



Kesko Group's Internal Audit Charter

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This internal audit charter has been approved by the Audit Committee of Kesko Corporation's Board of Directors on February 1st, 2022 and it replaces the charter approved by the Audit Committee on December 17th, 2020.



INTRODUCTION

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

In Kesko Corporation (hereafter "Kesko"), Group Internal Audit is an independent review function set up within the organization as a service to the Board and, in particular, the Audit Committee. As the head of this function, the Chief Audit and Risk Officer is responsible for the effective review of all aspects of risk management and control throughout the organization's activities.

Group Internal Audit and Risk Management comprises teams and activities including Internal Audit, Risk Management and Security. This Internal Audit Charter ('the Charter') sets out the role, responsibilities and ways of working in respect of Group Internal Audit ('Internal Audit') only.

ROLE

The internal audit activity is established by the Board's Audit Committee. The internal audit activity's responsibilities are defined by the Board's Audit Committee as part of their oversight role.

AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free and unrestricted access to any and all of Kesko's records, physical properties and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit personnel is under the obligation of professional secrecy with respect to the information they obtain.

ORGANIZATION

The Chief Audit and Risk Officer will report functionally to the Chair of the Audit Committee and administratively, on a day-to-day basis, to Kesko's President and CEO on Internal Audit and Group CFO on Risk Management.

The Board's Audit Committee will

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Chief Audit and Risk Officer on the internal audit activity's performance relative to its plan and other matters.
- Be heard prior to the decision to recruit or dismiss the Chief Audit and Risk Officer.
- Make appropriate inquiries of management and the Chief Audit and Risk Officer to determine whether there are inappropriate scope or resource limitations.

INDEPENDENCE AND OBJECTIVITY

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Audit will not perform any tasks that might impair its objectivity; neither will it have any direct responsibility for, nor authority over, the activities it reviews.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Chief Audit and Risk Officer will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

RESPONSIBILITY

The role of Internal Audit is to provide independent and objective assurance to the Board, Audit Committee and other key stakeholders, to protect the assets, reputation and sustainability of the organization. This is completed through:

- Evaluating risk exposure relating to the achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the adequacy and effectiveness of the systems of operational, financial and management control across the organization.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.
- Whilst Internal Audit will assess risk as part of its role, Group Audit and Risk Management has a dedicated Group Risk Management function, management remains responsible for identifying risks and for the design and operation of risk mitigations.
- The Group Risk Management function will facilitate the company's risk management processes with the Management, Board and the Audit Committee and will assist the company in its formulation and reporting of corporate governance policy.
- In addition, whilst line management remains responsible for identification and management of fraud and theft risk, Internal Audit may be requested to assist in the investigation of significant suspected fraudulent activities and notify the Audit Committee of the results.

Where regular audit work may reveal either fraud risk or actual fraud and irregularities, this will be separately reported to management and the Audit Committee.

Internal audit activities cover all Kesko Group divisions, subsidiaries, units and functions, which form internal Audit's so-called audit universe. In addition to Kesko Group companies, internal Audit may also audit the operations of Kesko associates and joint ventures, Kesko Pension Fund as well as service providers and other vendors, insofar as they are related to Kesko's business operations and provided that there is an agreement on the Audit between the Kesko Group company and the target of review.

INTERNAL AUDIT PLAN

At least annually, the Chief Audit and Risk Officer will submit to senior management and the Board's Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Chief Audit and Risk Officer will communicate the impact of resource limitations and significant interim changes to senior management and the Board's Audit Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from senior management and the Board's Audit Committee. The Chief Audit and Risk Officer will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Board's Audit Committee through periodic activity reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the Chief Audit and Risk Officer or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board's Audit Committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited



area, should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Chief Audit and Risk Officer will periodically report to senior management and the Board's Audit Committee on the internal audit activity's purpose, authority and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the Board's Audit Committee.

QUALITY ASSURANCE

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Audit and Risk Officer will communicate to senior management and the Board's Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.