



COMMON OPERATIONS

THE RESPONSIBLE WAY TO ACT

Responsibility is part of our daily business activities. Through our operations, we actively participate in curbing climate change while also helping our business partners and customers in this.

RESPONSIBILITY IS TEAM WORK



Kesko's operations affect all of society. Kesko develops and offers trading sector services, employs directly and indirectly, has products manufactured and sells them.

Our customers can count on the quality and safety of our products. Their responsible choices start when they enter a K-store. Our long-term and committed operations are guided by the general principles of Kesko's corporate responsibility, our responsibility programme and the 'Our Responsible Working Principles' guide.

IMPACT ON SOCIETY

Kesko's operations generate economic benefits for shareholders, finance providers, personnel, suppliers of goods and services and their employees, as well as municipalities and states.

In 2011, Kesko's salaries and other employee benefits in all operating countries totalled €473 million. Kesko's income taxes were €85 million, and pensions and social security expenses €91 million.

From small food stores to shopping centres

The network of K-food stores is the most extensive in Finland: there were 964 K-food stores in 301 municipalities in 2011. About half of the Finnish population lives within one kilometre of the nearest K-food store.

During the year, 78 new K-retailers started business.

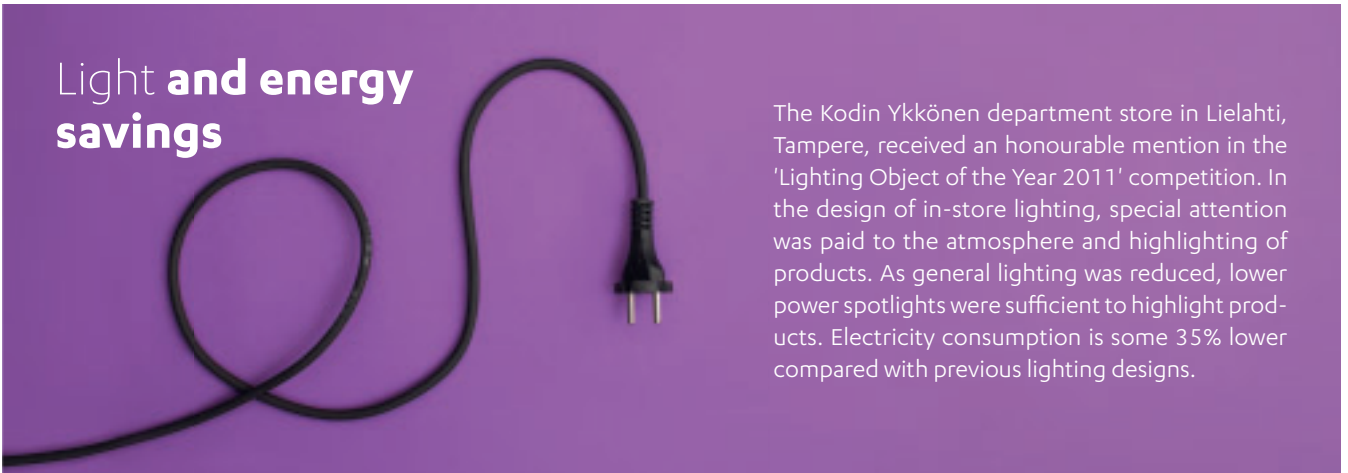
Kesko has significant shopping centre projects underway. The Karisma shopping centre, opened in Lahti in November 2011, is one of Kesko's largest retail projects ever. It is the first shopping centre that Kesko has planned and has had built from the very beginning. The Veturi shopping centre will be opened in Kouvola and the revised Ruoholahti shopping centre in Helsinki in late 2012.

We encourage local purchasing

Most of the economic benefit generated by Kesko – 85% of Kesko's net sales – goes to suppliers of goods.

In 2011, Kesko's purchases from Finnish suppliers totalled €5,436 million and from other countries €2,613 million. Retailers'

Light and energy savings



The Kodin Ykkönen department store in Lielhti, Tampere, received an honourable mention in the 'Lighting Object of the Year 2011' competition. In the design of in-store lighting, special attention was paid to the atmosphere and highlighting of products. As general lighting was reduced, lower power spotlights were sufficient to highlight products. Electricity consumption is some 35% lower compared with previous lighting designs.

direct purchases from Finnish regions will be presented in the Corporate Responsibility Report.

Sponsorship for children, the young and sustainable development

In 2011, Kesko and its subsidiaries gave financial support amounting to approximately one million euros to various organisations and institutions.

Kesko was the main partner in Your Move, the Sports Event of the Year, organised by the Young Finland Association in Helsinki. The six-day event, targeted at young people aged 13–19, attracted more than 42,000 participants. Kesko's event tent included an area where the young could make birdhouses to be donated to parks in Helsinki. The beanbags and sun beds available for visitors to relax on were donated to the Cancer Clinic.

The theme of Kesko's awards for sustainable development presented in 2011 was materials efficiency. The prizes went to Dodo's urban growers, Netycycler Ltd swapping service, the 'Yritetään yhdessä' (Let's

make a joint effort) association, and the Small Green Workshop NY. The total amount awarded was €30,000.

EMPLOYEE WELLBEING

Kesko's programme on wellbeing at work aims to support employee wellbeing and the implementation of Kesko's objectives.

A management model for wellbeing at work was introduced across the Kesko Group in 2011. More information of the model is available in the Human Resources section on pages 38–39.

As part of the programme on wellbeing at work, the Occupational Health Service and Human Resources published a guide on wellbeing at work for employees in all the countries where Kesko operates.

The wellbeing of the working community and the quality of management are measured with an annual personnel survey. A similar survey is conducted throughout Kesko and its chain stores. In the 2011 survey, the Kesko Group's results improved from the previous year. Supervisors' perfor-

mance and equality were estimated to have improved the most; the total average given for supervisors' performance was 3.90, while the implementation of equality in Kesko's operations was rated at 4.11 (scale 1–5).

The 'Our Responsible Working Principles' guide provides a common basis for work

Our Responsible Working Principles guide all K-Group employees to work in accordance with the joint values and the responsible operating practices.

In the 2011 personnel survey, the statement "I act in accordance with our Responsible Working Principles guide" was rated at 4.23 (scale 1–5).

An updated version of the guide will be published in 2012.

IMPACT ON CLIMATE CHANGE

In the area of environmental responsibility, Kesko is curbing climate change by improving the efficiency of energy consumption and increasing waste recovery.

Students chose Kesko's report as their favourite

Kesko was chosen as the best in Finland in the 'Corporate Responsibility Reporting' contest in November 2011. In their own assessment, students also rated Kesko as the best in CR reporting. Students described Kesko's report as a balanced, easy-to-read and practical package, in which the management's view and commitment to responsibility are strongly present.

Kesko's 12th Corporate Responsibility Report will be published in spring 2012.





Product's path

Customers are increasingly interested in the origins of products. Kesko illustrates product paths, from farm or factory to stores, on the 'Product's path' pages. The map, published on the kesko.fi and pirkka.fi pages, allows consumers to follow the journey of, for example, Pirkka Fairtrade roses, from Kenya to Finland.



READ MORE

www.kesko.fi/products-path

Environmentally friendly approach in construction

The planning of a new store site or shopping centre is based on sustainable development, an environmentally friendly approach and energy efficiency.

Solutions that reduce the consumption of materials and energy during the life cycle of real estate properties are adopted when building new stores and refurbishing existing ones. The energy efficiency of properties is improved by using condensation heat from store refrigeration equipment, by covering freezers with lids and using LED technology in new illuminated signs.

Kesko works for sustainable building and is a member of the Green Building Council Finland (FIGBC). For the purpose of environmental classification, Kesko has chosen BREEAM (Building Research Establishment Environmental Assessment Method), which is an international standard and best suited for retail properties. The BREEAM method will also be used to assess the environmental impact of the Veturi shopping centre being built in Kouvola.

We increase energy efficiency

In 2011, the K-Group's combined consumption of electricity and heat energy in Fin-

land was 1,071 GWh. Kesko bought 71% of the electricity for the K-Group's properties in Finland on a centralised basis, all of which was carbon-free electricity, produced with nuclear power and renewable energy sources.

In the trade sector energy efficiency agreement, Kesko is committed to cutting energy consumption through different saving measures by some 65 GWh by the end of 2016. This corresponds to the annual energy consumption of 15 K-citymarkets.

The biggest savings are achieved by covering freezers with lids and using LED illuminated signs as well as by adopting adjustable and spot lighting in stores.

Thanks to the recovery of condensation heat, K-food stores won't need distance heat until temperatures drop well below zero. About half of new K-food stores use carbon dioxide collected from industrial processes as coolant in in-store equipment.

We reduce emissions from transportation

In 2011, the total distance covered by all transportation managed by Keslog was 37.9 million kilometres. Keslog's target is to decrease carbon dioxide emissions.

A two-tier trailer – the first of its kind in retail distribution – was introduced for test use in transportation to K-food stores in autumn 2011. The new kind of trailer helps us cut transportation-related carbon dioxide emissions by one third.

Waste recovery

Reducing the amount of waste and shrinkage from stores and warehouses and increasing recovery have a major impact on the environment.

In future, Kesko Food's aim is to direct all waste generated to recycling or to the production of energy and fuel. In 2011, Kesko Food developed waste management models for K-food stores located in Kesko's Greater Helsinki Area and Uusimaa districts. In the development project, new technologies for using organic waste, for example, were introduced and the stores' waste management reporting was centralised. At the end of 2011, the waste recovery rates of the K-food stores which had adopted the new model were nearly 90%.

There are 223 recycling points for customers in connection with K-food stores. In 2011, a total of 338 million cans and 111 million recyclable bottles were returned to K-food stores.



Slow-track checkout won popularity

The slow-track checkout (dubbed "Elä hättäile" in Finnish), which was piloted in K-citymarket Iso Omena in Espoo in late 2011, is aimed at customers who want their grocery shopping to be a more relaxed process. The idea of a slow-track checkout was developed to meet everyday needs of customers with disabilities. The checkout also gained much popularity among the elderly and families with children and enjoyed wide media publicity. K-citymarket is now surveying the stores to which it can implement the idea.



Responsibility programme supports operations

Kesko's responsibility programme 2008–2012 sets targets for combating climate change, for energy efficiency, the wellbeing of employees as well as responsible purchasing and product selections. The responsibility programme will be updated in 2012.

Anttila's new logistics centre, located in Kerava, has the ISO 14001 environmental certificate. The centre uses only about one third of the heating energy consumed by the old warehouse in Hämeenkylä, Vantaa. The recovery rate of the new logistics centre will be further improved by increasing the recyclability of the materials used.

RESPONSIBLE PURCHASING AND SALES

Kesko's ethical purchasing principles guide Kesko's responsible purchasing. For support, Kesko has also drawn up sustainability statements, such as a fish and shellfish statement, as well as statements on timber, jeans and palm oil.

Special attention on working conditions in high-risk countries

In product sourcing, Kesko pays special attention to the human rights and working conditions of employees throughout the purchasing chain. Kesko focuses its monitoring on countries where the risks of violations of these rights are the greatest.

In supplier assessment, Kesko uses international auditing systems, BSCI auditing and the SA8000 certification. The aim is to trade in high-risk countries only with suppliers who have passed the audit.

Product safety

Kesko Food's Product Research analyses product samples of food and home and speciality goods, develops new foodstuffs and tastes, and is responsible for product recalls.

The unit's laboratory has ISO 17025 certification. In 2011, the Product Research unit analysed 10,369 product samples and audited 32 suppliers. There were 87 product recalls during the year, most of which were caused by quality, taste, manufacturing or packaging defects.

During the year, information on nutrition values was added to all of more than 4,600 food recipes in the pirkka.fi recipe service.

The Pirkka test kitchen produced 670 new recipes for the recipe service in 2011.

Kesko Food's Consumer Service received 20,215 customer contacts in 2011. The issues that generated considerable discussion and questions during the year included different fats, additives, organic food, Fairtrade products, domestic food and the origins of imported products.

KESKO PARTICIPATES IN THE GLOBAL COMPACT INITIATIVE

Kesko participates in the UN Global Compact initiative and is committed, in its operations and strategy, to observe 10 generally accepted principles related to human rights, labour standards, the environment and anti-corruption.

INTERNATIONAL RECOGNITION FOR RESPONSIBILITY

Kesko is included in the most important sustainability indexes and ranked among the best companies in the world in its compliance with the principles of sustainable development.

Kesko has been included in the Dow Jones sustainability indexes for nine years in succession. For the period 2011/12, Kesko was included in the DJSI World and DJSI Europe indexes.

Kesko is included in the FTSE4Good Global and FTSE4Good Europe indexes focusing on responsible investment.

The Carbon Disclosure Project (CDP) has selected Kesko to the Nordic Carbon Disclosure Leadership index.

Kesko is included in the STOXX Global ESG Leaders indexes, which consist of the leading companies in the world measured by the criteria of environmental responsibility, social responsibility and responsible governance.

Since 2005, Kesko has been included in 'The Global 100 Most Sustainable Corporations in the World' list. On the list published in January 2012, Kesko's ranking was 43rd, compared with 26th in the previous year.

In the SAM Group's Sustainability Yearbook 2011, Kesko's responsibility work qualified in the SAM Silver Class in the Food & Drug Retailers sector. In the Sustainability Yearbook 2012, Kesko was selected among the sector leaders in sustainable development. Only the top 15% of the companies in the world qualify in each sector for inclusion in the yearbook on the basis of assessment made by SAM.



READ MORE

Kesko's ranking in other indexes is presented at www.kesko.fi/investors.



K-PLUSSA POINTS AWARDED MORE THAN A MILLION TIMES A DAY

K-Plussa customers use the most extensive and diverse customer loyalty programme in Finland more than a million times a day. Customers receive benefits from more than 3,000 outlets and over 40 business partners. Local K-retailers and the K-Group chains also offer targeted special benefits and services to their K-Plussa customers.



BETTER SERVICE FOR K-PLUSSA CUSTOMERS AT K-STORES

By making efficient use of the information obtained from the K-Plussa customer loyalty programme, K-retailers can serve the customers best in their specific areas, providing them with the most interesting products and services.

K-Plussa also enables targeted communications from retailer to customer and this opportunity is used actively both at the store and chain level. At the chain level, customer information is, for example, used by Kodin Ykkönen, Intersport, K-rauta, Rautia and K-food stores in their targeted activities. Mass merchandising is also targeted to meet the needs of store customers. In addition, several K-retailers approach the customers of their stores on a targeted basis, offering them interesting benefits and services in connection with seasons, for example. Results from special benefits and events targeted for customers have been good.

In 2011, the K-Plussa customer loyalty programme gained over 150,000 new customers. Approximately 2.2 million households – about 84% of all Finnish households – enjoy K-Plussa customer loyalty benefits. Each month there are hundreds of topical K-Plussa offers available for customers, which always offer a benefit of at least 10%, provided at the checkout. By centralising their purchases within the K-Plussa network, customers also receive a benefit of up to 5% in the form of K-Plussa points.

K-Plussa benefits are available from more than 3,000 outlets and over 40 business partners. In October 2011, Helsingin Energia and K-Plussa deepened their cooperation. As a result, they launched Plussa electricity, which is produced by hydropower, generating K-Plussa points for those K-Plussa customers who use it.



EFFICIENT BUSINESS THROUGH EFFICIENT USE OF CUSTOMER INFORMATION

Customer information and programmes play a key role in business planning. In the K-Group, customer information is collected and analysed by K-Plus Oy.

The K-Plus customer loyalty programme operates on three levels: benefits granted to customers are either store-specific, chain-specific or provided across the entire K-Plus network. Information provided by the K-Plus customer loyalty programme is, for example, used in planning store-specific selections and services and in targeting the store's marketing messages. At the chain level, customer information obtained via K-Plus is leveraged in store network planning, concept development, and in building the chains' selections and services, for example. K-Plus customers receive benefits and services that are based on their needs and shopping behaviour.

CUSTOMER BENEFITS FROM K-PLUSA'S ELECTRONIC CHANNELS

K-Plus is a pioneer in the development of new customer loyalty services. For example, thanks to the new mobile card service introduced in spring 2011, customers can also use their mobile phones to benefit from their loyal customer status. The customers can choose the subject areas they are interested in and the K-Group chains from which they want to receive special offers to their phones.

The importance of targeted electronic communications continues to grow. Customers can choose which chains or areas

of interest they want to receive electronic communications from. K-Group chains and stores also approach their customers with personal offers, sent by e-mail.

Plusa.com is K-Plus's website, which customers are invited to visit to check the nationwide K-Plus offers, which change weekly, and their own K-Plus points balance. The Pirkka.fi website, which was revised in spring 2011, has attracted a large number of active visitors. The website provides them with immediate information about new recipe tips and services, for example.

Customers can deposit their K-Plus points in their bank account with any bank. Customers can attach the K-Plus feature to their OP-Pohjola debit, credit and Visa Electron cards, as well as to Nordea and Sampo Bank Visa Electron cards. There are now 900,000 co-branding cards.

K-Plus customers can order their K-Plus points notice direct to their electronic mail service instead of receiving a paper copy. In late 2011, a new Traveller's K-Plus card was launched, making it possible also for travellers visiting Finland to benefit from K-Plus offers when shopping at K-Group stores.

The K-Group's customer magazine Pirkka further strengthened its position as the most widely read magazine in Finland in 2011. The magazine contains articles on cooking, fashion and interior decoration, for example, as well as benefits and special offers for K-Plus customers.

K-PLUSA POINTS ALSO FOR THE YOUNGEST AGE GROUPS

A successful K-Plus campaign for young people moving homes was implemented in autumn 2011. The campaign offered them an opportunity to become K-Plus customers free of charge and provided them with many interesting benefits. The feedback received was very positive and the implementation was regarded as useful, because young people moving to a new area, for example, were not always aware of the food stores available nearby.

Every year, K-food stores organise several targeted special campaigns for young families with children. In addition, the smallest family members also benefit from K-Plus membership. The Napero Club is meant for all K-Plus customers of the K-Group who have children aged under seven. The club has over 140,000 members from over 116,000 households. On the Facebook pages of the Napero Club, families with children can discuss subjects they find interesting and, at the same time, they have access to information about new products, special offers, contests and entertainment. The club now has more than 10,000 Facebook fans.

pistetiedotteesi
tässä: www.plusa.com

K-Plus-etuksi	33,22 €
K-Plus-edut 1.12 - 31.12.2011	20,00 €
pisteseteleinä alennuksina	13,22 €
K-Plus-edut vuoden alusta	657,55 €
pisteseteleinä alennuksina	240,00 €
	417,55 €
1.12.2011 - 31.12.2011	Vuoden 2011 alusta
20 €	240,00 €
13,22 €	417,55 €
0,00 €	0,00 €
	657,55 €

Diverse benefits for customers

Keeping track of K-Plus benefits is easy for customers. Customers see the benefits received on the points notice, sent as paper copy or e-mail.



HUMAN RESOURCES

Kesko and its chain stores offer a wide range of career options in the trading sector, varying from store duties to retailer entrepreneurship and different supervisory and specialist jobs. There are over 600 job titles at Kesko. In all, the K-Group – Kesko and the K-retailers – employ around 45,000 people.

Kesko has around 19,000 employees in eight countries: in the Nordic and Baltic countries, Russia and Belarus. 53% of employees work in Finland and 47% in other countries. HR management is guided by three aims: being the most attractive workplace in the trading sector, having the most competent and motivated people, and having the best labour productivity.

HEALTHY EMPLOYEES AND AN ATTRACTIVE WORKPLACE

At Kesko, wellbeing at work is based on the opportunity to do meaningful work, in line with one's abilities, in a safe, pleasant and supportive working environment. The areas of wellbeing at work include control of personal life, work and competence, the working community, as well as management and leadership.

The early intervention model was adopted in all companies and 500 supervisors were trained to manage and enhance the wellbe-

ing of the working community. Employees were given an opportunity to participate in the survey on wellbeing and personal lifestyle, and special 'wellbeing at work' events and new kinds of fitness courses were organised for employees. A guide on wellbeing at work, containing information about the basic principles, was distributed to all employees. Employees who feel happy and healthy and an efficient working community provide the basis for profitable work.

The results of the annual personnel survey were published in November, showing considerable improvement in job satisfaction, which was already at a high level. The most progress was seen in supervisory work; supervisors have been offered diverse training and good tools and instruments in support. Besides employee satisfaction, Kesko's attractiveness as an employer among young trade sector professionals increased. Kesko's ranking was 15th (27th) in the Universum survey.

THE MOST COMPETENT AND MOTIVATED PEOPLE IN THE TRADING SECTOR – LISTENING TO CUSTOMERS

Competence development at Kesko is target-oriented, long-standing and diversified. Learning takes place on the job and employees are encouraged to develop their competencies. In addition to training programmes, job rotation in Finland and other countries is an important tool for staff development.

Supervisors are responsible for familiarising each employee with Kesko's values and responsible working principles and ensuring that employees know their duties and objectives. Supervisors carry out a performance and development review with each employee at least once a year, and they are responsible for staff competencies in their own areas. During the year, routine work was concentrated to the service centre, which left human resources professionals with more time to support management in HR issues.

Leadership skills and career progress are supported by specialist, supervisor and management training programmes targeted at Kesko employees and store superiors. Revised training programmes were adopted at the beginning of the year. K-instituutti offers nearly 20 revised training packages. The survey of key employee and management resources was enhanced during the year, and the revised model was introduced at the beginning of 2012. Annual training and seminars organised for management and key employees had more than 250 participants.

DIVERSE TRAINING PROGRAMMES

Customers' needs, and meeting them, create the basis for the development of occupa-

tional competence at Kesko and chain stores. K-food stores aim to take customers' individual needs and expectations increasingly into account and, in doing so, strengthen customer relationships. In order to develop staff competence and customer service at K-food stores' superiority departments (fruit and vegetables, bread, fish, meat and ready-to-eat meals), training was given to more than 1,300 department managers and retailers. The annual K-Food Specialist training programme turned out 260 specialists in healthy nutrition and special diets to meet customers' individual special needs. So far, nearly 500 employees have completed the training. Long-term operations and staff development are experienced by customers in the high quality of service provided.

The training programme for sales assistants in K-citymarket hypermarkets and Anttila department stores was based on asking questions and listening to customers to find out their needs. Social media have been used as new channels, enabling customers to present their thoughts and wishes and get answers to their questions. The high number of K-citymarket fans also reflects the need for contacts between the customer and the store.

Building and home improvement store chains have been preparing for the implementation of the 'Energy expert' concept by training employees in issues related to housing and energy efficiency. So far, 112 stores have organised this training with a focus on understanding the total situation and surveying customer needs. The purpose of the concept is to make energy-wise housing easy for customers.

The car and machinery trade has started a trainee programme for new employees in

customer service who have come from outside the car sector and are interested in the car trade. Service-oriented people with previous experience of customer service were chosen for the programme. 'The customer comes first' is the guiding rule in Volkswagen's sales training, the main purpose of which is to produce motoring solutions that meet customer needs.

The Master Sales Assistant training is the largest vocational training for adults in Finland, supporting on-the-job learning of retail and wholesale professionals. The training takes various perspectives on sales work and provides up-to-date product information to support customer service. The annual training had about 15,900 participants in 12 different product lines. The training was also implemented at business colleges and polytechnics, in which around 5,200 students participated. The Master Sales Assistant training has been completely revised and is now provided in an electronic form.



READ MORE

on HR issues at www.kesko.fi/jobs and in the Corporate Responsibility Report at www.kesko.fi/en/responsibility-reports

40 years in the trading sector

Rautakesko's Chief Shop Steward Pekka Kankaanrinta retires in March 2012 after a long career in the trading sector – 25 years with Tuko and 15 years with Kesko – and Riitta Laitasalo, Kesko's Senior Vice President, Human Resources, congratulates him.



COMPETITIVE STRENGTH AND ADVANTAGE FROM CHAIN OPERATIONS AND K-RETAILER ENTERPRISE

The K-Group's principal business model in Finland is the chain business model, in which independent K-retailers run retail stores in Kesko's chains. At the end of 2011, Kesko had 1,102 K-chain retailer entrepreneurs and about 130 other retailer entrepreneurs as partners.



Cooperation between K-retailers and Kesko – chain operations – is based on equality, openness and willingness to develop joint operations. The objective of chain operations is improving competitiveness and customer satisfaction combined with achieving a higher, uniform quality and lowering costs.

The obligations and rights of K-retailers and Kesko have been specified in the chain agreement.

Competitive edge is gained by combining systematic chain operations and the K-retailer operations based on entrepreneurship. Kesko is responsible for the constant development of the business model and the store concepts, for chain operations management and for sourcing and purchasing the products included in the chain selections. The K-retailer entrepreneur is responsible for his or her store's customer satisfaction, personnel and profitability of business.

To ensure success, it is important that a new retailer's professional and other skills are at as high level as possible at the start

of the retailer career. About 200 stores are affected by retailer changes annually in the K-Group. The annual need for new entrepreneurs, ready to start their K-retailer careers, is 50–100. The K-Group systematically trains new retailers to ensure a sufficient supply of people with the appropriate professional skills. New candidates interested in a K-retailer career are sought through different channels. There are about 600 contacts annually. The requirement for new retailers is estimated for 1–3 years ahead. In 2011, 78 new K-retailers started their careers.

Future K-retailer entrepreneurs are trained in the retailer training programmes. The training consists of online studies, on-the-job training under a mentor retailer and regional events for exchanging experiences. The content and duration of the programme can be flexibly and efficiently defined for each student on an individual basis, taking their development potential, work experience and education into account. The structure of the training model ensures the reliable monitoring of progress in competence development.

K-RETAILERS FROM ENTREPRENEUR PATH

The retailer entrepreneur path, a systematic training route for would-be K-retailers, has been developed by Kesko Food and polytechnics. It has been adapted to constitute an optional module of polytechnic studies. A related cooperation agreement has been signed with 17 polytechnics and the model is being further expanded.

Many of those starting the retailer programmes have a steady amount of retailing experience, but the number of students transferring from other fields or having just finished their general education has grown.

More than 100 people complete the programmes every year. After completion, they are ready to start as independent K-retailer entrepreneurs.

The K-Group gives its retailers strong background support and opportunities for further training and progress in their K-retailer careers.



K-retailers at your service for 100 years

The K-Retailers' Association celebrates its 100th anniversary in 2012. The origins of K-retailers' cooperation date back to the late 19th century, but the first retailer association was officially founded in 1912 when 'Suomen Maakauppiaaliitto' was established by rural retailers at a meeting held in Tampere. The K-Retailers' Association looks after the interests and promotes the cooperation of K-retailers. All Finnish K-retailers are members of the association. The K-Retailers' Association's duties include enhancing and strengthening K-retailer entrepreneurship as a competitive asset of the K-Group and promoting K-retailers' joint interests in the K-Group and trading sector organisations. In K-stores, the centenary year will be seen in the form of various campaigns and print and TV advertising.



REAL ESTATE OPERATIONS

A store site network is a strategic competitive factor for Kesko. It provides opportunities for developing business operations and increasing sales and customer satisfaction. Kesko's division parent companies are responsible for their own store sites throughout their life cycles. The companies plan their own retail networks and, on the basis of their network and business plans, make the capital expenditure in accordance with the Group's real estate strategy. Opportunities for cooperation between the division parent companies are sought and made use of in shopping centre projects.

REAL ESTATE PROPERTY MANAGEMENT

For the management of Kesko's real estate assets and liabilities, the retail stores and other real estate properties are classified as follows:

Strategic properties are large retail stores which involve important business interests related to the continuity of management, the flexibility of change and the financial value of the premises. In order to protect such interests, Kesko usually prefers to own these properties.

Standard properties are premises owned by the Kesko Group. They can be sold and leased back for use in the Group's business operations.

Realisation properties are those for which Kesko has no further use.

Development properties are those in need of further development for their intended use.

CAPITAL EXPENDITURE

Kesko's capital expenditure in real estate aims to enable the creation of trading services valued by customers by anticipating changes in customer behaviour and the operating environment and by maintaining the technical condition of properties.

Kesko makes capital expenditure only in properties needed in its own or supporting business operations. As a result of Kesko's internationalisation, capital expenditure

outside Finland have become increasingly important.

LIFE-CYCLE AFFORDABLE AND ECO-EFFICIENT REAL ESTATE OPERATIONS

Kesko's real estate operations are based on the life-cycle affordability and eco-efficiency of store sites. This means optimising the costs and environmental burden across the entire life cycle of a store site. The aim is the lowest life cycle costs in the trading sector.

Further improvement of the eco-efficiency of existing properties is based on the comprehensive monitoring system of energy consumption and the remote control of housing automation as part of daily maintenance.

PROPERTY MAINTENANCE

Maintenance services production of the properties managed by Kesko has been outsourced to YIT Kiinteistötekniikka Oy, ISS Palvelut Oy and Ovenia Oy. Systematic and proactive maintenance is managed through a centralised ERP system. Comprehensive management of property data enables efficient maintenance and on-time repairs and replacements in order to secure good conditions and energy efficiency. Kestra Kiinteistöpalvelut Oy, owned by Kesko, is responsible for purchasing electricity for the K-Group.

KESKO MONITORS THE ENERGY CONSUMPTION OF PROPERTIES

The emissions generated in the production of electrical and heat energy for properties account for a significant proportion of the K-Group's environmental impact. Therefore, the K-Group's environmental policy obliges Kesko's real estate operations, in cooperation with its business partners, to develop solutions related to the building, repairs, concept changes, maintenance and use of

real estate properties that reduce the consumption of materials and energy during the life cycle of these properties.

The electricity, heat and water consumption of Kesko's properties has been monitored closely since 1995. Kesko's specific consumption of heat energy has since decreased by over 60% and, correspondingly, specific consumption of electrical energy has decreased by over 20%. Close energy monitoring helps keep the technical

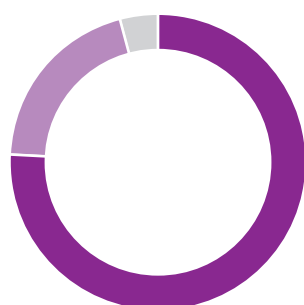
systems of properties in order and maintain the value of properties.



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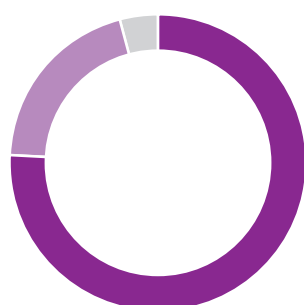
about store site projects and energy solutions in the responsibility section on pages 32–35.

BREAKDOWN OF OWNED PROPERTIES 2011



- Strategic properties 76%
- Standard properties 20%
- Realisation properties 0%
- Development properties 4%

BREAKDOWN OF OWNED PROPERTIES 2010



- Strategic properties 76%
- Standard properties 20%
- Realisation properties 0%
- Development properties 4%

Owned properties

Capital*, € million	2011	2010
Finland	887	759
Other Nordic countries	96	84
Baltic countries and Belarus	34	38
Russia	202	125
Total	1,219	1,005

Area, m ²	2011	2010
Finland	693,000	615,000
Other Nordic countries	97,000	90,000
Baltic countries and Belarus	117,000	118,000
Russia	92,000	61,000
Total	999,000	884,000

Leased properties

Lease liabilities, € million	2011	2010
Finland	2,055	2,059
Other Nordic countries	93	109
Baltic countries and Belarus	125	147
Russia	40	23
Total	2,313	2,338

Area, m ²	2011	2010
Finland	2,338,000	2,338,000
Other Nordic countries	185,000	190,000
Baltic countries and Belarus	469,000	471,000
Russia	41,000	25,000
Total	3,033,000	3,024,000

*Carrying amounts