



Kesco Green Bond Report 2024

March 2025



Contents

Kesko in brief	3
Kesko has three operating divisions	4
Sustainability strategy	5
Sustainability focus areas and key actions	6
Green Finance Framework	7
Use of proceeds	8
Green Bond Impact Reporting	11
Governance, reporting	13



Kesko in brief

Kesko is a Finnish trading sector forerunner. We operate in grocery trade, building and technical trade, and car trade. Our business divisions and chains act in close cooperation with retailer entrepreneurs and other partners.

Kesko has around 1,700 stores engaged in business operations in Finland, Sweden, Norway, Denmark, Poland Estonia, Latvia and Lithuania. By combining online sales and digital services with our extensive store network, we enable a seamless customer experience in all channels.

Kesko and K-retailers together form K Group¹, which is the biggest trading sector operator in Finland and one of the biggest in Northern Europe. Kesko and K-retailers combined employ 39,000 people, and overall K Group¹ employs some 45,000 people.

Sustainability is a competitive advantage for Kesko, and our actions impact our surrounding communities on a wide scale. We strive to enable sustainable choices for customers and drive change throughout the value chain, from production to consumption. The focus areas of our sustainability strategy are climate and nature, value chain, our people, and good governance.

Kesko's shares are listed on Nasdaq Helsinki. The company's domicile and main premises are located in Helsinki, Finland.

¹ Kesko Senukai, a joint venture that engages in building and home improvement trade in the Baltics, is part of K Group.

Operating countries



Kesko's three operating divisions

Grocery trade



K Group is the second biggest grocery trade operator in Finland. Some 900 independent K-retailers ensure good customer experiences for 1.2 million daily customers at K Group's 1,200 grocery stores. Over 700 of the stores also offer online grocery services, also with fast deliveries in collaboration with Wolt. Our grocery store chains are K-Citymarket, K-Supermarket and K-Market. Kespro is the leading foodservice wholesale provider in Finland.



Building and technical trade



The building and technical trade division operates in 8 countries: Finland, Sweden, Norway, Denmark, Poland, Estonia, Latvia and Lithuania. The division has some 500 stores and offers extensive online services via its chains: Onninen serves technical trade customers, while K-Rauta, Bygghjælper and K-Bygg and Davidsen serve professional builders and consumers. In the Baltics, building and home improvement trade operations are handled by the joint venture Kesko Senukai.



Car trade



K-Auto is a leading operator in Finnish car trade. The brands imported and sold by K-Auto are Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen Commercial Vehicles in Finland, and SEAT and CUPRA in the Baltics. The division's operations comprise the import and sales of new cars, used car sales, extensive servicing, repairs and other services, and K-Lataus EV charging. As of spring 2023, the division has also housed sports trade. K-Auto has over 1.3 million customers, served by some 1,300 professionals.



Sustainability strategy

The sustainability strategy covers Kesko's three divisions and has a holistic approach to sustainability. The strategy was updated in October 2024. We have reviewed our strategy based on the UN Sustainable Development Goals and have identified the most material SDG goals and our impact on them.

In our sustainability strategy, we commit to ambitious and goal-oriented sustainability work. The four focus areas of the strategy are climate and nature, value chain, our people, and good governance. Our goal is to enable sustainable choices for customers and drive change throughout the value chain from production to consumption. The key targets and indicators of the strategy are presented in the table on the next page.

The sustainability strategy is promoted in all divisions

We are committed to setting long-term science-based emissions reductions targets and to reducing emissions from the entire value chain to net zero by 2050. We encourage suppliers to set their own emissions targets. Our goal is to prevent nature loss in our own operations and value chain. We support our customers' sustainable choices through sustainable products and services. Responsibility for people means promoting the safety, wellbeing and diversity of personnel and equity in the working community. We have set concrete targets to promote diversity and equity.

In addition to the common sustainability strategy, each division has its own focus areas in sustainability work based on the division's business. For example, the grocery trade is focusing on reducing food waste, creating new circular economy products and supporting customers' healthy choices. In the building and technical trade, suppliers were challenged to set emissions reductions targets, and sustainable choices were made easier by identifying products in the selection that meet strict sustainability criteria. In the car trade, cleaner transport was

promoted through a lower-emission vehicle stock and the strong development of the K Charge network.

Corporate Sustainability Reporting Directive (CSRD)

Kesko's first CSRD-based sustainability report was published in February 2025 as part of Kesko's Annual Report 2024.

<https://www.kesko.fi/en/investor/financial-information-and-publications/Annual-reports/>

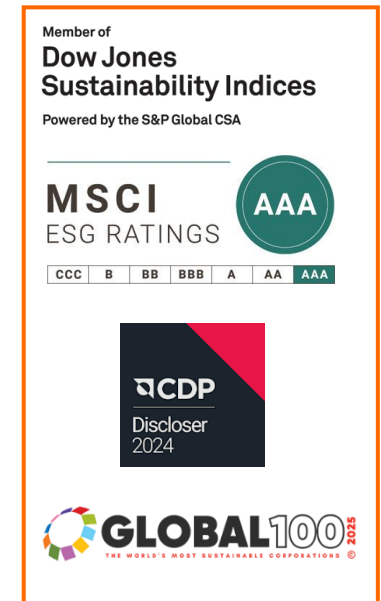
Indices and assessment as indicators of progress

In December 2024, Kesko was listed on the Dow Jones Sustainability Indices the DJSI World and the DJSI Europe as the best company in its industry in Europe.

Between 2012-2024, Kesko has received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

Kesko received the 'B' score in CDP's Climate questionnaire 2024.

'The Global 100 Most Sustainable Corporations' list has been published by Corporate Knights since 2005. Kesko is the only company in the world to have been on the list every year since it was launched. On the list announced in January 2025, Kesko ranked as the best company in its sector (Consumer Staples) and overall, ranked 36th.



Sustainability focus areas and key actions

WE ENABLE SUSTAINABLE CHOICES FOR OUR CUSTOMERS AND DRIVE CHANGE THROUGHOUT THE VALUE CHAIN



CLIMATE AND NATURE

Reduce emissions in the value chain

- Near-term scope 1 and 2 reductions by 2034
- Net zero emissions by 2050
- Challenge suppliers to set science-based climate targets

Promote biodiversity

- Prevent biodiversity losses throughout the value chain by following the biodiversity roadmap
- Set goals for our biodiversity impacts

Take care of the water sufficiency

- Mitigate water scarcity risks in the value chain through responsible water management and by encouraging suppliers to adopt water efficiency targets

Enhance circular economy

- Create new circularity business models
- Enhance waste management and recycling



VALUE CHAIN

Ensure sustainability in the value chain

- Require all our suppliers from risk countries to be audited for social responsibility
- Broaden the scope of supplier social responsibility audits by moving from a risk-country approach to a risk-based approach
- Ensure suppliers' adherence to the K Code of Conduct, sustainability policies, and other relevant standards

Enable sustainable choices for our customers

- Increase the share of sustainable products of net sales
- Make sustainable choices attractive through selections, data-based tools and communications

Create sustainable value for entire society



OUR PEOPLE

Increase the safety and wellbeing of our people

- Support our people's health, wellbeing and capabilities

Foster diversity, equity and inclusion for our employees

- Diverse and inclusive workplace
- Equal pay
- Gender balance on all levels of the organisation



GOOD GOVERNANCE

Commit to the K Code of Conduct

Strengthen sustainability competencies

Automate ESG data processes

Green Finance Framework

Kesko's Green Finance Framework (Framework) is developed to align with the International Capital Market Association's (ICMA) Green Bond Principles 2021, including the June 2022 updated Appendix I, and the Green Loan Principles 2023 administered by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA).

The Framework allows Kesko to raise capital via green bonds and loans (Green Debt).

Kesko issued its first green bond under the Framework on 2 October 2024. The Green Debt under the Framework now consists of the green bond issued in October 2024.

For more details on Kesko's Green Finance Framework please visit <https://www.kesko.fi/en/sustainability/sustainable-kesko/green-finance/>

Outstanding Green Debt under Kesko's Green Finance Framework

Issued amount (EUR million)	Outstanding amount on 31 Dec 2024 (EUR million)	Net proceeds (EUR million)	Issued	Maturity	Coupon	Listing	ISIN
EUR 300	300	297.1	2 October 2024	2 February 2030	3.500%	Nasdaq Helsinki	FI4000578224

Use of Proceeds

Allocation of net proceeds

An amount equal to the net proceeds will finance, in whole or in part, investments undertaken by Kesko or its subsidiaries², in each case as determined in accordance with the Green Project categories defined in the Framework.

The Green Projects may include the value of fixed assets (Assets), capital expenditures (CAPEX) and/or operational expenditures (OPEX), which together will form a portfolio of assets eligible for financing and refinancing with Green Debt. The overarching goal of the Green Projects is to substantially contribute to climate change mitigation and reduce the environmental impact across Kesko's strategic business areas of grocery trade, building and technical trade, and car trade.

For a Green Project to be eligible, the investment activities will be related to development, construction, modernisation, operation or installation of green and energy efficient buildings, renewable energy, and clean transportation.

Financing and refinancing

New financing is defined as allocated amounts to Green Projects financed within or after the issuance year, and refinancing is defined as allocated amounts to Green Projects financed prior to the issuance year.

² In the case of joint ownership (associates and joint ventures), Kesko will only finance its share of the asset value and account for the related impact.


Asset values and CAPEX qualify for refinancing without a specific look-back period, while OPEX qualify with a maximum three-year look-back period prior to the issuance year.

Exclusions

The net proceeds will not be used to finance fossil fuel powered facilities and equipment.






Green Projects

Green Project categories	Project description	EU Taxonomy environmental objective and activities	UN SDG
Green and energy efficient buildings	<p>New buildings</p> <p>New buildings³ that have or will have a net Primary Energy Demand (PED) at least 10 percent lower than the level required by the national building regulation for nearly zero-energy buildings.</p> <p>For buildings larger than 5,000 m², upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity and the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle.</p> <p>Existing buildings⁴</p> <p>Buildings with an Energy Performance Certificate (EPC) of class A or qualifying within the top 15% most energy efficient buildings within the national building stock, expressed as PED and demonstrated by adequate evidence, e.g. through a specialist study.</p> <p>Major renovations</p> <p>Building renovations comply with the requirements applied to major renovations or lead to a total reduction in primary energy demand per square meter and year (kWh/m²/year) by at least 30% compared to the primary energy demand prior to renovation.</p> <p>Building energy efficiency measures</p> <p>Direct costs (e.g. material, installation and labour costs) for the installation, maintenance and repair of energy efficient technologies or other energy saving measures during the construction, maintenance and service phase of a building. These measures may include energy efficient refrigeration display cases and cold rooms,</p>	<p>Climate change mitigation</p> <p>7.1. Construction of new buildings</p> <p>7.2. Renovation of existing buildings</p> <p>7.7. Acquisition and ownership of buildings</p>	

³ New buildings are defined as buildings where the building application was filed on or after 1 January 2021.


⁴ Existing buildings are defined as buildings where the building application was filed on or before 31 December 2020.

	energy management systems, AI and data solutions, energy efficient and low U-value windows, energy efficient lighting, heat exchangers and ventilation, extended or improved thermal insulation, and electric heat pumps (where the global warming potential (GWP) of refrigerants does not exceed 675).		
Renewable energy	Solar power and Wind power <ul style="list-style-type: none"> – Photovoltaics (PV) and related infrastructure. – Expenditures related to long-term (≥ 5 years at signing), project-tied power purchase agreements (PPAs). 	Climate change mitigation 4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power	
Clean transportation	Low carbon transportation Purchase/lease of passenger cars and vans with zero emissions and emissions less than 50g CO ₂ /km. ⁵ EV charging infrastructure Installation, maintenance and repair of charging stations for electric vehicles in buildings and parking spaces attached to buildings. Projects include Kesko's K-Lataus stations in Finland and charging stations installed at store sites in Kesko's other operating countries.	Climate change mitigation 6.5. Transport by motorbikes, passenger cars and light commercial vehicles 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings	 

⁵ Vehicles with specific emissions less than 50g CO₂/km are eligible until 31 December 2025

Green Bond Impact Reporting

By 31 December 2024 the net proceeds from the Green Debt were used to refinance and finance the following eligible Green Projects.

Green project category	Eligible Green Project ⁶	Green Debt	Allocated net proceeds by 31 December 2024 (EUR million)	Unit of impact	Annual impact ⁷	Share of the EU Taxonomy alignment of the projects financed	
Green and energy efficient buildings Renewable energy Clean transportation (Finance / Refinance)	Onninen and K-auto new central warehouse "Onnela" to Hyvinkää, Finland, with a solar plant and EV charging (N)	Green Bond 2024	156.9 ⁸ (Current estimated construction cost by end 2025: 198)	Annual energy use avoided (kWh/m ²) Annual GHG emissions avoided (tonnes of CO ₂ e emissions) Electricity generation using solar photovoltaic technology Installation, maintenance and repair of charging stations for electric vehicles in buildings	Warehouse: 56kWh/m ² 299 tCO ₂ e (est.) Solar plant: 554 MWh 33 tCO ₂ e (est.) EV charging: 33 charging points (when completed)	100%	

⁶ (N) new building, (R) major renovation.

⁷ For new buildings the CO₂ impact has been calculated as the difference between standard use of the building and the requirement level, no information on past energy consumption is available. For renovations the energy consumption after the renovation was compared to the consumption before. The CO₂ emissions for use of electricity were taken from Nordic Public Sector Issuers (NPSI) Position paper on Green Bonds Impact Reporting 2024 (191 gCO₂e/kWh) and for use of district heating from average CO₂ emissions to produce the energy from data provided by Motiva (avg. 145 gCO₂e/kWh).

⁸ The Onninen and K-Auto warehouse project extends to 2025, based on the situation as at 31 December 2024.

Green and energy efficient buildings (Refinance)	K-Supermarket (N) Vaajakoski, Finland K-Supermarket (N) Laihia, Finland K-Supermarket (N) Masku, Finland K-Supermarket Knuutilankangas (N) Oulu, Finland	Green Bond 2024	Average project size 6.4	New and existing buildings: Annual energy use avoided (kWh/m ²)	Average: 36 kWh/m ² 14 tCO ₂ e	0%
		Green Bond 2024	Average project size 6.4	Annual GHG emissions avoided (tonnes of CO ₂ e emissions)	In total: 56 tCO ₂ e	
Green and energy efficient buildings (Refinance)	K-Supermarket Koskituuli (R) Kouvola, Finland K-Citymarket Tammisto (R) Vantaa, Finland K-Citymarket (R) Jämsä, Finland K-Supermarket Basilika (R) Sipoo, Finland K-Citymarket Lielähti (R) Tampere, Finland K-Citymarket (R) Riihimäki, Finland K-Supermarket Hyrrä (R) Tuusula, Finland K-Citymarket Turtola (R) Tampere, Finland K-Citymarket (R) Lappeenranta, Finland K-Citymarket Seppälä (R) Jyväskylä, Finland K-Citymarket Tiiriö (R) Hämeenlinna, Finland K-Citymarket Länsikeskus (R) Turku, Finland	Green Bond 2024	Average project size 5.9	Major renovations: Energy use reduction compared with pre-investment situation (kWh/m ² or in percentage terms) Annual GHG emissions avoided as a result of the renovation (tonnes of CO ₂ e emissions)	Average: 109 kWh/m ² 162 tCO ₂ e In total: 1,944 tCO ₂ e	0%
In total		297.1	255.1 ⁸		2,332tCO ₂ e	62% ⁸



Governance, reporting

Kesko's overall management of environmental, social, corporate governance and financial risks form a core part for its decision-making process. The process for Green Project evaluation and selection is based on the same standard due diligence procedures and decision-making.

Kesko has established a Green Finance Committee to evaluate and select eligible Green Projects and to allocate net proceeds to such assets. The Green Finance Committee consists of CFO, Head of Sustainability, Group Treasurer, and will convene at least annually.

As part of the investment process, managed by Finance department, new and existing investments will be prepared and presented as potential Green Projects to the Green Finance Committee. The Green Finance Committee will then review the potential Green Projects and make the final decision whether the project will be added to the

relevant Green Project Portfolio. The Green Finance Committee also holds the right to exclude any eligible Green Project already funded if the project no longer meets the eligibility criteria defined in the Framework.

Kesko uses a Green Register to track the allocation of net proceeds from Green Debt to eligible Green Projects. The purpose of the Green Register is to ensure that net proceeds from Green Debt will only support the financing of Green Projects. The Green Register forms the basis for the impact and allocation reporting.

Kesko intends to have Green Project allocation that exceeds the balance of net proceeds from its outstanding Green Debt. Should there be any deviations from this, Kesko will strive to allocate an amount equal to the net proceeds within 24 months.

If the total outstanding net proceeds cannot be immediately and fully allocated, or if an Eligible Green Project is sold, proceeds will temporarily be placed in Kesko's general liquidity reserve and managed according to the company's financial policy, until reallocated to Eligible Green Projects.

Kesko will annually until full allocation, and in the event of any material developments, provide investors with a Green Bond Report describing the allocation of proceeds and the environmental impact of the Green Projects.

Kesko has appointed an independent external party, Sustainalytics, annually until full allocation, to verify that an amount equal to the net proceeds has been allocated to eligible Green Projects.

External Review

Sustainalytics Annual Review is available at

<https://www.kesko.fi/en/sustainability/sustainable-kesko/green-finance/>



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