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Sustainability Guidelines

Approved by IMT 24 April 2019

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1. Introduction

1.1. Background and purpose

For ICA Gruppen, a commitment to sustainability work and strong community engagement go hand in hand with long-term profitability. Sustainability work is a strategic priority and is integrated in all the Group's operations. Customers and other parties should feel secure and have confidence in ICA Gruppen and its business.

ICA Gruppen is a signatory of the UN Global Compact and has committed to its ten principles covering human rights, labour conditions, the environment and anti-corruption. Together with the UN's Sustainable Development Goals and ICA Gruppen's policies and guidelines, they form the framework for ICA Gruppen's sustainability work. The sustainability work is based on the three keywords transparency, credibility and traceability. ICA Gruppen's guiding principles when working with sustainability are: the interests of the customer, the employee, the child and the environment.

The Sustainability Policy and Guidelines describes ICA Gruppen's overarching position on sustainability matters, i.e. in the areas of local, environment, health and quality.

The areas Tax, Business Ethics and Diversity are considered to be adjacent to sustainability work and are governed by separate policies and guidelines.

1.2. Scope

The Sustainability Guidelines are applicable for all operating companies (OpCos) within ICA Gruppen.

1.3. Communication and implementation

The Chief Corporate Responsibility Officer ensures that the latest version of the Sustainability Guidelines is published on the Group's intranet.

OpCo CEOs are responsible for the implementation of and compliance with the Sustainability Guidelines.

2 Sustainability Guidelines

2.2 Compliance with current legislation

We and the products and services we provide shall comply with current national and European legislation as applied in each country in which we sell the products and services, within the areas of quality, environment, health and social responsibility. In all their activities, our suppliers and other business partners shall comply with national legislation in the countries in which they operate. However, our requirements may exceed the requirements set out in law.

2.3 Sourcing guidelines

General

All products¹ and services shall be safe, functional, environmentally and ethically acceptable and shall comply with and be labelled according to relevant, approved labelling systems.

¹ This does not apply to certain medicinal products that the pharmacy operations by law have an obligation to supply. Requirements regarding production, safety etc. are set by the Medical Product Agency.

Our sourcing operations shall implement management systems for quality and environmental work. These management systems shall be reviewed through audits and are preferably third-party verified.

We encourage customers to pursue a healthy and sustainable lifestyle by offering an inspiring assortment and through information, activation and education as well as the proper use of pharmaceuticals. The product and service range comply with current recommendations and also take into account customers with special needs.

Suppliers shall be fully responsible for ensuring that their sub suppliers and sub-contractors meet all our requirements.

Quality assurance at supplier level

Suppliers and producers should use established management systems and be certified according to a third-party standard for product safety and quality. Exceptions can be made for very small suppliers.

Suppliers of corporate brand products shall be certified according to a standard approved by the Global Food Safety Initiative (GFSI) or other equivalent monitoring/certification system accepted by us.

Environmental work in production

Suppliers shall conduct active internal environmental work. Suppliers' environmental work should preferably be certified according to a third-party standard accepted by us.

Social responsibility in production

The products we sell shall be manufactured in a manner that meets the following requirements:

- No child labour. The term "child labour" means labour where children are exploited economically, prevented from going to school, or where their health or physical and social development are jeopardised
- No forced labour
- No discrimination of employees
- Employees shall have a safe working environment where their health is not jeopardised, where accidents are prevented and avoided, and where access is provided to potable water, sanitation facilities and the requisite personal protective equipment
- Employees shall have the right to join a trade union and participate in collective bargaining agreements
- Employees shall have acceptable employment terms regarding pay, working hours and leave

These requirements are based on UN and ILO (International Labour Organisation) conventions, e.g. the UN Convention on the Rights of the Child.

Suppliers shall implement management systems to ensure compliance with the legislative and regulatory requirements of the country in which they operate. Production sites in high-risk countries² shall be subject to third-party certification or another equivalent monitoring/certification system accepted by us. We recommend that suppliers revise their policies in accordance with Amfori BSCI.

² High-risk countries are defined in accordance with Country Risk Classification by Amfori BSCI.

Climate responsibility

ICA Gruppen takes a science-based approach to its climate ambitions. This means that climate impact is taken into account in relevant parts of our operations as well as in collaborations with our suppliers and customers. Sourcing from producers located as close to the respective markets as possible, as well as and in relation to season and quality, are approaches that shall be used and developed. Air transport shall be used only in exceptional cases, for example to meet legal requirements.

We also recommend that our suppliers of both products and services implement science-based targets that are in line with the Paris Agreement on climate change.

Supplier countries

We have relationships with suppliers and not with countries. We follow the UN's and national government recommendations with respect to business relations with companies abroad.

Traceability

Supplier demands

All food products shall be traceable to the relevant facility and production batch. The origin of component ingredients shall be traceable. All non-food products should preferably be traceable to the relevant facility and production batch. Load carriers shall be labelled to enable tracing in accordance with our directives.

Internal demands

All products shall be traceable one step back and one step forward in the value chain (only between companies, not consumers). Our warehouses shall document everything that is delivered and the identity of the recipient. Our stores shall document everything that is delivered and, for business-to-business contexts, the identity of the receiving company.

Agriculture, forestry and fishing

We advocate for responsible management of natural resources by:

- ensuring long-term sustainable agriculture, forestry and fishing,
- preserving biological diversity, and
- reducing deforestation.

We will support sustainable production of raw materials and products with major environmental impacts.

We shall not sell any products from animals under threat of extinction.

We shall use and sell wood and paper products known to originate from sustainably managed forests.

Animal welfare

We shall ensure high standards of animal welfare wherever possible. By this, we mean the following:

- Animals shall be treated well and protected from unnecessary suffering and disease
- Animals shall be kept and cared for in an animal-friendly environment that promotes their health and allows them to behave naturally
- Animals shall receive adequate care and attention
- We do not accept the use of antibiotics for preventive purposes in animal husbandry

Production sites should use third-party systems to ensure acceptable animal welfare.

Antibiotic resistance

We strive to be part of the fight against antibiotic resistance by focusing on our corporate brands, being restrictive with chemicals that have been scientifically shown to contribute to antibiotic resistance, and by countering the overuse of antibiotics in animal husbandry.

Salmonella

Products sold by us shall be free from salmonella.

Water use

Suppliers with water as a significant sustainability aspect should develop a water management plan.

Chemical substances

We strive to limit the use of chemicals that are harmful to health and/or the environment in the products we sell and in their production. Therefore, products and packaging:

- shall not contain substances of very high concern (SVHC) published on the REACH Candidate list, and
- should not contain other SVHCs according to REACH criteria.

Sourced products shall not contain PVC since it may contain environmentally hazardous substances or hazardous substances may develop during incineration and landfill.

Sustainability labelling of products

We shall provide a broad range of products and services with sustainability labels, i.e., environmental, organic, ethical and health labelling.

Allergies and hypersensitivity

We want to meet the needs of customers that have specific needs due to allergies and/or hypersensitivity. The labelling “may contain traces” should be used restrictively and only if there is an apparent risk.

Tobacco and alcohol

We support the efforts of society to reduce the harmful effects of tobacco and alcohol.

We should offer non-alcoholic and low alcohol³ alternatives in all segments that offer alcoholic beverages.

We should follow the debate on other stimulant substances (e.g. caffeine) and act based on customer requests and scientific evidence.

Transparency and labelling

We strive to help consumers to make informed, sustainable and healthy choices. Product information should be transparent when it comes to information about production and relevant ingredients.

All products should provide information on their country of origin.

Dietary supplements and medicinal products in our range shall undergo relevant product verification to substantiate their claims.

³ Definition of low alcoholic is less than 2.25 alcohol by volume (ABV).

Nutrition

We should consider current nutrition recommendations from authorities and scientific research in product development and product handling. We encourage our suppliers to do the same.

Food additives

Additives shall be used restrictively and provide a clear benefit for customers. We do not accept the use of azo dyes in food, nor do we accept the use of dyes in food staples.

GMOs

We use the precautionary approach in accepting food products produced with the aid of GMOs. Exemptions can be granted if it is ethically acceptable, safe for the environment and for humans, and enhances customer benefit.

Consumer packaging

Packaging shall be safe for the consumer, minimise waste and preserve the quality of the product. The environmental impact of packaging should be minimised throughout the life cycle by ensuring that packaging is recyclable, resource- and transport-efficient, and when possible made from renewable material.

Packaging shall be labelled with information that facilitates waste sorting and recycling of the packaging material.

Suppliers that place products on the market shall be affiliated with a relevant recycling organisation and producer responsibility system in the respective country where we operate, or shall be able to demonstrate that their packaging material is processed in some other acceptable manner.

Responsible investments

In our banking operations we shall offer our customers to invest in funds from partners that have signed the UN Principles for Responsible Investments (PRI).

2.4 Our operations

Responsibility

In our operations we shall work according to quality and environmental monitoring and/or certification systems and standards accepted by ICA Gruppen.

All steps in the food and pharmaceutical supply chain shall have documented in-house controls based on HACCP or GPP/GDP⁴ as well as reliable routines regarding product recalls. Stores and logistics operations shall ensure that quality and environmental assurance are achieved.

Climate

We shall work progressively and seriously with the climate impact of our operations. Our climate work is an integral part of investment decisions and daily operations and includes defining

⁴ HACCP (Hazard Analysis Critical Control Points) is a standardised work method to systematically chart, assess and control hazards in food production with the aim of ensuring food safety for the consumer. HACCP was drawn up by the Codex Alimentarius Commission and has been incorporated into food product legislation. GPP (Good Pharmacy Practice) is a set of joint FIP/WHO guidelines on good pharmacy practice, i.e., standards for quality of pharmacy. GDP (Good Distribution Practice) requires that medicines are obtained from the licensed supply chain and are consistently stored, transported and handled under suitable conditions.

significant environmental aspects, such as use of energy, transports and refrigerants, and continuously improving these in a resource-efficient way.

Packaging

We shall use return systems for distribution and packaging materials when such systems are available and justified on environmental and economic grounds.

Waste

We shall minimise the amount of waste in our operations and turn unavoidable waste into a resource. As far as possible, the aim should be to move waste management up the waste hierarchy where prevention is the best option, and disposal such as landfill the last resort, aiming to be zero. We take a positive view to initiatives for a circular economy.

We encourage customers to turn in their unused and left-over medicines to our pharmacies.

Energy

We shall work continuously to reduce our energy consumption and increase energy efficiency. Stores, warehouses and offices should maximise the use of renewable energy sources such as solar, wind, hydro, wave and bio power.

Refrigerants

We shall work actively on choosing refrigerants and related technical solutions that have the lowest overall potential environmental impact.

We shall phase out HFC refrigerants and should replace them with natural refrigerants or alternative ultra-low⁵ GWP refrigerant alternatives in point-of-sale units and large refrigeration installations.

Goods transports and business travel

We shall strive to achieve a steady reduction in the environmental impact of our goods transports and business travel. Our ambition is to increase resource efficiency and the use of renewable fuels.

Facilities

Facilities shall be maintained through good hygiene practice in accordance with national legislation and industry guidelines.

Recalls

We and our suppliers shall have clear and effective routines for handling recalls.

2.5 Information and communication guidelines

Information on our sustainability work

Using clear communication, we shall provide a transparent account of our work with quality, environment, health and social responsibility, to both internal and external stakeholders. We shall actively provide information about and market the value-added items we carry.

⁵ GWP less than 150, in line with the European Union's "F-Gas Regulation" (EU No 517/2014) on fluorinated gases.

ICA Gruppen supports the UN's Global Compact corporate initiative and submits transparent yearly reports about the progress made in the field of corporate responsibility, both in annual reports and on the Group's website.

Customer relations

It should be easy for customers to obtain information, ask questions, give suggestions and lodge complaints with us. Customer relations activities shall be supported by an effective customer relations function.

Corporate brand items shall display customer relations contact information. Relevant product information should be available on request.

2.6 Knowledge and efficiency guidelines

Employees of our companies and stores shall be aware of applicable quality, environment, health and social responsibility requirements and are responsible for ensuring compliance with these in their respective product and operational areas. We shall train, involve and inform all employees regarding our quality, environment, health and social responsibility work on an ongoing basis.

Our quality, environment, health and social responsibility work routines shall be regularly reviewed and evaluated with the aim of continuous improvement.

3 Roles and responsibilities

Each member of the ICA Gruppen Management Team (IMT) is responsible for ensuring, within his or her area of responsibility, that work within ICA Gruppen is conducted in accordance with these guidelines. This responsibility includes assurance that there is adequate competence and resources available. Every manager is responsible for communicating these guidelines to their employees. Every employee is responsible for acting in accordance with this governing document and thereby contributing to ICA Gruppen's ambition to be a leader in corporate responsibility.

The Group shall have a Sustainability Committee, whose duties are grounded in the Corporate Governance Code's instructions on a board's responsibility for setting the framework for the company's role in society. Among other duties, the committee shall draft policies for business ethics and sustainability, set the structure for the company's sustainability reporting (annual and quarterly), and monitor the company's work with business ethics and sustainability. It is the responsibility of IMT to approve new versions of the Sustainability Guidelines.

4 Exemption management

Exemptions to the Sustainability Guidelines shall be approved by ICA Gruppen's CEO.

5 Compliance

CR Group Management shall monitor ICA Gruppen's risk profile and actions and report to the ICA Gruppen Management Team and the Board of Directors on their views including any non-compliance with these guidelines.

6 Annual review

Annual revision of the Sustainability Guidelines shall be managed by the Chief Corporate Responsibility Officer and submitted to the ICA Gruppen Management Team for approval.