



THE ICA GROUP'S ANNUAL REPORT 2010

We make  
every day a  
little easier



# Contents of the ICA Group's Annual Report



**ICA's Good Business** Future generations should also be able to enjoy a clean environment and a society open to everyone. ICA's Good Business philosophy guides our corporate responsibility work.



**President's statement** Despite facing many challenges in 2010, ICA laid a foundation for future business. CEO Kenneth Bengtsson discusses last year and the challenges ahead.



**Create value** Entrepreneurial spirit, strong local flexibility and satisfied customers. These are among the ingredients in ICA's model for long-term value creation.



**Ethical Trade** ICA buys goods from around the world. We believe in trade on equitable terms.

## GROUP AND COMPANY

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## ENVIRONMENT AND SOCIETY

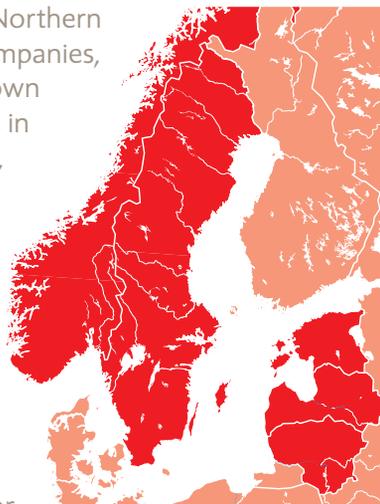
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# This is the ICA Group

The ICA Group is one of Northern Europe's leading retail companies, with around 2,200 of its own and retailer-owned stores in Sweden, Norway, Estonia, Latvia and Lithuania. The Group includes ICA Sweden, ICA Norway, Rimi Baltic, ICA Real Estate and ICA Bank, which offers financial services to Swedish customers. Around 50,000 people work at ICA - in offices, logistics or one of our own or retailer-owned stores. About 20,400 of them are employed by the ICA Group. ICA AB is a joint venture 40% owned by Hakon Invest AB of Sweden and 60% by Royal Ahold N.V. of the Netherlands. According to a shareholder agreement, they share control of ICA AB.



## Vision

We make every day a little easier.

## Mission

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

## ICA's values

At ICA, a commitment to the environment and community engagement go hand in hand with long-term profitability. ICA's customers and other stakeholders should feel secure and confident in ICA and its business. To describe its corporate responsibility, ICA has coined the term "ICA's Good Business," which means that ICA will:

- be driven by profitability and high ethical standards
- listen to customers and always base decisions on their needs
- nurture diversity and growth among its employees
- maintain an open dialogue internally and with the community
- ensure quality and safe products
- promote a healthy lifestyle
- adopt sound environment practices to promote sustainable development

## ICA Sweden

The food retailer ICA Sweden operates around the country in cooperation with independent retailers. The retailers own and manage their stores, but have agreements with ICA Sweden, which coordinates purchases, supports retailers in improving sales and efficiencies, and is responsible for logistics and joint marketing communications.

Sales, SEK m	60,596
Operating income, SEK m	2,750
Number of employees <sup>1)</sup>	6,424

## ICA Norway

ICA Norway is also a nationwide food retailer. About half of the stores are operated by ICA Norway and half are franchises. ICA Norway coordinates purchases and is responsible for logistics and joint marketing communications for all stores.

Sales, SEK m	21,225
Operating income, SEK m	-588
Number of employees <sup>2)</sup>	5,345

## Rimi Baltic

Rimi Baltic operates grocery stores in Estonia, Latvia and Lithuania. All the stores are wholly owned by Rimi Baltic.

Sales, SEK m	10,352
Operating income, SEK m	-13
Number of employees	7,623

## ICA Bank

ICA Bank offers financial services to customers in Sweden and has agency agreements with nearly all ICA stores in the country. Its aim is to offer loyalty-building banking services and to increase the share of store transactions made with ICA's own cards rather than more expensive cards from other banks.

Sales, SEK m	612
Operating income, SEK m	91
Number of employees	273

## ICA Real Estate

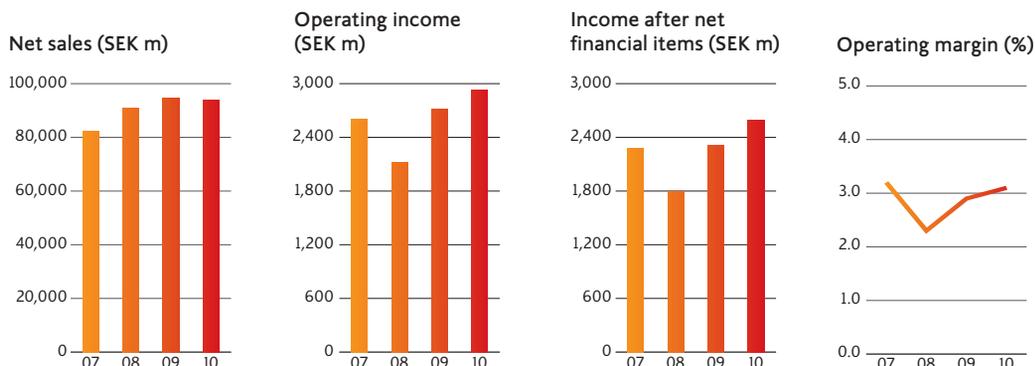
ICA Real Estate satisfies the Group's need for the right properties in the right locations in Sweden and Norway. This is currently done through a combination of owning, leasing and strategically developing marketplaces.

Sales, SEK m	2,135
Operating income, SEK m	917
Number of employees	65

1) Average number of employees excluding store employees employed by the individual ICA stores.  
2) Average number of employees excluding store employees employed in franchise stores

## 2010 in brief

- The ICA Group's net sales amounted to SEK 93,860 million (94,651), a decrease of 0.8 percent, at constant exchange rates net sales increased by 0.9 percent compared to 2009
- Operating income amounted to SEK 2,924 million (2,713), up 7.8 percent from 2009.
- Income after net financial items amounted to SEK 2,597 million (2,309), up 12.5 percent from 2009.
- The operating margin was 3.1 percent, up from 2.9 percent in 2009.



### SWEDEN, 1,349 STORES



#### ICA Nära

**Format:** Small, convenient stores offering good service, a narrow product range and quality fresh foods. Many serve as pick-up sites for Apoteket and Systembolaget, the state-run pharmacy and alcohol monopolies, and handle sales for ATG, the Swedish off-track betting service.



#### ICA Supermarket

**Format:** Wide assortment for everyday meals or special occasions. Personal service is high, and the stores carry a wide range of fresh foods.



#### ICA Kvantum

**Format:** Designed to be the leading local supermarket, with foods for everyday and special occasions. Offer a variety of fresh foods, alternatives for allergy sufferers, healthy and organic choices, and local products.



#### Maxi ICA Stormarknad

**Format:** Everything at good prices under one roof. Wide variety of foods and non-foods such as housewares, sporting goods and garden supplies. Extended store hours, convenient for drivers.

### NORWAY, 578 STORES



#### ICA Nær

**Format:** Small convenience stores offering good service, a limited product range and local choices.



#### ICA Supermarked

**Format:** A passion for good food and diversity, personal service and a wide selection.



#### Rimi

**Format:** Discount stores that make it easy and convenient for customers to do their daily shopping. Modern, airy stores designed for families, with everyday products at low prices.



#### ICA Maxi

**Format:** Everything in one location. A wide selection of foods combined with non-foods. Convenient for drivers.

### BALTIC COUNTRIES, 235 STORES



#### SuperNetto (Latvia, Lithuania), Säästumarket (Estonia)

**Format:** Discounters emphasizing price and a wide selection of everyday items.



#### Rimi Supermarket

**Format:** Wide selection for food lovers with a focus on fresh foods and good service for everyday needs. Located close to where customers live or work.



#### Rimi Hypermarket samt Rimi Compact Hypermarket

**Format:** Everything under one roof at good prices. Wide selection of competitively priced foods, combined with non-foods such as housewares and sporting goods. Rimi Compact Hypermarket focuses on atmosphere, comfort and efficient use of space. Accessible by car with generous store hours.

# We make every day a little easier

Our vision is as simple as that. It's what guides us when we create everyday recipes that inspire flavorful and healthy meals. It also applies when we launch smart new banking services that make it easier for customers to manage their finances. Working hard to make sure our products are of high quality and are produced responsibly is much the same – it should be easy to feel safe.

Always listening to customers' needs and meeting them with clever new solutions is a key to ICA's way of doing business. On the following pages we describe how we work financially and sustainably. It is when we take initiative and are willing to take a stand for what we believe in that we can create a business that is profitable and responsible.

And in doing so, we make tomorrow a little easier.

## How to find the information you are looking for

This report presents an overview of ICA and the most important events of 2010. For those looking for detailed information, see the complete annual report and a full sustainability report in accordance with GRI on [www.ICA.se/AnnualReports](http://www.ICA.se/AnnualReports)

# Serious business

The launch of the pharmacy chain Cura, the ICA To Go concept, continued conversion of the Norwegian Rimi stores, the unique real estate deal with Alecta and the first energy-efficient ICA store. 2010 was a year when we laid the foundation for our future.

"When I work with ICA, it's serious business. They have actually hired of our 400 people," said Per Johansson, founder of the Glada Hudik Theater, after we had collaboratively launched a diversity project called "We can do more" that has attracted a lot of attention.

I think he said it well. ICA is serious. We get things done. This is even more obvious when we look back at what we accomplished last year. It was so much, in fact, that it is almost impossible to single out specifics.

2010 was a good year for ICA Sweden despite tough market conditions. Increased wholesale, good cost control and a profitable development of the range are the main explanations for this.

But we certainly didn't lack for challenges. Among other things, we continued our intense efforts to create a turnaround in Norway. Due to intense price competition and costs in connection with the fast pace of Rimi store conversions, ICA Norway's result did not at all reach the level we had expected. We are now continuing to convert Rimi stores, while at the same time increasing efficiencies and evaluating what additional measures we have to take. 2010 was another challenging year in the Baltic markets, with high unemployment and low disposable income. But we are pleased that Rimi Baltic performed well in this tough economic climate and that the company made a strong recovery.

## Strong commitment

On the whole, we can put another good year in the books. We increased our net sales at constant exchange rates by 0.9 percent and

operating income by 7.8 percent. There are naturally many reasons for this success, but I think one of the keys is ICA's strong sense of commitment, which is reflected in everything from large-scale environmental projects to day-to-day contacts with customers in stores. This is a fantastic driver that is critical to our future. We have to stay open to new ideas, while at the same time building on what we already have. An important success factor is to ask ourselves every day: how can we be a

little more daring, a little quicker and a little better, so that we also make today a little easier for ICA's customers?

When I looked back to everything we have accomplished, I realized that many of the highlights can be sorted under four headings: innovation, loyalty, responsibility and products. Under the heading innovation, the list quickly fills up with examples of

how we used 2010 to make every day a little easier for our customers. First I have to mention the Cura pharmacies. Rolling out an entire chain of pharmacies conveniently located where customers do their daily grocery shopping, and with the same extensive hours of operation seven days a week, has made life easier for a lot of people. We managed to open 30 pharmacies in 2010 and will add about another 30 in 2011.

## Many examples of innovation

Another example of our innovativeness is the first two ICA To Go stores, our new concept for high-traffic urban locations. These stores focus on tasty and nutritious prepared meals and have been very well

**"We have to stay open to new ideas while at the same time building on what we already have."**

## Highlights of the year

### How the ICA Group performed

The ICA Group's consolidated net sales amounted to SEK 93,860 million (94,651), down 0.8 percent. At constant exchange rates, net sales increased by 0.9 percent. Operating income amounted to SEK 2,924 million (2,713), up 7.8 percent.

The improvement in operating income was due to the continued positive performance of ICA Sweden and the strong recovery by Rimi Baltic. Operating income was charged with an increased loss in ICA Norway, primarily due to intense price competition in Norway, which began in February 2010. ICA Real Estate developed in line with the previous year, at the same time that ICA Bank's operating income decreased because of lower net financial income.

### Grand opening of Cura pharmacies



In the spring of 2010, ICA opened a totally new Swedish pharmacy chain, Cura. The pharmacies are conveniently located in a number of Maxi ICA Hypermarkets in what is called a shop-in-shop solution. Customers can visit the pharmacy during the same extended hours that the ICA store is open. The pharmacies offer prescription and nonprescription drugs, naturally with personal advice if needed. By year-

end there were 30 new pharmacies, and within 2-3 years ICA expects to have opened around a hundred in Sweden.

received by customers. For example, ICA To Go was named Health Restaurant of the Year.

We also completed a unique real estate deal with the pensions manager Alecta. Instead of having to choose between holding onto our mature marketplaces or selling them to faceless owners on the open market, we are now selling them to a new joint venture we own along with Alecta. In this way, we retain influence together with a long-term owner, while ICA Real Estate continues to manage the properties exactly as tenants are accustomed to and we free up capital to reinvest in new store locations.

### Loyalty card expands

The second heading, loyalty, is a word that came up several times during the year, not least when the ICA card celebrated 20 years. I remember well when the loyalty card was introduced. I was running a store in Kristianstad and was called to a big meeting where Jörgen Wennberg, now CEO of ICA Bank, presented the card. The 20 retailers shook their heads. It wasn't that we didn't like the idea, but the card was pink! Were they serious? But ICA's reputational capital was already strong enough that our customers trusted us, and a fantastic thing happened: ICA's customers deposited SEK 2.2 billion on their pink cards to shop every month at ICA. Today we are a full-service bank, but our motto of making every day a little easier for customers hasn't changed.

It took 20 years before the next loyalty card was launched, but in 2010 the next market was ready. We launched the loyalty card in the Baltic countries. Lithuania was the first to go out with the card Mano

*Cont.*



### Loyalty card launched in Baltic countries

In 1990, ICA launched its Swedish loyalty card. Twenty years later, another of ICA's markets was ready for its own card. In September 2010, Mano Rimi was launched on a test basis in Lithuania. It was an immediate success. After ten weeks, upwards of 60 percent of loyal customers were using it. In terms of sales value, 70 percent of purchases were made with the card, which is now being launched on a broad basis in the Baltic markets.



### New urban retail concept



In April, ICA launched its new urban concept, ICA To Go. A pilot store was opened on Kungsgatan in Stockholm in keeping with the concept of utilizing high-traffic locations. ICA To Go offers customers quick, healthy meals to eat on the job or at home. The product range is focused on fresh ingredients of high quality. The concept includes a number of products developed for the ICA To Go brand, including fresh

squeezed juice and smoothies, which are also sold in other ICA stores. During the fall, a second ICA To Go store opened on Drottninggatan in Stockholm. The project will be further evaluated before a decision is made on the next step.

Rimi, and the response has been tremendous. No fewer than 300,000 customers requested it right away. What is interesting is that this is exactly the same pattern we saw in Sweden 20 years earlier. It is a measure of the strength of customer loyalty to the ICA and Rimi brands. They wouldn't have wanted the card if they didn't trust ICA.

Finding new loyalty builders will remain a high priority for us. We continue to spearhead industry developments, including personally designed new product offers, which were launched in 2010. We have also started ICA Student, an offering designed for a young target audience.

### Starting from ICA's Good Business

The third heading, responsibility, is central to everything we do. Serving as a driving force in society's sustainable development is a linchpin in our business model. This is why we have translated our values into seven position statements we call "ICA's Good Business." These

position statements describe how we work, and everyone who works with ICA is expected to know and follow the guidelines. ICA's Good Business also encompasses the ten principles of the UN Global Compact, which ICA has signed. ICA also supports the Global Compact's "Caring for Climate" initiative.

For us, the equation is simple. If we do not take responsibility today, we will only hurt ourselves as a business tomorrow. Minimizing our environmental impact, primarily by reducing energy consumption in stores, has therefore been a high priority for many years. An exciting example of how far we have come is ICA Kvantum Sannegården in

**"If we do not take responsibility today, we will only hurt ourselves as a business tomorrow."**

Gothenburg, the first store we have built entirely based on our guidelines on maximizing energy efficiency while not sacrificing customer experience. It is a store of the future that will serve as a model for all new stores. You can read more about our work with ICA's Good Business later in this publication.

Responsibility also means offering safe products. During the year, all Swedish Maxi ICA Hypermarkets were quality certified and approved according to the standard ICA developed and which now applies to the entire Swedish retail food industry. ICA has begun work to make the standard international, inter alia, to let the ICA and Rimi stores in Norway and the Baltic States get certified.

Working for people, and for people's right to be seen and heard, is also essential. Diversity is therefore a subject dear to our hearts. Projects such as "We can do more," where we have joined forces with the ICA retailers association, Sweden's municipalities and county councils, Samhall and the Glada Hudik Theater to find jobs for people with functional disabilities in Swedish ICA stores, will remain important. Rimi Baltic is also working with the issue and has a collaboration with the Lithuanian Association of Disabled to integrate disabled employees. But I expect even more. How can we make it easier, for example, for people in wheelchairs to support themselves? What can we do for pensioners, who are staying healthy longer than earlier generations and may not want to stop working?

The fourth and last heading is products. Our foundation is food and meals. Offering good prices and high quality of course goes without

## Highlights of the year

### More products from ICA Bank

Homeowners and auto insurance, a number of banking services for smartphones and full-service solutions for students offered together with ICA Sweden were among the new products launched by ICA Bank in 2010. The bank's business volume rose by x percent during the year. According to the Swedish Quality Index, ICA Bank's customers were more satisfied, and in surveys the bank beat the industry average.

**ICA banken**

[www.icabanken.se](http://www.icabanken.se)

### Streamlined non-foods



ICA's extensive retail network offers business opportunities beyond food and meals. Today ICA sells non-food items such as housewares, clothing, toys, cleaning products and books. In 2010, ICA streamlined its non-food range to better satisfy customer demand. The layout in Swedish Maxi stores was redesigned in

a more carefully thought-out way based on non-food categories. Employees received training to further improve the customer experience in stores.

saying, but even such products are coming under more competitive pressure. We have to add even more value. A good example of this during the year was ICA Selection pork products, which were introduced at a time of tough competition in Sweden, where Danish pork is less expensive and having the Swedish flag on the package isn't enough to convince customers. Customers may be prepared to pay more, however, if they know which farm the pig came from, how it was raised and when it was born. Rimi Baltic launched around 80 ICA I love Eco-products during the year which is also an example of added value. The products were received very well by the customers. We can also find value-added in the form of services, as with Cura, or by developing Fairtrade private label products.

### Solid foundation for 2011

What about the future? I am confident about the year ahead. We have laid a foundation for more Good Business going forward, and we have excellent opportunities to continue to provide our customers with surprising new offerings. While food and meals will remain the basis of what we do, we can develop as a company simply through the infrastructure that ICA's stores represent. Today we already sell about 4,527,000 books, 1,225,000 frying pans and 1,817,000 lunchboxes a year. Maybe we can add even more services? We already know that our stores easily accommodate banking, postal and pharmacy services. Who knows what we can offer customers in the future to make their lives a little easier. But one thing is clear, that we have a lot going for us in the year ahead and we plan to stay serious about this business.



Stockholm, February 2011

Kenneth Bengtsson  
President and CEO

### Real estate joint venture with Alecta



In October, ICA formed a new real estate company, Ancore Real Estate, together with the Swedish pensions manager Alecta. The new joint venture initially has a portfolio of 12 properties valued at SEK 2 billion. Each one has a Maxi ICA Hypermarket. By selling mature marketplaces to the real estate company, ICA can free up capital to invest in new marketplaces. Alecta, for its part, is making a long-term investment with a stable return because of long-term leases.

up capital to invest in new marketplaces. Alecta, for its part, is making a long-term investment with a stable return because of long-term leases.

### Successful Rimi launch in Norway



The rebranding of Rimi stores in Norway continued in 2010. The new concept, which combines low prices with high quality and good service, had a big impact. Rimi stores grew and at the end of 2010 were 184 Rimi stores rebranded. In 2011, the new concept will continue to grow.

# Where ICA's revenue comes from

The ICA Group follows not just one business model, but several. The idea is to combine the best of entrepreneurship with the best of economies of scale. All of ICA's models share one thing in common – that satisfied customers are the key to good business. Another common factor is the ability to form strong local bonds.

**Supply chain: 56.5%**

ICA buys goods and resells them at a markup to stores in Sweden and franchises in Norway. It also generates revenue from the sale of services to stores, such as marketing communications, logistics, training and retail technology.

**Revenue sources ICA Sweden:**

- From deliveries to ICA stores
- From sales of services to ICA stores

**Revenue sources ICA Norway:**

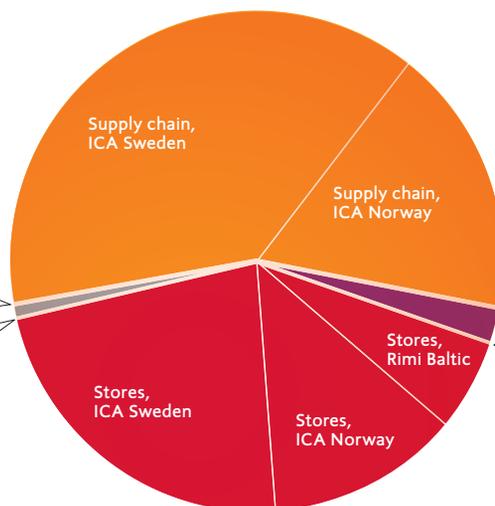
- From deliveries to franchise stores
- From sales of services to franchise stores

**Banking: 0.7%**

Through ICA Bank, ICA sells financial services in Sweden. Net interest income and commissions from the bank contribute to earnings. ICA Bank also provides infrastructure, such as payment terminals and ATMs, to other companies for a fee.

**Revenue sources ICA Bank:**

- From sales of financial services
- From other companies that use the bank's infrastructure



**Real estate: 2.4%**

ICA AB owns many store properties. This generates revenue in the form of market-rate rents from retailers. By the time it is sold, a property has often appreciated in value, which generates a gain for ICA.

**Revenue sources ICA Sweden, ICA Norway and Rimi Baltic:**

- From property management
- From property sales

**Stores: 40.4%**

ICA generates retail revenue in various ways. In Sweden, revenue comes from royalties and/or profit distributions from stores. Revenue also comes from consumers through Maxi Special, the company that sells housewares and leisure products in Maxi ICA Hypermarkets.

In Norway, revenue comes from wholly owned stores as well as from franchise fees. At year-end 2010, ICA owned about 64 percent of the stores. In Estonia, Latvia and Lithuania, revenue is generated through wholly owned stores.

**Four contractual models for stores**

Retailing is ICA's main business and the source of all its earnings. The stores are managed according to four business models.

**"Independent retailers working in cooperation."** This is ICA's core model, which dominates operations in Sweden.

**Wholly owned stores integrated in chains.** This model is applied in the Baltic countries and has dominated operations in Norway to date.

**Combination of independent retailers/integrated chain.** Maxi ICA Hypermarket's food departments are managed by independent retailers, while non-foods are run by ICA Sweden's subsidiary Maxi Special.

**Franchising.** Nearly half of the stores in Norway are franchises. An increasing number of stores will be converted to this business model, which is closely aligned with ICA's core model.

# Good business in three dimensions

When the three dimensions – customer, store and group – work together in the best way possible, a positive value chain is created. Loyal customers lead to better stores. Better stores lead to a stronger group. And a stronger group can in turn reinvest to further improve operations. Here are ICA's strategies for the three dimensions.



## CUSTOMERS

### STRATEGIES

#### Listen to customers

By consistently being the best at listening to customers and satisfying their needs and wishes, ICA is able to build their confidence. ICA also listens to the market and reacts to what is happening in areas that affect our customers in order to better suit their interests.

#### Offer good prices and a wide assortment

ICA tries to keep prices down at the same time that it is expanding its product range to meet customer needs and wishes. With good prices and a wide product range that stretches from staples to value-added items, ICA can live up to its customers' demands.

#### Put quality first

ICA acts responsibly and conscientiously in its quality work. It is important therefore to

continuously seek out new knowledge and technology at every step to improve safety and quality.

#### Create personal offerings

No two customers are alike. Offerings are adapted to individual markets, and whenever possible individual customers. With comprehensive offerings, ICA builds relationships and gains loyal customers

## STORES

### STRATEGIES

#### Have the most inspiring stores

It should always be easy and inspiring to shop at ICA. ICA is on the cutting edge in terms of store and product development.

#### Create common formats that can be adapted locally

The ICA Group utilizes a strategy comprising four formats: hypermarkets, supermarkets, convenience stores and discounters. At the same time, each store adapts to the local market through the individual retailer and with flexible concepts.

#### Remain active in opening and updating stores

ICA opens new stores and upgrades existing ones to satisfy customers' changing needs. The retail network will be expanded in attractive locations, primarily in urban areas. ICA's real estate operations make it easier to find the right store environments.

## GROUP

### STRATEGIES

#### Work long-term and sustainably

ICA will remain in the forefront in terms of corporate responsibility and community engagement, while maintaining high ethical standards in everything it does.

#### Create growth on a stable foundation

ICA will invest and act forcefully from a strong financial foundation. Flexibility and innovation will drive growth.

#### Always be cost effective

Continuous efficiency improvements make ICA strong in good times and bad. ICA will take advantage of economies of scale and synergies at both a national and international level, e.g., in the private label category and purchasing. Savings will benefit customers in the form of lower prices.

#### Provide a workplace where people can grow

ICA will be an inspiring company with committed employees. Through strong leadership, our employees will develop and grow as professionals. In the process, ICA will grow as well.

# External conditions are reflected in the strategies

ICA's operations are affected by many external factors, from global mega-trends to local culture. We respond to external forces by adapting our strengths and strategies to the conditions which governing the customers, stores and the ICA group.

## Driving forces over time

### Economy

Economic conditions are a determining factor in consumers' habits and priorities. Food and housing are two areas that consumers prioritize as far as possible even in bad times.

### Climate

A growing number of people have realized the importance of climate change and how it could affect our quality of life, especially for future generations. Many customers are therefore making conscious decisions about their lifestyle and how it impacts the environment.

### Security

Quality of life and health have gained greater attention in our part of the world. More people now realize that what we eat affects us. Customers have access to a lot of information, which can be confusing, since the messages from different sources are sometimes contradictory. For many people, there is a sense of security in choosing brands they can rely on.

## Industry trends

### Budget and luxury

The economy has made customers more polarized. Some have been forced to look for cheaper alternatives, while others can afford to treat themselves more. On an everyday basis, more people want inexpensive products, but they also want something extra for special occasions. Many customers are prepared to pay more for products that add value, like organics.

### Healthy and sound

Demand for organic, local and healthy foods is still strong. The debate on food and health has gone beyond sugar and fats and is now more concerned with how food is produced and what it contains. More people want the quality that comes with small-scale production.

### Simplicity and service

Many customers are prepared to pay for services that simplify their lives. Products and services that save time are popular.

### Quality and responsibility

Companies with the best reputations and a true sense of commitment have a leg up on the competition. Customers expect companies to take responsibility and be engaged with their communities.

## Local markets

### Sweden

Good products and services that save time and shopping climate-smart are two of the strongest trends among Swedish customers. Fairtrade, organic and healthy alternatives are important aspects.

### Norway

Healthy meal solutions appeal to Norwegian consumers. They like to shop for groceries several times a week, preferably close to home for the sake of convenience. Interest in locally produced continues to grow.

### Estonia

Among the Baltic countries, Estonia was the least impacted by the financial crisis and recession. Customers remain highly price conscious, however. The transition to the euro will be a key feature of 2011.

### Latvia

Customers have consistently sought out the least expensive alternatives in Latvia, which was hard hit by the recession that followed the financial crisis. This focus on price continues.

### Lithuania

The recession also had a severe impact here, and the country continues to suffer the consequences. Customers are steered primarily by their wallets.

We make every day a little easier

## ICA's strategies

### Customer

- Listen to customers.
- Offer good prices and a wide assortment.
- Put quality first.
- Create personal offerings.

### Stores

- Have the most inspiring stores.
- Create common formats that can be adapted locally.
- Remain active in opening and updating stores.

### Group

- Work long-term and sustainably.
- Create growth on a stable foundation.
- Always be cost effective.
- Provide a workplace where people can grow.



## ICA's strengths

### Strong finances

The Group's finances are an important strength. ICA has resources to invest based on its strategy, as well as to weather tough times and act aggressively when the market consolidates or opportunities of various types arise.

### The ICA model

The Swedish ICA model with independent retailers working in cooperation is a cornerstone of the Group. All stores have a strong local connection, are committed and know their local markets and customers.

### Ability to quickly adapt

A continuous dialogue with customers translates not only into the right products, but also the right ways to present them in an inspiring environment. A passion for food and inspiration are reflected in many ways, including recipes, the customer magazine and store demonstrations.

### Risk diversification

ICA's operations are in different stages of development. This creates stability and potential, while spreading risks between countries and businesses.

### Efficient supply chain

ICA's centralized purchasing generates very high volumes, which in turn ensures good prices and high quality. ICA has developed highly efficient systems to get the right products to stores just in time.

### The ICA brand

ICA is one of Sweden's strongest brands. This is a huge asset in its marketing. Customer confidence is very high, and ICA's customers are more loyal than the competition's.

### Committed employees

Value-based leadership and personal commitment distinguish our operations and sharpen the focus on results. ICA strongly encourages job rotation to transfer know-how and experience between stores and Group functions.

### Strong social commitment

ICA has a strong commitment to the community and is on the cutting edge on environmental issues through local stores that support local causes and through the Group's cooperations with selected organizations.

# Important measures in 2010

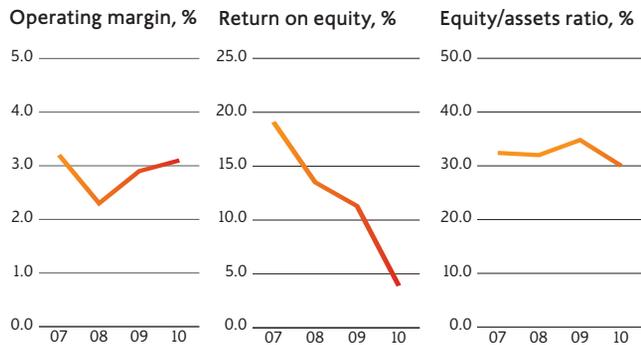
ICA is a sustainable company with a solid financial footing, a commitment to the environment and strong social engagement. Below is a summary of ICA's most important goals and how it is working to achieve them. These goals are then complemented with more customer-oriented targets to strengthen each company's local presence.

	ICA's most important goals	Important measures in 2010
<b>ECONOMIC</b>	<ul style="list-style-type: none"> <li>• Increase sales faster than the total market in each sector.</li> <li>• Reach an operating margin of 3.5–4 percent.</li> <li>• Reach a return on equity of at least 14–16 percent over a business cycle.</li> <li>• Maintain an equity/assets ratio at 30–35 percent in the long term.</li> </ul>	<p><b>New stores:</b> 28 new stores were opened in five countries, in addition to which 108 Rimi stores were converted in Norway and around 10 stores in the supermarket format were updated in the Baltic countries.</p> <p><b>Launch of Cura pharmacies:</b> During the year, ICA opened a totally new chain of pharmacies, Cura. In 2010, 30 Cura pharmacies opened.</p> <p><b>Loyalty card launched in the Baltic countries:</b> The loyalty card was launched in the Baltic countries. Lithuania was first to release the card, Mano Rimi, which is now being launched on a broad basis in the Baltic markets.</p> <p><b>More products from ICA Bank:</b> ICA Bank expanded its offering to include homeowners and auto insurance, a number of smartphone banking services and a full-service solution for students.</p> <p><b>Real estate joint venture formed with Alecta:</b> In October, ICA created a new company, Ancore Fastigheter, together with pensions manager Alecta. The new company is jointly owned and its property portfolio initially consists of 12 properties.</p> <p><b>Streamlining of non-foods:</b> In 2010, the streamlining of non-food items continued. The layout in the Swedish Maxi stores has been redesigned to improve the customer experience.</p>
<b>ENVIRONMENTAL</b>	<ul style="list-style-type: none"> <li>• Reduce the Group's direct greenhouse gas emissions by 20 percent by 2012 compared to 2006.</li> <li>• Reduce the Group's direct greenhouse gas emissions by 30 percent by 2020 compared to 2006.</li> </ul>	<p><b>Energy-efficient stores and warehouses:</b> Store and warehouse operations account for a large part of ICA's total environmental impact. In 2010 the focus has been on concrete actions and efforts have paid off. The goal to cut energy consumption in Swedish ICA stores by 10 percent in 2010 compared to the basis year of 2007 has been achieved. Many stores have much greater potential.</p> <p><b>Energy-efficient pilotstore:</b> ICA Kvantum Sannegården in Göteborg, which was opened in 2010, has incorporated new energy-saving measures and now serves as a model for future ICA stores.</p> <p><b>Climate-neutral transports and fossil-free distribution:</b> ICA is positive to testing several alternative fuels and is following developments. Today four trucks are powered by ethanol and have less of an impact on biological diversity than traditional diesel.</p> <p><b>Food shrinkage:</b> ICA tries to minimize the amount of waste in warehouses and stores and to achieve a high recycling rate. In 2010, more stores within the Group launched activities to reduce food shrinkage. This is also a priority for warehouses.</p>
<b>SOCIAL</b>	<ul style="list-style-type: none"> <li>• 100 percent of ICA's corporate brand suppliers in high-risk countries* will be socially audited by 2011.</li> <li>• 80 percent of ICA's suppliers of corporate-brand foods will be GFSI certified by 2010.</li> </ul>	<p><b>Supplier survey:</b> In 2010, ICA continued to survey and increase transparency in its supplier landscape.</p> <p><b>Supplier audits:</b> The combination of internal inspections and third-party audits remained successful in 2010.</p> <p><b>Training:</b> In 2010, ICA arranged a corporate responsibility seminar for suppliers in Shanghai. ICA's suppliers also participated in four workshops arranged by BSCI.</p> <p><b>Food quality in stores:</b> By year-end, about 1,100 stores had implemented the Swedish quality standard for food handling and about 220 ICA stores had received certification.</p>

\* High-risk countries are defined according to the UN Development Programme (UNDP) Human Development Index and Economic Security Index

Outcome 2010

Focus 2011



The operating margin rose to 3.1 percent (2.9) as a result of improved operating income, which was mainly due to improved income in ICA Sweden and a strong recovery by Rimi Baltic.

Return on equity fell to 3.9 percent (11.3). This was because net income decreased due to higher tax expenses for a tax dispute and the reversal of deferred tax in ICA Norway.

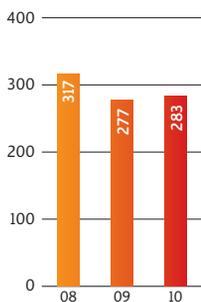
The equity/assets ratio decreased to 30 percent (34.8). This was because shareholders' equity decreased due to a tax expense for a tax dispute as well as the reversal of deferred tax in ICA Norway. Shareholders' equity has also decreased due to a stronger Swedish krona.

- In Sweden, another 30 Cura pharmacies will be opened. 15-20 new stores are scheduled to be opened.
- In Norway, at least an additional 100 stores will be converted to the new Rimi concept. Three new stores are scheduled to be opened.
- In the Baltic countries, investments will increase as the economies improve. Eight new stores and 16 updated supermarkets are planned, in addition to an expansion of the retail network to locations where Rimi Baltic does not have any stores.
- ICA Bank's goal is to launch new savings products and mobile banking services and increase the number of bank card holders.
- ICA Real Estate will continue to develop strategic marketplaces.

Outcome 2010

Focus 2011

Known greenhouse gas emissions<sup>1</sup>, thousands of tons of CO<sub>2</sub>



Since 2006, the ICA Group's emission of direct greenhouse gases has decreased with approximately 8 percent. During 2010 the emissions slightly increased compared to 2009. This mainly due to the increase in refill of refrigerants in stores and warehouses on the Baltic markets due to the unusually hot summer and long, cold winter that was demanding on the systems. Climate impact from the Norwegian stores decreased substantially since a large amount of the stores during 2010 started using renewable electricity.

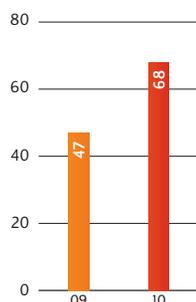
1) Excluding emissions from carbon-offset air travel.

- Further measures will be taken to reduce the ICA Group's greenhouse gas emissions through energy efficiencies and by transitioning to renewable energy.
- The focus in 2011 will be on further minimizing energy consumption in stores and warehouses.
- ICA has joined the project One Tonne Life, where we are helping a test family choose their foods. The family's goal is to reduce their annual CO<sub>2</sub> emissions from seven to one ton per person.
- Reduce climate impacts in the supplier chain by developing and implementing additional requirements.

Outcome 2010

Focus 2011

Share of socially audited corporate brand, %



Approximately two thirds of the production units, factories, farms or pack houses, located in high-risk countries and that makes ICA's own products were socially revised in late 2010. In late 2009, the corresponding share was around 50 percent. In 2011, the focus will be to continue to pursue this work to achieve the

The ICA Group's target was that 80 percent of all food suppliers of corporate brands shall be third party GFSI certified in 2010. At the end of 2010, this amounted to 67 percent over the whole group which is due to efforts to ensure that we continually have the updated certificate in our systems but also to enforce GFSI requirement takes longer than expected. ICA Sweden reached the target and more than 80 percent of food suppliers of corporate brands were GFSI certified in late 2010.

- ICA will continue to quality and environmentally assure all product handling in sourcing, logistics and stores throughout the Group.
- ICA will continue to ensure that suppliers comply with its corporate responsibility requirements as well as to increase competence and cooperate with suppliers through joint training activities, including in high-risk countries.
- Certify 500 Swedish ICA stores according to Swedish standard for food safety in stores.





This busy location on Kungsgatan in Stockholm is perfect for ICA To Go, a totally new concept for customers who want good meal solutions on the go.

share was 18.4 percent at year-end. ICA's private labels have continued to be well-received by customers.

**Fresher and better:** ICA also worked on its first fresh food selection during the year. Improvements were made to the product range and packaging designs, and employees received further training on handling fresh foods. In many stores, the way that fruit, vegetables and meat are displayed has been improved, for example, to more clearly show the country of origin.

**Individualized discounts:** After the success of personal product offers, ICA introduced a new service in 2010 where customers receive discounts on new products they might like based on what they normally buy. Suppliers and customers have both been positive to the innovation.

**Warehouse shutdowns:** The shutdown of the central warehouses in Umeå and Årsta was begun in 2010. The work will continue in 2011 and focus on handling HR issues in a responsible manner while at the same time continuing to provide good service.

**Much more than food:** ICA offers much more than food. We also have non-food items such as housewares, clothing, toys and cleaning products. During the year, ICA streamlined its product range to better satisfy customer demand. The layout for non-food items in Maxi stores was reevaluated, and we provided our employees with training to further improve the customer experience in stores.

### Challenges in 2011

**More Cura pharmacies:** ICA will continue to expand its new pharmacies. About 30 are scheduled to open during the year. The fast pace makes it essential to recruit qualified personnel, build the brand and expand the offering in what is already a tough pharmacy market.

**Evaluation of ICA To Go:** The ICA To Go pilot stores will continue to refine the concept and build store traffic. ICA will then evaluate how to proceed with the concept. For example, portions of the To Go assortment could be offered at other high-traffic ICA stores.

**Focus on environmental thinking:** Reducing ICA's impact on the environment and climate and living up to ICA's Good Business values (see page 21) are always a priority. In the future, all new stores will be based on the same climate smart solutions that were developed for ICA Sannegården in Göteborg (see page 26).

**Store development:** A big focus will be on opening new stores, as well as enhancing existing stores in order to better satisfy customer needs.

**New offerings:** Further work will be done on new offerings. During the year, ICA Sweden plans to offer a meal delivery concept containing the ingredients and recipes for four dinners that customers can either pick up in the store or have delivered to their door.

**Stiff competition:** We expect a tough competition in the grocery industry, both from existing operators and associated industries.

# Meets market with new Rimi

It was a bifurcated year for ICA Norway. On the one hand, the new Rimi stores succeeded in growing. On the other, the industry faced widespread price pressure. In 2011, the focus will remain on converting Rimi stores to the new concept, controlling costs and ICA Supermarket's development.

## This is ICA Norway

ICA Norway sells groceries in Norway under two brands: ICA and Rimi. In total, there are around 312 ICA stores and 266 Rimi stores in the country. Half are wholly owned and half are franchises. This is in addition to associated stores.<sup>1</sup> In 2010, ICA Norway worked with four store concepts: ICA Naer, ICA Supermarked, ICA Maxi and Rimi.

## Market overview

The Norwegian retail food market grew very slowly in 2010. According to figures from Nielsen, the increase was about 3.2 percent, which compares to 6.2 percent in 2009 and 8 percent in 2008. In total, the market generated about NOK 138,505 million in revenue, compared to NOK 134,232 million in 2009.

A rainy summer encouraged many Norwegians to vacation abroad. Norwegian retailers suffered as a result, especially in the key Oslo region. The weather was an economic blow to the entire retail food market and is one reason for the slower growth.

An important reason for the slowing growth was the price pressure in the discount segment during the year. ICA Norway's comeback in this segment through the rebranding of Rimi stores have been well received by customers. Stores with the new concept increased their sales by 5.8 percent during the

year. The stiff price competition also had an indirect effect on the quality segment.

Price remains important to Norwegian customers, but healthy food and the opportunity to buy locally produced food are also important, as is convenience. Norwegian customers generally shop for food several times a week. As a result, every store format is represented in the country, making for a large number of small stores. Nevertheless, there are only few major players in the market. The biggest is Norgesgruppen, followed by the Reitan Group (Rema 1000), Coop and ICA Norway, with a market share of 14.8 percent.

## Important events in 2010

**Increased loss:** Due to substantial price pressure in the market and the costs to convert Rimi stores, the loss increased in 2010.

**Faster conversions:** ICA Norway decided during the year to accelerate the rebranding of Rimi stores, which will now be ready within two years instead of four. During the year, 108 converted Rimi stores were reopened, leaving a total of 184 converted stores at year-end. The renovated stores have generated increased sales with improved cost controls.

**New IT system:** ICA Norway's enterprise system was installed in stores during the year. The system was delayed due to technical difficulties, but is now working well.

## Challenges in 2011

**More Rimi stores:** In 2011, another 100 Rimi stores are scheduled to be ready, presumably resulting in improved revenue and better cost controls.

**Price focus:** To satisfy customers' increased focus on price, ICA Norway will further streamline its store formats on the discount and quality segments. In 2011, ICA Naer stores will be rebranded, including some as Rimi. In the first quarter of 2011, the first pilot store in a new Supermarked concept will open in the Oslo area.

**Product evaluation:** Measures to modernize the product range in every format, especially with regard to high-quality private label products, will continue throughout the year.

**Franchise dialogue:** A number of new Rimi stores have signed franchise agreements. Work continues together with current franchisees to find an optimal model.

<sup>1</sup>) Associated stores have a cooperation agreement with ICA, but the stores are owned by independent retailers. The agreement covers product deliveries and marketing, among other things.

<sup>2</sup>) Based on store sales including associated stores (20,443 NOK m). Source: Nielsen.



**MISSION**  
To be the leading retail company in Norway with a focus on food and meals.

	2010	2009
Sales, SEK m	21,225	21,666
Operating income, SEK m	-588	-506
Average number of employees	5,345	5,357

	ICA naer Supermarked	rimi	ICA MAXI	TOTAL
Number of stores	287	266	25	578
Store sales, NOK m <sup>1</sup>	8,724	7,945	3,041	19,710
Number of items	3,600–6,000	3,500–4,000	14,000–17,000	

<sup>1</sup>) Excluding VAT

# Strong recovery for Rimi Baltic

Operating income improved significantly for Rimi Baltic during the year despite that net sales fell. Improved margins, lower costs and successful measures, including the customer card, new stores and a higher share of corporate brands, contributed to the strong result. Rimi Baltic has managed very well in a challenging economic climate.

## This is Rimi Baltic

Rimi Baltic is a wholly owned subsidiary of ICA AB operating a chain of 235 grocery stores in Estonia, Latvia and Lithuania. In all three countries, Rimi operates hypermarkets and supermarkets that focus on fresh foods and service. In the discount segment, Säästumarket operates in Estonia, while the other two countries have SuperNetto.

## Market overview

The three Baltic countries are very different markets, with distinct buying habits and competitive conditions. The common denominator, however, is that competition is strong in all three markets. There are a number of players, such as Maxima, IKI, Norfa, ETK, Selver, Elvi and Mego. Rimi Baltic is the market leader in Estonia and Latvia and the fourth largest company in Lithuania. In the aggregate, Rimi Baltic has a market share of 22.4 percent (22.8)<sup>1</sup>.

The Baltic countries all suffered from the effects of the recession in 2010, with lower wages and prices as well as high unemployment. The second half-year marked a turnaround, however. By year-end, Estonia's GDP had risen by 3.1 percent<sup>2</sup> and Lithuania's GDP by 1.3 percent. Latvia lagged, however, with GDP reduction of -0.2 percent.<sup>2</sup>

## Important events in 2010

**Strong recovery:** Operating income improved significantly for Rimi Baltic during the year thanks to improved margins, lower costs and successful measures.

**Popular loyalty card:** In September, a loyalty card was launched on a test basis in Lithuania. It was an immediate success. After ten weeks, the share of loyal test customers who used the card had reached 60 percent, and they accounted for upwards of 70 percent of sales.

**Updated design:** Rimi Baltic updated its logo during the year and now has the same design as Norway's Rimi. To attract more attention, the fleet of trucks was redesigned to fit with the card.

**New price-cutting campaign:** During the year, Rimi Baltic invested in a strategic pricing campaign called "New era," which included three rounds of price cuts on 1,000 different products. Surveys confirmed the campaign's impact and that customers increasingly see Rimi Baltic as offering better value than before.

**Fresher-looking stores:** The supermarket redesign continued according to schedule with the watchwords high-quality, good service and competitive prices. In total, a dozen stores have now been renovated.

**Broader product assortment:** The product range was further broadened during the year. The share of private label products rose from 9.3 to 12.9 percent. Among other things, around 80 I love eco products were introduced and were well received by customers. Rimi Baltic also began a collaboration with local producers in Lithuania, who will supply Rimi Baltic's stores on commission, so that customers can easily find local, small-scale alternatives. To date, the collaboration extends to four of the country's largest hypermarkets.

## Challenges in 2011

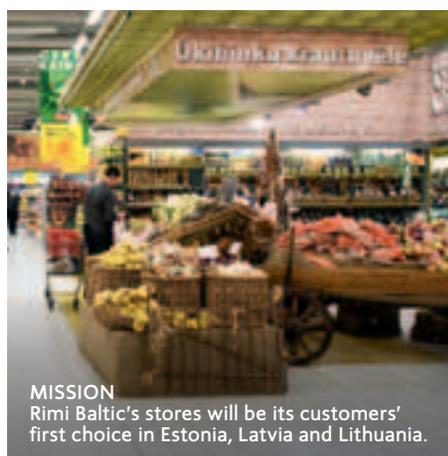
**Expand loyalty card:** Launching the loyalty card in all three countries is a top priority.

**Improved store experience:** The share of private label sales will continue to rise. Being stronger in various categories such as fresh fruit and vegetables remains important.

**Expansion:** Plans also call for the continued redesign of the Supermarket format and expansion of the retail network to areas where Rimi Baltic does not have any stores or hypermarkets.

**Further cost controls:** Strong cost controls will continue in 2011.

<sup>1</sup>) Different calculation method than previous year. Sales of daily consumer goods excluding squares and convenience stores. Source: Nielsen.  
<sup>2</sup>) Preliminary figures, February 2011



**MISSION**  
Rimi Baltic's stores will be its customers' first choice in Estonia, Latvia and Lithuania.

	2010	2009	Store sales, EUR m <sup>1</sup>	2010
Sales, SEK m	10,352	12,329	Estonia	342
Operating income, SEK m	-13	-109	Latvia	526
Average no. of employees	7,623	7,880	Lithuania	213
			<b>Total</b>	<b>1,081</b>

### Stores per format

					TOTAL
Estonia	58	12	10		80
Latvia	61	32	15		108
Lithuania	13	20	14		47
<b>TOTAL</b>	<b>132</b>	<b>64</b>	<b>39</b>		<b>235</b>
Number of items	1,800	15,000	50,000		

<sup>1</sup>) Excluding VAT

# ICA Bank goes mobile

ICA Bank continues to increase its business volume and customer base. To make every day a little easier for customers, the bank launched several new products during the year, and beginning in 2011 customers can do all their banking by mobile phone.

## This is ICA Bank

ICA Bank offers financial services to customers in Sweden and has agency agreements with nearly all ICA stores in the country. Its aim is to offer loyalty-building banking services and to increase the share of store transactions made with ICA's own cards rather than more expensive cards from other banks. ICA Bank has had a full-service offering since 2007. Customers can choose from a number of services, from current accounts to various forms of bank cards and unsecured loans. Many services are provided in cooperation with outside partners. Mortgages, for example, are offered together with SBAB and insurance in cooperation with Aon. ICA Bank also has a number of business customers: ICA retailers, Group companies and other organizations. The keys for ICA Bank are low fees and clear, transparent terms. It also administers the ICA Card, which celebrated its 20th anniversary in 2010. ICA Bank has been named Bank of the Year by the magazine *Privata Affärer* four times.

## Market overview

The Swedish banking sector consists of major banks on the one hand, and a number of niche players on the other. Bank customers have traditionally been reluctant to switch banks, although this began to change when the Internet made it easier to obtain information and contact banks. ICA Bank has a distinctive position in the market, since it focuses on ICA's current and potential customers. It is also stands out for its large retail network, which

means that customers can do their banking in nearly all of the country's ICA stores.

ICA Bank's unique position was clear during the financial crisis. At a time when customers were turning to safe choices, ICA Bank was able to expand its customer base. During this turbulent period, the bank did not need state support, and in fact was able to lend money to other banks. As a result, it exited the crisis stronger – in a market that is again expanding.

## Important events in 2010

**More customers:** Business volume grew 8.8 percent and the number of bank cards issued rose by almost 85,000. At year-end 363,000 bank cards were in issue.

**Low credit impairment:** ICA Bank's credit impairment was its lowest ever, 0.6 percent of total lending. The reason was its restrictive lending practices.

**Collaboration terminated:** A decision was made to terminate the collaboration with Nordnet during the first half of 2011. The bank will then offer customers a new savings solution.

**Product development:** Since 2010, ICA Bank's customers can also buy homeowners and auto insurance.

**Expansion to business segment:** ICA Bank participated during the year in several procurement competitions and won contracts from the National Debt Office, among others. As of 2011, the bank has a new organization for business customers.

**Payment terminals for smart cards:** All ICA retailers in Sweden now have new payment terminals with smart card readers, which are safer than magnetic card readers.

**Satisfied customers:** According to the Swedish Quality Index, ICA Bank's customers are more satisfied. The bank exceeded the industry average.

**Control over source codes:** ICA Bank has taken over all its source codes from an outside supplier. With full control over them, the bank can more quickly launch new services on the market.

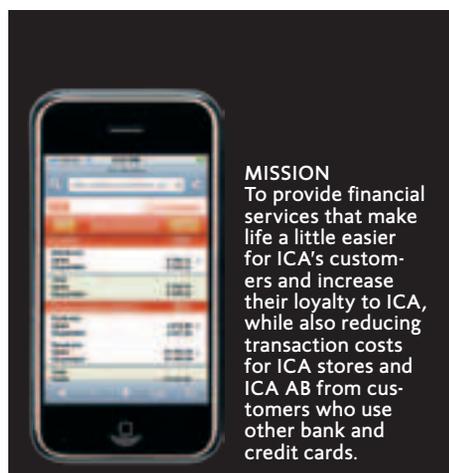
**New, award-winning website:** ICA Bank launched a new website, [www.icaBank.se](http://www.icaBank.se), which Web Service Award named Sweden's best in the category "Information & Service."

## Challenges in 2011

**Mobile banking:** To make life easier for customers, mobile banking was introduced for all types of smartphones. In 2011, every ICA Bank service will be available by mobile device.

**Student services:** To make things easier for students, ICA Sweden and ICA Bank have developed a full-service solution comprising groceries, banking and insurance, which is being tested at selective colleges and universities.

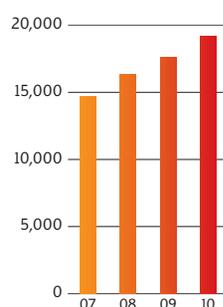
**More customers:** Investments in new customers will continue in order to encourage more of them to use ICA Bank's products.



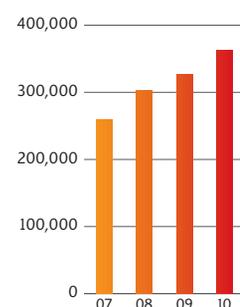
	2010	2009
Sales, SEK m	612	634
Operating income, SEK m	91	132
Average number of employees	273	253
Number of ATMs	234	190
Number of payment terminals		
Sweden	6,300	6,300
Norway	2,400	2,400

**ICA banken**  
www.ocabanken.se

Business volume (deposits + lending incl. mortgages)



Number of card holders



# New company ensures access to future locations

For ICA Real Estate, the most important event in 2010 was the creation of a new real estate joint venture with the pensions manager Alecta, thanks to which ICA can devote more effort to developing new marketplaces.

## This is ICA Real Estate

ICA Real Estate satisfies the Group's need for the right properties in the right locations in Sweden and Norway. This is done through a combination of owning, leasing and strategically developing marketplaces. In terms of ownership, the portfolio currently consists of around 180 store properties. Since 2009, the company also buys properties with existing ICA stores to ensure access to strategic marketplaces. In the leasing market, the company's role is to manage the Group's leases with property owners. By maintaining full control over the entire chain, from buying land, building, managing, selling and renting real estate, ICA Real Estate can capitalize on opportunities at every level.

## Market overview

After weakening in the wake of the financial crisis, the real estate market has recovered and is again showing signs of positive development. Capital has returned, as has a willingness to invest, as evidenced by the number of transactions in the industry.

Because of its role as a strong partner in the Group's business development, ICA Real Estate cannot be directly compared to other real estate companies, whose chief purpose is to own properties. The financial crisis affected ICA Real Estate less because it closely follows the Group's development rather than that of

the real estate market. With 840,000 m<sup>2</sup> of space, the company is a major player in the commercial real estate market. In Sweden, it is the second largest company. ICA is also the single largest customer of many Swedish and Norwegian real estate companies because of its many store leases.

Having an ICA store in a shopping center raises the property's value, which benefits ICA as well as others. The ICA store often serves as a magnet for visitors. For this reason, ICA Real Estate develops retail parks with high-volume retailers near or directly beside large ICA stores. The concept is called "Good Neighbors," and the neighboring stores include both national chains and local retailers.

## Important events in 2010

**New real estate joint venture:** ICA Real Estate and the pensions company Alecta formed a new real estate joint venture, Ancore Real Estate, that acquired 12 properties from ICA Real Estate Sweden. Each property is the site of a Maxi ICA hypermarket. The company will initially have a real estate portfolio valued at slightly over SEK 2 billion. The purpose of the joint venture is to acquire, own and manage ICA stores in strategic locations. The company allows ICA Real Estate to retain an interest in the marketplaces and to help ICA's core business.

**New properties:** ICA Real Estate acquired properties in Göteborg and Vimmerby that house a Maxi ICA Hypermarket and an ICA Kvantum. In Norway, ICA Real Estate has acquired some small properties.

**Investments:** In 2010, ICA Real Estate invested a total of SEK 825 million (515). In addition to acquisitions, ICA Real Estate implemented a range of new construction and renovations in Sweden. Renovations were made in Norway as well, but to a lesser extent.

	2010	2009
Sales, SEK m	2,135	2,095
Operating income, SEK m	917	1,025
Average number of employees	65	67

**Winner of municipal competition:** The municipal board in Järfälla named ICA the winner of a competition to open a grocery store in Barkarbystaden. Four entries were submitted. ICA is now planning to build a Kvantum store there.

**Electric charging stations:** ICA Real Estate has begun installing charging stations for electric cars in the parking lots at ICA stores. The goal is that around 20 large ICA stores will offer the service within five years.

**Energy-efficient stores:** ICA Kvantum Sannegården, which is a model for how all future ICA stores will be built, opened in 2010. It is a store where many improvements have led to big energy savings.

**Environmental certification:** Like ICA Real Estate in Sweden, ICA Eiendom Norway AS is now one of the first Norwegian private property companies to receive ISO 14001 environmental certification.

**Safe properties:** During the year, ICA Real Estate began auditing Swedish buildings, which will eventually lead to an action plan for each property inter alia, to prevent situations like the one in Kristinehamn in March 2010, when extremely heavy snowfall got a roof to give way.

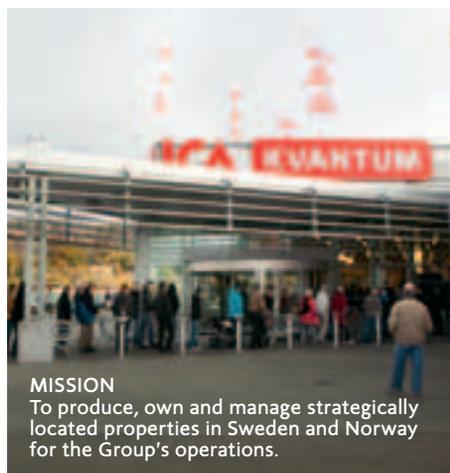
**New CEO:** Lena Boberg new President of ICA properties since 1 January 2011. Lena Boberg has been CFO of ICA Real Estate since 2007.

## Challenges in 2011

**Ensure access to marketplaces:** ICA Real Estate will continue to acquire properties with existing ICA stores to ensure access to strategic marketplaces.

**Develop Ancore Real Estate:** ICA Real Estate will also continue to develop the new joint venture, which serves as a platform that allows ICA Real Estate to create good retail locations and effectively manage the properties.

**Environmental work:** Together with the rest of the Group, ICA Real Estate will invest in various energy-saving measures to contribute to the Group's emissions and energy consumption goals.



**MISSION**  
To produce, own and manage strategically located properties in Sweden and Norway for the Group's operations.

# Good leaders mean good business

Without genuine leadership, nothing gets accomplished. Anyone who works with business development can tell you this. When the right people take charge, anything is possible. By maintaining a consistent approach to leadership within the Group, we put all our employees in a better position to help us reach our business objectives and to enjoy their work.

ICA is a group comprised of much more than just food handling. We have over 150 different professions and 500 different positions, from systems developer to banker and pharmacist, from Oslo in the west to Hong Kong in the east. Every day we have to adapt our operations based on our various businesses and local market differences. But one thing is always the same. The leadership model is similar regardless of the business and where in the world it operates. For us, this is an important starting point. We believe that by building a consensus on good leadership ICA will best reach its business objectives.

## Leaders make a difference

ICA's human resource work rests on four legs. The first is in fact leadership – good leaders can bring the rest of the organization on board. Using the same tools, we ensure that the values in ICA's Good Business are reflected in every part of the Group and that everyone does the right things, is happy on the job and develops by performing better individually and producing better results. The leadership program ICA launched in 2009 has made it so far that the Group's most senior executives attended in 2010. The program explains the leadership philosophy and demonstrates which processes and tools are available as support on a daily basis – for example, how we work with performance reviews. We are also working hard to find future leaders within the organization. They are already familiar with our values, which is a good starting point to guide and develop our operations. The goal is that leaders in high positions largely will be recruited internally.

## Competence for the future

The second leg is competence. In retail, fast changes are an everyday occurrence. To meet our customers' needs, we have to continuously

update our core competencies while also acquiring new knowledge. We do so in several ways. Working with our partner, ICA School, for example, we can customize-design training programs. A recent example is the rebranding of Norway's Rimi, where every store closed for a week of intensive staff training prior to reopening. Training and inspiring our employees isn't done only to improve our customer offering, but also to open doors for associates to change jobs and develop within the Group, which in the long run helps to ensure that talented employees enjoy their work and want to stay with us.

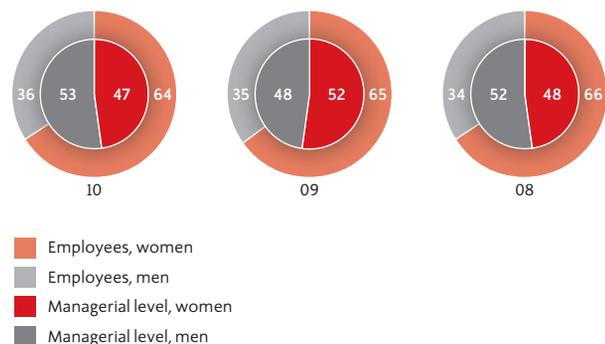
## Everyone will be given a chance

The third leg is diversity. Giving everyone regardless of gender, age, sexual orientation, religion or physical limitation the same chance to be recruited and develop on the job is only natural for a modern employer. We have strengthened our expertise in diversity. We will work to find new ways and make the topic a part of our everyday lives.

## A workplace people enjoy

The fourth leg is the ICA brand – and our employer brand. Think of us as a coin. One side shows our customer offering, while the other shows our employer brand. The two sides are mutually dependent on each other; without a good offering, we won't be considered a good employer either. Getting people to be curious about us and want to work here is one of our big challenges as we go forward. There is a lot of competition for the best people, and we not only want to attract new employees but also retain the key employees we already have. With internal leadership succession and a long-term approach, it will be easier to reach our business objectives.

Gender representation, the ICA group %



	2010	2009	2008
Number of employees <sup>1</sup>	28,819	28,546	29,961

<sup>1</sup>) Number of employed persons excluding store employees in Sweden who are employed by the individual ICA stores and excluding store employees employed in franchise stores in Norway.



ICA's values guide our business and our view of the employees and leadership.



If we take responsibility today, we can make every day easier and better for future generations.

# For a sustainable tomorrow

What should we eat today? Is it good for the environment? Where does that meat come from and how will it affect my health? Every day we face questions about the foods we eat. We at ICA want to make it a little easier by taking our share of responsibility for the environment and society. ICA's Good Business guides us in this work.

Food and meals are a daily source of nutrition, time with family and friends, and happiness. But food also raises certain questions. How is the environment affected by food production? How can we be sure that the people who produce our food in other parts of the world are treated humanely? Which foods are good for your health and what should people with food allergies eat?

All these questions are important to ICA. We are convinced that good profitability goes hand in hand with taking responsibility for people and the environment. This is why we work every day and in a variety of ways to build a sustainable society that will benefit future generations. If we take responsibility today, we will make tomorrow a little easier.

Sustainability issues can be both obvious and complex. For us as a food retailer, they encompass everything from common sense to global politics. Every choice has consequences that can be positive, negative or both. For this reason, we have three keystones we rely on in our corporate responsibility (CR) work.

The first is transparency. We want to be open about our CR work. Customers are becoming more aware and better at finding information. This is driving us to develop ways to discuss where our products come from and how they are produced.

The second keystone is credibility. We constantly have to think about our impact and our responsibility if we are going to stand behind what we say and maintain the right level of ambition. We also have to be willing to discuss both our strengths and our weaknesses.

The third is traceability. We have to know where our products come from and under what conditions our suppliers operate.

We have been a participant for several years in the United Nations Global Compact, which means we have actively adopted its ten international principles on human rights, labor conditions, the environment and anti-corruption. Based on these principles, we have formulated ICA's Good Business, which consists of seven position statements that guide us in our operations.

Making sure that we have safe products every day is vital. Suppliers and products have to live up to our requirements in terms of quality, the environment and social responsibility. Reducing our impact on climate change and the environment is another priority. Questions of ethics, health and our role in society are also important.

ICA is an international group with operations in five countries. Our CR work is shared by the entire Group. But while the work rests on the same foundation regardless of country, there are local variations in for example our work with health- and environmental issues. In general, you could say that our Swedish operations have made the most progress. No matter what country, though, the key is to continue to review, systematize, monitor and refine our activities.

In the future we will have to address other issues. Water is one example. The first step is to begin analyzing purchases from areas with water shortages and figure out how we can more efficiently access water. We are also continuing to evaluate how we live up to human rights in our buying process.

On the following pages you will learn more about our CR work. For detailed descriptions and facts, you can also read the GRI report, which you will find at [www.ICA.se/AnnualReports](http://www.ICA.se/AnnualReports).

## ICA's Good Business – the foundation for our corporate responsibility work



Our CR work can be summarized in seven position statements we call ICA's Good Business. They rest on the UN Global Compact's ten principles on human rights, labor standards, the environment and anti-corruption. The policies guide us in our daily work.

**ICA's Good Business means that we will:**

1. Be driven by profitability and high ethical standards.
2. Listen to customers and always base decisions on their needs.
3. Nurture diversity and growth among our employees.
4. Maintain an open dialogue internally and with the community.
5. Ensure quality and safe products.
6. Promote a healthy lifestyle.
7. Adopt sound environment practices to promote sustainable development.



We are constantly looking for new ways to preserve the environment and help our customers to shop sustainably.

# Good environment – good business

Products, suppliers, stores, transports, warehouses, offices and business travel. Each part of ICA's operations impacts the environment in one way or another. At the same time, we are dependent on the Earth to produce food for us in the future. This is why we think sustainably in our sourcing, and why we are building energy-efficient stores and increasing our range of organic and eco-labeled products.

ICA sells thousands of different products every day in around 2,200 stores in five different countries. So it is easy to understand that our operations impact the environment. We are convinced that constructive environmental work pays off. If the oceans are overfished and the rainforests are plundered, it will affect us not only as people but also as grocers. This is why we constantly look for new ways to save the environment, at all levels of the Group.

Climate change is an especially important issue for us. ICA emits carbon dioxide by consuming for example energy in its stores and warehouses and through transports and business travel. Our goal is to reduce our own greenhouse gas emissions by 30 percent by 2020 compared to 2006. In concrete terms, this means placing lids and doors on refrigerators and freezers in stores, using renewable electricity and switching to energy-efficient lighting. We plan all transports in detail, encourage eco-driving and test alternative fuels.

Waste – or, more accurately, reducing our total volume of waste and food shrinkage – is another important issue in the Group's environment work. For example, we recycle almost all of our waste in our Swedish and Norwegian warehouses. Many stores are working on new solutions to reduce food shrinkage, including preparing lunches using blemished

fruits and vegetables, donating to charity and cutting prices when products near their expiration date. The issue of food shrinkage is a challenge for the whole society, and we want to contribute to better solutions.

We consider sustainability in all our purchases and think about future generations when we buy foods such as fish or controversial palm oil. To reduce the amount of hazardous chemicals we maintain strict requirements on the use of chemicals in production and packaging. And given a choice, we prefer to remove certain questionable products such as baby bottles containing bisphenol from our shelves.

Our sustainability work reaches beyond what we do ourselves. Just as importantly, we help our customers to think – and act – environmentally. Our growing range of eco-labeled, organic and local products is a simple way for customers, and for us, to limit the environmental impact of the products that the Group sells.

At the same time, it is not always easy to know the best way to help the environment. It is rarely black and white, and on some issues opinions differ as to what is best for the Earth's future.

For more data on our environmental work, read the GRI report, which you can find at [www.ICA.se/AnnualReports](http://www.ICA.se/AnnualReports)

## WATER

Water is essential to all life on Earth, but there is a limited amount of it. We need clean water and healthy marine ecosystems to produce foods.

### What we are doing:

- We avoid red listed seafood, according to World Wide Fund for nature (WWF), in our main assortment.
- We are increasing the number of MSC-labeled fish products (Marine Stewardship Council) in our main assortment.
- We cooperate with WWF as part of an annual campaign to promote a healthier Baltic Sea.
- We have measured water requirements for selected meat products. For example, one kg of Swedish chopped meat has a water footprint of 14,500 liters.



## AIR

Clean air is vital to human health and to avoid harming animals, plants and our cultural heritage. This is why we try to reduce pollutants in the air.

### What we are doing:

- We participate in the project One Tonne Life, to teach and share how a test family can live and eat eco-friendly and reduce their annual CO<sub>2</sub> consumption from seven to one ton per person.
- We offer charging stations for electric cars at more and more stores.
- We are testing distribution in Stockholm using ethanol-powered trucks.
- We are testing solar panels on 300 m<sup>2</sup> of store roofs. In total, we have 1,000,000 m<sup>2</sup> of roof space that can be used to generate solar energy.

## EARTH

The Earth's crops feed people and animals. Cultivating them prudently and minimizing impacts from production is a given.

### What we are doing:

- We are trying to use fewer chemicals in our products and sell only bisphenol-free receipts to the Swedish ICA-stores.
- ICA Sweden sort and recycle 99 percent of the waste in the warehouses and Norway 97 percent.
- We are continuously expanding our range of organic and eco-labeled products, which are produced in a friendlier way to the environment.
- In the Swedish ICA-stores sales of organic product in our main assortment have more than doubled since 2007.



## FORESTS

The world's ecosystems are dependent on healthy forests. This is why it is important to protect living forests and avoid clear-cutting.

### What we are doing:

- ICA's private-label charcoal in Sweden is FSC-certified (Forest Stewardship Council), which guarantees that it comes from responsibly managed forests.
- Soon the FSC label will be visible on several of our private label packages, for example ICA's crushed tomatoes.
- Outdoor furniture in our main assortment, made of tropical woods, shall be FSC-labeled.
- We have decided that the 2,000 tons of palm oil we use annually in our private label foodproducts in Sweden will be certified, i.e., sustainably produced, by 2015.

# ICA's energy and material audit

Reducing environmental impacts from our operations is an important and overarching goal. This illustration shows the results of ICA's energy and material audit, i.e., the resources we consume and what we leave behind. The audit comprises the Group's operations, but excludes raw materials used in production and waste generated by households.

## Energy consumption

### Total energy consumption in warehouses and stores, ICA Group, MWh

08	1,680,693
09	1,527,359
10	1,542,976

### Energy consumption in warehouses, MWh

Sweden	08	90,608
	09	84,023
	10	83,920
Norway	08	24,453
	09	24,246
	10	24,609
Baltic countries	08	16,633 <sup>1)</sup>
	09	13,418
	10	15,504

1) Also includes electricity use for offices and similar premises.

### Energy consumption in stores, MWh

Sverige	08	996,712
	09	875,478
	10	877,311
Norway	08	368,763
	09	333,501
	10	328,736
Baltic countries	08	183,524
	09	196,694
	10	212,897

### Cooling agent consumption, tons

Sweden <sup>1)</sup>	08	0.1
	09	0.3
	10	0.1
Norway <sup>1)</sup>	08	0.1
	09	0.2
	10	0.3
Baltic countries	08	11
	09	10
	10	14

1) Comprises only warehouses.

### Average energy consumption in warehouses, kWh/m<sup>2</sup>

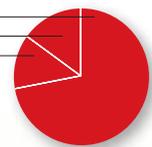
Sweden	08	281
	09	270
	10	270
Norway	08	222
	09	220
	10	193
Baltic countries	08	217
	09	176
	10	185

### Average energy consumption in stores, kWh/m<sup>2</sup>

Sweden	08	466
	09	406
	10	401
Norway	08	587
	09	547
	10	548
Baltic countries	08	441
	09	425
	10	470

### Distribution of ICA Group's energy sources 2010 (electricity consumption in warehouses and stores), %

Renewable energy	72
Fossil fuels	15
Nuclear power	13

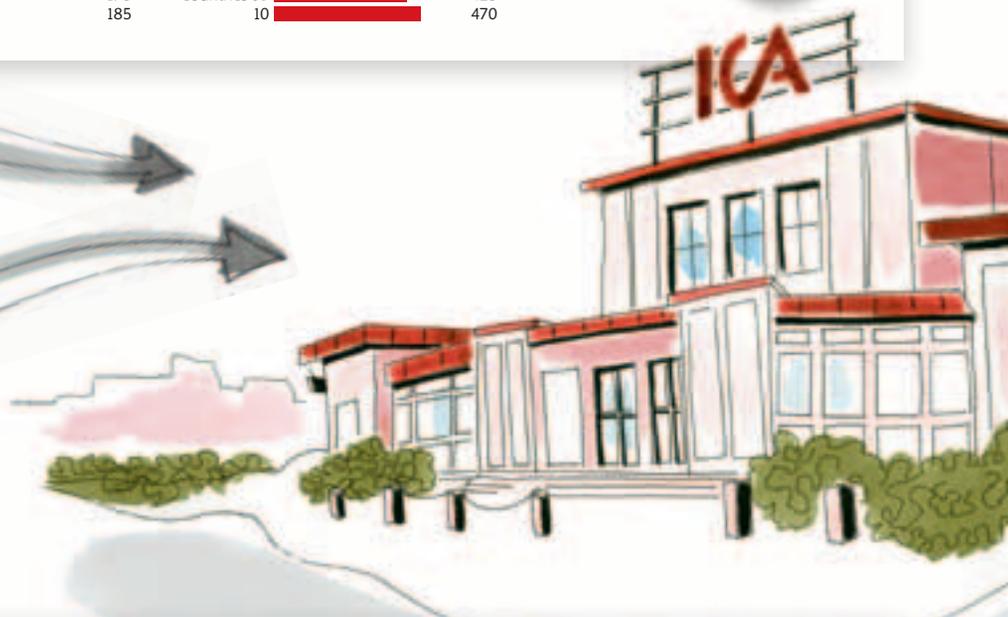


## Energy efficient stores and warehouses

Many efforts made in recent years has led to greater energy efficiency in many of our warehouses and stores. Energy consumption and refill of refrigerants during 2010 increased mainly due to the hot summer and the long, cold winter, which was demanding for heating and cooling systems in stores and warehouses. The energy efficiency of stores, warehouses and transportation is a continuing priority for the entire group.

## Better transport control

In Sweden, ICA is taking over goods transports from its suppliers so that trucks do not return from stores to warehouses empty. As a result, ICA's transports have increased, but the overall environmental impact has been reduced.



## Transports

### Diesel consumption from goods transports between warehouses and stores, thousand liters

Sweden	08	22,181
	09	26,069
	10	26,821
Norway	08	5,773
	09	5,609
	10	5,007 <sup>1)</sup>
Baltic countries	08	4,645
	09	4,092
	10	4,398

1) Calculation method is updated for outsourced transports.

### Business travel by air, thousand km

Sweden	08	13,461
	09	10,625
	10	12,873
Norway	08	3,400
	09	2,535
	10	3,110
Baltic countries	08	i.u.
	09	i.u.
	10	i.u.

### Business travel by rail, thousand km

Sweden	08	1,898
	09	2,153
	10	1,993
Norway	08	i.u.
	09	i.u.
	10	i.u.
Baltic countries	08	i.u.
	09	i.u.
	10	i.u.

### Business travel by car, thousand km

Sweden	08	7,176
	09	7,714
	10	7,919
Norway	08	i.u.
	09	i.u.
	10	i.u.
Baltic countries	08	i.u.
	09	i.u.
	10	i.u.

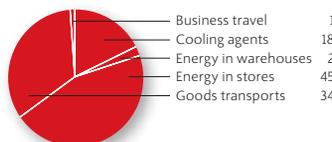
# Emissions

## Total carbon dioxide emissions<sup>3)</sup>, ICA Group, tons



3) Excluding offset air travel emissions.

## Distribution of ICA Group's carbon dioxide emissions<sup>3)</sup>, 2010, %



## Carbon dioxide emissions from energy in warehouses, tons



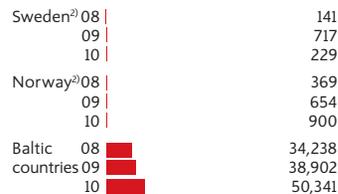
1) Since 2009 all warehouses in Norway use renewable electricity.

## Carbon dioxide emissions from energy in stores, tons



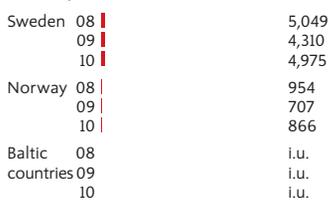
1) Since 2010 a large share of the Norwegian stores have renewable electricity.

## Carbon dioxide emissions from cooling agent consumption in warehouses and stores, tons

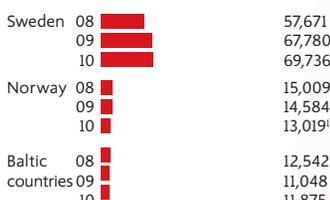


2) Comprises only warehouses.

## Carbon dioxide emissions from business travel by air, train and car, tons



## Carbon dioxide emissions from goods transports between warehouses and stores, tons



1) Calculation method is updated for outsourced transports.

## Several stores use renewable electricity

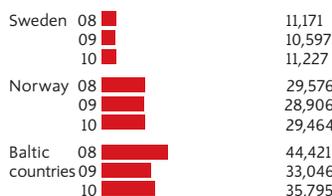
During 2010 several Norwegian stores started using renewable electricity, which has led to reduced carbon emissions. In contrast, carbon dioxide emissions from energy and refrigerant in the Baltic countries owing to the hot summer and the long, cold winter, which was demanding for heating and cooling systems. Efforts to reduce climate change remains a priority area for the entire group.

## Improved waste management

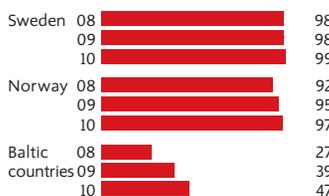
The amount of waste to landfill decreased as a result of efforts to improve waste sorting in warehouses and stores. The total volume of waste increased partly due to increased sales volumes but also that also that un-prescribed medicine was introduced in the handling of goods in warehouses in 2010.

# Waste<sup>1),2)</sup>

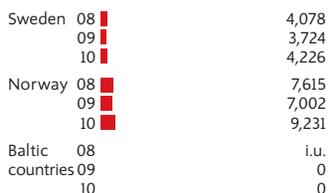
## Total waste volume, tons



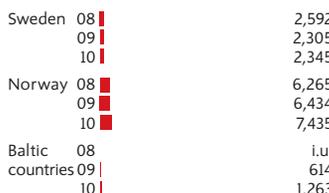
## Recycled, %



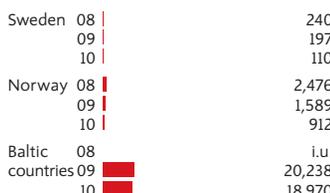
## Compostables, tons



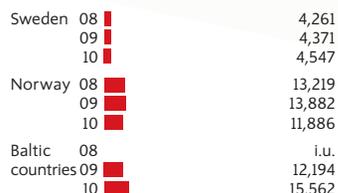
## Incinerable, tons



## Incinerated waste, tons



## Recovered/recycled, tons



1) Sweden comprises waste from logistics, Norway and the Baltic countries comprise waste from logistics and stores. 2) Updated 2009 figures for Baltic countries to clarify the waste handling method.



## The store of tomorrow saves the environment and money

Curious about the store of the future? Take a look at our pilot store, ICA Kvantum Sannegården, where you will find examples of resource-efficient technology that will help ICA to reach its the goal of reducing CO<sub>2</sub> emissions by 30 percent by 2020.

You may not think so, but the stores are actually ICA's largest source of greenhouse gas emissions.

In October 2010, a new energy-efficient store, ICA Kvantum Sannegården in Göteborg, opened its doors. Or, to be more precise, its revolving door. Installing a revolving door instead of automatic doors reduces the yearly energy consumption enough to heat two homes for a whole year.

Compared to a five year old Kvantum store of the same size with the same merchandise, Sannegården is about 35 percent more energy efficient. The biggest savings is from the refrigeration and freezer cases, where something as simple as installing lids and doors significantly reduces energy consumption.

"It's been the many small improvements that have led us to the best possible result. We started with existing solutions and figured

out how we can make them more energy-efficient," said Michael Johansson, CEO of ICA Real Estate Sweden.

Two simple but effective changes in the store are that the lighting and temperatures are now controlled automatically as needed. Customers do not notice any difference. If they look up toward the ceiling, however, they will see a glimpse of solar panels on the roof, which generate a portion of store's energy and feed the electric charging stations in the parking lot.

In the future new ICA stores in Sweden will be designed according to the same principles as Sannegården. Resource-efficient operations are also a priority in our stores in Norway and in the three Baltic countries.

The CoolICA system has been used in Norway for several years and is being installed in all new stores. CoolICA monitors energy consumption and temperatures in stores.

# Healthy oceans have enough fish

For those who want to sell seafood, healthy oceans are critical. In recent years, we have been working hard to find the right product selection.

In 2010, farmed salmon was a hot-button issue in seafood-crazed Norway. The debate has been whether it is healthy to eat farmed salmon and whether its production harms the environment. For example, farmed salmon requires food in the form of other fish, which increases the risk of overfishing. The fishing industry is also combating the problem of sea lice, which could spread to wild salmon. Then there are the fears that pharmaceuticals used in fish farming will be passed on to humans and present a health risk.

Despite contradictory opinion, ICA has tightened its requirements on the fishing industry. We require suppliers to provide us with adequate information on farmed salmon and its origins, and to take measures to produce the fish sustainably.

In Sweden and Norway, we have collaborated for several years with World Wide Fund of nature (WWF) and are using its seafood guide with red, yellow and green listed species. We try as far as possible to avoid red listed seafood in the main selection sold to stores. We are also expanding our range of MSC-certified seafood (Marine Stewardship Council).



## ICA choose receipts without bisphenol

Our customers and employees should feel secure that our products and packaging are not hazardous to humans or the environment.

Bisphenol, one of the world's most common plastics, is used in a variety of products, for example receipts. When several ICA retailers in Sweden questioned how receipts could possibly affect their employees ICA Sweden choose to say no to those in the main assortment. Earlier in 2010, we phased out baby bottles and pacifiers with bisphenol in both Norway and Sweden.

In the meantime, we are following research developments in this area.



Customers should always feel safe eating and using products from ICA

# Eye on quality

Customers should feel safe shopping at ICA, which is why we make sure that our products are produced and transported under the right conditions, that they are handled correctly in stores, and that they taste or function the way that is expected – or better.

To us, quality is a multifaceted concept. It is more than just a question of selling products that taste and function good. Quality also means maintaining control over the entire supply chain – from manufacturing and all the way to the customer. Another constant challenge is finding the right balance between quality and what our customers are prepared to pay. In the final analysis, it is naturally a question of earning our customers' trust. This explains why we set ambitious quality goals at every level.

In recent years, ICA has focused on the issue of food safety in stores. ICA was a driving force in creating a new Swedish quality standard for food handling in stores, the world's first third-party standard of its kind. At the same time that Swedish ICA stores are busy applying the standard, work is under way to achieve similar quality levels in our Norwegian and Baltic stores.

At the import level, we ensure quality and social responsibility through supplier audits. Today we have three sourcing offices in Asia with their own quality assurance departments. We also visit suppliers of risky products in our markets, for example meat suppliers. We have quality labs for ICA's private labels, where we test the taste, appearance, ingredients and function of each product. We will not put our name on a product or package before we can be sure that it lives up to our requirements. Only then can we stand behind it. If a product still fails, we

have clearly defined routines how to stop sales and recall products. Buying locally is a growing trend that adds a new dimension to quality work. In the case of small local suppliers that deliver directly to independent ICA-stores in Sweden, each retailer is responsible for ensuring that the products are safe. They receive some support centrally from ICA, however, to evaluate and approve suppliers and products.

Animal welfare is an important issue for us, and it is why we require animal-based ingredients in our organic ICA I love Eco line to be KRAV-labeled. The fact is that KRAV's requirements are stricter than the EU's organic legislation with respect to animal welfare. Our ICA Selection pork and free range beef products are another way to protect the well-being of animals, while at the same time giving customers the opportunity to buy quality meats.

Since quality is such a central issue for the entire food industry, there are a number of standards and quality certifications at both the national and international level, for every part of the supply chain. They serve as important tools in our efforts to maintain high quality and communicate to our contractual partners how to sustain the right levels. For example, we encourage small suppliers to obtain IP Livsmedelsförädling (IP Food Processing) certification, a standard for small producers. To stay updated, we participate in the Global Food Safety Initiative, GFSI, which also creates common norms and approve food safety standards.

## TASTE



Eating is an integral part of our lives and everyday habits. Food should taste good, and there has to be enough room for different tastes and preferences.

### What we are doing:

- We have begun to more accurately describe the taste characteristics of fruit and vegetables. The descriptions are the result of several years of sensory research that we have played a part in.
- In 2010, we conducted around 2,100 sensory tests on new and existing products to ensure that they taste right.
- Our ICA Selection products are being evaluated by test panels of around 70 consumers.

## INGREDIENTS

Our products should be nutritious, balanced and fill the right needs. We are always careful in choosing the ingredients for our private label products.

### What we are doing:

- Restricting the use of additives in ICA's products. When used, they should add customer value.
- The flavour enhancing additive glutamate, E621, is currently used only in ICA's private label bouillon and instant noodles. We are working to eliminate the additive there as well.
- The list of ingredients on ICA's products is inspected and approved by our own quality experts in all our markets.
- In 2010, our call center responded to 100,000 calls and e-mails about our products and services.

## ORIGIN

Our products must be manufactured under fair conditions. Animals should not be treated badly, and natural ingredients should not be altered without good reason.

### What we are doing:

- Products sold by ICA should be traceable to when and where they were manufactured.
- Regarding fresh meat, we place stricter requirements on animal welfare than the EU-regulation, and we refuse to sell Belgian Blue breed of cattle.
- In the ICA I love Eco line, all animal-based ingredients are KRAV-certified to ensure that animals are treated with extra care.



## SAFETY

Customers should be able to trust that our products are safe. That is why food safety is so essential, from producer to warehouse to handling in stores.

### What we are doing:

- All our suppliers must have quality systems in their production facilities to guarantee safe products.
- In 2010, 80 percent of ICA Sweden's corporate brand foodsuppliers had standards approved by GFSI.
- In 2010, we conducted around 2,900 product inspections to ensure quality.
- During the year, we withdrew about 950 products from stores and warehouses that did not live up to our quality requirements. The products can be traced and blocked directly through cash registers in stores.

# Control from factory to store

We conduct over 5,000 tests, of which 2,100 sensory tests, on our private label products each year. Here you can follow the road that our private label products take from factory to store.



## 2. Select a supplier

To manufacture products for ICA, a supplier must meet our quality, product safety, environment, health and social compliance requirements. The production location must be audited against international standards or ICA's own standard. And we have the right to monitor compliance with our requirements.



## 3. Product samples

Selected suppliers produce samples based on ICA's requirement specification. A lot of effort is put into avoiding unnecessary additives, allergens and chemical substances.



## 4. Sensory, function and quality

All of ICA's private label products undergo sensory and quality tests on the road to becoming a finished product. The sensory tests evaluate appearance, odor, taste and texture. Several tests are often required before a product is approved. The testers are usually ICA employees. Our ICA Selection brand, on the other hand, is also tested by a panel of about 70 consumers. In addition we test function, as in the case of baking powder, washing chemicals and housewares.



## 5. Product specification

When a product is approved after the tests, we prepare a detailed product specification. Each product has its own document with important information gathered throughout the entire supply chain and all the packaging information, e.g., nutritional data and ingredients.



## 6. Label inspection

Packaging information is reviewed and approved to comply with laws and regulations and not to mislead the consumer.



## 7. Finished product

After the product reaches the store shelf, ICA's quality lab checks it one more time. All private label products are then inspected regularly. We also monitor sales and complaints to ensure that customers are satisfied with the products.



## 1. Identify the need

When we develop a new product, we begin by identifying the customer need. This could mean creating new choices for the consumer or showcasing a new product. Every new product must live up to our specifications.



## Local products for local markets

In the summer of 2010, Rimi Lithuania opened its first “Vikis” store with products from local growers and farmers. It is also the first store-in-store concept in the Baltic market. The idea is to offer customers greater value through a local, seasonal selection.

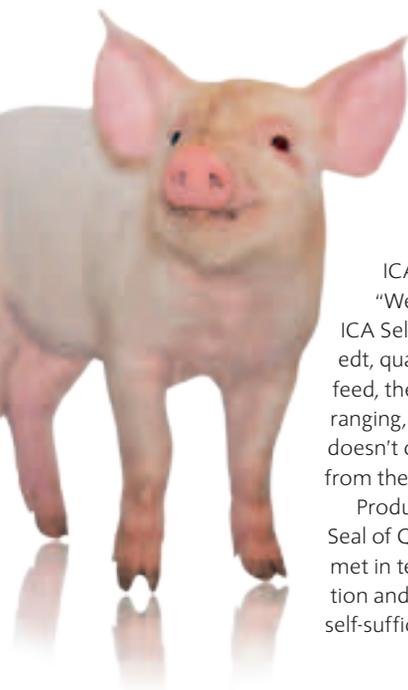
“We have seen strong demand for this type of product, at the same time that we support local producers. The launch fits in well with our high-quality image,” said Christian Wijkström, CEO of Rimi Lithuania.

In a Vikis store, customers can find everything from dairy products, meat, vegetables and bread to jams, oils and honey. Lithuanian producers have their own ways of making the products and their own recipes.

Today customers can find Vikis in four stores. Plans call for an eventual launch in all three Baltic markets.

Several initiatives are under way in ICA's Baltic markets to promote local products. In Latvia, a summer promotion for freshly harvested local products received an enormous response. In Estonia, Rimi has joined a national campaign to label local products.

## Pork from four selected farms



In fall 2010, a new line of pork, ICA Selection, was introduced. Initially comprised of around ten products, the line is distinguished by high quality and animal welfare.

Customers often want to know where their food comes from, and more of them now want to buy local, especially when it comes to fresh meats. ICA Selection is one of ICA's way to satisfy this demand.

“We know exactly which Swedish farmer and farm ICA Selection pork comes from,” said Johanna Stierstedt, quality manager at ICA. “The pigs eat only Swedish feed, the sows farrow in extra thick straw and are free ranging, and the breeding pigs are raised on feed that doesn't contain any genetically modified soy, preferably from the same farm.

Production is certified according to IP Sigill (Swedish Seal of Quality), which guarantees that certain criteria are met in terms of animal welfare, environmental protection and food safety. In addition, the pens are partially self-sufficient thanks to renewable electricity.

## A star now shines over all Swedish Maxi stores

Full control of the spice mixture used on grilled chicken. Absolute certainty which ingredients the bread is baked from. And not allowing any employees to work at the deli counter without the right work-wear. These are among nearly 90 requirements in the world's first third-party food handling standard. The certification was initiated by us. Since 2009 all Swedish food retailers can be certified according to the standard, accepted by the Swedish Board for Accreditation and Conformity Assessment (SWEDAC).

“In 2010, practically all ICA-stores initiated routines required to be approved according to the standard,” said Mats Ovegård, quality manager at ICA Sweden AB. “In December, the last of our 72 Maxi stores was certified.”

In total, 223 Swedish ICA stores now proudly bear the “star” seal of quality, showing that they meet the new standard. We have also begun promoting the standard internationally, in part to allow our stores in Norway and in the Baltic countries to be certified. In Norway, an organization of quality coaches is also being created, like in Sweden.





We buy products from countries around the world, sometimes from places where workers' rights are not a given.

# Global trade on human terms

The majority of our products come from ICA's home markets and from Europe. But many also come from suppliers in countries where human rights are not a given. We are working in several ways to make sure that all production employees have acceptable working conditions.

Ensuring that workers have accepted working conditions during the production of goods that ICA then sells is a linchpin in our work. Of course in many impoverished parts of the world, deep poverty, weak laws and a culture of unsafe working conditions are a reality. In our view, we do business with suppliers, not countries and hope that the combination of new jobs, our values and the requirements we place on suppliers, play a positive role in local development and to promote fair trade.

We monitor labor conditions in the factories that produce our corporate brand products. Since 2008, we have sourcing offices in Hong Kong, China and Vietnam. Being on site has facilitated this work and helped suppliers to better understand what we mean by social responsibility in our contracts. By the end of 2011, our goal is that all suppliers of ICA's corporate brand products from high risk countries\* will be audited and approved by us or a third party. At year-end 2010, we had completed about 68 percent.

Our auditing work is done with third-party inspectors and using our own method, ICA Social Audit. Audits are not just a one-time visit. We monitor operations and help suppliers to meet our requirements, e.g., through training and by drafting action plans. Sometimes there are sup-

pliers that are unwilling to have a dialogue. In such cases, we are forced to break off the collaboration.

Naturally we have to keep a check on all our suppliers. During the year, we found for example that seasonal berry pickers in Sweden were not working under acceptable conditions. As a result, we now require inspections of how berry companies treat their employees if we are going to buy their products.

The suppliers our suppliers use are harder for us to control. To check on their working conditions, we partner with organizations such as UTZ Certified and Rainforest Alliance. Our customers are becoming increasingly aware of where the products they buy come from and under what conditions they were manufactured. This is constantly driving us to be better at providing information.

ICA currently offers about 30 ethical labeled private label products that give customers an informed choice. We are continuously refining the range. At the same time, these products strengthen confidence in the work we are doing and promote international trade the right way.

\* High-risk countries are defined according to the UN Development Programme (UNDP) Human Development Index and Economic Security Index.

## PEOPLE

Behind every product there are people. Protecting the rights of those who work to produce the goods we buy is a given.

### Our requirements:

- We don't allow forced labor or child labor in factories.
- If there is a suspicion that a factory employee is a minor we require that measures are taken for the persons best.
- Employees may not be discriminated based on ethnic background, gender, sexual orientation, religion or age.
- Work environments must have access to drinking water, toilets and necessary protective equipment.
- Employees should have acceptable working conditions in terms of minimum wages, hours and free time.

## COOPERATIONS

You are never strongest when alone. To promote fair trade and ensure that our work has greater impact, cooperations are sometimes the best solution.

### Important cooperations:

- ICA is actively participating in the Global Social Compliance Program (GSCP) to establish common standards for social responsibility of suppliers.
- Through our co-owner, Royal Ahold, we are active in the Business Social Compliance Initiative (BSCI), a European audit system for consumer goods suppliers in high-risk countries.
- ICA is a member of the Norwegian Ethical Trading Initiative (ETI) since 2001 which is a forum for ethical trade and other challenges in global supply chains.

## PRODUCTS

It should be easy to decide. Customers should be able to know how a product is made and whether it was done under acceptable conditions.

### What we are doing:

- Among ethical labels we approve Fairtrade, Rainforest Alliance and UTZ Certified.
- ICA's private label coffee is UTZ Certified, which means that the growers were inspected according to social criteria and that consumers can trace their coffee back to the plantation.
- ICA Swedens Fairtrade sales (main assortment) for 2010 are more than three times as much as they were during 2007. In Norway Fairtrade sales have increased by 17 percent since 2007.



## METHODS

Ethics are important throughout the supply chain. Using sophisticated methods and clearly defined routines, we can maintain better control from production to customer.

### What we are doing:

- In our agreements we always reserve the right to visit the facilities that manufacture our corporate brand products.
- Any supplier that fails an audit generally gets another chance to improve.
- ICA stopped producing in twelve factories in 2010, because the supplier was not willing to have a dialogue about our requirements regarding human rights.
- Since 2008, we have our own staff in Asia. They spend their days with suppliers, and in the process create a greater understanding of sustainability issues.

# Suppliers around the world

ICA does business around the world. Therefore we have to take responsibility across borders. The adjacent map shows where in the world we buy, the about 30 percent of our sales representing our corporate brands.



Sales Percentage of ICA's corporate brands; i.e. private label products, including fruit and vegetables, and a majority of non-food products.

The number of production units is not static since it is depending on the assortment in our stores and seasonal changes. Efforts to identify the production units where our corporate brands are produced continues and is important for us.

The largest purchase volumes of our corporate brands comes from suppliers in our home markets and from the rest of Europe. We also buy corporate brands from suppliers with production sites in high-risk countries where justice is not always obvious. Here we place great emphasis on supporting and monitoring the work of suppliers' factories to ensure that the production is done under acceptable conditions.

Common for ICA's corporate brands is that we set the requirements, and audit, that the production is according to our social responsibility requirements. For all supplier brands, we set the same requirements through contracts where the brand supplier agrees to audit the production according to our requirements.

Before the end of 2011, we have the ambition to socially audit 100 percent of our corporate brand suppliers in high-risk countries. At the end of 2010 we had reached 68 percent.

Read more about our work with social responsibility in our GRI-report, to be downloaded at [www.ICA.se/AnnualReports](http://www.ICA.se/AnnualReports)



**NORTH AMERICA**  
ICA buys mainly: foods  
Production units: about 10

**SOUTH- AND CENTRAL AMERICA**  
ICA buys mainly: fruit and vegetables  
Production units: about 100

## The right dialogue can lead to improvements

Clearer information for customers to help them in making better informed choices in the store.

That was one of many concrete proposals ICA received in 2010 when it gathered stakeholders to discuss its ethical and social responsibility for fruit and vegetables. Films such as "Bananas" and reports on the grave conditions faced by many workers on pineapple plantations in Costa Rica have raised public awareness about the situation.

For ICA, it is a daily challenge to support fair working conditions and environmental safety while at the same time offering customers good prices.

We partner, for example, with the Rainforest Alliance, which certifies that suppliers meet ethical, legal and social criterias. This means that produce we sell are grown and manufactured in a way that meets the UN's and the International Labour Organisation's (ILO) requirements.



## Easier to buy fair

In late 2010, we redesigned our ethically labelled products. The line now has a more uniform design to set it apart on the store shelf.

"We put a hangtag on the product to show the country of origin and which organization stands behind the label," said Kebba Colley, who works with corporate responsibility issues at ICA.

In all, about 30 products were redesigned, including cotton, coffee and chocolate. The labels include UTZ Certified, Rainforest Alliance and Fairtrade.

"It is important to show customers that we feel responsibility for the people and businesses that produce ingredients and products for us. I have not seen this kind of solution used by any other retailer," said Kebba Colley.

The new line is now available in the Swedish market and will be expanded to include additional products.



We and our customers are both concerned regarding what we should eat to feel good.

# Feel for the good life

Inspiring our customers to live a healthier life is one of the most enjoyable and meaningful things we do. We know that it is important to our customers, and as a food retailers we see opportunities in the growing interest in a healthy lifestyle.

We avoid pointing fingers about health issues. On the other hand, we are happy to offer advice, and we have plenty to share. When it comes to inspiring everyday meals, we are hard to beat. This means more than giving customers recipes and health advice in our customer magazines, on our websites or in stores. We try to see the big picture – we think it should be easy to live a healthy life.

We are, for example, a leading retailer in meeting the needs of allergy sufferers. Since we know that the number of people in the Nordic region who are lactose or glucose intolerant is growing, we are continuously adding alternatives to our main assortment and providing special recipes.

We are good at developing our own healthy products. We recently modernized the ICA Gott liv product line, which offers around 70 products with reduced sugar, salt and fat. After an extensive reevaluation, many ICA Gott liv products now contain no additives whatsoever, which many people prefer. The only additives we allow are those required to ensure shelf life and consistency.

In our work we use the official Nordic nutritional recommendations. In practice, this can lead to fairly simple yet impactful ideas. And it has also created challenges. For example, the skepticism to additives and growing interest in foods that are high in fat but low in carbohydrates have forced us to remove many diet products due to decreasing

demand. This in turn has consequences for diabetics, who are left with fewer options to choose from.

Another challenge is to combine the desire for fewer additives with the desire for less salt and sugar in food without sacrificing taste. Salt in itself is a major issue, since studies have shown that a lower salt intake can help to reduce cardiovascular disease and high blood pressure.

Today we let the keyhole criterias guide us on the question of salt in all our private label food products, even if they are not labeled with the keyhole.

A new side of a healthy ICA came up in 2010 in the form of our Cura pharmacies in Sweden. Conveniently shopping for nonprescription drugs and picking up prescription medications during extended store hours has been well received by customers and fits in well with our image as a health-oriented company.

We are continuously discussing with authorities and other stakeholders how retailers can help to improve public health.



## HEART

A healthy life is connected to a healthy heart. Products that promote a sound lifestyle are a cornerstone of our operations.

### What we are doing:

– In 2010, around 30,000 school children received a lesson about the relation between health and consuming fruit and vegetables at Swedish ICA-stores. We offer similar programs for children in the Baltic countries.

– Salt consumption is an important health issue. According to our keyhole guide, bread should contain a maximum of 1.25 g of salt per 100 grams.

– The ICA Gott liv line of healthy foods with less fat, sugar and salt was a winner at the Eurobest design awards.

## BRAIN

The road to health begins between the ears. Knowledge and an understanding of good eating habits are the first step to a healthy lifestyle.

### What we are doing:

– 90 percent are normal food. And 10 percent are candy, snacks and cakes. That is how we balance deals in our Swedish marketing-campaigns.

– ICA Norway introduced the keyhole in 2006, facilitating the launch of the label throughout the Norwegian market in 2009.

– The new store concept ICA To Go was named Sweden's Health Restaurant of the Year in 2010.



## STOMACH

A healthy stomach makes every day a little easier. We try to offer products and solutions for every stomach, even food allergy sufferers.

### What we are doing:

– Today we have 630 products designed for consumers with food allergies. They are labeled with a special symbol to make them easy to find.

– We are adapting all our recipes for everyone, including food allergy sufferers.

– In 2010, sales of food allergy products (main assortment) rose by seven percent in Sweden and by 53 percent in Norway.

## MUSCLES

The best recipe for being healthy is to eat well and move. Exercise builds muscle, and group exercise builds camaraderie.

### What we are doing:

– ICA has been the chief sponsor of a series of Swedish road races called Blodomloppet for eight years. In 2010, 76,000 runners participated in 14 locations.

– Many ICA retailers in Sweden and stores in Norway support youth athletics through local sponsorships.

– Rimi Baltic in Lithuania has added parking for 200 bicycles in Vilnius to attract those who prefer not to travel by car.





Maxi ICA Stormarknad Häggvik in Stockholm is one of the participating ICA-stores in the project "We-can-do-more".

# Enriching cooperations

We want to be a force for good in society. In the long run, we also benefit from a better world. This is why we cooperate work with organizations that fight for environment and climate and for people who, for example, suffer from vulnerability, social injustice, diseases and natural disasters.

One of ICA's big goals is to be a positive force in society. It is natural, therefore, that we would seek out different types of collaborations, which include sponsorships. But we won't support just anything. It is important that it is something with a strong connection to our own fundamental values and that the activity fits our long-term business plan. In practical terms, this means that all our sponsorships focus on food and health, social responsibility, the environment and sustainable development.

We have a lot to offer to help make life a little better for others. We have been working for years with a number of charitable organizations, all of which are fighting for people who suffer. The organizations we currently support are the World Childhood Foundation, the Swedish Cancer Society/Pink Ribbon, the Red Cross, World Wide Fund for nature (WWF), the Scouts, H.M. King Carl XVI Gustaf's Foundation for Young Leadership, The Swedish National Association for Persons with Intellectual Disability (FUB), the Glada Hudik Theatre and Blodomloppet. Together with our customers we donated large amounts of money to these organizations.

But our support doesn't always stop with a donation. Sometimes we also donate our time and know-how to help those who want to help

themselves. Bringing attention to important issues can be one way, as we have done in our cooperation with Samhall, Sweden's municipalities and the Glada Hudik Theater. The project called "We can do more," is helping people with functional disabilities to find work in ICA-stores, offices and warehouses. In this way, we also increase diversity in the workforce.

In many cases, we build on ICA's tradition of strong community engagement. In the Baltic countries, we have conducted a number of local activities in the wake of the financial crisis, including distributing food to an SOS Children's Village in Latvia. Since 2006, we have donation boxes in Rimi Baltic's stores in both Latvia and Lithuania.

Local engagement can also mean sponsoring youth athletics such as soccer, bandy, team handball and skiing. Without exception, we support team sports. Working toward a common goal is an important social skill.

We are also one of the principal partners of the Swedish Scout movement and support H.M. King Carl XVI Gustaf's Foundation for Young Leadership. We see this as a way to underscore important leadership issues and the importance of respecting individuals and differences.

## HEALTH

Good eating habits are a cornerstone of a healthy life. It is important therefore to encourage people, especially children, to eat right.

### What we are doing:

- In cooperation with the Swedish Cancer Society, we have a campaign called "Buddy with Your Body - 5 a day," which encourages children to eat more fruit and vegetables.

- Together with A Non-Smoking Generation, local ICA retailers can book lectures in nearby schools.



Cancerfonden 

### ICA SPONSORSHIPS IN 2010:

Swedish Cancer Society/Pink Ribbon, about **SEK 7.1 million**; Swedish Cancer Society/Mustache Campaign, about **SEK 3.6 million**; World Childhood Foundation, about **SEK 8.3 million**; Red Cross, about **SEK 5 million**; FUB, about **SEK 5 million**; the Glada Hudik Theater, about **SEK 1 million**; H.M. King Carl XVI Gustaf's Foundation for Young Leadership, about **1 million**; The Scout Movement, about **1 million** and WWF about **SEK 1.6 million**.

## DIVERSITY

Utilizing people's knowledge and experience gives us perspective and ideas how to develop. In the long run, everyone wins.

### What we are doing:

- We believe in local projects that support diversity such as "We can do more," where people with functional disabilities are given jobs in ICA stores in Sweden.

- In the Swedish Business Awards 2010, Rimi Baltic received an award for its program to integrate employees with functional disabilities in cooperation with the Lithuanian Association of the Disabled.

- In 2010 ICA Sweden arranged a lottery to benefit FUB, which collected five million to their organisation.

## COMMUNITY

Life is more fun when it is shared. We support sports and other activities that encourage exercise and teamwork.

### What we are doing:

- Since 2007 ICA supports the H.M. King Carl XVI Gustaf's Foundation for Young Leadership and the Scout Movement. The foundation awards young people who exhibit courage, consideration, drive and values-based leadership.

- The sports clubs we support are expected to have programs to oppose violence and a program for youngsters.

CHILDHOOD  
WORLD CHILDHOOD FOUNDATION

## NEIGHBORHOOD

Taking responsibility for our neighborhoods in terms of environment and social causes is how we create a future for our business.

### What we are doing:

- The Red Cross, World Childhood Foundation and WWF are our principal charitable partners.

- We support Earth Hour in all our markets.

- ICA Norway supports the organization Fattighuset, and in 14 locations in Latvia Rimi Baltic supports local food kitchens.

- ICA Bank is fighting childpornography on the internet in cooperation with ECPAT and twelve other banks.



# How ICA is governed

The Management and the Board of Directors are entrusted to ensure that the demands of ICA's owners and other stakeholders for efficient operational control are met.

## Ownership structure

ICA AB is a joint venture 40 percent owned by Hakon Invest AB of Sweden and 60 percent by Royal Ahold N.V. of the Netherlands. Through a shareholder agreement, Royal Ahold and Hakon Invest jointly control ICA AB.

## Annual General Meeting

The rules on the Annual General Meeting can be found in the Companies Act and the articles of association.

The meeting elects the Board of Directors and auditors and adopts the income statement, balance sheet and proposed appropriation of earnings. The Annual General Meeting on April 16, 2010 resolved, among other things, to adopt the income statement and balance sheet for 2009 and to pay a total dividend of SEK 1,566 million to the shareholders.

The Board proposes a dividend of SEK 1,900 million to the shareholders for 2010. Decisions on dividends are made by the Annual General Meeting in spring 2011.

## Board of Directors and its work

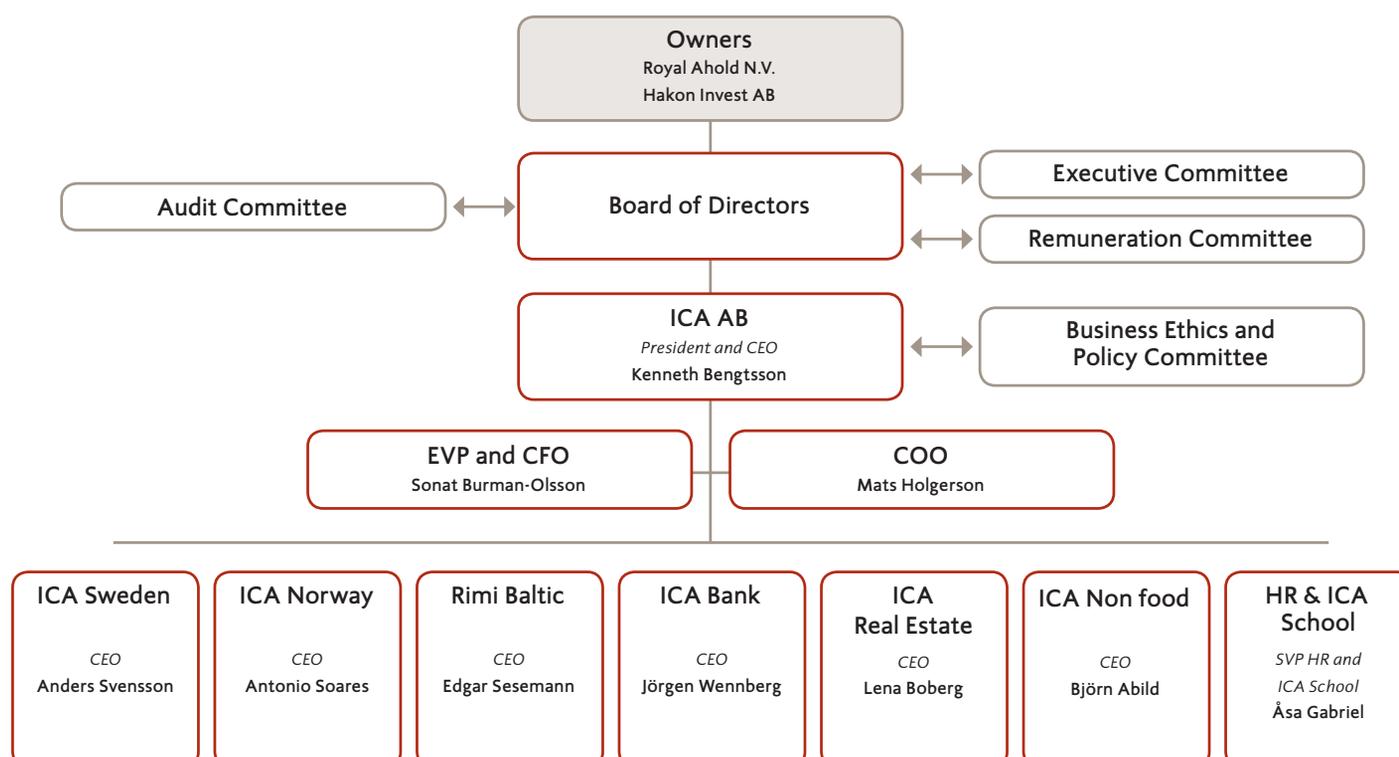
The Board's work follows special rules of procedure adopted at the Board meeting on May 26, 2010. In addition to the items treated in accordance with the Companies Act, the rules of procedure include com-

mittee directives and rules on quorums. In 2009, the Board of ICA AB consisted of seven members and two deputies elected by the Annual General Meeting as well as two members with two deputies appointed by the unions. The Chief Executive Officer, Chief Financial Officer and General Counsel (Secretary to the Board) are not members of the Board but participate in its work. No fees have been paid to the Board members elected by the Annual General Meeting. The employee representatives have received a fee of SEK 4,000 per meeting. This study fee currently is not based on the results of the Group's corporate responsibility work. During fiscal year 2010 the Board held 12 meetings.

The Board treated, among other things, the establishment of a real estate joint venture with Alecta, business strategies and the usual investment issues involving the retail network. As in previous years, special attention was given to the Norwegian operations.

In 2010, the Board discussed sustainability issues and socially responsible sourcing. None of the Board members have special expertise in sustainability issues. No separate recommendations have been drafted on the qualifications that Board members should possess in terms of environmental and social issues. The Board of Directors regularly evaluates the Board's work processes and the Board's own performance with-in economic, environmental and social issues.

John Rishton has left as CEO of Royal Ahold in March 2011 and is therefore resigning from ICA AB's Board. In February 2011 was Kimberly Ross elected as a new boardmember.



## Nomination Committee

ICA does not have a Nomination Committee, since the shareholder agreement between its owners gives each the right to nominate their own representatives to the Board.

## Board committees

The Board is able to establish committees to complement its work. The committees are subordinate to the Board and report to it on an ongoing basis.

## Audit Committee

The Board of Directors has appointed an Audit Committee to monitor accounting and reporting of financial information. The Audit Committee is also responsible for evaluating the Group's systems for internal oversight and control. Among the Committee's other duties are to handle auditing questions from the external and internal audit. The Audit Committee's work is governed in its rules of procedure, which are laid down by the Board of Directors. The Audit Committee consists of two members: John Rishton (Chairman) and Göran Blomberg. In addition, assistants to the members, the external auditors, internal auditors and ICA AB's CEO, CFO and General Counsel normally attend all or part of the Committee's meetings. In 2010, the Audit Committee held four meetings.

## Executive Committee

The Board has appointed Claes-Göran Sylvén, John Rishton and Kenneth Bengtsson to an Executive Committee responsible for continuous monitoring of the Group's development. The Committee also prepares issues that will be discussed by the Board and supports the CEO's and other senior executives of the subsidiaries in implementing and executing the decisions taken by the Board. The Committee has a mandate to decide on investments that do not require discussion by the Board.

## Remuneration Committee

The Board has given the Executive Committee a mandate to act as a Remuneration Committee to decide on compensation principles for senior executives in Group Management. The President's salary is determined by the Board, however.

## Internal control over financial reporting

ICA works with a structure to monitor and safeguard internal control of financial reporting. Risks in the financial reporting are defined and control points have been defined and tested. The results of the tests are reported to the company's management.

## Approval of financial reports

The financial reports in this annual report were approved by the Audit Committee on February 10, 2011 and by the Board of Directors on February 14, 2011.

## Auditors

The accounting firm of Deloitte has been ICA's auditor since September 2000 and was reelected most recently at the Annual General Meeting on April 28, 2008 for a mandate period of three years. The company's chief auditor, Jan Berntsson, participated in one (1) Board meeting during the year.

## President and other senior executives

The Board of Directors appoints the President and CEO. According to the Swedish Companies Act, the Board's rules of procedure and the President's instruction, the President is responsible for day-to-day management of the company. The President keeps the Board continuously informed on the operations and development of the company and the Group. Together with the EVP/CFO, COO, HR Director of ICA AB, subsidiary CEOs and EVP of ICA Sweden, the President is a member of Group Management, which meets regularly to discuss the company's development and make decisions concerning operations. Group Management is presented on page 43. Compensation for senior executives generally consists of a specific percentage of variable compensation tied to each unit's results and key indicators financially, socially and environmentally.

## ICA's policies and Business Ethics and Policy Committee

ICA's Group Management has adopted seven position statements that govern operations. They are called "ICA's Good Business." Policies and guidelines explain how each of these positions is put into practice. The quality, environmental and social responsibility policy describes ICA's overall position with regard to quality and environment standards by suppliers, socially responsible manufacturing, producer responsibility, local production, product traceability, animal welfare, biological diversity, eco-labeled products, pesticides, packaging and additives. The business ethics policy describes ICA's guidelines for interactions with suppliers and partners, gifts and bribes, fair competition and shareholdings. The personnel policy describes ICA's position on employees. ICA's guidelines on health issues can be found in the health policy. Special policies govern new store establishments, sponsorships and information disclosures. In addition, there are a number of financially related policies that govern the Group's financial exposure.

ICA regularly evaluates and revises its policies so that they stay effective and relevant at the operating level. Policy revisions are decided by ICA's Group Management, while updates of policy guidelines are issued by ICA's Business Ethics and Policy Committee. The team, which serves as a committee to Group Management, is responsible for CR goals and strategies. It also suggests priorities and monitors ethical dilemmas, risks and public opinion. This cross-organizational team is led by the head of the Corporate Responsibility department.

Read more about ICA's corporate responsibility work and sustainability issues in the ICA Group's GRI-report to be downloaded at [ICA.se/AnnualReports](http://ICA.se/AnnualReports).

# Board of Directors



**Claes-Göran Sylvén**  
 Chairman  
 CEO, Hakon Invest  
 CEO, ICA-handlarnas Förbund  
 Born: 1959. Elected: 1999.  
 Other assignments: Chairman of Svensk Handels Försäkringar AB. Board member of Svensk Handel.



**Lodewijk Hijmans van den Bergh**  
 Board member  
 EVP, Chief Corporate Governance Counsel and member of the Corporate Executive Board of Royal Ahold  
 Born: 1963. Elected: 2010.  
 Other assignments: Deputy chairman of the Board of the Royal Concertgebouw Orchestra.



**Dick Boer**  
 Incoming Vice chairman.  
 CEO Royal Ahold  
 Born: 1957. Elected: 2006.  
 Other assignments: Co-Chairman of ECR Europe. Chairman of CBL. Member of the Board of Directors for Dutch Retail Trade Commission and Netherlands Retail Trade Platform, the Supervisory Board of the Red Cross Hospital Beverwijk, the European Retail Round Table and the Board of Commissioners for AMS Sourcing BV. Advisory Board Member of G-Star & Member of Board of Directors of VNO-NCW



**Per Jansson**  
 Board member  
 Employee representative, Swedish Commercial Employees' Union Logistics worker, ICA Sweden  
 Born: 1950. Elected: 2002.



**Peter Berlin**  
 Board member  
 ICA retailer  
 Born: 1960. Elected: 2005.  
 Other assignments: Chairman of the ICA Sweden Advisory Board. Vice Chairman of ICA handlarnas Förbund.



**Magnus Rehn**  
 Board member  
 Employee representative, Swedish Commercial Employee Union Team Leader Administration ICA Non food  
 Born: 1966. Elected: 2007 (former deputy).



**Göran Blomberg**  
 Board member  
 CFO Hakon Invest  
 Born: 1962. Elected: 2009.  
 Other assignments: Board member of Rindi Energi AB and Retail Finance Europe AB.



**Kimberly Ross\***  
 Board member  
 Executive Vice President, Chief Financial Officer and acting member of the Corporate Executive Board, Royal Ahold  
 Born: 1965. Elected: 2011.  
 Other assignments: Member of the advisory board of the Rotterdam School of Management, Erasmus University



**Anders Fredriksson**  
 Board member  
 Vice Chairman of Hakon Invest  
 Born: 1954. Elected: 2009.

**Deputies Elected by the Board**  
 Fredrik Hägglund  
 Stein Petter Ski  
 Guy Thomson

**Employee representatives**  
 Fatima Andersson  
 Ann Lindh

\*) In February 2011 was Kimberly Ross elected as a new boardmember. John Rishton has left as CEO of Royal Ahold in March 2011 and is therefore resigning from ICA AB's Board.

# Group Management



**Kenneth Bengtsson**  
President and CEO, ICA AB  
Born: 1961  
Employed: 1999  
Other assignments: Chairman of the Swedish Federation of Trade. Board member of the Consumer Goods Forum and the World Childhood Foundation



**Björn Olsson**  
Senior Vice President Communications, ICA AB  
Born: 1971  
Employed: 2004



**Sonat Burman-Olsson**  
EVP and CFO, ICA AB  
Born: 1958  
Employed: 2007  
Other assignments: Board member of the Third Swedish National Pension Fund



**Edgar Sesemann**  
CEO, Rimi Baltic  
Born: 1961  
Employed: 1999



**Björn Abild**  
CEO, ICA Non food  
Born: 1955  
Employed: 2009  
Other assignments: Board member of INTO.1



**Antonio Soares**  
CEO, ICA Norway  
Born: 1949  
Employed: 2002



**Lena Boberg**  
CEO, ICA Real Estate  
Born: 1970  
Employed: 2007



**Anders Svensson**  
CEO, ICA Sweden  
Born: 1964  
Employed: 2009  
Other assignments: Board member of Svensk Dagligvaruhandel and the Swedish Trade Federation



**Åsa Gabriel**  
SVP HR and ICA School, ICA AB  
Born: 1959  
Employed: 2004



**Jörgen Wennberg**  
CEO, ICA Bank  
Born: 1952  
Employed: 1979  
Other assignments: Board member of the Swedish Bankers Association, Bankernas Service AB, member of the Swedish Trade Federation's payment committee and Chairman of Nordic Yacht AB



**Mats Holgerson**  
COO, ICA AB  
Born: 1953  
Employed: 2008  
Other assignments: Board member of Hemtex, Bilia and Dialect

## Summary of ICA's financial reports for 2010

ICA's consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU Commission and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC). RFR 1.3 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, is applied as well.

Note that this is only a summary. For a more detailed description of ICA, please refer to the complete annual report at [www.ICA.se](http://www.ICA.se).

## Five-year summary for the ICA Group

Condensed income statement	2006	2007	2008	2009	2010
Net sales	67,395	82,326	90,963	94,651	93,860
Operating income before depreciation/amortization	3,545	4,080	3,753	4,272	4,529
Depreciation/amortization	-1,248	-1,478	-1,636	-1,559	-1,605
Operating income	2,297	2,602	2,117	2,713	2,924
Financial income	107	115	95	49	51
Financial expenses	-358	-435	-418	-453	-378
Income after net financial items	2,046	2,282	1,794	2,309	2,597
Tax	-12	-116	-66	-722	-2,050
Result from discontinued operations	367	-	-	-	-
Net income for the year	2,401	2,166	1,728	1,587	547

Condensed balance sheet	2006	2007	2008	2009	2010
Intangible fixed assets	3,447	3,599	3,742	3,940	3,590
Tangible fixed assets	13,232	14,959	15,544	15,755	15,364
Financial fixed assets	3,959	3,368	3,772	3,701	5,368
Other fixed assets	181	276	424	515	7
Other current assets	10,938	11,637	13,464	12,827	12,272
Liquid assets	3,749	3,480	3,023	3,422	3,102
Total assets	35,506	37,319	39,969	40,160	39,703
Shareholders' equity	10,216	12,073	12,796	13,962	11,913
Interest-bearing liabilities and provisions	15,563	14,475	15,161	14,490	15,147
Non-interest-bearing liabilities and provisions	9,727	10,771	12,012	11,708	12,643
Total shareholders' equity and liabilities	35,506	37,319	39,969	40,160	39,703

Key financial ratios	2006	2007	2008	2009	2010
<b>Key financial ratios</b>					
Operating margin, %	3.4	3.2	2.3	2.9	3.1
Return on capital employed, %	12.9	13.8	11.4	13.5	15.5
Return on equity, %	25.7	19.1	13.5	11.3	3.9
Equity/assets ratio, %	28.8	32.4	32.0	34.8	30.0

## Income statement – Group

(SEK million)	2010	2009
Net sales	93,860	94,651
Cost of sales	-80,387	-81,494
<b>Gross profit</b>	<b>13,473</b>	<b>13,157</b>
Selling expenses	-7,953	-8,125
Administrative expenses	-2,819	-2,571
Other operating revenue	221	252
Share of net income of associated companies	2	0
<b>Operating income</b>	<b>2,924</b>	<b>2,713</b>
Financial income	51	49
Financial expenses	-378	-453
<b>Net financial items</b>	<b>-327</b>	<b>-404</b>
<b>Income after net financial items</b>	<b>2,597</b>	<b>2,309</b>
Tax	-2,050	-722
<b>NET INCOME FOR THE YEAR</b>	<b>547</b>	<b>1,587</b>
Attributable to:		
Parent Company's shareholders	548	1,566
Non-controlling interests	-1	21

## Statement of comprehensive income – Group

(SEK million)	2010	2009
<b>Net income for the year</b>	<b>547</b>	<b>1,587</b>
<b>Other comprehensive income after tax</b>		
Translation differences in foreign operations	-991	521
Available-for-sale financial assets	-19	-23
Cash flow hedges	-20	-31
<b>Other comprehensive income</b>	<b>-1,030</b>	<b>467</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>-483</b>	<b>2,054</b>
Attributable to:		
Parent Company's shareholders	-482	2,033
Non-controlling interests	-1	21

## Balance sheet – Group

(SEK million)	2010-12-31	2009-12-31
<b>Assets</b>		
<b>Fixed assets</b>		
<i>Intangible fixed assets</i>		
Goodwill	2,577	2,851
Trademarks	638	761
IT systems	258	73
Other	117	255
	<b>3,590</b>	<b>3,940</b>
<i>Tangible fixed assets</i>		
Buildings and land	9,581	9,700
Investment properties	1,099	1,207
Leasehold improvements	944	823
Equipment	3,040	3,275
Construction in progress	700	750
	<b>15,364</b>	<b>15,755</b>
<i>Financial fixed assets</i>		
Shares in associated companies and joint ventures	447	11
Receivables from related parties	0	0
ICA Bank's investments	1,199	595
ICA Bank's lending	3,630	2,949
Other financial fixed assets	44	55
Other receivables	48	91
	<b>5,368</b>	<b>3,701</b>
Deferred tax assets	7	515
<b>Total fixed assets</b>	<b>24,329</b>	<b>23,911</b>
<b>Current assets</b>		
Inventory	4,495	4,446
<i>Current receivables</i>		
Accounts receivable	2,853	2,600
Tax assets	2	544
ICA Bank's investments	693	1,317
ICA Bank's lending	2,471	2,139
Receivables from related parties	37	32
Other receivables	0	0
Prepaid expenses and accrued income	1,695	1,735
<i>Liquid assets</i>	3,102	3,422
<i>Assets held for sale</i>	26	14
<b>Total current assets</b>	<b>15,374</b>	<b>16,249</b>
<b>TOTAL ASSETS</b>	<b>39,703</b>	<b>40,160</b>

(SEK million)	Note	2010-12-31	2009-12-31
<b>Shareholders' equity, provisions and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		500	500
Other paid-in capital		12,557	12,557
Reserves		505	1,535
Retained earnings		-1,655	-637
<b>Shareholders' equity related to Parent Company's shareholders</b>		<b>11,907</b>	<b>13,955</b>
Non-controlling interests		6	7
<b>Total shareholders' equity</b>		<b>11,913</b>	<b>13,962</b>
<b>Long-term liabilities</b>			
Provisions for pensions		1,116	1,008
Deferred tax liability		682	622
Liabilities to credit institutions		41	1,014
Other provisions		85	121
Other liabilities		3,960	2,042
<b>Total long-term liabilities</b>		<b>5,884</b>	<b>4,807</b>
<b>Current liabilities</b>			
Liabilities to credit institutions		23	341
Accounts payable		7,653	7,295
Deposits, ICA Bank		8,851	8,934
Liabilities to related parties		76	5
Tax liabilities		200	5
Other liabilities		2,686	2,080
Provisions		216	158
Accrued expenses and deferred income		2,201	2,573
<b>Total current liabilities</b>		<b>21,906</b>	<b>21,391</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>39,703</b>	<b>40,160</b>

## Changes in shareholders' equity - Group

(SEK million)	Shareholders' equity related to Parent Company's shareholders					Non-controlling interests	Total shareholders' equity
	Share capital	Other paid-in capital	Reserves	Retained earnings	Total		
<b>Opening balance, 2009-01-01</b>	500	12,557	1,068	-1,335	12,790	6	12,796
Dividend				-868	-868	-20	-888
Total comprehensive income for the year			467	1,566	2,033	21	2,054
<b>Closing balance, 2009-12-31</b>	500	12,557	1,535	-637	13,955	7	13,962
<b>Opening balance, 2010-01-01</b>	500	12,557	1,535	-637	13,955	7	13,962
Dividend				-1,566	-1,566	0	-1,566
Total comprehensive income for the year			-1,030	548	-482	-1	-483
<b>Closing balance, 2010-12-31</b>	500	12,557	505	-1,655	11,907	6	11,913

## Statement of cash flows – Group

(SEK million)	2010	2009
<b>Operating activities</b>		
Operating income	2,924	2,713
Adjustments for non-cash items	1,729	1,665
Dividends from associated companies	0	3
Income tax paid	-669	-1,308
<b>Cash flow from operating activities before change in working capital</b>	<b>3,984</b>	<b>3,073</b>
<b>Change in working capital</b>		
Inventory (increase - / decrease +)	-252	123
Current receivables (increase - / decrease +)	-343	508
Current liabilities (increase + / decrease -)	900	-471
ICA Bank's net deposits, lending and investments	-1,101	774
<b>Cash flow from operating activities</b>	<b>3,188</b>	<b>4,007</b>
<b>Investing activities</b>		
Purchase of tangible and intangible fixed assets	-2,332	-2,098
Proceeds from sale of tangible and intangible fixed assets	201	492
Proceeds from borrowings	-50	-62
Repayment of borrowings	126	129
Other financial fixed assets (increase -/decrease +)	-1	-1
Interest received	24	31
Investment in associated companies, joint ventures	-422	0
Proceeds from sale of associated companies	1	28
<b>Cash flow from investing activities</b>	<b>-2,453</b>	<b>-1,481</b>
<b>Financing activities</b>		
Proceeds from borrowings	3,966	3,425
Repayment of borrowings	-3,060	-4,281
Interest paid	-385	-414
Dividend paid	-1,566	-868
<b>Cash flow from financing activities</b>	<b>-1,045</b>	<b>-2,138</b>
<b>Cash flow for the year</b>	<b>-310</b>	<b>388</b>
Liquid assets at beginning of year	3,422	3,023
Exchange rate differences in liquid assets	-10	11
<b>Liquid assets at end of year</b>	<b>3,102</b>	<b>3,422</b>

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# ICA

