

KESKO

**CORPORATE
RESPONSIBILITY REPORT** 2013

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Events in 2013



February

Responsibility programme was published

Kesko published its updated responsibility programme that contains short-term, mid-term and long-term objectives for the operations of Kesko and the entire K-Group.



February

Work for young people

Kesko and K-stores started a programme that aims to employ at least 1,000 young people in the target group of the Youth Guarantee initiative by the end of 2014.



May

Fair Play scholarships for ninth-graders

More than 2,800 grade nine pupils who had promoted schoolwork were awarded Kesko's Fair Play scholarship.



May

Kodin1 department store in Raisio saves energy

Kodin1 department store for interior decoration and home goods in Raisio was opened. It is the first passive commercial building in the Nordic countries.



October

Responsibility made visible to customers

K-food stores launched a new K-responsibility concept that makes the responsibility work done in the K-Group more visible to customers.



October

Veturi shopping centre is energy efficient

The Veturi shopping centre in Kouvola was awarded a BREEAM Very Good environmental certificate.



November

Kesko Vice President, Corporate Responsibility appointed

Matti Kalervo, Master of Science in Technology, was appointed Vice President responsible for Kesko's corporate responsibility and product safety.



November

Three awards to Kesko's report

Kesko's Corporate Responsibility Report 2012 was chosen as Finland's best in the Sustainability Reporting Award Finland Competition of 2013. Kesko's report was ranked the best also by the media and non-governmental organisations.



November

Shopping for food online

The ruoka.citymarket.fi online food store opened for customers in Helsinki and Vantaa.



November

Red Nose Day cooperation started

K-citymarket, Anttila and Kodin1 were the main retail sector partners in the Finnish Red Nose Day campaign 2013, which was organised by Red Nose Day Finland.



December

Christmas joy through Salvation Army

Kesko and K-stores were the national partner of the Salvation Army's Christmas Kettle collection.

REVIEW BY THE PRESIDENT AND CEO

Responsibility is part of everyday work at Kesko and K-stores



Responsibility is a strategic choice for Kesko and bearing corporate responsibility is one of Kesko's values. In our responsibility work, we focus on what is material: aspects that are significant for our stakeholders and which have current or potential impact on Kesko. In our materiality assessment, we have taken into account the megatrends in corporate responsibility and our stakeholders' expectations.

Updated responsibility programme was published in February 2013

Our responsibility programme contains both short-term and mid-term objectives and objectives up to 2020 for Kesko's operations and those of the entire K-Group.

The objectives of the responsibility programme are based on the impact of global megatrends across Kesko's value chain. Such megatrends include global economy, population growth, climate change and the development of technology – digital technology above all.

The key, strategic objectives of our responsibility programme in all of our operations include committing to responsible working principles, building responsibility in society and communities, looking after the working community, providing reliable electronic services, responsibility in purchasing and product safety, offering services that promote customer wellbeing and mitigating climate change.

Our responsible working principles

Responsibility is part of everyday work at Kesko and K-stores in all the countries in which we operate. Responsibility is a common success factor, to which all of our employees – from top management to store staff – are committed.

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Our responsibility work is based on our Responsible Working Principles guidelines and our responsibility programme. We organise training for Kesko and K-store employees on various areas of responsibility. In 2013, we organised five value discussions on responsible working principles for various divisions in Finland, Sweden, Norway, Estonia and Russia.

Responsibility visible to customers

Stores help customers make responsible choices. Customers must be able to rely on the fact that the products available at stores are well-researched, safe and sustainably produced. We aim to make our customers daily lives easier, offer them products and services that promote health and wellbeing, and guide them in the proper use of products.

We aim to raise the customer visibility of Kesko's and K-stores' responsible operations in retail stores. In autumn 2013, K-food stores launched a new K-responsibility concept, which tells customers about the stores' good deeds in a practical manner and helps them make sustainable choices easily. The concept will be expanded to K-rauta, Rautia and K-maalous stores over the course of 2014. The *Let's Do Good. Together.* symbol raises the visibility of the K-responsibility concept for customers. The concept takes a practical approach, providing information on the actions, products and services that are in line with Kesko's responsibility programme.

We work together to mitigate climate change

Kesko is committed to saving 65 GWh of its annual energy consumption by the end of 2016. Good results have been obtained with energy efficient construction and energy solutions in retail stores. By the end of 2013, energy consumption had improved by 58.9 GWh, which means that 91% of the objective had been achieved.

The Kodin1 department store for interior decoration and home goods, which was opened in Raisio in May 2013, is the first passive retail store building in the Nordic countries. The Veturi shopping centre in Kouvola was awarded the BREEAM Very Good environmental certificate in autumn 2013.

In Keslog's transportation, energy consumption is cut by economical driving, route planning and two-tier trailers. It is estimated that the savings in the consumption of diesel oil in 2013 totalled approximately 600,000 litres.

Product safety is also a priority in e-commerce

E-commerce is playing a strongly increasing role in consumers' purchasing behaviour and international online sales are intensifying competition, particularly in the home and speciality goods trade.

From a customer's viewpoint, it is of key importance that customers are given a chance to plan and make their purchases irrespective of time and place. This requires stores to provide comprehensive online information on products, services, prices and availability, customer-driven logistics services, and to adopt interactive and more individual communications in marketing and customer loyalty programmes.

The safety and traceability of products included in Kesko's e-commerce selections have been ensured using the same procedures as for all other products in Kesko's selections. Particularly for online sales of food, careful and persistent work is needed in order to provide statutory product data to web customers and to ensure an unbroken cold chain.

Kesko among the 100 most sustainable corporations for ten successive years

Corporate responsibility has become an important selection criterion for investors. Kesko has an established position in rankings that measure corporate responsibility performance and serve as tools to help investors make decisions.

In 2013, Kesko was again included in the most important sustainability indices, such as the Dow Jones indices DJSI World and DJSI Europe, the FTSE4Good index and the Nordic Climate Disclosure Leadership index. Kesko has been included in the list of 'The Global 100 Most Sustainable Corporations in the World' every year since it was set up in 2005.

In November 2013, Kesko's Corporate Responsibility Report 2012 was selected the best in the Sustainability Reporting Award Finland Competition. In the Reader's Choice Award category, Kesko's report was also chosen by the media and non-governmental organisations as the best report.

The significance of the corporate responsibility report has increased to equal and even surpass that of the annual report when it comes to the company's impact and footprint on society and the environment. The descriptions of the corporate responsibility report and the indicators for which assurance has been provided give a more comprehensive picture of the company's operations and sustainable development than the traditional income statement and statement of financial position.

Kesko participates in the UN Global Compact initiative and is committed to observing ten generally accepted principles related to human rights,

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labour standards, the environment and anti-corruption in all the countries in which it operates. In September 2013, Kesko was included in the new UN Global Compact 100 stock index.

The responsibility programme requires us to meet the objectives we have set. Responsible actions usually take place in small steps – progressing one by one in the selected direction with determination and a long-term approach. The global economy and long supply chains coupled with the maintenance of personnel's knowledge and skills call for continuous improvement of our operations.

I would like to thank all Kesko employees, retailers and their staff, and our business partners for sustainable cooperation. In 2013, we did good together. Let's do good together this year too, as well as in the years to come.

Matti Halmesmäki

President and CEO

REVIEW BY THE SVP RESPONSIBLE FOR CORPORATE RESPONSIBILITY IN THE GROUP MANAGEMENT BOARD

Increased interaction with our stakeholders



In the area of corporate responsibility, 2013 was a year of active development for Kesko. We published our updated responsibility programme. A total of 520 young people were employed by the K-Group across Finland with the help of the Youth Guarantee programme. A new K-responsibility concept was introduced for customer communications on corporate responsibility. We continued our work to develop the assurance of corporate responsibility throughout the supply chain.

You will find information about all these and our many other responsibility actions in this revised online Corporate Responsibility Report.

Our report has been prepared in accordance with the new Global Reporting Initiative (GRI) G4 guidelines. Even though detailed reporting requirements increased, we have aimed to keep our report reader-friendly and as short as possible.

Electronic reporting also enables us to use moving images. Our report includes eleven videos in which specialists of various fields from Kesko and our stakeholder groups talk about responsibility actions. Our objective is to further increase open interaction with our stakeholders. We hope the new format also supports the achievement of this objective.

Enjoy reading and watching!

Matti Mettälä

Senior Vice President, Human Resources and Stakeholder Relations

Kesko in brief



Kesko is a listed trading sector company domiciled in Helsinki, where the main offices are also located. Kesko operates in the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. Kesko manages retail chains and provides services for the retail chains' purchasing, logistics, network development and information management.

Kesko's chain operations comprise some 2,000 stores in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

Kesko's divisions



FOOD TRADE

Line of business

K-food retailers, with whom Kesko Food applies the efficient chain business model, are responsible for the customer satisfaction at the more than 900 K-food stores in Finland. Kesko Food's business is expanding rapidly both in Russia and in online retailing. Kesko Food's subsidiary Kespro is the leading wholesaler in the Finnish HoReCa business.

Personnel average: 3,143

Operating countries: Finland, Russia

PERCENTAGE OF THE GROUP'S
NET SALES

46%

NET SALES

€4,387 million

OPERATING PROFIT EXCL. NON-
RECURRING ITEMS

€203.3 million



HOME AND SPECIALITY GOODS TRADE

Line of business

Kesko's home and speciality goods chains are K-citymarket home and speciality goods, Anttila and Kodin1, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Kookenkä. In addition to some 420 stores, all chains also provide wide-ranging services online.

Personnel average: 5,751

Operating countries: Finland, Estonia, Latvia, Russia

PERCENTAGE OF THE GROUP'S
NET SALES

15%

NET SALES

€1,457 million

OPERATING PROFIT EXCL. NON-
RECURRING ITEMS

€-8.3 million



BUILDING AND HOME IMPROVEMENT TRADE

Line of business

Rautakesko's 420 stores are reliable partners in building, home improvement and interior decoration for both consumers and B2B customers. Rautakesko operates in eight countries and manages six retail store chains: K-rauta, Rautia, K-maatalous, Byggmakker, Senukai and OMA. Rautakesko is the fifth largest company in the European building and home improvement market.

Personnel average: 8,910

Operating countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, Belarus

PERCENTAGE OF THE GROUP'S
NET SALES

28%

NET SALES

€2,607 million

OPERATING PROFIT EXCL. NON-
RECURRING ITEMS

€25.7 million



CAR AND MACHINERY TRADE

Line of business

The car and machinery trade consists of VV-Auto and Konekesko with their subsidiaries. VV-Auto is a company specialised in importing, retailing and providing after-sales service for cars manufactured by Volkswagen Group. Konekesko offers machinery products and services valued by customers in Finland and the Baltic countries.

Personnel average: 1,252

Operating countries: Finland, Estonia, Latvia, Lithuania

PERCENTAGE OF THE GROUP'S
NET SALES

11%

NET SALES

€1,037 million

OPERATING PROFIT EXCL. NON-
RECURRING ITEMS

€33.9 million

Business operations

Kesko and K-retailers form the K-Group, whose retail sales totalled about €11.6 billion in 2013. The K-Group employs around 45,000 people. The net sales of Kesko Group in 2013 were €9,315 million, down 3.8% on the previous year. The percentage of international operations was 17.8%. At the end of 2013, Kesko had 1,183 K-retailer entrepreneurs as partners.



Kesko's owners

Kesko Corporation is a listed company whose shares are quoted on the NASDAQ OMX Helsinki Ltd Helsinki Stock Exchange. Kesko Corporation's share capital is divided into A and B share series. At 31 December 2013, the company's share capital totalled €197,282,584.

Series A shares accounted for 31.8% and series B shares for 68.2% of all shares. Each series A share carries 10 votes and each series B share 1 vote. The votes attached to series A shares accounted for 82% and the votes attached to series B shares 18% of all votes attached to the shares. The company's 10 largest shareholders, calculated by number of votes, held 15% of all shares and 36% of all votes.

The company cannot vote with treasury shares (548,984 series B shares). At the end of 2013, the market capitalisation of series A shares was €851 million and that of series B shares €1,810 million. The total market capitalisation was €2,661 million.

At the end of 2013, the number of shareholders was 42,809, which is 1,745 less than at the end of 2012.

Foreign ownership of all shares was 25% at the end of December. Foreign ownership of series B shares was 36% at the end of December.

Personnel

In 2013, the average number of Kesko personnel was around 19,489 (2012: 19,747) converted into full-time employees. They work in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus, with 50% in Finland and 50% in the other countries. Approximately three quarters of all employees worked in retailing.

Compared to 2012, there was an average decrease of 426 employees in Finland. Outside of Finland, there was an increase of 168 compared to 2012. Collective agreements cover all Kesko's employees in Sweden and Norway, and about 84% of Kesko's employees in Finland. So far, no binding industry-wide collective bargaining agreements have been drawn up in the Baltic countries or Russia.

DISTRIBUTION OF KESKO PERSONNEL BY DIVISION AT 31 DEC. 2013, %



Changes in the number of Kesko employees

	2013	2012	2011
Finland at 31 Dec.	12,776	13,278 ¹	13,124
Other operating countries at 31 Dec.	11,087	10,802	10,251
Total at 31 Dec.	23,863	24,080 ¹	23,375
Finland, average	9,805	10,231 ¹	10,056
Other operating countries, average	9,683	9,515	8,904
Total, average	19,489	19,747 ¹	18,960

¹ More specific figure was obtained after the previous report was published

Fixed-term and part-time employments at Kesko

	2013	2012	2011
Fixed-term employees of total personnel at 31 Dec., %			
Finland	12.9	14.7	14.7
Companies in other operating countries	7.0	8.0	10.0
Whole Group, total	10.2	11.0	12.6
Part-time employees of total personnel at 31 Dec., %			
Finland	45.4	45.4	44.2
Companies in other operating countries	8.0	8.4	8.4
Whole Group, total	28.1	28.7	28.5

Store site operations

The store site network is a strategic competitive factor for Kesko. It provides opportunities for developing business operations and increasing sales and customer satisfaction. Kesko's division parent companies are responsible for their own store sites throughout their life cycles. Kesko's real estate operations are based on the life cycle efficiency of store sites, which means the optimisation of the costs and environmental load of the store sites over their entire life cycle. The aim is the lowest life cycle costs in the trading sector.

Kesko makes capital expenditure only on properties needed in its own or supporting business operations. As Kesko's operations become more

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international, the role of foreign capital investment has increased. At the end of 2013, the combined area of real estate and premises owned or leased by Kesko was 4,098,000 m². At the end of the year, the area of owned properties in Finland was 758,000 m² and in the other operating countries 376,000 m².

Suppliers and service providers

In 2013, Kesko purchased products valued at around €7.8 billion, of which around 69% was from Finnish suppliers. Kesko had a total of around 19,900 active product and service suppliers, of which 10,700 were companies operating in Finland. The Group had 7,000 suppliers in its other operating countries and 2,200 in the rest of the world. The main countries from which goods were imported for operations in Finland were the Netherlands, Sweden, Germany and Belgium and, outside the EU, China.

Customer groups

Kesko's sales to retailer entrepreneurs accounted for 51% of the sales in 2013. Food retailers made around 92% of their purchases, home and speciality goods retailers around 97% and building and home improvement and agricultural retailers around 73% of their purchases via Kesko.

K-retailers' product purchases from local regional suppliers valued at €557 million. Kesko's own retailing accounted for 27% of total sales. Kesko's sales to professional customers contributed 22% to total sales.

Key performance indicators

	2013	2012	2011
Finances			
Net sales, € million	9,315	9,686	9,460
Operating profit excl. non-recurring items, € million	239	230	279
Profit before tax, € million	242	210	282
Return on capital employed excl. non-recurring items, %	9.8	9.0	13.1
Dividends, € million	138	118	118
Salaries, fees and social costs paid, € million	611	608	571
Goods, materials and services purchased, € million	9,037	9,454	9,188
Capital expenditure, € million	171	378	425
Personnel			
Permanent employees, %	89.8	89.0	87.4
Full-time employees, %	71.9	71.3	71.5
Wellbeing at work, %	61 ¹	-	-
Gender equality, %	74 ¹	-	-
Percentage of women in supervisory jobs, Finland	53	51	51
Training days per employee, Finland	0.9	0.9	1.7
Training days per employee, other countries	1.7	0.8	1.8
Contribution to occupational health care, €/person	481	479	447
Sickness absence rate, Finland, %	4.6	4.8	4.8
Sickness absence rate, other operating countries, %	4.0	4.0	3.4
Environment			
CO ₂ emissions, Scope 1 and 2, CO ₂ e, thousand tonnes (real estate and own logistics)	195	205	202
CO ₂ emissions/net sales (Scope 1 and 2)	20.9	21.4	21.3
CO ₂ emissions/FTE (Scope 1 and 2)	10.0	10.5	10.5
Specific consumption of electric energy, Finland, kWh/gross m ²	209	213	219
Specific consumption of heat energy, Finland, kWh/gross m ²	84	95	90
Waste recovery rate, % (central units and cash&carry outlets in Finland)	95	93 ²	93 ²
Supply chain			
Direct purchases from high-risk countries, Finnish companies, % of all purchases	1.6	1.3	1.8
Suppliers included in BSCI audit process	254	209	247
SA8000 certified suppliers	15	14	10

¹ Kesko's personnel survey was revised in 2013. Due to the changes made, the results are not comparable with those for the previous years.

² More specific figure was obtained after the previous report was published



Finland

All divisions. Number of stores 1,547.

Sweden and Norway

Building and home improvement trade. Number of stores 111.

Baltic countries

Building and home improvement trade, machinery trade, furniture trade and online trade. Number of stores 47.

Russia

Building and home improvement trade, food trade and sports trade. Number of stores 38.

Belarus

Building and home improvement trade. Number of stores 10.

Kesko in sustainability indices

Kesko has established its position in comparative studies that measure responsibility and serve as tools for investors when making investment decisions.

Dow Jones Sustainability Indexes

Kesko has been included in the Dow Jones Sustainability Indices DJSI World and DJSI Europe for 11 successive years.

Sustainability Yearbook 2014

In the RobecoSAM Sustainability Yearbook 2014 published in January 2014, Kesko was classified into the silver class in the Food & Staples Retailers sector.

CDP

Kesko's disclosure score was the highest in its sector in the Nordic Climate Disclosure Leadership Index (CDLI) assessment in 2013. Kesko topped the index for the third time in a row and improved on its results (98/100) by 10 points compared to the year before.

FTSE4Good

Kesko has been included as a member in the FTSE4Good Index since 2009. Kesko's overall score in the FTSE4Good Index assessment in 2013 was 93/100.

STOXX Global ESG Leaders

Since 2011, Kesko has been included in the STOXX Global ESG Leaders index family, which represents the leading global companies in terms of environmental, social and governance criteria.

Oekom

The German Oekom Research assesses companies based on over 100 environmental and social responsibility criteria. It has assigned Kesko a prime grade of C+ (latest in January 2012). This means that Kesko ranks among the world's best companies within the same industry.

Global Compact 100 index

Kesko was selected in the new Global Compact 100 stock index published by the UN Global Compact initiative in September 2013.

Global Compact

Kesko participates in the UN Global Compact initiative.



Kesko is the only Finnish company that has been included in **'The Global 100 Most Sustainable Corporations in the World'** ever since it was founded in 2005.



Kesko's responsibility programme

RESPONSIBLE OPERATOR

We are committed to responsible working principles and we together generate economic value added



- Responsible working principles guide all 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.

Objectives and results

Objective: All of our personnel act in compliance with our responsible working principles. **Progress:** The "Our responsible working principles" guidelines bind all Kesko employees to act in accordance with shared values and the responsible working principles. The guidelines are an important part of introductory briefing for new employees. *"Our responsible working principles" guidelines*

Objective: We organise regular training on our responsible working principles. **Progress:** In 2013, five sessions on the responsible working principles were organised for various divisions in Finland, Sweden, Norway, Estonia and Russia.

Objective: Kesko's target for return on equity is 12% and the target for return on capital employed is 14%. **Progress:** In 2013, the return on equity was 7.7% and return on capital employed was 9.8%.

Objective: We offer e-commerce services in all divisions during 2014. Comprehensive store-specific product information, prices and availability will be provided online by the end of 2016. **Progress:** In 2013, new mobile and e-services were developed in all divisions. An online food store ruoka.citymarket.fi started operations in the Greater Helsinki area.

Training in our responsible working principles

In 2013, five training events on the responsible working principles were organised for various divisions in Finland, Sweden, Norway, Estonia and Russia.

The target for Kesko's return on capital employed is 14%

In 2013, return on capital employed was 9.8%.

Product and price information for all online

The objective is to have comprehensive store-specific product information, prices and availability online by the end of 2016.

5

9.8%

2016

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 personnel act responsibly in day-to-day operations.

Objectives and results

Objective: We are an attractive partner and a responsible neighbour. **Progress:** In 2013, K-citymarket, Anttila and Kodin1 were the main retail trade partners in the Finnish Red Nose Day campaign. Kesko and K-stores were the national partner of the Salvation Army's Christmas Kettle collection.

Objective: We include our customers and our personnel in our responsibility work. **Progress:** In 2013, online courses were organised for the personnel on responsible choices, the K-responsibility concept, competitive law, safety at work and information security, among other things. The role of social media as a channel of customer interaction has increased.

Objective: We help customers in efficient shopping; online stores, SmartPost, in-store collection. **Progress:** The K-responsibility concept became visible in K-food stores during the autumn of 2013. In order to improve personnel's responsibility competence, an online training on the responsibility concept was set up. The K-responsibility manual was handed out in all of the approximately 900 K-food stores.

Providing e-services and e-commerce services are strategic focus areas in all of Kesko's divisions. Customers can pick up the goods ordered from an online store as they do other shopping in K-citymarkets, Anttila department stores and Kodin1 department stores for interior decoration and home goods.

Objective: We expand the contract seed production programme trainings; the objective is to train 100% of the contract farmers within three years. **Progress:** In 2013, more than 50% of contract seed producers were trained. The objective is to increase the portion of trained producers to approximately 75% within two years and to over 90% within three years.

Objective: We develop the organic farming programme into a concept. **Progress:** K-maatalous tests the suitability of new varieties for organic production in cooperation with ProAgria. The testing takes place in the Åland islands (Ålands Hushållningssällskap) and in Uusimaa (Nylands Svenska Landbruksällskap).

Support for children in developing countries

In 2013, K-citymarket, Anttila and Kodin1 were the main retail partners in the Finnish Red Nose Day campaign.

We encourage our personnel to participate

In order to improve personnel's responsibility competence, an online training on the responsibility concept was set up. The K-responsibility manual was handed out in all of the approximately 900 K-food stores.

Cooperation with farmers

The objective is to train 100% of the seed production contract farmers within three years.

A large blue smiley face icon consisting of two dots for eyes and a curved line for a mouth, positioned above a thick blue horizontal line.A large blue number '900' positioned above a thick blue horizontal line.A large blue percentage '100%' positioned above a thick blue horizontal line.

WORKING COMMUNITY

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.

Objectives and results

Objective: We are the best employer in the trading sector in terms of job satisfaction. **Progress:** Kesko came in 17th place in the 2013 Universum Young Professionals survey and in 21st place in the Universum survey among students. In Kesko's personnel survey 2013, the personnel commitment index was 55%.

Objective: We conduct a performance and development review annually with every employee. **Progress:** In the personnel survey 2013, the percentage of employees satisfied with their own performance and development review was 73%, and the average score was 3.89 (1–5).

Objective: We train our supervisors on a regular basis. **Progress:** Tools for developing supervisor work include the 'Let's talk about work' training, training on performance management, training on performance and review discussions for supervisors and training on how to make use of the personnel survey.

Objective: We reduce sickness absences and premature disability pensions. **Progress:** Since the beginning of 2011, some 800 Finnish supervisors have been trained in the 'Let's talk about work' model. Sickness absences have been significantly reduced in some companies.

We want to be the best employer in the trading sector

Kesko came in 17th place in the 2013 Universum Young Professionals survey and in 21st place in the Universum survey among students.

17th

Performance and development reviews annually

In the personnel survey 2013, the percentage of employees satisfied with their own performance and development review was 73%, and the average score was 3.89.

73%

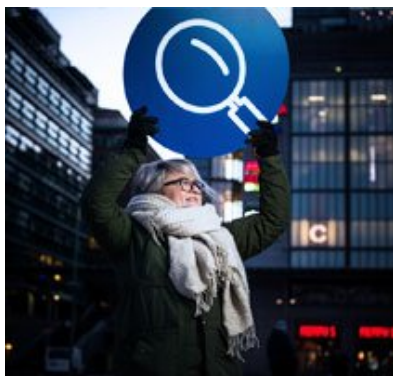
Regular training for supervisors

Some 800 Finnish supervisors have been trained in the 'Let's talk about work' model.

800

RESPONSIBLE PURCHASING AND SALES

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



- We provide customers with information and support in 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 answer for the safety and quality of products.

Objectives and results

Objective: We identify the whole of our supply chain and actively promote the social responsibility audits of our suppliers in high-risk countries. **Progress:** Kesko's objective for 2013 was 17 full BSCI audits and 27 re-audits at suppliers' factories and farms. The objective set for full audits was clearly exceeded as BSCI cooperation continued to expand. During the year 2013, 81 full audits and 25 re-audits were carried out at suppliers' factories and farms. In 2013, Kesko's suppliers in high-risk countries had 254 factories or farms within the scope of the BSCI process.

In the purchase agreements of own brand food products, a section was added concerning the confirming of the responsibility of ingredients. Efforts to confirm the responsibility of ingredients from high-risk countries were continued.

Objective: We add indication of origin to our own brand products. **Progress:** Our own brand products have indications of origin. Kesko Food is working on changing the labelling of own brand products related to the EU decree on the labelling of foodstuffs. The work will continue in 2014.

Objective: We offer a wide selection of Pirkka responsible products; 500 Pirkka products meeting a responsibility criterion by 2015 and 200 Pirkka organic products by 2015. **Progress:** At the end of 2013, there were 35 Pirkka Fairtrade products, 95 Pirkka Organic products, 21 Pirkka MSC certified fish and 15 Pirkka UTZ certified products.

Objective: By 2020, all palm oil in Pirkka products is responsibly produced (CSPO). **Progress:** At the end of 2013, 15% of the palm oil used by Kesko Food was responsibly produced. A list of Pirkka and Menu products that contain CSPO is available at Kesko's web pages.

Objective: Social responsibility of the production of Kesko Food's own direct imports from high-risk countries is 100% assured by the end of 2015. **Progress:** At the end of 2013, more than 95% was assured.

Audited imports from high-risk countries

At the end of 2013, social responsibility of the production of over 95% of Kesko Food's own direct imports from high-risk countries was assured.

95%

More responsible Pirkka products

500 Pirkka products meeting a responsibility criterion by 2015.

500

We purchase responsibly produced palm oil

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

2020

WELLBRING FOR CUSTOMERS

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.

Objectives and results

Objective: Every building and home improvement store has at least one trained Energy Expert or Energy Master and a service cooperation network. **Progress:** In 2013, the Energy Expert service products were incorporated in the basic offering of the stores.

Objective: All K-food stores will have adopted the K-responsibility concept by 2014. **Progress:** The K-responsibility concept became visible in K-food stores during the autumn of 2013. An e-learning course on the K-responsibility concept was set up to increase store personnel's responsibility expertise. The K-responsibility manual was distributed to all of the approximately 900 K-food stores.

Objective: The theme 'Let's do good. Together.' is visible in stores and marketing. **Progress:** The theme 'Let's do good. Together.' theme was incorporated as a key component in Kesko Food's communications and marketing in 2013.

Objective: 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. **Progress:** In 2013, new mobile and e-services, including a spare part service for heavy machinery in the machinery trade, were developed in all divisions. Read more about e-services.

Energy expertise at building and home improvement stores

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

Responsibility made visible to customers

The K-responsibility concept became visible in K-food stores during the autumn of 2013. The K-responsibility manual was distributed to all of the approximately 900 K-food stores.

Training with machinery

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

GWh

900



MITIGATION OF CLIMATE CHANGE

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.

Objectives and results

Objective: 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. **Progress:** Together with other trading sector companies, Kesko has committed to negotiating a new agreement period to start in 2017 of the trading sector energy efficiency agreement.

Objective: We recover the waste generated in our operations to achieve zero landfill waste. **Progress:** In 2013, the recovery rate in Anttila's logistics centre was approximately 99% and in Keslog's central warehouses and terminals approximately 98%. The recovery rate of waste generated in stores was approximately 90% and recycling rate approximately 68%.

Objective: We reduce food wastage by 10% by 2020. **Progress:** Food wastage is reduced in K-food stores with the help of electronic forecast and ordering systems, efficient logistics and personnel training. K-food stores also donate food for charity. Kesko Food and K-food stores participated in The Consumers' Association of Finland's Wastage Week campaign in November 2013.

Objective: We improve our annual energy efficiency by 65 GWh by 2016. **Progress:** By the end of 2013, Kesko has improved its energy efficiency by 58.9 GWh and reached approximately 91% of its objective. More than 1,600 different ways of saving energy have been reported.

Objective: We reduce the relative carbon dioxide emissions from Keslog's transportation by 10% by 2020. **Progress:** Emissions are reduced by route planning for transportation, reverse transportation, two-tier trailers and training in economical driving style. It is estimated that the savings in consumption of diesel oil in 2013 totalled approximately 600,000 litres.

Improvement in energy efficiency

We improve our annual energy efficiency by 65 GWh by 2016. By the end of 2013, 91% of this objective has been reached.

91%

All waste recovered

We recover the waste generated in our operations. The recovery rate in Anttila's logistics centre is approximately 99%.

99%

Reduced food wastage

Food wastage is reduced by 10 % in K-food stores by 2020 with the help of electronic forecast and ordering systems, efficient logistics and personnel training.

10%

Kesko's operations have an impact on the whole of society

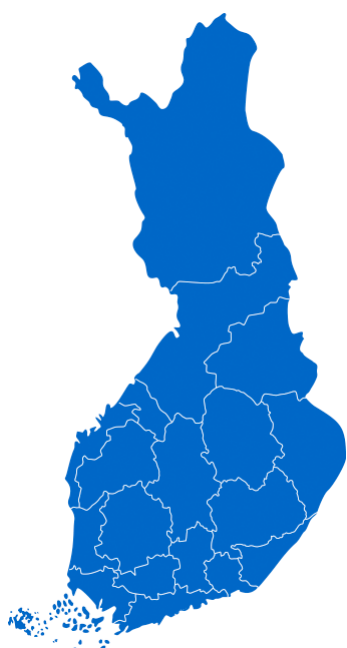
The operations of Kesko generate economic benefits for shareholders, personnel, retailers, suppliers of goods and services and their employees, customers, as well as municipalities and states. The operating environment for the trading sector is in a state of transition: the development of mobile technology has changed customers' buying habits and expectations of the selections, location, opening hours and accessibility of stores.

Kesko develops and provides trading sector services, employs people directly and indirectly, and buys, sells and arranges the manufacture of products. Kesko and K-retailers employ a total of about 45,000 people in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

The K-Group's store network is diverse: an increasing number of online stores is being opened to complement the network of around 2,000 physical stores.

In 2013:

- Kesko's purchases from suppliers in Finland were €5,378 million. Kesko's purchases from other countries were €2,422 million.
- K-retailers' direct purchases from Finnish regions were €557 million.
- Salaries paid by Kesko in all of its operating countries totalled €495 million.
- Salaries paid by K-retailers were €379 million.



Economic benefit generated by Kesko and K-retailers to Finnish regions in 2013

Region	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
€ million							
Southern Karelia	9.9	15.8	4.8	5.4	12.7	1.6	50.1
Southern Ostrobothnia	277.1	35.6	0.1	5.3	12.7	1.2	331.9
Southern Savo	31.2	16.5	3.5	4.3	11.6	1.4	68.5
Kainuu	2.6	6.6	8.3	1.5	5.7	0.6	25.2
Kanta-Häme	100.7	22.6	1.4	4.4	11.4	0.7	141.2
Central Ostrobothnia	46.0	16.3	27.8	1.8	4.5	0.7	97.1
Central Finland	62.4	20.0	17.2	9.5	17.6	1.5	128.2
Kymenlaakso	44.0	18.5	2.1	6.4	12.0	1.1	84.1
Lapland	15.8	21.0	2.4	5.8	16.9	1.8	63.8
Pirkanmaa	332.3	28.8	12.2	27.1	32.7	3.4	436.6
Ostrobothnia	133.7	9.7	0.7	4.8	8.6	0.9	158.4
Northern Karelia	26.7	21.3	1.3	4.2	11.4	2.0	66.9
Northern Ostrobothnia	103.1	42.0	9.1	17.3	26.6	2.5	200.7
Northern Savo	149.0	27.9	0.1	11.6	19.6	2.2	210.4
Päijät-Häme	129.4	27.0	0.6	8.8	11.2	0.9	177.9
Satakunta	108.1	25.2	7.8	3.9	15.5	1.1	161.6
Uusimaa	3,092.6	135.5	64.7	266.3	113.7	12.6	3,685.4
Varsinais-Suomi	674.2	67.1	20.5	24.2	35.2	3.3	824.5
Åland	20.6	0.0	1.5	0.0	0.0	0.0	22.1
Total	5,359.4	557.2	186.2	412.6	379.4	39.6	6,934.5

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.

¹ Incl. increase in rent liabilities

The web and mobile devices make services accessible to all

A multi-channel approach and the development of mobile technology enable the trading sector to serve customers in more varied and more efficient ways. Changes in customers' buying habits and the operating environment of the trading sector present stores with challenges in terms of flexibility and agility.

The proliferation of online shopping makes wide selections available also to, for example, consumers living outside population centres and people with reduced mobility. E-commerce is not confined to opening hours, as shopping is possible irrespective of time and place.

Customers' purchasing behaviour has changed. Products are compared on the internet before a buying decision is made. Although products are inspected at physical stores, purchases are often made online and perhaps from the other side of the globe. The possibility to find information about products, prices and availability in advance makes customer's day-to-day lives easier.

A comprehensive and diverse store network is a combination of different store sites and buying habits. As the digital transition progresses, the difference between physical stores and retail websites becomes blurred and the total service offer becomes increasingly important.

Providing e-commerce and online shopping services are strategic focus areas in all of Kesko's divisions. Kesko aims to offer online shopping services in all of its divisions over the course of 2014. Comprehensive store-specific product information, prices and availability will be provided online by the end of 2016.

Majority of purchases from Finland

Purchases of Finnish products and services generate economic benefits for our country and promote local work. Kesko purchases most of the products it sells from Finland and encourages K-retailers to include locally produced products in their selections. The Blue and White Footprint campaign of the Association for Finnish Work is aimed to create thousands of jobs in Finland.

K-food stores have an abundant offering of Finnish products, particularly in private label brands. When products are selected for the Pirkka range, priority is always given to the domestic alternative, provided it meets the relevant criteria. The Pirkka range currently has nearly 300 products carrying the 'Hyvää Suomesta' (Produce of Finland) label. The local content rate of fresh products, meat and processed meat, as well as milk and cream products in the Pirkka range is nearly 100%.

Pirkka products are manufactured by around 150 companies throughout Finland. Their manufacture enables many local companies to expand their markets across the country. Such enterprises and products include Pirkka hand-crimped Karelian pasties by Pielispakari in Nurmes and Pirkka cognac mustard by Ruoveden Herkku.

The Blue and White Footprint campaign creates new jobs in Finland

K-food stores, Anttila department stores and Kodin1 department stores for interior decoration and home goods launched a cooperation project with the Association for Finnish Work, food manufacturers and the home and speciality goods industry in December 2013.

The Blue and White Footprint campaign, running throughout 2014, is aimed to increase the sales of Finnish products and the awareness of the positive impacts of buying Finnish work. The calculations published by the Association for Finnish Work show that if every Finnish customer spent 10 euros more per month on Finnish products and services, it would create 10,000 jobs annually.

Taxes paid by Kesko benefit society

In 2013, taxes paid by companies and their tax footprint were topics of public discussion. There were headlines and discussion over the level of income taxation, and the payment of income taxes to different countries and tax havens.

Kesko is a significant tax payer: in addition to the income and real estate taxes Kesko pays, it collects, reports and remits indirect taxes, such as value added taxes and excise taxes.

The tax footprint of companies is of interest to stakeholders and it creates transparency. Kesko expanded its tax reporting for 2013 and therefore this report also includes net-worth taxes paid and excise taxes, car taxes and customs duties remitted by Kesko.

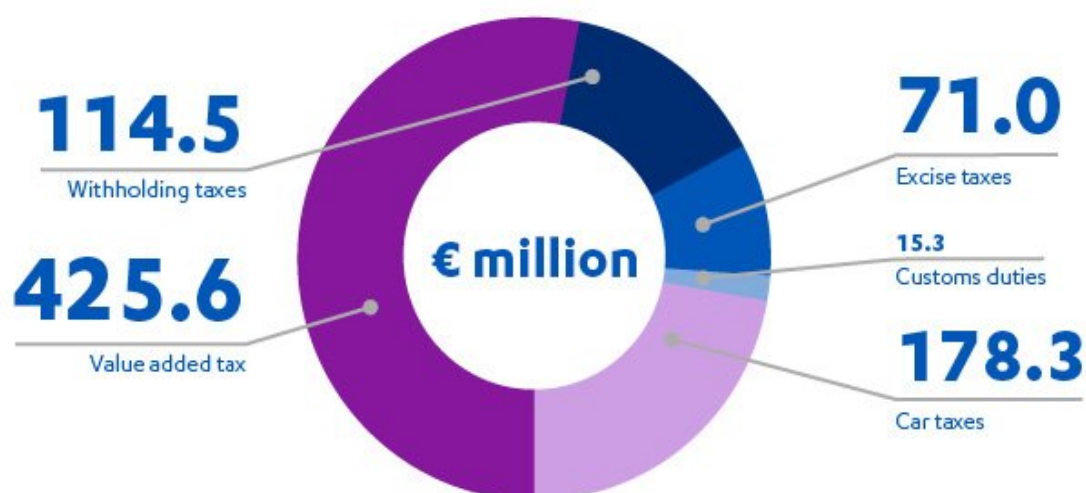
Tax havens were in the media and public discussion in 2013. Kesko does not have subsidiaries in tax havens.

Taxes paid and remitted by Kesko in all operating countries in 2013

PAID



REMITTED



The K-Group and K-Group employees as part of the municipal economy

The impact of the K-Group and its 45,000 employees on the municipal sector is significant. In 2013, there were K-Group stores or Kesko units or offices in approximately 280 Finnish municipalities.

The real estate taxes for properties used by Kesko and the K-Group for business are paid to the municipality in which the property is located. In addition, part of the income tax from Kesko's and K-retailers' business operations is distributed to the municipalities in which business is done.

Local income taxes paid by the K-Group employees form a significant part of municipalities' total tax income. Kesko has several units or offices and a central warehouse in the city of Vantaa, for example, where it is one of the largest payers of corporation tax. Of the 3,750 Kesko employees in Vantaa, approximately 1,520 live in the city and so pay their local taxes to Vantaa.

Nearly half of the municipalities' income is made up of tax revenue, which consists of municipal income taxes, real estate taxes and a proportion of the corporation tax revenues.

In terms of the amount, municipal income tax is one of the most significant taxes in Finland: about 21% of all tax revenue collected by the public sector. Municipal income tax accounts for about 85% of all tax revenue to municipalities. Only physical persons pay municipal income tax on the basis of their earned income. Municipalities also levy real estate tax on the properties located in their area and receive a proportion of the corporation tax – the tax paid by companies – from the central government.

Good corporate governance

Kesko is committed to the best practices of good corporate governance: openness and transparency and the promotion of the best interests of the company and all of its shareholders.

Kesko Corporation is a listed company with its share capital divided into A and B share series. Each A share carries 10 votes and each B share carries one vote.

The highest decision-making power in Kesko is exercised by the company's shareholders at the company's General Meeting. The company's shareholders elect the company's Board of Directors and auditor at the General Meeting. Kesko Group is managed by the Board and the Managing Director, who is the President and CEO. The President and CEO is appointed by the Board. The company uses a one-tier governance model.

Kesko's decision-making and corporate governance are guided by Kesko's values and responsible working principles. Kesko complies with the Finnish Corporate Governance Code for Listed Companies and publishes a Corporate Governance Statement and a Remuneration Statement annually on its website.

Kesko has gained recognition for its good governance practices in both Finland and abroad. In 2013, Kesko was included in the Dow Jones Sustainability Indices DJSI World and DJSI Europe for the 11th time. Kesko received the highest score in its sector in the economic dimension, in which the assessment criteria included codes of conduct/compliance/corruption and bribery, corporate governance and risk management.

Our responsible working principles

The guidelines of our responsible working principles oblige all Kesko employees in all of our operating countries to act in compliance with our common values and responsible operating principles.

We bear our corporate responsibility is one of the four core values at Kesko. Every Kesko employee must comply with laws and the responsible working principles without exceptions in all their operations.

Responsible operation is essential for building trust between Kesko, the K-Group stores, customers and partners.

The guidelines ensure that all employees have a shared understanding of the values and principles that guide working at Kesko and K-stores. The guidelines, published in eight languages, are an essential part of the induction of new employees.

The section 'Our Responsible Working Principles' on Kesko's website also includes animated examples of the guidelines in practice. Kesko employees are encouraged to test their knowledge and views on responsible working principles with the help of the Responsible Operator web application.

Value discussions on responsible working principles

Value discussions on responsible working principles have been arranged at Kesko and its subsidiaries since 2009. The operating model has proved effective:

"In 2013, we arranged five value discussions in different divisions in Finland, Sweden, Norway, Estonia and Russia. The emphasis was on issues dealing with countering bribery. It is vitally important that local managements have the opportunity to discuss the issues faced by companies in the application of responsible operating practices," says Kesko's Chief Audit Executive **Pasi Mäkinen**.

In 2014, the value discussions will focus on the responsible working principles at Kesko's foreign subsidiaries.

Responsible working principles are expected of business partners

Kesko expects its business partners to operate in compliance with corresponding responsible working principles.

Towards the end of 2012, all divisions in all operating countries introduced templates for letters and contracts to be sent to business partners so that they can commit to complying with Kesko's responsible working principles, or with their own, provided they are at least as responsible. A responsibility clause has been added to all significant new contracts since the beginning of 2013.

Good Trading Practice

Kesko Food and Kespro are committed to the principles of Good Trading Practice. A responsible and competitive food chain is a common benefit of Kesko Food, Kespro, K-food stores and their customers.

Among other things, the principles forbid unfounded verbal contracts, the transfer of excessive risk to the other parties or the use of a deterrent in order to gain unjustified benefit over a contracting party.

CASE

The internet makes grocery shopping easier



In November 2013, Kesko Food launched the ruoka.citymarket.fi online food store, which delivers groceries to consumers' homes and to businesses within the cities of Helsinki and Vantaa. The delivery area will be gradually expanded.

In addition to thousands of food products, the wide selection also includes non-food items and most of the products in the Pirkka range. There are also large packages available to meet the needs of families and companies.

Customers save time when shopping for groceries online. Time-pressed families with children, customers looking for everyday ease and convenience, senior citizens and firms are the key customer groups of the online food store.

Products are picked and delivered to customers from separate delivery stock. Special benefits of our own delivery stock include being better able to ensure the availability of products. Environmental aspects have been taken into account in transportation by introducing vehicles fuelled by biogas and natural gas.

The online food store is managed by Kespro, a Kesko Food subsidiary, which previously started food home deliveries to the city of Helsinki's home care service customers. Every day, the online store handles food deliveries to customers who cannot get to a food store.

CASE

Convenient cashback service at K-store checkouts



Taking service where customers are

At K-food stores, customers can withdraw cash from their accounts when using a card to pay for their purchases. The cashback service was piloted in 32 K-food stores in autumn 2012 and expanded nationwide during summer 2013.

Now cash can be withdrawn at the checkouts of over 700 K-food stores across Finland. When the nearest ATM is far away or access is difficult, K-food stores' Osta&Nosta service is a solution for cash withdrawals – also at locations where this is not otherwise possible.

The process is easy, as customers can withdraw money when paying for their purchases with a card at a K-food store checkout. All the customer needs to do is say how much they want. The account is charged with the sum withdrawn just like the purchases.

The maximum amount is 200 euros but there is no minimum. The sum withdrawn may be small, say, for a parking fee, and uneven sums are also accepted, unlike at ATMs. Cash can be withdrawn using the debit cards of any Finnish bank.

The service has been well received by customers and store employees alike.

"We want to serve our customers as well as possible. The cashback service has proved to be something valued by customers and the nationwide network of K-food stores greatly increases our customers' opportunities to withdraw cash in Finland," says Kesko Food's President **Jorma Rauhala**.

Customers can identify a K-food store offering the cashback service from the blue Osta&Nosta symbol.

CASE

Anti-corruption work in Russia

Kesko's operations in all countries are based on observing laws and responsible working principles. In the Corruption Perceptions Index 2013 published by Transparency International, Russia's ranking is 127. Anti-corruption work is particularly important to Kesko, because it operates in Russia in the food trade, the building and home improvement trade and the sports trade.

Kesko's anti-corruption principles are included in the 'Our Responsible Working Principles' guide. Kesko has an absolute zero-tolerance attitude to bribery and corruption.

K-rauta Rus, Rautakesko's subsidiary in Russia, adopted its anti-corruption policy in the autumn of 2013. The decision was accelerated by the anti-corruption law that came into force in Russia at the beginning of 2013 and requires companies operating in Russia to have an anti-corruption policy.

In addition to the anti-corruption principles included in 'Our Responsible Working Principles' guidelines, the provisions of the new Russian anti-corruption law were taken into account in the new policy.

"It is important that all stakeholders – the management, employees, business partners and other parties – share the same view and guidelines on anti-corruption activities. When publishing the policy, we also organised a training event on the policy and its impact for the top and middle management of K-rauta Rus in St. Petersburg. All participants in the event signed a document to confirm that they had understood what the policy means," says **Pavel Lokshin**, Managing Director of K-rauta Rus.

An anti-fraud channel for use in Russia

In the course of 2014, a new anti-fraud whistleblowing channel for reporting suspected fraud will be adopted by Kesko's subsidiaries in Russia.

This is a Russian-language channel which the business partners and employees of Kesko's subsidiaries in Russia may use to report confidentially if they suspect fraud in a Kesko subsidiary in Russia.

Suspicious may concern, for instance:

- bribery or corruption
- deceptions
- illegal payments
- money laundering
- financial crime.

The aim is to have an anti-fraud channel available on the websites of all Kesko's subsidiaries in Russia during 2014.

"The reports made via the channel come to Kesko Group's Internal Control unit. We deal with all suspicions without delay and take required measures. The identity of people who file reports is kept confidential. Suspected fraud can also be reported anonymously," says **Pasi Mäkinen**, Kesko's Chief Audit Executive.

STAKEHOLDER ADDRESS

We value transparency



Issues related to corporate responsibility and sustainable development are financially more and more important to companies, which also makes them increasingly important to investors.

A growing number of investors, Nordea among the first, have expressed their commitment to take issues related to corporate responsibility and sustainable development into account when making investment decisions.

Kesko's long history in corporate responsibility and related reporting is also reflected in the quality and quantity of CR reporting.

As an investor, we particularly value the compliance with international standards and guidelines, such as GRI, AA1000, BSCI and CDP. This gives us an opportunity to compare Kesko's corporate responsibility profile with other companies in the sector internationally and thereby assess investment in Kesko, one of the most responsible retail operators in the world.

In addition to transparency, we also value the materiality analysis on the background of corporate responsibility work and reporting, which guides continuous development, also apparent in the quality of Kesko's reporting, in the right direction.

Antti Savilaakso is Director of Responsible Investment and Governance, Nordea.

Participating in local communities



A local approach and K-retailers are the K-Group's competitive advantages. Retailers know the local community and the needs of their customers. Together with its customers and partners, Kesko and K-stores are building a better society.

At the beginning of 2014:

- K-retailers in Finland: **1,183** (900 men and 283 women)
- New K-retailers: **51** (32 men and 19 women)
- Average age of K-retailers: **47 years** (the youngest is 27 and the oldest is 91)

The K-Group's principal business model in Finland is the chain business model, in which independent K-retailers run retail stores in Kesko's store chains. A competitive edge is gained by combining systematic chain operations and the K-retailer operations based on entrepreneurship.

All food, building and home improvement, and agricultural stores in the K-Group in Finland are run by K-retailer entrepreneurs. Many of the K-stores are family businesses, headed by a retailer couple.

Future K-retailers are trained by the retailer training programmes. The training consists of online studies, on-the-job training under a mentor retailer and regional and nationwide events for exchanging experiences.

K-retailer takes customers' wishes into account

The K-retailer entrepreneurs are responsible for their stores' customer satisfaction, personnel management and development, profitability and operations, local touch and connections with local stakeholders.

K-retailers listen to the wishes of their customers and create the selection and services that respond to their needs. The common product selection of the chain is complemented with local food from nearby producers, for instance. Products bought locally include vegetables, root crops and bread. K-retailers' direct purchases from Finnish regions in 2013 totalled €557 million.

At K-citymarket Päivölä in Seinäjoki, produce from small growers is available on a special display in the fruit and vegetable department.

"We meet our customers' demands by offering local products. It is important for a retail store to live within its surrounding community. The display featuring local products has clearly increased their sales. We already have more than one hundred local products representing various categories," says **Sami Hertell**, retailer of K-citymarket Päivölä.

K-Retailers' Association promotes retailers' joint interests

The K-Retailers' Association, which looks after the interests of K-retailers and promotes cooperation between them, has all of the 1,183 K-retailers as members. The duties of the K-Retailers' Association include enhancing and strengthening K-retailer entrepreneurship and promoting members' interests.

The store and the web as a meeting place



Retail stores offer various shopping and other services and act as meeting places in many localities. Retailers can participate in the activities of the local community in many ways. Social media channels open up new opportunities for dialogue with customers.

The growth of e-commerce has created new ways of serving customers with home deliveries. Customers can order their purchases online and collect them at a K-citymarket, Anttila department store or Kodin1 department store for interior decoration and home goods.

Nearly one hundred K-markets and K-supermarkets provide postal services in their areas.

Web joins the store and the customer in a new way

Communications and customer service have increasingly shifted to the web and social media channels. Rapid, open social media channels provide customers with an opportunity to influence store operations and matters affecting them. Stores get immediate feedback and development proposals from customers and can involve them in their business development.

Kesko, the K-Group chains and K-stores engage in a dialogue with their customers, particularly on Facebook and Twitter. K-supermarket Mari in Urjala has plenty of likes – more than 1,700 – on its Facebook site, given the small size of the locality.

"I want to be a retailer who will seize customers' ideas. They are often small, easy-to-implement things, which improve the daily lives of customers. In the future, we'll be able to make contact with customers most easily on social media. Answering feedback is easy via Facebook," says **Mari Korpikaivo**, retailer of K-supermarket Mari.

Store as part of the local community

K-retailers have local influence by acting in organisations, giving lectures in colleges and organising customer panels and evenings.

Many retailers are active in the local community. A prime example is retailer **Jussi Vaittinen**, who started running the new K-market Parila in Tuusula in August 2013.

"As in my previous store sites, I immediately started to get acquainted with people and learn about local events. During the autumn, I donated cakes and toys to the local kindergarten, as well as sports equipment to the school. I also participated in many local events for the benefit of the community. For a retailer, working in the community provides strength and a channel for responsible actions," says retailer Jussi Vaittinen.

In many K-food stores, customers can support local activities by donating the sums of their bottle return receipts to charity. Each store can choose the recipients, which include, for example, sports clubs, youth work, cultural societies and humanitarian organisations.

Since 2011, K-rauta Palokka in Jyväskylä has been a partner of the local operator of the Hope charity. Hope provides concrete help for low-income families with children when they are faced with a sudden crisis. K-rauta Palokka acts as a permanent collection point for goods donated to Hope.

"In 2013, we also decided to donate our time. We started to transport the donated goods received by the store's van directly to Hope's warehouse," says retailer **Minna Perälä**.

Support for children and the young

The main emphasis in Kesko's and K-stores' sponsorship activities is on providing support to children and the young. At any given time, Kesko's sponsorship targets a few projects that affect a large number of consumers. In 2013, many charity projects were implemented in cooperation with long-term partners.

In 2013, Kesko and its subsidiaries gave financial support worth approximately €1.2 million to various communities and organisations.

New targets are Salvation Army's Christmas Kettle and the New Children's Hospital 2017 project

At Christmas 2013, Kesko and K-stores were the national partner of the Salvation Army's Christmas Kettle collection. The Salvation Army distributes Kesko's vouchers for recipients, who can use them to buy products at K-Group stores.

The New Children's Hospital 2017 project inspired a large number of Finnish companies and citizens to participate and donate money over the course of 2013.

The K-Group participated in the project in many ways:

- Kesko gave a donation to the project
- Funds were collected by pedalling the bike at Kesko's stand at the K-Team Event in Tampere and the Nuorten TakuuAreena recruitment event for the young in Helsinki
- The K-food stores and the Hartwall Jaffa soft drink organised a joint Christmas campaign
- K-retailers launched the K-retailers' Gift for Children collection in December 2013. The donations will be combined and made public in 2014.
- K-citymarket Oy supports the project with the collection campaign launched in the spring of 2014.

As in previous years, Kesko also participated in the Christmas Spirit collection organised by the Finnish Red Cross and the Mannerheim League for Child Welfare to help low-income Finnish families with children.

The annual traditions include the Mother's Day event, arranged in Kaivopuisto Park in Helsinki, with the focus on Kesko's work for responsibility and Fairtrade. A total of 10,000 Pirkka Fairtrade roses were given to mothers at the event. In 2013, another 10,000 roses were also donated in many maternity wards across Finland for the first time.

Stores participate in campaigns

K-food stores have, in cooperation with Procter & Gamble, supported UNICEF's vaccine campaign since 2008. For each pack of Pampers, Ariel and Fairy bought in November and December 2013 in K-food stores, both Procter & Gamble and K-food retailers donated a sum worth one tetanus vaccine to UNICEF's vaccination campaign.

As in previous years, Pirkka and K-food also participated in the Cancer Society's Pink Ribbon campaign, collecting funds for Finnish breast cancer research and advice. For every bunch of Fairtrade roses sold at K-food stores during the campaign 10 cents were donated to the Pink Ribbon fund.

CASE

Red Nose Day promotes children's rights



Kesko's home and speciality goods chains – K-citymarket, Anttila and Kodin1 – were the main retail trade partners in the Finnish Red Nose Day campaign 2013, organised by the Red Nose Day Finland. This cooperation was the first of its kind in the Finnish charity field. The Red Nose Day collection was a success, exceeding all expectations.

Autumn's Red Nose Day campaign culminated in the Red Nose Day show on 8 November 2013, but the collection continued until the end of the year. The proceeds of the campaign totalled €3.16 million, of which the funds raised via K-citymarket Oy and Anttila Oy accounted for over €188,000.

The most significant campaign products were the Noses with their new monster shapes. Supporting products were sold exclusively by K-citymarkets, Anttila department stores and Kodin1 department stores for interior decoration and home goods and their online stores.

The funds raised by K-citymarket, Anttila and Kodin1 could pay for:

- Nearly 40,000 mosquito nets in Burundi
- 38,000 school uniforms in Haiti
- School lunches for over 3 million children in Nepal, or
- Vaccines against lethal diseases for nearly half a million children in Kenya.

Staff participated with enthusiasm



Employees of K-citymarket Oy and Anttila Oy organised various drives during the campaign, inviting the staff of other stores, shopping centres and business partners to join in.

K-citymarket offered school classes an opportunity to do good together and cheer up customers by providing a packing service. The Red Nose Day packer project proved popular, and 22 hypermarkets across Finland provided the service.

The media and the large audience were very interested in the campaign. More than 130 newspapers and magazines wrote about Red Nose Day in over 300 different articles. The issue was also widely shared in social media channels (Facebook, Twitter, YouTube). The Red Nose Day website had more than 130,000 visits during the campaign.

Help for children in developing countries

The organisations* participating in the Red Nose Day activities promote children's rights in Africa, Asia, and Central and South America by:

- Promoting children's rights for safe school attendance and good basic education
- Helping when there are shortages in local health care systems and in maternal health care
- Combatting and preventing the use of child labour
- Helping children with problems caused by emotional traumas
- Working against the mutilation of girls' genitals
- Helping the victims of sexual abuse and human trafficking
- Supporting vocational training and entrepreneurship among young people
- Promoting the food safety of families

*Participating organisations: UNICEF Finland, Finnish Church Aid, the Finnish Red Cross, Save the Children Finland, Plan Finland, Fida International, the Finnish Evangelical Lutheran Mission, the International Solidarity Foundation, and the Trade Union Solidarity Centre of Finland SASK.

CASE

Recognition for bakery expertise



'The Bread Store of the Year' award of the Finnish Bakers' Association recognises the work done to develop Finnish bread retailing. Three out of the four finalists in the Bread Store 2014 competition were K-citymarkets and the title went to K-citymarket Kouvola.

Particularly important assessment criteria included domestic origins of the bread selection. K-citymarket Kouvola was praised for satisfying local tastebuds by providing a comprehensive selection, including many gluten-free products.

Marko Rönblad, Kesko Food's Sales Development Manager for bakery products sees the excellent freshness as a cornerstone of K-food stores' strong bakery departments:

"Each store's own bakery provides the freshest of all, local bread, as we bake from scratch. We are very proud of our own bakeries, set up in stores with our good business partners. For stores, scratch bakeries provide a professional and differentiating service concept with an emphasis on customer-orientation."

Demand for special diet products has been growing steadily and consumers have been asking for fresh gluten-free options in particular. Gluten-free bake-off products, unique in Finland, were launched into the Pirkka range in 2012 to provide customers with fresh options to complement frozen gluten-free bread.

In May 2013, these products received an honorary mention in the Gluten-free Product 2013 competition organised by the Finnish Coeliac Society.

BEARING RESPONSIBILITY

Clean and high-quality vegetables on Finnish tables



An abundant fruit and vegetable department is an important competitive advantage for K-food stores. Liisa Eronen's duties include ensuring that Kesko Food has fresh, high-quality vegetables in its selections to meet the needs of all K-food stores.

There are over 900 K-food stores in Finland and they are visited by about 900,000 customers every day. Huge amounts of many products are needed and only big suppliers are able to deliver them throughout the year.

Purchasing Manager **Liisa Eronen** has worked for Kesko Food in Vantaa for 14 years. She is the leader of the purchasing team responsible for buying vegetables, including root vegetables, potatoes and mushrooms.

"The main suppliers are our long-standing, established business partners. For example, potatoes have long been supplied by Potwell Oy, while tomatoes, cucumbers and lettuces come from Mustakosken Puutarha Oy and root vegetables, onions and cabbages come from Vihannes-Laitila Oy. Common selections are complemented with local products, which K-food stores buy from local, familiar farmers, particularly in summer," she says.

High demands for product quality

Kesko Food's Finnish producers of Pirkka vegetables must be audited to ensure compliance with the Finnish Horticultural Products Society's (KK) quality requirements for vegetables, entitling them to use the KK's seed leaf symbol.

New products are developed in cooperation with the supplier and Kesko's Product Research unit.

"When the product is planned, strict quality criteria, including its variety, size and shelf life are determined. In cooperation with the warehouse's

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quality team, Kesko's Product Research unit regularly monitors the quality of the products in our selections," Liisa Eronen says.

The new domestic arrivals of early 2014 included Pirkka brown button mushrooms, Pirkka potted coriander and Pirkka potted thyme.

Local and organic food from Finland

Finnish origins are important for Finnish consumers. Local and organic foods are the trends that are highly visible in Liisa Eronen's product categories. Kesko Food aims to have 200 Pirkka Organic products by 2015, many of them Finnish vegetables.

"Our customers value pure Finnish production. Even in winter, Finnish consumers prefer domestic tomatoes, cucumbers and lettuces and are willing to pay more for them than for imported vegetables. Throughout 2014, we will be highlighting the importance of domestic vegetables as part of the Blue and White footprint campaign arranged by the Association of Finnish Work," Liisa Eronen says.

Product displays in Finnish retail stores also have some national features.

"Most Finns want to buy their potatoes and vegetables from open, market-type mass displays. Instead of packed vegetables, we want to choose our tomatoes and bell peppers one by one. Prepacked vegetables sell much better in many other countries," she adds.

STAKEHOLDER ADDRESS

K-rauta Lielähti employs people and encourages learning



During the past year, K-rauta Lielähti has offered training jobs for dozens of upper-secondary-level students, vocational retrainees and young people on short-term work experience projects.

During the training period, the trainee is assigned duties and a supervisor. Training periods have been successful for both parties and many of them have led to temporary or permanent employment contracts.

For example, we had a young, diligent short-term trainee who started a two-year apprenticeship with the aim of gaining a vocational qualification in business and administration. We offered him a paid training contract with hands-on duties.

I am particularly pleased that we can offer vocational retrainees the opportunity for a new career. In addition, the Youth Guarantee initiative enables us to employ many young people.

It is enriching to the corporate culture that people of varying ages have an opportunity to work together. Part-time pensioners have the energy to remain at work for longer and can share their valuable expertise with younger employees.

Tolerance and acceptance of various cultures contribute to a good working atmosphere. Last Christmas, we were able to serve our customers in Chinese and Spanish, in addition to other languages. Now one of these employees is on parental leave and the other one completing military service. We are expecting them to return soon.

Sanna Elonheimo-Hietala is retailer of K-rauta Lielähti.

We do and offer high-quality work



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, with satisfied employees and competent supervisors.

One of Kesko's focus areas in 2013 was promoting employment for young people and the K-Group's attractiveness as an employer. In 2013, Kesko and K-stores launched the Youth Guarantee programme, which aims to employ at least 1,000 young people in the target group by the end of 2014.

At Kesko and K-stores, you can have a varied career in many trading sector jobs, which vary from retail store duties to retailer entrepreneurship and specialist and supervisory jobs in different sectors. The K-Group employs around 45,000 people in eight countries.

Uniform HR operating systems

During the last few years, Kesko has harmonised the operating systems and indicators for wellbeing at work and focused on actions that promote personnel wellbeing. The programme and management model for wellbeing at work are the pillars of wellbeing at work.

The uniform operating systems aim to:

- improve job satisfaction
- reduce sickness absences
- raise the retirement age
- promote personnel productivity
- develop the employer image.

The wellbeing at work programme has a different theme every year

Theme years within the framework of the wellbeing at work programme are arranged for the personnel.

"In 2011, we prepared a guide for wellbeing at work at Kesko in the languages of all our operating countries and conducted a wellbeing survey in Finland. The next year, we produced videos for the development of working community skills and an in-company contest for working community deeds in Finland. The theme in 2013 was work safety and we implemented Group-wide e-learning training on the subject in Finland," says **Janna Pirhonen**, Kesko's Manager for Wellbeing at Work.

In 2014, the programme will focus on competence development and support for developing together under the theme Develop with Us in all of the operating countries. The objective is to internationalise the 'Let's Talk about Work' model and the supervisory coaching programmes.

Personnel survey was revised

The annual personnel survey is conducted simultaneously throughout Kesko Group and at some of the K-stores in Finland and the other countries. The survey measures employees' satisfaction with their own jobs, the operations of their immediate supervisors and their own units, as well as with the operations of a subsidiary.

The personnel survey was revised in 2013.

"Development needs were increasingly raised by different parts of the organisation. We wanted to improve the usability and tools of the survey in the preparation and monitoring of action plans. We established cooperation with a new partner and significantly condensed the survey content. Kesko's results can now be compared internationally with the best results of other retail operators," says **Ari Svensk**, Kesko's Vice President for Human Resources.

The personnel survey indices were also revised and in the future, four indices will be monitored:

1. Employee engagement
2. Performance enablement
3. Supervisory work
4. Wellbeing at work

The response rate to the 2013 personnel survey at Kesko Group was 78%.

Supervisors always discuss the results of their personnel surveys with their personnel. Based on the results, development actions are agreed and integrated into an annual action and personnel plan whose implementation is monitored.

Annual performance and development review

Performance and development reviews and performance assessment of key personnel are carried out in all Kesko Group companies and operating countries.

A performance and development review is a confidential discussion between supervisor and employee. During the discussion, the achievement of targets set for the previous period is assessed and the development of supervisory work and the working community is discussed. Personal performance targets for the period are set and a development plan is drawn up.

In Kesko's 2013 personnel survey, 73% of all respondents were satisfied with their performance and development reviews and the average result was 3.89 (on a scale of 1-5).

Let's Talk about Work coaching

Kesko's wellbeing at work programme includes tools for the development of supervisory work:

- Let's Talk about Work coaching
- Performance management coaching
- Performance and development review coaching
- Making use of the personnel survey coaching

The Let's Talk about Work model comprises three aspects, which are discussed in the same manner with all employees as the situation requires.

The aspects relate to increased absence due to sickness, the need for support in work performance, or possible conflicts within the working community. The aim is to take care of employee wellbeing from an early stage.

Since the beginning of 2011, approximately 800 supervisors have been coached in the adoption of the Let's Talk about Work model in Finland. The systematic approach has produced results and sickness absence, for example, has decreased considerably in some companies.

Develop yourself with us

Wellbeing at work and competence go hand in hand. The basic premise of wellbeing at work is that people work in a safe environment and feel confident about their competencies. In 2013, the theme of Kesko's wellbeing at work programme was work safety. In 2014, the programme will focus on competence development under the theme 'Develop yourself with us'.

Kesko's subsidiary, K-instituutti, organises training for Kesko employees and store personnel. In 2013, some 54% of all training days for Kesko employees in Finland was organised via K-instituutti.

In recent years, e-learning has been used increasingly often to complement on-site teaching. In 2014, K-instituutti's development actions will focus on the promotion and development of e-learning.

Kesko employees have access to a number of e-learning programmes from their personal computers. Training is provided in different aspects of corporate responsibility, such as the K-responsibility concept, competition law, work safety and data security.

Training throughout the career

The Kesko eLearning environment is an important tool in competence development for Rautakesko, which operates in eight countries. Foreign language versions of the learning environment which had been used in Finland for some time were completed in 2013. The environment is now available in Finland, Sweden, Russia, Latvia and Estonia.

"Uniform implementation, orientation and core content of training help us ensure the quality of operations in all the countries where we operate. The Kesko eLearning environment provides training in many areas, including commerce, management and leadership, and IT," says **Johanna Pessa**, Rautakesko's Competence Development Manager.

More than 4,700 employees in Rautakesko's operating countries participated in over 22,700 online courses in 2013.

In Russia, the Kesko eLearning environment was launched in September 2013 and by the end of October approximately 900 employees had already completed a total of over 4,400 courses there.

Information on safety and security

Work safety e-learning

Kesko and K-stores are responsible for providing employees with a safe working environment and appropriate training and guidance in their work. It is of primary importance to ensure that all employees are familiar with the security instructions concerning their work – no matter if it is a two-week traineeship, a summer job or a permanent job.

Kesko, its divisions' risk management functions and the K-Retailers' Association started a joint effort to harmonise and update work safety instructions in 2012. At that time, a decision was made to implement a work safety e-learning programme and to add work safety information to the Master Sales Assistant training.

The work safety e-learning programme designed for retail store personnel in Finland was completed in 2013, the theme year of work safety.

"The objective of the training programme is to make employees pay closer attention to work safety. The programme includes practical advice and instructions for day-to-day safety at work," says Kesko's Security Manager **Petri Käyhkö**.

By the end of 2013, the work safety e-learning course, which was published in September 2013, had been completed by more than 3,800 people from different units and chains in all divisions.

Data security e-learning course

Data security becomes increasingly important as the daily operating environment goes electronic.

Kesko's newly updated data security policy became effective on 1 January 2014. According to the policy, the data security e-learning programme is compulsory for every Kesko employee. Every supervisor is responsible for monitoring and advising their subordinates to complete the training. In the future, the programme will be included in the induction of new employees.

Diversity in the working community

A pluralistic organisation that supports diversity ensures equal opportunities, rights and treatment for all. Equality, justice and non-discrimination are principles followed at Kesko throughout the employment relationship.

Kesko joined the Diversity Charter Finland in autumn 2013. The operations are based on the Charter signed by all member organisations. The purpose of the Charter is to help companies engage in developing their operations with diversity management as one of the starting points.

The age distribution of Kesko's employees is broad: the youngest are secondary school students on short-term work experience programmes while the oldest are approaching retirement. People of different ages and with different backgrounds add to the diversity of the working community. It is important that competencies and experiences can be transferred from one generation to the next within a working community.

Permanent model for the employment of disabled people

To celebrate its centenary, the K-Retailers' Association launched a project called 'Many kinds of performers' in April 2012 in cooperation with the Finnish Association on Intellectual and Developmental Disabilities (FAIDD). The results of the project exceeded all expectations.

"Thanks to the project, a total of 27 disabled people received paid employment at K-stores in different parts of Finland. In addition, we have designed a permanent operating model and guidelines for employing disabled people at K-stores to help and encourage K-retailer entrepreneurs to employ disabled people also in the future," says **Jaana Hertsberg**, Managing Director of the K-Retailers' Association.

In autumn 2013, all of Finland's approximately 1,200 K-retailer entrepreneurs received a guide providing advice in matters related to the employment of disabled people.

The 'Many kinds of performers' project reached the finals in the category of large companies of the European CSR Award scheme. Kesko's Corporate Responsibility Report was ranked the best by non-governmental organisations in the 2013 Sustainability Reporting Award Finland Competition. In their evaluation criteria, VATES Foundation, the organisation making NGOs' choice for the winner, appreciated Kesko's reporting on the diversity of working life and the K-Group's work in employing people with disabilities.

Maintenance of working capacity

Kesko wants to take care of its personnel throughout their working careers. Employees' physical activities and cultural hobbies are supported in various ways and, if necessary, employees are directed to rehabilitation that maintains their working ability.

Ageing and mental or physical workload often cause different ailments and problems that weaken the ability to work.

In 2013, ASLAK early rehabilitation courses and TYK rehabilitation courses provided by Kela and coordinated by Kesko, were arranged for store, warehouse and office employees and supervisors.

In the Greater Helsinki area, Kesko's Occupational Health Service has also directed employees to AMI rehabilitation, which promotes mental health. AMI rehabilitation for outpatients is a development project carried out by Kela that has provided genuine help for depression patients in working life.

Returning to work from sick leave can be made easier with partial sickness allowance. Partial sickness allowance is granted by Kela to employees who are incapacitated for work to enable them to remain employed and return to full-time work.

"Earlier, partial sickness allowance was only applicable to a gradual return to work from a long period of sick leave. Nowadays, it can be used after shorter sickness absences too. A partial return to work is preceded by an occupational health care negotiation between the employee, the supervisor and a representative of the Occupational Health Care Service, who plan the alleviation of duties and the need and duration of shorter working hours. The partial sickness allowance scheme is increasingly used within the K-Group and the experiences have been good without exception," says **Pirjo Anttila**, Chief Physician of Kesko's Occupational Health Care.

Pension insurance companies' support in vocational rehabilitation has also been used to assist employees returning to work. The support has been used for lightened return to the same job after a long sick leave or for learning a completely new job or vocation through work experiment or retraining. Employees considering various options have been able to consult a job coach provided either by a pension insurance company or Kesko.

The trading sector employs lots of young people



The employment situation of young people has deteriorated in recent years and increasingly many youths have difficulties in starting a career. The K-Group wants to promote the employment of young people and it launched the Youth Guarantee programme in 2013. The theme 'Finland's future is in young people' was also discussed at the Day of Commerce in January 2014.

The K-Group offers various training and summer jobs, most of which are at K-stores. Kesko also employs thousands of summer employees, job trainees, young people for short-term orientation to working life and for short-term jobs called 'Learn and Earn'.

Every fifth youth under 25 with a job is employed in the trading sector. For many young people, a K-store provides the first experience of working life.

Getting to know the K-Group during a summer job

Kesko representatives regularly visit business schools, universities, polytechnics, recruitment fairs and other events to tell students about the K-Group's career and summer job opportunities.

Many young people start their careers with summer jobs, often at their local K-store. In summer 2013, the K-Group employed a total of approximately 5,000 summer employees, of whom 3,800 were at K-stores and 1,200 were at Kesko Group.

Kesko and the K-Retailers' Association organised a second K-summer job campaign in 2013 to attract attention to the employment of young people. The 2013 K-Summer Employee of the Year title went to **Petra Kukonlehto** from Ylivieska and the 2013 K-Summer Employer of the Year was retailer couple **Janne** and **Teija Hänninen** of K-market Kiuski in Kinnula.

Scholarships for students

Students are an important target group for Kesko in terms of trying to find future employees. The scholarships programme is part of Kesko's long-term cooperation with educational institutions.

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If a polytechnic student has completed his/her study-related training period at a K-store or Kesko and received an excellent or good mark from the supervisor, the student can apply for a €500 Kesko scholarship. In 2013, Kesko scholarships of €500 each were distributed to 31 students from 11 polytechnics.

Every spring since 1987, Kesko has distributed scholarships to young art students and athletes. In addition in 2013, young people ending their primary education were granted Kesko Fair Play scholarships for the first time.

More than 100 business schools annually participate in the Master Sales Assistant training programme carried out by K-instituutti. The best students among the programme participants are awarded scholarships. In 2013, 346 students received a scholarship and the total scholarship amount distributed was €24,800.

K-Trainee programme seeks new top experts

The K-Trainee programme is directed at young people with a university or polytechnic degree, either in the final stages of studies, newly graduated or with some work experience. The programme provides the participants with good capabilities to develop into top experts in the trading sector and thereby transfer to new positions in the K-Group.

The fifth K-Trainee programme will start in June 2014. K-Trainee programme participants are selected for Kesko Food, Rautakesko, KCM-Anttila and VV-Auto. Those who speak Russian can also complete a K-trainee programme in St. Petersburg.

At the end of 2013, 43 K-trainees of a total of 60 having completed one of the four previous K-trainee programmes was working in specialist or supervisory positions in Kesko Group.

Day of Commerce discussed the employment of young people

Promoting the employment of youths became one of Kesko's most important focus areas in 2013. Young people were also a natural choice for the theme of Kesko's annual Day of Commerce seminar held in January 2014.

The Day of Commerce seminar organised under the theme 'Finland's Future is in Young People' attracted around 600 participants from among Finnish businesses and the public sector. The theme was discussed from different angles, including the development of apprenticeship training, working life flexibility and career alternatives.

CASE

Good induction is the key



In the last few years, Kesko has expanded strongly in Russia. Of Kesko's divisions, the food, building and home improvement and sports trades operate in Russia. At the end of 2013, the number of employees in Russia was 3,000. There is occasionally a shortage of labour, particularly in St. Petersburg, and employee turnover is high. Special attention is paid to the recruitment and induction of new employees.

"Competition in the retail market is tough in St. Petersburg. The importance of the employer image is further highlighted when competing for qualified employees with other retail operators," says **Darya Belyakova**, HR Manager for Kesko Food Rus.

New stores are opening in St. Petersburg all the time and employee turnover is high. Occasionally, finding qualified employees for stores can be challenging. However, international companies have a good reputation in Russia and most employees appreciate the opportunity to work and develop their skills in an international environment.

It is important to ensure that all employees in all of the operating countries are committed to working in compliance with Kesko's values and responsible working principles.

In Kesko Food Rus, new employees learn about Kesko's values, corporate responsibility guidelines, responsible working principles and anti-corruption principles. The training programme includes issues such as customer service and occupational health and safety.

"When we open a new store, new employees are trained in existing stores, guided by mentors," Belyakova adds.

All employees who start in new duties receive an induction survey after the first months. The survey is available in eight languages and used in

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Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Russia. The purpose of the survey is to review the success of the induction and establish how to further improve related practices.

K-Group stores in Russia:

- 4 K-ruoka stores selling food (+ 3 new stores in 2014)
- 13 K-rauta stores selling building and home improvement products (the target is about 30 stores)
- 21 Intersport stores selling sports goods

Experienced colleagues are the best help to a newcomer

Aleksey Ageychev started work at the Planernaya K-ruoka store in December 2012 as deputy manager of the Leisure & Entertainment department. At the beginning of 2014, he became the manager of Grocery department.

"I like our store a lot; it is new and everything is done for the customer. What is best in our store are the competent and experienced employees, who are always ready to help newcomers," says Aleksey Ageychev.

Before joining K-ruoka, he worked in the non-food trade. Thus, there were many new things to learn, such as food specifications and the best before dates.

"It was great to widen one's expertise into the food sector. I have a desire to learn more, for example, to improve my SAP skills and to be trained in store designing. As our store was the first K-ruoka store in St. Petersburg, we test many innovations here first before introducing them to other stores."

CASE

Youth Guarantee works in the K-Group



In 2013, Kesko and K-stores launched a programme intended to employ at least 1,000 young people in the target group of the Youth Guarantee by the end of 2014. At the end of February 2014, a total of 718 young people had already been employed in the initiative by K-stores and Kesko across Finland.

Kesko's Board of Directors granted €100,000 for the launch of the programme and practical activities for 2013–2014. In addition to the donation, a significant factor contributing to its success is the fact that a project coordinator was hired by the K-Group to act as a liaison between K-retailers, Kesko and the Employment and Economic Development Centres.

After having completed military service, **Juho Pettinen**, 21, from Mikkeli registered as an unemployed job applicant at the Employment and Economic Development Centre. The young man did not need to wait long before the telephone rang and retailer **Minna Hyyryläinen** of K-market Kaukola offered him apprentice training and a job at her small store.

"Just now I am content with my life and this job and might well think of having a permanent job in retailing. I have enjoyed it here; the days and the duties are varied," he says.

The retailer is also pleased with the operating model, which allows her to select the employee and apply for a wage subsidy online.

"The Youth Guarantee lowers the threshold for hiring young people. The process has been made easy for the employer, advice is given when needed and the system also saves time. I think this really serves both the employer and the employee," says Minna Hyyryläinen, pleased.

BEARING RESPONSIBILITY

Lina Morkunaite and the 'We care' awardee Virginijus Apšega



The objectives of Konekesko Lietuva's 'We care' project include respecting colleagues at work, caring about company image, taking responsibility, caring about cooperation, results and obligations. For the first time, employees selected a colleague who best embodies these objectives. In 2013, that person was Virginijus Apšega, Agri Machinery Department Director.

Konekesko Lietuva, the Konekesko subsidiary in Lithuania, started the 'We care' project in 2010 with the aim of making the company increasingly responsible. The employees draw up a programme which proceeds by small steps with the following long-term aim: Konekesko Lietuva wants to become one of Lithuania's most responsible companies.

Virginijus was selected because of his cooperation skills

The first 'We care' award was presented to Virginijus Apšega at Konekesko Lietuva's annual employee meeting in Kaunas in 2013.

Employees voted for the person who in their opinion best represents the objectives of the project.

"We are proud that a representative of the management group was selected. It shows that we have good examples of leadership in the area of responsibility. This was the first time we introduced an award that is based not only on financial results but also on responsibility results," says **Lina Morkūnaitė**, Business Support Director of Konekesko Lietuva.

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When asked why they nominated Virginijus as a candidate, many employees mentioned his cooperation skills:

- He seems to care about everything, from achieving top business results to screwing nails in the office.
- He never answers 'no' – he will listen, discuss and help to find a solution.
- Customers like him as a person and as a trustworthy manager that keeps his promises.
- He always discusses things openly and makes the right decisions with his team.
- He acts in business according to his personal values, which are respect of employees, effectiveness in all actions, hard work and love for what he does.

STAKEHOLDER ADDRESS

Opportunities to participate for employees



As a major operator, Kesko and the entire K-Group could take the initiative and an individual approach to including its employees in developing the company, staff wellbeing, the quality of employment and the conditions of employment.

The K-Group could achieve a competitive advantage on the labour market by taking responsibility in this area to the level exceeding legislation and agreements.

Employees' opportunities to participate in preparing and advancing the issues concerning them, combined with a respectful approach that increases internal motivation in the management of all K-Group employees, can also increase productivity considerably.

Kesko is also obliged to act in an internationally sustainable way. The entire supply chain has to ensure that employees' rights, freedom of association, health and safety, and decent wages are implemented.

Ann Selin is the President of the Service Union United PAM.

We purchase and sell responsibly



Customers must be able to rely on the fact that the products offered by stores are well-researched, safe and sustainably produced. Purchasing principles and statements support Kesko's responsible purchasing. The quality of the products included in the selections is monitored by our own Product Research Laboratory.

Kesko's purchasing principles guide our responsible purchasing. Various 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.

Palm oil policy

Kesko Food is a member of the Roundtable on Sustainable Palm Oil (RSPO), which promotes the sustainable production of palm oil. Kesko Food recommends the use of certified sustainable palm oil (CSPO) to manufacturers of Pirkka and Menu products. The aim is that by 2020 all oil in Pirkka products will be Segregated and Identity Preserved CSPO.

Fish and shellfish statement

As declared in the K-Group's fish and shellfish statement, Kesko Food, Kespro and K-food stores favour species with a green rating in their selection. Sustainable fish stocks and MSC certified suppliers are preferred when making selection decisions. No species with a red rating in WWF Finland's traffic light guide are sold; the only exception is wild Baltic salmon, for which we observe the EU quotas in line with the national salmon strategy.

National salmon strategy

In 2013, there was a lively public discussion on sustainable fishing of wild Baltic salmon in particular.

Matti Kalervo, Kesko's Vice President, Corporate Responsibility, was a member of the broad-based working group set up by the Ministry of Agriculture and Forestry, the purpose of which was to develop the regulation of salmon fishing so that sustainability is ensured.

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The working group produced the national Baltic salmon strategy, which was sent for Government approval after circulation for comments on 28 February 2014. The aim of the salmon strategy is to contribute to the strengthening of the Baltic wild salmon stock while also securing the prerequisites for professional and leisure fishing.

The K-Group's fish and shellfish statement follows the content of the national salmon strategy.

Timber policy

Garden furniture made from tropical wood and sold by K-Group stores either has FSC certification or is made of wood species that can be cultivated following the principles of sustainable development.

Rautakesko has drawn up a policy to ensure the origin and traceability of timber and wood products.

Training for buyers

The Principles and Practice of Socially Responsible Trading guide has been prepared to help Kesko's buyers and suppliers in purchases from high-risk countries. The guide provides basic information about Kesko and its purchasing principles. It describes the BSCI process in a step-by-step manner.

Well-researched and safe products



Kesko Food's own Pirkka Product Research Unit analyses food and home and speciality goods samples and develops new private label products. The unit is also responsible for the guidance and support for self-control.

Kesko Food has its own Product Research Laboratory, which monitors the quality of groceries and home and speciality goods sold by K-food stores, K-citymarkets and Anttila and Kodin1 department stores.

The laboratory has an accredited ISO 17025 quality system and uses 187 different determination methods. In the annual accreditation inspection of the laboratory, external inspectors assess the operation and quality of the laboratory and its analyses.

In addition to new products, those already included in the selection are also monitored. In 2013, the laboratory analysed over 9,400 product samples and conducted more than 29,300 analyses.

Self-control and Oiva ensure quality

Food operators are obligated by statute to set up systems to determine product safety hazards involved in their operations and to draw up systematic measures to manage these hazards.

Kesko Food's Product Research Unit is responsible for guidance and support for the relevant K-Group activities. The Product Research Laboratory acts as a self-control laboratory approved by the Finnish Food Safety Authority Evira.

Municipal food inspectors also conduct inspections in food stores. Oiva is a publication system for the food inspection data, which is coordinated by Evira. Oiva reports have been published on the website of the system since May 2013 and posted at the store and restaurant entrances since the beginning of 2014.

The Oiva report lists the observations made at the inspection, such as the overall hygiene level and product safety. The results are illustrated with smiling face symbols with four options: excellent, good, room for improvement and poor.

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The publication of inspection data aims to increase transparency and provide consumers with information to assist them in making choices.

Some people have felt that the problem with the system is that the poorest area determines the total result. Comparison is also difficult for the reason that by the end of 2013 only about a half of the 3,800 grocery stores had been inspected.

Kesko Food organised regional training events and web lectures on the Oiva system for K-food retailers in spring 2013.

The Oiva results obtained by K-food stores in 2013 were mainly excellent (about 36%) or good (about 59%).

Responsible purchasing from high-risk countries

In its operations, Kesko pays special attention to human rights and working conditions across its sourcing chain. International assessment systems, BSCI auditing and SA8000 certification, are used for supplier audits in high-risk countries. In 2013, Kesko also increased activities to ensure the responsibility of indirect purchases.

For years, Kesko has worked to include direct suppliers from high-risk countries in the sphere of social responsibility auditing. The aim is to cooperate only with suppliers included in the auditing process.

Monitoring focuses mainly on countries where the risks that these rights will be violated are the greatest (such as in most Asian and African countries).

Special attention is paid to working conditions in factories located in high-risk countries, despite the small quantity of imports from these countries. In 2013, direct purchases of Kesko's Finnish companies from suppliers in high-risk areas totalled 1.6% of all Kesko's purchases.

BSCI system increases awareness

Kesko is a member of the European Business Social Compliance Initiative (BSCI).

At the beginning of 2014, Kesko's suppliers in high-risk countries had 254 factories or farms within the scope of the BSCI process.

The audits alone are not sufficient to improve working conditions, but the BSCI system increases awareness and provides concrete examples and models for resolving possible grievances. More permanent results are achieved through long-term training and cooperation with local authorities, trade unions and other stakeholders.

Monitoring in China and India

For years, Kesko has supported its suppliers in China through monitoring. The same operating model has now been launched in India. The local monitor guides, trains and oversees the terms of employment and working conditions of local suppliers and their observance of environmental and chemical regulations. Local factories need particular support in issues related to working times, compensation and management practices.

Sourcing chains and working conditions at factories provoked discussion

There was public discussion about products' sourcing chains, countries of origin and working conditions at factories over the course of 2013. Kesko also received inquiries concerning products from Israeli settlements and working conditions at Bangladeshi clothing factories and Thai pineapple juice factories.

The proportion of imports from Bangladesh out of Kesko's total purchases is small. Kesko promotes the development of working conditions at Bangladeshi factories through BSCI auditing, for example.

From Israel, Kesko Food imports mainly fruit and vegetables and does not accept products from settlements in its selections. Imports of Kesko's other divisions from Israel are small, but issues of origins are actively discussed with suppliers.

The report by Finnwatch on retailers' private label brands in January 2013 revealed severe problems at Thai pineapple juice and tuna factories. Finnwatch's follow-up report published in January 2014 proved that ensuring the responsibility of imports from high-risk countries still requires plenty of work.

Sustainability and labelling information for customers

Kesko and K-stores continue to increase the number of products meeting a responsibility criterion. Major changes in package labelling will help customers make good choices.

All Finnish Pirkka products have the name and location of the manufacturer indicated on the packaging. Imported Pirkka products carry the name of the country of origin. The country of origin for meat is indicated in the list of ingredients on those Pirkka products that have meat as one of the main ingredients.

The origin is indicated on all own-brand products of K-citymarket and Anttila as their selections are updated. Rautakesko also adds the country of origin on its private label brands.

More products meeting a responsibility criterion

One of the objectives of the responsibility programme is to have 500 products meeting a responsibility criterion in the Pirkka range by 2015. Responsibility criteria include Fairtrade or a corresponding production method, environmental labelling, the MSC certification, the UTZ certification or the CSPO certification for sustainable palm oil.

The number of organic products will grow and the objective is to have 200 Pirkka Organic products by 2015. K-retailers also buy organic products directly from local producers. Organic products now include milk, butter, bread, eggs, cold cuts, yoghurts, coffee, chocolate and vegetables.

At the end of 2013, Kesko Food had the following products meeting a responsibility criterion in its selections:

- Over 230 Fairtrade products, of which 35 were Pirkka Fairtrade products
- Over 2,200 products with organic or environmental labelling
- Over 1,700 organic products, of which 95 were Pirkka Organic products
- 21 types of Pirkka fish with MSC certification
- 15 Pirkka products with UTZ labelling

Natural materials are preferred in the production of the home and speciality goods stores' own Anno products. Ecological aspects are taken into account in various ways as far as possible; ecological cotton, for instance, is used in some Anno textiles. The range also includes woolen products that are not bleached or dyed, instead using colour from the wool itself. Production stages have been minimised as far as possible. Efforts are also made to increase the proportion of recycled materials.

PEFC certification for Rautakesko

In December 2013, Rautakesko received the PEFC certification that indicates the responsible origins of timber. The certification covers sawn pine and fir timber, processed products made of such timber and MDF plates supplied by Rautakesko in Finland.

For customers, Rautakesko's right to use the PEFC label is a promise that the timber delivered to them comes from forests managed following the principles of sustainable forestry. Certification also improves customers' opportunities to act responsibly.

The aim is to extend the certification from Rautakesko to retail stores and other operating countries.

New package labelling

Work on changing package labelling of private label products is underway in Kesko Food and will continue in 2014. The work is vast, as changes

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need to be made in the packaging of about 2,500 food products.

The work began as changes will be required in consumer information on package labelling when the transition period for the EU regulation comes to an end in December 2014 and, concerning information about nutrition values, in December 2016.

In practice, this food information regulation will change the package labelling of nearly all foodstuffs and set new requirements on product names and package readability, for instance.

CASE

Improving working conditions in high-risk countries requires cooperation

Reports published by Finnwatch in January 2013 and 2014 revealed severe grievances in Thai pineapple juice and tuna factories. These problems continue despite action having been taken, showing that improving human rights requires all parties across the supply chain to work together.

When Finnwatch published a report on retailers' private label brands at the beginning of 2013, revealing grievances in Thai pineapple juice and tuna factories, Kesko took action in a number of ways.

"In early 2013, we sent an enquiry to all the suppliers that manufacture private label products (Pirkka, Euro Shopper and Menu) for Kesko Food in order to assure the sustainability of their ingredients," says **Matti Kalervo**, Kesko's Vice President, Corporate Responsibility.

A clause on assuring the sustainability of all ingredients was added to purchase agreements. Purchase units will emphasise the importance of assuring sustainability in their negotiations and other contact with suppliers.

Suppliers of pineapple juice concentrate were audited

When the grievances in the Thai pineapple juice factory were revealed a year ago, Kesko Food's supplier stopped juice concentrate deliveries from the factory.

"In our opinion, this is not the best solution to the problem and does not alleviate the position of employees. Our view is that efforts should be made to solve the problems according to a clear plan and schedule," says Matti Kalervo.

At the end of 2013, concentrate for Pirkka pineapple juice was supplied by five other factories in Thailand. All of these factories are within the scope of either BSCI or Sedex auditing. The follow-up report by Finnwatch revealed, however, some data that greatly deviates from audit report results in one of them: Vita Food Factory.

"We have asked the company that carried out the audits to give us a further account of the contradiction between the audit results and the findings of the report. Based on that, a quick re-audit proved to be necessary at this factory to ensure the reliability of the results. After the new BSCI audit, it is time for us to draw conclusions."

A BSCI audit was made in the factory at the end of March 2014. Audit results were not available by the date this report was published.

Visit to the tuna factory produced results

Training and communications are contributing factors when efforts are made to improve the situation in high-risk countries. This was also noticed by Kesko's representatives, who visited the Thai tuna factories included in the Finnwatch report twice in 2013.

"Our buyer visited the tuna factories of TUM and Unicord in May and discussed social responsibility issues in depth. In November, we made a new visit to the TUM factory with her. We discussed working time, compensation, ensuring that employees are of age and the position of migrant workers in the factory is acceptable. TUM has taken the criticism seriously and is making efforts to develop its operations. BSCI audits have been taken in the factories during the year and TUM's attitude to the improvements we have proposed is positive," says **Marjut Lovio**, Kesko's Corporate Responsibility Advisor, who visited the factory.

Warehouse workers showed solidarity

Working conditions in the Thai factories also made Kesko employees act.

The Kesko and Helsinki trade unions for warehouse workers belonging to the central organisation, Service Union United PAM, decided to declare a three-day handling boycott on retailers' private label pineapple juices in February 2014.

The local trade unions aimed for the message to disseminate throughout the international trade union movement. They hoped the pressure would make Finnish companies require the principles of social responsibility to be more binding than currently and responsibility audits to cover the entire supply chain.

Aim to safeguard our own direct imports from high-risk countries

No company can change the world alone, but cooperation between all operators – governments, NGOs and the entire supply chain – is needed. Kesko thinks that the primary way is to jointly create an operating model to ensure the sustainability of production at every stage of the supply chain.

Kesko will also continue efforts to ensure the responsibility of ingredients from high-risk countries.

"The number of ingredients from high-risk countries is so high that we will prepare a risk analysis. On the basis of it, we will determine the ingredients' order of criticality and start assuring the sustainability of their production in cooperation with suppliers," says Matti Kalervo.

Kesko Food's aim is to have the social responsibility of the production of its own direct imports from high-risk countries 100% assured by the end of 2015, compared with the rate of over 95% at the end of 2013.

CASE

Journey of fish to service counters



Photo: Heimo Ketola

K-citymarket Mikkeli and K-citymarket Savonlinna have participated in research conducted by Mikkeli University of Applied Sciences, aiming to make the supply chain of lake fish more transparent with the help of an electronic tracking system. Consumers can use their smartphones to check every step in the journey of the particular fish to the store or restaurant.

The electronic system allows consumers to verify the journey of the lake fish to the store or restaurant as well as the unbroken cold chain across the entire supply chain.

The system combines RFID and mobile technologies. The RFID tag on the fish package sends a signal to smartphones nearby, allowing customers to check the catch date and other data.

Positive experience was gained when testing the first part of the chain between the fisherman and the processing plant last summer. Now testing has been extended up to retail stores and restaurants. At the same time, feedback is also collected from consumers. Though the law does not require transparency of the entire lake fish chain, the tracking system can serve as a competitive asset and a guarantee of the quality of operations.

"Customers often ask where and when the fish has been caught. They hope, above all, that the fish has been caught as close by as possible," says Fish Master **Jani Jukarainen** from K-citymarket Mikkeli.

BEARING RESPONSIBILITY

Fairtrade flowers do good



In addition to Finnish gardens, the flowers in Kesko Food's selections come from flower farms in the warm climate of Africa. As transparency of the supply chain is important for Kesko Food, all flowers coming from high-risk countries are Fairtrade flowers. Fairtrade is close to the heart of Liisa Myllylä, Purchasing Manager for flowers.

Liisa Myllylä has been Kesko Food's purchasing manager for flowers for the past 10 years. Fairtrade products have been increasing in popularity continuously, and flowers are now the best-selling Fairtrade product group in the Pirkka range.

The selection of Pirkka Fairtrade flowers includes roses, spray roses, spray carnations and prairie roses. The new arrival in the Pirkka range in 2013 was bunch of flowers with varying content by season. A minimum of 50% of the flowers in the bunch are always certified Fairtrade roses.



Kesko Food and Fairtrade have cooperated since 1999. An extensive cooperation contract was signed in 2007.

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"This was the first 50/50 mixed bunch to be sold in Finland and it has been a success. The popularity of flowers keeps growing all the time. Springtime, with Mother's Day and graduation ceremonies, is the major season of the year, but more and more flowers are also being bought on Valentine's Day in February and Women's Day in March," says Liisa Myllylä.

The supply chain of Fairtrade flowers is being monitored and quality is the focus.

"We have long been cooperating with Bloom, our reliable Dutch supplier. Flowers come in refrigerated transportation units from Kenya via Holland to Finland in four days. Kesko Food's Product Research unit monitors the quality of flowers and checks that they look good, their package labelling is correct and they will remain good in consumers' vases for a long enough period," she says.



Fairtrade premium provides support for mothers and children

In 2013, the products sold by Kesko Food generated a total of more than €320,000 in Fairtrade premiums for social development projects. Out

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of this, flowers accounted for over €179,000.

"In my job, it's great to see how we can make a difference by doing things together. Our biggest supplier of flowers – the Oserian farm in Kenya – has used the Fairtrade premium to renovate the school and kindergarten and to buy kitchen supplies, such as stoves," Liisa Myllylä says.



The Fairtrade premium has had a major impact on the life of the family of **Stella Chapkurui** who works at the Oserian farm.

"When our flower farm began to receive a Fairtrade premium in 2010, it changed my life as a single parent. I started to get allowance for my children's school fees and got an interest-free loan to buy some kitchen supplies. After all compulsory expenses, I now manage to save some money for the benefit of my family. My eldest child studies medicine and continues to receive support from the Fairtrade premium," says Stella Chapkurui.

Responsibility made visible to 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. With the help of the retail stores' new K-responsibility concept, we tell customers about our good actions and help them make sustainable choices easily.

Promoting healthy living and eating habits and physical exercise are key focuses for the K-Group's food and sports stores.

Wellbeing is promoted in the following ways:

- All of the K-supermarkets in Finland, which number more than 200, annually organise a Fruit&Veg campaign, in which different fruits and vegetables are offered for one euro per kilo, package, box or bag.
- The home economics teachers in the Pirkka test kitchen develop and test hundreds of new food recipes every year. The nutritional contents of all of the approximately 5,000 recipes available on the Pirkka.fi recipe service have been calculated to help customers in their choices.
- K-food specialists, experts in nutrition and special diets, have been trained for K-food stores for four years. By the end of 2013, more than 740 employees had already completed this training.
- In Intersport's Sport to the People concept, sport has something for everyone, regardless of age and level of interest. At least twice a year, every Intersport store in Finland organises a physical activity event, the aim of which is to promote a healthy lifestyle and encourage customers to be physically active.

Let's do good. Together.



We want to make Kesko's and K-stores' responsible operations more visible to customers. In the future, we will tell customers about our responsible operations with the help of the new K-responsibility concept.

The K-responsibility concept was first adopted by K-food stores in autumn 2013.

"The K-responsibility concept responds to the expectations set by store customers. K-food stores' customers value genuine, domestic, local and organic food products. Attention is paid to waste recycling and energy savings. An increasing number of customers are also interested in the origins of their food and the wellbeing of staff," says **Timo Jäske**, Kesko Food's Environmental Manager, who was the project manager in charge of the concept development.

The K-responsibility concept replaces the previous K-environmental store concept. Besides the environment, the concept also takes other responsibility issues into account. The aspects important in K-food stores include local origins, healthiness of food, safe products and a good working community.

A million opportunities every day

The new concept makes responsibility part of all customer encounters, both in stores and Kesko's electronic channels.

In-store messages help and encourage customers to make responsible choices. In addition to customers, Kesko and K-stores also promote sustainable choices by their employees and suppliers.

The slogan of the K-responsibility concept is: "Let's do good. Together."

"If each of us, staff and customers, takes one responsible action every day, together we take nearly one million responsible actions a day," Timo Jäske says.

Training for store staff

An online training programme was prepared on the K-responsibility concept to improve the store personnel's responsibility expertise. The aim is that after completing the training and adopting the themes of the concept, staff can guide customers towards more responsible choices and actions.

A K-responsibility manual was prepared for K-food store staff to support them in their responsibility work. The manual presents the various themes of the concept and good practices in stores' responsibility work. The manual was distributed to all of the approximately 900 K-food stores in late summer.

The concept will expand to K-maatalous, K-rauta and Rautia stores

The K-responsibility concept will also be adopted by K-maatalous, K-rauta and Rautia stores.

The environmental store concept used by the building and home improvement stores since the early 2000s will be updated over the course of 2014 and made the operating model of a responsibility store. An environmental store will become a responsibility store as soon as in-store material on the responsibility theme has been sent there and store employees have completed the related online training.

"One of the requirements for a responsibility store is that there is one employee who is responsible for the environmental issues and has completed the orientation. Such an employee will then be called a responsibility expert. A good outcome requires all employees to participate in implementing the measures and making responsibility a part of daily operations," says **Jesse Mether**, Rautakesko's Sustainability Manager, who is responsible for launching the concept in the building and home improvement stores.

Electronic services provide help to customers

Providing e-commerce and online shopping services is a strategic focus in all of Kesko's divisions. We want to serve customers as well as possible irrespective of time and place and up to their choice. In 2013, new mobile and online services were developed in all divisions.

In 2013, a Group-level project on electronic services continued with the aim of speeding up and improving the development and adoption of e-services offered to customers by retail stores and chains.

Good mobile service ideas were also collected from stakeholders, including employees, retailers, customers and students. The best electronic services and ideas were presented regularly on Kesko's intranet over the course of the year.

The best services were awarded

An in-house competition on the best e-service for customers was organised for all divisions. One proposal from each division was selected as the winner.

The winners were:

- Intersport's electronic sport programmes
- K-supermarket's e-newsletter for customers with product benefits based on the customer's purchase history
- Store-specific product and price information for K-rauta, Rautia and Byggmakker on the web
- Audi's online service booking tool.

Examples of the K-Group's electronic services (services available in Finnish)

Food trade:

- The Pirkka recipe and shopping list application for smartphones and tablets
- Online food store

Home and speciality goods trade:

- The Musta Pörssi chat service allows customers to contact a sales assistant online and get an answer right away
- Intersport's electronic sport programmes

Building and home improvement trade:

- Click and collect services, K-rauta's online appointment service for personal customer service, demand calculators and design programmes on the K-rauta.fi and Rautia.fi websites.
- Popular YouTube videos on work instructions, new solutions and construction and renovation tips of K-rauta, Rautia and K-maatalous were viewed nearly 1.5 million times
- The Rautia Apuri smartphone application provides work instructions, material calculators, tips and videos
- The K-rauta Työkalupakki smartphone application provides demand calculators, a service manual, a garden calendar, etc.
- In Russia, K-rauta customers can use their Foursquare mobile application to provide their location and use the benefits offered by the store

The car and machinery trade:

- Booking maintenance services and test drive times online
- The Volkswagen Service App smartphone application offers route guidance and maintenance tips, among other things
- Konekesko's online store for heavy machinery spare parts

CASE

Turning building professionals into energy advisors



Byggmakker, a Rautakesko subsidiary in Norway, focused on energy consulting in 2013. Over 1,200 of their B2B customers and employees have been trained to become professional energy advisors. "We aim to meet a growing demand for more energy-efficient homes and other buildings," says Knut Strand Jacobsen, CEO of Byggmakker.

Renovation of buildings and energy efficiency are particularly important for Byggmakker. Reducing energy consumption and increasing comfort play key roles in this.

In 2012 and 2013, over 1,200 professional customers and employees participated in energy advisor training organised by Byggmakker.

"Since they completed the course, our B2B customers have greater expertise to make accurate estimates of repairs needed. Upgrading housing increases comfort and lowers heating costs, while also enabling repairs to damage that may have come over the years," says **Knut Strand Jacobsen**.

Tax reliefs for energy saving measures

In spring 2013, the Norwegian government promised tax reliefs for homeowners investing in energy saving measures. This will be included in the state budget for 2015.

So far, there has been support from a public organisation, Enova. The scheme provides homeowners financial support of up to NOK 5,000 for the use of an energy advisor who makes an action plan, and building owners with up to NOK 125,000 for renovation.

"Tax relief for homeowners investing in energy saving measures opens up a new market for the building and home improvement sector.

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Helping our B2B customers find more jobs and securing our consumer customers' satisfaction with the end result creates a win-win situation," says Strand Jacobsen.

Certification benefits everyone

To become advisors in the public registry (Enova), building professionals must have a public craftsman diploma and complete a two-session course organised by Byggmakker, which includes compulsory coursework and a final exam. They must also work at a company certified for construction work.

"I think it gives additional security for Norwegian homeowners that there is a public registry listing the formal qualifications required. We have received feedback that entry in the public registry increases the number of jobs for building professionals," says trainer **Peik Næsje**.

CASE

Electronic sport programmes encourage people to exercise



In accordance with its Sport to the People concept, Intersport Finland wants to encourage people to exercise actively and try out new sports. The electronic running programme launched in March 2013 was a success and inspired more than 50,000 runners to join in. The positive feedback on the programme encouraged Intersport to develop new programmes on various sports.

The participants of the eight-week running programme received an e-newsletter once a week directing them to Intersport's campaign pages.

"We produced a wide range of content for the running programme's website, including videos providing tips on training, running technique and equipment," says **Aki Kaipainen**, eMarketing Manager of Intersport Finland Ltd.

Tips for promoting health and wellbeing

Various aspects of health and wellbeing in general – an important part of running – were also highlighted in the programme's content, including Pirkka.fi's tips on a runner's diet.

Themes taken up in newsletters also included the impact of music on running and practical tips on how to prepare for running events.

Electronic sport programmes will continue

Customer feedback on the running programme was positive and the wide-ranging content was praised. This encouraged Intersport to develop more programmes, which have now also been produced on fitness training and cross-country skiing. The sport programmes, which last between four and eight weeks, have had a total of over 150,000 participants.

"Inspired by our Sport to the People concept, we want to encourage people to be physically active and try out different sports. The programmes address the various aspects of the sport in question but we also have a strong focus on the total impact of exercise and nutrition. In the future, we will make some of the programmes year-round allowing customers to start the programme whenever it suits them best," says Aki Kaipainen.

Intersport's electronic sport programmes were voted the best e-service offered to customers in the home and speciality goods sector in the K-Group's internal e-service competition.

CASE

Information on safe products for customers

Rautakesko Estonia and Latvia are participating in a project managed by the Baltic Environmental Forum (BEF) on environmentally hazardous substances.

"The aim of the project is to increase awareness of environmentally hazardous substances that may be in the products we use, which may harm our health and our environment," says **Alo Ivask**, Managing Director of Rautakesko AS Estonia and AS Rautakesko Latvia.

The Baltic Info Campaign on Hazardous Substances, a project managed by the Baltic Environmental Forum (BEF) and financed by the EU, started in October 2011 and will end in March 2015.

During the project, BEF has checked K-rauta's product assortment to find out whether there are harmful substances in paints, lacquers and adhesives and investigate safe options available for them.

A total of 70 products in those product groups were found to be particularly safe options. The products are marked with special signs in all 16 K-rauta stores in Estonia and Latvia.

K-rauta employees have received training on hazardous substances and related package labelling. Additional training is now being planned.

"The campaign information is being shared via K-rauta channels with the wider society. We have communicated the information to our customers in print, on our websites and with in-store materials," says Alo Ivask.

At the end of campaign, the results will be measured with a qualitative survey and by analyzing customer purchase behavior.

CASE

Consumer Service will always reply



Consumers can contact Kesko Food's Consumer Service unit to find out the country of origin of any ingredient of any Pirkka product. In 2013, the unit introduced the 'We always reply' principle to raise consumer awareness of the service.

Consumers' interest in product origins and content has increased. Openness is crucial throughout the food chain so that consumers can rely on product contents and package labelling.

The Consumer Service unit provides a wide range of information on Pirkka products: in addition to giving feedback on products, customers ask about their origins, ingredients, suitability for different consumers, for information on their use and recipes, and much more besides.

The Product Research unit analyses food samples and ensures that the new arrivals and the products in stores are as they should be. The quality control capacity of the manufacturers of private label brands is checked by auditing, which means making on-site visits to inspect quality and product safety. This may, for example, require visiting a banana farm in Costa Rica or Ecuador.

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"The Consumer Service unit acts in cooperation with the Pirkka test kitchen and the product research laboratory. We make every effort to answer all inquiries and, if required, our product research team will analyse the samples sent by consumers. We will also contact our suppliers if we do not have sufficient information to give an answer," says **Matti Kalervo**, Kesko's Vice President for Corporate Responsibility.

The Product Research unit's year 2013 in figures:

- Over 9,400 product samples analysed
- 20 suppliers audited
- Over 550 recipes developed
- Over 23,000 customer interactions

BEARING RESPONSIBILITY

Training in responsible purchasing for Rautakesko's buyers



Kesko's buyers in various divisions make purchasing decisions every day. It is important that there are common rules for buyers and that the buyers have sufficient information and expertise in responsible purchasing.

Sustainability Manager **Jesse Mether** is responsible for Rautakesko's environmental and corporate responsibility issues. In autumn 2013, he was one of those in charge of drawing up a new online training course in responsible purchasing for Rautakesko's buyers.

"Imports from high-risk countries and the responsibility and transparency of supply chains were frequent subjects of public debate last year. We have dozens of buyers in Rautakesko whose duties include sourcing and purchasing goods for our selections. We decided to compile the key principles of responsible purchasing in an online training course to provide all the buyers in our various operating countries with the same information about our working principles," he says.

Online training provides information on the basic practices and processes of responsible purchasing and key certificates in commerce, as well as regulations and documentation of responsibility.

"We tell our buyers what responsibility issues they should take into account when considering cooperation with a new supplier. We give them information about the content of the BSCI Code of Conduct, BSCI audits and how to guide a new, non-audited supplier into BSCI process. Most of our purchases are made via Eurogroup, which sees to BSCI auditing and documentation."

The online training course on responsible purchasing is in English and was launched in Rautakesko's Finnish organisation at the beginning of March. The training will be taken to other operating countries later this year. The aim is that all Rautakesko's buyers who make purchases from high-risk countries will complete the course during 2014.

Rautakesko's suppliers to SUMO database

Kesko has a SUMO (supplier monitoring) database, in which information on supplier audits, certifications and monitoring visits to suppliers in high-risk countries is saved alongside their respective risk ratings.

"Previously, the SUMO database did not contain information on all Rautakesko's suppliers, so we decided to update this information in connection with the online training project. In the future, all of Rautakesko's buyers will use SUMO as their supplier database, which will facilitate risk management, reporting and the development of operations," says Jesse Mether

STAKEHOLDER ADDRESS

Shopping for a family with children



Tomi Rajala, Iiris Rajala, Seela Rajala and Katri Hyvärinen.

When shopping for food, I favour domestic, organic and Fairtrade products. We don't eat meat at all – our diet is based on vegetables and fish. Fish is a bit of a concern right now: are stores selling endangered fish and should we be worried about the environmental toxins it may contain?

When shopping for clothes, I pay attention to product origins and think about the production conditions, but obtaining such information at stores is difficult. The principle should be that all products on sale are manufactured in decent conditions.

As for kid supplies and toys, the large quantities of plastic and the potential of hazardous substances – such as phthalates – being used makes you wonder. Can I rest assured that the products are safe for my children?

When I'm shopping for detergents I pay attention to product labelling and prefer to buy biodegradable products or those with the Swan label. The Swan label seems a reliable, easily recognisable environmental label, and the selection is good. There are so many environmental labels and responsibility markings that it is impossible to remember all of them. Clear product groupings and shelf labelling help when making choices in-store.

There are also other criteria which guide responsible consumption. I most appreciate products which make an attractive whole: the product is practical, beautiful and produced in a sustainable way. Even though responsible choices sometimes seem difficult, I think that you can and you should change the world by doing good while shopping.

Katri Hyvärinen is a mother from Käpylä, Helsinki.

Choices for the benefit of the environment



Kesko's operations contribute to mitigating climate change and promotes sustainable use of natural resources. Key methods include improving the efficiency of energy use and increasing waste recycling and recovery. We also aim to help our customers reduce their impact on the environment.

65 GWh = 3,200 one-family houses

In the trading sector energy efficiency agreement, Kesko is committed to improving its annual energy consumption by 65 GWh by the end of 2016 through various actions. This amount corresponds to the annual energy consumption of more than 3,200 one-family houses.

3,200

Energy-saving actions take effect

By the end of 2013, Kesko has improved its energy consumption by 58.9 GWh and achieved 91% of the objective.

91%

Methods to save energy

More than 1,600 different energy-saving methods have been reported.

1,600

Plans have been made to continue the energy efficiency agreement, which will terminate in 2016. Together with other trading sector companies, Kesko is committed to negotiating a new agreement period, due to start in 2017.

Energy efficient construction

When building new stores and shopping centres and renovating existing ones, we use solutions that reduce the consumption of materials and energy during the lifecycles of the properties.

Energy efficient shopping centre Veturi

The Veturi shopping centre in Kouvola, completed just over a year ago, is one of Kesko's biggest shopping centre projects of all time.

The centre's geothermal heating/cooling system generates considerable energy savings. The system has been used for heating since the construction phase. In addition to geothermal heating and cooling, modern real estate automation generates significant energy savings. Veturi's lighting and air conditioning are adjusted according to the number of visitors and the time of day.

Veturi achieved a waste recycling rate of 97% during its first year of operation.

Veturi was granted the BREEAM Very Good environmental certificate in autumn 2013. This is the highest BREEAM environmental rating achieved in Finland so far.

Veturi has been chosen to represent Finland in a competition organised by the Nordic Council of Shopping Centers (NCSC). The best shopping centre in the Nordic countries in 2014 will be announced in Oslo in May.

The Kodin1 department store in Raisio is a passive retail building

The Kodin1 department store for interior decoration and home goods in Raisio, which was completed in May 2013, is the first passive retail store building in the Nordic countries.

The basic idea of a passive building is to consume as little energy as possible. The structures of the Kodin1 building are extremely tight and energy is also saved by modern lighting solutions, economic ventilation and modern building automation.

Eco-efficient activities reduce the consumption of heating energy by about 60% and the consumption of electricity by about 50% compared with a traditional department store.

Unnecessary lighting is avoided and lighting is used only where and when needed. Store departments use only 10% of the overall general lighting during opening hours when no people are present.

The Kodin1 department store received a passive building certificate from VTT Technical Research Centre of Finland in spring 2013.

K-citymarket Kokkola represents top tightness

When designing and building K-citymarket Kokkola, which opened in April 2013, special attention was paid to the tightness of the building's shell. Its heat insulation capacity and tightness are very important in terms of energy efficiency. Tightness measurements produced the best possible result: class A (tightness RakMr 2010 n50 = 0.2 and RakMr 2012 q50 = 0.6).

Together with the sun, wind and rainwater, the roof coating material of K-citymarket Kokkola neutralises hazardous nitrogen oxide emissions from the traffic and industry to the air. The store's steel frame was the first among Nordic retail buildings to receive a CE marking approved by a testing institution.

Energy efficiency in stores

Retail stores' energy efficient solutions, such as lids and doors on refrigeration equipment, recovery of condensation heat, refrigeration equipment that uses carbon dioxide, and adjustable and directional lighting provide considerable energy savings. Real Estate Managers help stores find ways to make their energy consumption more efficient.

Energy savings with refrigeration equipment

All new K-food stores have refrigeration equipment with lids and doors. Chest freezers covered with lids help save 40% more energy than uncovered ones.

The cooling of chest freezers and other refrigeration equipment generates condensation heat that can be used for heating. Condensation heat is recovered in nearly all K-food stores, thanks to which they only need additional heat energy in very low sub-zero temperatures.

All new K-food stores use carbon dioxide recovered from industrial processes in their refrigeration equipment. Refrigeration units that use carbon dioxide increase stores' capital expenditure, but they pay off in the long run because the consumption of heat energy is 30% lower compared to stores using other refrigerants.

"Recovered carbon dioxide is a natural and safe refrigerant that saves costs and is more environmentally friendly than traditional refrigerants based on hydrogen halides," says **Jari Pihlajamaa**, Kesko Food's Manager, Engineering.

Lighting matters

The design and proper selection of lighting can save energy in stores.

The new signs of all K-Group stores use LED lighting. This results in savings of 60–70% compared to traditional neon and fluorescent tube solutions.

The Anttila department stores and the Kodin1 department stores for interior decoration and home goods have achieved significant savings in their electricity consumption by using adjustable and directional lighting systems.

Customers were provided with information and advice on lighting and how to select the right lamps in stores, on websites and social media channels of various chains during Energy Awareness Week in October 2013.

Kesko and K-stores took part in the Earth Hour 2013 event in March by turning off the illuminated signs and pylons in their remote-controlled properties and stores across Finland for one hour.

Real Estate Managers help improve energy efficiency

Kesko's 36 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. The renovation programme contains estimates of the refurbishment that should be made within 10 years.

Material efficiency and waste recovery

Reducing waste and wastage from stores and warehouses has a significant environmental impact. The objective is to direct all waste to recycling and energy recovery. The environmental impacts of packaging are taken into account, starting from product design.

Anttila's logistics centre in Kerava recovers nearly all its waste, at a rate of around 99%. Recyclable pallets are used in transportation and excessive packaging materials are removed from products destined for department stores at the logistics centre.

Keslog's central warehouses and terminals also recover nearly all their waste, around 98%.

The amount of landfill waste from stores is reduced by enhancing operating methods and selecting waste management partners carefully. In 2013, there were about 100 K-stores within the scope of Kesko Food's centralised waste management agreement. The recovery rate of waste generated in stores was about 90%, while the recycling rate was about 68%.

The total amount of waste generated by K-market Sorsakivi has been the smallest in the grocery retailing sector for several years.

"My interest in environmental issues was sparked in the late 1990s when the environmental store project was launched. We started to segregate all possible recyclable material. Nowadays the amount of landfill waste generated by our store is minimal. And the most recent factor that affected our energy consumption was the adoption of LED lighting a little over year ago," says retailer **Risto Sorsakivi**.

In 2013, the Helsinki Region Environmental Services Authority HSY awarded K-market Sorsakivi with a prize recognising the company's or community's success in significantly reducing the amount of waste in its own sector.

"Take it when you go, bring it when you come"

The environmental impact of waste is also reduced by route planning and reverse transportation of deliveries. Transportation packaging returned to suppliers and recyclable materials are transported from stores and HoReCa customers in reverse transportation.

Kesko's logistics company Keslog annually picks up around 85 million aluminium beverage cans, 53 million bottles of recyclable plastic and 13 million bottles of recyclable glass from K-food stores and Kespro's customers for further processing and recycling. Kesko transports recyclable materials from the reverse logistics terminal for further industrial processing.

No unnecessary packaging of Anno and Pirta products

The use of packaging materials is minimal in Anno and Pirta products, the private label brands of the home and speciality goods trade.

Efforts are made to decrease the amount of plastic in packaging. If plastic is needed to protect the product, recyclable LDPE plastic is increasingly used instead of plastic mixtures. Many textiles, such as blankets and sheets, are packed without plastic, using a paper band.

When designing large products, such as lamps, the aim is to use the smallest possible packaging to allow shipping containers to be packed as tightly as possible (using the flat-pack method).

Biodegradable packaging material for Pirkka vegetables

A new type of biodegradable material was introduced for prepackaged Pirkka Chinese cabbage, leak and onion bunches in autumn 2013.

The packaging material is made from starch-based renewable material and is a certified Finnish innovation. Being breathable, the new material is perfect for packaging vegetables. The package can be disposed of by composting or reused as a bio-waste bag.

Pirkka recycled plastic bag saves raw material

More than 90% of the plastic used for Pirkka recycled plastic bags has been recycled.

30% of the material is obtained from the plastic used to protect pallets for Kesko Food's product transportation. The rest of the recycled material is recovered from the manufacturing process such as those for grocery and hygiene packaging and plastic bags.

One kilogram of recycled material can be made into 50 plastic bags.

Recycling made easier for customers

Recycling services provided in connection with stores make customers' daily life easier. Deposit beverage packaging, fibre, glass and metal can be returned to eco points at K-food stores. Starting from spring 2013, consumers have also been able to return their waste electrical and electronic equipment to stores. Many stores also run recycling campaigns collecting used items.

In 2013, there were about 220 eco points at K-food stores for recycling consumer packaging (fibre, glass, metal). Many eco points also received waste paper and discarded clothing.

All K-food stores accept batteries and small accumulators returned by their customers. Deposit beverage packages can be returned to all K-food stores. In 2013, customers returned 324 million cans, 97 million recycled plastic bottles and 31 million recycled glass bottles.

Nearly all Pirkka packages have a material symbol, which makes recycling easier for households.

Waste electrical and electronic equipment can be returned to stores

Since May 2013, consumers have also been able to return their waste electrical and electronic equipment (WEEE) to stores. The store's obligation to accept them depends on its sales area and product selection.

Kesko took active part in planning the stores' collection of WEEE in cooperation with other operators in the sector. K-rauta Rovaniemi, K-citymarket Rovaniemi and Anttila Rovaniemi accepted waste equipment during the pilot phase from October 2012 to April 2013.

It is hoped that the collection of WEEE at stores will increase their recycling rate. The scrap returned to WEEE collection is primarily treated in Finland. Harmful substances, such as lead and mercury, are recovered, which prevents them from ending up in landfill sites and the environment.

Recycling campaigns in stores

The Kodin1 department store for interior decoration and home goods in Raisio organised a collection campaign in cooperation with the UFF non-profit humanitarian organisation in May 2013. Customers could bring their unwanted home textiles and toys to the collection point in the department store.

K-rauta and Recser organised a joint Facebook campaign in October and November 2013 to find good ways of storing batteries waiting for recycling.

The purpose of the campaign was to promote battery recycling. For example, consumers were given advice on how to use adhesive tape on batteries to prevent hazards at home. The campaign generated wide visibility for battery recycling in social media.

K-maatalous Experimental Farm promotes Finnish agriculture



The K-maatalous Experimental Farm's 50th anniversary was celebrated at the Cultivation Programme event in August 2013. Farmers learned about test squares which are used to monitor the progress of the growing season and the development of different plant varieties.

Finland's unique cultivation conditions call for locally suitable machinery and equipment solutions and production methods. The K-maatalous Experimental Farm in Hauho invests in developing plant varieties and research to achieve sustainable cultivation methods and better domestic food production. 2013 marked the 50th anniversary of the K-maatalous Experimental Farm.

The research work done by the Experimental Farm aims at providing customers with tested solutions for productive options and optimising the harvest. The farm researches plant varieties, protectants and fertilisers.

The principle is that every plant protectant is tested on the experimental farm before it is approved in the selection of K-maatalous stores.

Plant protection legislation requires that all professional users and sellers of plant protectants have passed a plant protectant diploma by 26 November 2015. Three product managers in the K-maatalous chain completed the trainer course in autumn 2013. The Cultivation Programme training courses organised in November 2013 for the sales people of the K-maatalous chain included a section and a test on the sale of plant protectants.

The K-maatalous' cereal cultivation programmes are based on research and tests conducted by the K-maatalous Experimental Farm and the

results from cultivation in practice. Farmers can read weekly reports on cultivation activities via social media channels and get support for planning their own plant protection and additional fertilising needs.

Aiming for an organic cultivation programme

The next key stage is the programme for organic cultivation (organic production). K-maatalous tests the suitability of new varieties for organic production in cooperation with ProAgria in the Åland Islands (Ålands Hushållningssällskap) and in the Uusimaa region (Nylands Svenska Landbruksällskap). High-yielding and easy-to-cultivate varieties are the most sustainable option from the viewpoint of the environment, because of their ability to turn the earth's nutrients into a harvest.

CASE

Electric cars launched



At the Tokyo Motor Show 2013, Volkswagen unveiled the twin up! plug-in hybrid concept, which carries the four-seat city car consuming only 1.1 litres / 100 km with CO₂ emissions of not more than 27 g/km.

Sales of electric cars keep increasing across the world and the new technology is also adopted in Finland. Many experts forecast that by 2050 most of the passenger cars on Finnish roads will run by electricity. The development of battery technology and improved performance will contribute to the growing popularity of plug-in hybrid and battery electric vehicles.

In the current world of cars, new electric options are the fastest growing trend in engine technology. Hybrid technology combines the best features of internal combustion and electric engines and so improves cars' driving properties, while also reducing fuel consumption and emissions.

In hybrid electric vehicles (HEV), an electric engine complements the properties of an internal combustion engine. Plug-in hybrid electric vehicles (PHEV) differ from HEVs mainly as to the charging option and a larger battery capacity. When charged with electricity, the maximum distance driven with a PHEV is approximately 40–50 km without emissions, while the long operating range provided by a modern internal combustion engine is also available.

Electric cars added to Audi and Volkswagen ranges

The Audi A3 Sportback e-tron plug-in hybrid, due to launch in late 2014, combines the best features of the direct injection engine and an electric engine. The total operating range is more than 940 km and CO₂ emissions are 35 g/km.

The strong development of battery electric vehicles (BEV) continues.

"New ways of increasing the capacity of batteries while reducing the energy consumption of cars are constantly being found. The operating ranges of electric cars have extended and already meet the daily needs of most drivers," says **Olli Tervonen**, Volkswagen Product Manager of VV-Auto Group Oy.

Volkswagen aims to launch two BEVs – e-up! and e-Golf models – on the Finnish market in late 2014.

"Their approximate operating range is 160–190 km and their CO₂ emissions are 0 g/km. The joint target in all new car technologies is to lower hazardous carbon dioxide emissions and fuel consumption," Olli Tervonen continues.

Volkswagen Group is committed to reducing the average CO₂ emissions of its entire range to 95 g/km in Europe by 2020.

CASE

Reducing food wastage



Food wastage is an environmental problem that everyone can play a part in preventing. In November, K-food stores participated in a Wastage Week campaign organised by the Consumers' Union of Finland. Customers were told about the measures taken by K-food stores to reduce wastage and were given tips on how to easily cut wastage at home.

K-food stores reduce wastage by more accurate ordering and by donating food to charity, for instance. Donated food benefits low-income people and helps stores cut the amount of organic waste they produce.

K-supermarket Ruokaniitty in Espoo has succeeded in reducing food wastage by making its orders more accurate and more in tune with customer needs. K-supermarket Ruokaniitty also donates food to charity:

"During the past four years, we have cut food wastage by half," says **Pauli Jaakola**, Retailer of K-supermarket Ruokaniitty.

Food wastage is an unnecessary burden to the environment. Kesko Food aims to reduce the amount of food wastage generated in K-food stores by ten percent by 2020.

"We will reduce the quantities by using electronic forecasting and order systems, efficient logistics and employee training. We will also optimise package sizes, shapes and materials," says **Timo Jäske**, Kesko Food's Environmental Manager.

BEARING RESPONSIBILITY

High-quality and energy efficient construction



When a new store site or shopping centre is being planned and built, the starting point is sustainable development and energy efficiency. Success with large projects requires common rules, competent employees and a network of reliable partners.

Construction Manager **Seppo Kempainen** is responsible for the construction of Kesko Food's store sites in Finland.

"Responsibility is visible in everything we do, including technical specifications made at the design stage. Our new buildings are energy efficient and durable. The K-food stores which operate in them use energy efficient solutions for heating, cooling, lighting and refrigeration equipment," Seppo Kempainen says.

In order to indicate to others that Kesko's requirements are high, international environmental classification by an external auditor is applied for all of major store site projects.

Rome was not built in a day

It is important to keep a close eye on the development in the sector and anticipate future changes. Technology is advancing all the time. Fast development calls for expertise to realise when it is the right time to replace old technology.

"We will not try everything new in the first wave. We also monitor and test the reliability of new technology with use and maintenance in mind before any wider adoption. For example, LED technology is developing and new product generations rapidly become obsolete. If we installed the latest LEDs in all of our 900 K-food stores, there would be no guarantee of the availability of spare parts, when maintenance is needed in the future."

Seppo Kempainen praises the skilled employees and the competent and reliable network of cooperation partners:

"Our experts followed the development of cooling technologies that use carbon dioxide recovered from industrial processes until we were assured that the units really function. Buying refrigeration units using carbon dioxide increases the store's capital expenditure but pays off in

the long run and enables us to switch to refrigerants that are not hazardous to the environment. We first piloted the use of carbon dioxide in some of our store site projects and, in cooperation with our partners, established the challenges typical to new technologies in their early stages. Now all new K-food stores have refrigeration equipment using carbon dioxide, which is an environmentally safe alternative."

Shopping centre projects require years of planning

Shopping centre projects involve major capital expenditures, a good network of partners and common rules.

"Big shopping centre projects are planned for years before the actual implementation. A number of negotiations and investigations are needed before all the agreements and details required by one big project are completed. Our major projects currently underway in the Greater Helsinki area are the Kivistö shopping centre in Vantaa, the Lommila shopping centre in Espoo and the Itäkeskus shopping centre in Helsinki. If realised, the Itäkeskus project would be the most extensive construction project in Kesko's history," Seppo Kempainen says.

STAKEHOLDER ADDRESS

New, creative solutions for mitigating climate change



One of the biggest problems with corporate responsibility communications is the large number of sector-specific terms and concepts that lack definition. The concept of corporate responsibility is wide-ranging and much of the content requires in-depth expertise. Both the big picture and Kesko's successful work for responsibility should be opened up to the public to have the greatest benefit and to encourage as many people as possible to participate in mitigating climate change.

The mitigation of climate change is a serious matter but we should not let it depress us; we should instead use innovation and a positive approach to invent new, creative solutions that also work in practice. In spite of everything, corporate responsibility work, including the mitigation of climate change, consists of positive, innovative and creative efforts contributing to an extremely important issue.

I am impressed to see how widely the mitigation of climate change is taken into account in the construction and planning of store sites. Kesko is indisputably one of the top companies in the world when it comes to energy efficient solutions in new retail stores. However, most of the store sites are located in old properties, the renovation of which is likely to be particularly challenging. Case studies of successful renovations of old properties would also be interesting.

Consumers have a very important role to play in combating climate change – how they use, take care of and maintain the products purchased and dispose of them in the end. I would be pleased to hear more about responsibility communications that target consumers and their opportunities to participate in combating climate change. Concrete examples, big and small, inspire all of us.

Marja Ola is Environmental Advisor at the Finnish Commerce Federation.

Responsibility management in day-to-day activities

Corporate responsibility work at Kesko is integrated in day-to-day work. It is based on Kesko's values and vision and guided by the management system, corporate responsibility stakeholder analysis, operating principles and the guide 'Our Responsible Working Principles' (Code of Conduct). The trading sector operators are expected to take care of product safety and healthiness, and the environmental and social impacts of business operations.

Values, strategy and management model

Corporate responsibility at Kesko is a measurable activity. It is based on Kesko's values, operating principles, objectives and strategy. The principles of sustainable development and responsible working principles are a central part of the day-to-day activities of Kesko and its chains.

Values



The implementation of the values is monitored using a number of corporate responsibility performance indicators, such as:

- Customer satisfaction surveys
- Investor surveys
- Personnel surveys
- Net sales and market share performance
- Sustainability indices.

Strategic objectives

Kesko's key strategic objective is healthy, profitable growth. Key focus areas for growth include capital expenditure in the biggest growth centres in Finland, in Russia's growing retail market and in the development of e-commerce and services.

The Group's strategic objectives are as follows:

1. Stronger sales growth and improved shareholder value
2. E-commerce and multi-channel services
3. Making good use of the business opportunities in Russia
4. Responsible operations.

Kesko's strategy is largely built on division- and chain-specific strategies. They are guided by the division Boards and the Kesko Board.

Kesko's strategy is presented in more detail in the Annual Report 2013.

Management system

Kesko's financial reporting and planning are based on the Group's management system. The plans and actions relevant to corporate responsibility are integrated in the various sections of the management system. Management systems make use of international standards.



General operating principles guiding responsibility

Kesko's Group Management Board has approved the Group's general corporate responsibility principles. These principles define the basic economic, social and environmental responsibility promises.

Corporate Responsibility Report 2013 / GRI / Responsibility management

Kesko's commitments to international declarations and conventions are also included in the principles. The most important ones of them 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).

The Board of the K-Retailers' Association has recommended that Kesko's principles also be followed by K-stores.

Kesko's general principles are complemented by more detailed policies and principles as well as statements and stands.

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

Kesko uses the GRI (Global Reporting Initiative) G4 guidelines as its reporting principle.

Corporate responsibility organisation Corporate responsibility organisation in Kesko

Corporate responsibility in Kesko is integrated in daily work. The management of each business division is responsible for practical implementation. Kesko's Board and Group Management Board handle reporting and key principles. Kesko's Group 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 for Human Resources and Stakeholder Relations, who is a member of Kesko's Group Management Board.

Group-level Risk Management Steering Group

President and CEO (Ch.), division representatives

- Discusses the operating principles and key policy definitions concerning risk management, safety and security
- Assesses and monitors the Group's risks and the safety and security situation, and the implementation of risk management responses

Corporate Responsibility Advisory Board

Senior Vice President for HR and Stakeholder Relations (Ch.), division representatives

- Develops the principles that guide the Group's corporate responsibility
- Steers and coordinates their practical implementation
- Sets the objectives for corporate responsibility work, and monitors and, as necessary, supports their implementation

Steering Group for HR operations

Senior Vice President for HR and Stakeholder Relations (Ch.), division 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

Environmental Steering Group

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

- Develops the Group's environmental management based on the objectives set by the Corporate Responsibility Advisory Board
- Promotes the sharing of best practices within the Group
- Keeps up with changes in legislation pertaining to environmental responsibility

Steering Group for Responsible Purchasing

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

- Develops the Group's purchasing and sourcing based on the objectives set by the Corporate Responsibility Advisory Board
- Promotes the sharing of best purchasing practices within the Group
- Keeps up with changes in legislation pertaining to product purchasing and sourcing

Division-specific responsibility steering groups

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

- Determining their own responsibility objectives
- Implementing them in accordance with the specific characteristics and strategy of the division

CORPORATE RESPONSIBILITY STEERING AT KESKO



Impacts of Kesko's operations

Kesko's responsibility themes are based on the impacts of global megatrends on Kesko's value chain. Responsibility aspects have been prioritised in the materiality matrix. The aspects are described in more detail in the theme sections of the report.



Global economy

- Increasing importance of responsible investment
- Ethical purchasing principles and human rights in the chain of functions
- Good corporate governance



Population growth

- Adequacy of water and nutrition for 9 billion people
- Ageing population and adequacy of labour supply



Climate change

- Taking account of the environmental impacts of the entire production chain and products throughout their lifecycles
- Improving own operations

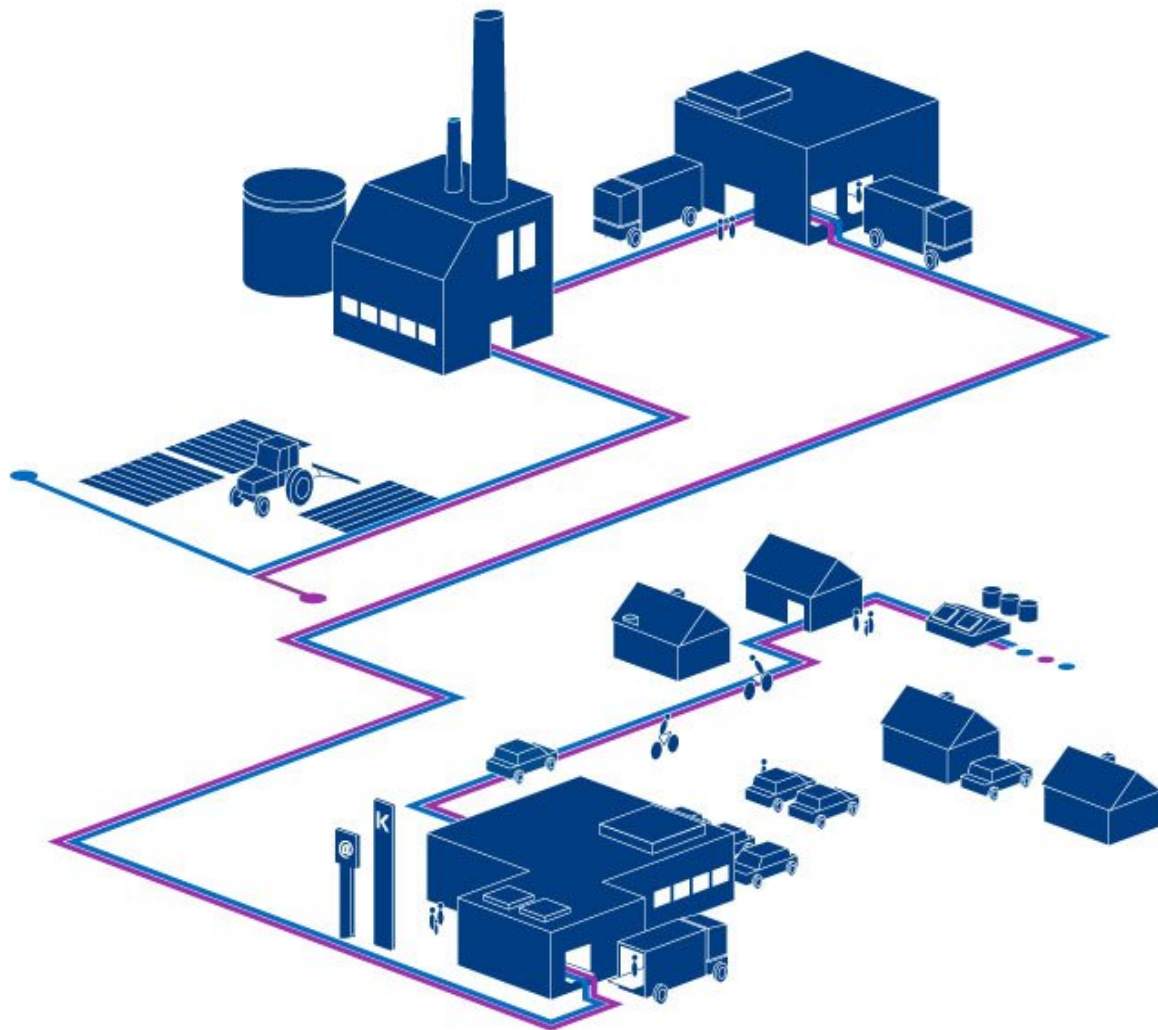


Technological developments

- Increasing importance of electronic services
- Time and place become irrelevant

Kesko's value chain

RAW MATERIALS -> PRODUCTION -> LOGISTICS -> STORE -> CUSTOMER -> PRODUCTS AND SERVICES -> RECYCLING



Responsibility themes

Responsible operator

Our responsible working principles guide all our employees in all our eight operating countries. Financial profitability and good governance underlie our operations. We develop the multi-channel approach of our store network listening to the expectations of our customers.

For the benefit of the community

Kesko and K-stores are involved in local daily life. Retailers know the local community and the needs of their customers. We take local products in our selections. We are building community together with our customers, personnel and partners.

Working community

We offer meaningful and diverse jobs and development opportunities. We want to be the most attractive workplace in the trading sector, with satisfied employees and competent supervisors. We look after our personnel throughout their careers.

Responsible purchasing and sales

We bear responsibility for the safety and quality of the products we sell. We strive to ensure the responsibility of our supply chain. We provide customers with information and support for responsible purchasing decisions.

Wellbeing for customers

We develop e-services and make customers' life easier. We provide products and services that promote health and wellbeing. We make responsible actions visible and easy for customers.

Mitigation of climate change

We participate in the mitigation of the progress of climate change and promote the sustainable use of natural resources. We recover the waste generated in our operations and reduce food wastage. We also help our customers reduce their impact on the environment.

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 one of the trading sector’s pioneers on a global scale. The corporate responsibility vision is also described by key stakeholder groups.

Responsibility programme

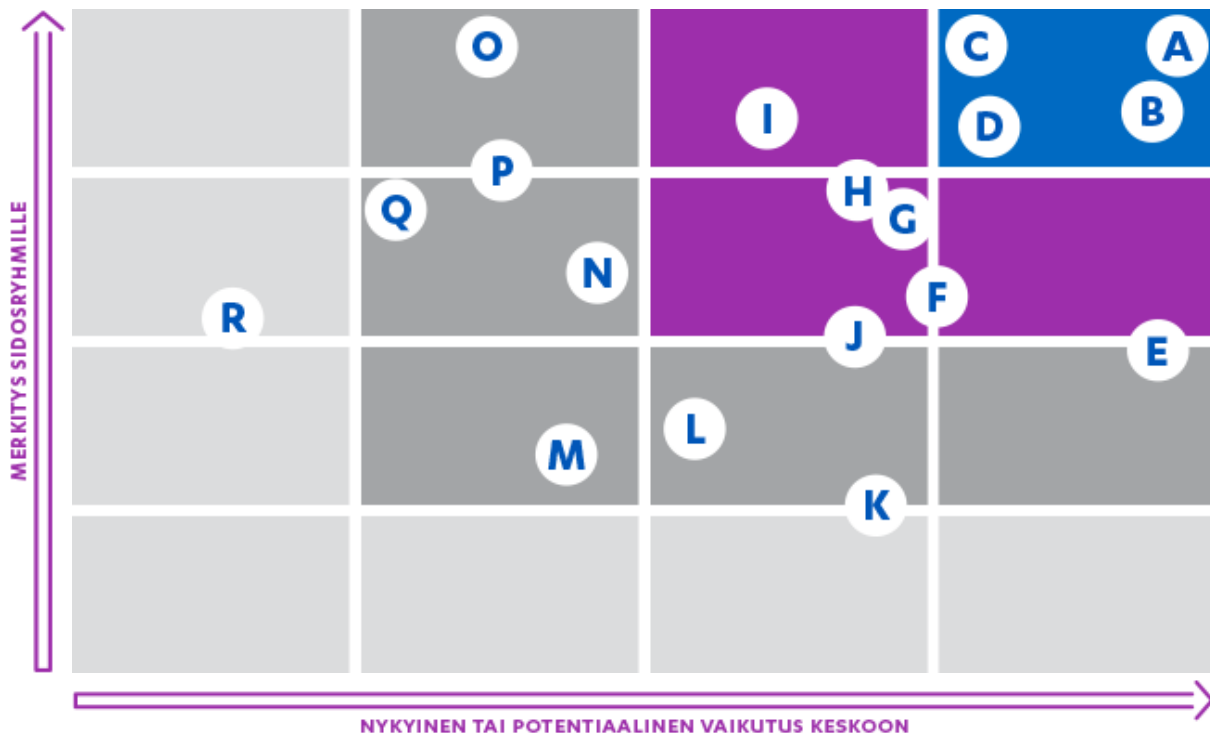
The responsibility programme applies to all of Kesko’s divisions and contains short-term, mid-term and long-term objectives. Each division has prepared its own, division-specific objectives for the sections. The commitments of the programme form its framework, and the details of individual objectives can be specified annually. The themes of the report are based on the corresponding sections of the responsibility programme.

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 materiality assessment, and there was no need to update the materiality matrix.



<p>Responsible operator</p>	<p>Working community</p>	<p>Wellbeing for customers</p>
<p>A. Financial profitability B. Good corporate governance and risk management D. Accessibility and multi-channel approach N. Shopping safety and security</p>	<p>E. Personnel's competence development G. A fair working community Q. Changing expectations for work-life</p>	<p>H. Promoting wellbeing J. Guiding customers K. Servitisation of products</p>
<p>For the benefit of the community</p>	<p>Responsible purchasing and sales</p>	<p>Mitigation of climate change</p>
<p>L. Local approach M. Sense of community</p>	<p>C. Product safety and quality O. Sustainable product selection P. Human rights and the environmental impacts of production in the purchasing chain</p>	<p>F. Efficient logistics I. Energy and resource efficiency R. Promoting sustainable agriculture</p>

Identified material aspects of corporate responsibility

The Group's boundaries

The Group's boundaries include the parent company, Kesko Corporation, its subsidiaries and those of their subsidiaries that are controlled by the Group. The subsidiaries are listed in a note to the Kesko Group's financial statements.

- 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 countries in which they operate.

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 were set 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 disclosures on 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	Suppliers in high-risk countries
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.

Corporate Responsibility Report 2013 / GRI / Responsibility management

enhanced mechanisms for impacts on society

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

Stakeholder interaction

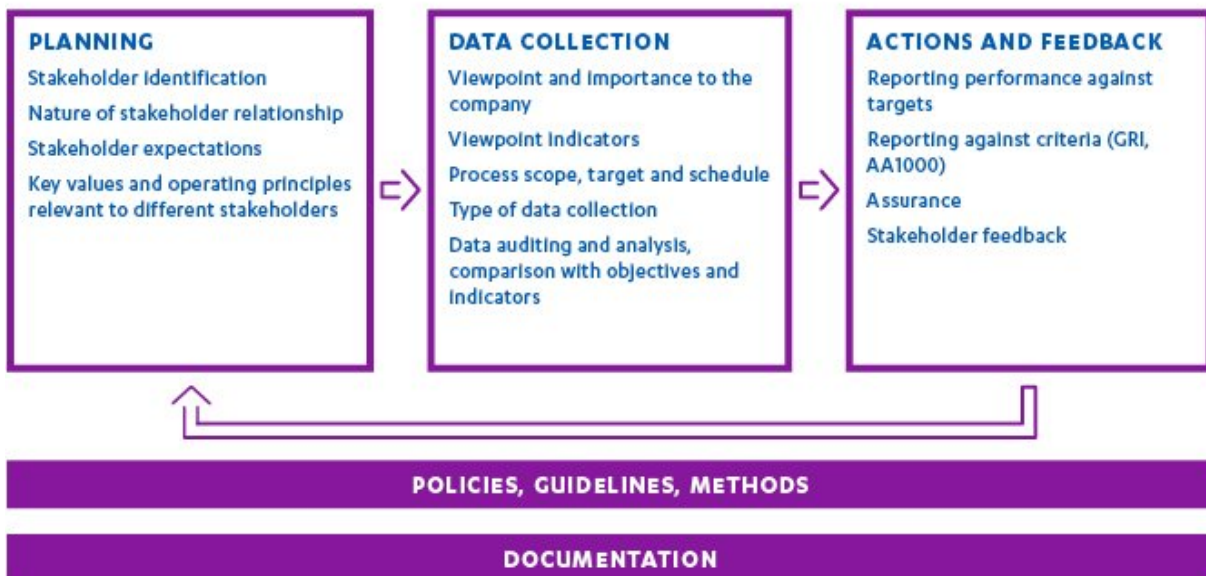
The assessment of corporate responsibility performance takes account of Kesko’s key stakeholders:

- customers
- investors and Kesko’s owners
- Kesko personnel
- retailers and store staff
- suppliers of goods and services
- the authorities
- trade unions
- media
- non-governmental and other organisations

At Kesko, stakeholder analysis is included in the Group’s management system and operating plans. Operations in all areas of responsibility are developed in accordance with the expectations of the key stakeholder groups.

Kesko’s corporate responsibility vision has been described in respect of its stakeholders. Stakeholders’ expectations of Kesko, Kesko’s actions to meet these expectations, and indicators measuring the performance are described in the stakeholder group analysis of Kesko Group’s responsibility work. The divisions also use their specific stakeholder analyses.

KESKO’S STAKEHOLDER INTERACTION



The materiality assessment of Kesko’s responsibility guides Kesko’s corporate responsibility and stakeholder work and defines measures in response to stakeholder expectations.

Various surveys are regularly conducted to identify stakeholder expectations. According to the 2013 survey by TNS Gallup on companies’ reputation and responsibility, the strongest area in Kesko’s and K-stores’ reputation was considered to be the combination of products and services. Room for improvement was seen in social responsibility as a whole.

The Senior Vice President, Human Resources and Stakeholder Relations, a member of Kesko’s Group Management Board, is the head of corporate responsibility. He reports to the Board of Directors and to the Group Management Board about discussions with stakeholders on economic, social and environmental responsibility.

Corporate Responsibility Report 2013 / GRI / Responsibility management

The planning of the revised operating model for Kesko's stakeholder work started in spring 2013. The purpose is to create a uniform operating model for stakeholder relations and define the objectives and activities for stakeholder work. At the beginning of 2014, we conducted a survey for which approximately 600 influential people – at the national and regional level – were interviewed. The systematisation of the work will continue in 2014.

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	Responsiveness to stakeholder expectations
Customers	<ul style="list-style-type: none"> • Daily customer encounters • Customer service channels • Interaction via social media channels (Facebook, Twitter, Google+, Pinterest, Instagram, in particular) is increasing and the significance of blogs is growing. • Mobile and e-services for customers, such as the Pirkka recipe and shopping list application 	<p>Responsibility is strongly visible to customers in the K-Group's consumer brands and stores.</p> <p>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 have been asking more questions concerning responsibility in recent years. Kesko replies annually to the inquiries of several institutions making sustainability assessments.</p> <p>Examples of events:</p> <ul style="list-style-type: none"> • General meeting • Investor meetings • Press conferences • Capital Market Days 	<p>Kesko wants 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 • The Keskonet intranet's country-specific pages for Finland, Sweden, Estonia, Latvia, Russia, and Keskonet Global that is common to all • Keskonet has the 'Direct Line', 'Mail to President and CEO' and internal audit feedback channels, and several blogs • The annual K-Team event for K-retailers, K-store personnel, 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. The importance of responsibility in creating the employer image is further emphasised. The companies in which job satisfaction is high and which are able to offer versatile jobs and opportunities for career progress most probably succeed in attracting and hanging on to 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>
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Suppliers and service providers

<ul style="list-style-type: none"> • Nearly 20,000 suppliers and service providers • Close cooperation according to good trading practices • 'Principles and Practice of Socially Responsible Trading' guide • Annual business partner meetings of divisions • Audits and training events in high-risk countries 	<p>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.</p>
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Society (the media, authorities, non-profit and other organisations and trade unions)

<ul style="list-style-type: none"> • Meetings • Media events and inquiries • Activities in organisations • BSCI cooperation internationally and in the national BSCI group • Inquiries by NGOs, including WWF Finland's soy inquiry in November 2013 and Finnwatch's reports on the responsibility of the trading sector's own-brand products in January 2013 and 2014. 	<p>Kesko proactively follows any changes in society in close cooperation with its stakeholders. We cooperate and discuss openly with NGOs, authorities and other decision-makers.</p>
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Opportunities and risks

Kesko promotes sustainable development jointly with its customers

For Kesko, responsible operation is a strategic choice. Bearing its corporate responsibility is one of Kesko's values. It creates possibilities to improve customer satisfaction and to increase healthy sales.

As a multi-division company operating in eight countries, Kesko offers responsible product alternatives and service solutions to a great number of consumers in nearly any sector of consumption. Kesko's product and service selections provide choices with which Kesko and its customers together can reduce the adverse effects of consumption and promote sustainable development.

Retailers and store sites are an essential foundation for business

The K-Group's principal business model in Finland is the chain business model, in which independent K-retailers run retail stores in Kesko's chains. The competitive edge in this business model comes from systematic chain operations and the K-retailer operations based on entrepreneurship where the retailer knows the local customer base and can react quickly to changes in customer needs or competitive situations. Decision-making concerning the development of the chains' operations and the implementation of changes in business operations can, however, be outpaced by competitors.

For the purpose of increasing market share, good store sites are a key competitive factor. The Group's capital investment focuses on the food trade and the building and home improvement trade. A special focus is Russia. The first K-food store in St Petersburg was opened in December 2012. In 2013, the number of stores increased to four. In 2014, the target is to open three more stores.

The acquisition of store sites can be delayed by zoning and permit procedures and the availability and pricing of sites. In Russia, country risks such as corruption, unpredictability of officials and rapid changes in laws and their application, coupled with unexpected changes in the operating environment, can delay expansion and make business operations more difficult.

Electronic services increasingly important

New online services and rapidly developing mobile devices have drastically changed customers' needs and purchasing habits. In multi-channel transactions, customers expect stores to provide real-time information about product selections, properties, prices and availability.

Providing e-commerce and online shopping services are strategic focal points in all of Kesko's divisions. The aim is to serve customers as well as possible irrespective of time and place at various stages of their purchasing processes.

The development of online services and stores necessitates major investments in building operating processes, developing competence and providing the required IT systems. Kesko aims to offer online shopping services in all of its divisions over the course of 2014.

The achievement of objectives requires attractive e-services and retail websites, utilisation of a multi-channel approach and electronic customer communications to support it. The risk is that the progress of our e-commerce and e-service development projects is outpaced by competitors, or that competing online stores and e-services are more attractive to customers.

Impacts of climate change

Climate change causes physical, regulation-related risks and opportunities, as well as risks and opportunities affecting the company's reputation.

The emissions from the production of electrical and heat energy represent a significant part of the K-Group's environmental impact. In accordance with the K-Group's environmental policy, Kesko's real estate functions work in cooperation with business partners to develop solutions for the building, repair, concept changes, maintenance and use of real estate properties with the aim of reducing the consumption of materials and energy during the life cycles of these properties.

Kesko efficiently recovers waste heat, such as condensation heat generated from cooling stores' refrigeration units, for heating using the latest technology. Kesko also actively examines the use of renewable energy sources. Among other things, the use of soil and water as sources of heat and cooling, as well as solar energy, will increasingly be potential alternatives as the technical solutions become more sophisticated.

Kesko also helps its customers find energy-efficient solutions. Products and services offered by the building and home improvement stores make it easy for customers to improve the energy efficiency of their homes and to find solutions that support sustainable development.

Transparency and responsibility of purchasing chains

With respect to products offered to customers, the aim is to assess the impact of their entire life cycles on consumption. The transparency and responsibility of purchasing chains have become increasingly important. Increasingly detailed information on the origin and manufacturing methods of products needs to be made available to customers. Care must be taken that responsibility is realised in all operations and throughout the supply chain.

Diversified networking with suppliers of goods and providers of services requires that all supply chain operators adopt the same values, objectives and operating practices. A failure in product safety control or in the quality assurance of the supply chain can result in financial losses, the loss of customer confidence or, in the worst case, a health hazard to customers.

Customers' purchasing decisions are also affected by a concern for personal wellbeing. Promoting healthy lifestyle choices and eating habits is an opportunity and a strategic objective for the food trade. Different forms of physical activity play a significant role in the product selections of the K-Group's sports stores and department stores, as well as Kesko's various forms of cooperation in projects that promote the wellbeing of families and children.

The product specifications of Kesko Food's own food products specify product characteristics, such as ingredients, microbiological and chemical features, and nutritional values.

For home and speciality goods, there are quality policies determined for each product group. Every supplier is expected to comply with them. Textile goods must not contain chemicals found in a list of banned chemicals maintained by the Product Research unit. Based on EU and Finnish legislation, it lists the chemicals which are prohibited or the quantity of which is restricted. In addition, the list sets restrictions that are stricter than those set in legislation for chemicals that cause special concern.

Risk management at Kesko

Kesko's risk management is proactive and an integral part of its management and day-to-day activities. The objective of risk management is to ensure customer promises are fulfilled and to secure profit performance, dividend payment capacity, shareholder value, the implementation of responsible operating practices and the continuity of operations in Kesko Group.

The risk management policy confirmed by the Board of Directors guides risk management in Kesko Group. The policy is based on the COSO ERM Framework and the SFS-ISO 31000 risk management standard.

Kesko has a uniform risk assessment and reporting system. Risk identification is based on business objectives and opportunities and the defined risk tolerance. Risks are prioritised on the basis of their significance by assessing the impact and probability of their materialisation and the level of risk management. When assessing the impact of materialisation, the impact on reputation, people's wellbeing and the environment are considered in addition to the financial impact.

In accordance with the charter of Kesko's Board of Directors, the Board approves the Group's risk management policy and discusses the Group's most significant risks and uncertainties. In accordance with its charter, the Kesko Board's Audit Committee evaluates the efficiency of Kesko's internal risk management system and, at its meetings, reviews the risk reports drawn up by the Group's risk management function. Kesko's internal audit function annually assesses the efficiency and effectiveness of Kesko's risk management system and reports that to the Board's Audit Committee.

The risks identified in Kesko's risk assessments and reported to the Kesko Board include the following:

- Adjusting operations when purchasing power and demand decline
- Electronic services changing customer behaviour
- Expanding in Russia
- Slow implementation of changes in business operations
- Regulation of the food trade
- Business interruptions and information system failures
- Store sites
- Product safety and supply chain quality
- Competence and working capacity of personnel
- Suppliers and distribution channels
- Crime and malpractice
- Responsible operating practices and reputation management

Further information on risk management can be found in Kesko's Annual Report 2013 and on Kesko's web pages for investors.

Kesko's responsibility programme

RESPONSIBLE OPERATOR

We are committed to responsible working principles and we together generate economic value added



- Responsible working principles guide all 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.

Objectives and results

Objective: All of our personnel act in compliance with our responsible working principles. **Progress:** The "Our responsible working principles" guidelines bind all Kesko employees to act in accordance with shared values and the responsible working principles. The guidelines are an important part of introductory briefing for new employees. *"Our responsible working principles" guidelines*

Objective: We organise regular training on our responsible working principles. **Progress:** In 2013, five sessions on the responsible working principles were organised for various divisions in Finland, Sweden, Norway, Estonia and Russia.

Objective: Kesko's target for return on equity is 12% and the target for return on capital employed is 14%. **Progress:** In 2013, the return on equity was 7.7% and return on capital employed was 9.8%.

Objective: We offer e-commerce services in all divisions during 2014. Comprehensive store-specific product information, prices and availability will be provided online by the end of 2016. **Progress:** In 2013, new mobile and e-services were developed in all divisions. An online food store ruoka.citymarket.fi started operations in the Greater Helsinki area.

Training in our responsible working principles

In 2013, five training events on the responsible working principles were organised for various divisions in Finland, Sweden, Norway, Estonia and Russia.

The target for Kesko's return on capital employed is 14%

In 2013, return on capital employed was 9.8%.

Product and price information for all online

The objective is to have comprehensive store-specific product information, prices and availability online by the end of 2016.

5

9.8%

2016

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 personnel act responsibly in day-to-day operations.

Objectives and results

Objective: We are an attractive partner and a responsible neighbour. **Progress:** In 2013, K-citymarket, Anttila and Kodin1 were the main retail trade partners in the Finnish Red Nose Day campaign. Kesko and K-stores were the national partner of the Salvation Army's Christmas Kettle collection.

Objective: We include our customers and our personnel in our responsibility work. **Progress:** In 2013, online courses were organised for the personnel on responsible choices, the K-responsibility concept, competitive law, safety at work and information security, among other things. The role of social media as a channel of customer interaction has increased.

Objective: We help customers in efficient shopping; online stores, SmartPost, in-store collection. **Progress:** The K-responsibility concept became visible in K-food stores during the autumn of 2013. In order to improve personnel's responsibility competence, an online training on the responsibility concept was set up. The K-responsibility manual was handed out in all of the approximately 900 K-food stores.

Providing e-services and e-commerce services are strategic focus areas in all of Kesko's divisions. Customers can pick up the goods ordered from an online store as they do other shopping in K-citymarkets, Anttila department stores and Kodin1 department stores for interior decoration and home goods.

Objective: We expand the contract seed production programme trainings; the objective is to train 100% of the contract farmers within three years. **Progress:** In 2013, more than 50% of contract seed producers were trained. The objective is to increase the portion of trained producers to approximately 75% within two years and to over 90% within three years.

Objective: We develop the organic farming programme into a concept. **Progress:** K-maatalous tests the suitability of new varieties for organic production in cooperation with ProAgria. The testing takes place in the Åland islands (Ålands Hushållningssällskap) and in Uusimaa (Nylands Svenska Landbruksällskap).

Support for children in developing countries

In 2013, K-citymarket, Anttila and Kodin1 were the main retail partners in the Finnish Red Nose Day campaign.

We encourage our personnel to participate

In order to improve personnel's responsibility competence, an online training on the responsibility concept was set up. The K-responsibility manual was handed out in all of the approximately 900 K-food stores.

Cooperation with farmers

The objective is to train 100% of the seed production contract farmers within three years.

A large blue smiley face icon consisting of two dots for eyes and a curved line for a mouth, positioned above a thick blue horizontal line.A large blue number '900' positioned above a thick blue horizontal line.A large blue percentage '100%' positioned above a thick blue horizontal line.

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.

Objectives and results

Objective: We are the best employer in the trading sector in terms of job satisfaction. **Progress:** Kesko came in 17th place in the 2013 Universum Young Professionals survey and in 21st place in the Universum survey among students. In Kesko's personnel survey 2013, the personnel commitment index was 55%.

Objective: We conduct a performance and development review annually with every employee. **Progress:** In the personnel survey 2013, the percentage of employees satisfied with their own performance and development review was 73%, and the average score was 3.89 (1–5).

Objective: We train our supervisors on a regular basis. **Progress:** Tools for developing supervisor work include the 'Let's talk about work' training, training on performance management, training on performance and review discussions for supervisors and training on how to make use of the personnel survey.

Objective: We reduce sickness absences and premature disability pensions. **Progress:** Since the beginning of 2011, some 800 Finnish supervisors have been trained in the 'Let's talk about work' model. Sickness absences have been significantly reduced in some companies.

We want to be the best employer in the trading sector

Kesko came in 17th place in the 2013 Universum Young Professionals survey and in 21st place in the Universum survey among students.

17th

Performance and development reviews annually

In the personnel survey 2013, the percentage of employees satisfied with their own performance and development review was 73%, and the average score was 3.89.

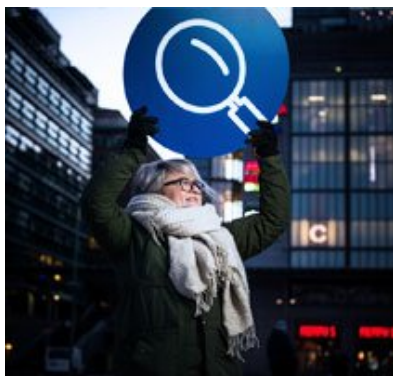
73%

Regular training for supervisors

Some 800 Finnish supervisors have been trained in the 'Let's talk about work' model.

800

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



- We provide customers with information and support in 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 answer for the safety and quality of products.

Objectives and results

Objective: We identify the whole of our supply chain and actively promote the social responsibility audits of our suppliers in high-risk countries. **Progress:** Kesko's objective for 2013 was 17 full BSCI audits and 27 re-audits at suppliers' factories and farms. The objective set for full audits was clearly exceeded as BSCI cooperation continued to expand. During the year 2013, 81 full audits and 25 re-audits were carried out at suppliers' factories and farms. In 2013, Kesko's suppliers in high-risk countries had 254 factories or farms within the scope of the BSCI process.

In the purchase agreements of own brand food products, a section was added concerning the confirming of the responsibility of ingredients. Efforts to confirm the responsibility of ingredients from high-risk countries were continued.

Objective: We add indication of origin to our own brand products. **Progress:** Our own brand products have indications of origin. Kesko Food is working on changing the labelling of own brand products related to the EU decree on the labelling of foodstuffs. The work will continue in 2014.

Objective: We offer a wide selection of Pirkka responsible products; 500 Pirkka products meeting a responsibility criterion by 2015 and 200 Pirkka organic products by 2015. **Progress:** At the end of 2013, there were 35 Pirkka Fairtrade products, 95 Pirkka Organic products, 21 Pirkka MSC certified fish and 15 Pirkka UTZ certified products.

Objective: By 2020, all palm oil in Pirkka products is responsibly produced (CSPO). **Progress:** At the end of 2013, 15% of the palm oil used by Kesko Food was responsibly produced. A list of Pirkka and Menu products that contain CSPO is available at Kesko's web pages.

Objective: Social responsibility of the production of Kesko Food's own direct imports from high-risk countries is 100% assured by the end of 2015. **Progress:** At the end of 2013, more than 95% was assured.

Audited imports from high-risk countries

At the end of 2013, social responsibility of the production of over 95% of Kesko Food's own direct imports from high-risk countries was covered by certification.

95%

More responsible Pirkka products

500 Pirkka products meeting a responsibility criterion by 2015.

500

We purchase responsibly produced palm oil

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

2020

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.

Objectives and results

Objective: Every building and home improvement store has at least one trained Energy Expert or Energy Master and a service cooperation network. **Progress:** In 2013, the Energy Expert service products were incorporated in the basic offering of the stores.

Objective: All K-food stores will have adopted the K-responsibility concept by 2014. **Progress:** The K-responsibility concept became visible in K-food stores during the autumn of 2013. An e-learning course on the K-responsibility concept was set up to increase store personnel's responsibility expertise. The K-responsibility manual was distributed to all of the approximately 900 K-food stores.

Objective: The theme 'Let's do good. Together.' is visible in stores and marketing. **Progress:** The theme 'Let's do good. Together.' theme was incorporated as a key component in Kesko Food's communications and marketing in 2013.

Objective: 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. **Progress:** In 2013, new mobile and e-services, including a spare part service for heavy machinery in the machinery trade, were developed in all divisions. Read more about e-services.

Energy expertise at building and home improvement stores

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

Responsibility made visible to customers

The K-responsibility concept became visible in K-food stores during the autumn of 2013. The K-responsibility manual was distributed to all of the approximately 900 K-food stores.

Training with machinery

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

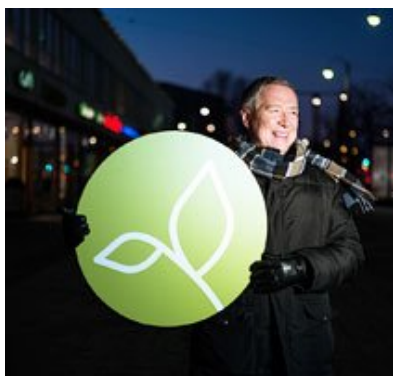
GWh

900



MITIGATION OF CLIMATE CHANGE

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.

Objectives and results

Objective: 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. **Progress:** Together with other trading sector companies, Kesko has committed to negotiating a new agreement period to start in 2017 of the trading sector energy efficiency agreement.

Objective: We recover the waste generated in our operations to achieve zero landfill waste. **Progress:** In 2013, the recovery rate in Anttila's logistics centre was approximately 99% and in Keslog's central warehouses and terminals approximately 98%. The recovery rate of waste generated in stores was approximately 90% and recycling rate approximately 68%.

Objective: We reduce food wastage by 10% by 2020. **Progress:** Food wastage is reduced in K-food stores with the help of electronic forecast and ordering systems, efficient logistics and personnel training. K-food stores also donate food for charity. Kesko Food and K-food stores participated in The Consumers' Association of Finland's Wastage Week campaign in November 2013.

Objective: We improve our annual energy efficiency by 65 GWh by 2016. **Progress:** By the end of 2013, Kesko has improved its energy efficiency by 58.9 GWh and reached approximately 91% of its objective. More than 1,600 different ways of saving energy have been reported.

Objective: We reduce the relative carbon dioxide emissions from Keslog's transportation by 10% by 2020. **Progress:** Emissions are reduced by route planning for transportation, reverse transportation, two-tier trailers and training in economical driving style. It is estimated that the savings in consumption of diesel oil in 2013 totalled approximately 600,000 litres.

Improvement in energy efficiency

We improve our annual energy efficiency by 65 GWh by 2016. By the end of 2013, 91% of this objective has been reached.

91%

All waste recovered

We recover the waste generated in our operations. The recovery rate in Anttila's logistics centre is approximately 99%.

99%

Reduced food wastage

Food wastage is reduced by 10 % in K-food stores by 2020 with the help of electronic forecast and ordering systems, efficient logistics and personnel training.

10%

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	K-Plus Oy, a Kesko subsidiary, manages and maintains the K-Plussa customer loyalty system, operated by K-chains and K-Plussa partners. Using the information received from the K-Plussa 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 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 Food and Kespro are committed to good trading practices.

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[Our responsible working principles](#)

The 'Our responsible working principles' guidelines bind all Kesko employees in all operating countries to act in accordance with shared values and responsible working principles.

**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 also invited by the Group Legal Affairs Unit to complete the training. The Group Legal Affairs Unit supervises the completion of the training.

Prevention of malpractice

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. 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.

In 2014, a new channel for reporting suspected malpractice will be 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.

Risk management

Kesko has a uniform risk assessment and reporting system. Risk identification is based on business objectives and opportunities and the defined risk appetite. 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 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 financial impacts. 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.

Privacy protection

The customer information of K-Plus 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 which have joined the K-Plus system. Customers can forbid the connection of product or product group level information to their identified customer relationship.

As a data controller, K-Plus Oy ensures that customer information is only used for the purposes specified in the file description. Information on individual customers is protected with instructions given to the personnel and by technical systems. Customer data is only disclosed to outside parties if required by law. In compliance with the Finnish Personal Data Act, K-Plus Oy's file description is available in Finnish at www.plus.com.

Responsibilities and resources

- Kesko's Corporate Governance structure is laid out in Kesko's Corporate Governance at www.kesko.fi/en/Investors/Keskos-Corporate-Governance/
- The Group Legal Affairs Unit

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- The Group Internal Audit and Risk Management Unit
- K-Plus Oy

Management approach assessment	<p>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.</p> <p>In 2013, the risk management function took part in an international self-assessment concerning the level of risk management. The results will be used to further improve Kesko's risk management.</p>
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Further information	
Kesko's values	http://www.kesko.fi/en/Company/Strategic-themes/Values/
Responsible working principles	http://www.kesko.fi/en/Responsibility/This-is-how-we-operate/Our-responsible-working-principles-guidelines/
Corporate Governance Code	http://www.cqfinland.fi/
Risk management policy	http://www.kesko.fi/en/Investors/Keskos-Corporate-Governance/Risk-management-policy/
Kesko's Corporate Governance	http://www.kesko.fi/en/Investors/Keskos-Corporate-Governance/

For the benefit of the community

Management approach	We build a better society together
Material aspects	<ul style="list-style-type: none"> • Procurement 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>A retailer represents 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 some 150 companies all over Finland.</p>
Objectives	The objectives have been recorded in the responsibility programme.
Policies, operating principles and commitments	
Good trading practices	Kesko Food and Kespro are committed to the principles of Good trading practices.
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 and building and home improvement 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,</p>

	customer satisfaction, personnel and business profitability.
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	
<u>The Blue and White Footprint campaign</u>	K-food stores, Anttila department stores and Kodin1 department stores for interior decoration and home goods started a joint effort for Finnish work with the Association for Finnish Work, food manufacturers and the home and speciality goods industry in December 2013. The Blue and White Footprint campaign will go on for the entire year 2014 with the aim to increase the sales of Finnish products and consciousness of the positive impacts of buying Finnish work.
Responsibilities and resources	<ul style="list-style-type: none"> • K-Retailers' Association and K-retailers • 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 goals, 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 reorganisation situations, Kesko complies with the local legislation in all its operating countries. In Finland, the Act on Co-operation within Undertakings determines the key statutes concerning reorganisations.</p>
Health and safety at work	Kesko and K-stores are responsible for providing employees a safe working environment and appropriate training and guiding for their work. In 2013, the theme of Kesko's wellbeing at work programme was safety at work.
Personnel training	Systematic, business-driven training of personnel and management is critical for future success. In line with its values, Kesko invests in the development of the working environment and the quality of management with the objective that the employees think highly of their work and employer and are motivated to perform well. In the K-Group, there are many kinds of development paths an employee may follow.

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Diversity and equal opportunity	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.
Remuneration	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.
Labour practices grievance mechanisms	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.
Objectives	The objectives have been recorded in the responsibility programme.
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 joined the Diversity Charter Finland (http://www.fibsry.fi/fi/fibs25-en/diversity-charter-finland) in the autumn of 2013. 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 employees' job satisfaction and motivation, reducing sickness, increasing the retirement age and enhancing employer image and, in this way, increasing personnel productivity. In 2013, the wellbeing at work programme focused on the development of supervisory work and work safety.
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.
The Youth Guarantee programme	Kesko and K-stores participate in the Youth Guarantee initiative launched at the beginning of 2013 to promote employment and prevent social exclusion among young people. By the end of February 2014, 718 young people had found employment in Kesko or K-stores.
The 'Many kinds of performers' project	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). The project was turned into a permanent working model in 2013, and by the end of the year, 27 persons with disabilities were employed through the project.
Responsibilities and resources	<ul style="list-style-type: none"> • Steering Group for HR operations • Kesko HR/Common Services • Division and company HR • 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 annual personnel survey measures 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 (link to 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, updated at the end of 2013, 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 2013, direct purchases by Kesko's Finnish companies from suppliers in risk areas totalled €123 million (€99 million in 2012) and accounted for 1.6% (1.3%) of Kesko's total purchases. The most significant high-risk countries are listed in the table below. Direct imports from high-risk countries accounted for 21.7% (17.1%) 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, but, in 2013, Kesko's purchases analysed by a company's country of domicile and by a supplier's country of domicile also included purchases from high-risk countries at a total value of €328 (€267) million, or 4.2% (3.3%) of Kesko's total purchases. Some 74% (81%) of Kesko's imports into Finland (excluding imports by VV-Auto) come from EU countries.</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.
Sustainability 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 shelf labelling and product labelling, among other things. The selection and marketing policies of organic, eco-labelled and Fairtrade products are included in K-food stores' chain concepts. The K-responsibility concept was first introduced in K-food stores in the autumn of 2013. It will also be taken into use in K-maatalous, K-rauta and Rautia stores.
Monitoring and control systems; programmes, projects and initiatives	
Audits of suppliers in high-risk countries	<p>Kesko is a member in the European BSCI audit system. It uses both BSCI auditing and the SA8000 standard for assessing its suppliers in high-risk countries. Kesko is committed to the BSCI Code of Conduct, the content of which is practically the same as Kesko's own purchasing principles.</p> <p>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. Some of the systems also involve a product label.</p> <p>In China and India, Kesko supports its suppliers of home and speciality goods through monitoring. A local monitoring officer guides and oversees Kesko's suppliers in issues related to terms of employment and working conditions and compliance with environmental and chemical regulations. Kesko's own monitoring principles are based on the BSCI audit requirements. The ultimate aim is to get the factory to apply for a third-party BSCI audit or SA8000 certification. The responsibility of the purchasing chain is also monitored and developed as part of the sourcing cooperation with other European retail chains (Eurogroup, ICA, AMS).</p> <p>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.</p> <p>In early 2013, Kesko Food sent an inquiry to all its suppliers that manufacture its own brand products (Pirkka, Euro Shopper and Menu) with the purpose of assuring the sustainability of product ingredients. Kesko is developing a risk assessment-based operating model which would enable us to better monitor the implementation of our purchasing principles throughout the entire purchasing chain, including indirect purchases from high-risk</p>

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	countries.
Audits of Kesko Food's own brand product manufacturers and providers	Kesko Food requires that the manufacturers and producers of its own brand products have an international food safety certification. Kesko Food accepts the following audit procedures: BRC, IFS, ISO 22000, SQF1000/2000 and GlobalGAP (in Finland, the 'Quality Requirements for Vegetables' requirements). If the manufacturer or producer does not have a certification, an audit will be performed by a product quality manager from Kesko Food's Product Research Unit according to Kesko Food's audit guidelines.
Kesko Product Research Unit Laboratory	The Product Research Unit Laboratory monitors the quality of products sold by K-food stores, Anttila department stores, K-citymarket hypermarkets and Kodin1 department stores for interior decoration and home goods. 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 • Steering Group for Responsible Purchasing and Kesko's buyers • Kesko's Product Research Unit • K-responsibility concept development group and K-stores • Division parent companies' staff responsible for communications and marketing
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, operating principles, monitoring systems and resources.</p> <p>The self-control of Kesko Food and K-food stores is developed on the basis of the results of official inspections, among other things. The Product Research Unit 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>

Kesko's direct imports from high-risk countries, 10 largest countries in 2013¹

Country	Value of imports, € million
China	62.6
India	24.3
Turkey	13.5
Thailand	7.4
Vietnam	4.9
Philippines	1.5
Pakistan	1.1
Bangladesh	1.0
Egypt	1.0
South Africa	1.0

¹ Direct imports forwarded by Keslog only, excluding imports by VV-Auto.

Certification and audit systems related to production 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
Sedex/SMETA	All product groups	Social, limited environmental part	No
ICTI CARE	Toys	Social	No
Fairtrade	Agricultural products, incl. cotton	Social, environmental	Yes
Rainforest Alliance	Agricultural products	Social, environmental	Yes
UTZ Certified	Coffee, cocoa, tea	Social, environmental	Yes
FSC (Forest Stewardship Council)	Wood products and timber	Social, environmental	Yes
MSC (Marine Stewardship Council)	Caught fish and shellfish	Environmental (sustainable fishing)	Yes
RSPO (Roundtable on Sustainable Palm Oil)	Products containing palm oil	Finance, environmental, social	No

Main elements of SA8000 and BSCI audits

Auditing areas	Relevant ILO convention
Compliance with laws and agreements	110 (agriculture)
Freedom of association and collective bargaining	11, 87, 98, 135 and 154
Discrimination	100, 111, 143, 158, 159, 169 and 183
Compensation	12, 26, 101, 102 and 131
Working hours	1, 14 and recommendation 116
Health and safety at work	155, 184 and recommendations 164 and 190
Child labour	10, 79, 138, 142, 182 and recommendation 146
Forced labour	29 and 105
Basic environmental protection	-

Wellbeing for customers

Management approach	We offer services that promote customers' wellbeing
Material aspects	• 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 K-Group's food and sports stores.
E-services	The development of mobile technology has changed customers' purchasing habits and expectations of the selections, location, opening hours and availability of stores. A multi-channel approach and the development of mobile technology offer the trading sector

possibilities to serve customers in more ways and more efficiently.

Objectives	The objectives have been recorded in the responsibility programme.
Policies, working principles and commitments	
Product research	<p>Kesko Product Research Unit Laboratory monitors the safety and quality of groceries and home and speciality goods sold by K-food stores, Anttila department stores, K-citymarket hypermarkets and Kodin1 department stores for interior decoration and home goods. In addition to the laboratory, the Product Research Unit includes the Pirkka test kitchen and Pirkka consumer service. The home economics teachers in the Pirkka test kitchen develop and test hundreds of new food recipes annually. The nutritional contents for nearly all of the approximately 5,000 recipes found in the Pirkka.fi recipe service have been calculated to help customers make choices.</p> <p>The consumer service provides information on Pirkka 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>
E-services	Offering electronic shopping and e-commerce services is a strategic focal point in all of Kesko's divisions. We want to serve customers as well as possible regardless of time and place, in the ways they choose. In 2013, e-services were advanced with a Group-level initiative, where the focus was on accelerating and stepping up the development and launch of e-services to be offered to customers in stores and chains.
K-responsibility concept	The K-responsibility concept is used to tell customers about the store's good deeds and to help them make healthy, sustainable choices easily. The K-responsibility concept was first introduced in K-food stores in the autumn of 2013. It will also be taken into use in K-maatalous, K-rauta and Rautia stores.
Monitoring and control systems; programmes, projects and initiatives	
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 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 the food trade and the building and home improvement trade.
Responsibilities and resources	<ul style="list-style-type: none"> • The development group of the K-responsibility concept • Kesko's divisions • 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

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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	Energy consumption has a significant impact on both the progress of climate change and the costs of K-Group's operations. The energy consumption of properties accounts for a considerable share of the greenhouse gas emissions caused by the K-Group. Mitigating climate change resulting from energy consumption is one of the focus areas in Kesko's environmental work.
Water	Properties managed by Kesko use municipal water. In K-Group's own operations, water is used mainly for cleaning.
Biodiversity	Kesko concentrates on diminishing the effects of climate change to preserve biodiversity. Kesko only builds retail stores in areas zoned for business properties, so building does not have significant direct biodiversity impacts. Indirect impacts occur through the products sold.
Emissions	K-Group's logistics company Keslog has long reduced emissions from the K-store supply chain by centralising distribution. New replacements in the vehicle fleet have reduced unit-specific emissions. Key tools in improving logistics efficiency also include the optimisation of transport routes and a high volumetric efficiency. A significant part is also played by efficient reverse logistics. Drivers have been trained in economical driving styles.
Waste management	Preventing the generation of waste, increasing the recovery rate and recycling of materials are the means by which Kesko reduces the amount of waste.
Environmental assessment of suppliers	The assessment procedures of Kesko's procurement practices include environmental criteria.
Objectives	The objectives have been recorded in the responsibility programme.
Policies, working principles and commitments	
Environmental policy	<p>The K-Group's environmental 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.</p> <p>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.</p>
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 2013, environmental systems covered 65% of the Kesko companies' net sales in Finland and 54% of the whole Group's net sales. The coverage has been calculated in

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proportion to retail sales.

The operations of the central units of Kesko and Anttila are ISO 14001 certified, as are most of Anttila department stores and Kodin1 department stores for home goods and interior decoration.

VV-Auto Group Oy and its subsidiaries fulfil the requirements of environmental programme of Finnish Central Organisation for Motor Trades and Repairs Association and the ISO 9001 quality system. Audi Center in Espoo is ISO 14001 certified.

In the food trade, environmental management is based on the K-responsibility concept. The K-responsibility concept will be taken into use also in K-maatalous, K-rauta and Rautia stores.

Energy consumption monitoring	Kesko's maintenance partners monitor the energy consumption of properties with the help of the EnerKey.com system supplied by Energiakolmio Oy. Energiakolmio 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.
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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, K-supermarkets, Anttila department stores and large wholesale and warehouse buildings. Kesko conducts energy reviews in the properties managed by it on a regular basis.
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Water consumption monitoring	Water consumption monitoring is part of real estate consumption monitoring.
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Biodiversity	In line with Kesko's sourcing recommendation, the garden furniture made of tropical wood and sold by the K-Group stores is either FSC certified or made of wood species whose cultivation is possible in accordance with the principles of sustainable development. The K-Group's fish and shellfish statement directs Kesko Food's and Kespro's own sourcing, as well as K-food retailers' sourcing to safeguard responsible fishing and cultivation of fish. Palm oil must be produced in a responsible manner, taking account of economic, social and environmental aspects. Kesko Food is a member of the RSPO (Roundtable on Sustainable Palm Oil). Kesko Food's objective is that by 2020, all palm oil used in Pirkka products will be responsibly produced (CSPO).
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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 wastage management in K-stores.
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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 2013, Kesko's partners in the maintenance and service of properties were ISS Palvelut Oy, Caverion Oy and Ovenia Oy. The environmental systems of ISS Palvelut Oy and Caverion Oy are ISO 14001 certified. Kesko's main office in Katajanokka, Helsinki, and Kesko Food's central warehouse in Hakkila,
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	Vantaa, have themselves developed and adopted an environmental programme for office work. So far, companies outside Finland have not adopted certified environmental systems.
Responsibilities and resources	<ul style="list-style-type: none"> • 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.
Further information	
K-Group's environmental policy	http://www.kesko.fi/en/Responsibility/Responsibility-management/Policies-and-principles/Environmental-policy/
Energy efficiency agreement	http://www.energiatehokkuussopimukset.fi/en/
Responsibility programme	http://keskoyvr2013.fi/vastuullisuusteemat/vastuullisuusohjelma-tavoitteet-ja-tulokset
Sustainability statements	http://www.kesko.fi/en/Responsibility/This-is-how-we-operate/Statements-and-policies/

Environmental systems at Kesko

Function	Environmental management system	Comment
Keslog's warehousing, terminal and transportation operations	ISO 14001	Certificate revised in 2013.
Anttila Oy: logistics centre, mail order sales and NetAnttila (Kerava)	ISO 14001	Re-audit in March 2014.
Real estate service and maintenance operations	ISO 14001	ISS, Caverion
VV-Auto Group Oy	ISO 14001 and AKL's environmental programme	ISO 14001 certificate: Audi Center Espoo. Action programme of The Finnish Central Organisation for Motor Trades and Repairs (AKL): VV-Autotalot Oy
K-food stores: 740 K-responsibility stores	K-responsibility concept	Chain requirement for K-citymarket, K-supermarket, K-market and K-extra stores
K-rauta stores: 38 K-environmental stores	K-environmental store concept	Total number of stores 42.
Rautia stores: 93 K-environmental stores (including combination stores)	K-environmental store concept	Total number of stores 99.
K-maalous stores: 24 K-environmental stores	K-environmental store concept	Total number of stores 36.
Main office: Katajanokka Warehouse: Vantaa	Environmental management system for office	Vihernokka environmental management system developed by Kesko

GRI content index

The scope of the GRI guidelines that Kesko uses 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 presented with respect to the material aspects for Kesko. However, indicators are reported in a much wider scope than required by the Core option.

GRI G4 content index

Code	GRI content	Included	Location	Further information	Assurance	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	●	Impacts of operations, Opportunities and risks, Stakeholder interaction, Responsibility programme			
Organisational Profile						
G4-3	Name of the organisation	●	Kesko in brief			
G4-4	Primary brands, products and services	●	Kesko in brief - Divisions			
G4-5	Location of the organisation's headquarters	●	Kesko in brief			
G4-6	The number of countries where the organisation operates, and names of countries where either the organisation has significant operations 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 - Business operations and Divisions			
G4-8	Markets served	●	Kesko in brief - Business operations and Divisions			

Corporate Responsibility Report 2013 / GRI / GRI index

G4-9	Scale of organisation		Kesko in brief - Divisions and Key performance indicators			
G4-10	Total number of employees by employment contract, region and gender		Kesko in brief - Business operations	No distribution by gender. Information not available. The aim is to obtain the information and report 2016–2018.	Yes	x
G4-11	Percentage of total employees covered by collective bargaining agreements		Kesko in brief - Business operations		Yes	x
G4-12	Organisation's supply chain		Kesko in brief - Business operations, Impacts of operations			
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain			No significant changes during the reporting period.		
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation		Opportunities and risks			
G4-15	Externally developed charters, principles or initiatives to which the organisation subscribes or which it endorses		Responsibility management in day-to-day activities			
G4-16	Memberships of associations and advocacy organisations		Responsibility management, Activities-in-organisations			
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			
			Identified material aspects of corporate			

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G4-19	Material aspects	●	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	●	Stakeholder interaction			
G4-25	Basis for identification and selection of stakeholders with whom to engage	●	Stakeholder interaction			
G4-26	Organisation's approach to stakeholder engagement	●	Stakeholder interaction			
G4-27	Key topics and concerns that have been raised through stakeholder engagement	●	Stakeholder interaction, stakeholder addresses, Product responsibility - Marketing communications, Employees			
Report Profile						
G4-28	Reporting period	●	Report profile			
G4-29	Date of the most recent previous report	●	Report profile			
G4-30	Reporting cycle	●	Report profile			
G4-31	Contact point for questions regarding the report of its contents	●	Contacts			
G4-32	GRI content index	●	GRI G4 content index, Report profile			
G4-33	Organisation's policy with regard to external assurance	●	Report profile			

Governance						
Governance Structure and Composition						
G4-34	Governance structure of the organisation and committees		Kesko's Corporate Governance			
G4-35	Delegating authority		Responsibility management in day-to-day activities			
G4-36	Positions with responsibility		Responsibility management in day-to-day activities and Group Management Board	Senior Vice President, CFO and Senior Vice President, Human Resources and Stakeholder Relations		
G4-37	Consultation with stakeholders		Stakeholder interaction			
G4-38	Composition of the Board of Directors		Board of Directors, Kesko's Corporate Governance			
G4-39	Position of the Chair of the Board		Kesko's Corporate Governance			
G4-40	Selection of the Board		Responsibility management in day-to-day activities			
G4-41	Processes to ensure conflicts of interest are avoided		Kesko's Corporate Governance	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>						

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G4-42	Board's role in setting the organisation's purpose, values and strategy		Kesko's Corporate Governance, Responsibility Management			
<i>Board's Competencies and Performance Evaluation</i>						
G4-44	Board's performance evaluation		Board and its Committees	Only the Board's self-assessment has been reported.		
<i>Board's Role in Risk Management</i>						
G4-45	Board's role in the identification and management of risks		Opportunities and risks			
G4-46	Reviewing the effectiveness of risk management		Opportunities and risks			
G4-47	Frequency of risk reviews		Kesko's Corporate Governance			
<i>Board's Role in Sustainability Reporting</i>						
G4-48	Formal approval of the organisation's sustainability report		Responsibility management in day-to-day activities			
<i>Board's Role in Evaluating Economic, Environmental and Social Performance</i>						
G4-49	Communicating critical concerns		Stakeholder interaction, Kesko's Corporate Governance			
<i>Remuneration and Incentives</i>						
G4-51	Remuneration policies for the Board and senior executives		Kesko's Corporate Governance			

Ethics and Integrity						
G4-56	Organisation's values, principles and codes		Responsibility management in day-to-day activities, Responsibility monitoring and steering (Responsible operator)			x
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			
Economic Impacts						
Economic Performance						
G4-EC1	Direct economic value generated and distributed		Economic impacts - Economic performance		Yes	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change		Economic impacts - Economic performance			x
G4-EC3	Coverage of the organisation's defined benefit plan obligations		Economic impacts - Economic performance		Yes	
G4-EC4	Financial assistance received from government		Economic impacts - Economic performance	Information not available. The aim is to obtain the information and report 2015.	Yes	
Indirect Economic Impacts						
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		Yes	

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<i>Procurement Practices</i>						
G4-EC9	Proportion of spending on local suppliers at significant locations of operation		Economic impacts - Purchasing practices		<u>Yes</u>	
Environmental Impacts						
<i>Energy</i>						
G4-EN3	Energy consumption within the organisation		Environmental impacts - Energy		<u>Yes</u>	x
G4-EN4	Energy consumption outside the organisation		Environmental impacts - Energy	Only a limited amount of data is collected on energy consumption outside the organisation for EN17 / Scope 3 review.		x
G4-EN5	Energy intensity		Environmental impacts - Energy		<u>Yes</u>	x
G4-EN6	Reduction of energy consumption		Environmental impacts - Energy		<u>Yes</u>	x
G4-EN7	Reductions in energy requirements of products and services		Environmental impacts - Energy		<u>Yes</u>	x
<i>Water</i>						
G4-EN8	Total water withdrawal by source		Environmental impacts - Water		<u>Yes</u>	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
<i>Biodiversity</i>						
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Environmental impacts - Biodiversity			x
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		<u>Yes</u>	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
<i>Emissions</i>						
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		Environmental impacts - Emissions		<u>Yes</u>	x
G4-EN16	Energy indirect greenhouse gas (GHG)		Environmental		<u>Yes</u>	x

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	emissions (Scope 2)		impacts - Emissions			
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)		Environmental impacts - Emissions		Yes	x
G4-EN18	Greenhouse gas (GHG) emissions intensity		Environmental impacts - Emissions		Yes	x
G4-EN19	Reduction of greenhouse gas (GHG) emissions		Environmental impacts - Emissions	Review has not been made in CO ₂ e tonnes.	Yes	x
G4-EN20	Emissions of ozone-depleting substances (ODS)		Environmental impacts - Emissions	Review has not been made in CFC-11e tonnes.	Yes	x
G4-EN21	NO _x , So _x and other significant air emissions		Environmental impacts - Emissions		Yes	x
Effluents and Waste						
G4-EN22	Total water discharge by quality and destination		Environmental impacts - Effluents and waste	Waste water from Kesko's operations goes to municipal water 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		Yes	x
G4-EN24	Total number and volume of significant spills		Environmental impacts - Effluents and waste		Yes	x
Products and Services						
G4-EN27	Extent of impact mitigation of environmental impacts of products and services		Responsible purchasing and sales, Mitigation of climate change	GRI indicator is not suitable for Kesko's operations. Information material to Kesko is presented in the theme section of the report.		
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category		Responsible purchasing and sales, Mitigation of climate change	GRI indicator is not suitable for Kesko's operations. Information material to Kesko is presented in the theme section of the report.		
Supplier Environmental Assessment						
G4-EN32	Percentage of new suppliers that were screened using environmental criteria			Information not available. The aim is to obtain the information and report 2016–2018.		x
Social Impacts						
<i>Labour Practices and Decent Work</i>						
<i>Employment</i>						

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G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	●	Social impacts - Employees	Not reported by age group or gender. Information is not available. The aim is to obtain the information and report 2016–2018.	<u>Yes</u>	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	Arrangements compliant to legislation. The law does not define minimum notice periods at the precision required by GRI.		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 obtain the information and report 2015.		
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 obtain the information and report 2016–2018.	<u>Yes</u>	
<i>Training and Education</i>						
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.	<u>Yes</u>	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		<u>Yes</u>	
				Not reported by gender		











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G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category		Social impacts - Employees	Not reported by gender and employee category. Information not available.	Yes	x
<i>Diversity and Equal Opportunity</i>						
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. Information not available. The aim is to obtain the information and report 2016–2018.	Yes	x
<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 obtain the information and report 2016–2018.	Yes	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	Percentage of all suppliers screened in high-risk countries has been reported.	Yes	
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken		Social impacts - Human rights		Yes	
<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 obtain the information and report 2018–2020.		
<i>Human Rights</i>						
<i>Non-discrimination</i>						
G4-HR3	Total number of incidents of discrimination and corrective actions taken		Social impacts - Human rights		Yes	x
<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, We purchase and sell responsibly - Responsible purchasing from		Yes	x


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			high-risk countries			
<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	Not reported by country. Information not available. The aim is to obtain the information and report 2015.	Yes	x
<i>Supplier Human Rights Assessment</i>						
G4-HR10	Percentage of new suppliers that were screened using human rights criteria		Social impacts - Human rights	Percentage of all suppliers screened in high-risk countries has been reported.		x
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken		Social impacts - Human rights		Yes	x
<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. Reporting is being developed according to the schedule the BSCI grievance mechanism is developed.		x
<i>Society</i>						
<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	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		Yes	x
<i>Public Policy</i>						
G4-SO6	Total value of political contributions by country and recipient/beneficiary		Social impacts - Society		Yes	x
<i>Anti-competitive Behaviour</i>						
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		Social impacts - Society		Yes	
<i>Compliance</i>						

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G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		Social impacts - Society		Yes	
<i>Grievance Mechanisms for Impacts on Society</i>						
G4-SO11	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.		
<i>Product Responsibility</i>						
<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.	Yes	
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		Yes	
<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	Percentages have not been reported. Information is not available.	Yes	
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		Yes	
G4-PR5	Results of surveys measuring customer satisfaction		Social impacts - Product responsibility	Results of customer satisfaction surveys have not been reported. No Group-level results are available.	Yes	
<i>Marketing Communications</i>						
G4-PR6	Sale of banned or disputed products		Social impacts - Product responsibility		Yes	
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		Yes	
<i>Customer Privacy</i>						
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and		Social impacts - Product		Yes	

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	losses of customer data		responsibility			
	<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		<u>Yes</u>	

-  Included
-  Partly included
-  Not included

Indicators

INDICATORS

Economic impacts

Indicators:
EC1–EC4, EC7–EC9

INDICATORS

Environmental impacts

Indicators:
EN3–EN24

INDICATORS

Social impacts

Indicators:
LA1–LA2, LA4–LA6, LA9–LA15,
HR3–HR4, HR9–HR11, SO3–SO8,
PR1–PR9

Economic impacts



The management approach to economic responsibility, including operating principles and monitoring and control systems, is described in section Responsibility management.

INDICATORS
Economic performance
 Indicators: EC1–EC4

INDICATORS
Indirect economic impacts
 Indicators: EC7–EC8

INDICATORS
Procurement practices
 Indicators: EC9

Economic performance

EC1 Direct economic value generated and distributed

Kesko assesses the economic benefits it generates with regard to different stakeholder groups and market areas. Stakeholder welfare in its market areas is important for Kesko and its international trading operations also promote increased welfare outside its own markets, especially in 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 consolidated income statement, the consolidated statement of financial position and the consolidated statement of cash flows are described in full in the online Annual Report.

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. In 2013, Kesko distributed a total of approximately €118 million as dividends for the 2012 profit, which represented 94.5% of earnings per share and 81.8% of earnings per share excluding non-recurring items. A decision has been made to distribute approximately €138 million for the 2013 profit as dividends, which represents 79.9% of earnings per share and 83.3% of earnings per share excluding non-recurring items.

As at 31 December 2013, foreign ownership of all shares was 25%. Foreign ownership of B shares was 36% as at 31 December 2013.

The price of the highly liquid B shares increased by 8.2% and that of the less liquid A shares by 9.9%, while the NASDAQ OMX Helsinki All Share Index increased by 26.5%. The B share trading volume fell by 25.0% and the value by 20.7% on the Helsinki stock exchange. The A share trading volume fell by 50.3% and the value by 50.6% from the previous year.

The largest foreign shareholders are from the United States, Sweden, the United Kingdom and Norway (source: BigDough).

Economic benefits from Kesko's operations to stakeholder groups

€ million		2013	2012	2011
Customers ¹	Revenues	10,050	10,433	10,165
Suppliers	Goods, materials and services purchased	-9,037	-9,454	-9,188
Value added generated		1,013	979	977
Distribution of value added:				
Employees	Salaries, fees and social security costs	-611	-608	-571
Payments to providers of capital	Net finance income/costs	-6	-2	2
Owners	Dividend	-138	-118	-118
Public sector	Income taxes	-58	-75	-85
Community investments	Donations	-1	-1	-1
Development of business activities		198	176	204

¹ Incl. net sales and other operating income

Basic information on Kesko shares and shareholders as at 31 December 2013

	2013	2012	2011
Number of shares (1,000 pcs)	99,833	98,712	98,645
Share capital (€ million)	197	197	197
A shares as percentage of all shares (%)	32	32	32
B shares as percentage of all shares (%)	68	68	68
A shares as percentage of all votes (%)	82	83	83
B shares as percentage of all votes (%)	18	17	17
Market capitalisation of A shares (€ million)	851	774	788
Market capitalisation of B shares (€ million)	1,810	1,644	1,719
Number of shareholders	42,809	44,554	41,215
Earnings per share, diluted (€)	1.75	1.26	1.84
Dividend per share (€)	1.40	1.20	1.20

Economic benefits from Kesko's operations by market area

	Purchases	Capital expenditure	Salaries and share-based payments	Pension and social security expenses	Taxes ¹	Total
Finland	5,378	101	356	80	788	6,701
Other Nordic countries	699	3	51	16	37	805
Baltic countries	231	4	47	4	35	322
Russia and Belarus	279	64	44	12	12	411
Other countries	1,214	-	-	-	-	1,214
Total	7,800	171	498	113	873	9,454

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

10 largest shareholders by number of shares held (A and B series) as at 31 December 2013

	Percentage of shares, %	Percentage of votes, %
K-Retailers' Association	3.63	9.41
Vähittäiskaupan Takaus Oy	3.50	7.04
Kruunuvuoren Satama Oy	3.44	8.92
Valluga-sijoitus Oy	1.34	3.48
Elo Mutual Pension Insurance Company	1.15	0.30
Varma Mutual Pension Insurance Company	1.13	0.29
Foundation for Vocational Training in the Retail Trade	1.03	2.31
Ilmarinen Mutual Pension Insurance Company	1.00	0.94
Oy The English Tearoom Ab	1.00	0.26
The State Pension Fund	0.61	0.16

Store network

The K-Group's store network is diverse: online stores are increasingly being opened to complement the network of around 2,000 physical stores. The K-Group has a comprehensive network of over 900 K-food stores. The food trade services cover nearly all municipalities in Finland and K-food stores welcome around 900,000 customers every day. Kesko also has a large number of B2B customers. Outside Finland, Kesko engages in the food trade, the building and home improvement trade, the machinery trade and the sports trade. At the end of 2013, Kesko had 1,036 independent K-retailer entrepreneurs and approximately 180 other retailer entrepreneurs as partners. Kesko's sales to retailer entrepreneurs accounted for 51% of total sales in 2013.

Kesko and K-retailers form the K-Group, whose retail sales totalled €11.6 billion (VAT 0%) in 2013. The K-Group employs approximately 45,000 people.

Staff costs

€ million	2013	2012	2011
Salaries and fees	495	503	473
Social security costs			
pension costs	64	52	45
social security costs	49	49	46
Share-based payments	3	3	6

In 2013, foreign operations accounted for €142 million of total salaries.

In 2013, foreign operations accounted for €33 million of total pension and other social security costs.

Kesko's support for the public good

€1,000	2013	2012	2011
Non-governmental and environmental organisations	212	113	189
Science, research and education	32	86	96
Culture	59	51	94
Sports	575	470	463
Health care	2	0	15
Youth work	281	125	198
Veteran organisations	6	15	16
Total	1,167.8	860.0	1,072.0

In addition, Veikkaus Oy contributed an estimated revenue of €55-60 million to the Ministry of Education and Culture, generated from 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 2013. 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.

K-food stores in Finnish municipalities (as at 31 December 2013)

Number of K-food stores	Municipalities in 2013	% of all municipalities
10 or more	15	4.7 %
7-9	9	2.8 %
5-6	18	5.6 %
3-4	51	15.9 %
2	50	15.6 %
1	134	41.9 %
0	43	13.4 %
Municipalities, total	320	100.0 %

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

Climate change presents physical risks and regulatory risks, as well as risks and opportunities affecting reputation factors. Climate change may impact on the company's business operations in terms of risks involved in regulation, such as various permit procedures, or costs arising from emissions trading or taxation.

Physical changes, such as storms and heavy rains, have consequences for the built environment. Due to drought and desertification, water has become less available in many countries, reducing the productive potential of the economy. Agricultural production will suffer in case desertification and rising sea levels will reduce the arable land area. The availability of energy sources and emission limitations may affect energy prices. Climate change can also affect business operations in terms of other risks, such as reputation risks and changes in consumer behaviour. On the other hand, such changes resulting from climate change can also present new opportunities and competitive advantages for business operations.

One of the key objectives in Kesko's responsibility work is to mitigate the progress of climate change. Assessments of the financial implications for business activities vary significantly between risk scenarios. The financial implications are assessed annually in the responses to the Carbon Disclosure Project's questionnaire.

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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. Climate change can affect the procurement and availability of products both inside and outside Europe. Accidents, natural phenomena and epidemics can cause damage or business interruptions that cannot be prevented.

Increasing regulations restricting competitive trading conditions are being imposed in Finland and also by the European Union. Regulation also indirectly affects the costs of electrical and heat energy. The electrical and heat energy used in Kesko's own properties represents a significant part of the K-Group's energy costs. The implementation of the EU's Integrated Energy and Climate Policy and the Finnish Government's energy policy will affect future energy solutions and may increase energy prices, adding to energy saving pressures.

An analysis of risks and opportunities also takes customers' future needs into account. Kesko actively develops its stores' selections and services in all of its divisions to meet customer needs. At the same time, customer awareness of, for example, environmental impacts is increasing and their needs and buying behaviour have become diversified as new forms of services, such as e-commerce, have been made available. With regard to the competitive situation in the trading sector, the role of online transactions and multi-channel services has grown significantly in the last few years.

Kesko also helps its customers find energy-saving solutions. The Energy Expert concept, which has been deployed in the building and home improvement trade, makes it easy for customers to improve energy efficiency in their homes. K-maatalous' cultivation programme tests the suitability of plant varieties for the Finnish climate in order to help customers choose the best variety and cultivation method for Finnish conditions.

Kesko aims to support a total solution towards carbon-dioxide-free production, reduce Finland's dependency on imported energy and enhance the efficiency of the electricity market.

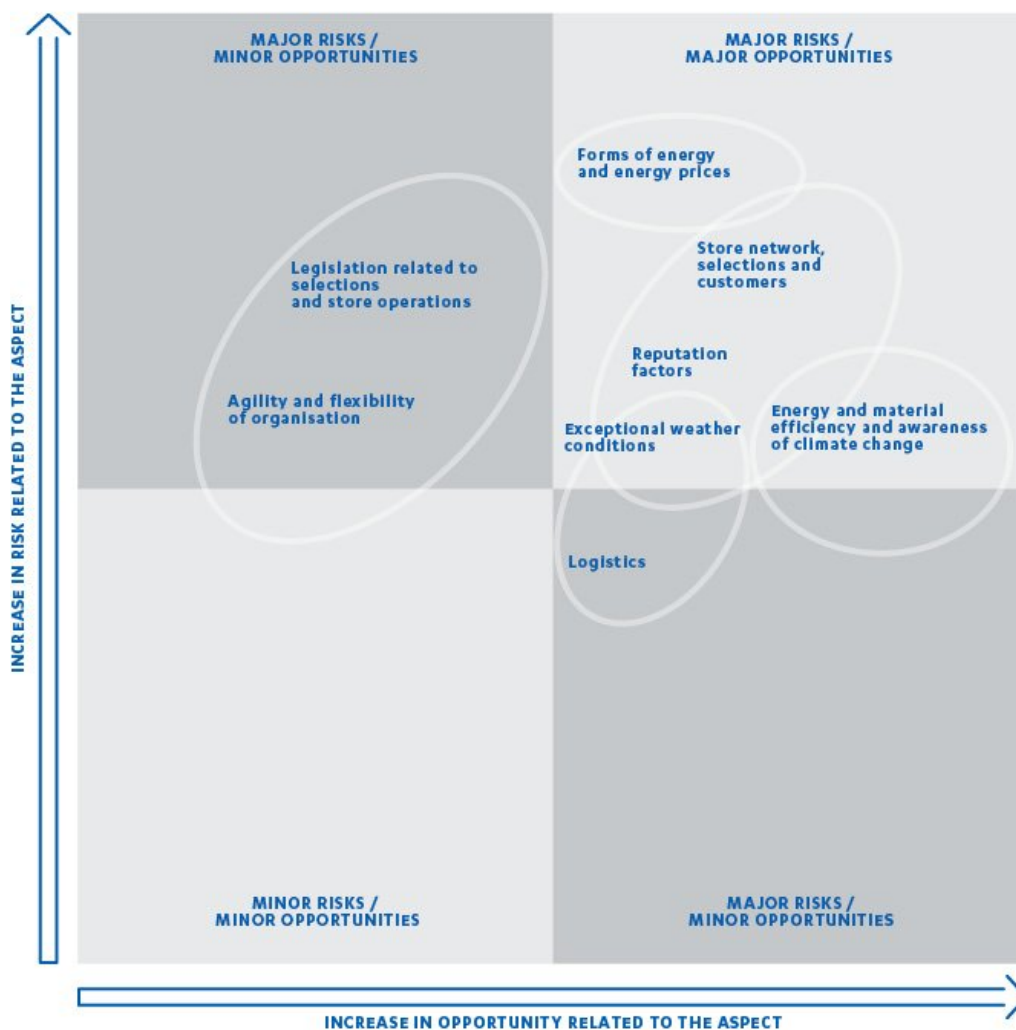
Kesko recovers the waste heat from its real estate, such as the condensation heat from cooling stores' refrigeration units, and uses it efficiently for heating with the help of the latest technology. Kesko also actively examines the use of renewable energy sources, such as soil and water as sources of heat and cooling, as well as solar energy, which will be potential alternatives as technical solutions become increasingly sophisticated.

Customers are paying increasing attention to issues related to climate change. Any failures to implement responsible practices in this area may weaken Kesko's reputation.

Kesko's operations are surveyed by continuous 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 reported to the Kesko Board's Audit Committee when the interim reports and financial statements are handled.

The risk matrix below describes some of the risks and opportunities related to Kesko's operations in respect of climate change.

RISK MATRIX



Read more about risks in report section Opportunities and risks, and in the online Annual Report.

EC3 Coverage of the organisation's defined benefit plan obligations

The Group operates several pension plans in its various operating countries. In Finland, statutory pension provision for personnel is organised through pension insurance companies and voluntary supplementary pension provision is organised through Kesko Pension Fund's department A, which was closed on 9 May 1998. At the end of the year, the number of employees eligible to receive supplementary retirement benefits from department A was 555. The statutory pensions organised through pension insurance companies are defined contribution plans. The supplementary pension provision organised by Kesko Pension Fund is a defined benefit plan. As at 31 December 2013, the plan obligation was €247.5 million (€243.1 million in 2012), which is fully covered. In accordance with IFRS, the surplus amount was €170.2 million as at 31 December 2013 (€153.8 million in 2012). Calculated in compliance with IFRS, the Group's total premium represents 12.9% of the amount of salaries (10.4% in 2012). Read more in the online Annual Report, note 17.

In the other countries, retirement benefits 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 2013, the Group received financial assistance of €0.4 million from government.

Indirect economic impacts

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.

EC7 Development and impact of infrastructure investments and services supported

During the reporting period, Kesko itself did not make any infrastructure investments referred to in the GRI. Instead, Kesko made contributions to the public good in the form of donations and through its business partners. At the national level in all of its operating countries, Kesko supports initiatives promoting science, research, education, youth work, sports, and the operations of non-governmental and environmental organisations. Kesko is especially keen to support projects promoting the wellbeing of families with children.

Kesko's community investments

	2013	2012	2011
€1,000	1,168	860	1,072

EC8 Significant indirect economic impacts, including the extent of impacts

Kesko is a service sector company which, in addition to its own direct impacts, has indirect impacts related to the production, use and recyclability of products which play a significant part of the whole.

Purchases by Kesko and its retailers have economic impacts on the suppliers of goods and services, such as an increase in the number of jobs. Furthermore, purchases from local producers affect regional business activities. The salaries, taxes, staff costs and capital expenditure paid by Kesko and its retailers have impacts on regional economic wellbeing.

Kesko is a significant tax payer. In 2013, the income taxes paid by Kesko to Finland were €51.7 million and to other countries €5.9 million. The Group's effective tax rate was 23.8%. Kesko paid €4.4 million in real estate and net-worth tax to Finland and €5.8 million to its other operating countries in 2013.

Kesko also collects, reports and remits indirect taxes. Indirect taxes include, for example, value-added tax and excise duties. Value-added tax is a consumption tax paid by the end consumers of goods and services – in other words, households. Kesko remits value-added taxes to tax recipients in its capacity as a company selling goods and services. In 2013, Kesko remitted value-added taxes to Finland in the amount of €382.7 million, and €42.9 million to other countries. As for excise tax, it is a consumption tax collected from the manufacturer, producer, importer or wholesaler of certain products and remitted to tax recipients. Excise duty is included in the product price, which makes it payable by the consumer. Kesko remits excise duties on products such as confectionery, alcohol, soft drinks and cars. In 2013, Kesko remitted excise duties to Finland in a total amount of €71.0 million.

Kesko's measurable indirect impact on society, such as its employment impact, increased municipal tax income, or income in the producer and supplier chain, should be evaluated case-by-case, in connection with the establishment of a new store, for example.

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Taxes

€ million	2013	2012	2011
Income taxes, Finland	51.7	69.4	78.7
Income taxes, other countries	5.9	5.3	6.5
Real estate and net-worth taxes, Finland	4.4	3.8	1
Real estate and net-worth taxes, other countries	5.8	4.2	1

¹ Information not available

Taxes remitted

€ million	2013	2012	2011
Value-added taxes, Finland	382.7	319.8	1
Value-added taxes, other countries	42.9	42.0	1
Withholding taxes, Finland	91.8	91.7	1
Withholding taxes, other countries	22.7	23.1	1
Car taxes, Finland	178.3	1	1
Customs duties, Finland	8.5	1	1
Customs duties, other countries	6.8	1	1
Excise duties, Finland	71.0	1	1

¹ Information not available

Economic benefit generated by Kesko and K-retailers to Finnish regions in 2013

Region	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
€ million							
Southern Karelia	9.9	15.8	4.8	5.4	12.7	1.6	50.1
Southern Ostrobothnia	277.1	35.6	0.1	5.3	12.7	1.2	331.9
Southern Savo	31.2	16.5	3.5	4.3	11.6	1.4	68.5
Kainuu	2.6	6.6	8.3	1.5	5.7	0.6	25.2
Kanta-Häme	100.7	22.6	1.4	4.4	11.4	0.7	141.2
Central Ostrobothnia	46.0	16.3	27.8	1.8	4.5	0.7	97.1
Central Finland	62.4	20.0	17.2	9.5	17.6	1.5	128.2
Kymenlaakso	44.0	18.5	2.1	6.4	12.0	1.1	84.1
Lapland	15.8	21.0	2.4	5.8	16.9	1.8	63.8
Pirkanmaa	332.3	28.8	12.2	27.1	32.7	3.4	436.6
Ostrobothnia	133.7	9.7	0.7	4.8	8.6	0.9	158.4
Northern Karelia	26.7	21.3	1.3	4.2	11.4	2.0	66.9
Northern Ostrobothnia	103.1	42.0	9.1	17.3	26.6	2.5	200.7
Northern Savo	149.0	27.9	0.1	11.6	19.6	2.2	210.4
Päijät-Häme	129.4	27.0	0.6	8.8	11.2	0.9	177.9
Satakunta	108.1	25.2	7.8	3.9	15.5	1.1	161.6
Uusimaa	3,092.6	135.5	64.7	266.3	113.7	12.6	3,685.4
Varsinais-Suomi	674.2	67.1	20.5	24.2	35.2	3.3	824.5
Åland	20.6	0.0	1.5	0.0	0.0	0.0	22.1
Total	5,359.4	557.2	186.2	412.6	379.4	39.6	6,934.5

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.

¹ Incl. increase in rent liabilities

Procurement practices

EC9 Proportion of spending on local suppliers

Kesko assesses the economic benefits 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 benefits generated by Kesko's operations – approximately 84% of Kesko's net sales – flow to suppliers of goods, from which purchases were valued at €7.8 billion in 2013.

In 2013, Kesko had around 19,900 (Excl. UAB Senukai, Lithuania) suppliers of goods and services from whom purchases were valued at over €1,000 during the year. Of these, around 10,700 operated in Finland, around 7,000 in Kesko's other operating countries, and around 2,200 in the rest of the world.

The 10 largest suppliers accounted for 23.6% (22.5% in 2012) of the Group's purchases of goods, and the 100 largest suppliers for 52.0% (51.8% in 2012). Of the 10 largest suppliers, seven were Finnish food industry companies, one import company operating in Finland and two German car manufacturers.

The purchases of all Kesko companies from suppliers of goods operating in Finland totalled €5,378 million, accounting for 68.9% (67.9% in 2012) of the Group's total purchases.

The purchases of goods by Kesko Group's Finnish companies totalled €6,524 million. Of these purchases, 82.1% were from suppliers operating in Finland and 17.9% 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 2013, K-retailers' direct purchases from Finnish regions totalled €557 million.

Capital expenditure

In 2013, Kesko's capital expenditure totalled €171 million (€378 million in 2012), or 1.8% of net sales (3.9% in 2012). Capital expenditure in store sites was €125 million (€310 million in 2012). Capital expenditure in foreign operations accounted for 41.3% (22.9% in 2012) of the total capital expenditure.

In addition to Kesko, K-retailers annually make capital expenditures by building or reconstructing stores used by the K-Group. When these figures are included, the total capital expenditure in Finland was around €186 million in 2013 (€469 million in 2012).

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.

Kesko's purchases by operating country in 2013

	Suppliers of goods and services in operating country ¹	Purchases from suppliers of goods ²		Suppliers of goods and services in other countries ¹	Purchases from suppliers of goods ²	
	number	€ million	%	number	€ million	%
Finland	10,517	5,359	82.1	2,216	1,165	17.9
Sweden	893	121	89.0	148	15	11.0
Norway	857	405	97.7	77	9	2.3
Estonia	785	44	52.8	298	39	47.2
Latvia	601	29	36.9	316	50	63.1
Lithuania	219	66	30.3	63	152	69.7
Russia	1,894	264	97.9	13	6	2.1
Belarus	742	48	62.6	215	29	37.4
Total	16,508	6,336	81.2	3,346	1,465	18.8

¹ Suppliers of goods and services

² Suppliers of goods

Kesko's purchases by company's and supplier's country of domicile in 2013

Company's country of domicile	Supplier's country of domicile									Total
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus	Other countries	
€ million										
Finland	5,359	156	8	42	4	5	0	0	951	6,524
Sweden	4	121	2	1	0	0	0	0	9	136
Norway	0	6	405	0	0	0	0	0	3	414
Estonia	6	1	0	44	4	1	0	0	28	83
Latvia	3	0	0	7	29	2	0	0	38	79
Lithuania	5	0	0	7	16	66	2	1	120	218
Russia	0	0	0	1	0	0	264	0	4	269
Belarus	1	0	0	0	0	2	13	48	13	77
Total	5,378	284	415	101	53	77	279	49	1,165	7,800

Environmental impacts



At the end of 2013, the environmental systems covered:

- 65% of the net sales of Group companies in Finland
- 54% of the net sales of the whole Group

The coverage has been calculated in proportion to retail sales.

Environmental systems are not yet used for operations in the other countries.

INDICATORS

Energy

Indicators: EN3–EN7

INDICATORS

Water

Indicators: EN8–EN10

INDICATORS

Biodiversity

Indicators: EN11–EN14

INDICATORS

Emissions

Indicators: EN15–EN21

INDICATORS

Effluents and waste

Indicators: EN22–EN24

The K-Group's environmental policy

can be read at Kesko' web pages.

Energy

Energy consumption

Finland	2013	2012	2011
Electricity (MWh)	764,387	778,961	783,290
Heat (MWh)	305,794	347,643	323,132
Total electricity and heat (MWh)	1,070,181	1,126,604	1,106,422
Water (m³)	920,414	893,803	880,641

Other operating countries

Electricity (MWh)	91,658	88,367	84,478
Heat (MWh)	39,685	38,308 ¹	41,785 ¹
Total electricity and heat (MWh)	131,343	126,675	126,263
Water (m³)	154,733	127,658	117,881

All operating countries

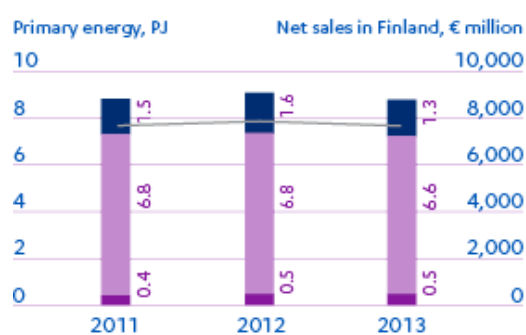
Total electricity (MWh)	856,045	867,328	867,768
Total heat (MWh)	345,479	385,951	364,917
Total electricity and heat (MWh)	1,201,524	1,253,279	1,232,685
Total water (m³)	1,075,147	1,021,461	892,279

¹ More specific figure was obtained after the previous report was published

TOTAL ENERGY CONSUMPTION IN REAL ESTATE PROFILE FOR ENERGY CONSUMED IN REAL ESTATE MANAGED BY KESKO IN FINLAND



■ Heat
■ Electricity
■ Net sales in Finland



■ Renewable
■ Nuclear power
■ Non-renewable
■ Net sales in Finland

EN3 Energy consumption within the organisation and EN5 Energy intensity

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Consumption of electric and heating energy in Kesko's office and warehouse properties and the K-Group stores in 2013:

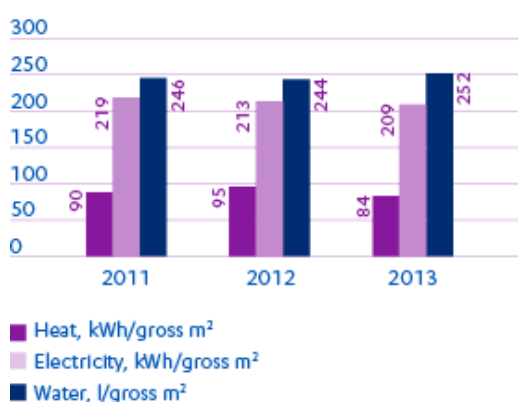
- In Finland 1,070 GWh
- In other operating countries 131 GWh

Consumption of fuel (diesel oil) in Kesko's (Keslog / Kesko Food and Anttila) own transportation or in transportation under its direct control in 2013:

- In Finland 508.1 TJ (141.1 GWh)
- No figures available for other operating countries

Energy consumption in real estate in Finland

SPECIFIC CONSUMPTIONS IN FINLAND, 2011–2013



In 2013, in properties managed by Kesko:

- Total consumption of electricity was 764 GWh (779 GWh in 2012)
- Specific consumption of electricity was 209 kWh/gross m² (213 kWh/gross m²)
- Total consumption of heating energy was 306 GWh (348 GWh)
- Specific consumption of heating energy was 84 kWh/gross m² (95 kWh/gross m²)

The K-Group is a signatory in the trading sector energy efficiency agreement. Read more about our activities related to reducing the need for electricity and heating energy in section EN6. It must also be noted that according to the statistics of the Finnish Meteorological Institute, the average temperature in 2013 was 1–2 °C higher than the long-term average. The average temperature in 2012 was close to the long-term average.

Energy consumption is monitored in some properties using multi-energy monitoring and in some properties by monitoring the consumption of electricity.

Multi-energy monitoring includes the consumption of electricity, heating energy and water. The total area of the properties covered by multi-energy monitoring is 2,613,912 m². This corresponds to 71% of all properties.

The total area of properties monitored in respect of electricity consumption only is 526,385 m², which corresponds to 14% of all properties.

Specific consumption of all property types was determined on the basis of monitoring data. Energy consumption of properties outside the scope of monitoring activities was also calculated with the help of specific consumption rates.

Electricity and heating energy consumption statistics by property type and changes in properties in Finland are available in the report by Energiakolmio.

Energy consumption in real estate in other countries

In 2013, in real estate managed by Kesko:

- Total consumption of electricity was 92 GWh (88 GWh in 2012)
- Specific consumption of electricity was 90 kWh/gross m² (85 kWh/gross m²)
- Total consumption of heating energy was 40 GWh (38 GWh)
- Specific consumption of heating energy was 39 kWh/gross m² (37 kWh/gross m²)

The increase in the total and specific consumption of electricity from the previous year can be attributed to the four K-food stores that opened in St. Petersburg. In grocery stores and warehouses, both the cold chain and the need for heated premises increase energy consumption compared with other sectors. Specific consumptions in foreign operations are, however, smaller on average than in Finland, because food retailing still accounts for a small proportion of business operations.

Some of the heating energy was self-produced. Heat is mainly produced using non-renewable energy types: gas and oil. In Belarus, timber (591 MWh) was also used for heating. In 2013, self-produced heat totalled 27 GWh.

At the time the food stores were opened in Russia, electricity was produced using diesel oil generators. In 2013, self-produced electricity totalled 4 GWh.

In 2013, the total area of subsidiaries' properties in other countries was 1,023,000 m².

Fuel consumption of transportation in Finland – Calculation

Fuel consumption was calculated with the help of data on kilometres driven, volumetric efficiencies and the transportation fleet. In 2013 the total distance driven in transportation was 32.2 million kilometres (30.7 million km in 2012).

Calculation was made in accordance with the Lipasto calculation system of VTT Technical Research Centre of Finland.

EN4 Energy consumption outside of the organisation

Consumption of the energy purchased by retailers is included in the EN3 indicator.

Only a limited amount of data on energy consumption outside the organisation is collected for Scope 3 reporting (EN17 Other indirect greenhouse gas emissions).

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 store chains that belong to the K-Group.

By the end of 2013, Kesko has improved its energy consumption by 58.9 GWh, which means that 91% of the savings commitment of the energy-efficiency agreement has been achieved.

The energy consumption at store sites consists of:

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

In food stores, the consumption of refrigeration systems can account for more than half of the total electricity consumption at small store sites. The installation of lids on the chest freezers in K-food stores continued. In 2013, the total length of added chest freezer lids and doors contributed around 300 metres to the total length of around 8.1 kilometres (7.8 km in 2012) of such refrigeration equipment. Lids help save 40% more electrical energy compared to uncovered equipment. In 2013, the total length of added dairy and juice cabinet doors was 150 metres (330 m in 2012).

In 2013, the remote monitoring of stores' refrigeration systems helped us save approximately 3.6 GWh of energy. With the help of remote monitoring, refrigeration equipment can be adjusted for optimum temperatures and defrosting cycles. It also enables problems to be responded to immediately.

At the end of 2013, the building automation of 159 Kesko facilities was connected to 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. The right running times and set points are the easiest and the most effective ways in which to improve energy efficiency. The

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average specific heat energy consumptions of remote controlled properties were 11% lower compared to non-remote controlled properties. The specific electrical energy consumption of remote controlled properties was 2.8% lower than non-remote controlled properties.

Increasingly many K-food stores also save energy by using carbon dioxide recovered from industrial processes as a refrigerant in their refrigeration equipment. Not only is carbon dioxide an environmentally friendly refrigerant, but the use of condensation energy from CO₂ plants can save as much as 55% of a store's heat energy compared to traditional solutions using condensation heat from cooling units. The actual savings are even bigger than the calculated savings. Thanks to the solution combining a CO₂ plant and efficient heat recovery at K-supermarket Jalasjärvi, for example, the store's standardised specific consumption of heat energy in 2013 was only 24.7 kWh/m². This is approximately 79% less than an average K-supermarket.

LED technology is used in the illuminated signs of all new stores. The resulting savings compared to ordinary neon and fluorescent tube solutions are 60–70%. LED technology is also used to light outdoor areas at K-supermarket Jalasjärvi and the Veturi shopping centre, for example.

At the Veturi shopping centre, ground heat and ground cooling generate around half of the total heating and cooling energy used by the shopping centre. The solution generates an annual energy saving of 1.9 GWh.

More information about energy efficient construction is in the theme section of the report.

Information about energy savings in Kesko's transportation is in the section EN19 Reduction of greenhouse gas (GHG) emissions.

EN7 Reductions in energy requirements of products and services

Rautakesko's Energy Expert service concept has been adopted by a total of 118 K-rauta and Rautia stores. The concept includes displays featuring solutions for higher energy efficiency at one in-store location where a sales assistant, familiar with building services, finds the solutions that best suit customers' needs. The Energy Expert concept also includes an optional installation service provided by a K-rauta or Rautia store.

In 2013, the CO₂ emissions of passenger cars registered for the first time in Finland were 130.00 g/km (139.70 g/km in 2012). Of the car brands imported by Kesko last year, the average CO₂ emissions of Volkswagen passenger cars, for example, were 123.63 g/km (130.96 g/km in 2012).

Water

EN8 Total water withdrawal by source

Finland has abundant water resources. Due to virtual water associated with the import of processed goods, more than half of the water footprint of Finnish consumption falls outside Finland (source: www.waterfootprint.org), which means that the most significant impacts from water consumption are through the products on sale.

Water to the properties managed by Kesko comes from municipal supplies. One property of Konekesko Eesti has a well of its own.

In the K-Group's own operations, water is mainly used for cleaning. Maintaining a high level of hygiene is particularly important in food stores. General requirements for hygiene concerning food stores are described in the Finnish Food Act and the decree on premises selling food. Car wash facilities are big individual consumers of water. At Neste Oil K-market service stations, the number of car washes increased by nearly one fifth in 2013, which greatly contributed to the increase of 26% in their water consumption.

Consumption of water in the properties managed by the K-Group in 2013:

- In Finland: 920,414 m³ (893,803 m³ in 2012)
- In the other operating countries: 154,733 m³ (133,381 m³ in 2012; accuracy of the numerical value has increased since the previous report)

Water consumption statistics by property type and changes in properties in Finland are available in the report by Energiakolmio.

EN9 Water sources significantly affected by withdrawal of water

Water to all the properties managed by Kesko comes from municipal supplies. One property of Konekesko Eesti has a well of its own. There is no withdrawal of water from water sources.

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

EN11 Operational sites owned and managed in areas of high biodiversity value, and EN12 Description of significant impacts of activities on biodiversity in protected areas and areas of high biodiversity value

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

Kesko has no 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 has no habitats protected or restored.

Surveys of contaminated land are made annually in connection with construction work and real estate transactions. In 2013, contaminated soil was found on one site, which was cleaned. The restored site is located in Helsinki. A total of 7,618 tonnes of contaminated soil were removed from this site.

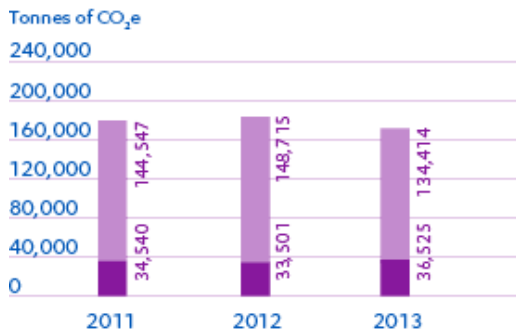
EN14 Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations

There are no endangered species directly affected by Kesko's operations. Indirect impacts arise through products on sale.

Emissions

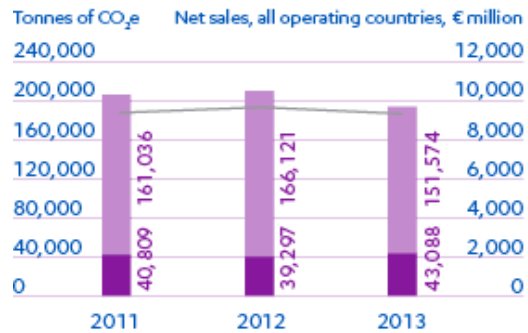
Kesko reports direct and indirect greenhouse gas emissions from its operations using the GHG Protocol.

CLIMATE CHANGE IMPACTS UNDER GHG PROTOCOL, SCOPE 1 AND SCOPE 2, FINLAND



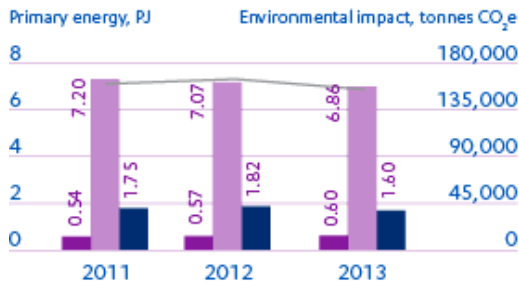
■ Scope 1, own energy production as well as own transportation and that controlled by Keslog
 ■ Scope 2, purchased energy
Own energy production in 2012 and 2011 is partly included in Scope 2 figures.

CLIMATE CHANGE IMPACTS UNDER GHG PROTOCOL, SCOPE 1 AND SCOPE 2, ALL OPERATING COUNTRIES



■ Scope 1, own energy production as well as own transportation and that controlled by Keslog
 ■ Scope 2, purchased energy
 ■ Net sales, all operating countries
Own energy production in Finland in 2012 and 2011 is partly included in Scope 2 figures.

PROFILE AND ENVIRONMENTAL IMPACT OF ENERGY PURCHASED AND CONSUMED BY THE K-GROUP, ALL OPERATING COUNTRIES



■ Renewable
 ■ Nuclear power
 ■ Non-renewable
 ■ Climate change

EN15 Direct greenhouse gas (GHG) emissions (Scope 1)

In 2013, Kesko' operations produced direct greenhouse gas emissions as follows:

- Own transportation and transportation directly controlled by Kesko in Finland (Keslog): 35,582 tonnes of CO₂e (33,501 tonnes of CO₂e in 2012)
- Heating in Finland (properties managed by Kesko; oil and natural gas): 943 tonnes of CO₂e (figures for 2012 not available)
- Total own transportation and transportation directly controlled by Kesko and heating in Finland: 36,525 tonnes CO₂e

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- Transportation data on the other operating countries is not available
- Heating and electricity produced by Kesko in the other operating countries (oil, gas and timber¹): 6,562 tonnes of CO₂e (5,790 tonnes of CO₂e in 2012; accuracy of the numerical value has increased since the previous report)

In Finland, transportation for Kesko Food and Anttila is managed by Keslog. Emission values of transportation in its own transportation and transportation under its direct control were calculated with the help of data on kilometres driven, volumetric efficiencies and the transportation fleet. The calculation was made using the Lipasto system developed by VTT Technical Research Centre of Finland.

Calculation bases and more detailed calculations for heating and self-produced electricity in Finland are available in the reports by Energiakolmio:

- Finland
- Other operating countries

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

EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)

In 2013, the energy consumption of properties managed by Kesko produced indirect greenhouse gas emissions as follows:

- Electricity purchased in Finland: 67,990 tonnes of CO₂e (71,750 tonnes of CO₂e in 2012; accuracy of the numerical value has increased since the previous report)
- District heat purchased in Finland: 66,424 tonnes of CO₂e (76,965 tonnes of CO₂e in 2012)
- Total electricity and district heat purchased in Finland: 134,414 tonnes of CO₂e (148,715 tonnes of CO₂e in 2012)
- Electricity purchased in the other operating countries: 14,442 tonnes of CO₂e (15,187 tonnes of CO₂e in 2012)
- District heat purchased in the other operating countries: 2,718 tonnes of CO₂e (2,219 tonnes of CO₂e in 2012)
- Total electricity and district heat purchased in the other operating countries: 17,160 tonnes of CO₂e (17,406 tonnes of CO₂e in 2012)

The electricity supplied by Kesko, 501 GWh (528 GWh in 2012), represents 65.6% of the total consumption by the properties in Finland. All carbon-free electricity purchased by Kesko from Helsingin Energia was produced using nuclear power. Consequently, the carbon dioxide emissions from the electricity purchased by Kesko were 0 tonnes in 2013.

The calculation principles and more detailed calculations are available in Energiakolmio Oy's reports:

- Finland
- Other operating countries

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

Scope 3 categories

Tonnes of CO ₂ e	2013	2012
Upstream		
Capital goods (buildings)	20,200	
Indirect emissions of purchased energy (other than Scope 1 and Scope 2)	54,900	168,000 ⁵
Transportation and supply of goods ¹	26,300	14,000
Waste ²	8,500	5,800
Business travel ^{3 4}	3,000	3,700
Employee commuting ³	10,800	9,000
Downstream		
Customer visits (shopping trips) ³	174,000	210,000

¹ Calculation includes Finnish and, to a limited extent, import transportation (imports include the car trade and the building and home improvement trade; import not included in 2012)

² Reporting on the building and home improvement trade in foreign countries and Finland has developed from 2012

³ Only calculated for operations in Finland

⁴ Calculation includes travel (air, railway, ship and car traffic) and hotel accommodations

⁵ Calculation for 2012 was conducted in a different way

There is no information on kilometres driven or any emission calculations available for imports transportation. Transportation from Europe was made by trucks, semi-trailers and containers. Transportation from outside Europe was made only by containers.

Transportation of subsidiaries in other countries has been divided between a larger number of companies than in Finland. Some manufacturers transport their products directly to stores. The transportation statistics are incomplete. No emission calculation has been made based on them. The development of transportation statistics will continue in order to enable information on the other operating countries to be reported.

The Scope 3 calculation principles

EN18 Greenhouse gas (GHG) emissions intensity

Emissions intensity ratio (Scope 1 and 2) calculated on the basis of net sales in 2013 (€9,315 million):

20.9 tonnes of CO₂e/€ million (21.4 tonnes of CO₂e/€ million in 2012)

Emissions intensity ratio (Scope 1 and 2) calculated on the basis of the average number of employees in 2013 (19,489 full-time employees):

10.0 tonnes of CO₂e/person (10.5 tonnes of CO₂e/person in 2012)

EN19 Reduction of greenhouse gas (GHG) emissions

Keslog has made long-term work to reduce emissions from the K-store supply chain by centralising distribution. New replacements in the vehicle fleet have reduced unit-specific emissions. Key tools in improving logistics efficiency also include the optimisation of transport routes and a high volumetric efficiency. A significant part is also played by efficient reverse logistics with, for example, purchase loads or carrier trays and recycling components, such as pallets, roll containers, cardboard, bottles or cans, collected on the return route. All of Keslog's more than 500 contract drivers have been trained for an economical driving style. There were nine two-tier trailers used in long distance trunk delivery transportation in February 2014.

Estimates of savings in the consumption of fuel (diesel oil) in 2013 are as follows:

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- Economical driving style: about 370,000 litres
- Two-tier trailers: about 225,000 litres

In 2013, the air miles of Kesko employees travelling in business totalled 7.8 million (8.8 million in 2012). The intention is to reduce air travel for instance by increasing the opportunities for virtual meetings. At the end of 2013, Kesko Group had 26 Videra video conferencing facilities in use and the total duration of all video meetings between two or more facilities was 5,483 hours (5,458 hours in 2012).

At the end of 2013, Kesko had 642 company cars in use in Finland, of which

- 14 run on ethanol
- 272 run on petrol
- 355 run on diesel
- 1 run on gas

Kesko's company car policy recommends an emission level below 160 g CO₂/km. In 2013, the average emission level was 137 g CO₂/km (140 g CO₂/km in 2012) and the emissions from company cars totalled 2,569 CO₂ tonnes (3,076 CO₂ tonnes in 2012). This calculation also includes private travel driven by company cars.

EN20 Emissions of ozone-depleting substances (ODS)

The building services equipment in properties managed by Kesko contains approximately 16 tonnes of refrigerants. Refrigerants are added because of leaks in the equipment. Kesko monitors the use of refrigerants by compiling refill data from its maintenance partners. In 2013, around 500 kilograms of refrigerants were added.

The HFC substances, such as R404, are the most frequently used refrigerant in K-food stores. New K-food stores use R744 technology, in which the refrigerant is carbon dioxide recovered to 100% from industry processes. Refrigeration units also make use of the gas temperature in the carbon dioxide process – higher than that generated in the traditional refrigeration process – by building an efficient heat recovery system for heating service water and the incoming air of the air-conditioning system.

HCFC chlorofluorohydrocarbon refrigerants, such as R22, are used in fewer than 40 stores. The refrigeration equipment using HCFC is technologically outdated and HCFCs will be abandoned by the end of 2014.

CFCs are no longer used in K-food store refrigeration equipment.

The leading refrigerants in Kesko's warehouses are NH₃ (ammonia) and R404a.

EN21 NO_x, SO_x, and other significant air emissions

In 2013, from electric and heat energy used in properties managed by Kesko:

- The acidifying emissions of nitrogen oxide emissions (NO_x) were 236 tonnes (249 tonnes in 2012)
- The acidifying emissions of sulphur dioxide (SO₂) were 201 tonnes (212 tonnes in 2012)
- The ethylene emissions producing lower atmosphere ozone (C₂H₄e) were 9 tonnes (9 tonnes in 2012)
- The quantity of radioactive waste from electricity produced by using nuclear power was 1.4 tonnes (1.5 tonnes in 2012).

The calculation principles and more detailed calculations are available in Energiakolmio Oy's report.

Data on CO₂ emissions are only collected on transportation and business travel.

Effluents and waste

EN22 Total water discharge

Waste water from Kesko's operations goes to municipal sewer systems. There is no water discharge referred to by GRI from Kesko's operations.

EN23 Waste

Waste management statistics on operations in Finland

Tonnes	Kesko Food (logistics)			Kespro			Anttila (logistics centre)			Rautakesko			Car and machinery trade		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Waste for recovery	7,048	7,473	7,245	1,239	849	941	413	542	423	1,869	640	439	618	734	689
WEEE	9	1	14	-	2	-	51	71	96	-	-	-	0.3	5	-
Landfill waste ¹	152	291	391	239	328	316	4	4	2	166	102	52	37	41	75
Hazardous waste	2	4	18	0.2	1	12	0.7	-	-	0.8	-	-	35	149	61
Total	7,211	7,769	7,668	1,478	1,180	1,269	469	617	521	2,036	742	491	690	929	825
Recovery rate, % ²	98	96	95	84	72	75	99	99	99	92	86	89	95	96	91

¹ Mixed waste and other components not suitable for recovery

² Composted organic waste and hazardous waste are included in the recovery rate

Waste management statistics for Sweden and Norway

Tonnes	Sweden			Norway		
	2013	2012	2011	2013	2012	2011
Waste for recovery	2,464	1,998	2,723	1,057	1,199	1,224
Landfill waste	838	727	512	6	11	22
Hazardous waste	169	164	62	37	45	37
Total	3,471	2,889	3,289	1,100	1,255	1,283
Recovery rate, % ¹	76	75	85	99	99	95

¹ Composted organic waste and hazardous waste are included in the recovery rate

Waste management statistics for the Baltics, Russia and Belarus

Tonnes	Estonia			Latvia			Lithuania			Russia			Belarus		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Waste for recovery	193	387	402	183	153	189	1,793	2,304	2,300	1,138	438	574	38	40	8
Landfill waste	350	176	43	419	464	478	1,111	938	1,050	3,520	2,109	1,113	467	290	53
Hazardous waste	11	10	7	2	2	7	16	22	25	1	1	-	0.2	0	132
Total	554	573	452	603	619	674	2,920	3,264	3,375	4,659	2,548	1,687	505	330	193
Recovery rate, % ¹	37	69	89	31	25	28	62	71	68	24	17	34	8	12	4

¹ Composted organic waste and hazardous waste are included in the recovery rate

In 2013, Kesko Food's centralised waste management agreement comprised around 100 K-stores. The recovery rate of the waste generated in stores was about 90% and the recycling rate about 68%. In addition, Kesko Food directed cardboard and plastic bales from about 130 K-food stores on a centralised basis to the industry for reuse in 2013.

Recycling services available in connection with K-food stores help customers in their daily activities and provide an efficient way to increase the recycling of consumer packaging waste in households:

- In 2013, there were about 220 recycling points for consumer packaging (fibre, glass, metal) at K-food store sites. Several of them also accepted wastepaper and discarded clothing.
- All K-food stores accepted portable batteries and small accumulators brought by customers.
- All K-food stores accepted deposit beverage packaging. In 2013, customers returned:
 - 324 million cans
 - 97 million recyclable plastic bottles
 - 31 million recyclable glass bottles
- Major stores started to accept waste electrical and electronic equipment (WEEE) on 1 May 2013. The obligation to accept returned WEEE depends on the store's sales area and product selection and on the size of the equipment. When buying a new product, customers can return large equipment (over 25 cm) to all stores that sell corresponding products. Small equipment (under 25 cm) can be returned to large grocery stores of over 1,000 m² and to speciality stores of over 200 m² without obligation to buy a new product.

Packaging delivered by Kesko Foods reverse logistics (Keslog) for recovery and reuse

1,000 pcs	2013	2012	2011
Aluminium cans	85,009	95,252	100,236
PET bottles	52,511	53,453	56,841
Recyclable glass bottles ¹	12,508	6,606	5,107
Reusable crates ²	18,457	12,097	11,429

¹ The number of recyclable glass bottles increased considerably from the previous year when their reception against deposit started in food stores.

² Statistics for crates have been complemented with two terminals.

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Impregnated timber and lead-acid accumulators recycled by the building and home improvement trade (K-Rauta and Rautia), Finland

Tonnes	2013	2012	2011
Impregnated timber	1,080	891	931
Lead-acid accumulators	2.4	4.0	4.0

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

Tonnes	2013	2012	2011
Batteries and accumulators	174	152	130

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

Tonnes	2013	2012	2011
Recycling of clothes	2,280	1,736	1,609

More information about waste recovery and recycling in the theme section of the report.

EN24 Total number and volume of significant spills

In 2013, there were no significant oil, fuel, waste, chemical or other spills. See also EN13.

Social impacts



The approach to social responsibility management, including the operating principles and monitoring and control systems, is described in section Responsibility management.

INDICATORS

Employees

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

INDICATORS

Human rights

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

INDICATORS

Society

Indicators: SO3–SO8

INDICATORS

Product responsibility

Indicators: PR1–PR9

Employees

Labour

LA1 Employee turnover

In 2013, Kesko Group recruited 4,417 (4,949 in 2012) new employees in Finland, while 4,095 (4,339 in 2012) left the Group in Finland.

In other countries, the Group recruited 6,330 employees (6,330 in 2012), while 5,964 employees (5,568 in 2012) left the Group. The most common reason for the termination of an employment relationship in Finland was the expiry of a fixed-term contract, which explained about 53% (54% in 2012) of departures. In other countries, the most common reason – for 61% (65% in 2012) – of departures was the employee's resignation.

In Finland, 6.8% (278) of the terminated employment relationships and 23.3% (1,389) in other countries were terminated by the employer for financial or production-related reasons, or for reasons of the employer's operational reorganisation, or for other reasons based on the Employment Contracts Act. The corresponding figures in 2012 were 3.8% (166) and 22.2% (1,236), respectively.

In 2013, Kesko Group companies had 12 employment disputes pending in different courts in Finland. Two rulings were given in favour of the employer and two in favour of the employee. Four disputes were settled and four employment disputes are pending. In Kesko's other operating countries, there were five employment disputes pending. In two of them, rulings given were in favour of the employer and one in favour of the employee. One dispute was settled and one dispute is still pending.

Kesko's personnel statistics for 2013 analysed by operating country

	Finland	Estonia	Latvia	Lithuania	Belarus	Russia	Sweden	Norway
Total number of personnel at 31 Dec.	12,776	568	483	3,554	1,980	3,082	932	488
Average number of personnel in 2013	9,805	536	473	3,198	1,712	2,613	769	383
Number of new employments ¹	4,417	200	201	1,798	1,444	2,264	338	85
Number of terminated employments ¹	4,095	193	199	1,896	1,219	1,947	385	125
Terminated by employer, %	6.8	7.8	22.1	13.0	42.3	23.0	26.8	12.8
Total turnover rate, % ²	22.4	23.8	33.5	51.7	38.1	63.2	23.2	23.8

¹ Including summer employees.

² Excluding summer employees.

LA2 Benefits provided to employees

Kesko Group provides its permanent, fixed-term and part-time employees in all its countries of operation with the employee benefits required by local legislation. These benefits include occupational health services, insurance against occupational injuries and diseases, parental leave and retirement benefits.

Group companies in Finland honour their employees on various special days. If, for instance, an employee's 50th or 60th birthday falls on a workday, it will be a paid day off. Kesko also supports leisure activities in Finnish companies through the Kesko Staff Club. The purpose of the Club is to create a good team spirit and promote employees' sports, cultural and recreational activities. Some of the companies operating in Estonia and Latvia also give financial support to their employees in various situations in life, such as when a child is born, during the child's first year at school, and in the event of the death of a close relative. 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 in the job.

Bonus payments and share option schemes

In spring 2013, around €10.5 million (€13.0 million in 2012) was paid in Finland in bonuses under the 2012 performance bonus schemes, accounting for some 3.0% (3.6% in 2012) of the total payroll. 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. In 2013, the total amount of different bonuses paid in

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operations in Finland was €11.1 million (€13.8 million in 2012) consisting of bonuses, sales commissions and other similar monetary remuneration.

In Kesko Corporation's bonus scheme, the factors contributing to the bonus amount are the total performance of the Group and the division, the sales and performance of the employee's own unit and customer satisfaction. The job satisfaction of personnel is another contributing factor in supervisors' bonuses.

In 2013, the companies outside Finland paid €2.9 million in bonuses and other remuneration, accounting for 2.1% of the payroll. The corresponding figure for 2012 was €4.3 million, accounting for 3.1% of the payroll.

Kesko Group's management – comprising around 100 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. In 2013, Kesko operated the 2007A, 2007B and 2007C option schemes. More information on the schemes is available at Kesko's webpages. The options had no impact on the Group's profit for the financial year 1 January–31 December 2013.

Kesko has a share-based compensation plan 2011–2013 for about 150 Kesko management personnel and other named key personnel, in which a total maximum of 600,000 Kesko B shares held by the company could be granted to people in the target group within a period of three years. The share-based compensation plan includes three vesting periods: the calendar years 2011, 2012 and 2013. A commitment period of three calendar years follows each vesting period. During this period, shares must not be transferred. In February 2014, the Board decided to grant a total of 50,520 of the company's series B shares to about 150 Kesko management personnel and other named key personnel, based on the fulfilment of the vesting criteria for the 2013 vesting period in the share-based compensation plan.

In February 2014, Kesko's Board of Directors decided on a new share-based compensation plan for 2014–2016. The plan's vesting criteria are the same as those of the compensation plan implemented in 2011–2013.

Pensions

In Finland, 162 employees (154 in 2012) retired from the Kesko Group. This figure includes employees retiring on part-time pension and on partial disability pension. Rehabilitation allowance was granted for vocational retraining or trials for 26 (20 in 2012) employees with an obvious risk of incapacity for work in the next few years.

The number of disability pensions has remained low throughout the 2000s. In this period, the Occupational Health Service has intensively focused on actions targeted at maintaining employees' working capacity. In 2013, the average retirement age of employees was 59 years (58 in 2012). In the other operating countries, 19 (10 in 2012) 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 trading section collective bargaining agreements.

Kesko Group has a company-specific shop steward system in place in all of its largest subsidiaries in Finland. Keslog Ltd has site-specific shop stewards, whereas Anttila Oy and K-citymarket Oy also have store-specific shop stewards.

In all 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.

K-instituutti provides occupational safety training for Kesko employees and K-retailers. Different Group 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, there were approximately 9,500 (8,500 in 2012) Kesko Group employees in the sphere of Kesko's in-house Occupational Health Service. In Finland, occupational health services for employees outside the Greater Helsinki area are mainly procured from various 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 €5.0 million (€4.9 million in 2012) was spent on occupational health care in Finland in 2013. The Social Insurance Institution of Finland compensated around €2.4 million (€2.2 million in 2012) of this amount. In 2013, Kesko's Occupational Health Service spent €481 (€479 in 2012) per covered employee on maintaining employees' working capacity and providing medical care.

Kesko's contribution to occupational health care, Finland

	2013	2012	2011
€/person	481	479	447

The expertise of the Occupational Health Service is widely used by Kesko's retail companies in the development of workplace ergonomics. In this context, ergonomics is a broad concept, including chemical and physical, motion-related and psychosocial factors.

Occupational health care interviews involving the employee, the supervisor and a representative of the Occupational Health Service are part of basic operations in occupational health care. Cases in which these negotiations can be conducted include, for example, an employee's reduced working capacity, vocational rehabilitation planning, high absence rate, work-related strain or a conflict in the working community. The objective is early intervention in situations threatening the individual's working capacity.

Injuries and occupational diseases in Finland

	2013	2012	2011
Fatal injuries	0	0	0
Occupational injuries, excl. Commuting injuries	116	143	154
Commuting injuries	43	53	75
Injury rate ¹ /million working hours	6	7	9
Average degree of injury severity, days	18.3	20.7	17.3
Suspected occupational diseases	4	2	3
Occupational diseases	9	0	3
Sick days due to injuries and occupational diseases	2,902	4,056	3,967
per employee	0.30	0.40	0.39

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 2013

	Finland	Estonia	Latvia	Lithuania	Belarus	Russia	Sweden	Norway
Total number of sick days	121,543	3,991	4,097	31,972	18,486	25,541	8,909	3,506
per employee	12.4	7.4	8.7	10.0	10.8	9.8	11.6	9.1
per million working hours	6,572	3,670	4,292	4,949	5,315	4,936	6,581	5,196

The calculation method: Sick days per employee have been calculated on the average number of employees during the year. 2013 data of Konsoma JLLC, Belarus not included.

TREND IN NUMBER OF SICK DAYS



2011 data for Konsoma JLLC, Belarus and SIA Antti, Latvia are not included.

2012 and 2013 data for Konsoma JLLC, Belarus are not included.

The statistics on injuries in Finland and the analysis of sickness absence days by country are presented in the above tables. In other countries, there were 45 injuries resulting in sickness absence of more than three days in 2013. In Finland, the corresponding number was 116.

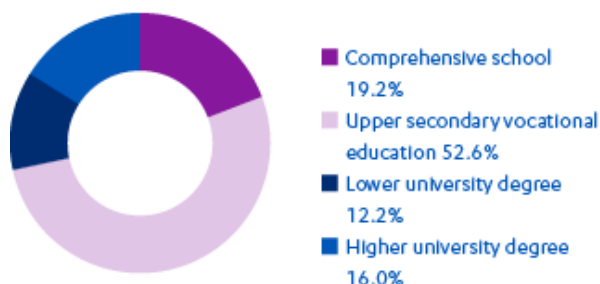
In 2013, the sickness absence rate in Finnish companies was 4.6% (4.8% in 2012) of hours worked. Around 79% (79% in 2012) of the sickness absences were short-term absences (paid sick days). In other countries, the sickness absence rate was 4.0% (4.0% in 2012). The figures do not include the data for Konsoma JLLC.

Training and personnel development

LA9 Average hours of training per employee, and LA11 Programmes for skills management and lifelong learning

K-instituutti is in charge of planning, providing and sourcing training services for the K-Group in Finland. In 2013, approximately 54% (69% in 2012) of Finnish Kesko employees' training days were implemented through K-instituutti. A total of 30,247 (32,026 in 2012) K-Group employees, including the store staff employed by retailers and all online studies, received training at K-instituutti.

DISTRIBUTION BY EDUCATION AT 31 DEC. 2013, %



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

Systematic, business-driven development of personnel and management is a critical factor for future success. Core competence development areas include sales and service competence, product line specific competence advantage projects, immediate leadership and management, as well as e-commerce and services.

In 2013, the Personal Development Programme for potential future management was carried out both in Finnish and English. The implementation of the Leadership Development Programme for international participants continued. The Successful Immediate Supervisor coaching programme also enabled employees to polish up their supervisory skills.

K-instituutti is responsible for carrying out the Master Sales Assistant training, one of Finland's largest adult training programmes. Access to the Master Sales Assistant training programme via the training portal allows everyone to study according to their own schedule and choose the most interesting and useful online courses from among of all Kesko Group's e-learning material. The objective is to continuously develop the service attitude, sales skills and product knowledge of sales assistants in cooperation with suppliers. For the 27th time, the Master Sales Assistant training programme was also offered in about 100 business colleges and polytechnics. In 2013, over 175,000 online courses in the Master Sales Assistant training programme were completed by employees of K-stores, while the corresponding figure for business college and polytechnic students was about 58,000.

During the last months of 2013, the common learning environment in online training, managed by K-instituutti, was expanded to other operating countries in cooperation with Rautakesko. The implementation has proceeded well and will continue with other divisions.

Regional and store-specific training courses provided by the K-instituutti training centre in Finland had about 2,500 students in 2013. The vocational and specialist vocational qualification training programmes organised by K-instituutti had 539 students (773 in 2012), of whom 223 (224 in 2012) completed the qualification.

Since 2011, Kesko has been implementing a wellbeing at work programme aimed at enhancing employees' job satisfaction and working capacity and lowering the total costs of wellbeing at work. In 2013, Group HR, K-instituutti and training partners together organised training events for around 700 supervisors on performance management, early intervention and on how to make use of the personnel survey.

In-house job rotation provides an extensive selection of career alternatives. In Finland, there were around 1,500 (2,500 in 2012) internal transfers to new jobs, while the corresponding total figure in other countries was around 3,000 (2,600 in 2012).

In Finland, recruitment in the K-Group is supported by the K-trainee and retailer training programmes. Nine K-trainees completed the fourth K-trainee programme, which was launched in 2012. The fifth K-trainee programme will be launched in June 2014 and the content has been made increasingly flexible: in addition to newly graduated young people, applicants may now also include those about to finish their studies and those with some work experience already.

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Future K-retailers are trained in the retailer training programmes. The coaching involves online studies, 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, which 95–99% of trainees choose to do. Find out more about the K-trainee and retailer coaching programmes at Kesko's webpages.

Training days and costs in 2013

	2013	2012	2011
Training days			
Finland ¹	9,021	9,498	16,790
Other countries ^{2 3 4}	16,848	7,819	15,219
Training days per employee			
Finland	0.9	0.9	1.7
Other countries ^{2 3 4}	1.7	0.8	1.8
Training costs, € million			
Finland	2.0	2.6	3.0
Other countries	0.9	1.2	0.9
Training costs per employee, €			
Finland	205	255	299
Other countries	94	121	103

¹ Reporting principle changed in 2012

² 2011: Excluding Byggmakker, Norway

³ 2012: Excluding Byggmakker, Norway and Konsoma JLLC, Belarus

⁴ 2013: Excluding Konsoma JLLC, Belarus

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. In 2013, 85% (80% in 2012) of the Group's employees in Finland and 76% (60% in 2012) of those in other countries participated in reviews. 73% of those who had had a review were satisfied with it.

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. In 2013, training courses on performance management were organised for nearly 300 supervisors. The aim was to support them in setting targets and managing by information as well as using performance evaluation tools and giving feedback. The plan is to launch training courses on performance management in our foreign companies over the course of 2014.

Personnel survey

Kesko's personnel survey was revised in 2013. The survey was made more compact by focusing on factors that support Kesko's business and HR objectives. The revision also included the adoption of two new indices: employee engagement and performance enablement. The contents of the supervisory work and wellbeing at work indices were also changed. Due to the changes made, the results are not comparable with those for the previous years. All Group companies, with the exception of Senukai and OMA, participated in the survey. The response rate was 78%. In the Group companies in Finland, the results of the personnel survey have an impact on the bonuses paid to supervisors and management.

Reporting was also changed: instead of providing grades on scale 1–5, percentages of positive replies are reported. In this rating, the percentages of the respondents saying 'Fully agree' and 'Agree' are added up, which will provide a clear idea of the proportion of employees who selected either of the two most positive replies. The results of the personnel survey are presented in the table below.

Personnel survey 2013

	Finland	Estonia	Latvia	Lithuania	Russia	Sweden	Norway
Employee engagement	54 %	56 %	56 %	79 %	58 %	49 %	48 %
Performance enablement	69 %	68 %	69 %	83 %	75 %	54 %	70 %
Supervisory work	70 %	71 %	79 %	80 %	83 %	60 %	70 %
Wellbeing at work	60 %	69 %	68 %	83 %	65 %	45 %	69 %

Diversity

LA12 Composition and diversity of governance bodies and employee categories

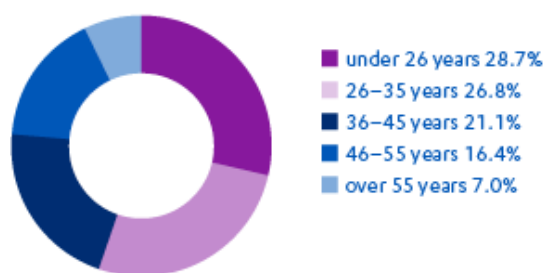
In 2013, the average age of personnel in Finland was 35.2 (35.1 in 2012) years. In other countries, the average age varies from 25 (30 in 2012) years to 44 (42 in 2012) years.

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.

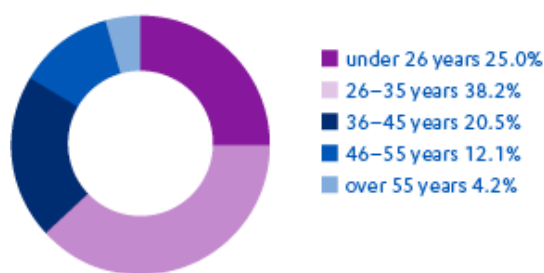
In addition to gender equality, the plans also guide other aspects of equality, such as the treatment of people in different age groups or with different cultural backgrounds. Employees' experiences of equality have been monitored as part of the personnel survey. The question was revised for the 2013 survey, compiling all areas of equal treatment in one question. The question aims to find out whether personnel are treated equally regardless of age, race, working ability, religion or sexual orientation. 74% of the respondents felt that all employees are treated equally.

At year-end, 59% (60% in 2012) of Kesko Group employees in Finland were female and 41% (40% in 2012) were male. In foreign companies, the figures were 50% and 50% (49% and 51% in 2012) respectively.

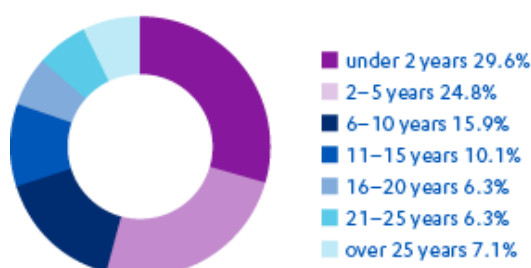
AGE DISTRIBUTION OF KESKO PERSONNEL IN FINLAND IN 2013, %



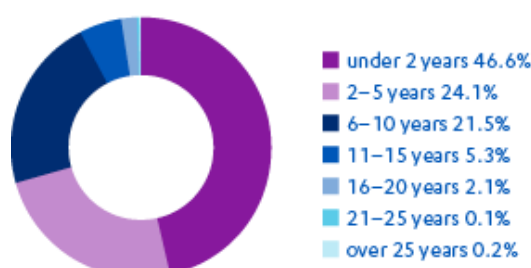
AGE DISTRIBUTION OF KESKO PERSONNEL IN THE OTHER OPERATING COUNTRIES IN 2013, %



YEARS OF SERVICE IN FINLAND IN 2013, %



YEARS OF SERVICE IN THE OTHER OPERATING COUNTRIES IN 2013, %



In 2013, two of the seven members of Kesko’s Board of Directors and two of the eight members of the Group Management Board were women. In the retailing subsidiaries in Finland, women hold a significant percentage of the supervisory positions. 84% (81% in 2012) of K-citymarket home and speciality goods’ department managers and 75% (72% in 2012) of Anttila department stores’ department managers are women. In Finland, 53% (51% in 2012) of all supervisory positions were held by women and 47% (49% in 2012) by men at the end of 2013.

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 (FAISS). 55 retailers across Finland stated that they were interested in participating in the project. In 2013, the project became a permanent operating model and by the end of the year, 27 people with disabilities had been employed with the help of the project.

Kesko and K-stores also participate in the Youth Guarantee initiative launched at the beginning of 2013 to promote employment and prevent social exclusion among young people. The initiative provides training, work experiment, a workshop place or a job for people under 25 or new graduates under 30 within three months of the person registering as unemployed. The Youth Guarantee also includes a training guarantee, which ensures a training place for everyone who has recently completed comprehensive school. Kesko’s Board of Directors granted €100,000 for building a tailored programme for the K-Group to employ young people. The aim is to employ at least 1,000 young people by the end of 2014. By the end of February 2014, K-stores and Kesko Group had employed 718 young people.

**Equality of men and women
LA13 Ratio of basic salary of men to women**

The average annual salary of Kesko employees was €36,031 in Finland, €44,323 in the other Nordic countries, and €10,657 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

	2013	2012	2011
Top management	16.7	24.4	28.6
Middle management	19.8	17.1	18.9
Supervisors and specialists	47.7	46.6	46.0
Workers and white-collar employees	61.9	63.0	63.0

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Total	59.3	59.9	59.8
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Percentage of women by employee category, other countries

	2013	2012	2011
Top management	0.0	0.0	24.1 ¹
Middle management	48.6	46.0	36.6
Supervisors and specialists	52.6	47.0	52.2
Workers and white-collar employees	48.9	48.1	40.6
Total	50.2	47.7	43.5

¹ Percentage for 2011 is not comparable with the other percentages due to the changes made in reporting principle
Distribution by employee category excludes Senukai, Lithuania and Byggmakker, Norway

Human rights

Non-discrimination

HR3 Total number of incidents of discrimination and corrective actions taken

In 2013, 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 incident is no longer subject to action because the parties were reconciled.

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 41.4% (41.2% in 2012) of Kesko Group employees in Finland were members of trade unions, mainly the Service Union United PAM. The statistics include the employees whose trade union membership fees are deducted at source from pay.

In Norway, the unionisation rate was 22.1% (24.2% in 2012). 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.

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

Human rights assessment

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

Kesko will conduct a human rights impact assessment in compliance with the UN Guiding Principles on Business and Human Rights in the course of 2014.

Suppliers in high-risk countries are mainly assessed by BSCI audits (see Supplier assessment for labour practices). In terms of realising employees' human rights at suppliers' factories in high-risk countries, freedom of association, eliminating forced and child labour and discrimination is especially important. Kesko's BSCI results for 2013 in different areas are presented in a diagram (see Supplier assessment for labour practices). Corrective actions and 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

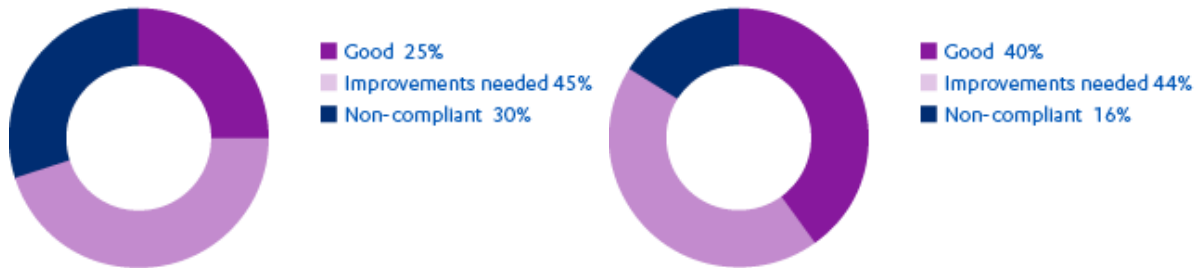
At the beginning of 2014, Kesko had 15 (14 in 2012) SA8000 certified suppliers.

Kesko's objective for 2013 was 17 full BSCI audits and 27 re-audits of suppliers' factory premises or farms. The objective for full audits was clearly exceeded as BSCI cooperation continued to expand: in 2013, 81 full audits and 25 re-audits were carried out at suppliers' factory premises or farms. At the beginning of 2014, a total of 254 (209 in 2012) factories or farms of Kesko's suppliers in high-risk countries were included in the BSCI auditing process. Some of Kesko's suppliers are members of BSCI and promote audits in their own supply chains. Kesko's aim is to cooperate only with suppliers which are already included in the BSCI auditing process or will start the process during the cooperation.

The results of the BSCI audits of Kesko's suppliers' factories for 2013 are presented below. Most deficiencies occur in the observance of working time regulations, in compensation and occupational health and safety matters. Experiences gained from monitoring work in China and India are similar. In 2013, the total number of monitoring visits was 53 (57 in 2012). Corrective actions and follow-ups are included in the audit and monitoring process. Kesko does not terminate cooperation with suppliers who undertake to correct the problems defined in the audit report. In 2013, cooperation was not terminated with any supplier on the basis of an audit.

KESKO'S BSCI RESULTS IN 2013, FULL AUDITS

KESKO'S BSCI RESULTS IN 2013, RE-AUDITS



KESKO'S BSCI AUDIT RESULTS, DISTRIBUTION IN DIFFERENT AREAS IN 2013



Fairtrade products

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

In 2013, Kesko Food had 232 Fairtrade products (215 in 2012) in its selections, of which 35 (39 in 2012) were Pirikka products. According to the statistics of Fairtrade Finland, Kesko Food had a total of 175 Fairtrade suppliers (146 in 2012). The products sold by Kesko Food generated over €320,000 in Fairtrade premium for social development projects.

SA8000 and Fairtrade certifications and BSCI audits included, nearly 90% of Kesko's direct suppliers in high-risk countries have at least one of their factories or farms included in social assessments. In addition to the above assessment procedures, Kesko also accepts others with corresponding criteria, which adds coverage to some extent. These criteria are listed in Responsible monitoring and steering, part Responsible purchasing and sales.

Society

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 managed as part of Kesko Group's risk management. Key risks, including those related to corruption, are systematically identified, assessed, managed, monitored and reported as part of business operations at the Group, division, company and unit levels in all operating countries. In addition, risk assessments are made of significant projects related to capital expenditure or changes in operations. Rankings of Kesko's operating countries in the Corruption Perceptions Index 2013 by Transparency International are presented herein.

Kesko's anti-corruption principles are included in the 'Our Responsible Working Principles' guide, which is available on Kesko's website. A separate section with relevant animations is dedicated to responsible operating practices. The guide and the site are available in the languages of all of Kesko's operating countries.

K-rauta Rus, Rautakesko's subsidiary in Russia, adopted an anti-corruption policy of its own in autumn 2013. The new policy takes account of the requirements of the Russian anti-corruption laws. In 2014, Kesko's Russian subsidiaries will introduce a new anti-fraud (whistleblowing) channel 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. Read more about Kesko's anti-corruption work in Russia in the theme section.

Kesko arranges annual value discussions on responsible working principles in its companies. In 2013, five value discussions were organised for different divisions in Finland, Sweden, Norway, Estonia and Russia. They focused on issues related to corruption and malpractice.

In 2013, 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 2013

Ranking	Country	Score
3	Finland	89
3	Sweden	89
5	Norway	86
28	Estonia	68
43	Lithuania	57
49	Latvia	53
123	Belarus	29
127	Russia	28

Public policy

SO6 Total value of political contributions

In election years, political parties and candidates are given equal opportunities to arrange campaign events in K-Group stores' yards and entrance halls. 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 2013, the seminar attendance fees and advertising in party newspapers paid by Kesko totalled approximately €5,000.

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

In 2013, Kesko was not informed of any legal action, fines or other sanctions related to anti-competitive regulations.

Product responsibility

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 Kesko Food's Product Research Unit include assessing the impacts of products on health and safety. In 2013, the unit audited 20 suppliers (37 in 2012), of which 11 (21 in 2012) were Finnish. These companies were manufacturers of Kesko Food's own brands, and the audits were conducted in compliance with Kesko Food's own audit guidelines.

A total of 9,460 (11,688 in 2012) product samples were analysed. Most of them related to product development of own brands. A total of 1,625 (1,780 in 2012) self-control samples were analysed.

When developing its own brand products, Kesko Food pays special attention, in line with its strategy, to the health aspects of the products. Sugar, saturated fat and salt have been reduced from the Pirkka products that had a high content of these. By the end of 2013, a total of 157 (143 in 2012) Pirkka products had been reformulated.

Product Research is also responsible for product recalls, which numbered 127 in 2013 (82 in 2012). Of these, 35 (23 in 2012) were Kesko Food's own brands; in the other cases, Product Research assisted the manufacturers in recalls. There were six public recalls involving a potential health hazard resulting from product flaws or defects in own brand products (0 in 2012).

In 2013, there were no lawsuits or fines concerning product health or safety.

Product and service labelling

PR3 Product and service information and labelling, and PR4 Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling

On the product labelling of its own brand products and imports, Kesko complies with Finnish law and with EU legislation. When the transition period for the EU regulation comes to an end in December 2014, changes will be required in consumer information on package labelling. For information on nutritional values, the deadline is December 2016. In practice, this consumer information regulation will change all food package labelling and specify, for instance, new requirements for product names and the readability of labelling. Kesko Food is currently making changes in package labelling and the work will continue in 2014. The project is extensive, as changes need to be made on approximately 2,500 food packages.

In addition to statutory package labelling, voluntary labelling can be added to inform the consumer of the product's responsibility aspects. Such labelling may include organic and eco-labelling, as well as labelling indicating social responsibility. The selection of organic products and eco-labelled products is discussed in Responsibility monitoring and steering at Responsible purchasing and sales. The selection of labelled products is discussed in the theme section.

The name and location of the manufacturer are indicated on the packaging of all Finnish Pirkka products. Foreign Pirkka products carry the name of the country of manufacture. The country of origin of meat is indicated on those Pirkka products that have meat as one of the main ingredients. The country of origin will be indicated on all K-citymarket and Anttila own brand products as their selections are updated. Rautakesko will also indicate the country of origin on its private label brands.

There were 27 (18 in 2012) product recalls resulting from defective product labelling, six (three in 2012) of which were Kesko Food's own brands.

PR5 Results of surveys measuring customer satisfaction

The recognition level and image of Kesko's chains is regularly monitored by 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, as well as by using the mystery shopping method in the food trade and the building and home improvement trade.

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.

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During the year, Kesko Food's Consumer Service, maintained by Product Research, was contacted by customers 23,074 (22,267 in 2012) times. Approximately 80% of these were product complaints.

Marketing communications PR6 Sale of banned or disputed products

During 2013, Kesko's stakeholders raised questions and concerns regarding several products and the conditions under which they are produced.

In January 2014, Finnwatch published a follow-up report on private label products. The report indicates that the problems revealed a year ago on Thai pineapple juice and tuna factories have not been rectified in all respects. The survey also revealed problems in a new pineapple juice factory. A BSCI audit was made in the factory at the end of March 2014. Audit results were not available by the date this report was published.

In early 2013, Kesko Food sent an enquiry to all its suppliers that manufacture its own-brand products (Pirkka, Euro Shopper and Menu) with the purpose of assuring the sustainability of product ingredients. The enquiry revealed that approximately one third of fresh foods, two thirds of processed foods and half of non-food items contain ingredients from high-risk countries. Fewer than one fifth of ingredient manufacturers have sustainability certification. Based on the results, Kesko Food added an item on assuring the sustainability of ingredients to purchase agreements. In addition, its purchasing units emphasise the importance of sustainability assurance in their negotiations and other contacts with suppliers.

The traceability of ingredients was under much public discussion in early 2013, when products in many European countries were found to contain horsemeat, contrary to package markings. Kesko Food's self-control also found some products in its selection that wrongly contained horsemeat. The authorities informed Kesko Food of some products. Investigations led to four such public recalls that also involved Kesko Food's private label products. In order to prevent cases like this in the future, Kesko Food's Product Research Unit added horsemeat DNA testing to its self-control procedures.

The collapse of the Rana Plaza factory in Bangladesh in April 2013 sparked discussion on the working conditions in the garment industry in developing countries. Many brand companies and trade unions entered an agreement called Accord in order to improve factory safety. Kesko directly imports only a small number of textile products from Bangladesh, and Rana Plaza was not our supplier. Kesko promotes the improvement of working conditions in factories in Bangladesh through Business Social Compliance Initiative (BSCI) audits, among other things, and BSCI as an organisation closely monitors the work done under the Accord agreement.

The discussion concerning products produced in Israeli settlements continued. Kesko Food has made the decision and informed its suppliers that it will not accept fruit and vegetables from Israeli settlements in its selections. The origin of a product can be seen from labelling in stores and on the product. Imports by Kesko's other divisions from Israel are small, but these divisions also actively discuss issues of product origins with suppliers.

In November 2013, WWF published an international palm oil scorecard, which is published every two years. 15% of the palm oil used by Kesko Food is sustainably produced (CSPO). According to its palm oil policy, Kesko Food's objective is that all palm oil used in Pirkka products will be sustainably produced (Segregated and Identity Preserved CSPO) by the year 2020.

In 2012, the Ministry of Agriculture and Forestry set up working groups to develop European whitefish and salmon fishing regulations so that the sustainability of fishing can be secured. Kesko had a representative in both working groups. Based on the work of the European whitefish working group, a regulation and research programme on whitefish fishing was started. A decree concerning the programme came into effect in August 2013. Because of this, WWF updated its recommendation concerning migrant whitefish in its fish guide for consumers. The species was moved from the 'red' list of fish to be avoided to the 'yellow' list of species to be consumed with consideration.

The national Baltic salmon strategy prepared by the working group was sent for Government approval after circulation for comments on 28 February 2013. The objective of the salmon strategy is to support the strengthening of the wild Baltic salmon population in such a way that enables the prerequisites for professional and recreational fishing to be secured.

The selections of Kesko Food does not contain species given a red rating in the traffic light-type format in WWF Finland'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. 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

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principles in 2013. Sponsorship is guided by Kesko's sponsorship principles.

Customer privacy

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

In 2013, K-Plus Oy was contacted by approximately 50 customers wanting to check their personal data. Responses to the enquiries were given as a matter of normal customer service and they did not lead to further action. In addition, K-Plus Oy received one complaint on direct e-marketing in 2013. No cases of loss or theft of customer data were detected.

Compliance

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

No fines in 2013.

Report profile

GRI G4 guidelines applied to the report

Since 2000, Kesko has annually reported on its corporate responsibility in accordance with the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development. This 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 (inclusivity of stakeholders, identification of material aspects and responsiveness to stakeholders). We have divided the report into three sections: Kesko 2013, responsibility themes and GRI indicators. The report is available in Finnish and English, and the report is published online only.

The scope of the GRI guidelines that Kesko uses 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 numerical data in the GRI section in the Finnish-language Corporate Responsibility Report and checked the congruence between responsibility information presented in the Finnish and English versions. The scope of assurance is described in the GRI index. There is a note in the index at data for which assurance has been provided. More assured numerical data is also provided in the report's GRI section. 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 the principles of human rights, labour, the environment and anti-corruption.

Report stakeholders

Kesko's reporting is comprehensive, and many investors and institutions making sustainability assessments 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 owners, investors, analysts, authorities, Kesko personnel and the media. In the report, we have also taken into account Kesko's other important stakeholders: customers, suppliers of goods and services, as well as non-governmental and environmental organisations. In the Themes section, we give our customers and business partners practical information on Kesko's responsible operations and events in 2013.

Reporting period and contact information

This report is about the progress and results of responsibility work in 2013. It includes some information from January to March 2014. The report for 2012 was published in April 2013, and the report for 2014 will be published in the spring of 2015.

Further information on the topics covered in the report can be obtained from Kesko's contact people.



Independent 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 numeric information on economic, social and environmental responsibility for the reporting period of 1 January 2013 to 31 December 2013, disclosed in the "GRI" section of Kesko Corporation's online Corporate Responsibility Report 2013 (hereinafter CR Information).

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 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 conclusion on the CR Information and on the Company's adherence to the AA1000 AccountAbility Principles based on our work performed. Our assurance report has been made 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.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the CR Information has not been prepared, in all material respects, in accordance with the Reporting criteria.

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, the AA1000AS (2008) 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. 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 aspects of corporate responsibility 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 Russia.
- 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.
- Assessing the systems and practices used for the collection and consolidation of quantitative information.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.

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- Testing the consolidation of information and performing recalculations on a sample basis.

Conclusion

Based on our work described in this report, 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 has not been 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.

Observations and recommendations

Based on our work described in this report, 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.

- **Regarding Inclusivity:** Kesko Corporation continues to demonstrate a strong commitment to stakeholder interaction. The Company regularly engages in dialogue with different stakeholder groups through many channels. We recommend that the Company continues to further develop its stakeholder interaction and expands it especially in its operating countries outside Finland.
- **Regarding Materiality:** Kesko Corporation has processes in place to evaluate and determine the materiality of corporate responsibility aspects. The Company's review of the materiality assessment in conjunction with the transition to the G4 guidelines in 2013 did not warrant an update of the material aspects. We recommend that the Company continues to further develop the monitoring of the material aspects included in the responsibility programme.
- **Regarding Responsiveness:** Kesko Corporation continues to be committed to being responsive to its stakeholders, which is evident from the ongoing and wide-ranging communication in different communication channels. We recommend that the Company continues to further concretise the contents of its responsibility work in the customer interface.

Practitioner's independence and qualifications

We comply with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the IESBA (the International Ethics Standards Board for Accountants).

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 knowledge of the retail sector, to undertake this assurance engagement.

Helsinki, 22 April 2014

PricewaterhouseCoopers Oy

Sirpa Juutinen
Partner
Sustainability & Climate Change

Maj-Lis Steiner
Director, Authorised Public Accountant
Sustainability & Climate Change



AA1000
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Contacts

Corporate responsibility contacts

The list gives contact information on the personnel 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.

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Name	Title	Unit
DEVELOPMENT, COORDINATION AND RESPONSIBILITY FOR EDITING THE REPORT:		
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Matti Kalervo	Vice President, Corporate Responsibility	Kesko Corporation, Group Corporate Responsibility
Marjut Lovio	Corporate Responsibility Advisor	Kesko Corporation, Group Corporate Responsibility
Pirjo Nieminen (pirjo.j.nieminen@kesko.fi)	Communications Officer	Kesko Corporation, Group Corporate Responsibility
ECONOMIC RESPONSIBILITY:		
Eva Kaukinen	Vice President, Group Controller	Kesko Corporation, Group Accounting
Tiina Nyrhi	Corporate Financial Controller	Kesko Corporation, Group Accounting
Esko Mansikka	Managing Director	Vähittäiskaupan Tilipalvelu VTP Oy
HUMAN RESOURCES RESPONSIBILITY:		
Ari Svensk	Vice President, Human Resources	Kesko Corporation, Kesko HR/Common Services
Janna Pirhonen	Manager, Wellbeing at Work	Kesko Corporation, Kesko HR/Common Services
Pirjo Anttila	Chief Physician, Occupational Health Service	Kesko Corporation, Kesko HR/Common Services
RESPONSIBLE PURCHASING:		
Marjut Lovio	Corporate Responsibility Advisor	Kesko Corporation, Group Corporate Responsibility
Helena Frilander	Communications and Responsibility Manager	K-citymarket Oy and Anttila Oy
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:		
Timo Jäske	Environmental Manager	Kesko Food Ltd, Commerce
Satu Kuoppamäki	Real Estate Manager	Kesko Food Ltd, Store Sites and Real Estate
Toni Pelin	Environmental and Safety Manager	Keslog Ltd, Supply Chain Development

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Helena Frilander	Communications and Responsibility Manager	K-citymarket Oy and Anttila Oy
Jesse Mether	Sustainability Manager	Rautakesko Ltd, Customer Relationships and Corporate Responsibility
Harri Jyränkö	Development Manager	VV-Autotalot Oy

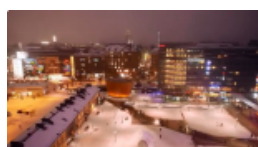
CORPORATE GOVERNANCE, RISK MANAGEMENT AND CORPORATE SECURITY:

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

PRIVACY PROTECTION/CUSTOMER LOYALTY SYSTEM:

Ismo Riitala	Managing Director	K-Plus Oy
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Video material in Kesko's Corporate Responsibility Report



What is corporate responsibility?

(<https://www.youtube.com/watch?v=M1ns1IAG4cg>)



Review by the Vice President, Corporate Responsibility

(<https://www.youtube.com/watch?v=QklbjZHpyYE>)



Food retailing in Russia

(<https://www.youtube.com/watch?v=QKXozXcsMao>)



Red Nose Day

(<https://www.youtube.com/watch?v=z1l3Hc6tAV8>)



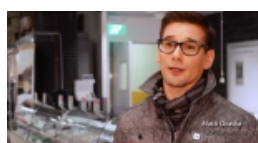
Wellbeing at work in Lithuania

(https://www.youtube.com/watch?v=lt1UnT4a_Y0)



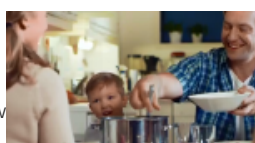
Safety of children's clothing

(<https://www.youtube.com/watch?v=OdR7bOxRN2M>)



Stakeholders talk about salmon

(<https://www.youtube.com/watch?v=607UN9SGOCC>)



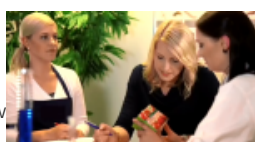
Growth – Let's do good. Together.

(<https://www.youtube.com/watch?v=TiMMrOT0rgc>)



Work for young people in the K-Group

(<https://www.youtube.com/watch?v=To8EkMSYwJY>)



We always reply

(<https://www.youtube.com/watch?v=HANXYosbKwM>)



Transportation and the environment

(<https://www.youtube.com/watch?v=-Nam537GAJw>)