant.

2,100 shares (incl. related parties).

Shareholding 0 shares (incl. related parties).

750 shares (incl. related parties).

12,035 shares (incl. related parties).

1,923 shares (incl. related parties).

3,100 shares (incl. related parties).

4,740 shares (incl. related parties).

Internal control over financial reporting

This section has been prepared in accordance with the Swedish Corporate Governance Code and Annual Accounts Act, and describes the Company's internal control and risk management in relation to financial reporting. The aim is to provide shareholders and other stakeholders with an understanding of how internal control over financial reporting is organised within the Company.

12 The Board of Directors is responsible for ensuring that ICA Gruppen has good internal control and routines to guarantee compliance with established principles for financial reporting and internal control. The Board is also responsible for ensuring that financial reporting conforms to the Swedish Companies Act, applicable accounting standards and other requirements applicable to listed companies.

Internal Control department

The department Internal Control is tasked with coordinating and supervising internal governance and control over financial reporting within the Group. Internal control over financial reporting is aimed at managing the risk of material errors in financial reporting with a reasonable degree of certainty and ensuring compliance with laws and regulations that are of significance for financial reporting. The department identifies business-critical processes and key controls within the Group that are to be assessed regularly. The evaluation is based on periodic self-evaluation. The results are compiled in reports submitted by Internal Control to the ICA Gruppen Management Team (IMT) and the Audit Committee.



Model for internal control

ICA Gruppen employs a model that has three "lines of defence" describing how responsibility for internal governance and control is organised. The first line of defence is operational management who, in their respective areas, are responsible for maintaining good internal control and in doing so, identifying and managing the risk of errors in financial reporting. The second line of defence is the Group's risk and control functions, which are tasked with supporting the first line of defence and providing information to management. The third line of defence is the independent Internal Audit department, which is tasked with examining the efficiency and reliability of the Group's internal governance and control. ICA Gruppen's work on internal control over financial reporting is defined by the Group's "framework for internal control over financial reporting". The framework is based on two components and five recurring activities. The first component is laws, rules and regulations and governing documents, and the second is roles and responsibilities. The recurring activities are Selection, Risk Assessment, Define and Implement Checks, Evaluate and Report Compliance, and Improvement Activities.

ICA Gruppen's framework is based on the framework for internal governance and control produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework has five basic components:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information & Communication
5. Monitoring Activities

1. Control Environment

A good control environment forms the foundation for an effective internal control system within a company. A good control environment is built on an organisation with clear decision paths, where authority and responsibilities are distributed based on governing documents and where there is a corporate culture with shared values. The control environment is also affected by the actions of management and individual employees based on these values. The Board's rules of procedure and the instructions for the CEO ensure a clear division of roles and responsibilities designed for effective control and management of operational risks. The Board has also adopted a number of basic

policies and governing documents of significance for maintaining effective control, such as the Bill of Authority, Risk Management Policy, Financial Policy, Sustainability Policy, Business Ethics Policy and Communication Policy. Management has also established guidelines for financial reporting, for HR and for preventing and identifying irregularities.

2. Risk Assessment

The Audit Committee is responsible for ensuring that significant risks of errors in financial reporting are identified and managed. Within ICA Gruppen there is continuous dialogue with each operating company to ensure good internal control and awareness of operational risks. For a description of the Group's risks and risk management, see the section "Risks and risk management" on pages 53–57.

3. Control Activities

ICA Gruppen's internal control structure is based on established policies and guidelines. The point of departure for ICA Gruppen's internal control structure is the Group's business critical processes in which control activities have been implemented based on the assessed risk of errors. The Company mainly uses three types of controls:

- Group-wide controls relating to adherence to the Group policies and guidelines.
- Process controls for the Group's business-critical processes. Many different types of activities are included, such as approval, permits, reconciliation, scrutiny of business outcomes, securing assets and division of responsibilities. These control activities are

aimed at managing the risk of errors in each of the processes. The controls that manage the material risk of errors are classified as key controls and are included in the Group's regular monitoring of internal control; and

- IT controls relating to IT processes, the IT platform and IT applications that are critical from a financial or commercial perspective.

4. Information and Communication

Effective and correct communication of information, both internally and externally, is important for ensuring complete and accurate financial reporting at the right time. Policies, routines, handbooks and other documents of significance for financial reporting are updated and communicated to the relevant employees on an ongoing basis.

The Group's Accounting function has direct operational responsibility for ongoing financial accounting and works to achieve consistent application of the Group's guidelines, principles and instructions for financial reporting. Subsidiaries and operating units provide regular financial reporting and report on operating activities to the IMT, which in turn reports to the Board of Directors. The Communication Policy and associated guidelines ensure that external communication is transparent, accurate, relevant and reliable, and otherwise meets the requirements for companies listed on Nasdaq Stockholm. Financial information is provided regularly through annual reports, interim reports, press releases and notices on the Company's website, www.icagruppen.se/en.

5. Monitoring and Improvement Activities

The Board continually assesses the information submitted by the ICA Gruppen Management Team (IMT) and the Audit Committee. The Audit Committee's monitoring of the efficiency of internal control is of particular importance. As part of the monitoring process, Internal Audit reports quarterly and Internal Control twice a year to the Committee. These reports describe any deficiencies identified in internal control and the plan of action established to deal with these. The monitoring process ensures that action is taken to deal with any deficiencies and that proposed measures arising from internal and external audits are heeded. In addition, the IMT, Internal Audit and Internal Control review and follow up as described in this section.

Auditor's report

To the general meeting of the shareholders of ICA Gruppen AB (publ), corp. id 556048-2837

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of ICA Gruppen AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 2–3, 12–27 and 42–116 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Other Matter

The audit of the annual accounts for year 2016 was performed by another auditor who submitted an auditor's report dated 10 February 2017, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

IT-systems and related IT-controls

<i>Description of key audit matter</i>	<i>Response in the audit</i>
The company is relying on well-functioning IT-systems and IT-controls in order to run its operations. If these are not operating effectively, there is a risk that errors may occur which could impact the financial reporting. Critical IT-systems and related controls are therefore considered a key audit matter for the purposes of our audit.	We have, with support of our IT-audit specialists, evaluated and tested the operating effectiveness of the IT-systems and the IT-controls that are considered relevant for the financial reporting. Our audit has included evaluation of processes and testing of controls related to program changes, access management and IT-operations. We have also reviewed the organisational structure, segregation of duties and governance of the IT-organisation, and assessed the company's incident management and monitoring processes as well as testing any compensating controls where applicable.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1, 4–11, 28–41, 120–133 and 135–136. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also

take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most

important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ICA Gruppen AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of

the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

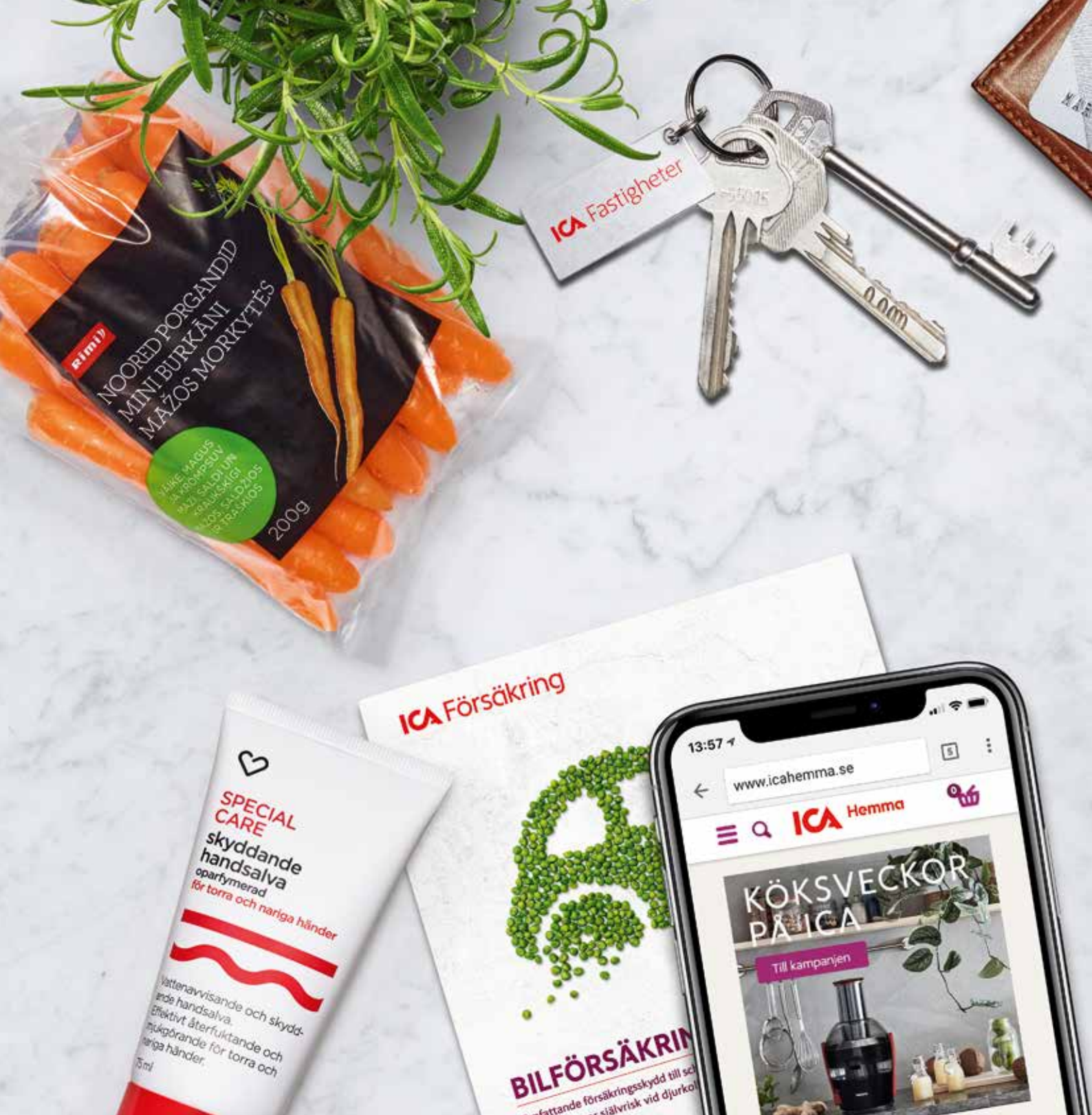
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of ICA Gruppen AB (publ) by the general meeting of the shareholders on the 7 April 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2017.

Stockholm February 8, 2018
KPMG AB

Thomas Forslund
Authorised Public Accountant



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