



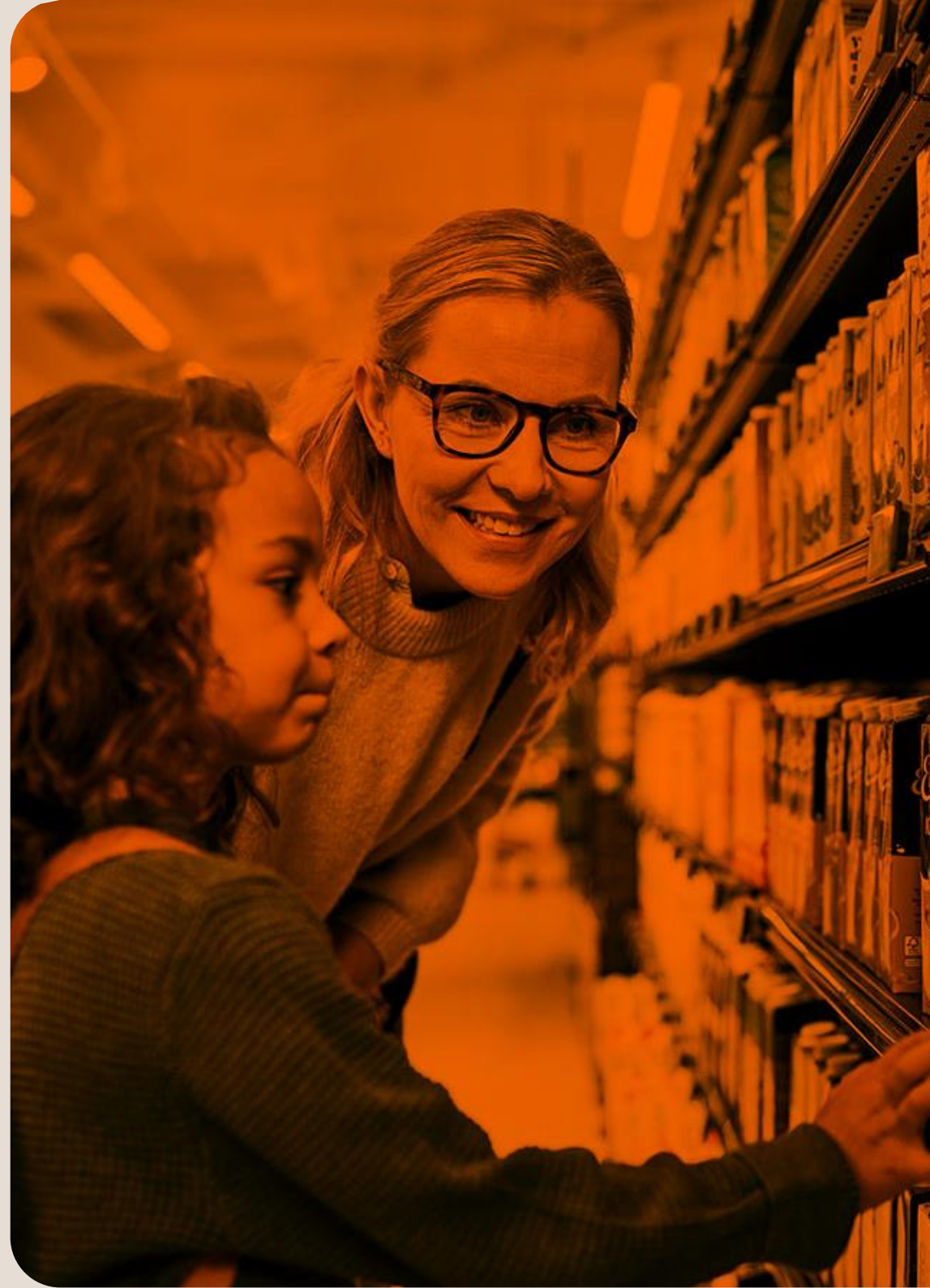
# GREEN FINANCE FRAMEWORK

May 2024





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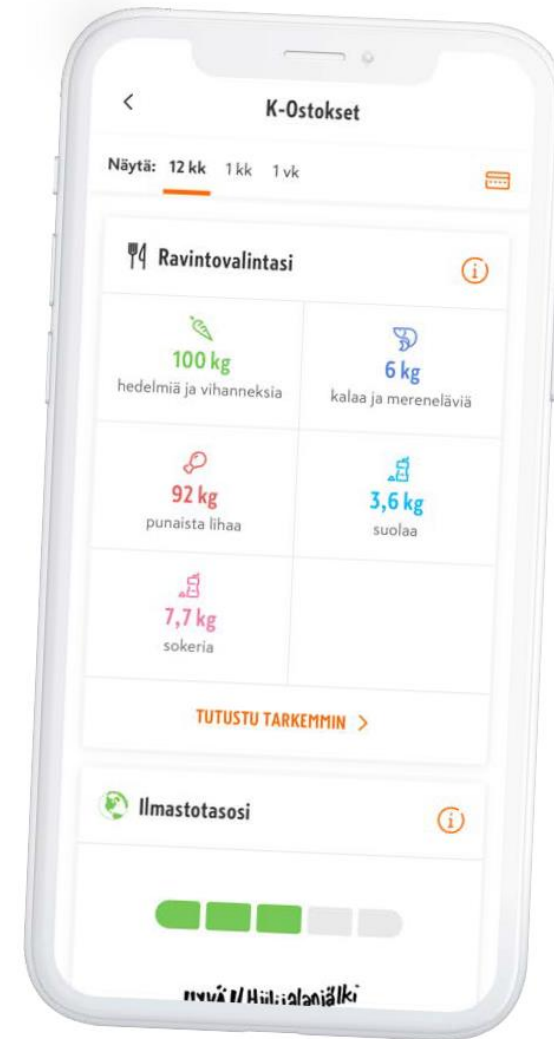


## RATIONALE FOR GREEN FINANCING

As a trading sector company, we have a unique opportunity and a duty to enable sustainable lifestyles for our customers. Sustainability is a central part of Kesko's strategy, and we have engaged in sustainability work for decades. Kesko's long-standing work for sustainability and corporate responsibility brings results that gather international recognition. Kesko is the only company in the world to have made the Global 100 listing of the most sustainable companies in the world every year since the list was first established in 2005, and again in 2023 when we were ranked as the best in our sector globally. In the Dow Jones Sustainability Indices and the Global 100 listing Kesko ranks among the best trading sector companies in the world.

In addition, in Kesko's sustainability strategy, we have set clear sustainability targets for the operations of the company and its three divisions. The focus areas of the strategy are climate and nature, value chain, people, and good governance. In 2023, we committed to the NetZero Standard, which is the most ambitious of the science-based emission reduction standards by the Science Based Targets initiative (SBTi) so far. We aim to reduce emissions in our whole value chain to net zero by the year 2050.

To reach our ambitious science-based emissions reduction targets we need to make significant investments, and as a natural step, we have decided to structure a green finance framework which allows issuance of green bonds and loans to allocate capital to investments in green and energy efficient buildings, wind and solar power, as well as clean transportation.



## KESKO IN BRIEF

Kesko is a Finnish trading sector forerunner. We operate in grocery trade, building and technical trade, and car trade. Our business divisions and chains act in close cooperation with retailer entrepreneurs and other partners.




Kesko has around 1,800 stores engaged in business operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland and Denmark. By combining online sales and digital services with our extensive store network, we enable a seamless customer experience in all channels.

Kesko and K-retailers together form K Group, which is the biggest trading sector operator in Finland and one of the biggest in Northern Europe. Kesko and K-retailers combined employ 39,000 people, and overall K Group<sup>1</sup> employs some 45,000 people.

Sustainability is a core part of Kesko's strategy. We promote sustainability in the whole value chain, from production to customer choices. The focus areas of our sustainability strategy are climate and nature, value chain, people, and good governance. We create value extensively for the whole society.

Kesko's shares are listed on Nasdaq Helsinki. The company's domicile and main premises are located in Helsinki, Finland.

## KEY INFO AND OPERATING COUNTRIES

- 
 Biggest trading sector operator in Finland, one of the biggest in Northern Europe
- 
 Profitable growth strategy, 3 divisions, 1,800 stores in 8 countries, extensive digital services
- 
 One of the most sustainable companies in the world (Global 100)

**Kesko ranked as the most sustainable grocery trade company in Europe in 2023 on the Global 100 listing**



<sup>1</sup> Kesko Senukai, a joint venture that engages in building and home improvement trade in the Baltics and Belarus, is part of K Group.

## KESKO HAS THREE OPERATING DIVISIONS

### Grocery trade



K Group is the second biggest grocery trade operator in Finland. Some 900 independent K-retailers ensure good customer experiences for 1.2 million daily customers at K Group's 1,200 grocery stores. Over 700 of the stores also offer online grocery services, also with fast deliveries in collaboration with Wolt. Our grocery store chains are K-Citymarket, K-Supermarket, K-Market and Neste K. Kespro is the leading foodservice wholesale provider in Finland.

### Building and technical trade



The building and technical trade division operates in 8 countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland and Denmark. In the Baltics and Belarus, building and home improvement trade operations are handled by the joint venture Kesko Senukai. The division has some 500 stores and offers extensive online services via its chains: Onninen serves technical trade customers, while K-Rauta, Byggmakker and K-Bygg and Davidsen serve professional builders and consumers.

### Car trade



K-Auto is a leading operator in Finnish car trade. The division's operations comprise the import and sales of new cars, used car sales, extensive servicing, repairs and other services, and K-Lataus EV charging. As of spring 2023, the division has also housed sports trade. K-Auto has over 1.3 million customers, served by some 1,300 professionals. The brands imported and sold by K-Auto are Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen Commercial Vehicles in Finland, and SEAT and CUPRA in the Baltics.

## ONE UNIFIED

## SUSTAINABILITY STRATEGY

The sustainability strategy covers Kesko’s three divisions and has a holistic approach to sustainability. The strategy is based on the materiality assessment updated in the spring of 2021, where our stakeholders shared their views concerning the key sustainability topics for Kesko and its stakeholders. We have reviewed our strategy based on the UN Sustainable Development Goals and have identified the most material SDG goals and our impact on them.

In our sustainability strategy, we commit to ambitious and goal-oriented sustainability work. The four focus areas of the strategy are climate and nature, value chain, our people, and good governance. Our goal is to enable sustainable choices for customers and drive change throughout the value chain from production to consumption. The key targets and indicators of the strategy are presented in the table on the next page.

### The sustainability strategy is promoted in all divisions

We are committed to setting long-term science-based emissions reductions targets and to reducing emissions from the entire value chain to net zero by 2050. We encourage suppliers to set their own emissions targets. Our goal is to prevent nature loss in our own operations and value chain. We support our customers’ sustainable choices through sustainable products and services. Responsibility for people means promoting the safety, wellbeing and diversity of personnel and equity in the working community. In 2023, we set concrete targets to promote diversity and equity.

In addition to the common sustainability strategy, each division has its own focus areas in sustainability work based on the division’s business. For example, in 2023, the grocery trade focused on reducing food waste, creating new

circular economy products and supporting customers’ healthy choices. In the building and technical trade, suppliers were challenged to set emissions reductions targets, and sustainable choices were made easier by identifying products in the selection that meet strict sustainability criteria. In the car trade, cleaner transport was promoted through a lower-emission vehicle stock and the strong development of the K Charge network.

### Corporate Sustainability Reporting Directive (CSRD)

We have started plans for our reporting under the new Corporate Sustainability Reporting Directive (CSRD). Reporting in its current form will end, and our sustainability report for 2024 will be in line with the new reporting framework.

### Indices and assessment as indicators of progress

In 2023, Kesko was listed on the Dow Jones Sustainability Indices the DJSI World and the DJSI Europe as the best company in its industry in Europe.

Between 2012-2023, Kesko has received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

Kesko received the 'B' score in CDP’s Climate questionnaire 2023.

'The Global 100 Most Sustainable Corporations' list has been published by Corporate Knights since 2005. Kesko is the only company in the world to have been on the list every year since it was launched. On the list announced in January 2024, Kesko ranked as the best company in its sector (Consumer Staples) and overall, ranked 29th.



## SUSTAINABILITY FOCUS AREAS AND KEY OBJECTIVES

We enable sustainable choices for our customers and drive change throughout the value chain



### Climate and nature

Achieving carbon neutral K Group

- Carbon neutrality by 2025 and zero emissions by 2030 in our own operations and transports
- Challenging our suppliers to set their CO<sub>2</sub> reduction targets
- Reducing emissions from the use of sold products

**Kesko commits to reducing greenhouse gas emissions from its whole value chain to net zero by the year 2050.**

Promoting biodiversity

- Continuing our biodiversity work by creating a biodiversity programme and setting goals for our biodiversity impacts

Enhancing circular economy

- Sustainable packaging for all of our own brand products by 2025
- Reducing food waste by half by 2030



### Value chain

Ensuring sustainability in the supply chain

- 100% of suppliers from risk countries audited for social responsibility
- Extending audits to take climate and environmental aspects into account

Enabling sustainable choices for our customers

- Increasing the share of sustainable products in net sales
- Making sustainable choices attractive through selections, data-based tools and communications

Creating value for society through sustainable value chains

- Strengthening the Finnish food chain and security of supply



### Our people

Increasing the safety and wellbeing of our employees

- Supporting people's health, wellbeing and success
- Ultimate target zero injuries

Fostering diversity, inclusion and equal opportunities for our current and future employees

- Diversity and inclusion programme
- Equal pay
- Gender equality on all levels of the organisation



### Good governance

Committing to K Code of Conduct

Remunerating based on sustainability performance

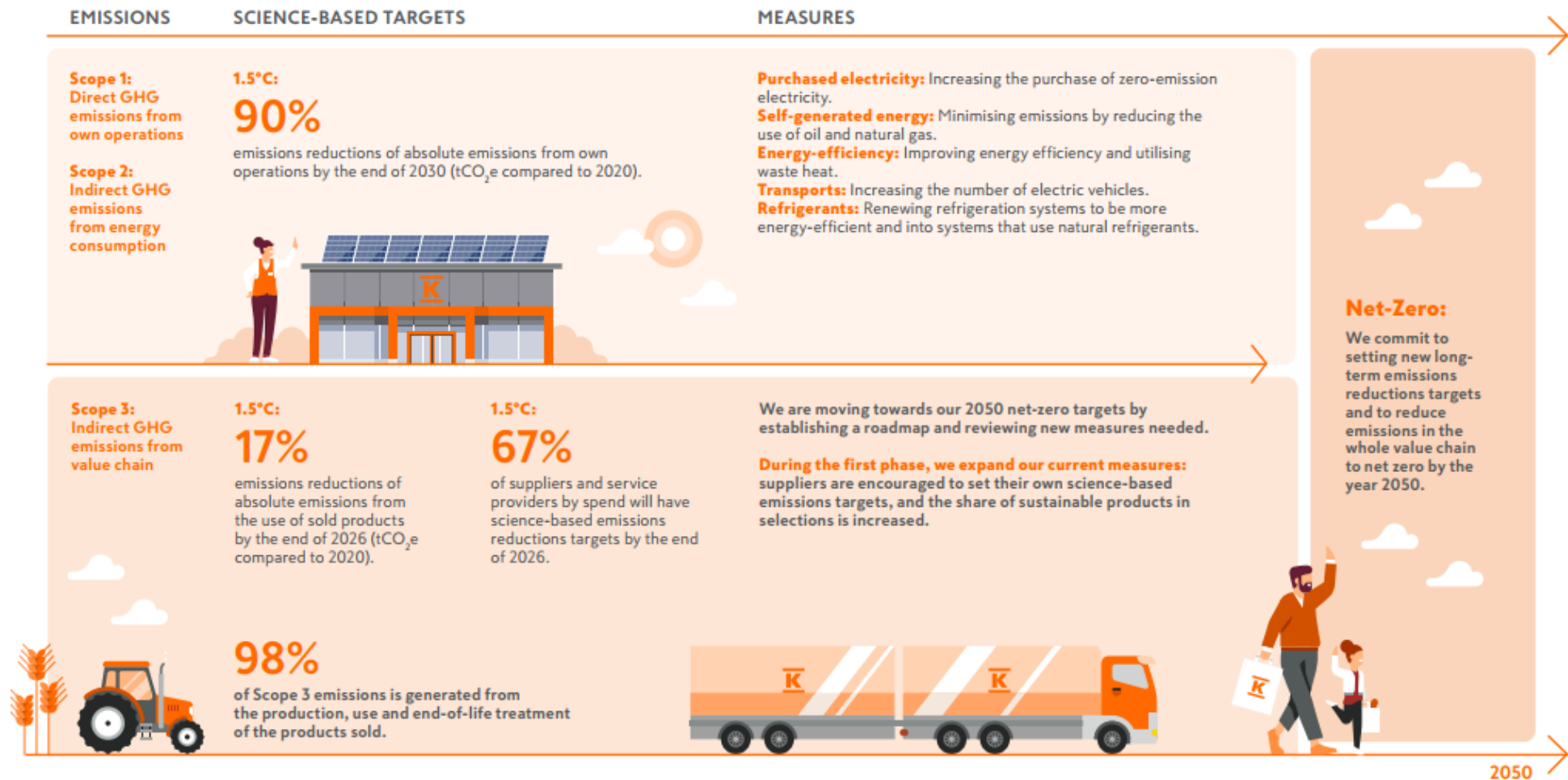
Strengthening sustainability competencies

Using data in a responsible and ethical way that creates value



## AMBITIOUS EMISSIONS TARGETS

We have set short-term science-based emissions reductions targets by 2030. In addition to minimising emissions from our own operations, we are also challenging other parties in our value chain to set ambitious emissions reductions targets as part of our goal of net zero by 2050.





## BIODIVERSITY

Along with climate change, biodiversity loss is a major global threat. Mitigating the loss of biodiversity and climate change call for largely similar measures: our lifestyles and consumption habits must become more sustainable.

Kesko's goal is to prevent biodiversity loss in both our own operations and the value chain. In the autumn of 2023, we started to prepare a biodiversity roadmap. As part of the roadmap, we will set targets for the biodiversity impacts of our own operations and the value chain.

### Biodiversity in Kesko's construction projects

In all our construction projects and store maintenance projects, we are looking into practical measures that are most significant in terms of preserving and increasing biodiversity.

We build stores and other properties only on sites planned by municipalities for business properties. Surveys of contaminated soil are made annually in conjunction with construction work and real estate transactions. In 2023, in two of our locations in Finland, the soil was cleaned up and restored based on the need detected on our soil contamination survey.

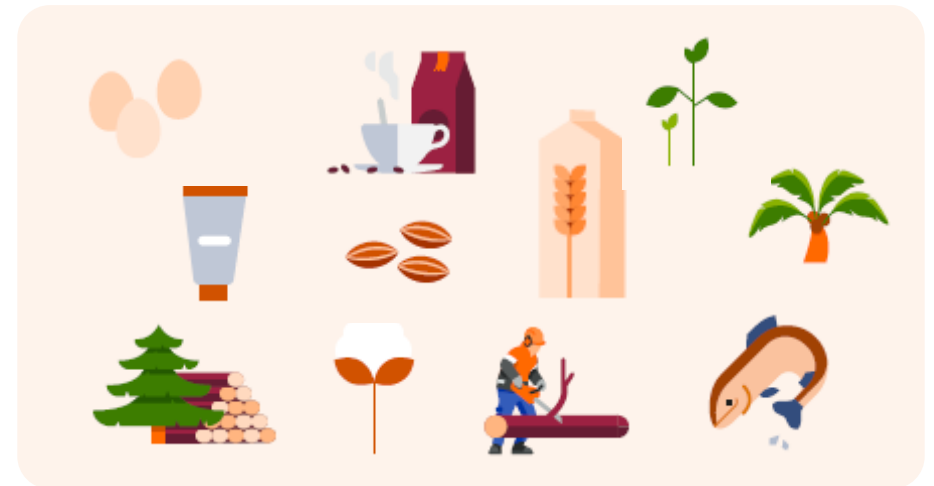
We are taking biodiversity into account in our largest ever construction project, the Onnela logistics centre, which is being built in Hyvinkää, Finland. The natural values of the construction area have been identified, and we are looking for a suitable way to offset for the loss of natural values on the site.

### Biodiversity in supply chains

Like our climate impacts, our most significant impacts on biodiversity also arise from the supply chains of our products, from primary production in particular.

We observe our sustainability policies for sourcing to prevent negative impacts on biodiversity in our supply chains. Critical raw materials include fish and shellfish, timber, palm oil, soy, cocoa, coffee, tea and cotton. Cotton production consumes a lot of water, for example. In the production of coffee, cocoa, soy, palm oil and timber and paper products, the creation of new farmland results in deforestation and threatens biodiversity.

### Sustainability policies in place for critical raw materials



By the end of 2023, the fish counters of 88 K-food stores had been awarded the MSC and ASC traceability certificates which promote sustainable fishing and aquaculture. Kespro and its subsidiary Kalatukku E. Eriksson have also been awarded the MSC and ASC traceability certificates.

Every K-food store follows K Group's fish and shellfish policy, which has been in effect since 2008. Policy is based on WWF Finland's Seafood Guide.

## CIRCULAR ECONOMY

The circular economy is one of the key factors in both mitigating climate change and stopping biodiversity loss. The promotion of the circular economy is a strategic choice for us and one of the cornerstones of our sustainability work. The targets set in Kesko's packaging and plastics policies aim to reduce the use of packaging and plastic and improve the recyclability of packaging. We also provide our customers with a diverse range of recycling services and are increasing the recycling rate of waste generated by our own operations.

### Developing circular economy solutions

We are actively developing solutions in cooperation with our partners to utilise production side streams and food waste.

In 2023, we started working with Touchpoint and Rester to recycle workwear discarded by K Group. The collection of clothes is based on reverse logistics between stores and the central warehouse. Textiles are recycled into fibre at Rester's textile recycling plant in Paimio, Finland, and opportunities for the further use of the resulting fibre raw material are sought in our own operations.

We continued our circular economy cooperation with Berner, which started in 2022. Coffee grounds from Neste K service stations are collected and used as raw material for Pirkka Kaffe plant soil and plant nutrients. A total of 100 tonnes of coffee grounds were collected in 2023. In total, around 170 tonnes of coffee grounds were collected in 2022–2023.

We are also actively seeking solutions to minimise food waste by means of the circular economy.

### Progress made towards packaging targets

Product packaging plays an important role in protecting the product, providing product information and communicating the use of the product and the brand. In food products in particular, the role of product packaging is important, as appropriately packaged products remain safe and edible for longer, which in turn reduces waste.

Together with our suppliers and partners, we are constantly seeking new solutions for finding easily recyclable and reusable packaging. In product packaging, we favour renewable materials such as paperboard, paper, cardboard and plastics made from renewable materials.

In our packaging and plastics policies, we have set the following targets:

- Our target is to reduce the amount of plastic contained in packaging by 20% by the end of 2025 compared with the baseline in 2019.
- We are aiming for all of our packaging to be recyclable or reusable by the end of 2025.

Our plastics reduction target is part of the Ellen MacArthur Foundation and the UN's New Plastics Economy Global Commitment, which aims to reduce the unnecessary consumption of plastic.

In addition to the targets set in our policies, the grocery trade has set more detailed targets for sustainable packaging development work in its own packaging strategy. For example, our goal is to add written sorting instructions in plain language on own brand product packaging to make it easier for customers to sort waste.

For further information on how Kesko works with circular economy topics, please see our latest Annual Report.

## SUSTAINABLE PRODUCTS

In addition to EU Taxonomy reporting – which currently does not specifically mention activities that are typical of the trading sector – Kesko has its own classification of sustainable products that complements the turnover KPI in accordance with the EU Taxonomy.

### Grocery trade

In the grocery trade, we define sustainable products as those which have a significantly smaller impact on the climate or biodiversity than comparable products or which are important for mitigating climate change or preventing the loss of biodiversity.

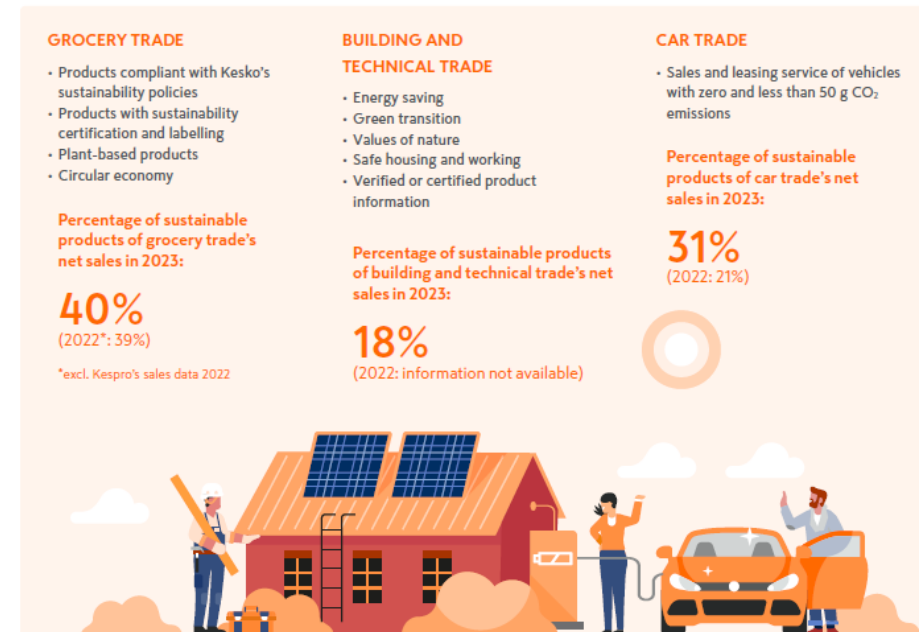
### Building and technical trade

At K-Rauta and Onninen, we define sustainable products as those that promote energy saving, green transition, values of nature or safe living and working. Furthermore, the definition includes products with qualities meeting the criteria based on researched and verified data, official environmental labels and certificates.

### Car trade

In our own specification of sustainable products, for the car trade division, we present the net sales from vehicles with emissions less than 50 g CO<sub>2</sub>/km as part of our net sales from sustainable products. This includes net sales from the sale of new vehicles and lease income from the leasing business.

As the sale of goods by the grocery trade and the building and technical trade are not activities that are within the Taxonomy scope, this specification is based on our own definition of sustainable products.




## SUPPLY CHAIN

### Suppliers' social responsibility assessment

Kesko pays special attention to human rights issues and working conditions in its supply chain in countries with the greatest risk of human rights violations. In the risk assessment of supply countries, we use the amfori Country Risk Classification, based on Worldwide Governance indicators published by the World Bank.

Kesko is a member of amfori, an association promoting sustainable trade, and takes part in amfori BSCI (amfori Business Social Compliance Initiative). Amfori BSCI promotes the management of social responsibility in global supply chains. Kesko is committed to promoting compliance with the amfori BSCI Code of Conduct in its supply chain. In accordance with Group guidelines, an amfori BSCI Code of Conduct contract clause must be added to supplier agreements.

Kesko uses global social responsibility audit and certification systems, primarily amfori BSCI audits, in the assessment of working conditions at factories and plantations in risk countries. We also accept other social responsibility assessment systems if their criteria correspond to those of amfori BSCI auditing and if the audit is conducted by an independent party. As part of the sourcing cooperation between Kesko's grocery trade and ICA Global Sourcing, Kesko also accepts the ICA Social Audit. In this case, however, suppliers are required to adopt a third-party audit approved by Kesko after a maximum of two ICA Social Audits.

 Social responsibility audits and certifications are used to assess the safety of working conditions in production, the salaries and working hours of employees and their rights of freedom of association and collective bargaining.

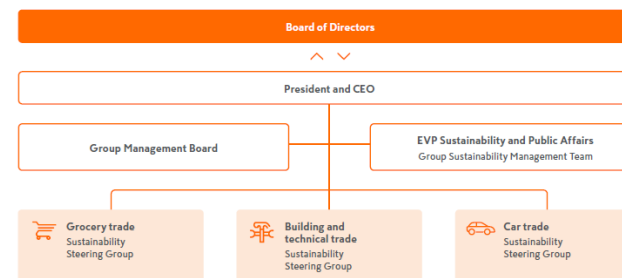
## SUSTAINABILITY MANAGEMENT

Our sustainability work is guided by our sustainability policy, sustainability strategy and K Code of Conduct guidelines. We are committed to several international declarations and conventions, the most important of which are:

- The UN Universal Declaration of Human Rights and UN Convention on the Rights of the Child
- The OECD guidelines for Multinational Corporations
- The ILO convention on the Fundamental Rights and Principles at Work
- The UN Global Compact initiative
- The UN Sustainable Development Goals (SDGs)

At the highest level, sustainability management is carried out by Kesko's Board of Directors and President and CEO. The Board approves the sustainability strategy and the strategic targets and monitors the progress of the strategy on an annual basis. Kesko's President and CEO has overall responsibility for the implementation of the sustainability strategy and for achieving the common objectives. The Group Management Board approves the new sustainability policies and discusses sustainability in its meetings on a regular basis.

### Sustainability management model



## APPROACH TO EU TAXONOMY

The EU Taxonomy is a classification system for sustainable financing, designed to help companies and investors assess whether an economic activity can be considered environmentally sustainable. EU Taxonomy defines a set of criteria for a business activity that enables companies to assess to what extent the company's activities support the attainment of climate and environmental objectives.

The EU Taxonomy is based on the following six climate and environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Currently, EU Taxonomy does not specifically mention activities that are typical for the trading sector, meaning that trading sector companies report on Taxonomy eligible activities if they engage in them. It is likely that the Taxonomy

will include an expanding number of activities, and that assessment criteria will be established consequently also for the trading sector and possibly for its different product segments.

However, Kesko has identified the car leasing operations and sales of used cars in its car trade division and the owning, leasing and construction of properties for own business needs as Taxonomy-eligible activities in its operations. Of these, the used car business in the car trade division is one of the activities related to the circular economy (sale of second-hand goods), which was included in Taxonomy-eligible activities in 2023.

### Minimum safeguards

Kesko has examined the implementation of minimum safeguards in relation to human rights, corruption and bribery, fair competition, and taxation. The aforementioned areas of minimum safeguards and related Kesko operating instructions and measures are described in more detail in this report in the sections 'Human rights and sustainable purchasing', 'Compliance' and 'Prevention of corruption and bribery'. Based on its review, Kesko assesses that minimum safeguards are in place in Kesko's operations.

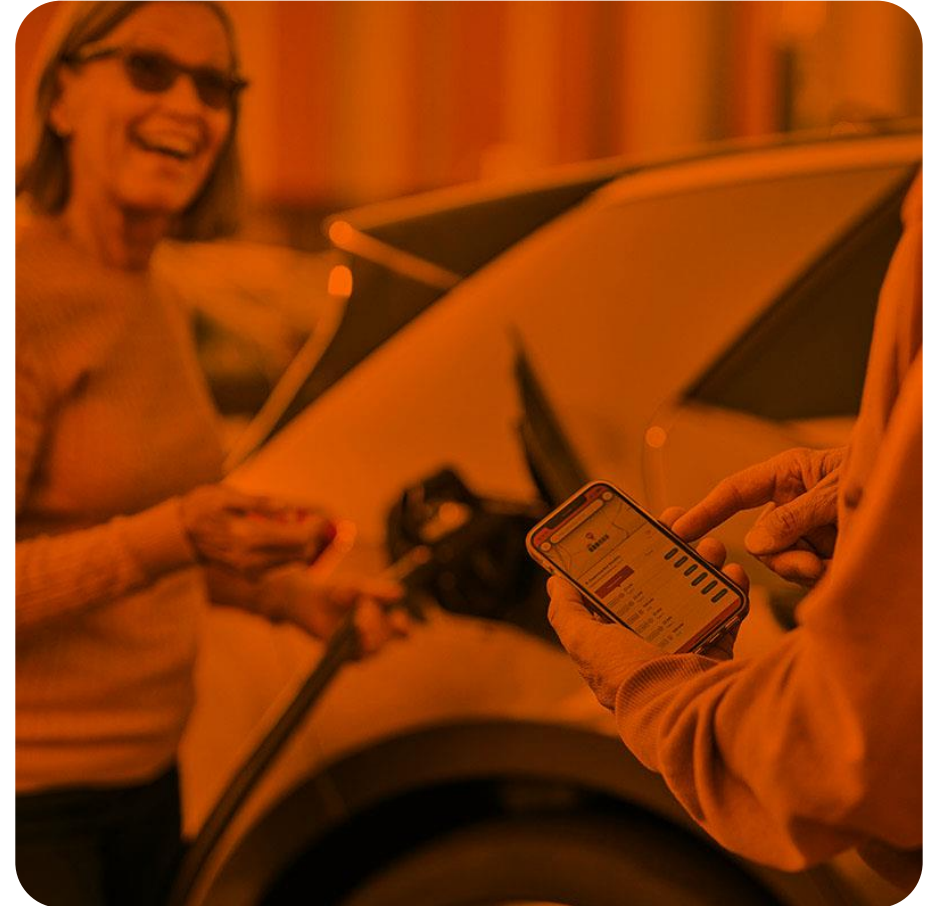
## GREEN FINANCE FRAMEWORK

Kesko's Green Finance Framework is developed to align with the International Capital Market Association's (ICMA) Green Bond Principles 2021, including the June 2022 updated Appendix I, and the Green Loan Principles 2023 administered by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA).

The four core components of the Principles along with the recommendation of External Review form the basis for this Framework:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework allows Kesko to raise capital via green bonds and loans (Green Debt). The terms and conditions of the underlying documentation for each Green Debt instrument shall provide a reference to this Framework.



## USE OF PROCEEDS

### Allocation of net proceeds

An amount equal to the net proceeds will finance, in whole or in part, investments undertaken by Kesko or its subsidiaries<sup>2</sup>, in each case as determined in accordance with the Green Project categories defined under Green Projects.

The Green Projects may include the value of fixed assets (Assets), capital expenditures (CapEx) and/or operational expenditures (OpEx), which together will form a portfolio of assets eligible for financing and refinancing with Green Debt. The overarching goal of the Green Projects is to substantially contribute to climate change mitigation and reduce the environmental impact across Kesko's strategic business areas of grocery trade, building and technical trade, and car trade.

For a Green Project to be eligible, the investment activities will be related to development, construction, modernisation, operation or installation of green and energy efficient buildings, renewable energy, and clean transportation.

### Financing and refinancing

New financing is defined as allocated amounts to Green Projects financed within or after the issuance year, and refinancing is defined as allocated amounts to Green Projects financed prior to the issuance year.

Asset values and CapEx will qualify for refinancing without a specific look-back period, while OpEx qualify with a maximum three-year look-back period prior to the issuance year.

### Exclusions


The net proceeds will not be used to finance fossil fuel powered facilities and equipment.



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<sup>2</sup> In the case of joint ownership (associates and joint ventures), Kesko will only finance its share of the asset value and account for the related impact.




## GREEN PROJECTS

Green Project categories	Project description	EU Taxonomy environmental objective and activities	UN SDG
<b>Green and energy efficient buildings</b>	<p><b>New buildings</b></p> <p>New buildings<sup>3</sup> that have or will have a net Primary Energy Demand (PED) at least 10 percent lower than the level required by the national building regulation for nearly zero-energy buildings.</p> <p>For buildings larger than 5,000 m<sup>2</sup>, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity and the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle.</p> <p><b>Existing buildings<sup>4</sup></b></p> <p>Buildings with an Energy Performance Certificate (EPC) of class A or qualifying within the top 15% most energy efficient buildings within the national building stock, expressed as PED and demonstrated by adequate evidence, e.g. through a specialist study.</p> <p><b>Major renovations</b></p> <p>Building renovations comply with the requirements applied to major renovations or lead to a total reduction in primary energy demand per square meter and year (kWh/m<sup>2</sup>/year) by at least 30% compared to the primary energy demand prior to renovation.</p> <p><b>Building energy efficiency measures</b></p> <p>Direct costs (e.g. material, installation and labour costs) for the installation, maintenance and repair of energy efficient technologies or other energy saving measures during the construction, maintenance and service phase of a building. These measures may include energy efficient refrigeration display cases and cold rooms, energy management systems, AI and data solutions, energy efficient and low U-value windows, energy efficient lighting, heat exchangers and ventilation, extended or improved thermal insulation, and electric heat pumps (where the global warming potential (GWP) of refrigerants does not exceed 675).</p>	<p><b>Climate change mitigation</b></p> <p>7.1. Construction of new buildings 7.2. Renovation of existing buildings 7.7. Acquisition and ownership of buildings</p>	

<sup>3</sup> New buildings are defined as buildings where the building application was filed on or after 1 January 2021.

<sup>4</sup> Existing buildings are defined as buildings where the building application was filed on or before 31 December 2020.



<p><b>Renewable energy</b></p>	<p><b>Solar power and Wind power</b></p> <p>Photovoltaics (PV) and related infrastructure. Expenditures related to long-term (≥ 5 years at signing), project-tied power purchase agreements (PPAs).</p>	<p><b>Climate change mitigation</b></p> <p>4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power</p>	
<p><b>Clean transportation</b></p>	<p><b>Low carbon transportation</b></p> <p>Purchase/lease of passenger cars and vans with zero emissions and emissions less than 50g CO<sub>2</sub>/km.<sup>5</sup> EV charging infrastructure Installation, maintenance and repair of charging stations for electric vehicles in buildings and parking spaces attached to buildings. Projects include Kesko's K-Lataus stations in Finland and charging stations installed at store sites in Kesko's other operating countries.</p>	<p><b>Climate change mitigation</b></p> <p>6.5. Transport by motorbikes, passenger cars and light commercial vehicles 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings</p>	 

<sup>5</sup> Vehicles with specific emissions less than 50g CO<sub>2</sub>/km are eligible until 31 December 2025

## PROCESS FOR PROJECT EVALUATION AND SELECTION

Kesko's overall management of environmental, social, corporate governance and financial risks form a core part for its decision-making process. The process for Green Project evaluation and selection is based on the same standard due diligence procedures and decision-making.

The evaluation and selection process for eligible Green Projects is a key component in ensuring that an amount equal to the Green Debt proceeds is allocated to Green Projects eligible under this Green Finance Framework.

Kesko has established a Green Finance Committee to evaluate and select eligible Green Projects and to allocate net proceeds to such assets. The Green Finance Committee consists of CFO, Head of Sustainability, Group Treasurer, and will convene at least annually.

As part of the investment process, managed by Finance department, new and existing investments will be prepared and presented as potential Green Projects to the Green Finance Committee. The Green Finance Committee will then review the potential Green Projects and make the final decision whether the project will be added to the relevant Green Project Portfolio. A decision to allocate net proceeds will require a consensus decision, giving each committee member a veto power.

The Green Finance Committee holds the right to exclude any eligible Green Project already funded if the project no longer meets the eligibility criteria defined in the Framework. If an eligible Green Project for any reason loses its eligibility, funds will then follow the procedure under Management of Proceeds until reallocated to other eligible Green Projects.

## MANAGEMENT OF PROCEEDS

Kesko will use a Green Register to track the allocation of net proceeds from Green Debt to eligible Green Projects. The purpose of the Green Register is to ensure that net proceeds from Green Debt will only support the financing of Green Projects. The Green Register will form the basis for the impact and allocation reporting. Kesko intends to have Green Project allocation that exceeds the balance of net proceeds from its outstanding Green Debt. Should there be any deviations from this, Kesko will strive to allocate an amount equal to the net proceeds within 24 months.

In the event that the total outstanding net proceeds cannot be immediately and fully allocated, or if an Eligible Green Project is sold, proceeds will temporarily be placed in Kesko's general liquidity reserve and managed according to the company's financial policy, until reallocated to other Eligible Green Projects. Temporary holdings will follow the exclusions criteria listed under the Use of Proceeds section.

## REPORTING

Kesko will annually until full allocation, and in the event of any material developments, provide investors with a Green Bond Report describing the allocation of proceeds and the environmental impact of the Green Projects. If Kesko has other Green Debt instruments than bonds outstanding, the company may choose to report, in relation to these other financial instruments, directly and non-publicly to the lenders or counterparties.

### Allocation reporting

Allocation reporting will include the following information:

- Nominal amount of Green Bonds outstanding
- The aggregate size of Green Projects that have been funded by Green Bonds and the split between each project category
- Distribution between new financing and refinancing
- The amount of unallocated proceeds, if any
- Share of the EU Taxonomy alignment of the projects financed

### Impact reporting

The impact reporting aims to disclose the environmental impact of the Green Projects financed under this Framework, based on Kesko's share of each project, where feasible and subject to data availability.

The impact assessment may, if applicable, be based on the following impact indicators:

Green Project	Impact indicators
<b>Green and energy efficient buildings</b>	<p><b>New and existing buildings</b></p> <ul style="list-style-type: none"> <li>– Annual energy use avoided (kWh/m<sup>2</sup>)</li> <li>– Annual GHG emissions avoided (tonnes of CO<sub>2</sub>e emissions)</li> </ul> <p><b>Major renovations</b></p> <ul style="list-style-type: none"> <li>– Energy use reduction compared with pre-investment situation (kWh/m<sup>2</sup> or in percentage terms)</li> <li>– Annual GHG emissions avoided as a result of the renovation (tonnes of CO<sub>2</sub>e emissions)</li> </ul>
<b>Renewable energy</b>	<p><b>Wind and solar power</b></p> <ul style="list-style-type: none"> <li>– Installed capacity (MW)</li> <li>– Annual generation (MWh)</li> <li>– Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> </ul>
<b>Clean transportation</b>	<p><b>Low carbon transportation</b></p> <ul style="list-style-type: none"> <li>– Number of vehicles purchased/leased</li> <li>– Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> </ul> <p><b>EV charging infrastructure</b></p> <ul style="list-style-type: none"> <li>– Number of charging points installed</li> </ul>

## EXTERNAL REVIEW

### **Second party opinion**

Sustainalytics has provided a second-party opinion to this Framework, verifying its credibility, impact and alignment with the ICMA and LMA/APLMA/LSTA Principles.

### **Post issuance review**

Kesko will appoint an independent external party, annually until full allocation, to verify that an amount equal to the net proceeds has been allocated to eligible Green Projects.

### **Publicly available documents**

The Green Finance Framework and the second-party opinion will be publicly available on Kesko's website, together with the post-issuance review and the Green Finance Report, once published.



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