



# SUSTAINABILITY

KESKO ANNUAL REPORT 2021



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Kesko's 2021 Annual Report comprises five sections. It details the progress made in Kesko's strategy and sustainability work and financial performance, with comprehensive performance indicators. Kesko is the first Finnish listed company to also release a Data Balance Sheet report.

## KESKO'S DIRECTION



The section on Kesko's direction describes Kesko and its divisions and the progress made in their strategy execution, as well as our financial targets, operating environment and value creation.

[Read more >](#)

## SUSTAINABILITY



The Sustainability section details the objectives and progress made in our sustainability work, and provides key indicators in accordance with GRI standards.

## FINANCIAL REVIEW



The Financial Review section comprises the Report by the Board of Directors, the Group's key performance indicators, and the financial statements and Auditor's Report for 2021.

[Read more >](#)

## CORPORATE GOVERNANCE



The Corporate Governance section comprises Kesko's Corporate Governance Statement, the Remuneration Report for Governing Bodies, and details on the members of Kesko's Board of Directors and Group Management Board.

[Read more >](#)

## DATA BALANCE SHEET



The Data Balance Sheet describes Kesko's innovative, responsible data-driven value creation for customers, businesses, and stakeholders. The focus in the report is on grocery trade.

[Read more >](#)

# SUSTAINABILITY

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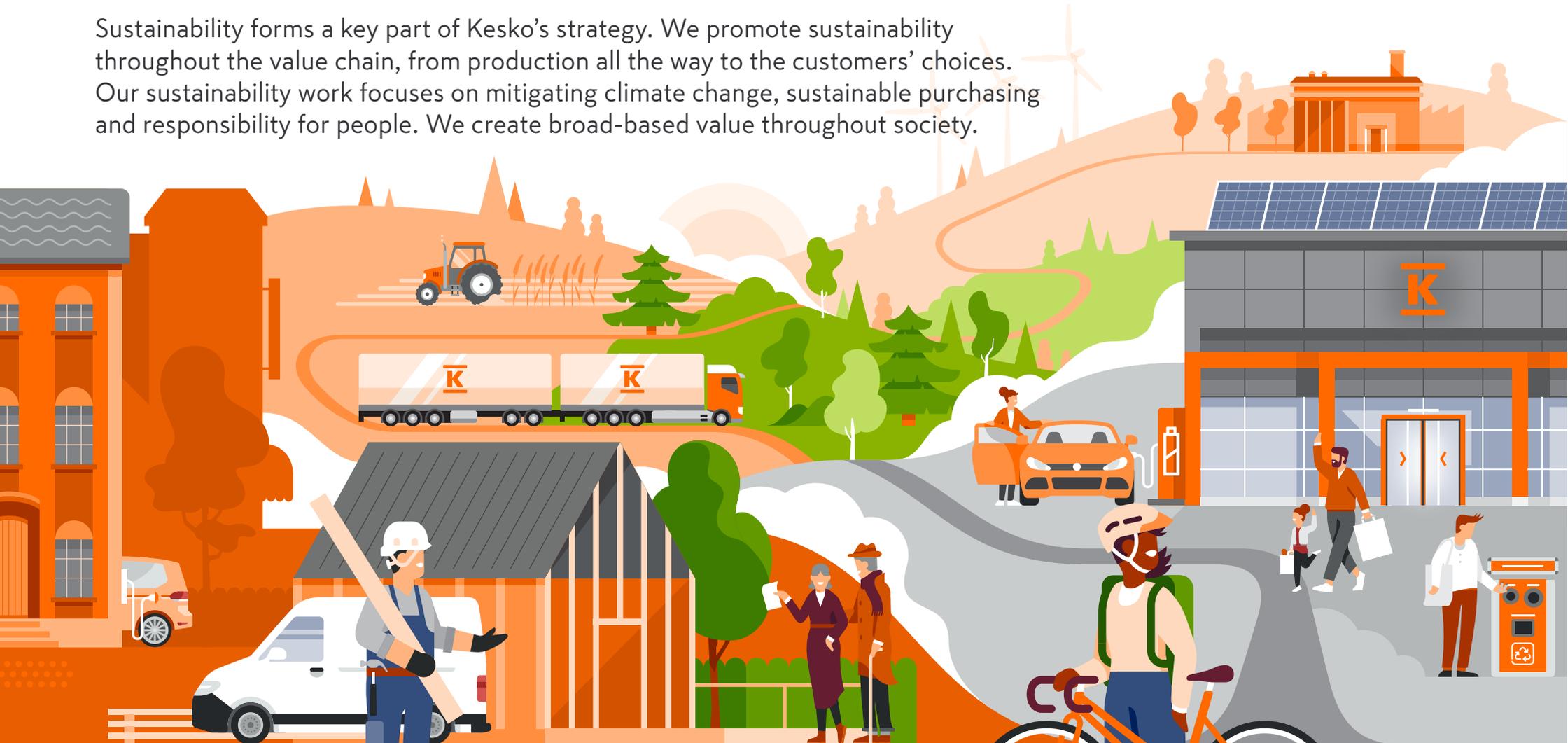
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The following symbols indicate that additional information can be found either in this report or on our website:

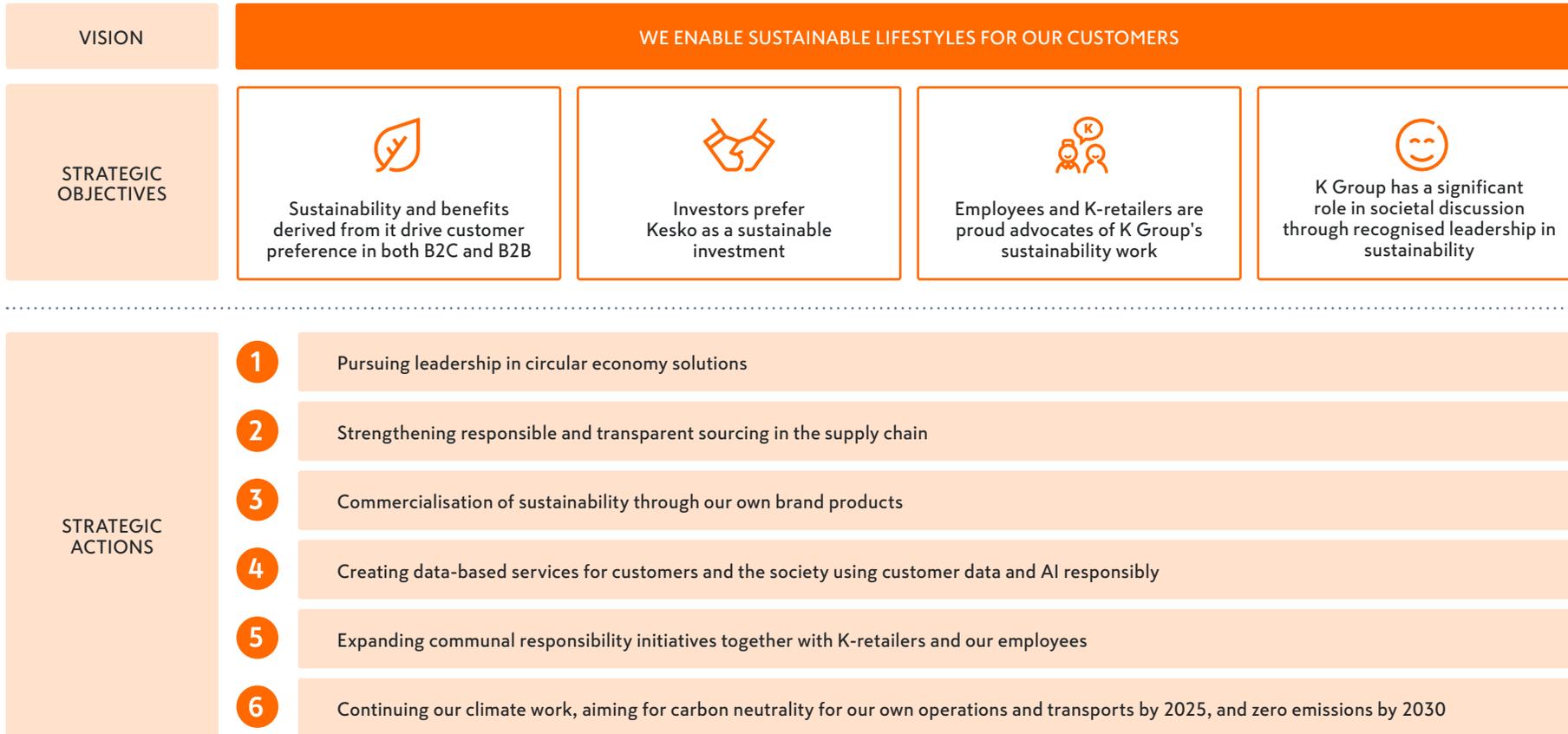
-  [Read more in the Annual Report](#)
-  [Read more on our website](#)

# SUSTAINABILITY AND COMBATTING CLIMATE CHANGE ARE STRATEGIC FOCUS AREAS FOR KESKO

Sustainability forms a key part of Kesko's strategy. We promote sustainability throughout the value chain, from production all the way to the customers' choices. Our sustainability work focuses on mitigating climate change, sustainable purchasing and responsibility for people. We create broad-based value throughout society.



# SUSTAINABILITY STRATEGY 2018–2022



We began an extensive project to update our sustainability strategy in autumn 2021. Our new sustainability strategy is based on the materiality assessment conducted in late 2020, in which we broadly surveyed our stakeholders' views with questionnaires and in-depth interviews. A large number of Kesko employees participated in the work on the sustainability strategy and we organised several workshops on the subject during 2021. Our sustainability strategy will be published in spring 2022 on Kesko's website, at [www.kesko.fi/sustainabilitystrategy](http://www.kesko.fi/sustainabilitystrategy).

# MATERIALITY ASSESSMENT

Kesko’s materiality assessment identifies the key sustainability topics for Kesko and its stakeholders. The materiality assessment guides Kesko’s sustainability and stakeholder work and defines actions to meet stakeholder expectations.

Kesko’s latest materiality assessment was carried out in autumn 2020. The significance of sustainability topics, which were identified on the basis of megatrends and background surveys, was evaluated as regards Kesko and its stakeholders. On the basis of the results, the material sustainability topics were summed up into 11 topics of the most material importance for Kesko and its stakeholders.

The most significant changes compared with the previous materiality assessment were the increased importance of climate change, sustainable products, and biodiversity. The responsibility of purchasing chains and personnel responsibility remained among the most important topics.

Kesko’s material sustainability topics are presented in the matrix below, where the vertical axle shows the level of stakeholder concern regarding the topics and the horizontal axle shows the importance of financial, social and environmental impacts to Kesko and its operating environment.

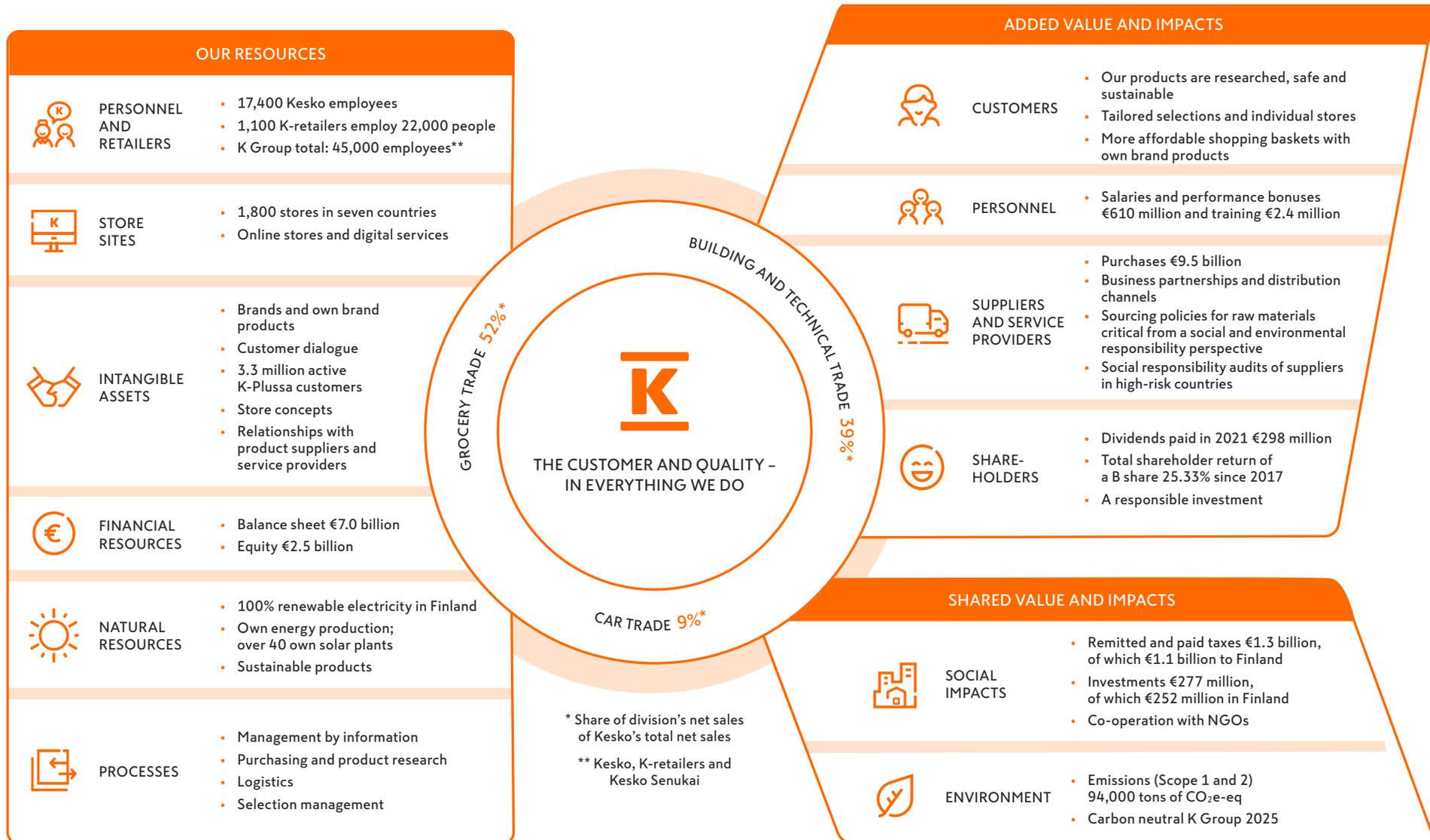
In autumn 2021, we began an extensive project to update our sustainability strategy based on the materiality assessment. Our sustainability strategy will be published in spring 2022 on Kesko’s website, at [www.kesko.fi/sustainabilitystrategy](http://www.kesko.fi/sustainabilitystrategy).

## Materiality matrix

Our vision: Enabling more sustainable consumption and lifestyles



# RESPONSIBLE VALUE CREATION FOR THE WHOLE SOCIETY



# STAKEHOLDER ENGAGEMENT

K Group is a major international and local operator, and our activities have an impact on the whole society. We work in close cooperation with various stakeholders, and have some two million customer encounters every day at our stores and online.



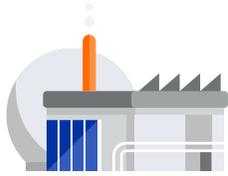
**Riikka Joukio**  
Executive Vice President,  
Sustainability and Public Affairs

“ A sustainable future is built together, and we need society as well as companies and individuals to participate in the actions. In addition to our own activities, it is also important for us to help our customers make sustainable choices and encourage our partners to engage in sustainable operations. Together, we can take impactful steps towards a more sustainable society and world.”

Key stakeholders	Engagement and channels for interaction	Key topics of interest and concern for our stakeholders in 2021	How we have addressed stakeholder expectations
Customers	<ul style="list-style-type: none"> <li>• Daily customer encounters</li> <li>• Customer service channels and applications</li> <li>• Customer surveys</li> <li>• Social media</li> </ul>	<p>According to <b>K Group's Trend Review</b>, the Covid-19 pandemic has increased customers' interest in their own wellbeing as well as in varied Finnish everyday food and the products of small producers.</p> <p>Building and technical trade customers, especially B2B customers, require information on the origin and quality of products.</p>	<p>We added more products from small producers, products made from food waste and vegetable protein products to our selections. We provided customers with tips on sustainable choices through various channels.</p> <p>The Rakennat hyvää ostamalla suomalaista ("You do good by buying Finnish products") theme was used to remind people of the important role played by the retail sector, goods suppliers, manufacturers, consumers and buyers in supporting Finnish jobs.</p>
Investors, shareholders, analysts and other representatives of capital markets	<ul style="list-style-type: none"> <li>• General Meeting</li> <li>• Financial reporting</li> <li>• Press conferences</li> <li>• Investor web pages, social media channels and other digital channels</li> <li>• Investor and analyst meetings</li> <li>• Surveys and assessments</li> <li>• Personal dialogue</li> </ul>	<p>The questions posed by analysts and investors regarding sustainability concerned such topics as mitigating climate change, biodiversity, sustainable products, transparent supply chains, food waste and the application of the EU Taxonomy.</p>	<p>We covered topics that interest investors in our Annual Report, <b>investor news, social media channels and podcasts and blog posts.</b></p> <p>In the annual Webranking survey conducted by Comprend, Kesko's website was ranked as the second best corporate website in Finland. In the Annual Report on Annual Reports survey, Kesko's Annual Report 2020 was given a grade of A- and ranked as the second best in Finland and the 24th best overall.</p>
Kesko's personnel, K-retailers and store staff	<ul style="list-style-type: none"> <li>• Daily interaction</li> <li>• Personnel survey, pulse surveys and performance and development reviews</li> <li>• Retailer events and meetings</li> <li>• K Group's virtual event K-Team Live</li> <li>• Electronic communication channels and Kehittyvä kauppa (Developing Retail) trade magazine</li> <li>• K Code of Conduct</li> <li>• SpeakUp reporting channel</li> </ul>	<p>The key concerns of the retailers in the second year of the Covid-19 pandemic continued to be the health and safety of customers and personnel. The mental wellbeing of both retailers and personnel was also tested by the prolonged pandemic and occasional challenges in the availability of personnel.</p> <p>The most common questions posed by the personnel during the prolonged Covid-19 pandemic concerned safety measures in various tasks during the different stages of the pandemic, the interpretation of guidelines from the national and local authorities, Covid-19 vaccinations, hybrid working and how to maintain interaction and a good team spirit.</p>	<p>The K-Retailers' Association produced a three-part Wellbeing Live virtual training course for retailers that dealt with topics related to coping at work, psychological wellbeing, time management, self-management and personnel management and wellbeing.</p> <p>The main emphasis during the different stages of the Covid-19 pandemic has been on ensuring the health and safety of the personnel using all available means. In addition, we supported the personnel and the managers in maintaining interaction and work capacity in various ways. <b>Read more in the Working community section.</b></p>
Other key stakeholders (suppliers and service providers, media, authorities, non-governmental and other organisations)	<ul style="list-style-type: none"> <li>• Meetings with suppliers and partner events</li> <li>• Media events and enquiries</li> <li>• Activities in organisations</li> <li>• Enquiries from NGOs</li> </ul>	<p>The vitality of Finnish food production, climate impacts of food, packaging and plastic, and conscious consumerism were again the topics discussed in the grocery trade.</p> <p>Availability and global price rises were hot topics in the building and technical trade. The reasons for this were increases in the prices of raw materials and processed products, higher demand and a general rise in costs, for example in logistics.</p> <p>The media's interest towards K Group increased, and media queries concerned a wide array of subjects. The highest number of enquiries again concerned the effects of the Covid-19 pandemic.</p> <p>During the year, we answered enquiries from NGOs regarding such topics as the sustainability of clothing brands and the wellbeing of farmed animals.</p>	<p>We engaged in active dialogue with various stakeholder groups. We organised discussion events with stakeholders concerning food waste and packaging.</p> <p>In this uncertain situation, strong, long-term relations with suppliers will increase in importance. Through collaboration we have also been able to increase our own stocks to help our customers.</p> <p>We provided information on topics that interest the media at media events and meetings and in <b>press releases.</b></p> <p>We described the production stages of a mywear T shirt, which is sold in K-Citymarket's own selection, on <b>the Tracing Our Products website.</b></p>

# HIGHLIGHTS 2021

## PROGRESS MADE IN OUR SUSTAINABILITY WORK:



### MORE AMBITIOUS TARGETS FOR CUTTING EMISSIONS

Limiting global warming to 1.5 degrees will require ambitious targets for emissions and actions throughout the value chain. For this reason, we set science-based emissions reductions targets in line with the 1.5-degree limit, which were approved by the Science Based Targets initiative in November 2021. We set targets for emissions from our own operations, emissions caused by our suppliers and service providers and emissions resulting from the use of products we sell.

### K-STORES HELP TO COMBAT BULLYING

An “anti-bullying zone”, which was created on the initiative of one K-retailer, has been adopted at nearly all 800 K-Markets. The stores offer refuge to bullied children and teenagers where there is always a caring adult around. The “anti-bullying zones”, which are provided in collaboration with the Mannerheim League for Child Welfare, received the Finnish Security Award in 2021, which is awarded annually by the security industry.



### K-STORES INCREASE THEIR ENERGY EFFICIENCY

The targets set out in the retail sector’s Energy Efficiency Agreement for 2025 were achieved four years early, as annual energy savings are already over 80 GWh compared to the 2015 level. The key means of boosting energy efficiency are upgrades to refrigeration units and lighting, the ingenious heat recycling system and the utilisation of analytics in analysing energy consumption at stores.



### K FISHPATHS RESTORES HABITATS FOR ENDANGERED MIGRATORY FISH

The K Fishpaths collaboration project carried out in 2017–2021 between WWF Finland and K Group to save endangered migratory fish populations was successful beyond expectations. Representing a new type of collaboration for both parties, nearly 30 barriers in watercourses that had previously prevented migratory fish from accessing their spawning grounds were removed during the project. Our collaboration inspired over 1,000 volunteers and more than 70 K-stores and K-retailers to participate in the work and increased public awareness of migratory fish and the reasons why they have become endangered.

## WHAT WE CONTINUE TO WORK ON:

### WE WILL SPUR ON OUR SUPPLY CHAIN IN CUTTING EMISSIONS

Our objective is to have science-based reduction targets set for two-thirds of the direct suppliers’ emissions by 2025. To reach this target, we challenge our approximately 200 largest suppliers in terms of the volume of purchases, who account for two-thirds of our euro-denominated purchases, to reduce their emissions and to report their climate targets and actions through the CDP Climate Change Questionnaire.



### NEW GOALS FOR OUR BIODIVERSITY WORK

We have laid the foundation for our work to promote biodiversity and our next step is to set division-specific targets for our operations and supply chains. We expect an international framework and indicators for biodiversity, which will enable benchmark reporting. Following the conclusion of the K Fishpaths collaboration, we started to look for a new project that promotes biodiversity through concrete action.





# SOCIETY

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WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS:

<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 
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Our mission is to create welfare responsibly for all our stakeholders and for all society.

Kesko and K-retailers are significant employers, taxpayers and product and service providers. Through our supply chain, we indirectly create jobs globally in product development, factories, farms and logistics, for example.

We want to enable sustainable lifestyles for our customers in terms of food, mobility and living. We offer products and services which allow our customers to make more sustainable choices.



## Financial results and impacts

### OUR OPERATIONS CREATE ADDED VALUE FOR VARIOUS STAKEHOLDERS

201-1

Kesko's operations generate economic benefits for various stakeholders in Kesko's operating countries and market areas. Key stakeholders include shareholders, customers, personnel, retailers, suppliers of goods and providers of services, and the society. Kesko promotes the growth of welfare throughout its supply chain, including developing countries.

### We pay steady dividends

Kesko has some 65,000 shareholders. In the long term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company's financial position and strategy. Kesko's Board of Directors proposes to the Annual General Meeting to be held in April 2022 that a total dividend of €421 million be paid for the year 2021, which would represent 74.3% of earnings per share and 74.7% of comparable earnings per share. In 2021, Kesko distributed a total of €298 million as dividends, which represented 69.8% of earnings per share and 77.4% of comparable earnings per share.

## Our investments impact the whole society

Kesko's capital expenditure has a positive financial impact on the operations of, for example, building firms, building sector service companies and suppliers of fixtures, equipment and information systems.

Kesko's capital expenditure in 2021 totalled €276.6 million (2020: €398.4 million), or 2.4% of net sales (2020: 3.7%). The store site network is a strategic competitive factor for K Group. In 2021, capital expenditure on store sites totalled €129.0 million (2020: €125.8 million). Capital expenditure in international operations accounted for 9.0% (2020: 42.9%) of total capital expenditure. In addition to Kesko, K-retailers invest in e.g., store fixtures. These figures included, K Group's total capital expenditure in Finland in 2021 amounted to some €340.4 million.

## Financial assistance received from public sector

201-4

In 2021, Kesko received financial assistance totalling €2.9 million from the public sector. The sum consists mainly of assistance received in Finland (€2.0 million) and in Sweden (€0.7 million). Most of the public sector assistance received in Finland concern projects related to the development of digital services and the improvement of energy efficiency.

## Economic benefits from Kesko's operations to stakeholders

€ million		2021	2020	2019
Customers <sup>1</sup>	Revenues	12,258	11,600	11,543
<b>Value added generated</b>		<b>12,258</b>	<b>11,600</b>	<b>11,543</b>
<b>Distribution of value added:</b>				
Suppliers and service providers	Goods, materials and services purchased	-10,556	-10,079	-10,150
Employees	Salaries, fees and social security expenses	-764	-751	-775
Payments to providers of capital	Net finance income/costs	-68	-87	-91
Owners	Dividend	-421 <sup>2</sup>	-298	-250
Public sector	Taxes <sup>3</sup>	-143	-91	-84
Community investments	Donations	-4	-3	-2
Development of business operations		301	294	191

<sup>1</sup> Incl. net sales and other operating income

<sup>2</sup> Proposal to the General Meeting

<sup>3</sup> Incl. income taxes, real estate taxes and net worth taxes

## Economic benefits from Kesko's operations by market area in 2021

€ million	Purchases	Capital expenditure	Salaries and share-based payments	Social security expenses	Taxes <sup>1</sup>	Total
Finland	6,458	252	444	98	1,008	8,259
Other Nordic countries	1,390	24	150	40	147	1,751
Baltic countries and Poland	402	1	26	5	30	464
Other countries	1,230	0	1	0	0	1,231
<b>Total</b>	<b>9,481</b>	<b>277</b>	<b>620</b>	<b>144</b>	<b>1,185</b>	<b>11,706</b>

<sup>1</sup> Taxes include taxes remitted and paid by Kesko i.e. income taxes, real estate taxes, value-added taxes, excise duties, car taxes, customs duties, net-worth taxes, withholding taxes, social security contributions and statutory pension insurance premiums collected from employee as well as taxes remitted on dividends paid by Kesko. Social security contributions and statutory insurance premiums paid by the employer are presented on column Social security expenses.

## Economic benefit generated by Kesko and K-retailers to Finnish regions in 2021

Region	Kesko's purchases of goods	K-retailers' direct purchases of goods	Kesko's and K-retailers' capital expenditure	Salaries paid by Kesko	Salaries paid by K-retailers	Taxes paid by K-retailers
€ million						
Åland	54.9	-	0.0	0.3	-	-
Southern Karelia	16.2	10.8	2.7	5.7	13.9	8.7
Southern Ostrobothnia	281.1	16.5	3.4	4.6	14.1	10.0
Southern Savo	36.9	7.2	2.1	3.6	12.1	9.3
Kainuu	21.1	5.8	8.9	1.3	7.4	5.8
Kanta-Häme	66.1	12.9	5.8	8.3	14.7	9.4
Central Ostrobothnia	45.1	5.4	1.7	1.6	4.8	4.0
Central Finland	62.1	20.1	10.9	7.7	23.0	17.0
Kymenlaakso	42.6	9.5	9.4	7.2	13.4	8.7
Lapland	20.3	16.3	16.5	5.1	24.3	18.0
Pirkanmaa	312.2	41.1	26.0	38.3	52.5	34.1
Ostrobothnia	222.4	13.5	2.0	5.2	12.0	8.6
Northern Karelia	52.1	13.4	5.3	6.6	12.6	9.1
Northern Ostrobothnia	161.9	56.6	13.8	19.7	36.9	26.1
Northern Savo	303.6	20.3	5.4	13.9	24.1	16.8
Päijät-Häme	164.6	12.9	4.0	11.0	16.3	10.7
Satakunta	225.0	31.3	6.1	7.0	21.0	12.6
Uusimaa	3,499.8	218.0	188.2	327.4	168.1	121.4
Southwest Finland	851.5	86.0	28.2	25.8	47.9	32.6
<b>Total</b>	<b>6,439.5</b>	<b>597.7</b>	<b>340.4</b>	<b>500.3</b>	<b>519.1</b>	<b>363.0</b>

Kesko's purchases of goods are presented according to the region in which Kesko has made the purchases. K-retailers' purchases of goods are presented according to the region in which the retailer is located. Taxes paid by K-retailers include income taxes (€69.7 million), value-added taxes (€87.0 million) as well as withholding taxes on salaries, social security contributions and statutory insurance premiums paid by the employer (€206.4 million). The figures are for those K-retailers whose accounts and payroll are managed by Vähittäiskaupan Tilipalvelu VTP Oy, representing around 96% of K-retailers' total business volume.

## K-retailers and store network

### AN EXTENSIVE STORE NETWORK AND ADDITIONAL SERVICES TO CUSTOMERS

203-1

In Finland, Kesko's principal business model is the chain business model, in which some 1,100 independent K-retailers operate retail stores in Kesko's chains, which include the grocery store chains, the K-Rauta chain, and the Intersport chain.

Outside Finland, Kesko mainly engages in own retailing and B2B trade. In Norway, there are 14 Byggnakker retailers operating under the local retailer business model.

Some 48% of Kesko's net sales come from sales to retailers. Kesko's own retailing and B2B trade account for some 52% of net sales.

Together, Kesko and K-retailers form K Group, whose retail sales (pro forma) totalled €15.2 billion in 2021 (0% VAT).

K Group has an extensive network of K-food stores in Finland. There is a K-food store in most municipalities in

the country. Every day, some 1.2 million customers visit K-food stores.

Especially outside growth centres, stores can offer services which may otherwise be scarcely available.

In 2021, the following additional services were available at K-stores:

- Cashback services at all K-food stores
- Parcel and postal services at 1,020 stores
- Charging points for electric cars at over 100 stores
- 407 Rinki eco take-back points

### K-food stores in Finnish municipalities at 31 Dec. 2021



- 10 stores or more 22 units 7.1%
- 7-9 stores 16 units 5.2%
- 5-6 stores 21 units 6.8%
- 3-4 stores 37 units 12.0%
- 2 stores 58 units 18.8%
- 1 store 112 units 36.2%
- No K-food store 43 units 13.9%



## We are a significant taxpayer

207-1 207-2 207-3

Kesko reports its tax data in accordance with GRI 207 standard.

**Kesko's Tax Policy** describes the key principles applied in the management of taxes as well as the tax governance model and responsibilities. The tax policy covers all types of taxes and duties and concerns business areas, common operations and Group companies in all of Kesko's operating countries. The published tax policy approved by Kesko's Board of Directors in February 2021 replaces the previously applied (unpublished) tax strategy. No major changes took place in the tax management principles in 2021. By publishing the tax policy, Kesko aims to increase the transparency of the Group's management approach to tax.

From 2021 onwards, in conjunction with taxes paid and remitted, Kesko reports the employer's and employees' social security contributions and statutory pension insurance premiums and taxes withheld from dividends paid by Kesko as new items. In addition, the reporting of real estate taxes has been extended to also include real estate taxes paid in relation to rented properties. The corresponding information on 2020 is also presented for comparison.

Erroneous tax law interpretations or non-compliance may expose Kesko to tax disputes and may negatively impact the business and reputation. Regular tax audits may lead to reassessment of taxes, interest and penalties. The Group's

tax positions are regularly reviewed to identify items subject to interpretation. Uncertain positions that are assessed unlikely to be accepted are provided for in tax accounting. The Group's balance sheet on 31 December 2021 does not contain provisions for uncertain tax positions.

In 2021, Kesko participated in public policy advocacy on tax through representation associations such as the Confederation of Finnish Industries (EK), the Finnish Commerce Federation and the Finland Chamber of Commerce. In Sweden and Norway, Kesko is a member of trading industry associations Svensk Handel in Sweden and the Enterprise Federation of Norway (Virke). Stakeholder cooperation and engagement is discussed in more detail in **the Stakeholder engagement section** of this report. No tax related concerns have come up in stakeholder cooperation or in the materiality assessment.

Kesko's significant Group companies in all operating countries are subject to statutory audits, and Auditor's reports are issued. The Auditor's report concerning Kesko Corporation's separate financial statements and consolidated financial statements can be found in **the Financial Review section**. The taxes included in accounting and financial statements are subject to audits in each country in accordance with the local legislation on audits. In addition, in some countries, such as Norway, the auditor issues a separate report on the company's tax return. Assurance of the information given in the Sustainability section of Kesko's Annual Report is discussed in this report in sections **Reporting principles** and **Independent Limited Assurance Report**.

## COUNTRY-SPECIFIC TAX INFORMATION

207-4

During the financial year 2021, Kesko has had operations and personnel in seven countries where it engages in both retail and wholesale trade. In addition, Kesko has a subsidiary in China which produces services for the Group related to purchasing operations. Kesko's subsidiary in Kazakhstan has been dormant in 2020 and 2021 and is therefore not covered in by the country-by-country reporting. In addition to the operating countries of Group companies, in 2020 and 2021 Kesko has been liable to pay taxes in Armenia in relation to an export project and in 2021 in Germany in relation to a temporary working arrangement. Due to the limited nature of the operations in Armenia and Germany, only information on paid and remitted taxes is reported. Kesko Group companies are listed in Financial review section in **Note 5.2** to the consolidated financial statements.

In 2021, Kesko's income taxes in Finland totalled €111.3 million and in other countries €22.7 million. The Group's effective tax rate was 19.8%. The Group's income tax is discussed in the Financial review section in **Note 2.7** of the consolidated financial statements.

In addition to income taxes, Kesko pays real estate and net-worth taxes, customs duties, car taxes and excise duties, and employer's social security contributions and statutory pension insurance premiums. Kesko collects and remits value-added taxes, withholding taxes, and employee's social security contributions and statutory pension insurance premiums. Kesko remits excise duties on confectionery, alcohol and soft drinks, for example. In addition, withholding taxes and taxes at source are collected in Finland from the dividends paid by Kesko.

## Taxes by country in 2021

€ million, continuing operations	Profit before taxes	Income taxes <sup>1</sup>	Value-added taxes	Withholding taxes on salaries	Social security contributions and statutory pension insurance premiums <sup>2</sup>	Real estate and property taxes	Car taxes	Customs duties	Excise duties	Withholding taxes on dividends
Finland	618.0	111.3	551.0	114.2	68.8	8.8	79.2	6.5	82.4	44.1
Sweden	22.3	5.3	35.4	15.8	20.5	0.3	-	0.1	0.1	-
Norway	60.2	13.7	50.2	25.5	15.8	0.1	-	0.0	-	-
Estonia	4.4	1.1	4.9	0.9	1.3	0.0	-	0.1	-	-
Latvia	-1.1	0.0	1.8	0.3	0.6	0.0	-	0.0	-	-
Lithuania	0.6	0.0	2.9	0.4	0.5	0.0	-	0.0	-	-
Poland	8.4	2.5	8.0	1.5	6.4	0.2	-	0.4	-	-
China	0.0	0.0	0.0	0.0	0.2	-	-	-	-	-
Armenia	0.0	0.0	-0.1	-	-	-	-	0.0	-	-
Germany	0.0	0.0	-	0.1	0.0	-	-	-	--	-
<b>Total</b>	<b>712.9</b>	<b>134.0</b>	<b>654.2</b>	<b>158.7</b>	<b>114.2</b>	<b>9.4</b>	<b>79.2</b>	<b>7.1</b>	<b>82.4</b>	<b>44.1</b>

Reported figures are based on IFRS reporting and may differ from the local financial statements and taxation.

<sup>1</sup> Income taxes include income taxes booked to income statement, deferred taxes excluded.

<sup>2</sup> Social security contributions and statutory pension insurance premiums include those paid by the employer and collected from the employee

<sup>3</sup> Real estate taxes include the real estate taxes from both owned and rented properties

## Taxes by country in 2020

€ million, continuing operations	Profit before taxes	Income taxes <sup>1</sup>	Value-added taxes	Withholding taxes on salaries	Social security contributions and statutory pension insurance premiums <sup>2</sup>	Real estate and property taxes	Car taxes	Customs duties	Excise duties	Withholding taxes on dividends
Finland	485.7	70.6	483.3	105.2	63.0	9.2	98.8	7.1	74.6	30.6
Sweden	5.3	1.9	29.1	13.8	18.3	0.3	-	0.1	0.1	-
Norway	21.9	6.6	23.3	14.3	10.1	0.1	-	0.0	-	-
Estonia	6.0	3.0	5.3	1.0	1.4	0.1	-	0.1	-	-
Latvia	-1.8	0.0	1.6	0.4	0.7	0.0	-	-	-	-
Lithuania	7.4	1.5	3.5	1.0	0.5	0.0	-	0.0	-	-
Poland	3.5	0.4	6.2	1.3	5.5	0.2	-	0.2	-	-
Belarus	-0.5	0.5	-	-	-	-	-	-	-	-
China	0.1	0.0	0.0	0.0	0.0	-	-	-	-	-
Armenia	0.0	0.0	-0.1	-	-	-	-	0.0	-	-
<b>Total</b>	<b>527.6</b>	<b>84.5</b>	<b>552.3</b>	<b>137.0</b>	<b>99.5</b>	<b>9.9</b>	<b>98.8</b>	<b>7.6</b>	<b>74.6</b>	<b>30.6</b>

Reported figures are based on IFRS reporting and may differ from the local financial statements and taxation.

<sup>1</sup> Income taxes include income taxes booked to income statement, deferred taxes excluded. Year 2020 income taxes include the income taxes of Kesko Senukai companies from the period 1-6/2020. From other tax items Kesko Senukai companies are excluded.

<sup>2</sup> Social security contributions and statutory pension insurance premiums include those paid by the employer and collected from the employee

<sup>3</sup> Real estate taxes include the real estate taxes from both owned and rented properties

Holdings in associates impact the effective tax rate and cash tax rate of Finnish operations. The share of their net profit corresponding to Kesko's ownership is consolidated using the equity method, while the taxes paid by associates are not included in Kesko Group's tax expense. The dividends received from associates and capital gains from associates are tax-exempt income.

In 2021, the profit from Finland included a profit of €33.9 million from associates. In 2020, the profit from Finland included a profit of €21.8 million from associates and a profit impact of €46.1 million generated by a change in the effect of the consolidation of the share of the result of Kesko Senukai.

The Swedish subsidiaries of the Group have a significant amount of tax losses, from which no deferred tax assets have been recognised due to the historical loss position. The formation and use of unrecognised losses have an impact on the effective tax rate of the Swedish operations.

Estonian and Latvian tax systems do not impose tax on corporate profits, but on profits distributed during the period. Deferred tax on undistributed earnings is only recognised if a decision on the distribution of earnings is probable in the near future. Consequently, the difference between the theoretical tax calculated from the profit for the financial period and the tax expense accrued based on profit distribution during the period is shown in the table Country-by-country tax rate reconciliation on row "Effect of unrecognised deferred taxes".

The cash tax rate and effective tax rate in Lithuania is affected by the use of unrecognised tax losses and the deferred tax receivable reported from remaining unused tax losses in 2021.

## Country-specific information 2021

€ million, continuing operations	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	China
Personnel at 31 Dec. 2021 <sup>1</sup>	9,567	1,345	1,548	158	85	79	808	16
Salaries	434.6	60.4	89.4	4.2	1.9	2.5	17.0	0.6
External net sales	9,283.9	608.9	1,009.7	51.4	21.0	22.3	303.1	-
Group's internal net sales <sup>2</sup>	6.8	0.0	0.1	1.3	0.1	0.4	0.2	-
Profit before tax	618.0	22.3	60.2	4.4	-1.1	0.6	8.4	0.0
Tangible assets	1,438.4	42.5	36.9	0.7	0.4	0.2	18.5	0.0
Inventories	611.9	101.7	118.9	14.4	4.7	5.4	37.4	-
Income taxes paid	119.5	4.2	9.4	1.6	-	0.0	2.6	0.0
Accrued income taxes <sup>3</sup>	111.3	5.3	13.7	1.1	0.0	0.0	2.5	0.0
Effective cash tax rate	19.3%	18.7%	15.6%	37.1%	0.0%	3.6%	30.7%	2.7%

Reported figures are based on IFRS reporting and may differ from those stated in local financial statements and taxation.

<sup>1</sup> Full-time equivalent of employees (FTE)

<sup>2</sup> Group internal net sales include only cross-boarder net sales. The Group's internal net sales do not include charges from Group services.

<sup>3</sup> Accrued income taxes include income tax recorded in the income statement, excluding deferred taxes

## Country-by-country tax rate reconciliation 2021

€ million, continuing operations	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	China
Profit before tax	618.0	22.3	60.2	4.4	-1.1	0.6	8.4	0.0
Local tax rate	20.0%	20.6%	22.0%	20.0%	20.0%	15.0%	19.0%	2.5%
Tax at local tax rate <sup>1</sup>	-123.6	-4.6	-13.2	-0.9	0.2	-0.1	-1.6	0.0
Effect of tax-free income	0.3	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Effect of expenses not deductible for tax purposes	0.0	-0.7	0.0	0.0	0.0	0.0	-0.4	0.0
Effect of unrecognised deferred tax assets	0.0	0.0	0.0	-0.3	-0.2	0.1	0.1	0.0
Effect of consolidation of share of result of associates and joint ventures	6.8	-	-	-	-	-	-	-
Others	-1.0	-0.9	-0.5	0.0	0.0	0.0	-1.0	0.0
Tax charge	-117.5	-5.8	-13.8	-1.1	0.0	0.0	-2.9	0.0
Effective tax rate	19.0%	25.9%	22.9%	26.0%	0.1%	-1.1%	34.9%	6.7%

Reported figures are based on IFRS reporting and may differ from those stated in local financial statements and taxation.

<sup>1</sup>The presentation of country-by-country tax rate reconciliation differs from the Group reconciliation in the 2021 consolidated financial statements for Estonia and Latvia. In the country-by-country reconciliation, the theoretical tax in Estonia and Latvia has been calculated at the local tax rate applied to profit distribution, while in the Group reconciliation, taxes on profit distribution are not taken into account when calculating theoretical tax. The corresponding impact in the country-by-country tax rate reconciliation is shown on the line "Effect of unrecognised deferred taxes".

## Country-specific information 2020

€ million, continuing operations	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	Belarus	China
Personnel at 31 Dec. 2020 <sup>1</sup>	10,092	1,360	1,094	147	82	72	789	-	16
Salaries	425.0	53.7	65.6	8.2	8.2	31.1	14.2	6.4	0.6
External net sales	8,705.2	514.4	685.6	101.0	102.0	252.1	234.1	74.8	0.0
Group's internal net sales <sup>2</sup>	8.3	0.0	0.0	2.6	17.7	36.3	0.0	0.1	0.4
Profit before tax	485.7	5.3	21.9	6.0	-1.8	7.4	3.5	-0.5	0.1
Tangible assets	1,348.9	40.0	40.7	0.9	0.6	0.3	19.4	-	0.0
Inventories	620.2	83.1	88.2	10.3	3.6	3.7	27.8	-	-
Income taxes paid	46.2	3.1	3.6	1.4	0.1	0.0	-	-0.3	0.0
Accrued income taxes <sup>3</sup>	70.6	1.9	6.6	3.0	0.0	1.5	0.4	0.5	0.0
Effective cash tax rate	14.5%	59.4%	16.2%	23.4%	-4.0%	0.2%	0.0%	75.0%	22.2%

Reported figures are based on IFRS reporting and may differ from those stated in local financial statements and taxation.

<sup>1</sup> Full-time equivalent of employees (FTE)

<sup>2</sup> Group internal net sales include only cross-boarder net sales

<sup>3</sup> Accrued income taxes include income tax recorded in the income statement, excluding deferred taxes

## Country-by-country tax rate reconciliation 2020

€ million, continuing operations	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	Belarus	China
Profit before tax	485.7	5.3	21.9	6.0	-1.8	7.4	3.5	-0.5	0.1
Local tax rate	20.0%	21.4%	22.0%	20.0%	20.0%	15.0%	19.0%	18.0%	25.0%
Tax at local tax rate <sup>1</sup>	-97.1	-1.1	-4.8	-1.2	0.4	-1.1	-0.7	0.1	0.0
Effect of tax-free income	12.0	0.0	0.1	0.0	0.0	0.2	0.1	0.0	0.0
Effect of expenses not deductible for tax purposes	-0.5	-0.5	-0.1	0.0	0.0	-0.2	-0.2	-0.2	0.0
Effect of unrecognised deferred tax assets	2.7	-0.2	0.0	-0.5	-0.4	0.0	0.0	0.0	0.0
Effect of consolidation of share of result of associates and joint ventures	4.4	-	-	-	-	-	-	-	-
Others	-3.3	0.1	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0
Tax charge	-81.9	-1.8	-4.8	-1.7	0.0	-1.2	-0.8	0.0	0.0
Effective tax rate	16.9%	33.2%	22.1%	27.8%	-2.2%	16.6%	22.7%	-9.1%	22.2%

Reported figures are based on IFRS reporting and may differ from those stated in local financial statements and taxation.

<sup>1</sup>The presentation of country-by-country tax rate reconciliation differs from the Group reconciliation in the 2021 consolidated financial statements for Estonia and Latvia. In the country-by-country reconciliation, the theoretical tax in Estonia and Latvia has been calculated at the local tax rate applied to profit distribution, while in the Group reconciliation, taxes on profit distribution are not taken into account when calculating theoretical tax. The corresponding impact in the country-by-country tax rate reconciliation is shown on the line "Effect of unrecognised deferred taxes".

## By providing support we increase wellbeing in society

201-1

We sponsor nationwide projects in Finland that are connected to the everyday lives of children and young people, promote the quality of living and sustainability, and bring joy to as many people as possible.

Key sponsorships:

- We are the main partner of the Football Association of Finland (FAF) in 2021–2024 and involved in its activities both at the national team level and in work with junior players. Through our cooperation with the FAF, we aim to spread the power of positive encouragement both on and off the pitch. In our messaging, we highlight the fact that everyone needs help and encouragement from time to time.

- With K-Supermarket and K-Rauta concepts, we participate in the Me & MyCity, a learning concept covering society, economy, working life and entrepreneurship aimed at comprehensive school sixth graders.
- Pirkka and K-food stores are engaged in multi-year cooperation with the national junior basketball teams and the Finnish Basketball Association’s children’s and young players’ teams.
- In 2021, we were the main sponsor of the Finnish Cancer Foundation’s Pink Ribbon campaign for the seventh time and together with our customers collected one million euros in donations for the campaign.

### Kesko’s community investments

€1,000	2021	2020	2019
Non-governmental, environmental and other organisations	142	92	164
Sports (adults)	1,936	1,246	597
Youth sports and other youth work	486	552	572
Science, research and education	43	61	36
Culture	119	119	71
Health	1,057	910	792
Veteran organisations and national defence	51	19	7
<b>Total</b>	<b>3,834</b>	<b>3,000</b>	<b>2,238</b>





# SELECTIONS AND PURCHASING

## IN THIS SECTION:

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Sustainable products and investments	24
Global supply chains	25
Sustainability policies	30
Kesko's statement of commitment on human rights and impact assessment	35
Nutrition and product safety	36



## WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS:



# SUSTAINABLE SOURCING GLOBALLY

We promote sustainability and transparency in our supply chains with our sustainability policies, factory and plantation audits, products' sustainability certifications and by working in cooperation with international organisations.



Soy policy



## FINLAND

The purchases of goods by Kesko Group's Finnish companies totalled\*

**€7.9 billion**

of which

**81.1%**

were from Finland.

Thank the Producer



Local Food Dates



Fish and shellfish policy



Timber and paper policy



CDP Supply Chain: suppliers' emissions reductions



Fairtrade collaboration



Cocoa policy



Cotton policy



International Accord



Palm oil policy



amfori BSCI: social responsibility audits at factories and plantations



Suppliers' sustainability training sessions



\*In 2021, the purchases of all Kesko companies from suppliers operating in Finland totalled €6.5 billion, or 68.1% of the Group's total purchases.

## The majority of purchases are from Finnish suppliers

### PURCHASES FROM FINLAND AND OTHER COUNTRIES

204-1

Most of the economic benefit generated by Kesko's operations flows to suppliers of goods. Purchasing local products and services creates economic benefits for Kesko's home country Finland and promotes local work.

Kesko assesses the economic benefit it generates by reporting its purchases by operating country and each company's country of domicile. Kesko also reports both **Kesko's and K-retailers' direct purchases of goods in Finland by region.**

Most of the economic benefit generated by Kesko's operations – some 84% of Kesko's net sales – flows to suppliers of goods, purchases from which were valued at €9.5 billion in 2021 (2020: €8.5 billion). The purchases of all Kesko companies from suppliers operating in Finland totalled €6.5 billion, or 68.1% of the Group's total purchases (2020: €6.2 billion, or 73.4%).

In 2021, Kesko had some 19,900 suppliers from whom purchases were valued at a minimum of €1,000 during the year. Of these, some 9,100 operated in Finland, some 8,500 in Kesko's other operating countries and some 2,200 elsewhere.

The ten largest suppliers accounted for 21.7% (2020: 22.1%) of the Group's purchases of goods, and the 100 largest suppliers for 51.6% (2020: 50.1%). Of the ten largest

### Kesko's purchases by company's and supplier's country of domicile in 2021

Company's country of domicile	Supplier's country of domicile								Total
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	Other countries	
Finland	6,440	213	16	43	4	13	34	1,178	7,940
Sweden	10	394	5	5	0	0	2	15	431
Norway	2	14	746	2	-	0	3	6	775
Estonia	4	1	-	22	1	1	1	11	41
Latvia	1	0	0	0	9	1	1	4	16
Lithuania	1	-	-	1	1	8	3	3	18
Poland	1	0	0	0	-	-	248	13	261
<b>Total</b>	<b>6,458</b>	<b>623</b>	<b>768</b>	<b>73</b>	<b>14</b>	<b>22</b>	<b>292</b>	<b>1,230</b>	<b>9,481</b>

### Kesko's purchases by operating country in 2021

	Suppliers of goods in operating country	Purchases from suppliers of goods		Suppliers of goods in other operating countries	Purchases from suppliers of goods	
	number	€ million	%	number	€ million	%
Finland	8,954	6,440	81.1	2,266	1,500	18.9
Sweden	2,776	394	91.5	229	37	8.5
Norway	2,280	746	96.3	149	28	3.7
Estonia	526	22	53.5	280	19	46.5
Latvia	248	9	56.7	183	7	43.3
Lithuania	371	8	44.6	171	10	55.4
Poland	1,392	248	95.0	66	13	5.0
<b>Total</b>	<b>16,547</b>	<b>7,867</b>	<b>83.0</b>	<b>3,344</b>	<b>1,614</b>	<b>17.0</b>

suppliers, seven were Finnish food industry companies, two import companies operating in Finland and one German car manufacturer.

The purchases of goods by Kesko Group's Finnish companies totalled €7.9 billion (2020: €7.5 billion). Of these purchases, 81.1% (2020: 82.5%) were from suppliers operating in Finland and 18.9% (2020: 17.5%) from other countries. Some of the suppliers operating in Finland are import companies, and reliable statistics cannot be compiled on the origin of goods supplied by them.

### WE SUPPORT FINNISH WORK AND PRODUCTION

Finnish food producers play a key role in K Group's grocery trade. We want to promote the success of Finnish small food producers and accelerate the journey of local products to store shelves. K-food stores are important trading partners for small food producers as local K-retailers can buy products directly from the producers for their store selections.

Finnish products are always primarily selected for K Group's own Pirkka range provided that the quality and price criteria are met. Pirkka product groups that are 100% Finnish include milks and milk drinks, fresh meat products and eggs, for example. Pirkka is a significant employer in Finland: over 1,000 Pirkka products are manufactured or grown in Finland, and Pirkka products are manufactured in 200 companies across the country. Pirkka offers many small companies in Finland an opportunity to have their products sold nationwide and to increase their production in a controlled manner.

The 'Thank the Producer' operating model is one of the ways in which K Group supports Finnish agriculture. The purpose of the operating model is to increase the public's appreciation for Finnish food and its producers. Under the operating model, the consumer price may be slightly higher for the products, which partly enables K Group to pay an additional payment to the producers. The additional sum is paid directly to the producers. The operating model involves 29 partners and 93 products. In 2015-2021, products sold under the 'Thank the Producer' model accrued a total of more than €6.5 million in additional money for farmers.

In 2021, K Group's grocery trade, K-Rauta, the Association for Finnish Work, and 156 food product and home and speciality goods companies launched campaigns to support Finnish work together with Finfood - Finnish Food Information and Kotimaiset kasvikset ry. The two campaigns ('You Do Good by Buying Finnish' and 'You Build Good by Buying Finnish') wanted to draw attention to the significance of Finnish work and the important role of consumers and customers in supporting Finnish work.

K Group has made the path of local food to store shelves smoother for years through the Local Food Date events held across Finland. Organised by K Group and Finfood - Finnish Food Information, these events bring together K-retailers and small food producers. In 2021, no Local Food Date events were organised due to the Covid-19 pandemic.

In 2021, K-retailers' direct purchases from Finnish regions totalled €598 million.



# SUSTAINABLE PRODUCTS AND INVESTMENTS

➔ Read more about sustainable products

➔ Read more about information in line with the EU taxonomy

Below we present our definition of sustainable products and investments in each division. We have classified the products and investments in each division that are sustainable from a climate and/or biodiversity perspective.

We defined sustainable products as those which have a significantly smaller impact on the climate or biodiversity than comparable products or which are important for adapting to climate change or preventing the loss of biodiversity. We report investments which decrease emissions from our own operations or emissions caused by our customers' actions. Although we are still developing our monitoring systems, we present in this report the share of net sales of products that are compliant with our classification in the grocery and car trade divisions.

We report as part of the Sustainability report our own division-specific view of sustainable products and investments, which differs in part from the definitions of EU taxonomy. The EU taxonomy defines a set of criteria for a business activity that enables assessing to what extent the company's activities support the attainment of environmental and climate objectives. The taxonomy does not currently specifically mention activities that are typical of the trading sector, meaning that trading sector companies report on the aforementioned activities within taxonomy scope if they engage in them. The sales of goods do not fall within taxonomy scope. Leasing operations in car trade have been identified as taxonomy-eligible. Kesko reports information in line with the EU taxonomy as part of the Report by the Board of Directors in compliance with Regulation (EU) 2020/852 of the European Parliament and of the Council (18 June 2020).

## Sustainable products

### GROCERY TRADE

- Products compliant with Kesko's sustainability policies
- Products with sustainability certification and labelling
- Plant-based products
- Circular economy products

Percentage of sustainable products of grocery trade's net sales in 2021:

**34%**

### BUILDING AND TECHNICAL TRADE

- Products reducing energy consumption and emissions
- Renewable energy supply and distribution products
- Sustainably produced timber and wood products
- Products enabling a healthy and sustainable indoor environment

Percentage of sustainable products: information is not yet available

### CAR TRADE

- Sales and leasing service of vehicles with zero and less than 50 g CO<sub>2</sub> emissions

Percentage of sustainable products of car trade's net sales in 2021:

**22%**

### Sustainable investments in Finland

- Investments in properties' energy efficiency and solar power plants for own energy production
- K Charge stations
- Vehicles with low and zero emissions in K-Auto's leasing fleet

Sustainable investments in 2021, total:

**36** million euros



## Efforts to promote sustainability in global supply chains

### SUPPLIERS' SOCIAL RESPONSIBILITY ASSESSMENT

414-1 414-2

Kesko pays special attention to human rights issues and working conditions in its supply chain in countries with the greatest risk of human rights violations. In the risk assessment of supply countries, we utilise the **amfori Country Risk Classification** based on Worldwide Governance indicators published by the World Bank.

In 2021, direct purchases from suppliers in risk countries totalled €111 million (2020: €105 million) and accounted for approximately 1.2% (2020: 1.2%) of Kesko's total purchases. Direct imports from risk countries accounted for some 13.4% (2020: 13.6%) of Kesko's total imports to Finland. The figures concern direct purchases in Finland; no statistics are available on direct imports from risk countries in Kesko's other operating countries.

Kesko is a member of amfori, an association dedicated to promoting sustainable trade, and takes part in amfori BSCI. Kesko is committed to promoting compliance with the amfori BSCI Code of Conduct in its supply chain. According to Group guidelines, an amfori BSCI Code of Conduct contract clause must be added to supplier agreements.

### Social responsibility audits and certifications of suppliers in high-risk countries

Social responsibility assessment system	1 Jan. 2022, total	1 Jan. 2021, total	1 Jan. 2020, total	1. Jan. 2019, total	1. Jan. 2018, total
amfori BSCI	238	339	347	300	291
Smeta	195	115	177	136	30
Siza	147	59	100	54	22
SA8000	12	16	15	12	15
Fairtrade	31	29	28	21	11
Rainforest Alliance	28	20	22	14	0
Fair for Life	6	2	4	1	0
For Life	3	14	10	12	0
ICA Social Audit	2	12	22	26	45
ICTI	6	6	8	8	5
WRAP	2	1	0	0	0
WIETA	0	0	0	1	1
<b>Total</b>	<b>670</b>	<b>613</b>	<b>733</b>	<b>585</b>	<b>420</b>

Kesko utilises global social responsibility audit and certification systems, primarily amfori BSCI audits, in the assessment of working conditions at factories and plantations in risk countries. We also accept other **assessment systems of social responsibility** if their criteria correspond to those of amfori BSCI auditing and if the audit is conducted by an independent party. As part of the sourcing cooperation between Kesko's grocery trade and ICA Global Sourcing, Kesko also accepts the ICA Social Audit. In this case, however, suppliers are required to adopt a third-party audit approved by Kesko after a maximum of two ICA Social Audits.



Member of amfori, the leading global business association for open and sustainable trade. For more information visit [www.amfori.org](http://www.amfori.org)

Social responsibility audits and certifications are used to assess the safety of working conditions in production, the salaries and working hours of employees and their rights of freedom of association and collective bargaining. The use of child or forced labour is strictly forbidden.

Our principle in risk countries is to collaborate only with suppliers that are already included in the scope of social responsibility audits or that start the process when the cooperation begins. Kesko's grocery trade and building and technical trade require all of their direct suppliers in risk countries to have an approved audit when the cooperation begins.

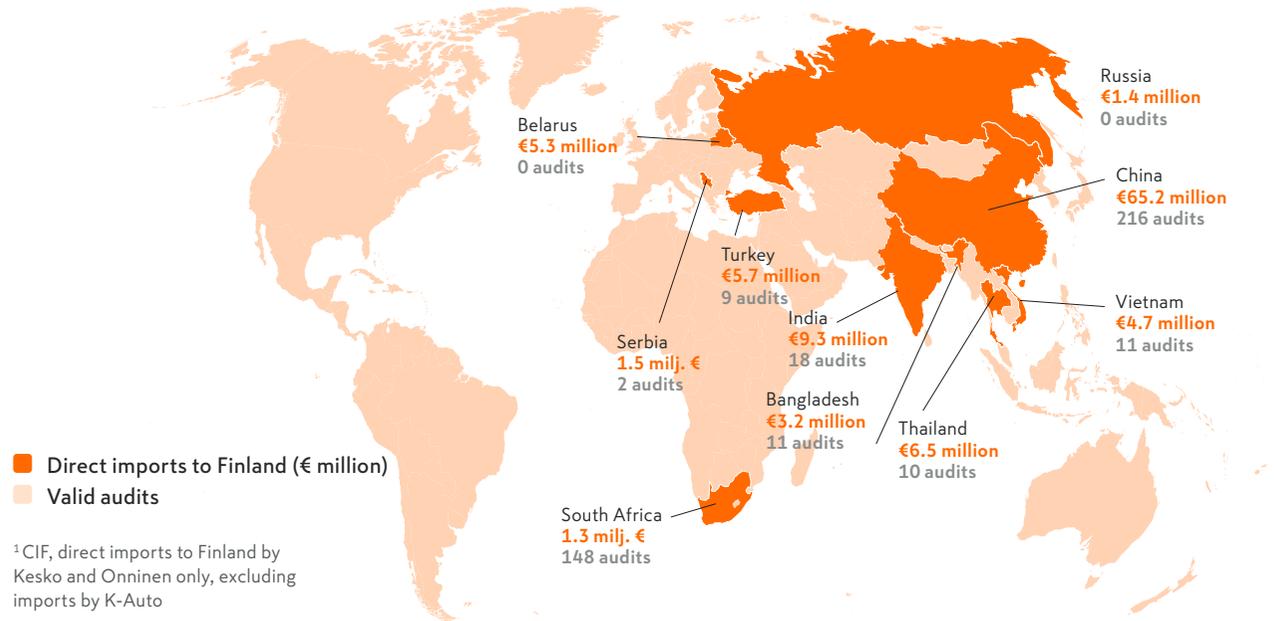
At the beginning of 2021, Kesko's suppliers in risk countries had a total of 670 (2020: 613) valid social responsibility audits. Some of Kesko's suppliers are also members of amfori and thus promote amfori BSCI audits in their own supply chains. In 2021, we faced some challenges in the availability of social responsibility audits due to the Covid-19 pandemic.

### Results of amfori BSCI audits

In 2021, a total of 117 (2020: 210) of the factories or plantations of Kesko's suppliers underwent full amfori BSCI audits. In addition, 103 (2020: 117) suppliers' factories or plantations underwent amfori BSCI follow-up audits.

The results of the 2021 amfori BSCI audits of Kesko's suppliers' factories and farms are shown on page 27. The majority of the deficiencies occurred in matters related to working hours, social management systems and workers'

### Value of Kesko's direct imports and number of social responsibility audits, 10 largest high-risk countries of import<sup>1</sup>



involvement and protection. Corrective actions and monitoring are included in the audit process. In accordance with the amfori BSCI operating model, a full audit is conducted at factories every two years to assess every field of the auditing protocol. If a factory receives an audit result of C, D or E, a follow-up audit within 12 months must be arranged to assess the deficiencies identified in the full audit and the corrective measures implemented.

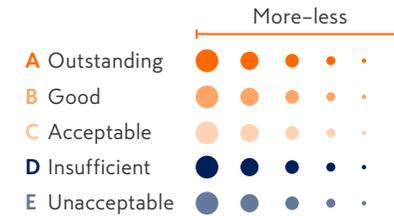
Kesko does not terminate cooperation with a supplier that undertakes to resolve the grievances specified in the audit report. In 2021, we were obligated to terminate cooperation with 15 (2020: 6) factories because a consensus could not be reached with the factories regarding necessary corrective measures.

### amfori BSCI audit results by area in 2021

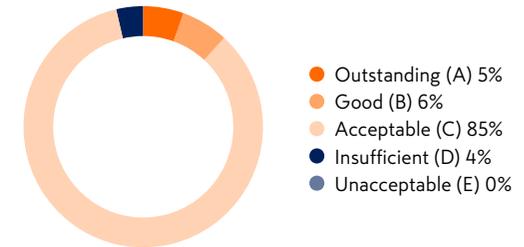
Full audits	A		B		C		D		E	
	Outstanding	Good	Acceptable	Insufficient	Unacceptable					
Social Management System and Cascade Effect	● 3%	● 5%	● 28%	● 63%	● 1%					
Workers' Involvement and Protection	● 55%	● 34%	● 9%	● 2%						
The Rights of Freedom of Association and Collective Bargaining	● 100%									
No Discrimination	● 94%	● 1%	● 5%							
Fair Remuneration	● 39%	● 52%	● 8%						● 1%	
Decent Working Hours	● 15%		● 5%	● 79%	● 1%					
Occupational Health and Safety	● 76%	● 20%	● 1%	● 2%	● 1%					
No Child Labour	● 100%									
Special Protection of Young Workers	● 100%									
No Precarious Employment	● 98%	● 1%	● 1%							
No Bonded Labour	● 99%								● 1%	
Protection of the Environment	● 87%	● 13%								
Ethical Business Behaviour	● 94%	● 5%							● 1%	

#### Follow-up audits

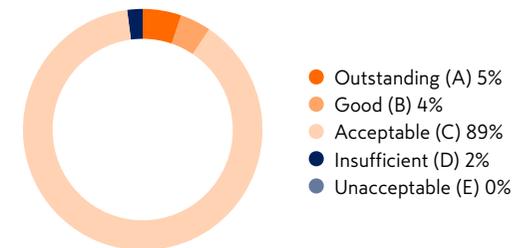
Social Management System and Cascade Effect	● 4%	● 6%	● 9%	● 79%	● 1%				
Workers' Involvement and Protection	● 64%	● 24%	● 11%	● 1%					
The Rights of Freedom of Association and Collective Bargaining	● 99%	● 1%							
No Discrimination	● 95%	● 5%							
Fair Remuneration	● 46%	● 49%	● 4%						● 1%
Decent Working Hours	● 11%		● 6%	● 81%	● 1%				
Occupational Health and Safety	● 72%	● 25%		● 3%					
No Child Labour	● 100%								
Special Protection of Young Workers	● 100%								
No Precarious Employment	● 97%	● 3%							
No Bonded Labour	● 100%								
Protection of the Environment	● 82%	● 15%	● 3%						
Ethical Business Behaviour	● 92%	● 8%							



amfori BSCI results in 2021, full audits



amfori BSCI results in 2021, follow-up audits



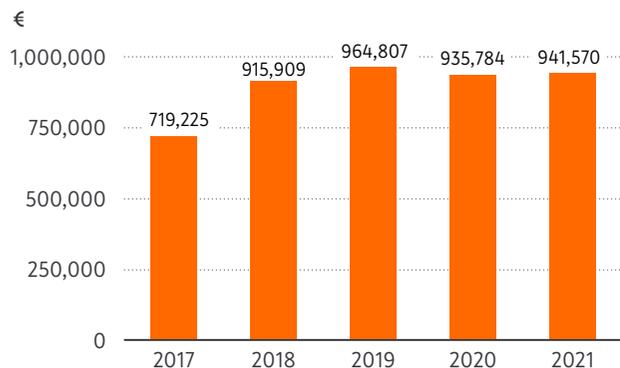
If the supplier underwent more than one amfori BSCI audit during 2021, the results of the latest audit only are presented.

## Fairtrade premiums help develop local communities

Kesko's grocery trade selections have included Fairtrade products since 1999. In 2021, the retail selection of Kesko's grocery trade included 290 (2020: 260) Fairtrade products, of which 28 (2020: 23) were Pirkka products. Kespro's selection had a total of 84 (2020: 91) Fairtrade products, of which 5 (2020: 6) were Kespro Menu products.

Farmers are paid a guaranteed price and a Fairtrade premium for the products. Fairtrade premiums have been used to build day-care centres, schools and healthcare centres for local communities, as well as housing for workers, among others. In 2009–2021, a total of more than €6.5 million was generated as Fairtrade premiums for social development projects in local communities from Fairtrade products sold by K-food stores. In 2021, a total Fairtrade premium of €941,570 was generated by products sold by K-food stores and Kespro (2020: €935,784).

## Fairtrade premium generated by products sold by K-food stores and Kespro



## OWN BRAND PRODUCTS WITH RESPONSIBILITY LABELLING

### The grocery trade's Pirkka and K-Menu ranges:

- 477 (2020: 384) Hyvää Suomesta (Produce of Finland) products
- 305 (209) products with the Key Flag symbol
- 215 (152) organic products
- 85 (89) Seed leaf label products
- 164 (154) Nordic Swan label products
- 28 (23) Fairtrade products
- 81 (67) Rainforest Alliance / UTZ certified products
- 53 (45) MSC-certified products
- 17 (8) ASC-certified products
- 15 (9) products with the Finnish allergy label (Allergiatunnus)
- 7 (4) M1-certified products

### Kespro's Menu range:

- 84 (32) Hyvää Suomesta (Produce of Finland) products
- 53 (43) products with the Key Flag symbol
- 12 (12) organic products
- 29 (29) Seed leaf label products
- 38 (29) Nordic Swan label products
- 5 (6) Fairtrade products
- 12 (11) UTZ-certified products
- 40 (34) MSC-certified products
- 3 (3) ASC-certified products
- 12 (-) Dolphin Safe -certified products
- 1 (1) products with the Finnish allergy label (Allergiatunnus)

### The building and technical trade's Cello, Prof, FXA and GOODIY ranges:

- 615 (1,159) products with the Key Flag symbol
- 30 (30) Nordic Swan label products
- 76 (278) products with the Finnish allergy label (Allergiatunnus)
- 119 (130) M1-certified products

The products generating the largest Fairtrade premiums were Fairtrade flowers, bananas and coffee.

Fairtrade audits ensure that working conditions, labour rights, Fairtrade premiums and environmental considerations, among others, are in line with the Fairtrade criteria.

On the Tracing Our Products website, we provide information on the origin of Pirkka Fairtrade roses and their journey to the shelves of K-stores.

## International Accord

In 2018, Kesko joined the Accord on Fire and Building Safety in Bangladesh, which aimed to improve the electrical, fire and building safety of ready-made garment factories in Bangladesh. In 2021, Kesko joined the new **International Accord for Health and Safety in the Textile and Garment Industry**, which is continuing the work out under the

Bangladesh Accord. The new International Accord improves occupational health and safety at garment and textile factories in Bangladesh more extensively than its predecessor. The aim is to expand the International Accord operating model to other countries in the future.

Kesko requires the ready-made garment factories in Bangladesh that produce clothing for K-Citymarket's mywear brand and home textiles for K-Citymarket's myhome brand to be included in the International Accord process. In 2021, all 10 textile factories in Bangladesh producing for K-Citymarket's mywear and myhome brands were included in the International Accord process. Factories are inspected regularly and the process of remediating detected deficiencies is monitored. Training is also organised for the workers at the factories. During 2021, 9 inspections were conducted at factories manufacturing mywear and myhome products.

**SUPPLIERS' ENVIRONMENTAL ASSESSMENT**

308-1

**CDP Supply Chain**

K Group's most significant environmental impacts are caused by emissions from its own operations as well as emissions from the value chain of the products. Indirect Scope 3 emissions are caused by the life cycle emissions of sold products and services, such as the primary production of raw materials, the manufacture of products, packaging, transportation and the use of products.

**Kesko participates in the CDP Supply Chain programme.**

CDP is a not-for-profit environmental organisation that annually collects information on actions taken by individual companies to combat and adapt to climate change.

Our objective is to have science-based emission reduction targets set for two-thirds of the direct suppliers' emissions by 2025. To reach this target, we challenge at least our approximately 200 largest suppliers in terms of the volume of purchases, who account for two-thirds of our euro-denominated purchases, to reduce their emissions and to report their climate targets and actions through the CDP Climate Change Questionnaire annually.

In 2021, we called on our 182 largest suppliers to cut emissions and report on their actions to the CDP. Out of these suppliers, 64.8% took up the challenge, reporting their emission reduction targets through the CDP Climate Change Questionnaire. 19.2% of the suppliers called to

respond to the questionnaire had set emission reduction targets approved by the Science Based Targets initiative.

Each year, CDP assesses how successful companies participating in CDP's Climate Change Questionnaire have been in committing their suppliers to taking action to mitigate climate change. In 2020 and 2021, Kesko was one of the companies named as a Supplier Engagement Leader.

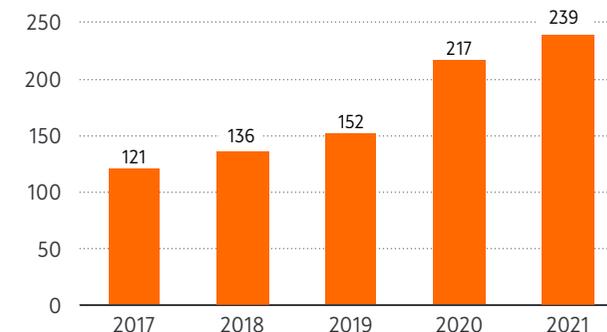
**Other environmental assessments of suppliers**

In 2021, KOPO (Kesko Onninen Purchasing Office), the purchasing office of the building and technical trade division in Shanghai, carried out an audit on 45 (2020: 54) suppliers with a focus on environmental management and the ISO 14001 environmental system. At the end of 2021, 55 (2020: 50) suppliers had a valid ISO 14001 certification.

We participate in the amfori BEPI programme, which aims to develop environmental management of suppliers in risk countries. At the end of 2021, 15 (2020: 19) of our suppliers in risk countries participated in the amfori BEPI process.

As part of the IGS (ICA Global Sourcing) purchasing cooperation, we have introduced the IGS Environmental Assessment in which we ask suppliers for information on their energy consumption and sources and their measures taken to reduce energy consumption. No IGS Environmental Assessments were carried out in 2021 because of the Covid-19 pandemic.

**Own brand products with ecolabelling 2017-2021\***



\*Includes Nordic Swan label products and EU Ecolabel products in Pirkka, K-Menu, Menu and Cello ranges.



# SUSTAINABILITY POLICIES

Sustainability policies are used for guiding the sourcing of products that contain ingredients identified as critical from a social and environmental responsibility perspective.

1 (3)

POLICY	OBJECTIVE	ACHIEVEMENTS IN 2021	PROGRESS IN 2017–2021	2021	2020	2019	2018	2017
<b>Fish and shellfish policy</b> 	Our selections do not include species on the red list of WWF Finland’s Seafood Guide. When making decisions concerning selections, we favour sustainable stocks of fish and MSC- and ASC-certified suppliers.	The retail selection of Kesko’s grocery trade included 360 MSC-certified fish products and 95 ASC-certified products. Kespro’s HoReCa selections had 224 MSC-certified products and 38 ASC-certified products. 68 K-food stores had fish counters with the MSC and ASC traceability certificate, which promotes sustainable fishing and aquaculture.	MSC-certified fish products, quantity	584	443	426	368	-
			ASC-certified fish products, quantity	133	69	55	18	17
<b>Palm oil policy</b> 	The palm oil in our own brand groceries is 100% sustainably produced (CSPO).	100% of the palm oil in Pirkka and K-Menu food products sold in 2021 was sustainably produced (CSPO), of which 74% was Segregated, 13% Mass Balance and 13% RSPO Credits.  100% of the palm oil in Kespro Menu food products sold in 2021 was sustainably produced (CSPO), of which 91% was Segregated, 8% Mass Balance, and 1% RSPO Credits.	Percentage of sustainably produced (CSPO) palm oil in Pirkka and K-Menu food products	100	100	100	67	43
			Percentage of sustainably produced (CSPO) palm oil in Menu food products	100	100	100	99.2	82
<b>Soy policy</b> 	The ingredients of soy origin in the grocery trade’s own brand food products and the soy fodder used in the production of products of animal origin are 100% sustainably produced and RTRS, ProTerra, Donau Soja/Europe Soya or Fairtrade certified.	100% of the soy used as an ingredient in Pirkka and K-Menu food products sold in 2021 was sustainably produced soy, of which 25.6% was RTRS, Donay Soja/Europe Soya or Proterra certified and the rest was RTRS credited. 100% of the soy used as an ingredient in Kespro Menu food products sold in 2021 was sustainably produced soy, of which 84.5% was RTRS and DonaySoja / Europe Soya certified and the rest was RTRS credited.  About 67% of the soy fodder used for the production of products of animal origin in Pirkka, K-Menu and Menu foods was within the scope of the producers’ own certification procedures. For the remaining 33% we acquired the RTRS credits ourselves.	Percentage of sustainably produced soy used as an ingredient in Pirkka and K-Menu food products	100	100	100	2.2	0
			Percentage of sustainably produced soy used as an ingredient in Menu food products	100	100	100	74.2	0

2 (3)

POLICY	OBJECTIVE	ACHIEVEMENTS IN 2021	PROGRESS IN 2017-2021	2021	2020	2019	2018	2017
<b>Timber and paper policy</b> 	<p>By 2025, timber and paper products in Kesko's product range will be 100% of sustainable origin. The timber and paper products will be FSC- or PEFC-certified, of certified origin or made of recycled materials.</p> <p>In the grocery trade, the policy applies to Kesko's own brand products. In the building and technical trade, the policy applies to all timber and sawn wood products delivered by Kesko.</p>	<p>Kesko's building and technical trade has been awarded the PEFC certificate, which covers sawn pine and spruce timber and processed timber as well as the wholesale distribution of MDF boards in Finland (percentage-based method). The average PEFC certification percentage in 2021 was 88% for pine and 84% for spruce.</p> <p>Of the timber and paper products in the Pirkka and K-Menu ranges, 41% contained sustainable raw material of which 66% were FSC-certified and 34% PEFC-certified. In the Menu range, 84% of timber and paper products contained sustainable raw material of which 60% were FSC-certified, 30% PEFC-certified and 9% made of recycled materials.</p>	<p>Percentage of timber and paper products containing sustainable raw material in the Pirkka and K-Menu ranges</p> <p>Percentage of timber and paper products containing sustainable raw material in the Menu range</p>	41	36	24	-	-
				84	67	31	17	14
<b>Cocoa policy</b> 	<p>All the cocoa used in Kesko's own brand cocoa drinks, chocolate confectionery products and chocolate baking products is of sustainable origin.</p> <p>The cocoa used in other own brand products containing cocoa will be 100% of sustainable origin by the end of 2025.</p>	<p>100% of the Pirkka and K-Menu cocoa drinks, chocolate confectionery products and chocolate baking products sold in 2021 contained sustainable cocoa of which 91% were Rainforest alliance / UTZ-certified and 9% Fairtrade certified. The cocoa used in other Pirkka and K-Menu products containing cocoa was 20% of sustainable origin.</p> <p>100% of the Menu cocoa drinks, chocolate confectionery products and chocolate baking products sold in 2021 contained sustainable cocoa of which 100% were Fairtrade certified. The cocoa used in other Menu products containing cocoa was 13% of sustainable origin.</p>	<p>Percentage of Pirkka and K-Menu cocoa drinks, chocolate confectionery products and chocolate baking products containing sustainable cocoa</p> <p>Percentage of Menu cocoa drinks, chocolate confectionery products and chocolate baking products containing sustainable cocoa</p>	100	100	78	-	-
				100	100	100	-	-
<b>Cotton policy</b> 	<p>All of the cotton sourced for our own clothing and home textile brands will be more sustainable cotton by the end of 2025. More Sustainable cotton is certified organic cotton, recycled cotton, Better Cotton or Fairtrade cotton.</p> <p>Our own brand clothing and home textiles include K-Citymarket's mywear clothes and myhome home textiles, Pirkka socks and K-Rauta's PROF workwear and Cello interior textiles.</p>	<p>Kesko is a member of Better Cotton since March 2020. Better Cotton's mission is to help cotton communities survive and thrive, while protecting and restoring the environment. In 2021, 14.6% of the cotton sourced for our own clothing and home textile brands was more sustainable cotton.</p>	<p>Percentage of more sustainable cotton sourced for our own brand clothing and home textiles</p>	14.6	4.8	-	-	-

3 (3)

POLICY	OBJECTIVE	ACHIEVEMENTS IN 2021	PROGRESS IN 2017-2021	PROGRESS IN 2017-2021				
				2021	2020	2019	2018	2017
 <p><b>Animal welfare policy</b></p>	<p>When making decisions concerning selections, we take the wellbeing of farmed animals into account. From the start of 2026, we will no longer accept eggs from furnished cages into Kesko's selections.</p>	<p>In 2021, Kesko's grocery trade sold some 263 million eggs, of which 46% were furnished cage eggs and 54% were barn eggs, organic eggs and free-range eggs.</p> <p>* the figure includes Kespro for the first time</p>	<p>Percentage of eggs sold that were barn eggs, organic eggs and free-range eggs</p>	54*	46	43	-	-
 <p><b>Plastics policy</b></p>	<p>By the end of 2025, all packaging used in our own brand products will be recyclable, reusable or biodegradable. Our objective is to reduce the amount of plastic contained in the packaging of our own brand products by 20% by the end of 2025.</p>	<p>By the end of 2021, we had reduced plastic in the packaging of our own brand products in Kesko's grocery trade by 12% from the 2019 level. In 2021, we reduced plastics in the packaging of our own brand products in Kesko's grocery trade by 154 tonnes. The measures taken in 2021 are discussed further in the Climate and environment section.</p>	<p>Percentage of plastic reduced in the packaging of own brand products in Kesko's grocery trade compared to the level in 2019</p>	12	8	3	-	-
 <p><b>Packaging policy</b></p>	<p>We avoid using excess packaging material and reduce the use of plastic in our packaging. Our packaging must be recyclable, compostable or reusable. We favour renewable packaging materials: paperboard, paper, cardboard and bio-based plastics. In our wood-based packages we favour solutions of sustainable origin (FSC- or PEFC-certified) or recyclable materials.</p>	<p>In 2021, we made changes to the packaging of a total of 49 own brand products in compliance with our packaging and plastics policy. The measures taken in 2021 are discussed further in the Climate and environment section.</p>	<p>Number of own brand products for which changes to development of packaging were made in compliance with our packaging and plastics policy</p>	49	77	-	-	-

### SUPPLIERS' SUSTAINABILITY TRAINING

Increasing suppliers' awareness of sustainability is important for promoting social and environmental responsibility in our supply chains. We annually organise sustainability training sessions for suppliers both in-house and through our partners.

The following training sessions were organised for our suppliers in 2021:

- Together with CDP, we organised training on the CDP Supply Chain programme for our suppliers. In the training, the suppliers were given practical tips on how to respond to the CDP Climate Change Questionnaire. A total of 77 suppliers took part in the training.
- As part of the ICA Global Sourcing (IGS) purchasing cooperation, IGS organised six training sessions for suppliers in risk countries. The sessions dealt with the sustainability requirements of IGS sourcing, amfori BSCI and ICA Audit processes, International Accord and solutions for the most common social responsibility issues.

A total of 32 Kesko suppliers took part in the training. By the end of 2021 Kesko's 35 suppliers located in risk countries had participated to the trainings organised by amfori. The topics dealt with at the trainings were amfori BSCI and BEPI process, working hours, environmental regulatory compliance and management systems and the new amfori Sustainability Platform.

### PROMOTING TRANSPARENCY IN SUPPLY CHAINS

To improve the transparency of our supply chains, we launched the Tracing Our Products website in 2020, where we provide information on the supply chains of our own brand products and their journey to the shelves of K-stores. We select products that face social and environmental responsibility challenges in the sustainable production of raw materials and whose purchasing is steered by K Group's sustainability policies. To date, we have provided information on the origin of mywear T-shirts, Pirkka and K-Menu tuna, Pirkka Fairtrade roses and PROF Timber products on the Tracing Our Products website. We aim to add information to the website on products that our customers and stakeholders are particularly interested in.

To improve the transparency of the supply chains, we publish a list of manufacturers of clothes, shoes, bags and home textiles of our own brands and own imports located in risk countries and the addresses of the factories annually on our [website](#). The list of factories also includes the number of workers at the factory.

As part of our human rights assessment, we have conducted broad surveys into the realisation of human rights in our supply chain. The findings of the surveys have been published on our [website](#).

In 2015–2018, we conducted an investigation and risk analysis of the origin of the ingredients (2nd–3rd tier) of more than 2,000 Pirkka and K-Menu own brand food products.

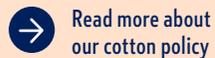


# INCREASING TRANSPARENCY IN THE SUPPLY CHAIN OF A MYWEAR COTTON T-SHIRT

We have responded to the wishes of our customers and various non-governmental organisations to find out more about the origin of our products. On the Tracing Our Products website, we have provided information on the journey of a mywear cotton T-shirt to the shelves of our stores.

## Where does the mywear T-shirt come from?

- The cotton used in the mywear Cole T-shirts is GOTS-certified organic cotton produced in India. The cotton is spun into yarn by Bhuvanewari Cotspin India located in Tirupur, India.
- Other stages of the manufacturing – knitting, colouring, cutting, sewing and finalising – are carried out at the factory of Shakthi Knitting, which is located in the same town and employs around 800 people.
- The factory regularly undergoes third-party SMETA audits to assess working conditions there.
- The T-shirts are then transported from the factory in India by ship via Belgium to Finland, where they are distributed by truck to K-Citymarkets across the country.



Read more about our cotton policy



Read more about the T-shirt's supply chain and about other products on the Tracing Our Products website



Kesko is a member of the **Better Cotton**. Our goal is that 100% of the cotton sourced for our own clothing and home textile brands will be more sustainable cotton by the end of 2025.

## Kesko's human rights commitment and assessment

412-1

412-2

In compliance with its human rights commitment, Kesko respects all internationally recognised human rights. Our sourcing operations are guided by Kesko's ethical purchasing principles, which are based on the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO), the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

In 2016, Kesko published its **statement of commitment on human rights and impact assessment** in compliance with the UN's Guiding Principles on Business and Human Rights. The human rights assessment is reviewed every three years by the responsibility management group, with the latest review conducted in autumn 2019.

Respect for fundamental human rights is at the core of Kesko's K Code of Conduct. Our uncompromising zero tolerance policy towards human rights violations requires us to continuously monitor compliance with the K Code of Conduct in our own activities and in those of our partner network. We require every Kesko business partner to commit to complying with the K Code of Conduct. We instruct our personnel and other stakeholders to report any violations they detect. Kesko's SpeakUp channel can be used to submit reports also anonymously.

During 2021, training in the content of the K Code of Conduct was included in the induction given to new Kesko employees. A total of 2,855 Kesko employees completed the K Code of Conduct eLearning programme. In addition, 1,304 employees completed the refresher eLearning programme on the K Code of Conduct. Both eLearning programmes contain information on respecting human rights.

Kesko has established an Employee Equality and Diversity Group in accordance with a non-discrimination plan, which handles matters related to non-discrimination and equality within the Group. The Employee Equality and Diversity Group includes representatives of the employer, personnel and labour protection functions. In 2021, we continued our work to promote a diverse and inclusive working community using, among others, our New Job model to promote the conditions for persons with partial work capacity to continue in working life and by continuing the trainee programme targeted at immigrants that was piloted in the spring.

As part of our human rights assessment, we have conducted broad surveys into the realisation of human rights in our supply chain. In 2016, we conducted a human rights review at factories in the risk countries of China, India, Bangladesh and the Philippines in cooperation with the Trade Union Solidarity Centre of Finland SASK. In 2017, we continued our cooperation with SASK and carried out an investigation into the realisation of human rights in the supply chains

of grapes in Brazil, India and South America. In 2018, we conducted an extensive survey on the water risks related to our own avocado purchases. In 2019, we cooperated with the Center for Child Rights and Business, a Chinese organisation defending children's rights, and opened a day care centre for the children of migrant workers at a site lighting factory in China.

Regular training sessions in responsible purchasing discuss the implementation of human rights in global supply chains. The training sessions discuss, among other things, Kesko's sustainability policies guiding sourcing, the assurance process in purchasing from risk countries and the amfori BSCI Code of Conduct principles. In 2021 we organised one sustainable sourcing training event for those working in Kesko's purchasing and one sustainable cotton training event for those working in Kesko's grocery trade.



[Read more about human rights](#)



[Read more about diversity, inclusion and equality](#)

## Nutrition and product safety

### WE CARE FOR THE HEALTH AND SAFETY OF OUR CUSTOMERS

416-1 416-2

The activities of our Quality and Product Development Unit include assessing the impacts of products on health and safety. Manufacturers of our own brand food products must have international certifications that assure product safety. The standards we approve include: BRC, IFS, FSSC 22000 and GlobalGAP. In 2021, the total number of certified suppliers was 534 (2020: 517).

We analysed 8,393 (2020: 6,440) product samples. Almost 5,000 of the samples were related to the product development of our own brands. We analysed 3,154 (2020: 2,113) of our own control samples.

As proposed in The EC **White Paper** on Nutrition, Overweight and Obesity-related Health Issues, sugar, saturated fat and salt were reduced in more than 150 Pirkka products during the period 2007–2013. The health aspects of new Pirkka products are taken into account at the product development stage.

The National Nutrition Council of Finland published its **nutrition commitment** operating model in 2017. The nutrition commitment is the Finnish contribution to the EU Roadmap for Action on Food Product Improvement framework's reformulation programme.

In 2020, an extensive product safety risk assessment was made on own brand products in the building and technical trade. The annual assessment covers all product categories which have own brand products.

Towards the end of 2021, we began work on a K Group roadmap for nutrition and health, with the objective of developing healthy selections in K-food stores.

### More plant-based products

We actively develop our selection of plant-based products, and since 2015 the number of plant-based products at K-food stores has multiplied.

Vegetable protein products are nowadays part of every chain selection in our grocery store chain. Vegetable protein products are located at veggie shelves to help as many customers as possible to find them easily. The veggie shelves can be recognized from their green taping and "Vege" texts.

We encourage our customers to eat more fruit and vegetables through various marketing activities and by holding weekly vegetarian campaigns at all K-food stores. In 2021, we introduced a total of 51 new fruit and vegetable products, including 3 organic products.

The Pirkka, Pirkka Parhaat and K-Menu ranges, which are K Group's own brands, include a wide selection of 100% plant-based products, and this selection is being constantly



developed. There are already more than 190 fully vegan Pirkka, Pirkka Parhaat and K-Menu products. The aim of the Pirkka range is to develop the plant-based protein selection. In 2021, 11 new vegan products were added to the Pirkka range.

The customers of K-food stores can monitor their consumption of red meat, fruits and vegetables, for example, in the Nutrition section of the data-based K-Ostokset service. They can compare their own data to the national nutritional recommendations concerning fruit and vegetables, fish and seafood, red meat, salt and sugar, and set targets for their consumption. K-Ostokset also enables users to measure the domestic content and climate impact of their food shopping.

We offer our customers a broad selection of recipes on the K-Ruoka.fi website, which contains nearly a thousand plant-based and vegan recipes.

### We monitor product safety

We take measures against food fraud in accordance with the VACCP plan (Vulnerability Assessment and Critical Control Points). The VACCP plan contains an assessment of the probability of encountering food fraud and a monitoring plan to protect us against such fraud. Product groups identified as critical control points are not only

subjected to normal product and supplier controls, but also regular analytic monitoring to detect any frauds.

In 2021, we made 214 product recalls in the grocery trade (2020: 165). Of these, 50 concerned our own brand products (2020: 42). In other cases, our Quality and Development Unit assisted the product manufacturers in the recall. If a defect or error in a product might have health impacts, a public recall is carried out. In 2021, this happened five times for our own brand products (2020: 6).

In the building and technical trade, we made no recalls in K-Rauta in 2021 (2020: 2) and no recalls in Onninen (2020: 0).

A vehicle manufacturer must launch a recall campaign if a serious error or deviation that needs repairing is detected in one of their models or a part thereof. A serious error or deviation is one that poses a hazard to road safety or significant harm to the environment or health. As a rule, this kind of fault or defect would result in a rejection in a vehicle inspection.

In 2021, a total of 25 recall campaigns were launched for brands represented by K-Auto (Volkswagen passenger cars and commercial vehicles, Audi, SEAT, CUPRA, Porsche, Bentley and MAN) (2020: 47).

There were no legal proceedings or fines associated with product safety or health in Kesko in 2021.

### MARKETING COMMUNICATIONS AND PRODUCT INFORMATION

417-1

#### Package labelling helps customers in making sustainable choices

We comply with all relevant legislation on the product labelling of our own brand products and imports. Key regulations include:

- Food product labelling: EU Food Information Regulation (EU) No 1169/2011 and supplementary provisions
- Product labelling related to safe use of consumer goods: Directive 2001/95/EC on general product safety (and related corresponding national legislation in Kesko's operating countries)
- Warning labelling for chemicals: CLP regulation EC 1272/2008 on the classification, labelling and packaging of chemicals
- Labelling for electrical equipment: various product segment specific directives (and related corresponding national legislation in Kesko's operating countries)
- Toy labelling: Directive 2009/48/EC on toy safety (and related corresponding national legislation in Kesko's operating countries)
- Package labelling for cosmetics: Regulation EC 1223/2009 on cosmetic products

We indicate the name and location of the manufacturer on all Finnish Pirkka products and on all K-Menu products. On Pirkka products that come from outside Finland, we indicate the country of manufacture. On all own brand products of K-Citymarket and Kesko's building and technical trade, we indicate the country of origin.

We disclose the country of origin of meat in accordance with regulation EU No 1337/2013. We label meat and dairy as ingredients in accordance with the national decree MMM 218/2017. We will state the origin of the main ingredient in our own brand food products in accordance with the Commission Implementing Regulation (EU) 2018/775. The regulation has been applied since 1 April 2020. The packaging renewal concerns some 2,400 products; at the end of 2021, some 90% of packaging labelling had been updated.

In addition to statutory package labelling, we add voluntary labelling to our brand products to inform the consumer of matters related to product responsibility. Such labelling may include organic labels and ecolabelling, as well as labelling indicating social responsibility.

We add material symbols on the packaging of own brand products of Kesko's grocery trade. In 2021, we continued to add written recycling instructions on our product packaging. These instructions will be added to all packaging to make it easier for consumers to sort their packaging waste correctly.

We add warning labelling of chemicals that are hazardous to the environment in accordance with the CLP regulation.

### If a product has faulty labelling, we will withdraw it from sales

417-2

In 2021, there were 8 product recalls of Kesko's own brand products resulting from defective product labelling (2020: 9).

### We observe good marketing manners

417-3

In 2021, no advertising carried out by Kesko or its subsidiaries was subject to processing by the Council of Ethics in Advertising, and there were no violations of the law or any other violations of voluntary principles in Kesko's operations.

### Sustainable product label in use at Kespro

Kespro makes it easier for its customers to make sustainable choices by marking the background information of its products with the Sustainable Product label if the product has been manufactured sustainably. The new label was introduced in December 2021, and its use will gradually expand. At the end of 2021, nearly 2,000 products had the Sustainable Product label.



[Read more about sustainable products](#)

Kespro defines a product a Sustainable product when it is:

- A product in line with Kesko's sustainability policies guiding our sourcing
- A product with sustainability certification and labelling
- A circular economy product
- An 'Offset carbon footprint' product
- A plant-based product which can replace animal-based products such as meat and dairy products

### Responsible sales of alcohol and tobacco

The Finnish law allows us to sell alcohol drinks with a maximum of 5.5% alcohol by volume and tobacco products. The sales require a store-specific licence. The law prohibits selling these products to people under 18 years of age.

We verify the age of all customers who purchase alcohol or tobacco and appear younger than 30. This way, we aim to ensure that no alcohol or tobacco is sold to minors. In 2021, our cashiers verified the age of 3,368,598 (2020: 2,812,016) customers purchasing alcohol and 1,689,218 (2020: 1,429,342) customers purchasing tobacco. Based on these checks, we had to decline 16,857 alcohol purchases (2020: 15,949) and 9,800 tobacco purchases (2020: 9,252).

Our cashiers must participate in training on age limits and take a test on the topic. The age limit training consists of basic information on age limits for sales and descriptions and rehearsals of various situations. After passing the final test, the cashier earns a certificate called an "age limit passport."



# CLIMATE AND ENVIRONMENT

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WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS:

<b>6</b> CLEAN WATER AND SANITATION 	<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 
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We are committed to the goals of the Paris Agreement to mitigate climate change. K Group aims to reach carbon neutrality by 2025, and to cut emissions from our own operations and transports down to zero by 2030.



## Carbon neutral K Group 2025

K Group's aim is to be carbon neutral by 2025. We will systematically reduce emissions to reach zero emissions from our own operations and transports by 2030. During 2025–2030, we will offset our remaining emissions. Our objective is to eventually have no need for offsets and make our own operations emission-free by 2030.

The biggest emissions from Kesko's own operations are related to electricity and heat used in properties and fuel consumption in logistics transports. The primary means to achieve zero emissions include increased use of electricity and heat produced with renewable energy and switching to biofuels in transports in Finland.

All electricity purchased by Kesko for K-stores and other Kesko properties in Finland has been produced with renewable energy since 2017. Our objective is to increase the share of electricity and heat produced with renewable energy in our other operating countries and in energy purchases made by the retailers.

We encourage our suppliers, the entire supply chain and our customers to take action to reduce emissions.

In 2021, we made progress towards a carbon neutral K Group with various measures:

- In autumn 2021, the Science Based Targets initiative approved our even more challenging science-based emissions reductions targets with which we commit to limiting global warming to 1.5°C.
- Our objective is to have emission reduction targets set by 2025 for two-thirds of the direct supplier emissions. We participate in the CDP Supply Chain programme and challenge our suppliers to reduce their emissions and to report their climate targets and actions through the CDP Climate Change Questionnaire.
- One of the most important means to make energy consumption more efficient is the ingenious heat recycling system used in K-food stores, which can reduce heat consumption by as much as 95%, making the K-food store almost carbon neutral in terms of energy.

All K Group divisions have the opportunity to offer customers solutions for reducing their climate impacts, since the biggest sources of greenhouse gas emissions in private consumption are housing, food, and transportation.

### Carbon footprint calculator in the K-Ostokset service

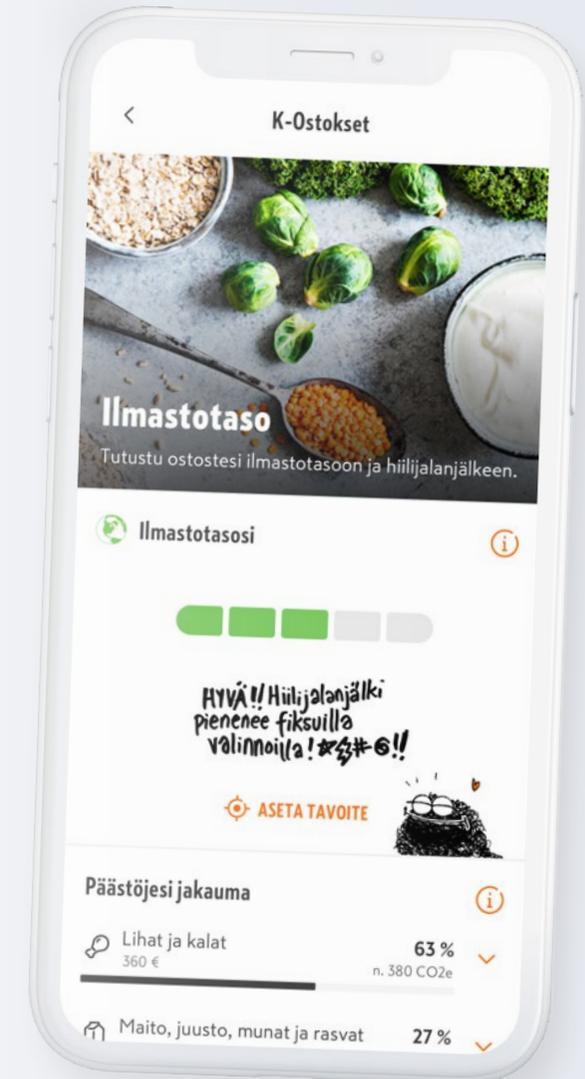
We guide our customers to make more sustainable choices by offering them the data-based K-Ostokset service, which produces information which allows them to track the carbon footprint, domestic content and nutritional values of their grocery purchases. The service provides product category

level information on the carbon footprint of each customer's shopping basket and shows how much Finnish food they are buying. The Nutrition section allows customers to monitor their consumption of sugar, salt, red meat, fish and vegetables and to set goals.

Through social media and marketing, we encourage our partners and customers to participate in climate actions with the help of the Cursing Carbon character, for example. We tell our customers about our actions related to carbon footprint and mitigating climate change and encourage our customers to make more climate friendly choices. The role of Cursing Carbon is to make a serious and difficult topic interesting and easy to approach for our customers.

### CARBON NEUTRAL GROCERY STORES

In 2019, we, together with Natural Resources Institute Finland (Luke), developed a model which enables a grocery store to become carbon neutral. The model has been piloted in three K-food stores. Based on their experiences, the aim is to expand the model to other K-food stores. The carbon neutral store operating model defines the carbon footprint of the store's own activities and its footprint reduction target. The key priority is to first identify and implement the most significant actions to reduce the carbon footprint of the store. The activities aimed at reducing the carbon footprint take place continuously and a secondary factor is the offsetting of the remaining emissions. Our goal is that stores will have less and less need for offsets in the future.



# K GROUP'S CLIMATE IMPACTS

K Group's most significant climate impacts originate from emissions in Kesko's own operations and the value chain of products. Therefore, emissions reduction measures are targeted, in addition to emissions from Kesko's own operations, at emissions caused by the suppliers.

EMISSIONS FROM PRODUCTION OF PRODUCTS SOLD

**5,600,000** tCO<sub>2</sub>e

The highest emissions are generated during the lifecycle of products and services sold by us. We challenge our suppliers and the whole supply chain to reduce emissions.

EMISSIONS FROM KESKO'S OWN OPERATIONS

**94,000** tCO<sub>2</sub>e

Emissions from Kesko's own operations are related to electricity and heat used in properties and fuel consumption in logistics transports.

EMISSIONS FROM USE AND END-OF-LIFE TREATMENT OF PRODUCTS SOLD

**1,900,000** tCO<sub>2</sub>e

All our divisions offer customers solutions for reducing climate impacts. We encourage our customers to make sustainable choices.

## Renewable energy and energy efficiency

We participate in mitigating climate change by increasing renewable energy purchases and our own production and increasing energy efficiency. We aim to achieve a 10% increase in energy efficiency by 2023 from base year 2015.

### RENEWABLE ELECTRICITY

302-1

All electricity purchased by Kesko for use in K-stores and other Kesko properties in Finland has been produced with renewable energy.

In 2021, we purchased 550 GWh of Renewable Energy Guarantees of Origin (REGO). This renewable electricity was purchased from the Nordic countries, and 69% of it was produced by hydroelectric power, 16% by bioenergy and 15% by wind power. About 469 GWh of the renewable electricity was provided by Kesko's electricity purchasing company, Ankkuri-Energia Oy. The remainder of the renewable electricity was purchased elsewhere by the retailers and lessors and used by Kesko.

### Energy consumption of properties in Finland

At the end of 2021, properties managed by Kesko in Finland (owned and leased) included offices, warehouses and 1,203 store sites. The most significant properties in terms of energy consumption include K-Citymarkets, K-Supermarkets and large wholesale and storage buildings.

The majority of properties used district heat and additionally 3.0% of the heat energy was produced with fuels. In 2021, the heat energy self-produced with natural gas and oil at properties in Finland totalled 39.2 TJ (10,876 MWh).

### Energy consumption in properties in other operating countries

The heat energy was partly self-produced with natural gas and oil. In 2021, the fuels used for self-produced heat totalled 18.4 TJ (5,105 MWh).

### Total energy consumption

In 2021, our energy consumption in all operating countries totalled 4,012 TJ (including properties and logistics).

### Fuel consumption

The energy consumed by Kesko Logistics' own transportation was 526 TJ in 2021. The fuel used was diesel. In 2021, the total distance driven by Kesko Logistics was 36.1 million km.

Logistics operations in the other operating countries are mostly outsourced. In 2021, logistics in Sweden and Poland consumed 5.5 TJ of fuel (diesel and gas).

A total of 589 TJ of fuels from non-renewable sources were used for logistics as well as self-produced heat of properties. Renewable fuels were not consumed.

### ENERGY CONSUMPTION IN PROPERTIES

Finland	2021	2020
Electricity <sup>1</sup> (MWh)	550,484	552,372
District heat (MWh)	355,315	302,185
Fuel for self-produced heat (MWh)	10,876	10,880
Total energy consumption (MWh)	916,675	865,437
Total energy consumption (TJ)	3,300	3,116

Other operating countries	2021	2020
Electricity (MWh)	36,284	36,023
District heat (MWh)	8,641	8,486
Fuel for self-produced heat (MWh)	5,105	4,119
Total energy consumption (MWh)	50,030	48,628
Total energy consumption (TJ)	180	175

All operating countries	2021	2020
Total energy consumption (MWh)	966,705	914,065
Total energy consumption (TJ)	3,480	3,291

<sup>1</sup> includes electricity provided by Ankkuri-Energia and electricity purchased elsewhere by K-retailers and used by Kesko.

**ENERGY INTENSITY**

302-3

Maintaining the cold chain throughout the grocery trade’s logistics and K-food stores requires greater amounts of energy in comparison with other business sectors.

**SPECIFIC CONSUMPTION OF ENERGY, PROPERTIES MANAGED BY KESKO IN FINLAND**

kWh/br-m <sup>2</sup>	2021	2020
Specific consumption of electricity	208	206
Specific consumption of district heat	99	85

**MANAGEMENT OF ENERGY EFFICIENCY**

302-4

The objective of our energy strategy is to achieve a 10% increase in energy efficiency by 2023 by updating refrigeration systems and lighting in stores, for example. To monitor the implementation and to manage the extensive energy efficiency measures we have, together with our partner organisation, developed and introduced the ETJ+ management system monitored by Motiva and the Energy Authority. For the administration of our energy measures,

we use the industry’s state-of-the-art information systems, and our Energy Managers actively participate in developing new functionalities for them.

We participate in the 2017–2025 action plan of the commerce sector Energy Efficiency Agreement. In accordance with the agreement, we commit ourselves to implementing energy saving measures that are equivalent to 7.5% (some 79 GWh) of the 2015 energy consumption. All K Group store chains in Finland are included in the agreement.

Up to this point, we have recorded energy saving measures in use in 2025 for the savings effect of some 80 GWh, which means that we have achieved the target set for the whole agreement period 2017–2025 ahead of schedule. In 2021, our energy efficiency projects totalled some 14.9 GWh and operational measures some 4.3 GWh.



## Energy solutions in K Group's stores

### 1. MAINTENANCE PROCESSES

Real Estate Managers help K-stores in making energy consumption more efficient and in preparing long-term repair plans. Renovation programmes contain estimates of the refurbishment that should be made within 5 to 10 years. The task of Energy Managers supporting Real Estate Managers is to carry out consumption analyses and to investigate the reasons for deviations in consumption, and to make energy efficiency investment proposals and project plans. Energy Managers report the impacts of the energy saving measures taken. Maintenance projects cover nearly half of Kesko's annual energy efficiency target amount.

Various analysing services are used assisting the work; the aim is to more efficiently and quickly identify deviations related to the functioning of technical building systems by comparing data and data behaviour with corresponding sites.

### 2. UPDATING REFRIGERATION SYSTEMS

Old systems, which use R404A as refrigerant, will be converted into energy efficient systems using environmentally friendly refrigerants by 2030. New refrigerating equipment comes with doors, which helps to save significant amount of energy compared to old equipment. They also help make the in-store

temperature more pleasant. At the end of 2021, the refrigeration units at 205 K-food stores used carbon dioxide recovered from industrial processes as the refrigerant, while units at 118 stores used R290 propane. A total of 323 stores used natural refrigerants that complied with the requirements of the EU's F-gas Regulation.

One of the most important means to make energy consumption more efficient is the ingenious heat recycling system used in K-food stores. The heat recycling system introduced in 2019 combines a very low-emission refrigeration system, a heat pump and recovery systems needed for recycling energy. It utilises the condensation heat generated as a by-product of refrigeration for heating the premises. The aim is to install the heat recycling system



in all K-food stores by 2030. The system has already been installed in 26 K-food stores.

### 3. LIGHTING

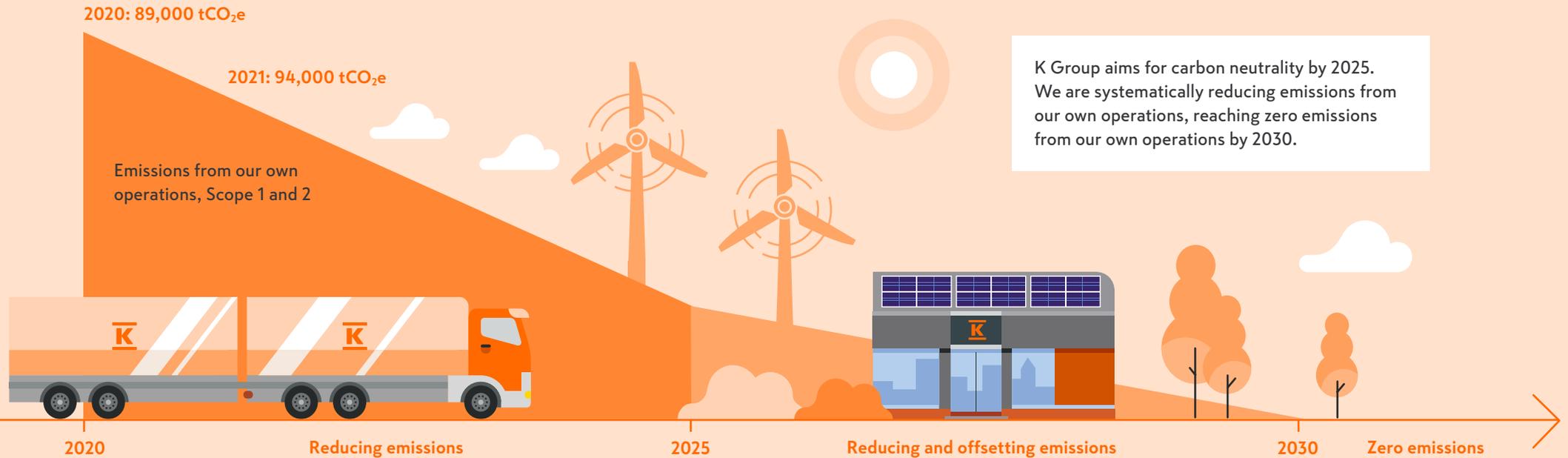
LED lights are used in all lighting solutions of property development projects. Adjustable, correctly directed LED lighting can help save up to 50-60% of electricity consumed compared to traditional fluorescent tube and metal halide lighting solutions. Switching to LED lighting will reduce the electricity consumption of lighting by approximately 40 KWh/m<sup>2</sup>, resulting in annual savings of approximately €5,000 to €50,000 a year, depending on the size of the store.

### 4. SOLAR POWER

Solar power is an excellent energy source for providing electricity to food stores since their electricity consumption is at its greatest during the summer, when the stores and their refrigeration units require a lot of electricity for cooling. The solar panels installed at K-food stores cover around 10-15% of the stores' annual electricity consumption. On a sunny summer day, solar power can cover as much as 60% of a food store's current consumption.

In 2021, a total of 7.7 GWh of electricity was produced with solar power for own use at K-food stores. At the end of 2021, the total annual output of our 44 solar power plants in use was approximately 13.5 MWp and electricity production capacity was around 11 GWh.

# EMISSIONS FROM OWN OPERATIONS TOWARDS ZERO



K Group aims for carbon neutrality by 2025. We are systematically reducing emissions from our own operations, reaching zero emissions from our own operations by 2030.

- Progress in 2021**
- Output of 44 solar power plants a total of 7.7 GWh
  - Ingenious heat recycling system in 26 K-food stores
  - A total of 323 stores used natural refrigerants that complied with the requirements of the EU's F-gas Regulation
  - Utilising analytics in analysing energy consumption
  - LED lamps in stores lighting
  - Two all-electric trucks and two biogas trucks

- Objectives in 2022–2025**
- Expanding the carbon neutral grocery store operating model
  - Switching to biofuels in transports from 2023 onwards
  - Obtaining wind power from a new wind farm in Finland as from 2023
  - District heat with low emissions
  - 100% renewable electricity also in operating countries outside Finland

## Reducing emissions

We report direct and indirect (Scope 1, 2 and 3) greenhouse gas (GHG) emissions from our operations according to the **GHG Protocol standard**.

### DIRECT AND INDIRECT GHG EMISSIONS (SCOPE 1, 2 AND 3)

305-1 305-2 305-3

#### Scope 1

Our Scope 1 emissions are caused by fuel consumption for generating heat at properties managed by Kesko and for the transportation of goods controlled by Kesko.

The heat energy at properties was partly self-produced using natural gas and oil.

The transportation of goods for Kesko's grocery trade in Finland is managed by Kesko Logistics. Most of the logistics in the other operating countries are outsourced. Emissions from logistics in the other operating countries were reported for Sweden and Poland.

#### Scope 2

Our Scope 2 emissions are caused by the generation of electricity purchased by Kesko, electricity consumed by Kesko and district heat consumed in properties managed by Kesko.

**Read also about renewable electricity and energy efficiency**

### DIRECT AND INDIRECT GHG EMISSIONS (SCOPE 1 AND 2)

Tonnes CO <sub>2</sub> -eq	2021	2020
<b>Direct (Scope 1)</b>	<b>38,010</b>	<b>38,538</b>
Finland	36,606	37,394
logistics (Kesko Logistics)	33,934	34,850
self-produced heat (natural gas and oil)	2,672	2,544
Other operating countries <sup>1</sup>	1,404	1,144
logistics (Sweden and Poland)	351	292
self-produced heat (natural gas and oil)	1,053	852
<b>Indirect (Scope 2)</b>	<b>56,162</b>	<b>50,474</b>
Finland	52,587	46,536
purchased electricity (market-based)	0	0
purchased electricity (location-based)	72,113	77,884
purchased district heat (location-based)	52,587	46,536
Other operating countries <sup>1</sup>	3,575	3,938
purchased electricity (location-based)	2,903	3,232
purchased district heat (location-based)	672	706
<b>Total</b>	<b>94,172</b>	<b>89,012</b>
Finland, Scope 1 and 2 total	89,193	83,930
Other operating countries, Scope 1 and 2 total	4,979	5,082

<sup>1</sup> Following the GHG Protocol standard, the location-based emission figure for electricity consumption in Finland has been reported. The market-based figure is used for the emissions totals.

The first months of 2020 were unusually mild, occasionally setting new records, almost throughout Finland, with the exception of Central and Northern Lapland. In contrast, temperatures in the first months of 2021 were more typical and closer to the long-term average. In addition, the month of December in 2021 was much colder than usual. For this reason, the consumption of district heating energy increased by about 53 GWh compared to 2020. This increased need for energy resulted in an increase of about 6,000 tonnes CO<sub>2</sub>-eq in Scope 2 emissions.

Source: <https://www.ilmatieteenlaitos.fi/vuositulastot>

### Scope 3

Our indirect Scope 3 emissions are caused by the life cycle emissions of sold products and services, such as the primary production of raw materials, the manufacture of products, packaging, transportation and use of products. In addition, indirect emissions come from such sources as our customers' shopping commutes, our personnel's work commutes and business travel, the final treatment of our waste and the emissions from production and distribution losses of the energy we procure.

Our greatest indirect emissions are caused by the production of the products for sale (72%) and in the use phase of the products (24%).

#### GHG EMISSIONS INTENSITY

305-4

The Scope 1 and 2 greenhouse gas emissions intensity is calculated in relation to net sales (2021: €11,300 million) and the average number of employees (2021: 14,232).

#### Scope 1 and 2 GHG emissions intensity

	2021	2020
Based on net sales (tonnes CO <sub>2</sub> e / € million)	8.3	8.3
Based on average number of employees (tonnes CO <sub>2</sub> e / person)	6.6	6.3

#### OTHER INDIRECT GHG EMISSIONS (SCOPE 3)

Tonnes CO <sub>2</sub> -eq	2021	2020
<b>Upstream</b>		
Purchased goods and services	5,566,000	5,897,900
Capital goods (buildings)	4,700	5,500
Indirect emissions of purchased energy (other than Scope 1 and Scope 2)	21,100	19,000
Transport and distribution of goods <sup>1</sup>	8,000	10,800
Waste	5,700	6,100
Business travel <sup>1</sup>	700	900
Employee commuting <sup>1</sup>	15,400	11,500
<b>Downstream</b>		
Shopping commutes by customers <sup>1</sup>	132,500	136,000
Use of sold products	1,873,000	1,560,300
End-of-life treatment of sold products	56,100	47,800
K-retailer entrepreneurs	41,500	40,900

<sup>1</sup> Boundary: Finland

#### Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air

305-7

The electricity and heating energy consumed in properties managed by Kesko in Finland in 2021 caused:

- NOx emissions: 277 tonnes (2020: 246 tonnes)
- SO<sub>2</sub> emissions: 235 tonnes (2020: 209 tonnes)
- Amount of radioactive waste produced by nuclear power: 0.45 tonnes (2020: 0.4 tonnes)

The particulate emissions in 2021 for Kesko's logistics in Finland were:

- NOx emissions: 11 tonnes (2020: 10 tonnes)
- SO<sub>2</sub> emissions: 0.1 tonnes (2020: 0.1 tonnes)

# WE ENCOURAGE OUR WHOLE VALUE CHAIN TO CUT EMISSIONS

Indirect Scope 3 emissions come from the lifecycle emissions of products and services sold, including the primary production of raw materials, manufacture of products, packaging, transport, and product use.

## EMISSIONS FROM PRODUCTION OF PRODUCTS SOLD

Our objective is to have science-based reduction targets set for two-thirds of Kesko's direct supplier emissions by 2025. We invite our suppliers to cut their emissions and report on them. We promote the sales of sustainable products. In 2021, the percentage of sustainable products of the grocery trade's net sales was approx. 34%.

approx. **5.6 million tCO<sub>2</sub>e**

## THE EMISSIONS CAUSED BY CUSTOMER SHOPPING COMMUTES

The emissions caused by customer shopping commutes are a significant source of indirect emissions for Kesko. Our comprehensive network of neighbourhood stores, online stores and the additional services available at K-stores reduce emissions caused by shopping commutes.

approx. **0.1 million tCO<sub>2</sub>e**

## EMISSIONS FROM USE AND END-OF-LIFE TREATMENT OF PRODUCTS SOLD

We encourage our customers to make sustainable choices and help them do it through, for example, services, selections and information.

approx. **1.9 million tCO<sub>2</sub>e**



## Science Based Targets

305-5

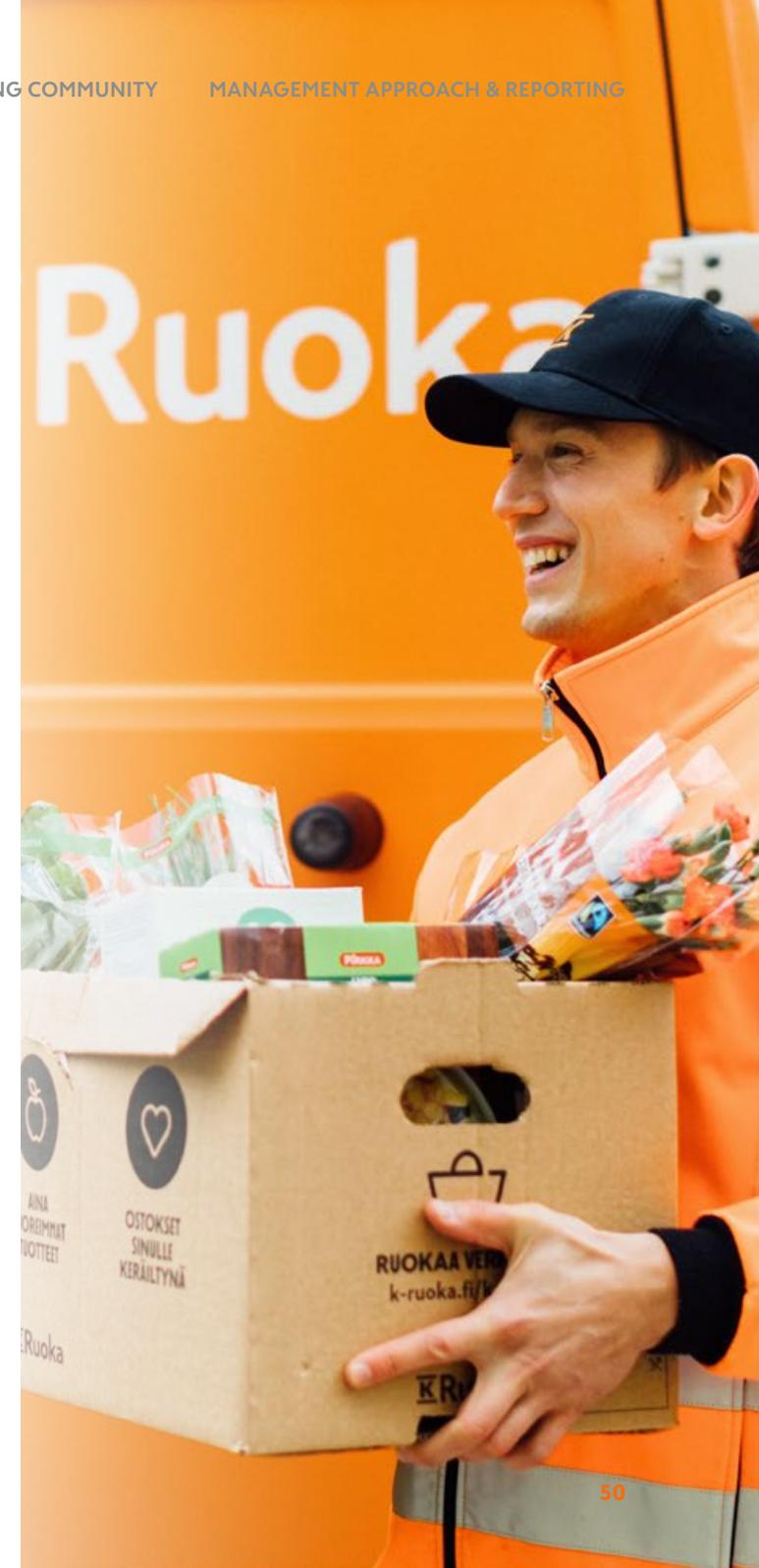
In 2017, Kesko was the first company in Finland to set science-based 2°C emissions reductions targets approved by the Science Based Targets initiative (SBTi). In autumn 2021, the SBTi approved the new, even more challenging science-based emissions reductions targets with which we commit to limiting global warming to 1.5°C.

Kesko’s updated, science-based emissions reductions targets are:

- Kesko Corporation commits to reduce absolute Scope 1 and 2 GHG emissions 90% by 2030 from a 2020 base year.
- Kesko Corporation commits that 67% of its suppliers by spend covering purchased goods and services, will have science-based targets by 2026.
- Kesko Corporation also commits to reduce absolute Scope 3 GHG emissions from the use of sold products 17% by 2026 from a 2020 base year.

The key measures to achieve these targets include using 100% renewable energy, improving energy efficiency and switching to biofuels in transports in Finland.

In this Annual Report, we are still reporting the progress of emissions reduction targets based on 2°C, because the updated targets based on 1.5°C were not approved until late in 2021.



### SCIENCE-BASED TARGETS

OBJECTIVE	PROGRESS IN 2021
We commit to reducing our direct and indirect (Scope 1 and 2) emissions 18% by 2025 from base year 2015.	Scope 1 and 2 emissions decreased by 16.5% compared to the base year.
In addition, we are committed to reducing our supply chain emissions (Scope 3) so that 90% of our key suppliers will set their own GHG emissions reductions targets by 2025.	Out of Kesko’s key suppliers in 2021, 64.8% had set their own emissions reductions targets.

## Logistics

Kesko Logistics' target is to achieve carbon neutral operations by 2030. The reduction of emissions at Kesko Logistics is a long-term task:

- We are modernising our vehicle fleet, utilising renewable fuels and increasing use of electric trucks as the technology develops. In 2020, we started testing the first two all-electric trucks for use in deliveries in the Helsinki region.
- Efficiency of logistics: centralised distribution, optimisation of delivery routes and high volumetric efficiency
- Efficient reverse logistics: collection of purchase loads, carrier trays, pallets, roll containers, cardboard and recycled bottles and cans on the return route
- Courses in economical driving: all of Kesko Logistics' more than 500 contract drivers have been trained

Onninen is constantly developing its logistics solutions so that they are more environmentally friendly. As its latest initiative, Onninen started using trucks operating on biogas for customer deliveries in 2021. The biogas used in the new vehicles comes from Gasum's biogas plant, where renewable fuel is produced from inedible biowaste from K-stores, for example.

In transport use, biogas can reduce the greenhouse gas emissions during the lifecycle of fuel by as much as 90% compared to fossil fuels.

In addition, Onninen has used an electric cargo bike for the delivery of customer packages in the central city area of Helsinki.

## Emissions reductions of products for sale

By far, the greatest indirect emissions of Kesko are caused in the production of the products sold and their use. These emissions can be mitigated by offering selections of products and services causing less emissions and by customer communications.

We have identified **sustainable products** for each division and we promote their sales.

## ENVIRONMENTAL IMPACTS OF FOOD CHOICES

Households can decrease the environmental impact of their food choices by reducing the consumption of animal-based products and food waste created at home.

We encourage our customers to decrease the carbon footprint of their shopping. In the K-Ostokset service we offer a carbon footprint calculator, which provides information on the carbon footprint of the customer's shopping basket at product category level.

We offer a wide selection of plant-based products and **encourage our customers to increase the use of vegetables.**

## HOUSING SOLUTIONS

The building and technical trade offers consumers and business customers diverse product selections and expertise for improving the energy efficiency of building and renovation projects. K-Rauta stores provide a free renovation support service for customers offering advice for energy saving, and renovation and repairs.

## ELECTRIC CARS ARE INCREASINGLY POPULAR

In 2021, K Group's car trade division's selection included 26 (2020: 28) plug-in hybrid car models (PHEV) and 16 (2020: 12) all-electric cars as well as 11 (2020: 11) car models (passenger cars and vans) using natural gas or biogas as fuel. In 2021, the registrations of Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley plug-in hybrids in Finland increased by 106.0%, whereas the registrations of electric cars increased by 133.6% compared to 2020. The registrations of natural gas or biogas cars decreased by 62.2% compared to 2020.

In 2021, we continued to expand the K Charge network of charging stations for electric cars.

At the end of 2021, the K Charge network had 99 charging stations with 142 fast and high-power charging points and 314 standard charging points. These form the biggest fast charging network in Finland, the the option of basic charging. Together with IONITY, we also offer three high-charging power stations. The electricity provided at all K Charge stations is renewable energy produced with Finnish wind power.

## Customer shopping commutes

The emissions caused by customer shopping commutes are a significant source of indirect emissions for Kesko. The majority of shopping commutes are made by car.

We offer Finland's most comprehensive network of neighbourhood stores with the best services. When the local neighbourhood store offers a selection suited for its customers, shopping commutes are shortened and they can be travelled more often by foot, bicycle or public transportation, especially in cities. The additional services available at K-stores reduce emissions caused by customer commuting, because many errands can be run during the same shopping trip. Increasingly, online shopping also reduces customer commuting.

## Employee commuting

We want to support our employees in commuting to work in healthy, environmentally friendly ways, such as cycling, walking, running or public transport.

Our K-Kampus head office has a separate parking space for bicycles in the parking garage as well as showers, dressing rooms, a drying room, and a bicycle maintenance space specifically designed for those using physical activity to commute to work.

K-Kampus is located next to good public transport connections, which enables the personnel's and visitors' arrival by public transport. Kesko provides an employment benefit to its personnel, which can be used for the payment of public transport.

## Business travel

Due to the coronavirus pandemic, business travel remained at a modest level also in 2021, and online meetings remained a standard part of our office workers' daily life. In 2021, the air miles flown by Kesko employees travelling for business totalled 0.8 million (2020: 1.2 million).

Kesko offers 10 shared bicycles, including some electric bicycles, to the personnel at K-Kampus for work-related errands during the working day.

At the head office, we have four shared K-Kampus cars, two of which are electric cars, one is a natural gas/petrol hybrid and one is a multipurpose vehicle.



## Water

303-1

Our most significant impacts from water consumption are caused by imported products for sale which originate from areas suffering from water scarcity or contamination. Due to the large consumption of imported goods and the virtual water footprint associated with them, almost half (47%) of the water footprint of Finnish consumption falls outside of Finland.

### WATER RISK IN THE SUPPLY CHAIN

All of the own brand fruits and vegetables we import to Finland are GLOBALG.A.P. certified. The environmental requirements of GLOBALG.A.P. certification include a requirement on good water management. Finnish fruits and vegetables meet the requirements of the Finnish Horticultural Products Society's Kotimaiset Kasvikset quality certification.

Our objective is to identify critical products in terms of water risk. By conducting a water risk assessment of these products we identify the water basins most affected by water scarcity or contamination issues in their supply chain. The results of water risk assessments are used to plan actions.

We have conducted a water risk assessment of our avocado sourcing using the WWF's Water Risk Filter tool. On the basis of the assessment, we will increasingly put emphasis on purchases from areas with lesser water risks.

### WATER CONSUMPTION AT OUR PROPERTIES

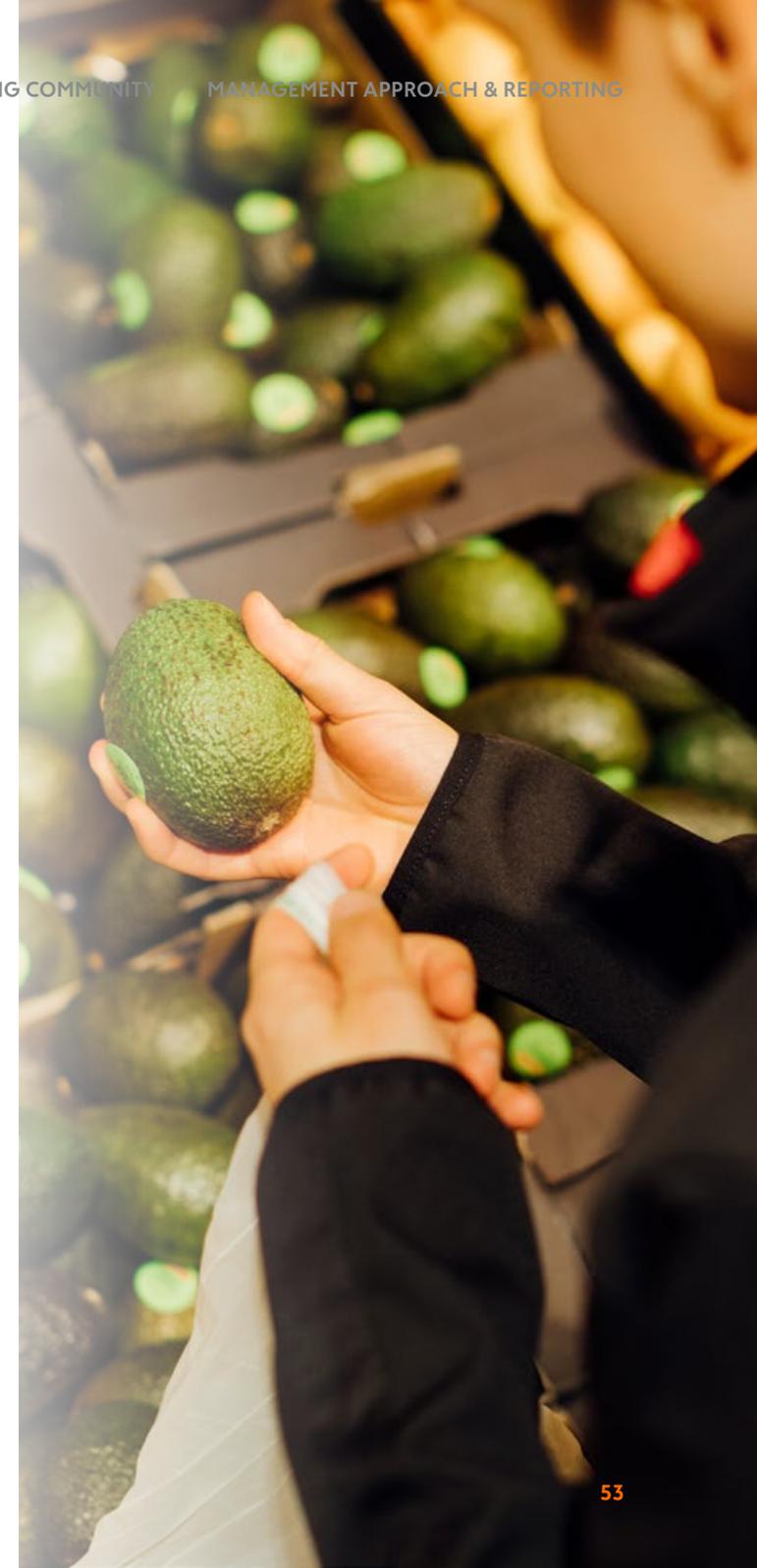
303-5

Properties managed by Kesko use water from municipal water supplies in all operating countries. Waste water from Kesko's operations goes to municipal sewer systems.

### WATER CONSUMPTION BY COUNTRY

m <sup>3</sup>	2021	2020
Finland*	1,164,261	980,099
Sweden	7,978	8,191
Norway	13,108	9,317
Estonia	1,464	1,599
Latvia	767	883
Lithuania	308	302
Poland	4,197	2,695
<b>Total</b>	<b>1,192,083</b>	<b>1,003,086</b>

\*The figures for 2020 ja 2021 are not comparable as Kespro's subsidiary Kalatukku E. Eriksson Oy is included in the consumption figure for 2021



## Biodiversity

Loss of biodiversity has risen alongside climate change as a significant global threat. Loss of biodiversity and climate change call for largely similar measures: our lifestyles must become more sustainable.

At K Group, we have identified our ties, impacts and opportunities related to biodiversity. As a retail sector company, we understand our role in securing and promoting biodiversity.

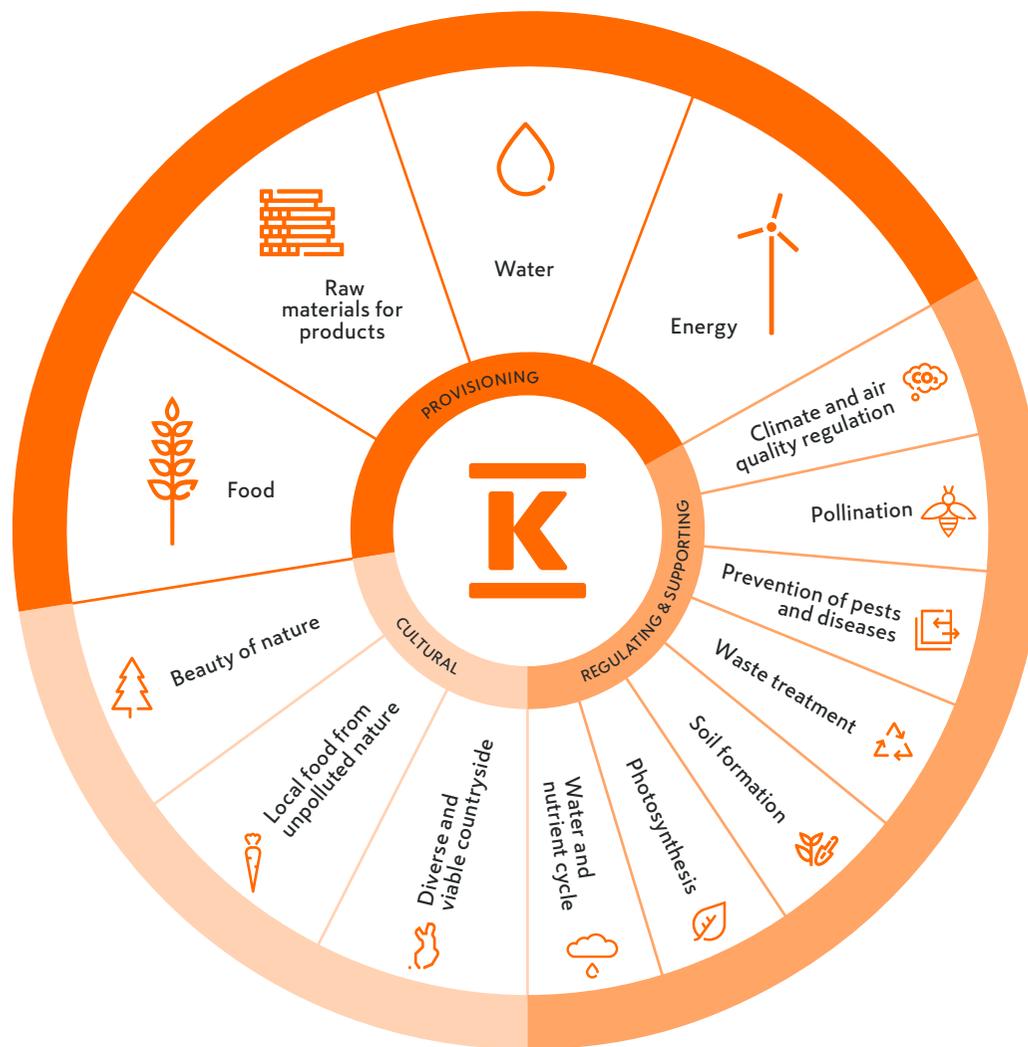
The increase in the importance of biodiversity will also be visible in our updated sustainability strategy which will be published in spring 2022. We will strengthen our biodiversity work and prepare division-specific goals to promote biodiversity.

Our goal is to prevent nature loss in our own operations and value chain. The starting point is to act in a sustainable way for the good of biodiversity and enable a sustainable lifestyle for our customers in their daily life in food, housing and mobility.

### Ecosystem services used by K Group

We have carried out an ecosystem services review in order to identify the ecosystem services provided by nature which we depend on and where we can have an impact.

The ecosystem services provided by nature used by K Group include material benefits provided by ecosystems, such as food, raw materials of products, energy and water.



Regulating services are ecosystem processes that life on earth is based on. Key processes for K Group include climate and air quality, pollination, pest and disease control, waste management, soil formation, photosynthesis and circulation of nutrients and water.

Nature also provides non-material benefits, which are called culture services. K Group benefits from culture services, such as the beauty of nature, unpolluted nature and diverse, thriving rural landscape.

## SUPPLY CHAIN

304-2

As a retail sector operator, it is clear for K Group that our biodiversity work focuses on our own selections as well as our own operations. One of the main goals of K Group's biodiversity work is to build our selections in such a way that products and their packaging burden biodiversity as little as possible throughout their life cycles.

We observe our sustainability policies for sourcing to prevent causing risks to biodiversity in our supply chains. Raw materials critical to biodiversity in our supply chain include fish and shellfish, timber, palm oil, soy, cocoa and cotton. Cotton production consumes a lot of water, for example. The spreading of production of palm oil and soy to new areas of rainforest causes deforestation and is a threat to biodiversity.

### Sustainable fish stocks preferred in K Group's fish selections

K Group has Finland's largest selection of MSC certified fish and shellfish. The first MSC traceability certificates for K-food store fish counters were issued in 2019. By the end of 2021, the fish counters of 68 K-food stores had been awarded the MSC and ASC traceability certificates which promote sustainable fishing and aquaculture.

Every K-food store follows K Group's fish and shellfish policy, which is based on the WWF Finland's Seafood Guide and has been in effect already since 2008.

### We participate in efforts to protect the Baltic Sea

Our selection includes three products which use the abundant fish species of the Baltic Sea as an ingredient or feed, reducing the environmental load on the Baltic. Two Pirkka archipelago fish patty products are made of Baltic bream selectively fished for the purpose of managing fish stocks. In addition, the feed for the Pirkka Parhaat Benella rainbow trout farmed in Finland uses Baltic herring and sprat as raw material. The recycling of nutrients reduces phosphorus load in water bodies and improves the condition of the Baltic Sea.

In 2020, K-retailers in the Lahti region and Kesko joined the efforts to protect the Vesijärvi lake. K Group's support is especially targeted to the planting of predatory fish, the purpose of which is to reduce eutrophication of the lake and to improve the opportunities to use the lake for recreation and fishing.

K Group's head office, K-Kampus, has been awarded the WWF Green Office certificate. K Group's Green Office payments support WWF Finland in its efforts to protect the Baltic Sea.

### We avoid, reduce and recycle plastic

We create operating models that prevent plastics from ending up in water bodies and elsewhere in the environment. Read more about our [plastics policy](#) and our progress towards our targets.

## WE RESTORE HABITATS

304-3

### K Fishpaths

Over the period 2017–2021, we carried out an extensive K Fishpaths collaboration with the environmental organisation WWF Finland to save endangered migratory fish populations. All migratory fish in Finland are endangered because our streams and rivers are full of barriers that block migration, such as culverts or old mill dams. During the collaboration we removed 27 barriers to migratory fish spawning grounds and created 300 new gravel beds in a spirit of cooperation with local operators, land and waterway owners, local K-retailers and volunteers. With these efforts, we freed over 100 km of spawning grounds and habitats for endangered fish. During the collaboration, we organised 35 K Fishpaths events, in which a total of more than 1,000 volunteers participated along with more than 70 K-stores and K-retailers.

### Store sites

We build store sites only in areas planned by municipalities for business properties. Surveys of contaminated land are made annually in conjunction with construction work and real estate transactions. In 2021, Kesko had two sites in Finland, where the soil was cleaned according to restoration targets. Kesko does not have any protected habitats of its own.

## ENVIRONMENTAL COMPLIANCE

307-1

In 2021, no significant fines or other consequences were imposed regarding breaches of environmental laws or regulations.

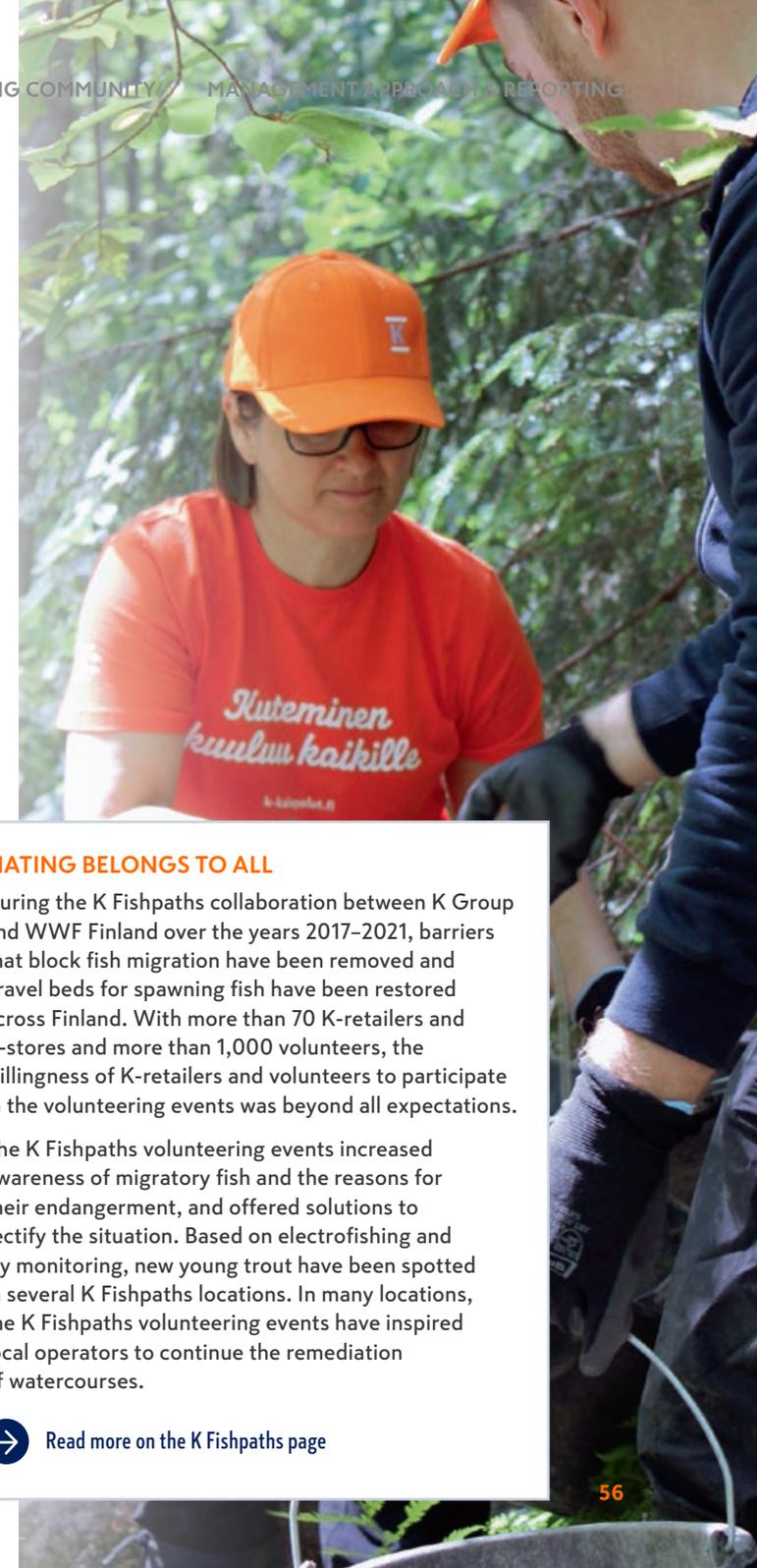
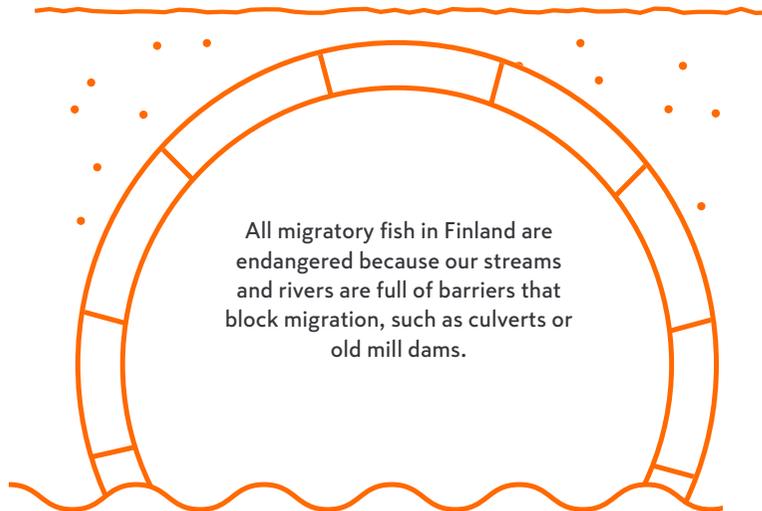
# Fishpaths

The 5-year K Fishpaths collaboration between K Group and WWF Finland is a great example of a company and an environmental organisation working together to create new operating models and promote biodiversity.

**300**  
gravel beds  
created

**100 km**  
of barrier-free  
spawning grounds  
and habitats

Over  
**1,000**  
volunteers



### MATING BELONGS TO ALL

During the K Fishpaths collaboration between K Group and WWF Finland over the years 2017–2021, barriers that block fish migration have been removed and gravel beds for spawning fish have been restored across Finland. With more than 70 K-retailers and K-stores and more than 1,000 volunteers, the willingness of K-retailers and volunteers to participate in the volunteering events was beyond all expectations.

The K Fishpaths volunteering events increased awareness of migratory fish and the reasons for their endangerment, and offered solutions to rectify the situation. Based on electrofishing and fry monitoring, new young trout have been spotted in several K Fishpaths locations. In many locations, the K Fishpaths volunteering events have inspired local operators to continue the remediation of watercourses.

[→ Read more on the K Fishpaths page](#)

## Circular economy and waste management

The transition to a circular economy requires increasingly efficient circulation of materials. We provide our customers with diverse recycling services for packaging, waste and discarded items and develop innovative circular economy solutions in cooperation with other operators.

### TARGETS FOR PACKAGING AND PLASTICS

Packaging has an important role in protecting products, providing information on them and preventing and minimising waste. Together with our suppliers and partners, we are constantly seeking new solutions for adding easily recyclable and reusable packaging to our products. We favour renewable packaging materials: paperboard, paper, cardboard and bio-based plastics.

In our packaging policy published in 2020, we set the target that all of the packaging used in our own brand products will be recyclable, reusable or biodegradable by the end of 2025. In its own packaging strategy, the grocery trade has

### Packaging material of own brands

**Packaging material of Kesko grocery trade own brands (tonnes)**

	2021	2020
Wood and paper fibre	6,130	6,330
Metal	1,507	1,320
Glass	1,869	1,820
Plastics	5,488	4,640
Total	14,994	14,110

set more detailed targets and indicators for sustainable packaging development work.

In our plastics policy, we have set stringent targets for the avoidance, reduction and recycling of plastic. Our objective is to reduce the amount of plastic contained in the packaging of our own brand products by 20% by the end of 2025 compared to its level in 2019. In 2021, we had reduced 12% plastic from the base year 2019 (2020: 8%). We are a signatory to The New Plastics Economy Global Commitment.

The aim of the Single-Use Plastics (SUP) Directive, which entered into force in August 2021, is to reduce plastic waste in the environment, and particularly in waterways, to promote the circular economy and to harmonise the regulation of products within the EU single market. The requirements of the SUP Directive include various measures, such as market restrictions, marking requirements and targets to reduce consumption, which will enter into force in stages in 2021–2030.

To reduce and replace single-use packaging, we are participating together with a number of other Finnish companies in the 4EverPack research project run by VTT and the University of Vaasa. The project explores different ways of reusing packaging and generates independent research data on the potential benefits and drawbacks of reuse.

[→ Read more about our actions to reduce plastic](#)



### DEVELOPING PACKAGING TO REACH OUR TARGETS

In 2021, we made changes to the packaging of a total of 49 (2020: 77) own brand products of our grocery trade in compliance with our packaging and plastics policy. We reduced plastic in the packaging of our own brand products by a total of 154 (2020: 214) tonnes. Here are some examples of our actions:

- We reduced plastic by making changes to the packaging of flowers, TexMex products, table setting products and body-care products.
- We replaced fossil-based plastic with recycled plastic in fruit, berry, vegetable, root vegetable and tissue paper packaging. We increased the use of bio-based plastic in the fish product category.
- We improved the recyclability of yoghurt packaging, for example.
- We continued to add recycling instructions written in plain language on our product packaging.
- Kespro introduced reusable thermoplastic boxes with a deposit in all of its customer deliveries. The thermoplastic boxes allow us to reduce the consumption of cardboard boxes by 95,000 a year, which is equivalent to 50 tonnes of cardboard annually.

### Kesko Logistics' centralised collection services

In 2021, around 3,714 tonnes of cardboard (2020: 3,649) and about 140 tonnes of plastic (2020: 111) were centrally directed by Kesko's grocery trade for industry reuse.

The reverse logistics operations of Kesko Logistics transport beverage containers and crates from stores for reuse and recovery.

#### KESKO LOGISTICS' REVERSE LOGISTICS

1,000 pcs	2021	2020
Aluminium cans	102,418	95,203
PET bottles	71,683	67,044
Recyclable glass bottles	6,521	6,812
Reusable crates	21,360	21,560

### Circular Economy Agreement of stores in Finland

K Group offers all K-food stores and building and home improvement stores in Finland the opportunity to participate in the national centralised Circular Economy Agreement. The aim is to prevent the creation of waste, increase the efficiency of recycling and advance the circular economy.

At the end of 2021, a total of 788 stores and K Group business locations (2020: 664) participated in the Circular Economy Agreement. The recovery rate of the waste generated in these sites was 100% (2020: 100%) and the

recycling rate was 76% (2020: 75%). We have signed the commitment for materials efficiency in the food industry and set an objective to increase the recycling rate of stores to 78%. We fell short of that target by two percentage points due to a change in the way the recycling rate of waste is calculated, which resulted from the new Waste Act that entered into force in July 2021. As a result of the change, the waste flows directed from recycling and reuse are added to the percentage, whereas before it was the flows entering the recycling facility that were added.

### We develop circular economy solutions

We actively develop solutions together with our partners to utilise, for example, production side streams or food waste.

#### COLLECTION SERVICES FOR OUR CUSTOMERS IN FINLAND

##### 301-3

At the end of 2021, there were 407 (2020: 409) Rinki eco take-back points intended for recycling consumer packages (fibre, glass, metal) in connection with K-food stores. Plastic was collected at 229 (2020: 229) eco take-back points.

In connection with our stores, customers can also return deposit beverage containers, batteries and accumulators,

waste electrical and electronic equipment (WEEE) and discarded clothing for recycling.

### Packages and items returned by customers to recycling points at K Group stores in Finland

	2021	2020
Deposit aluminium cans (million pcs)	438	414
Deposit recyclable plastic bottles (million pcs)	186	164
Deposit recyclable glass bottles (million pcs)	36	36
Batteries and accumulators (tonnes)	479	462
WEEE (tonnes)	186	177

## WASTE FOR RECOVERY

306-2

Our objective is to minimise and recover all waste from our operations.

### Waste in all operating countries

Tonnes	2021	2020
<b>Non-hazardous waste</b>	<b>22,636</b>	<b>23,201</b>
Recycling/recovery	21,917	22,532
Landfill	719	669
<b>Hazardous waste</b>	<b>1,633</b>	<b>1,476</b>
Recycling/recovery	1,481	966
Hazardous waste treatment	152	510
<b>Total</b>	<b>24,269</b>	<b>24,677</b>

### Waste recovery rates

In Finland, Kesko's waste statistics mostly cover warehousing operations, whereas in the other countries, most of the waste included in the statistics is generated in retail. The recovery rate includes all waste except waste to landfill. The type of waste treatment was determined by the waste management company.

In 2021, the recovery rate for reported waste management in Finland was nearly 100% and in the other operating countries it was 93% (includes hazardous waste treatment).

### Waste: Finland, Sweden and Norway

Tonnes	Finland		Sweden		Norway	
	2021	2020	2021	2020	2021	2020
<b>Non-hazardous waste</b>	<b>15,041</b>	<b>15,564</b>	<b>2,901</b>	<b>3,666</b>	<b>3,497</b>	<b>3,116</b>
Recycling/recovery	14,973	15,561	2,682	3,410	3,432	2,993
Landfill	68	3	219	256	65	123
<b>Hazardous waste</b>	<b>515</b>	<b>526</b>	<b>136</b>	<b>235</b>	<b>957</b>	<b>692</b>
Recycling/recovery	500	297	0	2	957	647
Hazardous waste treatment	15	229	136	233	0	45
<b>Total</b>	<b>15,556</b>	<b>16,090</b>	<b>3,037</b>	<b>3,901</b>	<b>4,454</b>	<b>3,808</b>
Recovery rate %	99.57	99.98	93	93	99	97

### Waste: Estonia, Latvia and Lithuania

Tonnes	Estonia		Latvia		Lithuania	
	2021	2020*	2021	2020	2021	2020
<b>Non-hazardous waste</b>	<b>345</b>	<b>267</b>	<b>41</b>	<b>91</b>	<b>46</b>	<b>42</b>
Recycling/recovery	287	267	0	70	46	21
Landfill	58	0	41	21	0	21
<b>Hazardous waste</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>3</b>
Recycling/recovery	0	0	0	0	6	3
Hazardous waste treatment	1	3	0	0	0	0
<b>Total</b>	<b>346</b>	<b>270</b>	<b>41</b>	<b>91</b>	<b>52</b>	<b>45</b>
Recovery rate %	83	100	0	77	100	53

\*The waste figures for 2020 have been updated to correspond to all offices and not only the warehouse

### Waste: Poland

Tonnes	Poland	
	2021	2020
<b>Non-hazardous waste</b>	<b>765</b>	<b>531</b>
Recycling/recovery	497	286
Landfill	268	245
<b>Hazardous waste</b>	<b>18</b>	<b>17</b>
Recycling/recovery	18	17
Hazardous waste treatment	0	0
<b>Total</b>	<b>783</b>	<b>548</b>
Recovery rate %	66	55

## We reduce food waste

We aim to continuously reduce K Group’s food waste. We reached our objective to reduce identified food waste relative to sales by at least 13% from the 2016 level by the end of 2021 on schedule. By the end of 2021, food waste from K-food stores had decreased by 13%.

In spring 2021, we started to prepare a food waste roadmap. We aim to systemise our work on food waste and find new ways of reducing food waste.

### FOOD WASTE PREVENTION

Our primary means to prevent waste are selection management, replenishment management and management practices. In addition to selection management, ordering volumes, reporting tools and forecasting and material requirements planning, methods used include efficient transportation and store logistics, an own control system and training of the personnel.

There is continuous development of all methods to prevent waste. The optimisation and continuous development of packaging features play a key role in reducing waste.

### Food waste hierarchy figures

	2021
Number of red label products sold	37 million
Utilisation of non-sellable fruit from the warehouse	40,000 kg
Donations to food aid	+ 2.3%
Number of stores where the collected biowaste is used to produce biogas	approx. 400

### K Group food waste hierarchy



### At the store

As a product's 'best before' or 'use by' date approaches, K-food stores can sell the product at a discount. One in four K-food stores has a separate waste shelf (source: food waste survey to K-food stores 2021). Some of the stores have called this shelf the Last Chance shelf. This operating model has been identified as one of the good ways to reduce food waste in stores. Items sold on separate waste shelves include meat, meat products, ready meals, dairy products and fish, in particular.

In 2021, the number of red label products sold increased by 12%. Based on the number of products, the most popular red label product groups were bread, ready meals, meat, yoghurts, puddings and dairy products as well as service counter products.

The circular economy also plays an important role in reducing food waste. K-stores are exploring numerous ways of utilising their own food waste by turning it into new added value products. K-food stores sell, for example, waste beer, ingredients for waste smoothies, various bags of food waste products, single bananas and new innovations, such as dishes made from surplus sushi and banana cake or ice cream made of waste bananas. Some K-food stores use digital solutions, such as the ResQ Club waste food app.

### Food donations

In 2021, the donations of K-food stores to charities increased by 2.3% on the previous year. More than 90% of K-food retailers donate edible food products they can no longer sell to local charities. The majority of donations goes to religious organisations, which receive over one third of all food donations.

### At the central warehouse

At times, waste is generated in the warehousing operations of fruit and vegetables. Fruit and vegetable products may be damaged on their way to the warehouse, and some of them fail to meet the required standards due to their appearance. As these kinds of edible yet non-sellable fruit and vegetable products provide excellent ingredients for juices, for example, we initiated a collaboration with juice making company Thrsty in 2020. Hyvis juice, made from fruit and vegetable waste from Kesko's central warehouse, was introduced to K-food stores in November 2020, and we have now utilised more than 60,000 kg of non-sellable products in making the juice.

### Biogas from food waste

In our cooperation with Gasum, the biogas produced from inedible food waste collected from K-food stores is utilised as energy in the production of new Pirkka products. Three manufacturers of Pirkka products, some 400 K-food stores and the Kesko Logistics central warehouse are included in the operating model. In 2021, some 5,753 tonnes of organic waste (2020: 5,900) was turned into approximately 4,290 MWh (2020: 4,400) of biogas. CO<sub>2</sub> emissions were reduced by 854 tonnes compared to natural gas (emission factor 199 g CO<sub>2</sub>/kWh) and by 1,094 tonnes compared to fuel oil (emission factor 255 g CO<sub>2</sub>/kWh).

### Food waste from K-food stores

	2021	2020
K-food stores' identified food waste (tonnes)	16,146	16,568
K-food stores' identified food waste in proportion to food sold (kg)	1.36%	1.4%
Development of food waste in proportion to food sold (kg) from base year 2016	-13%	-12%





# WORKING COMMUNITY

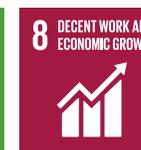
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KESKO ANNUAL REPORT 2021



WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS:



The foundation of our operations is our professional and committed people. We provide them with diverse career and development opportunities in various positions.

We are committed to promoting equal opportunities and non-discrimination in all of our operations. We aim to be an innovative and evolving working community in which every employee is accepted as they are.

We focus especially on developing employee experience, corporate culture, competence development, leadership, and employee wellbeing.



**Matti Mettälä**  
Executive Vice President,  
Human Resources

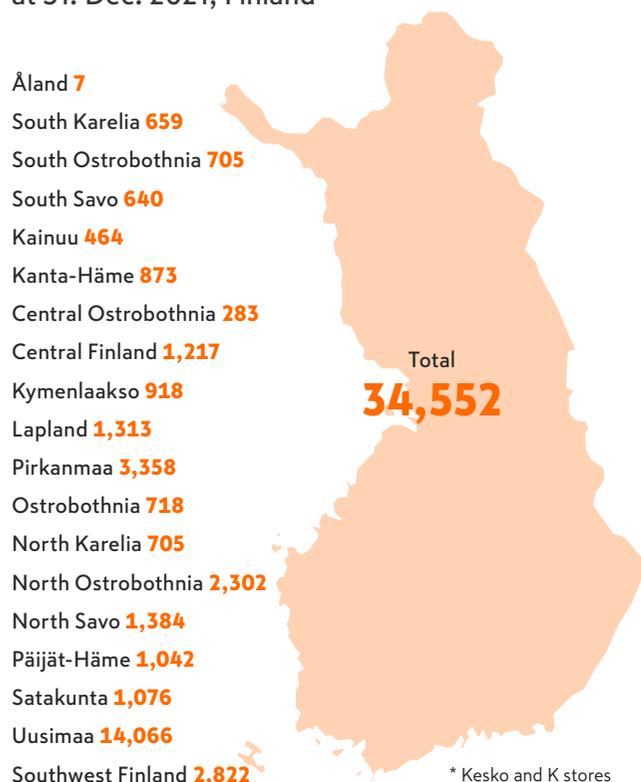
“ In 2021, the employee experience was given a more central role in our HR strategy. The wellbeing and work capacity, satisfaction, motivation and competence of our employees are key resources for us, helping us maintain our competitiveness in the current and future environment. We focused especially on measurement and management with information in the various areas of the employee experience and in our efforts to ensure personnel safety and work capacity during the Covid-19 pandemic.

## Over 70% of our employees work in Finland

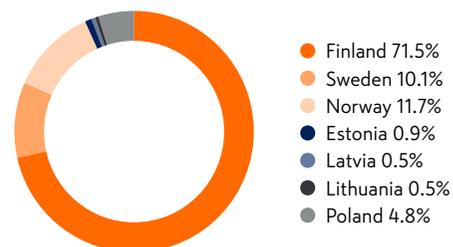
401-1

Together, Kesko and K-retailers offer hundreds of different types of jobs in both stores and warehouses as well as in expert positions in offices in the three divisions.

### K Group's\* personnel by region at 31. Dec. 2021, Finland



Personnel by country at 31 Dec. 2021, %



Distribution of Kesko personnel by division at 31 Dec. 2021, %



### Changes in the number of Kesko employees

	2021	2020	2019
Finland on 31 Dec.	12,442	12,647	12,657
Other operating countries on 31 Dec.	4,960	5,003	12,511
<b>Total on 31 Dec.</b>	<b>17,402</b>	<b>17,650</b>	<b>25,168</b>
Finland, average	10,114	10,339	10,194
Other operating countries, average	4,119	7,290	10,658
<b>Total, average</b>	<b>14,232</b>	<b>17,629</b>	<b>20,852</b>

### Fixed-term and part-time employments at Kesko

	2021	2020	2019
<b>Fixed-term employees of total personnel on 31 Dec., %</b>			
Finland	16.1	15.6	14.9
Other operating countries	16.0	12.9	6.9
<b>Total</b>	<b>16.1</b>	<b>14.8</b>	<b>10.9</b>
<b>Part-time employees of total personnel on 31 Dec., %</b>			
Finland	37.7	33.9	37.2
Other operating countries	24.8	24.8	13.0
<b>Total</b>	<b>34.0</b>	<b>31.3</b>	<b>25.2</b>

## Diverse working community

405-1 406-1 401-1 401-3

According to the diversity policy of Kesko’s Board of Directors, Kesko seeks to have a balanced representation of genders on the Board. At the end of 2021, women accounted for two out of the seven members of the Board of Directors, and three out of the nine members of the Group Management Board.

In 2021, we utilised our draft for diversity and inclusion programme as part of the work to update our sustainability strategy, which will be published in 2022. We continued our work to promote a diverse and inclusive working community using, among others, our New Job model to promote the conditions for persons with partial work capacity to continue in working life and by continuing the trainee programme targeted at immigrants that was piloted in spring 2020.

Immigrants are an increasingly important target group for recruitment into service positions in the retail sector. At present, the highest number of immigrants are employed in the stores and warehouses of K Group.

Employing people with an immigrant background will require new operating methods – for example, the needs of people whose first language is not Finnish must be taken into account in guidelines and management.

[→ Read more about the training courses for store personnel](#)

### Zero-tolerance for discrimination

Equality, fairness and non-discrimination are important principles that are observed at Kesko. Kesko Corporation and its subsidiaries in Finland draw up statutory company-specific HR, training, equality and non-discrimination plans and define objectives for improvement.

Kesko has established an Employee Equality and Diversity Group in accordance with a non-discrimination plan, which handles matters related to non-discrimination and equality within the Group. The Employee Equality and Diversity Group includes representatives of the employer, personnel and labour protection functions. Based on the working group’s initiative, we continued to implement the guidelines that we drafted in 2020 on how to react should a customer or a member of the working community speak in a racist or otherwise derogatory manner. In addition, to prevent discrimination, we provided training to shop stewards at K-Citymarket department stores on subconscious prejudices.

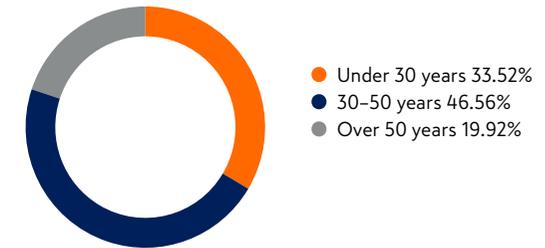
No cases of discrimination were reported to us in 2021.

### Employees of various ages are an asset

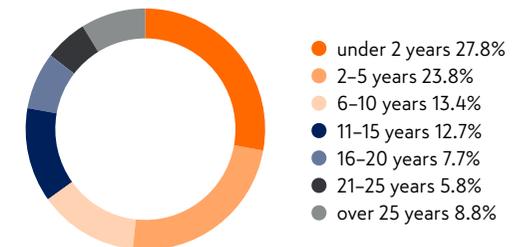
In Finland, the average age of the employees was 37.5 in 2021. In other countries, the average age of the employees was: Sweden 38.4 years, Norway 40.9 years, Poland 39.9 years, Estonia 41.1 years, Latvia 40.4 years and Lithuania 38.8 years.

Long careers are not rare: 1,091 employees in Finland have worked at Kesko for over 25 years. In Finland, 34.9% of the employees have worked at Kesko for over 10 years and 65.1% under 10 years, and in the other countries the figures were 25.5% and 74.5%, respectively.

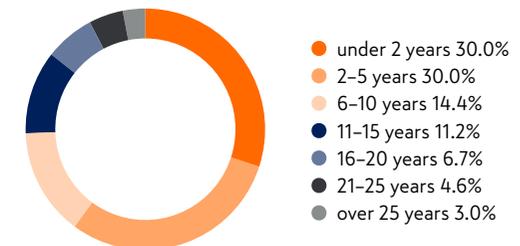
### Age distribution of Kesko personnel in Finland in 2021, %



### Years of service in Finland in 2021, %



### Years of service in the other operating countries in 2021, %



### Percentage of women of personnel, Finland

	2021
Full-time	36.0
Part-time	70.2
Permanent	50.9
Fixed-term	43.3
Managers	45.8

### Percentage of women of personnel, other operating countries

	2021
Full-time	24.8
Part-time	31.9
Permanent	26.3
Fixed-term	28.6
Managers	20.5

### Percentage of women by employee category, Finland

	2021	2020	2019
Top management	28.1	28.6	27.5
Middle management	34.6	31.9	27.8
Managers and specialists	48.1	47.6	47.1
Workers and white-collar employees	50.4	50.7	50.4
Total	49.7	49.8	49.3

### Percentage of women by employee category, other operating countries

	2021	2020	2019
Top management	33.3	12.5	12.5
Middle management	20.5	26.2	39.8
Managers and specialists	23.6	24.6	47.4
Workers and white-collar employees	27.1	26.3	36.2
Total	26.7	26.1	40.0

Some of the companies in our operating countries also give financial support to their employees through different situations in life, such as when a child is born, during a child's first year at school, in the event of the death of a close relative and in other special situations.

### Parental leave

	2021	
	Finland	Other countries
Number of employees who have taken parental leave	654	335
Women	467	126
Men	187	209
Number of employees who have returned to work after parental leave	398	67
Women	256	31
Men	142	36

In all of our operating countries our personnel, both men and women, are entitled to family leaves (maternity, paternity, parental and childcare leave).

In Finland, the duration of the paid maternity leave is around 4 months, parental leave is around 158 weekdays (around 6 months) and paternity leave is around 9 weeks, of which 18 weekdays can overlap with the maternity leave or parental leave. The parents may mutually agree on how they wish to use the parental leave. They can share the parental leave period, or one of the parents can use the period of leave. At the end of the parental leave, the parent may, if they so wish, choose to continue on childcare leave, which ends at the latest when the child turns three. The parents of school children starting the first or second grade are entitled to partial childcare leave with their working hours shortened to 30 hours per week at maximum.

### Pensions

201-3

New pensions were granted to 142 people (2020: 171) in Kesko Group in Finland. Of these, 36 were disability pensions (2020: 38), of which 13 (2020: 15) were partial disability pensions. Rehabilitation benefit is a form of fixed-term disability pension granted with the aim that the employee is rehabilitated and returns to working life. Rehabilitation benefits were granted for the purpose of retraining or work trials to 68 people (2020: 66), who were at a clear risk of incapacity for work within a few years. The average retirement age of employees in 2021 was 61.7 (2020: 62.1). The average retirement age for old-age was 63.5 (2020: 63.3) and the age for disability pension was 56.5 (2020: 57.8). In the other operating countries 28 (2020: 21) employees retired.

[→ Read more about pensions](#)

### Kesko's personnel statistics for 2021 analysed by operating country

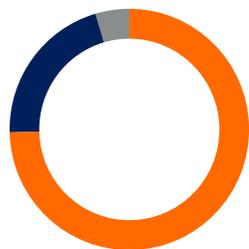
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland
Total number of personnel at 31 Dec.	12,442	1,761	2,028	161	86	82	842
Average number of personnel in 2021	10,114	1,399	1,581	156	85	74	822
Number of new employments <sup>1</sup>	3,843	535	462	28	34	27	156
- women	2,046	171	114	8	7	5	37
- men	1,797	364	348	20	27	22	119
Number of terminated employments <sup>1</sup>	3,820	432	449	22	28	20	132
- women	2,034	130	107	10	6	1	30
- men	1,786	302	342	12	22	19	102
Percentage of new employments <sup>1</sup>							
- women	53.2	32.0	24.7	28.6	20.6	18.5	23.7
- men	46.8	68.0	75.3	71.4	79.4	81.5	76.3
Percentage of terminated employments <sup>1</sup>							
- women	53.2	30.1	23.8	45.5	21.4	5.0	22.7
- men	46.8	69.9	76.2	54.5	78.6	95.0	77.3
Terminated by employer, %	6.8	3.7	5.1	31.8	64.3	10.0	12.1
Total turnover rate, % <sup>2</sup>	22.0	22.3	22.1	13.7	32.6	24.4	15.7

<sup>1</sup> Including summer employees

<sup>2</sup> Excluding summer employees

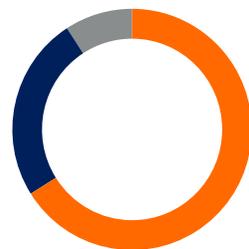
When calculating the number of terminated employments, each employee is included only once, whereas one person may have several new employments included in the total number.

### Recruits, age distribution in 2021, %



- Under 30 years 74.61% (3,794)
- 30-50 years 20.83% (1,059)
- Over 50 years 4.56% (232)

### Terminated employments, age distribution in 2021, %



- Under 30 years 66.06% (3,239)
- 30-50 years 24.78% (1,215)
- Over 50 years 9.16% (449)



## Preferred employer

Ranking 10, K Group improved its position in the Universum Ideal Employer Ranking survey. K Group was up by two positions.

K Group improved its reputation by 0.03 units in T-Media's Reputation & Trust survey, ending up with a score of 3.74.

## Towards a new career

Internal job rotation opens up opportunities for various careers options. In 2021, 2,396 internal transfers were made in Finland (2020: 2,093) and in total 725 in the other operating countries (2020: 689).

A "New Job" operating model is used in Finland for situations where an employee's work capacity is permanently reduced compared to the requirements of the current job, and the employee is no longer capable of returning to their former job. The model provides a low-threshold way to search for a job and supplements the vocational rehabilitation supported by earnings-related pension providers. In 2021, with the help of the New Job operating model, 8 persons were employed in new jobs within or outside the Group or were in vocational rehabilitation or training (2020: 13 persons).

In the grocery trade logistics operations, the New Direction operating model has been piloted since spring 2020; this operation model is applied when all the workplace's own measures have been used. In this operating model, the aim is to transfer the employee to a job that is suitable for the employee's health with another employer either directly

or through retraining. Use of this operating model can, as necessary, also be extended elsewhere within the K Group.

We launched an easy access headhunting service for managers in recruitment situations where it is harder to find skilled employees.

In 2022, the plan is to further expand the recruitment service offered to retailers.

## WE OFFER COMPREHENSIVE PERSONNEL BENEFITS

401-2

In Finland, all personnel are subject to statutory pension security. Both the permanent and temporary personnel in Finland have statutory insurance against occupational injuries, commuting injuries and occupational diseases.

In addition, we offer our personnel more extensive than statutory occupational health care services, retirement benefits, versatile shopping benefits in K Group stores and the staff store as well as the possibility for private car leasing for employees. In all operating countries, we support our employees' leisure activities in different ways. The Finnish companies provide benefits for physical exercise, cultural activities, commuting and wellbeing services.

## Performance bonuses and share plans

The performance bonus schemes cover all personnel, with the exception of some sales assistant jobs and jobs covered by other types of performance bonus schemes or commission systems. Criteria for the performance bonus scheme include, for example, the Group's and the division's operating profit,

the sales and profit of the employee's own unit and customer satisfaction or market share. Depending on the role, personal performance bonus targets may also be set.

In spring 2021, around €24.5 million (2020: €18.6 million) was paid in Finland in bonuses under the 2021 performance bonus schemes, accounting for approximately 4.9% (4.0%) of the total payroll. In 2021, the total remuneration paid in the form of performance bonuses, sales commissions and other corresponding monetary remuneration was as follows:

- In Finland: €25.6 million (2020: €19.7 million)
- In the other operating countries: €6.0 million (2020: €1.0 million)

The maximum performance bonus amounts vary depending on the profit impact of the person's role and are equivalent to 10–100% of the person's annual salary.

Kesko operates a share-based compensation plan for some 170 members of management and other specified key personnel.



[Read more about the share-based compensation plan](#)

## Wellbeing and work capacity

### OCCUPATIONAL HEALTH AND SAFETY

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#### Management of the Covid-19 pandemic and employees' health security continued

During the Covid-19 pandemic, the health and occupational safety of employees have continued to be key factors in responsibility for personnel. We have continued our systematic management system meant for the exceptional situation as the Covid-19 pandemic has continued. HR, risk management, corporate security, occupational health, communications, the divisions and retailers have worked in close cooperation to manage the Covid-19 pandemic. Contingency plans have been updated on a regular basis throughout the pandemic. To support the divisions, the Covid-19 preparedness team and a team of experts have provided up-to-date local and global information about the pandemic, updated and prepared new guidelines and communicated with both internal and external stakeholders, planned anticipatory measures and cooperated with local authorities. In health and occupational safety issues, we have continued to carry out active collaboration with both employee representatives and with labour protection personnel.

We continue to put special emphasis on ensuring security of supply for logistics and stores and ensuring the safety of customers and employees using all means available.

Statutory assessment of occupational risks has been regularly updated as the pandemic situation has changed. At all our locations we have continued extensive preventive health security measures and always intensified them where necessary on the basis of risk assessments. Office workers have used the so-called hybrid work model, i.e. worked either at the office or remotely depending on the pandemic situation, or by combining the two. We have offered our personnel a substantial personnel discount for face masks for free time use.

We have used knowledge work, working environment and occupational health surveys to ensure we always have an up-to-date understanding of the functioning of the exceptional working conditions and how employees are coping, and we have developed our operations based on our findings. The feedback we received from the pulse surveys was mainly positive. We have continued to support both managers and the entire personnel with various training programmes and means of communication. For example, we organised streamed K Talk events for the employees on various topics related to Covid-19 where experts provide information on the situation and answer questions. The feedback on the events has been positive. We continued our active participation in the work of the Enter group of the Confederation of Finnish Industries (EK) and other companies and the Best Practice cooperation.

In Finland, responsibility for Covid-19 testing was transferred to the municipal sector at the beginning of 2021. According to the survey conducted in the autumn of 2021, the vaccination coverage (two vaccine doses) of



# KÄYTÄ MASKIA ANVÄND MUNSKYDD USE A MASK



Kesko employees was very good at approximately 94% while that of people living in Finland was approximately 78% at the same time. In 2021, we also cooperated with public healthcare to assist both Covid-19 internal contact tracing and to increase vaccination coverage in logistics, where voluntary quarantines also helped to manage the pandemic in potential exposure situations. Actual exposures at the workplace have been recorded in the K Sensor work capacity management system. The anonymised data supports preparedness and anticipatory measures. Towards the end of 2021, negotiations were initiated on the role of occupational health in providing third vaccine doses to the personnel. In addition, more extensive preparations on pandemics and other crises concerning the employees were initiated.

### Support for employees' mental wellbeing was highlighted

The forms of support that were launched during 2020, the first year of the Covid-19 pandemic, for maintaining both mental wellbeing and physical work capacity continued, and there was active communication about them. The feedback from the personnel on the support provided during the pandemic has been positive, and based on the wellbeing index in the K Voices personnel survey, we have managed to maintain wellbeing on the same level as before the pandemic.

The physical and mental work ability and wellbeing of personnel have been supported by various digital training and information sessions and with online services that support wellbeing. Some of the services have been available

for the retailers' personnel, such as the K MindBalance online service and the mental wellbeing online training sessions intended especially for retail stores and prepared in cooperation with Mieli society. The Mielen Chat and Mielen Sparri mental health chat services, which offer low-threshold assistance, offered by an occupational health service provider were used more than before in 2021, and the feedback received on the services was very positive. Kesko also provided its managers with morning sessions dealing with mental wellbeing. Occupational health promoted the "Year of Mind and Back" theme as part of its operations.

### Improving employees' occupational safety, occupational health and wellbeing through data-driven management

Kesko's occupational health and safety principles have been defined in K Code of Conduct and the HR policy. The main points of the wellbeing at work management system are based on legal conformity requirements in different operating countries, observation and minimisation of occupational safety risks, training of employees and on systematic reporting and analysis of near miss situations and accidents at work.

We aim to continuously improve the health and occupational safety of our personnel in a holistic way. Objectives have been set by Kesko Group for the development of personnel wellbeing and occupational safety, and the results are reported annually to Kesko's Board of Directors. We systematically go through all key indicators quarterly with the business units and make

improvements based on them. The aim of our K Well wellbeing model is to produce a working day experience which creates wellbeing. This model has worked well also during the Covid-19 pandemic.

Information security is of utmost importance in all of our operations, and it is controlled regularly. In Finland, the Act of the Status and Rights of Patients prescribes regulations on the confidentiality of patient data in occupational healthcare. In healthcare, the level of data protection is the highest possible, and the law requires the information in patient documents to remain confidential. A healthcare professional, such as a doctor or nurse or other person working in a healthcare unit must not, without the written consent of the patient, disclose any information included in the patient documents to a third party. Occupational health care has its own patient information system, which is separate from other information systems at Kesko. To secure data protection, we make occupational health log data inspections four times a year, and no anomalies have been detected.

### Occupational health plays a key role in maintaining work capacity

Kesko provides occupational health services for all of its employees, including those working part-time. As entrepreneurs, retailers arrange the corresponding occupational health services for their employees. In Finland in addition to the statutory occupational health care, Kesko's employees are entitled to medical examinations and specialist's consultations needed for their treatment through Kesko Occupational Health Care. In addition to

appointments with specialists, Kesko Occupational Health provides psychologist, occupational health nurse and occupational physiotherapist services. Our occupational health care personnel meet the statutory professional competence requirements, and all of our doctors are occupational health care specialists. In Finland, Kesko Occupational Health provides services for employees in the Helsinki region and purchases occupational health care services from one service provider for employees elsewhere in Finland.

The employer, employees and occupational health care cooperate to help prevent occupational diseases and injuries, promote the health and safety of the work environment, ensure the health and work and functional capacity of employees at different stages of their career and promote the operations of the working community. In 2021, in addition to managing the Covid-19 pandemic, the strategic focus areas in occupational health cooperation were data-driven management, strengthening the K-culture, maintaining personnel wellbeing at work and supporting managerial work.

In occupational health care, the priority is on preventive measures and early identification of risks regarding both the employee's health and work capacity. As regards occupational safety, occupational health care assesses in particular the health risk caused by work by taking into account the health risks and exposure factors occurring in

it. We continuously evaluate and prevent potential work-related risks, which may be injurious to employees' health. In 2021, we have especially focused on measures related to the Covid-19 pandemic, such as testing, safety instructions, communication and supporting the wellbeing of employees.

We assess the effectiveness of the operations by monitoring access to treatment, Group sickness absence rate, distribution of diagnoses and indicators of occupational diseases and injuries as well as pension risks (KPIs). In addition, we survey customer satisfaction in various ways several times a year.

In 2021, 11,930 (2020: 11,937) Kesko Group employees in Finland were covered by occupational health services. A total of some €5.9 million (2020: €6.7 million, including CoV PCR tests for the whole personnel) was spent on occupational health care in Finland. Of the occupational health care expenses, some 50% was allocated to promoting work capacity and the wellbeing of the employees.

The K Sensor work capacity system was established for use by managers, HR and Occupational Health to support the wellbeing of personnel, to monitor sickness absences and to anticipate risks of incapacity for work. According to a survey, managers were happy with the system, the alarm indications notifications and the fact that all work capacity management data and processes had been centralised. Support for the roll-out of the system was continued with

training courses, and the divisions were supported in utilising the work capacity reporting system.

Early intervention discussions are used in particular to promote work capacity. In 2021, a total of 1,489 (2020: 2,283) such discussions were held. To prevent employees' incapacity for work and to maintain and promote their work capacity, Kesko utilises the multi-professional expertise of occupational health care professionals, work capacity specialists, occupational rehabilitation offered by a pension insurance company and work training services provided by third parties.

### Kesko's contribution to occupational health care, Finland

€/person	2021	2020	2019
	494	563	492

In 2021, the sickness absence rate in the Group companies in Finland was 4.6% of hours worked (2020: 4.7%) Approximately 71.7% (2020: 71.6%) of sickness absences were paid short-term absences. In the other countries, the sickness absence rate was 5.5% (2020: 6.0%). Statistics on injuries in Finland and breakdowns of sickness absences by country are presented in the tables on page 72. In the other countries, a total of 21 injuries occurred resulting in sickness absences of more than three days in 2021 (2020: 12). The corresponding figure in Finland was 170 (2020: 157).

### Injuries and occupational diseases in Finland

	2021			2020			2019
	Men	Women	Total	Men	Women	Total	
Fatal injuries	0	0	0	0	0	0	0
Occupational injuries, excl. commuting injuries	116	54	170	113	44	157	163
Commuting injuries	31	28	59	29	25	54	73
Injury rate <sup>1</sup> /million working hours			11			11	12
Average degree of injury severity, days			32.7			37.7	38.2
Suspected occupational diseases	6	4	10	3	1	4	5
Occupational diseases	1	0	1	2	1	3	1
Sick days due to occupational injuries, commuting injuries and occupational diseases	3,668	3,970	7,638	4,427	3,626	8,053	9,007
<b>Per employee</b>			<b>0.8</b>			0.8	0.9

The calculation method: small injuries, i.e. those leading to absence of less than three days, are not included in the figures. Statistics do not include contractors.

<sup>1</sup> Excl. small injuries and commuting injuries, calculated with actual working hours

### Sickness absences by country in 2021

	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland
<b>Total number of sick days</b>	<b>127,024</b>	<b>16,651</b>	<b>24,906</b>	<b>1,280</b>	<b>732</b>	<b>209</b>	<b>10,315</b>
Per employee	12.6	10.5	30.3	8.2	8.6	2.8	2.5
Per million working hours	6,659	6,763	8,951	4,033	4,247	1,401	6,033

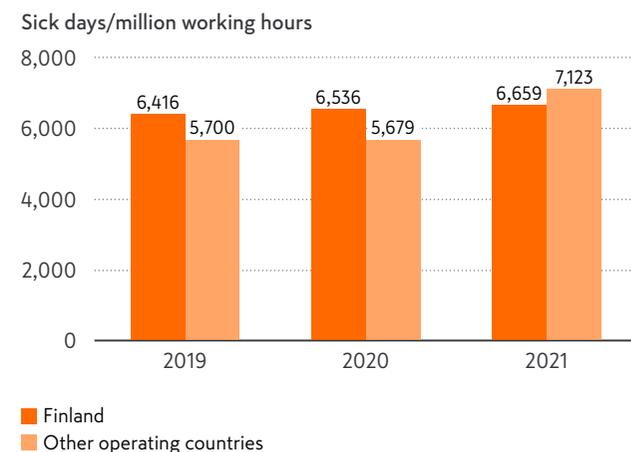
The calculation method: sick days per employee have been calculated on the average number of employees during the year.

### Injuries and occupational diseases in other operating countries

	2021	2020
Fatal injuries	0	0
Occupational injuries, excl. commuting injuries	21	12
Commuting injuries	0	1
Injury rate <sup>1</sup> /million working hours	14.8	6.6
Suspected occupational diseases	0	0
Occupational diseases	0	0

<sup>1</sup> Excl. small injuries and commuting injuries, calculated with actual working hours

### Trend in number of sick days



## Occupational safety management is based on systematic risk assessment

We use the ISO 14001 and ISO 45001 standards, among others. The occupational safety and health policy contains measures to prevent, reduce and remove injuries caused by working conditions, occupational diseases and physical and mental load that is harmful to health.

In 2021, we implemented an occupational safety risk management model for each division in Finland in cooperation with business and labour protection personnel. The most significant risks are related to manual lifting and moving, biological exposure due to the Covid-19 pandemic as well as slipping during the commute and at work. To manage occupational safety risks, we agreed that work will be carried out on the key mitigation measures, related responsibilities and follow-up of their effectiveness in each division in 2022. In 2022, the occupational safety management model will be implemented in other countries as applicable. In logistics, for example, new induction material related to the most frequently occurring risks has been prepared and automation has been improved to reduce the need for unergonomic lifting.

We monitor the frequency of near miss reporting in different functions on a regular basis and have set a target for 2022 to enhance and speed up their processing.

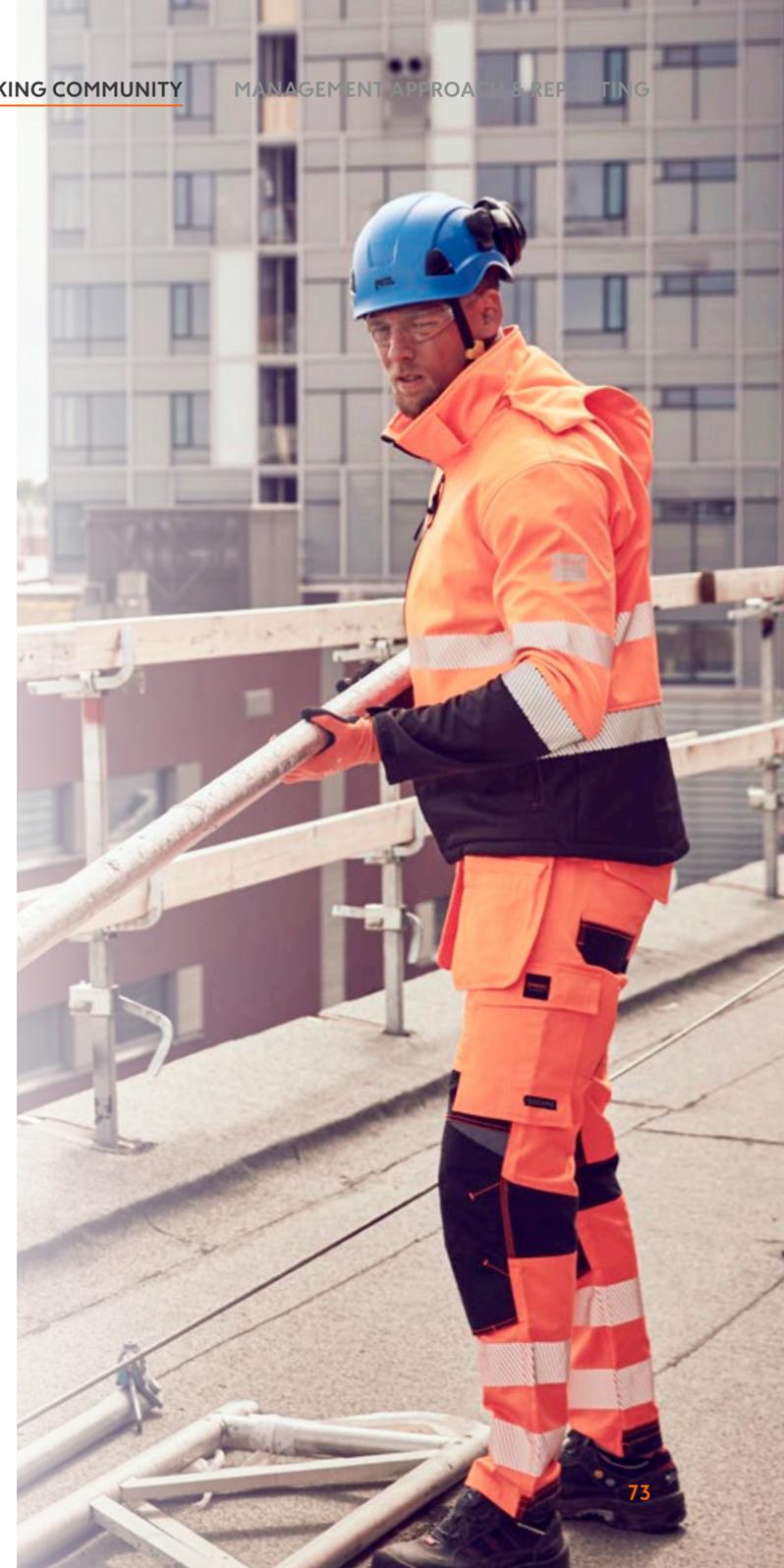
## Personnel representatives play a significant role in occupational safety and health cooperation

An occupational safety and health group and a cooperation group operate in Kesko. The occupational safety and health delegates and shop stewards participate in the planning, roll-out and follow-up of occupational health and safety matters. The cooperation involves active support for personnel wellbeing at work and proactive identification of risks by the personnel. Realisation of the agreed targets is evaluated on a quarterly basis in all divisions.

## We invest in personnel wellbeing and occupational safety competence

First aid and occupational safety training is organised in all divisions on a regular basis. Every month, up-to-date safety review material is sent to managers so they can go through it with their teams. In 2021, due to the Covid-19 pandemic, safety training sessions (early fire suppression, first aid and threatening situations) were mainly organised online. The personnel have the opportunity to study occupational safety both through contact coaching and independently through e-learning. Occupational health and safety topics are part of the induction of new employees.

We also offer safety training provided by experts on a regular basis to our retailers.



## A changing operating environment calls for continuous competence development

404-1 404-2

The systematic, business-driven development of personnel competencies is a critical factor for future success. The transformation of the trading sector, digitalisation and continuous changes in working life act as drivers for future development needs.

Key areas of competence building in K Group are:

- Leadership and management
- Knowledge work and tools
- Interaction and self-management skills
- Training for store personnel: sales, service and product competences

We offer managers a large variety of training programmes which support daily managerial work on topics such as performance management, recruiting, coaching style of leadership, change leadership, interaction skills, remuneration and employment law. We especially focus on continuous performance management and strong feedback culture, and support this with various training programmes.

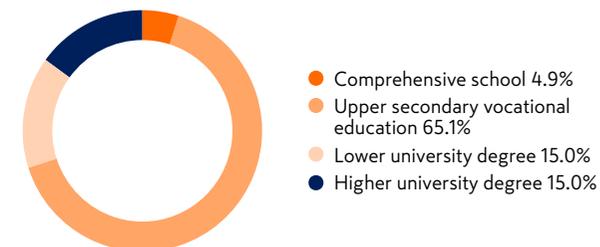
In 2021, we continued providing training on Kesko's leadership fundamentals for new managers. As a new addition, we complemented our offering with training

### Training days and costs

	2021	2020	2019
<b>Training days</b>			
Workers, office workers <sup>1</sup>	20,740	-	-
managers/specialists <sup>1</sup>	27,151	-	-
Management <sup>1</sup>	1,518	-	-
Finland	85,321	43,078	74,199
- women <sup>1</sup>	20,976	17,668	27,281
- men <sup>1</sup>	18,953	13,769	30,012
Other countries	11,124	5,872	64,890
- women <sup>1</sup>	513	1,393	25,163
- men <sup>1</sup>	727	4,296	12,450
<b>Training days per employee</b>			
Workers, office workers <sup>1</sup>	1.5	-	-
managers/specialists <sup>1</sup>	9.1	-	-
Management <sup>1</sup>	6.6	-	-
Finland	6.9	4.2	7.3
- women <sup>1</sup>	3.4	2.8	4.4
- men <sup>1</sup>	3.0	2.2	4.7
Other countries	2.2	1.6	6.1
- women <sup>1</sup>	0.4	1.2	5.4
- men <sup>1</sup>	0.2	1.2	1.8
<b>Training costs, € million</b>			
Finland	1.4	1.5	2.3
Other countries	1.0	0.5	0.6
<b>Training costs per employee, €</b>			
Finland	136	144	224
Other countries	253	124	60

<sup>1</sup> eLearning not included

### Distribution by education at 31 Dec. 2021, %



Sweden and Norway not included

related to hybrid management, which is a combination of face-to-face and virtual leadership work. A new leadership programme, "Leadership Boost 2", for the entire manager target group was put together, and the programme will be rolled out in spring 2022.

In 2021, we carried out a large number of training sessions related to information systems and forms of cooperation in knowledge work, such as good meeting practices, virtual engagement and facilitation skills. With good knowledge work expertise and stable telecommunications links we were able to ensure that extensive remote work was successful.

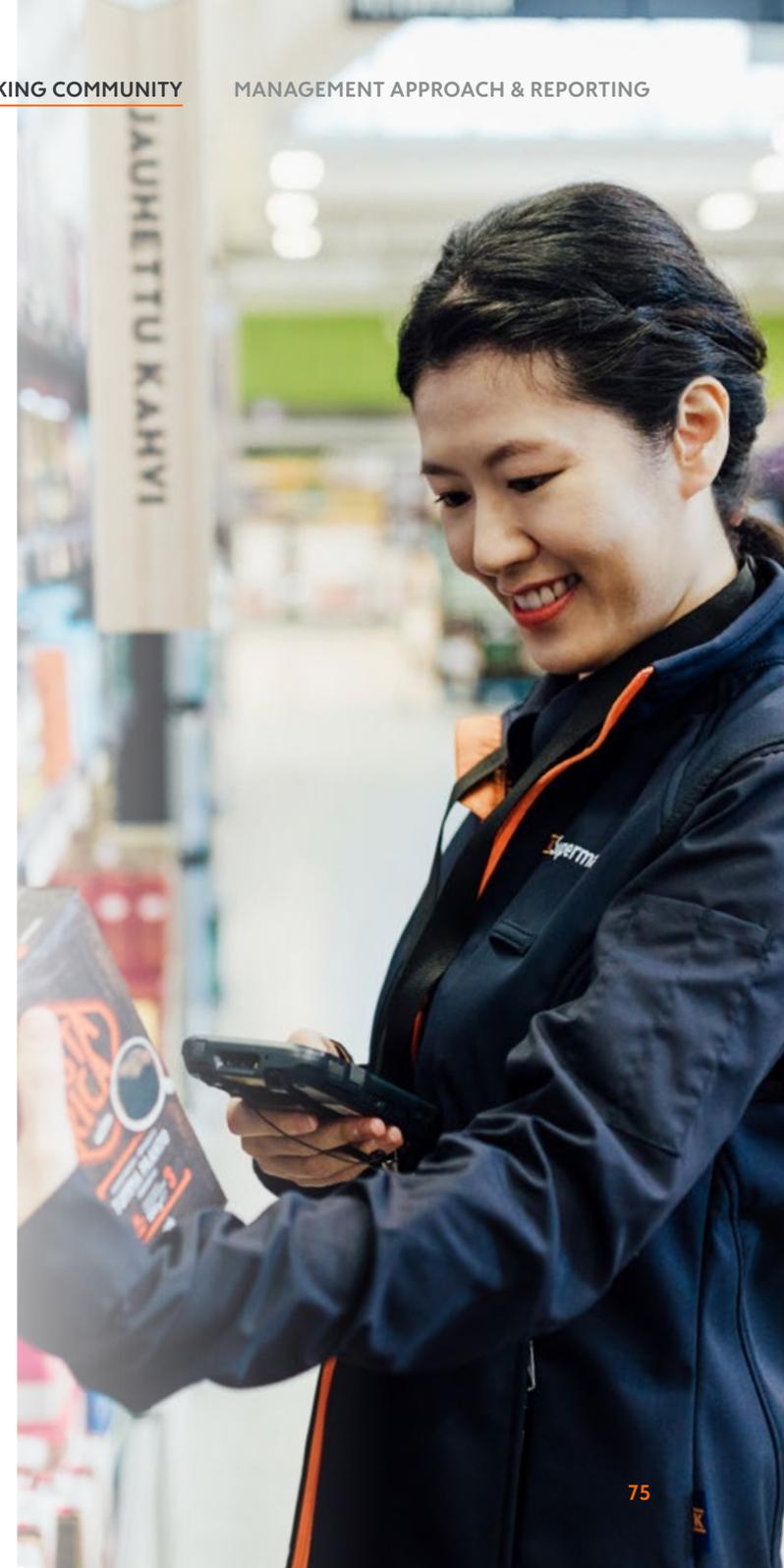
To support wellbeing at work, we focused on self-leadership and the development of interpersonal skills. In 2021, we organised training, for example, on self-leadership, time management, networking and influencing and negotiating skills. In addition, we offered work coaching and an opportunity for workplace mediation as needed.

## Training for store personnel

Professional training for store personnel is provided through K-Academy, a virtual learning platform. It provides a broad selection of training courses, e-learning content and opportunities to complete vocational degrees for the needs of store personnel. In 2021, we continued to utilise K-Academy's learning paths for competence development and career planning. Since 2018, we have been training workplace instructors for stores, and by the end of 2021, more than 1,100 workplace instructors had been trained. Workplace instructors work in stores extensively to support learning and offer guidance covering everything from induction of new employees to acting as the workplace instructor in training leading to a degree.

In spring 2021, K-Citymarkets in the Helsinki region cooperated with Careeria to provide a training programme for people with an immigrant background which aimed at the employment of the participants in the retail sector. During the training, the participants practised a wide range of customer service situations both orally and in writing, working life skills and the Finnish language skills needed

in working life. During the training 1 to 2 parts of the Vocational Qualification in Business and Administration are completed and Careeria's own part of the qualification named "Operating in Finnish working life". A new programme for people with an immigrant background in K Citymarkets will start in January 2022 in Helsinki and another in March 2022 in Tampere. They will offer a total of 30 on-the-job training positions in K Citymarkets. After the training programme, the aim is to first employ the participants in sales assistant jobs and, as their skills improve, there are opportunities to be promoted for example to manager positions.



## Performance management

### PERFORMANCE AND DEVELOPMENT REVIEWS AND PERFORMANCE EVALUATION AS TOOLS FOR EMPLOYEE EXPERIENCE

404-3

Our employees are given feedback on their performance and development opportunities in annual reviews. These reviews also provide the employees an opportunity to give feedback on managerial work. Target setting, performance and development reviews and performance evaluation are carried out in all Kesko Group companies and operating countries.

Performance and development reviews are a systematic part of our performance management model. Approximately 89% (2020: 84%) of our employees have discussed their objectives and development with their manager. Per personnel groups, 86% of workers and office employees, 96% of managers and specialists and 89% of management have discussed their objectives and development with their managers. In performance and development reviews we discuss the employee's competencies and motivation, career aspirations, the quality and development of managerial work and the whole working community. Finally, a personal development plan is created for the employee.

The purpose of performance review is to give feedback on the person's performance during the previous year, support their development and encourage them to improve their performance. Should the performance not meet

expectations, we will support the employee's progress through a separate process. Uniform criteria ensure a fair assessment of performance and competencies for all employees. A systematic and effective performance assessment gives important information and forms a basis for other HR processes.

### Personnel survey as development tool

The personnel survey is among the key tools for improving methods of operation and managerial work and one way of listening to the views of the personnel. In 2021, in addition to various pulse surveys, we conducted a more comprehensive K Voices personnel survey in Finland, Sweden, Norway, Poland and in the Baltic States. The response rate of the survey was 80%, showing an increase of 5 percentage units compared to 2019. The personnel commitment index was 79% (2019: 77%), and our recent efforts to focus on managerial work could be seen as improved reviews in the first manager question category with the score of 77% (2019: 74%). The target set in 2019 to improve the feedback culture produced an increase of 5 percentage units in the responses to the statement "My manager gives regular feedback on my work performance" (2021: 65%, 2019: 60%). On the basis of the survey, we will specify development measures to improve employee experience.

### WE PROMOTE THE REALISATION OF PAY EQUALITY

405-2

The average annual salary of Kesko employees was €42,974 in Finland, €43,206 in Sweden, €56,533 in Norway, €26,848 in Estonia, €22,491 in Latvia, €33,609 in Lithuania

and €20,637 in Poland. As Kesko Group engages in various types of operations, average salary is not a good indicator of salary level or structure. The wage groups and tables specified in the collective agreement are applied to jobs covered by the agreement, such as sales assistants and warehouse workers. Salaries are also influenced by role-based responsibility bonuses, years of experience and the cost-of-living category of the locality.

Besides the role and its requirements, the salary of a specialist is determined by competence, experience, performance and results. Kesko uses a job grade classification system.

The comprehensive roll-out of the job grade classification system means that comparison of salaries in comparable jobs is now possible in an even larger target group. In jobs classified based on job grades, in higher and middle management jobs women's salary is 98% of men's salary for comparable jobs, and 95% with manager and expert positions. As a whole, women's salary is 97% of men's salary for comparable jobs.

Equality in remuneration is considered as part of annual company-specific equality plans. Gender is not a factor which influences remuneration, and no significant differences between comparable jobs have been detected. Equality plans strive to promote salary equality in jobs where comparisons can be made.

## FREEDOM OF ASSOCIATION IS AN IMPORTANT VALUE

407-1

Employees' freedom of association is a central characteristic of a welfare society. Kesko respects its personnel's freedom of association. The freedom of association or the right to collective bargaining is not seen to be at risk in Kesko's operating countries.

The freedom of association is also supported by the EWC (European Work Council) activities in cooperation with the Service Union United PAM. Due to the Covid-19 pandemic, no international meetings were held in 2020 and 2021.

Out of the total personnel, 79.3% are covered by collective agreements. So far, no binding industry-wide collective agreements have been drawn up in the Baltic States and Poland.

In Finland, working time is regulated by the Working Time Act and collective agreements. In compliance with the Working Time Act, the regular working time shall not exceed eight hours per day or 40 hours per week.

The control of the association of suppliers' employees in risk countries and corrective actions are included in social responsibility audits.

## PERIODS OF NOTICE AND RESTRUCTURING SITUATIONS

402-1

Kesko complies with local legislation in all of its operating countries, or the notice periods specified in collective agreements.

In Finland, the notice period is from two weeks to six months depending on the duration of employment. In Finland, the key statutes governing restructuring situations are included in the Act on Co-operation within Undertakings, which stipulates that the employer must provide reasonable notice of decisions for consideration on the basis of negotiations. The collective agreement for the trading sector does not specify any minimum notice periods applying to restructuring situations. In terminations of employment, legislation on public employment and enterprise services has been observed by providing coaching due to protection in the event of restructuring and by providing an adjusted training programme for those who would no be entitled to coaching due to protection in the event of restructuring on the basis of the said legislation.

In Sweden, the statutory minimum notice period in the event of organisational changes is 8–24 weeks depending on the nature of the change. The collective agreement applying to operations in Sweden also does not specify minimum notice periods for restructuring situations.

No specific minimum notice period for organisational changes is defined in Norway, but both legislation and the collective agreement stipulate that personnel shall be informed of organisational changes at the earliest opportunity.

In Estonia and Latvia, the minimum notice period in restructuring situations is four weeks. There are no collective agreements in these operating countries.

In Poland, the notice period with permanent and temporary employments varies from two weeks to three months depending on the duration of employment. The same periods of notice are valid in restructuring situations as well.

## WE COMPLY WITH ANTI-COMPETITIVE LAWS AND REGULATIONS

206-1

No authority rulings or legal actions regarding anti-competitive behaviour, anti-trust, and monopoly practices were reported in 2021.

## POLITICAL CONTRIBUTIONS

415-1

We do not make monetary donations to political parties.

## CUSTOMER PRIVACY IS OF UTMOST IMPORTANCE TO US

418-1

In 2021, we received no complaints from the authorities or our customers regarding the breach of customer privacy.

## SOCIOECONOMIC COMPLIANCE

419-1

In 2021, no significant fines or other consequences were imposed due to breaches of laws or regulations in the social and economic area.

## K Compliance operating model strengthens compliance

205-1

205-2

205-3

Kesko Group implements the K Compliance operating model confirmed by Kesko's Board to ensure responsibility and compliance in Kesko's operations. To strengthen the K Compliance operating model, a Group-level Compliance & Ethics function was established in 2021. The Compliance & Ethics function manages measures in accordance with the K Compliance operating model at Group-level, and reports to the Audit Committee of Kesko's Board.

The K Code of Conduct, which applies to all personnel and business partners, is the foundation and core of the K Compliance operating model. A development project to ensure compliance with the K Code of Conduct was launched in 2021, which led to increased awareness of the K Code of Conduct, and the guidelines were integrated as part of other business and support processes.

Kesko's contracting parties are also required to comply with the K Code of Conduct. In 2021, we updated the K Code of Conduct contract clauses, which must be added to agreements under which the Kesko Group companies purchase products and services from outside the Group.

Kesko's Group-level compliance programme is based on ensuring the responsibility and compliance of operations through the use of the K Compliance operating model and

establishing the necessary K Compliance programmes on the basis of risk. The programmes are related to key pieces of legislation and other requirements the breach of which could result in significant negative consequences, such as human rights violations or serious financial or reputational risks. Kesko's K Compliance programme themes in 2021 were data protection, competition law, consumer protection, and anti-bribery and corruption. Objectives have been established for each programme, and progress is reported to the Board's Audit Committee every six months. All programmes achieved their main targets in 2021.

A governance model in line with the K Compliance operating model was fully implemented in 2021. Emphases in compliance operations are steered by the identification of key compliance risks with regard to Kesko's strategy and business. The Compliance & Ethics function, risk management, and the businesses regularly map and prioritise risks. Based on risk area prioritisation, Kesko's President and CEO confirms the necessary compliance programmes on the basis of the proposal by the Governance, Risk and Compliance (GRC) steering group. The Audit Committee monitors the scope and efficiency of Kesko's K Compliance operating model, and as of 2021, also the development of the maturity of Kesko's compliance programme.

As part of Kesko's K Compliance operating model, a group-level SpeakUp reporting channel is maintained. SpeakUp is a confidential reporting channel for Kesko employees, business partners and other stakeholders, meant for reporting suspected breach of law, the K Code of Conduct or other guidelines when, for one reason or another, the information



cannot be passed directly to Kesko's persons in charge. The channel can also be used to report suspected breaches of securities market regulations. Reporting can be done fully anonymously.

In 2021, the Compliance & Ethics function assumed responsibility for investigating reports submitted through the channel, with support from the Group internal audit unit if necessary. The Board's Audit Committee began to monitor the timeframe within which the cases are processed, using new KPIs.

Kesko closely monitors regulatory development of whistleblower protection and will update its secure reporting solutions (SpeakUp) during 2022. In 2022, we will also introduce new measures to ensure our employees and other stakeholders continue to have a low threshold to speak up and report of any suspected misconduct. We will utilise the results of Kesko Group's K Voices employee engagement survey of 2021 to support the development of these measures.

In 2021, 34 reports were submitted through the SpeakUp channel (2020: 31). The reports were related to, among other things, HR, marketing, store operations and phishing messages received by customers.

### PREVENTION OF CORRUPTION AND BRIBERY

The prevention of corruption and bribery is one of the focus areas of Kesko's compliance operations. The main guidelines for the K Compliance programme focused on anti-corruption and anti-bribery are provided in the K

Code of Conduct, which is complemented by more detailed instructions as necessary. The K Code of Conduct has been published in nine languages and the principles regarding anti-corruption and anti-bribery are the same for all Kesko employees in all operating countries.

The K Code of Conduct offers Kesko employees and business partners guidance on the demands of responsible operations. In 2021, we updated the K Code of Conduct sections of business partners agreements. All Kesko Group personnel members are asked annually to confirm their commitment to compliance with the K Code of Conduct.

In 2021, a total of 85% of the personnel delivered their annual confirmation. Due to a new technical solution for collecting annual K Code of Conduct approvals, we continued the collection process until early 2022. The collection process will be fully revised during 2022.

Kesko's zero tolerance towards bribery and corruption is described in the K Code of Conduct sections "We do not offer or accept bribes", "We comply with the Kesko policies on hospitality and gifts", and "We avoid conflicts of interest". In 2021, contents of the guidelines were included in the training organised for new Kesko employees. In total, 78 new employees took part in the training. During 2021, 2,855 Kesko employees carried out the K Code of Conduct online training, in addition to which 1,304 Kesko employees carried out a K Code of Conduct online revision course. Both online courses include training on the prevention of corruption and bribery.

Kesko's Compliance & Ethics function, Legal Affairs unit, and K Code of Conduct ambassadors representing various country organisations and units provide personnel support in questions related to the application of the K Code of Conduct. The K Code of Conduct ambassador network was expanded in 2021, and the ambassadors received training to ensure uniform communication on the subject.

In anticorruption activities, the key themes for us have been identified to concern offering and accepting gifts and hospitality, providing sponsorship and donations, understanding and avoiding conflicts of interest, and the rules for lobbying.

Our key principles include that we do not offer or accept bribes, including facilitation payments, or any other than customary and transparent hospitality of low value. This principle is applied to our whole supply chain and to our all activities. We do not make monetary donations to political parties.

During 2021, we completed a risk assessment in accordance with our K Compliance Program on Anti-Bribery and Corruption. The results of this assessment are taken into account in compliance trainings and further instructions being issued during 2022.

In 2021, no corruption-related lawsuits against any Kesko Group company came to our knowledge. In addition to this, the reports we received via our SpeakUp channel or other internal reporting channels did not include information on identified breaches of our anti-bribery and corruption related instructions.



# SUSTAINABILITY MANAGEMENT APPROACH AND REPORTING

## IN THIS SECTION:

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# MANAGEMENT APPROACH

	SOCIETY	SELECTIONS AND PURCHASING
<b>Material aspects</b>	Economic performance Indirect economic impacts Anti-corruption Anti-competitive behaviour Compliance Grievance mechanisms for impacts on society Customer privacy	Procurement practices Information and compliance of products and services Product safety Customer health and safety Assessment of suppliers' working conditions Human rights Marketing communications
<b>Policies and commitments</b>	Accounting policies Kesko Group complies with the International Financial Reporting Standards (IFRS) approved for adoption by the EU. <b>Corporate Governance principles</b> <b>Risk management principles</b> <b>Good trading principles in the food supply chain</b> <b>K Code of Conduct</b> <b>Data protection policy</b>	<b>Kesko's purchasing principles</b> <b>K Group's plastics policy</b> <b>K Group's animal welfare policy</b> Product group specific <b>sustainability policies</b> Kesko's policy on chemicals for home textiles, clothing, leather goods, shoes and upholstered furniture <b>K Code of Conduct</b> <b>Good trading principles in the food supply chain</b>
<b>Monitoring and control systems</b>	<b>Financial reporting and planning</b> Compliance: compliance programmes Prevention of malpractice: <b>internal audit</b> ; <b>K Code of Conduct</b> <b>Risk management</b> <b>Customer privacy</b>	<b>Certification and audit systems related to production in risk countries approved by Kesko</b> <b>K Code of Conduct</b> Kesko's grocery trade requires that the manufacturers and producers of its own brand products have an international food safety certification. Kesko's grocery trade approves the following audit procedures, among others: BRC, IFS, ISO/FSSC 22000, SQF1000/2000 and GlobalGAP or Laatutarha. The Quality and Product Development Unit's laboratory monitors the product safety and quality of own brand products and own imports in the grocery trade. All of our food product operations have a self-control plan in place. The laboratory is a T251 testing laboratory that has been accredited by the FINAS accreditation services and approved to comply with the SFS-EN ISO/IEC 17025 standard.
<b>Programmes, projects and initiatives</b>	Customer surveys	CDP Supply Chain programme The Center for Child Rights and Business International Accord for Health and Safety in the Garments Industry Thank the Producer
<b>Grievance mechanisms</b>	Employees can present questions and ideas for development through their manager as well as anonymously or in their own name using an electronic discussion channel. <b>SpeakUp reporting channel</b> <b>Customer feedback systems</b>	<b>Customer feedback systems</b> <b>SpeakUp reporting channel</b>
<b>Boundaries</b>	Corporate governance: Kesko Finance: Kesko Marketing communications: Kesko Compliance: Kesko	Compliance: Kesko Product safety: Kesko's own brand products and own imports Social responsibility of procurement (1st tier): Kesko Economic performance: Kesko Indirect economic impacts: K Group Purchase practices: K Group Customer health and safety: Kesko's own brands and own imports Product and service information: Kesko's own brands and own imports

	CLIMATE AND ENVIRONMENT	WORKING COMMUNITY
<b>Material aspects</b>	<p>Energy Water Biodiversity Emissions Waste Food waste</p>	<p>Employment Labour/management relations Occupational health and safety Training Diversity and equal opportunities Equal remuneration Labour practices grievance mechanisms</p>
<b>Policies and commitments</b>	<p><b>Sustainability policy</b> <b>UN Global Compact initiative</b> <b>UN Sustainable Development Goals</b></p>	<p><b>K Code of Conduct</b> <b>HR policy</b></p>
<b>Monitoring and control systems</b>	<p>Group Corporate Responsibility Advisory Board EnerKey.com monitoring system All of Onninen's operations in all operating countries are ISO 14001 certified. The operations of Kesko Logistics are ISO 14001 certified.</p>	<p>Labour protection and HR</p>
<b>Programmes, projects and initiatives</b>	<p><b>Science Based Targets</b> <b>Action plan for 2017–2025 under the retail sector's Energy Efficiency Agreement</b> <b>amfori Business Environmental Performance Initiative (BEPI)</b> <b>Kesko's timber and paper policy</b> <b>Kesko's fish and shellfish policy</b> <b>RSPO</b> <b>Finnish soy commitment and RTRS</b></p>	<p>K Well wellbeing model TASY Employee Equality and Diversity Group <b>Youth employment at K Group</b></p>
<b>Grievance mechanisms</b>	<p><b>SpeakUp reporting channel</b></p>	<p>Employees can present questions and ideas for development through their manager as well as anonymously or in their own name using an electronic discussion channel.</p> <p><b>SpeakUp reporting channel</b></p>
<b>Boundaries</b>	<p>Energy and water: Kesko Biodiversity: Kesko Emissions: Scope 1 and 2: Kesko; Scope 3: K-stores and supply chain Waste: Finland: Kesko's warehousing operations; other operating countries: stores Food waste: Kesko's grocery trade division and K-food stores</p>	<p>Working community: Kesko</p>

# REPORTING PRINCIPLES

## REPORTING PRINCIPLES IN ACCORDANCE WITH THE GRI STANDARDS

Since 2000, Kesko has annually reported on its sustainability actions in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting. The Sustainability section in Kesko's Annual Report is prepared in accordance with the GRI standards and it covers the key areas of economic, social and environmental responsibility. For each reported standard, the **GRI index** refers to the year of the version used.

Kesko takes account of the IIRC (International Integrated Reporting Council) Framework in its annual reporting. Kesko applies in its operations the AA1000 AccountAbility Principles: stakeholder inclusivity, identification of material aspects and responsiveness to stakeholders. Kesko has taken account of the ISO 26000 standard as a source document providing guidelines for corporate responsibility.

This report has been prepared in accordance with the GRI Standards: Core option. Topic-specific Disclosures are reported with respect to the material topics for Kesko. A comparison of the contents of the report and the GRI standards is given in the **GRI index**.

The report is published in Finnish and in English. The report is published online in PDF format.

## ASSURANCE OF REPORTING

An independent third party, Deloitte Oy, has provided assurance for the numerical data on economic, social and environmental responsibility in the Finnish language Sustainability section of the Annual Report. The congruence between sustainability information presented in the Finnish and English versions has been checked. The conclusions by Deloitte Oy are detailed in **the assurance report**. The assurance is commissioned by the operative management of Kesko Corporation.

## GLOBAL COMPACT REPORTING

The report describes Kesko's progress on the 10 principles of the Global Compact initiative. **The GRI index** shows which General Disclosures and Topic-specific Disclosures have been used for evaluating performance in fulfilling human rights, labour rights, environment principles and anticorruption principles

## REPORT STAKEHOLDERS

Various stakeholders use the report as their source of information when assessing Kesko's results in the different areas of sustainability. The most important target groups for the report include investors, shareholders, analysts and rating agencies, as well as society (the media, authorities, educational establishments and NGOs).

## REPORTING PERIOD

This report describes the progress and results of sustainability work in 2021. It includes some information from January and February 2022. The report for 2020 was published in March 2021. The report for 2022 will be published in the spring of 2023.

“ Kesko participates in the UN Global Compact initiative and is committed to observing ten generally accepted principles concerning human rights, labour standards, the environment and anti-corruption in all of its operating countries.



**Mikko Helander**  
President and CEO

# GRI INDEX

**KD** = Kesko's direction  
**SU** = Sustainability

**CG** = Corporate governance  
**FS** = Financial statements

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>GRI 102 GENERAL STANDARD DISCLOSURES</b>						<b>2016</b>
102-1	Name of the organisation	<b>KD 3</b>				
102-2	Activities, brands, products and services	<b>KD 6</b>				
102-3	Location of headquarters	<b>KD 3</b>				
102-4	Location of operations	<b>KD 3</b>				
102-5	Ownership and legal form	<b>KD 3</b>				
102-6	Markets served	<b>KD 3</b>				
102-7	Scale of the organisation	<b>KD 3</b>				
102-8	Information on employees and other workers	<b>SU 64-67</b>		There are no independent entrepreneurs among Kesko employees, nor does suppliers' or hired labour perform a significant part of the work. There are no significant seasonal fluctuations in the number of employees.	x	
102-9	Supply chain	<b>SU 22-23</b>				
102-10	Significant changes to the organisation and its supply chain	<b>KD 14</b>				
102-11	Precautionary Principle or approach	<b>KD 19-20</b>				
102-12	External initiatives	<b>kesko.fi Sustainability policy</b>				
102-13	Membership of associations	<b>kesko.fi Activities in organisations</b>				
102-14	Statement from senior decisionmaker	<b>KD 7-10</b>				
102-15	Key impacts, risks and opportunities	<b>SU 6, KD 19-20</b>				
102-16	Values, principles, standards, and norms of behaviour	<b>kesko.fi K Code of Conduct</b>			x	

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
102-17	Mechanisms for advice and concerns about ethics	<a href="#">kesko.fi Reporting concerns and instances of non-compliance</a>			x	
102-18	Governance structure	<a href="#">CG 4</a>				
102-19	Delegating authority	<a href="#">CG 4, kesko.fi Reporting concerns and instances of non-compliance</a>				
102-20	Executive-level responsibility for economic, environmental and social topics	EVP, CFO; EVP, Sustainability and Public Affairs		Both are members of the Group Management Board.		
102-21	Consulting stakeholders on economic, environmental, and social topics	<a href="#">SU 8</a>				
102-22	Composition of the highest governance body and its committees	<a href="#">CG 7</a>				
102-23	Chair of the highest governance body	<a href="#">CG 7</a>				
102-24	Nominating and selecting the highest governance body	<a href="#">CG 4</a>				
102-25	Conflicts of interest	<a href="#">CG 4-13</a>		Kesko complies with the Finnish Corporate Governance Code for Listed Companies.		
102-26	Role of highest governance body in setting purpose, values, and strategy	<a href="#">CG 4-13</a>				
102-28	Evaluating the highest governance body's performance	<a href="#">CG 9</a>	Only the Board's self-assessment has been reported.			
102-29	Identifying and managing economic, environmental, and social impacts	<a href="#">CG 4-13</a>				
102-30	Effectiveness of risk management processes	<a href="#">CG 17-18</a>				
102-31	Review of economic, environmental, and social topics	<a href="#">CG 17-18</a>				
102-32	Highest governance body's role in sustainability reporting	<a href="#">CG 9</a>				
102-33	Communicating critical concerns	<a href="#">CG 16</a>				
102-35	Remuneration policies	<a href="#">CG 23-28</a>				
102-40	List of stakeholder groups	<a href="#">SU 8</a>				
102-41	Collective bargaining agreements	<a href="#">SU 76-77</a>			x	
102-42	Identifying and selecting stakeholders	<a href="#">SU 8</a>				
102-43	Approach to stakeholder engagement	<a href="#">SU 8</a>				

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
102-44	Key topics and concerns raised	<a href="#">SU 8</a>				
102-45	Entities included in the consolidated financial statements	<a href="#">FS 107-110</a>				
102-46	Defining report content and topic Boundaries	<a href="#">SU 83</a>				
102-47	List of material topics	<a href="#">kesko.fi Materiality assessment of corporate responsibility</a>				
102-48	Restatements of information	No significant changes.		Changes reported in connection with topic-specific information.		
102-49	Changes in reporting	No significant changes.				
102-50	Reporting period	<a href="#">SU 83</a>				
102-51	Date of most recent report	<a href="#">SU 83</a>				
102-52	Reporting cycle	<a href="#">SU 83</a>				
102-53	Contact point for questions regarding the report	<a href="#">kesko.fi Contacts</a>				
102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">SU 83</a>				
102-55	GRI content index	<a href="#">SU 84-92</a>				
102-56	External assurance	<a href="#">SU 93-94</a>				
<b>GRI 103 MANAGEMENT APPROACH</b>						<b>2016</b>
103-1	Explanation of the material topic and its Boundary	<a href="#">SU 81-82</a>				
103-2	The management approach and its components	<a href="#">SU 81-82</a>				
103-3	Evaluation of the management approach	<a href="#">SU 81-82</a>				
<b>TOPIC-SPECIFIC CONTENT</b>						
Topic-specific content is reported regarding aspects identified as material.						

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>ECONOMIC IMPACTS</b>						
<b>201</b>	<b>Economic performance</b>					<b>2016</b>
201-1	Direct economic value generated and distributed	SU 11-12				
201-2	Financial implications and other risks and opportunities due to climate change	KD 20	Monetary evaluations or realisations have not been reported for risks and opportunities. Information is not available, as climate change is difficult to estimate.		x	
201-3	Defined benefit plan obligations and other retirement plans	SU 66				
201-4	Financial assistance received from government	SU 12				
<b>203</b>	<b>Indirect economic impacts</b>					<b>2016</b>
203-1	Infrastructure investments and services supported	SU 14				
<b>204</b>	<b>Procurement practices</b>					<b>2016</b>
204-1	Proportion of spending on local suppliers	SU 22-23				
<b>205</b>	<b>Anti-corruption</b>					<b>2016</b>
205-1	Operations assessed for risks related to corruption	SU 78-79	The number and percentage of business units have not been reported. Information is not available as the risks related to corruption are part of a wider assessment of business risks.	Risks related to corruption are discussed as part of Kesko's risk management. Key risks are identified and assessed regularly throughout the year.	x	
205-2	Communication and training about anti-corruption policies and procedures	SU 78-79	Percentages have not been reported by personnel group or geographical region. Information is not available.		x	
205-3	Confirmed incidents of corruption and actions taken	SU 78-79			x	
<b>206</b>	<b>Anti-competitive behaviour</b>					<b>2016</b>
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	SU 77				

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>207</b>	<b>Taxes</b>					<b>2019</b>
207-1	Approach to tax	<a href="#">SU 15-18, Kesko's tax policy</a>				
207-2	Tax governance, control and risk management	<a href="#">SU 15-18, Kesko's tax policy</a>				
207-3	Stakeholder engagement and management concerns related to tax	<a href="#">SU 15-18, Kesko's tax policy</a>				
207-4	Country-by-country reporting	<a href="#">SU 15-18</a>				
<b>ENVIRONMENTAL IMPACTS</b>						
<b>301</b>	<b>Materials</b>					<b>2016</b>
301-3	Reclaimed products and their packaging materials	<a href="#">SU 58</a>	Percentage calculation model in accordance with the GRI standard is not applicable to Kesko's operations.	Part of the information is reported in accordance with standard 306-2.		
<b>302</b>	<b>Energy</b>					<b>2016</b>
302-1	Energy consumption within the organisation	<a href="#">SU 43</a>	At some properties located in leased premises outside Finland, the heat energy data is not reported because it is included in the lease or data is not available.	<b>Environmental reporting principles</b> The energy consumption data from other countries is compiled from fuel and purchased energy consumption data reported by subsidiaries.	x	
302-3	Energy intensity	<a href="#">SU 44</a>		<b>Environmental reporting principles</b>	x	
302-4	Reduction of energy consumption	<a href="#">SU 44-45</a>			x	
<b>303</b>	<b>Water</b>					<b>2018</b>
303-1	Interactions with water as a shared resource	<a href="#">SU 53</a>			x	
303-5	Water consumption	<a href="#">SU 53</a>	At some properties located in leased premises outside Finland, water consumption is included in the lease and data is not available for reporting	<b>Environmental reporting principles</b> The water consumption data from other countries is compiled from water billing or consumption data reported by subsidiaries.	x	
<b>304</b>	<b>Biodiversity</b>					<b>2016</b>
304-2	Significant impacts of activities, products, and services on biodiversity	<a href="#">SU 55</a>			x	
304-3	Habitats protected or restored	<a href="#">SU 55-56</a>			x	

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>305</b>	<b>Emissions</b>					<b>2016</b>
305-1	Direct (Scope 1) GHG emissions	SU 47		Environmental reporting principles	x	
305-2	Energy indirect (Scope 2) GHG emissions	SU 47		Environmental reporting principles	x	
305-3	Other indirect (Scope 3) GHG emissions	SU 48		Scope 3 Inventory Report	x	
305-4	GHG emissions intensity	SU 48			x	
305-5	Reduction of GHG emissions	SU 50-52			x	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	SU 48		Environmental reporting principles	x	
<b>306</b>	<b>Effluents and waste</b>					<b>2016</b>
306-2	Waste by type and disposal method	SU 59			x	
<b>307</b>	<b>Environmental compliance</b>					<b>2016</b>
307-1	Breaches of environmental laws or regulations	SU 55				
	<b>Food waste</b>					
-	Food waste	SU 60-61		Material topic without applicable standard.	x	
<b>308</b>	<b>Supplier environmental assessment</b>					<b>2016</b>
308-1	Supplier environmental assessment	SU 29	Not reported by percentage. Information not available.			
<b>SOCIAL IMPACTS</b>						
<b>401</b>	<b>Employment</b>					<b>2016</b>
401-1	New employee hires and employee turnover	SU 64		In new employee hires, not reported by age category, and regional ratio not reported. In employee turnover, not reported by age category.	x	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SU 68, kesko.fi Benefits and rewards		Benefits exceeding the statutory level have not been reported in detail. Practices vary in different operating countries.		
<b>402</b>	<b>Labour/Management relations</b>					<b>2016</b>
402-1	Minimum notice periods regarding operational changes	SU 77		Arrangements compliant to legislation. Legislation does not define minimum notice periods at the precision required by GRI.	x	

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>403</b>	<b>Occupational health and safety</b>					<b>2018</b>
403-1	Occupational health and safety management system	SU 69-73				
403-2	Hazard identification, risk assessment, and incident investigation	SU 69-73				
403-3	Occupational health services	SU 69-73				
403-4	Worker participation, consultation, and communication on occupational health and safety	SU 69-73				
403-5	Worker training on occupational health and safety	SU 69-73				
403-6	Promotion of worker health	SU 69-73				
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SU 69-73				
403-8	Workers covered by an occupational health and safety management system	SU 69-73				
403-9	Work-related injuries	SU 69-73				
403-10	Work-related ill health	SU 69-73				
<b>404</b>	<b>Training and education</b>					<b>2016</b>
404-1	Average hours of training per year per employee	SU 74-75	Not reported by gender and employee category. Information not available.		x	
404-2	Programmes for upgrading employee skills and transition assistance programmes	SU 74-75				
404-3	Percentage of employees receiving regular performance and career development reviews	SU 76	Not reported by gender and employee category. Information not available.		x	
<b>405</b>	<b>Diversity and equal opportunity</b>					<b>2016</b>
405-1	Diversity of governance bodies and employees	SU 65-67	Not reported by age category. Information not available.		x	
405-2	Ratio of basic salary and remuneration of women to men	SU 76			x	
<b>406</b>	<b>Non-discrimination</b>					<b>2016</b>
406-1	Incidents of discrimination and corrective actions taken	SU 65			x	

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>407</b>	<b>Freedom of association and collective bargaining</b>					<b>2016</b>
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<b>SU 77</b>			x	
<b>412</b>	<b>Human rights assessments</b>					<b>2016</b>
412-1	Operations that have been subject to human rights reviews or impact	<b>SU 35</b>			x	
412-2	Employee training on human rights	<b>SU 35</b>			x	
<b>414</b>	<b>Supplier social assessment</b>					<b>2016</b>
414-1	New suppliers that were screened using social criteria	<b>SU 25-28</b>		The percentage of suppliers screened has not been separately out of all suppliers in high-risk countries.		
414-2	Negative social impacts in the supply chain and actions taken	<b>SU 25-28</b>				
<b>415</b>	<b>Public policy</b>					<b>2016</b>
415-1	Political contributions	<b>SU 77</b>			x	
<b>416</b>	<b>Customer health and safety</b>					<b>2016</b>
416-1	Assessment of the health and safety impacts of product and service categories	<b>SU 36-37</b>		Percentage calculation model in accordance with the GRI standard is not applicable to Kesko's operations.		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<b>SU 36-37</b>				
<b>417</b>	<b>Marketing and labelling</b>					<b>2016</b>
417-1	Requirements for product and service information and labelling	<b>SU 37-38</b>		Percentage calculation model in accordance with the GRI standard is not applicable to Kesko's operations.		
417-2	Incidents of non-compliance information and labelling	<b>SU 38</b>				
417-3	Incidents of non-compliance concerning marketing communications	<b>SU 38</b>				



CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>418</b>	<b>Customer privacy</b>					2016
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<b>SU 77</b>				
<b>419</b>	<b>Socioeconomic compliance</b>					2016
419-1	Non-compliance with laws and regulations in the social and economic area	<b>SU 77</b>				

# INDEPENDENT LIMITED ASSURANCE REPORT

Translation from the Finnish original

## To the Management of Kesko Oyj

We have been engaged by the management of Kesko Oyj (business identity code 0109862-8, hereinafter also the Company) to provide a limited assurance on the economic, social and environmental indicators for the reporting period of January 1, 2021 to December 31, 2021 disclosed in the “Kesko’s Direction” and “Sustainability” sections of Kesko’s Annual Report 2021. In terms of the Company’s GRI Standards reporting and GRI Standards Content Index, the scope of the assurance has covered economic, social and environmental disclosures listed within the Topic-specific Standards as well as General Disclosures 102-8, 102-41 and 102-54 (hereinafter Sustainability Information).

### MANAGEMENT’S RESPONSIBILITY

The Management of Kesko is responsible for the preparation of the Sustainability Information in accordance with the Reporting criteria as set out in the Company’s reporting instructions and the GRI Sustainability Reporting Standards (Core option) of the Global Reporting Initiative (hereinafter also the Reporting criteria). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Sustainability Information that are free from material misstatement, whether due to fraud or error, selecting and

applying appropriate criteria and making estimates that are reasonable in the circumstances.

### ASSURANCE PROVIDER’S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Sustainability Information based on our engagement. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised).

ISAE 3000 standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability Information has not been prepared, in all material respects, in accordance with the Reporting criteria.

We did not perform any assurance procedures on the prospective information, such as targets, expectations and ambitions, disclosed in the Sustainability Information. Consequently, we draw no conclusion on the prospective information. Our assurance report is made in accordance with the terms of our engagement with Kesko. We do not accept or assume responsibility to anyone other than

Kesko for our work, for this assurance report, or for the conclusions we have reached.

A limited assurance engagement with respect to responsibility related data involves performing procedures to obtain evidence about the Sustainability Information. The procedures performed depend on the practitioner’s judgment, but their nature is different from, and their extent is less than, a reasonable assurance engagement. They do not include detailed testing of source data or the operating effectiveness of processes and internal controls, and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

Our procedures on this engagement included:

- Interviewing senior management of the Company;
- Conducting interviews with employees, at the group level and subsidiary level, responsible for the collection and reporting of the Sustainability Information, and reviewing of the processes and systems for data gathering, including the aggregation of the data for the Sustainability Information;

- Reviewing internal and external documentation to verify to what extent these documents and data support the information included in the Sustainability Information and evaluating whether the information presented in the Sustainability Information is in line with our overall knowledge of corporate sustainability at Kesko;
- Performing analytical review procedures and testing data on a sample basis to assess the reasonability of the presented Sustainability Information;
- Visiting the Company’s Head Office;
- Assessing that the Sustainability Information has been prepared in accordance with the Sustainability Reporting Standards (Core) of the Global Reporting Initiative.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

**OUR INDEPENDENCE, QUALITY CONTROL, AND COMPETENCES**

We have complied with Deloitte’s independence policies which address and, in certain cases, exceed the requirements of the Code of Ethics for professional accountants issued by the International Ethics Standards Board for Accountants. We have maintained our independence and objectivity throughout the year.

Deloitte Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive

system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. This engagement was conducted by a multidisciplinary team including assurance and sustainability expertise with professional qualifications. Our team is experienced in providing sustainability reporting assurance.

**CONCLUSION**

Based on the procedures we have performed, nothing has come to our attention that causes us to believe that Kesko’s Sustainability Information for the reporting period ended 31 December 2021 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

Our assurance statement should be read in conjunction with the inherent limitations of accuracy and completeness for sustainability information.

Helsinki, March 8, 2022

**Deloitte Oy**

Jukka Vattulainen  
Authorized Public  
Accountant

Teemu Jaatinen  
Authorized Public  
Accountant



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