



KESKO ANNUAL REPORT  
**CORPORATE  
GOVERNANCE**



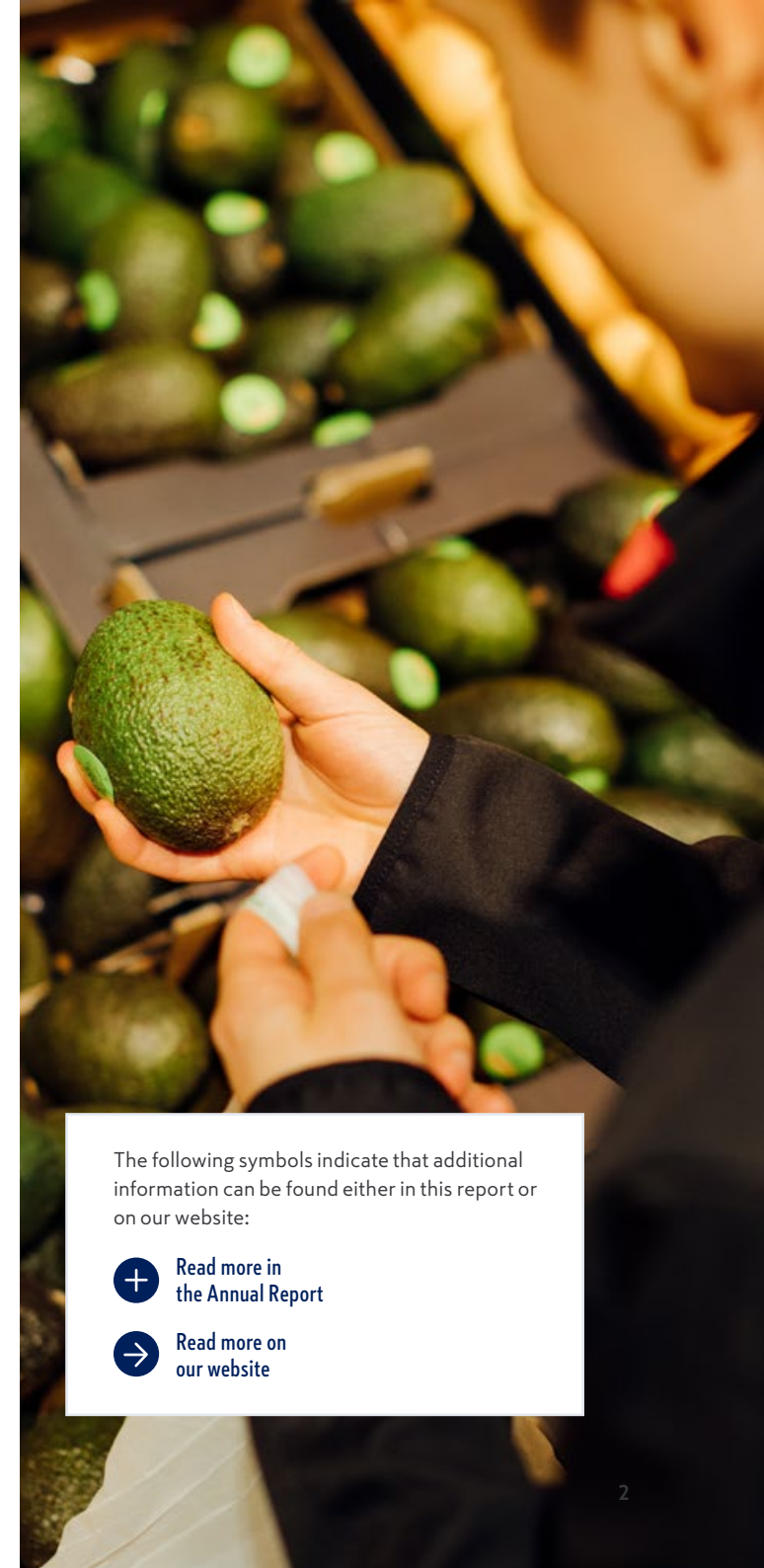
# CORPORATE GOVERNANCE

This section comprises Kesko's Corporate Governance Statement and Remuneration Report for Governing Bodies.

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The following symbols indicate that additional information can be found either in this report or on our website:

-  [Read more in the Annual Report](#)
-  [Read more on our website](#)



KESKO ANNUAL REPORT  
**CORPORATE  
GOVERNANCE  
STATEMENT**

2020



## Introduction

This Corporate Governance Statement has been reviewed at the meeting of the Audit Committee of Kesko Corporation's Board of Directors on 1 February 2021.

This is the Corporate Governance Statement in accordance with the Finnish Corporate Governance Code issued by the Securities Market Association and effective as of 1 January 2020. 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/](https://kesko.fi/en/investor/).

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 addition to the Corporate Governance Code, decision-making and corporate governance at Kesko comply with the Finnish Limited Liability Companies Act, other laws and regulations concerning publicly quoted companies in Finland, Kesko's Articles of Association, the charters of Kesko's Board of Directors and its Committees, the Company's policies and other internal instructions, and the rules and guidelines of the European Securities and Markets Authority, the Finnish Financial Supervisory Authority, and Nasdaq Helsinki Ltd.

## Corporate governance codes Kesko complies with and departures from them

Corporate Governance Code the Company complies with	The Corporate Governance Code effective as of 1 January 2020
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) Recommendation 10 (Independence of Directors) until 30 June 2020
<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 that, 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> <p>The independence of Kesko's Board members departed from Recommendation 10 (Independence of Directors) of the Corporate Governance Code, as until 30 June 2020 the majority of the members of the Board of Directors were not independent of the Company. Esa Kiiskinen, Matti Naumanen and Toni Pokela are not independent of the Company, as they each control a company which has a chain agreement with Kesko. Up until 30 June 2020, Board member Piia Karhu was considered not to be independent of the Company due to an interlocking control relationship. The interlocking control relationship resulted because Piia Karhu acted as Finnair Plc's Senior Vice President, Customer Experience and a member of Finnair's Executive Board, while Kesko Group's CFO Jukka Erlund was elected on the Board of Directors of Finnair Plc on 20 March 2019. Board member Piia Karhu is considered independent of the Company, because as of 1 July 2020 she is no longer employed by Finnair Plc and the interlocking control relationship no longer exists. Therefore, in accordance with the Corporate Governance Code, the majority of Board members have been independent of the Company as of 1 July 2020.</p>

## Descriptions concerning Corporate Governance

### KESKO GROUP'S CORPORATE GOVERNANCE SYSTEM

Kesko uses a so-called one-tier governance model. 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 Auditor. The Shareholders' Nomination Committee submits proposals to the General Meeting regarding the number, election and remuneration of board members. Auditor plays an important role as a controlling body elected by the shareholders.

Kesko's Board of Directors is responsible for the Company's administration and its proper organisation. The Board has an Audit Committee and a Remuneration Committee, which prepare matters related to e.g. the Company's financial reporting, control and remuneration.

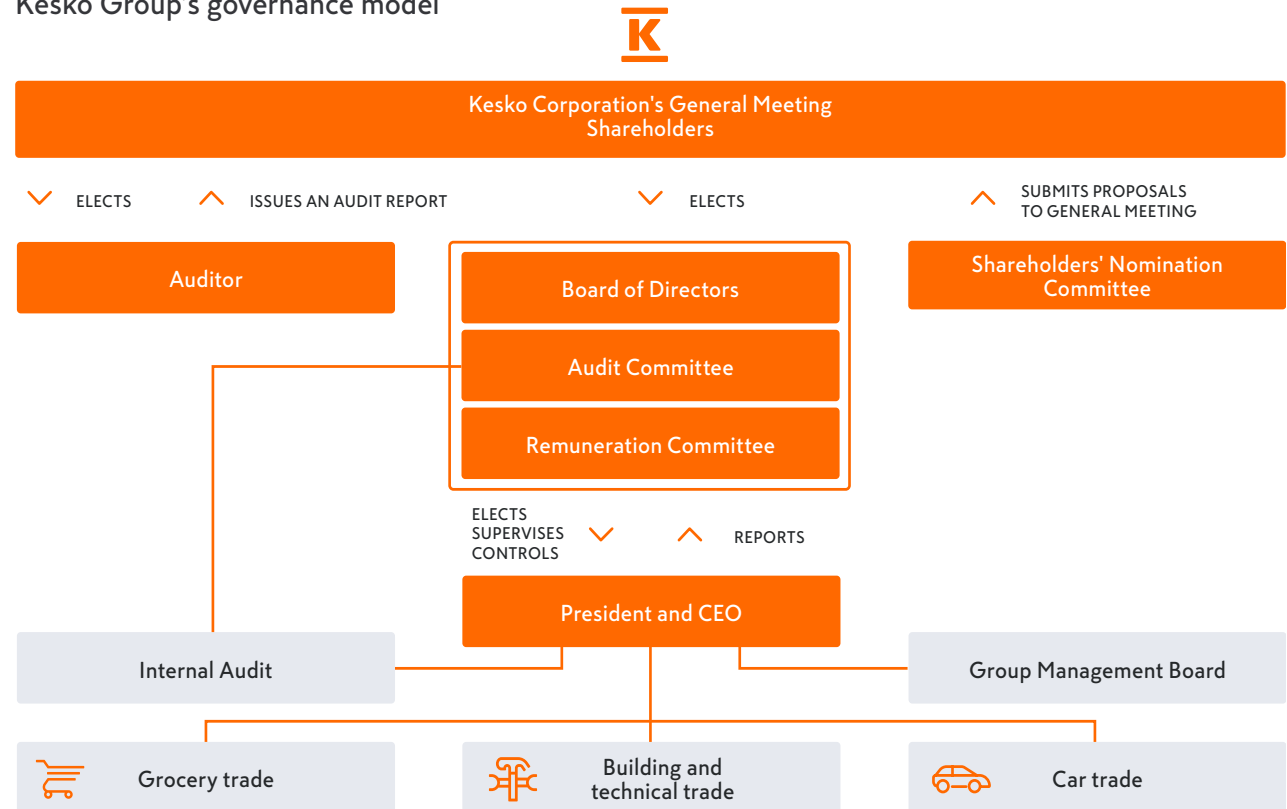
The Board of Directors appoints the managing director, who at Kesko is referred to as the President and CEO. Kesko's Group Management Board supports the President and CEO in his work.

Internal audit is responsible for the Company's independent auditing and reports to both the President and CEO and the Audit Committee.

### GENERAL MEETING

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

## Kesko Group's governance model



decision-making power of the Annual 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 a 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 Finnish Limited Liability Companies Act. However, pursuant to the Act, certain resolutions – such as resolutions to amend the Company's Articles of Association and resolutions concerning 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 resolution limiting the rights arising from shares or increasing the obligations of shareholders.

Shareholders are invited to attend a General Meeting by a Notice of the General Meeting published on the Company's website. The Notice of the General Meeting is also published as a stock exchange release. The Notice 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 the Company's website at [kesko.fi](https://kesko.fi).

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. General Meeting Minutes are made available to shareholders on Kesko's website at [kesko.fi](https://kesko.fi) within two weeks of the General Meeting. The resolutions of the General Meeting are published in a stock exchange release without delay after the meeting.

The 2020 Annual General Meeting was held with special arrangements in place due to the Covid-19 pandemic. Representing the Company's management, the Board of Directors' Chairman Esa Kiiskinen, President and CEO Mikko Helander, and Chief Financial Officer Jukka Erlund were present, as were the Company's auditor with principal responsibility for the financial year 2019 APA Mikko Nieminen from PricewaterhouseCoopers Oy, and the Company's auditor with principal responsibility for the financial year 2020 APA Jukka Vattulainen from Deloitte Oy.

## SHAREHOLDERS' NOMINATION COMMITTEE

### The election process and duties of the Shareholders' Nomination Committee

Kesko's Annual General Meeting of 28 April 2020 resolved to establish a Shareholders' Nomination Committee and confirmed rules of procedure for the Committee. The Nomination Committee is a governing body for Kesko shareholders, and has three members. Two members are appointed by Kesko's biggest shareholders and the third member is the Board of Directors's Chairman. The right of nomination of members representing the shareholders belongs to those two shareholders whose share of votes conferred by all shares in Kesko is the largest according to the register of shareholders maintained by Euroclear Finland Ltd on 1 September preceding the Annual General Meeting. The term of office of the members of the Shareholders' Nomination Committee ends when new Committee members are appointed. The Nomination Committee members do not receive fees for their membership. Their travel expenses are reimbursed in accordance with the general travel rules of Kesko.

The main duty of the Nomination Committee is to ensure that the Board of Directors and its members have the expertise, knowhow and experience adequate for Kesko's needs, and to prepare reasoned proposals for this purpose to the General Meeting. In accordance with its rules of procedure, the Nomination Committee duties are to:

- prepare and present a proposal for the remuneration of the members of the Board of Directors to the General Meeting,

- prepare and present a proposal for the number of members of the Board of Directors to the General Meeting,
- prepare and present a proposal for members of the Board of Directors to the General Meeting,
- answer the questions asked by the shareholders at the General Meeting concerning the proposals made by the Nomination Committee, and
- look for candidates to replace members of the Board of Directors.

The Nomination Committee makes proposals to the General Meeting on the matters listed as duties of the Nomination Committee that on the grounds of the Limited Liability Companies Act and Kesko's Articles of Association are on the Agenda of the General Meeting.

The Shareholders' Nomination Committee is established for the time being, until decided otherwise by the General Meeting. The Shareholders' Nomination Committee rules of procedure are available on Kesko's website at [kesko.fi/en/investor/corporate-governance/shareholders-nomination-committee/](https://kesko.fi/en/investor/corporate-governance/shareholders-nomination-committee/)

### Composition and actions of Kesko's Shareholders' Nomination Committee in 2020

The members of Kesko's Shareholders' Nomination Committee for the 2020-2021 term of office are

- Toni Pokela, retailer, appointed by K-Retailers' Association
- Jouko Pölönen, President and CEO, appointed by Ilmarinen Mutual Pension Insurance Company, and
- Esa Kiiskinen, Chairman, Kesko's Board of Directors.

The Committee elected Toni Pokela as Committee Chairman at its organisational meeting on 10 September 2020.

Details for Toni Pokela and Esa Kiiskinen can be found in the 'Board of Directors' section of this report. Jouko Pölonen (b. 1970) MA (Econ.), eMBA, is the President and CEO of Ilmarinen Mutual Pension Insurance Company.

The Shareholders' Nomination Committee met four (4) times, and all members attended all meetings. The Shareholders' Nomination Committee has submitted to the 2021 Annual General Meeting proposals regarding the number of Board members and Board composition for the three-year term of office that will end, as determined in the Company's Articles of Association, at the close of the 2024 Annual General Meeting. The Nomination Committee proposes that seven members be elected to the Board of Directors, and that those members be Esa Kiiskinen, retailer, business college graduate; Peter Fagerlös, Master of Laws; Jannica Fagerholm, M.Sc. Economics; Piia Karhu, Doctor of Science, Economics and Business Administration; Jussi Perälä, retailer, business college graduate (new member); Toni Pokela, retailer, eMBA; and Timo Ritakallio, Doctor of Science (Technology), LL.M., MBA (new member). In accordance with its charter, when preparing the proposal regarding Board composition, the Nomination Committee has taken into account legislation and the requirements of the Corporate Governance Code concerning Kesko with regard to e.g. the independence of Board members, as well as the results of the Board self-assessment concerning its operations. In accordance with

Kesko's Diversity Policy, when preparing the proposal, the Nomination Committee has ensured that the future Board composition will be able to support Kesko's current and future business. The Nomination Committee has focused, for example, on the merits of the proposed Board members, including the diversity of their education and background, experience from the trading sector, retailer operations and international business, and other professional competencies, ensuring these combined support Kesko's business objectives and enable functional Board work for Kesko. In preparing the proposal, the Committee has also ensured that the proposed members collectively have sufficient expertise and competence and that they are able to devote a sufficient amount of time to Board work.

The Shareholders' Nomination Committee proposes to Kesko's 2021 Annual General Meeting the following fees for Board members for Board and Committee work:

- Board Chairman, an annual fee of €102,000
- Board Deputy Chairman, an annual fee of €63,000
- Board member, an annual fee of €47,500
- Board member who is the Audit Committee Chairman, an annual fee of €63,000
- A meeting fee of €600/meeting for a Board meeting and its Committee's meeting. A meeting fee for the Board Chairman is €1,200/Board meeting. However, a meeting fee of €1,200/Committee meeting is paid to a Committee Chairman who is not the Chairman or Deputy Chairman of the Board. The 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.

It is proposed that the aforementioned annual remuneration payments be made in Kesko Corporation's B shares and in cash, with approximately 30% of the remuneration paid in shares. After the transfer of shares, the remaining fee amount is paid in cash. The Company will acquire the shares or transfer shares held by the Company as treasury shares in the name and on behalf of the Board members. The Company is responsible for the costs arising from the acquisition of the shares. The shares will be acquired or transferred to the Board members on the first working day to follow the publication of the interim report for the first quarter of 2021. 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 Committee proposal was published in a stock exchange release on 19 January 2021. The Nomination Committee used an outside expert in preparing the proposal, at costs approved by Kesko.

## BOARD OF DIRECTORS

### The number and term of Board members

According to the Kesko's Articles of Association, Kesko's Board of Directors is composed of a minimum of five (5) and a maximum of eight (8) members. The General Meeting decides the number of Board members, elects all Board members, and decides on the Board members' remuneration. The Shareholders' Nomination Committee makes proposals concerning the above matters to the

General Meeting. 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.

### Board composition and shareholdings

As of the Annual General Meeting of 11 April 2018, the Board members have been Esa Kiiskinen (Chairman), Peter Fagernäs (Deputy Chairman), Jannica Fagerholm, Piia Karhu, Matti Kyytsönen, Matti Naumanen and Toni Pokela. The term of office of the Board members will end, in accordance with the Company's Articles of Association, at the close of the 2021 Annual General Meeting. The Annual General Meeting of 8 April 2019 confirmed that the

number of Board members would continue to be seven (7). In accordance with the Articles of Association, the Annual General Meeting of 28 April 2020 did not discuss the number or election of Board members.

The Board composition and shareholdings as at 31 December 2020 are presented in the following table.

### Board composition and shareholdings 31 December 2020

Name	Year of birth	Education	Principal occupation	Board member since	Committee membership	Kesko shares held on 31 Dec. 2020
Esa Kiiskinen (Chair)	1963	Business College Graduate	Food retailer	2009	Remuneration Committee (Chair)	447,200 A shares held by him and entities controlled by him and 7,004 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)	4,000 A shares and 13,337 B shares held by him
Jannica Fagerholm	1961	Master of Science (Economics)	Managing Director, Signe and Ane Gyllenberg Foundation	2016	Audit Committee (Chair)	8,337 B shares held by her
Piia Karhu	1976	Doctor of Science, Economics and Business Administration	Senior Vice President, Metso Outotec	2018	Audit Committee	3,257 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	7,237 B shares held by him
Matti Naumanen	1957	Trade Technician	Retailer	2016		80,256 A shares held by him and entities controlled by him 3,257 B shares held by him
Toni Pokela	1973	eMBA	Food retailer	2012		745,600 A shares held by entities controlled by him and 3,257 B shares held by him



## Independence

The Board evaluates the independence of its members on a regular basis in accordance with Recommendation 10 of the Corporate Governance Code. A Board member is obliged to provide the Board with necessary information for the evaluation of independence. All members of Kesko's Board of Directors are non-executive directors.

The Board carried out an independence evaluation in its organisational meeting held after the Annual General Meeting on 28 April 2020. Based on the independence evaluation, the Board deemed Esa Kiiskinen, Matti Naumanen and Toni Pokela not independent of the Company, as they each control a company that has a chain agreement with Kesko. Based on the evaluation updated by the Board on 22 July 2020, the majority of the members of the Board of Directors are independent of the Company, in line with the Corporate Governance Code recommendation. Board member Piia Karhu is considered independent of the Company, because as of 1 July 2020 she is no longer employed by Finnair Plc and the interlocking control relationship which arose when Kesko Group's CFO Jukka Erlund became a member of the Board of Directors of Finnair Plc on 20 March 2019, no longer exists. Based on the independence evaluation, the Board considered Toni Pokela not to be independent of the Company's significant shareholder, K-Retailers' Association, of which Pokela is the Chairman of the Board.

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

## Board members' independence 2020

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

\* 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 the charter

Kesko's Board of Directors is responsible for the Company's governance and for the proper organisation of its operations. The Board is responsible for the appropriate arrangement of the control of Kesko's accounts and finances. The Board of Directors has confirmed a written charter of the Board of Directors' duties, principles of operation, meeting practices and decision-making procedures.

In accordance with the charter, the Board reviews 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:

### Strategic and financial matters

- deciding on the Group strategy and confirming the divisions' strategies
- confirming the Group's budget and rolling forecast, including a capital expenditure plan
- reviewing the Group's most significant risks and uncertainties
- deciding on strategically or financially significant individual investments, acquisitions, divestments or arrangements, and commitments
- confirming Kesko's values
- approving key Group policies, such as the treasury and investment policy and risk management policy
- establishing a dividend policy and being responsible for shareholder value performance

### Organisation and personnel matters

- appointing and discharging the Company's President and CEO, approving his/her managing director's service contract and deciding on his/her remuneration and other financial benefits, and making corresponding decisions also for the Deputy President and CEO
- deciding on the appointments of the Group Management Board members responsible for lines of business, their remuneration and financial benefits
- deciding on the essential structure and organisation of the Group
- ensuring the proper operation and supervision of the management system
- deciding on management authorisation rules
- deciding on the principles of Kesko's commitment and incentive schemes, the terms and conditions and distribution of shares or options under the remuneration policy in force, and monitoring the results of the schemes

#### Reporting matters

- reviewing and adopting the Group's financial statements, half year financial reports and interim reports and related stock exchange releases and the Report by the Board of Directors
- reviewing Kesko's Annual Report

#### Other duties

- submitting Board proposals to the Annual General Meeting on matters such as dividend distribution, Auditor, and authorisations to issue and acquire shares
- approving the Board's principles concerning diversity
- being responsible for the other statutory duties prescribed to the Board of Directors by the Limited Liability Companies Act or other, and for duties prescribed by the Corporate Governance Code.

Kesko's Board of Directors has a duty to promote the best interest of Kesko and all its shareholders. The Board members do not represent the interests of 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 Chairman. 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 2020

In 2020, the Board held 18 meetings. 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 meeting. The Auditor presents their findings to the Board once a year in connection with the review of the financial statements.

In 2020, the Board focused in particular on the impacts of the Covid-19 pandemic and global economic uncertainty on the sales and result on Kesko and K Group, as well as preparatory measures concerning the situation. Kesko issued a negative profit warning on 18 March 2020 to announce the Board's decision to withdraw the guidance concerning net sales and change the guidance concerning operating profit, issued in connection with the financial statements release on 5 February 2020. Kesko issued positive profit warnings on 10 July 2020 and 17 September 2020 to announce Board decisions concerning an updated operating profit guidance. The Board decided to specify its 2020 operating profit guidance in connection with the Q3/2020 interim report on 29 October 2020. Due to the Covid-19 pandemic situation, the Board decided to cancel the Annual General Meeting that was convened for 30 March 2020, and convened a new Annual General Meeting for 28 April 2020.

As in previous years, in 2020, the Board reviewed the financial reports and monitored the Group's financial situation, approved the most significant capital expenditure, 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. The Board submitted proposals to the Annual General Meeting concerning e.g. a share issue without payment (share split).

During 2020, the Board further clarified and specified the Kesko Group strategy first approved in spring 2015, monitored the execution of the strategy, and decided on acquisitions in line with the confirmed strategy, such as the acquisition of Carlsen Fritzøe Handel AS in the building and technical trade division. The Board discussed the progress made in the strategic review of operations in the Baltics and the change in the consolidation method of Kesko Senukai. The Board monitored the financial performance of previously acquired companies and their integration into Kesko Group, and the implementation of divestments decided. The Board approved new medium-term financial targets for the Group. The Board reviewed, among other things, Kesko's Annual Report, the results of goodwill impairment testing, and a significant tendering of IT services, confirmed Kesko's new emissions targets, and decided on establishing new remuneration-related share plans, and on the use of donation funds approved by the Annual General Meeting, and approved the new K Compliance operating model and updated Group policies.

The Board carried out a self-assessment, 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, 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 at its meeting. Focus areas included corporate leadership driven by Group and division strategies, sharing information on key risks, and an open, conversational and equal 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 2020

	Committee membership	Attendance		
		Board	Audit Committee	Remuneration Committee
Esa Kiiskinen (Chair)	Remuneration Committee (Chair)	18		4
Peter Fagnäs (Deputy Chair)	Remuneration Committee (Deputy Chair)	18		4
Jannica Fagerholm	Audit Committee (Chair)	18	6	
Piia Karhu	Audit Committee	18	6	
Matti Kyytsönen	Audit Committee (Deputy Chair)	18	6	
	Remuneration Committee			4
Matti Naumanen		18		
Toni Pokela		18		

### Principles concerning diversity

Kesko's Board of Directors approved a diversity policy on 25 October 2016 and updates to the policy on 17 December 2020. The policy has been published on Kesko's website at [kesko.fi/en/investor/corporate-governance/board-of-directors/diversity-policy/](https://kesko.fi/en/investor/corporate-governance/board-of-directors/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 ELECTION OF ITS MEMBERS

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. 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 Board composition, as the areas of expertise and competence 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. 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 a proposal for the Board composition, Kesko applies the practice in which a Shareholders' Nomination Committee prepares proposals to the General Meeting concerning Board members' fees and, as necessary, for the number of Board members and 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 competences and age and gender distribution support Kesko's business objectives and enable efficient Board work from Kesko's point of view. 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 2020

In 2020, two of the seven Board members were women, in other words, the proportion of the gender with smaller representation on the Board was approximately 29%. The educational backgrounds and experience of the Board members represent multiple disciplines and diversity. 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. Several Board members also have experience in international business operations (for the personal details of the Board members, see the table "Board composition and shareholdings").

## Board Committees

Kesko's Board has an Audit Committee and a Remuneration Committee, both of which are composed of three (3) Board members. The Board elected the Chairmans, the Deputy Chairmans and the members of the Committees from among its members at the close of the Annual General Meeting.

All members of both Committees are independent of the Company's significant shareholders. All members of the Audit Committee have been independent of the Company from 1 July 2020 onwards; before that, the majority of the Committee members were independent of the Company. The majority of the members of the Remuneration Committee are independent of the Company. In the election of committee members, the competence requirements for the Committee in question 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 a Committee meeting. Minutes of the Committee meetings are submitted for information to the Board members.

Apart from the Audit and Remuneration Committees, Kesko's Board has not established any other committees,

### AUDIT COMMITTEE

The Board's organisational meeting, held after the Annual General Meeting on 28 April 2020, elected the following Board members as members of the Audit Committee:

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

In accordance with its charter, the Audit Committee:

- monitors Kesko Group's (Kesko) financial position and funding
- monitors and assesses Kesko's financial reporting system, including the process for financial statements reporting
- monitors and assesses the effectiveness of Kesko's internal control, internal audit, and risk management systems
- approves the operating instructions for the Company's internal audit and annually assesses the need for changes, approves the annual audit plan, budget and resources and related material changes, and reviews reports submitted to the Committee
- monitors the statutory auditing of the Company and the Group
- discusses matters that emerge in connection with auditing and in relation to the Committee's duties with

the Company's Auditor when necessary and otherwise handles contacts with the Auditor

- reviews the Auditor's Report and possible audit minutes and reports presented by the Auditor to the Committee
- monitors and evaluates the independence of the Company's Auditor and, in particular, the non-audit services provided to Kesko by the Auditor and its network audit companies
- prepares the election of the Company's statutory Auditor and recommends an Auditor
- monitors and assesses how agreements and other legal acts between the Company and its related parties meet the requirements of ordinary course of business and arm's-length terms
- prepares recommendations to the Board of Directors regarding the review of interim reports, the half year financial report, and the financial statements
- reviews the Company's Corporate Governance Statement and non-financial report
- prepares and reviews other tasks given by the Board to the Committee.

In 2020, the Audit Committee held six meetings. The members' attendance rate at the Committee meetings was 100%. At the Committee meetings, the Group's Chief Financial Officer, Group Controller, the director in charge of internal audit and risk management, and Group General Counsel regularly reported on their areas of responsibility to the Committee. The Committee also receives reports on Kesko Group's funding, taxation, information management, risk management, compliance operations, and insurance policies. The Auditor is present at the Committee meetings and presents their 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 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, the report on related party transactions, and the Corporate Governance Statement. The Audit Committee also reviewed the results of goodwill impairment testing.

In 2019, the Audit Committee arranged for the tendering of Kesko's statutory auditing, and gave the Board a recommendation for the proposal for the election of Auditor, based on which the Board submitted a proposal for the election of Auditor to the 2020 Annual General Meeting.

The Audit Committee monitored the implementation of the audit plan for internal audit, additional services obtained from firms of auditors and the preparation of the new K Compliance operating model, and reviewed risks related to the Covid-19 pandemic, the change in the consolidation method of Kesko Senukai and Kesko's data balance sheet statement as well as reviews on cyber security, treasury, compliance, and taxation. The Committee also monitored and assessed the Auditor's independence and the non-auditing services provided by the Auditor to the Group. The Audit Committee also approved the audit plan, personnel resources and budget for the Group's internal audit for 2021.

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 Group's risk management and the familiarity of the Committee members with their duties.

#### REMUNERATION COMMITTEE

The Board's organisational meeting, held after the Annual General Meeting on 28 April 2020, elected the following Board members as members of the Remuneration Committee:

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

In accordance with its charter, the Remuneration Committee:

- prepares the Company's Remuneration Policy and Remuneration Report for Governing Bodies
- presents the remuneration policy and report at the General Meeting and responds to questions related thereto
- monitors the implementation of the remuneration policy presented to the General Meeting and ensures that the remuneration of the Company's governing bodies is conducted under the remuneration policy presented to the General Meeting
- conducts preparatory work for the remuneration and other financial benefits for the Company's President and CEO and Deputy President and CEO and for their service contracts

- conducts preparatory work for the remuneration and other financial benefits for Group Management Board members responsible for lines of business; decisions on the remuneration and financial benefits for 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 Remuneration Committee Chairman
- conducts preparatory work pertaining to the appointment of a President and CEO, Deputy President and CEO, and Group Management Board members responsible for lines of business, and to identifying their potential successors
- conducts preparatory and development work on matters pertaining to remuneration schemes, including
  - evaluating the remuneration for the President and CEO, Deputy President and CEO and other management, and ensuring the appropriateness of the Company's remuneration schemes
  - preparing potential share or share-based compensation schemes
  - preparing the distribution and terms and conditions of shares or options under any share or share-based compensation schemes the General Meeting may have decided on
  - 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
- prepares and reviews other tasks given by the Board to the Committee.



In 2020, the Remuneration Committee held four meetings. The members' attendance rate at the Committee meetings was 100%. The Committee prepared, among other things, proposals to the Board for Kesko's Remuneration Policy for Governing Bodies, Kesko's 2020-2023 share plans, the performance criteria, target levels and target group for share awards, the principles of Group performance bonuses for 2021, as well as for the performance bonuses to be paid for 2019 to the President and CEO and Group Management Board members responsible for lines of business. The Committee monitored and assessed the implementation of the reform of the management's total remuneration. In addition, the Committee reviewed, among other things, Kesko's Remuneration Statement and prepared the Company's Remuneration Policy for Governing Bodies. The Remuneration Committee assessed its operations as part of the Board's self-assessment. Topics that emerged in the assessment included the Committee's familiarity with its duties.

### MANAGING DIRECTOR (PRESIDENT AND CEO) AND HIS DUTIES

Kesko has a managing director who is referred to as 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 a member of the Group Management Board and Kesko's Executive Vice President from 1 October 2014 to 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 arranged in a reliable manner. The President and CEO also chairs the Group Management Board.

The President and CEO is appointed 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.

Jorma Rauhala, M.Sc. (Econ.), (b. 1965) acts as the Deputy CEO.

### 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 principles and procedures. In addition, the Group Management Board discusses, among other things, the Group's and the division companies' business plans, profit performance and matters reviewed by Kesko's Board of Directors, in whose preparation the Group Management Board also participates. The Group Management Board typically meets 14-18 times a year. In 2020, the Group Management Board met 30 times.

### Group Management Board members, areas of responsibility and shareholdings on 31 Dec. 2020

	Group Management Board member since	Area of responsibility	Kesko shares held on 31 Dec. 2020
Mikko Helander, Chairman	01/10/2014	Kesko's President and CEO	269,844 B shares held by him
Jorma Rauhala, President, building and technical trade division, Deputy CEO	05/02/2013	Building and technical trade	140,156 B shares held by him
Ari Akseli, President, grocery trade division	15/11/2017	Grocery trade	59,504 B shares and 324 A shares held by him
Johan Friman, President, car trade division	01/01/2017	Car trade	48,316 B shares held by him
Jukka Erlund, EVP, Chief Financial Officer	01/11/2011	Finance and accounting, IT, Risk Management, M&A	115,676 B shares held by him
Matti Mettälä, EVP, Human Resources, Corporate Responsibility	01/10/2012	Human resources, Corporate Responsibility	74,120 B shares held by him
Karoliina Partanen, EVP, Communications	01/10/2020	Communications, Brand and Stakeholder Relations	11,188 B shares held by her
Anni Ronkainen, EVP, Chief Digital Officer	20/04/2015	Chief Digital Officer	55,724 B shares held by her

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

### THE GROUP'S FINANCIAL REPORTING

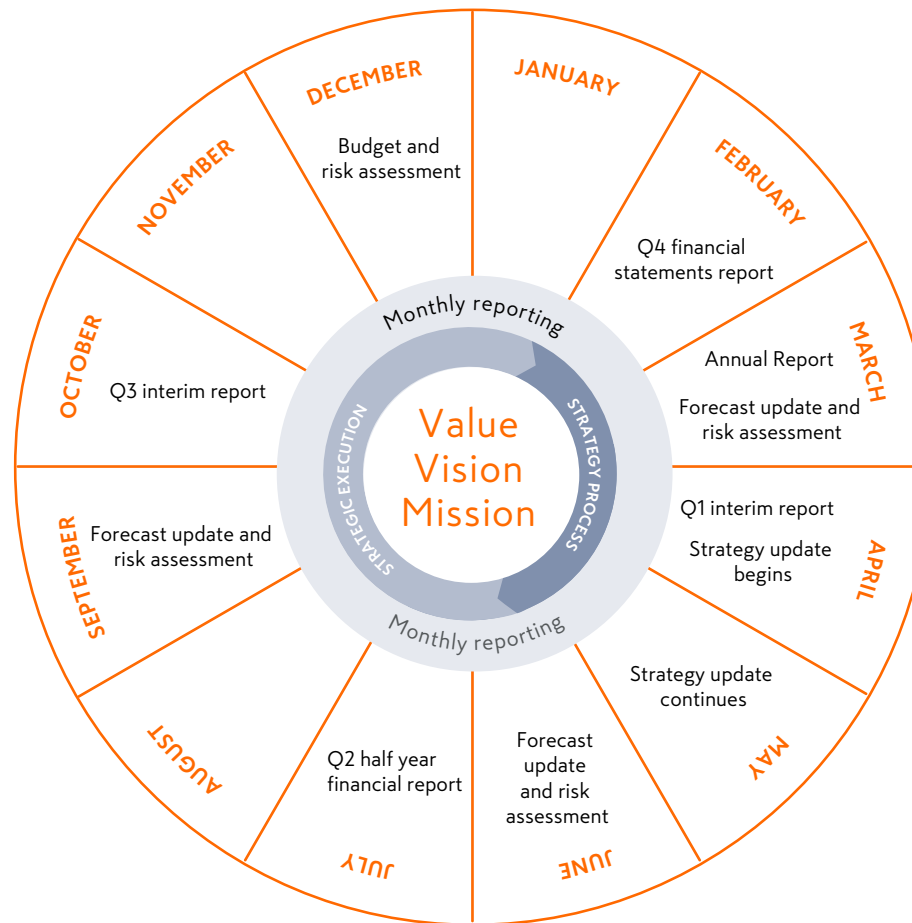
#### Kesko's management model

Kesko's financial reporting and planning are based on Kesko Group's 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 reported 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 level. Analysis and control points for ensuring the accuracy of reporting are used on each of the three reporting levels. The accuracy of reporting is also 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 current financial year. The Group's short-term financial planning is based on annual budgeting and quarterly updated forecasts extending to the end of the current financial year. The key financial indicators are sales performance for growth, comparable operating profit and comparable return on capital employed for profitability, and free cash flow for cash flow, monitored by monthly internal reporting. Information on the Group's financial situation is provided in interim reports, the 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, capital employed and cash flow, as well as on the Group's financial items, cash flows and balance sheet position. The businesses are primarily responsible for the financial reporting and the accuracy of the 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. The 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 issues.

## 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 2020

The Covid-19 pandemic and increased global economic uncertainty were emphasised in 2020 in the work of the finance organisation. In the first year-half, actions included in particular ensuring sufficient financing under all circumstances, projecting financial result and cash flow, and managing credit risk with a tighter credit policy and more efficient identification of risky customers as part of credit control. Due to the increased economic uncertainty, a need was identified to test goodwill for impairment as part preparing the half year financial report. The harmonisation and automation of financial administration processes continued under individual Digital Finance projects both in Kesko's Business Service Center and the controlling organisation. The integration of the financial administration

of acquired companies into the Group's financial administration systems continued.

## Key actions in 2021

The Covid-19 pandemic and continued global economic uncertainty will impact key actions in 2021. Up-to-date projections to support management decision-making and the ability to respond quickly to changes are emphasised in an uncertain economic situation. The harmonisation and automation of financial administration processes under the Digital Finance project and the integration of financial administration systems of companies acquired in Norway and Sweden will continue in 2021.

## Accounting policies and financial administration IT systems

Kesko Group complies with the International Financial Reporting Standards (IFRS) approved for adoption by the European Union. The accounting policies applied by the Group have been compiled in an accounting manual, which is updated as the standards are amended. The manual contains instructions for Group companies and for preparing the consolidated financial statements. Kesko Group's financial administration information is generated from division and company specific enterprise resource planning systems and basic finance systems into the Group's centralised consolidation system to produce the Group's key financial reports. The key systems used to generate 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 essential part of management, and involves Kesko's Board of Directors, management and personnel. The objective is to ensure Kesko achieves its targets. Efficient internal control ensures that deviations from objectives can be prevented or detected as early as possible so that corrective measures can be taken. Internal control tools include policies and principles, working instructions, approval authorisations, authorisations for use, device and automatic controls, manual controls, balancing, monitoring reports and inspections and self-assessments.

The objective of internal control in Kesko Group is to ensure the efficiency, productivity, continuity and freedom from disruptions of operations, compliance with laws and agreements and Kesko's values and operating principles, the reliability of financial and operational reporting both externally and internally, as well as the safeguarding of assets, information and expertise.

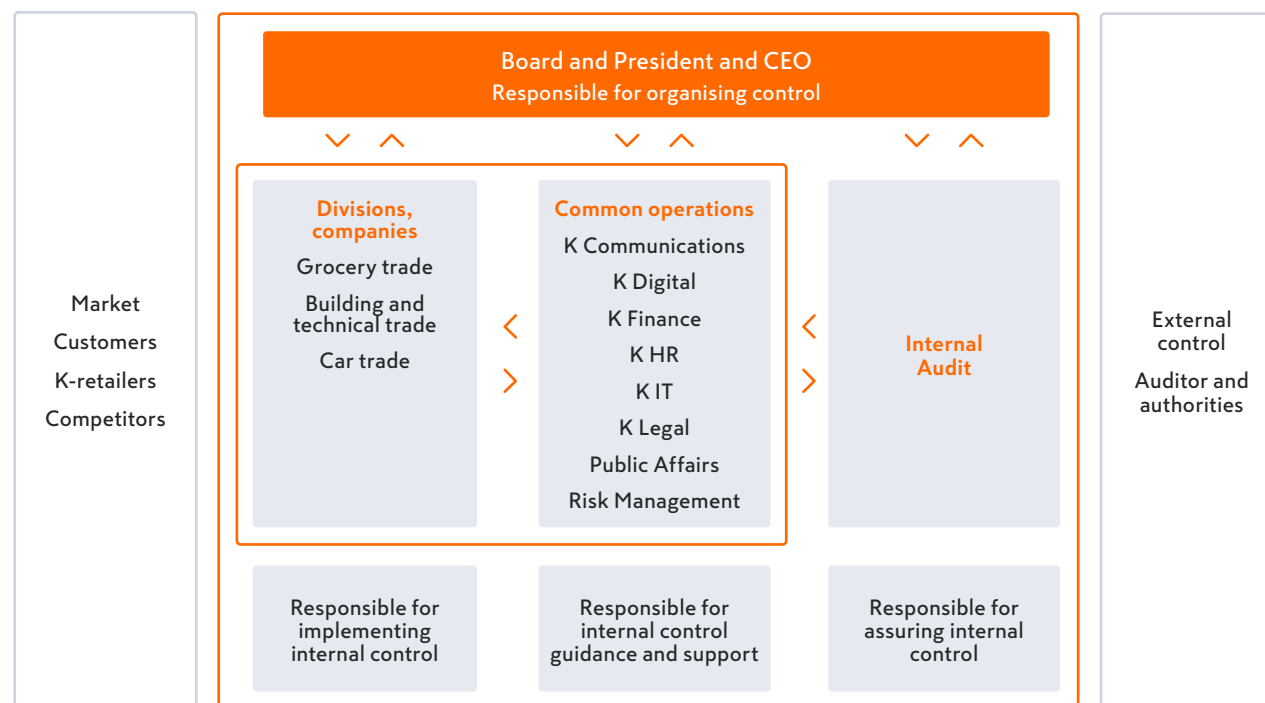
Internal control is efficient when it is continuous, integrated as part of operations, and ensures sufficiently that business targets are met. For internal control to remain efficient, it is important that management identifies the risks related to achieving targets and control measures are targeted based on risk.

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 developing, implementing and maintaining an efficient and functional internal control system in their

area of responsibility. The management is responsible for extending control also to outsourced services. Everyone working at Kesko is obliged to comply with the K Code of Conduct and Kesko's policies, principles and work-related instructions, and to report any defects they identify to their manager. People can also use the SpeakUp channel to inform the Company of suspected breaches of law or internal misconduct.

Kesko's common operations guide and support the divisions, companies and units with policies, principles and instructions 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's units in the development of the internal control system.

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



Kesko's Board has approved Kesko's internal control policy, which is based on good control principles widely accepted internationally (COSO 2013) and Kesko's document management model, which comprises policies, principles and instructions that must be complied throughout Kesko Group.

**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 execution of Kesko's strategy.

Risk management in Kesko Group is guided by the risk management policy approved 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 businesses and common operations are responsible for the implementation of risk management. The finance director of each division is responsible for the implementation of risk management in the division. The risk management unit coordinates the risk management process and is responsible for risk reporting and carries out risk identification, the determination of risk management responses and their implementation jointly with the businesses and common operations. Every member of Kesko personnel must know and manage the risks in their areas of responsibility.

**Risk management steering model**

Board of Directors  
Audit Committee



President and CEO



Governance, Risk & Compliance Steering Group



Risk Management Steering Group





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.

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 e.g. 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 on significant projects related to capital expenditure, business arrangements or changes in operations. The risk assessments of divisions and common operations that include a risk map, risk management responses and indicators, responsible persons and schedules are reviewed regularly by the management of the respective division or operation.

Risks and risk management responses are reported in accordance with Kesko's reporting responsibilities. The divisions and the common operations report on risks and changes in them to the Group's risk management function. Risks are discussed by the risk management steering

group, which includes representatives from the divisions and common operations. On that basis, the Group's risk management function quarterly prepares the Group's risk report, which is reviewed by the Governance, Risk and Compliance (GRC) steering group. Kesko's President and CEO then 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 Kesko Board's Audit Committee in connection with the review of 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 Audit Committee Chairman reports on risk management to the Board of Directors as part of the Audit Committee Report.

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

### **Risk management responses in 2020**

The scope of risk management was improved by expanding the use of risk data arising from various risk assessments between units and functions, and by adopting new indicators for risks and risk management measures. A dedicated Covid-19 pandemic preparedness management team was established for the Group in the spring to coordinate the situation, decide on measures, and supervise the implementation of those measures. Key focus areas

were the health and safety of personnel and customers and business continuity. A Covid-19-related risk assessment and reporting process was also established to support the planning and implementation of measures. To ensure the effectiveness of insurance coverage, insurance services outside Finland were harmonised. The improvement of the efficiency of security technology and services continued through concentration of purchases, the development of the lifecycle management of security and real estate systems.

### **Risk management focus areas in 2021**

Key focus areas for risk management will be better utilisation of risk data and developing the measurement of risks and risk management measures. In continuity management, we will continue the implementation of the new steering model and update reporting to management. Kesko Group's insurance coverage will be updated based on risks, if necessary. The improvement of the efficiency of security technology and services will continue through concentration of purchases, the development of the lifecycle management of security and real estate systems, and the prevention of related cyber threats. Special Covid-19-related measures to ensure the safety of personnel and customers and business continuity, first launched in 2020, will continue.

## Other information to be provided in the CG statement

### INTERNAL AUDIT

Kesko's internal audit is responsible for the Group's independent evaluation and assurance function required of a listed company, which systematically examines and verifies the efficiency of risk management and the managing, control and governance of risks. 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. As necessary, the internal audit function purchases

external services 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 2020

In 2020, key focus areas for internal audit were information security and data protection, IT governance, process automation, and significant business and IT projects.

### Internal audit focus areas in 2021

In 2021, key focus areas for internal audit will be information security, data protection, IT and business projects, business continuity, process efficiency and process controls.

### RELATED PARTY TRANSACTIONS

In accordance with the Corporate Governance Code, Kesko's Board of Directors has determined the principles for monitoring and evaluating related party transactions complied within the Group. The principles determine Kesko's related parties, and a list of related parties is maintained. Business operations that are part of ordinary course of business and implemented under arms-length terms have been identified. These include chain agreements in the K-chain operations used to join retailers to Kesko's

retail chains, such as the K-Citymarket, K-Supermarket, K-Market and K-Rauta chains, and the terms and conditions of sales for K-chain commerce and services operations. Kesko has made chain agreements also with companies controlled by Board members engaged in retailer operations. Like other chain agreements, these are part of Kesko's ordinary course of business. The agreements are made at the same organisational level following the same principles as other similar chain agreements. The Board makes decisions on agreements and other legal acts that are not part of Kesko's ordinary course of business or are not implemented under arms-length terms. The matter and related decision-making are prepared with care utilising, for example, external evaluations. Decision-making complies with the conflict of interest provisions of the Finnish Limited Liability Companies Act. Related party transactions and information concerning the monitoring of related party transactions are reported to Kesko's Audit Committee, and the supervision of related party transactions is part of Kesko Group's internal control. Kesko regularly reports related party transactions as part of its financial reporting, and publishes related party transactions in a manner determined by regulations. Kesko Group's related party transactions are reported in **note 5.3 to the consolidated financial statements**.

## MAIN PROCEDURES RELATING TO INSIDER ADMINISTRATION

### Insider regulations

Kesko complies with the EU and Finnish regulations concerning insiders and the insider guidelines of Nasdaq Helsinki Ltd. Kesko's Board of Directors has confirmed insider instructions for the Company that complement these.

### Management and management transactions

Kesko has determined that 'managers' (persons discharging managerial responsibilities) in Kesko, as referred to in the EU Market Abuse Regulation (MAR), comprise the members of Kesko Corporation's Board of Directors, and the President and CEO and other members of the Group Management Board. The managers and their related parties are obliged to inform Kesko and the Finnish Financial Supervisory Authority of transactions they make with Kesko's financial instruments such as shares. Transactions by the managers and their related parties are disclosed in accordance with MAR.

### Closed period

A closed period of 30 calendar days before the publication of interim reports, the half year financial report, and the financial statements release is applied to members of management at Kesko. The Company has imposed a corresponding 30-day closed period also on persons involved in the preparation of Kesko's interim reports, the half year financial report, and the financial statements. During the closed period, the persons are prohibited from trading in Kesko's shares and other financial instruments.

### Insider projects

A project-specific insider list is established for projects involving insider information. Persons on the list cannot trade in financial instruments in Kesko during the project.

### Control and training

Kesko's Legal Affairs controls compliance with insider regulations and instructions 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 in the area of insider administration include the following:

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

## AUDITING

In accordance with the Company's Articles of Association, Kesko's auditor shall be an Authorised Public Accountants Organisation which shall designate an Authorised Public Accountant as the auditor with principal responsibility. The Audit Committee conducts preparatory work for the election of the Company's Auditor, and recommends an Auditor. The Board submits a proposal to the Annual General Meeting for the Company's Auditor. The Audit Committee monitors and assesses the Auditor's operations and services annually. The Auditor's term of office is the financial year during which the Auditor is elected, and the Auditor's duties terminate at the close of the next Annual General Meeting to follow. An audit company belonging to the same network of audit companies as the audit firm elected by Kesko's Annual General Meeting as Auditor is 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 2020 Annual General Meeting elected the firm of authorised public accountants Deloitte Oy as the Company's Auditor. APA Jukka Vattulainen is the auditor with principal responsibility.

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

Kesko's previous Auditor was the firm of auditors PricewaterhouseCoopers Oy.

Auditors' fees in 2019–2020 (€1,000)

	2020			2019		
	Kesko Corporation	Other Group companies	Total	Kesko Corporation	Other Group companies	Total
Auditing	420	566	986	251	710*	961
Tax consultation	6	5	11	37	30	67
IFRS consultatiton	0	0	0	8	0	8
Other services	8	5	13	472	100	572
<b>Total</b>	<b>434</b>	<b>576</b>	<b>1,010</b>	<b>768</b>	<b>840</b>	<b>1,608</b>

The Annual General Meeting of 28 April 2020 elected the firm of authorised public accountants Deloitte Oy as Kesko Corporation's Auditor. In 2019, the Auditor was PricewaterhouseCoopers Oy.

\* Includes auditing fees to companies not belonging to the PwC chain for auditing related to Fresks Group.



KESKO ANNUAL REPORT  
**REMUNERATION  
REPORT FOR  
THE GOVERNING  
BODIES OF KESKO  
CORPORATION**

2020



## 1. Introduction

This is the remuneration report for governing bodies applied within Kesko Corporation ("Kesko") that complies with legislation and the Finnish Securities Market Association's Corporate Governance Code that entered into force on 1 January 2020. This remuneration report concerns the remuneration of the members of Kesko's Board of Directors as well as the President and CEO and the Deputy CEO of Kesko in 2020. This remuneration report is based on the remuneration policy for Kesko's governing bodies reviewed by the Annual General Meeting of 28 April 2020. The Annual General Meeting resolved in favour of the proposed remuneration policy.

The Remuneration Committee of Kesko's Board of Directors prepared this remuneration report, and the Board approved it in its meeting on 2 February 2021. Kesko's auditor, Deloitte Oy, has audited this remuneration report to confirm that it contains the information referred to in the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer (608/2019). This remuneration report will be reviewed by Kesko's 2021 Annual General Meeting.

This remuneration report is available on Kesko's website at [www.kesko.fi/en/investor/corporate-governance](http://www.kesko.fi/en/investor/corporate-governance).

In accordance with the remuneration policy, the Board's Remuneration Committee supervises the policy's implementation and ensures that the company's governing

bodies are remunerated within the limits of the policy presented to the General Meeting. The Remuneration Committee confirms that the governing bodies have been remunerated in accordance with the remuneration policy and that no deviations from the policy have occurred. No fees already paid have been clawed back.

In accordance with what is presented in Kesko's remuneration policy, the aim of remuneration is to align the objectives of the shareholders and the members of the Board, the President and CEO, and the Deputy CEO in order to increase the value of the Company and to

execute its business strategy in the long term. As a result, remuneration promotes the Company's long-term financial success.

Kesko's business has grown steadily over the past five years. The good performance is also reflected in the remuneration of the President and CEO and the Deputy CEO. Changes in the total remuneration of the President and CEO and the Deputy CEO are mostly due to changes in their realised performance bonuses and share awards. The annual fees of Board members were raised through a resolution of the 2018 Annual General Meeting.

## Fees paid and operating profit for the past five years

Role	2016	2017	2018	2019	2020
Board Chair	87,500	87,500	106,500	109,000	118,000
Board Deputy Chair	60,500	60,000	63,000	67,000	70,500
Other Board members, average	43,108	44,800	56,000	56,100	59,300
President and CEO, Mikko Helander	2,174,015	2,849,437	2,299,656	2,633,100	2,997,382
Deputy CEO, Jorma Rauhala		1,028,176	959,543	1,088,999	1,309,688
Employees, Finland	38,794	40,247	39,523	40,578	41,127
<b>Operating profit*, € million</b>	<b>274</b>	<b>296</b>	<b>332</b>	<b>371</b>	<b>486</b>

\* Excluding the impact of IFRS 16

The fees of the Board Chairman, Vice Chairman and other members include annual fees and meeting fees. The remuneration paid to the President and CEO and the Deputy CEO includes their fixed annual salary, car and mobile phone benefits and variable components, namely the performance bonuses and share awards. The salary of the employees is the average base annual salary (personnel expenses as presented in the financial statements divided by the number of full-time employees in Finland). All sums are reported on a cash basis (when salaries and fees are paid out).

## 2. Board of Directors' fees

In accordance with Kesko's remuneration policy for governing bodies, the Annual General Meeting on 28 April 2020 made resolutions regarding the Board members' remuneration and the basis for reimbursement of their expenses. The proposal had been submitted to the General Meeting by shareholders jointly holding 15% of the votes attached to the Company's shares.

With respect to the annual fees, the resolution of the General Meeting was as follows: "The Annual General Meeting resolved, in accordance with the Board's proposal, that the aforementioned annual fees will be made in Kesko Corporation's B shares and in cash, with approximately 30% of the fees paid in shares. After the transfer of shares, the remaining amount is to be paid in cash. The Company will acquire the shares or transfer shares held by the Company as treasury shares in the name and on behalf of the Board members. The Company is responsible for the costs arising from the acquisition of the shares. The shares will be acquired or transferred to the Board members on the first working day to follow the publication of the interim report for the first quarter of 2020, however with the exception that should the Annual General Meeting 2020 decide on a share issue without payment to carry out a share split, the shares will be acquired or transferred as soon as possible after the shares issued in the share issue without payment have been registered in the Trade Register and included in the book-entry securities system. A Board member cannot

## RESOLUTION OF THE 2020 ANNUAL GENERAL MEETING ON THE ANNUAL AND MEETING FEES OF BOARD MEMBERS

### Annual remuneration to Board members (€)

	2020
Chair	97,000
Deputy Chair	60,000
Member	45,000
Board member who is the Audit Committee Chair	60,000

### Meeting fees / meeting (€)

	2020
Board meeting	
Chair	1,000
Member	500
Committee meeting	
Committee Chair who is not the Chair or Deputy Chair of the Board	1,000
Member	500

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." Additionally, the General Meeting resolved that meeting fees be paid in cash and that daily

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

## Annual remuneration and meeting fees paid to Board members for Board and Committee work in 2020 (€)\*

	Annual remuneration	Meeting fees			Total, €	Number of B shares transferred based on the annual remuneration**	Kesko shares held on 31 Dec. 2020
		Board*	Audit Committee	Remuneration Committee			
Esa Kiiskinen (Chair)	97,000	19,000		2,000	118,000	1,992	447,200 A shares held by him and by entities controlled by him 7,004 B shares held by him
Peter Fagernäs (Deputy Chair)	60,000	8,500		2,000	70,500	1,233	4,000 A shares held by him 13,337 B shares held by him
Jannica Fagerholm	60,000	8,500	5,500		74,000	1,233	8,337 B shares held by her
Piia Karhu	45,000	8,500	3,000		56,500	925	3,257 B shares held by her
Matti Kyytsönen	45,000	8,500	3,500	2,000	59,000	925	7,237 B shares held by him
Matti Naumanen	45,000	8,500			53,500	925	80,256 A shares held by him and by entities controlled by him 3,257 B shares held by him
Toni Pokela	45,000	8,500			53,500	925	745,600 A shares held by entities controlled by him and 3,257 B shares held by him
<b>Total</b>	<b>397,000</b>	<b>70,000</b>	<b>12,000</b>	<b>6,000</b>	<b>485,000</b>	<b>8,158</b>	

\* The fees of the Board for its meeting in December 2019 were paid in January 2020 and are included in the figures presented in the table. The fees of the Board for its two meetings in December 2020 were paid in January 2021 and are not included in the figures presented in the table, with the exception of Esa Kiiskinen, who was paid the meeting fees for December 2020.

\*\* Kesko's own shares were transferred on 5 May 2020. The average price on the transfer date was €14.15.

In addition, Kesko's Board members were paid daily allowances and reimbursements of travel expenses in accordance with the resolution of the 2020 Annual General Meeting.

There are no share compensation schemes for Board members nor do they participate in the Company's remuneration schemes or pension plans.

### 3. Remuneration of the President and CEO and the Deputy CEO

The Company's managing director, referred to as the President and CEO, was Mikko Helander throughout the 2020 financial year. Jorma Rauhala, whose principal position is President of the building and technical trade division, served as Deputy CEO throughout the 2020 financial year.

#### FEES PAID AND FEES FALLING DUE

Kesko's Board has decided on the remuneration of the President and CEO and the Deputy CEO based on a proposal prepared by the Remuneration Committee. The remuneration scheme of the President and CEO and the Deputy CEO has consisted of a fixed monetary salary (a monthly salary), a short-term incentive scheme (a performance bonus) and a long-term commitment and incentive system (share award), and other financial benefits (a company car, mobile phone and a supplementary pension). A health insurance, life insurance and leisure travel insurance have been taken out for the President and CEO. The President and CEO and the Deputy CEO have leisure accident insurance and they are provided with an employer-subsidised benefit for cultural activities and physical exercise.

The remuneration of Kesko's President and CEO and Deputy CEO has been compared with the remuneration levels and practices of similar companies. Based on the comparisons, it was decided that the President and CEO and Deputy CEO will be remunerated for 2020 within the limits provided for by Kesko's remuneration policy. The base salaries of Kesko's President and CEO and Deputy CEO were not

#### SALARIES, BONUSES AND FRINGE AND RETIREMENT BENEFITS FOR THE PRESIDENT AND CEO AND DEPUTY CEO IN 2020 (€)

Description	The President and CEO	The Deputy CEO
Fixed monetary salary*	954,000	443,100
Performance bonus	712,500	159,589
Share awards**	1,298,739	683,532
Car and mobile phone benefits	32,143	23,467
Total	2,997,382	1,309,688
Supplementary pension plan***	1,350,000	-

\* Includes holiday pay and holiday bonus.

\*\* The euro amount of the share award has been calculated using the trade-weighted average price of the shares on the transfer date of 12 March 2020, which was €53.95 (prior to the share issue without payment, i.e. split). The euro amounts of the share awards are reported as gross figures. The applicable tax was withheld from these amounts and the remaining net amounts were paid as shares. The gross number of Kesko B shares transferred to the President and CEO was 96,292 shares, and the net number was 48,148 shares. The gross number of Kesko B shares transferred to the Deputy CEO was 50,680 shares, and the net number was 25,340 shares. The numbers are reported as shares after the share issue without payment registered on 30 April 2020 (post-split).

\*\*\* The Deputy CEO is a member of Kesko Pension Fund and his pension is determined in accordance with the rules of the pension fund. No contributions were made to the Deputy CEO's supplementary pension in 2020.

raised in 2020. In 2020, the President and CEO and Deputy CEO were paid the salaries, bonuses, fringe benefits and retirement benefits presented in the table above.

#### SHARE-BASED COMPENSATION

The President and CEO and the Deputy CEO were paid share awards in line with what is presented in the table above. Under the Performance Share Plan (PSP) for 2018–2021, shares were transferred in the spring of 2020 based on the performance indicators for 2018 and 2019. Under the Performance Share Plan (PSP) for 2019–2022, shares will be transferred in the spring of 2021 based on the performance indicators for 2019 and 2020.

After the two-year performance period, a two-year commitment period begins. 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 the 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 grantee may keep some or all of the shares under the return obligation. If the grantee retires during the commitment period, the grantee is entitled to keep the shares and other securities already received.

The President and CEO and the Deputy CEO are required to hold a number of Kesko shares equivalent to at least one year of their gross salary, so as to ensure that the interests of the company's management and shareholders are aligned. The requirement concerning the shareholding in Kesko is fulfilled by both the President and CEO and the Deputy CEO.

### RELATIVE PROPORTIONS OF FIXED AND VARIABLE REMUNERATION

The President and CEO was paid a total of €2,011,239 in performance bonuses and share awards in 2020, representing 67% of his total remuneration. The Deputy CEO was paid a total of €843,121 in performance bonuses and share awards, representing 64% of his total remuneration.

The maximum amount of the performance bonus for 2020 was 100% of the President and CEO's annual salary and 67% of the Deputy CEO's annual salary. The performance bonus paid to the President and CEO amounted to €712,500, which is equivalent to 79% of his annual salary. The performance bonus paid to the Deputy CEO amounted to €159,589, which is equivalent to 38% of his annual salary.

The gross share compensation paid to the President and CEO amounted to €1,298,712, which is equivalent to 145% of his annual salary. The gross share compensation paid to the Deputy CEO amounted to €683,532, which is equivalent to 160% of his annual salary.

### APPLICATION OF PERFORMANCE CRITERIA TO VARIABLE REMUNERATION

The performance bonuses paid in 2020 were earned in 2019. The key indicators for the President and CEO's performance bonus were the development of Kesko's shareholder value, Kesko's operating profit, the return on capital employed (ROCE, %) and the development of sales. The key indicators for the Deputy CEO's performance bonus were Kesko's operating profit and the operating profit of the building and technical trade division, the return on capital employed (ROCE, %) and the development

of sales. The overall performance of the President and CEO and the Deputy CEO was also used as a criterion for determining their remuneration.

The share awards paid in 2020 were earned in 2018 and 2019. The criteria for Kesko's performance-based share compensation plan were Kesko's return on capital employed

(ROCE, %), the development of Kesko's sales, and the total shareholder return of a Kesko B share. The development of these criteria in 2018 and 2019 is described verbally in the table. The share awards paid in 2020 were paid on the basis of the average realised values of the indicators in 2018 and 2019.

### Criteria

	2019	2018
Kesko's return on capital employed (ROCE %)	Above target	Above target
Kesko's sales development	Below target	At target
Absolute total shareholder return (TSR, %) of Kesko B shares	Above target	Above target

The share awards paid in 2020 were earned in 2018 and 2019. The criteria for Kesko's performance-based share compensation plan were Kesko's return on capital employed (ROCE, %), the development of Kesko's sales and the absolute total shareholder return (TSR, %) of a Kesko B share.

The table below presents information on the share awards granted and paid in the previous financial year as well as on the principal terms and conditions for Kesko's share plans.

### Share plans, President and CEO and Deputy CEO (number of B shares)

	PSP 2018–2021	PSP 2019–2022
President and CEO, maximum allocation	152,000 ***	152,000 ***
Deputy CEO, maximum allocation	80,000 ***	80,000 ***
Actual earnings	63.35%*	71.60%**
Performance period ends	31.12.2019	31.12.2020
Shares transferred	2020	2021
Commitment period ends	10.2.2022	10.02.2023

\* PSP 2018–2021 was earned in 2018 and 2019 and paid in shares to the participants' book-entry accounts in spring 2020.

\*\* PSP 2019–2022 was earned in 2019 and 2020 and will be paid to the participants' book-entry accounts in spring 2021

\*\*\* The reported number of shares is a gross figure. This means that the applicable tax will be withheld for the gross number, after which the remaining net number of shares is paid to the participants. The number is reported as shares after the share issue without payment registered on 30 April 2020 (post-split).



### SUPPLEMENTARY PENSIONS

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

The old-age pension for the Deputy CEO begins at the age of 63. The Deputy CEO is a member of the Kesko Pension Fund. The amount of his old-age pension is 66% of his pensionable earnings for the ten (10) years preceding his retirement. The pension is based on a defined benefit plan.



KESKO ANNUAL REPORT  
**BOARD OF  
DIRECTORS  
AND GROUP  
MANAGEMENT  
BOARD**

2020

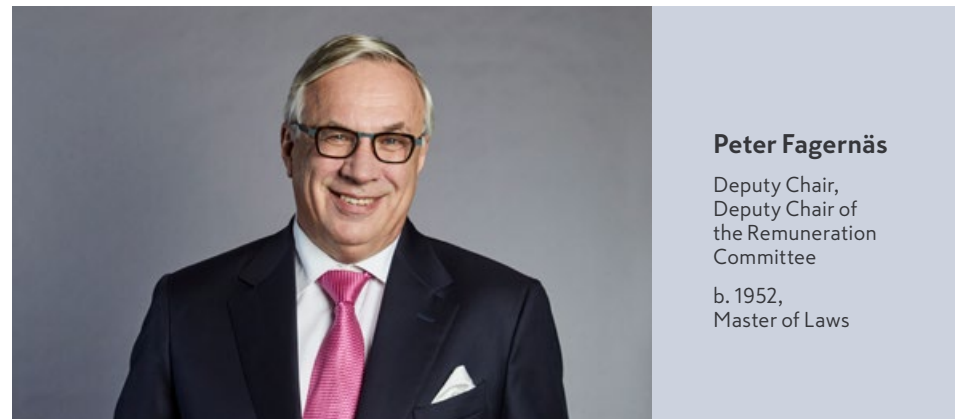
# BOARD OF DIRECTORS



## Esa Kiiskinen

Chair,  
Chair of the  
Remuneration  
Committee

b. 1963,  
Kauppaneuvos (an  
honorary title granted  
by the President of the  
Republic of Finland),  
Business College  
Graduate



## Peter Fagernäs

Deputy Chair,  
Deputy Chair of  
the Remuneration  
Committee

b. 1952,  
Master of Laws

**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:** Helsinki, Finland.

**Principal occupation:** Food retailer.

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

**Main positions of trust:** Taaleri Plc: member of the Board 2014–2019; 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.

**Member of the Board since:** 30 March 2009.

**Kesko shares held (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 5,012 B shares held by him and 429,400 A shares held by him and entities controlled by him.
- 31 December 2020: 7,004 B shares held by him and 447,200 A shares held by him and entities controlled by him.

**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 2007–2020, 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.

**Member of the Board since:** 11 April 2018.

**Kesko shares held (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 3,104 B shares and 4,000 A shares held by him.
- 31 December 2020: 13,337 B shares and 4,000 A shares held by him.



**Jannica Fagerholm**

Chair of the Audit Committee

b. 1961,  
Master of Science (Economics)



**Piia Karhu**

Member of the Audit Committee

b. 1976,  
Doctor of Science, Economics and Business Administration

**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-; Solidium Oy, member of the Board 2019-, 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-, Chair of the Board 2019-; Teleste Corporation: member of the Board 2013-2020; Aktia Abp: member of the Board 2012-2013; Partiosäätiö foundation: member of the Board 1997-2013.

**Member of the Board since:** 4 April 2016.

**Kesko shares held (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 7,104 B shares held by her.
- 31 December 2020: 8,337 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:** Metso Outotec: SVP Business Development 2020-; Finnair Plc: Senior Vice President, Customer Experience and member of the Executive Board 2016-2020. 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:** -

**Member of the Board since:** 11 April 2018.

**Kesko shares held (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 2,332 B shares held by her.
- 31 December 2020: 3,257 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 Perkko: Managing Director 1983–1984; Tietoura-Yhtiöt Oy: Marketing Director 1981–1983; Oy Foto-Nyblin Ab: Finance and Marketing Manager 1977–1981; Insinööri-toimisto 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 2009–2019 and Chair of the Board 2017–2019; KP Tekno Oy: member of the Board 2006–; Port of Helsinki Ltd: member of the Board 2015–2020; Esperio Care Oy: member of the Board 2008–2016;

Oy Center-Inn Ab: member of the Board 2007–2012; Täsmä Group Oy: member of the Board 2020–; Täsmä Työterveys Oy: member of the Board 2020–; Kiinteistöpalvelut ry: Chair of the Board 1996–2001 and 2005–2006; Palvelutyönantajat 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; Finnish Tennis Federation: member of the Board 2017–.

**Member of the Board since:** 13 April 2015.

**Kesko shares held (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 6,312 Kesko B shares held by him.
- 31 December 2020: 7,237 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 Nurmeksien Yrittäjät: Chair of the Board; registered association Joensuun Yrittäjät: Chair of the Board.

**Member of the Board since:** 4 April 2016.

**Kesko shares held (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 2,332 B shares held by him and 80,256 A shares held by him and entities controlled by him.
- 31 December 2020: 3,257 B shares held by him and 80,256 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 (entity controlled by him has a chain agreement with a Kesko Group company) 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:** Chamber of Commerce: member of the Board 2021–; Finnish Commerce Federation: member of the Board 2017–; Finnish Tennis Federation: Chair of the Board 2017–, member of the Board 2014–2016; K-Retailers' Association: Chair of the Board 2016–, member of the Board 2008–2012; Pokela Oy Iso Omena: member of the Board and Managing Director 1998–; Iso Omenan Yrittäjyhdistys ry: Chair of the Board 2003–; Foundation for Vocational

Training in the Retail Trade: Chair of the Board 2016–; Confederation of Finnish Industries EK: member of the Skilled Workforce Committee 2014–2016, member of the Delegation for Entrepreneurs 2017–; 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.

**Member of the Board since:** 16 April 2012.

**Kesko shares held (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 2,332 B shares held by him and 717,600 A shares held by entities controlled by him.
- 31 December 2020: 3,257 B shares held by him and 745,600 A shares held by entities controlled by him.



# GROUP MANAGEMENT BOARD



## Mikko Helander

President and CEO of Kesko Corporation and Chairman of the Group Management Board

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



## Jorma Rauhala

President, building and technical trade, Deputy CEO

b. 1965, Master of Science (Economics)

**Domicile:** Helsinki, Finland.

**Other major duties:** Stora Enso Oyj: member of the Board 2019–; Confederation of Finnish Industries EK: Deputy Chair of the Board 2019–; Finnish Commerce Federation: Deputy Chair of the Board 2021–, member of the Board 2015–; Finland Chamber of Commerce: member of the Board 2016–; Finnish Business and Policy Forum EVA: member 2015–; Climate Leadership Coalition (CLC): member of the Board 2020–; Finnish Fair Corporation: Board member 2015–; Rajamme Vartijain Säätiö: Chair of the Board 2020–, member of the Board 2019–; Ilmarinen Mutual Pension Insurance Company: member of the Board 2015 and Chair of the Board 2016–2019; 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 (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 221,696 B shares.
- 31 December 2020: 269,844 B shares.

**Domicile:** Espoo, Suomi.

**Other major duties:** European DIY Retail Association (EDRA): Member of the Board 2019–; 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 (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 114,816 B shares.
- 31 December 2020: 140,156 B shares.



### Ari Akseli

President, grocery trade

b. 1972,  
Master of Science  
(Economics)



### Johan Friman

President, car trade

b. 1965,  
Master of Science  
(Economics)

**Domicile:** Helsinki, Finland.

**Other major duties:** The Finnish Grocery Trade Association: Member of the Board 2019–, Chair of the Board 2021– and 2017–2018 –; AMS Advisor Board: member 2013–2019; IGS Advisor Board: member 2016–; Ruokatieto: Vice Chairman of the Board 2016–2019, member of the Board 2013–2015; Association for Finnish Work: member of the Executive Committee 2014–2019.

**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 (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 324 A shares, 39,232 B shares.
- 31 December 2020: 324 A shares, 59,504 B shares.

**Domicile:** Espoo, Finland.

**Other major duties:** Association of Automobile Importers in Finland: member of the Board 2017–; Chair of the Board 2019–; Finnish Car Recycling Ltd: member of the Board 2019–; Finnish Commerce Federation: member of the Board 2020–; 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 (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 29,308 B shares.
- 31 December 2020: 48,316 B shares.



### Jukka Erlund

Executive Vice  
President, CFO

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



### Matti Mettälä

Executive Vice  
President, Human  
Resources, Corporate  
Responsibility

b. 1963, Master of Laws

**Domicile:** Helsinki, Finland.

**Other major duties:** Finnair Plc: member of the Board 2019–; 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–.

**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 (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 96,668 B shares.
- 31 December 2020: 115,676 B shares.

**Domicile:** Helsinki, Finland.

**Other major duties:** Employment Fund: member of the Supervisory Board 2018–; 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 (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

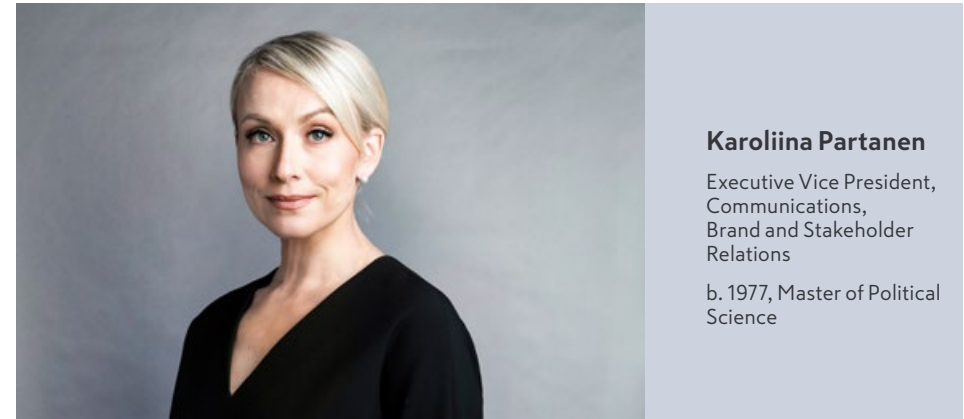
- 31 December 2019: 61,448 B shares.
- 31 December 2020: 74,120 B shares.



### Anni Ronkainen

Executive Vice President, Chief Digital Officer

b. 1966,  
Master of Science  
(Economics)



### Karoliina Partanen

Executive Vice President, Communications, Brand and Stakeholder Relations

b. 1977, Master of Political Science

**Domicile:** Helsinki, Finland.

**Other major duties:** DNA Plc: Member of the Board 2019–, Fennia Mutual Insurance Company: member of the Board 2019–; Ministry of Economic Affairs and employment of Finland: The Artificial Intelligence 4.0 programme, member of the steering group 11/2020–; Statistics Finland: Member of the Advisory Board 2019–; Finnish Chamber of Commerce: Chairman of the start-up committee 2018–, Marketing Finland ry: member of the Board 2018–; Business Finland: member of the Digital Advisory Board 2017–.

**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 (the amount equals the share issue without payment (share split) registered on 30 April 2020):**

- 31 December 2019: 44,320 B shares.
- 31 December 2020: 55,724 B shares.

**Domicile:** Kauniainen, Finland

**Employment history:** Employed by Kesko Corporation since 2015. Kesko Corporation's Executive Vice President, Communications 10/2020–; Senior Vice President, Communications and Identity 2017–2020. Kesko grocery trade, Vice President, Communications 2015–2017. Metso Corporation: Vice President, Global Brand and Marketing 2013–2015; Vice President, Marketing and Communications

2009–2013; Communications Manager 2005–2009. Pohjoisranta Burson-Marsteller Oy: Communications Consultant 2000–2005.

**Member of the Group Management Board since:** 1 October 2020.

**Kesko shares held:**

- 1 October 2020: 11,188 B shares.
- 31 December 2020: 11,188 B shares.