



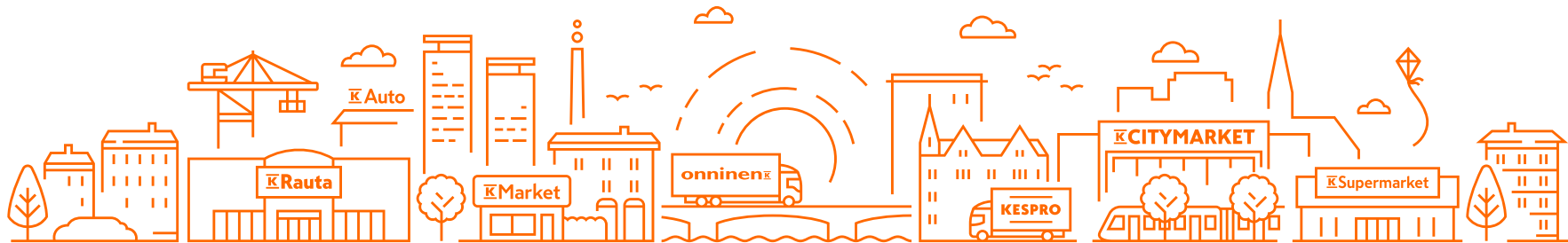
# Kesko Green Bond Report 2025

May 2026



# 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's business divisions are grocery trade, building and technical trade, and car trade. These are areas where Kesko has strong expertise and market positions, and they offer good potential for profitable growth in the long term.

Together with K-retailers Kesko forms K Group, which is the biggest trading sector operator in Finland and one of the biggest in Northern Europe. K Group's retail sales in 2025 totalled some €15 billion. In total, Kesko and K-retailers employ around 39,000 people.

Sustainability is a vital part of Kesko's strategy and the business operations of the three divisions. We strive to enable more sustainable choices for our customers and drive change throughout the value chain. 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 in Helsinki, Finland.

## Operating countries



# Kesko's three operating divisions

## Grocery trade



K Group is the second biggest grocery trade operator in Finland. Some 860 K-retailer entrepreneurs ensure good customer experiences for 1.2 million daily customers at K Group's 1,100 grocery stores. Nearly 800 of the stores also offer online grocery services, also with fast deliveries in collaboration with Wolt. The division comprises the grocery store chains K-Citymarket, K-Supermarket and K-Market, and Kespro, which is the leading foodservice wholesale provider in Finland.



## Building and technical trade



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



## Car trade



K-Auto is a leading operator in Finnish car trade, and its operations comprise the import and sale of new cars, used car sales, extensive servicing and repairs, spare parts, car leasing, and K-Lataus EV charging. K-Auto has over 1.3 million customers, served by some 1,300 professionals. K-Auto brands include Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen Commercial Vehicles in Finland, and SEAT and CUPRA in the Baltics. The division also includes Kesko's sports trade. The chains are Intersport and Budget Sport.



# 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

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<sup>1</sup> For further assessments please refer to <https://www.kesko.fi/en/sustainability/sustainable-kesko/sustainability-indices/>

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 CSRD-based sustainability report is published as part of Kesko's Annual Report 2025.

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

## Indices and assessment as indicators of progress

Kesko is included in the Dow Jones Best-in-Class World and Dow Jones Best-in-Class Europe sustainability indices (DJ BIC) in 2026.

Between 2012-2025, 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 2025.



Kesko is included in the FTSE4Good indices (latest index review in June 2025).



'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 2026, Kesko ranked as the best company in its sector (Consumer Staples) and overall, ranked 50th.<sup>1</sup>

# Sustainability focus areas and key action

**VISION: We enable more sustainable choices for our customers and drive change throughout the value chain**

## CLIMATE AND NATURE

- Reducing emissions in the value chain
- Promoting biodiversity
- Taking care of water sufficiency
- Enhancing circular economy



## VALUE CHAIN

- Ensuring sustainability in the value chain
- Encouraging customers to make sustainable choices
- Creating added value for society



## OUR PEOPLE

- Increasing the safety and wellbeing of our people
- Fostering diversity, equity and inclusion for our employees



## GOOD GOVERNANCE

- Committing to the K Code of Conduct
- Strengthening sustainability competencies across the organisation
- Utilising data and using it to create added value



# 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 subsidiaries<sup>2</sup>, 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.

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.



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<sup>2</sup> 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.

## Green Projects

Green Project categories	Project description	EU Taxonomy environmental objective and activities	UN SDG
<p><b>Green and energy efficient buildings</b></p>	<p><b>New buildings</b></p> <p>New buildings<sup>3</sup> 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 m<sup>2</sup>, 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><b>Existing buildings<sup>4</sup></b></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><b>Major renovations</b></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/m<sup>2</sup>/year) by at least 30% compared to the primary energy demand prior to renovation.</p> <p><b>Building energy efficiency measures</b></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>	

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

<sup>4</sup> 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).		
<b>Renewable energy</b>	<p><b>Solar power and Wind power</b></p> <ul style="list-style-type: none"> <li>– Photovoltaics (PV) and related infrastructure.</li> <li>– Expenditures related to long-term (≥ 5 years at signing), project-tied power purchase agreements (PPAs).</li> </ul>	<p>Climate change mitigation</p> <p>4.1. Electricity generation using solar photovoltaic technology</p> <p>4.3. Electricity generation from wind power</p>	
<b>Clean transportation</b>	<p><b>Low carbon transportation</b></p> <p>Purchase/lease of passenger cars and vans with zero emissions and emissions less than 50g CO<sub>2</sub>/km.<sup>5</sup></p> <p><b>EV charging infrastructure</b></p> <p>Installation, maintenance and repair of charging stations for electric vehicles in buildings and parking spaces attached to buildings.</p> <p>Projects include Kesko's K-Lataus stations in Finland and charging stations installed at store sites in Kesko's other operating countries.</p>	<p>Climate change mitigation</p> <p>6.5. Transport by motorbikes, passenger cars and light commercial vehicles</p> <p>7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings</p>	 

<sup>5</sup> Vehicles with specific emissions less than 50g CO<sub>2</sub>/km are eligible until 31 December 2025

# Green Bond Impact Reporting

By 31 December 2025 the net proceeds from the Green Debt were used to refinance and finance the following eligible Green Projects.

Green project category	Eligible Green Project	Green Debt	Allocated net proceeds in 2025 (EUR million)	Unit of impact	Annual impact <sup>6</sup>	Share of the EU Taxonomy alignment of the projects financed
<b>Green and energy efficient buildings</b> <b>Renewable energy</b> <b>Clean transportation</b> <b>(Finance)</b>	Onninen and K-auto new central warehouse “Onnela” to Hyvinkää, Finland, with a solar plant and EV charging	Green Bond 2024	31.0 <sup>7</sup>	Annual energy use avoided (kWh/m <sup>2</sup> ) Annual GHG emissions avoided (tonnes of CO <sub>2</sub> e emissions) Electricity generation using solar photovoltaic technology Installation, maintenance and repair of charging stations for electric vehicles in buildings	Warehouse: 56kWh/m <sup>2</sup> 299 tCO <sub>2</sub> e Solar plant: 554 MWh 33 tCO <sub>2</sub> e EV charging: 33 charging points	100%



<sup>6</sup> For new buildings the CO<sub>2</sub> 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 CO<sub>2</sub> emissions for use of electricity were taken from Nordic Public Sector Issuers (NPSI) Position paper on Green Bonds Impact Reporting 2024 (191 gCO<sub>2</sub>e/kWh) and for use of district heating from average CO<sub>2</sub> emissions to produce the energy from data provided by Motiva (avg. 145 gCO<sub>2</sub>e/kWh).

<sup>7</sup> The Onninen and K-Auto new central warehouse project “Onnela” extended to 2025. Use by end 2024 was €158.9m as verified by Morningstar Sustainalytics in 2025.

<b>Green and energy efficient buildings (Refinance)</b>	K-Supermarket Kunkku / Onninen Muurala, Finland (N)	Green Bond 2024	5.5 (on average)	<b>New and existing buildings:</b> Annual energy use avoided (kWh/m <sup>2</sup> )	37 kWh/m <sup>2</sup> 75 tCO <sub>2</sub> e	0%
	K-Supermarket Mimmi (R) Muhos, Finland			<b>Major renovations:</b> Energy use reduction compared with pre-investment situation (kWh/m <sup>2</sup> or in percentage terms)  Annual GHG emissions avoided as a result of the renovation (tonnes of CO <sub>2</sub> e emissions)	27 kWh/m <sup>2</sup> 11 tCO <sub>2</sub> e	
	Use in 2025		42.0		86 tCO <sub>2</sub> e <sup>8</sup>	75%
	Use in 2024		255.1 <sup>9</sup>		2,332 tCO <sub>2</sub> e	62%
	<b>Net proceeds and use in total</b>	<b>297.06</b>	<b>297.06</b>	<b>Impact in total</b>	<b>2,418 tCO<sub>2</sub>e</b>	<b>64%</b>



(N) New and existing buildings, (R) Major renovation

<sup>8</sup> Excluding impact for Onninen and K-Auto new central warehouse "Onnela" included in 2024 impact already.

<sup>9</sup> Use by end 2024 verified by Morningstar Sustainalytics. Please refer to <https://www.kesko.fi/4978a1/globalassets/03-sijoittaja/kesko-sijoituskohteena/kesko-green-bond-annual-review-2024.pdf> for details.

## 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, Deloitte Oy for 2025, to verify that an amount equal to the net proceeds has been allocated to eligible Green Projects.<sup>10</sup>

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<sup>10</sup> For 2024 the verification was done by Morningstar Sustainability. Morningstar informed early 2025 that it will discontinue this line of business.

# External Review

Deloitte Annual Review is available at

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



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