

Stockholm, 21 August 2014

## Quarterly report on sustainability April – June 2014

### Several cooperation projects for ethical trading

One key component of ICA Gruppen's sustainability work is to cooperate with others. For example, during the quarter ICA Gruppen joined the network Swedish Leadership for Sustainable Development and continued its work within the Bangladesh Accord. During the quarter ICA Gruppen also continued its initiative with extended origin labelling of private label products.

#### Important events in brief:

- ICA Sweden has started a cooperation with the Federation of Swedish Farmers (LRF). The aim is to combine forces to broaden the range of Swedish products in the stores, increase sales of Swedish food and contribute to the development and growth of the Swedish countryside. Several of ICA's upcoming product launches will therefore focus on Swedish origin. During the quarter ICA Sweden introduced the concept "ICA Good Taste from", a range which focuses on local flavours and genuine artisan food. All products consist of Swedish raw materials and are produced in Sweden.
- ICA Gruppen continued its review of labelling of private label products in order to ensure that they comply with the new EU Food Information Regulation. ICA Gruppen's initiative for extended origin labelling beyond the regulatory requirements continued.
- An audit was performed of ICA Sweden's Danish pork suppliers. The audit was part of ICA's ongoing dialogue with the Danish pig industry which includes improved animal welfare. At the same time, ICA Sweden continued its efforts to increase the proportion of Swedish pork in the product range.
- During the quarter it was found that two stores in Sweden had failed to handle minced meat correctly (reported in Q1). ICA's Disciplinary Board has reviewed these cases. One case was dismissed when the retailer chose to leave ICA. In the other case, a decision was made to issue a warning conditional on further training. All 443 ICA stores which mince meat on their premises have performed a self-assessment of their work and been visited by ICA Sweden's quality coaches.



**-32%**  
reduced direct  
climate impact \*

**83%**  
of ICA's corporate  
brand suppliers in  
high-risk countries  
are socially audited.

**58%**  
of ICA's corporate  
brand suppliers are  
quality certified \*

\* See page 2.

## Sustainability targets:

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

2014 Jan-June, %	2013 Jan-June, %	2013, %	Target, %
-32	-18	-18	-30

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

2014 Q2, %	2014 Q1, %	2013, %	Target, %
83	82	77	100

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

2014 Q2, %	2014 Q1, %	2013, %	Target, %
58	67	n/a	80

• During the quarter, ICA Gruppen's carbon dioxide emissions decreased in two out of three markets compared with the previous quarter. In the third market, emissions remained at a stable level. Compared with the same period in the previous year, emissions decreased in all markets. In the first quarter of 2014, ICA Gruppen achieved the long-term Group target for direct climate impact through reduced emissions of carbon dioxide and this target was also reached at the end of two quarters. The result was affected by ICA Gruppen's long-term efforts to reduce emissions within several areas, primarily energy, refrigerants, transports and business travel. The sharp decrease during the quarter was caused by ICA Norway starting to buy renewable electricity for stores and warehouses, ICA Sweden's focus on transports with vehicles which use alternative fuels, the fact that even more ICA stores have chosen ICA Sweden's central contract for renewable electricity, and Rimi Baltic now using refrigerants with less climate impact.

• The proportion of audited suppliers in high-risk countries increased during the second quarter. The number of suppliers continues to decrease as a result of work to consolidate volumes for the Group and an ongoing review of the supplier base. ICA Gruppen's determined work will continue during the year to support suppliers in their efforts to ensure that production takes place in an acceptable form in terms of human rights.

• Starting in the first quarter of 2014, the definition of the quality target has been changed to include not only corporate brand food suppliers but all suppliers of ICA Gruppen's corporate brands. Furthermore, additional standards are accepted, in addition to GFSI-approved standards. This means that from and including 2014 the outcome for the target is not comparable with previous years. The target of 80% remains unchanged. The proportion of quality certified corporate brand suppliers fell during the second quarter compared with the first quarter. The main reason is that quality certifications for a number of suppliers to ICA Sweden have now expired. The focus now is on obtaining and approving new certificates as well as a more structured monitoring of key indicators.

<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. The current outcome is 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. Comparative figures for previous years and periods have been adjusted accordingly.

<sup>2</sup> Corporate brands are essentially private label products. Since 1 January 2014 high-risk countries are defined in accordance with the BSCI's definition (The Business Social Compliance Initiative).

<sup>3</sup> 80% of ICA's suppliers of corporate brand products must be quality certified in accordance with a standard approved by ICA, such as GFSI-approved standards and IP Sigill (Swedish Seal of Quality). Starting in 2014, ICA reports quality status for suppliers of the entire product range. Previously this was only reported for suppliers of food, fruit and vegetables.

# CEO's comments

## Cooperation - an important way forward

Cooperation was in focus in many ways during the second quarter. Cooperation with other companies and community stakeholders means that we can achieve our sustainability targets more quickly.

The grocery industry has been working with sustainability issues for many years. But even for companies in other industries it has become increasingly important to be a decent player. There is growing demand among customers to be able to make sustainable choices in every area.

For us at ICA Gruppen, sustainable business is an obvious part of our operations and something we continue to prioritise. We are continually looking for more ways to cooperate, not just within our own industry but also in other parts of society and the business community. One example of this is ICA Gruppen's decision in the second quarter to join the network Swedish Leadership for Sustainable Development. This network now consists of some twenty leading companies coordinated by Sida. Together we can find methods where aid and entrepreneurship are not on opposing sides but go hand in hand.

Another example of the importance of cooperation relates to quality issues. ICA Gruppen is now ensuring that we comply with the EU's upcoming Food Information Regulation regarding labelling and traceability, areas where we are already well advanced. For example, we are continuing with our initiative to origin label more raw materials than just meat, which goes further than the regulation demands. At the same time, we are discussing with our industry colleagues how we can best work to further improve traceability and transparency in the future and reduce the risk of food fraud. Yet another example of cooperation is our continued dialogue with our Danish pork suppliers. Together we want to ensure the quality of the products but also to influence the entire Danish pig farming industry in a positive direction as regards, for example, the practice of tail docking and adding antibiotics to feed.



We also continue our cooperation with the Federation of Swedish Farmers (LRF) in order to highlight the advantages of Swedish food. The aim is to combine forces to broaden the range of Swedish products in the stores and contribute to the development of the Swedish countryside. Several of ICA's upcoming product launches will therefore focus on Swedish origin. During the quarter ICA Sweden introduced the new concept "ICA Good Taste from", a product range with a focus on local flavours and genuine artisan food.

Per Strömberg  
CEO, ICA Gruppen

"We are continually looking for more ways to cooperate, not just within our own industry but also in other parts of society and the business community."

## Environment

### Sales of organic produce

ICA Sweden's sales of organic items continues to show a sharp increase. In the second quarter of this year, organic sales in the central product range increased by 62% compared with the same period in the previous year. Organic sales in the first half of 2014 totalled over SEK 1.6 billion, an increase of 52% compared with the same period in 2013. Sales of ICA's private label products in the ICA I love eco range increased by 93% during the quarter, compared with the same quarter in 2013. The sales trend for organic items is upwards in all categories. New organic products launched included pineapples and tomatoes sold by weight. In Estonia, Rimi carried out a campaign for organic items during

the period with a special focus on children and young people. Rimi's private label organic products were marketed with several different types of in store offerings.

### Challenge of new national food strategy

The EU-funded, three-year project LiveWell for LIFE was completed during the quarter. The project was run by WWF and Friends of Europe and designed to create a better understanding of the links between food consumption and climate impact. On 27 May, WWF, ICA Sweden, the Federation of Swedish Farmers (LRF) and other players published a joint opinion piece in the newspaper Göteborgs-Posten which challenged Sweden to adopt a new, national food strategy so that everyone can eat sustainable and healthy food.

### Greening properties

ICA's Norwegian real estate company ICA Eiendom continued its work with the environmental certification scheme Eco-Lighthouse ahead of 2015. The target for 2014 is to certify three buildings. ICA Eiendom and ICA Norway are also cooperating to make the Rimi store in Gol, which will be ready in 2015, even more energy efficient. ICA Real Estate Sweden has received renewed environmental certification (ISO 14001) following a surveillance audit conducted in April. ICA Kvantum Knivsta, Sweden, was certified according to the environmental certification schemes Sweden Green Building Council Silver and BREEAM-SE and the Flottiljen Shopping Centre including Maxi ICA Storknäd Barkarbystaden received Green Building Silver certification.

## Quality

### Quality checks in stores

During the quarter it was found that two stores in Sweden had failed to handle minced meat correctly. ICA's Disciplinary Board takes such violations very seriously and has reviewed these cases. One case was dismissed when the retailer chose to leave ICA. In the other case, a decision was made to issue a warning conditional on further training. In its decision the Board took into account the store's good management as seen in inspections over many years. Since these cases came to light, all 443 ICA stores which mince meat on their premises have performed a self-assessment of their work and been visited by ICA Sweden's quality coaches. These visits showed that almost all stores handle minced meat entirely correctly. The errors noted mainly related to incomplete labelling. It was also noted that working environment training was lacking at a number of stores and that there were deficiencies within traceability. ICA Sweden is now pursuing further training of store staff in both the short and long term. Among other things ICA will produce web-based training for routines for mincing meat in stores.

### Swedish food initiative

ICA has started a cooperation with the Federation of Swedish Farmers (LRF) in order to highlight the advantages of Swedish food and meet customer demand. The aim is to combine forces to broaden the range of Swedish products in the stores, increase sales of Swedish food and contribute to the development and growth of the Swedish countryside. Several of ICA's upcoming product launches will therefore focus on Swedish origin.

During the quarter ICA Sweden introduced the new concept "ICA Good Taste from", a product range with a focus on local flavours and genuine artisan food. All products are made from Swedish raw materials and produced in Sweden. ICA Sweden has also

extended the dairy range with 13 private label dairy products from Swedish farms, including whipping cream and a lactose-free semi-skimmed milk beverage.

### Danish pork in focus

The Swedish focus on the Danish pig industry continued during the quarter. The debate mainly related to tail docking and the use of antibiotics. 77% of ICA Sweden's fresh pork is Swedish and the aim is to increase sales of Swedish pork by 10% during 2014. ICA Sweden also purchases Danish pork, since in ICA's opinion in terms of animal welfare this offers the best alternative after Sweden. In May, the Swedish Grocery Trade Federation (Svensk Dagligvaruhandel) held a meeting in Stockholm with the Danish pig industry. The purpose was to follow up and influence developments in Denmark in a positive direction. In June, ICA Sweden visited its Danish supplier Danish Crown, which supplies pork both for ICA's private labels and the central product range, for an audit with an independent auditor. The main focus was on the use of antibiotics, tail docking and preventive measures related to the antibiotic-resistant bacteria MRSA. ICA Sweden sees that the Danish pig industry is making active efforts to reduce the use of antibiotics but there are still deviations from ICA's criteria. ICA Sweden will continue to monitor progress together with the supplier in order to contribute to a development which results in improved animal welfare.

### Discussion about frozen berries

ICA Sweden arranged a seminar to discuss cultivation and handling of vegetables and berries as well as the associated risks. Both fresh and frozen products were discussed. The background to the seminar was the occurrence in 2013 of a suspected link between frozen berries and the hepatitis virus. Authorities, suppliers, research representatives and retail chains took part, from

both Sweden and other countries. The aim was to obtain a common picture of the risks and how the industry is working to prevent them. The meeting also discussed crisis management, for example the importance of coordination and transparency about how authorities react in different countries. This because different messages risk creating unnecessary concern among consumers. The meeting also brought up the importance of obtaining feedback about developments once the acute crisis is over.

### ICA assures traceability ahead of a change in the law

During the quarter, ICA Sweden participated in a traceability workshop with the Swedish Grocery Trade Federation (Svensk Dagligvaruhandel) and the standards body GSI. The aim was to develop an industry-wide approach to traceability and discuss future requirements. When the new EU legislation comes into force on 14 December 2014 it will include requirements for origin labelling for meat from several species, that allergens must be highlighted more clearly and mandatory nutrition labelling for most food. The entire ICA Gruppen is affected and currently working to ensure compliance with the labelling rules. ICA Sweden has been doing more than the law requires for several years and origin labels meat other than beef as well as working for more origin labelled raw materials. ICA Gruppen regards continued cooperation with external parties as a key part of this work since the need for transparency and origin labelling will increase even more in the future.

### Recertification of Swedish warehouses

The Swedish logistics operations have been quality certified according to the international standard BRC Storage and Distribution since 2012. Two warehouses were recertified during the quarter: Kallhäll and Västerås. Both warehouses received an extended certificate for 18 months.

## Public recalls of private label products during the quarter

ICA Sweden had one public recall via press release during the quarter: ICA Basic kassler bit, 600 grams and ICA Basic kassler bit, 1200 grams following indications that the kassler contained traces of the hormone DES. ICA Norway had five public recalls of private

label products via press releases during the quarter: Frisk Babyleaf Ruccola 65g, Frisk Babyleaf Blanding 65g, Frisk Ruccola Blanding 175 g and Salatbar Lux 400g after checks revealed the presence of listeria, as well as Smart 365 Fiskeboller 800g after bacterial

growth (lactic bacteria) was detected in the product. Rimi Baltic did not have any public recalls via press release during the quarter.

## Ethical trade

### Additional textile factory inspections in Bangladesh

Since 2013, ICA Sweden has participated in the Bangladesh Accord, an international agreement between companies and trade unions in the textile industry. The purpose is to improve working conditions in the country's textile factories through inspections. By May 2014 a total of 550 inspections of electrical, fire and building safety had been performed. Of the total of nine factory sites which ICA Sweden uses, a total of four have

been inspected so far. The goal for the entire initiative is 1,500 inspected factories by September 2014. The results from these inspections will be reported on an ongoing basis on [www.bangladeshaccord.org](http://www.bangladeshaccord.org). The Bangladesh Accord was formed after the tragic accident on 24 April 2013 when the Rhana Plaza factory building in Bangladesh collapsed.

### ICA member of network for aid and entrepreneurship

ICA Gruppen has become a member of the

network Swedish Leadership for Sustainable Development. The network was formed in 2013 and now comprises some 20 leading companies with links to Sweden. The idea is to exchange experiences and together create new opportunities and through entrepreneurship provide people in poor areas with opportunities to improve their living conditions. The network is coordinated by Sida, Swedish International Development Cooperation Agency. Representatives for the network met in May to discuss joint issues.

## Health

### Health guide tested in store

Together with Karolinska University Hospital's Lifestyle Unit, ICA Sweden has tested a concept for a store guide which will help both healthcare professionals and ICA's

customers to make healthier choices. The guide starts with the store shelves and gives tips and advice on healthy choices based on the products that the visitor is standing in front of. The plan is to offer the guide in both

printed and digital form and that it will help healthcare professionals, for example, to talk to patients about health matters when they visit the store.

## ICA supports

### Rimi participated in the Riga Marathon

For many years, Rimi in Latvia has been a principal sponsor of the Nordea Riga Marathon which attracts more than 22,000 runners from around the world every year. Rimi offered the participants fruit, water and snacks. Rimi also had its own team of runners consisting of over 300 employees. In order to encourage a

healthy lifestyle for the young, the Rimi Marathon for Kids was arranged, a 200-metre long obstacle course which attracted 700 children below the age of seven.

### Fundraising for poor and sick children

In Latvia, Rimi together with the charitable organisation Ziedot.lv raised over SEK 111,000

to finance summer camps for 200 poor children. During the period May to mid-June, Rimi also collected more than SEK 297,000 for The Goodness Day, a project which supports health care for seriously ill children. In total, The Goodness Day has raised more than SEK 1.7 million from different companies.

## Criticism and media debate

### ICA Norway checks supplier

Aftenposten wrote about slave labour linked to feed production in farming of tropical king prawns and the company CP Foods. ICA Norway sells skewered king prawns linked to CP Foods. ICA Norway always checks its suppliers' certifications but takes a serious view of these accusations and is now following up this with the supplier. ICA Sweden has not had tropical king prawns in its central product range since 2009.

### Social audits at suppliers

The Norwegian media carried reports of unacceptable working conditions in Italian tomato plantations. ICA Gruppen will ensure that social audits are conducted at the tomato suppliers in question in southern Italy during this year's season.

### Danish pork

The Swedish media wrote about Danish pork and the Danish pig farmers' practice of docking tails and using antibiotics in feed. Read more under Quality.

## Prizes and awards

### Good reputation for Rimi in Latvia

Rimi in Latvia was named in the annual national ranking "Reputation Top" as the retail company with the best reputation. This ranking is the biggest study of business ethics in the Baltic region and is conducted by the PR agency Nords Porter Novelli, opinion pollster SKDS and the magazine Dienas Bizness. Rimi came seventh in the overall ranking compared with ninth place last year.

### ICA tops sustainability indexes

For the third consecutive year Rimi in Latvia took gold in the "Sustainability Index". A gold-ranked company is considered to conduct open and transparent sustainability work which covers key aspects of public sustainability communication. In Sweden, ICA Bank was named as Sweden's most sustainable bank for the fourth year in a row in the survey "Sustainable Brand Index".

### Award for tuna

ICA's MSC-labelled, white frozen tuna was named as the winner in the international Private Label Manufacturers Association (PLMA) awards in the fish category. The jury's motivation mentioned the fine quality of this product, MSC-labelling and ICA's innovative ability.

## Outlook

### ICA takes next step in ethical trading

Companies such as ICA Gruppen do business worldwide which means accepting responsibility across borders. ICA Gruppen has been working for many years to ensure that its private label products are produced in an acceptable manner in terms of human rights. This work is always based on onsite follow-ups and social audits of suppliers in high-risk countries.

At the same time, progress needs to be speeded up. ICA Gruppen is therefore taking additional steps to support and help its suppliers. These include onsite training together with the suppliers. This provides additional insight and understanding among local representatives which in turn can help achieve change from within. For example, ICA Gruppen recently produced a training film in English and Chinese which explains ICA's approach to these issues and provides practical tips and advice on how ICA's requirements can be met. The film

looks, for example, at how environmental impact from operations can be minimised, what is required for a safe working environment and how to ensure that discrimination does not occur.

Finding reliable and strong cooperation partners remains a key tool. In 2014, ICA Gruppen became the first Nordic grocery player to sign an agreement with IDH, The Sustainable Trade Initiative, a Dutch organisation that works for upscaled sustainable trade. The aim is without intermediaries to finance sustainability projects in developing countries and therefore be able to make a social difference onsite at suppliers. Right now work is underway on an inventory of possible projects for this. ICA Gruppen is also examining opportunities with so-called living wages, which is a way of ensuring that workers receive a wage which they can live on.

ICA Gruppen also acts as a driving force by sharing knowledge with other industry

players. One example is conditions for the Thai berry pickers in Swedish forests, where ICA Sweden shared its review tool with other companies and on several occasions hosted dialogue meetings with retail parties.

"It is precisely this cooperation which is a key catalyst for change," says Maria Smith, Head of Environment and Social Responsibility at ICA Sweden.

"In our efforts to improve working conditions for the people who manufacture the items we sell, we encounter many challenges. These are issues where we cannot work alone and where change cannot be achieved overnight. Our work is long-term and we want to make lasting improvements and the improvements we see motivate us to continue. It is important that we cooperate within the industry to support suppliers in their efforts to improve conditions for their employees."

### **About this report**

This is a quarterly status report containing information about ICA Gruppen's work on issues relating to sustainability and development during the year. The report includes all companies in ICA Gruppen, except for the portfolio companies. 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 criteria applied for preparation of ICA Gruppen's quarterly sustainability report are based on the annual sustainability report published by ICA Gruppen. The quarterly report is not prepared in accordance with the GRI guidelines and for this reason, 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.icagruppen.se/en/ar/2013/sustainability-report/about-the-sustainability-report/measurement-and-calculation-methods/>

<http://reports.icagruppen.se/en/ar/2013/sustainability-report/about-the-sustainability-report/>

<http://reports.icagruppen.se/en/ar/2013/sustainability-report/principles/materiality-analysis/>

The report has been independently reviewed by a third party.

### **About ICA Gruppen**

ICA Gruppen AB (publ) is one of the Nordic region's leading retail companies, with around 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 partly owned portfolio companies Cervera and Hemtex.

# Auditor's Review Report on ICA Gruppen AB's quarterly 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 2014.

## Introduction

We have been engaged by the Board of Directors of ICA Gruppen AB to review ICA Gruppen AB's quarterly report on sustainability for the period 1 April - 30 June 2014.

## Responsibilities of the Board of Directors and the Executive Management for the quarterly report

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 quarterly report in accordance with the applicable criteria, as explained in the paragraph 'About this report' in the quarterly report. As stated in the paragraph 'About this report', the quarterly report on sustainability is not a complete GRI report, but is a status report on the material areas reported on in the Sustainability Report 2013 for ICA Gruppen AB. The quarterly report is therefore a complement to the Sustainability report 2013 and should be read in connection to this.

## Responsibilities of the auditor

Our responsibility is to express a limited assurance conclusion on the quarterly report based on the procedures we have performed.

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 quarterly report, 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, or future oriented information (e.g. goals, expectations and ambitions).

The criteria on which our review is based on are stated in the paragraph 'About this report'. We consider these criteria suitable for the preparation of ICA Gruppen AB's quarterly report on sustainability.

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 of ICA Gruppen AB's organisation 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 quarterly report is complete, correct and sufficient
- d. read internal and external documents to assess if the reported information is complete, correct and sufficient
- e. analytical review of reported information
- f. overall impression of the quarterly report and its format
- g. reconciliation of the reviewed information against the sustainability information in ICA Gruppen AB's sustainability report for 2013.

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in ICA Gruppen AB's quarterly report on sustainability for the period 1 April - 30 June 2014 has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 20 August 2014

Ernst & Young AB

Erik Åström  
Authorised Public Accountant

Charlotte Söderlund  
Authorised Public Accountant