

Fighting Climate Change at Kesko

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Vice President
Sustainability & Product Safety



K Group and Kesko today



Biggest in Finland,
#3 in Northern Europe
with retail sales of
nearly **€13bn**



Profitable growth
strategy in **3** core
divisions



41,000 employees,
approx. **1,800 stores** and
comprehensive **digital**
services in **8** countries



**Strong financial
position** with good
dividend capacity



Market cap approx.
€4.8bn with over
41,000 shareholders



**World's most
sustainable** trading
sector company

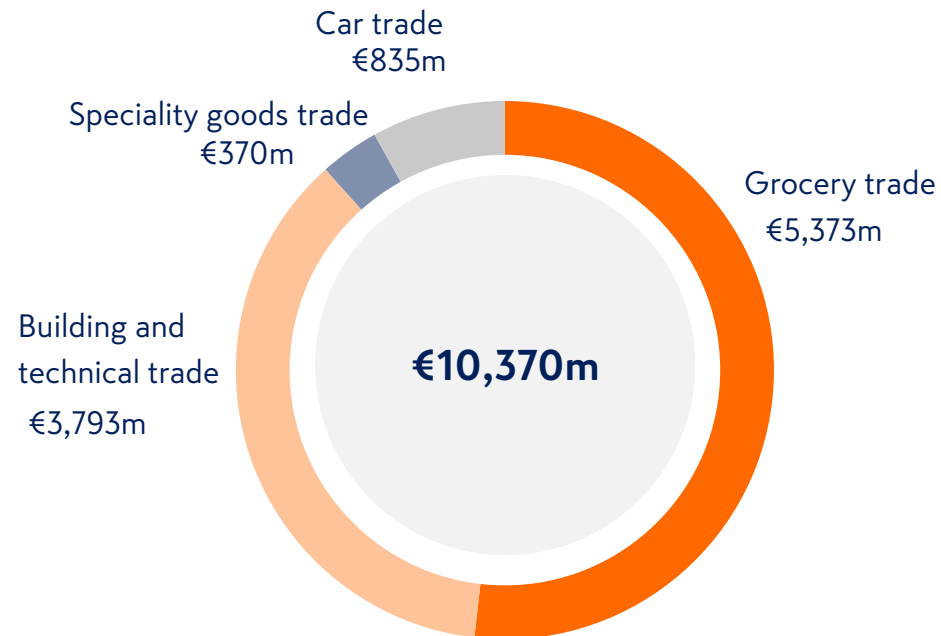
K Group's retail sales and store numbers by operating country in 2018

	Retail sales, € million	Stores
Finland	10,494	1,605
Sweden	331	31
Norway	792	90
Baltics	866	55
Poland	240	36
Belarus	128	17

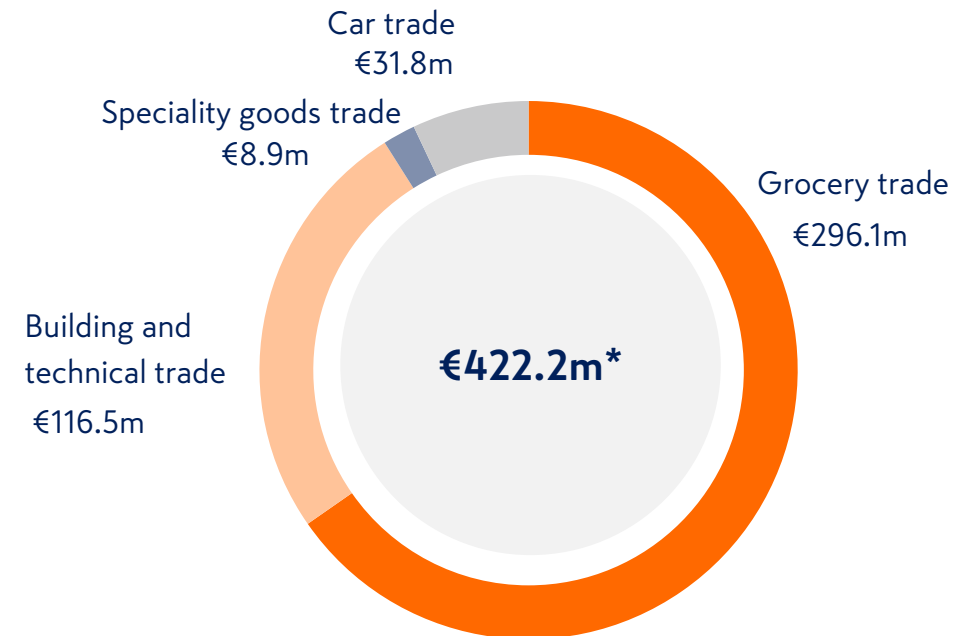


Net sales and operating profit by division

Net sales



Comparable operating profit



Rolling 12 months Q1/19

* Incl. common functions and eliminations €-31.1m, IFRS 16 impact €95.2m

Continuing Kesko's growth strategy implementation

VISION

We are the customers' preferred choice and the quality leader in the European trading sector

STRATEGIC FOCUS AREAS

Profitable growth

Business focus

Quality and customer orientation

Best digital services

Sustainability and combating climate change

One unified K

DIVISION PRIORITIES



Grocery trade

- Most customer-oriented and inspiring food stores with store-specific business ideas
- Profitable development of store network
- Seamless multi-channel customer experience
- Development of the retailer business model as a competitive advantage
- Significant growth in the foodservice business



Building and technical trade

- Country focus with specified strategic actions
- Three customer segments served according their specific customer needs
- Synergies – within individual countries and between the operating countries
- Organic growth and profitability improvement
- Selected acquisitions to win a chosen country and segment



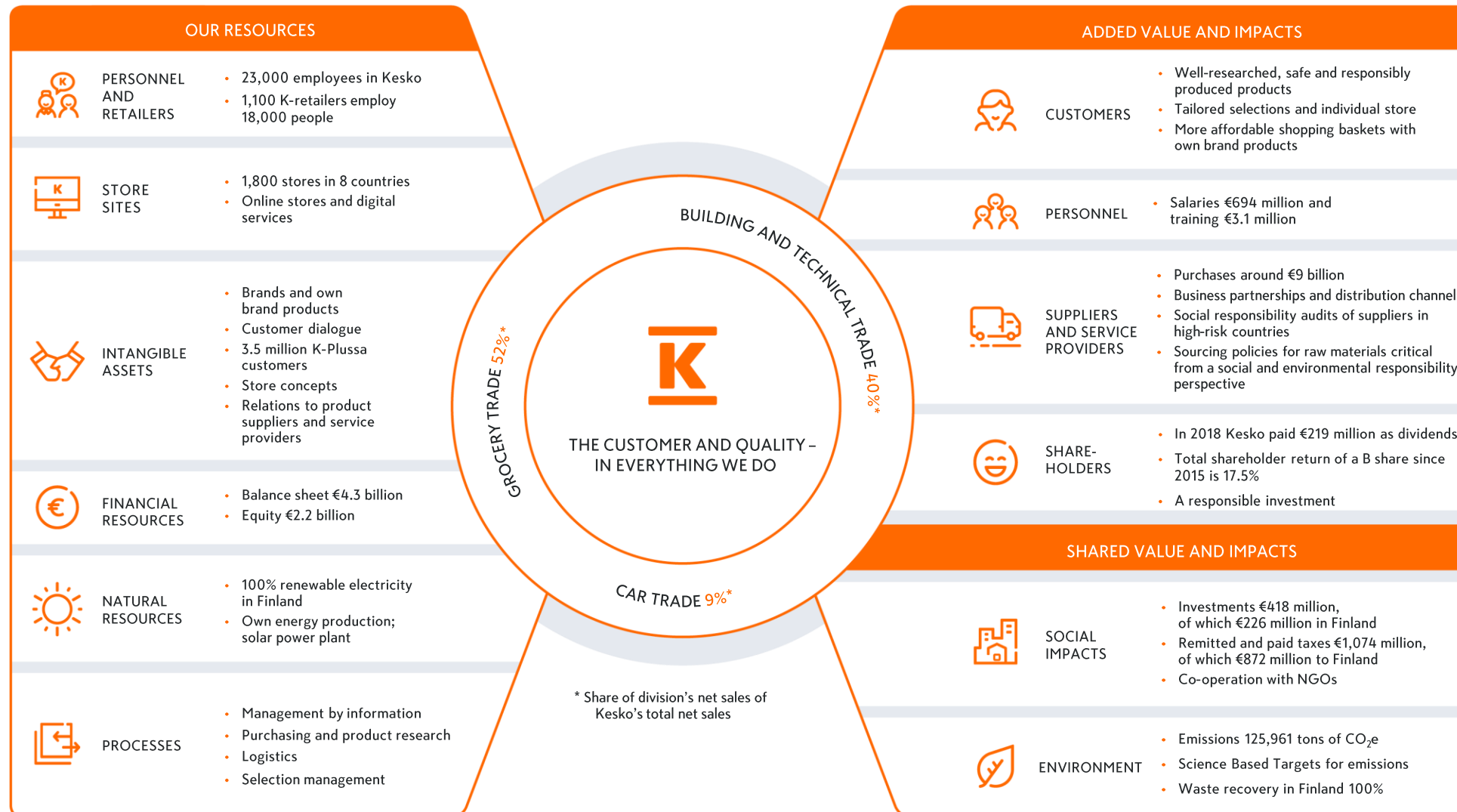
Car trade

- Increasing business in cooperation with the Volkswagen Group
- Increasing own service and mobility business
- Best customer experience – in all channels

VALUE

The customer and quality – in everything we do

Responsible value creation for the whole society



Kesko's long-term and comprehensive sustainability work



Sustainability strategy 2018-2022

Kesko's sustainability strategy focuses our sustainability efforts increasingly on our customers. We want to enable a sustainable lifestyle for our customers in terms of food, mobility and living. We will increasingly engage our customers in our sustainability work.



The environment is at the core of our corporate responsibility work

- We rank as the most sustainable trading sector company in the world on the Global 100 list for the fifth year in a row and are included in prestigious global sustainability indices
- We are committed to international climate summit goals
- We promote the UN Sustainable Development Goals



Science based targets set for reducing emissions

- We were the first Finnish company to set science based emission targets for reducing emissions from our properties, transportation, and supply chains.
- To achieve these ambitious targets, we will increase the use of renewable energy and improve our energy efficiency.



PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME

Science Based Targets

OBJECTIVE	PROGRESS IN 2018	PLANS FOR 2019
<p>We commit to reduce our direct and indirect (Scope 1 and 2) emissions 18% by 2025 from base year 2015.</p>	<p>Scope 1 and 2 emissions increased by 12% from base year 2015, due to the acquisitions of Suomen Lähikauppa and Onninen in 2016.</p>	<p>We aim to systematically reduce Scope 1 and 2 emissions.</p>
<p>In addition, we are committed to reduce our supply chain emissions (Scope 3) so that 90% of Kesko's key suppliers will set their own GHG emissions reduction targets by 2025.</p>	<p>Out of Kesko's key suppliers of 2018, 30% had set their own emission reduction targets.</p>	

Renewable energy, energy efficiency and efficient logistics



All electricity we purchase in Finland is produced with renewable energy



With 32 solar power plants, we are the biggest producer and user of solar power in Finland



We are constantly working to improve energy efficiency at our stores



Our logistics emissions are down by 16.8% on year 2011



Our food waste is down by 7.3% from the 2013 base level



We promote circular economy through more efficient recycling at our stores and for our own brand product packaging



Impacts of climate change

All Kesko divisions can offer customers solutions that help them reduce their climate impact, as living, food and mobility are the biggest sources of greenhouse gases in private consumption.



Sustainable lifestyle

- By offering environmentally friendly products and services and using packaging and shelf labelling and customer communications, we can help customers make purchase decisions that help mitigate climate change.
- Our extensive neighborhood store network and the additional services available at the stores reduce transport emissions as customers can get to the store by foot, bike or using public transport.



Case: K Charge

- By bringing electric car charging points to our stores across Finland, we make new mobility solutions easily accessible to our customers.
- We opened 13 new fast charging stations in 2018, and the K Charge network now comprises 49 charging stations.
- By the end of 2019, the K Charge network will comprise over 70 charging stations with nearly 400 charging points.

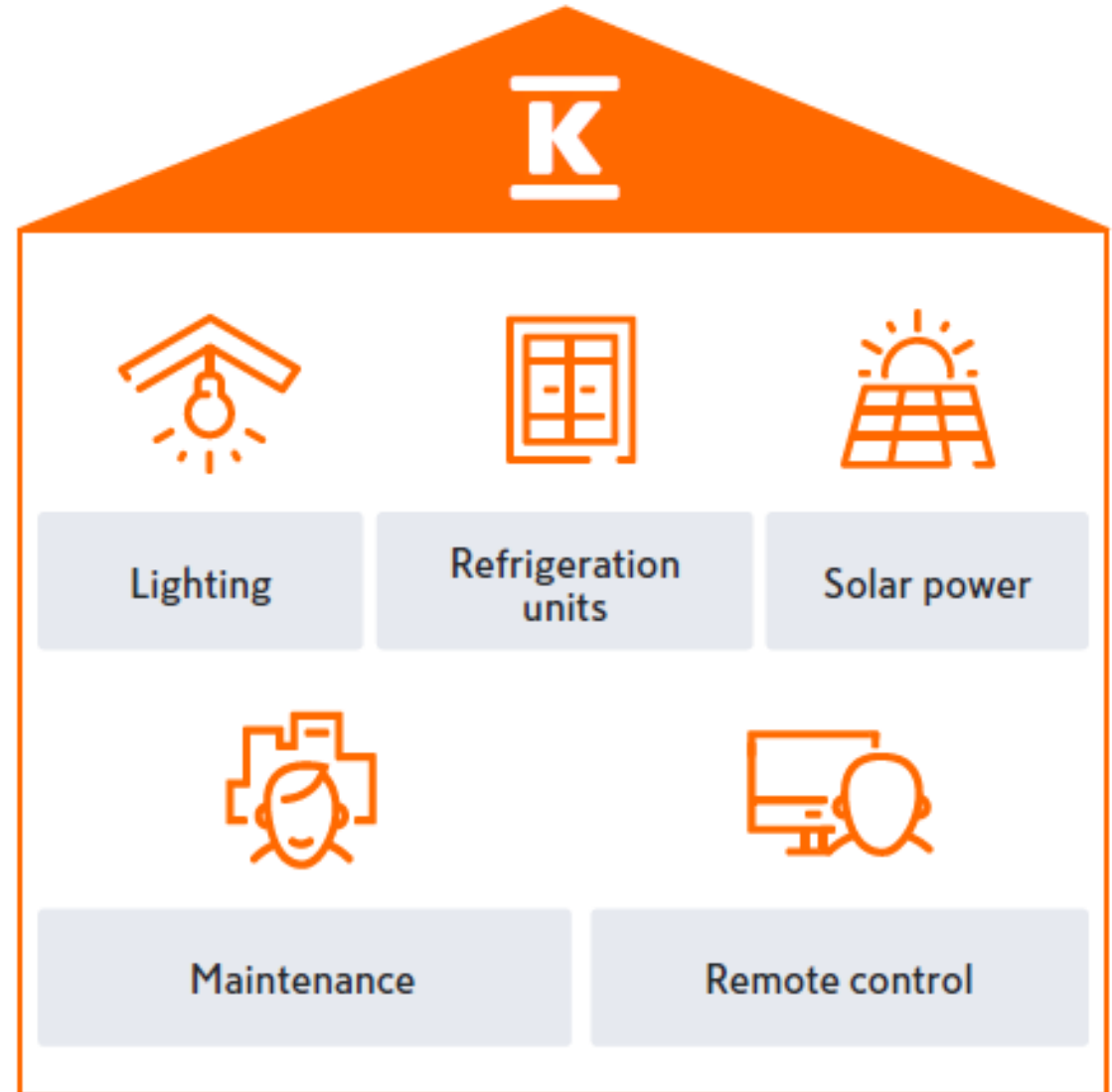


Energy sources

- In line with our energy strategy, the electrical power sold by Kesko to K-retailers and the electrical power used by Kesko are 100% renewable.
- The energy efficiency of Kesko's store sites and offices is industry best.

Case: Energy solutions in K stores

- The most significant means of improving energy efficiency in stores are remote control and maintenance, LED lighting, solar power and refrigeration equipment solutions such as condensation heat recovery and the use of carbon dioxide as the refrigerant.



Regulation

- By committing to voluntary actions before regulation requires them, we can act as a forerunner in sustainability and offer our customers sustainable solutions.
- Climate change may result in regulation-related risks, such as permit procedures or costs arising from emission pricing and taxation.
- The implementation of the EU and Finnish Government climate and energy policy will affect energy solutions and may raise energy prices.



Extreme weather phenomena

- The building and technical trade division can act as an expert in construction that takes account of extreme weather phenomena, and supply related materials.
- Climate change will increase the risk of extreme weather phenomena and affect food production in Finland and elsewhere. The impacts of climate change may result in unexpected damage or business interruptions.

Case: 'Thank the Producer'

- To help farmers struggling with the exceptionally dry weather in summer 2018, we focused heavily on our 'Thank the Producer' operating model.
- 'Thank the Producer' operating model aims to increase appreciation for Finnish food and those who produce it. With 'Thank the Producer' products, consumers may pay a slightly higher price, enabling K Group to pay additional support sum directly to the producers.

K

Additional information

Q2/2019 half year report
24 July 2019

Q3/2019 interim report
24 October 2019

In addition, the Group's sales figures are published monthly and K Group's retail sales quarterly

Kesko observes a 30-day silent period

Materials and events: www.kesko.fi/en/investor

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