



# KESKO ANNUAL REPORT SUSTAINABILITY



# SUSTAINABILITY

Kesko's Annual Report 2020 has four sections. This section describes highlights in sustainability and the objectives and progress made in our sustainability work, and provides key sustainability indicators in accordance with GRI standards.

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

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# HIGHLIGHTS 2020

## PROGRESS MADE IN OUR SUSTAINABILITY WORK:

### WE MADE PROGRESS TOWARDS BECOMING A CARBON NEUTRAL K GROUP

In February 2020, we updated our climate targets, aiming for carbon neutrality by 2025, with zero emissions from our own operations and transports by 2030. The first some 20 K-food stores have been equipped with our new ingenious heat circulation system. The first two all-electric trucks were introduced for deliveries in the Helsinki region. We joined the CDP Supply Chain programme and challenge our suppliers to cut their emissions.

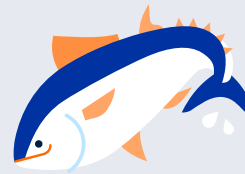
### SAFE SHOPPING IN STORES DURING THE COVID-19 PANDEMIC

Since the outbreak of the Covid-19 pandemic, ensuring the safety of our employees and customers has been of utmost importance for K Group. Kesko and K-retailers have been agile in developing new services, such as dedicated shopping hours for at-risk groups, more online store services, home delivery services and new helpline and phone order services for people over 70.



### HEALTHIER CHOICES WITH THE K-OSTOKSET SERVICE

The new Nutrition section in our data-based K-Ostokset service allows customers to monitor their consumption of sugar, salt, red meat, fish and vegetables. They can compare their own data with the national nutrition recommendations and set goals for their consumption. K-Ostokset also enables users to measure the domestic content and climate impact of their food shopping.



### MORE TRANSPARENCY IN SUPPLY CHAINS

To improve transparency, we share information on the origin of products on our new Tracing Our Products website. We provide information on the origin of tuna, roses and timber and their journey to the shelves of K-stores. The website will focus on products that face challenges regarding the sustainable production of raw materials and whose purchasing is steered by our sustainability policies.

## WHAT WE CONTINUE TO WORK ON:

### WE OPERATE IN A SUSTAINABLE WAY PROMOTING BIODIVERSITY

We will strengthen our biodiversity work and prepare division-specific goals to promote biodiversity. Our objective is to prevent loss of biodiversity in our operations and value chain. We build our selections in such a way that products and their packaging burden biodiversity as little as possible throughout their life cycle.



### WE ARE PREPARING A PROGRAMME FOR DIVERSITY AND INCLUSION

Based on stakeholder surveys conducted in early 2020, we outlined the main goals and potential development activities of our programme to build a more diverse and inclusive K Group. Our goal is, for example, to employ more people representing various language minorities and to help persons with partial working capacity to stay in their jobs.

# SUSTAINABILITY STRATEGY 2018–2022

Our sustainability strategy focuses our sustainability efforts increasingly on our customers. We want to enable sustainable lifestyles for our customers in terms of food, mobility and living.

In spring 2019, Kesko's Board of Directors made sustainability and combatting climate change more central strategic focus areas.



# 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.

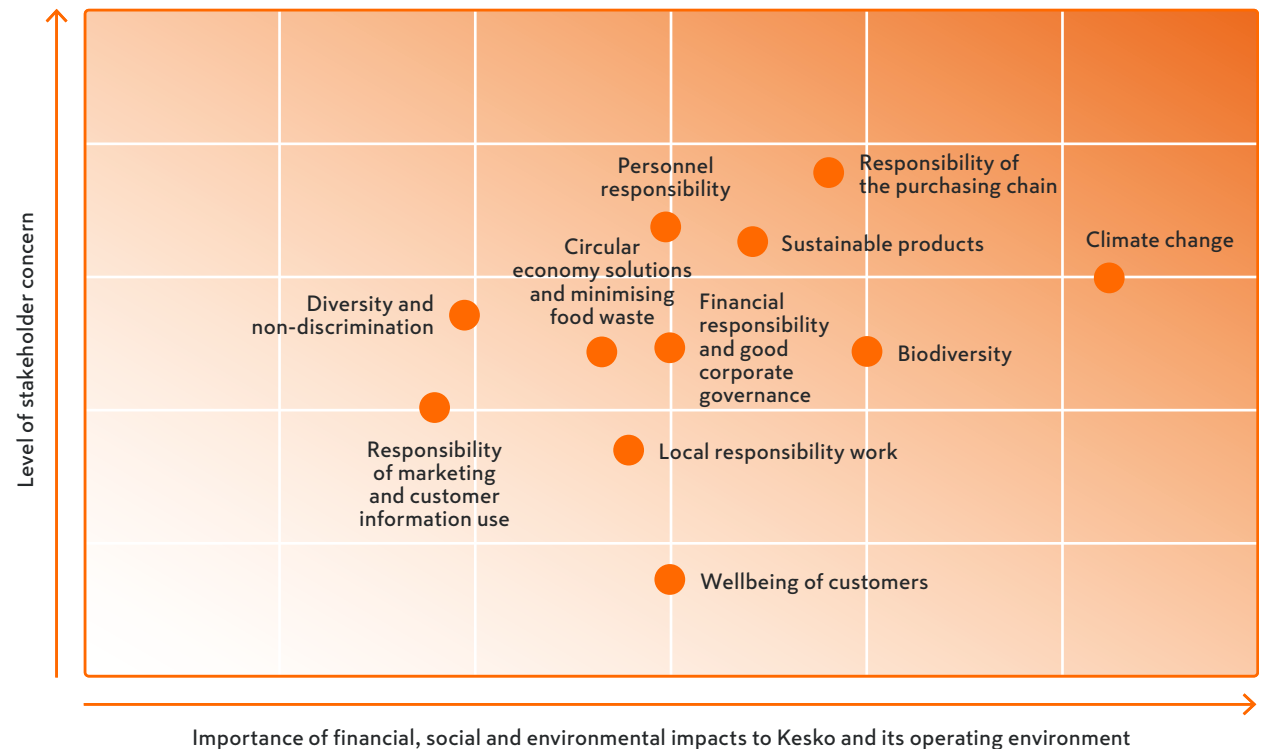
Kesko's latest materiality assessment was carried out in autumn 2020. Based on megatrends and background surveys, 38 material sustainability topics were identified for Kesko and its stakeholders. At a workshop a list of 24 sustainability topics was compiled out of these, and the importance of the topics to Kesko and its stakeholders was evaluated at internal and external stakeholder interviews and online surveys. On the basis of the results, the material sustainability topics were summed up in the workshop 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.

The results of the materiality assessment determine the content of the Sustainability section of Kesko's Annual Report for 2020 and will be utilised in the next update of Kesko's sustainability strategy. The aim is to replace our responsibility programme, which ended in 2020, with the updated sustainability strategy.

Kesko's material sustainability topics are presented in this matrix, 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.

## Materiality matrix

Our vision: Enabling more sustainable consumption and lifestyles





# SUSTAINABILITY THEMES

2020



# SOCIETY

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.

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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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## Financial results and impacts

### OUR OPERATIONS CREATE ADDED VALUE FOR VARIOUS STAKEHOLDERS

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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.

This section depicts cash flows between Kesko and its stakeholders, as well as the distribution of economic value added between stakeholder groups. The most important cash flows comprise revenue from customer purchases and retailer operations, purchases from suppliers of goods and providers of services, dividends to shareholders, salaries and wages paid to personnel, taxes and capital expenditure.

### We pay steady dividends

Kesko has some 57,000 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 2021 that a total dividend of €298 million be paid for the year 2020, which would represent 69.8% of earnings per share and 77.4% of comparable earnings per share. In 2020, Kesko distributed a total of €250 million as dividends, which represented 74.8% of earnings per share and 80.3% of comparable earnings per share.

## Economic benefits from Kesko's operations to stakeholders

€ million		Continuing operations		
		2020	2019	2018
Customers <sup>1</sup>	Revenues	11,600	11,543	11,173
<b>Value added generated</b>		<b>11,600</b>	<b>11,543</b>	<b>11,173</b>
<b>Distribution of value added:</b>				
Suppliers	Goods, materials and services purchased	-10,079	-10,150	-9,920
Employees	Salaries, fees and social security expenses	-751	-775	-694
Payments to providers of capital	Net finance income/costs	-87	-91	-100
Owners	Dividend	-298 <sup>2</sup>	-250	-232
Public sector	Taxes <sup>3</sup>	-91	-84	-77
Community investments	Donations	-2	-2	-2
Development of business operations		294	191	148

Year 2020 includes Kesko Senukai 1-6/2020.

<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 2020

€ million	Purchases	Capital expenditure	Salaries and share-based payments	Social security expenses	Taxes <sup>1</sup>	Total
Finland	6,206	228	434	85	845	7,798
Other Nordic countries	864	166	119	33	90	1,272
Baltic countries, Poland and Belarus	319	5	68	9	26	428
Other countries	1,064		0			1,065
<b>Total</b>	<b>8,453</b>	<b>398</b>	<b>623</b>	<b>128</b>	<b>961</b>	<b>10,563</b>

The table above includes Kesko Senukai companies between 1-6/2020, with the exception of purchases and taxes other than those reported as income taxes on income statement.

<sup>1</sup> Taxes include income taxes, real estate taxes, value-added taxes, excise duties, car taxes, customs duties, net-worth taxes and withholding taxes

### 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.

The capital expenditure for Kesko's continuing operations in 2020 totalled €398 million (2019: €686 million), or 3.7% of net sales (2019: 6.4%). The store site network is a strategic competitive factor for K Group. In 2020, capital expenditure on store sites totalled €126 million (2019: €228 million).



Capital expenditure in international operations accounted for 42.9% (2019: 43.7%) 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 2020 amounted to some €274 million.

### FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

201-4

In 2020, Kesko Group received financial assistance totalling €1.9 million from the public sector. The sum consists mainly of assistance received in Finland (€1.1 million) and in Sweden (€0.7 million). Most of the public sector assistance received in Finland is related to investments in solar power.

### Economic benefit generated by Kesko and K-retailers to Finnish regions in 2020

Region € million	Kesko's purchases of goods	K-retailers' direct purchases of goods	Kesko's and K-retailers' capital expenditure <sup>1</sup>	Salaries paid by Kesko	Salaries paid by K-retailers	Taxes paid by K-retailers	Total
Åland	51.5	-	0.0	0.3	-	-	51.7
Southern Karelia	15.9	10.5	2.5	5.8	13.8	1.2	49.7
Southern Ostrobothnia	269.1	17.3	1.9	4.5	13.6	1.2	307.6
Southern Savo	47.2	7.8	1.6	3.7	11.9	1.6	73.7
Kainuu	19.8	9.4	1.4	1.2	7.6	0.8	40.1
Kanta-Häme	65.6	18.1	5.0	7.8	14.0	1.2	111.9
Central Ostrobothnia	45.8	4.1	0.5	1.7	4.6	0.4	57.1
Central Finland	50.9	17.8	12.6	7.8	22.0	2.2	113.4
Kymenlaakso	49.7	9.1	6.7	7.4	12.9	0.9	86.7
Lapland	27.4	24.9	8.3	5.0	22.8	3.1	91.4
Pirkanmaa	286.5	40.0	7.4	36.7	49.4	4.2	424.2
Ostrobothnia	157.4	12.8	1.7	5.0	11.7	1.4	190.1
Northern Karelia	45.4	15.4	2.4	6.4	12.1	1.4	83.1
Northern Ostrobothnia	148.3	47.7	10.2	18.4	33.1	3.6	261.4
Northern Savo	271.0	26.2	5.7	13.5	22.8	2.1	341.2
Päijät-Häme	131.4	12.8	10.0	11.1	15.0	1.3	181.5
Satakunta	175.4	29.9	3.0	6.8	20.0	1.7	236.7
Uusimaa	3,548.3	195.2	180.6	303.0	159.7	18.3	4,405.2
Varsinais-Suomi	779.5	81.3	12.5	25.3	47.0	5.5	951.1
<b>Total</b>	<b>6,185.9</b>	<b>580.4</b>	<b>274.3</b>	<b>471.3</b>	<b>494.0</b>	<b>52.0</b>	<b>8,058.0</b>

<sup>1</sup> Incl. increase in lease liabilities of K-retailers' equipment

The figures are for those K-retailers whose accounts and payroll are managed by Vähittäiskaupan Tilipalvelu VTP Oy, representing around 94% of K-retailers' total business volume.

## We are a significant taxpayer

207-1 207-2 207-3

Kesko adopted the new GRI 207 tax standard in 2020.

**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 have taken place in the tax management principles. By publishing the tax policy, Kesko aims to increase the transparency of the Group's management approach to tax.

In 2020, Kesko developed tax compliance in several areas in relation to implemented changes in tax legislation. Processes related to value-added taxation have been revised in relation to the so called EU Quick Fixes. In addition, new Group guidance has been implemented in relation to arrangements reportable under the EU DAC6 Directive and applicable local legislation.

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 2020 does not contain provisions for uncertain tax positions.

In 2020, 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 Practitioner's Assurance Report**.



## COUNTRY-SPECIFIC TAX INFORMATION

207-4

During the financial period, Kesko has had operations and personnel in eight countries where it engages in both retail and wholesale trade. A subsidiary of Kesko, Onninen Oy, has had a Purchasing Office in China, which was incorporated in 2020. A permanent establishment was also registered for Onninen Oy in Armenia in 2020 in connection with an export project. The taxes of permanent establishments are paid both in the operating country and in Finland, and the double taxation is eliminated using credit method. Kesko's operations in Russia were discontinued during 2019. Kesko's subsidiary in Kazakhstan has been dormant in 2019 and 2020 and is therefore not covered in by the country-by-country reporting. Kesko's group companies are listed in Financials section in [Note 5.2](#) to the consolidated financial statements.

In 2020, Kesko's income taxes in Finland totalled €70.6 million and in other countries €13.9 million. The Group's effective tax rate was 17.5%. Group's income tax is discussed in the Financials 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 collects and remits withholding taxes and value-added taxes. 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 2020

€ million, continuing operations	Profit before taxes	Income taxes	Value-added taxes	Withholding taxes	Real estate and property taxes	Car taxes	Customs duties	Excise duties
Finland	489.4	70.6	483.3	105.2	5.1	98.8	7.1	74.6
Sweden	5.3	1.9	29.1	13.8	0.3	-	0.1	0.1
Norway	21.9	6.6	23.3	14.3	0.1	-	0.0	-
Estonia	3.8	3.0	5.3	1.0	0.0	-	0.1	-
Latvia	-2.9	0.0	1.6	0.4	0.0	-	-	-
Lithuania	7.1	1.5	3.5	1.0	-	-	0.0	-
Poland	3.5	0.4	6.2	1.3	0.2	-	0.2	-
Belarus	-0.5	0.5	-	-	-	-	-	-
China	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>5.7</b>	<b>98.8</b>	<b>7.6</b>	<b>74.6</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.

## Taxes by country in 2019

€ million, continuing operations	Profit before taxes	Income taxes	Value-added taxes	Withholding taxes	Real estate and property taxes	Car taxes	Customs duties	Excise duties
Finland	395.1	66.0	462.4	99.9	4.9	130.1	6.4	71.5
Sweden	-22.1	1.9	28.2	8.7	0.3	-	0.1	0.1
Norway	1.7	2.4	22.7	16.3	0.1	-	0.0	-
Estonia	8.5	2.3	21.4	2.3	0.0	-	0.3	-
Latvia	-0.6	0.2	14.6	2.1	0.1	-	0.1	-
Lithuania	10.6	3.0	41.8	21.4	0.0	-	2.8	-
Poland	2.7	0.0	2.9	1.5	0.1	-	0.1	-
Belarus	6.9	2.0	7.9	1.6	0.4	-	1.4	-
Russia	0.3	0.0	-	-	-	-	-	-
China	0.2	0.0	0.0	0.0	-	-	-	-
<b>Total</b>	<b>403.3</b>	<b>77.7</b>	<b>601.9</b>	<b>153.9</b>	<b>6.0</b>	<b>130.1</b>	<b>11.1</b>	<b>71.6</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.

Kesko reports the country-by-country tax information to tax authorities based on the OECD model and submits a report for each financial period by the end of the subsequent year. The country-specific information given on this page to supplement our tax footprint is, as applicable, based on reporting to the authorities and therefore given for the year 2019.

Holdings in associates impact the effective 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.

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".

## Country-specific information 2019

€ million, continuing operations	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	Belarus	Russia	China
Personnel at 31. Dec. 2019 <sup>1</sup>	10,203	1,282	1,039	813	1,019	3,486	810	2,515	-	19
Salaries	413.7	44.3	56.2	13.3	14.8	62.1	15.1	13.7	0.1	0.4
Net sales	8,379.9	408.0	620.1	205.8	224.6	497.3	237.2	146.5	-	0.8
Group's internal net sales <sup>2</sup>	8.8	0.9	0.0	4.0	27.6	57.4	0.0	0.1	0.0	-
Profit before tax	395.1	-22.1	1.7	8.5	-0.6	10.6	2.7	6.9	0.3	0.2
Tangible assets	1,301.3	39.0	38.0	10.0	39.4	18.5	17.6	24.1	0.0	0.0
Inventories	647.7	75.0	66.3	30.1	34.3	118.9	26.1	39.3	0.0	-
Income taxes paid	81.9	1.3	2.0	3.3	0.1	3.8	0.0	2.3	-	-
Accrued income taxes <sup>3</sup>	66.0	1.9	2.4	2.3	0.2	3.0	0.0	2.0	0.0	0.0
Effective cash tax rate	20.8%	-5.9%	117.6%	39.3%	16.7%	35.9%	0.0%	33.8%	-	-

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 2019

€ million, continuing operations	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	Belarus	Russia	China
Profit before tax	395.1	-22.1	1.7	8.5	-0.6	10.6	2.7	6.9	0.3	0.2
Local tax rate	20.0%	21.4%	22.0%	20.0%	20.0%	15.0%	19.0%	18.0%	20.0%	25.0%
Tax at local tax rate <sup>1</sup>	-79.0	4.7	-0.4	-1.7	0.1	-1.6	-0.5	-1.2	-0.1	0.0
Effect of tax-free income	1.8	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of expenses not deductible for tax purposes	-1.3	-0.2	-0.2	0.0	0.0	-0.4	-0.1	-0.7	0.0	0.0
Effect of unrecognised deferred taxes	9.5	-6.4	0.1	-2.0	-0.3	-0.3	0.5	0.0	0.0	0.0
Effect of consolidation of share of result of associates and joint ventures	9.4	-	-	-	-	-	-	-	-	-
Others	0.7	-0.3	0.1	0.0	0.0	-0.1	0.2	0.0	0.0	0.0
<b>Tax charge</b>	<b>-58.9</b>	<b>-2.0</b>	<b>-0.5</b>	<b>-3.7</b>	<b>-0.2</b>	<b>-2.4</b>	<b>0.1</b>	<b>-1.9</b>	<b>0.0</b>	<b>0.0</b>
Effective tax rate	14.9%	-9.0%	28.5%	43.9%	-42.4%	23.0%	3.6%	27.7%	5.2%	25.0%

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 2019 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".



## K-retailers and store network

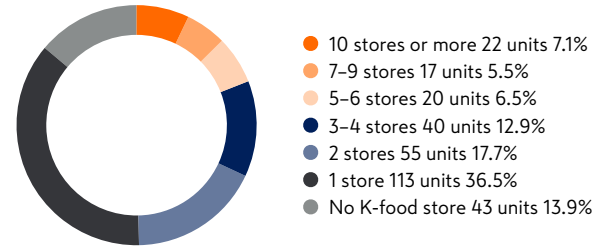
### AN EXTENSIVE STORE NETWORK AND ADDITIONAL SERVICES TO CUSTOMERS

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Kesko's principal business model on the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's chains. Retailer operations accounted for 49% of Kesko's net sales in 2020. At the end of 2020, Kesko had over 1,100 independent K-retailer entrepreneurs as partners. Together, Kesko and K-retailers form K Group, whose retail sales totalled €14.0 billion in 2020 (0% VAT). K Group employs around 39,000 people.

Outside Finland, Kesko mainly engages in own retailing and B2B trade. B2B trade is a significant and growing part of Kesko's business, and accounted for some 33% of Kesko's net sales. Kesko's own retailing accounted for 18% of net sales.

### K-food stores in Finnish municipalities at 31 Dec. 2020



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 2020, the following additional services were available at K-stores:

- Cashback services at all K-food stores
- Parcel and postal services at 995 stores
- Charging points for electric cars at nearly 80 stores
- 409 Rinki eco take-back points

### 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 2020.

### POLITICAL CONTRIBUTIONS

415-1

We do not make monetary donations to political parties.

### CUSTOMER PRIVACY IS OF UTMOST IMPORTANCE TO US

418-1

In 2020, we received no complaints from the authorities or our customers regarding the breach of customer privacy.

### SOCIOECONOMIC COMPLIANCE

419-1

There were no breaches of laws or regulations in the social and economic area in 2020.



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: ADDITIONAL SERVICES AT OUR STORES

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
We provide convenient services for our customers.	At the end of 2020, there were parcel and postal services at 995 K-stores. Despite exceptional circumstances caused by the Covid-19 pandemic, over 270 new parcel pick-up points were opened.  In 2020, the MobilePay mobile payment application was taken into use at nearly all K-food stores.	We maintain an extensive service network and offering so that our customers have everything they need from their local store. We will keep adding new parcel pick-up points in K Group stores.

## 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.

### Kesko's community investments

€1,000	2020	2019	2018
Non-governmental, environmental and other organisations	92	164	299
Sports (adults)	1,246	597	603
Youth sports and other youth work	552	572	203
Science, research and education	61	36	69
Culture	119	71	45
Health	910	792	596
Veteran organisations and national defence	19	7	22
<b>Total</b>	<b>3,000</b>	<b>2,238</b>	<b>1,836</b>



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: DONATIONS, SPONSORING AND CHARITY CAMPAIGNS

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
We focus primarily on sponsoring 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.	<p>We were the main sponsor of the Finnish Cancer Foundation's Pink Ribbon campaign for the sixth time and together with our customers collected nearly €900,000 in donations for the campaign.</p> <p>We targeted our support to help families with children during the Covid-19 pandemic and provided food aid through Me Foundation and Hope ry in Finland.</p> <p>As part of the cooperation between the Finnish Basketball Association and K Group, we organised 24 Pirkka Little Wolves basketball events and regular basketball classes. In 2020, a total of 5,500 children participated in these activities.</p>	<p>K Group is the main sponsor of the Finnish Football Association in 2021-2024. We cooperate on the national team level and with young athletes and want to do our bit in helping to share the experience of succeeding together, which is a part of football, with the whole nation.</p> <p>In the spring and autumn of 2021, we aim to organise the Pirkka Street Basket tours which were cancelled in 2020 due to the Covid-19 pandemic.</p>







# SELECTIONS AND PURCHASING

Our products are researched, safe and responsibly produced. We support local production and offer products from local producers.

Most of our purchases are made from suppliers operating in Finland. In global purchases, we pay special attention to human rights issues and environmental impacts in our supply chains.

Our sustainability policies are used for guiding the sourcing of products that contain ingredients identified as critical from a social and environmental responsibility perspective. We offer an extensive selection of own brand products with responsibility labelling.

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS:

**3** GOOD HEALTH AND WELL-BEING

**8** DECENT WORK AND ECONOMIC GROWTH

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION

**16** PEACE, JUSTICE AND STRONG INSTITUTIONS

## IN THIS SECTION:

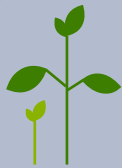
Sustainability policies	17
Sustainable products	20
Promotion of human rights	22
Purchases from Finland and other countries	23
Suppliers' audits and certificates	25

# SUSTAINABLE SOURCING GLOBALLY

We promote sustainability in our supply chains with sustainability policies, suppliers' factory audits, sustainability training and by working in cooperation with international organisations.



Fish and shellfish policy



Soy policy



## FINLAND

Purchases from Finland\*  
**€6.2 billion**  
which is  
**82.5%**  
of total purchases.

Thank the Producer



Local Food Dates



Timber and paper policy



Fairtrade collaboration



Cocoa policy



Cotton policy



Bangladesh Accord



Palm oil policy



Social responsibility audits at factories



Suppliers' sustainability training sessions



\* In 2020, the purchases of goods by Kesko Group's Finnish companies totalled €7.5 billion. Of these purchases, 82.5% were from suppliers operating in Finland and 17.5% from other countries.






# SUSTAINABILITY POLICIES



PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME:




## SUSTAINABILITY POLICIES GUIDING OUR SOURCING – 1 (3)

	OBJECTIVE	PROGRESS IN 2020
 <p><b>Fish and shellfish policy</b></p>	<p>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.</p>	<p>Our fish and shellfish policy based on WWF Finland's Seafood Guide has been in effect for 12 years. The retail selection of Kesko's grocery trade included 228 (2019: 200) MSC-certified fish products and 45 (2019: 30) ASC-certified products. Kespro's HoReCa selection had a total of 215 (2019: 226) MSC-certified products and 24 (2019: 25) ASC-certified products. In 2020, 39 (2019: 5), K-food stores had fish counters with the MSC and ASC traceability certificate, which promotes sustainable fishing and aquaculture.</p>
 <p><b>Palm oil policy</b></p>	<p>By 2020, the palm oil in our own brand groceries will be 100% sustainably produced (CSPO).</p>	<p>100% (2019: 100%) of the palm oil in Pirkka and K-Menu food products sold in 2020 was sustainably produced (CSPO), of which 34.4% was Segregated, 59.8% Mass Balance, and 5.8% RSPO Credits.</p> <p>100% (2019: 100%) of the palm oil in Kespro Menu food products sold in 2020 was sustainably produced (CSPO), of which 0.1% was Identity Preserved, 88.2% Segregated, 10.3% Mass Balance, and 1.4% RSPO Credits.</p>
 <p><b>Soy policy</b></p>	<p>By 2020, 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 will be 100% sustainably produced, and be RTRS, ProTerra or Fairtrade certified.</p>	<p>100% (2019: 100%) of the soy used as an ingredient in Pirkka and K-Menu food products sold in 2020 was sustainably produced soy, of which almost one tenth was ProTerra certified and the rest RTRS credited.</p> <p>100% (2019: 100%) of the soy used as an ingredient in Kespro Menu food products sold in 2020 was sustainably produced soy, of which almost one tenth was RTRS, ProTerra or Fairtrade certified and the rest RTRS credited.</p> <p>In 2020, approximately two thirds of the soy fodder used for the production of products of animal origin in Pirkka, K-Menu and Menu foods were within the scope of the producers' own certification procedures. For the remaining one third we acquired the RTRS credits ourselves.</p>



PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME:




SUSTAINABILITY POLICIES GUIDING OUR SOURCING – 2 (3)

	OBJECTIVE	PROGRESS IN 2020
 <p><b>Timber and paper policy</b></p>	<p>By 2025, timber and paper products in Kesko's product range will be 100% of sustainable origin, FSC or PEFC-certified or made of recycled materials.</p> <p>In the grocery trade, the policy applies to our own brand products. In the building and technical trade, the policy concerns all timber 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 2020 was 88.3% (2019: 88.9%) for pine and 82.0% (2019: 83.4%) for spruce.</p> <p>Of the timber and paper products in the grocery trade's Pirkka and K-Menu ranges, 36% (2019: 24%) contained sustainable raw material, of which 61% were FSC-certified, 36% PEFC-certified and 3% of recycled materials. In Kespro's Menu range, 67% (2019: 31%) of timber and paper products contained sustainable raw material, of which 73% were FSC-certified and 27% PEFC-certified.</p>
 <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.</p> <p>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 2020, we had reduced plastic in the packaging of our own brand products in Kesko's grocery trade by 8% from the 2019 level. In 2020, we reduced plastics by a total of 214 tonnes.</p> <p>The measures taken in 2020 are discussed further in the <a href="#">Climate and environment section</a>.</p>
 <p><b>Packaging policy</b></p>	<p>We avoid using excess packaging material and reduce the use of plastic in our packaging.</p> <p>Our packaging must be recyclable, compostable or reusable.</p> <p>We favour renewable packaging materials: paperboard, paper, cardboard or bio-based plastics.</p> <p>In our wood-based packages, we favour solutions of sustainable origin (FSC or PEFC-certified) or recyclable materials.</p>	<p>In 2020, we made changes to the packaging of a total of 77 own brand products in compliance with our packaging and plastics policies.</p> <p>The measures taken in 2020 are discussed further in the <a href="#">Climate and environment section</a>.</p>



PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME:

SUSTAINABILITY POLICIES GUIDING OUR SOURCING – 3

	OBJECTIVE	PROGRESS IN 2020
 <p><b>Animal welfare policy</b></p>	<p>When making decisions concerning selections, we take the well-being 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 2020, we sold some 250 million eggs, of which 54% (2019: 57%) were furnished cage eggs and 46% (2019: 43%) were barn eggs, organic and free-range eggs.</p>
 <p><b>Cocoa policy</b></p>	<p>By the end of 2020, all the cocoa used in Kesko's own brand cocoa drinks, chocolate confectionery products and chocolate baking products will be of sustainable origin. The cocoa used in other own brand products containing cocoa will be 100% of sustainable origin by the end of 2025.</p>	<p>100% (2019: 78%) of the Pirkka and K-Menu cocoa drinks, chocolate confectionery products and chocolate baking products sold in 2020 contained sustainable cocoa. Of the products containing sustainable cocoa, 89% were UTZ-certified and 11% Fairtrade certified. The Kespro Menu Fairtrade cocoa drink powder was 100% (2019: 100%) of sustainable origin.</p>
 <p><b>Cotton policy</b></p>	<p>All of the cotton sourced for our own clothing and home textile brands will be more sustainable cotton by the end of 2025. 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. More sustainable cotton is certified organic cotton, recycled cotton, Better Cotton or Fairtrade cotton.</p>	<p>We published our cotton policy in March 2020 and set a target for increasing the use of more sustainable cotton in our own brand clothing and home textiles.</p> <p>Kesko has been a member of the Better Cotton Initiative (BCI) since March 2020. The Better Cotton Initiative exists to make global cotton production better for the people who produce it, the environment it grows in and the sector's future.</p> <p>In 2020, 4.8% of the cotton sourced for our own clothing and home textile brands was more sustainable cotton.</p>

# SUSTAINABLE PRODUCTS

[→ Read more about sustainable products](#)

In 2019, we initiated extensive work to identify the products in each division that are sustainable from a climate perspective. We defined sustainable products as those which have a significantly smaller climate impact than comparable products or which are important for adapting to climate change. Our next goal is to report and monitor the sales of sustainable products.

## GROCERY TRADE

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

## BUILDING AND TECHNICAL TRADE

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

## CAR TRADE

- Vehicles with low and zero CO<sub>2</sub> emissions
- Reconditioned parts offered in aftersales business
- Renewable electricity to charge hybrid and electric cars at K Charge stations





### We encourage our customers to increase their use of vegetables

In 2017, we joined the nutrition commitment by making a vegetable commitment, which encourages our customers to increase their use of vegetables through the following actions, which extend to the year 2020:

- We set a target that by 2020, at least 400 K-food stores will have dedicated 'veggie shelves' for plant protein products. The goal was reached in 2018. Today, plant protein products are part of the chain selections of all our grocery store chains.

- We will organise at least 250 vegetable-related campaigns at K-food stores each year (2018–2020). In 2020, we organised 313 (2019: 279) vegetable-related campaigns with 1,209 vegetable products (2019: 1,267).
- We will add at least 50 new fruit or vegetable products to our selections by 2020. In 2020, we added 37 (2019: 73) new fruit and vegetable products to our selections. During the three previous years, we added a total of 152 new fruit and vegetable products to our selections.



PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME:

**OWN BRAND PRODUCTS WITH RESPONSIBILITY LABELLING**

OBJECTIVE	PROGRESS IN 2020		
<p>We offer an extensive selection of own brand products with responsibility labelling.</p>	<p><b>The grocery trade's Pirkka and K-Menu selections:</b></p> <ul style="list-style-type: none"> <li>• 384 (2019: 309) Hyvää Suomesta (Produce of Finland) products</li> <li>• 209 (183) products with the Key Flag symbol</li> <li>• 152 (201) organic products</li> <li>• 89 (84) Seed leaf label products</li> <li>• 154 (97) Nordic Swan label products</li> <li>• 4 (-) EU Ecolabel products</li> <li>• 23 (27) Fairtrade products</li> <li>• 67 (52) UTZ-certified products</li> <li>• 45 (40) MSC-certified fish products</li> <li>• 8 (4) ASC-certified fish products</li> <li>• 9 (9) products with the Finnish allergy label (Allergiatunnus)</li> </ul>	<p><b>Kespro's Menu selection:</b></p> <ul style="list-style-type: none"> <li>• 32 (4) Hyvää Suomesta (Produce of Finland) products</li> <li>• 43 (35) products with the Key Flag symbol</li> <li>• 12 (10) organic products</li> <li>• 29 (24) Seed leaf label products</li> <li>• 29 (25) Nordic Swan label products</li> <li>• 6 (4) Fairtrade products</li> <li>• 11 (11) UTZ-certified products</li> <li>• 34 (41) MSC-certified products</li> <li>• 3 (3) ASC-certified products</li> <li>• 1 (1) product with the Finnish allergy label (Allergiatunnus)</li> </ul>	<p><b>The building and technical trade's Cello, Prof, FXA, GOODIY and Onnline selections:</b></p> <ul style="list-style-type: none"> <li>• 1,159 (1,027) products with the Key Flag symbol</li> <li>• 30 (30) Nordic Swan label products</li> <li>• 278 (267) products with the Finnish allergy label (Allergiatunnus)</li> <li>• 130 (61) M1-certified products</li> </ul>

## Efforts to promote human rights

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.

As part of the human rights assessment in 2016, we conducted a human rights review at factories in the high-risk countries of China, India, Bangladesh and the Philippines in cooperation with the Trade Union Solidarity Centre of Finland SASK. In 2017, we carried out an investigation with SASK 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.

Our K Code of Conduct guidelines include a section on human rights. One of the themes in the refresher eLearning programme on the K Code of Conduct targeted at the entire personnel is non-discrimination. A total of 5,221 employees had completed the refresher eLearning programme by

the end of 2020. Awareness of the K Code of Conduct is regularly promoted through communications and K Code of Conduct training sessions. According to Group guidelines, a K Code of Conduct contract clause must be added to all agreements under which the Kesko Group companies purchase products or services from outside the Group.

Kesko has an Employee Equality and Diversity Group in accordance with the non-discrimination plan. The working group includes representatives of the employer, personnel and labour protection functions and handles matters related to non-discrimination and equality within the Group. Based on the working group's initiative, we drafted guidelines in 2020 on how to react when a customer or a member of the working community speaks in a racist or otherwise derogatory manner. In 2020, we acted as one of the key partners in the Suitable Work for All project organised by the Finnish Association of People with Physical Disabilities and were involved in various events related to the project.

In 2020, we prepared a programme for diversity and inclusion. Based on stakeholder hearings, we outlined the main goals and potential development activities of our programme to build a more diverse and inclusive K Group.

Regular training sessions in responsible purchasing discuss the implementation of human rights in global supply chains. The training sessions discuss the sustainability policies guiding sourcing, the assurance process in purchasing from high-risk countries, the amfori BSCI Code of Conduct principles, and the social responsibility assessment systems approved by Kesko. Due to the Covid-19 pandemic, we were only able to organise one training event for those working in Kesko's purchasing in 2020.



## Purchases from Finland and other countries

### THE MAJORITY OF PURCHASES ARE FROM FINNISH SUPPLIERS

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 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 83% of Kesko's net sales – flows to suppliers of goods, purchases from which were valued at €8.5 billion in 2020. The purchases of all Kesko companies from suppliers operating in Finland totalled €6.2 billion, or 73.4% (2019: 65.3%) of the Group's total purchases.

In 2020, Kesko had some 20,400 suppliers and service providers from whom purchases were valued at a minimum of €1,000 during the year. Of these, some 9,500 operated in Finland, 8,500 in Kesko's other operating countries and 2,300 elsewhere.

The ten largest suppliers accounted for 22.1% (2019: 21.5%) of the Group's purchases of goods, and the 100 largest suppliers for 50.1% (2019: 48.9%). Of the ten largest suppliers, seven were Finnish food industry companies, two

## Kesko's purchases by company's and supplier's country of domicile in 2020

Company's country of domicile	Supplier's country of domicile									Total
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland	Belarus	Other countries	
Finland	6,186	192	12	36	5	12	31	8	1,013	7,495
Sweden	9	311	4	4	-	0	1	-	12	341
Norway	0	4	338	-	-	-	-	-	0	343
Estonia	6	1	0	14	1	1	2	-	13	37
Latvia	2	0	0	0	10	0	1	-	10	24
Lithuania	3	0	0	1	0	10	2	-	11	27
Poland	0	0	0	0	0	0	180	0	5	186
<b>Total</b>	<b>6,206</b>	<b>510</b>	<b>354</b>	<b>55</b>	<b>15</b>	<b>23</b>	<b>217</b>	<b>8</b>	<b>1,064</b>	<b>8,453</b>

Kesko Senukai companies excluded from the table above.

## Kesko's purchases by operating country in 2020

	Suppliers of goods and services in operating country	Purchases from suppliers of goods		Suppliers of goods and services in other operating countries	Purchases from suppliers of goods	
	number	€ million	%	number	€ million	%
Finland	9,340	6,186	82.5	2,316	1,309	17.5
Sweden	3,396	311	91.2	251	30	8.8
Norway	1,941	338	98.6	157	5	1.4
Estonia	512	14	37.8	260	23	62.2
Latvia	425	10	39.8	252	15	60.2
Lithuania	369	10	36.5	167	17	63.5
Poland	970	180	96.6	57	6	3.4
<b>Total</b>	<b>16,953</b>	<b>7,048</b>	<b>83.4</b>	<b>3,460</b>	<b>1,405</b>	<b>16.6</b>

Kesko Senukai companies excluded from the table above.

import companies operating in Finland and one German car manufacturer.

The purchases of goods by Kesko Group's Finnish companies totalled €7.5 billion. Of these purchases, 82.5% were from suppliers operating in Finland and 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. During the Covid-19 pandemic, supporting small food producers is considered to be even more important. 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, because Pirkka products are manufactured in nearly 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. The operating model involves 28 partners and nearly 100 products. Under the operating model, the consumer price may be slightly higher for the products, which enables K Group to pay an additional payment to the producers.

The additional sum is paid directly to the producers. In 2015-2020, products sold under the 'Thank the Producer' model accrued a total of more than €4.8 million in additional money for farmers.

In spring 2020, K Group's grocery division, K-Rauta, the Association for Finnish Work, and more than 150 food product and home and speciality goods companies launched together with Finfood - Finnish Food Information and Kotimaiset kasvikset ry the **Ole osa hyvän ketjua campaign** ("Be part of a chain of good") to promote the important role of all parties, i.e. traders, suppliers, producers, consumers and buyers in supporting Finnish work.

In 2020, the Covid-19 pandemic strengthened appreciation for domestic products in Finland, which was reflected in the growing sales of products with a mark of origin, products with the Hyvää Suomesta (Produced in Finland) label, Avainlippu (Key Flag) products and Sirkkalehti products, in the grocery trade, and in the growing sales of domestic products in the building and home improvement trade.

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. No Local Food Date events were organised in 2020 due to the Covid-19 pandemic.



**PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME:  
LOCAL PRODUCTION**

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
We support local producers	<p>K-retailers' direct purchases from Finnish regions totalled €580.4 million.</p> <p>In 2015-2020, products sold under the 'Thank the Producer' model had accrued a total of more than €4.8 million in additional money for farmers.</p>	<p>To support Finnish work, we are participating in the Teet hyvää ostamalla suomalaista and Rakennat hyvää ostamalla suomalaista ("You do good / you build good by buying Finnish products") campaign, which is a continuation of the 2020 campaign named Ole osa hyvän ketjua ("Be part of a chain of good").</p>



## Efforts to promote transparency in global supply chains

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 2020, direct purchases from suppliers in high-risk countries totalled €105 million (2019: €104 million) and accounted for approximately 1.2% (2019: 1.1%) of Kesko's total purchases. Direct imports from high-risk countries accounted for some 13.6% (2019: 13.9%) of Kesko's total imports to Finland. The figures concern direct purchases in Finland; no statistics are available on direct imports from high-risk countries in Kesko's other operating countries.

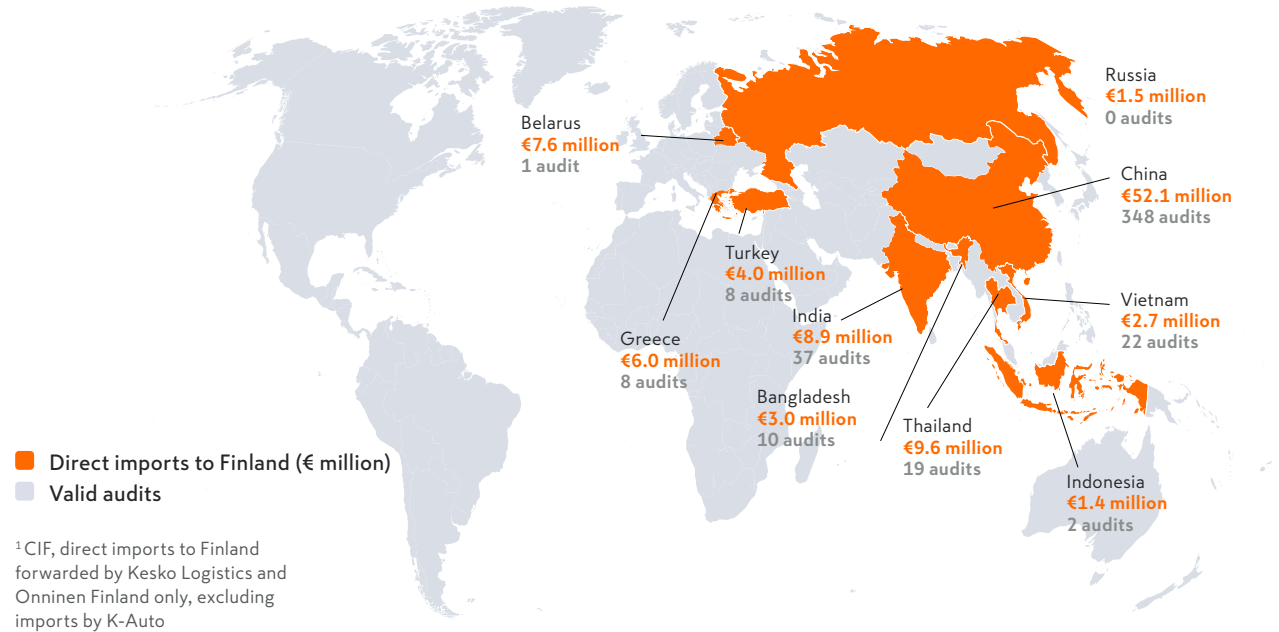
We publish a list of the manufacturers of clothes, accessories, shoes and bags of our own brands and own imports located in high-risk countries and the addresses of the factories annually on our [website](#) to improve the transparency of our supply chain.

## Suppliers' audits and certificates

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

Kesko is a member of amfori, an association dedicated to promoting sustainable trade. We improve the social performance of our supply chain via amfori BSCI. Kesko utilises global social responsibility audit and certification

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



systems, primarily amfori BSCI audits, in the assessment of suppliers in high-risk countries. 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.

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.

Our principle in high-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 suppliers in high-risk countries to have an approved audit when the cooperation begins.

Some of Kesko's suppliers are also members of amfori and thus promote amfori BSCI audits in their own supply chains.

### Results of amfori BSCI audits

In 2020, a total of 210 (2019: 180) of the factories or plantations of Kesko's suppliers underwent full amfori BSCI audits. In addition, 117 (2019: 172) factories or plantations of suppliers underwent amfori BSCI follow-up audits. In spring 2020, because of the Covid-19 pandemic, the validity period of amfori BSCI audits was extended by three months.

The results of the 2020 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' 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 2020, we were obligated to terminate cooperation with six (2019: 9) factories because a consensus could not be reached with the factories regarding necessary corrective measures.



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: SUPPLY CHAIN

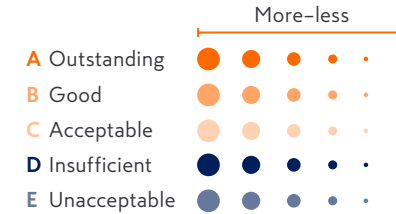
OBJECTIVE	PROGRESS IN 2020
The social responsibility of the production of own direct imports from high-risk countries has been assured.	A total of 210 (2019: 180) of Kesko's suppliers' factories or plantations in high-risk countries underwent full amfori BSCI audits. In addition, 117 (2019: 172) suppliers' factories or plantations underwent amfori BSCI follow-up audits. At the beginning of 2020, Kesko's suppliers in high-risk countries had a total of 613 (2019: 733) valid social responsibility audits.
We assure the responsibility of the ingredients (Tier 2-3) of our own brand Pirkka and K-Menu food products.	In 2015-2018, we conducted an investigation and risk analysis of the origin of the ingredients of more than 2,000 Pirkka and K-Menu own brand food products. In 2019, we adjusted the risk analysis of the ingredients and concentrated on the primary ingredients of Pirkka and K-Menu food products originating from high-risk countries.

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

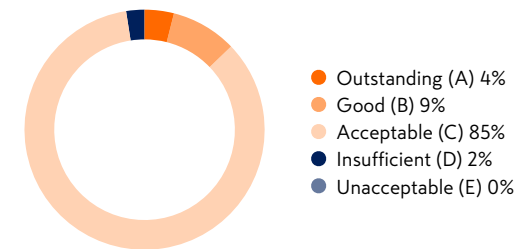
Social responsibility assessment system	1 Jan. 2021, total	1 Jan. 2020, total
amfori BSCI	339	347
SMETA	115	177
SIZA	59	100
SA8000	16	15
Fairtrade	29	28
Rainforest Alliance	20	22
Fair for Life	2	4
For Life	14	10
ICA Social Audit	12	22
ICTI	6	8
WRAP	1	0

### amfori BSCI audit results by area in 2020

Full audits	A		B		C		D		E	
	Outstanding		Good		Acceptable		Insufficient		Unacceptable	
Social Management System and Cascade Effect	● 4%		● 12%		● 12%		● 71%		● 1%	
Workers' Involvement and Protection	● 52%		● 30%		● 18%					
The Rights of Freedom of Association and Collective Bargaining	● 98%		● 2%							
No Discrimination	● 94%		● 5%		● 1%					
Fair Remuneration	● 42%		● 51%		● 7%					
Decent Working Hours	● 17%				● 6%		● 77%			
Occupational Health and Safety	● 68%		● 24%		● 1%		● 6%		● 1%	
No Child Labour	● 100%									
Special Protection of Young Workers	● 100%									
No Precarious Employment	● 92%		● 7%				● 1%			
No Bonded Labour	● 99%		● 1%							
Protection of the Environment	● 78%		● 12%		● 10%					
Ethical Business Behaviour	● 86%		● 14%							



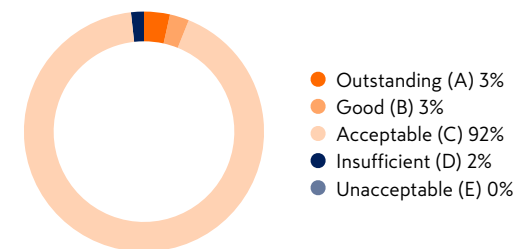
amfori BSCI results in 2020, full audits



#### Follow-up audits

Social Management System and Cascade Effect	● 2%		● 8%		● 7%		● 83%			
Workers' Involvement and Protection	● 55%		● 28%		● 16%		● 1%			
The Rights of Freedom of Association and Collective Bargaining	● 99%		● 1%							
No Discrimination	● 94%		● 3%		● 3%					
Fair Remuneration	● 38%		● 57%		● 4%		● 1%			
Decent Working Hours	● 9%				● 3%		● 86%		● 2%	
Occupational Health and Safety	● 74%		● 20%		● 2%		● 3%		● 1%	
No Child Labour	● 100%									
Special Protection of Young Workers	● 100%									
No Precarious Employment	● 95%		● 5%							
No Bonded Labour	● 100%									
Protection of the Environment	● 79%		● 15%		● 6%					
Ethical Business Behaviour	● 96%		● 3%		● 1%					

amfori BSCI results in 2020, follow-up audits



If the supplier underwent more than one amfori BSCI audit during 2020, the results of the latest audit only are presented.

## Suppliers' sustainability training

Increasing suppliers' awareness of sustainability is important for promoting social responsibility in our supply chains. We annually organise sustainability training sessions for goods suppliers both in-house and through our partners. In 2020, due to the Covid-19 pandemic, we were unable to organise as much training as usual.

In 2020, as part of the ICA Global Sourcing (IGS) purchasing cooperation, Kesko and IGS organised ten training sessions for suppliers from high-risk countries on BSCI requirements and three sessions on BEPI requirements.

## Bangladesh Accord

Kesko is a member of the Bangladesh Accord. The purpose of the Accord on Fire and Building Safety in Bangladesh agreement is to improve electric, fire and building safety in ready-made garment factories in Bangladesh through inspection, training and corrective measures. Kesko requires the ready-made garment factories in Bangladesh that produce for K-Citymarket's mywear brand to be included in the Accord process. In 2020, five (2019: 6) ready-made garment factories in Bangladesh producing for K-Citymarket's mywear brand were included in the Accord process.

## Fairtrade premiums help develop local communities

Kesko's grocery trade selections have included Fairtrade products since 1999. In 2020, the retail selection of Kesko's grocery trade included 260 Fairtrade products, 23 of which were Pirkka products (2019: 27). Kesko's selection had a total of 91 Fairtrade products, 4 of which were Menu products (2019: 4). In 2009–2020, a total of more than €6 million was generated as Fairtrade premiums for social development projects in local communities from Fairtrade products sold by K-food stores. In 2020, a total Fairtrade premium of €935,784 was generated by products sold by K-food stores and Kesko (2019: €964,807).

The products generating the largest Fairtrade premiums were Fairtrade flowers, ice cream and bananas. The Fairtrade premiums have been used, for example, for the renovation and extension of a school and a day care centre and for purchasing kitchen supplies in the local communities.

Fairtrade premiums are also used, for example, at the Oserian flower farm, to grant scholarships to students for upper secondary school and higher education. The Oserian flower farm has contributed to the construction of the Naivasha maternity hospital. The Oserian Fairtrade Premium Committee covers the cost of employees' and their families' hospital care, in addition to maintaining an around-the-clock ambulance service. Part of the farm is located in a nature reserve.

## SUPPLIERS' ENVIRONMENTAL ASSESSMENT

308-1

In 2020, we joined the CDP Supply Chain programme and challenge our suppliers to cut their emissions. We ask our suppliers annually to report on their climate targets and measures through CDP's Climate Change questionnaire.

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

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. In 2020, an IGS Environmental Assessment was carried out on 11 suppliers.

We participate in the amfori BEPI programme, which aims to develop environmental management of suppliers in risk countries. At the end of 2020, 19 of our suppliers in risk countries participated in the amfori BEPI process. One supplier had passed the BEPI assessment carried out by a third party.

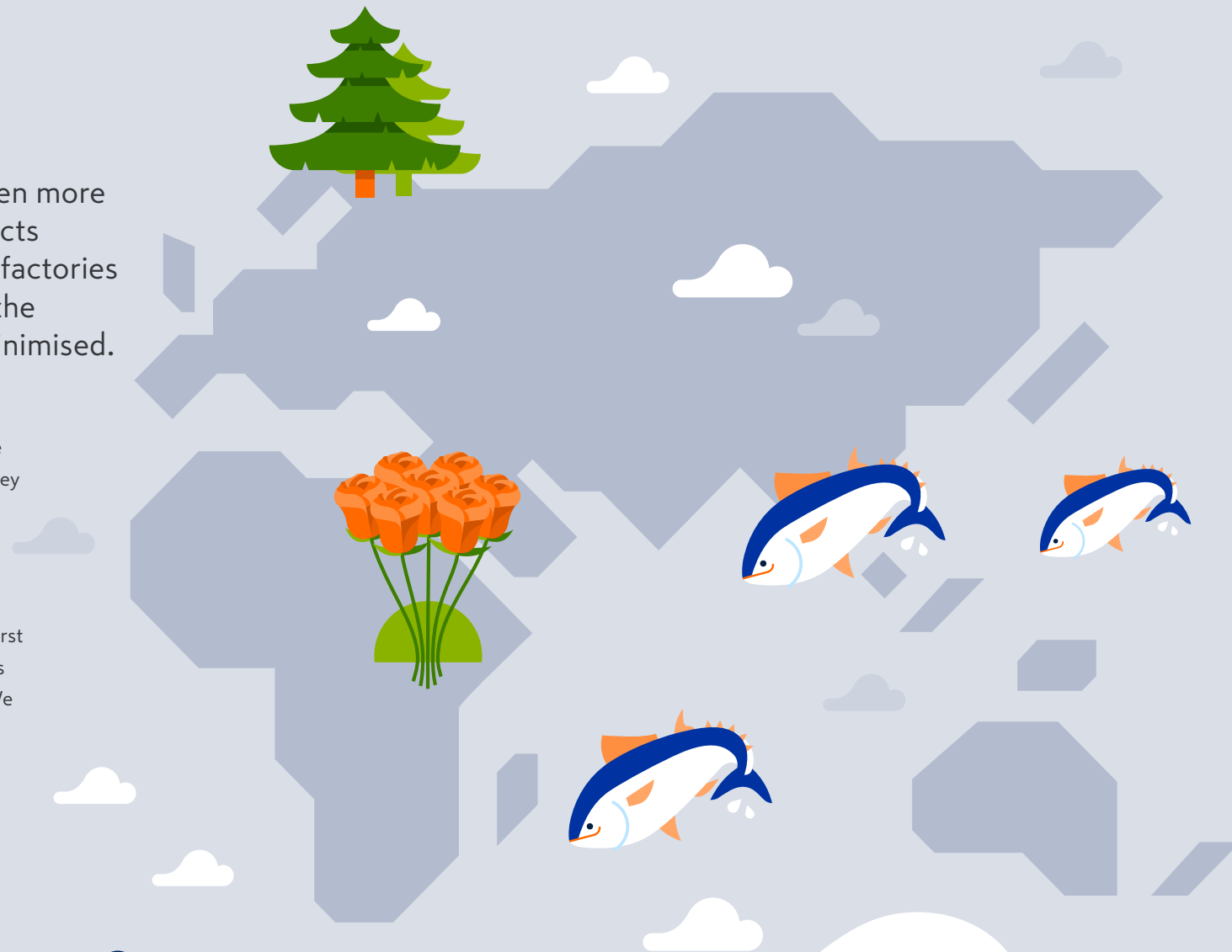
## TRACE THE ORIGIN OF PRODUCTS

Companies are expected to provide even more open information on where their products come from, how working conditions at factories and premises are monitored, and how the environmental impact of products is minimised.

To improve transparency in our supply chains, we launched the Tracing Our Products website in autumn 2020, where we provide information on the origin of products and their journey to the shelves of K-stores.

The website initially provides information on the origin of all Pirkka and K-Menu tuna and Pirkka Fairtrade roses and their journey to the shelves of K-stores. Of Finnish products, we first provide information on the journey of PROF Timber products from the forest to sawmills and then on to K-Rauta stores. We aim to add information to the website on products that our customers and stakeholders are particularly interested in.

The products on the Tracing Our Products website are K Group's own brand products. We will select products that face challenges regarding the sustainable production of raw materials and whose purchasing is steered by K Group's sustainability policies.



[→ Read more kesko.fi/producttracing](https://kesko.fi/producttracing)



## 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 2020, the total number of certified suppliers was 517 (2019: 605).

We analysed 6,440 (2019: 7,405) product samples.

Almost 4,000 of the samples were related to the product development of our own brands. A total of 2,113 own control samples were analysed (2019: 2,478).

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 assessment covers all product categories which have own brand products.

### 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 2020, we made 165 product recalls in the grocery trade (2019: 156). Of these, 42 concerned our own brand products (2019: 39). In other cases, our Quality and Product 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 2020, this happened six times for our own brand products (2019: 2).

In the building and technical trade, we made two recalls in K-Rauta in 2020 (2019: 7). No recalls were made in Onninen in 2020 (2019: 1).

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 2020, a total of 47 recall campaigns were launched for brands represented by K-Auto (Volkswagen passenger cars and commercial vehicles, Audi, SEAT, CUPRA, Porsche and MAN) (2019: 57).

There were no legal proceedings or fines associated with product safety or health in Kesko in 2020.

## MARKETING COMMUNICATIONS AND PRODUCT INFORMATION

### Package labelling helps consumers in making responsible choices

417-1

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



More about our Covid-19 measures  
[kesko.fi/coronavirus](https://kesko.fi/coronavirus)

- 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 foreign Pirkka products, 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. As this packaging renewal concerns some 3,200 products, it is still partially underway.

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 2020, 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 2020, there were 9 product recalls of Kesko's own brand products resulting from defective product labelling (2019: 4).

### We observe good marketing manners

#### 417-3

In 2020, 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.

### 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 2020, our cashiers verified the age of 2,812,016 (2019: 3,252,195) customers purchasing alcohol and 1,429,342 (2019: 1,711,473) customers purchasing tobacco. Based on these checks, we had to decline 15,949 alcohol purchases (2019: 24,854) and 9,252 tobacco purchases (2019: 15,657).

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'.

In 2020, the first two all-electric trucks were introduced for deliveries in the Helsinki region.

# CLIMATE AND ENVIRONMENT

We are committed to the goals of the Paris Agreement to mitigate climate change. K Group is striving to become carbon neutral by 2025 and reduce emissions to reach zero emissions from our own operations and transports by 2030.

We reduce emissions by increasing the use of renewable energy and by improving our energy efficiency.

We promote the sustainable use of natural resources in our supply chains.

We reduce food waste in cooperation with the food supply chain, from primary production to the store.

We encourage our customers and partners to reduce their own environmental impacts.

WE PROMOTE THE FOLLOWING UN SUSTAINABILITY GOALS:



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Emissions	40
Water	45
Biodiversity	46
Circular economy and waste management	50
Food waste	53



## Carbon neutral K Group 2025

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 mobility.

K Group aims to be carbon neutral in 2025. We will systematically reduce emissions so that our own operations and transports are emission-free by 2030. In between 2025 and 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 now 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.

In 2020, we made progress towards a carbon neutral K Group through many measures. Around 20 K-food stores are already equipped with our ingenious heat circulation

system. The first two all-electric trucks were introduced for deliveries in the Helsinki region.

K Group also encourages its suppliers, the whole supply chain and its customers to take measures to reduce emissions.

Our objective is to have emission reduction targets set by 2025 for two-thirds of direct supplier emissions. In 2020, we joined the CDP Supply Chain programme and challenged our suppliers to reduce their emissions.

On social media and in marketing we encourage our partners and customers to participate in climate actions, for example, with the help of our Cursing Carbon character, which helps us communicate to our customers our actions related to carbon footprint and mitigating climate change and encourages 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 K Group's customers.

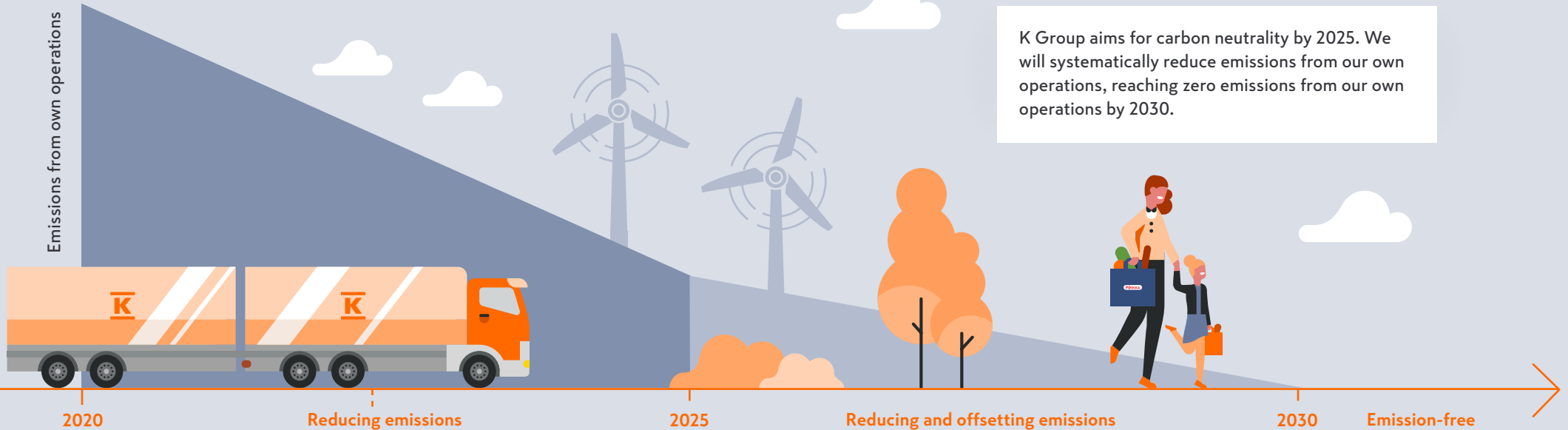
In 2020, we were involved in the Opinkirjo partnership, in which we produced educational material on climate change for use in secondary schools.

# K GROUP AIMS TO BE CARBON NEUTRAL IN 2025.



# TOWARDS A CARBON NEUTRAL K GROUP

Emissions from own operations



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

2020

Reducing emissions

2025

Reducing and offsetting emissions

2030

Emission-free

- Two all-electric trucks
- Seven new solar power plants, 42 in total
- Ingenious heat circulation system
- Updating refrigeration equipment to environmentally friendly refrigerants
- A “carbon neutral grocery store” operating model

- Emissions reduction targets for suppliers, CDP Supply Chain programme
- District heat with low emissions
- Utilising AI in analysing energy consumption data
- Led lamps in store lighting
- Switching to biofuels in transports, more electric trucks
- Obtaining wind power from a new wind farm in Finland
- 100% renewable electricity also in operating countries outside Finland

From 2025 onwards, we will offset the remaining emissions from our own operations.

We will achieve zero emissions in our own operations by 2030.



### CARBON NEUTRAL GROCERY STORES

In 2019, K Group, 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 aim is to identify and implement actions to reduce the carbon footprint of the store and then calculate the necessary amount of offsets. Our goal is that stores will have less and less need for offsets in the future.

### CARBON FOOTPRINT CALCULATOR IN THE K-OSTOKSET SERVICE

Our data-based K-Ostokset service allows users to track how much Finnish food they are buying and has a carbon footprint calculator, which provides information on the carbon footprint of a customer's shopping basket at the product category level. The service's new Nutrition section allows customers to monitor their consumption of sugar, salt, red meat, fish and vegetables. This way they can compare their own data with the national nutrition recommendations and set goals for their consumption.



# 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.

EMISSIONS FROM PRODUCTION OF PRODUCTS SOLD

**5,900,000** 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

**89,000** 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

**1,600,000** 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.

### 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 2020, we purchased a total of 552 GWh of Renewable Energy Guarantees of Origin (REGO). This renewable electricity was purchased from the Nordic countries, and 78% of it was produced by hydroelectric power and 22% by bioenergy. About 473 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 used by Kesko.

In addition, the electricity used by K Charge stations is produced with Finnish wind power.

### Energy consumption of properties in Finland

At the end of 2020, properties managed by Kesko in Finland (owned and leased) included offices, warehouses and 1,228 store sites. The most significant properties in terms of energy consumption include K-Citymarkets, K-Supermarkets and large wholesale and storage buildings.



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME RENEWABLE ENERGY

OBJECTIVE	PROGRESS IN 2020
We will purchase 100% renewable electricity in Finland.	In 2020, we purchased 552 GWh of renewable electricity produced with hydropower and bioenergy with Renewable Energy Guarantees of Origin (REGOs) from the Nordic countries.
We will increase the production of solar power for our own use.	In 2020, Kesko had 42 solar power plants installed at properties it manages. A total of 9.3 GWh of electricity was produced with solar power. At the end of 2020, the annual electricity production capacity of our solar power plants was approximately 11 GWh.

The majority of properties used district heat and additionally 3.5% of the heat energy was produced with fuels. In 2020, the heat energy self-produced with natural gas and oil at properties in Finland totalled 39.2 TJ (10,880 MWh).

### Energy consumption in properties in other operating countries

The heat energy was partly self-produced with natural gas and oil. In 2020, the fuels used for self-produced heat totalled 14.8 TJ (4,119 MWh).

### Total energy consumption

In 2020, our energy consumption in all operating countries totalled 3,825 TJ (including properties and logistics).

### ENERGY CONSUMPTION OF PROPERTIES

Finland	2020	2019
Electricity <sup>1</sup> (MWh)	552,372	560,596
District heat (MWh)	302,185	316,575
Fuel for self-produced heat (MWh)	10,880	11,136
Total energy consumption (MWh)	865,437	888,307
Total energy consumption (TJ)	3,116	3,198
Other operating countries	2020	2019
Electricity (MWh)	36,023	75,620
District heat (MWh)	8,486	16,697
Fuel for self-produced heat (MWh)	4,119	20,662
Total energy consumption (MWh)	48,628	112,979
Total energy consumption (TJ)	175	407
All operating countries	2020	2019
Total energy consumption (MWh)	914,065	1,001,286
Total energy consumption (TJ)	3,291	3,605

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

## Fuel consumption

The energy consumed by Kesko Logistics' own transportation was 529 TJ in 2020. The fuel used was diesel. In 2020, the total distance driven by Kesko Logistics was 35.9 million kilometres.

Logistics operations in the other operating countries are mostly outsourced. In 2020, logistics in Sweden and Poland consumed 4.8 TJ of fuel (diesel and gas).

A total of 588 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 INTENSITY

302-3

Maintaining the cold chain throughout the grocery trade's logistics and grocery 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>	2020	2019
Specific consumption of electricity	206	201
Specific consumption of district heat	85	86

## 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. Achieving the objective requires some 21 GWh of new energy efficiency measures annually. To monitor the implementation and to manage the extensive energy efficiency measures we have, together with our partner organisations, 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% 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 of 71 GWh, which is 90% of the target for 2025. The calculation includes electricity, heating, fuels and district cooling.

### New energy recycling system in K-food stores

The ingenious heat circulation system implemented 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 innovation can reduce a property's heat consumption by as much as 85–95%, making the store almost carbon neutral instantly in terms of energy.

The concept can be replicated in stores of all sizes. The system is already in use in around 20 stores and was awarded the European Heat Pump City of the Year 2020 prize. Motiva awarded the system the Energy Genius of the Year 2019 recognition.



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: ENERGY EFFICIENCY IN STORES

#### OBJECTIVE

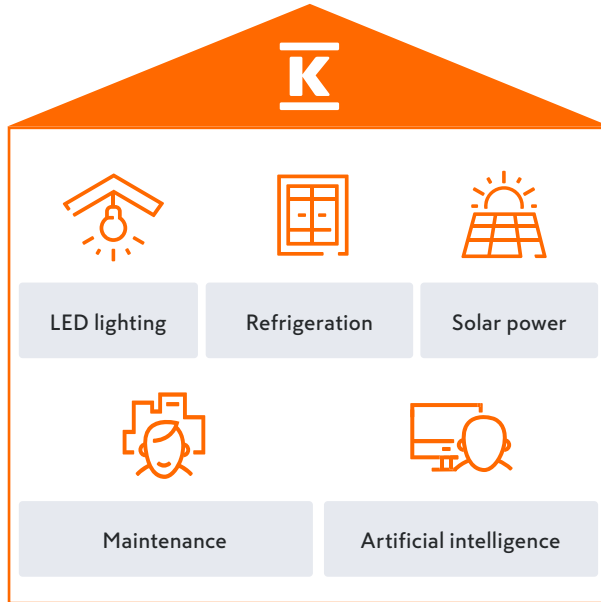
In our energy strategy, we aim to achieve a 10% increase in energy efficiency by 2023.

#### PROGRESS IN 2020

In 2020, we implemented about 20.3 GWh of energy efficiency measures, which is 97% of the annual target rate of 21 GWh in our energy strategy.



## 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.

### 2. Utilising AI

Towards the end of 2020, we were the first trading sector company to introduce a new type of method for analysing energy measurement data.

In the method based on machine learning, 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. We have already previously utilised similar analytics, which is based on data stored by a building management system.

### 3. Updating refrigeration systems

In food stores, refrigeration systems can account for more than half of the total electricity consumed at small store sites.

Condensation heat from refrigeration units is recovered at nearly all K-food stores, which means that additional heat energy is needed only during very low sub-zero temperatures. A new ingenious heat circulation system combines a very low-emission refrigeration system that uses a natural refrigerant, a heat pump and recovery systems needed for recycling energy.

Old systems, which use R404A as refrigerant, will be converted into energy efficient systems using environmentally friendly refrigerants by 2030. At the end of 2020, the refrigeration units at 243 K-food stores used carbon dioxide recovered from industrial processes as the refrigerant, while units at 108 stores used R290 propane. A total of 351 stores used natural refrigerants that complied with the requirements of the EU's F-gas Regulation.

### 4. 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.

### 5. 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.

A total of 9.3 GWh of electricity was produced with solar power for own use at K-food stores. At the end of 2020, the total annual output of our 42 solar power plants in use was approximately 13.5 MWp and electricity production capacity was around 11 GWh.

## 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 used by Kesko and district heat consumed in properties managed by Kesko.

 [Read more about renewable energy and energy efficiency](#)

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

Tonnes CO <sub>2</sub> -eq	2020	2019
<b>Direct (Scope 1)</b>	<b>38,538</b>	<b>47,721</b>
Finland	37,394	40,329
logistics (Kesko Logistics)	34,850	37,659
self-produced heat (natural gas and oil)	2,544	2,670
Other operating countries <sup>1</sup>	1,144	7,392
logistics (Sweden and Poland)	292	2,946
self-produced heat (natural gas and oil)	852	4,446
<b>Indirect (Scope 2)</b>	<b>50,474</b>	<b>72,444</b>
Finland	46,536	51,924
purchased electricity (market-based)	0	0
purchased electricity (location-based) <sup>2</sup>	77,884	77,157
purchased district heat (location-based)	46,536	51,924
Other operating countries <sup>1</sup>	3,938	20,520
purchased electricity (location-based)	3,232	17,467
purchased district heat (location-based)	706	3,053
<b>Total</b>	<b>89,012</b>	<b>120,165</b>
Finland, Scope 1 and 2 total	83,930	92,253
Other operating countries, Scope 1 and 2 total	5,082	27,912

<sup>1</sup> In 2020, Kesko Senukai became a joint venture and its emissions data was not reported. In 2019, Kesko Senukai accounted for approximately 17% of Scope 1 and 2 emissions.

<sup>2</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.

### 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 the 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 (76%), in the use phase of the products (20%) and by the shopping commutes of customers (2%).

### GHG emissions intensity

305-4

The Scope 1 and 2 greenhouse gas emissions intensity is calculated in relation to net sales (2020: €10,669 million) and the average number of employees (2020: 14,034).

### Scope 1 and 2 GHG emissions intensity

	2020	2019
Based on net sales (tonnes CO <sub>2e</sub> / € million)	8.3	11.2
Based on average number of employees (tonnes CO <sub>2e</sub> / person)	6.3	5.8

### OTHER INDIRECT GHG EMISSIONS (SCOPE 3)

Tonnes CO <sub>2</sub> -eq	2020	2019
<b>Upstream</b>		
Purchased goods and services	5,897,900	6,120,100
Capital goods (buildings)	5,500	29,600
Indirect emissions of purchased energy (other than Scope 1 and Scope 2)	19,000	26,700
Transport and distribution of goods <sup>1</sup>	10,800	8,400
Waste	6,100	8,300
Business travel <sup>1</sup>	900	2,700
Employee commuting <sup>1</sup>	11,500	18,500
<b>Downstream</b>		
Shopping commutes by customers <sup>1</sup>	136,000	141,200
Use of sold products	1,560,300	1,523,300
End-of-life treatment of sold products	47,800	46,600
K-retailer entrepreneurs	40,900	93,800

<sup>1</sup> Boundary: Finland

### Nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>) and other significant air emissions

305-7

The electricity and heating energy consumed in properties managed by Kesko in Finland in 2020 caused:

- NO<sub>x</sub> emissions: 246 tonnes (2019: 251 tonnes)
- SO<sub>2</sub> emissions: 209 tonnes (2019: 213 tonnes)
- Amount of radioactive waste produced by nuclear power: 0.4 tonnes (2019: 0.4 tonnes)

The particulate emissions in 2020 for Kesko Logistics in Finland were:

- NO<sub>x</sub> emissions: 10 tonnes (2019: 11 tonnes)
- SO<sub>2</sub> emissions: 0.1 tonnes (2019: 0.1 tonnes)

## Science Based Targets

305-5

We were the first Finnish company to set climate targets approved by the Science Based Targets initiative in 2017.

We aim to achieve the ambitious emission goals by increasing the use of renewable energy and by improving energy efficiency.

## 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 the use of electric trucks as the technology develops. In 2020, the first two all-electric trucks were introduced for 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



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: SCIENCE BASED TARGETS

OBJECTIVE	PROGRESS IN 2020
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 have decreased 21% compared to the base year. In 2020 Kesko Senukai was reported as a joint venture. If Kesko Senukai would have been included in the 2020 emissions as in previous years, the emissions reduction would have been approximately 5%.
In addition, we are committed to reducing our supply chain emissions (Scope 3) so that 90% of Kesko's key suppliers will set their own GHG emissions reduction targets by 2025.	Out of Kesko's key suppliers in 2020, 45% had set their own emission reduction targets.



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: LOGISTICS EMISSIONS

OBJECTIVE	PROGRESS IN 2020
The target of Kesko Logistics is to reduce emissions relative to the net sales index by 10% from the 2011 base year by 2020.	The relative emissions decreased by 21% from the level of the 2011 base year and we have reached our target. In 2020, the relative emissions increased by 2.6% from 2019, due to regional variations in transportation caused by the Covid-19 pandemic.



## Emission reductions of products for sale

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

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

### ENVIRONMENTAL IMPACTS OF FOOD CHOICES

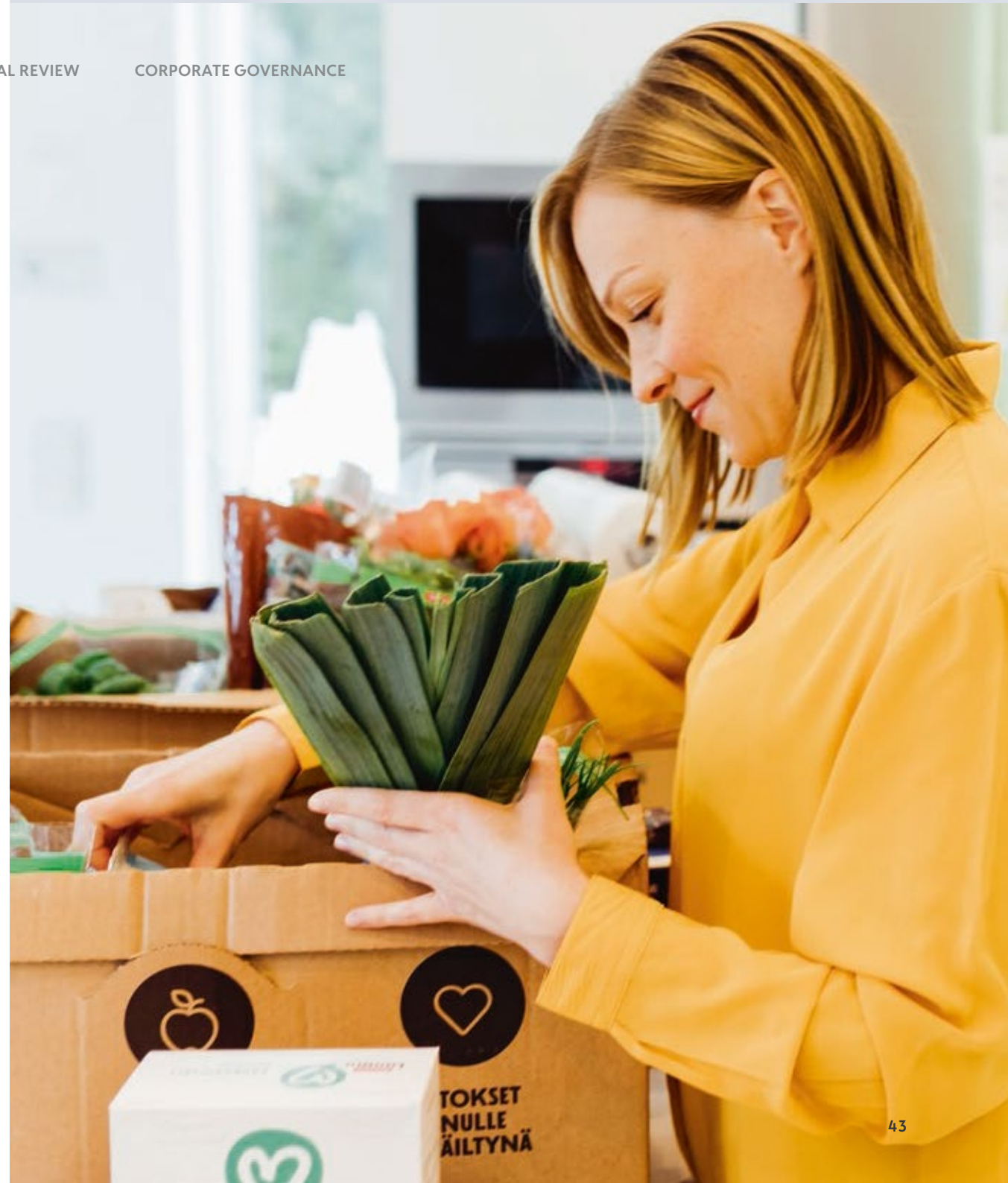
Households can decrease the environmental impact of their food choices by reducing the consumption of animal-based products and food waste created at home.

We help our customers decrease the carbon footprint of their shopping. In the K-Ostokset application 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 channel for customers offering advice for energy saving, renovation and repairs.



### ELECTRIC CARS ARE INCREASINGLY POPULAR

In 2020, K Group's car trade division's selection included 28 (2019: 20) plug-in hybrid car models (PHEV) and 12 (2019: 6) all-electric cars as well as 11 (2019: 11) car models (passenger cars and vans) using natural gas or biogas as fuel. In 2020, the registrations of Volkswagen, Audi, SEAT and Porsche plug-in hybrids in Finland increased by 203.8%, whereas the registrations of electric cars increased by 604.8% compared to 2019. The registrations of natural gas or biogas cars decreased by 37.1% compared to 2019.

We have built an extensive network of electric vehicle charging points adjacent to K Group stores in order to advance the electrification of cars.

At the end of 2020, the K Charge network had 109 fast charging points and 274 standard charging points at a total of 78 charging stations. The K Charge network is the largest fast charging network in Finland, with standard charging also offered. We also offer three extremely efficient high-power charging (HPC) stations in cooperation with IONITY. The electricity provided at all K Charge stations is produced with Finnish wind power.

In 2020, the amount of fast charging at K Charge stations increased by 30%, even though only two new stations were opened.

### 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 nearby 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 headquarters 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 Covid-19 pandemic, business travel decreased in 2020, and online meetings became a standard part of our office workers' daily life. In 2020, the air miles flown by Kesko employees travelling for business totalled 1.2 million (2019: 8.6 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 beginning of 2020, we introduced four shared K-Kampus cars, two of which are electric cars, one is a natural gas/petrol hybrid, and one is a multi-purpose 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 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 have increasingly put emphasis on purchases from areas with lesser water risks. Next, we will assess the water risks involved in the supply chain of Pirkka mini plum tomatoes.

### 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>	2020	2019
Finland	980,099	1,036,734
Sweden	8,191	7,107
Norway	9,317	12,485
Estonia	1,599	7,762
Latvia	883	12,061
Lithuania	302	47,512
Poland	2,695	5,206
Belarus	-	64,879
<b>Total</b>	<b>1,003,086</b>	<b>1,193,745</b>





## Biodiversity

Biodiversity has risen alongside climate change as a significant global threat.

We will strengthen our biodiversity work and prepare division-specific goals to promote biodiversity.

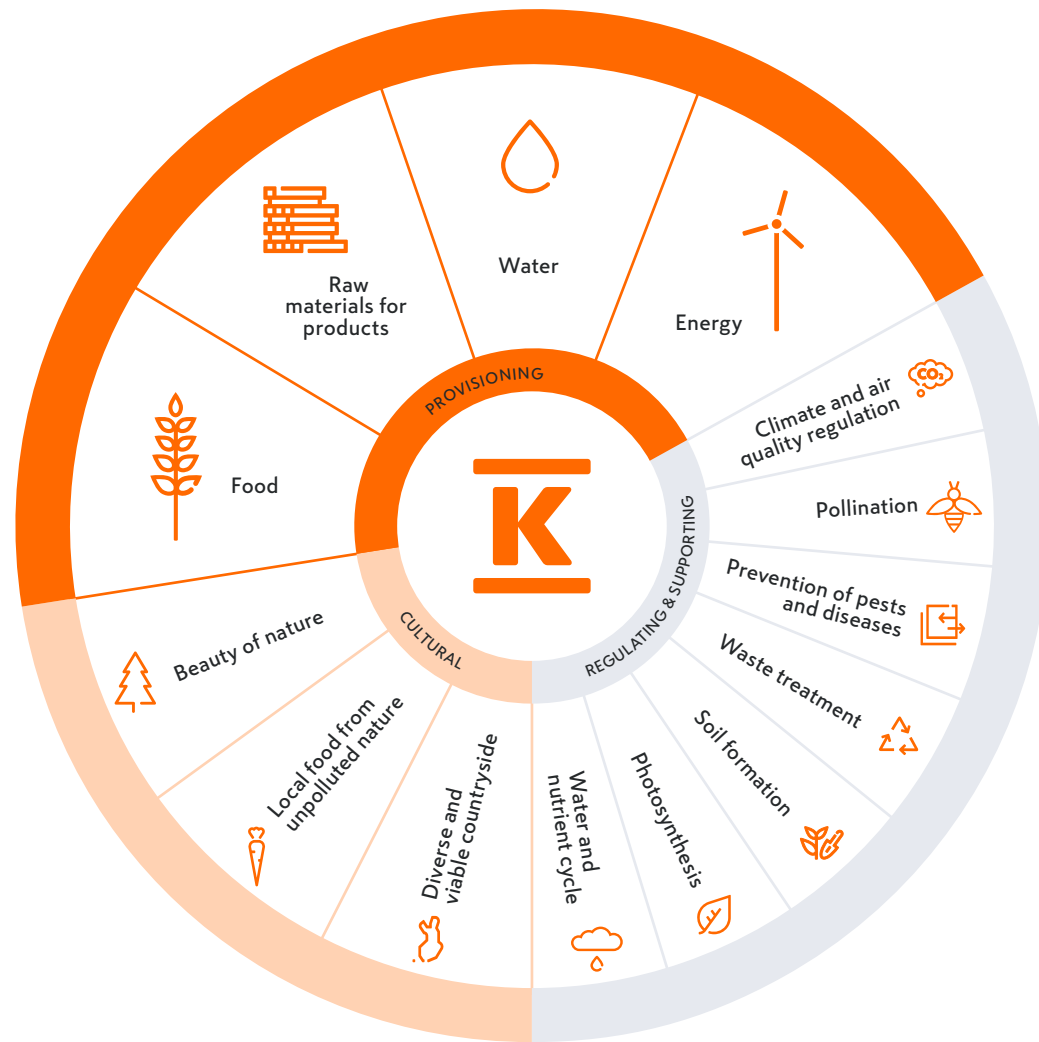
Our goal is to prevent nature loss in our own operations and our value chain. The starting point is to act in a sustainable fashion for the good of biodiversity and enable a sustainable lifestyle for our customers in their daily life in food, housing and mobility.

### Ecosystem services used by Kesko

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.

Provisioning services used by K Group are 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 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 causes deforestation and 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 2020, the fish counters of 39 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 Fish guide and has been in effect for 12 years already.

## 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 spring 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 headquarters, 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

In 2017, we began a multi-year collaboration extending to 2021 with the environmental organisation WWF Finland to save endangered migratory fish populations. With the K Fishpaths collaboration we aim to remove barriers to migratory fish spawning grounds and create new gravel beds in a spirit of cooperation with local operators, land and waterway owners, local K-retailers and volunteers. The purpose of the collaboration is also to increase awareness of the endangered nature of migratory fish.

In 2020, the fourth year of the K Fishpaths collaboration, the Covid-19 pandemic meant that we were primarily only able to organise the restoration of migratory fish habitats together with 14 K-stores, land and

waterway owners and other local operators. We restored a total of 66 spawning grounds at 8 different locations, removed five barriers that prevent migratory fish from swimming upstream and freed 2.5 km of spawning grounds and habitats which the fish had previously been unable to reach.

In 2017–2019, electrofishing was conducted in the streams restored as part of the K Fishpaths collaboration to study the changes taking place in the fish stock.

[+](#) Read more about K Fishpaths

## 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 2020, Kesko had one site in Finland where the soil was cleaned according to restoration targets.

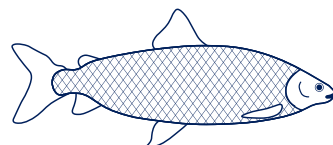
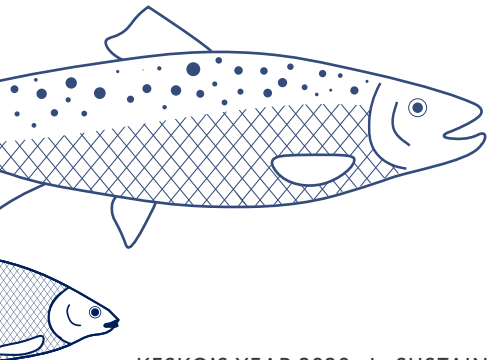
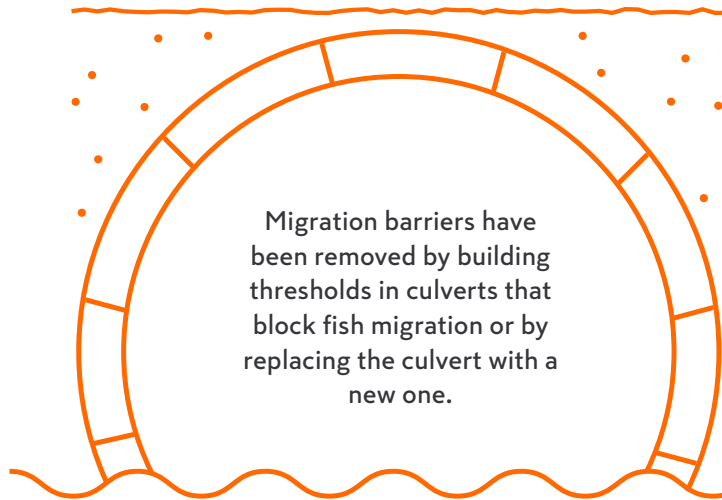
Kesko does not have any protected habitats of its own.

Pirkka archipelago fish patties are made of Baltic bream fished for managing fish stocks.



# Fishpaths

The 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.



*Almost*  
**300**

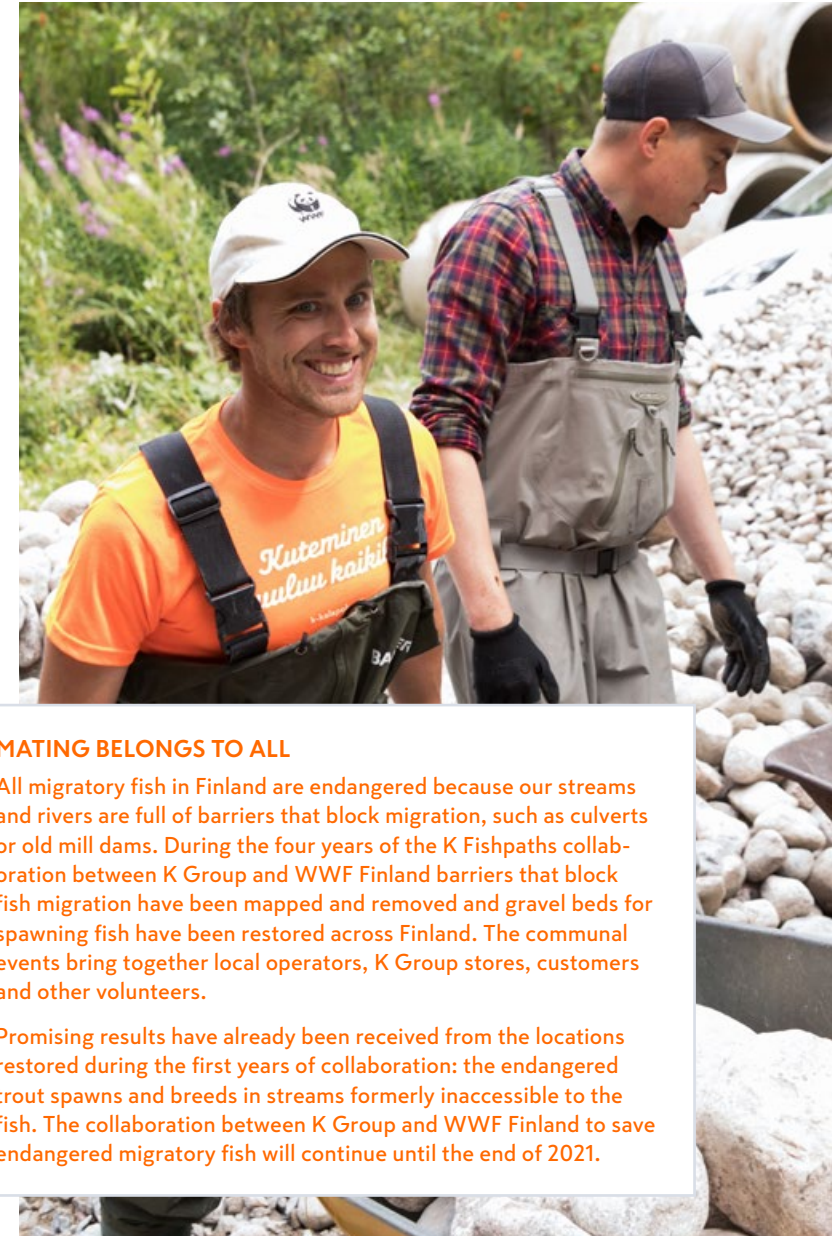
gravel beds  
created

*Over*  
**80 km**

of new spawning  
grounds and  
habitats

*Over*  
**900**

volunteers  
signed up



## MATING BELONGS TO ALL

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 four years of the K Fishpaths collaboration between K Group and WWF Finland barriers that block fish migration have been mapped and removed and gravel beds for spawning fish have been restored across Finland. The communal events bring together local operators, K Group stores, customers and other volunteers.

Promising results have already been received from the locations restored during the first years of collaboration: the endangered trout spawns and breeds in streams formerly inaccessible to the fish. The collaboration between K Group and WWF Finland to save endangered migratory fish will continue until the end of 2021.

## 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.

### STRINGENT TARGETS FOR PACKAGING AND PLASTICS

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

In our plastics policy, we have set stringent targets for the avoidance, reduction and recycling of plastic. We are a signatory to The New Plastics Economy Global Commitment.

In its own packaging strategy, the grocery trade has set more detailed targets and indicators for packaging development work.

## Towards targets with packaging changes

In 2020, we made changes to the packaging of a total of 77 own brand products in compliance with our packaging and plastics policy. We reduced plastic in the packaging of our own brand products by a total of 214 tonnes. Examples of our actions:

- We reduced plastic by modifying the packaging of berries, minced meat and milk drinks. Moreover, for some products, such as herbs and lettuces, we replaced the plastic packaging with paper. In addition to retail packaging, we also replaced some of the plastic used in sales batch packages, such as for canned food.
- We replaced fossil-fuel plastics with recycled plastics in the packaging of numerous products, such as cleaning products. New fruit products were launched in packages made of recycled plastic. We also piloted replacing fossil-fuel plastic with a renewable raw material, certified softwood pulp, in the packaging of flowers.
- We launched new products in sustainable packaging materials: house plants in FSC certified paper, takeaway sandwiches in cardboard and toilet papers in paper packaging.
- We improved recyclability in Pirkka baby foods and spices: we removed aluminium from the packaging, making them recyclable.
- We collected plastic packaging from our stores and used the plastic material in the packaging of own brand toilet paper and paper towels.

## Packaging and reduction of plastic

Packaging material of Kesko grocery trade own brands (tonnes)	2020
Wood and paper fibre	6,330
Metal	1,320
Glass	1,820
Plastic	4,640
Total	14,110
Reduced plastic (from base year 2019)	8%

### Kesko Logistics' centralised collection services

In 2020, around 3,649 tonnes of cardboard (2019: 3,650) and about 111 tonnes of plastic (2019: 90) 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	2020	2019
Aluminium cans	95,203	86,007
PET bottles	67,044	62,887
Recyclable glass bottles	6,812	9,803
Reusable crates	21,560	21,106

### 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 2020, a total of 664 stores and K Group business locations (2019: 664) participated in the Circular Economy Agreement. The recovery rate of the waste generated in these sites was 100% (2019: 100%) and the recycling rate was 75% (2019: 74%). 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 develop circular economy solutions

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

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

### COLLECTION SERVICES FOR OUR CUSTOMERS IN FINLAND

301-3

At the end of 2020, there were 409 (2019: 413) Rinki eco take-back points intended for recycling consumer packages (fibre, glass, metal) in connection with K-food stores. Plastic was collected at 229 (2019: 227) 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

	2020	2019
Deposit aluminium cans (million pcs)	414	383
Deposit recyclable plastic bottles (million pcs)	164	146
Deposit recyclable glass bottles (million pcs)	36	33
Batteries and accumulators (tonnes)	462	413
WEEE (tonnes)	177	159





## WASTE FOR RECOVERY

306-2

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

### Waste in all operating countries

Tonnes	2020	2019
<b>Non-hazardous waste</b>	<b>23,201</b>	<b>32,128</b>
Recycling/recovery	22,532	26,696
Landfill	669	5,432
<b>Hazardous waste</b>	<b>1,476</b>	<b>1,611</b>
Recycling/recovery	966	1,234
Hazardous waste treatment	510	377
<b>Total</b>	<b>24,677</b>	<b>33,739</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 2020, the recovery rate for reported waste management in Finland was nearly 100% and in the other operating countries it was 92% (includes hazardous waste treatment).

### Waste: Finland, Sweden and Norway

Tonnes	Finland		Sweden		Norway	
	2020	2019	2020	2019	2020	2019
<b>Non-hazardous waste</b>	<b>15,564</b>	<b>15,934</b>	<b>3,666</b>	<b>2,652</b>	<b>3,116</b>	<b>2,581</b>
Recycling/recovery	15,561	15,931	3,410	2,503	2,993	2,515
Landfill	3	3	256	149	123	66
<b>Hazardous waste</b>	<b>526</b>	<b>427</b>	<b>235</b>	<b>174</b>	<b>692</b>	<b>560</b>
Recycling/recovery	297	281	2	105	647	520
Hazardous waste treatment	229	146	233	69	45	40
<b>Total</b>	<b>16,090</b>	<b>16,361</b>	<b>3,901</b>	<b>2,826</b>	<b>3,808</b>	<b>3,141</b>
Recovery rate %	99.98	99.98	93	95	97	98

### Waste: Estonia, Latvia and Lithuania

Tonnes	Estonia		Latvia		Lithuania	
	2020	2019	2020	2019	2020	2019
<b>Non-hazardous waste</b>	<b>191</b>	<b>1,208</b>	<b>91</b>	<b>1,243</b>	<b>42</b>	<b>6,422</b>
Recycling/recovery	191	1,108	70	206	21	3,230
Landfill	0	100	21	1,037	21	3,192
<b>Hazardous waste</b>	<b>3</b>	<b>42</b>	<b>0</b>	<b>29</b>	<b>3</b>	<b>266</b>
Recycling/recovery	0	1	0	0	3	214
Hazardous waste treatment	3	41	0	29	0	52
<b>Total</b>	<b>194</b>	<b>1,250</b>	<b>91</b>	<b>1,272</b>	<b>45</b>	<b>6,688</b>
Recovery rate %	100	92	77	18	53	52

### Waste: Poland

Tonnes	Poland	
	2020	2019
<b>Non-hazardous waste</b>	<b>531</b>	<b>421</b>
Recycling/recovery	286	129
Landfill	245	292
<b>Hazardous waste</b>	<b>17</b>	<b>21</b>
Recycling/recovery	17	21
Hazardous waste treatment	0	0
<b>Total</b>	<b>548</b>	<b>442</b>
Recovery rate %	55	34



## We reduce food waste

We reduce food waste in cooperation with the entire food supply chain, from primary production to the customer. Our objective is to reduce K Group's identified food waste relative to sales by 13% from the 2016 level by 2021. By the end of 2020, food waste from K-food stores had decreased by 12%.

### FOOD WASTE PREVENTION

Our primary means of reducing food waste is the management of selections. New tools have been developed for the planning of and forecasting of store-specific selections, which help make the selection correspond with what local customers want. This also reduces waste when the selection meets the demand at each store. Efficient transport and store logistics, a self-control system and staff training also help to prevent waste. The optimisation and continuous development of packaging features play a key role in reducing waste.

### At the store

Stores are instructed to pay special attention to the expiration dates of fresh foods and foods with short expiration times. As a product's 'best before' or 'use by' date approaches, K-food stores can sell the product at a discount.

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. Fruits, vegetables and bread thrown away as waste can become raw materials for new jams,

## K Group food waste hierarchy



juices, smoothies and even beer. In 2020, K-retailers and Suomen Jäätelö created two ice cream innovations that utilise waste: Bananasajäämä made of overripe, spotted bananas that go to waste in K-stores and Abbelesiinijäämä made of orange peel left over from the fresh orange juice machines at K-stores.

Some K-food stores use digital solutions, such as the ResQ Club waste food app, which customers can use to easily buy food nearing their expiry dates at a discount. Some of the K-food stores which have adopted the operating model have managed to cut down food waste to about one-sixth of what it used to be.

### 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 utilised more than 20,000 kg of non-sellable products in making the juice.

### Food donations

The majority of K-food stores donate edible food products they can no longer sell to local charities, which then distribute the products as food aid to those in need. In 2020, the donations of K-food stores to charities declined for the first time. The decline was 11% from 2019 due to the Covid-19 pandemic, which caused many of the distributors of food aid to close down their operations especially during the spring and summer of 2020.

### 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, around 400 K-food stores and the Kesko Logistics central warehouse are included in the operating model.

In 2020, some 5,900 tonnes of organic waste (2019: 4,800) was turned into approximately 4,400 MWh (2019: 3,600) of biogas. CO<sub>2</sub> emissions were reduced by 876 tonnes compared to natural gas (emission factor 199 g CO<sub>2</sub>/kWh) and by 1,157 tonnes compared to fuel oil (emission factor 263 g CO<sub>2</sub>/kWh).

### Household food waste

The **food waste** pages in Finnish on K-ruoka.fi provide our customers with information on how to reduce food waste. The K-ruoka mobile app helps our customers plan their grocery shopping by offering personalised benefits, store-specific offers, a smart shopping list and about 8,000 K-ruoka.fi recipes.

### Food waste from K-food stores

	2020	2019
Identified food waste (tonnes)	16,568	17,920
Identified food waste in proportion to food sold (kg)	1.4%	1.56%
Development of food waste in proportion to food sold (kg) from base year 2016	-12%	-3%

Discarded fruit and vegetables from our central warehouse are made into juice.





# WORKING COMMUNITY

The foundation of our operations is our professional and committed personnel. 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 corporate culture, employee experience, competence development, leadership, and employee wellbeing.

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS:

<p><b>3</b> GOOD HEALTH AND WELL-BEING</p>	<p><b>4</b> QUALITY EDUCATION</p>	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<p><b>10</b> REDUCED INEQUALITIES</p>
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**NEARLY 60% OUR EMPLOYEES WORK IN FINLAND**

401-1

In 2020, Kesko had an average of approximately 17,629 (2019: 20,852) full-time equivalent employees in seven countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. 59% of the personnel were based in Finland and 41% in our other operating countries.

**Towards a new career**

Internal job rotation opens up opportunities for various careers options. In 2020, 2,093 internal transfers were made in Finland (2019: 2,604) and 689 in the other operating countries (2019: 2,124).

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.

By the end of 2020, with the help of this operating model, 13 persons had been employed in new jobs within or outside the Group or were in vocational rehabilitation or training.

**New recruitment pilot that utilises artificial intelligence**

New employees are needed all the time in K Group, in K-Citymarket stores and logistics in particular. It typically takes about six weeks to complete the recruitment process starting from the moment when the need for a new employee is identified. A new kind of recruitment operating model, which utilises artificial intelligence, was piloted in K-Citymarkets in the Helsinki region in autumn 2020.

The new model makes it quick and easy to apply for a job. You can even answer the simple multiple-choice questions

on your smart phone. A separate job application is not needed at any point in the recruitment process.

The application process, which utilises artificial intelligence, focuses on finding a good employee without discriminating anyone. Therefore, applicants are not asked to provide information on matters that have no relevance for the selection, such as age, gender or place of residence, or a photograph.

We aim to continue with the piloted operating model in 2021.



**PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: EMPLOYER IMAGE**

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
We are the best employer in the trading sector in terms of job satisfaction.	<p>Ranking 12<sup>th</sup>, K Group improved its position in the Universum Ideal Employer Ranking survey. K Group was up by 10 positions and received an award for being one of the best climbers. Ranking 28<sup>th</sup> in the Universum student survey, we were up by 2 positions.</p> <p>In addition, K Group managed to improve its reputation by 0.21 units in T-Media's Reputation&amp;Trust survey, ending up with the score of 3.80, thus rising to 8<sup>th</sup> place in the TOP10 list.</p> <p>K Group also climbed 21 positions, reaching 14<sup>th</sup> place, in the Academic Work Young Professionals Attraction Index survey.</p>	<p>We will continue our systematic work to improve employer image both with our external and internal key stakeholders.</p> <p>We will continue to strengthen our cooperation with selected educational institutions at various levels of education.</p>



## Changes in the number of Kesko employees

	2020	2019	2018
Finland on 31 Dec.	12,647	12,657	11,878
Other operating countries on 31 Dec.	5,003	12,511	11,523
<b>Total on 31 Dec.</b>	<b>17,650</b>	<b>25,168</b>	<b>23,401</b>
Finland, average	10,339	10,194	9,822
Other operating countries, average	7,290	10,658	9,757
<b>Total, average</b>	<b>17,629</b>	<b>20,852</b>	<b>19,579</b>

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

	2020	2019	2018
<b>Fixed-term employees of total personnel on 31 Dec., %</b>			
Finland	15.6	14.9	14.1
Other operating countries	12.9	6.9	6.7
<b>Whole Group, total</b>	<b>14.8</b>	<b>10.9</b>	<b>9.4</b>
<b>Part-time employees of total personnel on 31 Dec., %</b>			
Finland	33.9	37.2	40.8
Other operating countries	24.8	13.0	7.8
<b>Whole Group, total</b>	<b>31.3</b>	<b>25.2</b>	<b>24.1</b>





## Kesko's personnel statistics for 2020 analysed by operating country

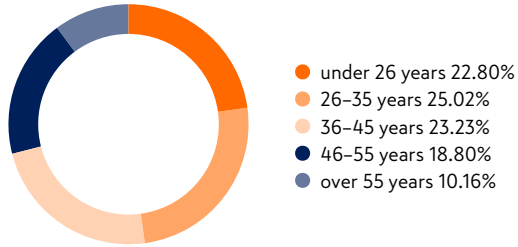
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland
Total number of personnel at 31 Dec.	12,647	1,776	2,095	156	84	75	817
Average number of personnel in 2020	10,339	1,340	1,220	154,	84	75	822
Number of new employments <sup>1</sup>	3,149	413	260	20	11	14	161
- women	1,726	129	69	10	2	4	27
- men	1,423	284	191	10	9	10	134
Number of terminated employments <sup>1</sup>	2,973	251	213	30	15	15	159
- women	1,545	82	57	18	2	4	17
- men	1,428	169	156	12	13	11	142
Percentage of new employments <sup>1</sup>							
- women	54.8	31.2	26.5	50.0	18.2	28.6	16.8
- men	45.2	68.8	73.5	50.0	81.8	71.4	83.2
Percentage of terminated employments <sup>1</sup>							
- women	52.0	32.7	26.8	60.0	13.3	26.7	10.7
- men	48.0	67.3	73.5	40.0	86.7	73.3	89.3
Terminated by employer, %	6.5	7.6	4.2	33.3	73.3	26.7	9.4
Total turnover rate, % <sup>2</sup>	17.1	13.3	10.2	19.2	17.9	20.0	19.5

<sup>1</sup> Including summer employees

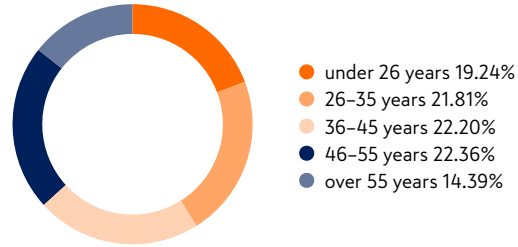
<sup>2</sup> Excluding summer employees

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.

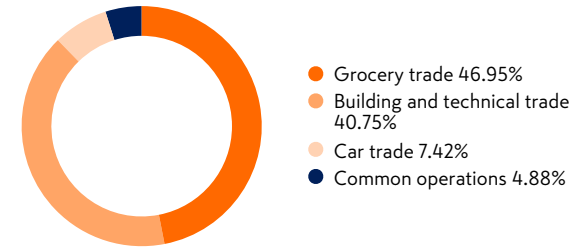
Age distribution of Kesko personnel in Finland in 2020, %



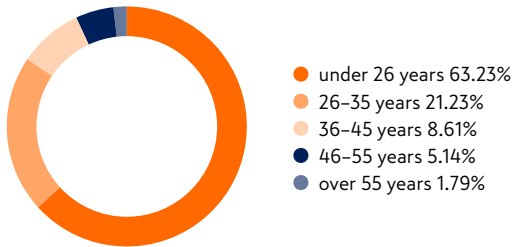
Age distribution of Kesko personnel in the other operating countries in 2020, %



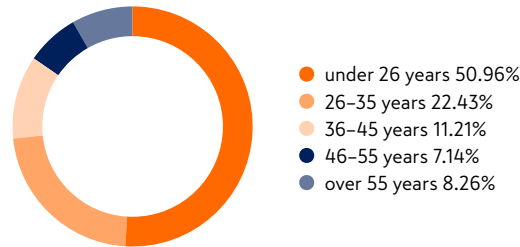
Distribution of Kesko personnel by division at 31 Dec. 2020, %



Recruits, age distribution in 2020, %



Terminated employments, age distribution in 2020, %



**WE OFFER COMPREHENSIVE EMPLOYEE BENEFITS**

401-2, 401-3

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.

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**

	2020	
	Finland	Other countries
Number of employees who have taken parental leave	621	155
Women	430	80
Men	191	75
Number of employees who have returned to work after parental leave	412	134
Women	244	64
Men	168	70

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 parent can continue their family leave, if desired, until the child turns three. Of this period, the duration of maternity leave is around 4 months, parental leave around 6 months, paternity leave around 9 weeks, of which 18 weekdays can overlap with the maternity leave or parental leave. At the end of the parental leave, the parent may choose to continue on childcare leave, which ends at the latest when the child turns three. The parents of school children starting first or second grade are entitled to partial childcare leave with their working hours shortened to 30 hours per week at maximum.

**Performance bonuses and share plans**

The performance bonus schemes cover all personnel, with the exception of 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 2020, around €18.6 million (2019: €18.9 million) was paid in Finland in bonuses under the 2020 performance bonus schemes, accounting for approximately 4.0% (2019: 4.1%) of the total payroll. In 2020, the total

remuneration paid in the form of performance bonuses, sales commissions and other corresponding monetary remuneration was as follows:

- In Finland: €19.7 million (2019: €19.3 million)
- In the other operating countries: €1.0 million (2019: €3.4 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 130 members of management and other specified key personnel.

**Pensions**

201-3

New pensions were granted to 171 people (2019: 204) in Kesko Group in Finland. Of these, 38 were disability pensions (2019: 35), of which 15 (2019: 14) 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 66 people (2019: 50), who were at a clear risk of incapacity for work within a few years. The average retirement age of employees in 2020 was 62.1 (2019: 61.3). The average retirement age for old-age was 63.3 (2019: 63.7) and the age for disability pension was 57.8 (2019: 47). In the other operating countries 21 (2019: 35) employees retired.

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

[Read more about pensions](#)

## Wellbeing and work ability

### OCCUPATIONAL HEALTH AND SAFETY

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#### Managing the Covid-19 pandemic from the perspective of employees' health security

During the Covid-19 pandemic, the health and occupational safety of employees have been key factors in responsibility for personnel. K Group's systematic management system has been a key factor in being prepared for the exceptional situation caused by the Covid-19 pandemic and in successfully managing the situation. HR has worked together with risk management, security, communications and the divisions on Covid-19 contingency planning, which has been updated on a regular basis throughout the pandemic. Cooperation and reporting by retailers have been developed, which has increased the chains' agility to adjust their operations according to measures required by the pandemic. There has been 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.

Throughout the different stages of the pandemic, extensive preventive health security measures have been in use at all locations, including:

- encapsulating warehouses to avoid any potential risks for infection;

- protecting staff and customers at the stores (e.g. with plexiglass screens at checkouts, face masks and safe distances);
- travel security;
- enhanced ventilation and cleaning procedures;
- various supportive measures for the personnel, such as ensuring functioning remote connections, Covid-19 pages on the My K intranet, constantly updated Covid-19 instructions and versatile services to support the wellbeing of the personnel.

At the outbreak of the pandemic, we were among the first companies in Finland to start testing personnel for Covid-19. In Finland, we secured access to Covid-19 testing without delay for employees with even mild symptoms, carried out tracing of employees potentially exposed to the virus and offered treatment for employees with Covid-19 symptoms through an occupational health service provider. By the end of 2020, nearly 5,000 CoV PCR tests had been carried out in Finland. The number of positive tests for Covid-19 that came to our knowledge was 182.

We updated our instructions on remote work to match the situation in the Covid-19 pandemic, taking into account both the independent assessment of work risks and the services supporting the wellbeing of the personnel.

We use theme-specific (e.g. knowledge work, occupational health) pulse surveys to always ensure an up-to-date understanding of how employees are coping under the exceptional working conditions, and develop operations based on our findings. In 2020, the feedback we received



from the pulse surveys was mainly positive. To provide support in the new situations, we conducted, for example, various virtual discussion sessions for personnel and Teams sessions for managers on topics related to leadership in the exceptional situation and the pandemic. For those working remotely, we agreed on discounts for purchasing ergonomic equipment, and physiotherapists and partners held virtual office workout sessions on a weekly basis. Health security was one of the topics in the divisions' remote strategy info sessions, and employees had the opportunity pose their questions to experts.

We also supported personnel and managers in the following ways: by implementing extensive health security measures at different locations, Covid-19 on-call services provided by occupational health and HR, webinars for the personnel and the managers, pulse surveys on remote work and the exceptional working conditions and surveys carried out by occupational health care to find out how the employees are coping with the situation. The feedback from the personnel on the support provided during the Covid-19 pandemic has been positive, and we have also used the feedback to develop our operations. Office workers 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. In the early stages of the Covid-19 pandemic, the transition to remote work was supported by allowing our employees to take monitors and special office chairs home for remote work.

In occupational health care we changed our operating practices and made use of various electronic tools, such as

an online health survey to assess health and risks to work ability and we took online appointments extensively into use. We also started to hold discussions on work ability online. We drafted separate instructions for employees and managers on remote functions related to health and work ability risks. The physical and mental work ability and wellbeing of personnel was supported by various digital training and information sessions and with online services that support wellbeing. For example, to support mental wellbeing, we offered the K Mindbalance online service for personnel and retailers. The Mielen Chat and Mielen Sparri mental health chat services offered by an occupational health service provider have been in use throughout the Covid-19 pandemic.

As the Covid-19 pandemic has progressed at different speeds in our operating countries, the countries have been responsible for their own contingency measures for the situation. We have supported the operating countries centrally with K Group's daily global situation report. Throughout the pandemic, in health and security issues, we have carried out close and regular collaboration with both employee representatives and with labour protection personnel.

In Finland, we actively participated in the work of the Enter 2020 group of the Confederation of Finnish Industries (EK) together with other companies. The group's member companies have had an impact on Covid-19 testing capacity and best practices in customer service, logistics and knowledge work. K Group's extensive contingency planning and health security measures to cope with Covid-19 have

also raised public interest. We shared Kesko's experiences on best practices related to the health and security of personnel at numerous events, on social media and in newspaper articles throughout the year.

### **Improving employees' occupational health and safety and wellbeing through management by information**

We aim to continuously and systematically improve the health and occupational safety of our personnel in a holistic way. Common principles of wellbeing at work and occupational safety are in use in all our operating countries. Objectives have been set by Kesko Group for 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 businesses and continuously make improvements based on them. The aim of our K Well wellbeing model is to produce a working day experience which creates wellbeing. It has also worked well during the Covid-19 pandemic.

Information security is of utmost importance in all of our operations, and it is monitored. In Finland, the Act on the Status and Rights of Patients prescribes regulations on the confidentiality of patient data in occupational health care. In health care, the level of data protection is the highest possible, and the law requires the information in patient documents to remain confidential. A health care professional, such as a doctor or nurse, or other person working in a health care 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 ability

As an employer, Kesko Group offers more extensive than statutory occupational health services to all employees in Finland, including both measures based on work ability management and occupational safety and measures related to the medical treatment and rehabilitation of the employee. In addition to the statutory occupational health care, Kesko's employees are entitled to comprehensive medical examinations and specialist's consultations needed for their treatment through Kesko Occupational Health. In addition to appointments with specialists, Kesko Occupational Health provides psychologist, occupational health nurse and occupational physiotherapist services. Our occupational health care personnel meets 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 the country.

The employer, employees and occupational health care co-operate to prevent occupational diseases and injuries, promote the health and safety of the work environment

as well as ensuring the employees work ability at different stages of career. In 2020, the focus areas in strategic occupational health cooperation were management by information, strengthening the K Culture, maintaining personnel wellbeing at work and supporting managerial work. The priority for occupational health care operations is on preventive measures and early identification of risks regarding both the employee's health and work ability. We continuously evaluate and prevent work-related risks, which may be injurious to employees' health. In 2020, we especially focused on measures related to the Covid-19 pandemic, such as testing, safety instructions and communication.

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

In 2020, 11,937 Kesko Group employees in Finland were covered by occupational health services (2019: 11,842). A total of some €6.7 million (2019: €5.8 million) was spent on occupational health care in Finland in 2020. Of the occupational health care expenses, 44% was allocated to promoting work ability and the wellbeing of personnel.

In February 2020, we introduced a new work ability system 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. All

the work ability management data are stored in the system centrally and securely. We supported the roll-out with over 20 training sessions during the year.

A total of 2,283 early support discussions were held. On the basis of the 2019 survey on psychosocial load, we continued to develop working communities by tackling the issues raised and by initiating various development measures related to working communities, leadership and interaction. Kesko utilises the multi-professional expertise of health care professionals and work ability specialists in HR for the prevention of the employees' incapacity for work and in maintaining work ability.

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

€/person	2020	2019	2018
	563	492	447

In 2020, the sickness absence rate in the Group companies in Finland was 4.7% of hours worked (2019: 4.6%). Approximately 71.6% (2019: 73.2%) of sickness absences were short-term absences. In the other countries, the sickness absence rate was 6.0% (2019: 4.8%). Statistics on injuries in Finland and breakdowns of sickness absences by country are presented in the tables on page 64. In the other operating countries, a total of 12 injuries occurred resulting in sickness absences of more than three days in 2020 (2019: 52). The corresponding figure in Finland was 157 (2019: 163).

## Injuries and occupational diseases in Finland

	2020			2019	2018
	Men	Women	Total		
Fatal injuries	0	0	0	0	0
Occupational injuries, excl. commuting injuries	113	44	157	163	181
Commuting injuries	29	25	54	73	67
Injury rate <sup>1</sup> /million working hours			11	12	13
Average degree of injury severity, days			37.7	38.2	31.6
Suspected occupational diseases	3	1	4	5	3
Occupational diseases	2	1	3	1	2
Sick days due to occupational injuries, commuting injuries and occupational diseases	4,427	3,626	8,053	9,007	8,040
<b>Per employee</b>			<b>0.8</b>	0.9	0.8

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 2020

	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland
<b>Total number of sick days</b>	<b>127,452</b>	<b>16,810</b>	<b>36,941</b>	<b>1,536</b>	<b>1,086</b>	<b>415</b>	<b>10,865</b>
Per employee	12.3	13.8	44.9	10.0	12.9	5.5	2.9
Per million working hours	6,536	7,839	25,534	4,913	6,402	2,739	1,414

The calculation method: sick days per employee have been calculated on the average number of employees during the year. Companies not included in the figures: K-Bygg Östergyllen AB, Bygg & Interiör i Katrineholm AB, Bygg & Interiör i Flen AB, Bygg & Interiör i Vingåker AB.

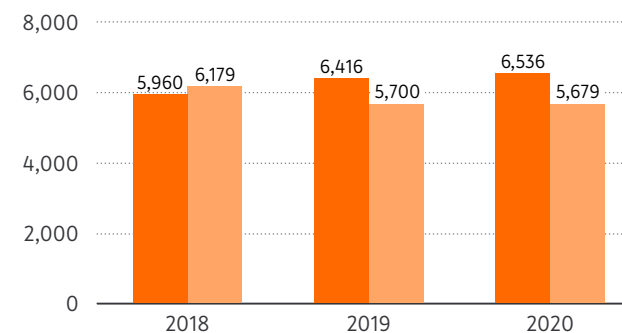
## Injuries and occupational diseases in other operating countries

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

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

## Trend in number of sick days

Sick days/million working hours



■ Finland  
 ■ Other operating countries

## Advancing occupational safety mindset and management

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 2020, we increased occupational safety management by initiating the planning for an extensive occupational safety risk assessment in each division, which will be thoroughly implemented in 2021 in collaboration with various experts and divisions. Occupational safety audits based on accident rates were performed in the car trade. Towards the end of 2020, we updated the occupational safety training for stores by introducing e-learning training on assessing risks at work.

We have identified the key risks to monitor by analysing deviations documented in our occupational health and occupational safety management systems. The most typical deviations include slipping, tripping, falling, manual lifting and moving, and forklift driving. Occupational accidents are regularly monitored by an accident insurance company, and any serious occupational accidents are systematically reported to the management. In expert positions, commuting injuries have declined in number compared to the year before.

## Personnel representatives involved 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 business areas.

## We invest in personnel wellbeing and occupational safety competence

First aid and occupational safety training is organised in all divisions on a regular basis. During the year, we updated the training by introducing a new K first aid and safety training section, which offers a combination of training for first aid, early fire suppression and threatening situations. In addition, we developed a new e-coaching programme for the assessment of risks at work. 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 promote a holistic approach to employee health and organise various programmes that support wellbeing and health, from versatile wellbeing lectures to wellbeing coaching programmes lasting 6 months. We provide training in stress management, self-management and physical wellbeing, for example, and a new training to support mental wellbeing, and we monitor the effectiveness of the training. Both online medical examinations and appointments for medical examinations are offered to personnel at regular intervals. In 2020, we launched a pilot programme for managers to manage their own wellbeing. In addition, we described the mandatory training related to wellbeing expertise as part of the learning path of a manager. We have offered occupational safety training to retailers and store employees and implemented an online course on assessing risks at work for their use.



**PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME:  
OCCUPATIONAL WELLBEING AND WORK CAPACITY**

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
<p>We will improve work motivation and job satisfaction.</p>	<p>Self-management compliant with the K Well model has been emphasised during the Covid-19 pandemic. We made wellbeing issues a more integral part of other coaching and manager training. During the Covid-19 pandemic, we also dealt with health and security matters as part of strategic info sessions in different business areas. We launched several services to support, in particular, mental wellbeing for the personnel's use. These also offered excellent support during the exceptional circumstances caused by the coronavirus.</p>	<p>We continue to focus on excellent control of the Covid-19 pandemic from the perspective of health and security of the personnel and reduction of identified risks to support business operations. We will actively monitor the experiences of the employees under the exceptional circumstances and actively and in an agile way tackle issues that need developing, by anticipating and minimising the risks involved. We will improve the employee experience in various ways.</p> <p>To support business operations, we will develop a longterm contingency plan for situations like pandemics, which takes into account psychosocial coping and strengthening of resilience of personnel and other stakeholders.</p>
<p>We will reduce the number of sickness absences, accidents at work, and numbers for premature retirement due to disability.</p>	<p>We rolled out a work ability management system for use by managers, HR and occupational health care to manage the challenges of sickness absences and working capacity, and we updated processes and training for work ability management. We built a reporting system to support management with information, which includes the key indicators in business areas for wellbeing management.</p> <p>The monitoring of sickness absences caused by occupational accidents is also included in the work ability management system. We report all serious occupational accidents and their costs to the management. In 2020, we improved the use of various systems in occupational safety management. The labour protection personnel played an active role in the prevention of the Covid-19 pandemic and in updating the risk assessment.</p>	<p>We will increase the active use of the work capacity management system and the management of anticipatory indicators for sickness absences and work capacity and reporting of occupational injuries with a new reporting model in cooperation with the businesses.</p> <p>With the Fix your Mind and Back project, we will strengthen anticipatory wellbeing and preparedness for work ability risks. In all occupational health, occupational safety and wellbeing activities, we will consider the challenges of mental wellbeing the spine and the rest of the musculoskeletal system.</p> <p>We will include a holistic assessment of occupational safety risks in business risk management and work together to produce a risk management plan at the division level which has been approved by the businesses.</p>



## 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 knowledge

We offer managers a large variety of training programmes which support daily managerial work on topics such as performance management, recruiting, remuneration and employment law. We especially focus on continuous performance management and the provision of feedback, and support this with various training programmes.

In 2020, we continued providing training on Kesko's leadership fundamentals for new managers. As new sections to complement the offering, we added virtual interaction and the important role of the manager in this and support for leadership during the pandemic.

The development of knowledge work comprises the development of teamwork tools, collaboration and meeting practices and emphasising open information. In 2020, 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, inclusion and facilitation skills. With good knowledge work expertise and stable telecommunications links we were able to ensure smooth transition to working remotely to an exceptionally broad extent.

To support wellbeing at work, we focused on self-management and the development of interaction skills. In 2020, we organised training, for example, on self-management, time management, networking and influencing and negotiation skills.

Due to the Covid-19 pandemic, some trainings were cancelled in the spring and online trainings were carried out shorter.

### Training for store personnel

Via K-Academy, we provide store personnel with professional training in the form of trainings and e-learning as well as an opportunity to complete vocational degrees. In 2020, we had the opportunity to utilise K-Academy's learning paths for competence development and career planning. In addition, we produced a competence development guide for stores. Since 2018, we have been training workplace instructors for stores, and by the end of 2020, 867 workplace instructors had been trained.



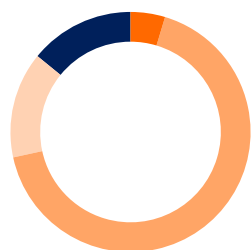
### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: COMPETENCE DEVELOPMENT

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
We conduct an annual performance and development review with every employee.	Performance and development reviews are a systematic part of our performance management model. Approximately 84% (85%) of our employees have discussed their objectives and development with their manager.	We will simplify the structure of performance and development reviews held with our managers and employees. In addition to the comprehensive performance evaluation, we will increase the weighting of people principles by including them in the performance and development reviews.
We regularly train our managers.	Due to the exceptional situation, in Finland most of the training targeted to managers was held virtually. We complemented the offering by adding training on virtual interaction and support for leadership in the midst of uncertainty.	We will continue to systematically develop managerial work based on selected focus areas.

In spring 2021, K-Citymarkets in the Helsinki region will cooperate with Careeria to organise a training programme for people with an immigrant background which aims at the employment of the participants in the trading sector. During the training, the participants will practise 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 will be completed and Careeria's own part of the qualification named "Operating in Finnish working life".

Kesko has agreed to offer on-the-job training for approximately 15 students in the Helsinki region in K-Citymarket stores. After the training programme, the aim is to first employ the participants in sales assistant jobs and, as their skills improve, to later offer the opportunity of promotion to manager positions.

### Distribution by education at 31 Dec. 2020, %



- Comprehensive school 4.6%
- Upper secondary vocational education 67.0%
- Lower university degree 14.3%
- Higher university degree 14.1%

Sweden and Norway not included

### Training days and costs in 2020

	2020	2019
<b>Training days</b>		
Finland	43,078	74,199
- women <sup>1</sup>	17,668	27,281
- men <sup>1</sup>	13,769	30,012
Other countries	5,872	64,890
- women <sup>1</sup>	1,393	25,163
- men <sup>1</sup>	4,296	12,450
<b>Training days per employee</b>		
Finland	4.2	7.3
- women <sup>1</sup>	2.8	4.4
- men <sup>1</sup>	2.2	4.7
Other countries	1.6	6.1
- women <sup>1</sup>	1.1	5.4
- men <sup>1</sup>	1.2	1.8
<b>Training costs, € million</b>		
Finland	1.5	2.3
Other countries	0.5	0.6
<b>Training costs per employee, €</b>		
Finland	144	224
Other countries	124	60

<sup>1</sup> eLearning not included  
 Training hours of Senukai are not reported in 2020

## Performance management

### PERFORMANCE AND DEVELOPMENT REVIEWS AND PERFORMANCE ASSESSMENT AS TOOLS FOR JOB SATISFACTION

404-3

Our employees are given feedback on their performance and development opportunities in annual performance and development reviews. Target setting, performance and development reviews and performance assessment are carried out in all Kesko Group companies and operating countries.

In development reviews, we discuss the employee's competencies and motivation, career hopes, 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 management gives important information and forms a basis for other HR processes.

### Personnel survey as tool for developing operations

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. We conducted a more extensive personnel survey in 2019. In 2020, we carried out pulse surveys in different business areas based on the needs of each business. We used these pulse surveys to monitor personnel wellbeing and work capacity throughout the exceptional year. In 2021, a comprehensive Group-level personnel survey will be conducted again in Finland, Sweden, Norway, Poland and in the Baltic States.



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: PERFORMANCE MANAGEMENT

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
We know the targets set for our work and receive feedback on our performance.	According to the previous personnel survey conducted in 2019, 93% of our personnel understood how their individual work effort contributed to achieving the common goals of their own unit. Approximately 60% of personnel received regular feedback from their manager on their work performance.	We will promote the managers' ability to give feedback by focusing on it as part of performance management and manager trainings. We will develop performance bonus models to better serve our business operations.



## We promote equal opportunities and diversity

405-1 406-1

### Zero-tolerance for discrimination

Equal opportunities, fairness, non-discrimination and equality 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, in 2020 we drafted guidelines on how to react when a customer or a member of the working community speaks in a racist or otherwise derogatory manner.

In 2020, we acted as one of the key partners in the Suitable Work for All project organised by the Finnish Association of People with Physical Disabilities and were involved in various events related to the project.

No cases of discrimination were reported to us in 2020.

### Diverse working community

In 2020, we prepared a programme for diversity and inclusion. As part of the preparation, in early 2020 we carried out stakeholder surveys on our customers, personnel, students, administration, investors and external experts on



### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: HUMAN RIGHTS AND EQUALITY

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
We respect human rights and take them into account in all our operations.	As part of the preparations for the Group's diversity and inclusion programme, we carried out stakeholder surveys on our personnel and customers.	We will continue the preparation of the diversity and inclusion programme and roll out some measures planned as part of it.
We promote the implementation of gender equality in our own operations and supply chains.	At the end of 2020, women accounted for two out of the seven members of the Board of Directors, and two out of the eight members of the Group Management Board.  To reduce the impact of language on gendered working life, we prepared a change in HR to stop using gendered job titles and terms.	In 2021, the number of women on the Group Management Board will increase to three as the new Executive Vice President in charge of corporate responsibility and public affairs will join Kesko.

matters related to this. Based on these surveys, we outlined the main goals and potential development activities of our programme to build a more diverse and inclusive K Group. We identified, for example, the need to develop practices for the inclusion of foreign language speakers and to continue the work to promote the conditions for persons with partial working capacity to continue in working life. We will continue to work on the programme in 2021.

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 2020, women accounted for two out of the seven members of the Board of Directors, and two out of the eight members of the Group Management Board. In 2021, the number of women on the Group Management Board will increase to three as

the new Executive Vice President in charge of corporate responsibility and public affairs will join Kesko.

To reduce the impact of language on gendered working life, we prepared a change in HR to stop using gendered job titles and terms.

In the future, immigrants will be 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.



## People of various ages are an asset

In Finland, the average age of the employees was 37.4 in 2020. In the other operating countries, the average age of employees varied from 36.5 to 53.2 years.

Long careers are not rare: 1,060 employees in Finland have worked at Kesko for over 25 years. In Finland, 34.6% of the employees have worked at Kesko for over 10 years and 65.4% under 10 years, and in the other countries the figures were 25.1% and 74.9%, respectively.

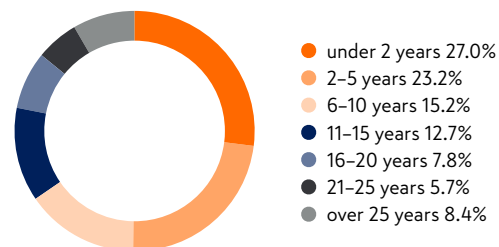
## WE PROMOTE THE REALISATION OF PAY EQUALITY

405-2

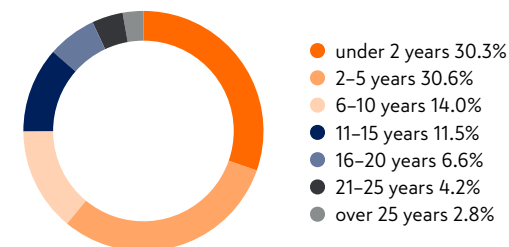
The average annual salary of Kesko employees was €41,127 in Finland, €40,050 in Sweden, €53,773 in Norway, €18,205 in Estonia, €15,791 in Latvia, €17,667 in Lithuania and €17,245 in Poland. As Kesko Group operates in many lines of business, average salary is not a good indicator of salary level or structure. 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. At the beginning of 2020, the job grade classification system was extended to concern all jobs in Finland, Estonia, Latvia, Lithuania and Poland.

## Years of service in Finland in 2020, %



## Years of service in the other operating countries in 2020, %



## Percentage of women and men of personnel, Finland

	Women	Men
Full-time	35.5	64.5
Part-time	70.8	29.2
Permanent	50.7	49.3
Fixed-term	46.3	53.7
Managers	45.6	54.4

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

	Women	Men
Full-time	25.1	74.9
Part-time	31.4	68.6
Permanent	27.0	73.0
Fixed-term	26.7	73.3
Managers	20.1	79.9

## Percentage of women by employee category, Finland

	2020	2019	2018
Top management	28.6	27.5	28.6
Middle management	31.9	27.8	23.3
Managers and specialists	47.6	47.1	46.8
Workers and white-collar employees	50.7	50.4	53.5
<b>Total</b>	<b>49.8</b>	<b>49.3</b>	<b>51.8</b>

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

	2020	2019	2018
Top management	12.5	12.5	12.5
Middle management	26.2	39.8	42.3
Managers and specialists	24.6	47.4	51.8
Workers and white-collar employees	26.3	36.2	39.3
<b>Total</b>	<b>26.1</b>	<b>40.0</b>	<b>43.6</b>

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 was 96% of men's salary for comparable jobs, and 95% with manager and expert positions. As a whole, women's salary was 98% 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.

### K Compliance operating model strengthens compliance

205-1 205-2 205-3

The Board of Directors of Kesko has confirmed the K Compliance operating model for Kesko. The operating model will reinforce Kesko's compliance with laws, rules and regulations. The K Code of Conduct forms the core and basis of the operating model. Group-wide programmes confirmed on the basis of the operating model concern key laws, which if violated in our business operations could result in significant adverse effects for Kesko, such as serious financial or reputational risks. These programmes

### PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME: K CODE OF CONDUCT

OBJECTIVE	PROGRESS IN 2020	PLANS FOR 2021
All of our personnel act in compliance with the K Code of Conduct.	The entire personnel is obligated to annually commit to compliance with the K Code of Conduct. In 2020, 86% of the personnel signed the annual confirmation.	We will continue to make the annual confirmation process more systematic and promote commitment to the K Code of Conduct through managerial work, training and continuous visibility.
We organise regular training on the K Code of Conduct.	In 2020, we held 25 training events in which the various areas of the K Code of Conduct were discussed. We arranged K Code of Conduct sessions for the key persons at Kesko in Sweden, focusing especially on corruption and fraud-related issues.	We will strengthen our compliance and ethics functions and continue to systematically promote awareness of the K Code of Conduct through various actions. Our goal is to create a refresher course for the K Code of Conduct eLearning course, which will focus on selected themes. An active network of K Code of Conduct ambassadors support communications and implementation.

include: combatting corruption and bribery, competitive law, data protection and consumer protection.

The K Compliance operating model confirms the organisation and steering model for the compliance function. The operating model is steered by the identification of the key compliance risks related to Kesko's strategy and business. Risks related to corruption are discussed as part of Kesko Group's risk management in accordance with the compliance operating model. Key risks

are identified, assessed, managed, monitored and reported regularly as part of business operations in all operating countries. This includes risks related to corruption. The most significant corruption risks are related to real estate and store site projects and purchasing of goods and services. In 2020, we conducted a separate sustainability risk assessment, in which we reviewed the corruption risk related to the supply chains. In 2020, the prevention of malpractice was one of the focus areas for Kesko's corporate security function.

Kesko's anticorruption principles were included in the K Code of Conduct guidelines published in 2016. Among the key principles are "We do not offer or accept bribes", "We comply with the Kesko policies on hospitality and gifts" and "We avoid conflicts of interest". The guidelines and the website have been published in the languages of all operating countries. Kesko employees and business partners have their own versions of the K Code of Conduct. All Kesko Group personnel are obliged to annually confirm their compliance with the K Code of Conduct.

We have prepared an eLearning package for employees to internalise the K Code of Conduct. We also organise K Code of Conduct training each year in Kesko's operating countries for the management of the units and local Group companies with a focus on anticorruption activities. In anticorruption activities the themes of the training concern offering and accepting gifts and hospitality, accepting and providing sponsorship and donations, understanding and avoiding conflicts of interest, and the rules for lobbying. We emphasise that we do not offer or accept bribes, including kickbacks, and that we do not make monetary donations to political parties.

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

Through the groupwide SpeakUp channel, employees and business partners can report any violations of the K Code of Conduct. In 2020, 31 reports were submitted through the SpeakUp channel (2019: 28). One report concerned a suspicion of corruption related to a goods supplier, which led to the termination of the cooperation with the supplier in question. Other reports were related to, among other things, managerial work, the operation of the stores and phishing messages received by customers.

In 2020, no corruption-related lawsuits against any Kesko Group company came to our knowledge.



# Code of Conduct

## 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. In autumn 2019, an international meeting was organised on EWC activities with Kesko's representatives from Finland, Sweden, Norway, Poland and the Baltic States. The meeting was not arranged in 2020 due to the Covid-19 pandemic.

Out of the total personnel, 77.5% are covered by collective agreements. So far, no binding industrywide collective agreements have been drawn up in the Baltic countries and Poland.

The control of the association of suppliers' employees in highrisk 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 not 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.





**SUSTAINABILITY  
MANAGEMENT  
APPROACH AND  
REPORTING**

2020

## 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 1.9 million customer encounters every day at our stores and online. In 2020, the Covid-19 pandemic brought changes to our interaction with stakeholders, as meetings and contacts often took place remotely instead of face-to-face. Online shopping grew, as did the importance of our digital channels for customer communications.



**Matti Kalervo**  
Vice President of  
Corporate Responsibility

“ Our most important stakeholders are the future generations. Decisions we make today will have an impact for decades to come. We are committed to promoting the UN Sustainable Development Goals in our operations. Our carbon neutrality targets, renewable energy, electric cars and K Fishpaths collaboration as well as our plastics and packaging policies are examples of how we, as a major operator, can impact the future.

Key stakeholders	Engagement and channels for interaction	Key topics of interest and concern for our stakeholders in 2020	How we have addressed stakeholder expectations
Retailers and store staff	<ul style="list-style-type: none"> <li>Retailer events and meetings were mostly held remotely due to the Covid-19 pandemic</li> <li>Electronic communication channels and Kehittyvä kauppa common trade magazine</li> <li>Responsible operating principles for K-retailers and K-stores (K Code of Conduct)</li> <li>K Group's first joint virtual event, K-Team Live</li> </ul>	<p>Since the beginning of the Covid-19 pandemic, it has been critical for K Group to ensure that shopping is safe at the stores and does not endanger the health of staff or customers.</p> <p>The K-retailers' work is based on understanding the needs of the local community.</p>	<p>We planned <b>safety measures for the stores and our logistics</b> together with experts. We increased customer communications in the stores and in social media channels. We developed new services, such as dedicated shopping hours for at-risk groups, more online services for groceries, home delivery services and a new helpline and phone order service for people over 70.</p> <p>We compile the "Little Big Deeds" of our retailers and publish them on our <b>website</b> and in social media.</p>
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 the <b>Food Trends 2020 survey</b>, the biggest factors influencing consumers' purchasing decisions are conscious consumption, the aim to achieve holistic wellbeing and the desire to become a better cook. Customers want easy-to-use vegetarian food options to be added to the selection.</p> <p>Companies are now expected to provide even more transparent information on where their products come from, how working conditions at factories and premises are monitored and how the environmental impact of products is minimised.</p>	<p>We added products made from food waste as well as more vegetarian convenience foods and plant protein products to our selections. We added a new Nutrition feature to the K-Ostokset service that allows customers to monitor their consumption of sugar, salt, red meat, fish and vegetables.</p> <p>To improve transparency in our supply chains, we launched the <b>Tracing Our Products website</b> in autumn 2020, where we provide information the origin of products and their journey to the shelves of K-stores. Towards the end of the year, we asked our customers for their opinion on the website through our Kylä customer community. The respondents wanted coffee and bananas to be added as new products and asked for information to be displayed at the stores as well. In 2021, we will add QR codes to Pirkka and K-Menu tuna cans that will allow customers to easily trace the origin of the product.</p>
Investors, shareholders, analysts and other representatives of capital markets	<ul style="list-style-type: none"> <li>General Meeting</li> <li>Results announcements</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, Science Based Targets for emissions, sustainable products, transparent purchasing channels and food waste. Mitigating climate change was the key sustainability topic at investor meetings.</p>	<p>We made progress towards a carbon neutral K Group by increasing the share of electricity and heat produced with renewable energy. We joined the CDP Supply Chain programme and are challenging our suppliers to cut their emissions.</p> <p>We strengthened our investor communications by posting more actively on <b>social media</b> and publishing <b>podcasts and blog texts about topics of interest to investors</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 2019 was assessed to be the second best in Finland and the 28th best overall.</p>

Key stakeholders	Engagement and channels for interaction	Key topics of interest and concern for our stakeholders in 2020	How we have addressed stakeholder expectations
Kesko personnel and potential employees	<ul style="list-style-type: none"> <li>• Performance and competence: personnel survey, development discussions and daily interaction</li> <li>• Co-operation with personnel</li> <li>• Organisational communication and feedback and discussion channels for the personnel</li> <li>• Pulse surveys</li> <li>• SpeakUp reporting channel</li> <li>• K Code of Conduct</li> <li>• Student and recruitment events</li> </ul>	<p>The most common questions posed by personnel during the Covid-19 pandemic concerned safety measures in various tasks during the different stages of the pandemic, coronavirus testing, ergonomics in remote working and how to maintain interaction and team spirit while working remotely.</p>	<p>There was a special emphasis during the Covid-19 pandemic on ensuring the health and safety of the personnel using all available means. We guaranteed access to Covid-19 testing without delay for all employees and supported the personnel and managers in many ways in remote work and coping with their work.</p>
Suppliers and service providers	<ul style="list-style-type: none"> <li>• Meetings with suppliers and partner events</li> <li>• K Code of Conduct and Principles and Practice of Socially Responsible Trading</li> <li>• Co-operation in accordance with fair trading practices</li> <li>• Audits and training</li> </ul>	<p>The impacts of the Covid-19 pandemic on the economy, Finnish work and production were widely discussed by grocery trade suppliers.</p> <p>The climate impacts of food and stores, packaging and plastic, and conscious consumption were also topics discussed.</p> <p>Building and technical trade customers, especially B2B customers, require information on the origin and quality of products.</p>	<p>K Group, the Association for Finnish Work and over 100 food product and home and speciality goods companies worked together with Ruokatieto yhdistys ry, an association that communicates about food and the food production chain, and Kotimaiset kasvikset ry, an association that promotes Finnish vegetables, and launched the <b>Ole osa hyvän ketjua campaign</b> (“Be part of a chain of good”) aimed at encouraging Finns to increasingly favour products that provide employment in Finland and keep the wheels of the economy turning.</p> <p>We made changes to the packaging of our own brand products in the grocery trade, significantly reducing the amount of plastic. Together with our suppliers, we are constantly seeking new ways to add easily recyclable or reusable packaging and circular economy products to our selections.</p> <p>We take sustainability into consideration even better in our sourcing criteria. We increased transparency in our supply chains by publishing the <b>Tracing Our Products</b> website, with PEFC-certified timber as one of the first products showcased.</p>
Society (media, authorities, non-governmental and other organisations, and trade unions)	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Media events and enquiries</li> <li>• Activities in organisations</li> <li>• Enquiries from NGOs</li> </ul>	<p>The issue of the security of supply and the sufficiency of food supplies at stores came up at the beginning of the Covid-19 crisis.</p> <p>Media queries focused on the effects of the Covid-19 pandemic throughout the year. Some of the frequently asked questions concerned the impact of the pandemic on store selections, the safety of shopping, face mask recommendations and remote work.</p> <p>During the year, we answered enquiries from NGOs regarding such topics as the sustainability of clothing brands and the environmental impacts of the purchasing chains.</p>	<p>The Finnish food chain functioned well in the crisis, and there was no shortage of food at any point. K Group's strengths proved to be its domestic selections, nationwide store network and the retailer business model, which adapts to new circumstances in an agile manner.</p> <p>The Confederation of Finnish Industries (EK) and ten leading companies in their own industries joined forces in spring 2020 to help Finland return to normal as safely as possible. Read more about the <b>Enter 2020 campaign</b>.</p> <p>We continued to develop our purchasing processes and improve the transparency of our supply chains. We published our <b>cotton policy</b> and <b>packaging policy</b> as well as the <b>Tracing Our Products</b> website.</p>



# MANAGEMENT APPROACH

GOOD CORPORATE GOVERNANCE AND FINANCE		CUSTOMERS
Material aspects	Economic performance Indirect economic impacts Anti-corruption Anti-competitive behaviour Compliance Grievance mechanisms for impacts on society Customer privacy	Customer health Product safety
Policies and commitments	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>	
Monitoring and control systems	<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>	Kesko's Quality and Product Development Unit's laboratory monitors the product safety and quality of own brand products and own imports in the grocery trade.
Programmes, projects and initiatives		Food store as well as building and home improvement store operations utilise the Hymy customer feedback system.  The service level, recognition and image of Kesko's chains are regularly monitored in brand surveys targeted at consumers in all product lines. The same practice is applied to the K-Plussa customer loyalty programme and the grocery trade's own brand products. Store-level customer satisfaction is measured by customer satisfaction surveys and the mystery shopping method in food stores and building and home improvement stores.
Grievance mechanisms	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>Plussa.com</b> K Consumer Service Chains' customer feedback systems
Boundaries	Corporate governance: Kesko Finance: Kesko	Customer health and safety: Kesko's own brand products and own imports Product and service information: Kesko's own brand products and own imports Marketing communications: Kesko Compliance: Kesko

SOCIETY		WORKING COMMUNITY
Material aspects	Procurement practices	Employment Labour/management relations Occupational health and safety Training Diversity and equal opportunities Equal remuneration Labour practices grievance mechanisms
Policies and commitments	Kesko requires that its business partners act in compliance with the <b>K Code of Conduct</b> guidelines. We add K Code of Conduct contract clauses to agreements under which the Kesko Group companies purchase products and services from outside the Group.  <b>Good trading principles</b> in the food supply chain.	<b>K Code of Conduct</b> <b>HR policy</b>
Monitoring and control systems	Changes in the operating environment and in K Group are taken into account by adjusting objectives, operating principles, monitoring systems and/or resources.	Labour protection and HR
Programmes, projects and initiatives	<b>Thank the Producer</b>	K Well wellbeing model TASY Employee Equality and Diversity Group <b>Youth employment at K Group</b>
Grievance mechanisms	<b>SpeakUp reporting channel</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>
Boundaries	Economic performance: Kesko Indirect economic impacts: K Group Purchase practices: K Group	Working community: Kesko

**RESPONSIBLE PURCHASING AND SUSTAINABLE SELECTIONS**

Material aspects	Information and compliance of products and services Customer health and safety Assessment of suppliers' working conditions Human rights Marketing communications
Policies and commitments	<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
Monitoring and control systems	<b>Certification and audit systems related to production in high-risk countries approved by Kesko.</b>  Supplier agreements require that suppliers and service providers comply with the principles of the <b>K Code of Conduct</b> and the <b>amfori BSCI 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 Supplier agreements require that suppliers and service providers comply with the principles of the K Code of Conduct and the amfori BSCI Code of Conduct. 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 SFSEN ISO/IEC 17025 standard.
Programmes, projects and initiatives	<b>The Principles and Practice of Socially Responsible Trading guide</b> <b>The Center for Child Rights and Corporate Social Responsibility</b>
Grievance mechanisms	K Consumer Service Chains' customer feedback systems <b>SpeakUp reporting channel</b>
Boundaries	Information and compliance of products and services Customer health and safety Assessment of suppliers' working conditions Human rights Marketing communications

**ENVIRONMENT**

	Energy Water Biodiversity Emissions Waste Food waste
	<b>K Group's environmental and energy policy</b> <b>UN Global Compact Initiative</b> <b>UN Sustainable Development Goals</b>
	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.
	<b>Science Based Targets</b> Action plan for 2017–2025 under the retail sector's <b>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> Finnish soy commitment and <b>RTRS</b>
	<b>SpeakUp reporting channel</b>
	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

# REPORTING PRINCIPLES

## REPORTING PRINCIPLES IN ACCORDANCE WITH THE GRI STANDARDS

Since 2000, Kesko has annually reported on its corporate responsibility actions in accordance with the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development. 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.

Since 2014, 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.

## CHANGE IN THE STRUCTURE OF REPORTED COMPANY

Kesko reports Kesko Senukai Group, which is part of Kesko's building and technical trade segment and operates in the Baltic countries and Belarus, as a joint venture as of 1 July 2020. Kesko Senukai Group was reported as a subsidiary until 30 June 2020. In the financial GRI indicators in this report, Kesko Senukai is included in the figures up until 30 June 2020 unless otherwise stated. Kesko Senukai is not included in the figures for HR and the environment for the full year 2020. Comparison figures for previous years have not been adjusted and they comprise Kesko Senukai.

## 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 responsibility 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 responsibility. 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 AND CONTACT INFORMATION

This report describes the progress and results of responsibility work in 2020. It includes some information from January and February 2021. The report for 2019 was published in March 2020. The report for 2021 will be published in the spring of 2022.

Further information on the topics covered in the report can be obtained from **Kesko's contact persons**.

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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 5</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 56-59</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 23-24</b>				
102-10	Significant changes to the organisation and its supply chain	<b>KD 16</b>				
102-11	Precautionary Principle or approach	<b>KD 17-18</b>				
102-12	External initiatives	<b>kesko.fi Principles of corporate responsibility</b>				
102-13	Membership of associations	<b>kesko.fi Activities in organisations</b>				
102-14	Statement from senior decisionmaker	<b>KD 6-8</b>				
102-15	Key impacts, risks and	<b>KD 17-18, KD 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 5</a>				
102-19	Delegating authority	<a href="#">CG 12-14, kesko.fi Sustainability governance</a>				
102-20	Executive-level responsibility for economic, environmental and social topics	EVP, CFO; EVP, Human Resources and Corporate Responsibility		Both are members of the Group Management Board.		
102-21	Consulting stakeholders on economic, environmental, and social topics	<a href="#">SU 76-77</a>				
102-22	Composition of the highest governance body and its committees	<a href="#">CG 7-14</a>				
102-23	Chair of the highest governance body	<a href="#">CG 7-14</a>				
102-24	Nominating and selecting the highest governance body	<a href="#">CG 7-14</a>				
102-25	Conflicts of interest	<a href="#">CG 7-14</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 7-14</a>				
102-28	Evaluating the highest governance body's performance	<a href="#">CG 7-14</a>	Only the Board's self-assessment has been reported.			
102-29	Identifying and managing economic, environmental, and social impacts	<a href="#">CG 7-14</a>				
102-30	Effectiveness of risk management processes	<a href="#">CG 18-19</a>				
102-31	Review of economic, environmental, and social topics	<a href="#">CG 18-19</a>				
102-32	Highest governance body's role in sustainability reporting	<a href="#">CG 10</a>				
102-33	Communicating critical concerns	<a href="#">CG 17</a>				
102-35	Remuneration policies	<a href="#">CG 23-29</a>				
102-40	List of stakeholder groups	<a href="#">SU 77-78</a>				
102-41	Collective bargaining agreements	<a href="#">SU 74</a>			x	
102-42	Identifying and selecting stakeholders	<a href="#">SU 77-78</a>				

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
102-43	Approach to stakeholder engagement	SU 77-78				
102-44	Key topics and concerns raised	SU 77-78				
102-45	Entities included in the consolidated financial statements	FS 56-58, FS 117-121				
102-46	Defining report content and topic Boundaries	SU 82				
102-47	List of material topics	kesko.fi Materiality assessment of corporate responsibility				
102-48	Restatements of information	No significant changes.		Changes reported in connection with topic-specific information.		
102-49	Changes in reporting	The reporting of Kesko Senukai Group, which is operates in the Baltic countries and Belarus, changed from a subsidiary to a joint venture during 2020.				
102-50	Reporting period	SU 82				
102-51	Date of most recent report	SU 82				
102-52	Reporting cycle	SU 82				
102-53	Contact point for questions regarding the report	kesko.fi Contacts, responsibility				
102-54	Claims of reporting in accordance with the GRI Standards	SU 82				
102-55	GRI content index	SU 83-91				
102-56	External assurance	SU 92-93				
<b>GRI 103 MANAGEMENT APPROACH</b>						<b>2016</b>
103-1	Explanation of the material topic and its Boundary	SU 79-81				
103-2	The management approach and its components	SU 79-81				
103-3	Evaluation of the management approach	SU 79-81				
<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 8-9				
201-2	Financial implications and other risks and opportunities due to climate change	KD 17	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 60				
201-4	Financial assistance received from government	SU 9				
<b>203</b>	<b>Indirect economic impacts</b>					<b>2016</b>
203-1	Infrastructure investments and services supported	SU 13				
<b>204</b>	<b>Procurement practices</b>					<b>2016</b>
204-1	Proportion of spending on local suppliers	SU 23-24				
<b>205</b>	<b>Anti-corruption</b>					<b>2016</b>
205-1	Operations assessed for risks related to corruption	SU 72-73	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 72-73	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 72-73			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 13				

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	<b>SU 10, Kesko's tax policy</b>				
207-2	Tax governance, control and risk management	<b>SU 10, Kesko's tax policy</b>				
207-3	Stakeholder engagement and management concerns related to tax	<b>SU 10, Kesko's tax policy</b>				
207-4	Country-by-country reporting	<b>SU 11-12</b>				
<b>ENVIRONMENTAL IMPACTS</b>						
<b>301</b>	<b>Materials</b>					<b>2016</b>
301-3	Reclaimed products and their packaging materials	<b>SU 50-54</b>	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	<b>SU 37-38</b>	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	<b>SU 38</b>		<b>Environmental reporting principles</b>	x	
302-4	Reduction of energy consumption	<b>SU 38-39</b>			x	
<b>303</b>	<b>Water</b>					<b>2018</b>
303-1	Interactions with water as a shared resource	<b>SU 45</b>				
303-5	Water consumption	<b>SU 45</b>	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	<b>SU 47-48</b>			x	
304-3	Habitats protected or restored	<b>SU 48-49</b>			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 40		Environmental reporting principles	x	
305-2	Energy indirect (Scope 2) GHG emissions	SU 40		Environmental reporting principles	x	
305-3	Other indirect (Scope 3) GHG emissions	SU 41		Scope 3 Inventory report	x	
305-4	GHG emissions intensity	SU 41			x	
305-5	Reduction of GHG emissions	SU 42-44			x	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	SU 41		Environmental reporting principles	x	
<b>306</b>	<b>Effluents and waste</b>					<b>2016</b>
306-2	Waste by type and disposal method	SU 52			x	
	<b>Food waste</b>					
-	Food waste	SU 53-54		Material topic without applicable standard.	x	
<b>308</b>	<b>Supplier environmental assessment</b>					<b>2016</b>
308-1	Supplier environmental assessment	SU 28	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 56-59	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 60, 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 74	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 61-66				
403-2	Hazard identification, risk assessment, and incident investigation	SU 61-66				
403-3	Occupational health services	SU 61-66				
403-4	Worker participation, consultation, and communication on occupational health and safety	SU 61-66				
403-5	Worker training on occupational health and safety	SU 61-66				
403-6	Promotion of worker health	SU 61-66				
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SU 61-66				
403-8	Workers covered by an occupational health and safety management system	SU 61-66	Does not cover all personnel, hired labour or contractors. Figure and percentage not available.			
403-9	Work-related injuries	SU 61-66	Not reported by injury type. Not reported for hired labour or contractors. Information not available.			
403-10	Work-related ill health	SU 61-66	Not reported by occupational disease. Not reported for hired labour or contractors. Information not available.			
<b>404</b>	<b>Training and education</b>					<b>2016</b>
404-1	Average hours of training per year per employee	SU 67-68	Not reported by gender and employee category. Information not available.		x	
404-2	Programmes for upgrading employee skills and transition assistance programmes	SU 67-68				
404-3	Percentage of employees receiving regular performance and career development reviews	SU 69	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 70-71	Not reported by age category. Information not available.		x	
405-2	Ratio of basic salary and remuneration of women to men	SU 71			x	

CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>406</b>	<b>Non-discrimination</b>					<b>2016</b>
406-1	Incidents of discrimination and corrective actions taken	<b>SU 70-71</b>			x	
<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 74</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 22</b>	Information about percentage is not available.	The human rights assessment and commitment apply to all of Kesko's divisions and operating countries.	x	
412-2	Employee training on human rights	<b>SU 22</b>	Information about number of hours and percentage of employees trained is not available.		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 13</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 30</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 30</b>				
<b>417</b>	<b>Marketing and labelling</b>					<b>2016</b>
417-1	Requirements for product and service information and labelling	<b>SU 30-31</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 31</b>				
417-3	Incidents of non-compliance concerning marketing	<b>SU 31</b>				



CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
<b>418</b>	<b>Customer privacy</b>					<b>2016</b>
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<b>SU 13</b>				
<b>419</b>	<b>Socioeconomic compliance</b>					<b>2016</b>
419-1	Non-compliance with laws and regulations in the social and economic area	<b>SU 13</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, 2020 to December 31, 2020 disclosed in the “Kesko’s Direction” and “Sustainability” sections of Kesko’s Annual Report 2020. 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 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 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;

- Conducting interviews in Kesko's logistics centre in Hakkila through a video conference;
- 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 2020 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 18, 2021

#### Deloitte Oy

Jukka Vattulainen

Teemu Jaatinen

Authorized Public  
Accountant

Authorized Public  
Accountant