



Kesko Corporation
Remuneration Statement
2010

This Remuneration Statement has been handled at the meeting of the Remuneration Committee of Kesko Corporation's Board of Directors on 2 February 2011.

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REMUNERATION STATEMENT 2010

1 Remuneration schemes

1.1 Remuneration of the Board of Directors and its Committees

The Annual General Meeting adopts resolutions on the fees and other financial benefits of the members of the Board and its Committees annually. The remunerations of the members of the Board and its Committees are paid in cash. The Board members have no share or share-based compensation plans. Nor are they included in other remuneration schemes or pension plans.

1.2 Remuneration of the President and CEO and other executives

Remuneration principles and the decision-making process

The remuneration scheme of the President and CEO and other members of the Corporate Management Board consists of a non-variable monetary salary (monthly salary), fringe benefits (free car and mobile phone benefit), a performance bonus based on criteria set annually (short-term compensation scheme), the 2007 option scheme (long-term compensation scheme) and the executives' retirement benefits. In 2010, the company did not operate any share-based compensation plans.

Based on the Remuneration Committee's preparation, Kesko's Board of Directors makes decisions on the individual compensation, other financial benefits, the performance bonus system criteria and the bonuses paid to the President and CEO and the Corporate Management Board members responsible for business divisions. As for the other Corporate Management Board members, Kesko's Board of Directors makes decisions on the performance bonus principles. The Board also monitors the implementation of the compensation plan.

The President and CEO makes decisions on the compensation and other financial benefits of Corporate Management Board members other than those responsible for business divisions within the limits set by the Chair of the Remuneration Committee.

In 2010, the President and CEO and the members of the Corporate Management Board did not have share-based compensation plans.

Performance bonus scheme (short-term compensation plan)

Kesko operates a management performance bonus scheme. In addition to the Corporate Management Board, it covers about 90 people in the Kesko Group management. The performance bonuses determined annually are paid after the completion of the annual financial statements, at the end of March following the year of determination. Kesko's Board of Directors makes decisions on the performance bonus criteria annually. The criteria basically comprise the Group's profit before non-recurring items and tax (weight 20–40%), the economic value added of the director's responsibility area, operating profit excluding non-recurring items, net sales performance, customer and personnel indicators (weight 20–40%), reaching personal targets, and a component based on superior's overall evaluation (40%). The bonus criteria and their weights vary depending on duties.

The maximum performance bonus of Kesko's President and CEO corresponds to his monetary salary for eight months excluding fringe benefits, and that of the other members of the Corporate Management Board, the salary of 4–5 months, depending on the profit

impact of each position. The performance bonus of a Corporate Management Board member is determined based on the monetary salary of the last month of the calendar year the result of which is the basis of the bonus.

The implementation of performance and result criteria and their impact on long-term financial success are monitored and assessed by Kesko's Board of Directors and the Remuneration Committee.

According to the rules of the performance bonus scheme, service or an equal period of time in the Group company serving as the present employer, must have lasted at least six calendar months during the calendar year for which the bonus is paid. A performance bonus is not paid to a person whose employment terminates before the date of payment.

Option scheme (long-term compensation plan)

In addition to the performance bonus scheme, Kesko operates the 2007 option scheme for the Group management and other key people. The 2007 option scheme includes an obligation placed by Kesko's Board of Directors on option recipients to use 25% of their option income to acquire company shares for permanent ownership. Kesko's Board of Directors makes decisions on the granting of option rights on the basis of proposals made by the Remuneration Committee and within the terms and conditions of the option scheme resolved by the company's General meeting. The option scheme does not contain terms or conditions that would limit the option recipients' income from option rights.

Notice period and termination compensation

If given notice by the company, the President and CEO and the other Corporate Management Board members are entitled to a monetary salary for the period of notice, fringe benefits and a separate non-recurring termination payment determined on the basis of the executive's monetary salary and fringe benefits for the month of notice. The termination payment and granted option rights, or income from them are not part of the executive's salary and they are not included in the determination of the salary for the period of notice, termination payment or, in case of retirement, pensionable salary. If an executive resigns, he is only entitled to a salary for the period of notice and fringe benefits. When a service terminates due to retirement, the executive is paid a pension based on the service contract without other benefits.

Retirement benefits

The President and CEO and the other members of the Corporate Management Board, except for one, belong to the Kesko Pension Fund's department A, which was closed in 1998. Their retirement benefits are determined in accordance with its rules, and their service contracts. They have defined retirement benefit plans. One of the members has joined Kesko after 1998, and her pension is determined based on the Employees' Pensions Act (TyEL).

2 Wages, fees, bonuses and other financial benefits

2.1 Fees and other financial benefits of the Board of Directors and its Committees

The Annual General meeting adopts resolutions on the fees and other financial benefits of the members of the Board and its Committees annually. The remunerations of the members of the Board and its Committees are paid in cash. The Board members have no share or

share-based compensation plans. Nor are they included in other remuneration schemes or pension plans.

The Annual General Meeting held on 4 April 2011 resolved to leave the Board members' fees unchanged as follows:

Annual fees:

- Board Chair € 80,000
- Board Deputy Chair €50,000 and
- Board member €37 000.

In addition, a meeting fee of €500 per meeting is paid for a Board meeting and its Committee's meeting, with the exception that the Chair of a Committee who is not the Chair or the Deputy Chair of the Board is paid €1,000 per Committee meeting.

Daily allowances and compensation for travelling expenses are paid to the members of the Board of Directors in accordance with the general travel rules of Kesko.

ANNUAL AND MEETING FEES PAID TO BOARD MEMBERS FOR BOARD AND COMMITTEE WORK IN 2010 (€)

	Annual fees	Meeting fees			Total
		Board	Audit Committee	Remuneration Committee	
Heikki Takamäki (Ch.)	80,000	5,000	-	2,000	87,000
Esa Kiiskinen	37,000	5,000	-	-	42,000
Ilpo Kokkila	37,000	5,000	-	2,000	44,000
Mikko Kosonen*	37,000	5,000	2,000	-	44,000
Maarit Niskya	37,000	5,000	4,000	-	46,000
Seppo Paatelainen	50,000	5,000	2,000	2,000	59,000
Rauno Törrönen	37,000	5,000	-	-	42,000
Total	315,000	35,000	8,000	6,000	364,000

*In addition, Idexia Oy, a company controlled by Mikko Kosonen, was paid €5,000 for consultation services in 2010.

BOARD'S ANNUAL AND MEETING FEES IN 2006–2010 RESOLVED BY THE ANNUAL GENERAL MEETING (€)

Annual fee	Fee/year	
	2009–2010	2006–2008
Chair of the Board	80,000	60,000*
Deputy Chair of the Board	50,000	42,000*
Member of the Board	37,000	30,000*

* Monthly fees resolved in 2006–2008 have been converted into annual fees.

Meeting fees	Fee/meeting	
	2009–2010	2006–2008
Fee for a Board meeting	500	500
Fee for a Committee meeting	500	500
Chair's fee for a Committee meeting if he/she is not also the Chair or the Deputy Chair of the Board	1,000	1,000

2.2 Wage, bonuses and other financial benefits of the President and CEO

President and CEO Matti Halmesmäki's personal compensation, other financial benefits, performance bonus system criteria and performance bonuses payable are decided by Kesko's Board of Directors, based on the Remuneration Committee's preparation. A written managing director's service contract, approved by the Board, has been made between the company and the President and CEO.

The wages, fringe benefits, performance bonuses and other financial benefits paid to the President and CEO in 2008-2010 are presented in the following table.

PRESIDENT AND CEO MATTI HALMESMÄKI

Salaries, performance bonuses and fringe benefits in 2008–2010 (€)

	2010	2009	2008	Retirement benefits
Non-variable salary	605,100	569,300	541,100	The President and CEO is a member of the Kesko Pension Fund's department A and his retirement benefits are determined based on the department's rules and his managing director's service contract. His retirement age is 60 and his retirement benefit is based on a defined benefit plan. At retirement, his pension is 66% of his pensionable salary. The pensionable salary is determined based on his non-variable salary, performance bonuses and fringe benefits for the last 10 years.
Performance bonuses*	227,500	152,250	280,000	
Fringe benefits	22,560	23,014	17,460	
Total	855,160	744,564	838,560	

* Based on the previous year's performance.

Notice period and termination payment

If the President and CEO's service contract is terminated by the company, he is paid a 6-months' salary and a separate lump sum termination payment, which represents his 12-months' salary and fringe benefits (a total of 18 x termination month's salary + fringe benefits). If the President and CEO resigns, he is entitled to a salary for the notice period.

Option rights granted in 2007–2010 (pcs)

Option right (symbol)	2010	2009	2008	2007	Vesting period*	Ownership obligation
2007A	-	-	-	50,000	4/2007–4/2010	25% of income from option rights must be used to acquire company shares for permanent ownership.
2007B	-	-	50,000	-	4/2008–4/2011	
2007C	-	50,000	-	-	4/2009–4/2012	
Total	-	50,000	50,000	50,000		

*Period during which option rights cannot be transferred or used for share subscription.

2.3 Wages, bonuses and other financial benefits of the Corporate Management Board members

Based on the Remuneration Committee's preparation, Kesko's Board of Directors makes decisions on the personal compensation, other financial benefits, performance bonus system criteria and performance bonuses payable to the President and CEO and to the Corporate Management Board members responsible for lines of business. Kesko's Board of Directors decides the performance bonus principles of the other Corporate Management Board members. The President and CEO makes decisions on the compensation and other financial benefits of Corporate Management Board members other than those responsible for lines of business within the limits set by the Chair of the Remuneration Committee.

The wages, fringe benefits, performance bonuses and other financial benefits paid to the Corporate Management Board in 2008-2010 are presented in the following table.

SALARIES, PERFORMANCE BONUSES AND FRINGE BENEFITS OF CORPORATE MANAGEMENT BOARD MEMBERS IN 2009–2010 (€)

Cash basis	Non-variable salary		Performance bonuses		Fringe benefits		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Matti Halmesmäki	605,100	569,300	227,500	152,250	22,560	23,014	855,160	744,564
Corporate Management Board*	1,515,860	1,415,291	244,250	93,650	112,080	112,441	1,872,190	1,621,382
Total	2,120,960	1,984,591	471,750	245,900	134,640	135,455	2,727,350	2,365,946

* Excl. President and CEO Halmesmäki

Accrual basis	Non-variable salary		Performance bonuses		Fringe benefits		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Matti Halmesmäki	605,100	569,300	339,500	227,500	22,560	23,014	967,160	819,814
Corporate Management Board*	1,515,860	1,415,291	438,500	229,250	112,080	112,441	2,066,440	1,756,982
Total	2,120,960	1,984,591	778,000	456,750	134,640	135,455	3,033,600	2,576,796

* Excl. President and CEO Halmesmäki

The tables provide an analysis of performance bonuses according to cash basis (performance bonus paid in the year in question) and accrual basis (performance bonus accrued in the year in question). The accrual based performance bonuses have been paid or will be payable the next year.

OPTION RIGHTS GRANTED TO CORPORATE MANAGEMENT BOARD MEMBERS IN 2007–2010 (pcs)*

Year of grant Option right (symbol)	2010	2009 (2007C)	2008 (2007B)	2007 (2007A)
Matti Halmesmäki, Ch.	-	50,000	50,000	50,000
Terho Kalliokoski	-	30,000	25,000	25,000
Jari Lind	-	25,000	25,000	25,000
Matti Leminen	-	20,000	20,000	20,000
Pekka Lahti	-	20,000	20,000	20,000
Arja Talma	-	25,000	25,000	25,000
Riitta Laitasalo	-	15,000	15,000	15,000
Paavo Mollanen	-	15,000	15,000	15,000
Total	-	200,000	195,000	195,000

* The option rights 2007A-2007C include an obligation set by Kesko's Board to option recipients to use 25% of the proceeds from their option rights to buy company shares for permanent ownership. The vesting periods (during which option rights cannot be transferred or used for share subscription) are as follows: 2007A: 4/2007–4/2010; 2007B: 4/2008–4/2011; 2007C: 4/2009–4/2012.

RETIREMENT BENEFITS, NOTICE PERIODS AND TERMINATION PAYMENTS OF CORPORATE MANAGEMENT BOARD MEMBERS

	Retirement pension age	Pension as percentage of pensionable salary (%)	Period of notice	Termination payment
Matti Halmesmäki, Ch.	60	66	6 mo	12 mo salary
Terho Kalliokoski	62	66	6 mo	6 mo salary
Jari Lind	62	66	6 mo	6 mo salary
Matti Leminen	60	66	6 mo	12 mo salary
Pekka Lahti	62	66	6 mo	12 mo salary
Arja Talma	based on TyEL*	based on TyEL*	6 mo	6 mo salary
Riitta Laitasalo	60	66	6 mo	12 mo salary
Paavo Mollanen	60	66	6 mo	12 mo salary

Except for Arja Talma, the executives are members of the Kesko Pension Fund. Their retirement ages and pensions are determined based on the department's rules and each of their service contracts. Their retirement benefits are based on a defined benefit plan.

*TyEL = the Employees' Pensions Act

3 Share-based remuneration schemes

3.1 Year 2007 stock option scheme

The Annual General Meeting of 26 March 2007 decided to grant a total of 3,000,000 stock options for no consideration to the Kesko Group management and other key Kesko personnel, and to a subsidiary wholly owned by Kesko Corporation. The company had a weighty financial reason for granting stock options because they are intended to be part of Kesko's share-based incentive scheme. The terms and conditions of the year 2007 stock option scheme have been published in their entirety as an attachment to the stock

exchange release of 26 March 2007 about the decisions made in the above-mentioned annual general meeting.

Each stock option entitles its holder to subscribe for one new Kesko Corporation B share. The stock options are marked with symbols:

- 2007A (KESBVEW107, ISIN code: FI0009637201),
- 2007B (KESBVEW207, ISIN code: FI0009637219) and
- 2007C (KESBVEW307, ISIN code: FI0009637227)

in units of 1,000,000 options each.

The exercise periods of the options are:

- for stock option 2007A, from 1 April 2010 until 30 April 2012,
- for stock option 2007B, from 1 April 2011 until 30 April 2013 and
- for stock option 2007C, from 1 April 2012 until 30 April 2014.

The original subscription price for shares with stock option 2007A was the trade volume weighted average quotation of a Kesko Corporation B share on the Helsinki Stock Exchange between 1 April and 30 April 2007 (€45.82), for stock option 2007B between 1 April and 30 April 2008 (€26.57), and for stock option 2007C between 1 April and 30 April 2009 (€16.84). The subscription prices of shares subscribed for with stock options is reduced by the amount decided after the beginning of the period for the determination of the subscription price but before the subscription as at the record date for each dividend distribution or other distribution of funds.

After the dividend distribution 2009 the subscription price of a B share subscribed for with stock option 2007A is €42.32, with stock option 2007B €24.67 and with stock option 2007C €15.94.

Under this stock option scheme a total of 3,000,000 B shares can be subscribed for. The share subscription price shall be recognised in the reserve of invested non-restricted equity.

Share subscription with stock options

Shares can be subscribed for with the stock options at the asset management branches of Nordea Bank Finland Plc. The share subscription price with stock option 2007A is €42.32. The subscription price is to be paid in connection with subscription.

According to the terms of the schemes, shares subscribed for with stock options will entitle to dividends and carry other shareholder rights after the shares have been entered in the Trade Register.

Schedule for Trade Register entries in 2011

The following dates have been set as targets for Trade Register entries. They are not binding on Kesko. Kesko also reserves the right to change any of the dates given in the list below. Kesko is not responsible for any failure to make an entry on a date in the list.

The subscription dates listed below are dates by which share subscriptions with stock options 2007A and payments must arrive at an asset management branch of Nordea Bank Finland Plc in order that the subscribed shares can be entered in the Trade Register immediately on the following entry date. If a subscription and payment arrive later, the subscription will not be effected until after the entry date in question. In such a case, an application will be made for entering the subscribed shares in the Trade Register on the next entry date.

Option scheme	Subscription date	Estimated Trade Register entry date
2007	25 January 2011	9 February 2011
2007	15 April 2011	4 May 2011
2007	16 May 2011	31 May 2011
2007	15 July 2011	1 August 2011
2007	12 September 2011	27 September 2011
2007	17 October 2011	1 November 2011
2007	14 November 2011	29 November 2011
2007	7 December 2011	22 December 2011

Share subscriptions made with stock options

No shares have been subscribed for with stock options belonging to year 2007 stock option scheme yet.

Share of issued stock options of shares and votes

Presuming that shares are subscribed for with all of the 3,000,000 stock options granted under the year 2007 plans, the shares subscribed for with stock options account for 2.95% of shares and 0.77% of all votes. The subscriptions made with stock options may raise the number of the company's shares to 101,641,292, and the voting rights of all shares to 387,274,355 votes.

The company has not granted other stock options or special rights entitling to shares.