



Sustainability at Kesko and K Group

SEB Nordic Seminar, ESG
Copenhagen, 8 January 2020



K Group today



Biggest retailer in **Finland**, one of the **biggest** retailers in **Northern Europe**



Retail sales of nearly **€13 billion**



Personnel **43,000**



Taxes paid and remitted **€1.3 billion**



Operations in **eight countries**



World's most sustainable trading sector company

Growth Strategy

Focus:



Grocery trade

Growth in grocery trade in Finland



Building and technical trade

Growth in building and technical trade in Northern Europe



Car trade

Growth in car trade especially in Finland

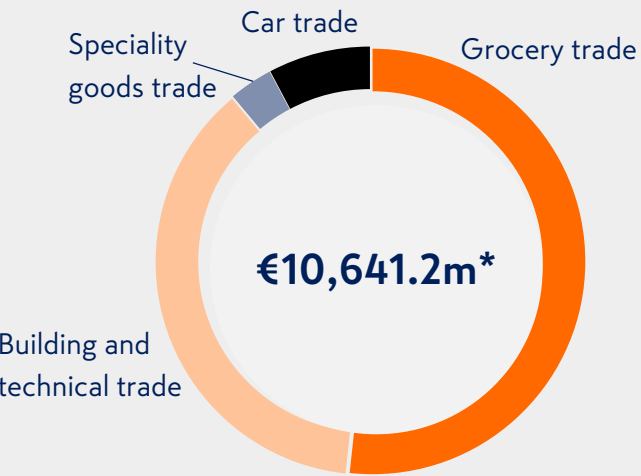
One unified **K**

Sustainability
and combatting
climate change

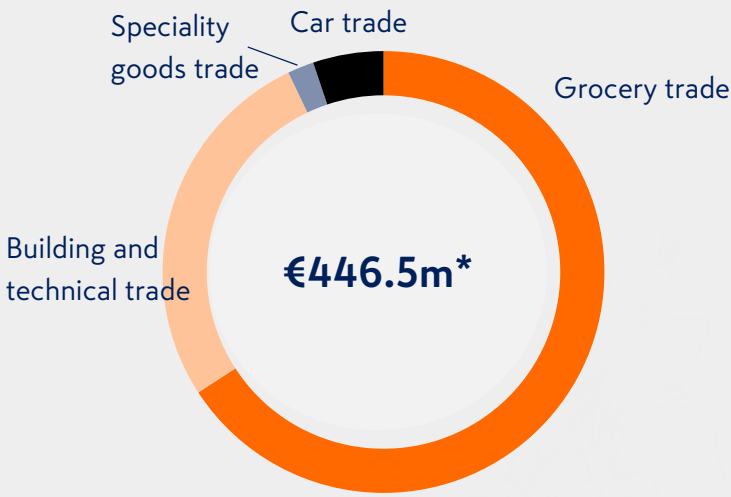


Kesko's and K Group's Footprint

Net sales



Comparable operating profit



Continuing operations, *rolling 12 months Q3/19
* Incl. common functions and eliminations €-36.6 m



Path to the world's most sustainable company – systematic sustainability work since the 1980's



A young child with brown hair, wearing a blue and white striped shirt, red shorts, and blue rubber boots, is sitting on a wooden swing. The child is holding a dandelion seed head in their right hand. The swing is made of thick ropes and a wooden seat. In the background, there is a red building with vertical wooden siding and a white downspout. The ground is covered in green grass and some small yellow flowers. The overall scene is bright and sunny.

**As the world's
most sustainable
trading sector
company**

**We want
to enable
a sustainable
lifestyle for
our current
and future
generations
of customers,
in the areas of
food, mobility
and living.**

K Group's responsibility programme defines our objectives





Climate & Environment



Kesko was the first Finnish company to set Science Based Targets to reduce its emissions in 2017

- We will reduce emissions through the use of renewable energy, energy-efficiency at the stores, and efficient logistics.



PROGRESS MADE IN OUR RESPONSIBILITY PROGRAMME

Science Based Targets

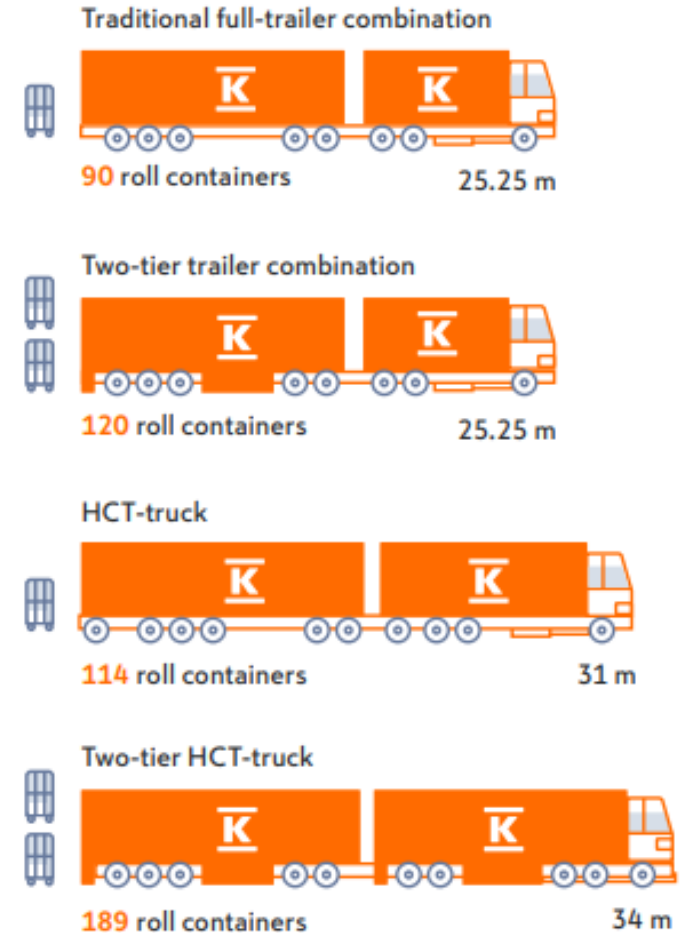
OBJECTIVE	PROGRESS IN 2018	PLANS FOR 2019
We commit to reduce our direct and indirect (Scope 1 and 2) emissions 18% by 2025 from base year 2015.	Scope 1 and 2 emissions increased by 12% from base year 2015, due to the acquisitions of Suomen Lähikauppa and Onninen in 2016.	We aim to systematically reduce Scope 1 and 2 emissions.
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.	Out of Kesko's key suppliers of 2018, 30% had set their own emission reduction targets.	

The biggest direct environmental impacts originate from energy consumption

- In logistics, emissions are reduced through:
 - Efficiency – optimisation of delivery routes, reverse logistics
 - Vehicle fleet solutions
 - Economical driving courses



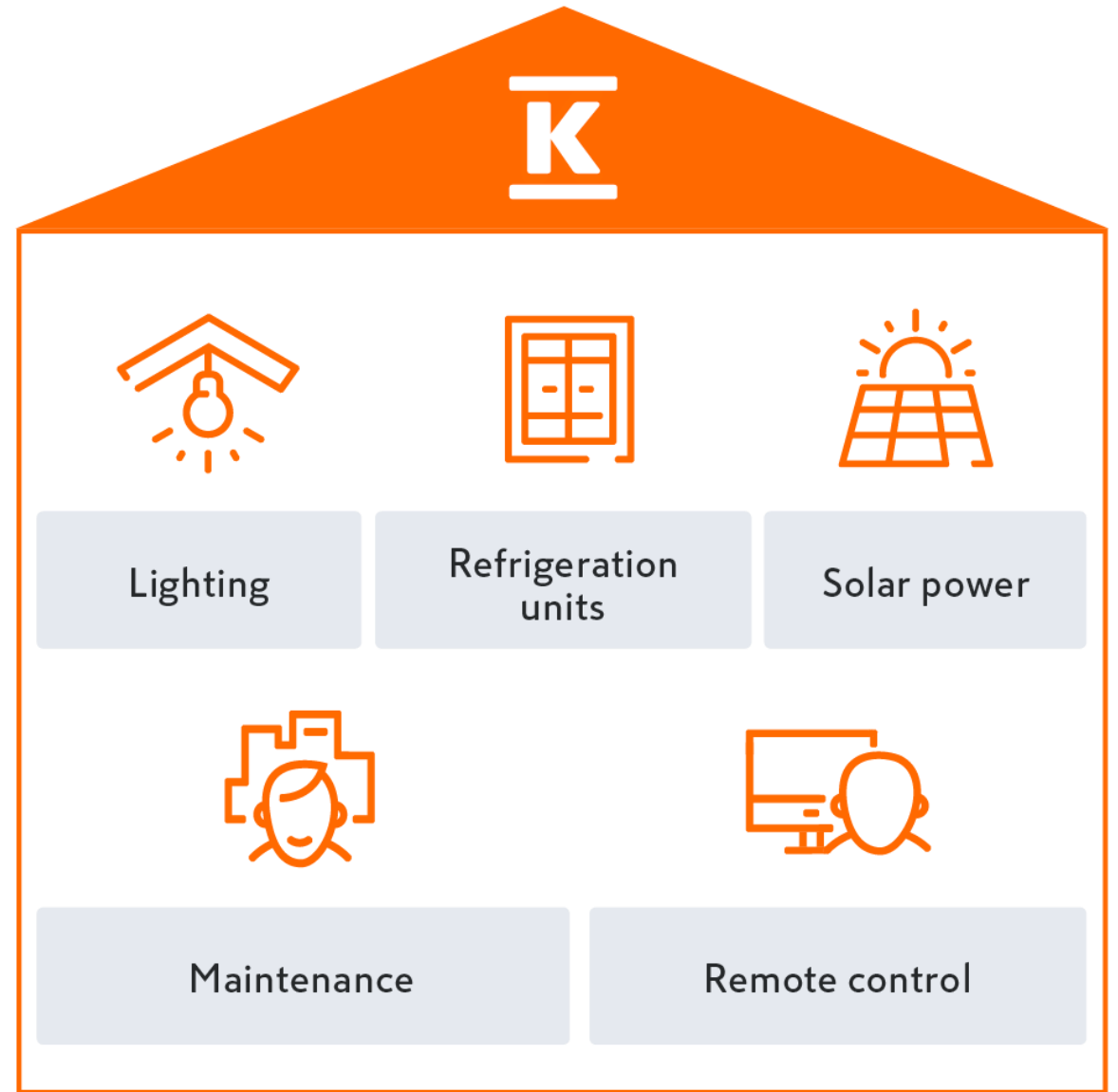
Efficient logistics fleet



Energy solutions in K stores

Energy Efficiency Agreement of the commerce sector 2017-2025:

- K Group commits to making energy saving measures with the amount equivalent to 7.5% (79 GWh) of 2015 energy consumption amount.





Focus on renewable energy

- We purchase **100% renewable electricity** in Finland.
- With **34 solar power plants** (12/2019), K Group is the biggest producer and user of solar power in Finland.





K Charge network

- K Group is building a nationwide network of electric car charging stations at its K-store locations.
- Having charging points in places people visit regularly makes life easier for electric car owners and lowers the threshold for others to buy an electric car, as the cars can be charged during a visit to the store.



Assessment regarding the water risks related to avocado

- The most significant impacts from water consumption are caused by imported products for sale which originate from areas suffering from water scarcity or contamination.
- Our objective is to identify the water basins most affected by water scarcity or contamination issues in our supply chain.
- In 2018, we conducted an extensive assessment regarding the water risks related to our avocado purchasing.
- As a result, we will increasingly focus our purchasing in areas with the smallest water risks.



Food waste prevention targets

- We reduce food waste through co-operation throughout the whole food chain, from primary production to the end user.
- Our objective is to reduce K Group's identified food waste by 13% from the 2016 level by 2021.
- Progress in 2018: Food waste decreased by 7.3% from the previous 2013 base level.

K Group food waste hierarchy





Responsible purchasing and sustainable selections



'Thank the Producer' operating model supports Finnish agriculture

- K Group's 'Thank the Producer' operating model gives consumers the chance to make value-based choices and buy Finnish products, while K Group also contributes its share.
- Consumers may pay a slightly higher price for the products, thus enabling K Group to pay additional support to the food producers. K Group pays the extra sum to the food producers via suppliers.
- Under the operating model, K Group paid an additional of 650,000 euros to Finnish food producers in 2018. The money was paid to the producers of the main ingredients of 'Thank the Producer' products through the product suppliers.
- All in all, the amount of additional support to food producers has totaled over 2.8 million euros since the operating model was first introduced in autumn 2015.



Determined work to assure the responsibility of supply chains

Human rights and the working conditions of workers in factories and farms

- Working conditions are monitored and developed with the means of audit systems
- Special focus on purchases from high-risk countries (1.2% of Kesko's all purchases in 2018)
- Suppliers' responsibility training sessions in high-risk countries such as China and India.

Surveys

- 2016: As part of Kesko's human rights assessment, factory workers in China, India, Bangladesh and the Philippines were interviewed.
- 2017: A study to examine working conditions in the production chain of grapes in India, South Africa and Brazil.
- 2018: An extensive assessment regarding the water risks related to our own avocado purchasing, 280 primary producers examined.



International cooperation



Sustainability policies guiding our purchasing

FISH AND SHELLFISH POLICY



SOY POLICY



PALM OIL POLICY



TIMBER AND PAPER POLICY



COCOA POLICY

ANIMAL WELFARE POLICY



GMO POLICY



PLASTICS POLICY



INVESTORS

ONE OF OUR MOST SIGNIFICANT STAKEHOLDERS



Kesko finances growth with a loan linked to sustainability targets

- In October 2019, Kesko made a financing agreement of €700 million in total, in which the interest margin will increase or decrease depending on Kesko's ability to meet the sustainability targets set for its carbon footprint, food waste, and audits conducted in high-risk countries.
- The interest margin for the loans will increase or decrease depending on Kesko's ability to meet three sustainability targets:
 - a) Reducing carbon dioxide emissions from Kesko's own operations and purchased energy
 - b) Reducing food waste
 - c) Conducting social responsibility audits for suppliers in high-risk countries

Kesko is the most sustainable trading sector company in the world

- The most sustainable trading sector company in the world in 2019, 2018, 2017, 2016, 2015
The Global 100 Most Sustainable Corporations in the World list (our overall ranking in 2019: 88th)
- 2019 Dow Jones Sustainability Indices World and Europe (Food and Staples Retailing)
- 2018 A- score in CDP's Climate Change Disclosure inquiry



MEMBER OF
**Dow Jones
Sustainability Indices**
In Collaboration with RobecoSAM





Thank you!

Contact

Hanna Jaakkola

Vice President, Investor Relations

+358 40 5666 070

hanna.jaakkola@kesko.fi

Matti Kalervo

Vice President, Corporate Responsibility

matti.kalervo@kesko.fi