



KESKO'S  
ANNUAL REPORT 2018

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

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KESKO'S  
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# CORPORATE GOVERNANCE STATEMENT 2018

# Introduction

This Corporate Governance Statement has been reviewed at the meeting of the Audit Committee of Kesko Corporation's Board of Directors on 5 February 2019.

This is the Corporate Governance Statement in accordance with the Finnish Corporate Governance Code issued by the Securities Market Association effective from 1 January 2016. Kesko Corporation issues the statement separately from the Report by the Board of Directors. This statement and the other information to be disclosed in accordance with the Corporate Governance Code, and the Company's financial statements, the Report by the Board of Directors, and the Auditor's Report are available on Kesko's website at [kesko.fi/en/investor/corporate-governance](https://kesko.fi/en/investor/corporate-governance).

Kesko Corporation ("Kesko" or "the Company") is a Finnish limited liability company in which the duties and responsibilities of management bodies are defined according to the regulations observed in Finland. The parent company Kesko and its subsidiaries form Kesko Group. The Company is domiciled in Helsinki.

In Kesko, decision-making and corporate governance are in compliance with the Finnish Limited Liability Companies Act, regulations concerning publicly listed companies, Kesko's Articles of Association, the charters of Kesko's Board of Directors and its Committees, and the rules and guidelines of Nasdaq Helsinki Ltd.

## CORPORATE GOVERNANCE CODES KESKO COMPLIES WITH AND DEPARTS FROM

Corporate Governance Code Kesko commits to comply with	The Corporate Governance Code effective from 1 January 2016 ("Corporate Governance Code")
Website where the Corporate Governance Code is publicly available	<a href="https://cgfinland.fi/en/corporate-governance-code/">cgfinland.fi/en/corporate-governance-code/</a>
Corporate Governance Code recommendations from which the company departs	Recommendation 6 (Term of Office of the Board of Directors)
<p>Explanation of and grounds for the departure</p> <ul style="list-style-type: none"> <li>• grounds for the departure</li> <li>• decision-making concerning the departure</li> <li>• when the company plans to adopt the recommendation (in case of temporary departure)</li> <li>• when necessary, the company must describe the procedure implemented in place of the recommendation and explain how such a procedure establishes the objective of the recommendation or the code or how the procedure promotes the implementation of appropriate corporate governance in the company</li> </ul>	<p>The term of office of Kesko's Board of Directors departs from the one-year term pursuant to Recommendation 6 (Term of Office of the Board of Directors) of the Corporate Governance Code. The term of office of the Company's Board of Directors is determined in accordance with the Company's Articles of Association. The General Meeting decides on amendments to the Articles of Association. According to the Company's Articles of Association, the term of office of a Board member is three (3) years, starting at the close of the General Meeting electing the member and expiring at the close of the third (3rd) Annual General Meeting after the election.</p> <p>A shareholder who, together with related entities, represents over 10% of votes attached to all Kesko shares, has informed the Company's Board of Directors that it considers the term of office of three (3) years good for the Company's long-term development and has not seen any need to shorten the term stated in the Articles of Association.</p>

# Descriptions concerning corporate governance

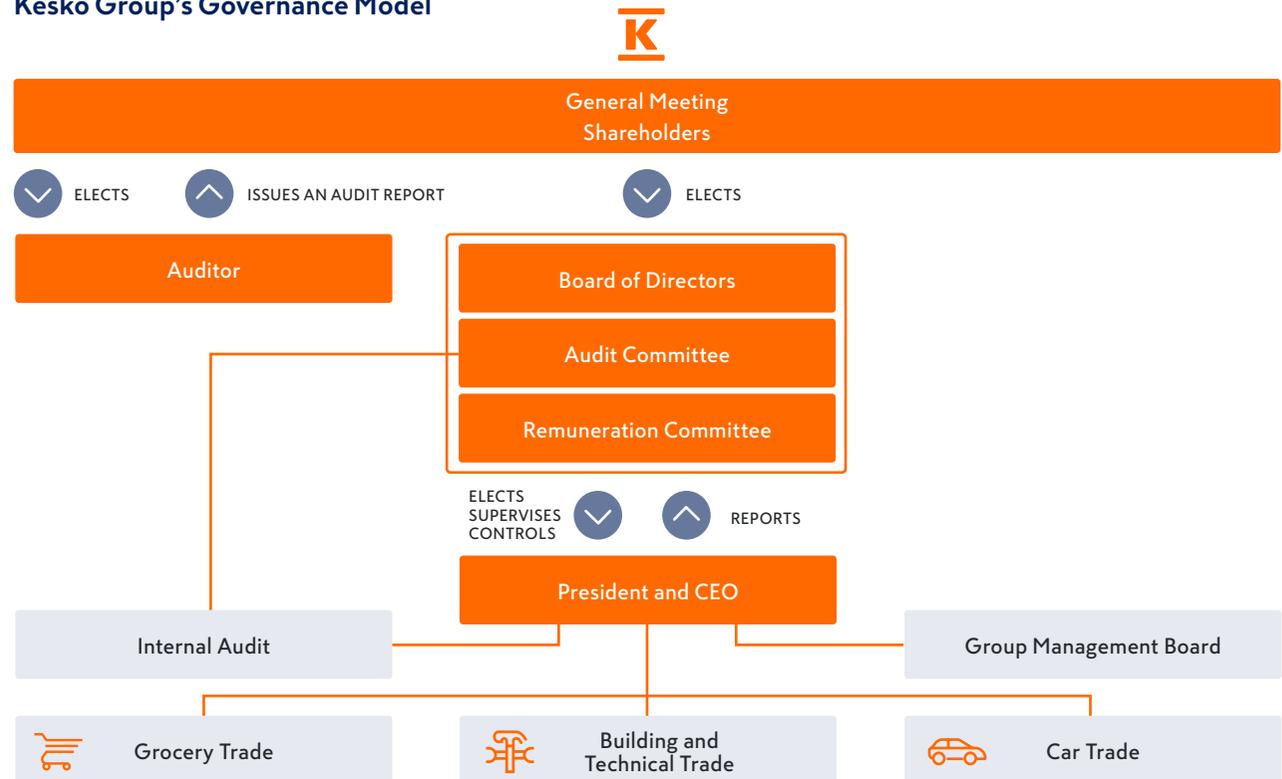
## Kesko Group's corporate governance system

The highest decision-making power in Kesko is exercised by the Company's shareholders at the Company's General Meeting. At the Annual General Meeting, the Company's shareholders elect the Company's Board of Directors and the Auditor. Kesko Group is managed by the Board of Directors and the Managing Director, who is the President and CEO. The President and CEO is appointed by the Board of Directors. The Company uses a so-called one-tier governance model.

The Annual General Meeting is held annually by the end of June, on a date designated by the Company's Board of Directors. The most significant matters falling within the decision-making power of the General Meeting include the election of the Board members and the Auditor, the adoption of the financial statements, the resolution on discharging the Board members and the Managing Director from liability, and the resolution on the distribution of the Company's assets, such as distribution of profit.

The Company has share series A and B, which differ with respect to the number of votes attached to the shares. An A share carries ten (10) votes and a B share carries one (1) vote at the General Meeting. When votes are taken, the proposal for which more than half of the votes were given will primarily be the resolution of the General Meeting, as prescribed by the Limited Liability Companies Act. However, pursuant to

## Kesko Group's Governance Model



the Act, certain decisions – such as decisions to amend the articles of association and decisions on directed share issues – require a qualified majority of two-thirds of the votes cast and represented at the meeting. The Limited Liability Companies Act provides that specific shareholders or all shareholders must consent to a decision limiting the rights arising from shares or increasing the obligations of shareholders.

Shareholders are invited to attend the General Meeting by a Notice of the General Meeting published on the Company's website. The notice of the meeting and other

General Meeting documents, including the Board of Directors' proposals to the General Meeting, are made available to shareholders no later than three weeks prior to the General Meeting on its website at [www.kesko.fi](http://www.kesko.fi). The notice of the meeting is also published in a stock exchange release.

The Company aims for all members of Kesko's Board of Directors, the President and CEO, and the Auditor to be present at the Annual General Meeting. The minutes of the General Meeting are made available to shareholders at Kesko's website at [www.kesko.fi](http://www.kesko.fi) within two weeks of the

General Meeting. The resolutions of the General Meeting are also published in a stock exchange release without delay after the meeting.

## Board of Directors

### Formation and term of office of the Board of Directors

According to the Articles of Association, Kesko's Board of Directors is composed of a minimum of five (5) and a maximum of eight (8) members. All Board members are elected by the General Meeting. There is no special committee or board engaged in the nomination of Board member candidates or their election at the General Meeting, as the number of Board members is resolved and the members are elected by majority votes at the General Meeting based on shareholders' proposals. The Board elects the Chairman and the Deputy Chairman from among its members for the whole term of office of the Board.

According to the Articles of Association, the term of office of a Kesko Board member is three (3) years, starting at the close of the General Meeting electing the member and expiring at the close of the third (3rd) Annual General Meeting after the election.

In the preparation of the proposal for the Board composition, Kesko applies a practice in which significant shareholders prepare for the General Meeting the proposals concerning the Board of Directors, including the proposal for the number of Board members, the proposal for the remuneration of the Board members, and when necessary, the proposal for the Board members. The proposal by significant shareholders is based on the Board's self-assessment, in which the performance and contribution of each Board member is also assessed, in addition to the competencies and experience needed in the Board composition. Conclusions based on the self-assessment are communicated to the significant

shareholders, and external advisors are used as necessary in surveying potential members who meet the set criteria. The Chairman of the Board interviews potential members and provides an opinion to the significant shareholders.

### Board composition and shareholdings

The Annual General Meeting of 11 April 2018 resolved that the Board of Directors is composed of seven (7) members.

As of the Annual General Meeting of 11 April 2018, the Board members have been Esa Kiiskinen (Chair), Peter Fagernäs (Deputy Chair), Jannica Fagerholm, Piia Karhu,

Matti Kyytsönen, Matti Naumanen and Toni Pokela. Between 1 January and 11 April 2018, the Board members were Esa Kiiskinen (Chair), Mikael Aro (Deputy Chair), Jannica Fagerholm, Matti Kyytsönen, Matti Naumanen, Anu Nissinen and Toni Pokela.

In accordance with the Articles of Association, the term of office of the current members of the Board of Directors will expire at the close of the 2021 Annual General Meeting.

The Board's composition and shareholdings on 31 December 2018 are depicted in the table below.

### Board composition and shareholdings on 31 Dec. 2018

Nimi	Year of birth	Education	Principal occupation	Board member since	Committee membership	Kesko shares held on 31 Dec. 2018
Esa Kiiskinen (Chair)	1963	Business College Graduate	Food retailer	2009	Remuneration Committee (Chair)	1,350 A shares held by him 106,000 A shares held by entities controlled by him 673 B shares held by him
Peter Fagernäs (Deputy Chair)	1952	Master of Laws	Chairman of the Board, Hermitage & Co Oy	2018	Remuneration Committee (Deputy Chair)	1,000 A shares held by him 417 B shares held by him
Jannica Fagerholm	1961	Master of Science (Economics)	Managing Director, Signe and Ane Gyllenberg Foundation	2016	Audit Committee (Chair)	1,417 B shares held by her
Piia Karhu	1976	Doctor of Science, Economics and Business Administration	Senior Vice President, Finnair Plc	2018	Audit Committee	313 B shares held by her
Matti Kyytsönen	1949	Master of Science (Economics)	Chairman of the Board, Silverback Consulting Oy	2015	Audit Committee (Deputy Chair) Remuneration Committee	1,308 B shares held by him
Matti Naumanen	1957	Trade Technician	Retailer	2016		2,400 A shares held by him 17,664 A shares held by entities controlled by him 313 B shares held by him
Toni Pokela	1973	eMBA	Food retailer	2012		179,400 A shares held by entities controlled by him 313 B shares held by him

### Independence

All members of Kesko's Board of Directors are non-executive directors. The Board evaluates the independence of its members on a regular basis in accordance with Recommendation 10 of the Corporate Governance Code.

The Board carried out an independence evaluation in its organisational meeting held after the Annual General Meeting of 11 April 2018. Based on that independence evaluation, the Board considered Toni Pokela not to be independent of the Company's significant shareholder, the K-Retailers' Association, of which Pokela is the Chairman of the Board. In its independence evaluation, the Board considered the majority of the Board members to be independent of the Company. A Board member is obliged to provide the Board with necessary information for the evaluation of independence.

The Board members' independence is depicted in the table below.

### Board members' independence in 2018

	Independent of the Company	Independent of a significant shareholder
Esa Kiiskinen (Chair)	No***	Yes
Peter Fagerlös (Deputy Chair)*	Yes	Yes
Jannica Fagerholm	Yes	Yes
Piia Karhu*	Yes	Yes
Matti Kyytsönen	Yes	Yes
Matti Naumanen	No***	Yes
Toni Pokela	No***	No****
Mikael Aro (Deputy Chair)**	Yes	Yes
Anu Nissinen**	Yes	Yes

\* Board member since 11 April 2018, \*\* Board member until 11 April 2018, \*\*\* Each of the companies controlled by Kiiskinen, Naumanen and Pokela has a chain agreement with Kesko Corporation., \*\*\*\* Pokela is the Chairman of the Board of Kesko's significant shareholder K-Retailers' Association.

### Description of the operations of the Board of Directors and the main contents of its charter

Kesko's Board of Directors is responsible for the Company's corporate governance and for the proper organisation of its operations. The Board is responsible for the proper organisation of the Company's accounting and financial management controls. The Board of Directors has confirmed a written charter of the Board of Directors' duties, the matters it deals with, its meeting practice and its decision-making procedure.

In accordance with the charter, the Board deals with and makes decisions on matters that are financially, operationally or fundamentally significant to the Group. According to the charter, the Board of Directors' duties include:

- deciding on the Group strategy and confirming the divisions' strategies
- confirming the Group's budget and rolling forecast, including a capital expenditure plan
- approving the Group's treasury and investment policy
- confirming the Group's risk management policy and reviewing the Group's most significant risks and uncertainties
- confirming the Group's insurance principles
- reviewing and adopting the consolidated financial statements, half year financial reports and interim reports and related stock exchange releases and the Report by the Board of Directors
- deciding on strategically or financially significant individual capital expenditure, acquisitions, divestments or other arrangements, and commitments

- deciding on management authorisation rules
- deciding on the essential structure and organisation of the Group
- appointing and dismissing the Company's President and CEO, approving his/her managing director's service contract and deciding on his/her remuneration and other financial benefits
- deciding on the appointments of the Group Management Board members responsible for lines of business, on their remuneration and financial benefits
- deciding on the principles of Kesko's commitment and incentive schemes and monitoring their implementation
- making possible proposals to the General Meeting for share issue and acquisition authorisations, and making decisions on granting shares or share options under share-based commitment and incentive schemes, and on the terms and conditions for granting them
- establishing a dividend policy and being responsible for shareholder value performance
- confirming the Company's values
- reviewing Kesko's Annual Report
- being responsible for the other statutory duties prescribed to the Board of Directors by the Limited Liability Companies Act or some other, and for duties prescribed by the Finnish Corporate Governance Code.

The duty of Kesko's Board of Directors is to promote the interests of Kesko and all of its shareholders. In the company, the Board members do not represent the parties that have proposed their election as Board members. A Board member is disqualified from participating in the handling of any matter between him/her (including entities

over which he/she exercises control) and the Company. When a vote is taken, the Board's decision will be the opinion of the majority and if a vote results in a tie, the decision will be the opinion supported by the Chair. If the votes taken at an election of a person end in a tie, the result will be decided by drawing lots.

### Board of Directors' operations in 2018

In 2018, the Board held 10 meetings. The Board members' attendance rate at the Board meetings was 100%. Board meetings regularly discuss the review by the President and CEO on key topical issues, as well as the reports by the Chairmen of the Board's Audit Committee and Remuneration Committee on Committee meetings preceding the Board meetings. The Auditor presents its findings to the Board once a year in connection with the review of the financial statements.

As in previous years, in 2018, the Board reviewed the financial reports and monitored the Group's financial situation, approved the most significant capital expenditure and divestments and new financing arrangements, monitored the progress of Group-level projects and approved the interim reports, the half year financial report and the financial statements before they were published.

In 2018 the Board, among other things, clarified and specified the Kesko Group strategy approved in spring 2015 and monitored its execution, and decided on acquisitions and divestments in line with the confirmed strategy, including the acquisitions of Kalatukku E. Eriksson Oy, Gipling AS, Skattum Handel AS, and the DIY retail business of Sørbrø Trelast AS and Tau & Jørpeland Bygg AS. The Board monitored the financial performance

of previously acquired companies and their integration into Kesko Group, the implementation of divestments decided, and progress in the Group's data protection project. The Board reviewed, for example, Kesko's Annual Report and goodwill impairment testing, and decided on mergers to simplify the Group structure, the establishment of a new share-based compensation plan, on using the authorisation granted by the General Meeting to acquire a maximum of 500,000 B shares in the Company, on new financing arrangements, and on the use of donation funds approved by the General Meeting.

The Board carried out a self-assessment. It was conducted via discussions between the Board's Chairman and each

Board member based on a predetermined discussion agenda. Topics covered in the assessment included Group strategy, reporting, risk management, efficiency of Board and Committee work, Group management and contingency planning for Group management, and individual Board member assessments. The Board reviewed a summary of the discussion results in its meeting. Focus areas included strategy-driven corporate leadership, the temporal aspect of strategy review, the scope of market and competitor information, the increased importance of cyber security in risk management, and an open and appreciative working atmosphere for the Board and its Committees. In addition to the summary, each Board member received personal feedback.

### Attendance at meetings by members of the Board and its Committees in 2018

	Board member since	Committee membership	Attendance		
			Board	Audit Committee	Remuneration Committee
Esa Kiiskinen (Chair)	2009	Remuneration Committee (Chair)	10/10		3/3
Peter Fagnäs (Deputy Chair)*	2018	Remuneration Committee (Deputy Chair)	7/7		1/1
Jannica Fagerholm	2016	Audit Committee (Chair)	10/10	5/5	
Piia Karhu*	2018	Audit Committee	7/7	4/4	
Matti Kyytsönen	2015	Audit Committee (Deputy Chair) Remuneration Committee	10/10	5/5	1/1
Matti Naumanen	2016		10/10		
Toni Pokela	2012		10/10		
Mikael Aro (Deputy Chair)**	2015	Audit Committee (Deputy Chair) Remuneration Committee (Deputy Chair)	3/3	1/1	2/2
Anu Nissinen**	2015	Remuneration Committee	3/3		2/2

\* Board member since 11 April 2018

\*\* Board member until 11 April 2018

## Principles concerning diversity

Kesko's Board of Directors approved on 25 October 2016 the diversity policy, which has been published on the website at [kesko.fi/en/investor/corporate-governance/board-and-its-committees/diversity-policy](https://kesko.fi/en/investor/corporate-governance/board-and-its-committees/diversity-policy), in the following form:

” Diversity is an essential component of Kesko's success, the achievement of Kesko's strategic objectives and good governance at Kesko. This diversity policy describes the objectives in the achievement of diversity in the operations and composition of Kesko Corporation's Board of Directors.

### Board size and the election of its members

According to the Articles of Association, the term of office of a Kesko Board member is three (3) years, starting at the close of the General Meeting electing the member and expiring at the close of the third (3rd) Annual General Meeting after the election. According to the Articles of Association, Kesko's Board of Directors is composed of a minimum of five (5) and a maximum of eight (8) members. A sufficient number of Board members promotes the diversity of the Board composition, as the areas of expertise and competencies of the Board members are mutually complementary and the Board's independence requirements are satisfied.

The Board members are elected by majority votes at the General Meeting based on shareholders' proposals. The Board elects the Chairman and the Deputy Chairman from among its members for the whole term of office of the Board. In the preparation of the proposal for the Board composition, Kesko applies a practice in which significant shareholders prepare to the

General Meeting the proposals concerning the Board of Directors, including the proposal for the number of Board members, the proposal for the remuneration of the Board members, and when necessary, the proposal for the Board members.

### Planning the Board composition

The composition of Kesko's Board of Directors shall support Kesko's current and future business operations. The Board members are appointed on their merits. One of the essential features in the Board composition is that the Board members' educational backgrounds, experience, professional competencies and age and gender distribution support Kesko's business objectives and enable efficient Board work for Kesko. The Board members shall also be able to devote a sufficient amount of time to Board work.

Kesko aims to achieve a balanced gender distribution in the composition of its Board of Directors. The composition of the Board shall reflect experience in both national and international business operations. The educational background of the Board members shall represent multiple disciplines and diversity. In addition, Kesko's Board shall include members with strong experience in the trading sector and in-depth knowledge of the retailer business. The achievement of objectives is monitored annually and reported in the corporate governance statement.”

### Monitoring the implementation of diversity policy objectives in 2018

In 2018, two of the seven Board members were women, in other words, the proportion of the gender with the smaller representation on the Board was approximately 29%. The educational backgrounds and experience of the Board

members represent multiple disciplines and diversity, and several members also have experience in international business operations (for the personal details of the Board members, see the table "Board composition and shareholdings"). Several Board members have experience in the trading sector and the principal occupation of three of the seven Board members is acting as a K-retailer.

### Board Committees

Kesko has a Board's Audit Committee and Remuneration Committee, both of which are composed of three (3) Board members. At the close of the Annual General Meeting, the Board elects from among its members the Committee Chairmen, Deputy Chairmen and members for one year at a time.

All members of the Audit Committee are independent of the Company and of the Company's significant shareholders. In the election of the Audit Committee members, the competence requirements for Audit Committee members have been taken into account.

All members of the Remuneration Committee are independent of the Company's significant shareholder and its majority is also independent of the Company. In the election of the Remuneration Committee members, the competence requirements for Remuneration Committee members have been taken into account.

The Committees regularly assess their operations and working methods and carry out a related self-assessment once a year. The Board has confirmed written charters for the Committees, which contain the main duties and operating principles of the Committees.

The Committees have no independent decision-making power. Instead, the Board makes decisions on matters based on the Committees' preparatory work. The Committee Chairman reports on the Committee's work at the Board meeting following the Committee's meeting. Minutes of the Committee meetings are submitted for information to the Board members.

Kesko's Board of Directors has not established any other committees in addition to the Audit and Remuneration Committees, nor or has the General Meeting appointed any committees or boards.

### Audit Committee

The Board's organisational meeting, held after the Annual General Meeting of 11 April 2018, elected the following Board members as the Audit Committee members:

- Jannica Fagerholm (Chair)
- Matti Kyytsönen (Deputy Chair)
- Piia Karhu

During the period before the 2018 Annual General Meeting (1 January - 11 April 2018) the Audit Committee members were Jannica Fagerholm (Chair), Mikael Aro (Deputy Chair) and Matti Kyytsönen.

According to its charter, the duties of the Audit Committee include:

- monitoring Kesko Group's financial and funding situation
- monitoring and evaluating the Company's process for financial statements reporting

- monitoring and evaluating the Company's process for financial reporting
- monitoring and evaluating the efficiency of the Company's internal control, internal audit and risk management systems
- reviewing the Company's Corporate Governance Statement
- approving the operating instructions, annual audit plan, budget and resources for the Company's internal audit function and reviewing the reports submitted to the Committee
- monitoring the statutory audit of the financial statements and the consolidated financial statements
- monitoring and evaluating the independence of the Company's audit firm
- monitoring and evaluating related (non-audit) services to Kesko by the audit firm and its network audit companies
- preparing a proposal for a resolution on the election of the Company's Auditor and communicating with the Company's Auditor.

In 2018, the Audit Committee held five meetings. Its members' attendance rate at the Committee meetings was 100%. At the Committee meetings, the Group's Chief Financial Officer, the Group Controller and the director in charge of internal audit regularly reported on their areas of responsibility to the Committee. The Committee also receives reports on Kesko Group's funding situation, taxation, information management, risk management and insurances. The Auditor is present at the Committee meetings and presents its audit plan and report to the Audit Committee.

During the year, the Committee reviewed the reports on the Group's financial situation, including the financial statements release, the half year financial report and the interim reports and updated forecasts, and made a recommendation to the Board on the review of the reports and the financial statements release. The Committee reviewed the reports of the Group's external and internal audits and risk management and the Corporate Governance Statement. The Audit Committee also reviewed goodwill impairment testing and the Group's risk reporting in the financial statements.

The Audit Committee monitored the implementation of the audit plan for internal audit, the Group's preparation for the implementation of new IFRS standards and their impact on the Group's reporting, the Group's preparations for the implementation of the new EU general data protection regulation, the development of associated companies, and additional services purchased from firms of auditors. The Committee also monitored and evaluated the Auditor's independence and the non-auditing consultation services provided by the Auditor to the Group. The Audit Committee prepared and submitted a proposal to Kesko's Annual General Meeting 2018 for the election of Auditor. The Committee also approved the 2019 audit plan, personnel resources and budget for the Group's internal audit.

The Audit Committee assessed its operations as part of the Board's self-assessment. Topics that emerged in the assessment included the Committee's significant role in monitoring the effectiveness of the Group's risk management, and successful reporting on low-profitability units.

## Remuneration Committee

The Board's organisational meeting, held after the Annual General Meeting of 11 April 2018, elected the following Board members as the Remuneration Committee members:

- Esa Kiiskinen (Chair)
- Peter Fagernäs (Deputy Chair)
- Matti Kyytsönen

During the period before the 2018 Annual General Meeting (1 January - 11 April 2018) the Remuneration Committee members were Esa Kiiskinen (Chair), Mikael Aro (Deputy Chair) and Anu Nissinen.

According to its charter, the duties of the Remuneration Committee include:

- preparing for the Board matters pertaining to the remuneration and other financial benefits of the President and CEO and his/her managing director's service contract
- preparing matters pertaining to the remuneration and other financial benefits of the Group Management Board members responsible for lines of business; decisions on the remuneration and financial benefits of the Group Management Board members other than those responsible for lines of business are made by the President and CEO within the limits set by the Chairman of the Remuneration Committee
- preparing matters pertaining to the appointment of a President and CEO and the Group Management Board members responsible for lines of business, and identifying their potential successors,

- development of remuneration schemes and their preparation to the Board of Directors, including:
  - evaluating the remuneration of the President and CEO and other management, and ensuring the appropriateness of the remuneration schemes
  - preparing possible share or share-based commitment and incentive schemes
  - preparing the distribution of shares or share options under the share or share-based commitment and incentive schemes, and preparing their terms and conditions
- reviewing the Remuneration Statement in connection with the financial statements
- answering questions related to the Remuneration Statement at the General Meeting; questions are primarily answered by the Committee Chair
- preparing the principles for the performance and result criteria of the remuneration schemes, and monitoring their implementation and evaluating their impact on Kesko's long-term financial success.

In 2018, the Remuneration Committee held three meetings. Its members' attendance rate at the Committee meetings was 100%. The Committee prepared, among other things, proposals to the Board for Kesko's 2018-2021 share-based compensation plan, for the performance criteria and target values and the target group for share awards, for the principles of Group performance bonuses for 2018 and 2019, as well as for the performance bonuses to be paid for 2017 to the President and CEO and Group Management Board members responsible for lines of business.

The Committee monitored and evaluated the implementation of the reform of management's total remuneration. In addition, the Committee reviewed, among other things, Kesko's Remuneration Statement. The Remuneration Committee assessed its operations as part of the Board's self-assessment. The Committee did not hold any meetings under the new composition established after the 2018 Annual General Meeting before conducting the self-assessment. The new Committee members considered the induction they had been given successful, and based on that, assessed that the Group's remuneration scheme was good.

## Managing director (President and CEO) and his duties

Kesko has a managing director who is the President and CEO. Kesko's President and CEO is Mikko Helander, Master of Science in Technology (b. 1960). He became Kesko's President and CEO on 1 January 2015. Helander was also a member of the Group Management Board and Kesko's Executive Vice President during the period between 1 October 2014 and 31 December 2014, and he has been the Chairman of the Group Management Board since 1 January 2015.

The President and CEO's duty is to manage Kesko Group's operations in accordance with the instructions and orders issued by the Company's Board of Directors and to report to the Board developments in the Company's business operations and financial situation. He is also responsible for organising the Company's day-to-day governance and for the company's accounting complying with legislation and financial matters being organised in a reliable manner. The President and CEO also chairs the Group Management Board.

The President and CEO is elected by the Board of Directors. The Board has decided the terms and conditions of the President and CEO's service contract. A written managing director's service contract, approved by the Board, has been made between the Company and the President and CEO.

As at 31 December 2018, Helander held a total of 44,964 Kesko B shares. Helander's shareholdings as at 31 December 2018 are also presented in the table under "Group Management Board".

### Group Management Board

Kesko Group has a Group Management Board, the Chairman of which is Kesko's President and CEO. The Group Management Board does not have any powers under law or the Articles of Association. The Group Management Board's duty is to discuss Group-wide development projects and Group-level policies and procedures. In addition, the Group Management Board discusses, among other things, the Group's and the division parent companies' business plans, profit

performance and matters reviewed by Kesko's Board of Directors, in whose preparation it also participates. The Group Management Board meets 14–18 times a year.

### Group Management Board members, areas of responsibility and shareholdings on 31 Dec. 2018

	Group Management Board member since	Area of responsibility	Kesko shares held on 31 Dec. 2018
Mikko Helander, President and CEO	01/10/2014	Kesko's President and CEO	44,964 B shares held by him
Jorma Rauhala, President, building and technical trade division, Deputy CEO	05/02/2013	Building and technical trade	24,300 B shares held by him
Ari Akseli, President, grocery trade division	15/11/2017	Grocery trade	8,596 B shares and 81 A shares held by him
Johan Friman, President of K Auto Oy	01/01/2017	Car trade	3,363 B shares held by him
Jukka Erlund, EVP, Chief Financial Officer	01/11/2011	Finance and accounting, IT, Risk Management, M&A	20,203 B shares held by him
Mika Majoinen, EVP, Group General Counsel	01/01/2018	Legal affairs	11,070 B shares held by him
Matti Mettälä, EVP, Human Resources, Corporate Responsibility and Regional Relations	01/10/2012	Human resources, Corporate Responsibility and Regional Relations	12,884 B shares held by him
Anni Ronkainen, EVP, Chief Digital Officer	20/04/2015	Chief Digital Officer	8,602 B shares held by her

# Description of internal control procedures and the main features of risk management systems

## Group's financial reporting

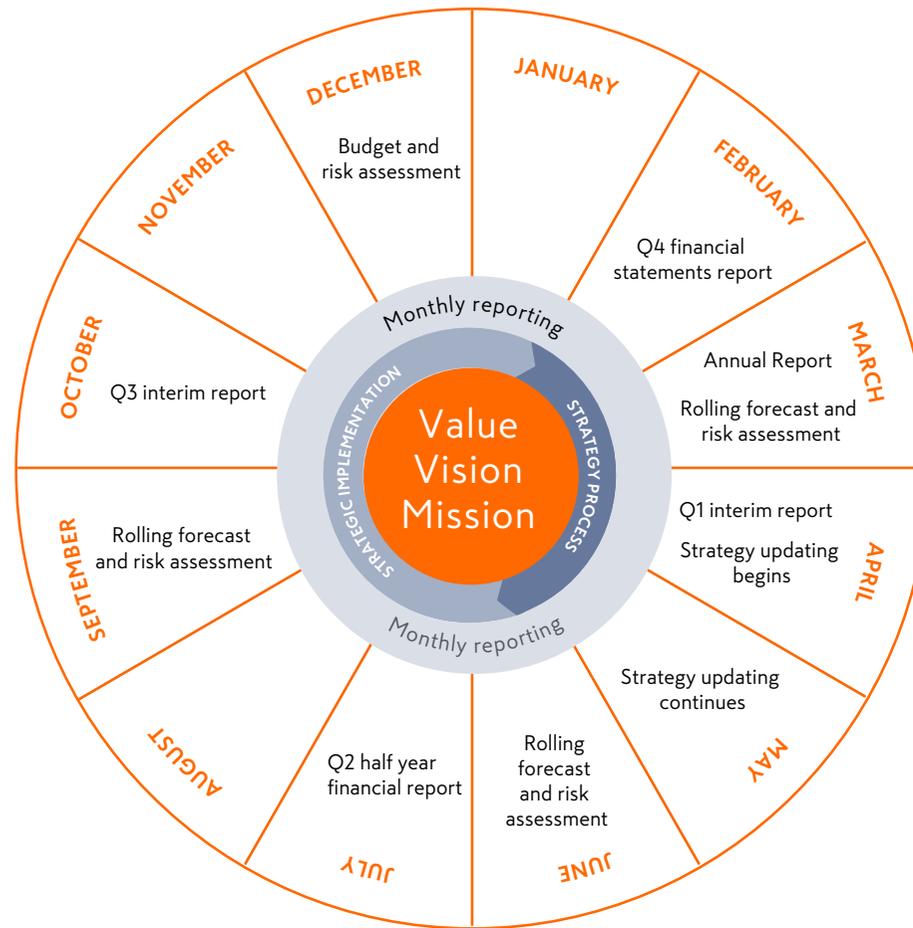
### Kesko's management model

Kesko's financial reporting and planning are based on the Kesko Group management model. The Group units' financial results are reported and analysed internally within the Group on a monthly basis and disclosed quarterly in interim reports, the half year financial report and the financial statements release. Financial forecasts are updated quarterly, in addition to which significant changes are taken into account in the monthly performance forecasts. The Group's and its units' strategies and related long-term financial plans are updated annually.

### Roles and responsibilities

Kesko Group's financial reporting and its supervision are organised on three levels. Businesses analyse and report their figures to the divisions, which then report the division-specific figures to Group Accounting. Analyses and controls for ensuring the accuracy of reporting are used on each of the three reporting levels. The accuracy of reporting is ensured with automated and manual controls at every reporting level. The implementation of the analyses and controls is supervised on a monthly basis at company, business, division and Group levels.

## Kesko Group's management model



### Planning and performance reporting

The Group's financial development and achievement of financial objectives are monitored by financial reporting covering the entire Group. Monthly performance reporting includes actual Group, division and business specific results, changes compared to the previous year, comparison with forecasts, and forecasts for the next 12 months. The Group's short-term financial planning is based on annual budgeting and quarterly updated forecasts extending over the following 12 to 15 months. The key financial indicators are sales performance for growth and comparable operating profit and comparable return on capital employed for profitability, monitored by monthly internal reporting. Information on the Group's financial situation is provided in interim reports, a half year financial report and the financial statements release. The Group's sales figures are published monthly.

### Performance reporting to the Group's top management

Performance reporting to the Group's top management comprises monthly reports on the Group's, divisions', businesses' and subsidiaries' sales, profits and capital employed, as well as the Group's financial items, cash flows and balance sheet position. The businesses are primarily responsible for financial reporting and the accuracy of figures. The controlling function of each division analyses the whole division's figures for which the division's financial management is responsible. The Group is responsible for the whole Group's figures. Key items in the income statement, capital employed and balance sheet are analysed monthly at business, division and Group level, based on a documented division of duties and predefined reports. This makes real-time information on the financial situation constantly available and enables real-time responses to possible flaws. Performance reporting to

management also includes Group-level monitoring of sales on a weekly, monthly and quarterly basis.

### Public performance reporting

Public performance reporting comprises interim reports, a half year financial report, the financial statements release, the annual financial statements, and monthly sales reports. The same principles and control methods are applied to public performance reporting as to monthly performance reporting. The Audit Committee reviews the interim report, the half year financial report and the financial statements and gives a recommendation on their review to the Board of Directors. The Board approves the interim report, the half year financial report and the financial statements before they are published.

### Key actions in 2018

The harmonisation of the financial management processes of Group companies in Finland continued in 2018. Car trade division companies K Auto Oy and K Caara Oy adopted the Group's shared financial management system. The five companies acquired during the year were integrated into Kesko Group's financial reporting. The remaining stores acquired with Suomen Lähikauppa with continuing operations were transferred from Kesko to retailers during the first half of 2018. As a result, Kesko discontinued its own retailing operations in the K-Market chain in its grocery trade division, and the stores are now operated under the retailer business model.

The Group prepared for the implementation of IFRS 16 (Leases), which will come into effect on 1 January 2019, by creating a common lease agreement management and lease accounting system for the Group's leases as part of the financial management systems. The Group's accounting manual was updated in accordance with

accounting policies in compliance with the new standard, and financial management personnel was trained in reporting in line with the new standard. On 19 December 2018, Kesko issued a stock exchange release with comparison figures for consolidated financial statements for 2018 in relation to the adoption of IFRS 16.

### Key actions in 2019

IFRS 16 (Leases) will be implemented in the Group's financial reporting as of the beginning of 2019. The implementation of the new IFRS 16 constitutes the biggest individual change in Kesko's financial reporting since the transition to IFRS reporting. The harmonisation and automation of core financial management processes will continue via separate projects in 2019.

### Accounting policies and financial management IT systems

Kesko Group complies with International Financial Reporting Standards (IFRS) approved for adoption by the European Union. The accounting policies applied by the Group have been compiled into an accounting manual, updated as the standards are amended. The manual contains guidelines for separate companies and the parent company, as well as guidelines for the preparation of the consolidated financial statements. Kesko Group's financial management information is generated from division-specific enterprise resource planning systems via a centralised and controlled shared interface into the Group's centralised consolidation system to produce the Group's key financial reports. The key systems used in the generation of financial information have been certified and secured by back-up systems, and they are controlled and checked regularly to ensure reliability and continuity.

## Internal control

Internal control is an integral part of management and of ensuring the achievement of business objectives. Through efficient internal control, deviations from objectives can be prevented or detected as early as possible, so that corrective measures can be taken. Internal control tools include, for example, policies and principles, work instructions, approval authorisations, manual and automatic controls integrated in information systems, monitoring reports and inspections and audits. The objective of internal control in Kesko Group is to ensure the profitability, efficiency, continuity and freedom from disruptions of operations, the reliability of financial and operational reporting both externally and internally, compliance with laws and agreements and Kesko's values and operating principles, as well as safeguarding assets, expertise and information.

The planning of control measures begins with the definition of business objectives and the identification and assessment of risks that threaten the objectives. The definition of objectives and the assessment of risks should take account of not only operational objectives, but also the requirements for compliance of operations with the law and for the accuracy of the information used in decision-making and reporting. Control measures are targeted based on risks selected as appropriate so as to keep risks under control.

The Board of Directors and the President and CEO are responsible for organising internal control. The management of each division, company and unit is responsible for ensuring that efficient and effective control procedures are in place. The next year's focus areas for risk management and control are discussed in annual risk

management and control discussions with the Group and division managements. Every Kesko employee is obliged to comply with the K Code of Conduct and inform their supervisors of any grievances.

Kesko's common functions guide and support the divisions and subsidiaries with policies, principles and guidelines pertaining to their respective areas of responsibility. Kesko Group's internal audit function assesses and verifies

the effectiveness and efficiency of Kesko's internal control, reports on it to the President and CEO and the Audit Committee of Kesko Corporations' Board of Directors, and assists management and Kesko companies in the development of the internal control system. The Audit Committee of Kesko's Board of Directors has confirmed the principles of Kesko's internal control, which are based on good control principles widely accepted internationally (COSO 2013).

## Roles and responsibilities in Kesko Group's internal control



## Risk management

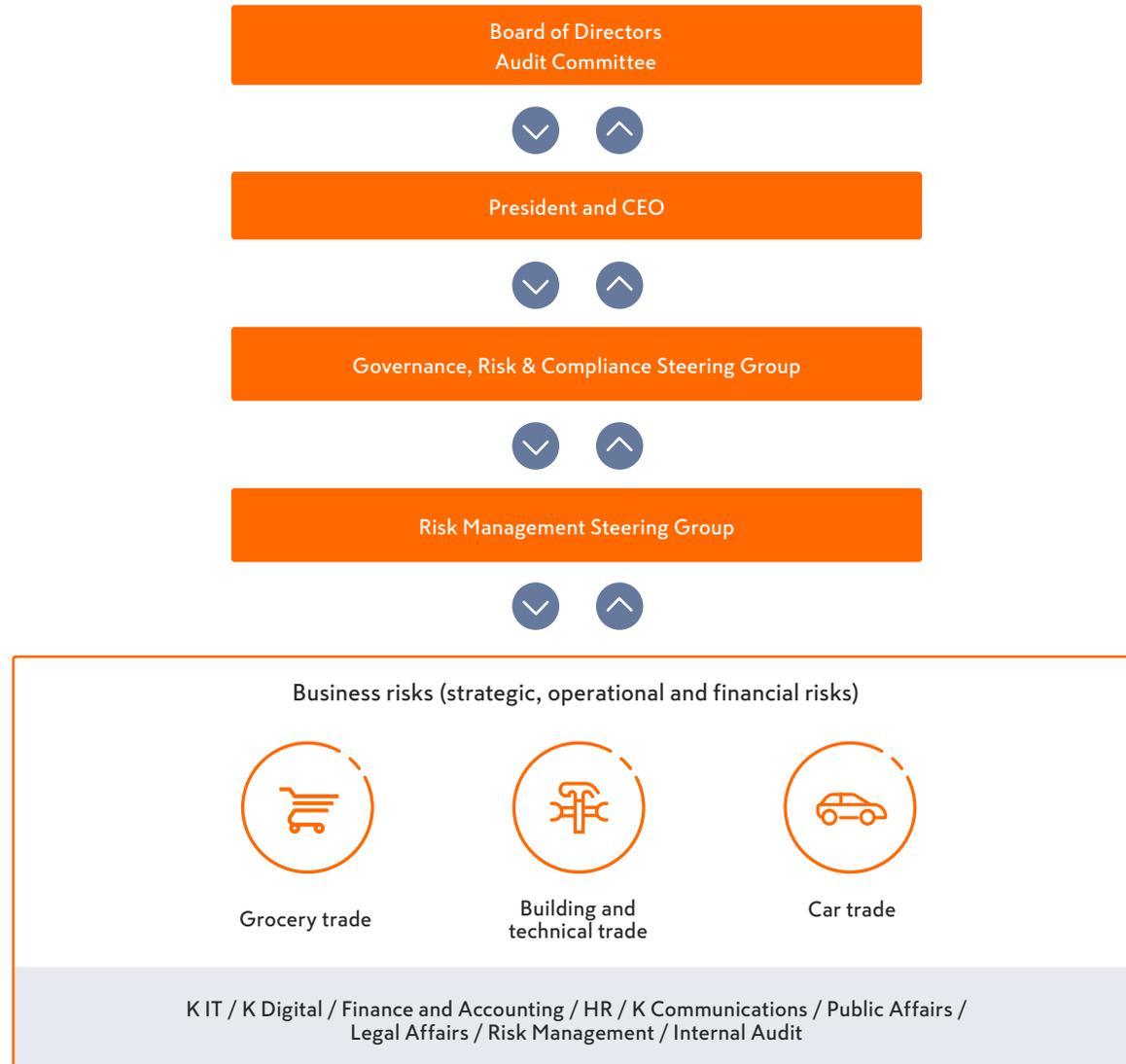
Kesko's risk management is proactive and an integral part of day-to-day management. The objective of risk management is to support the implementation of Kesko's strategy.

Risk management in Kesko Group is guided by the risk management policy confirmed by Kesko's Board of Directors. The policy defines the goals and principles, organisation, responsibilities and practices of risk management in Kesko Group. In the management of financial risks, the Group's treasury policy, confirmed by Kesko's Board of Directors, is observed.

The management of business operations and common functions are responsible for the execution of risk management. In each division, the finance director is responsible for the execution of risk management. The risk management unit coordinates the risk management process and is responsible for risk reporting and executes risk identification, the determination of risk management responses and their implementation jointly with the businesses and common functions. Every member of Kesko personnel must know and manage the risks in his/her area of responsibility.

Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are identified, assessed, managed, monitored and reported as part of business operations at Group, division, company and function levels throughout the Group.

## Risk management steering model



Kesko has a uniform risk assessment and reporting model. Risk identification is based on business objectives and opportunities and the defined risk appetite. Risks are prioritised on the basis of their significance by assessing their impacts in euros and the probability of their realisation. When assessing the impact of realisation, the impacts on reputation, the wellbeing of people and the environment are assessed in addition to the impacts in euros.

Risk identification and assessment play a key role in Kesko's strategy work and operations planning. In addition, risk assessments are made of significant projects related to capital expenditure, business arrangements or changes in operations. The risk assessments of divisions and common functions that include a risk map, risk management responses, responsible persons and schedules are reviewed regularly by the respective division's or common function's management.

Risks and risk management responses are reported in accordance with Kesko's reporting responsibilities. The divisions and the common functions report on risks and changes in risks to the Group's risk management function. Risks are reviewed by the risk management steering group, which includes representatives of the divisions and the common functions. On that basis, the Group's risk management function prepares the Group's risk report, which is reviewed by the Governance, Risk and Compliance (GRC) steering group, after which Kesko's President and CEO approves the risk report.

The Group's risk map, the most significant risks and uncertainties, as well as material changes in and

responses to them are reported to the Kesko Board's Audit Committee in connection with reviewing the interim reports, the half year financial report and the financial statements. The Audit Committee also evaluates the efficiency of Kesko's risk management system. The Chairman of the Audit Committee reports on risk management to the Board of Directors as part of the Audit Committee Report.

Kesko's Board reviews Kesko Group's most significant risks and uncertainties. The Board reports on the most significant risks and uncertainties to the market in the Report by the Board of Directors and on material changes in them in the half year financial report and the interim reports.

### **Risk management responses in 2018**

In 2018, key focus areas for risk management were the development of a cyber risk management and the implementation of related projects, as well as changes to insurance coverage based on Kesko's analysed risk tolerance. Kesko's business continuity planning was developed and updated continuity plans were tested in business continuity and crisis management exercises. In corporate security, improvement of the cost-efficiency of security technology and services continued through the concentration of purchases. Corporate security also strived to improve awareness of cyber security threats among personnel members through spam and malware attacks simulated by service partners. Information security training was organised for the whole personnel. A positive trend continued in terms of damage and there were no major individual instances of damage.

### **Focus areas for risk management in 2019**

Focus areas for risk management include the systematisation of cyber risk management and its integration into the Group risk management steering model, enforcing risk management in operations outside Finland, and improving the efficiency of processes related to updates and changes to the Group's insurance coverage. The management of regulatory risks will be improved by developing Kesko's compliance operations with Group Legal Affairs. The development and assurance of the effectiveness of actions related to risk reduction and determination will continue. Measures to improve the cost-efficiency of security technology and services will continue through concentration of purchases. In addition, the corporate security unit actively takes part in the implementation of security arrangements on the new K-Kampus.

## Other information to be provided in the CG statement

### Internal audit

Kesko's internal audit function is responsible for the Group's independent evaluation and assurance function, which systematically examines and verifies the efficiency of risk management and the managing, control and governance of risks, as required of a listed company. The Audit Committee of Kesko's Board of Directors has confirmed the operating instructions for Kesko's internal audit function.

The internal audit function is organised under Kesko's President and CEO and the Audit Committee, and it reports on its findings and recommendations to the Audit Committee, the President and CEO, the management of the audited operation, and the Auditor. The function covers all Kesko's divisions, companies and functions. Auditing is based on risk analyses, as well as risk management and control discussions conducted with the Group's and divisions' management. Meetings with the Auditor are arranged on a regular basis in order to ensure sufficient audit coverage and to eliminate overlapping operations.

An internal audit plan, subject to approval by the President and CEO and the Audit Committee, is prepared annually. The audit plan is modified on a risk basis, if necessary. The internal audit function purchases external services

as necessary for added resources or for the purpose of conducting audit operations which require special expertise. Audits can also make use of the expertise and work contribution of Kesko Group's other specialists.

### Internal audit operations in 2018

Key focus areas for internal audit in 2018 were the progress made in the implementation of Kesko's strategies, and projects and changes related to business operations, financial management, information security and data protection.

### Focus areas for internal audit in 2019

In 2019, key focus areas for internal audit will be the progress made in the implementation of Kesko's strategies, acquisitions and divestments made, projects related to IT and digitalisation, and the execution of data protection and information security and projects and changes related to those.

### Related party transactions

According to the Corporate Governance Code, the Company shall evaluate and monitor transactions concluded between the Company and its related parties and ensure that any conflicts of interest are taken into account appropriately in the Company's decision-making process. The Company shall keep a list of related parties.

The Company shall report the decision-making procedure applied in connection with related party transactions that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

Kesko Group's related party transactions are reported in note 5.3 to the consolidated financial statements. The

related party transactions are not material to the Company and do not deviate from the Company's normal business operations and they have been made on market or market equivalent terms.

### Main procedures relating to insider administration

#### Kesko's insider guidelines

Kesko complies with Nasdaq Helsinki Ltd's guidelines for insiders in force at any given time. In addition, Kesko Corporation's Board of Directors has confirmed specific insider guidelines for the Company, complementing Nasdaq Helsinki Ltd's guidelines for insiders.

#### Closed period

The closed period of 30 calendar days before the publication of interim reports, the half year financial report and the financial statements release, as provided by the Market Abuse Regulation ("MAR"), is applied to specific members of management at Kesko. During the closed period, the management is prohibited from trading in Kesko's financial instruments. The Company has imposed a 30-day closed period preceding the quarterly financial performance disclosures also on persons involved in the preparation of Kesko's interim reports, the half year financial report and financial statements. Information on closed periods is provided annually on Kesko's website and in a calendar release.

#### Management transactions

As the public insider register was discontinued, the Company's obligation to disclose the transactions of the Company's management and persons closely associated with them changed as of 3 July 2016. At Kesko, Kesko Corporation's Board of Directors, the President and CEO

and other Group Management Board members have been defined to be subject to the requirement to announce their transactions. Transactions by Kesko's management and persons closely associated with them are disclosed in accordance with MAR.

### Control and training

Kesko's Legal Affairs Services controls compliance with insider guidelines and maintains the Company's insider lists and a list of managers and persons closely associated with them. The duties of Kesko's Legal Affairs Services in the area of insider administration include the following:

- internal communication on insider matters
- training on insider matters
- drawing up and maintaining insider lists and submitting them on request to the Financial Supervisory Authority
- ensuring that any person on the insider list acknowledges the duties entailed according to Article 18(2) of the Market Abuse Regulation
- maintaining a list of management and persons closely associated with them obligated to notify their transactions
- notifying management of their obligations under Article 19(5) of the Market Abuse Regulation
- controlling insider matters
- keeping abreast of any changes to the regulation concerning insider matters.

### Auditing

According to the Articles of Association, Kesko has one (1) Auditor, which shall be an audit firm authorised by Finland Chamber of Commerce. The Audit Committee submits a proposal to the Annual General Meeting for the Company's Auditor. The Audit Committee also monitors and evaluates the Auditor's operations and services annually. The term of office of the Auditor is the Company's financial year and the Auditor's duties end at the close of the Annual General Meeting following the Auditor's election. As a rule, an audit company belonging to the same network of audit companies as the audit firm elected by Kesko's General Meeting as Auditor, will be elected as the Auditor of each of the Group's foreign subsidiaries.

The Auditor provides Kesko's shareholders with the statutory Auditor's Report in connection with the

Company's financial statements and regularly reports on its findings to the Audit Committee of Kesko's Board of Directors. The Annual General Meeting of 2018 elected Authorised Public Accountants PricewaterhouseCoopers Oy as the Company's Auditor. The Auditor with principal responsibility for the Company is APA Mikko Nieminen.

During 2018, APA Mikko Nieminen acted as the Managing Director of PricewaterhouseCoopers Oy as well as the Auditor with principal responsibility for two listed Finnish companies, Kesko Corporation and Finnair Plc.

APA Mikko Nieminen has been the Auditor with principal responsibility for the Company since 13 April 2015.

The Annual General Meeting resolved that the Auditor's fee is paid and expenses are reimbursed according to invoices approved by the Company.

### Auditors' fees in 2017–2018 (€1,000)

	2018			2017		
	Kesko Corporation	Other Group companies	Total	Kesko Corporation	Other Group companies	Total
Auditing	273	619	892	309	671	980
Tax consultation	80	90	170	50	26	76
IFRS consultatiton	45	0	45	42	0	42
Other services	253	290	543	1,066	67	1,133
Total	651	999	1,650	1,476	764	2,231



**K** Charge

KESKO'S  
ANNUAL REPORT 2018

# REMUNERATION STATEMENT

## Introduction

This Remuneration Statement has been reviewed at the meeting of the Remuneration Committee of Kesko Corporation's Board of Directors on 5 February 2019.

This is the Remuneration Statement in accordance with the Finnish Corporate Governance Code issued by the Securities Market Association effective from 1 January 2016. This statement and the other information to be disclosed in accordance with the Corporate Governance Code are available on Kesko's website at [www.kesko.fi/en/investor/corporate-governance](http://www.kesko.fi/en/investor/corporate-governance).

## Decision-making procedure concerning remuneration

The Annual General Meeting decides on the remuneration and other financial benefits of the members of Kesko Corporation's ("Kesko") Board of Directors and its Committees annually. Significant shareholders prepare for the General Meeting the proposals concerning the Board of Directors, including the proposal for the number of Board members, the proposal for the remuneration of the Board members, and when necessary, the proposal for the Board members.

Based on the Remuneration Committee's preparatory work, Kesko's Board of Directors makes decisions

regarding the remuneration of the President and CEO and the Group Management Board members responsible for lines of business. As for the other Group Management Board members, Kesko's Board of Directors makes decisions on the performance bonus principles and share awards. Other decisions regarding remuneration are made by the President and CEO, based on preparatory work by the head of HR, within the limits set by the Chairman of the Board's Remuneration Committee.

The Board of Directors decides on the principles of Kesko's remuneration schemes and monitors the realisation of the remuneration schemes of the President and CEO and the other Group Management Board members. The Board also decides, within the limits of the authorisation granted by the General Meeting, on the distribution of shares and terms and conditions thereof, under the share compensation or share-based compensation schemes. Valid authorisations for the Board of Directors concerning remuneration and their use are described in the Remuneration Report.

## Main principles of remuneration

### Board of Directors

The remuneration of the members of the Board of Directors and its Committees comprises annual and meeting fees decided by the General Meeting. Previously, fees to members of Kesko's Board were paid in cash. However, Kesko's Annual General Meeting of 11 April

2018 resolved to change the remuneration structure of Board members so that approximately 30% of the annual fees are paid in shares in the Company and the remainder in cash. A Board member cannot transfer shares obtained as remuneration for Board work until either three years have passed from the day the member has received the shares or until their membership on the Board has ended, whichever comes first. The purpose of the change is to commit the Board members to the long-term development of the Company. Meeting fees are paid in cash. Daily allowances and the reimbursements of travel expenses are paid to the Board members in accordance with the general travel rules of Kesko. Members of the Board do not participate in the other remuneration schemes or pension plans of the Company.

### President and CEO and other Group Management Board

#### General

The remuneration scheme for the President and CEO and the other Group Management Board members consists of a fixed monetary salary (monthly salary), fringe benefits (free car and mobile phone benefit), a performance bonus based on criteria decided annually (short-term incentive and commitment scheme), a share compensation scheme (long-term commitment and incentive scheme) and retirement benefits for management. In addition, a health insurance, life insurance and leisure travel insurance have been taken out for President and CEO Helander. Termination benefits have been agreed upon with the President and CEO and the other Group Management Board members.

The total remuneration for Kesko's President and CEO and the other Group Management Board members

is compared to that of similar positions in other large companies in Finland. Remuneration elements are compared to those of peer companies to ensure the competitiveness and appropriateness of total remuneration for each position.

### **Performance bonus scheme (Short-term commitment and incentive scheme)**

Kesko employs annually determined performance bonuses for short-term remuneration. Kesko's Board of Directors makes decisions on performance bonus scheme criteria for management annually. One performance bonus criteria for all Group Management Board members is the Group's comparable operating profit. The targets for Group Management Board members responsible for divisions stress the division's comparable operating profit, return on capital employed (ROCE %) and business-specific sales or market share indicator. For the other Group Management Board, members profit targets include the Group's return on capital employed (ROCE %) and the Group's sales target, in addition to the Group's operating profit target. Each member of the Group Management Board furthermore has individual targets. The performance bonus criteria and their weights vary depending on duties. At least 70% of the performance bonus is tied to the fulfilment of financial targets.

Kesko's Board and Remuneration Committee monitor and evaluate the fulfilment of the performance and profit criteria and their impact on the Company's long-term financial success.

The maximum performance bonus for Kesko's President and CEO corresponds to 67% of his monetary salary for the calendar year, excluding fringe benefits. For the other Group Management Board members, depending

on the profit impact of their position, the maximum performance bonus corresponds to 33-50% of their monetary salary for the calendar year, excluding fringe benefits. When determining the performance bonus for a Group Management Board member, monetary salary for the calendar year is determined based on the fixed monetary salary of the last month of the calendar year the performance of which is the basis for the bonus. Performance bonuses are paid by the end of April, after the completion of the annual financial statements following the year of determination.

If exceptional events with significant impact on operations take place during the financial year, or if the market situation or the Company's productivity trend so requires, the application, target setting and payment rules of the performance bonus scheme can be changed by a decision by Kesko's Board also in individual cases.

At its discretion, the Board may decide not to pay a performance bonus, or decide to recover a bonus that has already been paid, if the bonus recipient has been found guilty of malpractice or an action in breach of Kesko's ethical or responsibility principles or guidance that, as a whole, cannot be considered insignificant, or if there are weighty grounds for assuming that the recipient is guilty of such acts.

### **Share-based commitment and incentive scheme (Long-term commitment and incentive scheme)**

In February 2017, Kesko's Board of Directors decided on a new long-term share-based commitment and incentive scheme for top management and selected key persons. The scheme consists of three share-based compensation plans, under which the Board can annually decide on the initiation of new share plans. The primary share-based compensation plan is the Performance Share Plan (PSP).

There is also a transitional Bridge Plan for 2017 and an RSP (Restricted Share Pool) plan for special situations. Share awards based on the plans are paid in Kesko B shares. The recipient of the shares is free to use them once the commitment period of the share plan ends, provided that the person is still employed by Kesko Group.

The purpose of the share-based compensation scheme is to promote Kesko's business and increase the Company's value by aligning the objectives of the shareholders and executives. The plan also aims to commit people to Kesko Group and give them the opportunity to receive Company shares upon fulfilling the objectives set in the share-based compensation scheme.

The maximum gross amount of share award paid for each performance period is 400% of the monetary salary of the last calendar year of the performance period for which the award is paid.

**The primary share plan (PSP)** consists of individual annually commencing share plans, each with a two-year performance period and a two-year commitment period following the payment of the potential share award. Kesko's Board decides annually whether to initiate a new plan. The PSP initiated at the start of 2018 consists of a two-year performance period (1 Jan. 2018–31 Dec. 2019) followed by a two-year commitment period (1 Jan. 2020–10 Feb. 2022). During the commitment period, the shares cannot be pledged or transferred, but the other rights attached to the shares remain in force. If a person's employment or service relationship terminates prior to the expiry of a commitment period, the person must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration. In individual cases, the Board may decide that the person can keep the

shares under return obligation, or some of them. If the grantee retires during the commitment period, he/she is entitled to keep the shares and other securities already received. Kesko Group's tax free sales (%), Kesko Group's comparable return on capital employed (ROCE,%) and the absolute total shareholder return (TSR, %) of a Kesko B share are the performance criteria for the PSPs initiated in 2017 and 2018.

**The one-off transitional Bridge Plan for 2017** had a one-year performance period (1 Jan. 2017 – 31 Dec. 2017) followed by a three-year commitment period (1 Jan. 2018 – 10 Feb. 2021). Apart from that, the rules of the plan are the same as for the PSP. The Bridge Plan aimed at covering the transitional phase from Kesko's previous long-term commitment and incentive scheme, which was based on one-year performance periods, to the new commitment and incentive scheme adopted in 2017 with two-year performance periods.

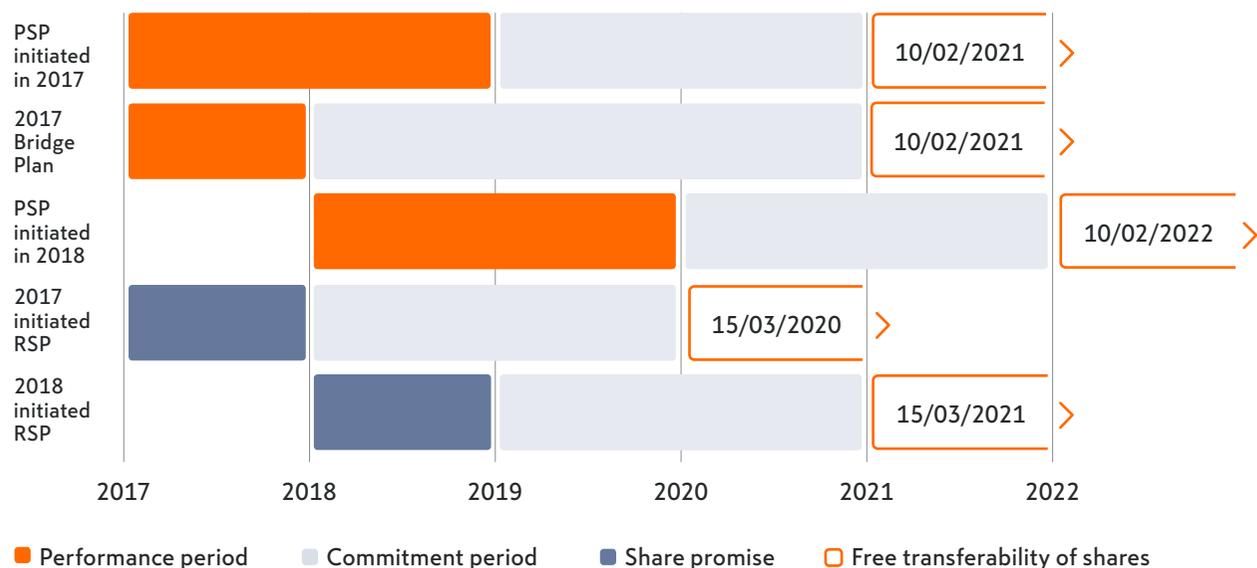
**RSP (Restricted Share Pool) is a secondary share plan for special situations**, to be decided upon separately. The plan consists of annually commencing individual share plans that each have a three-year commitment period, after which the potentially promised share awards for an individual plan will be paid to the participants, provided that their employment or service relationship with Kesko Group continues until the payment of the awards.

In RSP plans, share promises have not been given to the President and CEO or the other Group Management Board members. The maximum number of shares to be granted is 20,000 shares in plans 2017 and 2018. The commitment period for the 2017 RSP will end on 15 March 2020, and the commitment period for the 2018 RSP on 15 March 2021.

Share plan	Bridge Plan 2017	PSP 2017-2020	PSP 2018-2021
Number of participants in the beginning of the plan	140	140	130
Maximum number of gross B shares granted			
Total	340,000	340,000	340,000
Allocated in the beginning of the plan			
President and CEO	38,000	38,000	38,000
Other Group Management Board members	96,800	96,800	94,000
Actual earnings	46,7%*	55,05%*	-
Performance period ends	31 Dec. 2017	31 Dec. 2018	31 Dec. 2019
Shares transferred	2018	2019	2020
Commitment period ends	10 Feb. 2021	10 Feb. 2021	10 Feb. 2022

\* For the Bridge Plan, the actual gross earning of B shares (amount of shares): total 133,751, the President and CEO 17,746, and other Group Management Board 34,185. For PSP 2017-2020, the actual gross earning of B shares (amount of shares): total 142,850 the President and CEO 20,919, and other Group Management Board 40,300. Gross earning means that the applicable withholding tax is deducted from the earnings, and the remaining net amount is paid to the participants in shares.

### Kesko's share-based compensation plans 2018



Kesko applies a share ownership recommendation policy to the members of Kesko's Group Management Board. According to the recommendation, each Group Management Board member shall maintain a holding of at least 50% of the net shares they have received under the Company's share-based compensation schemes until their holding of Kesko shares corresponds to at least their fixed gross annual salary.

At its discretion, the Board may decide not to pay a performance bonus, or decide to recover a bonus that has already been paid, if the bonus recipient has been found guilty of malpractice or an action in breach of Kesko's ethical or responsibility principles or guidance that, as a whole, cannot be considered insignificant, or if there are weighty grounds for assuming that he/she is guilty of such acts.

## Retirement benefits

### Retirement benefits for President and CEO

Old-age pension for the President and CEO begins at 63 and the amount has been agreed to be 60% of the President and CEO's pensionable earnings in accordance with the Finnish Employees' Pensions Act (TyEL) for the ten (10) calendar years preceding the retirement. The pension is based on a defined benefit plan.

### Retirement benefits for Group Management Board members other than the President and CEO

The old-age pension age for Group Management Board members is 63 years.

In 2018, four Group Management Board members were members of Kesko Pension Fund (three in 2017). Their

amount of old-age pension is 66% of pensionable earnings for the ten (10) years preceding the retirement. Their supplementary pensions are determined based on the rules of Kesko Pension Fund and their personal service contracts. Their supplementary pensions are based on a defined benefit plan. The old-age pensions of the other Group Management Board members are determined based on the general provisions applicable to employees' pensions in Finland (the Finnish Employees' Pensions Act, TyEL). In addition, they have a defined contribution supplementary pension.

## Termination benefits

### Termination benefit for President and CEO

The period of notice for President and CEO Helander is twelve (12) months if the managing director's service contract is terminated by the Company and six (6) months if Helander resigns. If the Company terminates the contract for a reason other than a material breach of contract by the President and CEO, and the President and CEO does not retire on an old-age pension or some other pension, the President and CEO is paid, in addition to the salary for the period of notice, a compensation corresponding to the combined amount of 12 months' monetary salary and fringe benefits.

### Termination benefit for Group Management Board members other than the President and CEO

The period of notice for the other Group Management Board members is six (6) months if the service contract is terminated by the Company, and six (6) months if the executive resigns. If the Company terminates the contract for a reason other than a material breach of contract by the executive, and the executive does not retire on an

old-age pension or some other pension, the executive is paid, in addition to the salary for the period of notice, a compensation corresponding to the combined amount of 6-12 months' monetary salary and fringe benefits.

# Remuneration report

This remuneration report provides information on the remuneration and other financial benefits paid to members of the Board of Directors, the President and CEO and the other members of Group Management Board during the financial year 2018. Fees paid during the 2017 financial year are presented as comparison data.

## Board of Directors and its Committees

The 2018 Annual General Meeting resolved to change the remuneration structure of Board members so that approximately 30% of the annual fees will be paid in B series shares in the Company. After the transfer of shares, the remaining remuneration amount is paid in cash. A Board member cannot transfer shares obtained in this manner until either three years have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first. The purpose of the change is to commit the Board members to the long-term development of the Company. Meeting fees are paid in cash. Previously, fees to Board members were paid in cash in their entirety. Members of the Board do not have share compensation schemes nor do they participate in the Company's other remuneration schemes or pension plans.

The Annual General Meeting also decided to raise the Board's annual fees, which had been unchanged since 2009.

Daily allowances and the reimbursements of travel expenses are paid to the Board members in accordance with the general travel rules of Kesko.

## Annual remuneration to Board members (€)

	2018	2017
Chair	97,000	80,000
Deputy Chair	60,000	50,000
Member	45,000	37,000
Board member who is the Audit Committee Chair	60,000	-

## Meeting fees / meeting (€)

	2018	2017
Board meeting		
Chair	1,000	500
Member	500	500
Committee meeting		
Committee Chair who is not the Chair or Deputy Chair of the Board	1,000	1,000
Member	500	500

**Annual remuneration and meeting fees paid to Board members for Board and Committee work in 2018\***

	Annual remuneration, €		Meeting fees, €			Total, €	Number of B shares transferred based on the annual remuneration 2018-2019****	Kesko shares held on 31 Dec. 2018
	Board term 2017-2018	Board term 2018-2019	Board	Audit Committee	Remuneration Committee			
Esa Kiiskinen (chairman)	20,000	97,000	8,000		1,500	126,500	673	1,350 A shares held by him 106 000 A shares held by entities controlled by him 673 B shares held by him
Peter Fagernäs (dep. ch.)**		60,000	3000			63,000	417	1, 000 A shares held by him 417 B shares held by him
Jannica Fagerholm	9,250	60,000	5,000	5,000		79,250	417	1,417 B shares held by her
Piia Karhu**		45,000	3,000	1,500		49,500	313	313 B shares held by her
Matti Kyytsönen	9,250	45,000	5,000	2,500		61,750	313	1,308 B shares held by him
Matti Naumanen	9,250	45,000	5,000			59,250	313	2,400 A shares held by him 17,664 A shares held by entities controlled by him 313 B shares held by him
Toni Pokela	9,250	45,000	5,000			59,250	313	179,400 A shares held by entities controlled by him 313 B shares held by him
Mikael Aro (dep. ch.)***	12,500		2,000	1,000	1,500	17,000		
Anu Nissinen***	9,250		2,000		1,500	12,750		
<b>Total</b>	<b>78,750</b>	<b>397,000</b>	<b>38,000</b>	<b>10,000</b>	<b>4,500</b>	<b>528,250</b>	<b>2,759</b>	

\* Reported on a cash basis

\*\* Board member since 11 April 2018

\*\*\* Board member until 11 April 2018

\*\*\*\* Kesko treasury shares' transfer date 27 April 2018

## President and CEO

Mikko Helander has been the Company's President and CEO and the Chairman of the Group Management Board since 1 January 2015. Remuneration for the President and CEO is based on the managing director's service contract approved by the Company's Board, in line with the Board decisions prepared by the Remuneration Committee.

## Other Group Management Board members

In addition to President and CEO Helander, the Group Management Board members in 2018 were:

- Jorma Rauhala, President, building and technical trade division, Deputy to the President and CEO
- Ari Akseli, President, grocery trade division
- Johan Friman, President of K Auto Oy
- Jukka Erlund, EVP, Chief Financial Officer
- Mika Majoinen, EVP, Group General Counsel
- Matti Mettälä, EVP, Human Resources, Corporate Responsibility and Regional Relations
- Anni Ronkainen, EVP, Chief Digital Officer

## Salaries, bonuses and fringe and retirement benefits for the President and CEO

Description	2018	2017
Fixed monetary salary	€952,500	€934,500
Performance bonus	€450,000	€490,000
Share awards*	€868,998	€1,398,030
Car and mobile phone benefits	€28,158	€26,907
Total:	€2,299,656	€2,849,437
Paid in supplementary pension plan	€1,350,000	€1,350,000

\*The euro value of the share awards has been calculated using the trade-weighted average share price of the dates of assignment, 15 March 2018 and 15 March 2017. The euro values of the share awards are gross amounts, from which the applicable withholding tax has been deducted and the remaining net amount has been paid in shares. Net amount of transferred Kesko B shares was 8,873 shares in 2018 and 16,086 shares in 2017.

## Salaries, bonuses and fringe benefits for Group Management Board members other than President and CEO

Description	2018	2017
Fixed monetary salary	€1,963,590	€2,153,076
Performance bonus	€417,400	€353,375
Share awards*	€1,673,996	€3,528,362
Car and mobile phone benefits	€133,582	€150,334
Total:	€4,188,568	€6,185,147

\*The euro value of the share awards has been calculated using the trade-weighted average share price of the dates of assignment, 15 March 2018 and 15 March 2017. The euro values of the share awards are gross amounts, from which the applicable withholding tax has been deducted and the remaining net amount has been paid in shares. Net amount of transferred Kesko B shares was 17,095 shares in 2018 and 34,470 shares in 2017.

## Shareholdings of President and CEO and other Group Management Board members

	Kesko shares held on 31 Dec. 2018	Kesko shares held on 31 Dec. 2017
Mikko Helander, President and CEO	44,964 B shares held by him	36,091 B shares held by him
Jorma Rauhala, President, building and technical trade division, Deputy CEO	24,300 B shares held by him	20,564 B shares held by him
Ari Akseli, President, grocery trade division	8,596 B shares and 81 A shares held by him	7,568 B shares and 81 A shares held by him
Johan Friman, President of K Auto Oy	3,363 B shares held by him	None
Jukka Erlund, EVP, Chief Financial Officer	20,203 B shares held by him	16,840 B shares held by him
Mika Majoinen, EVP, Group General Counsel	11,070 B shares held by him	*
Matti Mettälä, EVP, Human Resources, Corporate Responsibility and Regional Relations	12,884 B shares held by him	10,782 B shares held by him
Anni Ronkainen, Executive Vice President, Chief Digital Officer	8,602 B shares held by her	6,500 B shares held by her

\* Group Management Board member since 1 Jan. 2018

### Valid authorisations for the Board of Directors concerning remuneration and their use

Kesko's Annual General Meeting of 4 April 2016 authorised the Company's Board to decide on the transfer of a total maximum of 1,000,000 own B shares held by the Company as treasury shares (2016 Share issue authorisation). Based on the authorisation, shares can also be issued in a directed issue, departing from the shareholder's pre-emptive right, for a weighty financial reason for the Company, such as implementing the Company's commitment and incentive scheme. Shares can be issued either against or without payment. A share issue can only be without payment if the Company, taking into account the best interests of all of its shareholders, has a particularly weighty financial reason for it. The authorisation also includes the Board's authority to make decisions concerning any other matters related to the share issues. The authorisation is valid until 30 June 2020.

Based on the 2016 Share issue authorisation, the Board decided to transfer own B shares held by the Company as treasury shares. Consequently, 65,652 shares were transferred on 15 March 2018, 351 shares on 5 April 2018, and 187 shares on 1 June 2018 to members of management and key personnel included in the target group for the 2017 performance period of the transitional share-based commitment and incentive plan (Bridge Plan) (stock exchange releases 1 February 2018, 15 March 2018, 5 April 2018 and 1 June 2018). Based on the 2016 Share issue authorisation, in 2017 the Board granted a total of 192,822 Kesko B shares held by the Company as treasury shares to persons included in the target group for the 2016 performance period of Kesko's share-based compensation scheme 2014-2016 (stock exchange release 15 March 2017). Of the shares granted, 9,850 shares

were returned to the Company during 2017 and 7,211 in 2018 in accordance with the terms and conditions of the share-based compensation scheme. The returns during 2018 were communicated in stock exchange releases on 28 February 2018, 30 July 2018, and 7 September 2018.

The Board decided to implement the resolution made by the Annual General Meeting of 11 April 2018 to pay approximately 30% portion of the annual fees of Board members in B shares in the Company, by using the 2016 share issue authorisation to transfer 2,759 Kesko B shares held by the Company as treasury shares to the members of the Board. In line with the resolution of the Annual General Meeting, the number of shares corresponded to approximately 30% of the annual fees for each Board member, calculated on the closing price of the share on the date of the Board's meeting 24 April 2018. The decision was communicated in a stock exchange release issued on 25 April 2018, and the transfer of shares in a stock exchange release issued on 27 April 2018.

The Annual General Meeting of 11 April 2018 approved the Board's proposal for its authorisation to decide on the acquisition of a maximum of 1,000,000 of the Company's own B shares (2018 Authorisation to acquire own shares). The B shares will be acquired with the Company's distributable unrestricted equity, not in proportion to the shareholdings of shareholders, at the market price quoted in public trading organised by Nasdaq Helsinki Ltd ("the exchange") at the time of acquisition. The shares will be acquired and paid for in accordance with the rules of the exchange. The acquisition of own shares reduces the amount of the Company's distributable unrestricted equity. The B shares will be acquired for use in the development of the Company's capital structure,

to finance possible acquisitions, capital expenditure and/or other arrangements within the scope of the Company's business operations, and to implement the Company's commitment and incentive scheme for management and other personnel. The Board will make decisions concerning any other issues related to the acquisition of B shares. The authorisation is valid until 30 September 2019.

On 24 April 2018, Kesko's Board decided, based on the 2018 Authorisation to acquire own shares, to acquire B series shares in Kesko Corporation, and established a share buy-back programme for the purpose (stock exchange release 25 April 2018). Under the share buy-back programme, Kesko acquired 500,000 of its own B series shares to implement the commitment and incentive scheme for management and personnel (stock exchange release 21 May 2018).

## Board of Directors



**Esa  
Kiiskinen**

Chair  
(Chair of the  
Remuneration  
Committee)

b. 1963, Business  
College Graduate.

**Independence:** He is considered by the Board not to be independent of the Company (chain agreement) but to be independent of its significant shareholders.

**Domicile:** Helsinki, Finland.

**Principal occupation:** Food retailer.

**Main employment history:** K-food retailer since 1990.

**Main positions of trust:** Taaleri Plc: member of the Board 2014–; Confederation of Finnish Industries EK: Chair of the Delegation for Entrepreneurs 2012–2014; Confederation of Finnish Industries EK: Vice-Chair of the Board 2012–2014; Finnish Family Firms Association: member of the Board 2011–2012; The Foundation for Vocational Training in the

Retail Trade: Chair of the Board 2008–2012; Saija ja Esa Kiiskinen Oy: Chair of the Board 1995–; Finnish Commerce Federation: member of the Board 2008–2012; K-Retailers' Association: Chair of the Board 2008–2012; Vähittäiskaupan Tilipalvelu VTP Oy: member of the Board 2008–2012.

**Board member since:** 30 March 2009.

**Kesko shares held:**

- 31 December 2017: a total of 107,350 A shares held by him and entities controlled by him.
- 31 December 2018: a total of 673 B shares held by him and a total of 107,350 A shares held by him and entities controlled by him.



**Peter  
Fagernäs**

Deputy Chair  
(Deputy Chair of  
the Remuneration  
Committee)

b. 1952,  
Master of Laws.

**Independence:** He is considered by the Board to be independent of the Company and of its significant shareholders.

**Domicile:** Helsinki, Finland.

**Principal occupation:** Chairman of the Board

**Main employment history:** Hermitage & Co Oy: Chairman of the Board 2003–, Pohjola Group Plc: Chairman of the Board 2001–2003, Conventum Ltd: CEO 1996–1999 and Chairman of the Board 1999–2002, Merita Bank Ltd: member of management board 1995–1996, Prospectus Ltd: CEO 1993–1995, Kansallis-Osake-Pankki: 1977–1993.

**Main positions of trust:** Oy Hermitage Ab: Chairman of the Board 2003–, Taaleri Plc: Chairman of the Board 2007–, Amanda Capital Plc: member of the Board 2007–2011, Winpak Ltd: member of the Board 2006–2011, Fortum Corporation: Chairman of the Board 2004–2009.

**Board member since:** 11 April 2018.

**Kesko shares held:**

- 8 January 2018: None.
- 31 December 2018: 417 B shares and 1,000 A shares held by him.



**Independence:** She is considered by the Board to be independent of the Company and of its significant shareholders.

**Domicile:** Helsinki, Finland.

**Principal occupation:** Managing Director.

**Main employment history:** Signe and Ane Gyllenberg Foundation: Managing Director 2010-; SEB Gyllenberg Private Bank: Managing Director 1999-2010; Handelsbanken Liv Finland: Country Director 1998-1999.

**Main positions of trust:** Sampo plc: member of the Board 2013-; Teleste Corporation: member of the Board 2013-; Kelonia Ab, member of the Board 2010-; Veritas Pension Insurance, member of the

Supervisory Board 2010-; The Society of Swedish Literature in Finland, member of the Board 2015-, member of the Financial Board 2001-2015; Eira Hospital Ltd: member of the Board 2010-; Hanken School of Economics: member of the Board 2008-; Aktia Abp: member of the Board 2012-2013; Partiosäätiö foundation: member of the Board 1997-2013.

**Board member since:** 4 April 2016.

**Kesko shares held:**

- 31 December 2017: None.
- 31 December 2018: 1,417 B shares held by her.



**Independence:** She is considered by the Board to be independent of the Company and of its significant shareholders.

**Domicile:** Kauniainen, Finland.

**Principal occupation:** Senior Vice President

**Main employment history:** Finnair Plc: Senior Vice President, Customer Experience and member of the Executive of Executive Board since 2016. Various leadership positions at Finnair Plc since 2013. Previously worked as a management consultant for 12 years at Ernst & Young and Capgemini.

**Main positions of trust:** Finnair Kitchen Ltd: Chairman of the Board 2017-, Finnair Travel Retail Oy: Chairman of the Board 2016-, SMT Oy: member of the Board 2015-2016, Finnair Aircraft Finance Ltd: member of the Board 2015-2016.

**Board member since:** 11 April 2018.

**Kesko shares held:**

- 4 January 2018: None
- 31 December 2018: 313 B shares held by her.



**Matti Kyytsönen**

(Deputy Chair of the Audit Committee, member of the Remuneration Committee)

b. 1949, Master of Science (Economics).



**Matti Naumanen**

b. 1957, trade technician.

**Independence:** He is considered by the Board to be independent of the Company and of its significant shareholders.

**Domicile:** Helsinki, Finland.

**Principal occupation:** Silverback Consulting Oy: Chair of the Board.

**Main employment history:** ISS Palvelut Oy: Managing Director 1992–2006; Esselte Oy: Managing Director 1984–1992; Oy Perkkio: Managing Director 1983–1984; Tietoura–Yhtiöt Oy: Marketing Director 1981–1983; Oy Foto–Nyblin Ab: Finance and Marketing Manager 1977–1981; Insinööritoimisto Oy Vesto: Accounting Manager 1974–1976; Oy Mobil Oil Ab: Financial Analyst 1973–1974.

**Main positions of trust:** Eltel AB: member of the Board 2007–2017; Lindström Invest Oy: member of the Board 2009– and Chair of the Board 2017–;

KP Tekno Oy: member of the Board 2006–; Port of Helsinki Ltd: member of the Board 2015–; Esperri Care Oy: member of the Board 2008–2016; Oy Center–Inn Ab: member of the Board 2007–2012; Kiinteistöpalvelut ry: Chair of the Board 1996–2001 and 2005–2006; Palvelutyöntäjät ry: member of the Board 1996–2001; Confederation of Finnish Industries (EK): member of the Board 2005–2006; The Unemployment Insurance Fund: member and Chair of the Supervisory Board 1999–2006; Varma Mutual Pension Insurance Company: member of the Supervisory Board 1998–2006.

**Board member since:** 13 April 2015.

**Kesko shares held:**

- 31 December 2017: 995 Kesko B shares held by him.
- 31 December 2018: 1,308 Kesko B shares held by him.

**Independence:** He is considered by the Board not to be independent of the Company (entity controlled by him has a chain agreement with a Kesko Group company) but to be independent of its significant shareholders.

**Domicile:** Joensuu, Finland.

**Principal occupation:** Retailer.

**Main employment history:** K-retailer since 1982.

**Main positions of trust:** The K-Retailers' Association's Agricultural and Building and Home Improvement Retailers' Club: Chair of the Board 2009–2016. Former positions of trust: The K-Retailers' Association: member of the Board 2009–2016; registered association Nurmeksken Yrittäjät: Chair of the Board; registered association Joensuun Yrittäjät: Chair of the Board.

**Board member since:** 4 April 2016.

**Kesko shares held:**

- 31 December 2017: a total of 20,064 A shares held by him and entities controlled by him.
- 31 December 2018: a total of 313 B shares held by him and a total of 20,064 A shares held by him and entities controlled by him.



**Toni  
Pokela**

b. 1973, Retailer,  
EMBA.

**Independence:** He is considered by the Board not to be independent of the Company (chain agreement) and of significant shareholders (Chair of the Board of a significant Company shareholder, the K-Retailers' Association).

**Domicile:** Helsinki, Finland.

**Principal occupation:** Food retailer.

**Main employment history:** K-food retailer since 1997.

**Main positions of trust:** Pokela Oy Iso Omena: member of the Board and Managing Director 1998–; Iso Omenan Yrittäjähdistys ry: Chair of the Board 2003–; Foundation for Vocational Training in the Retail Trade: Chair of the Board 2016–; Finnish Commerce Federation: member of the Board 2017–; Confederation of Finnish Industries EK: member of the Skilled Workforce Committee 2014–2016, member of the Delegation for Entrepreneurs

2017–; K-Retailers' Association: Chair of the Board 2016–, member of the Board 2008–2012; Chairman of the Finnish Tennis Federation 2017–, board member of the Finnish Tennis Federation 2014–2016; K-instituutti Oy: Deputy Chair of the Board 2010–2012; Vähittäiskaupan Takaus Oy: member of the Board 2010–2012; K-Food Retailers' Club: Chair of the Board 2010–2012; Deputy Chair 2008–2010; Finnish Grocery Trade Association: member of the Board 2010–2011.

**Board member since:** 16 April 2012.

**Kesko shares held:**

- 31 December 2017: a total of 179,400 A shares held by entities controlled by him.
- 31 December 2018: a total of 313 B shares held by him and a total of 179,400 A shares held by entities controlled by him.

## Group Management Board



**Mikko Helander**

President and CEO

b. 1960, Vuorineuvos (an honorary title granted by the President of the Republic of Finland), Master of Science (Technology).

**Domicile:** Helsinki, Finland.

**Other major duties:** Ilmarinen Mutual Pension Insurance Company: Chair of the Board 2016– and member of the Board 2015–; Confederation of Finnish Industries EK: member of the Board 2016– and Deputy Chair of the Board 2016 and 2019–; Finnish Commerce Federation: Chair of the Board 2018–, member of the Board 2015–2017 and Deputy Chair of the Board 2015; Finland Chamber of Commerce: member of the Board 2016–; Finnish Business and Policy Forum EVA: member 2015–; Finnish Fair Corporation: Board member 2015–; East Office of Finnish Industries Oy: member of the Board 2015–2018.

**Employment history:** employed by Kesko Corporation since 2014. Kesko Corporation's Managing Director and Kesko Group's President and CEO since 1 January 2015. Kesko Corporation's Executive Vice President 2014. Metsä Board Corporation: Chief Executive Officer 2006–2014; Metsä Tissue Corporation: Chief Executive Officer 2003–2006; Various management positions at Valmet Corporation between 1993 and 2003; Managing Director of Kasten Hövik 1990–1993.

**Member of the Group Management Board since:** 1 October 2014.

**Kesko shares held:**

- 31 December 2017: 36,091 B shares.
- 31 December 2018: 44,964 B shares.



**Jorma Rauhala**

President, building and technical trade, Deputy to Kesko's President and CEO.

b. 1965, Master of Science (Economics).

**Domicile:** Espoo, Finland.

**Other major duties:** The Finnish Grocery Trade Association: Chair of the Board 2017 (until 20.11.2017) and 2013–2014; member of the Board 2013–2016; the Association of Finnish Advertisers: member of the Board 2014–2017 (until 24.11.2017).

**Employment history:** employed by Kesko Corporation since 1992. President of Kesko's building and technical trade since 15 November 2017. Senior Vice President, grocery trade division 2015–2017. President of Kesko Food Ltd 2013–2017. Vice President for the K-citymarket chain's food trade 2012–2013; Managing Director of Kespro Ltd 2007–2012; Purchasing Director of Kespro Ltd 2003–2007.

**Member of the Group Management Board since:** 5 February 2013.

**Kesko shares held:**

- 31 December 2017: 20,564 B shares.
- 31 December 2018: 24,300 B shares.



**Ari  
Akseli**

President,  
grocery trade.

b. 1972, Master of  
Science (Economics).

**Domicile:** Helsinki, Finland.

**Other major duties:** The Finnish Grocery Trade Association: Member of the Board 2019–, Chair of the Board 20.11.2017–31.12.2018, AMS Advisor Board: member 2013–; IGS Advisor Board: member 2016–; Ruokatieto: Vice Chairman of the Board 2016–, member of the Board 2013–2015; Association for Finnish Work: member of the Executive Committee 2014–.

**Employment history:** Employed by Kesko Corporation since 1995. President of Kesko's grocery trade division since 15 November 2017. Vice President for Commerce, Kesko's grocery trade 2013–2017; President, Anttila Oy 2010–2013; President, K-citymarket Oy 2008–2013.

**Member of the Group Management Board since:** 15 November 2017.

**Kesko shares held:**

- 31 December 2017: 81 A shares, 7,568 B shares.
- 31 December 2018: 81 A shares, 8,596 B shares.



**Johan  
Friman**

President, car trade.

b. 1965, Master of  
Science (Economics).

**Domicile:** Espoo, Finland.

**Other major duties:** Association of Automobile Importers in Finland: member of the Board 2017–; LeasePlan Belgium: member of the Board 2010–2016; LeasePlan Denmark: member of the Board 2011–2016; VMF Verband markenunabhängiger Fuhrparkmanagementgesellschaften, Deutschland: member of the Board 2006–2016.

**Employment history:** employed by Kesko Corporation since 2017. Senior Vice President, car trade division since 1 January 2017. LeasePlan Deutschland GmbH: Managing Director 2006–2016; LeasePlan Finland Oy: Managing Director 1997–2006; Inchcape Motors Finland Oy: Managing Director of the Retail business

1995–1997 and Marketing Director of the importer 1995; Bilia Oy: Sales Manager, Dealer Manager and Fleet sales 1991–1994.

**Member of the Group Management Board since:** 1 January 2017.

**Kesko shares held:**

- 31 December 2017: No shares.
- 31 December 2018: 3,363 B shares.



**Jukka Erlund**

Executive Vice President, CFO.

b. 1974, Master of Science (Economics), eMBA.

**Domicile:** Helsinki, Finland.

**Other major duties:** Finnish Commerce Federation: Chair of the Tax and Economic Policy Committee 2011-; Confederation of Finnish Industries EK: member of the Economy and Tax Committee 2012-; Suomen Luotto-osuuskunta: member of the Board 2012-; Varma Mutual Pension Insurance Company: member of the Supervisory Board 2018-.

**Employment history:** employed by Kesko Corporation since 2004. Senior Vice President, CFO since 1 November 2011. Kesko Food Ltd's Vice President for Finance 2010-2011; Kesko Corporation's Vice President, Corporate Controller 2007-2010; Kesko Corporation's Corporate Business Controller 2004-2007.

**Member of the Group Management Board since:** 1 November 2011.

**Kesko shares held:**

- 31 December 2017: 16,840 B shares.
- 31 December 2018: 20,203 B shares.



**Matti Mettälä**

Executive Vice President, Human Resources, Corporate Responsibility and Regional Relations.

b. 1963, Master of Laws.

**Domicile:** Helsinki, Finland.

**Other major duties:** Unemployment Insurance Fund (TVR): member of the Supervisory Board 2018-; Huoltouseeriyhdistys ry: member of delegation 2013-; Foundation for Vocational Training in the Retail Trade: member of the Board 2005-.

**Employment history:** employed by Kesko Corporation 1990-2005 and since 2012. Executive Vice President, Human Resources, Corporate Responsibility and Regional Relations as of 1 January 2018. Senior Vice President, Human Resources 2015-2017. Senior Vice President, Human Resources and Stakeholder Relations 2012-2014. K-retailers' Association: Managing Director 2005-2012; Kesko Hardware and Builders' Supplies: Vice President for Finance 2002-2005; Rautakesko Ltd: Development

Director 2001-2002; Builders' and Agricultural Supplies Division: Project Manager 1999-2000; Kesko Hardware and Builders' Supplies: Vice President for the Rautia chain 1998-1999; Builders' and Agricultural Supplies Division: Retail Services Manager 1996-1998; Vähittäiskaupan Takaus Oy: Retail Services Manager 1994-1996; Kesko Ltd's Credit Department: Credit Manager 1991-1992; Kesko Ltd's Credit Department: Legal Counsel 1990-1991.

**Member of the Group Management Board since:** 1 October 2012.

**Kesko shares held:**

- 31 December 2017: 10,782 B shares.
- 31 December 2018: 12,884 B shares.



**Mika Majoinen**

Executive Vice President, Group General Counsel.

b. 1963, Master of Laws.



**Anni Ronkainen**

Executive Vice President, Chief Digital Officer.

b. 1966, Master of Science (Economics).

**Domicile:** Helsinki, Finland.

**Other major duties:** ICC: member of the Advisory Board 2019–, Finnish Commerce Federation: member of the Legal Affairs Committee 2018–, Confederation of Finnish Industries EK: member of the Legal Affairs Committee 2018–.

**Employment history:** Employed by Kesko Corporation since 1990. Group General Counsel as of 1 January 2018. Executive Vice President, Group General Counsel, Company Secretary for Kesko's Board of Directors and Group Management Board 2005–2017, division lawyer for Rautakesko Ltd 2001–2005, lawyer for the Builders' and Agricultural Supplies Division 1998–2001, development manager at Kesko Corporation's Legal Affairs Department 1996–1998, lawyer at Kesko Corporation's Legal Affairs Department 1990–1996.

**Member of the Group Management Board since:** 1 January 2018.

**Kesko shares held:**

- 1 January 2018: 9,669 B shares.
- 31 December 2018: 11,070 B shares.

**Domicile:** Helsinki, Finland.

**Other major duties:** Fennia Mutual Insurance Company: member of the Board 2019–; Invesdor Oy: member of the Board 2018–; Finnish Chamber of Commerce: Chairman of the start-up committee 2018–, The Association of Finnish Advertisers: member of the Board 2018; Business Finland: member of the Digital Advisory Board 2017–; Asiakastieto Group Plc: member of the Board 2015–; Nordic Morning Plc: member of the Board 2015–; Robit Plc: member of the Board 2015–2017; Sunduka Ltd: member of the Board 2015–2017; Institute of Marketing: member of the Board 2010–2015; the American Chamber of Commerce in Finland (AmCham Finland): member of the Board 2011–2015; Marketing Executives Group: member of the Board 2009–2011.

**Employment history:** employed by Kesko Corporation since 2015. Chief Digital Officer as from 20 April 2015. Google Finland Ltd: Country Manager Finland 2009–2015; Industry Head, Multi-sector 2008–2009; McCann Worldgroup Helsinki Oy: CEO 2006–2008; Satama Finland Oy: Business Group Director 2001–2006.

**Member of the Group Management Board since:** 20 April 2015.

**Kesko shares held:**

- 31 December 2017: 6,500 B shares.
- 31 December 2018: 8,602 B shares.