



GRI REPORT

Kesko 2015

GRI report 2015

RESPONSIBILITY MANAGEMENT

Management model	3
Responsibility programme	8
Responsibility monitoring and steering	35
Materiality assessment	53
We listen to our stakeholders	58
Contact information	62

GRI INDEX 64

PERFORMANCE INDICATORS

Economic impacts	83
Environmental impacts	97
Social impacts	118

GRI REPORT PROFILE 147

ASSURANCE REPORT 148



RESPONSIBILITY MANAGEMENT IN DAY-TO-DAY ACTIVITIES

Corporate responsibility work at Kesko is integrated into day-to-day activities.

Corporate responsibility work is based on Kesko's value, vision and mission. Corporate responsibility work is guided by Kesko's general corporate responsibility principles, the guide 'Our Responsible Working Principles' and Kesko's purchasing principles.

Kesko's responsibility path



VALUE

The customer and quality – in everything we do

VISION

We are the customer's choice and the quality leader in the European trading sector

MISSION

We create welfare responsibly for all our stakeholders and the whole society

General operating principles guiding responsibility

Kesko's Group Management Board has approved the Group's [general principles of corporate responsibility](#). These principles define the basic economic, social and environmental responsibility promises.

Kesko's commitments to international declarations and conventions are also included in the principles. The most important principles are:

- The UN Universal Declaration of Human Rights and the UN Convention of the Rights of the Child
- The ILO convention on the Fundamental Rights and Principles at Work
- The OECD Guidelines for Multinational Corporations
- The ICC Business Charter for Sustainable Development and principles against corruption and bribery
- The UN Global Compact initiative
- The purchasing principles of the Business Social Compliance Initiative (BSCI)

Kesko has taken account of the ISO 26000 standard as a source document offering guidelines for corporate responsibility.

Kesko uses the GRI (Global Reporting Initiative) G4 guidelines and the IIRC (International Integrated Reporting Council) <IR> Framework as its reporting principles.





WE SUPPORT

Kesko participates in [the UN Global Compact initiative](#) and is committed to observing ten generally accepted principles concerning human rights, labour standards, the environment and anti-corruption in all of its operating countries.

Mikko Helander
President and CEO

Corporate responsibility organisation in Kesko

Corporate responsibility at Kesko is integrated into day-to-day activities. The management of each business division is responsible for practical implementation. Kesko's Board of Directors and Group Management Board discuss reporting and key principles. The Group's Corporate Responsibility Unit, assisted by steering groups, is responsible for development, coordination and reporting. The corporate responsibility function is managed by the Senior Vice President responsible for corporate responsibility, communications and stakeholder relations, as well as brand and marketing management and development, who is a member of Kesko's Group Management Board.

Corporate responsibility advisory board

the Vice President for corporate responsibility (Ch.), division representatives, Group representatives

- develops the principles that guide the Group's corporate responsibility
- steers and coordinates practical measures
- sets the objectives for corporate responsibility work and monitors and, as necessary, supports their achievement

Environmental steering group

the Group's Corporate Responsibility Unit (Ch.), divisions' specialist representatives

- develops the Group's environmental management
- promotes the sharing of best practices within the Group
- keeps up with changes in legislation pertaining to environmental responsibility

Steering group for responsible purchasing

the Group's Corporate Responsibility Unit (Ch.), divisions' specialist representatives

- develops the Group's responsible purchasing procedures
- promotes the sharing of best purchasing practices within the Group
- keeps up with changes in legislation pertaining to purchasing and sourcing

Steering group for local responsibility in operating countries

the Vice President for corporate responsibility (Ch.), representatives of local subsidiaries in operating countries (other than Finland)

- steers the implementation of the responsibility programme in the other operating countries
- develops local additions to the responsibility programme
- promotes the sharing of best practices within the Group

Division-specific responsibility steering groups

are, based on the objectives set by the Group-level steering groups, responsible for:

- determining their own responsibility objectives
- implementing them in accordance with the specific characteristics and strategies of their respective divisions

HR management board

the Senior Vice President for HR (Ch.), divisions' representatives, Group representatives

- prepares the Group's HR strategy and common HR policy definitions
- sets the common objectives for the HR function and guides and coordinates the achievement of the objectives of HR operations and practical implementations
- guides the development of HR processes and services and monitors the quality and efficiency of HR processes and services

CORPORATE RESPONSIBILITY STEERING IN KESKO



RESPONSIBILITY PROGRAMME

In 2015, the greatest advances in the responsibility programme included creating the ‘Thank the Producer’ operating model, achieving good progress in the objective of the energy efficiency agreement, continuing the assessment of human rights, assessing the origin of the ingredients of own brand products, initiating cooperation with Gasum on biogas, and publishing online corporate responsibility training.



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.

Responsible operator

We are committed to responsible working principles. Together, we generate economic value added.




**We are committed to responsible working principles.
Together, we generate economic value added.**

- Responsible working principles guide all of our operations
- We follow good corporate governance principles
- We improve financial profitability together
- We develop the multi-channel approach in our store network while listening to customers' expectations

Objective	Progress
<p>All of our personnel act in compliance with our responsible working principles.</p>	<p>On plan</p> <div style="text-align: center;"> </div> <p>The guidelines are a material part of the induction of new employees and they will be updated in 2016. From the beginning of 2015, all of Kesko's Russian business companies have had their own anti-corruption policies.</p>

We organise regular training on our responsible working principles.


On plan



The online training on responsibility, which was published in 2015 and directed to all Kesko employees, describes Our Responsible Working Principles. By the end of 2015, a total of 6,088 employees had completed the training. As part of the ongoing responsibility training, a training event on responsible working principles was organised for the key employees of Kesko's company in Belarus in 2015. On Keskonet, Kesko's intranet, there is a permanent banner on the front page to remind Kesko employees of the guidelines.

Kesko's target for return on capital employed is 14% and the target for return on equity is 12%.

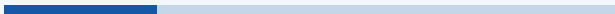
On plan



In 2015, the return on capital employed excl. non-recurring items was 11.7% and the return on equity excl. non-recurring items was 8.2%.

We offer e-commerce services in all divisions. Comprehensive store-specific product information, prices and availability will be provided online by the end of 2016.

Started



All K-rauta and Rautia stores in Finland and all K-rauta stores in Sweden, Estonia and Latvia have click and collect online stores. Food stores' click and collect services were expanded across Finland. The K-ruoka mobile application, which provides personal benefits, store-specific offers and a smart shopping list, was published in October. The Sotka online store opened in January 2015 and the Asko online store will open in 2016.

For the benefit of the community

We build a better society together




We build a better society together

- We establish partnerships and contribute to the development of local communities
- We develop our operations in interaction with customers
- Our employees act responsibly in their daily operations

Objective	Progress
<p>We are an attractive partner and a responsible neighbour.</p>	<p>On plan</p> <hr style="border: 2px solid red; margin-bottom: 10px;"/> <p>K-food stores, K-citymarket Oy (home and speciality goods), K-rauta stores and Rautia stores participated in the Blue and White Footprint campaign. Local Food Dates, which bring local producers and K-retailers together, were organised in six locations. In 2015, Kesko launched the 'Thank the Producer' operating model to highlight the position of producers and increase the appreciation of Finnish production.</p> <p>Kesko participated in the Red Nose Day campaign, the Good Christmas Spirit collection and the Salvation Army's Christmas Kettle collection. K-food stores participated in an international vaccine campaign run by UNICEF and Pampers. Customers returning bottles to K-food stores can enter a raffle. The proceeds are donated to the Eväitä Elämälle aid programme by Save the Children. The Finnish Basketball Association and K-food stores cooperated to organise basketball events for over 10,000 children across Finland.</p>

We include our customers and our personnel in our corporate responsibility work.


On plan



In 2015, an online course on corporate responsibility intended for all Kesko employees was published in Finnish and English. By the end of 2015, a total of 6,088 employees had completed the training. The Russian-language version will be published in spring 2016. Online courses on responsible purchasing and the responsibility concept have been prepared for Kesko employees and store staff in the grocery, building and home improvement and agricultural trades in Finnish and English. An audit related to the K-responsibility concept was carried out at 44 building and home improvement stores in 2015. Other operating countries prepared [their own responsibility objectives to support Kesko's responsibility programme in 2015](#). Customer expectations are regularly reviewed by conducting various surveys and studies. In autumn 2015, as part of Kesko's human rights assessment, [we listened to our stakeholders' views](#) on matters such as how they feel about human rights in customer situations. Kesko and its chains engage in an active dialogue with customers on [social media](#).

We help customers in efficient shopping; online stores, SmartPost, in-store collection.


On plan



Digital services are developed in all of the divisions. All K-rauta and Rautia stores in Finland and all K-rauta stores in Sweden, Estonia and Latvia run a click and collect online store. Click and collect services by food stores were expanded across Finland. In October, we launched the K-food mobile application, which provides personal benefits, store-specific offers, and a smart shopping list. The Sotka online store opened in January 2015 and the Asko online store will open in 2016. [Starbucks, Posti and DHL](#) expanded their services to K-food stores in 2015. DHL Express and the K-Group started cooperation with the purpose of setting up 250–300 DHL service points at the K-Group’s food stores and building and home improvement stores across Finland. A total of 137 K-stores have automated SmartPost terminals.

We expand the contract seed production programme trainings; the objective is to train 100% of contract farmers within three years.

On plan



By the end of 2015, 90% of the seed contract farmers had been trained.

We develop the organic farming programme into a concept.

On plan



[The K-maatalous Experimental Farm](#) cooperates with Nylands Svenska Lantbrukssällskapet in the area of organic varieties. Guidance material has been produced for organic farming, containing information about the chain’s offer and varieties available.



Working community

We perform and offer high-quality work



We perform and offer high-quality work

- We have satisfied employees and competent supervisors
- We offer meaningful and diverse jobs and development opportunities
- We are the most attractive workplace in the trading sector
- We offer a safe and healthy working environment

<p>Objective</p> <p>We are the best employer in the trading sector in terms of job satisfaction.</p>	<p>Progress</p> <p>Behind plan</p>  <p>In 2015, the K-Group launched the K-job programme, the purpose of which was to provide those aged under 30 with channels to get a job and grow to become a trading sector professional in Kesko and K-stores. In 2015, we focused on guiding young people in 'Learn and Earn' summer jobs, in short-term work orientation, and summer employees. We invited young people in their first summer jobs across the K-Group to share their experiences and, based on their wishes and feedback, revised our guidelines for both supervisors and summer employees. In the personnel survey carried out at the beginning of 2016, the employee engagement index was 61%. In the Universum Young Professionals 2015 survey, Kesko's ranking was 31.</p>
<p>We conduct a performance and development review annually with every employee.</p>	<p>On plan</p>  <p>In the personnel survey carried out at the beginning of 2016, 80% of respondents said that they have had a performance and development review during the past 12 months. The response rate of the survey was 85%.</p>

We train our supervisors on a regular basis.**On plan**

In 2015, a wide range of measures were taken to develop supervisors' competence. The emphasis was on the implementation of the K-Group's operating principles, challenging situations faced by supervisors and how to use the personnel survey results to develop the team. The first training programme promoting the K-Group's new management culture, entitled 'K-Way new supervisors', was piloted towards the end of the year. Supervisory training for Kesko people was taken a total of nearly 700 times. Online training modules for supervisors were completed about 3,700 times.

We reduce sickness absences and premature retirement due to disability.**On plan**

Kesko has focused on reducing the number of sickness absences and premature retirements due to disability by means of occupational health service activities, the Let's Talk About Work training for supervisors (more than 1,000 supervisors have been trained during the past five years), work revision, occupational rehabilitation, and the work done by the Work Ability Manager working in the OHS team. The Work Ability Manager's activities support the employee's return to work, while considering various options of how to continue at work. Sickness absences have continued to decrease.

Responsible purchasing and sales

We purchase and sell responsibly and support customers in making sustainable choices



We purchase and sell responsibly and support customers in making sustainable choices

- We provide customers with information and support for responsible buying decisions
- We make responsible actions visible and easy for customers
- We develop our product selections while listening to customers
- We ensure responsibility in the supply chain
- We are accountable for the safety and quality of products

Objective	Progress
<p>We identify the whole of our supply chain and actively promote the social responsibility audits of our suppliers in high-risk countries.</p>	<p>On plan</p>  <p>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. In the future, an ingredient survey will be carried out whenever a new product is introduced into the selections. 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. An agreement on cooperation has been made for 2015–2018. Kesko continued the assessment of human rights impacts in 2015. Kesko 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 in spring 2015.</p>
<p>We add indication of origin to our own brand products.</p>	<p>On plan</p>  <p>Origins are indicated on our own brand products. In 2014–2015, a major project to change the package labelling of own brand products was carried out in Kesko's grocery trade based on the EU food information regulation.</p>
<p>We offer a wide selection of Pirkka responsible products; 500 Pirkka products meeting a responsibility criterion and 200 Pirkka organic products by 2015.</p>	<p>Behind plan</p>  <p>In 2015, the Pirkka range included 40 Fairtrade products, 134 Organic products, 41 MSC certified fishes, 17 UTZ certified products.</p>

By 2020, all palm oil in Pirkka products will be responsibly produced (CSPO).

Social responsibility of the production of Kesko's grocery trade's own direct imports from high-risk countries is 100% assured by 2015.

Behind plan

At the end of 2015, about 20% of the palm oil in Kesko's grocery trade's and Kespro's products was certified sustainable palm oil.

Achieved

At the end of 2015, 100% of such imports were assured. [The assessment of the origin of the ingredients in own brand groceries was carried out in 2015.](#) In the future, an ingredient survey will be carried out whenever a new product is introduced into the selections.

Wellbeing for customers

We offer services which promote customers' wellbeing



We offer services which promote customers' wellbeing

- We make life easier for our customers
- We offer healthy products and services which promote wellbeing
- We increase our offer of e-services
- We provide advice to customers in using products

Objective

Every building and home improvement store has at least one trained Energy Expert or Energy Master and a service cooperation network.

Progress

On plan

Energy Expert service products are part of the chain selection of K-rauta and Rautia stores. Expertise available at retail stores was reinforced by product training in 2015.

All K-food stores will have adopted the K-responsibility concept by 2014.

Achieved

All K-food stores have adopted the K-responsibility concept. [The K-responsibility concept](#) has also been adopted by K-rauta and Rautia stores, and they are audited according to the K-responsibility store criteria. The concept was adopted by K-maatalous stores in autumn 2015 and the audits will start in autumn 2016.

The theme 'Let's do good. Together.' is visible in stores and marketing.

On plan

[The theme 'Let's do good. Together.'](#) is a material part of the communications and marketing of K-food stores and the building and home improvement and agricultural stores.

We train and advise our machinery trade customers in the correct, safe and economical use of machines and devices and in prolonging the service lives of machinery.

On plan

Customers in the agricultural machinery trade are trained in the use of the machinery they have bought, such as combine harvesters, precision choppers and large tractors.

Mitigation of climate change

We jointly mitigate climate change and promote the sustainable use of natural resources




We jointly mitigate climate change and promote the sustainable use of natural resources

- We reduce our environmental impacts in cooperation with the whole supply chain
- We promote the development towards a low carbon society
- We help our customers reduce their environmental impacts

Objective	Progress
<p>We increase cooperation with the supply chain in order to promote the sustainable use of natural resources and the development towards a low carbon society.</p>	<p>On plan</p> <div style="text-align: center;">  </div> <p>Kesko participates in the Foreign Trade Association's (FTA) Business Environmental Performance Initiative (BEPI). BEPI helps member companies to manage the environmental issues of global supply chains.</p> <p>New services provided for customers include charging points for electric and hybrid cars which were built which we started to build on major retail sites in 2015.</p>

We recover the waste generated in our operations to achieve zero landfill waste.


On plan



In 2015, the waste recovery rate in the grocery trade was 99%, in the home and speciality goods trade 99.4% and in the car trade 99.9%. The waste recovery rate of retail stores in the sphere of the waste management agreement in Southern Finland was around 98%.

We reduce food wastage by 10% by 2020.

On plan




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.

We improve our annual energy efficiency by 65 GWh by 2016.

On plan



By the end of 2015, Kesko had improved its energy consumption by 64 GWh and achieved 97% of its objective.



We reduce the relative carbon dioxide emissions from Keslog's transportation by 10% by 2020.

On plan



Emissions are reduced by route planning, reverse logistics, two-tier trailers and training in economical driving styles. In March 2015, Keslog started to pilot an extra long [Ecotruck](#) on the main logistics route between Vantaa and Oulu.

Other operating countries

OTHER OPERATING COUNTRIES' OWN RESPONSIBILITY OBJECTIVES

In January 2015, we set up [a steering group for local responsibility in operating countries](#) to promote responsibility work there. The first duties of the steering group included drawing up such objectives for each of our companies in other operating

countries that complement our joint responsibility programme and take local circumstances into account. The first steps of these companies in achieving these objectives are presented below.

K-RAUTA RUSSIA

Objective

Working community: We perform and offer high-quality work

- Our employees are committed to Group strategy, sales targets and the development of customer satisfaction



Progress

On plan

In 2015, strategy workshops were organised for personnel. Customer service training was provided for store employees. The 'We care' community project functioned actively.

For the benefit of the community: We build a better society together

- Society values the responsibility work done by K-rauta Russia
- Our employees are committed to the responsibility objectives of K-rauta Russia



On plan

In 2015, K-rauta Russia participated in the [Handyman charity project](#) and the joint project with supplier Saint Gobain. Both of the projects were set up to support children's homes.

In May and June 2015, K-rauta Russia organised a recycling campaign for plastic flowerpots in its stores. A total of 20,652 pots were collected for recycling.

K-RAUTA ESTONIA AND LATVIA

Objective

Working community: We perform and offer high-quality work

- Competent employees
- Training of employees



Progress

Started

Training projects of employees have been discontinued for the present in anticipation of the Senukai arrangement.

Mitigation of climate change: We jointly mitigate climate change and promote the sustainable use of natural resources

- We improve the efficiency of transportation
- We enhance data management in logistics



On plan

The efficiency of customer deliveries and related data management is being improved. Logistics route plans and stock management are being optimised.

K-RAUTA SWEDEN

Objective

Working community: We perform and offer high-quality work

- Responsibility induction and online training



Progress

Started

Responsibility induction discussions will be organised with all employees over the course of 2016. Online responsibility training will be built in 2016.

Mitigation of climate change: We jointly mitigate climate change and promote the sustainable use of natural resources

- We increase the recycling of materials in stores
- We reduce energy consumption in stores



On plan

In 2015, the recycling rate of materials was 46% (42% in 2014).

Energy consumption decreased by 8% in 2015 (15,463 MWh in 2015 compared with 16,778 MWh in 2014). The total reduction in 2013–2015 was 15%.

KONEKESKO LITHUANIA

Objective

Working community: We perform and offer high-quality work

- We organise corporate responsibility training for all employees



Progress

On plan

Online responsibility training has started. Corporate responsibility issues have been included in employee performance assessments. Responsibility communications to employees will be enhanced.

For the benefit of the community: We build a better society together

- We participate in organisational activities
- We provide students with training opportunities
- We participate in charity projects



On plan

Konekesko, Lithuania is a member of the following organisations:

- [Lietuvos atsakingo verslo asociacija LAVA](#), a responsibility organisation of Latvian companies
- [Baltic Institute of Corporate Governance BICG](#)

In 2015, training jobs were offered to six students.

In 2015, support was given to local youth sports clubs.

KONEKESKO LATVIA

Objective

Working community: We perform and offer high-quality work

- We improve the flow of information between management and employees
- We take care of the balance between work and private life



Progress

On plan

Representatives of employees participate in the meetings of the management board four times a year. Responsibility communications have been enhanced.

Monitoring of overtime and unused holiday has been enhanced. Deviations have been taken up.

Responsible purchasing and sales: We purchase and sell responsibly and support customers in making sustainable choices

- We develop maintenance services
- We develop online services



Started

Telephone service of maintenance was introduced in 2015. The system will be developed in 2016.


In 2015, online services related on price-lists were developed. In 2016, the work will continue with the development of online services related to technical specifications of machinery and appliances.

KONEKESKO ESTONIA

Objective


Working community: We perform and offer high-quality work

- We focus on performance and development reviews
- We organise online responsibility training for supervisors



Progress

On plan




In 2015, the focus was on performance and development reviews with employees. The objectives set were achieved.


Online responsibility training for supervisors started in 2015. The personnel survey's objectives measuring supervisory work were met.

Responsible purchasing and sales: We purchase and sell responsibly and support customers in making sustainable choices

- We give our customers guidance on the properties and technical solutions of machinery and equipment



On plan



In 2015, the focus was on customer guidance and customer events. The customer satisfaction index exceeded the target (4.1, while the target was 4.0).

K-RUOKA RUSSIA

Objective

Responsible purchasing and sales: We purchase and sell responsibly and support customers in making sustainable choices

- We focus on the quality, freshness and safety of the products



Progress

On plan

Product safety, suppliers' quality control ability and the hygiene and quality level of the stores were monitored according to the own control plan.

Wellbeing for customers: We offer services which promote customers' wellbeing

- We take all customer groups into account when making decisions on selections
- We promote the offering of healthy foods



On plan

In 2015, the emphasis was on the selections of fresh fruit and vegetables. The selections of organic, vegetarian and special diet foods were improved. More local foods were offered for consumers. Waste recycling was enhanced.

INDOOR ESTONIA

Objective

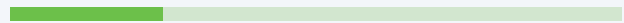
Mitigation of climate change: We jointly mitigate climate change and promote the sustainable use of natural resources

- We reduce the amount of landfill waste
- We improve segregation and recycling



Progress

Started



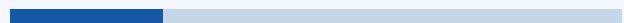
The project to develop waste segregation was launched in January 2016.

Responsible purchasing and sales: We purchase and sell responsibly and support customers in making sustainable choices

- We harmonise our pricing
- We avoid campaigns of excessive length



Started



The system development project was launched in 2015.

Byggmakker, Norway will work on its objectives over the course of 2016.

RESPONSIBILITY MONITORING AND STEERING

Responsible operator

Management approach	We are committed to responsible working principles and we together generate economic value added
Material aspects	<ul style="list-style-type: none"> • Economic performance • Indirect economic impacts • Anti-corruption • Public policy • Anti-competitive behaviour • Compliance • Grievance mechanisms for impacts on society • Customer privacy
We generate economic value added	At Kesko, economic responsibility refers to the good management of finances, the efficient use of resources, as well as generating stable, long-term economic benefits to the various stakeholders. Kesko's operations generate economic benefits for shareholders, personnel, retailers, suppliers of goods and services and their employees, customers, as well as municipalities and states.
Responsible working principles (Code of Conduct) and reputation management	Different aspects of responsibility, such as ethicality of production and sourcing, fair and equal treatment of employees and environmental protection are increasingly important for customers. Kesko's attitude to bribery and other malpractice is absolutely uncompromising. Responsible working principles are essential for building trust between Kesko, K-stores, our customers and our partners.
Public policy	Kesko plays an active role in trade and industry organisations in Finland and in the European Union, contributing its expertise to social development and legislative work. Kesko does not donate funds to political parties.
Customer privacy	Customers' personal data are, for instance, processed in various personal data registers and online stores' customer registers that are collected for the implementation of marketing activities. K-Plus Oy, a Kesko subsidiary, manages and maintains the K-Plus customer loyalty system, operated by K-chains and K-Plus partners. Using the information received from the K-Plus customer loyalty system we can develop and tailor our operations to better suit our customers' needs. Taking care of our customers' privacy is of utmost importance to us.
Objectives	The objectives have been recorded in the responsibility programme .
Policies, working principles and commitments	
Accounting policies	Kesko Group complies with International Financial Reporting Standards (IFRS) approved for adoption by the European Union.

Corporate Governance principles	Kesko's decision-making and corporate governance are guided by Kesko's values and responsible working principles . Decision-making and corporate governance comply with the Finnish Limited Liability Companies Act, regulations concerning publicly quoted companies, Kesko's Articles of Association, the charters of Kesko's Board and its Committees and the rules and guidelines of NASDAQ OMX Helsinki Ltd. The company complies with the Finnish Corporate Governance Code for Listed Companies that entered into force on 1 October 2010.
Risk management principles	The risk management policy confirmed by the Board of Directors guides risk management in Kesko.
Good trading practices	Kesko's grocery trade and Kespro are committed to good trading practices.
Our responsible working principles	The 'Our responsible working principles' guidelines (Code of Conduct) bind all Kesko employees in all operating countries to act in accordance with shared values and responsible working principles.
Data protection policy	The data protection policy defines how Kesko Group strives for compliance with the law in the processing of personal data and a high level of data protection in all of its operations and operating countries.
Monitoring and control systems; programmes, projects and initiatives	
Financial reporting and planning	Kesko's financial reporting and planning are based on Kesko Group's management system. The Group's financial development and achievement of financial objectives are monitored by financial reporting covering the entire Group.
Compliance	Kesko runs compliance programmes to ensure that Kesko employees are familiar with the key laws relating to operations and act in compliance with them. For Kesko, knowledge of and compliance with competition laws is of primary importance. Kesko has a competition law compliance programme, composed of training sessions and an e-learning component available to all Kesko employees. Those whose work is largely related to competition laws are separately obligated to complete the training. The Group Legal Affairs Unit supervises the completion of the training.
Prevention of malpractice	<p>Kesko's Internal Audit pays special attention to the efficiency of controls that prevent malpractice and financial losses. Measures preventing malpractice have included more effective communications, training and guidelines as well as tightened controls. Kesko's Risk Management, Legal Affairs and Internal Audit have organised value discussions in Kesko subsidiaries with the focus anti-bribery work.</p> <p>Through Kesko's intranet, employees in all operating countries, except for Belarus, can give feedback and ask questions concerning operations not only in their own units but also directly to top management. Feedback can be given openly or anonymously. Through the intranet or by e-mail at IA@kesko.fi, employees can also contact Kesko's Internal Audit in confidence.</p> <p>A new channel for reporting suspected malpractice was taken in use in Kesko's Russian subsidiaries. The channel for suspected malpractice is a Russian-language channel through which the partners and employees of Kesko's Russian subsidiaries can report in confidence any suspicions of malpractice in Kesko's Russian subsidiaries.</p>
Risk management	<p>Kesko has a uniform risk assessment and reporting system. Risk identification is based on business objectives and opportunities and the defined risk appetite.</p> <p>Risks are prioritised on the basis of their significance by assessing the impacts and probability of their materialisation and the level of risk management, taking into account that not all risks can be managed or are</p>

worth managing. When assessing the impact of materialisation, the impacts on reputation, people's wellbeing and the environment, among other things, are considered in addition to impact in terms of euro. Risk management measures are assigned persons in charge who are responsible for planning, implementing and monitoring the measures. The measures defined are added in action plans and monitoring systems. Kesko's Internal Audit annually assesses the functioning and efficiency of Kesko's risk management system. At the beginning of 2015, Kesko's risk management function took part in an international peer assessment concerning the level of risk management. The results are used to further develop Kesko's risk management.

Privacy protection

Personal data collected for various purposes on the grounds defined in the Finnish Personal Data Act form separate person registers. For example, the customer information of K-Plussa cardholders forms a customer database that is used, with the customer's permission, for managing customer relationships, for customer contacts and marketing purposes of the companies that have joined the K-Plussa system. K-Plussa customers can prohibit the connection of product or product group level information to their identified customer relationship. In compliance with the Personal Data Act, K-Plus Oy's file description is available in Finnish at www.plussa.com.

Data controllers ensure that customer information is only used for the purposes specified in the file description. Information on individual customers is secured by issuing instructions to personnel and by using technical systems. Customer data is only disclosed to third parties if required by law.

In 2014, Kesko started a data protection programme which consists of training events and an e-learning session. The implementation of the programme is overseen by the Privacy Officer who works under the supervision of the Legal Affairs Unit.

Responsibilities and resources

- Keskos Corporate Governance structure is presented at [Kesko's Corporate Governance](#)
- Group Legal Affairs Unit
- Internal Audit Unit and Risk Management and Strategy Process Unit
- K-Plus Oy

Management approach assessment

The management approach is assessed continuously as part of operations. Changes in the operating environment and in Kesko are taken into account by adjusting objectives, operating principles, monitoring systems and resources.

Kesko Group's Internal Audit monitors and secures the functioning and efficiency of management, supervision, risk management and corporate governance in Kesko Group.

For the benefit of the community

Management approach	We build a better society together
Material aspects	<ul style="list-style-type: none"> Purchase practices
A local approach has an effect on the entire society	<p>Retail trade plays an important role in a local community. It serves and employs local people. In addition to its direct employment impact, the retail trade is also a significant indirect employer through its suppliers and business partners.</p> <p>Retailers, supported by Kesko's district organisations, represent local activities. The K-retailer entrepreneur is responsible for his or her store's staff and customer satisfaction. Listening to the wishes of local customers and making use of customer data, K-retailers build a selection of products and services that meet customer needs. We develop our business in interaction with our customers.</p> <p>Kesko purchases the majority of the products it sells from Finland and encourages K-retailers to include locally produced products in their selections. The impact of Finnish products on employment is significant. For example, Pirkka products are produced in nearly 170 companies all over Finland.</p>
Objectives	The objectives have been recorded in the responsibility programme .
Policies, operating principles and commitments	
Good trading practices	Kesko's grocery trade and Kespro are committed to good trading practices of the food chain.
Our responsible working principles	Kesko requires that its suppliers and other partners act in compliance with Kesko's values and responsible operating principles. A responsibility clause has been incorporated in all significant new agreements since the beginning of 2013.
Chain business model	<p>The principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's retail chains. In Finland, all food stores, building and home improvement stores and agricultural stores in the K-Group are run by K-retailer entrepreneurs.</p> <p>In the retailer model, through its chain operations Kesko provides a first-class setting for its retailer entrepreneurs to provide the best possible service to their customers. The K-retailer entrepreneur implements the chain concept and is responsible for store management, customer satisfaction, personnel and business profitability.</p>
Stakeholder interaction	In Kesko's operations, social impact on local communities is estimated as part of the development of the store network. The establishment of a new store or the expansion or change of an existing store involves various statutory reports – both at the planning and building permit stages – and hearings of local inhabitants and operators, depending on the extent of the project. Reports take a stand on the impact of the project on the community structure, traffic and employment, among other things.

Monitoring and control systems; programmes, projects and initiatives

The Blue and White Footprint campaign K-food stores, K-citymarket Oy (home and speciality goods), K-rauta stores and Rautia stores participated in the Blue and White Footprint campaign of the Association for Finnish Work in 2015. The campaign aimed to increase the sales of Finnish products and consciousness of the positive impacts of buying Finnish work.

- Responsibilities and resources**
- K-retailers and K-Retailers' Association
 - Kesko's district organisation
 - Steering group for responsible purchasing and Kesko's buyers
 - Division Management Boards

Management approach assessment The management approach is assessed continuously as part of operations. Changes in the operating environment and in Kesko are taken into account by adjusting objectives, operating principles, monitoring systems and resources.

Working community

Management approach	We perform and offer high-quality work
Material aspects	<ul style="list-style-type: none"> • Employment • Labour/management relations • Occupational health and safety • Training • Diversity and equal opportunity • Equal remuneration • Labour practices grievance mechanisms
Employment and labour/management relations	<p>We want to be the most attractive workplace in the trading sector, with satisfied employees and competent supervisors. The K-Group offers varied career and personal development opportunities in varied jobs of the trading sector.</p> <p>In restructuring situations, Kesko complies with the local legislation in all of its operating countries. Read more about minimum notification periods in restructuring situations in the GRI report.</p>
Health and safety at work	<p>Kesko and K-stores are responsible for providing employees a safe working environment and appropriate training and guiding for their work.</p>
Development of personnel	<p>Systematic, business-driven development of personnel and management is critical for future success. The major change in the trading sector and the growth of electronic transactions have created the need for new competencies.</p> <p>Other core areas of competence development have included:</p> <ul style="list-style-type: none"> • sales and service competence • product line specific competitive advantage projects • safety and responsibility • leadership and management.
Diversity and equal opportunity	<p>A pluralist organisation that promotes diversity guarantees equal opportunities, rights and treatment to all. Equality, justice and non-discrimination are important principles which are observed at Kesko throughout the employment relationship. The most suitable person with the most development potential is selected for the job, and applicants are judged according to their competence, skills and accomplishments.</p>
Remuneration	<p>The objective of remuneration in Kesko is to encourage employees to exceed the objectives given and to motivate them to do long-term work in order to meet the goals of Kesko Group and its subsidiaries. Remuneration is fair and is based on principles that are commonly known.</p>
Labour practices grievance mechanisms	<p>Employees can ask questions and give feedback or development proposals on issues related to the operations of Kesko or its subsidiaries anonymously via the Direct Line available on the Keskonet intranet. Answers are published for all to see on Keskonet.</p>
Objectives	<p>The objectives have been recorded in the responsibility programme.</p>

Policies, working principles and commitments

HR policy Kesko's HR management is based on Kesko's values and responsible operating practices, which are described in the guide 'Our Responsible Working Principles'. Kesko's HR policy defines key operating principles in the various areas of HR management. The HR strategy defines HR management objectives, critical success factors and key development initiatives.

Diversity commitment Kesko is a member of Diversity Charter Finland. The operations of Diversity Charter Finland are based on a charter that is signed by all members.

Monitoring and control systems; programmes, projects and initiatives

Wellbeing at work programme In the development of wellbeing at work, the objective is to increase job satisfaction and motivation, reduce sickness absence, increase the retirement age and decrease premature pensions, and enhance the employer image. In 2015–2018, the wellbeing at work programme focuses on:

- Supporting employees' health and reducing sickness absence
- Developing safety at work and strengthening the role of labour protection
- Promoting employee engagement, implementing the people principles

Labour protection programme The personnel's ability to work is protected by creating a safe and supportive working environment. The goal of labour protection is to secure and maintain employees' ability to work and to prevent and avoid occupational injuries, occupational diseases and other physical and mental health hazards arising from work or the working environment.

Employment of disabled people and people with partial work capacity In 2012, the K-Retailers' Association launched a project called 'Many kinds of performers' in cooperation with the Finnish Association on Intellectual and Developmental Disabilities (FAIDD). A permanent model was created to provide work for those with intellectual disabilities. Most of the intellectually disabled who were employed during the project still work at the K-Group.

In the Greater Helsinki area, Kesko's Occupational Health Service directs employees to AMI rehabilitation, which promotes mental health. The partial daily allowance can help employees return to work after a sick leave. The support provided by pension insurance companies for occupational rehabilitation has been used to promote return to work.

Youth Guarantee in the K-Group programme

In 2013, Kesko and the K-Retailers' Association launched the Youth Guarantee in the K-Group programme, the aim of which was to offer a job, a work trial or an apprenticeship in the K-Group to 1,000 young people aged under 30 and at risk of social exclusion by the end of 2014. The target group also included young immigrants and young people with disabilities. By the end of 2015, more than 2,500 young people had found employment in the form of a work trial, through wage support and apprenticeship training.

Employment of young people and special groups continues as a permanent model. The K-Retailers' Association has a Youth Guarantee coordinator who gives advice to K-retailers and Kesko's supervisors on issues related to the employment and training of young people and special groups, while also acting as a contact person to the authorities and organisations.

- Responsibilities and resources**
- HR Management Board
 - Kesko HR
 - HR Service Centres

-
- Each supervisor is responsible for labour protection in his/her area as it is part of the line organisation's normal management and supervisory work.

Management approach assessment

The management approach is assessed continuously as part of operations. Changes in the operating environment and in Kesko are taken into account by adjusting goals, operating principles, monitoring systems and resources.

The personnel survey is implemented at 18-month intervals to measure the quality of management. The results of the survey are used when agreeing on development measures that are integrated as part of the yearly action plan and personnel plan. The fulfilment of the measures is monitored.

Responsible purchasing and sales

Management approach	We purchase and sell responsibly and support our customers in their sustainable choices
Material aspects	<ul style="list-style-type: none"> • Products and services • Supplier assessment for labour practices • Labour practices grievance mechanisms • Human rights • Customer health and safety • Product and service labelling • Marketing communications • Compliance
Purchasing from high-risk countries	<p>In its operations, Kesko pays special attention to human rights issues and working conditions in its purchasing chain and, in monitoring these, primarily focuses on suppliers in high-risk countries. In accordance with the BSCI (Business Social Compliance Initiative), these are countries and areas where there is a risk of human rights and workers' rights violations. The classification is based on the World Bank's Worldwide Governance Indicators.</p> <p>High-risk countries typically produce clothing and home textiles, shoes and other leather goods, furniture, carpets, interior decoration items, sports equipment, toys, agricultural products (such as coffee, tea, cocoa, fruit, vegetables, wines) and canned fish, fruit and vegetables.</p> <p>In 2015, direct purchases by Kesko's Finnish companies from suppliers in risk areas totalled €90 million (€131 million in 2014) and accounted for 1.2% (1.5%) of Kesko's total purchases. The most significant high-risk countries in terms of imports are listed at Human rights assessments. Direct imports from high-risk countries accounted for 14.8% (21.1%) of Kesko's total imports into Finland. There are no statistics available on the imports of Kesko's subsidiaries in other countries from high-risk countries. Around 82% (76%) of Kesko's imports into Finland come from EU countries. The figure does not include imports by VV-Auto.</p> <p>In addition to its own direct imports, Kesko also purchases goods produced in high-risk countries from other brand and import companies operating in Finland. There are no reliable statistics available on the countries of origin of these imports. There may also be social risks involved in the manufacture of products imported to Finland through third countries or in the production of their ingredients.</p>
Product safety and product labelling	<p>Kesko and K-Group stores are responsible to the products' end-users for ensuring that the products comply with all the requirements of Finnish and EU legislation, are safe for users and meet quality and other promises. Product labelling and marketing communications comply with legislative requirements and authorities' recommendations.</p> <p>Kesko and K-Group stores want to support customers in making sustainable choices and offer a wide selection of products with responsibility criteria.</p>
Objectives	The objectives have been recorded in the responsibility programme .

Policies, working principles and commitments
[Purchasing principles](#)

Responsible purchasing is guided by Kesko's purchasing principles. The principles are based on national labour protection legislation and corresponding conventions of the International Labour Organization (ILO), which are applied when national legislation does not correspond to the same level.

Policy on chemicals

Kesko's policy on chemicals applies to home textiles, clothing, leather goods, shoes and upholstered furniture. Based on EU and Finnish legislation, it lists the chemicals which are prohibited or the quantity of which is restricted in the products supplied to Kesko. In addition, for substances of very high concern, Kesko sets restrictions that are stricter than those set in legislation.

PVC statement

Kesko reduces its impact on the environment by actively seeking options for PVC plastic, both in the packaging of its own brands and in the products themselves. It has been estimated that the elements and compounds contained in PVC, such as chlorine and phthalates, have significant environmental and health impacts. Therefore, replacing PVC with materials more suitable for recycling is appropriate, particularly in packaging and products with short life spans.

[Policy statements](#)

Various product group specific policy statements, such as the palm oil policy, the fish and shellfish statement, the timber policy, and the stand on the sandblasting of jeans, have been prepared to support purchasing operations.

K-responsibility concept

Responsible choices are communicated to customers in stores according to the K-responsibility concept with in-store communications, such as shelf labelling and product labelling. The selection and marketing policies of organic, eco-labelled and Fairtrade certified products are included in K-food stores' chain concepts. The K-responsibility concept was first adopted in K-food stores in 2013. In 2014, it was adopted by K-rauta stores and the introduction to Rautia chain stores started. In 2015, it was adopted by Rautia stores and in the K-maatalous chain.

Monitoring and control systems; programmes, projects and initiatives
Audits of suppliers in high-risk countries

Kesko requires its suppliers in high-risk countries to have social responsibility certification or audits. Kesko is a member in the European BSCI audit system and is committed to the BSCI Code of Conduct, the content of which is practically the same as Kesko's own purchasing principles.

In cooperation with the BSCI, Kesko follows other audit systems in the market and accepts audits based on them, provided that the level of requirements is the same as in the BSCI audit. Below is a table of the certification and audit systems Kesko uses in various product groups. The responsibility of the purchasing chain is also monitored and developed as part of the sourcing cooperation with other European retail chains (Swisstec, ICA, AMS).

Kesko has a SUMO (supplier monitoring) database, in which the information on supplier audits, certifications and monitoring visits to suppliers in high-risk countries is saved alongside their respective risk ratings. The information on BSCI audits is also saved in the database maintained by the BSCI and is available to all members.

In 2015, Kesko's grocery trade adopted a risk assessment tool, which is used to survey such manufacturers of Kesko's own food brand products' ingredients (so-called 2nd tier) in high-risk countries from which a sustainability report is required.

Audits of Kesko's grocery trade's own brand product manufacturers and producers	Kesko's grocery trade requires that the manufacturers and producers of its own brand products have an international food safety certification. Kesko's grocery trade accepts the following audit procedures: BRC, IFS, ISO/FSSC 22000, SQF1000/2000 and GlobalGAP, IP basic certification for vegetables or IP-Sigill.
Kesko Product Research Unit's laboratory	The Product Research Unit's laboratory monitors the quality of products sold by K-food stores and K-citymarket hypermarkets. It is a testing laboratory T251 which has been accredited by the FINAS accreditation services and approved to comply with the SFS-EN ISO/IEC 17025 standard.
K-responsibility concept audits	The assessment of a store's responsible operations comprises the store's annual self-assessment, the criteria defined in the store's quality system and a responsibility audit performed by an external party on a specified sample. The auditor reports the results to the store and to Kesko.
Responsibilities and resources	<ul style="list-style-type: none"> • The Group's Corporate Responsibility Steering Group • The Steering Group for Responsible Purchasing and Kesko's buyers • Kesko's grocery trade's Responsibility Steering Group • Kesko Product Research Unit • Division parent companies' employees responsible for communications and marketing • K-stores
Management approach assessment	<p>The management approach is assessed continuously as part of the operations of the steering groups. Changes in the operating environment and in Kesko are responded to by adjusting objectives, working principles, monitoring systems and resources.</p> <p>Internal Audit conducts audits on responsible sourcing in Kesko companies. The audits evaluate the effectiveness of controls and provide recommendations on how shortcomings can be corrected.</p> <p>The self-control of Kesko's grocery trade and K-food stores is developed on the basis of the results of official inspections, among other things. The Product Research Unit's laboratory is audited annually as required by the SFS-EN ISO/IEC 17025 standard. In addition, its operations are assessed annually with an internal audit and an inspection by the management.</p>

Certification and audit systems related to production and products in high-risk countries used by Kesko

Certification/audit system	Product group	Coverage of criteria	Product label
BSCI (Business Social Compliance Initiative)	All product groups	Social, limited environmental part	No
SA8000	All product groups	Social	No
ETI	All product groups	Social	No
Sedex/SMETA	All product groups	Social, limited environmental part	No
ICS	All product groups	Social	No
ICTI CARE	Toys	Social	No
FSC (Forest Stewardship Council)	Wood products and timber	Social, environmental	Yes
Fairtrade	Agricultural products, incl. cotton	Social, environmental	Yes
Rainforest Alliance	Agricultural products	Social, environmental	Yes
Pro Terra	Agricultural products	Social, environmental	Yes
UTZ Certified	Coffee, cocoa, tea	Social, environmental	Yes
RSPO (Roundtable on Sustainable Palm Oil)	Products containing palm oil	Economic, environmental, social	Yes
WIETA	Wines	Social	Yes
MSC (Marine Stewardship Council)	Caught fish and shellfish	Environmental (sustainable fishing)	Yes
ASC (Aquaculture Stewardship Council)	Farmed fish and shellfish	Social, environmental	Yes
Florverde Sustainable Flowers	Flowers	Social, environmental	Yes
FLA (Fair Labor Association)	Consumer goods	Social	No
FWF (Fair Wear Foundation)	Clothing	Social	No
GOTS (Global Organic Textile Standard)	Textiles, hygiene products (organic)	Social, environmental	Yes
WRAP (Worldwide Responsible Accredited Production)	Textiles, shoes	Social	No

Wellbeing for customers

Management approach	We offer services that promote customers' wellbeing
Material aspects	<ul style="list-style-type: none"> Customer health and safety
Products and services that promote wellbeing	Kesko and K-stores aim to make their customers' lives easier, providing them with services that promote health and wellbeing and guidance on the proper use of products. Promoting healthy ways of living and eating habits as well as physical activity is central to the K-Group's food and sports stores.
E-commerce and multi-channel services	Customers' needs and consumption behaviour change greatly as new electronic services and, particularly, mobile services become increasingly widespread. Kesko's key strategic objective is to serve customers in all of its divisions by using the opportunities provided by mobile services, online services and digital marketing.
Objectives	The objectives have been recorded in the responsibility programme .

Policies, operating principles and commitments

K-responsibility concept	The K-responsibility concept is used to tell customers about the store's good deeds and to help them make healthy and sustainable choices easily. The K-responsibility concept was first introduced in K-food stores in 2013. The concept was taken into use in K-rauta stores and its launch in Rautia stores started over the course of 2014. It was introduced in Rautia stores and in the K-maalous chain in 2015.
E-commerce and multi-channel services	The objective of Kesko's digital strategy is that the K-Group will provide the best digital services in 2017. The development of digital services requires major investments in competence development and capital expenditure in technology and logistics systems. Kesko provides online stores and digital services in all of its product lines.

Monitoring and control systems, programmes, projects and initiatives

Product research	<p>Kesko Product Research Unit's laboratory monitors the safety and quality of groceries and home and speciality goods sold by K-food stores and K-citymarket hypermarkets.</p> <p>In addition to the laboratory, the Product Research Unit includes the test kitchen and Kesko Food's consumer service. The test kitchen's duties include sensory evaluations of products and testing their cooking properties. The consumer service provides information on Pirikka products. Customers give feedback about products and ask about various aspects such as product origins, ingredients, their suitability for different kinds of users and instructions for use and preparation.</p>
Recipe service	The home economics teachers in Kesko's grocery trade's marketing unit develop and test hundreds of new food recipes annually. The nutritional contents for about 6,000 recipes found in the K-ruoka.fi recipe service have been calculated to help customers make choices.

K-responsibility concept audits	The assessment of a store's responsible operations comprises the store's annual self-assessment, the criteria defined in the store's quality system and an external responsibility audit based on a defined sample. The auditor reports the results to the store and Kesko.
Customer satisfaction	The service level, recognition level and images of Kesko's chains are regularly monitored in brand surveys targeted at consumers in all product lines. The same practice is applied to the K-Plussa customer loyalty programme and the grocery trade's own brand products. Store-level customer satisfaction is measured by customer satisfaction surveys and the mystery shopping method in food stores and the building and home improvement stores.
Responsibilities and resources	<ul style="list-style-type: none"> • Kesko's divisions • Kesko's Product Research Unit • K-stores
Management approach assessment	The management approach is assessed continuously as part of the operations. Changes in the operating environment and in Kesko are responded to by adjusting objectives, operating principles, monitoring systems and resources.

Mitigation of climate change

Management approach	We take part in mitigating climate change and promote the sustainable use of natural resources
Material aspects	<ul style="list-style-type: none"> • Energy • Water • Biodiversity • Emissions • Wastewater and waste • Environmental assessment of suppliers
Energy consumption	The energy consumption of properties accounts for the major share of the greenhouse gas emissions caused by the K-Group. Constant improvement of the energy efficiency of properties is a main focus area in Kesko's environmental work.
Water	Properties managed by Kesko use municipal water mainly for various cleaning purposes. The most significant impacts on water are related to the supply chains of products to be sold. In 2015, Kesko started a water risk assessment of the supply chains of its private label products.
Biodiversity	Kesko only builds retail stores in areas zoned for business properties, so building does not have significant direct biodiversity impacts. Kesko's largest impacts are indirect and occur in the supply chain of the products sold and in the production of raw materials. Kesko manages these impacts with sourcing policies, materials efficiency and by promoting the circular economy.
Emissions	Kesko's operations generate greenhouse gas emissions mainly from the energy consumption of properties and from logistics. Energy-efficient solutions in properties and the acquisition of low-carbon electricity reduce retail stores' emissions. The grocery trade logistics (Keslog) constantly aims to improve its efficiency in order to reduce emissions.
Waste management	Materials efficiency, recycling of materials and minimising food waste are the key means by which Kesko reduces the amount of waste, promotes the circular economy and achieves the zero landfill waste level.
Environmental assessments of suppliers	The assessment procedures of Kesko's suppliers include environmental criteria.
Objectives	The objectives have been recorded in the responsibility programme .

Policies, working principles and commitments

[Environmental and energy policy](#)

The K-Group's environmental and energy policy covers the operations of Kesko Group and the K-Group stores both in Finland and the other operating countries. The K-Group's key business partners are also expected to observe corresponding environmental management principles.

Environmental management is part of the K-Group's management system and is based on the ICC Business Charter for Sustainable Development, environmental management standards, as well as requirements set by legislation and the authorities.

Monitoring and control systems, programmes, projects and initiatives

Environmental work steering Kesko Group's Corporate Responsibility Advisory Board defines the main policies for environmental work and the target levels for the Group companies, taking account of the environmental impacts of operations and their significance throughout the whole life cycle and supply chain. The division parent companies and subsidiaries specify the main policies of their environmental work into environmental action programmes which support their business operations. The action programmes are monitored and updated annually as part of strategy work.

Environmental systems At the end of 2015, environmental systems covered 67% of the Kesko companies' net sales in Finland and 55% of the whole Group's net sales. The coverage has been calculated in proportion to retail sales.

The logistics operations of Keslog Ltd and Rautakesko Ltd are ISO 14001 certified.

VV-Auto Group Oy fulfils the requirements of the ISO 9001 quality system and VV-Autotalot Oy fulfils the requirements of the quality and environmental action programme of the Finnish Central Organisation for Motor Trades and Repairs (AKL).

In the food stores and the building and home improvement stores, environmental management is based on the K-responsibility concept. Key environmental issues are also included in the concept measurement of the food store chains. In 2015, the K-responsibility concept was also adopted by the agricultural chain of K-maatalous stores.

No certified environmental systems were yet in use in operations in other countries.

Energy consumption monitoring Kesko's maintenance partners monitor the energy consumption of properties with the help of the EnerKey.com system supplied by Enegia Oy. Enegia reads remotely energy consumption measurement terminals located in properties and records the data in the database by the hour. Also the consumption figures for properties where the data are collected manually are saved in the EnerKey system. The EnerKey programme responds to even minor location-specific changes in consumption and sends an alarm to the person in charge.

[Energy efficiency agreement](#)

Kesko has signed the trading sector energy efficiency agreement.

In terms of specific energy consumption, the types of properties with the highest energy consumption are K-citymarkets and K-supermarkets, and large wholesale and warehouse buildings.

Kesko conducts energy reviews in the properties managed by it on a regular basis.

Water consumption monitoring Water consumption monitoring is part of real estate consumption monitoring. Kesko's goal is to maintain a high level of water consumption efficiency in all operations.

Biodiversity In line with Kesko's building and home improvement trade's sourcing statement, the products made of tropical wood must be either FSC or PEFC certified.

The K-Group's fish and shellfish statement directs Kesko's grocery trade's and Kespro's own sourcing, as well as K-food retailers' sourcing to safeguard responsible fishing and cultivation of fish.

Kesko's grocery trade is a member of the RSPO (Roundtable on Sustainable Palm Oil) and its objective is that by 2020, all palm oil used in Pirkka private label products will be responsibly produced (CSPO).

Kesko is a founding member in the Finnish soy commitment group. Kesko has become a member in the RTRS (Roundtable on Responsible Soy) and made a commitment that by 2020, all of the soy in the production chains

of its private label products is responsibly produced, either RTRS or ProTerra certified soy. The commitment covers both the Finnish production chain and sourcing from other countries.

[Policy statements](#)

Waste management

Kesko develops recycling systems in cooperation with other operators and promotes waste recycling by developing packaging methods and the use of materials. The generation of waste is prevented by using reusable transport units and by minimising the wastage of products on sale.

According to Kesko's business model, retailer entrepreneurs are responsible for waste management in K-stores.

Kesko's target is to recover all waste from operations and to achieve the zero waste to landfill level.

Building contracting and maintenance

Kesko's building contracting is based on target conditions and key technical quality factors determined for each business concept and the planning and execution instructions in respect of building services and construction engineering based on them. Kesko measures the efficiency and quality of planning and execution by providing its individual properties with international environmental certificates, such as BREEAM and LEED. In 2015, Kesko's partners in the maintenance and service of properties were Caverion Oy, Ovenia Oy and L&T plc. The environmental systems of Caverion Oy and L&T plc are ISO 14001 certified.

[Business Environmental Performance Initiative BEPI](#)

Kesko has joined the Foreign Trade Association's (FTA) Business Environmental Performance Initiative (BEPI). BEPI is aimed at helping member companies in the management of global supply chains and, consequently, increasing the transparency and risk management of their product supply chains.

Responsibilities and resources

- Group Corporate Responsibility Advisory Board
- Environmental Steering Group
- Store Sites and Real Estate Unit
- Keslog Ltd

Management approach assessment

The management approach is assessed continuously as part of the operations. Changes in the operating environment and in Kesko are responded to by adjusting objectives, operating principles, monitoring systems and resources. Audits and reviews of the environmental systems.

Environmental systems at Kesko

Function	Environmental management system	Comment
Keslog's warehousing, terminal and transportation operations	ISO 14001	Certificate revised in 2015.
Rautakesko Ltd's logistics centre	ISO 14001	Certificate revised in 2015.
Real estate service and maintenance operations	ISO 14001, ISO 9001	ISO 14001, ISO 9001: Caverion, L&T ISO 9001: Ovenia
VV-Auto Group Oy	ISO 9001 and AKL's environmental programme	ISO 9001 certificate: VV-Auto Group Oy. Action programme of the Finnish Central Organisation for Motor Trades and Repairs (AKL): VV-Autotalot Oy
K-food stores: 776 K-responsibility stores	K-responsibility concept	Chain requirement for K-citymarket, K-supermarket and K-market stores
K-rauta stores: 41 K-responsibility stores	K-responsibility concept	Total number of stores: 45
Rautia stores: 88 K-responsibility stores (including 4 K-maatalous combination stores)	K-responsibility concept	Total number of stores: 93
K-maatalous stores: 24 K-responsibility stores	K-responsibility concept	Total number of stores: 35

RESPONSIBILITY WORK FOCUSES ON MATERIALITY

The frame of reference for Kesko's vision for corporate responsibility and materiality assessment is Kesko's responsibility programme, megatrends in responsibility, aspects of significance for stakeholders and Kesko's strategic objectives.

Corporate responsibility vision

Kesko's vision for corporate responsibility is: in all areas of responsibility, we are the trading sector pioneer on a global scale. The corporate responsibility vision is also described by [key stakeholder groups](#).

Responsibility programme

[The responsibility programme](#) applies to all of Kesko's divisions and contains short-term and long-term objectives. Each division has prepared its own, division-specific objectives for the sections. The commitments of the programme form its framework, and the individual objectives can be specified annually.

Materiality assessment

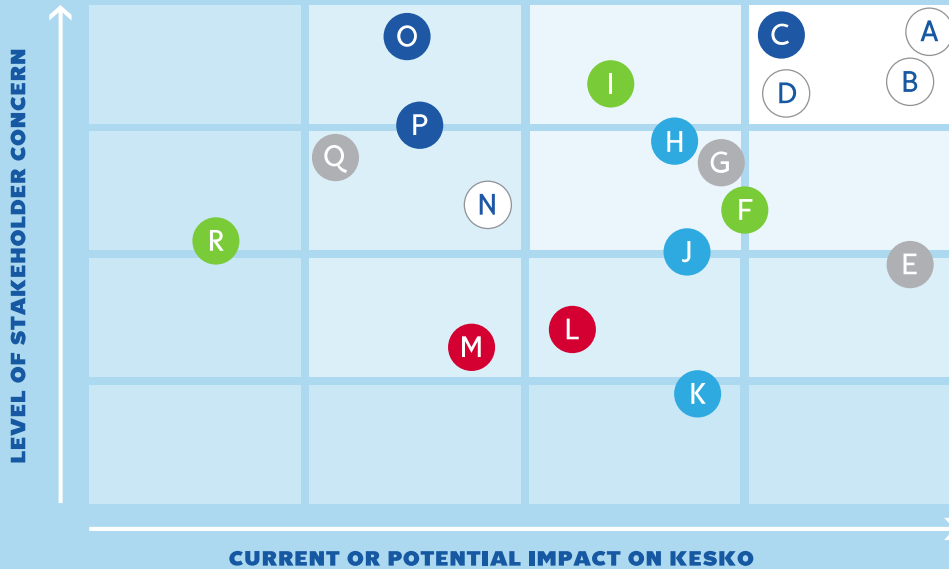
The purpose of the materiality assessment of Kesko's responsibility is to identify the key responsibility aspects for Kesko and its

stakeholders. The materiality assessment guides Kesko's corporate responsibility and stakeholder work and defines activities for meeting stakeholder expectations.

Kesko's material corporate responsibility aspects are presented in the matrix below, where the vertical axis shows the level of concern for stakeholders and the horizontal axis the current or potential impact on Kesko. The level of concern for stakeholders has been assessed as a whole, which is why the weightings of the various areas by individual stakeholders are not reflected in the matrix.

The materiality assessment was last updated in 2012. In 2013, the [material aspects](#) for reporting were defined according to the requirements of the new GRI G4 reporting guidelines. The aspects identified were already included in Kesko's current materiality assessment, and no need was seen to update the materiality matrix.

MATERIALITY MATRIX



Responsible operator

- A** Financial profitability
- B** Good corporate governance and risk management
- D** Accessibility and multi-channel approach
- N** Shopping safety and security

For the benefit of the community

- L** Local approach
- M** Sense of community

Working community

- E** Personnel's competence development
- G** A fair working community
- Q** Changing expectations for work-life

Responsible purchasing and sales

- C** Product safety and quality
- O** Sustainable product selection
- P** Human rights and the environmental impacts of production in the purchasing chain

Mitigation of climate change

- F** Efficient logistics
- I** Energy and resource efficiency
- R** Promoting sustainable agriculture

Wellbeing for customers

- H** Promoting wellbeing
- J** Guiding customers
- K** Servitisation of products chain

Identified material aspects of corporate responsibility

The Group's boundaries

The Group's boundaries include the parent company, Kesko Corporation, its subsidiaries and the subsidiaries owned by other Group companies, which are defined in [the notes to the financial statements](#).

The reporting covers all of Kesko's operations:

- Most economic responsibility indicators are derived from the consolidated financial statements, the preparation and representation of which are governed by IFRS standards.
- The key environmental indicators, such as energy consumption, water consumption, waste and direct greenhouse gas emission from operations, cover the most significant environmental impacts of the parent company, Kesko Corporation, and its subsidiaries in all countries in which they operate, excluding Intersport stores in Russia.
- The HR indicators cover the personnel of the parent company, Kesko Corporation, and its subsidiaries in all operating countries.

Around three quarters of Kesko's employees work in retail stores. The report does not cover the personnel employed by retailer entrepreneurs, unless separately stated in the text. Indicator reporting does not cover contractors or suppliers of goods and services, unless stated otherwise.

Kesko's division parent companies and chains act in close cooperation with retailer entrepreneurs and other partners. The report presents information on K-stores (e.g. energy monitoring) when it is materially related to Kesko's reporting and complements the overall picture of the

relations of Kesko and K-retailers with society and other stakeholders.

Any deviations and limitations in the boundary are reported in connection with the indicators in question. If changes have taken place in the indicators, their scope, boundary or measurement methods reported previously, related information is given in connection with the respective indicators.

Defining report content

In 2013, the material aspects for reporting were defined according to the new requirements in the GRI G4 reporting guidelines. Responsibility aspects that had been identified earlier, were discovered in Kesko's operations during the reporting year or were brought up by stakeholders were assessed critically in terms of impact in the value chain and interest by the central stakeholders. In order to identify material aspects, a set of decision criteria was drawn up for use in assessing the materiality of aspects with respect to the entire value chain. A boundary was also defined for each aspect to reflect the material impact of the aspect on Kesko's value chain.

As a result of the analysis, 33 aspects were identified that are material with respect to impact. They are discussed in this report. The related impacts by aspect are described in the [management approach](#). The aspects and related boundaries are listed in the table below. The material aspects were discussed by Kesko's Corporate Responsibility Advisory Board, Group Management Board and Board of Directors.

Material aspects and boundary

GRI aspect (G4-19)	Aspect boundary (G4-20-21)
ECONOMIC IMPACTS	
Economic performance	Kesko Group
Indirect economic impacts	Kesko Group and K-stores
Procurement practices	Kesko Group and K-stores
ENVIRONMENTAL IMPACTS	
Energy	Kesko Group and K-stores
Water	Kesko Group and K-stores
Biodiversity	Kesko Group and suppliers
Emissions	Kesko Group (Scopes 1 and 2), K-stores (Scope 2) and supply chain (Scope 3)
Effluents and waste	Kesko Group
Products and services	Suppliers
Environmental assessment of suppliers	Suppliers. This aspect has been identified as material and reporting is under development.
SOCIAL IMPACTS	
Personnel and working conditions	
Employment	Kesko Group
Labour/management relations	Kesko Group
Occupational health and safety	Kesko Group
Training	Kesko Group
Diversity and equal opportunity	Kesko Group
Equal remuneration	Kesko Group
Supplier assessment for labour practices	Suppliers in high-risk countries
Labour practices grievance mechanisms	Kesko Group, suppliers in high-risk countries. This aspect has been identified as material and reporting is under development.

Human rights

Non-discrimination	Kesko Group
Freedom of association and rights of collective bargaining	Kesko Group
Human rights assessments	Kesko Group
Human rights assessments of suppliers	Kesko Group
Grievance mechanisms for issues in human rights	Kesko Group, suppliers in high-risk countries. This aspect has been identified as material and reporting is under development.

Society

Anti-corruption	Kesko Group
Public policy	Kesko Group
Anti-competitive behaviour	Kesko Group
Compliance	Kesko Group
Grievance mechanisms for impacts on society	Kesko Group. This aspect has been identified as material and reporting is under development.

Product responsibility

Customer health and safety	Kesko Group – Own brand products and own imports
Product and service labelling	Kesko Group – Own brand products and own imports
Marketing communications	Kesko Group
Customer privacy	Kesko Group, K-Plus Oy
Compliance	Kesko Group

WE LISTEN TO OUR STAKEHOLDERS

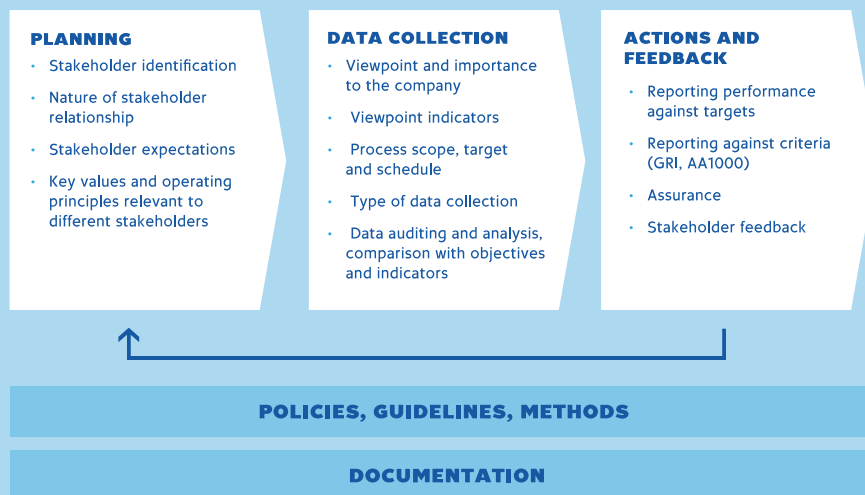
The assessment of Kesko's operations and corporate responsibility performance takes account of the key stakeholders:

- Customers
- Investors and Kesko's owners
- Kesko employees
- Retailers and store staff
- Suppliers and service providers
- The media
- Authorities
- NGOs and other organisations
- Trade unions

[The materiality assessment of Kesko's responsibility](#) guides Kesko's corporate responsibility and stakeholder work. Operations in all areas of responsibility are developed in accordance with the expectations of the key stakeholder groups.

The stakeholder assessment is included in Kesko's management system and operating plans. [Kesko's corporate responsibility vision](#) is based on taking stakeholders' views into account.

KESKO'S STAKEHOLDER INTERACTION



Various surveys are regularly conducted to identify stakeholder expectations.

In the 2015 survey by TNS Gallup on companies' reputation and responsibility, 500 consumers assessed the K-Group. The strongest factors contributing to the K-Group's reputation were considered to be customer orientation, competent personnel, and delivery and service reliability. Room for improvement was seen in terms of commitment to promoting environmental issues and the transparency of operations.

As part of Kesko's human rights assessment we engaged in dialogue with our stakeholders in autumn 2015 and early 2016:

- TNS Gallup looked into human rights in the K-Group's operations on the basis of small-group discussions and a web survey sent to 567 K-Group customers and 41 specialists

- District coordinators of the Trade Union Solidarity Centre of Finland (SASK) interviewed employees of the factories manufacturing Kesko's own-branded goods in three high-risk countries (India, Bangladesh and the Philippines). The interviews focused on human rights in the factory and the impact of Kesko's operations.

The Senior Vice President, corporate responsibility, communications and stakeholder relations, brand and marketing steering and development, a member of Kesko's Group Management Board, is the head of corporate responsibility. He reports to the Group Management Board about communication with stakeholders on economic, social and environmental responsibility.

Staying aware of stakeholder expectations requires regular dialogue. The following table describes interaction with the key stakeholder groups.

KEY STAKEHOLDERS	STAKEHOLDER INCLUSIVITY AND CHANNELS OF INTERACTION	RESPONSE TO STAKEHOLDER EXPECTATIONS
CUSTOMERS	<ul style="list-style-type: none"> • Daily customer encounters • Customer service channels • Customer satisfaction surveys • Post-shopping surveys • Interaction via social media channels (Facebook, Twitter, Google+, Pinterest, Instagram, blogs) • Inquiry and service functions on mobile and online services 	<p>Responsibility is strongly visible to customers in the K-Group's consumer brands and stores. Customers have to be able to trust in the quality and safety of products and the fact that their responsible choices start when they enter a K-store.</p>
INVESTORS, OWNERS AND ANALYSTS	<p>Investors' and shareholders' questions concerning responsibility have increased in recent years. Kesko replies annually to the inquiries of several institutions making sustainability assessments. Examples of the events:</p> <ul style="list-style-type: none"> • Annual General Meeting • Investor meetings • Press conferences • Capital Markets Days 	<p>Kesko strives to continue and improve its ratings in significant sustainability indices and lists, as they are important neutral evidence of responsible operations. Transparency of reporting and corporate governance principles – as well as ensuring that legislation and responsible working principles are observed – create a solid basis for Kesko's business operations.</p>
EMPLOYEES AND RETAILERS	<ul style="list-style-type: none"> • Personnel survey • Performance and development reviews • National Works Council meetings • Kesko's intranet: country-specific pages: Keskonet Finland, Sweden, Estonia, Latvia, Russia, and Keskonet Global that is common to all • Available on Keskonet: Direct Line, Mail to the President and CEO, internal audit feedback channels, a discussion column and several blogs • The annual K-Team event for K-retailers, K-store staff, Kesko employees and business partners • 'Our Responsible Working Principles' guide (in all languages of our operating countries) • Value discussions on responsible working principles 	<p>Kesko's working community is developing and global. Common working principles and practices provide the basis for our work everywhere. Responsibility is becoming ever more important in creating the employer image. Companies in which job satisfaction is high and that are able to offer versatile jobs and opportunities for career progress are most likely to succeed in attracting and retaining the best employees. K-retailers listen to the wishes of their customers and adapt their selections accordingly. Stores implement responsibility in all of their operations.</p>

SUPPLIERS AND SERVICE PROVIDERS

- More than 21,100 suppliers and service providers, [see EC9](#)
- Cooperation according to good trading practices
- 'Principles and Practice of Socially Responsible Trading' guide
- Business partner meetings, such as Kesko grocery trade's annual partner info event
- Audits and training events in high-risk countries

Multi-form networking with suppliers and service providers requires that all parties to the supply chain accept the common values, objectives and working principles. We are together responsible for ensuring that our customers can rely on our expertise, services and the quality and safety of our products.

SOCIETY (THE MEDIA, AUTHORITIES, NGOS AND OTHER ORGANISATIONS, AND TRADE UNIONS)

- Meetings
- Media events and inquiries
- [Activities in organisations](#)
- BSCI cooperation internationally and in the national BSCI group
- Inquiries by NGOs

Kesko proactively follows all changes in society in close cooperation with its stakeholders. We cooperate and discuss openly with NGOs, authorities and other decision makers.

CONTACT PERSONS

The list gives contact information of the people who primarily provide additional information on different areas of the report.

The list does not include all Kesko employees who have participated in editing the report.

E-mail addresses: firstname.lastname@kesko.fi

Name	Title	Unit
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DEVELOPMENT, COORDINATION AND RESPONSIBILITY FOR EDITING THE REPORT:

Eva Kaukinen	Vice President, Group Controller	Kesko Corporation, Group Accounting
Matti Kalervo	Vice President, Corporate Responsibility	Kesko Corporation, Group Corporate Responsibility
Lena Leeve	Financial Communications Officer	Kesko Corporation, Investor Relations
Pirjo Nieminen	Communications Officer	Kesko Corporation, Group Corporate Responsibility

ECONOMIC RESPONSIBILITY:

Jukka Erlund	Senior Vice President, CFO	Kesko Corporation, Accounting and Finance
Eva Kaukinen	Vice President, Group Controller	Kesko Corporation, Group Accounting
Tiina Nyrhi	Corporate Financial Controller	Kesko Corporation, Group Accounting
Riikka Toivonen	Investor Relations Manager	Kesko Corporation, Investor Relations
Lena Leeve	Financial Communications Officer	Kesko Corporation, Investor Relations
Esko Mansikka	Managing Director	Vähittäiskaupan Tilipalvelu VTP Oy

HUMAN RESOURCES RESPONSIBILITY:

Matti Mettälä	Senior Vice President, Human Resources	Kesko Corporation
Susanna Kukkonen	HRIS Manager	Kesko Corporation, Kesko HR / Common Services
Katriina Ahtee	OHS Director	Kesko Corporation, Kesko HR / Common Services
Mikko Myyryläinen	HR Director	Kesko Corporation, Kesko HR / Common Services

RESPONSIBLE PURCHASING:

Sohvi Vähämaa	Corporate Responsibility Specialist	Kesko Corporation, Group Corporate Responsibility
Johanna Teinilä-Kurvinen	Project Manager	Kesko Food Ltd, Commerce
Leena Takaveräjä	Purchase Manager	Rautakesko Ltd, Commerce Support

PRODUCT SAFETY:

Matti Kalervo	Vice President, Corporate Responsibility and Product Safety	Kesko Corporation, Group Corporate Responsibility
Heta Rautpalo	Product Research Manager	Kesko Food Ltd, Product Research

ENVIRONMENTAL RESPONSIBILITY:

Minna Saari	Environmental Specialist	Kesko Corporation, Group Corporate Responsibility
Timo Jäske	Sustainability Manager	Kesko Food Ltd, Commerce
Jari Suuronen	Technical Building Services Manager	Kesko Food Ltd, Store Sites and Retailer Operations
Toni Pelin	Environmental and Safety Manager	Keslog Ltd, Supply Chain Development
Jesse Methner	Sustainability Manager	Rautakesko Ltd, Commerce Support
Harri Jyränkö	Development Manager	VV-Autotalot Oy

CORPORATE GOVERNANCE, RISK MANAGEMENT AND CORPORATE SECURITY:

Anne Leppälä-Nilsson	Senior Vice President, Group General Counsel	Kesko Corporation, Legal Affairs
Pasi Mäkinen	Chief Audit Executive	Kesko Corporation, Internal Audit
Ismo Riitala	Vice President, Risk Management and Strategy Process	Kesko Corporation, Accounting and Finance
Timo Pajala	Risk Manager	Kesko Corporation, Risk Management
Petri Käyhkö	Security Manager	Kesko Corporation, Risk Management

PRIVACY PROTECTION/CUSTOMER LOYALTY SYSTEM:

Ismo Riitala	Managing Director	K-Plus Oy
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GRI-INDEX

GRI G4 content index

Code	GRI content	Location	Omissions	Further information	Global Compact
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General Standard Disclosures

Strategy and Analysis					
G4-1	Statement from the President and CEO		Review by the President and CEO		
G4-2	Key impacts, risks and opportunities		Our operating environment , Description of value creation , Opportunities and risks related to the operating environment , We listen to our stakeholders Responsibility programme		
Organisational Profile					
G4-3	Name of the organisation		Kesko in brief		
G4-4	Primary trademarks/brands, products and services		Kesko in brief , Divisions in brief		
G4-5	Location of the organisation's headquarters		Kesko in brief		
G4-6	Number of operating countries and names of countries where the organisation operates or that are specifically relevant to the sustainability topics covered in the report		Kesko in brief		
G4-7	Nature of ownership and legal form		Kesko in brief Welfare for society		
G4-8	Markets served		Kesko in brief		

Code	GRI content	Location	Omissions	Further information	Global Compact
G4-9	Scale of organisation	Kesko in brief			
G4-10	Total number of employees by employment contract, region and gender	Social impacts/ Employees	No distribution by gender. Information not available. The aim is to report the information in 2016–2018.	There are no independent entrepreneurs among Kesko employees, nor does suppliers' or hired labour perform a significant part of the work. There are no significant seasonal fluctuations in the number of employees.	x
G4-11	Percentage of total employees covered by collective bargaining agreements	Social impacts/ Human rights			x
G4-12	Organisation's supply chain	Our operating environment, Purchasing practices			
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Review by the President and CEO, Kesko in brief, Divisions in brief, Divisions, Stock exchange release on 16 March 2015 and 27 May 2015		In 2015, divisional structure was changed. Anttila Oy was divested.	
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	Our operating environment			
G4-15	Externally developed charters, principles or initiatives to which the organisation subscribes or which it endorses	Responsibility management Responsibility monitoring and steering			
G4-16	Memberships of associations and advocacy organisations	Activities in organisations			

Code	GRI content	Location	Omissions	Further information	Global Compact
	Identified Material Aspects and Boundaries				
G4-17	Entities included in the organisation's consolidated financial statements	Identified material aspects of corporate responsibility			
G4-18	Process of defining the report content	Identified material aspects of corporate responsibility			
G4-19	Material aspects	Identified material aspects of corporate responsibility, Responsibility monitoring and steering			
G4-20	Aspect boundary for each material aspect within the organisation	Identified material aspects of corporate responsibility			
G4-21	Aspect boundary for each material aspect outside the organisation	Identified material aspects of corporate responsibility			
G4-22	Restatements of information provided in previous reports	Changes reported in connection with relevant performance indicators.			
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	No significant changes.			
	Stakeholder Engagement				
G4-24	List of stakeholder groups engaged in the organisation	We listen to our stakeholders			
G4-25	Basis for identification and selection of stakeholders with whom to engage	We listen to our stakeholders			

Code	GRI content	Location	Omissions	Further information	Global Compact
G4-26	Organisation's approach to stakeholder engagement	We listen to our stakeholders			
G4-27	Key topics and concerns that have been raised through stakeholder engagement	We listen to our stakeholders , Product responsibility/Marketing communications			
Report Profile					
G4-28	Reporting period	GRI Report Profile			
G4-29	Date of the most recent previous report	GRI Report Profile			
G4-30	Reporting cycle	GRI Report Profile			
G4-31	Contact point for questions regarding the report of its contents	Contact information			
G4-32	GRI content index	GRI G4 Content Index , GRI Report Profile			
G4-33	Organisation's policy with regard to external assurance	GRI Report profile , Independent Assurance Report			
Governance					
<i>Governance Structure and Composition</i>					
G4-34	Governance structure of the organisation and committees	Corporate Governance Statement 2015			
G4-35	Delegating authority	Management model			

Code	GRI content	Location	Omissions	Further information	Global Compact
G4-36	Positions with responsibility	Senior Vice President, CFO and Senior Vice President for Corporate Responsibility, Communications and Stakeholder Relations, Brand and Marketing Steering and Development.			
G4-37	Consultation with stakeholders	We listen to our stakeholders, Corporate Governance Statement 2015			
G4-38	Composition of the Board of Directors	Board of Directors, Corporate Governance Statement 2015			
G4-39	Position of the Chair of the Board	Corporate Governance Statement 2015			
G4-40	Selection of the Board	Corporate Governance Statement 2015			
G4-41	Processes to ensure conflicts of interest are avoided	Corporate Governance Statement 2015		Kesko complies with the Finnish Corporate Governance Code for Listed Companies.	
	<i>Board's Role in Setting the Organisation's Purpose, Values and Strategy</i>				
G4-42	Board's role in setting the organisation's purpose, values and strategy	Corporate Governance Statement 2015, Management model			
	<i>Board's Competencies and Performance Evaluation</i>				
G4-44	Board's performance evaluation	Corporate Governance Statement 2015	Only the Board's self-assessment has been reported.		

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Board's Role in Risk Management</i>				
G4-45	Board's role in the identification and management of risks	Corporate Governance Statement 2015			
G4-46	Reviewing the effectiveness of risk management	Corporate Governance Statement 2015			
G4-47	Frequency of risk reviews	Corporate Governance Statement 2015			
	<i>Board's Role in Sustainability Reporting</i>				
G4-48	Formal approval of the organisation's sustainability report	Management model			
	<i>Board's Role in Evaluating Economic, Environmental and Social Performance</i>				
G4-49	Communicating critical concerns	We listen to our stakeholders, Corporate Governance Statement 2015			
	<i>Remuneration and Incentives</i>				
G4-51	Remuneration policies for the Board and senior executives	Corporate Governance Statement 2015, Remuneration Statement 2015			
	<i>Ethics and Integrity</i>				
G4-56	Organisation's values, principles and codes	Management model, Responsibility monitoring and steering/ Responsible operator			x

Code	GRI content	Location	Omissions	Further information	Global Compact
G4-58	Reporting concerns about unethical or unlawful behaviour	Responsibility monitoring and steering/ Responsible operator			x

Specific Standard Disclosures

Specific Standard Disclosures are reported regarding aspects identified as material.

	Disclosure on Management Approach				
	Disclosure of management approach (DMA)	Responsibility monitoring and steering, Responsibility programme, Management model			
	Economic Impacts <i>Economic Performance</i>				
G4-EC1	Direct economic value generated and distributed	Economic impacts/ Economic performance			
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Economic impacts/ Economic performance	Monetary evaluations or realisations have not been reported.		x
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Economic impacts/ Economic performance			
G4-EC4	Financial assistance received from government	Economic impacts/ Economic performance			

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Indirect Economic Impacts</i>				
G4-EC7	Development and impact of infrastructure investments and services supported	Economic impacts/ Indirect economic impacts			
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Economic impacts/ Indirect economic impacts			
	<i>Procurement Practices</i>				
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Economic impacts/ Procurement practices			
	Environmental Impacts				
	<i>Energy</i>				
G4-EN3	Energy consumption within the organisation	Environmental impacts/Energy			x
G4-EN5	Energy intensity	Environmental impacts/Energy			x
G4-EN6	Reduction of energy consumption	Environmental impacts/Energy			x
	<i>Water</i>				
G4-EN8	Total water withdrawal by source	Environmental impacts/Water			x
G4-EN9	Water sources significantly affected by withdrawal of water	Environmental impacts/Water			x
G4-EN10	Percentage and total volume of water recycled and reused	Environmental impacts/Water			x
	Biodiversity				
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental impacts/Bio-diversity			x

Code	GRI content	Location	Omissions	Further information	Global Compact
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Environmental impacts/Biodiversity			x
G4-EN13	Habitats protected or restored	Environmental impacts/Biodiversity			x
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Environmental impacts/Biodiversity			x
Emissions					
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environmental impacts/Emissions			x
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental impacts/Emissions			x
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environmental impacts/Emissions			x
G4-EN18	Greenhouse gas (GHG) emissions intensity	Environmental impacts/Emissions			x
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environmental impacts/Emissions	Review has not been made in CO ₂ e tonnes.		x
G4-EN21	NO _x , SO _x and other significant air emissions	Environmental impacts/Emissions			x

Code	GRI content	Location	Omissions	Further information	Global Compact
<i>Effluents and Waste</i>					
G4-EN22	Total water discharge by quality and destination	Environmental impacts/Effluents and waste		Effluents from Kesko's operations are discharged into municipal sewage systems. There is no water discharge referred to by GRI from Kesko's operations.	x
G4-EN23	Total weight of waste by type and disposal method	Environmental impacts/Effluents and waste			x
G4-EN24	Total number and volume of significant spills	Environmental impacts/Effluents and waste			x
<i>Products and Services</i>					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Responsibility programme		GRI indicator is not suitable for Kesko's operations. Information material to Kesko is presented in the strategy report and the responsibility programme.	
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Environmental impacts/Effluents and waste		GRI indicator is not suitable for Kesko's operations. Information material to Kesko is presented in the strategy report and in EN23.	
<i>Supplier Environmental Assessment</i>					
G4-EN32	Percentage of new suppliers that were screened using environmental criteria		Information not available. The aim is to report the information in 2016–2018.		x

Code	GRI content	Location	Omissions	Further information	Global Compact
	Social Impacts <i>Labour Practices and Decent Work</i> <i>Employment</i>				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Social impacts/ Employees	Turnover rate has not been reported by age group and gender. Information not available. The aim is to report the information in 2016–2018.		x
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location of operation	Social impacts/ Employees	Benefits exceeding the statutory level have not been reported in detail. Varying practices in different operating countries.		
	<i>Labour/Management Relations</i>				
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Social impacts/ Employees			x
	<i>Occupational Health and Safety</i>				
G4-LA5	Percentage of total workforce represented in formal management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Social impacts/ Employees	Percentage of employees has not been reported. Information not available. The aim is to report the information in 2016.		

Code	GRI content	Location	Omissions	Further information	Global Compact
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Social impacts/ Employees	Reporting does not cover suppliers. Not reported by gender. Information not available. The aim is to report the information in 2016–2018.		
Training and Education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Social impacts/ Employees	Not reported by gender and employee category. Information not available.		x
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Social impacts/ Employees			
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Social impacts/ Employees	Not reported by employee category. Information not available.		x
Diversity and Equal Opportunity					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Social impacts/ Employees	Not reported by age group or minority group. Information not available/material. The aim is to report age group information in 2016–2018.		x

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Equal Remuneration for Women and Men</i>				
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Social impacts/ Employees	The ratio of basic salary of men and women has not been reported. Information not available. The aim is to report the information in 2016–2018.		x
	<i>Supplier Assessment for Labour Practices</i>				
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Social impacts/ Human rights	The percentage of suppliers screened has not been separately reported out of new suppliers but out of all suppliers in high-risk countries.		
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	Social impacts/ Human rights			
	<i>Labour Practices Grievance Mechanisms</i>				
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms		The aspect identified as material. Information not available. The aim is to report the information in 2018–2020.		
	Human Rights <i>Non-discrimination</i>				
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Social impacts/ Human rights			x

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Freedom of Association and Collective Bargaining</i>				
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at a significant risk, and measures taken to support these rights	Social impacts/ Human rights, Responsibility monitoring and steering		Kesko has not identified operations, in which the right to exercise freedom of association and collective bargaining had been violated or at a significant risk.	x
	<i>Human Rights Assessment</i>				
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Social impacts/ Human rights	The Group's human rights assessment will be completed in 2016. Customers, employees, supply chains and immediate operating environment have been identified as key objects of assessment.		x
	<i>Supplier Human Rights Assessment</i>				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Social impacts/ Human rights	The percentage of suppliers screened has not been separately reported out of new suppliers but out of all suppliers in high-risk countries.		x
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Social impacts/ Human rights			x

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Human Rights Grievance Mechanisms</i>				
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		The aspect identified as material. Information not available. Reporting is being developed according to the schedule the BSCI grievance mechanism is developed.		x
	Society				
	<i>Anti-corruption</i>				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Social impacts/ Society	The number and percentage of assessments have not been reported. Risks related to corruption have not been specified in detail.	Risks related to corruption are discussed as part of Kesko's risk management. Key risks are identified and assessed regularly throughout the year.	x
G4-SO4	Communication and training on anti-corruption policies and procedures	Social impacts/ Society	Percentages have not been reported. Information not available.		x
G4-SO5	Confirmed incidents of corruption and actions taken	Social impacts/ Society			x
	Public Policy				
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Social impacts/ Society			x
	Anti-competitive Behaviour				
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Social impacts/ Society			

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Compliance</i>				
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Social impacts/ Society			
	<i>Grievance Mechanisms for Impacts on Society</i>				
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		The aspect identified as material. We monitor the development of the reporting practice.		
	Product Responsibility <i>Customer Health and Safety</i>				
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Social impacts/ Product responsibility	Percentages have not been reported. Information is not available.		
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Social impacts/ Product responsibility			

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Product and Service Labelling</i>				
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Social impacts/ Product responsibility			
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Social impacts/ Product responsibility			
G4-PR5	Results of surveys measuring customer satisfaction	Social impacts/ Product responsibility			
	<i>Marketing Communications</i>				
G4-PR6	Sale of banned or disputed products	Social impacts/ Product responsibility			
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Social impacts/ Product responsibility			
	<i>Customer Privacy</i>				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Social impacts/ Product responsibility			

Code	GRI content	Location	Omissions	Further information	Global Compact
	<i>Compliance</i>				
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Social impacts/ Product responsibility			



COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



PERFORMANCE INDICATORS

ECONOMIC IMPACTS

Economic performance

Indicators: EC1–EC4

EC1 Direct economic value generated and distributed

Kesko's operations generate economic benefits for the different stakeholder groups in Kesko's operating countries and market areas. Key stakeholder groups include shareholders, customers, personnel, retailers, suppliers of goods and providers of services, and society. Kesko promotes the growth of welfare throughout its supply chain, including developing countries.

The following tables show cash flows between Kesko and its stakeholders, as well as the distribution of economic value added between stakeholder groups. The most important cash flows

comprise revenue from customers and retailers, purchases from suppliers of goods and providers of services, dividends to shareholders, salaries and wages paid to personnel, taxes and capital expenditure.

In March 2015, Kesko sold the department store chain Anttila Oy. Anttila Oy is consolidated into Kesko Group until 16 March 2015.

[The consolidated income statement, the consolidated statement of financial position and the consolidated statement of cash flows](#) can be read in full in the [financial statements section](#).

ECONOMIC BENEFITS FROM KESKO'S OPERATIONS TO STAKEHOLDER GROUPS

Value added generated

CUSTOMERS

- Revenues
€9,479 million

Distribution of value added

SUPPLIERS

- Goods, materials and services purchased
€-8,593 million

EMPLOYEES

- Salaries, fees and social security expenses
€-545 million

PAYMENTS TO PROVIDERS OF CAPITAL

- Net finance income / costs
€-7 million

PUBLIC SECTOR

- Taxes
€-92 million

COMMUNITY INVESTMENTS

- Donations
€-1 million

OWNERS

- Dividend
€-248 million

DEVELOPMENT OF BUSINESS ACTIVITIES

- €-7 million

Economic benefits from Kesko's operations to stakeholder groups

€ million		2015	2014	2013
Customers ¹	Revenues	9,479	9,800	10,050
Value added generated		9,479	9,800	10,050
Distribution of value added:				
Suppliers	Goods, materials and services purchased	-8,593	-8,828	-9,027
Employees	Salaries, fees and social security expenses	-545	-614	-611
Payments to providers of capital	Net finance income/costs	-7	-6	-6
Owners	Dividend	-248 ²	-149	-138
Public sector	Taxes ³	-92	-54	-82
Community investments	Donations	-1	-1	-1
Development of business operations		-7	147	185

¹ Incl. net sales and other operating income

² Proposal to the General Meeting

³ Incl. income taxes, real estate taxes and net worth taxes

The division of the economic benefit generated by Kesko and K-retailers to Finnish regions is presented at [EC8](#).

Dividend policy

According to its dividend policy, Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking into account, however, the company's financial position and operating strategy. Kesko's Board of Directors proposes to the General Meeting to be held in April 2016 that a total dividend of €248

million be paid for the year 2015, which would represent 243.8% of earnings per share and 146.7% of earnings per share excluding non-recurring items. In 2015, Kesko distributed a total of €149 million as dividends for the 2014 profit, which represented 154.7% of earnings per share and 91.1% of earnings per share excluding non-recurring items.

Further information on [the financial statement's indicators](#) and Kesko [shares and shareholders](#) can be found in the financial statements section.

Economic benefits from Kesko's operations by market area in 2015

€ million	Purchases	Capital expenditure	Salaries and share-based payments	Pension and social security expenses	Taxes ¹	Total
Finland	4,956	131	317	71	743	6,218
Other Nordic countries	640	4	37	12	38	731
Baltic countries	252	4	54	4	31	346
Russia and Belarus	300	80	38	11	12	441
Other countries	1,225					1,225
Total	7,373	219	447	98	824	8,960

¹ Taxes include income taxes, real estate taxes, value-added taxes, excise duties, car taxes, customs duties, net-worth taxes and withholding taxes

Store network

Kesko operates in the grocery trade, the home improvement and speciality goods trade, and the car trade. Kesko has over 1,500 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

The K-food store network is comprehensive and there are K-food stores in nearly all Finnish municipalities (see the table below). The K-food stores are visited by around 900,000 customers every day.

A multi-channel approach is becoming increasingly important in retailing. The growth of e-commerce

and electronic services coupled with a comprehensive store site network are a key competitive factor for Kesko.

At the end of 2015, Kesko had over 1,100 independent K-retailer entrepreneurs and 125 other retailer entrepreneurs as partners. Kesko's sales to retailer entrepreneurs accounted for 53.0% of total sales in 2015.

Kesko and K-retailers form the K-Group, whose retail sales (excluding Anttila) totalled around €10.8 billion (VAT 0%) in 2015. The K-Group employs around 40,000 people.

K-food stores in Finnish municipalities (as at 31 Dec. 2015)

Number of K-food stores	Municipalities in 2015	% of all municipalities
10 or more	14	4.4
7-9	9	2.8
5-6	16	5.0
3-4	48	15.1
2	53	16.7
1	130	41.0
0	47	14.8
Municipalities total	317	100.0

In 2015, Kesko Group employed an average of 18,955 (19,976) people, of whom 8,300 (9,580) in Finland and 10,655 (10,936) outside Finland.

Employee benefit expenses

€ million	2015	2014	2013
Salaries and fees	440	497	495
Social security expenses			
pension costs	55	64	64
social security expenses	43	47	49
Share-based payments	6	6	3
Total	545	614	611

In 2015, foreign operations accounted for €129 million of total salaries and for €27 million of total pension costs and other social security expenses.

Kesko's community investments

€1,000	2015	2014	2013
Non-governmental, environmental and other organisations	555	474	207
Sports (adults)	721	556	575
Youth sports and other youth work	64	244	281
Science, research and education	61	65	32
Culture	32	36	59
Health care	12	11	2
Veteran organisations and national defence	5	4	6
Political parties and organisations	8	5	5
Total	1,457	1,395	1,168

In addition, Veikkaus Oy contributed an estimated revenue of €55-60 million to the Ministry of Education and Culture, generated from the sales of games by Veikkaus points of sale located at K-stores. The calculation is based on the average breakdown of each euro spent on games in 2015. The estimate has been calculated by Veikkaus Oy. The Ministry of Education and Culture distributes the total proceeds to Finnish arts, sports, science and youth work.

EC2 Financial implications and other risks and opportunities for the organisation's activities related to climate change

One of the key objectives of Kesko's responsibility work is mitigating the progress of climate change.

Kesko's operations are surveyed regularly by risk assessments, which also cover changes that may be necessitated by climate change. The Group's risk map, the most significant risks and uncertainties, as well as changes in and management responses to them are discussed by the Kesko Board's Audit Committee when the interim reports and financial statements are handled.

Read more about [risk management and control practices](#).

Climate change presents physical and regulatory risks and opportunities as well as risks and opportunities affecting reputational factors

Physical impact

- Extreme weather phenomena, such as storms and heavy rains, have consequences for the built

environment. Physical risks are related to both the physical store network and logistics. Unusual weather patterns can cause interruptions in operations or problems in the availability of products and changes in sales particularly in the home improvement and speciality goods trade.

- Climate change can affect the procurement sources and availability of products both within and outside Europe. Due to drought and desertification, water has become less available in many countries, reducing the productive potential of local economies. Agricultural production will suffer if desertification and rising sea levels reduce the arable land area. Drought or floods may destroy agricultural harvests. Intensifying competition for raw materials may lead to higher prices.
- The availability of energy sources and emission limitations may affect energy prices.
- Accidents and epidemics resulting from natural phenomena can cause damage or business interruptions that cannot be prevented.

Regulation

- Climate change may have an impact in terms of risks involved in regulation, such as various permit procedures, or costs arising from emission pricing and taxation.
- The implementation of the EU and Finnish Government climate and energy policy will affect energy solutions and may increase energy prices, adding to pressures for energy savings and energy self-sufficiency.

Customers

- Customers are paying increasing attention to issues related to climate change. Environmentally friendly products, corporate responsibility communications, retail stores' K-responsibility concept and package labelling can help customers make purchasing decisions that mitigate climate change. Any failures to implement responsible practices in this area may weaken Kesko's reputation.
- The K-maatalous Experimental Farm tests the suitability of crop varieties for the Finnish climate. The aim is to help customers choose optimal varieties and cultivation methods for Finnish conditions, also as the climate changes.
- The Energy Expert concept, which has been deployed in the building and home improvement stores, makes it easy for customers to improve the energy efficiency of their homes.

Opportunities and risks related to climate change are also described in the report's our operating [environment / opportunities and risks section](#).

EC3 Coverage of the organisation's defined benefit plan obligations

The Group operates several pension plans in its different operating countries. In Finland, statutory

pension provision for personnel is organised through pension insurance companies and voluntary supplementary pension provision is mainly organised through Kesko Pension Fund's department A. At the end of the year, the number of employees eligible to receive supplementary retirement benefits from department A was 2,763.

The statutory pension provision organised through a pension insurance company is a defined contribution plan. The supplementary pension provision organised by Kesko Pension Fund is a defined benefit plan. As at 31 December 2015, the plan obligation was €266.1 million (€289.3 million in 2014), which is fully covered. Calculated under IFRS, the surplus amount was €176.4 million as at 31 December 2015 (€147.2 million in 2014). Calculated under IFRS (the Pension Fund's insurance premium is based on a defined benefit plan), the Group's total premium represents 12.5% of the amount of salaries (12.8% in 2014). Read more in the [financial statements section, note 17](#).

In the other countries, pensions are arranged in compliance with local legislation, and there are no defined benefit plans, except in Norway. The number of employees eligible to receive supplementary retirement benefits in Norway is immaterial in proportion to the whole Group.

EC4 Financial assistance received from government

In 2015, the Group received financial assistance of €1.0 million from the public sector. This amount mainly consists of assistance received from Finland (€0.6 million) and from Sweden (€0.4 million).

Indirect economic impacts

Indicators: EC7–EC8

EC7 Development and impact of infrastructure investments and services supported

Especially outside growth centres, retail stores can offer [community services](#) which may otherwise be scarcely available. In 2015, the following were located in connection with K-food stores:

- around 170 Posti service points
- 17 pharmacy service points
- cashback service at more than 700 stores
- 137 SmartPost automatic parcel pick-up points
- 24 DHL's automatic parcel lockers

For several recent years, Kesko's most significant store site project has been [the new shopping centre being built in Itäkeskus](#), Helsinki. The capital expenditure of the first phase totals €100 million. Its employment impact is about 250 person-years over two years.

The K-Group participated in the village store development project in 2013–2015.

In addition to statutory waste recycling obligations, K-stores provide the following recycling services:

- collection of impregnated wood
- collection of clothing

Waste statistics are presented under [EN23 Waste](#).

Kesko's community investments are presented under [EC1 Direct economic value generated and distributed](#).

EC8 Significant indirect economic impacts, including the extent of impacts

Kesko is a service sector company which has significant indirect impacts related to the production, use and recyclability of products.

Purchases by Kesko and the retailers have economic impacts on the suppliers and service providers, such as an increase in the number of jobs. Furthermore, purchases from local producers affect regional business activities. The salaries, taxes, employee benefit expenses and capital expenditure paid by Kesko and retailers have impacts on regional economic wellbeing.

Kesko operates in eight countries in which it is engaged in both retail and wholesale. It is one of Kesko's principles that taxes on operating income and assets are always paid to the respective operating country in compliance with local laws and regulations.

Kesko is a significant tax payer. In 2015, the income taxes paid by Kesko to Finland were €76.9 million and to other countries €6.4 million. The Group's effective tax rate was 37.6%. Kesko paid €4.0 million in real estate taxes and net worth taxes to Finland and €4.8 million to its other operating countries in 2015.

Kesko collects, reports and remits also indirect taxes, such as value-added taxes and excise duties. Kesko remits value-added taxes to tax recipients in its capacity as a company selling goods and services. In 2015, Kesko remitted value-added taxes in Finland to the amount of €341.0 million, and €45.8 million in other countries. Kesko remits car taxes and excise duties on, for instance,

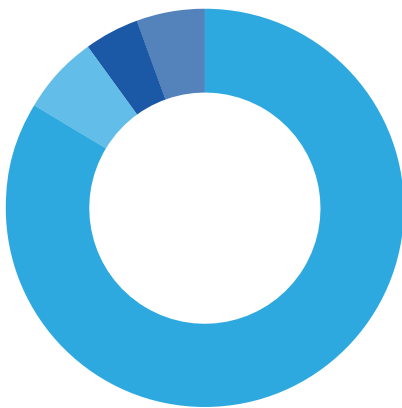
confectionery, alcohol and soft drinks. In 2015, Kesko remitted excise duties in Finland to a total amount of €58.3 million.

Kesko's measurable indirect impact on society, such as its employment impact, increased

municipal tax income, or income in the producer and supply chain, should be evaluated case-by-case, in connection with the establishment of a new store, for example.

Taxes payable in 2015

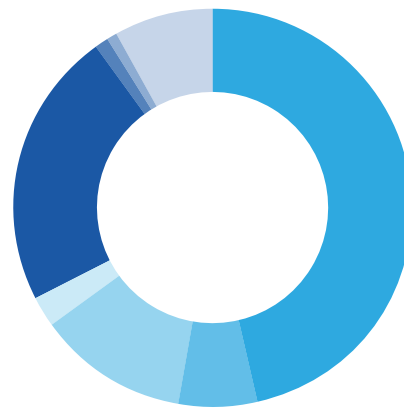
€ million



- Income taxes, Finland 76.9 (37.0)
- Real estate taxes, Finland 4.0 (4.9)
- Income taxes, other countries 6.4 (6.7)
- Real estate and net-worth taxes, other countries 4.8 (5.6)

Taxes remitted in 2015

€ million



- Value-added taxes, Finland 341.0 (362.9)
- Car taxes, Finland 165.3 (179.8)
- Value-added taxes, other countries 45.8 (32.9)
- Customs duties, Finland 7.9 (7.6)
- Withholding taxes, Finland 89.3 (93.3)
- Customs duties, other countries 6.3 (6.7)
- Withholding taxes, other countries 18.0 (20.5)
- Excise duties, Finland 58.3 (59.8)

Taxes by country in 2015



* Incl. only income taxes

Economic benefit generated by Kesko and K-retailers to Finnish regions in 2015

Region € million	Kesko's purchases of goods	K-retailers' direct purchases of goods	Kesko's and K- retailers' capital expenditure ¹	Salaries paid by Kesko	Salaries paid by K-retailers	Taxes paid by K-retailers	Total
Åland	28.5	-	0.1	-	-	-	28.6
Southern Karelia	4.7	14.5	10.5	3.7	11.1	0.6	45.0
Southern Ostrobothnia	240.1	33.5	0.8	4.3	12.4	0.7	291.8
Southern Savo	33.2	14.4	1.7	3.7	11.1	1.3	65.4
Kainuu	5.9	6.9	0.6	1.0	6.4	0.4	21.2
Kanta-Häme	65.8	23.4	4.3	4.0	11.1	0.9	109.5
Central Ostrobothnia	44.0	13.0	2.6	1.4	4.8	0.7	66.6
Central Finland	50.2	24.7	3.9	7.7	18.5	1.7	106.8
Kymenlaakso	45.5	17.6	0.7	4.5	11.1	1.1	80.6
Lapland	13.6	25.6	5.5	4.9	18.0	1.9	69.4
Pirkanmaa	253.1	32.6	6.5	23.8	33.9	2.7	352.6
Ostrobothnia	140.1	11.4	3.6	4.0	8.6	0.8	168.4
Northern Karelia	24.4	26.0	3.3	3.7	11.6	1.4	70.3
Northern Ostrobothnia	104.2	44.5	14.6	14.2	25.6	2.2	205.4
Northern Savo	132.8	36.2	3.0	9.7	20.4	1.4	203.6
Päijät-Häme	126.2	26.3	10.3	8.0	12.0	1.2	184.0
Satakunta	112.1	27.0	2.5	4.2	15.0	0.9	161.7
Uusimaa	2,852.2	162.3	94.3	242.6	116.8	11.4	3,479.6
Varsinais-Suomi	653.0	70.2	10.2	20.4	35.7	3.4	792.9
Total	4,929.6	610.0	178.9	365.7	384.2	34.9	6,503.4

¹ Incl. increase in lease liabilities of K-retailers' equipment

The figures are for those K-retailers whose accounts and payroll are managed by Vähittäiskaupan Tilipalvelu VTP Oy, representing around 85% of K-retailers' total business volume.

Procurement practices

Indicators: EC9

EC9 Proportion of spending on local suppliers

Kesko assesses the economic benefit it generates by reporting its purchases by operating country and the company's country of domicile. Kesko also reports K-retailers' direct purchases of goods in Finland [by region](#).

Most of the economic benefit generated by Kesko's operations – approximately 85% of Kesko's net sales – flows to suppliers of goods, from which purchases were valued at €7.4 billion in 2015.

In 2015, Kesko had around 21,100 suppliers and service providers from whom purchases were valued at a minimum of €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.

The 10 largest suppliers accounted for 24.2% (23.5% in 2014) of the Group's purchases of goods, and the 100 largest suppliers for 53.1% (52.2% in 2014). Six out of the 10 largest suppliers were Finnish food industry companies, one import company operating in Finland, one grocery trade company and two German car manufacturers.

The purchases of all Kesko companies from suppliers operating in Finland totalled €4,956 million, accounting for 67.2% (68.3% in 2014) of the Group's total purchases.

The purchases of goods by Kesko Group's Finnish companies totalled €6,104 million. Of these purchases, 80.8% were from suppliers operating in Finland and 19.2% from other countries. It should be noted that because some of the suppliers operating in Finland are import companies, reliable statistics cannot be compiled on the origin of goods supplied by them.

Kesko actively increases the amount of local purchases and encourages K-retailers to include products from near-by producers in their selections. In 2015, K-retailers' direct purchases from Finnish regions totalled €610 million.

In 2014–2015, Kesko and Ruokatieto ry, an association that promotes Finnish food culture, organised [Local Food Date](#) (Lähiruokatreffit) events that bring together local food producers and K-retailers. The purpose is networking as well as improving the supply of local products in the K-food stores in the area and thereby supporting Finnish work.

[The Blue and White Footprint campaign](#) for Finnish work was launched in early 2014 by the Association for Finnish Work, K-food stores and a great number of Finnish food manufacturers and home and speciality goods companies. The campaign continued in 2015, when the K-rauta and Rautia stores joined the K-food stores in the campaign.

Kesko's purchases by operating country in 2015

	Suppliers of goods and services in operating country			Suppliers of goods and services in other operating countries		
	number	€ million	%	number	€ million	%
Finland	9,561	4,930	80.8%	2,088	1,174	19.2%
Sweden	1,049	114	82.7%	156	24	17.3%
Norway	817	374	97.6%	41	9	2.4%
Estonia	882	56	55.5%	299	45	44.5%
Latvia	611	24	34.3%	333	46	65.7%
Lithuania	892	78	30.8%	1,195	176	69.2%
Russia	1,892	229	95.5%	60	11	4.5%
Belarus	1,003	51	62.3%	244	31	37.7%
Total	16,707	5,857	79.4%	4,416	1,516	20.6%

Kesko's purchases by company's and supplier's country of domicile in 2015

Company's country of domicile	Supplier's country of domicile									
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus	Other countries	Total
Finland	4,930	128	9	39	2	6	0	-	989	6,104
Sweden	7	114	4	0	-	-	-	-	13	138
Norway	0	8	374	0	-	-	-	-	1	383
Estonia	10	1	1	56	5	2	-	-	27	101
Latvia	5	0	0	6	24	2	0	-	33	70
Lithuania	4	1	0	8	19	78	3	2	139	254
Russia	0	-	-	1	-	-	229	-	9	240
Belarus	0	-	-	-	0	2	15	51	14	82
Total	4,956	252	388	111	50	90	247	53	1,225	7,373



Capital expenditure

In 2015, Kesko's capital expenditure totalled €219 million (€194 million in 2014), or 2.5% of net sales (2.1% in 2014). Capital expenditure in store sites was €167 million (€143 million in 2014). Capital expenditure in foreign operations accounted for 40.2% (40.5% in 2014) of the total capital expenditure.

In addition to Kesko, K-retailers make capital expenditures in the fixtures of stores used by the K-

Group. These figures included, the total capital expenditure in Finland was around €179 million in 2015.

Kesko's capital expenditure has a positive financial impact on the operations of building firms, building sector service companies, and suppliers of fixtures, equipment and information systems, for example.

ENVIRONMENTAL IMPACTS

Energy

Indicators: EN3, EN5–EN6

EN3 Energy consumption within the organisation

In 2015 Kesko's energy consumption in all operating countries totalled 4,467 TJ. A total of 632 TJ of fuel from non-renewable sources was used for transportation as well as self-produced heat and electricity of properties.

Energy consumption, properties managed by Kesko

Finland	2015	2014	2013
Electricity (MWh)	695,848	754,301	764,387
District heat (MWh)	254,739	292,453	304,158 ¹
Total electricity and district heat (MWh)	950,587	1,046,754	1,068,545
Total electricity and heat ² (TJ)	3,436	3,783	3,866

Other operating countries	2015	2014	2013
Electricity ³ (MWh)	103,038	96,231	91,658
Heat ² (MWh)	44,196	46,723	39,685
Total electricity and heat (MWh)	147,234	142,954	131,343
Total electricity and heat (TJ)	530	515	473

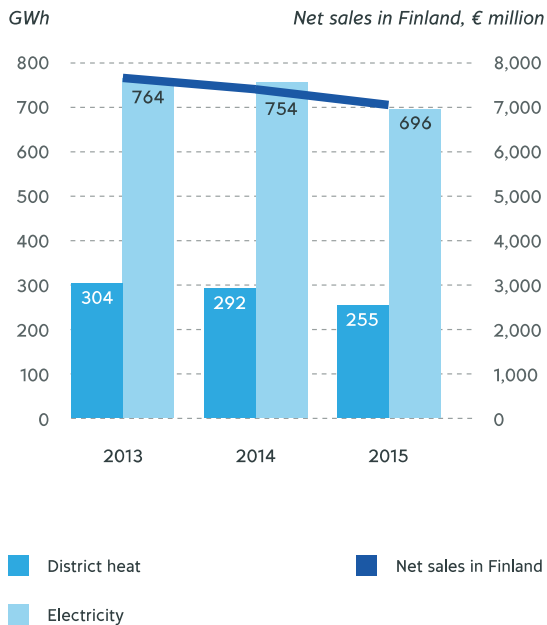
All operating countries	2015	2014	2013
Total electricity and heat (TJ)	3,966	4,298	4,339

¹ Figure has been adjusted for improved accuracy since the previous report

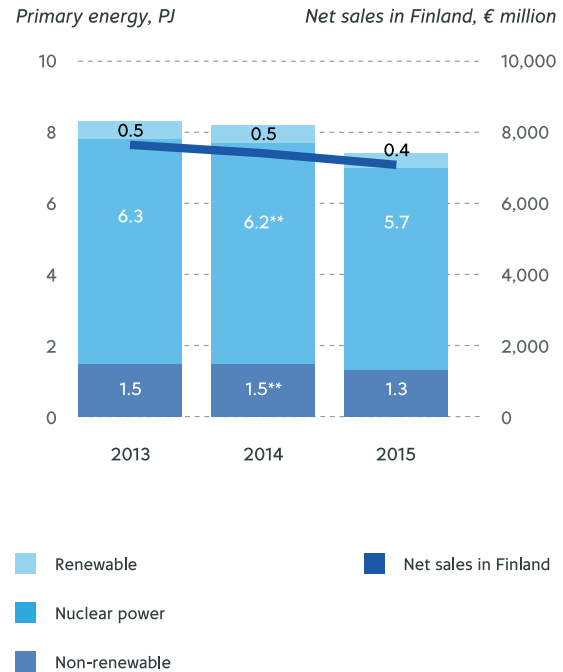
² Includes energy of fuel used for self-produced heat

³ Includes energy of fuel used for self-produced electricity

Energy consumption in Finland, properties managed by Kesko



Energy profile* in Finland, properties managed by Kesko



* Includes self-produced heat
 ** Figure adjusted for improved accuracy since the previous report

Energy consumption in properties in Finland

Properties managed by Kesko in Finland include offices, warehouses and approximately 850 K-Group stores.

In 2015, the overall electricity consumption decreased by 7.7%. Significant reasons for the decline include changes in the stock of real estate (mainly the divestment of Anttila) and the decrease in specific consumption of 4.2% of the K-citymarket stores.

According to the Finnish Meteorological Institute, the average temperature of 2015 was again higher than the previous year, and the overall consumption of district heating by Kesko's properties fell by 12.9% from the previous year. The changes in specific consumption of the most significant property categories were between -5% and -18%.

In 2015, the heating energy produced with natural gas and oil at properties in Finland totalled 12.3 TJ (3.4 GWh).

Calculation methods and electricity and heating consumption statistics by property type and changes in properties in Finland are available in the [Energy consumption tracking](#) and [Environmental profile](#) reports.

Energy consumption in properties in other operating countries

The electricity consumption of the K-food stores in Russia has nearly doubled since the previous year due to the growing number of stores in recent years. During 2014–2015, five new K-food stores were opened in Russia to reach a total of nine stores. Excluding the Russian K-food stores, the electricity consumption of Kesko's properties in

the other operating countries decreased by around 10%.

The heating energy was partly self-produced with natural gas and oil. In Belarus, a small amount of timber (655 MWh) and peat (90 MWh) were also used for heating. In 2015, the self-produced heat totalled 93 TJ (26 GWh). Oil was used at the new K-food stores in Russia for 26 TJ (7 GWh) of electricity production.

Subsidiaries outside of Finland report their fuel and purchased energy consumptions to Kesko and statistics per country are compiled from this data. The heating energy data is not reported for some properties (8%) because it is included in the lease or is not available.

Primary energy consumption

The primary energy consumption for purchased energy in all operating countries in 2015:

- renewable 532 TJ, 7% of total primary energy
- nuclear power 6,049 TJ, 73% of total primary energy

- non-renewable 1,689 TJ, 20% of total primary energy

Fuel consumption of logistics in Finland

The fuel consumed in the grocery trade's (Keslog) own transportation or that under its direct control was 487.2 TJ in 2015. The fuel used was diesel.

Fuel consumption was calculated using data on kilometres driven, volumetric efficiencies and the transportation fleet. In 2015, the total distance driven by Keslog was 31.1 million km (33.4 million km in 2014).

The calculation was made according to the [Lipasto calculation system](#) of VTT Technical Research Centre of Finland.

Fuel consumption of logistics in other operating countries

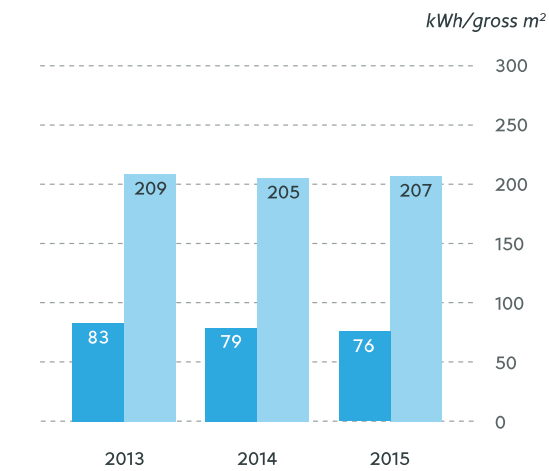
Most of Kesko's subsidiaries have outsourced logistics operations. In 2015, the logistics in Belarus and Estonia consumed 13.5 TJ of fuel (diesel and gasoline).

EN5 Energy intensity

Specific consumptions of energy, properties managed by Kesko

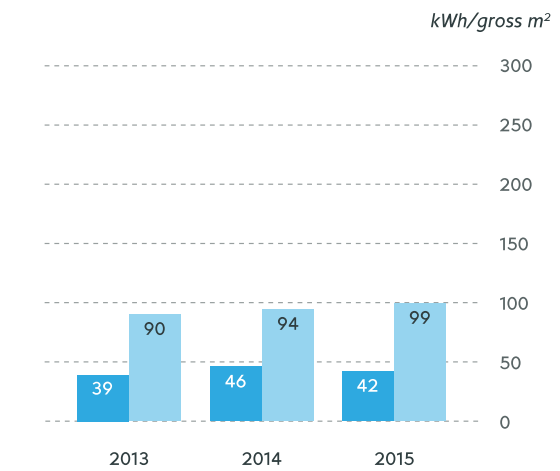
kWh/br-m2	2015	2014	2013
Finland			
Specific consumption of electricity	207	205	209
Specific consumption of district heat	76	79	83
Other operating countries			
Specific consumption of electricity	99	94	90
Specific consumption of heat	42	46	39

Specific consumptions, Finland



■ District heat
■ Electricity

Specific consumptions, other operating countries



■ Heat
■ Electricity

The cold chain and the need for heated premises in food stores and warehouses require greater amounts of energy in comparison with other retail sectors. The specific consumption of electricity of the other operating countries grows as the number of K-food stores in Russia increases.

The calculation methods for the properties in Finland are available in the [Energy consumption tracking report](#). The specific consumptions of properties in the other operating countries are calculated based on the total area of properties (1,043,000 m² in 2015).

EN6 Reduction of energy consumption

The K-Group has signed the trading sector energy efficiency agreement and committed to improving its annual energy consumption by 65 GWh by the end of 2016. The agreement is based on the 9% savings target set in the EU Directive on Energy End-Use Efficiency and Energy Services for the period 2008–2016. The agreement covers all of the K-Group's store chains.

By implementing various energy efficiency measures, Kesko has improved its electricity and heating energy consumption by 64 GWh by the end of 2015 and achieved 97% of the savings commitment of the energy-efficiency agreement. A following trading sector agreement for 2017–2025 is under negotiation. Kesko plans to sign the new agreement during 2016 at the invitation of the Federation of Finnish Commerce.

The energy consumption at store sites consists mainly of:

- consumption related to store operations, such as lighting and electrical equipment
- consumption related to the property, such as HVAC equipment and outdoor lighting

Lighting

By February 2016, LED lights are used in the lighting solutions of property development of grocery and home improvement stores. Adjustable,

correctly directed LED-lighting can help save up to 50% electricity compared to traditional fluorescent tube and metal halide lighting solutions.

Lids and doors on refrigeration units

In food stores, the consumption of refrigeration systems can account for more than half of the total electricity consumption at small store sites. Lids on freezer chests save 40% of the electricity consumed by uncovered equipment. Doors on dairy and juice cabinets also help save electricity.

Real estate managers

Kesko's 37 Real Estate Managers help K-stores find ways in which to make their energy consumption more efficient. Regular monitoring, technical supervision and comparison of reports from separate properties are used to maintain an optimal level of energy consumption. Real Estate Managers also help stores with long-term planning. Renovation programmes contain estimates of the refurbishment that should be made within 10 years.

Remote monitoring

In February 2016, the building automation of 205 Kesko facilities was monitored by a remote energy management centre. The set points of properties and equipment running hours can be changed from the management centre as necessary, which also enables rapid response to disturbances. Setting the correct running times and set points is the easiest and most effective way to improve energy efficiency.

The remote monitoring of refrigeration systems in stores helped save approximately 5.5 GWh of energy in 2015. Remote monitoring enables refrigeration equipment to be adjusted for optimum temperatures and defrosting cycles. In addition, deviations can be responded to immediately.

Condensation heat recovery

Condensation heat from refrigeration equipment is recovered at nearly all K-food stores, which means additional heat energy is needed only during very low sub-zero temperatures.

Increasingly many K-food stores also save energy by using carbon dioxide recovered from industrial processes as the refrigerant in their refrigeration

equipment. Carbon dioxide is an environmentally friendly refrigerant. CO₂ refrigeration plants enable the efficient use of condensation energy together with low temperature heating systems. This combination achieves a considerably higher heat energy recovery efficiency compared to the traditional solutions using condensation heat from HFC-refrigeration units.



Information about energy saving efforts by Keslog logistics can be found in the section [EN19 Reduction of greenhouse gas \(GHG\) emissions](#).

Water

Indicators: EN8–EN10

Finland has abundant water resources. However, due to the large consumption of imported processed goods and the virtual water footprint associated with them, almost half (47.1%) of the [water footprint of Finnish consumption](#) falls outside of Finland. Kesko's most significant impacts from water consumption are thus caused by imported products for sale, which originate from areas suffering from water scarcity.

Kesko has initiated a water risk assessment in 2015 for its private label products in order to identify the water basins most affected by water scarcity and contamination issues in its supply chain. The

target is to conclude the water risk assessment in 2016 and use the results to plan actions.

EN8 Total water withdrawal by source

Properties managed by Kesko in Finland and in other operating countries use water from municipal water supplies. In addition, a few wells are in use on properties in Estonia, Lithuania and Belarus. The water consumption from these wells accounts for an insignificant part (3%) of total water consumption and is thus reported with the municipal water consumption.

Water consumption by country

m ³	2015	2014	2013
Finland	884,994	935,472	920,414
Sweden	5,627	5,504	9,940
Norway	1,445	1,407	5,527
Estonia	4,954	4,876	6,220
Latvia	10,128	11,297	10,646
Lithuania	38,472	38,903	30,880
Russia	79,755	75,056	53,439
Belarus	43,342	39,741	38,081
Total	1,068,717	1,112,256	1,075,147

Water is mainly used for cleaning purposes in the K-Group's own operations. Maintaining a high level of hygiene is particularly important in food stores

and legal requirements for hygiene must be fulfilled. Car wash facilities at Neste Oil K-markets in Finland are big individual consumers of water.

The consumption of water at properties in Finland decreased around 5% in 2015 mainly due to the decreases in the specific water consumptions of the K-citymarket and K-supermarket chains (-3.3% and -6.4%) and the divestment of the Anttila chain. The increase of water consumption in Russia continued with the opening of five more K-food stores during 2014–2015.

Water consumption statistics by property type and changes in properties in Finland are available in the [Energy consumption tracking report](#).

The water consumption data from other countries is compiled from reporting based on water billing or consumption data by each subsidiary. At some stores located in leased properties, water use is

included in the lease and not available for reporting (6% of locations in other operating countries). Additionally, data was not available for 2% of properties.

EN9 Water sources significantly affected by withdrawal of water

All properties managed by Kesko use water from municipal water supplies and water sources are not significantly affected by withdrawal of water.

EN10 Percentage and total volume of water recycled and reused

Kesko does not recycle or reuse water. All waste water from operations goes to municipal sewer systems.

Biodiversity

Indicators: EN11–EN14

Kesko's greatest impacts on biodiversity occur throughout the lifecycle of the products on sale. Kesko influences these indirect impacts through its supply chain [sourcing policies](#), which include the fish and shellfish statement, the timber policy, the palm oil policy and the soy policy published in February 2016.

Global food production for a growing population is one of the main threats to biodiversity in the world. Food security can be improved through sustainable and efficient agricultural practices and minimising food waste.

Around 80% of the purchases for K-food stores in Finland are from domestic suppliers, which means maintaining a sustainable and viable Finnish agricultural sector and food production industry is of key importance for Kesko. The K-maatalous chain of agricultural stores has its own Experimental Farm in Hauho, Finland, which researches, tests and develops crop species and sustainable farming methods suitable for conditions in Finland, even as the climate changes. Read more about [the Experimental Farm](#).

Minimising food waste along the entire food production chain from agriculture all the way to the end-consumer reduces stress on biodiversity along with the greenhouse gases related to food waste. Climate change in turn reduces biodiversity especially in areas of increasing desertification. Read more about Kesko's various efforts to reduce greenhouse gas emissions and food waste in the following sections on [Effluents and waste](#) and [Emissions](#).

Kesko participates in the [Business & Biodiversity Finland programme](#) organised jointly by the Corporate Responsibility Network FIBS and the Ministry of Environment of Finland. In 2015, Kesko participated in the programme's Master Class training course in order to deepen understanding of Kesko's biodiversity impacts and opportunities.

EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas, EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

Kesko builds store sites only in areas planned by municipalities for business properties.

Kesko does not cause any significant direct impacts on biodiversity. Kesko does not own property or operate in areas adjacent to protected areas or areas of high biodiversity value.

EN13 Habitats protected or restored

Kesko and K-retailers from the Hämeenlinna area are participating in the restoration of the area's major watershed area Lake Vanajavesi as a main partner of the [Vanajavesi Centre](#) during 2014–2017. In the summer of 2015, monitors were installed at four K-food stores in the Hämeenlinna area, which show real time water quality data from five measurement sites in the Lake Vanajavesi watershed area.

Surveys of contaminated land are made annually in connection with construction work and real estate

transactions. In 2015, a total of 6,400 tons of contaminated soil was removed from four Kesko sites, which were restored.

The restoration of soil contaminated with oil at a site in Kokkola was executed by permit of the South Ostrobothnia Centre for Economic Development, Transport and the Environment (ELY Centre). The contractor was Ab Tallqvist Infra Oy and Golder Associates acted as the environmental supervisor. Around 54.5 tonnes of contaminated masses were removed from the site. The residual content samples were verified by the Novalab Oy and ALS Laboratory Group laboratories and oil concentrations exceeding the regulatory threshold levels were not found.

The engineering contractor Insinööritoimisto Pohjantekniikka Oy executed a restoration on a property (50,572 m²) in Sastamala. By permit of the Pirkanmaa ELY Centre, a total of 1,923.4 tonnes of contaminated land and 302 tonnes of oily cement were removed from the restoration site. The site was successfully restored excluding soil located under a building on the property, where heavy hydrocarbon fractions exceeding the higher threshold level remain. According to preliminary plans, the building will be demolished in 2017 and the restoration will then be completed.

By permit of the Central Finland ELY Centre and supervision of Ramboll Finland Oy, a restoration was carried out on a property (17,943 m²) in Keuruu. The contractors were Louhinta ja porauspalvelu Korhonen Oy and Maansiirto Hämeenniemi Ky. A total of 3,700 tonnes of land classified as contaminated with gasoline and oil was removed. The residual content samples were verified by the Ramboll Analytics Oy laboratory and they fulfilled the restoration target level.

The restoration of a property (2,507 m²) in Savonlinna was executed by Savonlinnan PR-Urakointi Oy. The job was carried out under the supervision of Ramboll Finland Oy and by permit of the South Savo ELY Centre. A total of 420 tonnes of soil classified as contaminated with oil hydrocarbons was removed. The residual content samples were verified by the SGS Inspection Services Oy laboratories as compliant with threshold levels.

Kesko does not have any protected habitats of its own.

EN14 Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations

No endangered species are directly affected by Kesko's operations.

Emissions

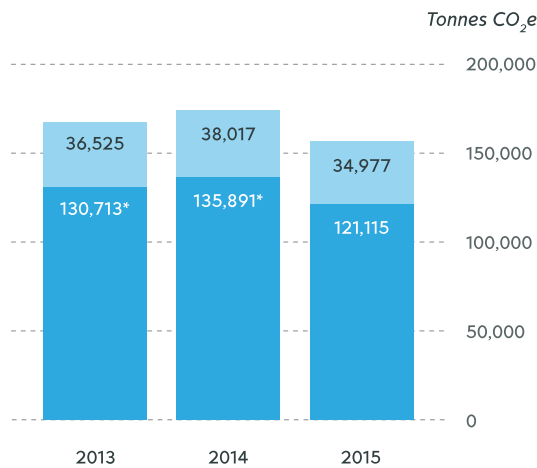
Indicators: EN15–EN19, EN21

Kesko reports direct and indirect (Scope 1 and 2) greenhouse gas (GHG) emissions from its operations according to the [GHG Protocol](#) standard.

- Scope 1: GHG emissions caused by fuel consumption for heating and electricity production at properties managed by Kesko and for transportation of goods directly controlled by Kesko
- Scope 2: GHG emissions caused by production of purchased electricity and district heating used by properties managed by Kesko

EN15 and EN16 Direct and indirect greenhouse gas (GHG) emissions (Scope 1 and 2)

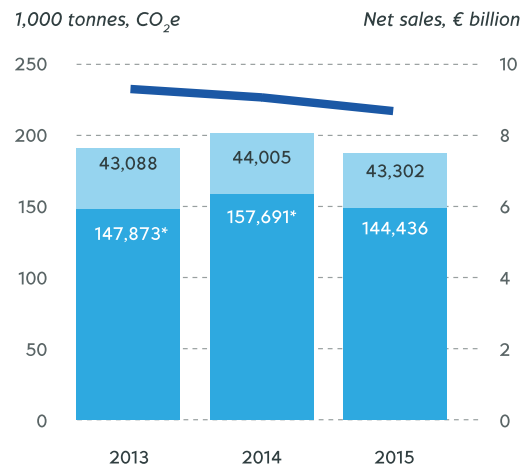
Scope 1 and 2 emissions, Finland



■ Scope 1
■ Scope 2

* Figure adjusted for improved accuracy since the previous report

Scope 1 and 2 emissions, all operating countries



■ Scope 1
■ Scope 2
■ Net sales

* Figure adjusted for improved accuracy since the previous report

Scope 1 and 2 GHG emissions

Tonnes CO ₂ e	2015	2014	2013
Direct (Scope 1)	43,302	44,005	43,088
Finland	34,977	38,017	36,525
logistics (Keslog)	34,117	36,915	35,582
self-produced heat (natural gas and oil)	860	1,102	943
Other operating countries	8,325	5,988	6,563
logistics (Belarus and Estonia)	1,115	-	-
self-produced heat and electricity (natural gas, oil, peat and timber ¹)	7,210	5,988	6,563
Indirect (Scope 2)	144,436	157,691	147,873
Finland	121,115	135,891	130,713
purchased electricity (market-based)	73,734	81 495 ³	73,836
purchased electricity (location-based) ²	153,087	165,946	168,168
purchased district heat (location-based)	47,381	54,396 ³	56,878 ³
Other operating countries	23,321	21,800	17,160
purchased electricity (location-based)	18,475	17,362	14,442
purchased district heat (location-based)	4,846	4,438	2,718
Total	187,738	201,696	190,961
Finland, Scope 1 and 2 total	156,092	173,908	167,238
Other operating countries, Scope 1 and 2 total	31,646	27,788	23,723

¹ The biogenous CO₂ emission figure of the timber used for heating one facility in Belarus is reported in Scope 1, because its proportion of the total fuel quantity is insignificant (about 2%).

² Following the GHG Protocol standard, the location-based emission figure for electricity consumption in Finland has been reported. The market-based figure is used for the emissions totals. Location-based emissions are calculated with national emission factors and market-based emissions with energy supplier emission factors.

³ Figure has been adjusted for improved accuracy since the previous report

Scope 1

In 2015, Kesko's Scope 1 emissions in Finland decreased due to reductions in the emissions from logistics and the need for heating. Scope 1 emissions in the other operating countries increased primarily because of the self-produced heat and electricity of the new K-food stores in Russia.

Emissions from logistics in the other operating countries were reported from Belarus and Estonia in 2015. Most of the logistics in the other operating countries are outsourced and are partially reported in the Scope 3 emissions.

The transportation of goods for Kesko's grocery trade in Finland is managed by Keslog and includes its own transportation and that under its direct control. Keslog's emissions were calculated based on data including kilometres driven, volumetric efficiencies, and the transportation fleet using the [Lipasto calculation system](#) developed by the VTT Technical Research Centre of Finland. The emissions for logistics operations in Belarus and Estonia were calculated based on fuel consumption.

Scope 2

Kesko's emissions from purchased energy in Finland decreased by 11% in 2015 primarily because of changes in the stock of real estate (the divestment of Anttila) and due to the warm winter, which reduced the need for district heating.

The electricity supplied by Kesko, 438 GWh (469 GWh in 2014), covers around 62% of the total consumption by the properties in Finland. In 2015, the electricity supplied by Kesko was largely carbon-free electricity from Helsingin Energia produced by nuclear power. However, a portion of the electricity was produced with biogas by KSS Energia.

Kesko's emissions from purchased energy in the other operating countries increased by 7%, which was mostly affected by the growing number of K-food stores in Russia.

The calculation principles and more detailed calculations for Scope 1 and 2 emissions attributed to properties managed by Kesko can be found in the [Environmental profile reports for Finland](#) and the [other operating countries](#).

EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)

Scope 3 GHG emissions

Tonnes CO ₂ e	2015	2014	2013
Upstream			
Purchased goods and services	5,936,000	5,922,000	-
Capital goods (buildings)	18,200	9,900	20,200
Indirect emissions of purchased energy (other than Scope 1 and Scope 2)	69,300	76,100	54,900
Transport and distribution of goods	18,300	18,600	26,300
Waste	9,000	10,100	8,500
Business travel	2,700	2,800	3,000
Employee commuting	6,700	7,800	10,800
Downstream			
Customer visits (shopping trips)	154,400	166,100	174,000
Use of sold products	852,900	1,093,900	-
End-of-life treatment of sold products	16,300	28,000	-
Franchises (retailer entrepreneurs)	22,800	27,800	-

The Scope 3 calculation principles can be found in the [Kesko Scope 3 Report](#).

EN18 Greenhouse gas (GHG) emissions intensity

The Scope 1 and 2 greenhouse gas emissions intensity is calculated based on net sales (€8,679 million in 2015) and average number of employees (18,955 in 2015).

Scope 1 and 2 GHG emissions intensity

	2015	2014	2013
Based on net sales (tonnes CO ₂ e / € million)	21.6	22.2	20.5
Based on average number of employees (tonnes CO ₂ e / person)	9.9	10.1	9.8

Figures for 2013 and 2014 have been adjusted since the previous report

EN19 Reduction of greenhouse gas (GHG) emissions

In Finland, the grocery trade logistics operations (Keslog) works ambitiously to reduce emissions:

- Efficiency of logistics: centralised distribution, optimisation of delivery routes and high volumetric efficiency
- Efficient reverse logistics: collection of purchase loads, carrier trays, pallets, roll containers and recycled bottles and cans on the return route
- Economical driving courses: all of Keslog's more than 500 contract drivers have been trained
- New replacements in the vehicle fleet: nine two-tier trailers and one extra-long Ecotruck in use in long-distance transportation between main warehouses

EFFICIENT LOGISTICS FLEET

Traditional full-trailer combination



90 roll containers

Two-tier trailer combination



120 roll containers

Extra-long Ecotruck



189 roll containers

The grocery trade logistics operations' (Keslog) target is to reduce CO₂ emissions relative to the net sales index by 10% during 2012–2020 from base year 2011. In 2015 the emissions have decreased by 5.5% due to new solutions in transportation management and fleet.

[Actions under the energy efficiency agreement](#) lead to 64 GWh of saved energy by the end of 2015, which corresponds to 14,080 tonnes of CO₂e emissions calculated using the average emission factor for electricity in Finland (220 kg CO₂e/MWh).

Emission reductions in employee commuting and travel

In 2015, the air miles of Kesko employees travelling for business totalled 8.0 million (8.1 million in 2014). Encouraging the use of virtual meetings is one of the ways Kesko endeavours to decrease the amount of air travel. The amount of virtual meetings held via the Microsoft Lync application has increased by 19% since the previous year. In 2015, a total of 47,453 hours of Lync-meetings were held (39,924 hours in 2014). At the end of 2015, the Kesko Group had 26 Videra video conferencing facilities in use and the total duration of all video meetings between two or more facilities was 3,812 hours (4,341 hours in 2014).

At the end of 2015, Kesko had 607 company cars in use in Finland (644 in 2014).

- 12 ethanol-fueled cars (17 in 2014)
- 263 petrol-fueled cars (268 in 2014)
- 330 diesel-fueled cars (358 in 2014)
- 2 natural gas cars (1 in 2014)

Kesko's company car policy recommends low-emission car models and the latest motor technology. Kesko company cars have an emission level below 160 g CO₂/km. In 2015, the average emission level was 127 g CO₂/km (132 g CO₂/km in 2014) and the emissions from company cars totalled 2,367 CO₂ tonnes (2,497 CO₂ tonnes in 2014). This calculation also includes private use of company cars.

EN21 NO_x, SO_x, and other significant air emissions

The electricity and heating energy consumed in properties managed by Kesko in Finland in 2015 caused:

- 214 tonnes of NO_x emissions (241 t in 2014)
- 181 tonnes of SO₂ emissions (204 t in 2014)
- 1.5 tonnes of radioactive waste (1.6 t in 2014)

The calculation principles and more detailed calculations are available in the [Environmental profile report](#).

Only CO₂ emissions data is collected on transportation of goods.

Effluents and waste

Indicators: EN22–EN24

Kesko aims to recover all waste from its operations and achieve the zero waste to landfill target.

Reducing food waste

The goal of the Kesko grocery trade division is to minimise the food waste caused by its operations and utilise inevitably accumulated organic waste. Read more about the target in the [Responsibility programme](#).

Food waste is reduced and utilised in this order:

- Food waste reduction measures: electronic forecast and order systems, efficient logistics, employee training, and optimisation of packaging properties
- Price reductions of products approaching their best before dates
- Donating food removed from sale to charity
- Collection of non-edible organic waste for energy production

In 2015, [Kesko initiated a cooperation with Gasum](#) in order to utilise the organic waste collected from the southern Finland area K-food stores and warehouse for biogas production to be used as energy in the production of Pirkka products.

Kesko encourages customers to reduce food waste accumulated at home. Kesko and the K-food stores participated in the Food Waste Week organised by the Consumers' Union of Finland in September

2015 by offering information, tips and recipes in customer communications for reducing food waste.

Circulation of materials

Cardboard and plastic bales from approximately 200 K-food stores were centrally directed by Kesko's grocery trade division for industry reuse in 2015. Around 2,600 tons of cardboard and 80 tons of plastic were collected.

K-stores provide recycling points and services on their premises in order to promote an easy and efficient way for households to recycle consumer packages and other items no longer used.

- Around 255 recycling points for consumer packaging (fibre, glass, metal) were located at K-food store sites in February 2016. Plastic was collected at 38 recycling points (11 in 2014). Several of them also accepted wastepaper and discarded clothing.
- All K-food stores accept deposit beverage containers. In 2015, customers returned:
 - 311 million cans
 - 94 million recyclable plastic bottles
 - 26 million recyclable glass bottles
- All K-food stores accept and collect portable batteries and small accumulators for recycling
- The total amount of WEEE collected at K-stores in 2015 was approximately 119 tonnes

Packaging collected by Keslog reverse logistics for recovery and reuse

1,000 pcs	2015	2014	2013
Aluminium cans	96,479	93,107	85,009
PET bottles	61,403	54,296	52,511
Recyclable glass bottles ¹	9,462	9,667	12,508
Reusable crates	17,294	16,501	18,457

¹ Part of the recycling of glass bottles was separated from Keslog reverse logistics in 2014

Impregnated timber and lead-acid accumulators recycled by K-Rauta and Rautia, Finland

Tonnes	2015	2014	2013
Impregnated timber	914	1,003	1,080
Lead-acid accumulators	1.6	4.3	2.4

Batteries and accumulators collected at K-Group stores (Recser), Finland

Tonnes	2015	2014	2013
Batteries and accumulators	210	193	174

Clothing collected through UFF recycling points located at K-store sites

Tonnes	2015	2014	2013
Recycled clothing	2,915	2,507	2,280

EN22 Total water discharge

Waste water from Kesko's operations goes to municipal sewer systems. Water discharge referred to by GRI does not occur from Kesko's operations.

EN23 Waste

Waste in all operating countries

Tonnes	2015	2014	2013
Non-hazardous waste	27,785	30,699	25,422
Recycling/recovery	18,423	19,675	18,113
Landfill	9,362	11,024	7,309
Hazardous waste	1,262	164	275
Recycling/recovery	172	-	-
Hazardous waste treatment	1,090	-	-
Total	29,047	30,863	25,697

Waste recovery rates

The waste management statistics in Finland cover mostly warehousing operations, while in the other countries statistics cover mostly store operations. The recovery rate of waste management in Finland increased to 99% in 2015 due to the burning of mixed waste for energy. The recovery rate in the other operating countries was 46% in 2015. The recovery rate includes all waste except waste to landfill.

Kesko offers the southern Finland area the opportunity to participate in a centralised waste management agreement. In 2015, 97 K-food stores, 11 building and home improvement stores and 14 other stores participated in the agreement. The recovery rate of the waste generated in these stores was about 98% (96% in 2014) and the recycling rate was about 67% (67% in 2014).

Waste, Finland

Tonnes	Grocery trade			Home improvement and speciality goods trade ¹			Car trade		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Non-hazardous waste	9,102	9,190	8,687	1,036	2,095	2,503	599	605	655
Recycling/recovery	8,998	8,846	8,296	1,025	2,087	2,333	598	592	618
Landfill	104	344	391	11	8	170	1	13	37
Hazardous waste	8	8	2	959	4.1	2	158	31	35
Recycling/recovery	-	-	-	24	-	-	136	-	-
Hazardous waste treatment	8	-	-	935	-	-	22	-	-
Total	9,110	9,198	8,689	1,995	2,099	2,505	757	636	690
Recovery rate,%	99	96	96	99.4	99.6	93	99.9	98	95

¹ A small part of the data is based on estimation (2% of the home improvement and speciality goods trade's total waste)

Waste, Sweden and Norway

Tonnes	Sweden			Norway		
	2015	2014	2013	2015	2014	2013
Non-hazardous waste	2,645	2,788	3,302	633	1,022	1,063
Recycling/recovery	2,420	2,206	2,464	593	1,019	1,057
Landfill	225	582	838	40	3	6
Hazardous waste	61	29	169	15	55	37
Recycling/recovery	4	-	-	-	-	-
Hazardous waste treatment	57	-	-	15	-	-
Total	2,706	2,817	3,471	648	1,077	1,100
Recovery rate,%	92	79	76	94	99	99

Waste, the Baltics, Russia and Belarus

Tonnes	Estonia			Latvia			Lithuania			Russia ¹			Belarus ¹		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Non-hazardous waste	680	631	543	612	545	602	2,605	3,545	2,904	8,303	8,537	4,658	1,570	1,741	505
Recycling/recovery	608	392	193	156	127	183	1,699	2,430	1,793	2,279	1,918	1,138	48	58	38
Landfill	72	239	350	456	418	419	906	1,115	1,111	6,024	6,619	3,520	1,522	1,683	467
Hazardous waste	20	14	11	3	3	2	36	18	16	1	1	1	1	1	0.2
Recycling/recovery	-	-	-	-	-	-	8	-	-	-	-	-	0.1	-	-
Hazardous waste treatment	20	-	-	3	-	-	28	-	-	0.8	-	-	0.9	-	-
Total	700	645	554	615	548	603	2,641	3,563	2,920	8,304	8,538	4,659	1,571	1,742	505
Recovery rate,%	90	63	37	26	24	31	66	69	62	27	22	24	3	3	8

¹ Data for one location was not available

EN24 Total number and volume of significant spills

In 2015, no significant oil, fuel, waste, chemical, or other spills occurred. Read more about [habitats protected or restored](#).

SOCIAL IMPACTS

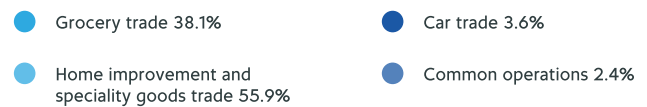
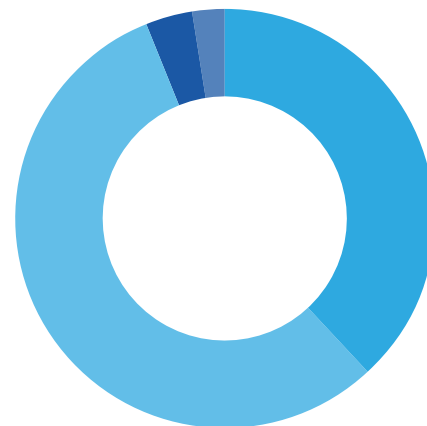
Employees

Indicators: LA1–LA2, LA4–LA6, LA9–LA13

LA1 Employee turnover

In 2015, Kesko had an average of 18,955 (19,976 in 2014) full-time equivalent employees in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. 44% of the employees worked in Finland and 56% in other countries. Around three quarters of all employees worked in retailing.

Distribution of Kesko personnel by division at 31 Dec. 2015, %



Changes in the number of Kesko employees

	2015	2014	2013
Finland at 31 Dec.	10,081	12,180	12,776
Other operating countries at 31 Dec.	11,854	11,614	11,087
Total at 31 Dec.	21,935	23,794	23,863
Finland, average	8,300	9,580	9,805
Other operating countries, average	10,655	10,396	9,683
Total, average	18,955	19,976	19,489

Fixed-term and part-time employments at Kesko

	2015	2014	2013
Fixed-term employees of total personnel at 31 Dec., %			
Finland	11.5	13.9	12.9
Companies in other operating countries	6.1	7.2	7.0
Whole Group, total	8.6	10.7	10.2
Part-time employees of total personnel at 31 Dec., %			
Finland	39.4	43.6	45.4
Companies in other operating countries	8.1	7.1	8.0
Whole Group, total	22.5	25.8	28.1

Kesko's personnel statistics for 2015 analysed by operating country

	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus
Total number of personnel at 31 Dec.	10,081	815	225	567	470	3,869	3,641	2,267
Average number of personnel in 2015	8,300	785	203	538	478	3,492	3,149	2,010
Number of new employments ¹	3,175	279	54	179	186	2,243	2,137	1,475
- women	1,726	85	14	79	46	2 ³	1,223	758
- men	1,449	194	40	100	140	9 ³	914	717
Number of terminated employments ¹	2,966	208	217	166	209	2,251	1,886	1,419
Terminated by employer, %	4.6	6.7	30.0	4.8	9.1	14.7	11.0	38.0
Total turnover rate, % ²	20.6	25.5	95.1	20.1	36.2	57.2	51.8	28.1

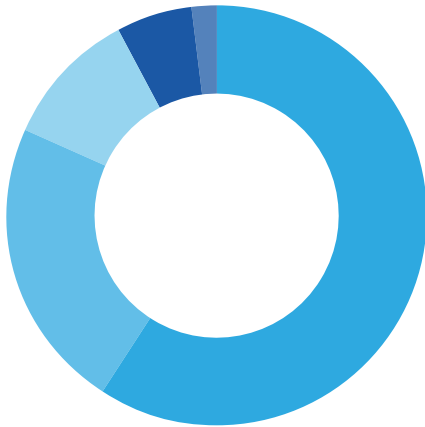
¹ Including summer employees

² Excluding summer employees

³ Excluding Senukai, Lithuania

When calculating the number of terminated employments, each employee is included only once, whereas one person may have several new employments included in the total number.

Recruits, age distribution 2015, %



LA2 Benefits provided to employees

Kesko Group provides its employees in all of its operating countries with employee benefits. In Finland, benefits provided to both permanent as well as fixed-term and part-time employees include

- Occupational health services
- Insurance against occupational injuries and diseases
- Parental leave
- Retirement benefits

In all of the operating countries, Kesko supports its employees' leisure activities in different ways. The Finnish companies, for example, provide vouchers for physical exercise and cultural benefits. Some of the companies operating in Russia, Estonia, Latvia and Lithuania also give financial support to their employees through various life stages, such as when a child is born, during the child's first year at school, in the event of the death of a close relative and in other special situations. Employees are also provided with a diverse range of shopping benefits that apply in K-Group stores and staff shops. A

company phone and car are also provided if required for the job.

Bonus payments and share-based payment plan

The performance bonus schemes cover the entire personnel, with the exception of sales assistants and jobs covered by other types of bonus and commission systems. The indicators in the performance bonus scheme include the total performance of Kesko Group and the division, the sales and performance of the employee's own unit and customer satisfaction. The job satisfaction of personnel also contributes to supervisors' bonuses. In spring 2015, around €12.4 million (€12.7 million in 2014) was paid in Finland in bonuses under the 2014 performance bonus schemes, accounting for some 4.0% (3.6% in 2014) of the total payroll.

In 2015, the total amount of bonuses paid – consisting of bonuses, sales commissions and other similar monetary remuneration – was as follows:

- €13.1 million (€13.4 million in 2014) in Finland
- €5.0 million (€6.2 million in 2014) in other operating countries

Kesko Group's management and key people – comprising around 150 people – are covered by a performance-based bonus scheme. The maximum bonus amounts vary depending on the profit impact of the person's job and are equivalent to 3–8 months' salary. Kesko has a share-based payment system for 2014–2016 covering around 150 Kesko management personnel and other named key personnel. The share-based payment system has three vesting periods: the calendar years 2014, 2015 and 2016. A commitment period of three calendar years follows each vesting period. During this period, shares must not be transferred. In February 2016, the Board of Directors decided to grant a total of 140,365 of the company's series B shares to 142 Kesko management personnel and other named key personnel based on the fulfilment of the vesting criteria for the 2015 vesting period in the share-based payment system.

Pensions

In Finland, new pensions were granted to 168 employees (155 in 2014) who retired from Kesko Group. In addition to old-age and disability pensions, this figure also includes employees retiring on part-time pension or partial pension and those receiving cash rehabilitation benefit. Cash rehabilitation benefit is a fixed-term disability pension and the aim is that the employee can eventually be rehabilitated and return to work.

Rehabilitation allowance was granted for vocational retraining or trials for 50 (40 in 2014) employees with an obvious risk of incapacity for work in the next few years. In 2015, the average retirement age of employees was 59 (59 in 2014). In other operating countries, a total of 15 (14 in 2014) employees retired.

LABOUR/MANAGEMENT RELATIONS

LA4 Minimum notice periods regarding operational changes

In all of its operating countries, Kesko complies with local legislation. The key statutes governing restructuring are included in the Act on Co-operation within Undertakings, according to which the employer has to communicate the decisions under consideration on the basis of the negotiations within a reasonable period of time. Minimum notice periods regarding operational changes have not been defined in the trading sector collective agreement.

In Sweden, the statutory minimum notice period in the event of organisational changes is between 8 and 24 weeks depending on the nature of the change. The collective agreement observed in Sweden does not define a minimum notice period for operational changes.

In Norway, there is no minimum notice period in the event of organisational changes. However, legislation and the collective agreement demand that employees be notified of any organisational changes at the earliest possible stage.

In Russia, notifications of operational changes must be made 8.5 weeks before the changes take

effect. In the event of major organisational changes that concern more than 20% of the employees, the authorities must also be notified 8–12 weeks in advance. In Estonia and Latvia, the minimum notification period regarding operational changes is 4 weeks. In Belarus, the corresponding notification period is 8 weeks. There are no collective agreements in these countries.

In all of its operating countries, Kesko applies the notice periods specified in local labour legislation. In Finland, the notice period is between two weeks and six months, depending on the duration of the employment relationship. Employees can ask questions, give feedback or development proposals on issues related to the operations of Kesko or its subsidiaries anonymously via the 'Direct Line' available on the Keskonet intranet. Answers are published for all to see on Keskonet. Employees can also send their wishes, comments and proposals directly to the President and CEO through the feedback channel available on Keskonet.

OCCUPATIONAL HEALTH AND SAFETY

LA5 Percentage of total workforce represented in formal health and safety committees

Labour protection activities are arranged separately by each company or place of business in compliance with local legislation. Outside the Nordic countries, labour protection matters are dealt with in workplace committees.

Kesko's HR functions provide occupational safety training for Kesko employees and K-retailers. Different companies also arranged training sessions tailored to their needs.

LA6 Rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities

At Kesko Group, the counselling and guidance of employees, appraisal and prevention of work-related health risks and illnesses, including treatment of serious illnesses, in cooperation with the primary and specialised health care providers

are part of the normal operations of the Occupational Health Service.

In Finland, approximately 10,200 (10,500 in 2014) Kesko Group employees were covered by Kesko's in-house Occupational Health Service. In Finland, occupational health services for employees outside the Greater Helsinki area are mainly procured from other service providers. Centralised procurement and target-oriented management enable uniform contents and operating practices in occupational health care. In other countries, occupational health care is arranged according to local practice and legislation. A total of around €3.7 million (€5.2 million in 2014) was spent on occupational health care in Finland in 2015. The Social Insurance Institution of Finland compensated Kesko for around €2.0 million (€2.5 million in 2014) of this amount. In 2015, Kesko's Occupational Health Service spent €359 (€412 in 2014) per covered employee on maintaining employees' working capacity and providing medical care.

Kesko's contribution to occupational health care, Finland

	2015	2014	2013
€/person	359	412	481

Injuries and occupational diseases in Finland

	2015	2014	2013
Fatal injuries	0	0	0
Occupational injuries, excl. commuting injuries	93	124	116
Commuting injuries	35	32	43
Injury rate ¹ /million working hours	6	6	6
Average degree of injury severity, days	16.9	17.6	18.3
Suspected occupational diseases	4	11	4
Occupational diseases	0	0	9
Sick days due to occupational injuries, commuting injuries and occupational diseases	2,166	2,751	2,902
Per employee	0.27	0.29	0.30

The calculation method: small injuries, i.e. those leading to absence of less than three days, are not included in the figures. Statistics do not include contractors or the following companies: Vähittäiskaupan Takaus Oy, Vähittäiskaupan Tilipalvelu VTP Oy, the Agricultural Foundation of Trade.

¹ Excl. small injuries and commuting injuries, calculated with actual working hours

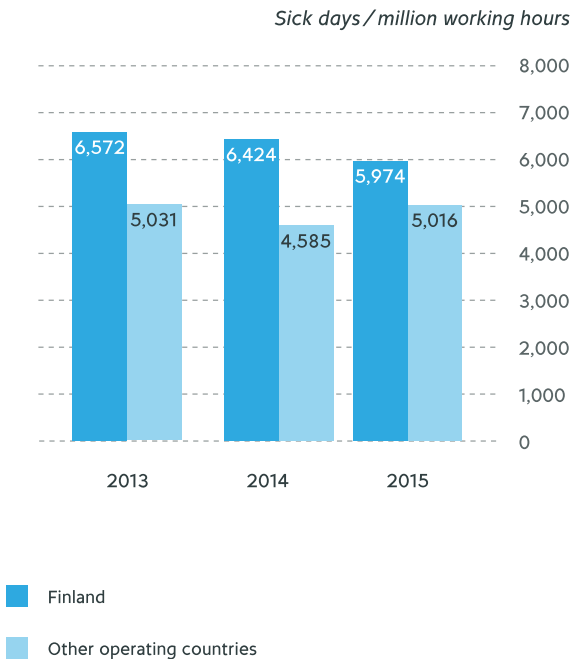
Sickness absences by country in 2015

	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus
Total number of sick days	93,510	7,865	2,414	3,537	3,886	35,446	31,548	21,485
Per employee	11.3	10.0	11.9	6.6	8.1	10.2	10.0	10.7
Per million working hours	5,974	5,694	6,755	3,240	4,023	5,025	5,059	5,260

The calculation method: sick days per employee have been calculated on the average number of employees during the year.

Data of Konsoma JLLC, Belarus not included.

Trends in number of sick days



Data for Konsoma JLLC, Belarus not included.

The statistics on injuries in Finland and the analysis of sickness days by country are presented in the above tables. In other countries, there were a total of 45 injuries resulting in sickness absence of more than three days in 2015. In Finland, the corresponding number was 93. In 2015, the sickness absence rate in Finnish companies was 4.4% (4.5% in 2014) of hours worked. Around 77.4% (78% in 2014) of the sickness absences were short-term absences (paid sick days). In other countries, the sickness absence rate was 3.7% (3.7% in 2014). The figures do not include the data for Konsoma JLLC.

TRAINING AND PERSONNEL DEVELOPMENT

LA9 Average hours of training per employee, LA10 programmes for skills management and lifelong learning

Systematic, business-driven development of personnel and management is a critical factor for future success. The sea change in the trading sector and the increase in the number of electronic transactions has created needs for new competencies. The implementation of the strategy in all divisions included a survey of digital competencies as part of performance and development reviews. The first K Digital Academy training programme was developed and implemented for those working in marketing. An online training programme in digital marketing was created for all K-Group employees. Several regional training sessions on social media were organised for retailers.

Other core competence development areas include

- Sales and service competence
- Product line specific competence advantage projects
- Safety and responsibility
- Immediate leadership
- Management

The Master Sales Assistant training, which is intended for all sales assistants in the K-Group, focuses on providing sales and service training. Vocational training and an opportunity to take specialist vocational qualifications are also available to retail store staff.

Specified career paths were created for supervisors and the first training programmes for new supervisors were piloted in the autumn. At the same time, an extensive common training offering was developed for supervisors and specialists for competence development.

In-house job rotation provides an extensive selection of career alternatives. In Finland, there were around 1,800 (1,900 in 2014) internal transfers to new jobs, while the corresponding total figure in other countries was around 2,900 (2,500 in 2014).

In Finland, recruitment in the K-Group is supported by the K-trainee and retailer training programmes. 11 K-trainees graduated from the fifth [K-trainee programme](#), which ended in September

2015. In 2016, the focus will be on digital activities and the programme will be entitled 'K-digital trainee'.

Future K-retailers are trained in the [retailer training programmes](#). Coaching involves online studies and on-the-job training under a mentor retailer, as well as regional and national on-site training periods. Those completing the programme are qualified to start a career as independent K-retailers.

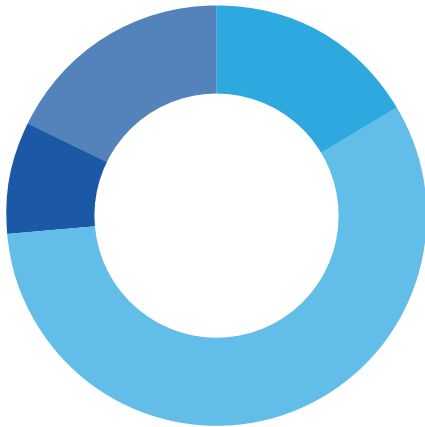
Training days and costs in 2015

	2015	2014	2013
Training days¹			
Finland	6,891	9,083	9,021
Other countries ²	14,614	14,285	16,848
Training days per employee¹			
Finland	0.8	0.9	0.9
Other countries ²	1.4	1.4	1.7
Training costs, € million			
Finland	2.5	2.9	2.0
Other countries	0.9	0.8	0.9
Training costs per employee, €			
Finland	299	298	205
Other countries	87	80	94

¹ 2015: Excluding Konsoma JLLC, Belarus and OOO Kesko Real Estate, Russia

² 2013 and 2014: Excluding Konsoma JLLC, Belarus

Distribution by education at 31 Dec. 2015, %



- Comprehensive school 16.5%
- Upper secondary vocational education 57.1%
- Lower university degree 8.8%
- Higher university degree 17.5%

Byggnakker, Norway and K-rauta, Sweden not included.

LA11 Performance and career development reviews

Performance and development reviews and performance assessment of key personnel are carried out in all Kesko Group companies and operating countries. In the performance and development reviews, the performance of the past period is evaluated and targets are set for the upcoming period, including a discussion on the development of the employee, supervisory work and the working community. Performance and development reviews apply to all employees and in

2015 they were carried out twice: in the spring and in the autumn. The realization of the discussions was asked in the personnel survey that was conducted in the beginning of 2016. The response rate of the survey was 85%. 79% of female and 82% of male employees that answered the survey had their reviews carried out during 2015.

The objective of performance assessment is to support employees' development and encourage them to improve their performance. Uniform evaluation criteria enable systematic assessment of key personnel and management resources and support job rotation between Group companies.

Personnel survey

The personnel survey is one of the key tools in developing internal working practices and the quality of supervisory work. The survey is conducted simultaneously in Kesko Group and some of the K-stores in Finland and other countries. It looks into employee engagement in the organisation, practices that enable good performance, employee wellbeing and satisfaction with the performance of their immediate supervisors and management.

Based on the results, the supervisor and the employee agree on development activities, which are linked to the annual action and HR plan and are monitored. In 2015, all of the divisions focused on implementing the action plans drawn up on the basis of the personnel survey in 2014. The next personnel survey was carried out at the beginning of 2016.

DIVERSITY

LA12 Composition and diversity of governance bodies and employee categories

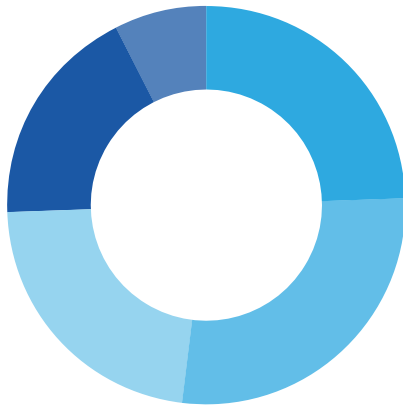
Equality, fairness and non-discrimination are important principles observed at Kesko. Kesko Corporation and its Finnish division parent companies and subsidiaries draw up statutory company-specific HR and equality plans and define objectives for improvement. The plans cover recruitment, career development and training, compensation, and the reconciliation of work and family life.

- Of Kesko Group employees in Finland 55% were female and 45% were male. In other operating countries, the figures were 50% and 50% respectively.
- In Finland, the average age of employees was 36.2 years in 2015. In other countries, the average age of employees varied from 28 to 42 years.
- Lengths of employee careers: under 10 years: 68% and over 10 years: 32% in Finland and 91% and 9% respectively in other countries. Long careers are not rare: 911 employees have worked at Kesko for over 25 years.
- Two of the seven members of Kesko's Board of Directors were women
- Two of the nine members of the Group Management Board were women
- In the subsidiaries engaged in retailing in Finland, the proportion of women in supervisory duties is high: 83% of the department managers in K-citymarket hypermarkets are women
- At the end of 2015, 51% of all supervisors in Finland (54% in 2014) were women and 49% (46% in 2014) were men

In recent years, the K-Group has launched many projects to provide employment to special groups:

- In 2012, the K-Retailers' Association started a project called 'Many kinds of performers' in cooperation with the Finnish Association on Intellectual and Developmental Disabilities (FAIDD). A permanent operating model was created based on this. Most of the disabled people employed during the project still work at the K-Group.
- In 2013, Kesko and the K-Retailers' Association launched the 'Youth Guarantee in the K-Group' programme, which aimed to provide a job, a work trial or an apprenticeship in the K-Group for 1,000 young people threatened by social exclusion by the end of 2014. The target group also included young immigrants and young people with disabilities. By the end of 2015, more than 2,500 young people had found employment in the form of a work trial, through wage support and apprenticeship training.
- Employment of the young and special groups continues as a permanent operating model. The K-Retailers' Association has a Youth Guarantee coordinator, who gives K-retailers and Kesko's supervisors advice related to the employment and training of these groups and acts as a liaison to the authorities and associations.

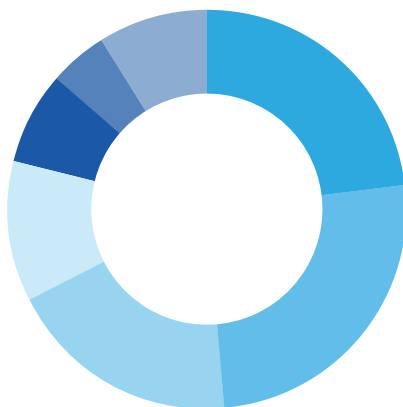
Age distribution of Kesko personnel in Finland in 2015, %



- Under 26 years 24.6%
- 26–35 years 27.4%
- 36–45 years 22.6%
- 46–55 years 18.0%
- Over 55 years 7.4%

The figures also include those called to work on demand.

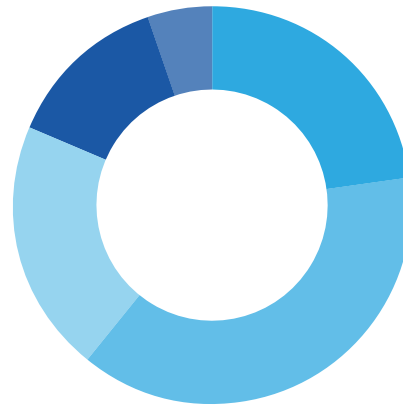
Years of service in Finland in 2015, %



- Under 2 years 23.1%
- 2–5 years 25.6%
- 6–10 years 19.0%
- 11–15 years 11.4%
- 16–20 years 7.5%
- 21–25 years 4.8%
- Over 25 years 8.7%

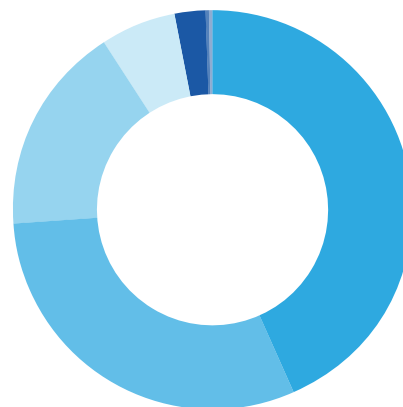
The figures also include those called to work on demand.

Age distribution of Kesko personnel in other operating countries in 2015, %



- Under 26 years 22.9%
- 26–35 years 38.0%
- 36–45 years 20.7%
- 46–55 years 13.2%
- Over 55 years 5.1%

Years of service in other operating countries in 2015, %



- Under 2 years 43.6%
- 2–5 years 30.4%
- 6–10 years 16.8%
- 11–15 years 6.2%
- 16–20 years 2.6%
- 21–25 years 0.3%
- Over 25 years 0.1%

EQUALITY OF MEN AND WOMEN

LA13 Ratio of basic salary of men to women

The average annual salary of Kesko employees was €37,478 in Finland, €37,506 in the other Nordic countries, and €9,524 in the Baltic countries, Russia and Belarus. As Kesko Group operates in many lines of business, the average salary is not a good indicator of salary level or structure.

The wage groups and tables specified in the collective trading sector labour agreement are applied to jobs covered by the agreement, such as sales assistants and warehouse workers. Salaries are affected by job-based responsibility bonuses, work experience and the cost-of-living category, which depends on locality. Besides the role and job

requirements, the salary of a senior white-collar employee is determined by competence, work experience, performance and results. Because of the diversity of job descriptions, it is not possible to comprehensively compare the salaries between genders at the Group level.

Equality in compensation is considered as part of annual company-specific equality plans. Gender is not a factor in determining pay levels, and no significant differences in comparable jobs have been detected. Company-specific equality plans strive to promote pay equality in jobs where comparisons can be made.

Percentage of women by employee category, Finland

	2015	2014	2013
Top management	20.0	15.6	16.7
Middle management	21.1	18.6	19.8
Supervisors and specialists	46.4	48.2	47.7
Workers and white-collar employees	57.8	61.5	61.9
Total	55.4	58.8	59.3

The figures also include those called to work on demand

Percentage of women by employee category, other countries

	2015	2014	2013
Top management	0.0	0.0	0.0
Middle management	47.7	46.8	48.6
Supervisors and specialists	54.4	54.7	52.6
Workers and white-collar employees	47.8	46.2	48.9
Total	50.5	51.5	50.2

2013: Excluding Senukai, Lithuania and Byggmakker, Norway

2014 and 2015: Excluding Senukai, Lithuania

Human rights

Indicators: HR3–HR4, HR9–HR11, LA14–LA15

NON-DISCRIMINATION

HR3 Total number of incidents of discrimination and corrective actions taken

In 2015, there was one case in the Finnish courts of law in which a company belonging to Kesko Group was sued for compensation on grounds of alleged

discrimination. The proceedings will continue in 2016.

FREEDOM OF ASSOCIATION

HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk

A total of 41.8% (41.8% in 2014) of Kesko Group employees in Finland were members of trade unions, mainly the Service Union United PAM. This statistic includes the employees whose trade union membership fees are deducted at source from pay.

In Norway, the unionisation rate was 23.1% (25.7% in 2014). Statistics on employee unionisation in the other operating countries are not available. In the Baltic countries, Kesko's subsidiaries have workplace committees composed of management and employee representatives.

The National Works Council meets twice a year. The international Group-level European Works Council (EWC) meets once a year.

Collective agreements cover all of Kesko's employees in Sweden and Norway, and around 81% (83%) in Finland. So far, no binding industry-wide collective agreements have been drawn up in the Baltic countries or Russia.

The control of the unionisation of suppliers' employees in high-risk countries and corrective actions are included in the SA8000 and BSCI audits.

HUMAN RIGHTS ASSESSMENTS

HR9 Operations that have been subject to human rights reviews, HR10 Suppliers that were screened using human rights criteria, HR11 Significant negative human rights impacts in the supply chain and actions taken

Work related to the human rights impact assessment in accordance with the [UN Guiding Principles on Business and Human Rights](#) continued. In autumn 2015, we engaged in dialogue with our stakeholders, which will continue in spring 2016.

- Consumers. TNS Gallup looked into human rights in the K-Group's operations on the basis of [small-group discussions](#) and a web survey sent to 567 K-Group customers and 41 specialists
- Employees in factories in high-risk countries. District coordinators of the Trade Union Solidarity Centre of Finland (SASK) interview employees of the factories manufacturing Kesko's own-branded goods in three high-risk countries (India, Bangladesh and the Philippines). The interviews focus on human rights in the factory and the impact of Kesko's operations.
- Personnel. Employees were able to make themselves heard in two ways: the applicable sections in the personnel survey were made use of and a survey directed to shop stewards was carried out.

The human rights assessment is expected to be completed during the first half of 2016. It will be published on Kesko's [website](#).

In 2014 and 2015, Kesko participated in retail round table discussions organised by the Ministry of Employment and the Economy and the Ministry for Foreign Affairs as part of the national implementation of the UN Guiding Principles on Business and Human Rights. Grocery retail companies, NGOs and authorities presented a common viewpoint on the implementation of the UN Guiding Principles on Business and Human Rights in the sourcing chains of the grocery trade. The [viewpoint](#) was published in August 2015. Read more about [discussions in the grocery trade](#). However, discussions about preparing a corresponding recommendation for the textiles and clothing sector were discontinued.

Suppliers in high-risk countries are mainly assessed by BSCI audits. Kesko's BSCI results for 2015 in different areas are presented in a graph in the section on supplier assessment for labour practices. Corrective actions and their monitoring are included in the audit process.

SUPPLIER ASSESSMENT FOR LABOUR PRACTICES

LA14 Percentage of new suppliers that were screened using labour practices criteria, LA15 Significant actual and potential negative impacts for labour practices in supply chain and actions taken

SA8000 certifications and BSCI audits

Kesko mainly uses BSCI auditing and the SA8000 standard for assessing its suppliers in high-risk countries. Kesko also accepts other social

responsibility systems, if their criteria correspond to those of BSCI auditing and the audit is conducted by an independent party. These systems are listed in the section entitled 'Responsible monitoring and steering', under 'Responsible purchasing and sales'. Some of Kesko's suppliers are also members of BSCI and promote audits in their own supply chains.

Kesko's most significant high-risk countries of import are listed in the table below.

At the beginning of 2016, of Kesko's suppliers in high-risk countries,

- 16 (14 at the beginning of 2015) had valid SA8000 certification
- 200 (189 at the beginning of 2015) had valid BSCI audits

In 2015, suppliers' factories or farms had

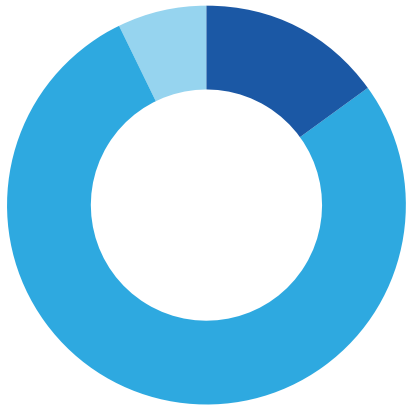
- 107 (88 in 2014) full BSCI audits
- 80 (74 in 2014) BSCI re-audits

49 of the full audits were conducted in accordance with the BSCI 2014 Code of Conduct, while 58 of them were conducted in accordance with the BSCI 2009 Code of Conduct. Seven of the re-audits were conducted in accordance with the BSCI 2014 Code of Conduct, while 73 of them were conducted in accordance with the BSCI 2009 Code of Conduct.

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. Since the beginning of 2016, Kesko's grocery trade requires all of its suppliers in high-risk countries to have been audited. It will not begin working with new suppliers unless they have passed an acceptable audit.

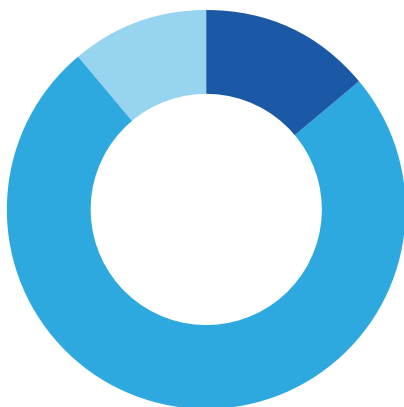
The results of the BSCI audits of Kesko's suppliers' factories for 2015 are presented below. The majority of the deficiencies occurred in management practices, the observance of working time regulations and in matters related to compensation and occupational health and safety. Corrective actions and monitoring are included in the audit process. Kesko does not terminate cooperation with a supplier that undertakes to resolve the grievances specified in the audit report. In 2015, cooperation was not terminated with any supplier on the basis of an audit.

Kesko's BSCI audit results in 2015, full audits



- Good 15%
- Improvements needed 78%
- Non-compliant 7%

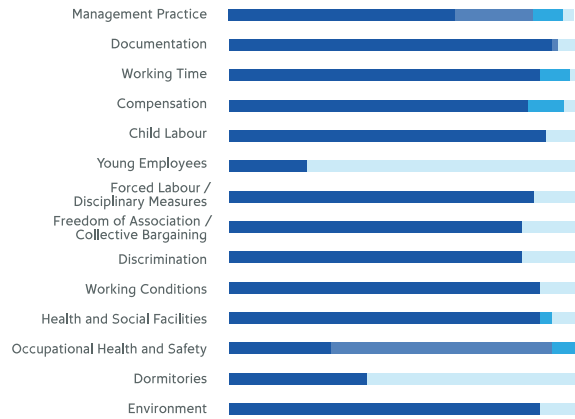
Kesko's BSCI audit results in 2015, re-audits



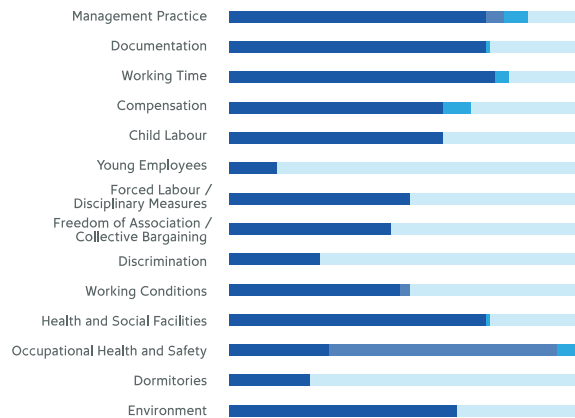
- Good 14%
- Improvements needed 75%
- Non-compliant 11%

Kesko's BSCI audit results, distribution in different areas in 2015

Part B, full audits (58)



Part B, re-audits (73)



- Good
- Improvements needed
- Non-compliant
- Not applicable

The graphs show the results of the audits made in accordance with the 2009 Code of Conduct

Fairtrade products

Kesko's grocery trade has a comprehensive cooperation agreement with Fairtrade Finland and a licence for Fairtrade products in the Pirkka range. The selections of Fairtrade products at store level are determined by the K-food trade chain concepts.

- In 2015, Kesko's grocery trade had 212 (238 in 2014) Fairtrade products in its selections, of which 40 (44 in 2014) were Pirkka product
- According to the statistics of Fairtrade Finland, Kesko's grocery trade had a total of 168 Fairtrade suppliers (166 in 2014)
- The products sold by Kesko's grocery trade and Kespro generated €481,405 in Fairtrade premium for social development projects

High-risk countries

On 11 May 2015, Kesko published [on its website](#) a list of factories that operate in high-risk countries

manufacturing clothing, accessories, shoes and bags for Kesko's own brands or making products that are directly imported by Kesko.

Kesko aims to identify the entire supply chain of the products, while also ensuring that the ingredients are responsibly sourced. Work to assess the origin of the ingredients in Kesko's own brands – Pirkka and K-Menu groceries – was carried out over the course of 2015. Out of 1,923 products, 233 contained ingredients which, based on risk assessment, need further clarification about the responsibility of the supplier of the ingredient. The supplier of the product is required to ensure the social responsibility of the supplier of the ingredient. In the future, an ingredient survey will be carried out whenever a new product is introduced into the selections.

Kesko's own direct imports from high-risk countries, 10 largest countries in 2015¹

Country	Value of imports, € million
China	49.2
India	9.9
Thailand	7.4
Vietnam	6.9
Turkey	6.2
Indonesia	1.8
South Africa	1.5
Bangladesh	1.2
Egypt	1.0
The Philippines	0.9

¹ CIF, direct imports forwarded by Keslog only, excluding imports by VV-Auto

Cooperation with Plan

Kesko and Plan International Finland, an organisation promoting children's rights, continue their cooperation to improve the social responsibility of the Thai fish industry and the situation of migrant workers. We have agreed on cooperation for years 2015–2018. With the help of our joint project we aim to improve the working conditions of Cambodian migrant workers and promote the schooling and protection of their children in Thailand.

Another purpose of the cooperation is to improve the transparency of the production chain. We aim to encourage a large number of fish industry firms and NGOs to join in. The government of Thailand also plays a major role in the realisation of the rights of children and migrant workers. [Read more about cooperation with Plan.](#)

Society

Indicators: SO3–SO8

ANTI-CORRUPTION

SO3 Total number of operations assessed for risks related to corruption, SO4 Training on anti-corruption policies and procedures, SO5 Confirmed incidents or corruption and actions taken

Risks related to corruption are considered as part of Kesko Group's risk management. Key risks, including those related to corruption, are regularly identified, assessed, managed, monitored and reported as part of business operations at the Group, division, company and unit levels in all operating countries. Rankings of Kesko's operating countries in the Corruption Perceptions Index 2015 by Transparency International are presented below.

Kesko's anti-corruption principles are included in the 'Our Responsible Working Principles' guidelines, available on Kesko's [website](#). A separate website with relevant animations is dedicated to responsible operating practices. The guide and the website are available in the languages of all of Kesko's operating countries. The guidelines will be updated in 2016.

In 2015, a new online training programme was adopted to order to refresh employees' knowledge of our responsible working principles. The training is compulsory for all Kesko people and the languages to choose from are Finnish and English. A Russian-language version will be published in 2016.

From the beginning of 2015, all of Kesko's Russian business companies have had their own anti-corruption policies. The new policies take account of the requirements of Russian anti-corruption laws. Kesko's Russian business companies have also introduced anti-fraud (whistleblowing) channels for reporting suspected malpractice. The Russian-language channel is intended for confidential use by the business partners of Kesko subsidiaries and other third parties including personnel for notifying any suspicions of malpractice or unethical conduct in Kesko's Russian subsidiaries.

Kesko arranges annual Value Discussions on responsible working principles in its companies. In 2015, a value discussion event was organised in Kesko's Belarusian company. It focused on issues related to corruption and malpractice. In 2015, one of the focus areas in Kesko's risk management and security function was the prevention of malpractice.

There were individual cases of suspected malpractice in 2015. The Internal Audit assisted in investigating them.

In 2015, Kesko was not informed of any corruption-related lawsuits against any Kesko Group company.

Rankings of Kesko's operating countries in the Transparency Corruption Perceptions Index in 2015

Ranking	Country	Score
2	Finland	90
3	Sweden	89
5	Norway	87
23	Estonia	70
32	Lithuania	61
40	Latvia	55
107	Belarus	32
119	Russia	29

PUBLIC POLICY

SO6 Total value of political contributions

In election years, political parties and candidates are given equal opportunities to arrange campaign events in the yards and entrance halls of K-Group stores. In addition, Kesko may participate in economic and tax policy seminars arranged by political parties, at its discretion and without indicating partiality. Kesko does not make monetary donations to political parties. In 2015, the seminar attendance fees and commercial advertising in party newspapers paid by Kesko totalled €7,646.

Recipients of political contributions

Recipient	Country	Amount, €
Centre Party, newspaper advert	Finland	350
Centre Party, seminar attendance fees	Finland	1,705
National Coalition Party, newspaper adverts	Finland	4,591
National Coalition Party, seminar attendance fee	Finland	500
Social Democratic Party of Finland, newspaper advert	Finland	500

ANTI-COMPETITIVE BEHAVIOUR

SO7 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices, SO8 Fines and other sanctions for non-compliance with laws and regulations

In 2015, there were no legal actions, fines or other sanctions relating to anti-competitive laws and regulations.

Product responsibility

Indicators: PR1–PR9

CUSTOMER HEALTH AND SAFETY

PR1 Product and service categories for which health and safety impacts are assessed for improvement, PR2 Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products

The activities of the Product Research unit of Kesko's grocery trade include assessing the impacts of products on health and safety. It requires manufacturers of its own brands to have certification that assures international product safety. The standards approved by Kesko's grocery trade include BRC, IFS, ISO/FSSC 22000 and GlobalGAP. In 2015, the total number of certified suppliers was 532 (533 in 2014). This number also includes old audits conducted according to Kesko's grocery trade's own auditing guidelines.

A total of 8,037 (8,864 in 2014) product samples were analysed. Most of them related to the product development of own brands. A total of 2,158 (1,779 in 2014) own control samples were analysed.

When developing own brand products, Kesko's grocery trade pays special attention, in line with its

strategy, to the health aspects of the products. Sugar, saturated fat and salt have been reduced in more than 150 Pirkka products. This reformulation was completed in 2013. The health aspects of new Pirkka products are taken into account at the product development stage.

Product Research is also responsible for product recalls, which numbered 124 in 2015 (125 in 2014). Of these, 27 (24 in 2014) were Kesko's grocery trade's own brands; in the other cases, Product Research assisted the manufacturers in recalls. There were three public recalls involving a potential health hazard resulting from product flaws or defects in Kesko's grocery trade's own brand products in 2015 (0 in 2014).

In 2015, there were no lawsuits or fines concerning product health or safety.

Read more about [the Product Research laboratory](#).

PRODUCT AND SERVICE LABELLING

PR3 Product and service information and labelling

The transition period for EC regulation No. 1169/2011 on the provision of food information to consumers ended in December 2014. During the three-year transition period, Kesko's grocery trade updated the labels of around 2,500 own brand

products to comply with the requirements of the regulation. Changes continued to be made until spring 2015, which marked the end of the transition period of EC regulation No. 1337/2013, which sets out rules for the indication of the country of origin of certain meats.

The name and location of the manufacturer are indicated on all Finnish Pirkka products and on all K-Menu products. Foreign Pirkka products carry the name of the country of manufacture. In addition to statutory labelling, the country of origin of meat is also indicated in the list of ingredients of Pirkka products that contain meat as one of the main ingredients. The country of origin is indicated on all own brand products of K-citymarket and Kesko's home and speciality goods trade.

In addition to statutory package labelling, voluntary labelling can be added to inform the consumer of matters related to corporate responsibility. Such labelling may include organic labels and eco-labelling, as well as labelling indicating social responsibility. The selection of labelled products is discussed in the [strategy report](#).

The packages of Kesko's own brand chemical products – such as detergents and paints – bear warning labelling in accordance with CLP regulation EC 1272/2008 on the classification, labelling and packaging of chemicals. The final transition period before the regulation entered into force ended on 1 June 2015, but there may still be products on the market with package labelling printed before the end of the transition period.

The own brand products sold by Kesko's grocery trade bear material symbols on their packaging. These symbols help consumers to recycle packaging materials. Chemicals that are hazardous to the environment have warning labelling in accordance with the CLP regulation.

PR4 Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling

Software adjusting NO_x emissions

In September 2015, California Air Resources Board (CARB) and the Environmental Protection Agency (EPA) uncovered software that adjusts nitrogen

oxide (NO_x) emissions in Volkswagen Group cars with 2.0 litre diesel engines. The software detects when the car is undergoing testing and the engine control produces nitrogen oxide (NO_x) readings that meet the standards. Thus the emission values conform to the test cycle, while being higher during normal driving conditions when the cycle is not in use.

Later investigation revealed that this software is fitted in EA 189 series 1.2 litre, 1.6 litre and 2.0 litre diesel engines. There are roughly 11 million such cars worldwide. As far as the brands represented by VV-Auto are concerned, the number of such cars in Finland is around 53,000 (including individual imports). The case applies to all of the brands imported by VV-Auto (Audi, SEAT, Volkswagen passenger cars, Volkswagen commercial vehicles).

Volkswagen Group has developed remedial measures for cars (in the EU-28 area) and the German authority (KBA) has approved them. In Finland, a recall campaign will begin in spring 2016, and it will be implemented phase-by-phase in various lots. The 1.2 litre and 2.0 litre diesel engines will get a software update. The 1.6 litre diesel engines will also get a software update and have a "flow rectifier" fitted directly in front of the air mass sensor. These measures will take between half an hour and one hour. The remedial measures will be performed by authorised brand service workshops and can also be performed in connection with a normal service visit. After the measures have been implemented, the cars will fulfil the duly applicable emission standards. The manufacturer also aims to achieve this without any impairment of engine efficiency, fuel consumption or performance.

VV-Auto has informed its customers on the web pages of each brand and sent informative letters/e-mail to the customers concerned. A separate customer service number has also been in use. Dealers have been informed through their internal channel.

The internal review of Volkswagen also aroused suspicion concerning the correctness of the determination of the CO₂ emission value carried out during type approval. Re-measurements revealed that no illegal changes were found in fuel consumption and CO₂ values. Deviations were found in nine Volkswagen passenger model/gearbox versions (model year 2016). VV-Auto imports five of these model/gearbox versions. Re-measurements will continue by an impartial technical service and the results are expected at the beginning of 2016. If the original values are confirmed, no consequences will follow. If deviations are detected, the values will be corrected as required in accordance with the normal type approval process. The total annual production of these nine models is roughly 36,000 cars, which corresponds to about 0.5% of the overall volume of Volkswagen passenger cars. Volkswagen Group has announced that it will take responsibility for any additional tax consequences resulting from the CO₂ emission case.

All affected cars are technically safe and roadworthy.

Product labelling

On the product labelling of its own brand products and imports, Kesko complies with Finnish law and with EU legislation.

During the year, there were 46 (40 in 2014) product recalls resulting from defective product labelling, 9 (11 in 2014) of which were Kesko's grocery trade's own brands.

PR5 Results of surveys measuring customer satisfaction

The recognition level and images of Kesko's chains are regularly monitored by brand surveys targeted at consumers in all product lines. The same practice is applied to the K-Plussa customer loyalty system and the grocery trade's own brand products. Store-level customer satisfaction is measured by customer satisfaction surveys, as well as by using the mystery shopping method in food stores and building and home improvement stores.

The chains have different channels for customer feedback, and Group-level feedback can be given on [Kesko's website](#). All messages received via all the feedback channels are responded to.

During the year, Kesko's grocery trade's Consumer Service, maintained by Product Research, was contacted by customers 19,770 (20,911 in 2014) times. Approximately 80% of these were product complaints.

Results of customer satisfaction surveys in Kesko's divisions

MONITORING CUSTOMER SATISFACTION IN KESKO'S GROCERY TRADE

Kesko's grocery trade surveys and monitors customer satisfaction in all of its chains on a regular basis. Measuring is carried out based on each chain's business needs with the focus on leveraging this information to improve customer experience and satisfaction.

Results are studied at the division, chain, store and question level. Store-specific results and changes are actively monitored, with a special emphasis on leveraging the information at the store level and in the operations of each store.

Recommendation after shopping, customer pulse

The aim is to establish customer experience (willingness to recommend) using a survey sent to customers. The customer will receive the survey on the day after visiting the store. The indicator used is Net Promoter Score, 'a net recommendation index'. The survey enquires how likely the customer is to recommend the store to their friends or acquaintances on a scale of 0–10. Customers answering the survey are also asked to give open-ended feedback on their satisfaction or dissatisfaction.

The survey is in continuous use in the following chains of the grocery trade: K-citymarket, K-supermarket and K-market. The survey is sent to K-food store customers who have an e-mail address in the K-Plussa customer register. The survey is sent to a sample of customers based on specific conditions.

The results are reported monthly on the store and chain levels. The report consists of a numerical summary and open feedback. Feedback is sent to the stores once a week and the contents are

analysed on a centralised basis to enhance operations.

As the survey was introduced in late autumn 2015, it is too early to draw any conclusions about the development of the results.

Customer satisfaction survey to K-food store customers

The customer satisfaction survey looks into customer satisfaction with store departments, customer service and other operations. The aim is to help stores develop their operations by listening to customers' opinions and wishes.

The survey was carried out for K-citymarket, K-supermarket, K-market and K-market Neste Oil stores twice in 2015. In spring, some of the stores in the K-extra chain also participated. In autumn, a separate survey was carried out for K-citymarket's home and speciality goods trade. The source of the sample was the K-Plussa customer register. Data was collected in 2015 and, depending on the chain, the survey was either entirely electronic or partly electronic and partly on paper.

After the survey period, the results were reported at the store, chain and division level, and with different background variables. Depending on the set of statements, the results were presented either on a scale of 0–100 or as percentages.

The trend of K-food stores' customer satisfaction was positive in all of the chains in 2015. K-food stores' result of 67.8 in autumn 2015 was the best result in the past two years. Survey results are not comparable with the results achieved before 2013.

MONITORING CUSTOMER SATISFACTION IN KESKO'S HOME IMPROVEMENT AND SPECIALITY GOODS TRADE

Kesko's home improvement and speciality goods trade measures customer satisfaction in all of its operating countries and different chains on a regular basis. Measurements are based on each chain's business requirements with an emphasis on leveraging information on customer interface. In surveys, the focus is shifting towards customer encounters and measuring customer experience at various stages of the shopping path.

The results are studied at the store and chain level. Store-specific results and changes are actively monitored. A special emphasis is leveraging the information at the store level and in the store's own operations.

Recommendation after shopping, customer pulse

The aim is to establish customer experience (willingness to recommend) using a survey sent to the customer immediately after the purchase. The indicator used is Net Promoter Score, 'a net recommendation index'. Customers answering the survey are also asked to give open-ended feedback on their satisfaction or dissatisfaction.

The survey is in continuous use in the following chains of the home improvement and speciality goods trade: K-rauta (Finland), Rautia, Asko, Sotka, Intersport, Budget Sport and Kookenkä. The target group consists of customers who have spent a certain sum, used their K-Plussa card and have their e-mail address in the K-Plussa register.

On the day after shopping, customers receive an e-mail survey in which they are asked about their willingness to recommend the store to their friends and acquaintances. Question: "On a scale of 0–10, if asked, how likely would you be to recommend X to your friends on the basis of your last shopping visit?" Open-ended feedback is also requested with a further question, phrased separately for those who were critical (scores 0–6) and those who were positive (scores 7–10).

Results are reported monthly at store level. The report consists of a numerical summary and open feedback. The feedback is sent to the stores at least twice a month and the contents are analysed on a centralised basis to enhance operations.

The trend in the results of all chains was positive in 2015.

The annual customer satisfaction survey to customers of building and home improvement stores and agricultural stores

The aim of the survey is to find out how the customers of the building and home improvement stores find the store's operations and customer service. The survey helps stores to enhance their operations to better meet customers' needs and wishes.

The survey takes the form of an e-mail enquiry, with the exception of Russia, where customers are interviewed in-store after shopping.

Contents have been defined in cooperation with different operating countries (Finland, Sweden, Norway, Estonia, Latvia, and Russia) and special local features have been taken into account. In 2015, Rautakesko's total satisfaction was 3.9 on a scale of 1–5, which was the same as before. Results varied by country and chain and were between 3.8 and 4.1. The trend in Latvia and Norway was positive in 2015, while in other countries the results remained unchanged or decreased slightly.

Konekesko's customer satisfaction survey for dealers and service shops

Konekesko measures customer satisfaction among dealers and in service shops on a regular basis. The survey is carried out annually in the form of an e-mail enquiry.

The results of each operation are reported separately so that the development of operations can be directed as accurately as possible. In 2015,

the results in different operations varied between 3.5 and 4.1 (on a scale of 1–5).

Measuring daily customer satisfaction in stores

Measurement is carried out with the help of a questionnaire device in-store.

Budget Sport acquired devices for all of its stores over the course of 2015. The model was also piloted successfully in other chains.

The customer is asked to answer the following question: “How did we do today?” Customers who did not buy anything are also invited to give a response. All customers who leave their contact information and wish to be contacted should be contacted as soon as possible, within 24 hours at least. Responsible persons in-store analyse customer feedback on a regular basis. They take the action required or make a proposal to the store’s weekly meeting or management team.



CUSTOMER SATISFACTION MONITORED IN KESKO’S CAR TRADE

Survey methods

VV-Auto Group Oy surveys the satisfaction of its end customers for all of the brands it represents – Audi, Volkswagen, Volkswagen commercial vehicles and SEAT – regarding the purchase and service of a new car.

This is done via a telephone interview. Questions about all the brands are, to a great extent, uniform. The questions aim to tackle the sales or service process of the car accurately and in detail. The survey takes about 10 minutes.

There are two types of questions: yes/no questions and questions that describe the level of satisfaction on a scale of very satisfied to not at all satisfied. Customers can also give open-ended feedback.

The targeted numbers of interviews vary according to the size of the dealer. Target levels are:

- Sales: 10 or 20 interviews per month
- Service: 10, 20 or 40 interviews per month

As for SEAT, the survey is carried out in the form of an e-mail enquiry. It is sent to all the customers who have given their e-mail address.

At the end of service visits, customers are also asked to give immediate feedback on their satisfaction with the maintenance and service.

An external research agency analyses the results and reports them via VV-Auto’s secure portal. Customer-specific answers are available only if these customers give their consent to the use of their data.

Based on the results, quality bonuses are paid to dealers.

Results in 2015

Sales: Audi, Volkswagen commercial vehicle and SEAT dealer networks reached the target level. The Volkswagen dealer network fell slightly below the target level.

Service: Audi, Volkswagen and Volkswagen commercial vehicle dealer networks reached the target level. The SEAT dealer network fell slightly below the target level.

Service/immediate feedback: Only the Audi dealer network reached the target level. The results of the others fell clearly below the target levels.

MARKETING COMMUNICATIONS

PR6 Sale of banned or disputed products

During 2015, Kesko's stakeholders raised questions and concerns regarding several products and the conditions under which they are produced.

Thailand

In June 2015, Finnwatch published [a follow-up study](#) on the tuna factories in Thailand that manufacture own brand products for the retailing sector. The study summary states that clear improvements have been seen in the working conditions of the factory manufacturing Pirkka tuna but further actions are still needed. The report encourages Kesko to continue cooperation with the factories but includes the reminder that retail chains must constantly ensure that human rights are respected.

In September 2015, Finnwatch published a [report](#) on working conditions in the chicken industry of Thailand. According to the report summary, the responsibility requirements of the companies importing chicken from Thailand are often vague and implementation is not supervised. The report states, however, that Kesko's grocery trade carries out human rights assessments when selecting suppliers, includes responsibility requirements in its purchasing agreements and monitors the implementation of the requirements by means of third-party audits. Both of the plants producing chicken meat for Kesko's grocery trade's own brand products are BSCI audited.

Kesko has also actively cooperated with stakeholders in Thailand with the aim of improving

conditions in purchasing chains. Examples of cooperation include participation in the ILO's Good Labour Practices buyer reference group and the research project for 2015–2018 with Plan International Finland, an organisation promoting children's rights, to improve social responsibility in the Thai fish industry and the position of migrant workers there.

Israeli settlements

The discussion concerning products produced in Israeli settlements took a new turn in November 2015. The European Commission published [an Interpretative Notice](#) to the effect that if the origin of a product must be stated – or if the origin is voluntarily stated – and the product originates from an Israeli settlement, the product label must state that the origin of the product is an Israeli settlement. Kesko's grocery trade has made a policy statement and informed its suppliers that it will not accept fruit and vegetables from Israeli settlements in its selections. Imports by Kesko's other divisions from Israel are small. These divisions verify product origins with their suppliers and, if necessary, comply with the Commission's Interpretative Notice.

Cocoa

There has been a long-felt need in the European cocoa and chocolate industry for an international standard to help in the assurance of social responsibility and traceability of cocoa. The International Organisation for Standardisation (ISO) and the European Committee for

Standardisation (CEN) decided in October 2014 to start preparing a responsibility standard for cocoa. The target timeline for its completion is three years. A monitoring group has been set up in the Finnish Standards Association (SFS) in order to influence the content of the standard. Kesko has a representative in the monitoring group.

Soy

Kesko recommends that its suppliers use responsible RTRS or ProTerra certified soy in the ingredients of soy origin of the grocery trade's private label foods, in the production of products of animal origin and as an ingredient of the animal feed products sold by the agricultural trade. By 2020, only responsible RTRS or ProTerra certified soy will be used in these products.

Kesko is a member of the [Round Table on Responsible Soy \(RTRS\)](#) organisation and is thereby committed to promote responsibility in the production chain of soy on a long-term and target-oriented basis. Both economic, social and environmental considerations must be taken into account in the production of responsible soy.

Kesko is a founding member in the Finnish soy commitment group. The members of the Finnish soy commitment group pledge to ensure that by 2020 all the soy used in the production chain of their private label products will be responsibly produced, and be either RTRS or ProTerra certified soy. The commitment covers both the Finnish production chain and sourcing from other countries.

Wild berries

In December 2014, the Ministry of Employment and the Economy and the Ministry for Foreign Affairs signed a letter of intent on wild berry picking with a number of companies in the berry industry.

The aim of the letter is to improve the legal status of foreign pickers of wild berries and people in related duties as well as their ability to earn

sufficient income. A further aim was to provide equal business conditions for all companies in the berry industry. The letter of intent contains 26 jointly agreed entries concerning operating practices. The companies responsible for inviting berry pickers to work in Finland commit themselves to improving the induction and advice provided to their workers. In addition, recruitment costs and other expenses charged to pickers are made more reasonable and the expenses charged are monitored more closely. Stricter quality criteria are also applied to berry pickers' accommodation, washing and catering facilities.

During the harvest season of 2015, Kesko's grocery trade required that all suppliers of wild berries for its own brand products complied with the letter of intent on responsible berry picking.

Fish

A working group that was set up by the Ministry of Agriculture and Forestry completed a national salmon strategy in November 2013. Kesko had a representative in the working group. The objective of the salmon strategy is to support the strengthening of the wild Baltic salmon population in a way that enables professional and recreational fishing to continue. The working group undertook to increase salmon and sea trout stocks with measures extending up to 2020. The government approved the strategy in October 2014. In February 2015, the Ministry of Agriculture and Forestry decided to set up a working group to monitor the implementation of the salmon and sea trout strategy and the fishway strategy. Kesko has a representative in the working group.

The K-Group's salmon selections are formed following the WWF's fish guide and the report by the national salmon strategy working group. The selections of Kesko's grocery trade do not include species on the red list of the WWF's fish guide with the exception of wild Baltic salmon, for which we observe the EU quotas in line with the national salmon strategy.

PR7 Incidents of non-compliance with regulations and voluntary codes concerning marketing communications

Kesko monitors the amendments to legislation and authorities' recommendations related to marketing communications and provides information about them to the staff responsible for marketing in each unit. In 2015, there were no advertisements by Kesko or its subsidiaries submitted for consideration by the Council of Ethics in Advertising nor were there any incidents of non-

compliance with legislation or voluntary principles. The consumer ombudsman had one complaint under investigation, according to which Indoor had exceeded the maximum duration of discount sales during the year. No decision has yet been taken in the case.

Sponsorship is guided by Kesko's [sponsorship principles](#).

CUSTOMER PRIVACY

PR8 Complaints regarding breaches of customer privacy and losses of customer data

In 2015, K-Plus Oy did not detect any leaks of information or other personal data breaches. The company received one complaint from a customer regarding the deletion of personal data from K-Plus Oy's customer register. The case resulted in the

data protection ombudsman contacting the company. The ombudsman stated that there was no need for an order as referred to in the Personal Data Act because K-Plus Oy had deleted the customer's personal data from its systems.

COMPLIANCE

PR9 Fines for non-compliance with laws and regulations concerning the provision and use of products and services

No significant fines in 2015.

GRI REPORT PROFILE

Reporting follows the GRI G4 guidelines

Since 2000, Kesko has annually reported its corporate responsibility information in accordance with the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development. The GRI report of Kesko's integrated annual report is prepared in accordance with GRI G4 guidelines and covers the key areas of economic, social and environmental responsibility. In our operations, we apply the AA1000 AccountAbility Principles (stakeholder inclusivity, identification of material aspects and responsiveness to stakeholders). We have divided the GRI report into three sections: responsibility management, GRI index and performance indicators. The report is available in Finnish and English, and the report is published online only.

The scope of the GRI guidelines that Kesko follows in this report is Core. However, the General Standard Disclosures according to the GRI G4 guidelines are presented in a much wider scope than required by the Core option. Specific Standard Disclosures, that is, the disclosures on management approach and indicators, are made with respect to the [material aspects](#) for Kesko. However, indicators are reported in a much wider scope than required by the Core option. A comparison of the contents of the report and the GRI G4 guidelines is given in the [GRI index](#).

Assurance of reporting

An independent third party, PricewaterhouseCoopers Oy, has provided assurance for the performance indicators concerning economic, social and environmental responsibility in the Finnish-language GRI report. The congruence between responsibility information

presented in the Finnish and English versions has been checked.

The conclusions, observations and recommendations by PricewaterhouseCoopers Oy are detailed in the [assurance report](#). The assurance is commissioned by the operative management of Kesko Corporation.

Global Compact reporting

The report describes Kesko's progress on the 10 principles of the Global Compact initiative. The GRI index shows which indicators have been used for evaluating performance in fulfilling human rights, labour rights, environment principles and anti-corruption principles.

Report stakeholders

Many stakeholders use the report as their source of information when assessing Kesko's results in various areas of responsibility. The most important target groups of the report include investors, shareholders, analysts and rating agencies, as well as society (the media, authorities, NGOs and other organisations, and trade unions). In the report, we also aim to take into account Kesko's other important stakeholders: retailers, employees, potential employees, suppliers and service providers, and customers.

Reporting period and contact information

This report is about the progress and results of responsibility work in 2015. It includes some information from January to March 2016.

The report for 2014 was published in March 2015, and the report for 2016 will be published in the spring of 2017.

Further information on the topics covered in the report can be obtained from Kesko's [contact people](#).

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

(Translation from the Finnish original)

To the Management of Kesko Corporation

We have been engaged by the Management of Kesko Corporation (hereinafter also the Company) to perform a limited assurance engagement on the economic, social and environmental performance indicators for the reporting period 1 January 2015 to 31 December 2015 disclosed on Kesko Corporation's website in the "GRI report" section of "Kesko's annual report 2015" (hereinafter CR Information).

In terms of the Company's GRI G4 reporting and G4 Content Index, the scope of the assurance has covered economic, social and environmental performance indicators listed within the Specific Standard Disclosures as well as General Standard Disclosures G4-10, G4-11 and G4-32.

Furthermore, the assurance engagement has covered Kesko Corporation's adherence to the AA1000 AccountAbility Principles with moderate (limited) level of assurance.

Management's responsibility

The Management of Kesko Corporation is responsible for preparing the CR Information in accordance with the Reporting criteria as set out in the Company's reporting instructions and the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative. The Management of Kesko Corporation is also responsible for such internal control as the management determines is necessary to enable the preparation of the CR Information that is free from material misstatement, whether due to fraud or error.

The Management of Kesko Corporation is also responsible for the Company's adherence to the AA1000 AccountAbility Principles of inclusivity, materiality and responsiveness as set out in AccountAbility's AA1000 AccountAbility Principles Standard 2008.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the CR Information and on the Company's adherence to the AA1000 AccountAbility Principles based on the procedures we have performed and the evidence we have obtained. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the CR Information is free from material misstatement.

In addition, we have conducted our work in accordance with the AA1000 Assurance Standard 2008. For conducting a Type 2 assurance engagement as agreed with the Company, this Standard requires planning and performing of the assurance engagement to obtain moderate (limited) assurance on whether any matters come to our attention that cause us to believe that Kesko Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles and that the CR Information is not reliable, in all material respects, based on the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance

engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the CR Information, and about the Company's adherence to the AA1000 AccountAbility Principles. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the CR Information and an assessment of the risks of the Company's material nonadherence to the AA1000 AccountAbility Principles.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Interviewing employees from various organisational levels of the Company with regards to materiality, stakeholder expectations, meeting of those expectations, as well as stakeholder engagement.
- Assessing stakeholder inclusivity and responsiveness based on the Company's documentation and internal communication.
- Assessing the Company's defined material corporate responsibility aspects as well as assessing the CR Information based on these aspects.
- Analysing references to the Company from the reporting period in online media.
- Visiting the Company's Head Office as well as one site in Finland.
- Interviewing employees responsible for collecting and reporting the CR Information at the Group level and at the site where our visit took place.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Kesko Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles.

Furthermore nothing has come to our attention that causes us to believe that Kesko Corporation's CR Information for the reporting period ended 31 December 2015 is not properly prepared, in all material respects, in accordance with the Reporting criteria, or that the CR Information is not reliable, in all material respects, based on the Reporting criteria.

When reading our assurance report, the inherent limitations to the accuracy and completeness of corporate responsibility information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Kesko Corporation for our work, for this report, or for the conclusions that we have reached.

Observations and recommendations

Based on the procedures we have performed and the evidence we have obtained, we provide the following observations and recommendations in relation to Kesko Corporation's adherence to the AA1000 AccountAbility Principles. These observations and recommendations do not affect the conclusions presented earlier.

- **Inclusivity:** The Company has processes in place for stakeholder inclusivity, collection of feedback and stakeholder engagement. The Company's divisions actively collect feedback through many channels. We recommend that Kesko

Corporation develops the group level analysis of stakeholder feedback collected in the divisions in order to develop its corporate responsibility and ensure the benefits of the responsibility work.

- **Materiality:** Kesko Corporation has a process in place to evaluate and determine the materiality of corporate responsibility aspects. During 2015, the Company set up a steering group in order to promote the responsibility work in operating countries. Country specific material aspects were included in Kesko’s responsibility programme. We recommend that the Company continues mapping and updating the operating country specific responsibility aspects as well as the development of reporting on these aspects.
- **Responsiveness:** The Company takes its stakeholders’ expectations into account in its operations and responds to them through the continuous development of its activities. During 2015, especially the digital services and communications have been expanded and further developed. We recommend that the Company continues the monitoring of responsibility trends and stakeholder expectations in order to be able to respond to them in its business operations also in the future.

Practitioner’s independence, qualifications and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our multi-disciplinary team of corporate responsibility and assurance specialists possesses the requisite skills and experience within financial and non-financial assurance, corporate responsibility strategy and management, social and environmental issues, as well as the relevant industry knowledge, to undertake this assurance engagement.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Helsinki, March 8 2016

PricewaterhouseCoopers Oy

Sirpa Juutinen
 Partner
 Sustainability & Climate Change

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