K Group today

One of the biggest retailers in Northern Europe, no. 1 in Finland

Operations in eight countries 1.9 million customers every day

Three divisions
- Grocery trade
- Building and technical trade
- Car trade

Kesko’s net sales (rolling 12 months, Q3/2020)*
€10,090m

Kesko’s comparable operating profit (rolling 12 months, Q3/2020)*
€509.0m

Strong financial position

* Kesko Senukai treated as a joint venture in the illustrative comparison figures
Kesko’s strategy

We continue to execute our strategy

**VISION**
To be the preferred choice for customers 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**

**STRATEGIC FOCUS AREAS FOR DIVISIONS**

- **Grocery trade**
  - The most customer-oriented and inspiring food stores with store-specific business ideas
  - Profitable development of the store network
  - A seamless omnichannel customer experience
  - Good price competitiveness
  - Developing retailer entrepreneurship as a competitive advantage
  - Growing Kespro's business

- **Building and technical trade**
  - Country focus, with country-specific strategic actions
  - Serving three different customer segments according to their specific customer needs
  - Seeking synergies
  - Organic growth and profitability improvement
  - Targeted acquisitions

- **Car trade**
  - Growing our business in collaboration with Volkswagen Group
  - Expanding our own service business
  - The best customer experience in all channels

**VALUE**

The customer and quality – in everything we do
# Sustainability strategy 2018–2022

## Vision

**WE ENABLE SUSTAINABLE LIFESTYLES FOR OUR CUSTOMERS**

### Strategic Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Sustainability and benefits derived from it drive customer preference in both B2C and B2B</td>
<td>investors prefer Kesko as a sustainable investment</td>
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<td></td>
<td>Employees and K-retailers are proud advocates of K Group’s sustainability work</td>
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<td></td>
<td>K Group has a significant role in societal discussion through recognised leadership in sustainability</td>
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</tbody>
</table>

## Strategic Actions

1. Pursuing leadership in circular economy solutions
2. Strengthening responsible and transparent sourcing in the supply chain
3. Commercialisation of sustainability through our own brand products
4. Creating data-based services for customers and the society using customer data and AI responsibly
5. Expanding communal responsibility initiatives together with K-retailers and our employees
6. Reducing energy consumption and increasing our own renewable energy production
Sustainability and combating climate change are Kesko’s strategic focus areas

Long-term efforts to mitigate climate change: we aim for carbon neutrality by 2025 and zero own emissions by 2030.
Corporate responsibility work based on sourcing transparency.
Making sustainable choices in our stores easy for our customers.
Climate and environment
K Group plays an important role in offering sustainable solutions in areas that account for 75% of an average Finn’s carbon footprint

Kesko’s net sales in 2019

Average Finn 10,300 kg CO₂e/year

- Food: 2,100
- Housing: 3,400
- Travel and transport: 2,200
- Other consumption: 2,600
- Source: Sitra
EMISSIONS FROM PRODUCTION OF PRODUCTS SOLD
6,100,000 tCO₂e

Agriculture accounts for the most significant emissions attributable to food.

EMISSIONS FROM K GROUP’S OWN OPERATIONS
120,000 tCO₂e

EMISSIONS FROM USE AND END-OF-LIFE TREATMENT OF PRODUCTS SOLD
1,600,000 tCO₂e
K Group aims to become carbon neutral by 2025

We will systematically reduce emissions from our own operations, reaching zero emissions from our own operations by 2030.

During the 2025-2030 transition phase, we will offset the remaining emissions from our own operations.

Our objective is to have reduction targets set for two-thirds of our direct supplier emissions by 2025.
Kesko has joined the CDP Supply Chain Program in the autumn 2020 and questionnaire requests will be sent to its 200 largest suppliers in spring 2021

• Many of Kesko’s 200 largest suppliers already respond to the CDP Climate Change program at the request of investors, and only some extra questions will be added for these companies in the Supply Chain module

• For companies not yet responding to CDP at all, the process of answering the questionnaire and receiving feedback provides an opportunity to learn and improve performance on climate change issues as well as benchmark peer companies on best practice.
Renewal of stores decreases energy consumption

LED-lighting renewal reduces the electricity consumption of lighting by 50%

Refrigeration system renewal saves up to 10% in electricity consumption
New energy recycling system revolutionises energy economy can reduce a property’s heat consumption by as much as 85–95%, making the store almost carbon neutral instantly in terms of energy. Motiva awarded the system the Energy Genius of the Year 2019 recognition.
K Group is one of the biggest producers and users of solar power in Finland.

Our 42 solar power plants produce some 12 GWh of renewable electricity.
The relative emissions of Kesko Logistics have decreased by 25% from the level of the 2011 base year.
K Group’s own renewable energy production will grow **six-fold** by the end of 2022.

K Group will increase its share of renewable electricity by committing to purchasing wind power from a new wind farm to be built in Finland for the next 15 years.
Together with Natural Resources Institute Finland (Luke), we’ve **developed a model** which enables a grocery store to become **carbon neutral**. The aim is to identify and implement actions to reduce the carbon footprint of the store and then calculate the necessary amount of compensation.

The model is **piloted in** three K-food stores.
We offer sustainable products for the climate

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

**Grocery trade**

- Products that comply with Kesko’s sustainable sourcing policies
- Products with sustainability certificates and labels
- Plant-based products
- Circular economy products

**Building and technical trade**

- Products that reduce energy consumption and emissions
- Products that produce and distribute renewable energy
- Sustainably produced lumber and wood products
- Products that enable healthy and sustainable housing

**Car trade**

- Low and zero emission vehicles
- Repairing and reusing original parts
- Renewable electricity for electric cars and hybrids at K Charge stations
Striving to be the pioneer in circular economy solutions

- Developing innovative circular economy solutions with partners, utilising e.g. production side streams or food waste
- Promoting circular economy with packaging design
- Versatile waste and recycling collection services for customers
- Circular economy products
By redesigning packaging, we have managed to save over 300 tons of plastic in a year.
Reducing food waste

Sales of grocery products 1.3 million tonnes

Very little food waste
Food waste products sold exclusively in K-food stores

Hyvis juice
Made from fruit, vegetables and berries discarded at Kesko’s Central Warehouse

Vaasan and Brewniverse
Bier from discarded rye bread

Jävla Säs Bolag
Tomato sauce from discarded Finnish tomatoes
K Fishpaths

• K Fishpaths is a collaboration between K Group and WWF Finland’s in which events are organised to remove obstacles for migration and spawning and restore gravel beds and habitats for endangered migratory fish.
• The communal events bring together local operators, K Group stores, customers and other volunteers.

Between 2017 and 2020, nearly 30 events organised around Finland, with great results:

- Over 300 gravel beds restored
- Over 80 km of spawning grounds and habitats
- Over 900 volunteers signed up
Selections and purchasing
Our products are responsibly produced

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

- We promote sustainability in our supply chains with sustainability policies, suppliers’ factory audits, sustainability training and by working in cooperation with international organisations.
Finnish food and work

Purchases from Finland €5.9 billion, which is 81% of all purchases.

Thank the Producer

‘Thank the Producer’ products are one of the ways in which K Group supports Finnish agriculture. An additional sum is paid for the products to the producers: so far, this sum has already exceeded 4 million euros.

Local Food Date events

We help pave the way for local products by organising Local Food Dates between retailers and small producers across Finland. In 2019, we held five events, which brought together 150 producers and 380 store representatives.
Sustainable purchases globally

FINLAND
Purchases from Finland*
€5.9 billion
i.e. 81% of all purchases

Social responsibility audits at factories
Timber and paper policy
Sustainability training for suppliers
Bangladesh Accord
Cotton policy
Fairtrade collaboration
Palm oil policy
Cocoa policy

Soy policy
Fish and shellfish statement

Thank the Producer
Local Food Dates

* In 2019, purchases of goods by Kesko Group’s Finnish companies totalled €7.3 billion. 81.0% of the purchases was from suppliers operating in Finland and 19.0% elsewhere.

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New services that return customer data to consumers

Over 200,000 Finns have downloaded the K-Ostokset service, which provides customers’ data on their purchases from K-food stores, including Finnish origin, carbon footprint, and nutritional data.
K Group’s new Tracing our products website

The new website increases the transparency of the supply chain. Describes the origin and route of own brand products with risk-related raw materials.

https://kesko.fi/producttracing The English site available in late December
Volkswagen ID3 is the world’s first net carbon neutral car.

ID3 is the No. 1 full-electric car registered in Finland in September-October 2020.
Risks and opportunities
### K Group’s response to the Covid-19 coronavirus – customer and staff safety is our top priority

<table>
<thead>
<tr>
<th>Agility and security of supply</th>
<th>Extended opening hours</th>
<th>Dedicated shopping times for at risk groups</th>
<th>Increased pick-up and delivery services</th>
<th>Advice and phone services for online grocery shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our mainly Finnish products, nationwide store network, and retailer business model quickly adapted to new circumstances, and proved efficient also from the perspective of security of supply.</td>
<td>During the epidemic, opening hours in K-stores have been extended by some 4,000 hours in total.</td>
<td>Many K-retailers have established dedicated times during which people to whom the coronavirus poses a high risk can do their grocery shopping in a less crowded environment.</td>
<td>Online grocery shopping has become increasingly popular, and K-retailers have quickly established new delivery and pick-up services.</td>
<td>K Group established a new advice and order service via telephone to help especially seniors place grocery orders in our online stores.</td>
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OPPORTUNITIES AND RISKS IN OUR OPERATING ENVIRONMENT

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>RISKS</th>
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<tbody>
<tr>
<td><strong>Climate change</strong></td>
<td><strong>Transition risks</strong></td>
</tr>
<tr>
<td>The impacts of climate change are twofold:</td>
<td>• Increasing regulation necessitates changes in business operations and leads to additional costs.</td>
</tr>
<tr>
<td>• The impacts of climate change on Kesko are related to increased regulation and extreme weather phenomena.</td>
<td>• In the long term, changes in consumer behaviour require changes to business models.</td>
</tr>
<tr>
<td>• The impacts of Kesko’s operations on the climate are related to the lifecycle impact of products and services sold and energy solutions and emissions.</td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td><strong>Physical risks</strong></td>
</tr>
<tr>
<td>• New business models related to mobility</td>
<td>• Increase in extreme weather phenomena can impact product availability and cause disturbances in logistics and the store site network.</td>
</tr>
<tr>
<td>• Climate responsible products</td>
<td><strong>Climate impacts</strong></td>
</tr>
<tr>
<td>• Increased energy efficiency</td>
<td>• Life cycle impact of products and services sold on climate change.</td>
</tr>
<tr>
<td>• Promoting circular economy</td>
<td>• Emissions resulting from energy solutions and energy consumption.</td>
</tr>
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</table>

**Social responsibility and human rights in the purchasing chain**

Our objective is to provide our customers with more information on the origin, production conditions and environmental impacts of products offered.

• By cooperating with goods and service suppliers who share our operating principles, we improve transparency and promote responsibility in the whole supply chain.
• Our efforts to improve responsibility in the supply chain and product safety increase stakeholder trust in us.

• Irregularities in the management of social or environmental responsibility in the purchasing chain could result in human rights violations, environmental damage, financial losses, and loss of stakeholder trust and negatively affect our corporate responsibility work and its credibility.
• A failure in product safety control or supply chain quality assurance could result in financial losses, loss of customer trust, or, in the worst case, a health hazard to customers.
International recognition for our sustainability work
Contacts

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Thank you!