

Third quarter 2017 in summary

- ICA Gruppen's greenhouse gas emissions decreased by 45% during the period October 2016–September 2017 compared with the base year 2006. The continued, steady decrease is mainly attributable to the changeover to renewable fuels in the Swedish operations and continued investments in renewable electricity at Rimi Baltic.
- The share of socially audited suppliers of ICA Gruppen's corporate brand products was 97% during the quarter, which is level with the preceding quarter.
- The share of quality-certified suppliers of ICA Gruppen's corporate brand products was 86%, which is above the target level of 80%.
- Growth in sales of ecolabelled, organic and ethically labelled products in ICA Sweden's central assortment has stabilised.
- 40% fewer plastic bags used after Apotek Hjärtat began charging for bags and more clearly informing customers about their environmental impact.
- ICA Bank launched green leasing, making it easier for independent ICA retailers to change over to climate-smart refrigeration equipment.
- Over-the-counter generic medicines sold under the ABECE brand now bear the "Choose with Your Heart" (Välj med Hjärtat) marking, certifying that their manufacturers meet Apotek Hjärtat's environmental and sustainability criteria.

Well on our way to climate neutrality

To contribute to the UN's goal to limit Earth's temperature rise, ICA Gruppen has adopted an ambitious climate target – that its operations will be climate-neutral by 2020. During the quarter we continued our work in this area, among other things by further reducing our emissions and increasing our resource efficiency. I am very happy to note that we soon will have halved our emissions compared with the base year 2006. This shows that we are well on our way to achieving this target.

Another initiative that has had a major impact is ICA Gruppen's work to reduce the use of plastic. For example, at ICA Sweden continuous work is being carried out to reduce the volume of plastic packaging. In addition to a changeover to cardboard and other, more sustainable alternatives, innovative solutions are also being used, such as laser marking directly on certain fruits and vegetables.

During the spring Apotek Hjärtat was the first pharmacy chain in Sweden to begin charging customers for plastic bags, which in just over three months resulted in a 40% reduction in the use of plastic bags.

Our ambition to be a leader in sustainability is based in part on the great responsibility we have as a major actor and in part on the role that sustainability plays in driving long-term growth. We are continuing this work with full strength and are striving to be a forerunner in these important issues going forward.

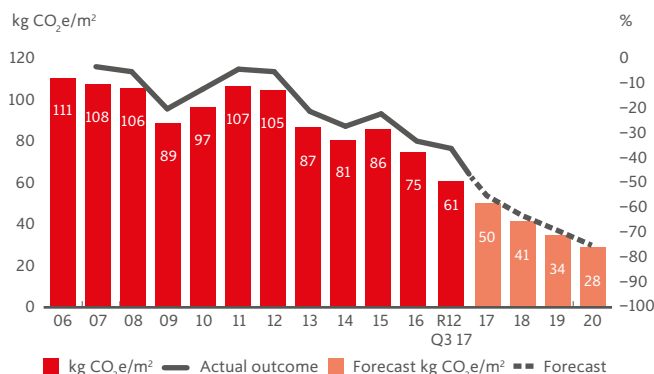


Per Strömberg, CEO ICA Gruppen

Key figures

ICA Gruppen's operations will be climate-neutral by 2020	Rolling 12 months (Q4 2016–Q3 2017)	Previous rolling 12 (Q4 2015–Q3 2016)
Decrease in emissions compared with 2006	–45%	–29%

Emissions kg CO₂e/m² 2006–Q3 2017 and forecast to 2020



The climate impact that cannot be eliminated in operations by 2020 will be addressed through offsets.

100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited	Q3 2017	Q2 2017	Full year 2016
Outcome	97%	97%	98%

80% of ICA Gruppen's corporate brand suppliers will be quality certified	Q3 2017	Q2 2017	Full year 2016
Outcome	86%	85%	87%

ICA Sweden	Rolling 12 months (Q4 2016–Q3 2017)
Sales development, ecolabelled, organic and ethically labelled range*	6%
Sales development, organic range**	3%

* Pertains to total sales of ICA Sweden's ecolabelled, ethically labelled and organic range in Swedish ICA stores, excluding local purchasing by ICA stores.

** Pertains to total sales of ICA Sweden's organic range in Swedish ICA stores, excluding local purchasing by ICA stores.

Support customers' sustainable choices:

Stabilised growth in sales of ecolabelled, organic and ethically labelled products

Store sales of ecolabelled, organic and ethically labelled products in ICA Sweden's central assortment increased by 6% during the period October 2016–September 2017 (rolling 12 months) compared with the corresponding period a year ago. As a share of total sales, ecolabelled, organic and ethically labelled foods amounted to 10.4% during the same period. The total sales value of organic products was SEK 6.4 billion on a rolling 12-month basis, compared with approximately SEK 6.2 billion for the preceding 12-month period.

Sales of organic foods including fruits and vegetables as a share of total food sales were 6.1% on a rolling 12-month basis. The organic range was expanded during the quarter with a number of new products, of which most were under the ICA I love eco brand. Sales growth for organic products thus far in 2017 continues to be at lower levels than in 2016. One reason may be the increased interest from Swedish consumers in locally produced foods.

Extensive work on reducing the volume of plastic

Numerous initiatives are being carried out in ICA Gruppen to gradually reduce the total volume of plastic used. On 29 May Apotek Hjärtat was the first pharmacy chain in Sweden to begin charging customers for plastic bags. In connection with this, the existing bags were replaced with a new, greener plastic bag made from renewable sugar cane instead of petroleum. The aim of the fee is to reduce the use of plastic bags. A share of the revenue from bag sales will be donated to the Swedish Society for Nature Conservation. After just over three months the use of plastic bags decreased by 40%, which is twice as much as expected. The decrease corresponds to 13 tonnes of plastic, or 2 million plastic bags.

Since 1 July and 1 September, respectively, all plastic and paper bags in ICA Sweden's central assortment are climate-neutral. When incinerated the plant-based plastic bags produce 85% less fossil CO₂ emissions than petroleum-based bags. However, entirely eliminating the carbon footprint is not currently possible, which is why ICA has made the decision to compensate for the remaining CO₂ emissions from production and transports through offsets.

At ICA Sweden, extensive work is also being conducted to replace plastic packaging on ICA's private label products with more sustainable alternatives. Among other things, during the quarter plastic trays and packaging for a number of fruits and vegetables have been replaced with cardboard or plant-based plastic alternatives. In addition, more and more organic fruit and vegetable items are successively being laser-marked as a substitute for plastic wraps or sticker labels.

Retailers searching for farmers

To expand the locally produced range and increase sales of Swedish food, during the quarter ICA Sweden launched a new ordering portal that facilitates business relations between local vendors and ICA stores. The portal is now accessible for independent ICA retailers and vendors throughout Sweden.

Swedish milk used in new cheese variant

As part of ICA Sweden's efforts to increase the use of Swedish milk in its private label dairy products, a new hard cheese variant – Folke – was launched during the quarter. The cheese is made by the Swedish dairy company Norrmejerier using exclusively Swedish milk. Sales of cheese made from Swedish milk have declined in recent years, and the new Folke variant is an initiative to support Swedish dairies and promote Swedish cheese production.



500 quality-certified stores

Ensuring high quality in stores is of major importance for ICA Gruppen, and toward this end the Group is conducting structured work based on standards and certifications. Since 2009 ICA stores in Sweden have applied the Swedish Standard for food handling in stores, and during the quarter the 500th ICA store was certified according to the standard. The standard has been developed by the Swedish food retail trade organisation Svensk Dagligvaruhandel and has been reviewed and accepted by Swedac (the Swedish Board for Accreditation and Conformity Assessment) as an official standard. ICA Sweden played a driving role in the development of the standard, which is the world's first third-party standard for food handling in stores. Rimi Baltic uses its own standard for food handling, based on the Swedish Standard, which covers all store formats in Estonia, Latvia and Lithuania.

Hackathon to stimulate fruit consumption

Young people in Sweden eat less fruit and vegetables than the recommended daily consumption of 500 grams. To find new ideas for what ICA can do to get more young people to eat more vegetables, berries and fruit, in August ICA Sweden conducted a workshop – or hackathon – with students from Järvaskolan. The day was split up into different blocks such as problematising, research, and idea generation. The next step in the model is to evaluate the ideas and thereafter to gather the students and pertinent departments in ICA to concretise and bring the ideas to fruition.

650,000 bees at ICA's "Bee & Bee"

A large share of the food we eat is dependent upon plant pollination by bees. Since 2007, extensive bee colony collapse has been noted by beekeepers. If bees were to disappear entirely, our supply of fruits and vegetables would become severely limited. In an effort to draw attention to the vital function that bees play, ICA has signed a framework agreement with the beekeeping company Biman which makes it possible for ICA retailers to rent beehives. During the quarter an additional 12 stores joined the agreement, entailing that some 650,000 bees now have a home at ICA.

High ambitions for sustainability

ICA Gruppen's ambition is to be a positive force in society by being a leader in sustainability and actively advocating for long-term sustainable development of society. The ambition is to be a forerunner in key issues such as the environment, quality, health, diversity and local commitment based on a strong community engagement. The reporting in this interim report is structured according to ICA Gruppen's strategic priorities to support customers' sustainable choices and conduct climate-smart business.



ABECE products marked with Välj med Hjärtat

During the quarter, ABECE over-the-counter medicines began bearing the “Choose with Your Heart” (Välj med Hjärtat) marking, which certifies that the manufacturer meets Apotek Hjärtat’s environmental and sustainability criteria. The ABECE brand, which is sold exclusively by Apotek Hjärtat, is one of few generic medicine brands that meets these criteria.

Focus on foods of the future at Almedalen political policy conference

During the year’s week-long political policy conference in Almedalen, ICA arranged seminars and events in which the cohesive theme was collaboration for a better future. The seminars took an in-depth look

at issues surrounding foods of the future and food production, sustainability, health, integration and local enterprise.

Extensive health initiatives at Rimi Baltic

Interest in health and wellbeing is great in Estonia, Latvia and Lithuania, and as a leading grocery retailer Rimi Baltic is working in various ways to promote a sound lifestyle with respect to food and drink as well as regular exercise. During the quarter a large number of environment- and health-related activities and initiatives were started. Among the larger of these were an initiative in cooperation with Stockholm Environment Institute Tallinn to reduce food waste in the homes, continued active work with the “Gourmands Class” in schools, and introduction of the “Rimi nutritionist suggests” marking on a large number of selected products. On top of this Rimi Baltic has also supported initiatives for more sport and exercise events, such as the Vilnius Marathon.

Conducting climate-smart business

Continued work towards goal of being climate-neutral by 2020

To contribute to the UN’s goal of limiting Earth’s temperature increase, ICA Gruppen has set an ambitious climate target – that its operations will be climate-neutral by 2020. This climate target applies for ICA Gruppen’s direct carbon footprint in all companies and encompasses the carbon footprint of operations in stores, pharmacies, warehouses and offices caused by, for example, refrigerants, electricity, goods transports and business travel in both the Swedish and Baltic operations. The target will be achieved by reducing greenhouse gas emissions and through more efficient use of resources. The carbon footprint that cannot be eliminated in operations will be compensated through offsets.

ICA Gruppen’s greenhouse gas emissions decreased by 45% during the period October 2016–September 2017 compared with the base year 2006. The decrease is due above all to long-term work with a multitude of measures in energy, refrigerants and goods transports, including investments in renewable electricity at Rimi Baltic and a changeover to renewable fuels in the Swedish operations. For the full year 2017 the goal is to achieve a reduction of 55% compared with the base year 2006.

Continued investments to reduce emissions at Rimi Baltic

Rimi Baltic is continuing its investments in reducing greenhouse gas emissions. The changeover to LED lighting and to refrigerants with a lower environmental impact are two examples. Investments in renewable electricity are also contributing to lower greenhouse gas emissions. During the third quarter of 2017, greenhouse gas emissions decreased by 25% compared with the third quarter of 2016, corresponding to 8,600 tonnes of carbon dioxide.

Renewable fuels contributing to major reductions in emissions

During the quarter, ICA Sweden’s work on increasing the share of renewable fuels in the logistics operations continued to generate major reductions in emissions. Greenhouse gas emissions decreased by 21% during the third quarter of 2017 compared with the same period a year ago, corresponding to 6,000 tonnes of carbon dioxide.

ICA Bank launches green leasing

During the quarter ICA Bank launched green leasing, which gives ICA retailers an opportunity to lease climate-smart refrigeration equipment. Previously ICA Bank began offering green loans to ICA retailers for sustainable investments in their stores.

Criticism and media debate

- The problem of microplastics was debated in numerous media and forums during the quarter. Extensive work is being conducted throughout ICA Gruppen to phase out added microplastic in products. ICA Sweden’s and Apotek Hjärtat’s private label products are already entirely free of added microplastic, and discussions are being held with external suppliers to entirely eliminate them from ICA’s other product range.
- In August animal rights activists in Estonia, Latvia and Lithuania started a campaign aimed at bringing an end to Rimi Baltic’s sales of eggs from caged hens in the Baltic countries by 2025. The issue is complicated, however, as the majority of eggs produced in the Baltic countries are sourced from caged hens. Rimi Baltic is conducting an active dialogue with producers and the pertinent authorities to accelerate the transition.

Awards and distinctions

- For the third year in a row Packaging Europe held its Sustainability Awards. ICA Sweden’s method of laser marking fruits won an award in the Best Practice category. The philosophy behind the awards is to celebrate innovations in the packaging industry that make the best contributions to boosting sustainability.
- ICA and its Klimaträtt project were cited as one of three good examples from business in the Swedish government’s report to a UN Summit Meeting held in New York in July 2017.
- Rimi Estonia was nominated for a Corporate Social Responsibility Award. The award ceremony was held in early October, where Rimi Estonia received the 2017 CSR award for being the country’s most socially responsible company. The gala event, which gives recognition to the year’s best companies in Estonia, was organised by Enterprise Estonia, the Estonian Chamber of Commerce and Industry, and the Estonian Employers’ Confederation.

Auditor's Review Report on ICA Gruppen AB's Sustainability Report July–September 2017

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 July–30 September 2017.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report for the period July–September 2017

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 July–September 2017 is not a complete GRI report, but is a status report on the material areas reported on in the 2016 Sustainability Report for ICA Gruppen AB. The Sustainability Report for the period July–September 2017 is therefore a complement to the 2016 Sustainability Report and should be read in connection to this.

Responsibilities of the auditor

Our responsibility is to express a limited assurance conclusion on the Sustainability Report July–September 2017 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 firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 July–September 2017.

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

- 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. read internal and external documents to assess if the reported information is complete, correct and sufficient
- d. analytical review of reported information
- e. overall impression of the quarterly report and its format
- f. reconciliation of the reviewed information against the sustainability information in ICA Gruppen AB's Sustainability Report for 2016

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 cause us to believe that the information in ICA Gruppen AB's Sustainability Report for the period 1 July–30 September 2017 has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, 10 November 2017

KPMG AB

Tomas Forslund
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR

About this report

- This is a quarterly status report containing information about ICA Gruppen's work on issues relating to sustainability. The report aims to show developments during the year and covers all companies within ICA Gruppen. 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 omitted. ICA Gruppen's sustainability report is published once a year. It is reviewed by the auditors and provides an all-embracing description of the Group's sustainability work during the year. For measurement and calculation methods, boundaries and a materiality analysis, see:
 - https://www.icagruppen.se/rapportportal/arsredovisning-2016/#!#@hallbarhetsinformation_mat--och-berakningsmetoder
 - <https://www.icagruppen.se/rapportportal/arsredovisning-2016/#!#@hallbarhetsinformation>

Contact and calendar

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Calendar

8 February 2018 Sustainability report October–December 2017

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.