

Quarterly report on sustainability, April-June 2013

ICA Gruppen continues to prioritise sustainability

Hakon Invest acquired Ahold's shares in ICA AB in spring 2013 and changed its name to ICA Gruppen on 20 May. In addition to ICA AB, the other portfolio companies owned by Hakon Invest are also included in ICA Gruppen. Both the ICA Group and Hakon Invest have had a long tradition of strategic and integrated work with sustainability issues. The ICA Group previously published this quarterly report and ICA Gruppen has decided to continue this. However, the report currently only includes the companies that were formerly part of the ICA Group.

Important events in brief

- Hakon Invest acquired Ahold's shares in ICA AB in spring 2013 and changed its name to ICA Gruppen on 20 May. As previously announced by ICA Gruppen, an evaluation of the portfolio companies is underway in view of the new circumstances that now prevail. This report only includes the companies formerly included in the ICA Group.
- ICA was designated in the Sustainable Brand Index 2013 as the Swedish company that is best at accepting its environmental and social responsibility.
- The first environmental assessments of the Chinese suppliers included in ICA's pilot project, ICA Environmental Assessment, were performed. For the participating suppliers, ICA is the first foreign company on site in China to help them reduce environmental impact in the manufacture of private label products.



-19%
reduced direct
climate impact*

78%
of ICA's corporate
brand suppliers in
high-risk countries
are socially audited*

64%
of ICA's corporate
brand food suppliers
are quality certified*

*See page 2.

Sustainability targets

ICA shall reduce its direct climate impact by 30 percent by 2020 compared with 2006¹

2013 Jan-Jun, %	2012 Jan-Jun, %	2012, %	Target, %
-19	-11	-13	-30

100 percent of ICA's corporate brand suppliers in high-risk countries will be socially audited²

2013 Q2, %	2013 Q1, %	2012, %	Target, %
78	80	74	100

80 percent of ICA's corporate brand food suppliers will be quality certified³

2013 Q2, %	2013 Q1, %	2012, %	Target, %
64	60	57	80

- From January 2013, the climate target is monitored and reported as direct climate impact per square metre of sales area in the store. Reporting the climate impact in relation to sales area increases transparency and accuracy since the outcome reflects changes in ICA's operations (i.e. major mergers and divestments will not inherently affect the outcome of the climate target). During the quarter the number of stores in Sweden that signed up to ICA's central electricity agreement, with solely renewable electricity, continued to increase which has an impact on the outcome. All transport providers engaged in Sweden now report transport data which was previously partly calculated based on mileage and average fuel consumption. This, including improvements made by transport providers such as increased eco-driving, has resulted in reduced emissions from Swedish transport operations.
- Our aim was that 100 percent of ICA's corporate brand suppliers in high-risk

countries would be socially audited by 2012 but, despite an increasing proportion during the year, this target was not met. The main reason is that the work of mapping and then auditing the suppliers is very time consuming. We have made considerable progress with suppliers of non-food products, such as household utensils, media and garden products, as well as processed food but more effort is needed to ensure that all suppliers of fruit, vegetables and flowers undergo social audits. This is why this target is still in place and this work is ongoing. The supplier base decreased during the quarter which meant that the proportion of unaudited suppliers increased. This had a negative impact on the outcome.

- The proportion of quality certified corporate brand food suppliers increased compared with the first quarter of 2013. This is partly due to consolidation of the supplier base as well as better system support which facilitates updates of approved certificates.

¹ ICA's direct climate impact refers to operation of stores and warehouses as well as business travel and goods transports between warehouses and stores. The climate impact from the product range is not included. Starting in the first quarter of 2013, accumulated figures for the period are reported. The outcome is compared with accumulated average quarterly emissions based on emission data for the full year 2006. From the first quarter of 2013, the target is reported as direct climate impact per square metre of store sales area, in accordance with the Group strategy adopted at the end of 2012. Comparative figures for previous years and periods have been adjusted accordingly.

² Corporate brand essentially refer to private label products. High-risk countries are as defined by the UN Human Development Index and Economic Security Index (UNDP).

³ 80 percent of food suppliers of ICA's corporate brand products must be certified in accordance with the Global Food Safety Initiative (GFSI). Starting in 2013, for local suppliers of fruit and vegetables we will also accept local standards, such as IP Sigill in Sweden, as quality standards (in addition to GFSI-approved standards). Work is underway to plan changes in systems and reporting to enable the introduction of the new measurements and reports. The old definition will be used in the meantime.

CEO's comments

Ready for inspection

On 20 May, Hakon Invest acquired Ahold's shares in ICA AB and changed its name to ICA Gruppen. Both ICA AB and Hakon Invest have conducted strategic and integrated work with sustainability issues. ICA Gruppen will naturally continue to see sustainability initiatives as a precondition for retaining customer confidence and creating long-term profitability. Right now we are therefore working to harmonise all our sustainability policies and documents. As announced earlier, an evaluation of the portfolio companies is under way in view of the new circumstances that prevail. This report therefore only includes the companies that were previously part of the ICA Group.

Being inspected from an investor and sustainability perspective is something to which we are accustomed. One of our key priorities is to excel at corporate responsibility and we will now really have an opportunity to show even more stakeholders how our sustainability work creates value, particularly from a shareholder perspective.

We already know that our business and the trust of our customers are closely connected. This is why we carried out a major customer survey on sustainability in all our markets during the first half of the year. The idea was to find out what issues customers feel are most important and what they think about ICA's sustainability performance. The survey showed that high morals and ethics, transparency and honesty were important in every country where ICA operates. Food safety and local products are also key in most countries. Gratifyingly the survey also showed that in general customers give ICA high marks for ethics and honesty, but we also found out what customers feel we can improve. For example, we can become stronger within sustainable fishing and food additives.

During the quarter ICA came top in the Sustainable Brand Index, Scandinavia's biggest brand survey that measures which Swedish companies customers believe to be best at environmental and social responsibility. We are very pleased and proud over this award, but being viewed as the leading company within sustainability is also a major responsibility. We do not only want to be perceived as a company that offers good prices and quality but also as a company that acts in a responsible and open manner.

“During the quarter ICA came top in the Sustainable Brand Index, Scandinavia's biggest brand survey, that measures which Swedish companies customers believe to be best at environmental and social responsibility”



Per Strömberg
CEO ICA Gruppen

Environment

Continuation of pilot project in China

The pilot project ICA Environmental Assessment continued. Under this initiative nine selected Chinese suppliers and factories are being helped to reduce their environmental impact from the manufacture of ICA's private label products. For the suppliers involved, ICA is the first foreign company to support them with tangible environment-related measures on site in China. During the period a comprehensive environmental evaluation was performed at all facilities in order to identify the current status and areas for improvement. These evaluations were made in accordance with the Swedish Textile Water Initiative's guidelines and the Global Social Compliance Programme's environmental module. No critical deviations were found but there are challenges within management systems, maintenance of equipment and environmental training of workers. The next stage is to evaluate these

results and decide on possible further action. Read more in the first quarterly report on sustainability at omica.ica.se.

Networks for palm oil and soy

ICA has announced its membership of the Roundtable of Sustainable Palm Oil (RSPO) and the Roundtable of Responsible Soy (RTRS). Previously, ICA was linked to these through the membership of its former owner Royal Ahold. ICA's target is that all the palm oil used in ICA's private labels will be RSPO-certified by 2015 at the latest. ICA currently buys Green Palm certificates to encourage more plantations to meet these criteria. In WWF's most recent report "Palm Oil Buyers Scorecard" which was published in 2011, ICA received a good grade. Soy is also a key area for ICA to monitor since soy cultivation can have a major long-term impact on tropical forests and savannas.

No chemical non-conformances

ICA Sweden was examined by the Swedish Chemicals Agency which took random samples of plastic toys. The inspection went well and no non-conformances were reported.

Joint efforts against rubbish

In May, Rimi Baltic took part in several nationwide campaigns designed to raise awareness of environmental issues. In Lithuania, staff from seven Rimi stores were involved in the "Let's do it world 2013" campaign which calls on all citizens to take part in a one-day cleaning initiative in cities and forests. In Latvia, Rimi supported the national "The Great Cleanup" campaign both financially and practically, among other things by employees from stores and offices taking part in cleaning work.

Quality

Warehouse recertification

In order to ensure that the products ICA Sweden delivers to the ICA stores maintain high quality all the way to the store shelf, ICA works on the basis of the international standard BRC Stores and Distribution. This standard contains clear guidelines related to product safety, product quality and legality. During the past quarter ICA's head office and two warehouses were recertified: Kallhäll and Västerås. The result was three major and seven minor non-conformances at each warehouse unit. The three major non-con-

formances were the same for both units and related to document processing, non-conformance processing and monitoring of suppliers. All non-conformances have been remedied. Four more units will be audited for recertification during the autumn: Helsingborg, Arlöv, Kungälv and Borlänge.

Public recalls of private label products during the quarter

During the quarter, ICA Sweden had two public recalls via press releases for private label products: ICA frozen hamburgers 720

gram, after self-inspections revealed the presence of salmonella, and ICA Salta pinnar, where the product might contain traces of sesame seeds. Rimi Lithuania recalled a batch of chilled Mediterranean mussels after the same batch caused a case of food poisoning in France. ICA Norway, Rimi Estonia and Rimi Latvia had no public recalls of private label products during the period.

Ethical trade

On the track of Moroccan tomatoes

ICA's Moroccan tomatoes can be traced all the way back to the growing place. This was shown in an inspection conducted by ICA in June on one of its largest Moroccan tomato suppliers. The survey was performed to ensure that the tomatoes are grown in Morocco and not in Western Sahara. ICA Sweden follows the recommendations of the Swedish government and the UN on acting with extreme caution when it comes to conflict areas and has therefore chosen not to buy goods from Western Sahara. The focus of the inspection was on checking whether the code on the ICA packaging, the batch code, provided full traceability back to the grower via the packing facility. ICA visited both the tomato plantations and the packing facility to see how boxes and pallets are labelled after picking and to monitor the flow from delivery to sorting, washing and packing.

Follow-up in berry forests

ICA has been pushing for acceptable conditions for berry pickers in Swedish forests for several years. The working method developed by ICA has become the industry model in a new agreement between the Swedish Food Federation, Svensk Dagligvaruhandel and the Swedish Trade Federation. This new agreement makes demands on purchasers of berries to conduct independent social audits of organised picking and ensure that checks are developed for non-organised picking. The non-profit research organisation Swedwatch has also released a follow-up report on Swedish berry picking where ICA is praised for its efforts in this area and others are encouraged to follow ICA's example. During the quarter, ICA acted as host and convener in a follow-up dialogue meeting with retail parties. This dialogue will continue with another meeting after the season to evaluate this work.

New membership

ICA is now a member of the Business Social Compliance Initiative (BSCI). BSCI is a business initiative that aims to improve working conditions in the supply chain through common tools and monitoring methods. ICA was previously represented through its former owner Royal Ahold. ICA's goal is that all private label suppliers in high-risk countries should be socially audited. ICA also has its own control system for social audits, ICA Social Audit, with similar criteria. By using its own control system, ICA can start improvements early and then get suppliers to switch to audits by a third party, such as BSCI.

Health

Green year in Sweden

Eight out of ten Swedes eat too little fruit and vegetables. This is why at the start of the year ICA Sweden launched the "Take a Green Year" campaign in order to inspire and encourage customers to change. Part of this campaign includes highlighting even more organic alternatives. Many customers see organic products as healthy as well as environmentally friendly

and during the first half of the year central sales of organically grown fruit and vegetables in Swedish ICA stores rose by 8 percent, compared with the same period last year. Read more about this under Outlook.

Focus on young Balts

Rimi Latvia's health-focused chef Normunds Baranovskis continued his "School trip" project

during the quarter as part of the Aikāgaršo health project. He met almost 400 students at 23 schools around the country to teach them to cook healthy food. All the students' recipes have now been published in a digital cookbook on Rimi's website. In Lithuania, for the third consecutive year Rimi organised "Superkids" which this year encouraged parents to involve their children in cooking.

ICA supports

Food for those in need

In the Baltic states, Rimi continued its long-standing collaboration with FoodBank, which distributes food to people in need. During the quarter Rimi's customers and employees in Lithuania donated approximately 33,000 food products via collection boxes in Rimi's stores. The co-operation with FoodBank also continued in Estonia during the quarter. For every third selected product purchased by customers, Rimi Estonia donated an additional one, which meant that sales of the selected products, such as pasta,

tinned food and soups, grew by 40 percent during the campaign. Together with Save the Children and the Lithuanian chocolate manufacturer "Rūta" Rimi Lithuania also developed a special chocolate. This is sold exclusively in Rimi stores and 5 percent of the proceeds go to day nurseries for children from poor and socially vulnerable families.

Efforts in Latvia

In Latvia, Rimi gave its support in May to the Nordea Riga Marathon which attracts more than 20,000 runners from around the world.

Rimi handed out more than six tonnes of fruit during the race and organised Rimi Marathon for kids. Rimi Latvia also regularly supports a fund-raising campaign for the benefit of children with cancer in a children's hospital and collected just over SEK 250,000 during the quarter. Another campaign that Rimi supports is "The Goodness day" which helps seriously ill children. During the quarter Rimi's customers donated more than SEK 470,000, the project's largest donation to date.

Criticism and media debate

Sweden

During the quarter the National Food Agency issued information about a suspicion that strawberries from Egypt and Morocco could be the source of the outbreak of Hepatitis A seen in Denmark and Sweden. In connection with this ICA received customer enquiries about why ICA's own frozen strawberries show packing location but not country of origin on the package. ICA's frozen strawberries are grown in Morocco, but labelled - in accordance with legislation - with the packing country, Belgium. At the beginning of July, as a precautionary measure, ICA decided to stop sales of its frozen strawberries under the ICA and ICA Basic brands, as well as sales of mixed berries. After careful investigation no links were found between the infection cases and ICA's berries, so the berries were released onto the market again, after ensuring that the correct country of origin is shown on the packaging.

ICA buys fruit and berries in season based on high standards and guidelines, and has generally found it best to use a single package instead of requiring several sea-

sonal packages. Customers calling ICA's call center have also always been able to obtain information about country of origin. Based on customer reactions, ICA will evaluate the possibility of origin labelling packages beyond the legal requirement. As a first step in this evaluation, ICA's frozen strawberries are now labelled with country of origin.

ICA has been criticised in social media and elsewhere because the raw material for ICA's private label dairy products is not exclusively from Sweden. ICA always clearly shows country of origin on its dairy packaging. ICA's first choice for its own range of dairy products is always the Swedish dairy co-operatives. Currently there is a shortage of Swedish raw material, however, due among other things to customers' increased interest in full-fat products. This lack of raw material not only affects ICA, but all players in the market. ICA therefore as a second choice uses raw material from other EU countries. Price is also a key factor in the decision on which suppliers should produce the items, since ICA's customers must be able to obtain

products which have both high quality and a good price. ICA can therefore consider both buying raw material and producing dairy products in other EU countries, provided the suppliers meet the high quality standards.

Estonia

In April, Rimi Estonia carried out a campaign to encourage customers to consume wisely and think about the environment. This included a reduction in the price of paper bags while the price of plastic bags was raised. The campaign was well received by customers - sales of paper bags rose by as much as 800%. The campaign attracted both positive and negative attention which led to several media debates. Several newspapers wrote that Rimi's decision should serve as a model for other retailers in the country. On the other hand, Rimi also received reactions from customers who pointed out that they could use plastic bags as rubbish bags, while paper bags could not be used in the same way but are instead discarded directly.

Prizes and awards

Best at sustainability

ICA was awarded the Sustainable Brand Index 2013 for its work on sustainability. Sustainable Brand Index is Scandinavia's largest brand survey about sustainability and identifies which companies customers believe to be best in Sweden at accepting their environmental and social responsibility. ICA Bank was also the industry leader in its category and ended up in nineteenth place overall out of the 228 companies included in the survey.

SCUF fork to ICA

The Swedish Coeliac Youth Society (SCUF) has given its SCUF fork award to ICA's dietician and Health Manager, Christina Karlsson. The motivation was that she "has significantly highlighted gluten and lactose intolerance while working with ICA's own brand gluten and lactose-free range". ICA launched its gluten-free product range in spring 2013 and its lactose-free range in 2011.

Good reputation in Latvia

Rimi Latvia came top in its category for the second consecutive year in the Sustainability Index 2013, an annual ranking of companies with the best reputation. Overall, Rimi Latvia came in ninth place. The survey was conducted by PR agency Nords Porter Novelli, polling institute SKDS and the magazine "Dienaz Bizness". In another survey, "Meaningful brands", conducted by Baltic Idea Group, customers designated Rimi Latvia as the country's third most important brand when it comes to working for a better quality of life.

Outlook

How organic products link together environment and health

Is it important to choose organic fruit and vegetables? On the one hand a customer who chooses organic kills three birds with one stone: reduced environmental impact and preserved biodiversity at the same time as increased consumption of fruit and vegetables is good for the body. On the other hand, it is not so simple as organic is more healthy, although many people perceive it as such.

"There are certainly arguments, such as concern about toxins, but it is not at all certain that organically grown fruit and vegetables contain more nutrients than those grown conventionally. It's about conditions at the growing location, such as the amount of sun and water," explains Christina Karlsson, dietician and Health Manager at ICA.

"From a public health perspective by far the most important thing is an increased intake of fruit and vegetables," says Christina.

"We know from several independent studies that young people in particular are not getting enough of the essential nutrients found in fruit and vegetables. And we should remember that even those who choose conventionally grown are making a contribution to the environment, by at the same time reducing their intake of meat which has a greater environmental impact."

Even though all consumption of fruit and vegetables is positive, it is still important for ICA to offer customers organic products since this also contributes to biodiversity and reduced environmental impact. Organic products sold by weight are one example of how ICA works to offer good prices:

"When we took away unnecessary packaging, we could offer customers far better

prices. The difference for the customer was no longer so great compared with conventionally grown alternatives. Sales of organic apples, for example, have increased by over 500% since we started selling by weight," explains Peter Hägg, Senior Category Manager Fruit & Veg at ICA Sweden.

Growing demand for organic has also led to positive environmental effects in the supply chain he says:

"For example, our largest lemon supplier in Spain is now switching from conventional to organic cultivation just in order to meet the annual volume we require."

Yet another example of how ICA works with fruit and vegetables is ICA Sweden's year-long campaign "Take a green year", which is designed to encourage and inspire customers to increase the proportion of green in their diet.

About this report

This is a quarterly status report containing information about ICA's work on issues relating to sustainability and development during the year. The report only includes the companies that were previously part of the ICA Group. Information related to earlier periods has therefore not been recalculated to include other companies in ICA Gruppen. The quarterly report aims to show ongoing developments during the year and deals with the most significant issues in the areas of environment, quality, health, ethical trade, social engagement and ICA's role in the most important media debates. The report is independently reviewed, but is not in line with the GRI's guidelines and does not therefore include some issues. ICA Gruppen publishes a complete sustainability report once a year. This is reported in accordance with the GRI's guidelines and provides a full picture of work with sustainability.

For measurement and calculation methods, boundaries and materiality analysis, see

<http://reports.ica.se/ar2012en/Start/Sustainability+Report/About+the+Sustainability+Report/Measurement>

<http://reports.ica.se/ar2012en/Start/Sustainability+Report/Sustainability+Approach/Materiality+analysis>

About ICA Gruppen

ICA Gruppen AB (publ) is one of the Nordic region's leading retail companies with 2,400 of its own and retailer-owned stores in Sweden, Norway, Estonia, Latvia and Lithuania. The Group includes retail companies ICA Sweden, ICA Norway and Rimi Baltic, ICA Real Estate which owns and manages properties, and ICA Bank which offers financial services to Swedish customers. The Group also includes the wholly owned portfolio companies Forma Publishing Group and inkClub, and the partly owned portfolio companies Cervera, Hemtex and Kjell & Company. For more information, please visit www.icagruppen.se

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Auditor's Review Report on ICA Gruppen's Interim report on sustainability

This is the translation of the auditor's review report in Swedish.

To the readers of ICA Gruppen AB's quarterly report on sustainability for the period 1 April-30 June 2013.

Introduction

We have been engaged by the executive team of ICA Gruppen AB to review ICA Gruppen AB's Interim report on sustainability for the period 1 April-30 June 2013. Our review is limited to the information related to the second quarter 2013. The Board of Directors and the Executive Management are responsible for ongoing activities regarding the environment, health & safety, quality, social responsibility and sustainable development, and for the preparation and presentation of the Interim report on sustainability in accordance with the applicable criteria. Our responsibility is to express a conclusion on the Interim report on sustainability performance based on our review.

The Scope of the Review

We have performed our review in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, issued by IFAC. A review consists of making inquiries, primarily of persons responsible for the preparation of the Interim report on sustainability performance, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our assurance does not comprise the assumptions used by the Company or whether or not it is possible for the Company to reach certain future targets described in the report (e.g. goals, expectations and ambitions).

The criteria on which our review is based are ICA AB's materiality analysis 2012 as well as the accounting and calculation principles that the Company has developed and disclosed in ICA AB's Sustainability Report 2012. We consider these criteria suitable for the preparation of the Interim report on sustainability performance.

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

- a. an update of our knowledge and understanding for ICA Gruppen AB's organization and activities
- b. assessment of suitability and application of criteria in respect to stakeholders need of information
- c. interviews with responsible management, at company level and at selected business units with the aim to assess if the qualitative and quantitative information stated in the interim report on sustainability performance is complete, correct and sufficient
- d. read internal and external documents to assess if the information stated in the interim report on sustainability performance is complete, correct and sufficient
- e. analytical review of reported information
- f. overall impression of the interim report on sustainability performance, and its format, considering the information's mutual correctness with applicable criteria
- g. reconciliation of the reviewed information against the sustainability information in ICA AB's sustainability report for 2012.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in ICA Gruppen AB's Interim report on sustainability for the period 1 April-30 June 2013 has not, in all material respects, been prepared in accordance with the abovementioned criteria.

Stockholm, 16 September 2013

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