

Stockholm, 29 November 2013

# Quarterly report on sustainability, July–September 2013

## Continued efforts within corporate responsibility

ICA Gruppen's operations are based on six strategic themes; excelling in corporate responsibility is one of them. We are therefore continually striving to raise our ambitions and renew our efforts. During the quarter ICA continued to focus on aspects such as environmental and quality improvements through, for example, more origin labelling.

### Important events in brief

- ICA Sweden has signed the Bangladesh Accord, an international agreement between companies and trade unions to improve safety in the textile industry in Bangladesh.
- Further steps have been taken to phase out packaging containing the controversial plastic chemical bisphenol A (BPA). ICA's own brand tuna is now also sold in new, innovative packaging which is BPA-free and more efficient to transport.
- ICA Sweden was awarded the Transport Group's Pegasus Prize for 2013 for efforts to find new, more environmentally-sound fuels for goods transportation, primarily methane diesel. One of the reasons for ICA's selection as the winner is the admirable way in which the Company has required hauliers to improve their environmental performance.
- Rimi Baltic continues its focus on health and carried out various activities in this area during the quarter.



**-16%**

reduced direct  
climate impact\*

**79%**

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

**60%**

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

\* See page 2.

## Sustainability targets

ICA will reduce its direct climate impact by 30% by 2020 compared with 2006<sup>1</sup>

2013 Jan-Sep, %	2012 Jan-Sep, %	2012, %	Target, %
-16	-9	-12	-30

100% of ICA's corporate brand suppliers in high-risk countries will be socially audited<sup>2</sup>

2013 Q3, %	2013 Q2, %	2012, %	Target, %
79	78	74	100

80% of ICA's corporate brand food suppliers will be quality certified<sup>3</sup>

2013 Q3, %	2013 Q2, %	2012, %	Target, %
60	64	57	80

- During the quarter ICA's emissions increased somewhat compared with the previous quarter. Slightly higher energy consumption in all of our markets and increased emissions from goods transportation were the main factors negatively impacting the emissions values. During the quarter Rimi Baltic reviewed historical data and identified factual data for the base year 2006 as well as some data for subsequent years. This data had previously been estimated. The updated information resulted in the outcome being slightly less favourable. The data for 2012 in the table has been recalculated using the new base year data.
- Our aim was for 100% of ICA's corporate brand suppliers in high-risk countries to undergo a social audit by 2012. Despite an increase in the percentage of audits during the year, this target was not met, the main reason being that documenting and

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 as well. The target therefore remains in place and work is ongoing. The increase in audits during the quarter is mainly due to ICA having increased the number of socially audited suppliers of fruit, vegetables and flowers.

- The proportion of quality certified corporate brand food suppliers decreased compared with the second quarter of 2013. This is due to an increase in the number of production facilities and continued challenges relating to updating expired certificates.

<sup>1</sup> ICA's direct climate impact relates to the operation of stores and warehouses, goods transportation between warehouses and stores, and business travel. The climate impact from the product range is not included. Starting in the first quarter of 2013, ICA is reporting aggregate figures for the period. The current outcome is being compared to the aggregate 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. The aim is to increase transparency and accuracy since the outcome will reflect changes in ICA's operations (i.e. major mergers and divestments will not inherently affect the outcome of the climate target). Comparative figures for previous years and periods have been adjusted accordingly.

<sup>2</sup> Corporate brands are essentially private label products. High-risk countries are as defined by the UN Human Development Index and Economic Security Index (UNDP).

<sup>3</sup> 80% of food suppliers of ICA's corporate brand products must be certified in accordance with the Global Food Safety Initiative (GFSI). Starting in 2013, we will also accept local standards for local suppliers of fruit and vegetables, such as IP Sigill in Sweden, as quality standards (in addition to GFSI-approved standards). Work is under way 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

## ICA continues to challenge key issues

Clearer origin labelling and new bisphenol A-free packaging – two examples of how ICA Gruppen has excelled during the past quarter. ICA's corporate strategy is based on six long-term strategic themes, which together provide a foundation for all of ICA Gruppen's operations. One of these themes is excelling in corporate responsibility. We are therefore continually striving to raise our ambitions for our efforts in areas such as the environment and quality, development of healthy products and continued reduction of carbon dioxide emissions.

Responsibility strengthens us as a market player and increases pride in working for ICA. If our initiatives can also spur on and inspire other companies, then we will have created value greater than the activities themselves provide.

One example of where ICA has taken the lead is our efforts to force through a new Swedish standard for in-store food handling. We also pre-empted legislation on origin labelling of meat and delicatessen products. Another example is our work on phasing out the controversial plastic chemical bisphenol A (BPA). We have worked for a long time to identify products and packages that contain this substance and in October we took another important step when we launched new, innovative packaging for ICA's own brand tuna, one of the top-selling preserved foods. The new packaging is soft and, unlike cans, is BPA-free. The soft packaging is also more efficient to transport and easier for the customer to handle.

In the future there will be more initiatives where we choose to take the lead and challenge sustainability issues that are important to us, our customers and our stakeholders. One area in which we will do this is origin labelling; ICA in Sweden is already ahead of the legislation in this area. We label many of our own brands with country of origin, not just country of packaging, and we will now be doing this for even more items.

At the same time we must not forget the importance of our day-do-day work. We see a continued focus on even better quality control as a natural way of helping ICA's customers to feel safe and secure when they choose our products.

“In the future there will be more initiatives where we choose to take the lead and challenge sustainability issues that are important to us, our customers and stakeholders.”



Per Strömberg  
CEO ICA Gruppen

## Environment

### More women are choosing organic products

According to a new study conducted by ICA with a panel of customers, 72% of ICA's Swedish customers buy organic products. The same study also showed that women choose organic products more often than men, 74% compared to 67%. 63% of customers also said they think they will increase their organic purchases in the future. ICA has increased the proportion of organic products in its range in recent years. Since 2007 sales have more than doubled. ICA Sweden's sales of organic products were up 9% in the first three quarters of this year compared to the same period in 2012.

### Organic initiatives in the Baltic countries

During the quarter, in order to highlight and raise interest in organic products in the Baltic market, Rimi Estonia arranged excursions for customers and store employees to Kiltismäe eco-farm. Rimi Estonia has also launched a range of locally produced eco-products in four stores in Tallinn. Development and sales of organic products still differ greatly among ICA's various markets. ICA Sweden is already very advanced in this area, while demand is not yet as high in the Baltic countries where

the term organic is associated more with health issues than environmental ones.

### Soft packaging without bisphenol A

ICA took another step forward in its efforts to phase out the controversial plastic chemical bisphenol A (BPA), which many customers are concerned about. ICA's own brand tuna is now also available in a soft package. With this new packaging, ICA has succeeded in both eliminating BPA and creating a transport-efficient and easy-to-use solution. ICA Sweden has been working for several years to phase out till receipts, feeding bottles, food containers and other products containing BPA. The aim is to gradually phase out all packaging containing this chemical.

### Phasing out palm oil in Norway

ICA Norway has started a major effort to remove palm oil from its own brand products wherever possible. Norwegian customers are particularly concerned that palm oil is a source of saturated fats. The goal is to phase out all palm oil in ICA's own brand products. In Sweden as well, ICA is reviewing the use of palm oil in ICA brand products. The aim is to only use palm oil that is RSPO-certified

by 2015 at the latest. The intention is to get more palm oil plantations to accept their environmental as well as their social and economic responsibility and to conserve the rainforests. RSPO-certified palm oil is used in ICA brand popcorn, among other products. Currently ICA purchases Green Palm certificates to encourage more plantations to adhere to RSPO's criteria.

### Continued focus on methane diesel

The logistics function within ICA Sweden was recently awarded the Pegasus Prize for environmental initiatives in the transport sector. ICA has been working actively for several years to find new, more environmentally-sound fuels for transport. By highlighting the fuel issue, ICA's transport partners can be persuaded to change to a better alternative and thus reduce carbon dioxide emissions. A pilot project involving 12 vehicles has shown that methane diesel is currently the most sustainable alternative. Starting in the spring, the number of methane diesel vehicles transporting goods for ICA will be increased to 33. See also Outlook and Prizes and awards.

## Quality

### ICA increases origin labelling

In May hepatitis infection was discovered in frozen strawberries in several Nordic countries. The Swedish Institute for Communicable Disease Control could not determine with certainty from which country or producer the infected berries originated, but indications pointed to Morocco and Egypt. ICA found no connection to the outbreak of hepatitis A in its own frozen strawberries, but in connection with the outbreak, customers asked why ICA indicates the packing location which is in accordance with legislation but not the country of origin on the packages of ICA brand frozen strawberries. For some product groups ICA already goes further than is required by law, for example in labelling meat and most dairy products. ICA will now start to label frozen berries with the country of origin and review how to improve origin labelling for even more products. ICA also participates in sector dialogues with Svensk Dagligvaruhandel (the grocery retailers' association) and the Swedish National Food Agency. At the end of the year ICA will participate along with other representatives from the sector in a follow-up meeting with the National Food Agency on the strawberry incident.

### Insecticide in melons

In August, it was discovered that honey-

dew melons, of which ICA had sold a small quantity, contained traces of the insecticide carbofuran. The use of carbofuran on food is banned in the EU and can lead to problems such as nausea. The melons, which came from Spain, had been sourced by a Swedish wholesaler. The high levels were detected in a control sample in the Netherlands, after which the Swedish authorities were alerted. This information reached ICA only after the products had been sold in stores and were assumed to have been eaten. In consultation with the National Food Agency it was decided not to carry out a recall. Instead an investigation was conducted into why the information had reached ICA so late. ICA also reviewed its routines for monitoring alerts from authorities outside Sweden and has initiated a more in-depth study of insecticide-related issues.

### Norwegian non-conformances remedied

During the spring the Norwegian Food Safety Authority worked with ICA Norway to remedy a number of non-conformances from ICA's internal control system and routines for food handling. ICA Norway is following an agreed plan to remedy these non-conformances.

### BRC certification of distribution centre

ICA Norway's distribution centre in Skärer

was certified in September to BRC Storage and Distribution, a global quality standard for retailers. Skärer is the first of ICA's Norwegian distribution centres to be certified. ICA's Swedish warehouses have been certified to BRC Storage and Distribution since 2012.

### Quality training in Latvian stores

Rimi Latvia carried out training in August and September for store personnel who work with fresh foods. A total of 121 people participated. The training included questions on traceability, temperature control and hygiene, and also how groups can use things like checklists and division of responsibility.

### Public recalls of private label products during the quarter

During the quarter, ICA Sweden had four public recalls via press releases for private label products: ICA and ICA Basic Strawberries and ICA Basic Berry Mix. due to unclear origin labelling and a risk of hepatitis; ICA delicatessen products (cooked ham, alder-chip smoked ham, pork pastrami, smoked ham, veal sausages), due to the risk of metal shards; and ICA Basic Mixed Mince 900 grams and 1600 grams as well as ICA Mixed Mince 800 grams after routine checks indicated the presence of salmonella. ICA Norway and Rimi Baltic had no public recalls of private label products during the period.

## Ethical trade

### Improved safety in textile industry

ICA Sweden has signed the Bangladesh Accord which is intended to improve the conditions and safety of workers in the textile industry in Bangladesh. The Bangladesh Accord is a binding agreement between trade unions, voluntary organisations and companies in the textile trade to carry out a programme of measures to address a number of important health and safety issues over a five-year period. Some 100 companies and brands have now signed the agreement. The International Labour Organisation (ILO) is acting as independent chair of the initiative.

### Improved conditions in Swedish berry forests

For the third consecutive year ICA has reviewed the conditions for organised

berry pickers in the Swedish forests. An independent party was enlisted to carry out the actual review work. Among the aspects reviewed were whether the berry pickers had been given accurate information by their employer before coming to Sweden, whether the contracts were clear and easy to understand, whether the accommodation was acceptable and whether working hours were documented. All of the berry pickers in the review came from Thailand and many of them had worked in Sweden before. The review showed a number of improvements compared with the previous year; for example, there is now a clear handbook for berry pickers containing rules and important information. However, there are still misunderstandings due to language barriers and improvements in traffic safety are needed.

ICA has developed its own tool for these inspections since there is no Swedish standard for this type of control. ICA has also decided to share this tool with other companies so that they, in turn, can require suppliers to provide acceptable conditions.

### New forum for food ethics in Norway

The Ethical Trading Initiative Norway (IEH) has started a new forum for food ethics. All the Norwegian grocery sector players are members of IEH. The food ethics forum will allow members to discuss different ethical and environmental aspects of food production. The idea is to create a number of common sector platforms to improve work on these issues.

## Health

### Baltic health initiatives

Rimi Baltic continues its efforts to encourage customers to make healthy choices. Rimi Latvia's special health chef Aikāgaršo participated in this effort by providing good dietary advice in connection with the Nike Riga Run, a sporting and charity event held in August. In September the country's Rimi

stores organised a harvest festival to inspire customers to choose fruit and vegetables. Among other things, customers were offered an opportunity to take part in competitions and received seasonal recipes. Since August, the country's Hypermarket stores have been offering customers salad bars so they can mix their own lunch salads. In Estonia, Rimi is

participating in a new campaign started by the country's Institute of Public Health called "Let's eat". The idea is to encourage people to eat at least five fruits or vegetables every day. Rimi Estonia is also participating in an initiative to get all customers under the age of 30 who buy alcohol to present proof of their age. The goal is to prevent alcohol being sold to minors.

## ICA supports

### Food and exercise go together

Good health and good eating habits go together. ICA therefore wants to encourage physical activity. During the quarter an exercise race called "Blodomloppet" took place at 14 locations around Sweden. ICA Sweden is the main sponsor of the race and a total of 107,000 people participated, which is a new record. In August the Cykelvasan cycling event took place, with ICA Sweden again the main sponsor. This year 14,811 cyclists started the

race, which is also a new record. Health-related activities were also sponsored in Estonia. Among other things, Rimi employees took part in the SEB Tallinn Marathon. Rimi Estonia and the Estonian Football Association gave six children who participated in the Association's summer camp a scholarship of EUR 300 each for football training for the whole year. In Lithuania, Rimi was the main sponsor of the Vilnius Marathon for the second consecutive year.

### Help with schooling

Rimi Estonia with partners such as the Red Cross in Tallinn participated in a fundraising campaign to help children from low income families get rucksacks and essential school equipment. A total of 324 children were given new school equipment.

## Criticism and media debate

### Debate on Swedish Facebook

During the quarter there was a debate on the sale of herbicides containing glyphosate, primarily Roundup, which are sold at Maxi ICA Hypermarket, among other places. ICA has decided to phase out herbicides containing glyphosate and has also introduced an environmentally-sound weed killer.

### Better information on bake-off bread

In Norway the food sector was criticised for not making it clear that the dough balls for bake-off bread had been frozen prior to baking. ICA Norway has therefore now included this information on the packaging.



## Prizes and awards

### Environmental prize for transport

ICA Sweden's logistics function was awarded the Transport Group's Pegasus Prize for 2013. The prize is for ICA's efforts to find a new, more environmentally-sound fuel for goods transportation, primarily methane diesel. In explaining its selection, the Transport Group, which is the transport sector's employer organisation, writes that, as a large transport services purchaser, ICA has, in an important and admirable way, required hauliers and their suppliers to improve their environmental performance.

### Rimi popular brand in Latvia

Rimi Latvia came first among retail companies and ninth overall out of 100 companies in the annual best reputation ranking. The survey was conducted by PR agency Nords Porter Novelli, polling institute SKDS and the magazine Dienas Bizness. It is the biggest credibility test of Baltic companies and the aim is to encourage good entrepreneurship. Rimi Latvia also took eighth place in another Latvian ranking, the brand survey Top Brands Chart. This survey is carried out by financial

magazine Kapitāls, advertising agency DDB Latvia and pollster GfK Custom Research Baltic. It has been published since 2004.

### Health campaign nominated for prize

Rimi Estonia has been nominated in the European Business Award Competition for its health campaign entitled "For your health." The competition, the outcome of which will be determined in April 2014, has attracted 527 projects from 31 countries.

## Outlook

### ICA and future transport

Every day the vehicles that transport goods for ICA travel an average of 100,000 km in the Swedish market alone. This makes alternative fuel an important piece in the puzzle if ICA is to reach its environmental targets. But this issue poses an even bigger question: how will food be transported in a future where oil is no longer used?

Road transport will still be essential for ICA in the future. Rail transport can be used from Europe, but since the tracks do not reach the stores, goods still need to be transported by lorry. Rail transport also has a problem meeting ICA's high service standards in the form of lead times and punctuality when delivering ICA's fast-moving consumer goods. This aspect is critical in order to meet customer demand for availability of goods in stores.

ICA's aim is to be sector leader and actively take responsibility for advancing

fuel development. In the long term, the vision is for goods transportation to be completely fossil-free and for the sector as a whole to force through new solutions. ICA is therefore working on developments on several fronts. One example is a multi-year pilot project involving lorries running on methane diesel, diesel mixed with a liquefied gas made from biofuels. The project is a collaboration between ICA, vehicle manufacturers and hauliers. At this time ICA sees methane diesel as the most sustainable solution. Although it is still fossil-based, it not only significantly reduces emissions of greenhouse gases, but also reduces emissions of soot and particulates. Today about a third of the dual-fuel vehicles made by Volvo in Sweden are in operation for ICA. This is more than any competitor in Sweden.

Another important development area for ICA is a new system for transport

optimisation. Fewer kilometres driven mean fewer emissions. With tools like GPS it is possible to record trips extremely accurately, which in turn helps transport planners to find ways of further optimising routes.

In future ICA will also follow the development of blue corridors. This is a European partnership project to establish methane (LNG) as an alternative fuel to diesel for medium and long distance transport routes. Four blue corridors have been drawn along important roads on the European map to link south, north, west and east Europe. LNG refuelling points will be set up along these corridors. The idea is to initially make LNG a complementary fuel, but for it to replace diesel over time. The project is being financed by the Seventh Framework Programme which coordinates all EU-funded research initiatives in this area.

### 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 developments that have been ongoing during the year and deals with the most significant issues in the areas of the environment, quality, health, ethical trade, social engagement and ICA's role in the most important media debates. The report has been independently reviewed, but is not in line with the GRI Guidelines and for this reason, some issues are not included. ICA Gruppen publishes a complete sustainability report once a year which is

in accordance with the GRI Guidelines and provides a full description of the Company's sustainability work.

### 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 the 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](http://www.icagruppen.se)

FOR FURTHER INFORMATION: ICA Gruppen's press office,  
Tel. +46 702 53 66 60

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

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

## Introduction

We have been engaged by the executive management team of ICA Gruppen AB to review ICA Gruppen AB's Interim report on sustainability for the period 1 July-30 September 2013. Our review is limited to the information relating to the third 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 based on our review.

## 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, 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.

Based on an assessment of materiality and risk, our review has included the following procedures, among others:

- a. an update of our knowledge and understanding of ICA Gruppen AB's organisation and activities
- b. assessment of suitability and application of criteria with respect to stakeholders' need for information
- c. interviews with responsible management, at company level and at selected business units with the aim of assessing whether the qualitative and quantitative information stated in the interim report on sustainability is complete, correct and sufficient
- d. reading internal and external documents to assess whether the information stated in the interim report on sustainability is complete, correct and sufficient
- e. analytical review of reported information
- f. overall impression of the interim report on sustainability, and its format, considering the information's mutual consistency with applicable criteria
- g. reconciliation of the reviewed information against the sustainability information in ICA AB's Sustainability Report 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 July-30 September 2013 has not, in all material respects, been prepared in accordance with the above-stated criteria.

Stockholm, 29 November 2013

Deloitte AB Didrik Roos  
Authorised Public Accountant

Lennart Nordqvist  
Expert Member of FAR