



Sustainable K Group

Danske ESG Talks, 8 Dec 2020

Matti Kalervo

K Group today

#1

One of the biggest
retailers in Northern
Europe, no. 1 in Finland



Three divisions

- Grocery trade
- Building and technical trade
- Car trade



Operations in
eight countries
1.9 million customers
every day

Kesko's net sales
(rolling 12 months, Q3/2020)*

€10,090m

Kesko's comparable operating profit
(rolling 12 months, Q3/2020)*

€509.0m

Strong financial position

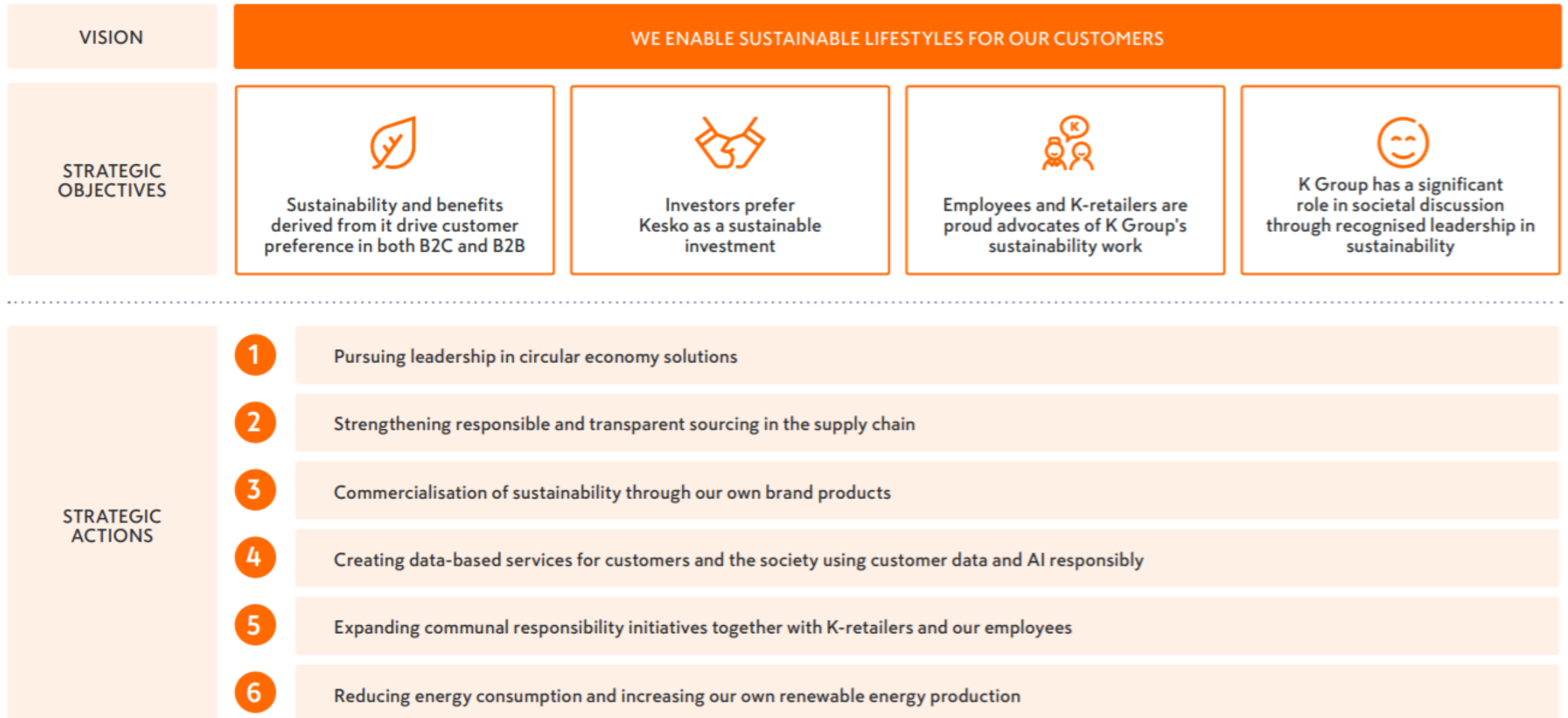


Kesko's strategy

We continue to execute our strategy



Sustainability strategy 2018–2022



Sustainability and combatting climate change are Kesko's strategic focus areas

Long-term efforts to mitigate climate change: **we aim for carbon neutrality by 2025 and zero own emissions by 2030.**

Corporate responsibility work based on **sourcing transparency.**

Making **sustainable choices in our stores** easy for our customers.



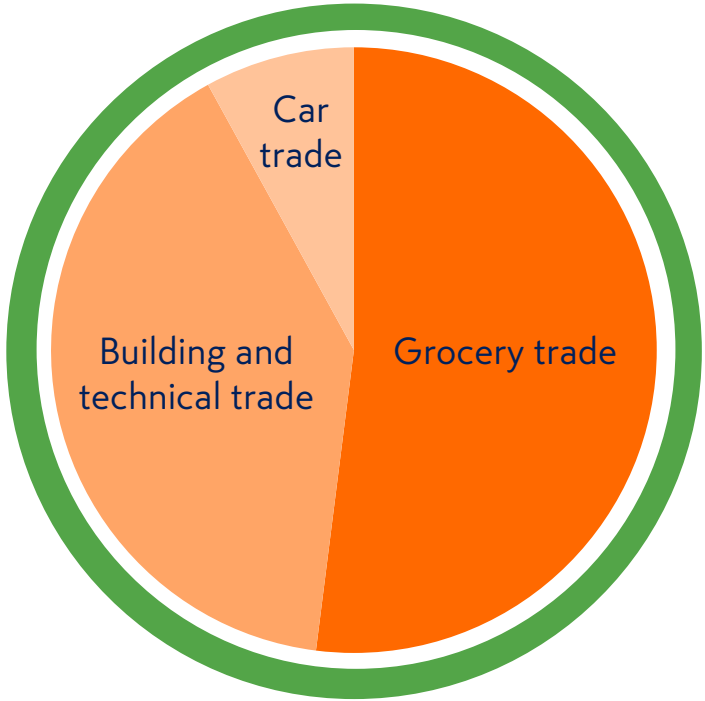


Climate and environment

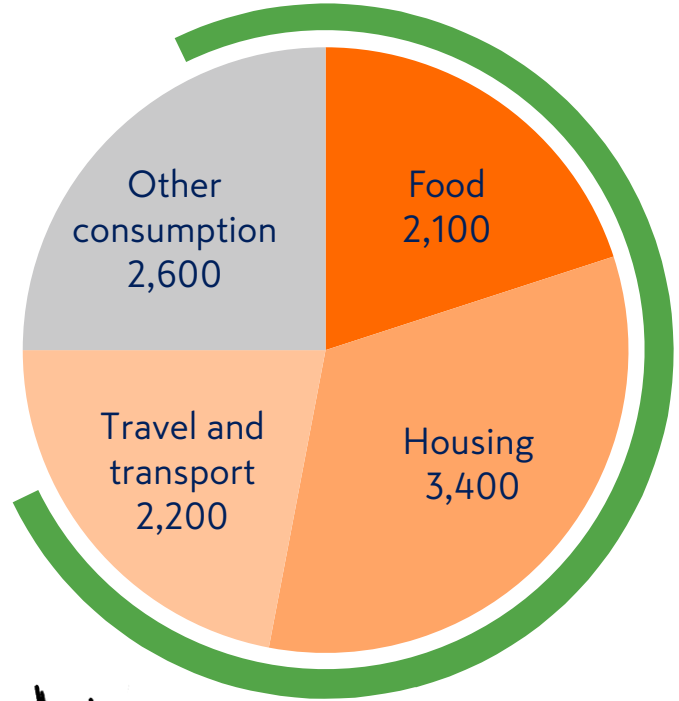


K Group plays an important role in offering sustainable solutions in areas that account for 75% of an average Finn's carbon footprint

Kesko's net sales in 2019



Average Finn 10,300 kg CO₂e/year



Source: Sitra



K Group's climate impact

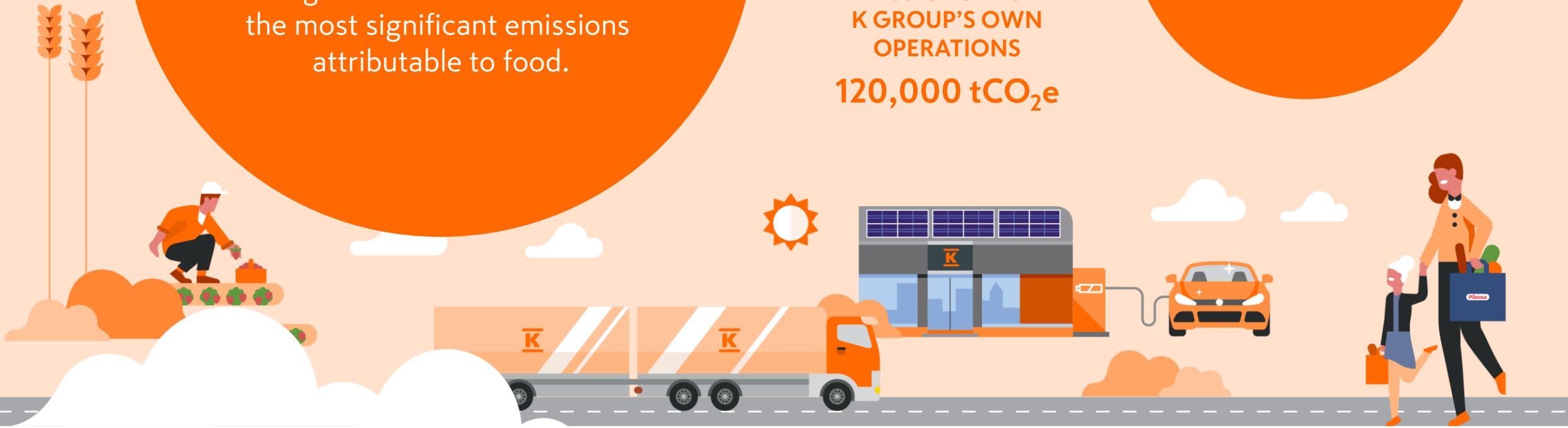
EMISSIONS FROM PRODUCTION
OF PRODUCTS SOLD

6,100,000 tCO₂e

Agriculture accounts for
the most significant emissions
attributable to food.

EMISSIONS FROM
K GROUP'S OWN
OPERATIONS
120,000 tCO₂e

EMISSIONS FROM USE
AND END-OF-LIFE TREATMENT
OF PRODUCTS SOLD
1,600,000 tCO₂e



K Group aims to become carbon neutral by 2025

We will systematically **reduce** emissions from our own operations, reaching zero emissions from our own operations by 2030.

During the 2025-2030 transition phase, **we will offset** the remaining emissions from our own operations.

Our objective is to have reduction targets set for two-thirds of our **direct supplier emissions** by 2025.

CDP Supply Chain Program



Kesko has joined the CDP Supply Chain Program in the autumn 2020 and questionnaire requests will be sent to its 200 largest suppliers in spring 2021

- Many of Kesko's 200 largest suppliers already respond to the CDP Climate Change program at the request of investors, and only some extra questions will be added for these companies in the Supply Chain module
- For companies not yet responding to CDP at all, the process of answering the questionnaire and receiving feedback provides an opportunity to learn and improve performance on climate change issues as well as benchmark peer companies on best practice.



Renewal of stores decreases energy consumption

LED-lighting renewal reduces the electricity consumption of lighting by **50%**

Refrigeration system renewal saves up to **10%** in electricity consumption



New energy recycling system revolutionises energy economy can reduce a property's heat consumption by

as much as **85–95%**,

making the store almost carbon neutral instantly in terms of energy.

Motiva awarded the system the Energy Genius of the Year 2019 recognition.





K Group is one of the biggest producers and users of solar power in Finland.

Our 42 solar power plants produce some



12 GWh

of renewable electricity.





The relative emissions of
Kesko Logistics have decreased by

25%

from the level of the 2011 base year.





K Group's own renewable energy production will grow

six-fold by the end of 2022.

K Group will increase its share of renewable electricity by committing to purchasing wind power from a new wind farm to be built in Finland for the next 15 years.





Together with Natural Resources Institute Finland (Luke),

we've **developed a model** which enables

a grocery store to become **carbon neutral.**

The aim is to identify and implement actions to reduce the carbon footprint of the store and then calculate the necessary amount of compensation.

The model is **piloted in**
three K-food stores.



We offer sustainable products for the climate

In 2019, we initiated extensive work to identify the products in each division that are sustainable from a climate perspective. We defined sustainable products as those which have a significantly smaller climate impact than comparable products or which are important for adapting to climate change.

Grocery trade

- Products that comply with Kesko's sustainable sourcing policies
- Products with sustainability certificates and labels
- Plant-based products
- Circular economy products

Building and technical trade

- Products that reduce energy consumption and emissions
- Products that produce and distribute renewable energy
- Sustainably produced lumber and wood products
- Products that enable healthy and sustainable housing

Car trade

- Low and zero emission vehicles
- Repairing and reusing original parts
- Renewable electricity for electric cars and hybrids at K Charge stations





K Group and circular economy

Striving to be the pioneer in circular economy solutions

- **Developing innovative circular economy solutions** with partners, utilising e.g. production side streams or food waste
- Promoting circular economy with **packaging design**
- Versatile waste and recycling **collection services** for customers
- **Circular economy products**



By redesigning packaging, we have managed to save over

 **300** tons

of plastic in a year



Reducing food waste

Sales of grocery products 1.3 million tonnes

K Group food waste hierarchy



Very little food waste

Food waste products sold exclusively in K-food stores



Hyvis juice

Made from fruit, vegetables and berries discarded at Kesko's Central Warehouse



Vaasan and Brewniverse Bier from discarded rye bread



Jävla Sås Bolag

Tomato sauce from discarded Finnish tomatoes

K Fishpaths

- K Fishpaths is a collaboration between K Group and WWF Finland's in which events are organised to remove obstacles for migration and spawning and restore gravel beds and habitats for endangered migratory fish.
- The communal events bring together local operators, K Group stores, customers and other volunteers.

Between 2017 and 2020, nearly 30 events organised around Finland, with great results:





Selections and purchasing



Our products are responsibly produced

- Most of our purchases are made from suppliers operating in Finland. In global purchases, we pay special attention to **human rights issues** and **environmental impacts** in our supply chains.
- We promote **sustainability in our supply chains** with sustainability policies, suppliers' factory audits, sustainability training and by working in cooperation with international organisations.



Finnish food and work

Purchases from Finland **€5.9 billion**, which is **81% of all purchases**.



Thank the Producer



'Thank the Producer' products are one of the ways in which K Group supports Finnish agriculture. An additional sum is paid for the products to the producers: so far, this sum has already **exceeded 4 million euros**.

Local Food Date events

We help pave the way for local products by organising Local Food Dates between retailers and small producers across Finland. In 2019, we held five events, which brought together **150 producers** and **380 store representatives**.



Sustainable purchases globally



Purchases from Finland*
€5.9 billion
i.e.
81%
of all purchases

Thank the Producer



Social responsibility audits at factories

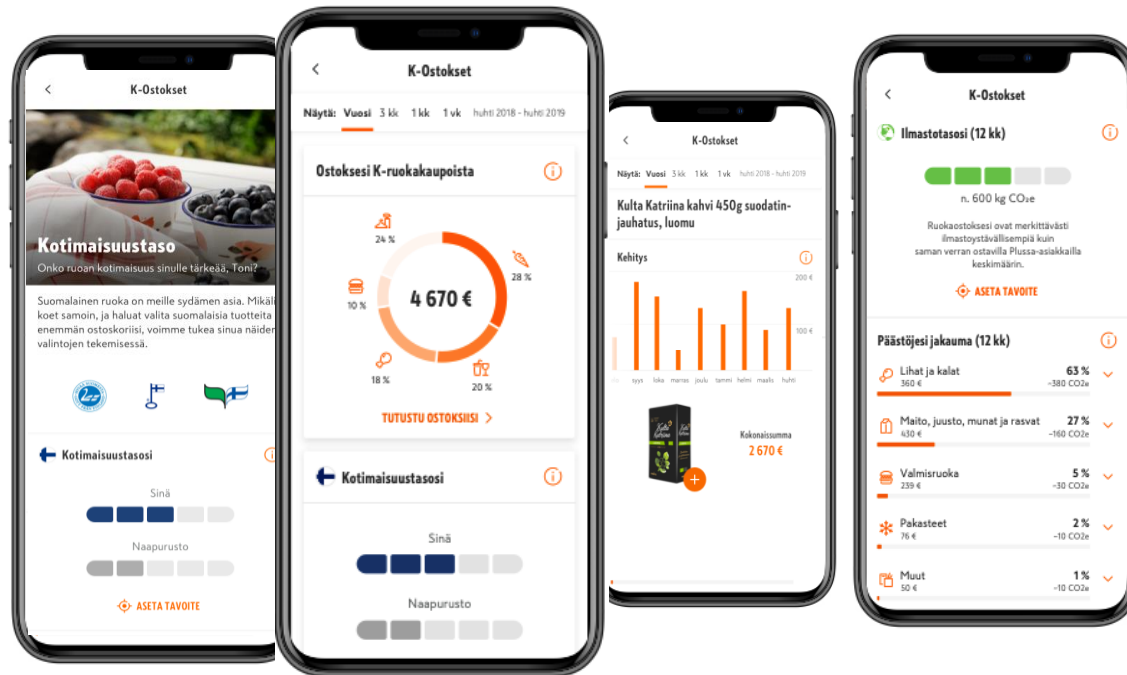


Sustainability training for suppliers



* In 2019, purchases of goods by Kesko Group's Finnish companies totalled €7.3 billion. 81.0% of the purchases was from suppliers operating in Finland and 19.0% elsewhere.

New services that return customer data to consumers



Over **200,000**

Finns have downloaded the K-Ostokset service, which provides customers' data on their purchases from K-food stores, including Finnish origin, carbon footprint, and nutritional data

K Group's new Tracing our products website

<https://kesko.fi/producttracing> The English site available in late December

The new website increases the transparency of the supply chain. Describes the origin and route of own brand products with risk-related raw materials.





Volkswagen ID3 is the world's
first net carbon neutral car

ID3 is the **No. 1** full-electric car
registered in Finland in September-
October 2020



Risks and opportunities

K Group's response to the Covid-19 coronavirus – customer and staff safety is our top priority



Agility and security of supply

Our mainly Finnish products, nationwide store network, and retailer business model quickly adapted to new circumstances, and proved efficient also from the perspective of security of supply.

Extended opening hours

During the epidemic, opening hours in K-stores have been extended by some 4,000 hours in total.

Dedicated shopping times for at risk groups

Many K-retailers have established dedicated times during which people to whom the coronavirus poses a high risk can do their grocery shopping in a less crowded environment.

Increased pick-up and delivery services

Online grocery shopping has become increasingly popular, and K-retailers have quickly established new delivery and pick-up services.

Advice and phone services for online grocery shopping

K Group established a new advice and order service via telephone to help especially seniors place grocery orders in our online stores.

OPPORTUNITIES AND RISKS IN OUR OPERATING ENVIRONMENT

OPPORTUNITIES

Climate change

The impacts of climate change are twofold:

- The impacts of climate change on Kesko are related to increased regulation and extreme weather phenomena.
- The impacts of Kesko's operations on the climate are related to the lifecycle impact of products and services sold and energy solutions and emissions.

All Kesko divisions can offer customers solutions that help them reduce their climate impact, as living, food and mobility are the biggest sources of greenhouse gases in private consumption.

- New business models related to mobility
- Climate responsible products
- Increased energy efficiency
- Promoting circular economy

RISKS

Transition risks

- Increasing regulation necessitates changes in business operations and leads to additional costs.
- In the long term, changes in consumer behaviour require changes to business models.

Physical risks

- Increase in extreme weather phenomena can impact product availability and cause disturbances in logistics and the store site network.

Climate impacts

- Life cycle impact of products and services sold on climate change.
- Emissions resulting from energy solutions and energy consumption.

Social responsibility and human rights in the purchasing chain

Our objective is to provide our customers with more information on the origin, production conditions and environmental impacts of products offered.

- By cooperating with goods and service suppliers who share our operating principles, we improve transparency and promote responsibility in the whole supply chain.
- Our efforts to improve responsibility in the supply chain and product safety increase stakeholder trust in us.

- Irregularities in the management of social or environmental responsibility in the purchasing chain could result in human rights violations, environmental damage, financial losses, and loss of stakeholder trust and negatively affect our corporate responsibility work and its credibility.
- A failure in product safety control or supply chain quality assurance could result in financial losses, loss of customer trust, or, in the worst case, a health hazard to customers.

International recognition for our sustainability work





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Thank you!