

## Easier to make sustainable choices

Solna, 18 August

### Second quarter 2016 in summary

#### ICA first to offer climate-guided recipes

During the quarter ICA launched a climate guide for recipes on ica.se. The recipes are marked with one, two or three leaves to symbolise how beneficial they are from a climate perspective. At the end of the period approximately 2,000 climate-guided recipes were available, and going forward all new recipes will be climate-rated.

#### Swedish milk in ICA's private label dairy products

During the quarter ICA Sweden signed a new agreement concerning production of ICA's private label dairy products. Once the agreement has taken full effect, most of ICA's private label dairy products and hard cheeses will be made using milk produced in Sweden.

#### Launch of industry-wide country of origin label – "Från Sverige"

In April the new, industry-wide Från Sverige ("From Sweden") country of origin label was launched. The label may be used on food, ingredients and plants that are produced in Sweden and that meet the label's criteria. ICA Sweden was one of the initiative-takers behind the new label, which was developed in collaboration with the Swedish Food Federation, Svensk Dagligvaruhandel and the Federation of Swedish Farmers (LRF).

#### Continued positive sales trend for organic products

Store sales of organic products from ICA Sweden's central assortment remained positive during the quarter. On a rolling 12-month basis, sales growth for organic products was 25%.

#### Intensified environmental monitoring of suppliers

During the quarter, ICA Gruppen's tool for auditing and monitoring working conditions at suppliers – ICA Social Audit – was complemented with additional aspects focusing on suppliers' environmental work. The aim is to expand the monitoring of suppliers to include their environmental performance. The new aspects focus on waste handling, chemicals and water treatment, among other things.

### Key figures

ICA Gruppen	Q2 2016	Q1 2016	Full year 2015
Share of socially audited suppliers of private label products	97%	98%	98%
Share of quality certified suppliers of private label products	86%	82%	87%

ICA Gruppen's operations will be climate-neutral by 2020	Rolling 12-month figures (Q3 2015 – Q2 2016)	Previous rolling 12 months (Q3 2014 – Q2 2015)
Decrease in emissions compared with 2006	-27%	-25%

ICA Sweden	Rolling 12 months (Q3 2015 – Q2 2016)
Sales development, eco-labelled, organic & and ethically labelled range*	+11%
Sales development, organic range**	+25%
	Outcome Q2

ICA makes it easy for me to make healthy choices	Target 2016: A minimum of 42% of survey respondents will associate this statement with ICA.	39%
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ICA engages me in sustainable development	Target 2016: A minimum of 28% of survey respondents will associate this statement with ICA.	26%
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ICA has a good offering of Swedish products	Target 2016: A minimum of 47% of survey respondents will associate this statement with ICA.	49%
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\* Pertains to total sales of ICA Sverige AB's eco-labelled, ethically labelled and organic range in Swedish ICA stores, excluding local purchases by ICA stores.

\*\* Pertains to total sales of ICA Sverige AB's organic range in Swedish ICA stores, excluding local purchases by ICA stores.

#### ICA first to offer climate-guided recipes

During the quarter, a recipe guide was launched on ica.se from a climate perspective. The recipes are marked with one, two or three leaves to symbolise how beneficial they are from a climate perspective.



# Together we can make a difference

Our ambition is to be a leader in corporate responsibility. It is a position we want to achieve in part because of the responsibility we have by virtue of our size, and in part because we so clearly see that sustainability is a driver of growth. Spurred by our customers' interests and our new, internal climate targets, during the past quarter we further accelerated the pace of our activities to include such measures as a continued review of refrigerants in stores, efficiency improvements in transports, and the launch of climate-guided recipes on ica.se.

An overwhelming majority of the world's scientists are in agreement: achieving the UN's climate target will require that we limit warming of the Earth by 2050 to 1.5–2°C. Succeeding at this will require a dramatic reduction of total, global greenhouse gas emissions.

Emissions from private consumption vary widely depending on where in the world one lives. In Sweden, GHG emissions amount to approximately 8 tonnes per person each year. Of these, the food we eat accounts for roughly a fourth. To achieve the overall climate target, this share must also be reduced. We all share a great responsibility in this regard, including regulators, producers, the grocery retail trade and individual consumers.

At ICA Gruppen we are working actively to bring about improvements in all steps of the value chain. We are setting tough demands for our suppliers, we are working hard with certifications and audits, and we are developing new, exciting, wholesome and sustainable products. We are also working continuously to reduce our own environmental impacts. This work continued during the past quarter. Special focus has been on continued efficiency improvements regarding the use of refrigerants in stores, more efficient transports, and optimisation of our energy consumption.

Together with our customers we can make a big difference and achieve change. This involves spotlighting our efforts and inspiring others – in our stores, pharmacies, and online. As an example of this work, during the quarter we began posting climate-guided recipes on ica.se, giving customers the ability to see the climate impact of the foods they eat. And in April, the new, industry-wide Från Sverige (“From Sweden”) label was launched, with ICA Sweden as one of the initiative-takers. But our engagement is not only limited to our grocery retail business. For example, during the quarter ICA Bank continued its work on developing sustainable financial products.

The keen interest in sustainability issues can be seen clearly in our sales figures. In just the last five years, ICA Sweden's sales of eco-labelled, organic and ethically labelled products have grown by more than 190%.

Eating in a climate-smart way goes largely hand-in-hand with eating healthily – what is good for the climate is also good for our own health. For both climate and health reasons we need to continue increasing the share of vegetables and other plant-based foods on our plates. We also need to continue shifting to more sustainable production and consumption of meat. These are major challenges that we will continue to have strong focus on going forward.



Per Strömberg  
CEO, ICA Gruppen

# Sustainability targets

ICA Gruppen's sustainability work is a strategic priority and integrated into all of the Group's operations. The sustainability targets in this report do not include Apotek Hjärtat and Hemtex, however, work is ongoing to include these companies in the future. During the quarter ICA Gruppen completed the divestment of its subsidiary inkClub, and thus inkClub is not included in this report.

## ICA Gruppen's operations will be climate-neutral by 2020<sup>1</sup>

### Decrease in emissions compared with 2006

Rolling 12-month figures (Q3 2015 – Q2 2016)	Previous rolling 12 months (Q3 2014 – Q2 2015)
-27%	-25%

<sup>1</sup> The climate target applies to ICA Gruppen's direct climate impacts, including the climate impact of operations in stores, warehouses and offices from, e.g., refrigerants, electricity, goods transports and business travel in both the Swedish and Baltic operations.

ICA Gruppen's greenhouse gas emissions decreased by 27% (25) during the period July 2015–June 2016 (rolling 12 months, R12, compared with 2006). Emissions from the Swedish operations decreased by 51% (44) R12, compared with 2006, which is mainly attributable to a higher share of renewable fuels in the logistics operations.

The climate target applies as of 1 January 2016. The measurement and calculation method for the new climate target has been adjusted somewhat compared with the previous climate target. Therefore, the outcome of the new climate target cannot be compared with the outcome of previous years.

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

2016 Q2	2016 Q1	2015	Target
97%	98%	98%	100%

<sup>2</sup> Corporate brands are essentially private label products. Risk countries are defined in accordance with the Business Social Compliance Initiative's definition (BSCI). Social audits are to be performed according to a standard approved by ICA Gruppen or according to ICA Gruppen's own social audit tools. To be approved as a supplier to the Group, the audit result must meet ICA Gruppen's set, minimum standard, and the supplier must undertake to carry out any improvements.

The share of socially audited suppliers of ICA Gruppen's private label products remained at the same level as in the preceding quarter. Work is continuing to ensure that ICA Gruppen's corporate brand suppliers have undergone social audits.

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

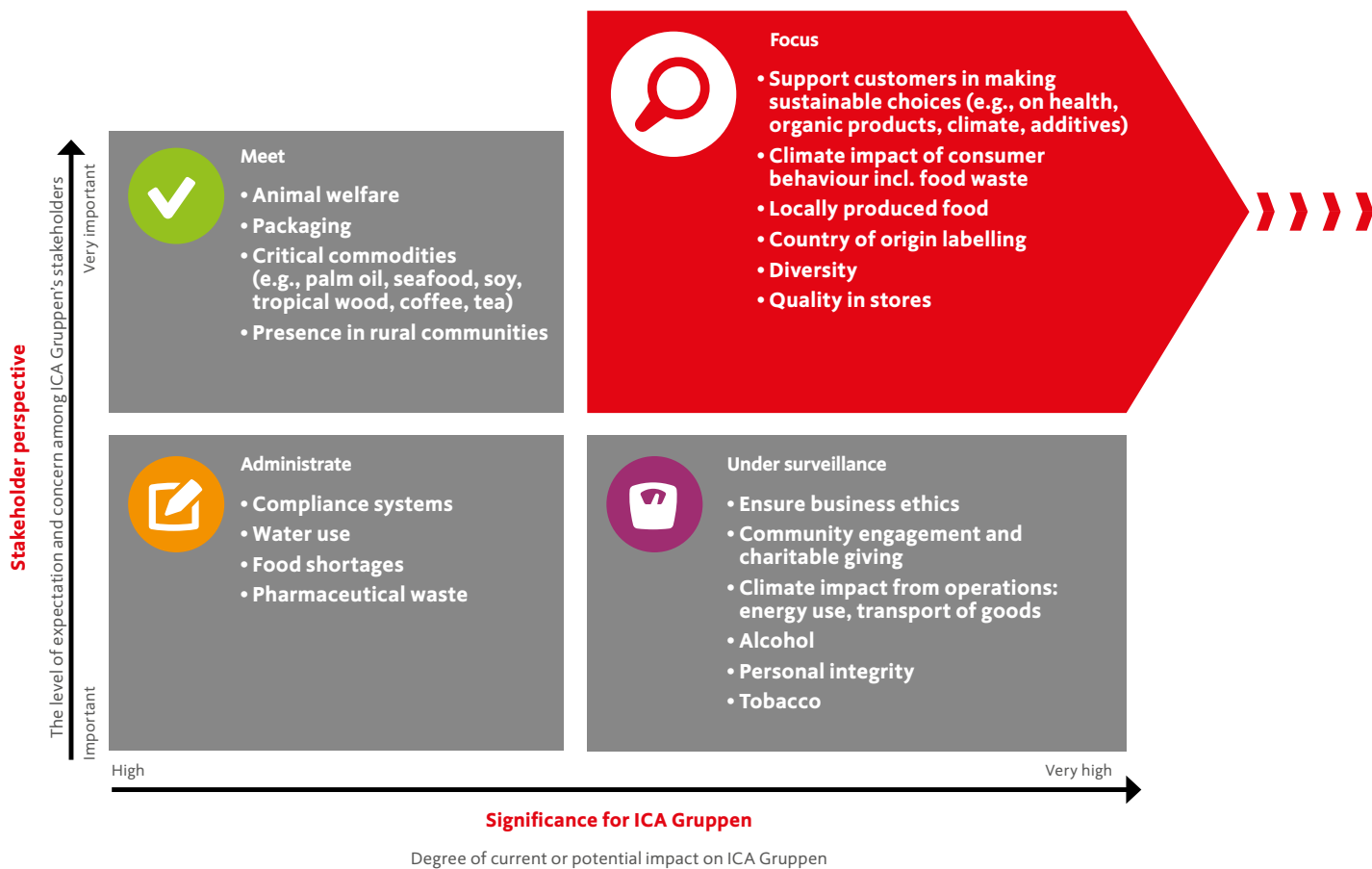
2016 Q2	2016 Q1	2015	Mål
86%	82%	87%	80%

<sup>3</sup> Corporate brands are essentially private label products. Quality certification is to be conducted according to a standard approved by ICA Gruppen, such as GFSI-approved (Global Food Safety Initiative) standards and IP Sigill (Swedish Seal of Quality).

The share of quality certified suppliers of ICA Gruppen's private label products increased during the quarter as a result of continued, ongoing work on updating and registering quality certificates.

# Materiality analysis

ICA Gruppen's sustainability work is structured based on five focus areas: the environment, quality, health, ethical trade and community engagement. Sustainability work is based on a materiality analysis, where the most relevant sustainability issues have been identified. In addition to these, the Group has a strong focus on ensuring safe products and safe operations, and on minimising environmental impact while taking social responsibility into account. The quarterly report highlights the most significant sustainability activities during the quarter as well as ICA Gruppen's role in the most significant media debates. The most recent analysis, carried out at the end of 2015, defines the following issues as most significant:







## Support customers' sustainable choices

ICA Gruppen's strategic priorities for 2016 include supporting customers' sustainable choices and conducting climate-smart operations. ICA Gruppen has made a concerted effort for many years to encourage customers to adopt a lifestyle that benefits their own health and the environment as well as societal concerns in general. This work continued during the second quarter of 2016.

### Sales of eco-labelled, organic and ethically labelled products

Store sales of products that are eco-labelled, organically labelled or ethically labelled in ICA Sweden AB's range increased during the period July 2015–June 2016 by 11% compared with the corresponding period a year ago. The total sales value of products that are eco-labelled, organically labelled or ethically labelled amounted to approximately SEK 12.3 billion during the period July 2015–June 2016. This does not include local purchases by ICA stores. Drivers of this growth include higher customer demand – particularly for organic products – combined with the decision by ICA retailers to promote such products to an increasing degree. The total share of sold products that are eco-labelled, organically labelled or ethically labelled during the period July 2015–June 2016 was 10.1%.

### Growth in sales for organic range

Store sales of organic products from ICA Sverige AB's central assortment remained strong and grew 25% on a rolling 12-month basis. The increase for the second quarter of 2016 was 2% (58) compared with the second quarter of 2015. Total sales from the organic range amounted to approximately SEK 5.7 billion on a rolling 12-month basis, compared with approximately SEK 4.6 billion for the preceding 12-month rolling period. This does not include local purchases by ICA stores.

Sales of organic products as a share of total grocery sales including fruit and vegetables is 5.7% on a rolling 12-month basis.

On the whole this sales growth can be credited to the attention ICA Sweden is dedicating to its range combined with greater store promotion of the organic range by ICA retailers and stronger customer preferences for organic products. The slower increase in sales is likely due to the fact that demand is still greater than supply.

The organic range was expanded during the quarter with a number of new products, including ICA I love eco lactose-free sour cream, ICA I love eco corn curls, ICA I love eco fresh hamburgers and ICA I love eco hamburger buns.

### Only certified soy in ICA private label products

In WWF's review of 133 European companies' use of soy as an ingredient in livestock feed, ICA Sweden was ranked as a forerunner. Soy is one of the most widely grown crops in the world. During the last 50 years, global soy production has grown from 27 million tonnes to more than 269 million tonnes, which has had negative consequences for both people and the environment. Together with several Swedish companies ICA Sweden has become a signatory to The Swedish Soy Dialogue, which calls for responsibly grown soy. For ICA Sweden, this pledge entails that 100% of the soy used in ICA's private label products is to be certified or offset by certificates for a corresponding volume.

### Continued product development in fruits and vegetables

ICA Sweden continued to develop its fruit and vegetable range during the spring. Three new products were launched under the ICA Gott Liv brand: one edible algae and two coastal plants. In Asia, algae has long been a natural ingredient in cooking, and in recent years interest for edible algae and seaweed has spread to Sweden. Such products have an attractive nutritional profile and are rich in minerals, vitamins and antioxidants. They also contribute to a broadening of the food base – something that is necessary for the effort over time to support the world's population in a sustainable manner.



### Report on future food trends

In May, ICA published its first Kockkompass ("Chefs compass") report, which focuses on the food trends that ICA believes will be taken root in restaurants and kitchen tables in the years ahead. The content draws upon in-depth interviews with renowned Swedish chefs, a complementary, qualitative survey, and a taste review of 900 restaurant menus in nine of the world's foremost gastronomic cities. Factors shared in common among the trends considered to be the most salient include a move back to basics, reduced environmental impact and greater sustainability. The report can be downloaded from [icagruppen.se](http://icagruppen.se).

### Greener products and sustainability ratings for ICA Bank

Since January 2016 ICA Bank has been participating in the Swedish Society for Nature Conservation's Dubbelt så grön ("Twice as Green") project, which aims to accelerate the shift to a more sustainable society by developing and quality assuring financial products that promote resource-efficient and sustainable consumption. In spring 2016 two introductory seminars were held on eco-labelled savings products and the financial sector's ability to contribute to sustainable development.

In addition, during the quarter ICA Bank launched Morningstar's Sustainability Ratings on its fund menu. The sustainability ratings show how well companies in a fund address sustainability issues compared with companies in other funds of the same fund category. The sustainability ratings are a way to help customers make socially responsible investments in their choices of funds.



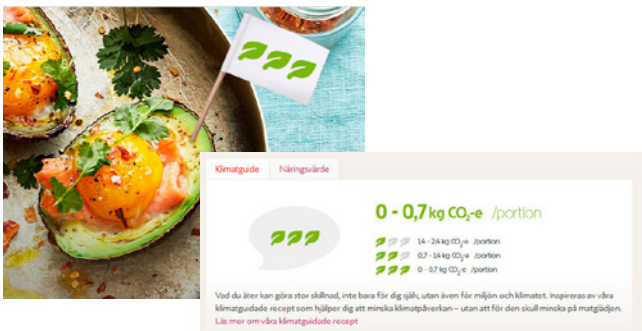
### More exercise for the people!

During the quarter a number of activities and campaigns were carried out to promote exercise and fitness. In Sweden, ICA-klassikern (“the ICA Classic”) was launched – a sport challenge consisting of the same four disciplines as En Svensk Klassiker (“A Swedish Classic”): cycling, swimming, running and cross country skiing. The distances are exactly the same – the only difference is that the competitors compete at their own pace and in their home environments. The first discipline is a 300 km cycling event, which was carried out during the period 11 April–17 July.

In Latvia, the Lattelecom Riga Marathon was held during the spring, the largest marathon in the Baltic region, with Rimi Baltic as one of the sponsors. Rimi also sponsored Rimi Children’s Day, the largest sport event for children in Latvia, which brought together more than 8,000 children in May.

## Climate impact of consumer behaviour

Food accounts for nearly a fourth of people’s climate impact, and today we already consume more than what the Earth’s limited natural resources can handle. By virtue of its size, ICA Gruppen has both a responsibility and opportunities to help customers in various ways to reduce their own climate impact, such as by highlighting more sustainable alternatives.



### ICA first to offer climate-guided recipes

With approximately 17,000 recipes and 1.8 million visits per week, ica.se is Sweden’s single largest food website. During the quarter, a recipe guide was launched on ica.se from a climate perspective. The recipes are marked with one, two or three leaves to symbolise how beneficial they are from a climate perspective. The calculations are based on a scientific method developed in collaboration with the Chalmers University of Technology. By the end of the period approximately 2,000 recipes had been rated according to their climate performance, and going forward all new recipes will be rated according to the climate guide.

### ICA Gruppen a partner in the EAT Initiative

ICA Gruppen is a business partner to Gunhild A. Stordalen’s EAT Initiative, which aims to convene leading scientists, organisations, politicians and companies in an effort to ensure that we can feed the world’s rapidly growing population in a healthy and sustainable manner. In June ICA Gruppen participated at the EAT conference in Stockholm and spoke at a seminar focusing on the use of “nudging” to influence customers in a more healthy and sustainable direction.

### Digital mailbox for better and more sustainable service

During the quarter ICA Bank and ICA Insurance began cooperating with the Kivra digital mailbox service. Under the cooperation, customers of

ICA Bank and ICA Insurance who register with Kivra receive statements and invoices sent to their digital mailbox with Kivra instead of in paper form.

### Continued recycling at Hemtex

Hemtex is continuing its work on collecting textiles for recycling at its stores. During the first half of 2016 more than 46,500 kg. of textiles were collected. Starting in June the stores also accept shoes for recycling. The recycling is conducted in cooperation with the I:CO global initiative.

### More initiatives at Rimi Baltic

At Rimi Baltic, more sustainability-related projects and initiatives have been started or carried out, with representative from Rimi participating in seminars, conferences and roundtable discussions. In Lithuania, e-vehicle charging posts were installed in parking lots at two Rimi stores. The ambition is to successively install charging posts at additional Rimi stores.

In Latvia, Rimi has partnered with Green Dot Latvia in several recycling campaigns.

## Locally produced food

Interest in locally produced food is something that grocery store customers in all of ICA Gruppen’s markets share in common. ICA Sweden and Rimi Baltic are working in numerous ways to increase the share of local products in their respective ranges. Among other things, ICA Sweden has created a digital platform that local suppliers can join. Quality assurance of suppliers is conducted in cooperation with an external party, making it easier for ICA stores to find locally produced, quality-assured products. More than 1,400 suppliers were registered with the system during the quarter.

### Swedish ingredients in ICA’s private label dairy products



During the quarter ICA Sweden signed a new agreement concerning production of ICA’s private label dairy products. By combining the production of products with varying fat content, ICA has been able to switch to the exclusive use of Swedish milk in its private label cream and certain cheeses, among other products. Once the agreement has taken full force, most of ICA’s private label dairy products and hard cheeses will be made using milk produced in Sweden.

### Campaign focusing on local products in Latvia

In Latvia, during the quarter a number of marketing campaigns were conducted to stimulate interest in local ingredients and specialities. These included a contest for recipes based on cheese and information campaigns for the first harvest of strawberries and zucchini.

## Country of origin labelling

The issue of country of origin labelling of food continues to grow in importance. More and more customers want clear information about both where products come from and where they have been packaged. As a result of growing demands from customers for clear country of origin labelling, it will continue to be important for ICA Gruppen to increase traceability and transparency about where food ingredients are grown or where animals are raised.



### “Från Sverige”

In April the new, industry-wide country of origin label – Från Sverige (“From Sweden”) – was launched. The aim is to make it easier for customers to identify Swedish-produced products on store shelves. The blue and yellow label may be used on food products, ingredients and plants that are produced in Sweden and meet the label’s criteria. ICA Sweden was one of the initiative-takers behind the new label, which was developed in cooperation with the Swedish Food Federation, Svensk Dagligvaruhandel and the Federation of Swedish Farmers (LRF).



During the quarter ICA Sweden launched some 30 dairy and vegetable products bearing the new label. Another some 200 products are planned to bear the label by year-end.

## Product safety and quality

It goes without saying that ICA Gruppen’s customers should be able to trust the content of the products they buy. Toward this end, a vast number of controls are performed to ensure product quality and traceability. ICA Gruppen is working on several fronts to prevent food fraud, such as through quality certifications, tests and controls, and through industry collaboration. ICA Gruppen is also carrying on a continuous dialogue with the food industry and pertinent authorities, and stays abreast of GFSI’s (the Global Food Safety Initiative) work in this area.

### Digitalisation and traceability

In May the Directors General of the Swedish Board of Agriculture, the Swedish National Food Agency and the Swedish Agency for Economic and Regional Growth paid a visit to ICA Maxi Lindhagen to get a first-hand look at the store’s practical work on digitalisation and traceability, and how this can benefit the entire value chain to the end consumer. The aim was to show the work being conducted in the grocery retail sector and future needs concerning traceability, food control, labelling and waste management.

### Demands for greater traceability of fishery products

As a consequence of a new EU directive, demands for traceability of fishery products will be strengthened starting in 2017. Under the EU’s new traceability standards, all actors in the food production chain are to have systems and routines for traceability aimed at gaining better control of fishery quotas within the EU. In addition, the information shall be available to the pertinent authorities. In Sweden, the Swedish Agency for Marine and Water Management (SwAM) – in consultation with industry representatives – has chosen to meet the new traceability standards by developing a central Data Collection Framework in which first-hand consignees and wholesalers will have the opportunity to electronically share information about consignments. The DCF will also create better conditions for the pertinent authorities’ oversight of sales in the fisheries sector. During the quarter, representatives from ICA Sweden participated in a dialogue with SwAM to gain a clearer understanding of the various actors’ responsibilities. This dialogue will continue during the autumn.



### New system for complaints-handling at Apotek Hjärtat

During the quarter Apotek Hjärtat introduced a new system for handling complaints of traded goods. The system will be fully implemented during the autumn of 2016.

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

Whenever there is a suspicion that a sold product may pose a health risk, ICA Gruppen contacts the responsible regulator, removes the product from store shelves, and issues a press release announcing a recall. During the quarter ICA Sweden announced two recalls of private label products via press releases: ICA Tagliatelle with egg and ICA I love eco Tagliatelle with egg, as the products may contain traces of an undeclared milk protein; and a limited consignment of ICA-branded pitted Spanish olives, due to a risk for glass in the containers. Rimi Baltic did not issue any recalls of private label products via press release during the quarter.

## Socially & environmentally responsible sourcing

ICA Gruppen does business around the world, and thus its responsibility spans across national borders. For ICA’s part this responsibility involves continuous monitoring of suppliers as well as providing support to various local projects and activities.

### Supplier project in China

For more than five years ICA Gruppen has been working together with the Centre for Child Rights and Corporate Social Responsibility (CCR CSR) in China, an organisation started by Save the Children Sweden. Since 2014, ICA Gruppen – together with Disney, Clas Ohlson and HP – has supported CCR CSR’s Capacity Building for Service Providers and Supply Chain project in China’s Guangdong province. To date nearly 100 training events have been held for more than 3,600 participants. The focus has been on young workers and parenthood for children left behind in their home villages. The training courses, which have touched upon topics such as stress management, career plans and family relationships, have been highly appreciated. In addition, a digital training platform has been launched. A total of 31 factories have now participated in the project. A final report is currently being prepared for the project.

### Visit to almond growers

Demand for almonds has grown dramatically in recent years. An overwhelming majority of the world’s almonds are grown in California, which has been suffering from drought at the same time that almond trees require substantial watering. While the drought situation has improved somewhat in 2016, water supply remains challenging. ICA Gruppen is well aware of the challenges and is closely monitoring the situation. During the spring representatives from ICA Sweden paid a visit to almond growers in California in order to see first hand what efforts are being made and to encourage and stimulate suppliers for continued development and follow-up. The growers have taken this issue very seriously and have ambitious action plans to ensure efficient use of water. They are also involved in a number of industry projects being conducted in partnership with the academic community.

### Revised guidelines for responsible berry purchasing

During the spring the Swedish Food Federation and Svensk Dagligvaruhandel's guidelines for responsible berry purchasing were revised. The guidelines are a complement to the existing rules on open picking of wild berries. For a number of years ICA Sweden has been advocating the issue of acceptable conditions with a focus on employed berry pickers in Swedish forests. ICA also participated in the drafting of the new, updated guidelines.

### Environmental monitoring suppliers

During the quarter, ICA Gruppen's own tool for auditing and monitoring working conditions at suppliers – ICA Social Audit – was complemented with additional aspects focusing on suppliers' environmental work in an effort to better monitor suppliers' environmental performance. The new parts focus on waste handling, chemicals and water treatment, among other things. In conjunction with this, training in environmental issues was conducted for the employees of ICA Global Sourcing who work with supplier monitoring.

### Hemtex sets target for more sustainable cotton

Cotton is the dominant fabric purchased by Hemtex and the company's single most important textile. In an effort to contribute to more sustainable cotton production, since 2007 Hemtex has been a member of Better Cotton Initiative (BCI), which is dedicated to making industrial cotton production more sustainable environmentally as well as with respect to economic and social aspects. Hemtex has also set a target to purchase its cotton from more sustainable sources by 2020. The goals of BCI are the main tool for ensuring that cotton comes from more sustainable sources, however, Hemtex is also looking into other sustainable materials, such as organic and recycled cotton, and alternative fabrics such as Lyocell. In addition, Hemtex plans to promote these products more among its customers. During the first half of 2016 the share of purchased cotton grown in accordance with BCI's methods increased by 26% compared with the same period a year ago.

## Community engagement and charitable giving

ICA Gruppen aspires to be a positive force in society and to make smart investments for the future, particularly through partnerships and strong local connections. The Group partners with charitable organisations that focus on public health, the environment, humanitarian efforts and diversity.

### 50,000 bees to ICA Gruppen's head offices

Every third bite of food we eat is pollinated by a bee. Bees play a crucial role in the availability of fruit, berries, vegetables, and other food on our plates. In early May ICA Gruppen's head offices in Solna installed their own beehive for some 50,000 bees. The aim is to increase internal awareness of the importance of bees – and hopefully to inspire the local ICA retailers to establish beehives themselves. At present a handful of ICA retailers have followed suit by setting up beehives outside their stores, and many more have voiced an interest.

### Collections, charitable contributions and donations

Several collection and charitable projects were conducted by Rimi Baltic during the quarter. In Lithuania, ice cream was donated to orphanages, and food was collected for abandoned pets. In Latvia, collections were conducted at Rimi stores and participating partners. Rimi Latvia also initiated a donation project that has gained the support of the country's President, Raimonds Vējonis. During the spring Rimi became a lead partner to Mentor Latvia, and organisation that supports children and young adults. In addition, several projects were conducted to highlight and promote the importance of a healthy lifestyle.

## Awards and distinctions

ICA Gruppen and companies within ICA Gruppen frequently achieve top rankings in surveys and evaluations of corporate sustainability.

- Sustainability Barometer 2016. Both ICA Sweden and ICA Bank received top scores in the Sustainability Barometer's 2016 survey. The survey, conducted by Stockholm University, quantifies the perceptions of the Swedish public of companies' sustainability work in a range of sectors.
  - Retail and FMCG (grocery stores and grocery retail suppliers): ICA received top scores from the Swedish public with respect to sustainability work conducted by grocery store chains.
  - Banking: ICA Bank earned a second place score in the 2016 measurement.
- Sustainable Brand Index 2016: For the fourth year in a row, Swedish consumers ranked ICA Bank as the best bank with respect to environmental responsibility and social responsibility. While other banks received lower scores in the survey than in the preceding year, ICA Bank continued to rise.
- In the branding agency Differs' annual consumer survey of grocery store chains in Sweden, ICA received the number two score. However, the distance behind the top-scoring chain, Coop, was very small, and among respondents younger than 40, ICA was ranked number one. In the Pharmacy category, Apotek Hjärtat received a second place ranking.
- At the Investors Forum, Rimi Lithuania received the 2015 Responsible Business Award during the quarter.
- Rimi Latvia received the highest score – Platinum – in the 2016 Sustainability Index, an initiative started by the Corporate Sustainability and Responsibility Institute, the Employers' Confederation of Latvia (LDDK), and the Free Trade Union Confederation of Latvia (LBAS). Rimi Latvia also received a Society Integration Foundation Prize as a Diversity Opened Company 2016 for the second year in a row.



## Outlook

# “Our sales of organic products have grown more than six-fold”

Sweden is unique with respect to growth in sales of organic foods, with no other country showing the same high and steady growth. If this trend continues, Sweden will soon pass Denmark, which has long held the top position in organic products as a share of total grocery sales. Maria Smith, Senior Manager Environment and Social Responsibility at ICA Sweden, shares more insight below.

### What does the trend look like with respect to sales of organic products?

“Sales of organic products and foods have grown sharply in recent years. According to statistics compiled by Ekoweb, sales of organic foods in Sweden grew nearly 40% in both 2015 and 2014. ICA Sweden’s sales of organic products have grown more than six-fold compared with 2007, with the biggest gains taking place during the last two to three years.”

### What is driving this trend? And why now?

“It’s a combination of several factors, particularly greater environmental awareness, a greater focus on animal welfare, and an increasingly growing interest in health and well-being. In addition, making conscious and well thought out choices is associated with high social status. Parallel with this, supply has grown, and products are also being promoted in an entirely different way than previously. Together these factors are creating a positive spiral.”

### What does the trend look like in other countries?

“Denmark has long been the leader in sales of organic products as a share of total grocery sales. In 2015 its share was 8.3%, compared with 7.7% in Sweden. In the largest single markets for organic foods – the USA, Germany and France – the shares are 3-5%. The rate of growth in these countries is low – about 10% in 2015.”

### Are there differences between different consumer groups?

“There are differences, but they are becoming increasingly diffuse. While health-conscious foodies previously accounted for the largest category, today there are more trend-attuned consumers in the midst of their careers. The share is still higher among women than men, but men are catching up. Younger people buy more organic products than older consumers. Income doesn’t appear to be a decisive factor. The share of people who buy organic products is equal among high, medium and low earners.”

### What does the balance between supply and demand look like at present?

“A growing number of producers are changing over, but in many categories – including cheese, flour, bacon and minced beef – demand for organic alternatives actually exceeds supply. We quite simply cannot always get the volumes that we and customers would have preferred, despite a close dialogue with our suppliers. The sales growth could thus have been even greater!”

### Apart from buying organic products – what can be done to reduce the environmental impact associated with food?

“Eat all of the food that we buy. An estimated 30%–50% of all foods produced are thrown out and wasted before they reach our tables. And here it is ordinary consumers who are the biggest culprits. In this regard there is enormous potential for consumers to lower their environmental impact – and their own costs. Eating more fruit and vegetables is another important measure, both for the environment and for one’s own personal health.”



Maria Smith, Senior Manager Environment and Social Responsibility, ICA Sweden

### Support to organic transition

To secure the supply of organic flour and thereby be able to meet growing demand, the mill company Berte Qvarn and ICA have begun a partnership aimed at supporting farmers who are transitioning to organic farming. Berte Qvarn has long been a supplier of organic flour to ICA. In partnership with Berte Qvarn, ICA Sweden is planning the launch of flour from farmers who are currently changing over to organic farming. Starting in autumn 2016, this flour will be available in stores and will be marketed as flour that is in the process of being organic.

# Auditor's Review Report on ICA Gruppen AB's Sustainability Report April–June 2016

To ICA Gruppen AB

## Introduction

We have been engaged by the Board of Directors of ICA Gruppen AB to review ICA Gruppen AB's Sustainability Report for the period 1 April–30 June 2016.

## Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report for the period April–June 2016

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", ICA Gruppen AB's Sustainability Report for the period 1 April–30 June 2016 is not a complete GRI report, but is a status report on the material areas reported on in the 2015 Sustainability Report for ICA Gruppen AB. The Sustainability Report for the period April–June 2016 is therefore a complement to the 2015 Sustainability Report and should be read in conjunction with this.

## Responsibilities of auditor

Our responsibility is to express a limited assurance conclusion on the Sustainability Report for the period April–June 2016 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 auditing firm applies ISQC (International Standard on Quality Control) 1 and thereby has a comprehensive system for quality control which encompasses documented guidelines and routines for compliance with professional, ethical requirements, standards for professional operations and applicable requirements set forth by laws and other statutes.

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 section "About this report". We consider these criteria suitable for the preparation of ICA Gruppen AB's Sustainability Report for the period April–June 2016.

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 the 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 2015 Sustainability Report

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 Sustainability Report for the period 1 April–30 June 2016 has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 17 August 2016

Ernst & Young AB

Erik Åström  
Authorised Public Accountant

Charlotte Söderlund  
Authorised Public Accountant

# 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 aims to show developments during the year and addresses the most significant issues in the overall areas of the environment, quality, health, ethical trade, community engagement and ICA's role in the most important media debates. The report covers all companies within ICA Gruppen, except for inkClub, which was divested during the quarter. The sustainability targets in this report do not include Apotek Hjärtat and Hemtex, however, work is being conducted to include these companies in future reports.

The criteria applied for preparation of this report are based on the annual sustainability report published by ICA Gruppen. The quarterly report is not prepared in accordance with the GRI guidelines, and for this reason certain issues are not included. ICA Gruppen publishes a complete sustainability report once a year in accordance with the GRI Guidelines, which provides a full description of the Group's sustainability work during the year.

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

[https://www.icagruppen.se/rapportportal/arsredovisning-2015/#!/#@hallbarhetsinformation\\_mat--och-berakningsmetoder](https://www.icagruppen.se/rapportportal/arsredovisning-2015/#!/#@hallbarhetsinformation_mat--och-berakningsmetoder)

<https://www.icagruppen.se/rapportportal/arsredovisning-2015/#!/#@hallbarhetsinformation>

<https://www.icagruppen.se/rapportportal/arsredovisning-2015/#!/#@vasentliga-fragor>

This report has been independently reviewed by a third party.

## Important changes since the preceding reporting period

### New climate target

At the end of 2015 ICA Gruppen's executive management decided on a new climate target. The target was set in accordance with the Science Based Targets method and the GHG Protocol Corporate Accounting and Reporting Standard. Based on the above, the measurement and calculation method for the new climate target has been adjusted somewhat compared with the previous climate target. The changes entail that total area is used instead of retail area, and that the climate impact related to the refilling of refrigerants at Swedish ICA stores is included. This adjusted measurement and calculation method applies also for cases where historical data for ICA Gruppen is reported, such as for the base year 2006. The climate impact of electricity use in Swedish offices and of business travel for Rimi Baltic is planned to be included as soon as possible.

Since 1 January 2016 the outcome of the climate target is presented in rolling 12 month figures (R12).

Use of refrigerants is reported in preliminary standard values in all quarterly reports, based on last year's use of refrigerants. The refrigerant leakage in Rimi Baltic in 2015 will thus affect the outcome of the Group negatively in all quarterly reports in 2016.

### Sales data

Sales data for ICA Sweden cover all products in ICA Sweden's central assortment. The sales portion for ICA Sweden includes products from ICA Sweden's central assortment, excluding non-food products. Sales data for ICA stores' own purchases from external suppliers are not included.

Starting with the first quarter of 2016, store sales of eco-labelled, organic and ethically labelled products in ICA Sweden's assortment are reported. A product that has two or more of these labels is not counted twice.

Definitions: Eco-labelled includes products with any of the following labels: Svanen, EU Ecolabel, Bra Miljöval, MSC and FSC (FSC-labelled packaging is not included). Organic labelling includes any of the following labels: EU-ekologiskt, KRAV, GOTS and OCS. Ethically labelled includes products with any of the following labels: Rainforest Alliance, Utz Certified and Fairtrade.

# About ICA Gruppen

ICA Gruppen AB (publ) is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which mainly conduct grocery retail, ICA Real Estate, which owns and manages properties, ICA Bank, which offers financial services, and Apotek Hjärtat, which conducts pharmacy operations. The Group also includes Hemtex. For more information see [icagruppen.se](http://icagruppen.se).

# Contact and calendar

## For further information, please contact:

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## Calendar

10 November 2016 Sustainability report July–September 2016