



ESG REVIEW KESKO MATTI KALERVO

KESKO IS LISTED IN THE WORLD'S LEADING SUSTAINABILITY INDICES

Kesko was ranked the most sustainable trading sector (Food and Staples Retailing) company in the world on the Global 100 Most Sustainable Corporations in the World list (overall ranking was 15th)



FTSE4Good



A hand with a gold ring is pointing at a tablet screen. The screen displays text about Kesko's corporate responsibility. The background is a red wooden desk with a keyboard, glasses, and a plant.

KESKO'S CORPORATE RESPONSIBILITY
WORK IS BASED ON OUR STRATEGY AND
RESPONSIBILITY PROGRAMME.

ALL OUR OPERATIONS
ARE GUIDED
BY OUR VALUE:
THE CUSTOMER AND QUALITY
- IN EVERYTHING WE DO.

Megatrend 5 - Kesko's new strategy
5/2015

"More than before,
responsibility coupled
with a strong identity
and attractive brands
is a prerequisite for
operation in
every line of business"



Competitive advantage is based on the combination of pioneering responsibility, brand and identity.

THEMES OF KESKO'S RESPONSIBILITY PROGRAMME



RESPONSIBLE OPERATOR

Kesko's operations have an impact on the whole of society. Our responsible working principles guide all our operations.



FOR THE BENEFIT OF THE COMMUNITY

A local approach and K-retailers are the competitive advantages of the K-Group. Together with their partners, Kesko and K-stores are building a better society.



WORKING COMMUNITY

Kesko and K-stores offer varied career and development opportunities in different trading sector jobs. We want to be the most attractive workplace in the trading sector.



RESPONSIBLE PURCHASING AND SALES

Customers must be able to rely on the fact that the products offered by stores are well-researched, safe and sustainably produced.



WELLBEING FOR CUSTOMERS

Kesko and K-stores want to make customers' lives easier, providing them with services that promote health and wellbeing and guide them on the proper use of products.



MITIGATION OF CLIMATE CHANGE

Kesko's operations contribute to mitigating climate change and promote the sustainable use of natural resources.

EXAMPLES OF THE RESPONSIBILITY PROGRAMME'S OBJECTIVES

Objective: We reduce food wastage by 10% by 2020.

Progress:

- K-food stores reduce food wastage with the help of electronic forecasting and order systems, efficient logistics, employee training, reducing prices of products approaching their best before dates and optimising packaging properties. Many K-food stores also donate food to charity.
- In the autumn of 2015, Kesko's grocery trade, Gasum, Myllyn Paras and Wursti started cooperating to enable biogas produced from inedible organic waste to be collected from retail stores and used as energy in the manufacture of new Pirkka products.

Objective: We identify the whole of our supply chain and actively promote the social responsibility audits of our suppliers in high-risk countries.

Progress:

- In 2015, 107 full audits and 80 re-audits were conducted in suppliers' factories and farms.
In 2015, Kesko's suppliers in high-risk countries had 200 factories or farms within the scope of the BSCI process.
- An assessment of the origin of the ingredients in own brand groceries was carried out over the course of 2015.
- Kesko and Plan International Finland, an organisation promoting children's rights, continue their cooperation to improve the responsibility of the Thai fish industry and the position of migrant workers.
- Kesko has published the list of the factories in high-risk countries manufacturing the clothing, accessories, shoes and bags for its own brands or for its own imports on its website.



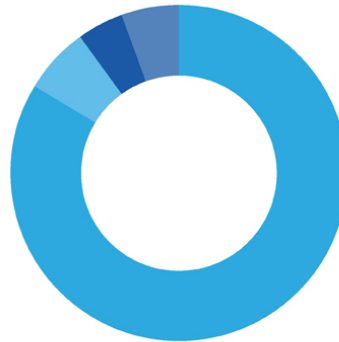
IMPACTS ON SOCIETY

KESKO IS A SIGNIFICANT TAXPAYER

- In 2015, Kesko paid over €92m in taxes to its operating countries
- In the Annual Report, taxes are analysed by tax type and country for the first time

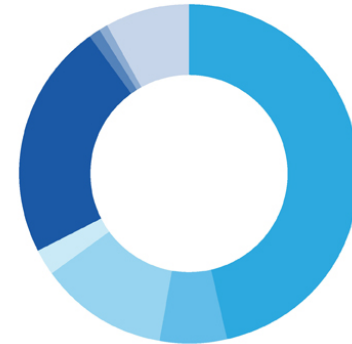
Taxes payable in 2015

€ million



Taxes remitted in 2015

€ million





RESPONSIBLE
PURCHASING



ASSURANCE OF SOCIAL RESPONSIBILITY

- In 2015, Kesko had around 21,100 suppliers and service providers from which Kesko made purchases valued at at least €1,000 during the year. Of these, around 9,800 operated in Finland, around 8,100 in Kesko's other operating countries, and around 3,200 elsewhere.
- When suppliers are monitored, the focus is on the countries where the risks of violations of these rights are the greatest (for example, most Asian and African countries).
- Special attention is paid to working conditions at factories in high-risk countries, though the quantities imported from these countries are small (1.2% of all Kesko's purchases in 2015).
- International assessment systems, BSCI auditing and SA8000 certification, are used for supplier audits in high-risk countries. Kesko is a member of the European Business Social Compliance Initiative (BSCI).
- Kesko's principle in high-risk countries is to work only with suppliers that are already included in the sphere of social responsibility audits or that start the process when cooperation begins.

PRODUCT RESEARCH ANALYSES AND ADVISES

- The Product Research Unit consists of the research team (Product Quality Managers), the laboratory, the test kitchen and K Consumer Service.
- A total of 8,037 samples were analysed in 2015.
- The laboratory is ISO 17025 accredited and approved by the Finnish Food Safety Authority for own control. The laboratory focuses on microbiological determinations and basic chemical and physical determinations.
- The test kitchen carries out sensory evaluations of products and tests their cooking properties.
- K Consumer Service was contacted by customers 19,770 times in 2015.



HUMANS RIGHTS ASSESSMENT IN PROGRESS

- Over the course of 2014-2016, Kesko has assessed human rights related impacts in accordance with the UN Guiding Principles on Business and Human Rights.
- Kesko's operations have a salient impact on the human rights of four groups: customers, personnel, purchasing chains and communities in which we operate.
- The human rights assessment covers the key identified human right impacts and the assessment of related risks, such as the protection of young employees and the right to a living wage.
- Dialogue with stakeholders: customers, personnel and purchasing chains in high-risk countries.
- In compliance with the due diligence obligation, Kesko has, and will, establish its procedures and practices in ways which respect human rights in all of Kesko's operations.
- The human rights assessment describes the monitoring indicators, the units responsible for them and corrective actions.
- Kesko's statement of commitment on human rights will be published towards the end of September.



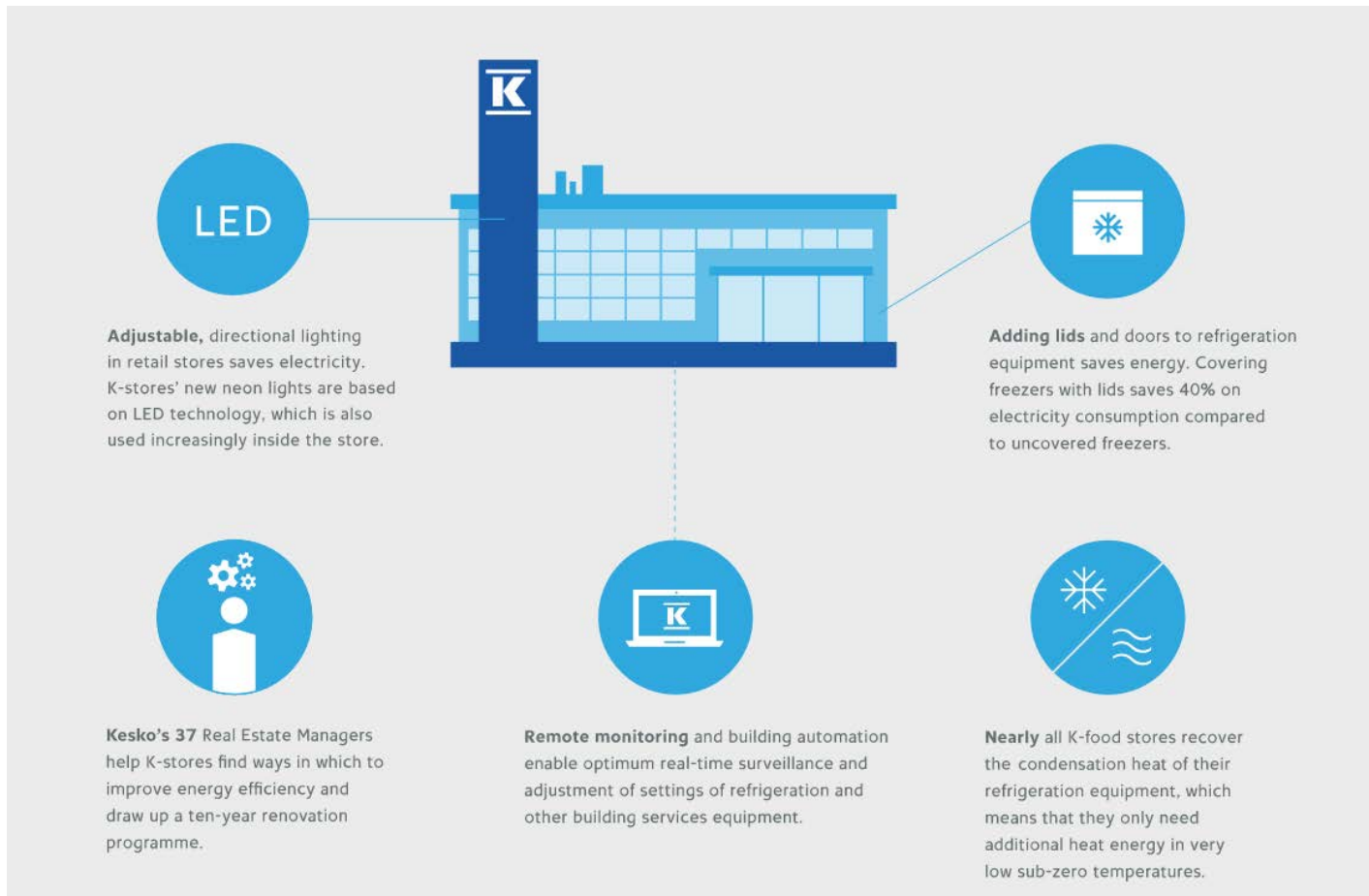
A woman with long dark hair, wearing a blue jacket and a grey beanie, is smiling as she cooks over a campfire. She is holding a silver pot over a fire that is burning brightly in a metal grate. The background shows a rocky shore and a body of water under a cloudy sky. The text "SUSTAINABLE RETAILING" is overlaid in large white letters.

SUSTAINABLE RETAILING

KESKO IS COMMITTED TO IMPROVING EFFICIENCY IN ITS ENERGY CONSUMPTION

- When a new store site or shopping centre is being planned and built, the starting point is sustainable development and energy efficiency. In maintenance and repairs, the starting point is also lowering life-cycle costs.
- International environmental classification such as BREEAM and LEED to be carried out by an external assessor is applied for the most significant store site projects.
- Kesko participates in the national energy efficiency agreement, in which we are committed to improving the efficiency of our energy consumption by 65 GWh by the end of 2016 through various energy-saving methods.
- By the end of 2015, Kesko had improved the efficiency of its energy consumption by 64 GWh and achieved 97% of its objective.

ENERGY SOLUTIONS IN K-STORES



K-CITYMARKET TAMMISTO HAS FINLAND'S LARGEST PROPERTY- SPECIFIC SOLAR UTILITY



CUTTING EMISSIONS FROM TRANSPORTATION

- Emissions from transportation are among the most significant environmental impacts of Kesko's operations.
- Keslog aims to cut carbon dioxide emissions from transportation by 10% by 2020.
- The most important means of cutting emissions include route and load optimisation, driver training, reverse logistics services and efficient fleet solutions, such as two-tier trailers.



WE RECOVER WASTE GENERATED IN OUR OPERATIONS

- Reducing the waste from stores and warehouses has a major impact on the environment. The objective is to recover all waste generated in operations.
- In 2015, the waste recovery rate of the grocery trade was 99%, that of the home improvement and speciality goods trade 99.4% and in the car trade, it was 99.9%.
- The waste recovery rate of waste generated in the stores in southern Finland participating in a centralised waste management agreement was about 98%.