

Nomination Committee's proposals and reasoned statement

Background

The Nomination Committee has conducted its work in accordance with the regulations of the Swedish Corporate Governance Code.

The members of the Nomination Committee are: Jonas Bergh (chairman), representing the Haid owner family; Göran Sundström, representing the Tidstrand owner family; Erik Durhan, representing Nordea Fonder; and Kenneth Bengtsson, Chairman of Clas Ohlson AB.

The Nomination Committee held five (5) minuted meetings, as well as individual contact, during the 2017/18 financial year, and five (5) subsequent minuted meetings prior to the Annual General Meeting ("AGM") in order to prepare proposals on the following:

- Chairman of the AGM
- Number of Members of the Board of Directors
- Members of the Board of Directors and Chairman
- Auditors
- Director fees, specified by Chairman and other Board members
- Fees for committee work
- Fees to the company's auditors

Reasoned statement

An evaluation of the work performed by the Board of Directors has been presented to the Nomination Committee. Chairman of the Board, Kenneth Bengtsson, has submitted his account of the Board of Directors' work during the financial year. The members of the Nomination Committee have also engaged in talks with CEO Lotta Lyrå to obtain more in-depth understanding of how the Board conducts its work.

The Nomination Committee is of the opinion that the work performed by the Board of Directors progressed very smoothly during the year and a key point of departure when electing the Board was to ensure that its members possessed the competencies, experience and background required for the assignment. The Nomination Committee has taken into account the Board's long-term composition on the basis of future competency requirements, diversity, even gender distribution and succession. The Nomination Committee has also discussed the recommendations regarding diversity and even gender distribution on the Board that are included in the Swedish Corporate Governance Code, and considered the company's diversity policy. The Nomination Committee strives to maintain an even gender distribution over time and states that the percentage of women on the Board was relatively satisfactory at fifty (50) per cent (excluding employee representatives). Particular emphasis has also been placed on the company's strategies and objectives and on the requirements that the company's future orientation is expected to place on the Board.

Nomination Committee's proposals

The Nomination Committee has considered the number of Board members that would best contribute to efficient and smooth Board work. The Board currently comprises eight members elected by the AGM.

The Nomination Committee believes that this is a suitable number that enables efficient Board work. Consequently, the Nomination Committee proposes that the number of Board members be eight.

Cecilia Marlow has stated that she will not be standing for re-election after eleven (11) years on the Board. Ros-Marie Grusén has stated that she will not be standing for re-election after two (2) years on the Board.

Based on the company's current position and challenges in the medium-term, the Nomination Committee believes that the remaining Board members possess the necessary competencies and experience to continue their Board assignments, as regards the industry and relevant business, financial and strategic expertise. The Nomination Committee believes, however, that the Board of Directors — in the phase the company finds itself — should be supplemented with skilled members who have significant experience of a market and operations undergoing transformation. The Board has gradually been renewed in recent years.

The Nomination Committee proposes the re-election of Board members Kenneth Bengtsson, Mathias Haid, Göran Näsholm, Charlotte Strömberg, Göran Sundström and Anne Thorstvedt Sjöberg. The Nomination Committee proposes that Kenneth Bengtsson be re-elected as Chairman of the Board.

The Nomination Committee proposes that Margareta Lehmann and Håkan Lundstedt be elected new members of the Board.

Margareta Lehmann, born 1958, is the President, Health and Medical Solutions, at Essity (part of SCA until 2017) and has previously held a number of leading positions within SCA and Mölnlycke and been a board member of Sanitec. The Nomination Committee believes that Margareta Lehmann will provide the Board of Directors with financial knowledge, experience in transforming companies and a focus on shareholder value.

Håkan Lundstedt, born 1966, is the CEO and managing director of Synsam and has previously been the CEO of Mekonomen and Lantmännen, and held a number of senior roles with Orkla. He is currently a board member of Carl Edmond and the Venue Retail Group. The Nomination Committee believes that Håkan Lundstedt has a great deal of operational experience of both retail market undergoing change and of transforming operations, which suits the company well in the phase the company finds itself.

As stated above, the Nomination Committee discussed in its work the recommendations for diversity and an even gender distribution in the Board as included in the Swedish Corporate Governance Code and the company's diversity policy. The Nomination Committee strives to maintain an even gender distribution over time. The proposed Board, excluding employee

representatives, comprises three (3) women and five (5) men, corresponding to a percentage of women of thirty-seven point five (37.5) per cent.

The proposal above concerning the composition of the company's Board of Directors complies with the requirements of the Swedish Corporate Governance Code in respect of the independence of Board members.

The Nomination Committee supports the principle of minor continuous increases in director fees. The previous AGM resolved that fees to the Chairman of the Audit Committee be raised from 137,500 SEK to 145,000 SEK and fees to the members of the Audit Committee be raised from 68,750 SEK to 75,000 SEK. Other fees to the Chairman of the Board, Board members and members of the Remuneration Committee were unchanged. The Nomination Committee believes that fees to the Board and its Committees are in line with the market, and therefore propose that the fees remain unchanged. Accordingly, the Nomination Committee proposes to the AGM that total director fees, including fees for committee work, be paid in an amount of 3,425,000 SEK, distributed as follows: 640,000 SEK per year to the Chairman of the Board and 320,000 SEK per year to each of the AGM-elected Board members.

The Nomination Committee also proposes that remuneration of members of the Audit Committee be paid in an amount of 145,000 SEK to the Chairman of the Audit Committee and 75,000 SEK to each of the other members of the Committee (currently two (2) members), and that remuneration of the Remuneration Committee be paid in an amount of 125,000 SEK to the Chairman of the Remuneration Committee and 62,500 SEK to each of the two (2) other members of the Committee. Any decisions by the Board to adjust the number of committee members will also affect the total director fees.

Fees are paid as salary.

The Nomination Committee has studied the Audit Committee's recommendation to the Nomination Committee that Deloitte be proposed as auditor for one year. The Nomination Committee proposes that Deloitte be appointed the company's auditor for the period from the close of the 2018 AGM until the close of the 2019 AGM.

It is proposed that audit fees during the auditors' period in office be paid on a current-account basis in return for company-approved invoices.

The Nomination Committee proposes that Elisabet Salander Björklund be elected Chairman of the AGM.

Shareholders were informed on the company's website that they can submit proposals to the Nomination Committee.

Information concerning the proposed Board members

Margareta Lehmann

Born 1958

Proposed to the 2018 Annual General Meeting as new Member of the Board.

Professional experience: President of Health and Medical Solutions at Essity (part of SCA until 2017), has previously held a number of leading positions within SCA and Mölnlycke, and has been a board member of Sanitec.

Shareholding: 0.

Independent in relation to the company, executive management and major shareholders according to the Swedish Corporate Governance Code.

Håkan Lundstedt

Born 1966

Proposed to the 2018 Annual General Meeting as new Member of the Board.

Professional experience: CEO and managing director of Synsam, previously CEO of Mekonomen and Lantmännen, and a number of senior roles with Orkla.

Other significant directorships: Board member with Carl Edmond and the Venue Retail Group.

Shareholding: 0.

Independent in relation to the company, executive management and major shareholders according to the Swedish Corporate Governance Code.

Kenneth Bengtsson

Born 1961

Chairman of the Board since 2014. Board member since 2013.

Professional experience: CEO and various executive positions at ICA for more than 30 years.

Other significant directorships: Chairman of the Board of Ahlsell AB, Ersta diakoni, Systembolaget and World Childhood Foundation. Board member of Synsam and Herenco.

Shareholding: 8,000 Series B shares (own holdings) and 37,000 Series B shares via a legal entity.

Independent in relation to the company, executive management and major shareholders according to the Swedish Corporate Governance Code.

Mathias Haid

Born 1970.

Board member since 2015.

Professional experience: Several senior positions in Lufthansa's airline operations, 1998–present. Member of the Board of Clas Ohlson AS and Clas Ohlson Oy between 2002 and 2005.

Other significant directorships: Board member of Clas Ohlson Foundation.

Shareholding: 11,610 Series B shares

Dependent in relation to major shareholders according to the Swedish Corporate Governance Code. Independent in relation to the company and executive management.

Göran Näsholm

Born 1955.

Board member since 2015.

Professional experience: CEO of Ahlsell AB 1999–2015, Executive Vice President Ahlsell AB, Division Manager in Ahlsell AB, CEO of Jirva AB, Purchasing Director at Calor Celsius AB, various purchasing-related positions in the Alfa Laval Group.

Other significant directorships: Chairman of Fresks Holding AB and LW AB. Board member of Martin & Servera.

Shareholding: 38,642 Series B shares.

Independent in relation to the company, executive management and major shareholders according to the Swedish Corporate Governance Code.

Göran Sundström

Born 1962.

Board member since 2014.

MSc in Business and Economics, Lund University.

Professional experience: Founder and CEO of Sundström & Partners AB, various senior positions in Corporate Finance at Alfred Berg Fondkommission AB, Aros Securities AB and Nordea Securities.

Other significant directorships: Chairman of Logitall AB and Board member of Parks & Resorts Scandinavia AB, Sundström & Partners AB and the Clas Ohlson Foundation.

Shareholding: 2,400 Series B shares (own holdings) and 1,600 Series B shares via a legal entity. Dependent in relation to major shareholders according to the Swedish Corporate Governance Code. Independent in relation to the company and executive management.

Charlotte Strömberg

Born 1959.

Board member since 2017.

MSc in Business and Economics, Stockholm School of Economics.

Professional experience: Former CEO of Jones Lang LaSalle Nordic region, a number of senior positions at Carnegie Investment Bank and worked at Alfred Berg/ABN Amro, Consensus and Robur Kapitalförvaltning.

Other significant directorships: Chairman of Castellum AB, Board member of Kinnevik AB, Sofina S.A., Skanska AB and a member of the Swedish Securities Council.

Shareholding: 2,500 Series B shares.

Independent in relation to the company, executive management and major shareholders according to the Swedish Corporate Governance Code.

Anne Thorstvedt Sjöberg

Born 1965

Board member since 2017.

MSc in Business and Economics, School of Business, Economics and Law at the University of Gothenburg.

Professional experience: Global Vice President Marketing Effectiveness and Insights, Electrolux. Various executive positions at Procter & Gamble, Kraft Freia Marabou, Kraft Foods and Mondelez International.

Shareholding: 0

Independent in relation to the company, executive management and major shareholders according to the Swedish Corporate Governance Code.