

ICA

Corporate Social Responsibility Report 2005



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About ICA

The ICA Group (ICA AB) is one of the Nordic region's leading retail companies, with around 2,300 of its own and associated stores in Sweden and Norway. The Group also includes the sales companies ICA Sverige, ICA Norge and Etos. ICA Meny specializes in distribution to restaurants, the foodservice sector and convenience stores. ICA also offers financial services to Swedish customers through ICA Banken. ICA owns half of the companies Rimi Baltic, with over 170 stores in the Baltic countries, and Netto Marknad, with over 70 stores in Sweden.

ICA AB is a joint venture 40 percent owned by Hakon Invest AB and 60 percent by Royal Ahold N.V. of the Netherlands. Through a shareholder agreement, neither party has control of the company and the two share equal voting power.

In 2005 ICA's consolidated sales amounted to SEK 71,663 million and operating income was SEK 1,958 million. The Group has a total of 11,556 employees.

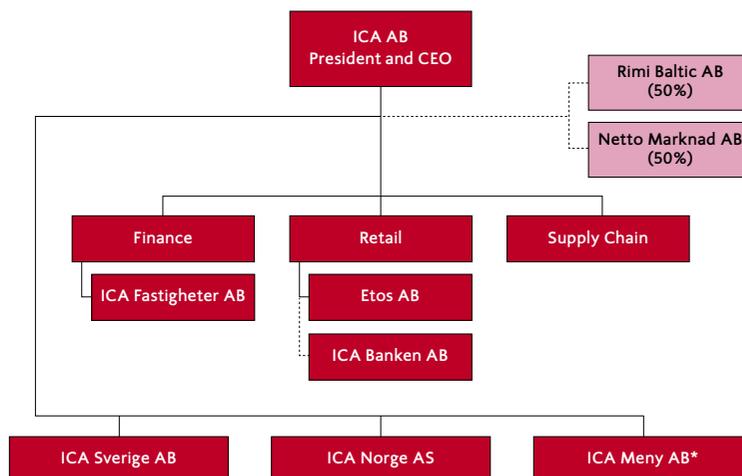
The Swedish ICA stores are owned and operated independently by retailers and use ICA Sverige as their main supplier. The Norwegian stores are operated independently, as franchises or as associated companies. ICA Sverige and ICA Norge's responsibilities include sales, operations and new store openings.

Vision

We make every day a little easier.

Mission

We want to be the leading retailer focused on food and meals.



* In early 2006 ICA decided to sell ICA Meny.

As of July 1, 2006 a fourth function will be added. The support functions will then consist of Finance, Retail, Marketing and Supply Chain.

We are constantly working to be better!

ICA is a company people know and respect, and we are expected to be socially responsible. We want people to feel confident about what we do, and our work with sustainable development is an important part of our day-to-day activities. We have summarized our view of corporate social responsibility in seven Basic Values* in areas where we can and should be involved. ICA should:



Priority issues

By working conscientiously with these issues, we hope that ICA can be a positive force in society. While we have made considerable progress in various parts of the Group, work is under way throughout the Group in these areas.

In 2005 we again saw a lively debate on health issues, and we are committed to do everything we can to make it easier for customers to shop for and prepare nutritious food and to make healthy habits a part of their lives. We have made the most progress in our Swedish operations, but we have also prepared ourselves in Norway to focus seriously on health in the years ahead. We are proud to have responded quickly and of the work we have done for many years to improve our product selection from the standpoint of quality and the environment. Even now, when price has become such a big concern, these values will still guide us.

Another thing we are pleased about is our work to improve conditions for stores in rural communities, so that they can survive long-term, which has produced positive results through fewer store closures.

Inspired by global initiatives

A source of inspiration for ICA's social commitment is the UN Global Compact, which we support and are a member of. During the year we hosted the meeting of the Nordic business network in Sweden and participated in the UN conference in Shanghai. In China, business leaders from around the world met to discuss how international principles of human rights, working conditions, the environment and anti-corruption can have greater impact in the business sector. On a practical level, we

now can better monitor social performance within the purchase process after having joined the Business Social Compliance Initiative together with around 50 other European companies.

For many years we have been providing information on our work in the areas of quality, the environment, health, ethics and social concerns. Our aim is to fully meet the reporting requirements of the GRI model (Global Reporting Initiative) within a couple of years.

We are working to constantly improve in these areas and welcome your opinions on our work.



Kenneth Bengtsson
CEO ICA AB



Lisbeth Kohls
Senior Vice President
Corporate Responsibility ICA AB

Health

Health has remained an important issue in society and is a top priority in the ICA Group. ICA has devoted even greater effort to encouraging Swedish customers to adopt healthy eating and exercise habits, and in Norway has conducted extensive preparations to begin similar activities.

Health policy - revised and adopted February 2005

ICA's health policy states that ICA will encourage customers and employees to prepare a variety of tasty and nutritious meals. It has been revised to include, among others, stricter requirements on the marketing of healthy products and product selection.

The entire policy can be viewed at www.ica.se and www.ica.no.

Dialogue on health

In 2005 ICA continued its dialogue with politicians, government authorities and representatives from the food industry on obesity and overweight, with particular emphasis on children. In February the National Food Administration and National Institute of Public Health presented the Swedish government with the basis for an action plan for good eating habits and physical activity. Since then, there has been a lively debate on proposals such as a special tax on fat and sugar and restrictions on the advertising of fatty and sweet foods to children. The government has also initiated a dialogue with the food industry, on marketing to children, in which ICA has participated.

Great importance has been placed within the ICA Group on preparing a health initiative in Norway. ICA has met politicians and government officials to discuss the launch of the keyhole label (see glossary) in the Norwegian market as part of an effort to encourage customers to eat healthier.

ICA has also been active in the preparations of new keyhole criteria in Sweden, which now include limits on salt and sugar. Keyhole labeling covers new product groups such as meat, fish, fruit and vegetables. The new criteria were announced by the EU in May 2005 and took effect on June 1 with a transitional period through November 30, 2006. ICA employees have also attended EU meetings on health to describe how the company works with these issues.



Moreover, ICA has been active in a program within Ahold called Ahold Healthy Living, the aim of which is to share best practices and experience within the Ahold group. One example is the expertise ICA was able to contribute when Albert Heijn introduced a health symbol based on modified keyhole criteria for its private label. The symbol has been introduced in close cooperation with Dutch authorities. As part of Ahold Healthy Living, an advisory body has been established with outside experts in the field, including Professor Nils Georg Asp, head of the Swedish Nutrition Foundation.

Healthier product selection

ICA launched 49 new products in the new ICA Gott liv line in 2005. The products, which emphasize a healthy image, are produced in accordance with the Nordic nutritional recommendations. Most of these products are keyhole-labeled. Sales have gone very well, especially for cooking products and low-sugar syrup. In connection with the launch of the product line, an ICA Gott liv contest was arranged on ica.se, which generated over 11,000 responses from customers with suggestions for new products in the line.

In 2005 ICA and other parties in the food industry in Sweden worked to adapt their product selections to the new keyhole criteria. With the new criteria, naturally nutritious products can now also carry the keyhole label. This represents a major increase in the number of keyhole-labeled products, at the same time that many products that do not meet the new requirements will lose the label.

In December 2005 there were 771 keyhole-labeled products in ICA's Swedish selection, a decrease of around 130. As labeling on packaging changes to meet the new criteria, the number of keyhole-labeled products is expected to increase in 2006. Sales of keyhole-labeled products were unchanged during the year in spite of the decrease in the number of products, indicating continued high interest from consumers.

A major review of the Norwegian ICA product selection conducted during the summer showed that nearly 1,000 products meet the new, revised keyhole criteria. At the same time eco-, fair trade- and allergy-labeled products in the product selection were identified. The aim



was to facilitate sales follow-ups, but also to be able to show labeling on store shelves.

A number of so-called functional foods, with scientifically proven health effects, have found their way onto ICA's shelves and are becoming increasingly popular. ICA continues to broaden and improve its range of fruits and vegetables. New products, such as prepared salads and new tomato varieties, are encouraging customers to eat healthier. Sales of fruit and vegetables in Swedish ICA stores increased by 6 percent during the year. The previous sales increase for confectionery has stalled and instead sales are rising for chocolate, which many people see as being healthier. Sales of whole wheat products are also rising substantially, as are sales of beans and other legumes. Sales of whole wheat pasta rose by 352 percent in 2005 and now account for 12 percent of total pasta sales.

Products and services for allergy sufferers

Efforts to modernize and adapt the product selection for special nutritional needs have continued at ICA Sverige. Many stores are taking their own initiatives to improve service for customers with various types of allergies. The product range for allergy sufferers was expanded during the year and now comprises 320 products in the Swedish ICA selection and 97 in the Norwegian selection. Sales declined by 10 percent during the year, mainly for lactose-free products.

ICA always labels all the ingredients in its private label (PL) products so that customers with food allergies can be certain of what

they are eating. The new EU regulations on allergen labeling that entered into force on November 25, 2005 require more ingredients to be labeled. The labeling of ICA's PL products has been adapted over time and now complies with the new regulations. ICA Sverige has previously taken the initiative to formulate industry-wide guidelines to increase safety for allergy sufferers. The guidelines contain rules on the use of the phrase, "May contain traces of..." The food sector would prefer not to have to use warning labels on products that do not contain allergic ingredients.

In Norway, many ICA Supermarked and ICA Maxi stores have a concept called "Fri for," where they display gluten, lactose, and nut free products together and place information close by on store shelves so that it is easily accessible for consumers.

Rimi Baltic requires all its suppliers to label product contents, nutritional information and allergy-causing ingredients on their packaging.

Restaurant and foodservice customers are also showing greater interest in healthy products. In both Sweden and Norway, ICA Meny therefore offers a broad range of fresh foods such as fruit and vegetables as well as products that have become healthier by lowering their fat and sugar content and increasing fiber. ICA Meny also has product sheets for all imported and PL products with facts on allergy risks and nutritional information, among other things.



Health cooperations

Together with the Swedish Cancer Society, ICA has a campaign called "Buddy with Your Body - 5 a day," which was in its fifth year in 2005. In all, 127,000 second and fifth graders, or 62 percent of children in these grades, have participated in the campaign and visited ICA stores, where they received a lesson on fruit and vegetables along with educational material to use back at school. The aim is to increase their appreciation of fruit and vegetables.

Together with Sweden's county blood banks and local sports associations, ICA sponsored ten races around the country aimed at recruiting new blood donors and underscoring the importance of physical activity. A total of 6,500 teams with 33,200 runners took part, an increase of 18 percent compared with the previous year. In connection with the races, ICA provided information on food and exercise.

"Kortvasan," a family-oriented ski race sponsored by ICA, was held during the week of the Vasalopp, the world's longest and biggest cross country ski race. It attracted 6,000 people who signed up to ski the 30 km stretch, including 600 ICA employees. Another 7,800 women took part in the "Girls' Vasa" race, also sponsored by ICA. Applications to the women's race and "Kortvasan" have increased every year, and together the two now have more announced participants than the Vasalopp.

Rimi Latvia supports a variety of sports and health-related activities. For the second consecutive year it sponsored the Women's Solidarity Race, in which 2,300 women ran to celebrate Women's Day and support healthy living. This was an increase of slightly over 50 percent compared with the previous year.

Healthy communication

In 2005 ICA Sverige continued to provide information to make customers more aware of what is in the foods they eat. Nearly 3 million copies of a brochure entitled "Crib sheet for good eating habits" were printed and distributed to ICA customers to help them make decisions based on lists of contents and nutritional information.

The "Må Bättre" (Feel Better) section of ica.se was visited by around 46,000 customers in 2005. Through the site, ICA's health experts responded to over 300 questions on everything from allergies to exercise, an increase of just over 20 percent compared with 2004.

To support the "Buddy with Your Body" campaign, information was also made available to teachers and students through ICA's website. Parental information on the site was translated to the six most common languages spoken by Swedish immigrants.

Tobacco and alcohol

During the year ICA conducted "under-cover" purchases in its stores to monitor the problem of tobacco and beer sales to minors. The purchases were made by an independent company, Projektbolaget, which has conducted similar purchases at Systembolaget, the state-owned alcohol retail monopoly. To avoid having the purchases seen as a form of entrapment, Projektbolaget only used people over the age of 18, but who look younger.

The "under-cover" purchases showed that between 50 and 70 percent of the stores check identifications satisfactorily. The results indicate that intensified inspections and "under-cover" purchases are necessary. ICA will continue the

"under-cover" purchases program and intensify the inspections in 2006.

To reduce the risk of the sale of tobacco and beer to underage buyers, all stores have computerized cash registers with a function that reminds cashiers to check IDs. Also, a growing number of stores have moved their tobacco sales from behind the cash register to vending machines.

Opinions about ICA

The National Food Administration has had a dialogue with ICA on packaging design for the ICA Gott liv line. ICA wants to highlight the nutritional information on the packaging, but the agency is doubtful whether this meets with the regulation on nutritional information. Since this applies to a number of products on the market, the discussion is continuing between representatives of the food industry and food retailers.

As a result of the debate on marketing to children, ICA has stopped the manufacture of ICA Honungspuffar, a sweetened breakfast cereal. Work has also begun to change the contents and reduce the sugar in ICA's other sweetened cereals. Packaging design will also be reevaluated.

Etos has health as its concept

Etos is a store concept that offers health and beauty products. During 2005 Etos, like ICA Sverige, followed the process under way towards the possible deregulation of the non-prescription medication market. If deregulation comes about, the aim is to sell a well-balanced range of these products.

Ethics

ICA works to ensure that all products sold in the Group's stores are produced under socially responsible conditions. In 2005 ICA developed procedures to better monitor working conditions at suppliers' sites/factories in high-risk countries. ICA became a member, through Royal Ahold, of BSCI, the Business Social Compliance Initiative, a European network to establish criteria and a systematic approach to social responsibility audits at the factory level. In addition to these activities, ICA is involved in a number of charitable projects.

Quality and environmental policy – revised and adopted January 2006

ICA's quality and environmental policy includes social responsibility guidelines concerning supplier products and processes.

Business ethics policy – adopted December 2003

ICA's business ethics policy includes guidelines on relationships with suppliers and partners, e.g., with regard to bribery and gifts, fair trade and shareholdings.

Customer policy – adopted February 2005

ICA's customer policy has guidelines on interacting with customers, marketing, customer protection and how certain products are sold.

Security policy – adopted June 2004

ICA's security policy outlines the responsibilities and obligations to protect employees, customers and property, as well as to generally prevent and minimize risk and thereby avoid disruptions to operations.

Sponsorship policy – adopted February 2005

ICA's policy provides guidelines on sponsorships.

The entire sponsorship policy can be viewed at www.ica.se and www.ica.no.



Socially responsible sourcing

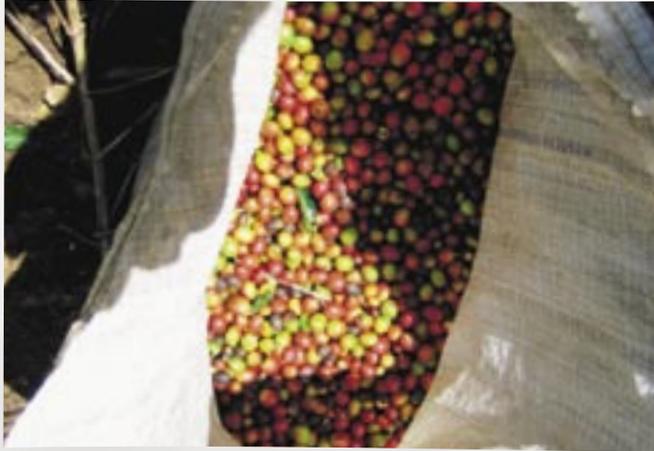
Already in 1998 ICA established social purchase requirements for products from developing countries. The requirements, which are continuously reviewed, are based on the UN declaration on human rights and the core conventions of the International Labour Organisation (ILO). In connection with the revision of ICA's quality and environmental policy in 2005, the requirements were clarified. In addition, the texts on social responsibility in ICA's purchasing agreements were amended and updated.

In 2005 ICA intensified its work to improve methods for monitoring social aspects in its sourcing from risk countries. ICA is a small player on the global market, and to ensure that these requirements have the greatest possible impact ICA decided to expand its cooperations with other purchasers. After assessing many international networks and initiatives that monitor human rights in developing countries, ICA decided that BSCI, Business Social Compliance Initiative, a European alliance between 50 retailers and importers, best meets the company's needs and ambitions in this area.

BSCI requires suppliers in developing countries to undergo audits based on a BSCI questionnaire and conducted by an accredited third party. The audit covers questions on working conditions such as wages, child labor, working hours, contracts, discrimination, safety and medical care. If the supplier does not meet all the criteria, an action plan is drafted and followed up within twelve months. Audits are then conducted every third year. The results of the audit are made available in a database for BSCI's members.

The big advantage of the system is that suppliers do not have to undergo and incur costs for multiple audits, since BSCI's members use the same requirements. As it receives a copy of the audit, ICA can better understand the supplier's situation, which can serve as a basis for further discussion on improvements.

ICA's previous working model that encourages audits of supplier agreements according to SA 8000, an international standard for social accountability, has been replaced by BSCI. However, ICA always looks favorably upon suppliers that apply for SA 8000 certification.



The aims of BSCI are:

- to improve suppliers' social performance
- to coordinate socially responsible standards
- to offer a standardized and predictable monitoring system
- to reduce costs for customers and suppliers to control and monitor social issues
- to create a network to share best practices

Members include Ahold, Kesko, Karstadtstelle, Metro, Migros and Puma.

Better in-house knowledge

ICA devoted a great deal of energy during the year to improve internal procedures for monitoring social issues among its private label suppliers. Representatives of ICA traveled together with purchasers to Kenya, China and Guatemala to investigate working conditions and test the BSCI model. The Group's purchasers have been informed of the new procedures and have been offered support in connection with suppliers in risk countries.

The majority of the 30-odd food suppliers in the Far East used for PL products have received information on ICA's new requirements. Two suppliers were previously certified according to SA 8000 and at year-end one food plant in southern China had undergone a BSCI audit. A few deficiencies, e.g., regarding overtime compensation and fire safety, were noted and will be remedied by the supplier. The question of unionization rights, which is generally a problem with suppliers in China, is also a dilemma. ICA's goal is to have 15 food suppliers undergo BSCI audits in 2006.

Higher priority for non-foods

ICA's purchasers of non-food items have selected eight of the most important suppliers of PL products to initially undergo BSCI audits. Among them are manufacturers of toys, towels, kitchen utensils, apparel and electrical products. Suppliers in China, India and Pakistan have been visited or contacted by ICA's purchasers and received information on the procedures. Three have already undergone BSCI audits in 2005.

Suppliers are beginning to show a greater willingness to ensure proper working conditions in factories, with many taking the initiative on their own. Long working hours are still the biggest problem in many factories in the Far East. Despite compliance with national laws, there is a risk that employees are working beyond ILO recommendations. The main reason is uncertainty about order bookings and, in the case of food suppliers, the outcome and timing of catches or harvests. To handle the load during high seasons, more labor is needed on a short-term basis, resulting in longer working hours.

BSCI model for primary production

ICA has worked actively with other BSCI members to draft criteria suitable for farms, plantations and agricultural collectives. Such criteria have previously been lacking. Since conditions on farms and plantations are different than in factories, it has been important to develop a new model based on BSCI's audit using the new criteria. Tests of the audits were conducted at farms in Spain and Morocco in 2005. A final test has been conducted at one of ICA's suppliers, a Kenyan tea plantation, in early 2006 with good results. The goal is to conduct BSCI audits using the new criteria with

at least five of ICA's produce suppliers in 2006. These audits will serve as a complement to the EurepGap certification, which is a requirement for all suppliers of fruit and vegetables for ICA's private labels; see page 24.

Responding to criticism

In December the organization Fair Trade Center presented another report on working conditions at toy manufacturers in China. The report was a follow-up on the obligations of retailers to control certain identified suppliers. Fair Trade Center criticized ICA for not fulfilling its commitment. ICA believes, however, that it has greatly improved its efforts to monitor the working conditions of its toy suppliers through visits and information on ICA's requirements. Moreover, one of ICA's suppliers, which had previously been singled out by SwedeWatch, conducted a BSCI audit with good results.

Socially responsible products

After oil, coffee is the world's largest commodity. It is natural, therefore, that unions and human rights organizations inspect and question working conditions, wages and other social aspects on coffee plantations. ICA's own coffee is certified by Utz Kapeh, an independent organization that sets and monitors environmental, food safety and labor practice requirements for workers and their families on coffee plantations. Utz Kapeh means "good coffee" in Mayan.

Utz Kapeh "Certified Coffee" means:

- chemicals are used as little as possible and in a responsible manner
- consideration is given to employees' health and safety
- schools and healthcare are available for workers and their families
- workers have the right to unionize and negotiate collectively
- records are kept on acreage, crop histories, soil and chemical use
- coffee is fully traceable

The Utz Kapeh logo is shown on ICA's coffee packaging, along with a recommendation to type in the best-before date at www.ica.se in order to find out where and how the coffee was grown, what environmental measures were taken and, in many cases, on working conditions on the plantation.

In November 2005 ICA employees were in place in Guatemala to monitor aspects of the Utz Kapeh system, such as working conditions at certified farms, quality assurance and the traceability system.

Another product is ICA's fresh cut roses, which are grown on farms in Kenya that take a progressive approach to their employees and environmental concerns. They are certified according to Milieuproject Sierteelt, MPS, a Dutch standard for environmental and working conditions.

Fair trade labeled products

Interest in fair trade labeled products is increasing, especially in Norway, where politicians and various organizations are driving the issue. The ICA Maxi Lund store in Norway has made a great effort to promote fair trade labeled products on separate shelves. The selection comprises no less than 40 products, and customer demand is growing. When the ICA Nær store in Moldeliveien, Oslo opened, it had dedicated shelves with only fair trade labeled products.

Sales of fair trade labeled products by ICA Sverige rose by over 50 percent in 2005 compared with 2004, mainly due to organic and fair trade labeled bananas sold under the ICA



Ekologiskt brand, which more than doubled in sales. The fair trade share of sales within each product group at ICA Sverige is less than one percent, with the exception of bananas, which tops three percent. The Swedish fair trade labeled selection includes coffee, tea, cocoa, bananas and, on a seasonable basis, oranges. The Norwegian product selection also includes juice and rice. In 2006 measurements of fair trade labeled sales in Norway will also be possible.

Stakeholder dialogue

ICA tries to maintain an open dialogue with stakeholders. This is especially true for customers, though also suppliers, national and municipal authorities, unions and environmental organizations. ICA has therefore built up an extensive network of contacts and regularly meets with e.g. consumer, environmental and human rights organizations.

In the summer of 2005 ICA invited consumer organizations to a dialogue on competition, price and quality. The focus of the discussion was the price cuts ICA made in the spring of 2005 and the debate whether other value-added would be sacrificed. ICA described its ambitious goals to develop products with value-added.

ICA has also maintained an active dialogue with customers directly in stores and through ICA's Customer Call Center, and in part through various surveys conducted periodically at both a local and national level. ICA's Customer Call Center processes suggestions from customers and any complaints concerning PL products. ICA expanded ICA's Customer Call Center during the year to handle both the Swedish and Norwegian market. Again ICA won the Grand Prix for best customer service among Swedish retailers.

ICA's Customer Call Center

	2005	2004
Product complaints	14,784*	13,701
Email	26,121	19,714
Telephone	69,137	47,872

** Sales of PL products rose by 20 percent, while the number of complaints rose by 8 percent.*

As evidenced by ICA's Customer Call Center in 2005, product safety is a concern of customers. A warning about suspected EHEC bacteria in chopped meat (see also page 25) which subsequently proved to be false, caused many concerned customers to contact ICA. To accommodate ICA's customers, the Call Center extended its hours to respond to questions. Customers also offered many suggestions that helped ICA to improve its product range, e.g., with regard to products with less sugar and more finely ground chopped meat. ICA's Customer Call Center also noted that more customers want information on the gluten, lactose, egg and nut contents in products, an issue ICA is working on closely.

ICA conducts periodic surveys to evaluate customers', employees' and communities' opinions about its corporate social responsibility work. A survey of Swedish opinion leaders and decision-makers in 2004 showed that ICA's work in the area is relatively well-known and appreciated. ICA received high ratings for its work with quality, information, health issues and the way it treats customers, but slightly lower ratings for its environmental work and the way it handles issues involving rural communities. ICA has stated that this may be partly due to a lack of information on what the company is doing in the environmental area

and that there are no other companies its size in rural areas. In 2006 the survey will be conducted again in Sweden and Norway.

Protecting customers' privacy

Personal information on Swedish customers is obtained through the ICA customer card. By utilizing this information, ICA can customize offerings while also managing the commitments that the card's banking services entail. Safeguarding customers' privacy is a high priority, and in addition to current laws ICA has drafted a policy on handling personal information.

During the year the Swedish Data Inspection Board followed up its inspection of ICA in 2003, noting that ICA's basic terms for its customer card should be further clarified. This was subsequently done in cooperation with the board.

The Swedish Data Inspection Board cited one ICA store for using the calculator function on its cash register together with personal ID numbers to verify that customers buying beer and tobacco are over the age of 18. The board is concerned that scanning an ID number can be considered use of personal information despite that it is not stored and remains in the register system for one second while the customer's age is verified. ICA considers compliance with alcohol laws more important and has therefore appealed to the county administrative court. No decision has yet been made.

ICA has an ombudsman for privacy issues to whom customers can turn if they believe ICA has not protected their information satisfactorily. No complaints were submitted during the year.

Serious robberies continue

The number of robberies and attempted robberies in Swedish ICA stores rose slightly during the year. Robberies have become more serious, e.g., perpetrators have used vehicles to force their way into stores after closing.

Even stores with secure cash handling systems have been victimized by attempted robberies despite their increased security. Investments in secure systems have continued, as have systematic efforts to utilize risk assessments for security threats and violence. Small stores in the suburbs have been affected the most, although the trend indicates a rise in robberies in city centers locations as well. In Sweden, ICA Nära and ICA Supermarket have experienced the most robberies and thefts.

Training for store security coordinators continued during the year. The aim is to create safe and secure workplaces, to minimize the risk of personal injuries and financial losses, and to handle serious incidents quickly and professionally.

Due to higher crime levels, ICA's large stores in Sweden have conducted in-depth store security and employee safety analyses. Store operation leaders have been trained to better assist stores that have been victimized by crime.

Number of robberies

	2005	2004
ICA Sverige	51	45
ICA Norge	5	5
Etos	0	0
Netto	8	2
Rimi Baltic	0	0

Netto was also affected by a higher number of thefts and robberies in 2005, and the perpetrators were younger in age. Netto has prioritized prevention work in the form of safety training for staff, installation of security cameras and stronger external security in special risk areas.

Measures to improve security

The overall objective of ICA's security work is to protect employees, customers, property and the businesses against all types of threats. ICA works with SOS Alarm, which provides a security center with emergency telephone numbers. The service is available round the clock to receive, process and provide information on specific incidents.

A number of different tools have been developed to improve security in stores. As a support in the event of serious incidents, a security calendar has been created along with a handbook with guidelines and directives. ICA has also compiled a security manual for new construction and renovation work. A new system for reporting incidents has been launched as well by ICA AB and was fully placed in operation on January 1, 2006. The system makes it possible to follow up any operational deficiencies at an early stage.

A new strategy for IT security was formulated during the year to meet the requirements for a secure, functional and cost-effective IT environment. The business is in great need of new IT services, and this need is expected to increase in the years ahead. The strategy will be put into action during the period 2006-2008.

ICA Norge conducts systematic security work comprising security standards development, routines, monitoring and evaluations. In 2005 a major security training program was conducted throughout the country.

ICA Fastigheter Sverige AB has developed a program for systematic fire safety work and introduced it to its tenants.

ICA Meny Sverige has trained security coordinators in every region. The new fire safety procedures, which meet Sweden's new laws to prevent accidents, has already worked well within the company in its first year.



Sponsorships and cooperations

ICA's commitment to societal issues is the basis of its sponsorships. For the fourth consecutive year ICA Sverige held a Christmas campaign to sell bread from Bageri Skogaholm and Polarbröd. In 2005 the campaign raised SEK 4 million to benefit the World Childhood Foundation, which will use the money to improve living conditions for children and young mothers in need in around 15 countries through 40 projects. ICA was also one of the organizers of Childhood Day at the amusement park Gröna Lund in Stockholm, which raised SEK 700,000.

ICA is the main partner in the Swedish Cancer Society's activities to benefit research, including the pink ribbon campaign for breast cancer research and a fundraiser broadcast on TV3. In total, ICA and its customers raised about SEK 2.6 million for the pink ribbon campaign in 2005. Etos sold pink ribbons in its stores and donated SEK 10 from every product sold from its PL line for nursing and expectant mothers to the Cancer Society.

ICA frequently conducts activities to collect money for the Red Cross. Since 1999 customers have donated around SEK 17 million through 500 bottle and can recycling machines in Swedish ICA stores. ICA donated SEK 1 million to the Swedish and Norwegian Red Cross in connection with the tsunami disaster. Collection boxes were placed at nearly all ICA stores. To commemorate the one year anniversary of the disaster, ICA cooperated with the Red Cross and the University College of Arts, Crafts and Design. A couple of coffee mugs produced in Thailand were sold in ICA stores, and SEK 47 per package was donated to the Red Cross

to help those in need in Southeast Asia and elsewhere around the world. ICA's other major sponsorships included the World Wildlife Federation (WWF) to support the preservation of pastureland and free range meats, the "Blodomloppet" series of road races to recruit blood donors, and BRIS (Children's Rights in Society).

ICA Sverige and ICA Norge donate goods and Christmas gifts to local aid organizations such as the Salvation Army and the Norwegian Church's City Mission. ICA Norge also has a cooperation agreement with the football club in Vålerenga to support its anti-racism campaign, which has had a major impact in athletic circles in Norway.

In 2005 Rimi Baltic established a sponsorship policy stating that it supports projects that help Baltic children in the areas of safety, education, health and well-being. Rimi Latvia and Rimi Estonia sponsor a number of activities and organizations focused on children and young adults. One notable project was "Sunny Days for Our Children," which Rimi Latvia sponsored for the second consecutive year. Collection boxes were placed at all Rimi stores and SEK

111,041 was donated to create a new, modern and computerized library at the children's hospital in Riga. "My Best Teacher" was the name of a popular campaign that Rimi Latvia ran during the first days of the school semester. One teacher, out of 19 nominees, received the award from Rimi. During the year Rimi Estonia renovated and built new playgrounds around the country. It has also collected money for vulnerable and handicapped children, and it sponsored families with special needs with educational Christmas presents. Rimi Estonia also sponsored a campaign to raise the number of blood donors in Estonia. During major holidays such as Easter and Christmas the stores donate food and gifts to local aid organizations and foster homes.

ICA Meny has continued to support the Swedish culinary arts as a co-owner of Restaurangakademien (Academy for Restaurant Employees) and chief sponsor of the Swedish national team of chefs, which took the Olympic gold medal in 2004 using mostly organic products. In 2005 preparations began for the new team of chefs that will compete at the Olympic Games in 2008, again focusing



on using organic products. ICA Meny also sponsors Bocuse d'Or, one of the world's most prestigious cooking competitions.

Most common store in small communities

Of the 555 stores in Sweden's rural communities with only one grocery store, 40 percent are operated by ICA. In 2005 the closures of ICA's smallest stores slowed. Previously an average of 100-125 stores were shut down per year, but in 2005 that number fell to 38, of which only eight were in rural communities. There were several reasons for the previously high rate of store closings, but mainly they were due to shrinking populations, greater competition and changes in consumers' buying habits. Investments in recent years in computerization and expanded services, including pickups for Systembolaget and Apoteket, the state-run alcohol and pharmacy monopolies, and post office and bank teller services, have had a positive effect. ICA's price-cutting campaign during the year also contributed to higher sales for small stores.

Improved efficiency in the stores' administration, purchasing, follow-ups and communication with ICA centrally requires investments in computers and modern cash register systems. Stores that do not wish to share in the investment have the option, through ICA Meny, to become part of the Nära Dej ("Near You") concept, a nationwide chain of convenience stores.

In cooperation with other organizations, ICA is drawing attention to the issue of access to services in every part of the country. ICA is working actively on various projects together with Föreningen Landsbygdshandels Främjande, the Swedish Consumer Agency, local development groups and county boards

around Sweden. Together with these partners, ICA hopes to identify effective supply chain solutions and help to develop commercial and public services. One example is the virtual grocery store in Vingåker, which offers Internet-based food shopping and a range of services from the state-owned pharmacy and alcohol retail monopolies and off-track betting service. Another example is Arena for Growth, a cooperation between FöreningsSparbanken, Sweden's municipalities and county councils, and ICA, which promotes development and renewal in the public and private sectors. Together with the county administrative board in Västerbotten, a project is under way that involves not only the food retail sector but also municipal services for the villages of Bygdsiljum and Rusksele. ICA is also taking part in a logistics project to improve transport efficiency for stores in rural areas. The county administrative board in Norrbotten and Luleå University, together with logistics managers at ICA, have analyzed and evaluated the logistics systems used by ICA and ICA Meny.

The Swedish Consumer Agency stands behind the so-called multiservice project, which is designed to identify service needs and promote the development of additional providers of commercial and public services. A test is under way in four communities, three of which involve ICA stores.

Cultural diversity

Customers with backgrounds in other cultures are important to ICA. In 2005 ICA continued to develop ways to meet the needs of these consumers. Work was begun to create a product selection within ICA, to satisfy these customers. Moreover, a new, extensive multi-

cultural section was launched on ICA's intranet, providing information on food customs, product assortments and holidays. Many retailers already offer a wide and popular range of products, while others have difficulty finding products that meet all their customers' wishes.

The theme of ICA's calendar for 2005 was "Protecting Diversity." The calendar, a million copies of which are printed each year, took up various aspects of cultural diversity.

Employees

Coordination and development were priorities for the ICA Group in 2005, which was evident in its human resource work. Coordination took the form of organizational development and the addition of new competence. At the same time a variety of efforts were made to develop and stimulate employees within in the Group, in addition to the promotion of a number of health-related activities.

Occupational health and safety policy – revised and adopted October 2004

ICA's occupational health and safety policy, which provides guidelines on human resources and working environments, clarifies that ICA strives to maintain a climate that promotes physical and mental health, both short- and long-term, and contributes to the development of employees and the business.



Basis for health and safety work

ICA's basic premise is that all its employees should feel satisfied with their jobs and that their workplaces should be welcoming and open. All employees should also have equal opportunities for personal and professional development. These are the fundamental values behind ICA's occupational health and safety work.

New Group organization

ICA is a group in constant change, which requires that the organization is periodically reevaluated. The new Group organization with responsibilities covering the Nordic area created during the year means that the sales companies ICA Sverige, ICA Norge and ICA Meny now share a number of support functions. This has led to major changes for many employees, and eight of ten salaried employees have switched department or supervisor.

In 2004 it became evident that cost savings within the Group would make it necessary to reduce the number of employees in 2005 and 2006. To date 260 positions have been affected. ICA's aim, as far as possible, is to help terminated employees to find new positions, receive further training or otherwise support those affected by redundancies. This is covered in a program on pensions, competence building and travel subsidies, among other things.

In connection with the organizational changes, a competence audit was conducted to identify existing competencies as well as any deficiencies within the company's operations. Special areas that will be prioritized include communications, financial literacy and operational leadership.

As of July 1, 2005 ICA has a single human resource function with responsibility to support the entire Group. In addition, training functions have been merged into ICA Utbildning, which consists of two departments, ICA-Skolan in Sweden and Oppl ring in Norway.

Furthermore, a Nordic corporate council has been established between the unions and the company's management to spread information and consult on central issues within the Group.

Independent employees

ICA's employee policy focuses on the individual's ability to perform and their feeling of independence, i.e., a sense of ownership of their



job and work situation. The keywords ICA highlights are: want – to be committed; know – to feel informed; can – to feel competent to do their jobs; may – to feel they have enough authority to meet their responsibilities; and should – to feel responsible for those duties.

ICA's leadership policy encourages managers to promote independence and excellence. Managers must maintain a dialogue with employees, help them understand their duties and encourage them to develop. Research has demonstrated a connection between a sense of independence and well-being. Perceptions of independence in the organization are measured and followed up through an annual employee survey, which then serves as a basis for a dialogue within the working group and an action plan to alleviate any deficiencies.

Training is a priority

Altogether, nearly 11,000 employees, mainly from the stores, have attended courses in Sweden and Norway. Popular training programs in Norway cover food issues, store operation, handling of fruit and vegetables, logistics and management. In Sweden, training primarily revolves around store management issues. Development programs were also conducted for managers. They learned about ICA's approach to leadership, covering areas such as coaching, supervision, group dynamics, personal development, dialogue techniques, rhetoric, labor law and stress management. Four hundred managers participated in least one of these programs in 2005.

Rimi Baltic has established and introduced a new training policy that states that increasing knowledge and competence through education, training and sharing experience among employees is imperative to the company's competitive strength and ability to reach its business objectives. Rimi Baltic encourages all forms of education that enhance profes-

sional competence and assist employees in their personal development. In 2005 Rimi Baltic launched a trainee program to promote personal and professional development among young graduates to better ensure access to candidates for managerial positions. Rimi Baltic wants to improve service in its stores and has therefore started a program for store employees whereby managers and customers are asked to give their opinions of and evaluate customer service in stores. An employee survey was conducted with the goal of improving working environments in stores and reducing employee turnover.

Netto's goal as far as possible is to recruit senior management internally, and it has succeeded well in terms of district managers, store managers and other leaders. To provide store employees with a strong base of knowledge, Netto gave around 500 employees the opportunity to participate in various development programs in 2005. A number of store management positions were filled with participants from the new trainee program started during the year.

Educational cooperations

ICA has a number of cooperations with schools to call attention to the skills retailers need. For example, ICA is one of the founders of the Nordic Retail Trade Program in Norrtälje together with Coop, the local municipality, Statoil and Roslagens Sparbank. The first students graduated in spring 2005. ICA contributes industry sector expertise, guest lecturers and a scholarship for best retail-related thesis. ICA also cooperates with the School of Business, Economics and Law at Göteborg University, the retail design and communication program at Växjö University, the retail development program for store managers in Haninge, and a retail trainee program at Sögbäcksgymnasiet in Huddinge.

In Norway, ICA collaborates with Sandaker Videregående Skole. In addition to study visits, ICA offers internships in its stores.

Rimi Baltic launched its own Retail Academy during the year and awarded 29 scholarships to employees so that they can continue their academic studies. Moreover, Rimi Estonia and the Tallinn University of Technology have signed an agreement to establish a new course in retail studies. Rimi will allocate 75 trainee positions to students who take the course.

Employee health

The ICA Group tries to maintain a working environment that is physically and mentally healthy, that promotes a sense of well-being both short- and long-term and contributes to the personal development of employees and overall development of the business.

ICA Sverige has an agreement with Previa to obtain access to occupational health services. All employees now receive a uniform level of preventive health services that meets the requirements of ICA's health and safety policy. The agreement also gives ICA's managers and HR consultants a professional partner in this area.

Most workplaces offer exercise alternatives, and many even provide access to massage. ICA Sverige and ICA Meny have employee associations that arrange activities such as Weight Watchers classes, discounted gym passes and participation in various road races. Many of ICA Norge's workplaces have local agreements on health services.

The ICA Group has central guidelines on the use of tobacco and narcotics that require that all workplaces within the Group are safe, secure and drug-free. All new employees of the Swedish companies, regardless of position, are required to be drug tested. Further, action plans are established to alleviate any problems that arise.

Number of FTE (Full Time Employment), annual employees and sickleave

	No. of FTE 2005	No. of annual employees 2005	No. of annual employees 2004	Sickleave %
ICA AB	963	1,265	474	3.21 (3.8)
ICA Sverige**	4,096	4,893	4,407	7.11 (7.3)
ICA Norge	2,982	4,052	5,540	6.35 (6.5)
ICA Meny	871	1,016	899	7.49 (5.9)
ICA Banken	143	154	121	6.92 (6.2)
Etos	21	24	23	4.4 (3.43*)
Rimi Baltic	8,375	9,313	5,286	n/a (n/a)
Netto	629	777	540	6.92 (5.0)

* 2004 figures refer solely to store employees.

** Incl. ICA Maxi Special.

Diversity

ICA's success is dependent on having employees with different educations, ages, genders, and ethnic and national backgrounds. In other words, diversity is essential to its future. According to its gender equality plan, ICA will work actively to promote diversity and thereby improve its financial results and the company's attractiveness as an employer.

Among other things, ICA Sverige is encouraging more women to work at the new warehouse in Helsingborg. The goal is that at least 20 percent of the staff will be female. A training program has been started together with the Board of Development in the city of Helsingborg designed mainly for women. Sixty applicants will be accepted to a warehouse training program that will combine theoretical and practical training over four months. They will learn more about working environments, safety, the food industry, health and the environment.

Netto is working actively to achieve gender equality at all levels. Among salaried employees, including store operations, 45 percent of employees are women and 55 percent are men. In terms of Netto's district managers and store managers, the makeup is 50 percent each. Netto also promotes diversity in many dimensions, for example, at year-end there were over 20 different nationalities represented within the company.

Future recruitment

ICA is working to maintain its reputation as an attractive employer to ensure that it can recruit the employees it needs both short- and long-term. It is important to maintain an open dialogue with potential employees even if recruiting needs are limited at the moment.

An important area is future recruitment to ICA stores. About 90 percent of Sweden's ICA retailers regularly accept trainees and interns. For many young people, this is their first con-

tact with working life. ICA Sverige has developed a program, "Praktica: A store in practice," with accompanying materials, to make it easy for stores to provide students with interesting and educational internship opportunities. By showing that the retail profession offers a variety of interesting challenges and the potential for personal development, ICA hopes to raise the status of retail work and facilitate future recruitment. As of year-end 2005 around 300 stores have ordered the material. The program has also been marketed to trainers and career advisers at schools in the communities around the stores.

ICA participated during the year in a number of job fairs at colleges and universities in Sweden and Norway, where students were informed about ICA as a company and the opportunities for careers and development available to ICA employees.

Popular employer

ICA's popularity as an employer among students was confirmed by Universum Communications' "corporate barometer," which ranks the reputation of employers among students. ICA placed 17th in Sweden in 2005, its highest ranking ever.

Number of men and women in management positions

	Men, %	Women, %	Total
ICA AB	58	42	194
ICA Sverige	86	14	169
ICA Norge*	67	33	915
ICA Meny	79	21	67
ICA Banken	70	30	20
Etos	25	75	4
Rimi Baltic*	67	33	195
Netto*	57	43	91

2005 figures include all management levels within the companies and are not directly comparable with previously reported figures.

* Including store managers.

Environment

ICA is working in many ways to reduce the impact of its operations on the environment. Through long-term, prevention work and with the precautionary principle as a basis, ICA contributes to sustainable development. ICA's environmental work includes setting requirements on the product range, energy conservation measures, waste sorting and use of environmentally friendly transportation. Organic and eco-labeled products are also an important part of ICA's efforts to reduce its environmental impact.

Quality and environmental policy – revised and adopted January 2006

The ICA Group's quality and environmental policy provides practical guidelines for day-to-day activities in the Group and its stores. The guidelines also cover the requirements placed on suppliers.

The entire policy can be viewed at www.ica.se and www.ica.no.

New store policy – revised and adopted January 2006

ICA's new store policy contains guidelines on environmental considerations, e.g., that new stores should be built primarily in existing high-traffic areas to avoid increasing the traffic burden. Following the revision, the policy applies to both ICA Norge and ICA Sverige.

The entire policy can be viewed at www.ica.se and www.ica.no.

Food and the environment

By placing environmental demands on suppliers and promoting eco-labeled products, ICA is helping to reduce its overall environmental impact on society. Sales of organic products rose by 12 percent in ICA's Swedish stores in 2005. As in the previous year the ICA Ekologiskt line and dairy products accounted for the largest gains. Within the ICA Ekologiskt line, fruit and vegetables are increasing the most. For example, sales of ICA Ekologiskt bananas more than doubled in 2005 compared with 2004. The number of organic products stayed about the same, however.

An analysis conducted in ICA Norge during the summer of 2005 showed that the Norwegian stores offer a good selection of organic products. ICA Maxi has over 150 and ICA Supermarked just over 100. As of 2006 ICA can monitor sales in Norwegian stores and automatically indicate on the store shelves where organic items can be found.

ICA Meny has placed greater focus on organic products, and its selection and sales have increased. Each month the company highlights at least one organic product in its sales magazine.



In 2006 ICA Meny Sverige plans to establish further contacts with organizations such as Ekocentrum and to participate in projects to improve the organic market.

In 2005 Rimi Lithuania offered its customers seven different bread products under the EKO-agro brand. To stimulate sales of organic and national products, Rimi Latvia ran campaigns in which customers were offered samples.

Also, Rimi Baltic sold a number of products during the year under the national quality label developed collaboratively by growers, producers and the ministry of agriculture. The aim has been to promote agricultural development in the region and establish a reliable label for traceable local products.

Netto devoted six full pages of its advertising to ecological themes in 2005. It has also begun a discussion with Ekologiskt Marknadscentrum and will promote organic products on separate pages in its advertising in 2006.

Effects of sales of organic products 2005

Eco sales receipt

To all customers who purchased
ORGANIC MILK in Swedish ICA
stores in 2005*

AMOUNT OF CHEMICAL PESTICIDES
SAVED, APPROX.: 4,210 kg

This promotes biological diversity - more
insects, birds and other fauna around the
farms - and reduces the risk of pesticide
contamination in groundwater and waterways.

AMOUNT OF FERTILIZER
(N+P) SAVED, APPROX.: 361,000 kg

This can help to reduce eutrophication.

COWS THAT EAT ORGANICALLY AND
GRAZE NATURALLY, APPROX.: 2,740

NO. OF FARMS WITH ORGANIC PRODUCTION,
APPROX.: 110

LAND WITH ORGANIC
PRODUCTION: 4,380 hectares

This means more land is cultivated and less
is developed.

GMO: none

ENERGY CONSUMPTION: reduced

(no fertilizer production)
approx. 11,500 000 MJ

HEALTH OF HUMANS AND ANIMALS:
Lower exposure since less pesticides
contaminate soil and water

BIOLOGICAL DIVERSITY: increased

This can lead to:
up to 125% more plant species
up to 50% more bird species
up to 20% more species of
beneficial insects and spiders up to twice as
many individual species

Eco sales receipt

To all customers who purchased
ORGANIC POTATOES and CARROTS
in Swedish ICA stores in 2005*

AMOUNT OF CHEMICAL PESTICIDES
SAVED, APPROX.: 120 kg

This promotes biological diversity - more
insects, birds and other fauna around the
farms - and reduces the risk of pesticide
contamination in groundwater and waterways.

AMOUNT OF FERTILIZER
(N+P) SAVED, APPROX.: 4,000 kg

This can help to reduce eutrophication.

LAND WITH ORGANIC PRODUCTION: 45 hectares

FARMS WITH ORGANIC PRODUCTION: 2

GMO: none

ENERGY CONSUMPTION: reduced

(no fertilizer production)

HEALTH OF HUMANS:
Lower exposure since less pesticides
contaminate soil and water.

AMOUNT OF CADMIUM POLLUTION AVOIDED,
APPROX.: 10 g

BIOLOGICAL DIVERSITY: increased

* The basis of calculation and sources can
be found at www.framtidahandel.se

The eco sales receipt research project
is financed by the Swedish Board of
Agriculture and the Swedish Consumer
Agency.

Sales of organic products

	No. of organic products	Sales trend %
ICA Sverige	400* (440)	12 (15.5)
ICA Norge	157 (96)	n/a
ICA Meny	364 (250)	61 (100)
Rimi Baltic	7 (35)	n/a
Netto	3 (1)	n/a

Figures in parentheses refer to 2004.

* Although the number of products appears to have decreased, the figure for 2005 indicates those items that have been actually sold, which was probably about the same as the previous year figure.

To reduce the environmental impact from other foods not produced according to the rules for ecological production, ICA supports so-called integrated production (IP), where the use of artificial fertilizers and herbicides is documented and used in a controlled setting. All growers of fruit and vegetables that supply ICA Sverige and ICA Meny must, unless they have been certified for organic production, be certified according to EurepGap or other system for integrated production. This certification ensures less environmental impact. In Norway, similar requirements are demanded on Norwegian growers using KvalitetsSystem i Lantbruken (KSL).

Eco-labeling of non-food products

ICA regards eco-labeling as a form of value-added that provides credibility and is simple for buyers and customers to understand. ICA has therefore decided to continue to prioritize eco-labeled products within product groups where criteria are in place.

The Scandinavian ICA companies, including the discount chain Netto, offer a wide range of eco-labeled cleaning products. Netto also has its own private label products, some of which are eco-labeled. All laundry detergents and dishwashing products sold in Swedish ICA

stores are eco-labeled by Nordic Swan or Good Environmental Choice. Skona, ICA's private label of cleaning products, is sold in both Norway and Sweden. Most of the products in the Skona line are labeled by Nordic Swan or Good Environmental Choice.

In 2005 ICA developed its own wipes for infants and launched them under the Good Environmental Choice eco-label.

During the year environmental and quality requirements were revised and developed for purchases of goods used in stores such as plastic and paper bags, signage, uniforms and interior decor. For example, ICA requires that all plastic bags contain 50 percent recycled plastic and that all paper bags contain 40 percent virgin material certified according to the Forest Stewardship Council (FSC).

In the summer of 2005 ICA Norge conducted an analysis of its eco-labeled selection that showed it offered 72 such items, the majority of which are Swan labeled. With this survey as a basis, as of 2006 ICA Norge is able to monitor sales of eco-labeled products and better promote these products on store shelves.

Rimi Latvia offers environmentally friendly laundry detergents and dishwashing products that a group from the Environmental Protection Club (EPC) has approved. EPC is a government-financed organization that promotes products with reduced environmental impact.

Sustainable primary production

As an element in ICA's promotion of sustainable fishing, ICA Sverige launched three MSC-labeled fish gratins under its private label during the year. The Marine Stewardship Council label shows that the fish has been caught in compliance with sustainable practices that protect stocks and their environments while permitting responsible use of them. ICA already offers Findus MSC-labeled hoki, a variety of hake from New Zealand.

To protect remaining cod stocks, ICA does not buy cod from the Baltic Sea for its private labels. ICA's frozen cod fillets come from the Northeast Atlantic and are taken by hook,

which causes less damage to the sea floor and reduces bycatch as compared to fishing by trawling. The debate that began in 2006 on cod caught outside legal quotas persuaded ICA to take part in an industry initiative to prevent illegally caught fish from being sold in the Swedish market.

The debate on the environmental harm caused by the farming of tropical shrimp near the Equator continued in 2005. These farms damage the mangrove swamps that serve as "nurseries" for many species of fish. ICA Sverige therefore offers only one type of tropical shrimp in its assortment that is approved by Naturland, a German sister organization to KRAV. ICA Meny, which also offers prawns, has carefully selected its suppliers. Neither ICA Sverige nor ICA Meny actively market prawns, and they are not used in any suggested recipes from ICA Sverige.

The production of palm oil has fueled the destruction of rainforests in many areas. In 2004 the Roundtable on Sustainable Palm Oil (RSPO) was established to create criteria for sustainable production of palm oil. Among the criteria, which were launched in November 2005, is that new palm oil plantations must not destroy the rainforest and they must be certified by a third party. ICA will promote the use of only certified palm oil in the products sold in the Group's stores.

ICA was criticized during the year for its sale of Brazilian beef, since there is a risk that the growing beef production in Brazil is resulting in the destruction of the rainforest. To ensure that the beef ICA buys through Swedish and Norwegian importers does not come from areas where forests are ravaged, ICA has discussed traceability with importers, government authorities and the World Wildlife Fund in Brazil and Sweden. As a result of ICA's queries and discussions, the Swedish embassy in Brazil has established an investigation on the possibility of tracing Brazilian beef. ICA will also conduct its own quality and environmental audits on site in Brazil to verify traceability and the risk of damage to rainforests.

New Swedish law on beverage containers

In 2006 a new law took effect in Sweden on beverage container deposits. It is now illegal to sell or warehouse ready-to-drink beverages in plastic or aluminum containers that are not accepted by approved recycling systems and that do not display information on the bottle or can to this effect. The exemption is for dairy products and juices. During the year ICA ensured that all of its central selection of beverages comply with the new law and informed its stores and suppliers about the new rules.

In-store environmental work

During the year ICA Sverige signed an agreement with SIS Miljömärkning to give all 360 ICA Miljö stores the opportunity to promote themselves with the Swan, the official Nordic eco-label. Swan requirements are largely the same as those for ICA Miljöbutiker (eco stores) with regard to environmental product selection, access to consumer information, employee training, waste sorting and controlled energy consumption. The 360 ICA Miljöbutiker account for approximately 70 percent of ICA Sverige's total store sales. The work has begun at Maxi and Kvantum stores; at year-end just over 40 stores had undergone Swan audits and were able to replace their ICA Miljö store signs with the Swan.

Rimi Estonia cooperated with the environmental organization Estonia Fund for Nature on a major campaign called "Eco-Days at Rimi" at Rimi's hypermarkets and supermarkets. The aim of the campaign was to stimulate and motivate customers to shop economically, ecologically and in a health-minded way.

Transports and the environment

ICA's biggest impact on the environment is from transports. Its quality and environmental policy guidelines state that ICA will try to reduce this impact. This can be done through efficient logistics by maximizing load factors, coordinating transports and return transports from suppliers, and using double-deck trucks, railroads, ships and alternative fuel vehicles.



The goal of the Swedish logistics department is to be the best in the Nordic region in retail logistics. An important step toward achieving this is the implementation of a new logistics structure which will be completed in 2008. Many products, such as dairy, meats and carbonated beverages are currently distributed directly from suppliers to stores. With the new structure, more products will be distributed to stores via ICA's warehouses. An environmental analysis shows that the new structure will reduce total vehicle emissions from transports to Swedish ICA stores by approximately 20 percent. An information folder on the logistics structure was produced during the year and distributed internally and externally to various stakeholders in the community.

Another major change is that ICA Sverige has outsourced all transports to independent haulers. When agreements are signed with haulers, it is noted that environmental requirements and monitoring will be at least as stringent as before.

ICA requires that its haulers clearly state in their operating systems or policies that they will work to reduce polluting emissions in relation to the mileage they drive. ICA also requires that its haulers ensure that drivers operate their vehicles drug- and alcohol-free, that they follow speed restrictions and that they use seat belts.

Environmentally efficient logistics

In 2005 ICA Norge further increased its share of coordinated transports by taking over transports of dairy products from a Norwegian supplier, reducing direct deliveries from suppliers to stores. Rimi Baltic also continued to coordinate transports of more product categories. As of 2005 all dairy products are transported via Rimi Baltic's warehouse in Latvia.

The overall environmental impact from transports within the food retail industry and by suppliers can also be reduced through return transports, i.e., after offloading at stores, trucks carry new goods from suppliers to ICA's warehouses. This is already being done to a large degree in Sweden, Norway and within Netto. Through the new logistics structure in Sweden, return transports will be further increased in the next three years.

ICA Meny has improved the efficiency of its warehouse structure in Stockholm and reduced intermediate transports. Moreover, ICA Meny and ICA in Sweden have begun coordinating goods shipments, which also reduces emissions. During the year ICA Meny started a project with handheld terminals used by its hauling firms to monitor for example environmental aspects such as capacity usage and miles driven for ICA Meny.



Carbon dioxide emissions

Carbon dioxide emissions from transports and other forms of combustion contribute to the greenhouse effect. By reducing fuel consumption and replacing fossil fuels with renewable energy sources, the environmental impact can be reduced. New, more fuel efficient truck engines and the new, environmentally efficient logistics structure at ICA in Sweden will help to reduce carbon dioxide emissions over time. ICA Sverige requires that its haulers have a plan to reduce carbon dioxide emissions from their transports.

Opportunities to utilize rail shipments between ICA's warehouses are continuously evaluated. In 2005 ICA took part in a project to test freight shipments by rail with simplified loading and unloading. ICA also tries, whenever possible, to handle long-distance transports by boat all the way to its warehouses. Non-food products from China, for example, were previously unloaded onto trucks in Göteborg, but today are shipped directly by boat to the central warehouse in Västerås.

ICA has conducted an analysis of the environmental work of the foreign haulers it uses for international purchases. Of 18 land-based

haulers, all have environmental policies and 11 are environmentally certified. Of the seven sea transporters, two are certified according to an environmental management system and five have environmental policies.

Network improves logistics

ICA Sverige took part in roundtable discussions with the Swedish Road Administration and five companies from other industries that resulted in a declaration of intent signed in February 2005. The declaration covers requirements for traffic and environmental safety for heavy transports. Together with Coop and Axfood, ICA also signed another declaration of intent initiated by the Road Administration's regional office in Stockholm to ensure that transports reduce environmental impacts. As part of Framtida Handel (Future Retail), an agreement between companies in the food sector and the Swedish government, a project was started on distribution during evening hours in large cities.

Business travel, company cars and the environment

Personal travel to and from work as well as travel on the job also affect the environment.

ICA has adopted a detailed policy that encourages the Group's employees to use telephone and video conferencing whenever possible.

ICA monitors its air travel from both a financial and environmental perspective. Despite tighter restrictions on traveling for meetings, emissions produced by ICA's business travel rose substantially in 2005. This was partly because more companies, and therefore more employees, are now included in ICA's travel procurement and partly because of an increase in the number of trips to and from Oslo, Helsinki and Amsterdam as a result of ICA's new Nordic organization. Train travel by ICA employees during the year avoided 260 tons of carbon dioxide emissions into the atmosphere as compared to their having traveled by car.

Many employees of the ICA Group have company cars or car allowances. Late in the year orders for cars powered by hybrid or alternative fuel technologies rose dramatically. One of every six cars ordered utilizes environmentally improved technology. Further, ICA has requirements on the types of fuel used in the vehicles from its car rental partners.

Continuous improvements with environmental standards

In 2005 all certified units within ICA Sverige and ICA Fastigheter Sverige AB met the revised ISO 14001:2004 environmental standard and were recertified. ICA Meny Sverige, which has been ISO 14001 certified since 1999 and aims to set the standard in its industry, will meet the revised standard in the spring of 2006.

A number of environmental training sessions were offered at the logistics department in Sweden, and ICA Meny Sverige provided courses on environmental legislation, training for new internal environmental auditors and environmental training for new employees.

Diesel consumption and carbon dioxide emissions from transports between warehouses and to stores

	Diesel consumption 2005, liters	CO ₂ 2005, tons
ICA Sverige	17,996,700 (16,750,000)	46,530 (43,458)
ICA Norge (incl. ICA Meny Norge)	2,578,000 (2,900,000)	6,703 (7,540)
ICA Meny (Sverige)	1,878,900 (1,748,000)	4,885 (4,544)
Rimi Baltic	1,898,000 (609,000)	4,935 (1,584)
Netto Marknad	530,000 (n/a)	1,378 (n/a)

Figures in parentheses refer to 2004.

Emissions of carbon dioxide and nitrogen oxides from ICA employees' air travel

	Emissions of CO ₂ from air travel	Emissions of NO _x from air travel
Reserved flights by ICA employees in 2005	2,703 tons (713.3)	9.4 tons (2.5)

Source: Carlson Wagonlit.

Emissions increased due to the inclusion of more companies and employees as well as trips to and from Oslo, Amsterdam and Helsinki necessitated by ICA's new organization.

Figures in parentheses refer to 2004 emissions.

ICA Sverige conducted environmental and traffic safety audits of five haulers in 2005. During the spring of 2006 a cooperation was established between Sweden and Norway, with the goal of creating a shared environmental management system.

Waste management

The goal of ICA's waste management is to reduce waste, particularly the fraction that ends up in landfills. This is achieved by, among other things, sorting and recycling materials as well as through reuse of plastic crates. Corrugated cardboard and shrink wrap are the two materials recycled the most. All of ICA Sverige's warehouses sort compostable waste, which is converted into soil or biogas, thereby achieving the goal for 2005 of reusing or recycling at least 93 percent of the company's wastes.

All of ICA Norge's warehousing units have environmental stations where corrugated board, plastic and aluminum cans from the stores are processed before being sent to recycling. ICA Meny has continued to reduce its unsorted waste sent to landfills. The share of combustible waste has risen, however, from 53 to 56 percent.

ICA has drafted guidelines for minimum sorting levels in stores, primarily designed for its Swedish stores. To ensure practical compliance with the guidelines, a waste consultant has been brought in to work with new construction and renovation work.

All corrugated board and plastic from Rimi stores in the Baltic countries is sent to recycling.

In-store energy savings

ICA's overall objective is to reduce energy consumption in its stores and warehouses. At the same time it is handling increasing volumes and a larger share of refrigerated and frozen products, which consume more energy. Certain warehouses have taken energy-conservation measures, including reusing waste energy from cooling systems and tying into the district heating network.

Amount of corrugated board and soft plastics sorted and recycled from stores and warehouses (tons)

	Corrugated board	Soft plastics
ICA Sverige	1,431* (1,452*)	1,385 (1,364)
ICA Norge	9,635 (9,971)	612 (577)
ICA Meny (Sweden)*	240 (226)	101 (104)
Rimi Baltic	3,363** (3,965)	190** (231)
Netto Marknad	3,070 (1,223)	32 (76)

* Only from warehousing operations.

** Some data gaps due to system changes. 2004 figures in parentheses.

Energy consumption in warehouses and stores (kWh/sq. m.)

	Warehouses	Stores
ICA Sverige	242 (241)	- (-)
ICA Norge	n/a (n/a)	580 (650)
ICA Meny (Sweden)	241 (245)	- (-)
Rimi Baltic	223 (145)	394 (319)
Netto Marknad	230 (n/a)	310 (360)

*ICA Sverige and Rimi Baltic are increasing mainly due to increased sales and more refrigerated and frozen products. Monitoring with the help of CoolICA in Norway has had a positive effect on energy consumption in Norwegian stores.
2004 figures in parentheses.*

All of ICA Sverige's warehouses use only Good Environmental Choice labeled electricity. This has helped to reduce carbon dioxide emissions from energy production by approximately 4,408 tons, which corresponds to about 10 percent of emissions from ICA's distribution transports.

The CoolICA system, which is introduced in 276 Norwegian stores, carefully monitors energy consumption and temperatures in all refrigerated display cases and freezers. Cool ICA has resulted in better food quality through improved temperature control, as well as a reduction in energy and service costs of NOK 17 million and a better overview of, and support for, store operations. In 2005 a separate control center for the CoolICA system was installed at ICA Norge's head office. CoolICA will be offered to all ICA stores in Norway in 2006. Similar automated monitoring systems are used by Rimi Baltic at its warehouses and in stores.

Refrigerants

ICA has a large number of refrigeration, freezer and air conditioning systems that contain refrigerants. Practically all of ICA's warehouses

have replaced HCFC, an ozone-depleting refrigerant, with alternatives with less environmental impact. Although use of HCFC's is still permitted, refills are not. The majority of Swedish ICA stores have phased out HCFC and replaced it with refrigerants that do not deplete the ozone layer. ICA Norge has fewer than ten facilities using HCFC, all of which will be converted by 2010 at the latest. ICA's goal is to use only refrigerants that do not have a negative impact the climate.

Environmental requirements in new construction

ICA has issued a number of environmental requirements for the new warehouses it is building, including in terms of energy conservation and transport planning. In connection with new construction, renovation or additions to warehouses, only climate-safe refrigerants such as ammonia are used and heat recovery is standard on all new refrigeration systems. ICA has also set environmental requirements for the construction of its new head office in Solna. For example, in cooperation with the local municipality, ICA has tried to make more public transportation available to the new office.

Cooperation with WWF

ICA has been working with the World Wildlife Fund (WWF) for many years. The cooperation dates back to the 1980's, when ICA decided to stop selling chlorine-bleached paper bags. At the time there were no systems for eco-labeling, so to strengthen its environmental profile ICA contributed 5 öre (SEK 0.05) from the price of each bag to WWF, and WWF's logo was printed on the bags.

The cooperation has expanded to include nearly all the environmental concerns ICA has faced over the years such as overfishing, genetically modified organisms (GMO), the destruction of tropical rainforests, hardwood and most recently, the cultivation of palm oil. In all these areas, ICA has had access to WWF's experts in order to make better-informed decisions. On many issues ICA has and still is taking part in various WWF initiatives. One example is the Forest and Trade Network, where ICA follows the network's guidelines in sourcing wood products, particularly with regard to charcoal and garden furniture. To ensure that wood comes from responsibly managed forests, ICA chooses those labeled by FSC (Forest Stewardship Council) whenever possible. In 2005 around 75 percent of all barbecue products (lump charcoal and briquettes as well as disposable grills) were FSC-labeled.

ICA and WWF have worked most closely together on a project designed to contribute to biodiversity in the Swedish landscape. The Free Range Beef Project is working to ensure that precious pasture is grazed by cattle, which is imperative if it is to remain open and create the proper conditions for a diverse range of flora and fauna. Since 1999 ICA and WWF have tried to increase the number of grazing animals. Free range beef, which has a high meat quality and a better composition of fats, is sold in around 40 ICA stores in Sweden. In 2005 ICA and WWF provided information on the benefits of free

range beef to various media outlets. The aim is to increase sales of this beef in the years ahead. In total, nearly 30,000 hectares (750,000 acres) of grazing pastureland have been restored through this collaborative project.

Independent environmental surveys

ICA was named the second best company in Sweden in terms of its environmental work in an annual customer survey by the magazine MiljöEko.



Quality

It is imperative that customers have confidence in ICA and the products sold in the Group's stores. Many people associate ICA with high quality, and the company is constantly working to improve quality in every area. The focus of ICA's quality work is to guarantee product safety through the entire supply chain from primary producer to the end consumer. This includes inspections and monitoring of production, product quality, warehousing, transports and handling in stores. This is a major undertaking that covers products from both local and global suppliers all the way to the store shelf.

Quality and environmental policy – revised and adopted January 2006

The ICA Group's quality and environmental policy provides practical guidelines for day-to-day activities. The guidelines also comprise the requirements ICA places on its suppliers.

The entire policy can be viewed at www.ica.se.

Food safety measures by suppliers

ICA participates in the Global Food Safety Initiative (GFSI), which sets common standards for evaluating food safety among suppliers. ICA requires that suppliers of its private label products are certified by GFSI, which demands that monitoring systems, inspection programs for critical points Hazard Analysis and Critical Control Points, (HACCP) and traceability are in place. A similar system, EurepGap, is used for fruit and vegetables. Companies that package and supply produce to ICA must be certified by a third party according to the GFSI standard. As of year-end 2005 the majority of suppliers of ICA's PL products had received certification. Suppliers that cannot provide GFSI certification are audited by ICA to determine whether they will meet the standard within one year.

ICA requires that all its other suppliers have self-inspection programs based on HACCP, preferably a GFSI standard. This is monitored through audits and questionnaires.

The local character of each ICA store is often reinforced by a selection of locally produced foods, mainly fresh foods. Audits are conducted to ensure that local suppliers operate in approved facilities, that self-inspections are based on HACCP and that the company has systems for recalling and tracing products. In Norway, all suppliers also receive a questionnaire on quality and quality assurance systems. Suppliers that do not respond or do not meet the requirements are not used. In 2005 a total of 190 local suppliers were audited.

Quality assurance of non-food products

Suppliers of non-food products must apply the principles of ISO 9000 or other relevant industry standard. Of a total of 91 non-food suppliers for ICA's private labels, 54 are ISO 9001 certified. ICA conducted quality audits at 28 non-food suppliers in 2005.

In 2005 Rimi Baltic harmonized the quality requirements used in sourcing agreements in its three countries. It has also established a new quality organization with overall responsibility for quality assurance of PL products in the Baltic operations. In addition, quality managers are in place at all warehouse units in each country to prioritize improvements in the quality of fresh foods.

Share of quality certified suppliers

	%
Share of PL suppliers that are quality certified by GFSI or equivalent	Sweden 80 (52) Norway 58 (30)
Share of PL produce suppliers that are quality certified by EurepGap or equivalent	Sweden, vegetables 100, fruit 95 (95) Norway 100 (95)
Share of other produce suppliers that are quality certified by EurepGap or equivalent	Sweden 90 Norway 95

The goal is to have 100 percent quality certified suppliers. Figures in parentheses refer to 2004.

Quality assurance of private label products

Quality work in connection with PL development is done in several stages. ICA's quality laboratory tests to ensure the right appearance, smell, taste, consistency and function of products. Detailed product specifications describe each product's microbiological limits, nutritional value, the supplier's traceability system and packaging information. Both new and existing products are tested based on these specifications. Production facilities must meet ICA's requirements for environmental and product safety.

ICA's produce department checks that products live up to requirements in terms of weight, size, acidity, sweetness and shelf life. As a complement to the National Food Administration's tests, ICA does random sampling checks for pesticides. If any traces are found, measures are immediately discussed with the National Food Administration.

Traceability and recalls

An important part of product quality work is being able to trace a product or ingredient backward and forward in the food supply chain. The new EU directive on traceability that entered into force on January 1, 2005 requires every level that handles a product to be able to trace it one step backward and forward in the chain.

In 2003 ICA Norge upgraded its recall system, F-SAFE, which can stop the sale of the goods at all store registers through a single central order. The system was also introduced in Sweden in early 2005.

F-SAFE was put to the test in early September when a limited shipment of chopped beef sold under the Euroshopper brand indicated traces of E. coli bacteria. The meat was immediately recalled from stores. Analyses later showed that it did not contain any hazardous strains of the bacteria.

ICA Meny has created a separate organization with responsibility for tracing and recalling products and updating alarm routines for recalls. The routines were tested during the summer of 2005 when an alarm was sounded on lettuce suspected of being contaminated by EHEC bacteria. The company was quickly able

to reach out to all relevant customers so that they could discard the product in question. In early 2006 system support for traceability will be upgraded in connection with the introduction of a new business management system.

Rimi Baltic has implemented the EU's rules on meat traceability. It can now trace individual cuts of meat back to the farm where the animal was raised.

ICA has two food brands, ICA and Euroshopper. The ICA brand stands for good quality and taste comparable to that of leading brands but at a lower price level. The products sold under ICA's discount brand, Euroshopper, are of simpler quality in terms of ingredients, though the quality of food safety is the same as for the ICA brand.

ICA has accelerated the launch of PL products. In 2005 around 290 PL products were launched, an increase of 15 percent compared with 2004. PL sales currently account for approximately 14 percent of ICA's total sales.

Rimi Baltic has also launched more PL products. In 2005, 118 new products were offered, of which 94 were the Euroshopper brand. Rimi Baltic labels all its PL products in four languages: Estonian, Latvian, Lithuanian and Russian.



Product recalls from stores

	Total no. of recalls	Of which PL products
ICA Sverige	114 (56)	54 (22)
ICA Norge	47 (60)	12 (8)
Rimi Baltic	472 (169)	13 (1)
ICA Meny*	60 (n/a)	40 (n/a)
Netto	7 (6)	0 (n/a)
Etos	2 (0)	2 (0)

* Recalls from warehouses.

More PL products, a low tolerance level and a higher number of inspections by suppliers have contributed to a rise in the number of recalls. Many recalls were due to incorrect labeling.

Figures in parentheses refer to 2004.

Animal welfare

ICA applies strict rules for animal welfare. The rules are comparable to Swedish and Norwegian law and cover eggs, meat products and products sold under the ICA brand such as meatballs and pizza, as well as fresh and frozen meat in ICA Sverige and ICA Norge's product range. For the Euroshopper private label and other products containing meat, ICA requires suppliers to follow EU regulations on animal welfare.

In 2004 ICA, in cooperation with outside experts, developed internal criteria and an inspection system for animal welfare designed for monitoring within and outside Scandinavia. During the past year ICA began conducting its own audits according to this system on farms in Ireland, Denmark and Sweden. The purpose of the audits is to ensure compliance with animal welfare criteria throughout the supply chain.

In-store quality assurance

ICA's goal is to live up to customer requirements and society's expectations that its stores maintain high hygienic standards. By law, every store must have its own inspection program for quality and hygienic practices, e.g., comprising routines, maintenance of equipment and properties, and inspections of temperatures in freezers and refrigerated display cases. The aim is to improve the handling of fresh foods in stores and thereby increase food safety.

In 2005 an Internet-based self-inspection program was introduced to monitor quality work by stores. Store employees record temperatures and other inspection points with the help of a hand-held terminal in a web program used throughout ICA. In this way, both the stores and ICA centrally can monitor the work with self-inspections. The goal is that all Maxi and Kvantum stores and the large part of other stores will have introduced the system in 2006.

In Norway, external consultants are brought in to ensure proper inspections at ICA Maxi and ICA Supermarked stores. For ICA Nær and Rimi, ICA has formulated a questionnaire for use in stores. Audits of the self-inspection program are conducted by employees in their own operations. The goal is to introduce the web-based inspection tool in the Norwegian stores in 2007.

Rimi Baltic maintains an open dialogue with authorities to enhance its quality efforts. In Latvia, it is participating in a process together with authorities and the trade association to draft common guidelines for food safety in the retail sector. Moreover, Rimi Baltic began working internally in 2005 to detail and communicate guidelines for handling goods in stores to ensure that quality is maintained.

Netto's self-inspection and food safety program is continuing in cooperation with ICA and according to the requirements set by authorities.

Quality assurance for warehouses and transports

All of ICA's warehouses and distribution units work in accordance with HACCP. It is crucial that the refrigerated chain remains unbroken and that goods are stored and transported at the right temperature to ensure quality.

ICA Norge continued working to improve suppliers' routines to ensure proper handling of refrigerated products. Goods sometimes are not sufficiently cooled after production, as a result their temperatures can end up being too high while transported and stored at ICA's warehouses.

ICA Sverige completed installation of a monitoring tool called R:com, which measures and records the temperature of every shipment. R:com ensures that a temperature of 0–4 C is maintained in all trucks. If the temperature in a vehicle climbs too high, an alarm sounds for the driver. Predetermined procedures then have to be followed, and if there is any suspicion that the refrigeration process has been affected, sensitive goods are discarded. These routines were reviewed during the year and sampling was increased. A similar monitoring system is used on all vehicles that distribute goods within Rimi Baltic.

New EU regulations on food safety and hygiene entered into force on January 1, 2006. ICA Sverige has played an active part in updating and developing industry-wide agreements on the handling of refrigerated and frozen foods. The work is expected to be completed in 2006.

ICA Meny has focused on food safety and complies with the National Food Administration and ICA's requirements. Through regular follow-ups, quality and the systems have been improved. Among other efforts, it has invested in new freezer equipment in Norrköping. Meny's goal is to be able to implement third-party quality certification within the near future.

Rimi Baltic has a sophisticated quality assurance system to safeguard and raise quality levels for produce. A new refrigerated warehouse was placed in operation in Estonia. Rimi

Baltics' supplier agreements contain detailed quality requirements based on national and EU legislation. Quality managers carefully check that agreements are followed through quality inspections of goods delivered to its warehouses. If goods do not meet Rimi's requirements, they are sent back. In this way, suppliers have an incentive to improve their own quality work.

Netto has also made quality assurance at its warehouses a priority. Each one has a quality manager whose job is to continuously improve the handling and inspection of fruit and vegetables.

Criticism of fresh fish quality

Inspections in Norwegian stores conducted by reporters from the Norwegian Broadcasting Corporation, showed that the quality of fresh fish was lower than expected. ICA Norge has established clearer routines and developed requirements for microbiological and sensorial tests of fish delivered to its stores. Employees who work at the seafood counter received training during the year in handling fish, and ICA is conducting its own analyses in stores to monitor the progress of these efforts.

No genetically modified products

A genetically modified organism (GMO) has had its genetic code altered by technological means to give it special characteristics. In general, ICA is positive to new technology that leads to better products for consumers. For ethical and environmental reasons, however, it questions the production and cultivation of genetically modified foods and seeds that are not contained*.

For ICA to sell a product that has been produced with the help of genetic technology, it must be ethically acceptable, safe for humans and the environment, and clearly beneficial for consumers. Decisions whether to add such products to ICA's range are made by the company's management, though no cases have arisen as yet. ICA's position that consumers should have the right to all available information on a product naturally applies to products that consist of or contain ingredients with a genetically modified origin. No such products have been or currently are included in ICA's range.

As of 2004 two new EU directives apply to genetically modified foods and feed as well as to traceability and labeling of GMO's. This legislation covers all foods and ingredients containing GMO's or which have been produced using genetically modified ingredients. Such products must be labeled as having been produced with genetic technology, regardless of whether or not this can be proven through analysis.

ICA Meny has asked its suppliers to sign an agreement that all goods they supply will follow applicable laws. Rimi Baltic has similar requirements in its supplier agreements.

** Contained means controlled production in an industrial or laboratory setting without the risk of spreading genetically modified organisms to the surrounding ecosystem.*



Governance of ICA's corporate social responsibility work

The ICA Group's work with corporate social responsibility is based on its vision to make every day a little easier and its mission to be the leading food retailer in the Nordic countries with a focus on food and meals.

One of the cornerstones of ICA's strategy is to contribute to a sustainable society, as elaborated in "ICA's good business" – seven basic values that summarize ICA's stance on corporate responsibility. Based on these positions, policies are formulated that describe how these values are translated into practice. Each of the policies contains guidelines and instructions for day-to-day operations. Concrete objectives and activities are established in the companies' business plans.

Management and organization of this work

Group Management has ultimate responsibility for the company's objectives and strategies in the area of corporate responsibility. A management team for Professional Conduct and Ethics has been created to handle responsibility for ICA's policies and their implementation, suggesting priorities and monitoring ethical dilemmas and ICA's reputation in society.

This cross-functional team is led by the head of the Corporate Responsibility, Customer Relations & Quality department. The team includes managers for Legal Affairs, Purchasing, Human Resources, Communications, Security, ICA Sverige, ICA Meny, New Store Openings and Public Affairs at ICA Norge.

Many of the issues are handled by the Corporate Responsibility, Customer Relations & Quality department, which falls under the Group's Retail function at ICA AB. Corporate Responsibility, Customer Relations & Quality has managers responsible for health, quality, the environment and social responsibility.

During the year Royal Ahold, one of ICA's two owners, established a working group responsible for the development and monitoring of Corporate Social Responsibility (CSR) issues. The head of ICA's Corporate Responsibility, Customer Relations & Quality department is a member of the team.

Since January 2005 Rimi Baltic is 50 percent owned by ICA and 50 percent owned by Kesko. During the year a Sustainability Advisory

Board with representatives of the owners and Rimi Baltic was formed to establish common requirements and expectations for work, follow-ups and reporting on sustainability issues.

Priorities

ICA has been focusing on health since 2004. Other priorities include further efforts to develop a sustainable store network, food safety, social responsibility in the supply chain and decrease environmental impacts.

In 2005 discussions were held by the companies' management groups on ICA's basic values, policies and ethical dilemmas.

During the year Group Management also revised ICA's sponsorship and health policies to accommodate the revised Nordic nutritional recommendations. In the new customer policy, ICA has brought together its previous rules on customer interaction, marketing and customer privacy.

Follow-ups and reporting

For many years ICA has provided information on its work in the areas of quality, the environment, health, ethics and social concerns. The aim is to establish common objectives and indicators for the Group in the sustainability area and to report completely in accordance with the Global Reporting Initiative indicators (GRI) within a couple of years. As yet there is no common structure between companies to monitor key ratios, but for the second consecutive year ICA is using GRI as a basis for its reporting.

ICA AB has been a member of the Global Compact since 2004 and reports annually on the activities and results related to the ten points that serve as the basis for the compact. ICA's progress in this area is reported on page 29.



Global Compact's ten principles

The Global Compact's principles – aspects reported below relate primarily to purchasing

Business should	Comment	Improvements 2005	More on pages
1. support and respect the protection of internationally proclaimed human rights in areas they can impact	For PL, monitoring systems. For other suppliers, demands through policies and purchasing agreement.	Start of systematic monitoring of suppliers in high-risk countries through BSCI audits. Development of a new model to implement audits in primary production. On-site visits to suppliers to discuss possible improvements.	7-9
2. make sure that they are not complicit in human rights abuses	For PL, monitoring systems. For other suppliers, demands through policies and purchasing agreement.	Start of systematic monitoring of suppliers in high-risk countries through BSCI audits. Development of a new model to implement audits in primary production. On-site visits to suppliers to discuss possible improvements.	7-9
3. uphold the freedom of association and the effective recognition of the right to collective bargaining	For PL, monitoring systems. For other suppliers, demands through policies and purchasing agreement.	Start of systematic monitoring of suppliers in high-risk countries through BSCI audits. Development of a new model to implement audits in primary production. On-site visits to suppliers to discuss possible improvements.	7-9
4. eliminate all forms of forced and compulsory labor	For PL, monitoring systems. For other suppliers, demands through policies and purchasing agreement.	Start of systematic monitoring of suppliers in high-risk countries through BSCI audits. Development of a new model to implement audits in primary production. On-site visits to suppliers to discuss possible improvements.	7-9
5. effectively abolish child labor	For PL, monitoring systems. For other suppliers, demands through policies and purchasing agreement.	Start of systematic monitoring of suppliers in high-risk countries through BSCI audits. Development of a new model to implement audits in primary production. On-site visits to suppliers to discuss possible improvements.	7-9
6. eliminate discrimination in respect of employment and occupation	For PL, monitoring systems. For other suppliers, demands through policies and purchasing agreement. ICA's diversity plan and guidelines for recruiting, including discrimination issues.	Start of systematic monitoring of suppliers in high-risk countries through BSCI audits. Development of a new model to implement audits in primary production. On-site visits to suppliers to discuss possible improvements. Internal work to avoid all forms of discrimination.	7-9, 13-15
7. support a precautionary approach to environmental challenges	See environment chapter and ICA's Quality and Environmental Policy.	Higher sales of eco-labeled products, improved systems for monitoring sales of eco-labeled products in Norway, improved waste handling, efficiency improvements in logistics, monitoring of own and haulers' management systems.	16-23
8. undertake initiatives to promote greater environmental responsibility	See environment chapter and ICA's Quality and Environmental Policy.	Higher sales of eco-labeled products, improved systems for monitoring sales of eco-labeled products in Norway, improved waste handling, efficiency improvements in logistics, monitoring of own and haulers' management systems.	16-23
9. encourage the development and diffusion of environmentally friendly technologies	See environment chapter and ICA's Quality and Environmental Policy.	Higher sales of eco-labeled products, improved systems for monitoring sales of eco-labeled products in Norway, improved waste handling, efficiency improvements in logistics, monitoring of own and haulers' management systems.	16-23
10. work against all forms of corruption, including extortion and bribery.	Follow-up of guidelines in the business ethics policy, including fair competition inspection programs.	Internal dialogues on business ethics in the Group's management teams.	28

GRI index – Global Reporting Initiative

GRI index	Document	Pages	Comment
1. Vision and strategy			
1.1	R	2, 6	
1.2	R; CSR	3-5; 3	
2. Organisational profile			
2.1	R; AR	54; 2	
2.2	R	2	
2.3	R	2, 9, 31, 52	
2.4	R	2, 9, 31	
2.5	R	2	
2.6	R	2, 52	
2.7	R	3-5, 8-11, 32-33, 36-37, 40-41, 42, 44, 45, 46	
2.8	R	2, 12-15, 31-47	
2.9	R; CSR	3-5, 8-11; 9	
2.10	R; CSR	50-51; 34	
2.11	AR	3	
2.12	AR	2	
2.13	R	2	
2.14	AR; R	3; 2, 8-11	
2.15	R	2, 31	
2.16	-	-	Not compiled
2.17	-	-	Not compiled
2.18	R; CSR	53; 33	Not compiled
2.19	-	-	Not compiled
2.20	R; CSR	52; 28	
2.21	AR	39	Applies only to financial info
2.22	R	20, 26	
3. Management			
3.1	R; CSR	2, 9, 52; 28	
3.2	-	-	Not reported
3.3	-	-	Not reported
3.4	R; CSR	52; 28	
3.5	AR	22	
3.6	R; CSR	19, 52; 28	
3.7	R; CSR	16-17, 19, 20, 26; 4, 7, 13, 16, 24, 28	
3.8	R; AR	52; 7	
3.9	CSR	9	Partially
3.10	CSR	9	Partially
3.11	CSR	9	Partially
3.12	CSR	9	Partially
3.13	CSR	16	Reasserted
3.14	R; CSR	16, 17, 19, 29; 28, 29	
3.15	CSR	34	
3.16	R; CSR	16, 19, 20, 26; 4, 7, 13, 16, 24, 28	
3.17	CSR	4-28	Some examples reported
3.18	R	3-5, 8-11	
3.19	CSR	28	
3.20	CSR	20-21, 25	

GRI index		Document	Pages	Comment
Economic performance indicators				
EC1	Net sales	R; AR	2; 6	
EC2	Geographic breakdown of markets	R	30, 36	
EC3	Cost of goods, materials and services purchased	AR	9	
EC4	Percentage of contracts paid in accordance with agreed terms	-	-	Not compiled
EC5	Total payroll and benefits	AR	21-22	
EC6	Distributions to providers of capital	AR	8	
EC7	Retained earnings	AR	8, 11	
EC8	Taxes broken down by country	AR	9, 21-23	
EC9	Subsidies received broken down by country	-	-	No known subsidies
EC10	Donations for charitable purposes	R; CSR	20, 24; 11	
EC11	Supplier breakdown by organization and country	-	-	Not compiled
EC12	Total spent on non-core business infrastructure development	-	-	Not reported
EC13	The organization's indirect economic impacts	-	-	Not reported
Environmental performance indicators				
EN1	Total materials use other than water	-	-	Not reported
EN2	Percentage of materials used that are wastes from external sources, %	-	-	Not reported
EN3	Direct energy use	CSR	22	
EN4	Indirect energy use	-	-	Not reported
EN5	Total water use	-	-	ICA Sverige - ICA Meny S 12794 m3
EN6	Location and size of land owned, leased or managed in biodiversity-rich habitats	-	-	Not reported
EN7	Major impacts on biodiversity associated with activities	CSR	16-18	Example - pastureland, organic
EN8	Greenhouse gas emissions	CSR	20	From transports
EN9	Ozone-depleting substances	CSR	22	Mentioned, not complete
EN10	NOx, SOx and other significant air emissions	CSR	21	Business travel
EN11	Wastes by type and destination	CSR	21	Corrugated and plastic
EN12	Significant discharges to water	-	-	Not reported
EN13	Significant spills of chemicals, oils and fuels	-	-	No instances known
EN14	Significant environmental impacts of principal products and services	CSR	16-18	Part of product range
EN15	Percentage of weight of products sold that is reclaimable, %	-	-	Not reported
EN16	Violations of current environmental laws	-	-	No known crimes
EN17	Initiatives to use renewable energy and increase energy efficiency	CSR	21-22	
EN18	Energy consumption footprints of major products	-	-	Not reported
EN19	Other indirect energy use and implications	-	-	Not reported
EN20	Water sources and related ecosystems/habitats significantly affected by use of water	-	-	Not reported
EN21	Annual withdrawals of ground and surface water as percent of water available from sources	-	-	Not reported
EN22	Total recycling and reuse of water	-	-	Not reported
EN23	Land owned, leased or managed	AR	24, 37	
EN24	Impermeable surface as a percentage of land purchased or leased	-	-	Not reported
EN25	Impacts of activities and operations on protected and sensitive areas	CSR	16-18	FSC and free range meats
EN26	Changes to natural habitats	CSR	16-18	FSC, indirect
EN27	Measures to protect and restore native ecosystems and species	CSR	16-18	E.g., palm oil, FSC, MSC, free range meats
EN28	Number of IUCN Red List species with habitats in areas affected by operations	-	-	Not reported
EN29	Business units in protected or sensitive areas	-	-	Not reported
EN30	Indirect greenhouse gas emissions	-	-	Not reported
EN31	Hazardous waste management	CSR	21	Managed according to law
EN32	Water sources and related ecosystems affected by discharges of water and runoff	-	-	Not reported
EN33	Performance of suppliers relative to environmental components	-	-	Quality and environmental policy
EN34	Environmental impacts of transportation	CSR	19-20	
EN35	Total environmental expenditures	-	-	Not compiled
Social performance indicators				
LA1	Breakdown of workforce	R	31	
LA2	Net employment creation and average turnover	R	17	Partially
LA3	Percentage of employees represented by independent trade organizations	-	-	Not compiled
LA4	Information, consultation, and negotiation with employees over changes in operations	R	48-49	Codetermination negotiations held
LA5	Recording and notification of occupational accidents and diseases	-	-	Not compiled
LA6	Formal health and safety organization	CSR	13, 28, 34	Cited
LA7	Injury, lost day and absentee rates and number of work-related fatalities	CSR	15	Sick leave absences
LA8	Policies or programs on HIV/AIDS	-	-	Not reported
LA9	Average hours of training per year per employee	CSR	14-15	

GRI index		Document	Pages	Comment
LA10	Equal opportunity policies or programs as well as monitoring systems	CSR	16; 14	Occupational health and safety policy
LA11	Composition of senior management, incl. female/male ratio and other indicators of diversity	CSR	15	
LA12	Employee benefits beyond those legally mandated	R; CSR	16; 14	Partially
LA13	Formal worker representation in decision-making or management	R	48-49, 52	
LA14	Compliance with ILO Guidelines for Occupational Health Management Systems	CSR	7-8, 10, 14-15	
LA15	Formal agreements with trade unions	R	16	Occupational health and safety policy
LA16	Programs to support continued employability of employees and manage career endings	CSR	13	
LA17	Policies and programs for skills of management or lifelong learning	CSR	13-14	Occupational health and safety policy
Human rights				
HR1	Policies, guidelines, corporate structure and procedures to deal with human rights	CSR	7-8, 13	Quality and environmental policy for purchasing. Occupational health and safety policy for employees as well as laws and agreements.
HR2	Consideration of human rights impacts in investment and procurement decisions	CSR	-	Quality and environmental policy for purchasing. Occupational health and safety policy for employees.
HR3	Policies and procedures to address human rights performance with supply chain and contractors	CSR	7-9	Quality and environmental policy for purchasing.
HR4	Policy and procedures/programs preventing discrimination	CSR	7-9, 13-15	Quality and environmental policy for purchasing. Occupational health and safety policy for employees as well as laws, agreements and diversity plan.
HR5	Freedom of association policy and application	CSR	7-9, 13	Quality and environmental policy for purchasing. Occupational health and safety policy for employees as well as laws and agreements.
HR6	Child labor policy and application	CSR	7-9	Quality and environmental policy for purchasing. Occupational health and safety policy for employees as well as laws.
HR7	Policy to prevent forced and compulsory labor and application	CSR	7-9	Quality and environmental policy for purchasing. Occupational health and safety policy for employees as well as laws.
HR8	Employee training on policies and practices concerning human rights	CSR	7-9	-
HR9	Appeal practices			Business ethics policy
HR10	Non-retaliation policy and employee grievance system			Business ethics policy
HR11	Human rights training for security personnel	-	-	Not reported
HR12	Policies, guidelines and procedures to address the needs of indigenous people	-	-	Not reported
HR13	Jointly managed community grievance mechanisms/authority	-	-	Not reported
HR14	Share of operating revenues redistributed to local communities	CSR	7-9	RM, Utz kapeh
Society				
SO1	Policies and procedures to manage impact on communities	R; CSR	6, 19, 20, 26, 52; 28	ICA's good business + policies with guidelines
SO2	Policies and procedures to combat bribery and corruption	R; CSR	6, 19, 20, 52; 7, 28	Business ethics policy
SO3	Policies and procedures to manage political lobbying and contributions	-	-	Not reported
SO4	Awards received relevant to CSR	CSR	15, 23	
SO5	Amount paid to political parties and campaign organizations	-	-	Not reported
SO6	Court decisions pertaining to antitrust and monopoly regulations	-	-	No cases pending
SO7	Policy, procedures/management systems and compliance mechanisms to prevent anticompetitive behavior			Business ethics policy, including fair competition inspection program
Product responsibility				
PR1	Policy and monitoring systems for preserving customer health/product safety	CSR	24	Quality and environmental policy, handbook with instructions, agreements and follow-ups
PR2	Policy, procedures/management systems and compliance mechanisms related to product information and labeling	CSR	24	Quality and environmental policy, handbook with instructions, agreements and follow-ups
PR3	Policy, procedures/management systems and compliance mechanisms for consumer privacy	CSR	7, 10	Customer policy
PR4	Instances of noncompliance with customer health and safety regulations	CSR	26	Recalls
PR5	Number of complaints upheld by regulatory or similar official bodies regarding product safety	-	-	No complaints (excl. stores)
PR6	Voluntary code compliance, product labels or awards	CSR	4-27	Utz Kapeh, rural communities, health products
PR7	Instances of noncompliance with regulations on product information and labeling	CSR	6, 26	
PR8	Policy, procedures/management systems and compliance mechanisms related to customer satisfaction	CSR	7, 9	Customer policy
PR9	Policy, procedures/management systems and compliance mechanisms for adherence to advertising standards	CSR	4, 7	Health policy, customer policy
PR10	Breaches of advertising and marketing regulations	-	-	No established violations known
PR11	Number of substantiated complaints regarding breaches of consumer privacy	CSR	10	No complaints

R = ICA AB Report 2005 AR = ICA AB Annual Report 2005 CSR = ICA AB Corporate Social Responsibility Report 2005

Glossary and abbreviations

Abbreviations

BSCI – Business Social Compliance Initiative, www.bsci-eu.org

CFC, HCFC, HCF – Various types of coolants, www.naturvardsverket.se, www.odin.dep.no/md

CIES – The Food Business Forum, www.ciesnet.com

CSR – Corporate Social Responsibility

EPC – Environmental Protection Club, Latvia, www.vak.lv

FSC – Forest Stewardship Council, www.fsc.org

GFSI – Global Food Safety Initiative, www.globalfoodsafety.com

GMO – Genetically Modified Organism

GRI – Global Reporting Initiative, www.globalreporting.org

HACCP – Hazard Analysis Critical Control Points, www.slv.se and www.mattillsynet.no

ILO – International Labour Organization, www.ilo.org

IP – Integrated Production

ISO 14001 – International Standard Organisation, www.iso.org

ISO 9001 – International Standard Organisation, www.iso.org

KRAV – Certification body for organic products (Sweden), www.krav.se

KSL – Quality System for Agriculture, www.ksl.no

MPS – Dutch certification body for floriculture sector, www.st-mps.nl

MSC – Marine Stewardship Council, www.msc.org

PL – Private label products

RSPO – Roundtable on Sustainable Palm Oil, www.rspo.org

SA 8000 – Social Accountability Standard, www.sa8000.org

WWF – World Wildlife Fund, www.wwf.org

Glossary

Allergen – Substance that induces an allergic reaction.

Ethical Trading Initiative – Organization that supports socially responsible purchasing, www.etiskhandel.no

Etikakademin – Organization that supports and trains companies and organizations on ethical issues, www.etikakademin.se

EurepGap – International quality assurance system for horticultural products, www.eurep.org

Euroshopper – The ICA Group's discount product range, www.ica.se, www.ica.no

Fair trade label – Label for social sustainable products, grown and produced according to special criteria with a focus on social working conditions, www.rattvisemarkt.se

Framtida handel – Cooperative environmental project between Swedish government and food retail industry, www.framtidahandel.se

Fri For – ICA Norge's activities for people with food intolerances and allergies.

Global Compact – UN initiative to encourage companies to support human rights, labor and the environment, www.unglobalcompact.org

Global Responsibility – Swedish government's partnership with the business community in ethical issues, www.ud.se/ga

ICA Ekologiskt – The ICA Group's assortment of organic products, www.ica.se, www.ica.no

ICA Miljöbutik – ICA stores with a wide selection of eco-labeled products and environmentally sensitive operations, www.ica.se

Keyhole – Swedish National Food Administration's label for high-fiber and/or low-fat products, www.slv.se

Non-Food – Products excluding food, e.g., apparel and housewares.

Organic – Grown and produced according to organic rules, i.e., without pesticides or fertilizer, www.krav.se, www.debio.no

Quality audit – Review of a company's routines and management in terms of quality assurance

Swan – Official Nordic ecolabel of the Nordic Council of Ministers, www.svanen.nu, www.ecolabel.no

Särnär – Foods for special nutritional needs.

Third party certification – An impartial certification.

Utz-Kapeh – Foundation that certifies that coffee growers take social and ecological responsibility for their coffee production, www.utzkapeh.org

World Childhood Foundation – Nonprofit organization dedicated to serving the most vulnerable children worldwide, www.childhood.org

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Trade organizations

ICA Group companies are members of a number of national and international trade organizations, including those listed below.

ICA AB is a member of:

- CIES – The Food Business Forum
- ICC – International Chamber of Commerce
- EuroCommerce – European association of trade interests
- UN Initiative Global Compact
- Amnesty Business Forum
- Svensk Handel

ICA Sverige is a member:

- Svensk Handel – Swedish Federation of Trade
- Svensk dagligvaruhandel – Food retail trade organization
- FLF, Föreningen Landsbygdshandelns Främjande – Organization for promoting stores in rural communities

- Globalt Ansvar – Partnership for global responsibility between Swedish government and business sector
- ICA Sverige is also one of the founders of Etikakademin
- The Sponsorship and event organization

ICA Norge is a member of:

- Initiativ för Etisk Handel – encourages businesses to take responsibility for human rights
- HSH – Confederation of Norwegian Commercial and Service Enterprises
- NCF – Norwegian Association of Foodstuff Wholesalers
- HØR – Handelns Ølsalgråd
- Fetevaregrossistene landsforening
- DMF – Dagligvarehandelns miljø og emballageforum

ICA Meny is a member of:

- Djupfrysingsbyrån – Swedish Frozen Food Institute
- DLF – Grocery Manufacturers of Sweden
- RASFF – Rapid Alert System for Food and Feed
- ASIS – American Society for International Security
- NSD – Confederation of Swedish Enterprises' forum for security issues

Rimi Baltic is a member of:

- National Retail Associations in each country
- Traders and Producers Chamber, Latvia



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