

Quarterly report on ICA's corporate responsibility work



ICA AB

Third quarter July 1 – September 30, 2012



Stockholm, 30 November 2012

Responsible business is part of ICA's new Group strategy

In the new Group strategy adopted in September, responsible business is a strategic priority. This reaffirms ICA's already strong focus on the area.

Important events in brief

- > Responsible business is an important part of ICA's new Group strategy.
- > ICA again inspected the working conditions of berry pickers in Sweden's forests. The inspections showed that major progress has been made for organized berry pickers, but that there is still room for improvement in terms of health and safety, for example.
- > During the quarter, an independent third-party food safety audit was conducted in seven Norwegian ICA stores. The results showed that these stores meet the same high levels as the Swedish industry standard for food handling in stores, which ICA initiated. The Swedish standard was established in 2009 to meet industry-specific requirements and conditions for food handling in stores. It was based on existing industry guidelines and serves as the basis for how foods are handled in stores.

CR goals, ICA AB	2012 Q3, %	2012 Q2, %	Full-year		Status
			2011, %	Target, %	
ICA shall reduce its direct climate impact by 30 percent by 2020 compared with 2006 ¹	-6	-7	-5	-30	⚙️
100 percent of ICA's corporate brand suppliers in high-risk countries will be socially audited by 2012 ²	77	71	67	100	⚙️
80 percent of ICA's corporate brand food suppliers will be quality certified ³	56	57	56	80	⚙️

Reducing ICA's environmental impact is a long-term effort being carried out through a series of measures, including energy efficiencies in stores, warehouses and transports. No extraordinary measures were taken during the quarter, but we are seeing a positive trend for the full-year compared with 2011.

During the quarter, further measures were taken to establish our own social audits or ensure that our suppliers use third-party audits in order to achieve the Group's goal of having all corporate brand suppliers in high-risk countries socially audited. It will probably be difficult to reach the final goal this year.

The percentage of quality certified corporate brand food suppliers fell slightly compared with the second quarter. This was mainly because the quality certificates of a number of ICA Sweden's suppliers expired during the summer. The focus is now on obtaining new certificates and establishing a more structured way for management groups to monitor key indicators.

✔ Implemented ⚙️ Ongoing ❌ Not achieved

¹ ICA's direct climate impact refers to the operations of stores and warehouses as well as business travel and goods transports between warehouses and stores, but does not include the product range. Quarterly results are compared with average quarterly emissions based on full-year data for 2006. As of the first quarter 2013, the target will be reported as the direct climate impact per square meter of sales space in the stores.

² Corporate brands essentially mean private label goods. Countries with a high risk level according to the UN's development programs the Human Development Index and Economic Security Index (UNDP).

³ 80 percent of suppliers of ICA's corporate brand food products will be certified in accordance with the Global Food Safety Initiative (GFSI).



We are now increasing our focus on responsible business



In September, we presented ICA's new Group-level strategy. The strategy contains six priority themes which identify what we will focus on going forward. One of these themes is to be a leader in responsible business.

I expect that most people familiar with ICA will recognize the new Group strategy. This isn't strange. It is based largely on our existing priorities. Among ICA's many strengths is our Good Business philosophy.

But even a successful company has to look to the future. To get there, we believe it is necessary to continuously develop as a responsible company. By leading the way on environmental and social issues, we can develop new products, attract new customers and contribute to improvements in society while growing as a business.

The need for companies that are prepared to take social responsibility is obvious when we look at the world around us. You don't have to travel far. One example is the berry pickers who work in Sweden's forests, where we have received reports for several years on unacceptable working conditions. Last year ICA was the first company in Sweden to introduce third-party social audits on site in the woods. This year we followed up the inspections, which showed that major improvements had been made for organized pickers, but that there is still room for improvement in terms of health and safety, for example. The ICA Group's goal is to have all private label suppliers from high-risk countries undergo social audits in 2012. We are pleased to be moving in the right direction, even if the ultimate goal will be hard to achieve this year.

Stockholm 30 November 2012

Per Strömberg
CEO, ICA AB



Q3: Important events and initiatives

Below is a description of important events within ICA's priority areas, including criticism and media debate during the quarter.

Environment

- **Continued dialogue on palm oil:** Palm oil production generates income and jobs for local populations. But it has to be sustainable to ensure that sensitive rainforests are not cut down or that people are put at risk. ICA participated during the quarter in a debate on palm oil arranged by the Swedish Society for Nature, which recommends limits on its use and that customers place demands on suppliers. Using oil certified by the Roundtable on Sustainable Palm Oil (RSPO) is a first step. ICA's goal is that all palm oil used in its private label products will be RSPO certified by 2015. For several years, we have been buying Green Palm certificates to support plantations that meet the criteria and have as a guideline to include palm oil on the list of ingredients rather than the more generic term "vegetable fat."
- **Smarter transports reduce emissions:** Since 2010, ICA delivers shipments in downtown Stockholm using ethanol-powered vehicles. During the quarter, we signed new agreements that increase the number of green cars in other parts of Sweden as well. As of October, eight brand new hybrid vehicles are being used in cooperation with outside distributors. Many of the new agreements allow them to coordinate deliveries with other parties beside ICA. The idea is to minimize the number of transports by better filling the vehicles. In 2012, ICA has doubled the percentage of distribution agreements that allow shared vehicles to nearly half. How much this will reduce our environmental impact is difficult to calculate, since the agreements are still new. Generally, each new green vehicle reduces fossil CO2 emissions by two thirds compared with traditional diesel vehicles.
- **New European project focused on food and environment:** What do healthy and eco-friendly eating habits look like in different countries? This is the big question for a new European project, LiveWell For LIFE, driven by WWF in the UK. In September, an initial workshop was held in Brussels. The purpose of the project is to lower greenhouse gas emissions from European food retailers, though it is also designed to increase awareness of how sustainability and healthy food are interconnected. As a first step, three countries are being evaluated – France, Spain and Sweden – which ICA is participating in. They were selected based on criteria such as population and general knowledge about health and environment. The project is financed by the EU's Life+ program.
- **Rimi Baltic helps Latvia recycle:** Rimi Latvia opened seven new public sorting locations in Riga during the summer. They are located in five Rimi and two Supernetto stores. Glass and plastics can be sorted for recycling at the stations. To increase awareness of the local recycling stations, information was posted in 22 Rimi and Supernetto stores throughout Latvia.

Quality

- **High standard in Norwegian stores:** The Swedish industry standard for food handling in stores, which ICA helped to create, places strict requirements on for instance handling of allergens and other work practices. Norway doesn't have a similar standard, so to evaluate whether our stores in the country comply with the same requirements seven Norwegian Supermarkets were audited by third parties during the quarter in accordance with these guidelines. The results were very positive. Six had so few deviations that in Sweden they would have been approved for 18 months without further audits, while one store had deviations that would have qualified it for a 12-month approval before its next audit. In our opinion, this confirms that ICA Norway is on the cutting edge in food safety.
- **Inspectors train in ICA stores:** Skilled food inspectors are necessary for good food inspections. ICA Sweden is now doing its part by allowing inspectors to train in its stores. Training was launched around the country in September. For one day prospective inspectors have an opportunity to follow products through the store. The purpose of the course is to provide better insight and understanding



how foods are handled in modern stores. This in turn helps the inspectors to make correct risk assessments. The training was organized in cooperation with the National Food Agency and the retailers association Svensk Dagligvaruhandel.

- **Public recalls of private label products:** During the quarter, ICA Sweden announced two public recalls of private label products through press releases: ICA I love eco bananas after a prohibited pesticide was found, and ICA Basic digestive biscuits after a defect was discovered in the list of contents on several packages. ICA Norway and Rimi Baltic had no public recalls of private label products during the period.

Ethical trade

- **Inspections of berry pickers:** During the third quarter 2012, ICA followed up a previous inspection of working conditions for organized berry pickers in Sweden's forests. The first inspections were conducted in 2011. After reports of unacceptable conditions, ICA was the first Swedish food company to adapt social audits to Swedish conditions. ICA verifies, for example, that pickers receive the correct information, are paid and have employment agreements and documented schedules. Living conditions are inspected as well. The results of the follow-ups showed that improvements have been made from the previous year, but that further measures are still needed. Areas where deviations were found include traffic safety (lack of valid drivers' licenses and overloaded vehicles), living accommodations (confined dormitories) and long work days. The possibility to inspect working conditions for independent pickers, i.e., those who pick and sell berries but are not employed, is considered limited. This is due to the lack of an employer-employee relationship and because all individuals have the right to sell berries in limited volumes. When these independent pickers sell their berries, IDs are checked along with the quantities picked. Random verifications were made in 2011. ICA wants to increase collaborations with others in the industry to improve working conditions for organized as well as independent pickers.
- **Conversation on crafts and tools:** Many companies in Sweden import craft supplies and tools from manufacturers in China. The organization Swedwatch has monitored working conditions there since 2005. During the quarter, it released on its website a new report entitled, "From no control to full control?" ICA shares some of the suppliers with other Swedish companies and therefore participated in a roundtable discussion to explain its view on issues of justice and the methods it uses. ICA plans to continue its dialogue with Swedwatch and other Swedish companies to contribute to further improvements.

Health

- **What kind of health claims can you make?** European laws on nutritional and health claims are complex but important. Food companies in Sweden and Svensk Dagligvaruhandel have therefore developed a support program to provide an overview of rules and interpretations: www.halsopastaenden.se. ICA plays an active role and is a member of the steering committee. A training program was planned during the quarter and then held on October 2. Around 100 people responsible for package labeling and marketing attended. ICA was part of the group that put together the one-day course, which was arranged together with Svensk Dagligvaruhandel, the trade group Livsmedelsföretagen (Li) and the Swedish Nutrition Foundation.
- **Easier for food allergy sufferers in Norway:** A growing number of ICA Norway's customers are requesting solutions for various types of food allergies and eating disorders. As part of an effort to serve this group, ICA Norway placed all "Free From" products in one location in every Rimi store during the third quarter. These products are free from lactose, gluten, soy, fish or nuts. Every Rimi store now has at least 60 "Free From" products. The initiative has been very positively received by customers. During the quarter, 17 percent more "Free From" products were sold than in second quarter.
- **Age restriction on Estonian energy drinks:** Rimi Estonia stopped selling energy drinks to children under the age of 16 during the quarter. The initiative has received positive attention and has the support of, among others, Estonia's Public Health Institute. Prior to the start of the school year, Rimi Estonia also ran a campaign with popular artists who encouraged young people to eat fruit and other healthier alternatives for an energy boost.
- **Latvian chef encourages healthy eating:** ICA is working simultaneously on many levels to encourage a healthy lifestyle. During the quarter, the Latvian chef Normunds Baranovskis, head chef for a project called "Aikagarso," which promotes healthier eating habits, appeared in connection with the



charity event Nike Riga Run. Rimi Lithuania also collaborated with Save the Children to bring children from nursery schools throughout the country on field trips to Rimi stores, where they learned about healthy food, tried samples and so on.

- **Reduced exposure to cigarettes:** During the quarter, Rimi Estonia announced it was changing its routines for cigarette sales in its hypermarkets. Previously all cigarette brands were displayed at the cash registers. Now customers have to ask the cashier for the brand they want. In addition, only ten brands are stocked at the registers. If customers want another brand, they have to go to the information counter. The idea is to make it harder to buy cigarettes, especially for children. Estonia's Public Health Institute has welcomed the initiative and asked other grocery chains to consider doing likewise.

ICA supports

- **ICA Sweden:** Treating everyone equally and encouraging a healthy lifestyle is important for ICA. During the quarter, it therefore signed a sponsorship agreement with the Swedish Sports Organization for the Disabled and the Swedish Paralympic Committee (SHIF/SPK). The agreement is well in line with ICA's values and makes it the main sponsor of SHIF/SPK for the next three years. ICA will play an active role in spreading information on food and nutrition.
- **Supporting children:** For ICA, it is important to contribute to society. One example of how it works in the community is its support for impoverished children in Latvia and Lithuania, where Rimi and Supernetto stores collected money prior to the start of the school year. The money was used to buy backpacks with necessities for children who were about to start school for the first time but come from low-income families. In total, 100 backpacks were distributed.

Criticism and media debate

- **Endangered fish species:** A number of Swedish ICA stores were criticized by the Swedish Society for Nature for selling species of fish that are considered threatened. The organization was most concerned about deep-sea fish such as the witch flounder and monkfish. None of the species in question are part of ICA's main assortment, however. ICA called these stores and informed them that they were in the report, that ICA considers the issue very important and that ICA's position is not to sell fish that is rated red according to the WWF Sweden's seafood guide. The information was received positively and many stores had already changed the seafood selection they offer.

Awards

- **Rimi Estonia awarded:** Rimi Estonia received the CSR Initiative of the Year presented at the Swedish Business Awards. The award was sponsored by the Swedish Embassy, Swedbank, Telia Sonera and the Swedish Trade Council. The goal is to showcase positive international examples of responsible business. Rimi Estonia received the award for its commitment to promoting better eating habits and a healthier lifestyle.
- **Rimi Latvia a popular brand:** Rimi Latvia came in 8th in an annual survey of Latvia's most popular brands arranged by the ad firm DDB, GfK and the magazine Kapital.



Outlook: Green diet is an important public health concern

Everyone knows that fruit and vegetables are part of a healthy diet. In fact, a lack of fruit and vegetables is mentioned on WHO's list of the ten most common causes of illness, suffering and early death.

Yet surveys in the West show time and again that we don't eat the recommended amounts. This is especially true of vegetables. Young people are most at risk. According to a survey ICA conducted in Sweden with Sifo, only five percent of Swedish children and young adults consume the recommended amounts of fruit and vegetables every week. In the long run, this could potentially become a public health threat. Vegetables are an important source, for example, of folic acid, a B vitamin vital to a baby's development during pregnancy.

ICA is working in several ways to actively call attention to the issue and encourage greater consumption of produce. One way is by providing information, including the annual "Buddy with Your Body" campaign, a project in Sweden where ICA brings young students to its stores to learn about fruit and vegetables. Similar activities are conducted in all of ICA's markets. Another way it contributes is by continuously adjusting its product offering to make it easier for customers to prepare vegetables on a daily basis. Ready-to-eat washed salads in bags are one example.

About this report

This is a quarterly status report with information on ICA's corporate responsibility work and development during the year. The quarterly report depicts ongoing developments during the year and focuses on the most significant issues in the areas of the environment, quality, health, ethical trade, community engagement and ICA's role in important media debates. The report is independently reviewed, but does not follow GRI's guidelines and therefore does not include certain issues. ICA publishes a complete corporate responsibility report once a year. It is prepared in accordance with the GRI's guidelines and provides an overview of the corporate responsibility work.

For ICA's measurement and calculation methods, boundaries and materiality analysis, see:

<http://reports.ica.se/ar2011sv/Start/Hallbarhet/Om+ICA's+hallbarhetsredovisning/Matmetoder>
<http://reports.ica.se/ar2011sv/Start/Hallbarhet/Om+ICA's+hallbarhetsredovisning/Materialitetsanalys>

About ICA

The ICA Group (ICA AB) is one of the Nordic region's leading retail companies, with around 2,100 of its own and retailer-owned stores in Sweden, Norway and the three Baltic states. 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. ICA AB is a joint venture 40% owned by Hakon Invest AB and 60% by Royal Ahold of the Netherlands. According to a shareholder agreement, Royal Ahold and Hakon Invest jointly share controlling influence over ICA AB. Through Royal Ahold, ICA AB is part of an international retail network. For more information, please visit corporate.ica.se

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Auditor's Review Report on ICA AB's Interim report on sustainability performance

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

To the readers of ICA AB's Interim report on sustainability performance for the period 1 July – 30 September 2012

Introduction

We have been engaged by the executive team of ICA AB to review the ICA AB's Interim report on sustainability performance for the period 1 July – 30 September 2012. Our review is limited to the information related to third quarter 2012. 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 performance in accordance with the applicable criteria. Our responsibility is to express a conclusion on the Interim report on sustainability performance based on our review.

The Scope of the Review

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

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

The criteria on which our review is based are ICA AB's materiality analysis 2011 as well as the accounting and calculation principles that the Company has developed and disclosed in ICA AB's Sustainability Report 2011. We consider these criteria suitable for the preparation of the Interim report on sustainability performance.

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

- a. an update of our knowledge and understanding for ICA AB's organization and activities
- b. assessment of suitability and application of criteria in respect to stakeholders need of information
- c. interviews with responsible management, at group level, subsidiary level and at selected business units with the aim to assess if the qualitative and quantitative information stated in the interim report on sustainability performance is complete, correct and sufficient
- d. read internal and external documents to assess if the information stated in the interim report on sustainability performance is complete, correct and sufficient
- e. analytical review of reported information
- f. overall impression of the interim report on sustainability performance, and its format, considering the information's mutual correctness with applicable criteria
- g. reconciliation of the reviewed information against the sustainability information in the company's sustainability report for 2011

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the ICA Group's Interim report on sustainability performance for the period 1 July – 30 September 2012 has not, in all material respects, been prepared in accordance with the abovementioned criteria.

Stockholm 30 November 2012

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