



KESKO

**CORPORATE
RESPONSIBILITY REPORT**

2010

KESKO CORPORATE RESPONSIBILITY REPORT 2010

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Contents of 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 is Kesko's eleventh Corporate Responsibility Report.

This year, Kesko has divided its Corporate Responsibility Report into three sections: the general section, the theme section and the GRI indicator section. The contents of the sections are described in the chapter on report structure.

A comparison of the report with the GRI guidelines is provided on pages 56–60. As required by the GRI, the comparison includes Kesko's self-declaration statement on the level of compliance with the GRI guidelines. The application level has also been checked by the assurance provider and the parties are in agreement that Kesko has followed the A+ application level of the GRI guidelines.

REPORT STRUCTURE

The general section first provides basic information on Kesko, followed by the review by the President and CEO, and a summary of the events and achievements in 2010.

Next, the report discusses the impacts, opportunities and risks of Kesko's responsible operations, concentrating on issues most material to the retailing sector.

After describing responsibility management, the key results of Kesko's 2008–2012 responsibility programme in 2010 are presented. Kesko's new materiality assessment and the description of its update are presented on pages 22–23.

On the basis of the responsibility programme and the materiality assessment, Kesko selected five themes material for Kesko to this year's theme section. Pages 25–55 provide information on Kesko's impact on society, wellbeing at work, energy solutions, responsible purchasing and sales as well as healthiness. The case examples illustrate the diversity and extent of Kesko's operations.

In accordance with the GRI guidelines, the progress and results of responsible operations are, in addition to the general section of the report, presented in more detail in the GRI indicator section of the report (pages 56–86), divided according to the GRI guidelines. When presenting the results, the most material indicators from the viewpoint of stakeholders and Kesko have been used.

FURTHER INFORMATION ON WEB PAGES

The attachments to the report are published at: www.kesko.fi/responsibility.

Information on Kesko as a listed company includes basic ownership data and Kesko's ratings in the most important sustainability indexes. More financial information is available at: www.kesko.fi/investors. Kesko's Corporate Governance and risk management principles are discussed in more detail in Kesko's Annual Report and on www.kesko.fi pages.

Kesko's responsibility programme for 2008–2012, the corporate responsibility vision and principles as well as the stakeholder analysis are available in full at: www.kesko.fi/responsibility.



REPORT SCOPE

The Kesko Group (hereinafter also Kesko) follows the principles for reporting boundary and disclosure levels defined in the GRI Boundary Protocol.

The report covers all of Kesko's operations:

- Most economic responsibility indicators have been derived from the consolidated financial statements, whose preparation and representation are governed by the IFRS standards.
- The environmental indicators cover the parent company Kesko Corporation's and its subsidiaries' operations with significant environmental impacts in all the countries of operation.
- The human resources indicators cover the parent company Kesko Corporation's and its subsidiaries' personnel in all the countries of operation. Some three quarters of the Kesko Group employees work in retailing. The report does not cover the personnel employed by retailer entrepreneurs, unless separately stated in the text.

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

Indicator reporting does not cover contractors or suppliers of goods and services, unless otherwise stated.

INFORMATION ON K-RETAILERS

Kesko's division parent companies and chains act in close cooperation with retailer entrepreneurs and other partners. The report presents information on K-stores (for example energy monitoring) when it is integrally related to Kesko's reporting and complements the overall picture of the relations of Kesko and K-retailers with society and other stakeholder groups. In such cases, the report refers to them as 'the K-Group'.

REPORT'S STAKEHOLDERS

Kesko's reporting is very comprehensive, and many investors and institutions making sustainability assessments use the report as their source of information when assessing Kesko's performance in various areas of responsibility.

The most important target groups of the report include shareholders, investors, analysts, Kesko personnel and the media.

When drawing up the report, we have also wanted to take into account Kesko's other important stakeholders: customers, suppliers of goods and services, as well as non-governmental and environmental organisations. With the help of the theme section and its case examples, we want to give our customers and cooperation partners practical information about Kesko's responsible operations.

GLOBAL COMPACT REPORTING

The report describes Kesko's progress on the ten principles of the Global Compact initiative. Global Compact accepts the use of the indicators in the GRI G3 Guidelines as appropriated for this purpose. The GRI index on pages 56–60 shows which indicators have been used to evaluate performance in fulfilling the principles of human rights, labour standards, the environment and anti-corruption.

ASSURANCE OF THE REPORT

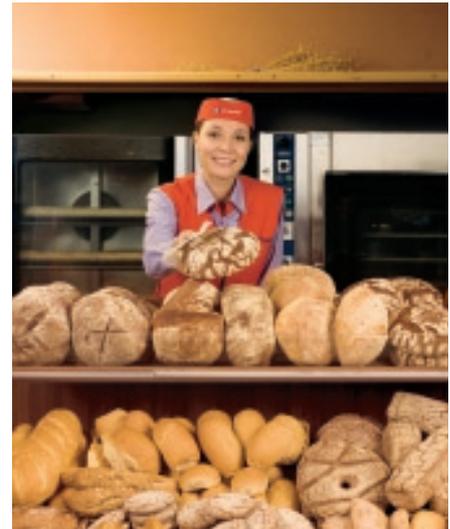
This report has been published in print in Finnish and English, and the electronic versions can be read at: www.kesko.fi/ responsibility. The report contents are not updated after the assurance.

An independent assurance report has been provided for the Finnish language report and the correspondence of the English language version has been checked.

The assurance for the 2010 report was carried out by Kesko's auditors, PricewaterhouseCoopers Oy's Sustainability & Climate Change group, whose assurance report is available on pages 88–89.

An independent assurance report has been provided for Kesko's report since 2002.

This report covers the progress and results of responsibility actions in 2010 with some information for January–March 2011. The 2009 report was published in May 2010 and the 2011 report will be published in spring 2012.



Kesko in brief

Kesko is a provider of trading sector services and a listed company domiciled in Helsinki, where the main office is also located. Kesko operates in the food, home and speciality goods, building and home improvement, and car and machinery trades. Kesko manages retail chains and provides services for the chains' purchasing logistics, network development and IT management. Kesko's chain operations comprise some 2,000 stores in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia, and Belarus.

KESKO'S BUSINESS OPERATIONS

In 2010, the Kesko Group's net sales totalled €8,777 million, representing an increase of 3.9% from the previous year. The food trade accounted for 44% of the total net sales. The proportion of international operations was 16.7% (17.0% in 2009).

At the end of 2010, Kesko had 1,270 K-retailer entrepreneurs as well as some 170 other retailer entrepreneurs in the Asko, Sotka, Byggmakker and Senukai chains as partners.

There were some 1,750 retail stores in the K-Group in Finland with approximately 200 in other countries. In 2010, the K-Group's (Kesko's and the chain stores') retail and B2B sales (VAT 0%) totalled €10,977 million, of which international operations accounted for €1,789 million. The increase from the previous year was 4.2%.

FOOD TRADE

Kesko Food operates in the Finnish grocery trade. K-retailers, with whom Kesko Food applies the chain business model, are responsible for the more than 1,000 K-food stores. Kesko Food manages the K-food store chains, which are K-citymarket, K-supermarket, K-market and K-extra. Kesko Food's main functions include the centralised purchasing of products, selection management, logistics, and the development of chain concepts and the store site network. Chain operations ensure the efficiency and competitiveness of the business.

Kesko Food's subsidiary Kespro is a wholesaler in the Finnish HoReCa business.

HOME AND SPECIALITY GOODS TRADE

Kesko's home and speciality goods trade operates in the clothing, home, sports, leisure, home technology, entertainment and furniture product lines. The home and speciality goods trade comprises Anttila and Kodin Ykkönen, K-citymarket's home and speciality goods, Intersport Finland, Indoor's Asko and Sotka, Musta Pörssi and Kenkäkesko. The total number of home and speciality goods stores is 427, which operate in 13 chains. Of the stores, 190 are owned by Kesko.

BUILDING AND HOME IMPROVEMENT TRADE

Rautakesko is an international service provider which retails building, renovation and home improvement supplies in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. Rautakesko manages and develops the K-rauta, Rautia, K-maatalous, Byggmakker, Senukai and OMA retail chains as well as B2B sales in its operating area. Rautakesko's main functions include the centralised development of chain selections, centralised purchasing and logistics, and the development of chain concepts and the store network.

There are 331 building and home improvement stores in eight countries and 88 agricultural stores in Finland. All stores in Finland are owned by retailer entrepreneurs. There are also 96 retailer-owned stores in Norway.



CAR AND MACHINERY TRADE

The car and machinery trade division consists of VV-Auto and Konekesko with their subsidiaries.

VV-Auto imports and markets Volkswagen, Audi and Seat passenger cars, and Volkswagen commercial vehicles in Finland; it also imports and markets Seat passenger cars in Estonia and Latvia. VV-Auto is also engaged in car retailing and provides after-sales services at its own outlets in the Greater Helsinki area and Turku.

Konekesko is a service company specialising in the import, marketing and after-sales services of recreational machinery, construction and materials handling machinery, agricultural machinery, and trucks and buses. Konekesko operates in Finland, Estonia, Latvia, Lithuania and Russia. Konekesko arranges the manufacture of and sells Yamaha boats in Finland and exports them to several European countries and Russia.

KESKO'S SHAREHOLDERS

Kesko Corporation's shares are listed on the NASDAQ OMX Helsinki Ltd Helsinki stock exchange. At the end of 2010, the company's share capital was €197,282,584, which is divided into A shares and B shares.

A shares accounted for 32.2% of the company's total share capital and 82.6% of all votes. The corresponding percentages for B shares were 67.8% and 17.4%. The company's ten largest shareholders, calculated by number of votes, held 34.45% of all votes and 16.51% of all shares. The market capitalisation of A shares was €1,101 million and that of B shares

€2,337 million. The total market capitalisation of the company was €3,438 million.

At the end of 2010, the number of shareholders was 38,258. Foreign shareholders owned 38% of the B shares at the end of the year, compared with 30% the previous year.

PERSONNEL

In 2010, the average number of personnel in the Kesko Group was 18,215 (19,200) converted into full-time employees. At the end of 2010, the total number of personnel was 22,124 (22,207) of whom 12,720 (12,959) worked in Finland and 9,404 (9,248) in other countries. Compared to the end of 2009, there was a decrease of 239 people in Finland and an increase of 156 outside Finland. Approximately three quarters of all employees worked in retailing.

STORE SITE OPERATIONS

A 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. The companies plan their own retail networks and, on the basis of their network and business plans, make the capital expenditure in accordance with the Group's real estate strategy. Opportunities for cooperation between the division parent companies are particularly sought and made use of in shopping centre projects.

At the end of 2010, the total floor area of properties and business premises owned or

leased by the Kesko Group was 3,908,000 m². The total floor area of owned properties was 615,000 m² in Finland and 269,000 m² in other countries. The total floor area of leased properties was 2,338,000 m² in Finland and 686,000 m² in other countries. The majority of premises owned or leased in Finland are rented to K-retailers.

PRODUCT AND SERVICE SUPPLIERS

In 2010, Kesko bought products valued at €7.5 billion, of which some 69% was from Finnish suppliers. The number of active product and service suppliers was some 23,000, of which 12,000 operated in Finland. The Group had 7,500 suppliers in its other countries of operation and 3,400 in the rest of the world. The main countries from which goods were imported into Finland were Holland, Germany, Sweden and Denmark and, outside the EU, China.

CUSTOMER GROUPS

Retailer entrepreneurs accounted for 52% of Kesko's net sales. K-retailers concentrated some 92% of their grocery purchases, 95% of their home and speciality goods purchases, and 75% of their building, home improvement and agricultural supplies purchases in Kesko. K-retailers' purchases from the local provincial suppliers valued some €537 million.

Kesko's own retailing accounted for 27% and sales to B2B customers for 21% of Kesko's total net sales.

Kesko's profitability improvement was excellent throughout 2010. Growth in business operations gained speed towards the end of the year. The food trade and the home and speciality goods trade achieved excellent performance. Kesko's responsibility work continued in all our divisions.



Review by the

PROGRESS IN THE ACTIONS OF THE RESPONSIBILITY PROGRAMME

Kesko's 2008–2012 responsibility programme sets objectives for combating climate change, energy efficiency, the wellbeing of its employees as well as for responsible purchasing and selections. Updating the responsibility programme for 2013–2017 will start in 2011.

In autumn 2010, we updated the materiality assessment of Kesko's corporate responsibility. The indicators identified as the most important included a working community that is equal and promotes employee wellbeing, energy efficiency in store operations and services, as well as responsible purchasing and sales.

THE AIM IS PROFITABLE GROWTH

Kesko's key strategic objective is profitable growth. In addition to Finland, growth is also sought in nearby areas, particularly in the fast developing Russian market.

When we expand to new market areas, it is important to ensure that our responsible operating practices are observed in all operations. Risks are managed with regular training, good business models and guidelines, and by paying special attention on how to select our business partners.

Strategic focuses in all Kesko's divisions include the development of online communications and e-commerce. The objective is that customers, if they wish, will be able to

use the K-Group's online services from planning their purchases to using the product.

Kesko is developing its current online stores and services and opening new ones. Online services and social media provide new ways of customer communications in the area of responsibility, too.

WE COMBAT CLIMATE CHANGE BY SAVING ENERGY

The K-Group has signed the trading sector energy efficiency agreement and is committed to saving 65 GWh by the end of 2016 - a figure equivalent to the annual energy consumption of 15 K-citymarkets.

Since 2008, all new K-food stores' refrigeration equipment has been supplied with lids and doors. The annual energy savings achieved by covering freezers amount to 13 GWh, which corresponds to the annual electricity consumption of nearly 600 one-family houses.

LED technology is used in the illuminated signs of all new K-food stores. The resulting savings compared with traditional neon and fluorescent tube solutions are 60–70%. The general lighting of K-supermarket Torpparimäki, opened in Helsinki in October 2010, has been implemented with an energy-efficient LED system, which consumes over 35% less energy than the commonly used, energy-efficient fluorescent lighting.

In autumn 2010, Rautakesko started an initiative on energy efficiency in housing, focused on providing services that improve energy efficiency.

WE LOOK AFTER OUR EMPLOYEES THROUGHOUT THEIR CAREER

When baby boomers retire, it is important to ensure that we have a sufficient number of competent employees in the trading sector. More attention has to be paid to maintaining the employees' working capacity and ability to work.

Kesko is carrying out long-term work to maintain and improve its employees' wellbeing. Annually, we spend some €6 million to enhance wellbeing at work in Finland.

Kesko's first manager for wellbeing at work was appointed in October 2010. A joint management model and an action plan for wellbeing at work are being developed for the whole Kesko Group. The process started towards the end of the year.

HEALTHY AND RESPONSIBLE SELECTIONS

Promoting a healthy way of life, eating habits and physical exercise plays a central role in our food and sports goods trade in particular.

Stores must have good and versatile options available, both for customers' wellbeing and for the environment. Customers have to be



Kesko's President and CEO Matti Halmesmäki and Pirjo Virtaintorppa, Executive Director of Fairtrade Finland, visited the Oserian flower farm in Kenya in February 2011. The Oserian farm supplies Pirkka Fairtrade roses, carnations, mixed flower bunches and prairie gentians to K-food stores. Matti Halmesmäki also visited the coffee farm and laboratory of C. Dorman Ltd, a business partner of Paulig.

President and CEO

able to rely on the fact that their responsible choices start as soon as they enter the store.

K-food stores' Pirkka range consists of nearly 2,000 products, of which some 50 are organic products and some 80 have environmental labelling.

PIRKKA COFFEE CAN BE TRACED DOWN TO THE COFFEE FARM

Pirkka Costa Rica coffee, Pirkka Organic coffee, Pirkka espresso and the new Pirkka coffee launched to the market in September 2010 are UTZ certified. Customers can visit the www.pirkka.fi website to trace their UTZ certified Pirkka coffee down to the coffee farm. It is very important for Kesko that we can rely on the fact that our business partners are responsible in their operations.

In January 2011, we handed out boxes containing a pack of the new Pirkka coffee to all our employees and major stakeholders to celebrate Kesko's 70th anniversary. The coffee boxes were illustrated with sculptor Pekka Jylhä's 'Expectation', the sculpture donated by Kesko to the City of Helsinki in May 2010.

FAIRTRADE PREMIUM SUPPORTS A SCHOOL IN KENYA

In 2010, Anttila and Kodin Ykkönen department stores' Anno Collection was expanded with a product family made of Fairtrade cotton. K-food stores now have some 200 Fair-

trade products in their selections, of which nearly 40 are Pirkka Fairtrade products.

Fairtrade improves the working and living conditions of small farmers and workers on larger farms as well as the state of the environment in developing countries. My own awareness and commitment to Fairtrade increased further when I visited the Oserian flower farm in Kenya in February 2011. The farm supplies Pirkka Fairtrade roses, carnations, mixed flower bunches and prairie gentians to K-food stores. It was great to see the place and the people who produce Pirkka Fairtrade flowers.

The Fairtrade premium generated from K-food stores' sales of flowers to Kenya totalled €134,000 in 2010. The premium is used to finance all computers, data connections and library operations at the Oserian farm comprehensive school, for instance. Attending school is free for farm workers' children and the parents receive a grant of up to 60% of the education costs.

In spring 2010, all buyers of Pirkka Fairtrade flower bunches received a bracelet which was hand-made by Kenyan women. The campaign was a success as all 300,000 bunches containing a bracelet were sold out in a short time. The campaign will be repeated in spring 2011.

KESKO CONTINUED IN SUSTAINABILITY INDEXES

Kesko is included in the most important sustainability indexes such as the Dow Jones DJSI World and DJSI Europe as well as the FTSE4Good Global and FTSE4Good Europe. In 'The Global 100 Most Sustainable Corporations of the World' list published in January 2011, Kesko's ranking was 26th, compared with 33rd a year before. In the SAM Sustainability Yearbook 2011, Kesko's sustainability work qualified in the Silver Class in the Food & Drug Retailers sector as in the previous year.

Kesko participates in the UN Global Compact initiative and is committed to observe ten generally accepted principles related to human rights, labour standards, the environment and anti-corruption in all the countries where it operates.

I'm proud of the fact that Kesko employees' long-term work for responsibility is reflected in international comparisons. Responsibility across all our operations is very important for us. Our work continues and we still have much to do to make our customers better see the results in our stores.

I thank all Kesko people, retailers, their staff and our business partners for their commitment to our common objectives.

Matti Halmesmäki
President and CEO

Events in 2010

January–March

Kesko was ranked 33rd on 'The Global 100 Most Sustainable Corporations

in the World' list, announced at the World Economic Forum Annual Meeting in Davos.

In the SAM Sustainability Yearbook 2010, Kesko's responsibility work qualified in

the SAM Silver Class

in the Food & Drug Retailers sector. Kesko was also awarded the title of SAM Sector Mover.

The staff winter event organised by the Kesko Staff Club took place at the Sappee Travel Centre and gathered

400 Kesko employees.

The fun sports included fun ski relay, slalom skiing, snowshoe football and ice fishing.

The K-Food Specialist

training programme designed for K-food store employees was launched.

Kesko took part in WWF's worldwide

Earth Hour 2010

event by turning off lights for one hour in office buildings and stores.

K-rauta promoted

energy saving on a tour

of K-rauta stores across Finland. The presentations focused on products and services for replacing heating systems in detached houses.

April–June

Kesko's redesigned website at:

www.kesko.fi

was launched. The new 'Responsibility' section introduced a series of articles under 'Viewpoints' in which writers from business or non-governmental organisations express their views and opinions on responsibility-related topics. A total of 11 articles were published in 2010.

Kesko was included as a member in

the FTSE-4Good

Global and FTSE4Good Europe indexes focusing on responsible investment.

Kesko's Corporate Responsibility Report for 2009 was published in Finnish and English.

Kesko and K-retailers

donated

sculptor Pekka Jylhä's 'Expectation', depicting an expectant mother, to the City of Helsinki. The sculpture is located in Kaivopuisto Park.

Kesko's Board of Directors granted a total amount of

€1,115,000

in donations to Finnish universities and polytechnics, among others.

Kesko granted a total amount of

€40,000

in scholarships to 24 talented young athletes and art students.

Kesko sponsored the nationwide

Thesis

contest for polytechnics. In addition to categories in separate fields of education, the contest also featured a theme category on corporate responsibility.

The Pirkka Fairtrade flower campaign in K-food stores sold

300,000

bunches, with every buyer receiving a bracelet hand-made by Kenyan women.

Kesko Food donated Pirkka products to 5th and 6th grade pupils for use in a special learning environment aimed at developing working life skills.

Kesko was the main partner of

the 'Your Move On Tour'

tour of events organised by the Young Finland Association and the Finnish Sports Federation for 13–19-year olds. The tour encouraged more than 25,000 young people to get moving.

July–September

Kesko was included in the OMX GES Sustainability Nordic index launched by NASDAQ OMX Stockholm and GES Investment Services.

For the eighth year in succession, Kesko was selected for

the Dow Jones

sustainability indexes DJSI World and DJSI Europe. Kesko gained the subsector's best scores for its environmental reporting, eco-efficient operations, risk management, and the corporate code of conduct for preventing corruption and bribery.

A Rautia truck toured

Rautia

stores across Finland promoting heat energy solutions. Consumers were presented with different energy alternatives, such as ground heat pumps, solar water heaters and air heat pumps.

The theme of the Valkeakoski Housing Fair was

energy efficiency.

K-rauta and Rautia showcased homes and also provided information at a stall.

Asko's Insofa became the first sofa manufacturer in Finland to have

the allergy label

when it was granted to the new Puro sofa.

Intersport and Halti launched

a jacket recycling campaign

in which part of the price of every coat or jacket bought during the campaign period was donated to Plan Finland's 'Because I'm a Girl' campaign. The total amount donated by Intersport and Halti to Plan Finland was €22,000.

The Pirkka recycled plastic bag

made of protective plastic wrappings used in Kesko Food's goods transportation was introduced in K-food stores. It received the Recovery Award of the Year in November.

October–December

K-food stores participated in the Cancer Society of Finland's

Pink Ribbon

campaign by selling Pirkka Pink Ribbon rose bunches in K-food stores and Pink Ribbon campaign bags in K-citymarkets. Kesko's personnel had the opportunity to contribute to the Pink Ribbon campaign using collection boxes made available in the offices at Katajanokka and Hakkila.

K-supermarket Torpparinmäki where general lighting is provided by energy efficient LED technology was opened in Helsinki.

According to the results of the sustainability survey commissioned by the Helsingin Sanomat newspaper,

the Pirkka brand

was considered the third best in sustainability in Finland after Valio and Fazer.

K-food stores joined the international Pampers-UNICEF vaccine campaign. K-food stores helped raise and donated over one million tetanus inoculations to UNICEF.

Rautakesko organised a seminar on energy efficient living for business partners and specialists on the progress of Rautakesko's project for energy efficiency in housing.

Kesko's 2009 Corporate Responsibility Report ranked second in the Corporate Responsibility 2010 competition.

Kesko joined the supporters of

the CANEMU

project for carbon neutral municipalities.

The K-Team event for retailers, store employees and business partners was held in Tampere. Kesko's stall at the event highlighted responsibility and featured a competition with a monetary prize where participants produced ideas for responsible actions which could be implemented in their store or the neighbouring environment.

The German oekom research assigned Kesko a prime grade of C+.

Representatives of Kesko, other importers, non-governmental organisations and trade unions discussed responsible purchasing in Helsinki.

Kodin Ykkönen and Plan Finland launched their cooperation with a special event in all Kodin Ykkönen department stores.

Kesko donated

€35,000

to the Good Christmas Spirit collection which enabled 15,000 vouchers to be distributed to Finnish low-income families with children, facing difficult situations in life.

Intersport Finland ran a campaign raising €9,900 from plastic bags bought by customers. The amount was donated to the Young Finland Association for supporting children's and youths' physical activities.

What are the impacts of Kesko's operations?

ILLUSTRATION: MIKAEL ERIKSSON



A PRODUCTION

- the economic impact of Kesko's and retailers' purchases on suppliers of goods and services, e.g. increase in jobs
- the impact of local purchases on regional business activities
- working conditions, terms and human rights in factories and farms
- environmental impacts of the factory and production, e.g. impact on climate change, consumption of water
- the origin of products and responsibility criteria, e.g. sustainable fishing

B LOGISTICS

- economic benefits from efficient logistics
- environmental impacts of emissions from transportation and packaging waste generated in warehouses, e.g. impact on climate change
- the impact of material wastage on climate change and the environmental load caused by production

The impacts of Kesko's corporate responsibility can be divided into economic, social and environmental 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 goods, which play a significant role in the overall picture. The impacts of Kesko's operations on society are illustrated in this diagram, which also includes examples of such indirect impacts.



C STORE

- the impact of salaries, taxes and social security contributions paid by Kesko and retailers on regional economic wellbeing
- the impact of Kesko's and retailers' investment on regional economic wellbeing and the accessibility of products and services
- the impact of retailers' economic support, e.g. on local organisational activities
- the impact of stable employments and a good working community that provides opportunities for career progress on employee wellbeing and job satisfaction
- shopping safety and security

- environmental impacts of store site construction, e.g. the environmental criteria in construction, land use, and the climate impact of store logistics and shopping traffic
- environmental impacts of producing energy for stores, e.g. impact on climate change and acidification of soil and water
- environmental impacts of materials usage and waste on the environment, e.g. impact on climate change
- possible environmental accidents, e.g. emissions caused by fire to soil or water

D USE OF PRODUCTS AND SERVICES

- the traceability of products
- product safety
- responsible marketing
- high-quality and competitively priced products
- promoting a healthy way of life
- reducing packaging waste and shrinkage with appropriate packaging
- reducing the environmental load of consumption by offering pro-environmental products and services, e.g. those improving the energy-efficiency of housing
- reducing the environmental load of traffic, leisure activities and agricultural production by offering low-emission and energy-efficient car and machinery products
- promoting sustainable cultivation methods in agriculture with the help of a cultivation programme
- promoting waste recovery by offering recycling points for customers and managing the products and packaging to be sent for reuse, such as household batteries, bottles and cans

Opportunities

The material aspects of Kesko's corporate responsibility are presented in the materiality assessment on page 23. Impacts related to these aspects are illustrated on pages 10–11. The objectives of Kesko's responsibility programme for 2008–2012 include issues closely connected to the strategies of Kesko and its divisions, which are estimated to create business opportunities and generate competitive advantages.

OPPORTUNITIES INHERENT IN RESPONSIBILITY

As a multi-division company, Kesko is able to offer responsible consumption alternatives and service solutions to nearly any sector of consumption. Kesko's selections provide a wide range of choices with which Kesko and its customers together can reduce the adverse effects of consumption and promote sustainable development. In such cases, the inherent responsibility creates significant possibilities to improve competitiveness and increase business.

Maintaining a comprehensive store network is one of Kesko's corporate responsibility objectives. Visits in shopping centres and stores generate some of the environmental impacts of consumption which Kesko aims to help reduce through the location of its stores.

The emissions from the production of electrical and heat energy for Kesko's own properties represent a significant part of the K-Group's environmental impacts. The K-Group's environmental policy obliges Kesko's real estate operations, in cooperation with its business partners, to develop solutions related to the building, repairs, concept changes, maintenance and use of real estate properties that reduce the consumption of materials and energy during the life cycle of these properties. Kesko is a member of Green Building Council Finland (FIGBC), an environmental organisation whose goal is to foster the sustainable development perspective as a natural part of all real estate and construction activity. Consideration of sustainable development in construction is an opportunity for Kesko in a competitive situation.

The building and home improvement trade places an emphasis on eco-efficient construction and energy saving solutions. Read more on pages 38–41.

A guide in sustainable living ('Kestävän asumisen opas') is available from the K-rauta and Rautia chains to help customers reduce the impact of living on climate change. Households who open an account with a K-rauta or a Rautia store for home repair purchases get a special edition of the guide book in energy saving by Jussi Laitinen ("Pieni suuri energiakirja").

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. Kesko wants 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. To this aim, Kesko is a participant in the Fennovoima project which aims to build a new nuclear power plant in Finland. Kesko also examines the use of renewable energy sources, such as soil and water as sources of heat, which will be a potential alternative as the technical solutions become increasingly sophisticated, in the same way as the condensation heat of the refrigeration units in stores is already being recovered.

and risks

For customers of the K-agricultural trade, climate change means a longer growing season with increasing numbers of plant diseases and pests. The changing climate conditions require that plant varieties new to Finnish conditions be tried and current farming practices modified. The K-Group's K-maal-tous Experimental Farm carries out such research and development in cooperation with Lantmännen SW Seed.

Kesko's direct purchases and purchases outside Finland via other importers account for about one third of Kesko's total purchases. In 2010, some 82% of imports came from the EU area (excluding VV-Auto Group Oy's imports). The climate change may have an impact on the sources and availability of products both in and outside Europe. It is also possible that prices rise in this context. The importance of responsible sourcing practices can be expected to increase and it is necessary to provide customers with increasingly accurate information on the origin and production methods of products.

Obesity and other health problems have become increasingly widespread in the developed countries. Promoting healthy ways of life and eating habits is a key opportunity and a strategic objective for Kesko Food. 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 cooperation with several organisations, such as the Young Finland Association. Read more on page 54.

RISKS SIGNIFICANT FOR RESPONSIBILITY

Kesko's risk management is proactive and an integral part of management and day-to-day activities. Kesko's operations are examined in regular risk assessments, which take account of the management of changes necessitated by changes in the business environment and climate.

The objective of Kesko's risk management is to ensure the implementation of the Group strategy, the delivery of customer promises, shareholder value, and the continuity of business. Efficient risk management is a competitive advantage for Kesko.

The risk management policy confirmed by the Board of Directors guides risk management in the Kesko Group. The policy, based on the COSO ERM Framework, defines the objectives, principles, responsibilities and key practices of risk management. Kesko divides risks into strategic, financial, operational and damage/loss risks.

Risk management is discussed in more detail in the 2010 Annual Report, on pages 71–73, 85–86, 130, and at: www.kesko.fi/investors.

Risks which are significant for Kesko are extensively discussed in the Annual Report on pages 85–86. Corporate responsibility is regularly addressed in the Group's risk assessment.

The following is a list of risks identified as significant for responsibility.

Different aspects of responsibility are increasingly important for customers, and possible responsibility failures would weaken Kesko's reputation. Kesko's challenges in responsibility work include communicating its responsibility policies to suppliers, retailers and customers, and ensuring the ethicality of production.

A failure in product safety control or in the quality assurance of the supply chain may result in financial losses, the loss of customer confidence or, in the worst case, a health hazard.

Expansion and operations in Russia and Belarus involve country risks. The unpredictability of officials and sudden changes in legislation and the interpretation and application of laws, as well as corruption can complicate operating activities or delay expansion.

Crime is becoming more professional and an increasing part of crimes are committed through data networks. There is a risk that controls against such crime are not sufficient.

Non-compliance with legislation, agreements and Kesko's responsibility guidelines can result in fines, compensation for damages and other financial losses or even a loss of confidence and reputation.

The implementation of strategies and the achievement of goals require competent and motivated people. There is a risk that the trading sector will not attract the most competent people.

Responsibility

Kesko's corporate responsibility work is integrated in the Group's normal management. Corporate responsibility is defined and guided by the Group's values and its management system, corporate responsibility stakeholder analysis, vision, general principles, as well as the guide to our code of conduct, 'Our Responsible Working Principles'.

VALUES, STRATEGY, MANAGEMENT MODEL AND SYSTEMS

Kesko's present values were introduced in 2002. The implementation of these values is monitored using a number of corporate responsibility indicators. Some examples of the indicators used by Kesko are shown in the table on this page.

Kesko is active in the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. Kesko's strategy is built on customer focus, with both division and chain-specific strategies supervised by the division Boards and Kesko's Board playing a central part.

The key strategic areas are profitable growth, sales and services to consumer-customers, as well as responsible and efficient operating practices. The strategic objectives are presented on page 15.

Kesko's business models comprise the retailer entrepreneurs' retailing, Kesko's own retailing and B2B sales. Further information on the business models is available in Kesko's 2010 Annual Report on page 14.

Kesko's financial reporting and planning are based on the Kesko Group's management system. The plans and actions relevant to corporate responsibility are integrated in the different sections of Kesko's management

system (see page 16); further management systems based on international standards have also been adopted.

The management principles and systems addressing the different dimensions of corporate responsibility are discussed in the GRI section of this report.

PRINCIPLES GUIDING RESPONSIBILITY

Kesko's Corporate Management Board has approved the Group's general corporate responsibility principles. These principles define Kesko's key economic, social and environmental promises, and related communication principles. Kesko's commitment to international declarations and agreements are also included in the principles. The most important of them are the UN Universal Declaration of Human Rights and the UN Convention on 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, and the purchasing principles of the Business Social Compliance Initiative (BSCI). Kesko has used the ISO 26000 standard as a guidance docu-

VALUES AND PERFORMANCE INDICATORS

WE EXCEED OUR CUSTOMERS' EXPECTATIONS

- Customer satisfaction surveys

WE ARE THE BEST OPERATOR IN THE TRADING SECTOR

- Net sales, market share and profit performance
- Customer surveys
- Investor surveys

WE CREATE A GOOD WORKING COMMUNITY

- Personnel survey
- Sickness absence and accident statistics
- Equality and training statistics

WE BEAR OUR CORPORATE RESPONSIBILITY

- Customer, decision-maker and media surveys
- Sustainable development indexes

management

ment that offers orientation to corporate responsibility. The Board of K-Retailers' Association has recommended that Kesko's principles be also followed by K-stores.

Kesko's corporate responsibility principles can be read at: www.kesko.fi/responsibility. Kesko's general corporate responsibility principles are complemented by more detailed policies, principles, stands and statements. The main policies and principles followed by the Kesko Group are listed in the guide 'Our Responsible Working Principles' and at: www.kesko.fi/responsibility. The guide 'Our Responsible Working Principles' will be updated in 2011.

STAKEHOLDER PROCESS

The assessment of corporate responsibility performance takes account of Kesko's key stakeholder groups, namely: Kesko shareholders, its personnel, retailers and their staff, consumers, suppliers of goods and services, the media, the authorities, non-governmental and environmental organisations and trade unions. A stakeholder analysis is included in Kesko's management system and operating plans.

With a growing awareness among stakeholders, responsibility has become an increasingly important part of corporate

reputation. All actions pertaining to corporate responsibility play an increasing part in active and comprehensive reputation management.

In a nationwide youth survey conducted in 2010, respondents considered Pirkka, K-food stores' own brand, as the friendliest brand of all.

According to the sustainability survey commissioned by the national daily Helsingin Sanomat, Finnish consumers consider Pirkka as the third most responsible brand. Read more on page 46.

The results of the 2010 grocery buyer survey conducted by TNS Gallup showed a year-on-year improvement in images connected to the K-food retail chains' brand promises. The best ratings given to the K-food store chains were for food expertise, food ideas, service counters and special offers. The K-supermarket and K-citymarket chains have succeeded in increasing the share of committed customers. Pirkka continues to hold its strong and steady position compared to other private labels. According to the survey, consumers are more willing than before to change their regular shopping place and want to shop in more stores than before.

TNS Gallup's 2010 survey of corporate reputation and responsibility provides informa-

tion on the different dimensions of Kesko's and K-stores' responsibility.

Kesko's corporate reputation and responsibility were rated at the average level in the retail and service sector. On the whole, the sector's level of reputation was perceived to be quite good, whereas responsibility was considered to be at a slightly lower level compared to reputation. The overall low level of reputation probably reflects the fact that stakeholders do not have a clear perception of corporate responsibility and companies' efforts for it.

According to the survey, the absolute drivers of Kesko's performance are high-level products and services. Kesko's customer orientation and competent personnel, coupled with the accuracy of delivery and service were also perceived as strengths.

The dimension of social responsibility proved an important element in Kesko's reputation, in which Kesko ranked slightly below the average in the survey. Kesko sees that this result proves that communication on Kesko's extensive and participatory operations in supply chain management, responsible selections and good human resources policies, for example, has been inadequate. Responsibility communications are increasingly important in building and maintaining a good reputation.

STRATEGIC OBJECTIVES

PROFITABLE GROWTH

- Our objective is to grow faster than market
- We seek growth in nearby areas, particularly in Russia
- We invest in our store network
- We develop e-commerce solutions
- We increase our shareholder value

SALES AND SERVICES FOR CONSUMER-CUSTOMERS

- We increase the value of our brands
- Our customer satisfaction exceeds that of our competitors
- Our competitive asset is the K-retailers who know the local customers and their needs
- We use loyal customer information efficiently and commit our customers

RESPONSIBLE AND EFFICIENT OPERATING PRACTICES

- Our operating practices are responsible
- We efficiently combine retailer entrepreneurship and chain operations
- We leverage our economies of scale and competence for the benefit of customers
- We automate our routines and processes

Kesko has prepared a process description of stakeholder cooperation (see page 17) to facilitate the analysis and planning of the cooperation. Stakeholder groups' expectations of Kesko, Kesko's actions to meet these expectations, and indicators measuring the performance are described in the stakeholder group analysis of the Group's responsibility work (available at: www.kesko.fi/responsibility). The divisions also use their specific stakeholder analyses.

Kesko is active in many national and international organisations and seeks to impact the developments in its business sector. The most significant channels of influence can be read at: www.kesko.fi/responsibility.

CORPORATE GOVERNANCE

Kesko's decision-making and administration comply with the Finnish Limited Liability Companies Act, regulations concerning publicly traded companies, Kesko Corporation's Articles of Association, the rules and guidelines of NASDAQ OMX Helsinki Ltd, and the Finnish Corporate Governance Code. The Governance Code is available in full at: www.cgfinland.fi. As provided by the Comply or Explain principle of the Code, Kesko departs from the Board member's recommended one-year term of office and applies a three-year term. Read more at: www.kesko.fi/investors.

Kesko's Board of Directors has seven members, one of whom is female. All of Kesko's Board members are non-executive directors. In the latest evaluation carried out on 4 April 2011, the Board found all members independent of the company's significant shareholders and the majority of the members also independent of the company. Companies controlled by three Board members (K-retailers) each have a chain agreement with a Kesko Group

company. Kesko's Board does not include employee representatives.

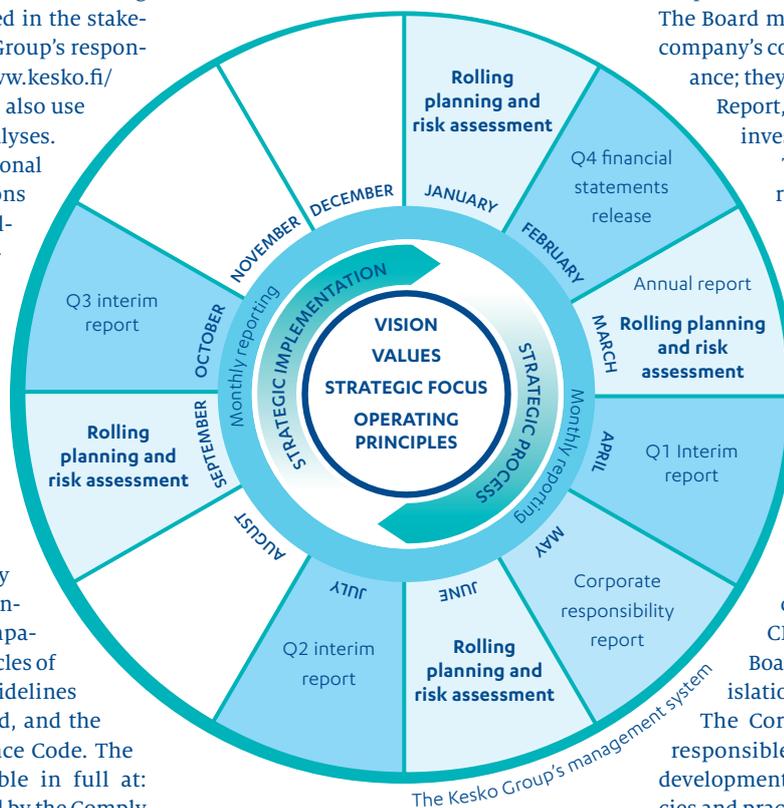
The Board of Directors regularly assesses its operations and working practices and carries out a related self-assessment once a year.

on corporate responsibility matters, nor does Kesko have a separate process for evaluating the Board members' competence in corporate responsibility. In its decision-making, the Board relies on the expertise of the Corporate Responsibility Advisory Board, as necessary. The Board members' fees are not tied to the company's corporate responsibility performance; they are presented in Kesko's Annual Report, on page 69 and at www.kesko.fi/investors.

The Board discusses the Corporate Responsibility Report as soon as it has been completed, and as necessary, also other related issues brought out either by the Corporate Management Board or the Corporate Responsibility Advisory Board. The Board of Directors' principal functions are listed in the Annual Report, on page 66 and at www.kesko.fi/investors.

The Kesko Group has a Corporate Management Board chaired by Kesko's President and CEO. The Corporate Management Board has no authority based on legislation or the Articles of Association.

The Corporate Management Board is responsible for considering Group-wide development projects and Group-level policies and practices. In addition, the Corporate Management Board discusses the Group's and the division parent companies' business plans, profit performance and matters handled by Kesko's Board of Directors, in whose preparation it also participates. The Corporate Management Board's members consist of the presidents of the major division parent companies and senior vice presidents responsible for corporate finance and accounting, human resources as well as corporate communications and responsibility. In 2010, two of the members were female. The Corporate Management Board takes a stand on matters brought out by the Corporate Responsibility Advisory Board. The Corporate Management Board meets 8–10 times a year.



In 2010, the Board met ten times and the members' attendance rate was 100%.

The Board has an Audit Committee and a Remuneration Committee, both of which have three members. The committees have no autonomous decision-making powers. Instead, the Board of Directors makes decisions based on the Committees' preparation. In 2010, the Audit Committee met five times and the Remuneration Committee four times. Further information on the Committees' work is available in Kesko's 2010 Annual Report on pages 66–68 and at: www.kesko.fi/investors.

The Board of Directors has not appointed any of its members to concentrate especially

RISK MANAGEMENT

Kesko's risk management is proactive and an integral part of management and day-to-day activities. The objective of Kesko's risk management is to ensure the implementation of the Group strategy, the delivery of customer promises, shareholder value and the continuity of business. Efficient risk management is a competitive advantage for Kesko.

The risk management policy confirmed by the Board of Directors guides risk management in the Kesko Group. The policy, based on the COSO ERM Framework, defines the objectives, principles, responsibilities and key practices of risk management. Kesko divides risks into strategic, financial, operational and damage/loss risks.

The business division and Group unit managements are responsible for risk manage-

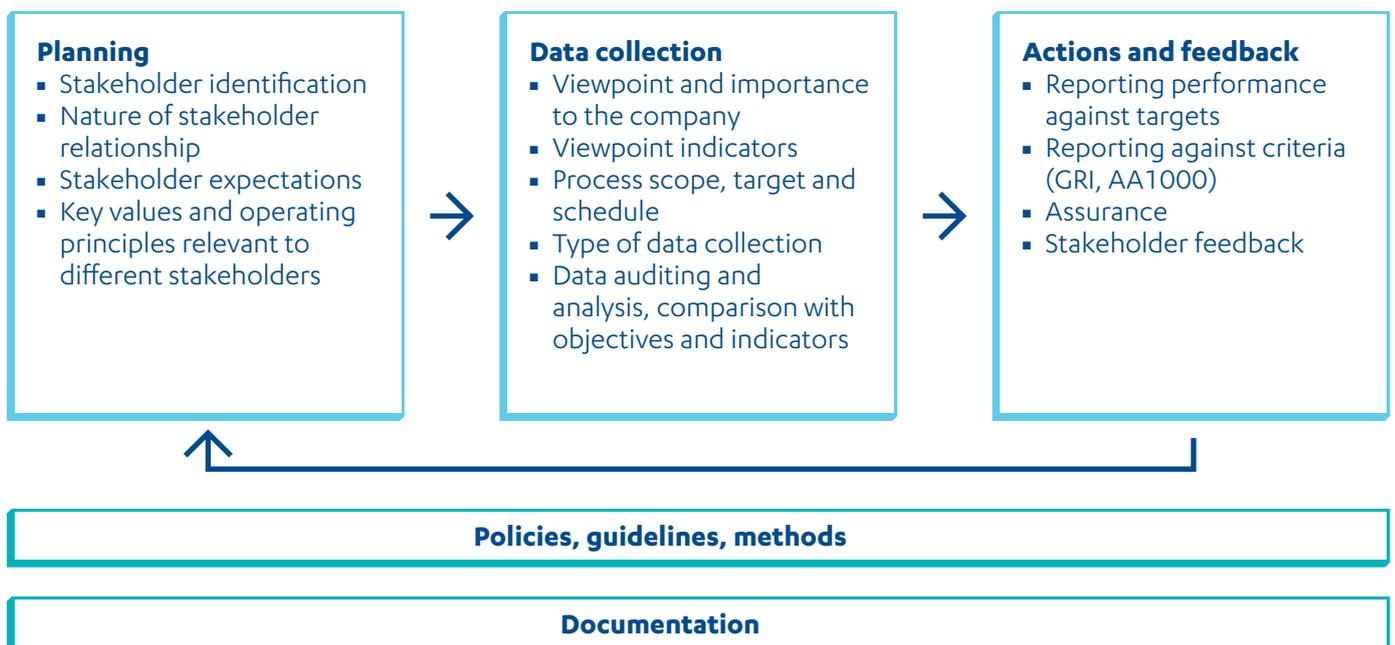
ment implementation. Each division has appointed a management board member to be responsible for coordinating risk management, safety and security, providing guidelines in each respective division and reporting on risk management responses. In addition, each of the food trade, the building and home improvement trade, and the home and speciality goods trade divisions has a risk manager, who is responsible, in cooperation with the business management and support functions, for the development and control of risk management, safety and security in the division.

In 2011, Kesko's risk management will continue to focus on preventing damages and malpractice, maintaining and testing continuity plans, and providing cost-efficient insurance services. Management's crisis exer-

cises will continue to be arranged. The risk management function will continue working in close cooperation with other Group units, especially with the internal audit, legal affairs, human resources, accounting, treasury and IT functions. This is to ensure the adoption of responsible operating practices, to improve personnel safety and to develop risk management related to information security and data protection, for example.

Risk management is discussed further on page 13 and more extensively in Kesko's 2010 Annual Report on pages 71–73, 85–86 and 130.

KESKO'S STAKEHOLDER INTERACTION



RESPONSIBILITY ORGANISATION IN KESKO

Corporate responsibility in Kesko is integrated in normal, day-to-day work. The management of each business division is responsible for the practical implementation, while the Board of Directors and the Corporate Management Board handle reporting and the key principles. Kesko's Corporate Communications and Responsibility Unit, assisted by steering groups, is responsible for the development, coordination and reporting.

CORPORATE RESPONSIBILITY STEERING GROUPS

The Group-level Risk Management Steering Group is responsible for:

- considering the operating principles and key policy definitions concerning risk management, safety and security
- assessing and monitoring the Group's risks and safety situation, and the implementation of risk management responses.

The Corporate Responsibility Advisory Board is responsible for:

- developing the principles that guide the Group's corporate responsibility
- steering and coordinating their practical implementation
- setting the objectives for corporate responsibility work and monitoring and, as necessary, supporting their implementation.

KESKO'S CORPORATE RESPONSIBILITY VISION

Corporate responsibility at Kesko is a voluntary but measurable commitment, based on the Group's values, principles, objectives and strategy. Operations in the areas of economic, social and environmental responsibility are developed in accordance with the expectations of the key stakeholder groups.

Owners/investors

Kesko's general principles for corporate responsibility state that good financial performance must be achieved in responsible ways. Kesko wants to be included in significant sustainability indexes recognised as important impartial indicators of responsible operations.

Personnel

Companies that offer good job satisfaction and varied responsibilities and opportunities for career progress are the most likely to succeed in attracting and retaining the best people.

Suppliers of goods and services

Diverse networks with product and service suppliers and with K-retailers mean that all the parties involved accept common values, objectives and operating practices. Kesko's aim is that its approach to responsibility is strongly reflected in the K-Group's consumer brands and is also visible to consumers at the store level.

Consumers

Consumer interest in corporate responsibility is continuing to increase, despite the fact that purchasing decisions are strongly based on price. Responsibility is seen as embracing quality products, the maintenance of services, good human resources policies and wellbeing at work, high standards of environmental protection, promotion of equality, and improving the working conditions of employees in manufacturing operations. Kesko has a major role in shaping families' healthy ways of living and overall quality of life.

Cooperation with authorities and organisations

Kesko actively monitors and anticipates changes in society in close cooperation with its stakeholders. This is important for preparing ourselves for emerging issues and maintaining a forerunner position.

Kesko's corporate responsibility vision can be read in full at: www.kesko.fi/responsibility.

The Environmental Steering Group is responsible for:

- developing the Group's environmental management based on the objectives set by the Corporate Responsibility Advisory Board
- promoting the sharing of best practices within the Group
- keeping up with changes in environmental and chemical legislation.

The Steering Group for Responsible Purchasing is responsible for:

- developing the Group's purchasing and sourcing based on the objectives set by the Corporate Responsibility Advisory Board
- promoting the sharing of best practices within the Group
- keeping up with changes in environmental and chemical legislation pertaining to product purchasing and sourcing.

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

- determining their own responsibility objectives
- implementing them in accordance with the characteristics and strategy of the division.

CORPORATE RESPONSIBILITY STEERING AT KESKO



Kesko's responsibility programme 2008–2012

The whole responsibility programme is available at: www.kesko.fi/responsibility. Here are the key results of the responsibility programme in 2010. More extensive information on the progress in the objectives and performance of the programme can be found in the respective sections of this report. The update of the responsibility programme will start in spring 2011.

OBJECTIVE AND ACTIONS	YEAR 2010
We actively increase the number of local suppliers and encourage K-retailers to purchase locally	<ul style="list-style-type: none"> ■ The aim is to increase the amount of local purchases (local purchases totalled €534m in 2007, €569m in 2008, €525m in 2009). ■ K-retailers' local purchases were €537 million.
We maintain a comprehensive store network in Finland	<ul style="list-style-type: none"> ■ Compared with Finnish competitors, Kesko Food's store network is the most comprehensive and households' distance to the nearest food store is the shortest (start value in 2008: 45.5% lived within one kilometre from a K-food store). ■ At year-end, there were 1,007 K-food stores and the store network covered 89% or 304 out of all 342 Finnish municipalities. ■ 51% of the Finnish population lived within one kilometre of the nearest K-food store.
Combating climate change	<ul style="list-style-type: none"> ■ The K-Group has signed the trading sector energy efficiency agreement and made a commitment to save 65 GWh by the end of 2016. ■ Electricity purchased by Kesko to the K-Group is carbon-free. ■ The combined carbon dioxide emissions (CO₂ eq.) of electricity and heat used by the K-Group in Finland were 125,641 tons, up 5.7% from 2009. ■ Electricity purchased by Kesko is carbon-free; it has been produced with nuclear power and renewable energy sources.
Increasing energy efficiency (Kesko Food)	<ul style="list-style-type: none"> ■ Actions include fitting freezers of all new stores with lids, cooling cabinets with doors, all new stores' advertising signage with LED lighting only, optimising the number of cooling cabinets, and energy classification recommendation 'A' for store equipment. ■ There are over 4.3 kilometres of freezers covered with lids and the pilot project of fitting cooling cabinets with doors was launched. ■ LED lighting is used in advertising signage and, for the first time, also in general lighting.
Transportation	<ul style="list-style-type: none"> ■ Reducing CO₂ emissions calculated per delivered kilo by 10% by the end of 2012; 2007 is used as baseline (0.0237 CO₂ kg per delivered kilo). ■ Comparative emissions per delivered kilo were 0.0242 (0.0252 in 2009) CO₂ kg, down 3.98% from the previous year. ■ Compared with the 2007 level, relative emissions have increased by 0.7%. The objective will be revised in connection with the update of Kesko's responsibility programme.
Business travel and company cars	<ul style="list-style-type: none"> ■ Reporting the CO₂ emissions derived from travelling with company cars and the average emission level (g CO₂/km). Our recommendation is below 180 g CO₂/km. ■ Continuing to increase video conference facilities. ■ Reducing the amount of air travel and reporting the CO₂ emissions derived from air travel. ■ In 2010, the average CO₂ emissions were 155 g (161 g in 2009) and the new recommendation was set at 160 g CO₂/km. The total CO₂ emissions of company cars were 2,505 tons (2,600 tons in 2009). ■ In 2010, there were 4,516 hours (2,846 hours in 2009) of video conferences and the Office Communicator instant messaging pilot was launched. Emissions from air travel were 1,935 (1,971) tons, down 1.8% from 2009.
Recovery and material efficiency	<ul style="list-style-type: none"> ■ Having the recovery rate of some 90% in our warehouse activities. Increasing the recovery rate of K-food stores to the same level of 90% by 2012. ■ Decreasing the K-food stores' shrinkage by some 20% by 2012. ■ Developing the recovery and recycling services offered by K-food stores to their customers. ■ The development of recycling in warehouses and K-stores continued. Recycling rate in Kesko Food's logistics was 84%. ■ Work to reduce shrinkage continued in warehouses and K-stores by developing sale management and ordering tools. ■ There were 243 recycling points for customers in connection with K-food stores. Some 278 million cans and 103 million recyclable plastic bottles were returned to K-food stores, which accounted for some 28% of all beverage packages returned in Finland.



OBJECTIVE AND ACTIONS **YEAR 2010**

Environmental management at stores

- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Including Anttila Oy's all new department stores in Anttila's ISO 14001 certification. ■ All K-citymarket and K-supermarket stores, and 50% of K-market stores are K-environmental stores. ■ In Finland, all K-rauta and Rautia stores are K-environmental stores by the end of 2009, and all K-maatalous stores by spring 2009. ■ Kesko Food develops the K-environmental store concept, trainings of new sections by the end of 2010. | <ul style="list-style-type: none"> ■ All Anttila department stores have been certified. ■ Situation with K-environmental stores: 100% of K-citymarkets, 97% of K-supermarkets and 44% of K-markets (there are K-markets in service stations that do not yet have the K-environmental store model in their business concept). ■ 100% of K-rauta stores, 93% of Rautia stores and 88% of K-maatalous stores are environmental stores. ■ The update of the content of the K-environmental store concept and the revision of the set of criteria will be completed in spring 2011. The e-learning training project will start after the new guide has been completed. |
|--|---|

Responsible purchasing, stands and statements

- | | |
|--|--|
| <ul style="list-style-type: none"> ■ Kesko has two monitoring officers in China whose target is to make 160 factory visits to the premises of Kesko's suppliers annually. ■ The BSCI objective for 2010 is 85 initial audits and 50 re-audits. ■ Establishing the fish and shellfish statement. | <ul style="list-style-type: none"> ■ The monitoring officers made 86 factory visits. The targeted number of visits will be reduced to correspond to the number of unmonitored factories. ■ In BSCI audits, there were 51 initial audits and 52 re-audits. ■ The fish and shellfish statement in use in Kesko's purchases, will be adopted for K-food stores' purchases by 1 May 2011. |
|--|--|

Responsible product selections

- | | |
|---|--|
| <ul style="list-style-type: none"> ■ Promoting the sales of biodegradable Pirkka bags and reusable Pirkka bags. ■ New biodegradable packages to the Pirkka product range. Materials of GMO origin are not accepted. ■ Continuing with the reduction of salt, sugar and fat content of Pirkka products. Having all Pirkka products with high salt, sugar or fat content reformulated by the end of 2010. ■ Expanding the use of the Nutritioncode service. ■ Training 500 specialists in healthy eating for K-stores by the end of 2012. ■ Kesko Food's objectives include having the largest selection and sales of Fairtrade products in Finland. ■ Developing cost- and eco-efficient service solutions for construction and living in Rautakesko. ■ The K-maatalous chain continues to focus on promoting sustainable practices in agriculture in Finland. | <ul style="list-style-type: none"> ■ The promotion of biodegradable and reusable bags continued; a non-disposable fruit bag was included in K-food store selections. ■ New biodegradable materials have been tested for Pirkka product packaging. ■ At the end of 2010, there were 81 reformulated Pirkka products. The reduction of salt, sugar and fat is long-term work. ■ A decision was made to end the Nutritioncode service because the number of active users remained too small compared to the objective. ■ The training of K-Food Specialists in healthy nutrition started in February 2010; more than 370 have already been trained. ■ There were 201 Fairtrade products, of which 37 were Pirkka products. ■ Rautakesko's energy efficiency project of housing started in autumn 2010. ■ The work of K-maatalous with agricultural practices continued. |
|---|--|

Wellbeing of employees

- | | |
|---|---|
| <ul style="list-style-type: none"> ■ Supporting employees' recreational and leisure activities annually by some €2 million. ■ The aim in developing employee wellbeing is promoting working capacity and maintaining the ability to work. ■ Harmonising the calculation methods of sickness absences. ■ Introducing a new model of early intervention in all divisions to manage sickness absences by 2010. | <ul style="list-style-type: none"> ■ In 2010, some €1.7 million were used for employees' recreational and leisure activities. ■ A manager for wellbeing at work was recruited to promote projects and practices related to wellbeing at work. ■ Sickness absences are recorded in a uniform way in all Finnish companies. ■ The early intervention model was introduced as planned. |
|---|---|

Incorporating the responsibility programme into the brand and marketing strategy work

- | | |
|--|---|
| <ul style="list-style-type: none"> ■ Strengthening the responsibility image associated by stakeholders to Kesko, its division parent companies and the various product brands. ■ Bringing our responsibility work to the attention of customers in the stores. | <ul style="list-style-type: none"> ■ Kesko's visual appearance will be refreshed in early 2011. ■ Pirkka is considered the third most responsible brand in Finland (survey made for Helsingin Sanomat in 2010). ■ Responsibility communications increased in all divisions. In the food trade, in particular, the focus was on customers: more information on responsibility provided in stores, marketing, on pirkka.fi and in the Pirkka magazine. |
|--|---|

Materiality assessment of Kesko's corporate responsibility

The materiality assessment of Kesko's corporate responsibility was updated in late 2010. The purpose of the assessment is to identify Kesko's and its stakeholders' key responsibility aspects.

The updating of the materiality assessment was conducted in two stages: an analysis of the operating environment and an assessment of responsibility aspects. Defining the objectives, programmes and indicators based on the materiality assessment can be seen as the third stage.

The operating environment analysis included a review and summary of stakeholder surveys, an analysis of the external operating environment, a benchmark analysis and management interviews. Stakeholder views were identified from the reputation, consumer, employer image and responsibility surveys ordered by Kesko and from customer feedback.

Kesko's measures to meet stakeholders' expectations as well as indicators for measuring the results are described in the stake-

holder analysis of the Group's responsibility work at: www.kesko.fi/responsibility. Kesko's stakeholder process is also described in this report, on pages 15–17.

In order to assess the level of concern of the responsibility aspects identified at the previous stage, Kesko organised a workshop with participants from, among others, the human resources, finance and accounting and risk management functions, Product Research, real estate maintenance and corporate communications and responsibility units, as well as environmental specialists from the divisions.

Levels of concern were analysed by assessing the impacts of the aspects on Kesko, on society in a wider sense, and the interest shown by stakeholders in them. It is particularly challenging to take account of the stake-

holders' interest in defining the level of concern, since different stakeholder groups emphasise different aspects. Indeed, Kesko must strive to find a balance between the levels of concern between the different stakeholder groups.

The final materiality assessment was discussed and approved by Kesko's Corporate Responsibility Advisory Board.

The materiality assessment has a significant impact on updating Kesko's responsibility programme to be com-

menced in 2011. The assessment has affected, for example, the preparation of this report in that the aspects which emerged as material in the assessment were chosen as the themes for this report as covered on pages 24–55. The revised report structure enables issues significant for Kesko to be better presented.

Kesko's key responsibility issues

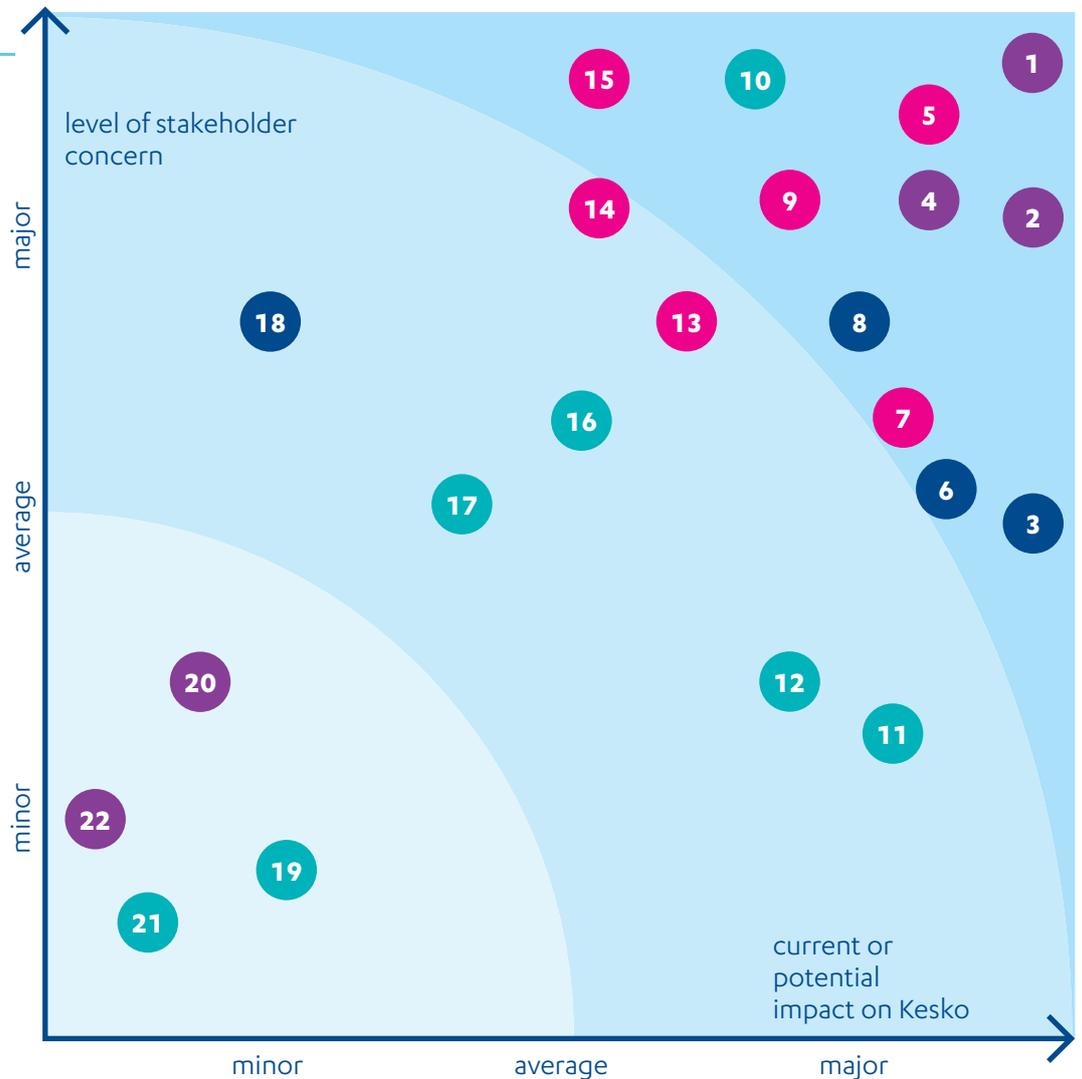
2010–2011

- energy efficiency
- good working community
- responsible purchasing and sales

Kesko's material corporate responsibility aspects are presented in the adjoining matrix. The vertical axis shows the level of concern for the stakeholder groups 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 aspects by separate stakeholder groups are not manifest in the matrix. The aspects can be divided into four categories: economic responsibility, environmental responsibility, human resources responsibility, and responsible purchasing and sales. The trends impacting responsibility are listed on the left of the matrix.

RESPONSIBILITY TRENDS

- Climate change
- Ageing population
- Emergence of social media
- Increasing health awareness among consumers



HUMAN RESOURCES RESPONSIBILITY

- 3 Development of personnel competences and versatile jobs
- 6 Occupational health and safety
- 8 Good working community (fair, provides equal opportunities and promotes employee wellbeing)
- 18 Steady employment

RESPONSIBLE PURCHASING AND SALES

- 5 Product safety
- 7 Responsible marketing and sales, and responsibility communications
- 9 Promotion of healthy life-styles
- 13 Shopping safety
- 14 Origin of products, purchasing policy definitions, and working conditions and human rights throughout the purchasing chain
- 15 Product selection (local suppliers, pro-environmental products and services, organic, Fairtrade)

ECONOMIC RESPONSIBILITY

- 1 Profitability of operations
- 2 Good corporate governance and risk management
- 4 Comprehensiveness and accessibility of store network and electronic services
- 20 Impact on regional business activities
- 22 Support to non-profit operations

ENVIRONMENTAL RESPONSIBILITY

- 10 Energy efficiency in store operations, products and services
- 11 Efficient logistics
- 12 Optimisation of packaging
- 16 Environmental management of stores and advice to customers
- 17 Environmental impacts from production in the purchasing chain
- 19 Water consumption in real estate properties
- 21 Promotion of sustainable agriculture



In Kesko's economic

responsibility, the most material elements are the financial profitability of operations, good governance and comprehensive risk management. The significance of product selections, local suppliers, pro-environmental products and services, organic products and Fairtrade products is also important.

ECONOMIC BENEFITS ARE DISTRIBUTED TO STAKEHOLDERS

Good management of finances, efficient use of resources coupled with a steady, long-term generation of economic benefits create the basis for entrepreneurship.

The operations of Kesko and K-retailers generate economic benefits for shareholders, finance providers, personnel, suppliers of goods and services and their employees, as well as municipalities and states.

Kesko and retailer entrepreneurs employ a total of some 45,000 people in eight countries. In 2010, Kesko's salaries and other employee benefits in all operating countries were €451 million. The Kesko Group's income taxes were €97 million, and pensions and social security expenses €65 million. K-retailers paid a total amount of €353 million in wages and salaries, €36 million in income taxes, and €82 million in statutory social security expenses.

KESKO IS A RESPONSIBLE LISTED COMPANY

Kesko Corporation is a Finnish public limited company in which the duties and responsibilities of the executive bodies are defined according to the Finnish laws. Kesko's decision-making and corporate governance comply with the Finnish Limited Liability Companies Act, regulations concerning publicly quoted companies, Kesko's Articles of Association, the rules and guidelines of NASDAQ OMX Helsinki Ltd, and the Finnish Corporate Governance Code.

Kesko's General Meeting passes resolutions on the company's most significant matters, such as the election of Board members, amendments to the Articles of Association, and the distribution of the company assets. The Annual General Meeting is usually held in March-April.

At the end of 2010, Kesko had 38,258 shareholders. In terms of voting rights, the largest shareholders are the K-Retailers' Association, Vähittäiskaupan Takaus Oy and Kruunuvuoren Satama Oy.

Kesko continually produces correct and up-to-date information for the markets as a basis for the formation of Kesko Corporation's share price. In its investor communications, Kesko follows the principle of impartiality and publishes all investor information on its website in Finnish and English. Kesko arranges press conferences for analysts and the media at the time of publishing financial statements or other significant news, and holds Capital Markets Days for analysts on various themes one or two times a year.

TRANSPARENCY AND OPENNESS ARE KESKO'S KEY CORPORATE GOVERNANCE PRINCIPLES

Kesko complies with the Finnish Corporate Governance Code for listed companies which came into force on 1 October 2010. The Code will harmonise the practices of listed companies as well as the information given to shareholders and other investors. It will also improve the transparency of administrative bodies, decision-making, management remuneration and remuneration policies.

In June 2009, the Board of the Securities Market Association appointed a working group to update the Code especially as regards remuneration. Kesko's Vice President, General Counsel **Anne Leppälä-Nilsson** was one of the 11 working group members.

"The updated Corporate Governance Code recommends that the management's remuneration, remuneration principles and related decision-making be communicated more openly. Kesko's corporate governance principles pertaining especially to remuneration were updated in autumn 2010. Even exceeding the Code requirements, the remuneration statement on our website discloses more detailed information on the decision-making process, the principles of remuneration of the Board members, the President and CEO, and the Corporate Management Board members, and their remuneration," explains Leppälä-Nilsson.

KESKO AWARDED FOR CORPORATE GOVERNANCE REPORTING

A competition for the best corporate governance reporting was organised for the first time in Finland in spring 2010. In addition to choosing category winners, the purpose was to survey and develop Finnish listed companies' corporate governance reporting.

The jury placed Kesko among the best in the large company category and gave Kesko

special credit for a clear and illustrative description of the company's corporate governance model (see the governance model in the Annual Report on page 64, and on the website at: www.kesko.fi/investors).

In March 2011, World Finance Magazine awarded Kesko 'the 2011 Best Corporate Governance in Finland' in terms of corporate governance development and reporting.

RESPONSIBLE OPERATING PRINCIPLES ADOPTED IN ALL OPERATING COUNTRIES

The guide 'Our Responsible Working Principles' provides guidelines to all of the K-Group personnel for operating in accordance with the joint values and responsible practices. The guide has been published in the languages of all Kesko's operating countries since 2008. The guide will be updated in 2011.

As stated in our responsible operating principles, Kesko's attitude to corruption and other malpractice is absolutely negative. Kesko is a member of Transparency International Finland.

51%
of the Finnish population
lives less than one kilometre
from the nearest K-food store.

Rankings of Kesko's operating countries in the Corruption Perceptions Index 2010 from Transparency International

Ranking	Country	Scale 1–10
4	Finland	9.2
4	Sweden	9.2
10	Norway	8.6
26	Estonia	6.5
46	Lithuania	5.0
59	Latvia	4.3
127	Belarus	2.5
154	Russia	2.1

Towards the end of 2010, Kesko's legal affairs, risk management and internal audit functions organised a series of value discussions in the Kesko companies in Sweden, Norway, Estonia, Latvia, Russia and Belarus. Read the case on this page.

COMPREHENSIVE STORE NETWORK

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 has about 2,000 stores engaged in chain operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Belarus and Russia.

Kesko has the most comprehensive food store network in Finland: 1,007 K-food stores in 342 municipalities in 2010. There are 69 K-citymarkets, 181 K-supermarkets, 489 K-markets and 163 K-extras. K-food stores have about 900,000 customers every day.

There are 418 home and speciality goods stores in Finland and 9 in the Baltic countries. The number of building and home improvement stores is 267 in Finland, 20 in Sweden, 112 in Norway, 9 in Estonia, 9 in Latvia, 17 in Lithuania, 12 in Russia and 5 in Belarus. There are 12 car and machinery dealer shops in Finland. Read more in Kesko's Annual Report on pages 18–45.

CASE

Value message travelled from country to country

In late 2010, Kesko's Legal Affairs, Risk Management and Internal Audit organised a series of Value Discussions in Sweden, Norway, Estonia, Latvia, Russia and Belarus.

Representatives of the Group told the participants about current issues related to Kesko's responsible

practices and discussed the challenges companies have faced when applying responsible working principles in practice.

A total of 60 members of subsidiaries' management boards and other key persons participated in the meetings. In 2011, the value discussions will continue in Finnish companies.

Kesko's responsible practices are communicated to employees in the 'Our Responsible Working Principles' guide, which has been available for the K-Group's personnel in all countries since 2008.

"It is not enough to go through the responsible operating principles

with employees just once – they must be highlighted and discussed on a regular basis. An introduction to the guide is part of each new employee's job induction. Both the management and superiors are responsible for ensuring that all employees are aware of and comply with the principles at their work," says Kesko's Chief Audit Executive **Pasi Mäkinen**, who has been passing on the value message.

Problems experienced in the business environment were openly discussed at the events. Country management had answered questions in advance and brought forward their concerns for discussion.

In Sweden and Norway, subjects were widely related to various business areas, while in Russia the focus was on challenges related to the prevention of corruption and malpractice.

"All our operations are based on compliance with legislation and ethical operating principles, and on correct and transparent reporting. Our policy is that bribery and other malpractice are strictly forbidden. Conversations during the events were rewarding and useful. It is important to openly discuss also difficult issues," says Kesko's General Counsel **Anne Leppälä-Nilsson**.

MOST PURCHASES ARE MADE FROM FINLAND

Most of the economic benefits from Kesko's operations - 85% of Kesko's net sales – flow to suppliers of goods. In 2010, Kesko's purchases from suppliers in Finland were valued at €5,174 million and from suppliers in other countries at €2,311 million.

Throughout 2010, local food, organic products and local purchases were widely discussed in the print media. Eating domestic food is important for 65% of the Finnish people. More than 80% say they mainly buy Finnish bread, milk, chicken and cold meat cuts. Some 75% of survey respondents said they buy local food products at least occasionally. (Source: "Suomi syö 2010" survey by Taloustutkimus.)

Kesko encourages K-food retailers to complement their selections with local purchases. Retailers' direct purchases from the Finnish regions were valued at a total of €537 million in 2010.

E-COMMERCE AND ONLINE STORES COMPLEMENT CONVENTIONAL RETAILING

Customers search for product information and buy products not only from conventional retail stores but from websites and online stores. The development of electronic shopping and online retailing are areas of strategic emphasis in all of Kesko's business divisions.

Kesko's online stores for home and speciality goods, NetAnttila, Kodini.com, Konebox.fi, CM-Store and BudgetSport, have gained a strong position.

Social media is playing an increasingly important role in the communication between retail stores and customers. Some 150 stores in Kesko's chains have Facebook pages of their own. Social media also enables customers to give feedback more easily than before.

K-PLUSA IS THE MOST EXTENSIVE CUSTOMER LOYALTY PROGRAMME IN FINLAND

In 2010, the K-Group's customer loyalty programme K-Plussa gained over 170,000 new members. There are more than 3.6 million K-Plussa customers.

K-Plussa benefits are available from more than 3,000 outlets and over 40 business partners. K-Plussa benefits are available to all loyal customers. Each month, hundreds of topical K-Plussa offers give customers a benefit of at least 10% provided at the checkout. By centralising their purchases in the K-Plussa network, customers also receive a benefit of up to 5%.



Pirkka, the K-Group's customer magazine, is distributed to every home which has not prohibited the distribution of advertisements or free newspapers and magazines. The magazine's articles on cooking, interior decoration and fashion present Kesko's environmentally friendly product selections and provide tips for an ecological lifestyle.

DONATIONS TO INSTITUTIONS OF HIGHER EDUCATION IN 2010

Kesko primarily participates in sponsorship initiatives that benefit the daily lives of families with children, promote the quality of living and sustainable development.

On Mother's Day, Kesko and K-retailers donated sculptor **Pekka Jylhä's** bronze sculpture 'Expectation', depicting an expectant mother, to the City of Helsinki. The sculpture is located in Kaivopuisto Park in Helsinki.

In spring 2010, Kesko participated in the 'Your Move On Tour' of the Young Finland Association in Helsinki, Oulu, Pori, Jyväskylä and Turku. The tour encouraged over 25,000 young people aged from 12 to 16 to get moving.

In spring 2010, Kesko's Board of Directors granted donations to, for example, Aalto University and the Universities of Helsinki, Tampere, Turku, Eastern Finland, Jyväskylä, Oulu and Vaasa, and to some polytechnics. The Board's donations totalled €1,115,000.

For the 23rd time, Kesko's Board of Directors granted scholarships to talented young athletes and art students in May 2010. The scholarships totalled €40,000.

The Good Christmas Spirit collection was organised jointly by the Mannerheim League for Child Welfare, the Finnish Red Cross, the Finnish Broadcasting Company's YLE Radio Suomi and Morning TV, and Kesko for the 14th time. The collection for the benefit of

low-income Finnish families with children in difficult situations in life raised €1,034,827. In other operating countries, donations were mainly granted to youth work,

sports associations, crisis aid and to support culture.

In 2010, Kesko and its subsidiaries gave financial support amounting to approximately €2.3 million to various organisations and institutions.

Kesko's donations in 2010 totalled

€2,300,000

COOPERATION WITH UNIVERSITIES AND POLYTECHNICS

Kesko and its chain stores offer versatile jobs and career choices. Kesko has over 22,000 employees in eight countries. Ensuring the availability of competent people continues to be of primary importance for the trading sector in the future.

Kesko carries out close cooperation with students and teachers in different sectors. In 2010, a new programme (“K-Tutuksi”) was launched to provide teachers with an opportunity to familiarise themselves with store practices and duties with the help of on-the-job training and eLearning.

Kesko representatives regularly participate in recruitment fairs and visit business universities and polytechnics to tell students about the K-Group’s summer jobs and career opportunities, the K-trainee and the K-retailer-trainee programmes, and the retailer entrepreneur path arranged with polytechnics.

The K-Group’s third K-trainee programme was launched in June 2010. Fifteen university or polytechnic graduates were selected for the programme. After completing the programme, the student transfers to the next K-Group position, usually at the supervisory or specialist level. Read more on page 33.

Future K-retailer entrepreneurs are trained in the K-retailer trainee programme. More than 100 K-retailer trainees complete the programme every year. After completion, the trainees are ready to start as independent K-retailer entrepreneurs, and 95–99% of them take the opportunity.

The retailer entrepreneur path, a systematic training route for would-be K-retailers, has been developed by Kesko Food and polytechnics. The training, adapted to constitute an optional module, is available in 14 polytechnics.

KESKO PEOPLE ARE ACTIVE IN ORGANISATIONS

Kesko representatives are active in several national and international, especially trading sector organisations.

President and CEO **Matti Halmesmäki** holds several positions of trust: he is the Board Deputy Chair of the Confederation of Finnish Industries EK, and Board member of the Federation of Finnish Commerce. The other Corporate Management Board members are also members of the Boards of trading sector organisations and those of their respective lines of business. Kesko’s General Counsel

Anne Leppälä-Nilsson, for example, is active at the EU level as a Board member of UGAL, the Union of Groups of Independent Retailers of Europe.

State decorations are annually presented to employees in recognition of their dedication and distinguished commitment to Kesko. The President of the Republic of Finland granted state decorations to 36 Kesko employees on 6 December 2010.

KESKO EMPLOYEES PARTICIPATE IN NATIONAL DEFENCE OPERATIONS

Kesko employees are annually invited to participate in national and regional defence courses. Defence courses are organised in order to present topical security policy issues and social emergency preparedness to the key people in different fields.

Kesko people also act in voluntary national defence operations. The Kesko Reserve Officers’ Club, established in 1954, annually organises a voluntary national defence operation, an evening gathering, as well as national defence events open to all Kesko employees.

CASE

K-retailers as benefactors

Kesko and K-Group stores are engaged in charity in many ways. Every K-retailer makes decisions concerning charity actions of their particular store. Forms of cooperation have been developed by listening to local needs as well as by using creativity.

K-market Kuutti in Lappeenranta donates the packaging and advertising materials accumulated in the store to kindergartens and school-children’s afternoon clubs. While the effort for the store is small, it brings much joy to the children. For two years in succession, the retailer and her staff have also donated the funds reserved for staff Christmas presents to the children’s and young people’s ward of the Central Hospital of South Karelia.

K-market Ruokapata in Padasjoki donates a baby bag containing necessities for the families of newborns to all new parents in the municipality. K-market Lohtaja in Kajaani organised an angling event for the residents of the local old people’s home in summer 2010.



K-Plussa’s sponsorship service encourages and supports retailers in local charity and sponsorship work. Some 100 K-Group stores

now participate in the service, in which the stores commit to pay to a local sports club a sponsorship sum that depends on the house-

hold-specific K-Plussa purchases of the club supporters from the store.

CASE

K-citymarket Keljo was expanded to become a shopping centre

The refurbished Keljo shopping centre in Jyväskylä was opened in April 2010. The K-citymarket, which had been operating in Keljo since 1994, was expanded and complemented with 21 speciality stores, most of them fashion and clothing stores.

“The expansion of K-citymarket Keljo to become a shopping centre has a major impact on consumers’ shopping in the Jyväskylä region. Diversified shopping opportunities and Sunday opening save customers’ time. Traffic connections to Keljo, including public transport, are good and there are 900 free parking spaces available,” says **Merja Haverinen**, Kesko’s Senior Vice President, Corporate Communications and Responsibility.

During the construction phase, the expansion provided work for some 60 builders. The new shopping centre employs about 200 people, 95 of whom work for K-citymarket.

The colourful look of the shopping centre was designed by architects Lahdelma & Mahlamäki. The wedge-shaped new part allows the shopping centre to house premises for speciality stores of different sizes that are easily adaptable later on. The facade of the shopping centre, visible for those entering the town by highway, is colourful and well-lit.

In connection with the expansion, K-citymarket Keljo was refurb-



bished to comply with the current K-citymarket concept. When new buildings are constructed and concept reforms made, new solutions are adopted to cut the consumption of materials and energy during the entire life-cycle of the properties. In K-citymarket Keljo, aisle alignments were changed, store furniture was replaced, floors polished and walls painted. Open freezers were replaced with new ones covered with lids.

“The combined annual savings achieved with the new covered refrigeration equipment and LED signage in Keljo is 364 MWh, which corresponds to the annual energy consumption of 18 electricity-heated one-family houses. The new refrigeration equipment saves some 40% compared with the old equipment, while the LED signage saves some 75% compared with the old technology,” says **Jari Suuronen**, Kesko Food’s Maintenance Manager.

CASE

Rautakesko participates in building a primary school in Bangladesh

Rautakesko is a partner in tooMax-x GmbH, a purchasing alliance. In cooperation with the Steps Towards Development charity organisation, the alliance’s Eurogroup Charity Fund (ECF), which operates in the Far East, started building the Golbunia Eurogroup primary school in Golbunia, Bangladesh in December 2009. The target is to establish the system of basic education in Bangladesh and, in doing so, contribute to improving the lives of the children in the area by offering them both education and shelter against the weather.

Golbunia is a small village located in the southwestern part of Bangladesh with hard monsoon seasons. When the monsoon season hits, the entire village is flooded, causing damage to many poorly constructed buildings often leaving hundreds of villagers homeless.

The school in Golbunia, to be completed in 2011, will be able to take in some 300 students, and because it is being made of brick, it will ensure a weather-resilient and safe learning environment for them. A water purification system will also be installed to provide clean drinking water.

CASE

K-rauta Sweden supports the Save the Children organisation

K-rauta in Sweden has been cooperating with the Save the Children (Rädda Barnen) organisation since June 2010.

K-rauta stores in Sweden sell water bottles, shopping bags, first aid kits and badges with the organ-

isation’s name on them. For each product sold, SEK 5 will be donated to the Save the Children organisation. Money collection boxes have also been placed in K-rauta stores and the whole sum donated by customers will go to the organisation.

In all, K-rauta in Sweden has made a commitment to annually donate up to SEK 100,000 to the Save the Children Emergency Fund during the cooperation of three years.

Rädda Barnen is part of the global Save the Children organisation – the world’s leading independent children’s rights organisation.

CASE

Old Estonian kroons to Food Bank

Estonia adopted the euro on 1 January 2011. Customers of K-rauta stores in Estonia have been able to donate their old kroons to the Estonian Food Bank.

The Estonian Food Bank wants to increase solidarity and support those in need. The Food Bank assists

low-income people by distributing food to them.

Food Bank collection boxes were available at all nine K-rauta stores in Estonia from autumn 2010 till the end of January 2011.

The Food Bank initiative started in the United States and has spread from there across the world. The first Food Bank in Estonia was established in March 2010.

There are thousands of people in Tallinn in need of food aid. During the first stages of operations, food aid has been given to the north, the poorest part of the city.



Kesko has

22,124

employees in eight countries. When stores are included, some 45,000 people serve K-Group customers every day. Some 4,000 employees joined Kesko in 2010.

Most of Kesko's employees carry out tasks associated with trade but the Group also employs laboratory staff who work on product research, home economics teachers, dealers, physicians, corporate responsibility advisors and legal experts. In a big company there's always an opportunity to change jobs: 1,100 Kesko employees transferred to another job within the Group in 2010.

Tuija Walve has been a store designer at Kesko Food for almost a quarter of a century. During that time, the size of her family has grown – she had one child when she started and now has four. She still vividly remembers her emotions on her first few days in the autumn of 1986:

“I was overjoyed!” Tuija Walve, who studied to be a work technology analyst, remembers the moment she heard that she had been selected for the position of store designer: “The job seemed sufficiently challenging as I got to start by designing K-citymarkets.”

Hanna Kurki, who is a bookkeeper for building and home improvement and agricultural stores, is a more recent Kesko employee.

“I was hired as a bookkeeper by Kesko's associate VTP Oy at the beginning of September 2008. I was very happy to get the job as I had just graduated as a Bachelor of Business Administration and got a permanent job straight away. The job meant security for the future and entering working life after being a student is a big step,” she says.

ORIENTATION IS KNOWING THE JOB

Orientation is everything when it comes to getting the best possible start in a new job. It is the supervisor's job to make sure that newcomers learn about their own duties and also about Kesko, its principles of responsible operation, employment issues and occupational safety.

Hanna is pleased with the orientation she received:

“I was assigned a mentor from the start. My biggest hurdle was getting to grips with the new SAP system. Luckily, I was put on a two-day SAP course soon after I arrived. My mentor still works here and I can turn to her or other colleagues if I need help.”

COMPETENCES UP-TO-DATE

Today, what you learn at school is not enough. Kesko and the stores develop their employees' skills and provide them with training on a continuous basis. 24,300 people took part in training programmes offered by the K-instituutti in 2010. There were a total of 32,406 days of training.

“Over the years, I've taken part in a large number of courses at K-instituutti and elsewhere, and these courses range from public speaking and negotiation skills to computer skills and image processing,” says Tuija.

EMPLOYEE WELLBEING IS ALWAYS A GOOD INVESTMENT

A responsible company takes care of its employees' wellbeing and skills. Investing in wellbeing is also good for business and pays itself back through lower expenses. In fact, research shows that a euro invested in employee wellbeing will bring over four euros in return. (Source: the Potentiaali method developed by Guy Ahonen, Research Professor at the Finnish Institute of Occupational Health).

The effect of such investments is rarely immediate and takes some time to make a difference. Indicators such as personnel surveys, sickness absences and departure turnover are tools that management can use to assess the situation. Supervisors can receive immediate feedback if they take time to ask simple questions, such as "How are you doing?", from time to time.

Kesko has a long-term approach to maintaining and improving wellbeing at work. In 2010, some six million euros were used in Kesko to improve employee wellbeing in Finland.

"We look after our employees throughout their careers. Though employees carry most of the responsibility for their physical, psychological and social wellbeing, the company can also make a difference. Productive work requires employees to have the required competence and skills, the ability to manage their schedules, and comfortable and safe working conditions," says **Riitta Laitasalo**, Kesko's Senior Vice President, Human Resources.

"Management is responsible for the wellbeing of the company, while supervisors are responsible for the wellbeing of their teams. It is vital for the company to have explicit goals which are monitored and discussed. An open working community is a good place to be as information reaches everyone and flows freely, the rules of the game are clear and people work as a team," Laitasalo continues.

Kesko wants to further enhance its employees' wellbeing. In October 2010, Kesko appointed **Janna Pirhonen** as its first manager for wellbeing at work. At the same time Kesko started work on developing an employee wellbeing management model and operating plan for the Group as a whole.

HOW ABOUT SOME ZUMBA, PILATES OR BOWLING?

In the interest of fostering team spirit, Kesko encourages its employees to exercise and enjoy arts and culture. In this respect, the various companies support employee activity in the form of clubs, by providing fitness vouchers or carrying out cooperation with gyms and fitness associations.

Kesko encourages its employees to engage in these activities together and in the case of selected major fitness events, it pays a part of its employees' participation fees. In 2010, 75 employees took part in the Naisten Kymppi Fun Run for women in Helsinki and 40 took part in the Likkojen Lenkki run for women in Tampere. 400 people attended the Kesko Staff Club's

2010 winter event in Sappee near Tampere. The winter event included various competitions such as fun ski relay, slalom, snowshoe football and ice fishing.

The local clubs' hobby circles offer a wide selection of activities from weaving to Thai boxing. Tuija Walve has been an active member of the Nokka club for many years. She now leads the yoga circle:

"The varied offering of fitness activities, great facilities and equipment are highly motivating. I've taken part in a large number of courses, including felting and metal wire work, hydro spinning and aqua jogging, Zumba, yoga, ChiBall, guided gym training and kettlebell classes. I also like to visit the theatre and go on guided tours with the club's cultural circle."

IT'S GOOD TO TALK

Exercise and a healthy lifestyle are not always enough to ensure our health and wellbeing. Our work may be too stressful, life situations vary and sooner or later we may encounter difficulties. At Kesko if an employee or a supervisor notices that something is wrong, there are tools for so-called early intervention.

"The good old-fashioned advice is that it is always good to talk. Various models for bringing up a subject can be used when there is a need to talk about sickness absences, performance or work-related conflicts. The principle behind these models is to bring up the issues early to keep situations from deteriorating," says Janna Pirhonen, Manager for Wellbeing at Work.

In Kesko, some
€6 million

were used to improve employee wellbeing in Finland in 2010.

CASE

Social media guidelines were created in cooperation at Kesko

Kesko has provided guidelines – or 'netiquette' – on the use of social media.

The netiquette guidelines were created in a unique way by observing the rules of social media. As all employees were openly invited to take part in a web discussion and electronic workshops, everyone

had an equal opportunity to participate and contribute to the common rules.

Some 100 people accepted the invitation of the web site and actively participated in the discussion, while the two workshops had nearly 100 participants from across the Group.

The guidelines do not provide answers to all questions related to social media; rather, they set out principles and encourage the use of social media channels in various jobs and duties. The guidelines, which will be complemented and updated as required, are available in Finnish and English on Keskonet, Kesko's intranet.

CASE

Konekesko Lietuva launches a 'We care' project

Konekesko Lietuva's support operations team of six in Lithuania wants to increase the company's environmentally responsible approach. The project was kicked off by preparing a programme called '25 ways towards a more responsible Konekesko Lietuva', which aims at progress in small but steady steps.

The programme guides towards more environmentally friendly thinking and actions. The first steps taken were to replace the copy paper used and the plastic shopping bags available for customers with

more environmentally friendly alternatives.

The programme also has a long-term objective – Konekesko Lietuva wants to become one of Lithuania's most responsible companies.

Managing Director **Lina Morkunaite** praises her energetic team: "Everybody is interested in promoting sustainable development both at work and leisure. Half of our team members are also active in voluntary organisations working for responsibility."

"It's a real pleasure to work with such enthusiastic people. Our first steps consist of actions which prove that responsibility pays off. Next we will draw up long-term plans. Our aim is to commit the whole company to the 'We care' project."

“The models have been used in situations where a person suffering from back problems is repeatedly absent, for instance. By discussing the problem we have been able to come up with various solutions, such as acquiring a more ergonomic chair and desk, carrying out an assessment of the need for care together with occupational health and days when the employee can work from home and take breaks to go for a walk, for instance.”

Supervisors and employees carry out a performance and development review one to three times a year. The review evaluates the attainment of the previous period's objectives and personal development goals and includes discussion about developing the supervisor's work and the working community. In 2010, 76% of Kesko employees stated in the personnel survey that they had had a performance and development review with their supervisor in the previous year.

PERSONNEL SURVEY SUPPORTS WELLBEING AT WORK

The annual personnel survey conducted at Kesko and its chain stores provides information on the working community and leadership. It is vital that the results of the survey are put to use in different units, development measures are agreed upon and improvements are made together.

In the personnel survey, employee wellbeing is studied by asking employees to assess their motivation, chances of influencing their

own work, work load and coping at work. In the 2010 personnel survey, wellbeing at work received an overall score of 3.75 (on a scale of 1 to 5) for the Group in general. For more

The good old-fashioned advice

is that it is always good to talk.

Hanna agree:

“I have a really good immediate working community and it is the biggest reason why I like it so much here. My supervisor is a great listener, looks after us and puts our needs and interests first. A good colleague listens, helps, supports, is fair to others and does his or her own job, too,” says Hanna.

“My immediate working community includes men and women of different ages, which is a very good thing. We sit down together for coffee during the day and celebrate special days. A good colleague understands, helps and offers support when it's needed,” says Tuija.

information on the results of the survey, go to page 79.

Key factors for wellbeing at work are a good supervisor and working community. Tuija and

community. Depending on the division parent company, they made up between 30% and 40% of total costs in 2010.

Occupational health care carries out statutory duties, such as workplace surveys, health checks, surveys of ergonomic aspects, rehabilitation guidance and labour protection cooperation.

Kesko's occupational health care also does plenty more to promote wellbeing at work. Regular activities include medical checks for new employees, check-ups for different age groups, exercise groups for various health complaints, supervisor support and therapy following accidents and crises. Occupational health care also works in close cooperation with the various places of business.

Tuija Walve and Hanna Kurki work in Katajanokka in Helsinki where occupational health care is provided by Kesko itself. They have both had good experiences:

“The health care centre is close by, appointments are easy to get and in general everything seems to work well,” says Hanna.

“I think occupational health care is very important. I go to the age-group check-ups and I've had swine flu and seasonal flu jabs at the health centre. Another positive thing is that the nurse knows me and I don't have to explain everything from the beginning whenever I visit,” Tuija adds.

OCCUPATIONAL HEALTH CARE MAINTAINS WORK ABILITY AND PROMOTES WELLBEING

The goals of Kesko's occupational health care are ensuring the health and wellbeing of employees, a functioning working community and a healthy work environment. In addition to the general-practice health care it provides, occupational health care also invests in activities that maintain work ability and promote the wellbeing of the working

CASE



K-trainee Taiju learns about food retailing

The third K-trainee programme started in June 2010. From among over 600 applicants, 15 young people with a university or polytechnic degree, either recently graduated or with some experience of working life, were selected for the programme.

A central part of the 15-month K-trainee programme consists of performing various retail duties which acquaint the trainee with practical work.

K-trainee **Taiju Jaatinen** likes the world of food retailing:

“During the K-trainee programme, I've worked in K-market Ruoholahti, K-supermarket Munkki and K-citymarket Koivukylä. I've noticed how well retailers have succeeded in selecting and training their staff. People are motivated and enjoy their work, which is also reflected to the customers.”

Taiju has also noticed that posing questions is worthwhile.

“It has been nice to see how, as a newcomer, I can stimulate the daily work of more experienced employees just by being myself and by asking loads of questions. Often the result is that both parties learn something new. I feel that I'm privileged to be able to work with real retail professionals.”

After one year in the programme, the K-trainee moves on to the next post – a department manager in a K-citymarket or Anttila department store, a project-specific assignment in one of Kesko's chain units, perhaps, or some other post with responsibility either in a retail store or support operations.

Taiju's plans for the future have not yet been finalised:

“Kesko provides a wide variety of very interesting career opportunities. As a K-trainee in the K-market chain, I'm naturally most interested in opportunities offered by my chain, but after my three months' training period I'll certainly have a much better idea of what my particular interests are.”

CASE

Customer service at its best

A cheerful and friendly cashier attracts many customers to queue at a particular checkout, even if the queues at other checkouts might be shorter. Such is the popularity enjoyed by cashiers **Natalia Martikainen** in Kotka and **Jama Jama** in Tampere. Natalia was selected as Kotka's most positive resident in 2010 and for Jama Jama, his customers set up a Facebook fan group.

CHEERFUL NATALIA IS THE MOST POSITIVE RESIDENT OF KOTKA

Flowers and letters were flooding into the staff room of K-citymarket Kotka when it was announced in August that Natalia Martikainen was chosen as the most positive resident of Kotka for 2010.

The annual nomination of the most positive resident of the city is organised by the Kotka Junior Chamber of Commerce. On the basis of the submitted proposals, the selection was made by a jury which included the Mayor of Kotka **Henry Lindelöf**.

The title came as a great surprise to Natalia who has worked for K-citymarket Kotka for seven years: "I didn't believe that an ordinary checkout clerk like me could be chosen!"



"I really like my work, because I meet lots of people here. They give me a lot of energy."

Natalia, who originally comes from Moldova, has improved her knowledge of Finnish to an excellent level just by speaking with people:

"I always wish the customer a nice day and occasionally someone says that it felt good to hear it. It's so nice to see customers leave the store with a smile on their faces."

JAMA JAMA HAS A FAN GROUP ON FACEBOOK

There are very few sales assistants who are so well-liked that thousands of people express their appreciation! Customers think Jama is the friendliest sales assistant in Finland – a customer service oriented person beyond comparison.

The members of the fan group – more than 2,900 in all – agree that Jama Jama, who works at the checkout, masters the fine art of customer service.

"I have my heart in my work. A humble attitude takes you a long way. And the high number of fans tells me that I've done my work well," says a very pleased Jama.

Jama arrived in Finland at the age of eight with his family who fled the Somali Civil War. He was elected the 'Everyday Hero 2010' by the Junior Chambers of Commerce of Tampere and was chosen second in the 'Tampere Resident of 2011' competition. Jama Jama worked for K-citymarket Turtola until April 2011.

CASE

Retraining is a way to a new job

Marja-Leena Turunen worked in various warehousing duties in Anttila's Central Warehouse in Hämeenkylä, Vantaa for 25 years.

"After the expected completion of Anttila's new logistics centre, my duties would have expanded and I wouldn't have been able to perform them as my shoulder, operated on in 2002, has been causing me trouble for a long time," says Marja-Leena Turunen, 51.

The solution was the statutory occupational rehabilitation pro-

posed by Occupational Health Doctor **Terhi Riihää**. The rehabilitation of Marja-Leena Turunen consisted of work testing and training periods.

Varma Mutual Pension Insurance Company provided support for this rehabilitation in the form of a three-month work testing period, during which the suitability of the possible new occupation from the perspective of health was assessed. Turunen, who had been a needlework and handicraft enthusiast for most her life, got a job for the testing period in the Sinelli hobby shop – a familiar place where she was at home with the shop's selections and services.

The testing period was followed by a three-month work training

period, in which she learnt the competencies and practical skills required in the job. She was paid a rehabilitation allowance for both periods.

"We've actively benefitted from the opportunity of occupational rehabilitation in case of those Anttila employees who have a risk of a disability pension to help them continue working. Five work testing periods were started in 2010: two in Anttila and three in other companies. Two Anttila employees have received support for their work training and likewise, two Anttila employees have also started retraining with the help of occupational rehabilitation," says rehabilitation specialist **Satu Ojala** from Varma.

The rehabilitation of Turunen was a success story for both parties – the rehabilitation gave her a chance to continue working despite her illness and Anttila, for its part, avoided disability pension costs.

After the vocational rehabilitation, she was recruited by the new employer and she loves her job in the Sinelli shop in Vantaa.

"My duties are varied and I meet lots of people. I've had a chance to implement new ideas and work as a leader of craft courses," says a very pleased Marja-Leena Turunen.

CASE

Working capacity from rehabilitation

Ageing and mentally or physically stressing work often cause various ailments and problems that decrease the ability to work. Kesko wants to look after its employees throughout their careers and provide them with physical staff club activities, fitness courses and rehabilitation. The Occupational Health Service participates in the selection of applicants for rehabilitation courses.

The vocationally oriented medical rehabilitation courses (ASLAK)

are paid by Kela, the Social Insurance Institution of Finland. They are intended for employees who are usually aged from 35 to 55 and have symptoms that can be improved with rehabilitation but do not yet have impaired functional capacity.

The TYK rehabilitation courses, for their part, are aimed at maintaining and improving the ability to work which is threatened due to illness.

The Occupational Health Service considers that rehabilitation is an excellent way to improve the ability to work on a long-term basis.

“Rehabilitation provides employees with resources to maintain their working capacity, enhance their work and promote a healthy and active way of life. Kesko focuses on preventive activities and pays a full

salary to the employee for the rehabilitation period,” says **Pirjo Anttila**, Chief Physician of Kesko's Occupational Health Service.

In 2010, a total of 37 Kesko employees and 14 retailers from various parts of Finland started ASLAK rehabilitation courses with seven department store and warehouse employees starting TYK courses, for both of which Kesko had submitted applications. Five Kesko employees started AMI mental rehabilitation courses implemented as development projects by Kela (the Social Insurance Institution of Finland).

Assistant **Anja Pötsönen** from Kesko Food, who has worked for Kesko for nearly 30 years, is one of ASLAK's participants.

“During our rehabilitation period, we enjoyed a fair amount of various indoor, outdoor and water exercise, participated in occupational therapy and heard different lectures. Our daily work was videoed and changes in ergonomics were made based on the findings. As our immediate superiors were also present one day, it's now easier to make permanent work-related changes with their support.”

“At the rehabilitation course, we learned that we should stop and listen to ourselves and remember to take breaks at work. Everyone must look after his or her own working capacity. We must and have to be selfish in a healthy way.”

CASE

Antero and Annukka the Assistants behind the wheel of a Transporter

Volkswagen Commercial Vehicles of VV-Auto Group Oy set up the 'Antero the Assistant' campaign in spring 2010. Its purpose was to find 'Antero the Assistant' – a young summer employee who would be offered, together with a long Transporter, to a small firm for the summer. The aim was to provide summer jobs for young people whose wages would be paid by VV-Auto Group Oy.

The interest aroused by the campaign exceeded VV-Auto's expectations – there were nearly 620 applicants aged from 18 to 22, and nearly 250 applicant companies. Encouraged by the success, Volkswagen Commercial Vehicles finally selected two companies and two Assistants – one male and one female. In addition to offering employment, the selection criteria included the company's real need for a van and a well-prepared application.



Vesa Pylkkänen, a 22-year-old student of automation technology from Jyväskylä, spent the summer behind the wheel of a Transporter carrying implements, building materials and equipment for Kuoppala Finland Oy, a Jyväskylä-based company specialising in the planning and construction of yards and green areas.

Jenna Permanto, a 19-year-old secondary school graduate from Espoo, worked for the Helsinki-based Cornerstone Entertainment Agency. The job took her to various summer events – from Ruisrock to Pori Jazz and the Imatra Big Band festival. 'Annukka the Assistant' transported audio equipment and

musical instruments in her long Transporter.

The news of Antero and Annukka the Assistants' summer jobs were also available on the internet at www.volkswagen-hyotyautot.fi/antero as well as in Facebook. New assistants will be hired for summer 2011.



Energy saving

is an essential tool for fighting off climate change. Kesko wants its operations to actively contribute to curbing the progress of climate change. We also want to help our business partners and customers to the same effect.

WE ARE COMMITTED TO SAVING ENERGY

In 2010, the K-Group's aggregate electrical and heat energy consumption in Finland was 1,124 GWh. Freezers and other refrigeration equipment use a considerable amount of energy in K-food stores. An unbroken cold chain is an essential part of food safety and the quality of products offered to customers.

Solutions that reduce the consumption of materials and energy during the life-cycles of properties are adopted when building new stores and renovating existing ones. Read more on pages 38 and 40.

We have signed the trading sector energy efficiency agreement and are committed to saving 65 GWh by the end of 2016. The target is significant, corresponding to the annual energy consumption of 15 K-citymarkets. Since 1995, Kesko's consumption of heat energy has decreased by over 60% and, correspondingly, the consumption of electrical energy has decreased by over 20%.

WE USE CARBON-FREE ELECTRICITY

Kesko bought on a centralised basis some 74% of the electricity used in the K-Group properties located in Finland in 2010. All of this electricity was carbon dioxide free, produced with nuclear power and renewable energy sources.

Kesko wants 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 is one of the 70 participants in the Fennovoima nuclear power plant project.

We are actively on the lookout for possibilities to use renewable energy sources. We believe that the use of soil and water as heat sources will be potential alternatives as technical solutions become more sophisticated, as in the case of condensation heat from store refrigeration equipment already in use.

The refurbished Keljo shopping centre in Jyväskylä was opened in April 2010. Solutions that reduce the consumption of materials and energy during the entire life-cycle of the property were adopted in construction.

LIDS AND DOORS SAVE ENERGY IN STORES

Since 2008, all new K-food stores' refrigeration equipment has been supplied with lids and doors. Annual energy savings achieved by covering freezers amount to some 13 GWh, which corresponds to the annual electricity consumption of nearly 600 one-family houses.

The total length of lids and doors on K-food stores' refrigeration equipment exceed 4.3 kilometres. By the end of 2010, lids had been installed on the existing freezers of some 50 stores. Chest freezers fitted with lids save 30–40% energy compared with uncovered ones.

"Electricity savings are also gained thanks to fewer defrostings needed and the smaller fan and refrigeration power required. An even temperature enabled by lids also helps improve the quality and shelf life of products. And when the cold remains inside the freezer, the store interior temperature remains comfortable," says Maintenance Manager **Jari Suuronen** of Kesko Food.

A new saving method being piloted by Kesko is to add doors to the juice and dairy cabins in K-supermarket Kontumarket, Helsinki. The annual saving in electric energy achieved by this is about 30% compared to not having doors on the cabins.

LED TECHNOLOGY GENERATES SAVINGS

LED technology is used in the illuminated signs of all new K-food stores. The resulting savings compared with traditional neon and fluorescent tube solutions are 60–70%.

The general lighting of K-supermarket Torpparinmäki, opened in Helsinki in October 2010, has been implemented with an energy-efficient LED system, which consumes over 35% less energy than the generally used fluorescent lighting.

"LEDs do not dazzle or cause fading. With LED panels light can be directed to the products and shelves. Maintenance is easy, because the useful life of a LED is long, about 10 years. When the light needs to be changed, only the lighting system panel is replaced, not the whole system," says Suuronen.

RECOVERY OF CONDENSATION HEAT

Nearly all K-food stores also use condensation heat from cooling units. Thanks to the recovery of condensation heat, district heat is only needed in very low sub-zero temperatures. This will also be the case in the Veturi shopping centre in Kouvola, which will be completed for Kesko in 2012. The premises will be heated and cooled by using heat and cold energy from soil.

"The design of the Veturi shopping centre relies on environmentally friendliness and energy efficiency. Veturi's environmental

impacts are assessed under the BREEAM International method (Building Research Establishment's Environmental Assessment Method)," says Suuronen.

In 2010, Kesko joined the environmental organisation Green Building Council Finland (FIGBC), whose goal is to foster the sustainable development perspective as a natural part of all real estate and construction activity. FIGBC intends to establish a set of indicators to enable comparisons between the environmental efficiency of properties. Jari Suuronen is a member of FIGBC's training committee.

K-supermarket Peltola in Järvenpää uses carbon dioxide recovered from industrial processes as a coolant in its cooling equipment. The efficient recovery of condensation heat from cooling equipment, freezers covered with lids and energy saving fans added to fixtures reduce the store's electricity and heat consumption by dozens of percentages compared to an average K-supermarket.

Serious energy saving efforts in Kesko's other operating countries began in 2009. The aim over the last two years has been to include Rautakesko's properties in operating control and energy monitoring. The main emphasis has been placed on Sweden and Latvia, which have already shown good results to the extent that K-rauta stores in Latvia are used as benchmarks of low-energy buildings. Development targets for 2011 mainly include stores in Estonia and Russia.

CASE

Byggmakker does not sell rainforest wood

In 2010, Regnskogsfondet, the Norwegian Rainforest Foundation, carried out a survey covering all large building and home improvement store chains operating in Norway. More than 50 stores, six of which were Byggmakker stores, were inspected in the survey. It was found that Byggmakker was one of those companies that do not sell products of rainforest wood.

Rautakesko has made a policy decision to ensure the origin and traceability of timber and wood products. In compliance with this definition, Byggmakker does not import or sell products made of

endangered wood species growing in tropical natural forests.

Terje Lærum, Environmental Manager of Byggmakker, says that all suppliers and Byggmakker stores have been informed of this principle. In addition, all the suppliers must sign an environmental obligation:

"I'm glad that our work has had positive results and has been recognised by environmental organisations and NGOs in Norway."

According to Lærum, more and more Norwegian consumers are aware of the problems related to rainforests.

"Timber harvesting is a threat to the animals, the people who live there and their traditional livelihoods, while also accelerating climate change. Since Norway is a major player in the international efforts to protect rainforests, we have to act as a pioneer in the trading sector."

CASE

Environmental certificate awarded to Byggmakker's head office

For many years now, Byggmakker Norway AS has been working to decrease its environmental impacts. Concrete evidence of these efforts is the environmental certificate, Miljøfyrtårn, awarded to Byggmakker's head office.

"In connection with the certification process, we have installed bike racks at the Byggmakker head office in Langhus, replaced disposable drinking cups with ordinary ones and segregate our waste. We have also set the maximum limit for the carbon dioxide emissions of our

new leased cars at 120 g/km; our goal is that by 2013, no leased car will exceed that limit," explains **Helge J. Nakken**, Sales and Operating Director.

Byggmakker has already succeeded in reducing air travel by giving preference to video conferences. The company also plans to cut down the amount of waste.

"Our goal is to sort out 70–80% of our waste by 2012, compared with the current rate of 57%," says Nakken.

PROJECT FOR ENERGY EFFICIENCY OF HOUSING BENEFITS CUSTOMERS

There are over 900,000 one-family or terraced houses built in the 1980s or earlier in the catchment area of K-rauta and Rautia in Finland. All of these are potential energy renovation targets.

Improving the energy efficiency of housing saves money and the environment, improves housing comfort and increases property value.

In autumn 2010, Rautakesko started an initiative on energy efficiency in housing. The aim of the project is to create a concept of the services available at K-rauta and Rautia stores for improving the energy efficiency of housing so that each customer can easily find the solutions suitable just for them. The energy efficiency project is a continuation to the Peloton project, lead by Demos Helsinki and financed by Sitra, the Finnish Innovation Fund, seeking ways to support people in their everyday energy choices.

“We want to guide customers’ everyday choices in an energy efficient direction. Rautakesko wants to be the leading expert and seller of energy efficiency services,” says **Tuulikki Markkula**, Rautakesko’s Customer Relationship Director.

Customers interested in energy renovation can visit the web sites of K-rauta and Rautia to follow the renovation project run in cooperation by Rautakesko and retailer **Tommi**

Rauma in Pirkkala. Tommi writes a blog about the complete overhaul process of a one-family house built back in the 1940s. The house, now in its basic condition, will undergo a complete renovation, the aim of which is to achieve as low energy consumption as possible. At the same time, living comfort and convenience will be raised to meet present day standards.

Households who open a renovation account with a K-rauta or a Rautia store receive a special Rautakesko edition of a book by **Jussi Laitinen** (“Pieni suuri energiakirja”), which contains information and practical instructions for saving energy at home.

ENVIRONMENTAL STORES ALSO GUIDE CUSTOMERS IN SAVING THE ENVIRONMENT

K-retailers’ environmental management is based on the K-environmental store operating model. There are nearly 680 K-environmental stores, of which some 460 are K-food stores.

K-environmental stores pay special attention to environmental impacts, such as the use of energy, recycling, environmental advice, and environmentally friendly product selections. K-environmental stores also help customers save the environment in their operations. When a store becomes a K-environmental store, all its employees receive training in environmental issues.

The K-environmental store manual supports the stores by providing information on pro-environmental products, recycling and energy saving, for example. The manual’s section on energy saving has been produced in cooperation with Motiva. An updated edition will be published during 2011.

CHOICES IN STORES THAT MAKE A DIFFERENCE

A store’s function is to offer products that promote sustainable development and to help customers make good choices.

The selections of the K-Group stores include a multitude of products which carry an environmental label. There are some 80 Pirkka products with the Nordic environmental Swan labelling, for example, washing agents, nappies and soft tissues. K-food store selections contain nearly 700 organic products, of which some 50 are Pirkka Luomu organic products.

Anttila and Kodin Ykkönen have some 230 products with environmental labelling, mainly paper products, light bulbs, batteries, washing agents, household appliances and televisions.

Energy saving light bulbs are available from K-food stores, Anttila stores, NetAnttila online store, Kodin Ykkönen department stores, K-rauta stores, Rautia stores, and the Konebox online store.

CASE

Pirkka recycled plastic bag receives the recovery award of the year

In November, the Finnish Association of Environmental Enterprises (YYL) and Uusioutiset, the Finnish Recycling News magazine, granted the 2010 Recovery Award to the Pirkka recycled plastic bag. The award, which was now granted for the sixth time, is an acknowledgement for an innovative solution implemented in the environmental management sector or related to the reuse of secondary raw materials. The purpose is to provide encouragement and motivation for adopting solutions in environmental management that both improve the efficiency of materials’ reuse

and decrease their environmental impact.

The Pirkka bag is made of 90% recycled plastic, 30% of which comes from protective plastic wrappings used in Kesko Food’s goods transportation. The rest of the bag’s recycled raw material is recovered from Suominen Flexible Packaging Ltd’s factories, from the manufacture of food and hygiene packaging and plastic carry-bags, for example.

“K-food stores want to offer their customers alternative products with less burden on the environment, particularly in the Pirkka range. Approximately one third of the plastic waste generated in our operations can be reused in the manufacture of Pirkka recycled plastic bags. We will continue our development work with plastic waste, so that in the future even a larger proportion can be recycled and used to make shopping bags and other products,” says **Timo Jäske**, Environmental Manager of Kesko Food.



CASE

New logistics centre improves logistics efficiency and saves energy

The joint new logistics centre of Anttila, Kodin Ykkönen and NetAnttila in Kerava will be implemented gradually during the first months of 2011.

The logistics centre applying the latest warehousing technology will significantly improve logistics efficiency. The centre will handle deliveries to all Anttila and Kodin Ykkönen department stores as well as NetAnttila customers.

Customers' purchasing habits have become more varied and an increasing proportion of them make purchases online. Annually, the logistics centre will deliver over one million orders to Anttila's online customers.



The logistics centre's floor area is 19,000 m² and cubic volume 350,000 m³. Goods are stored in a 30 metre high-bay storage using automated technology.

The heating energy of Anttila's logistics centre comes from Kerava Energy's nearby bio energy plant, in which 60% of the fuel used is wood and 40% peat. The consumption of the heating energy is about one third compared with the old warehouse in Hämeenkylä, Vantaa.

The aim is to further improve the current waste recovery rate.

"The Hämeenkylä warehouse directed some 97% of the waste generated to recovery. In the new logistics centre, the recovery rate of the entire process will be improved by introducing recyclable platforms and removing part of the packaging material before goods are sent on to department stores," says **Harri Ajomaa**, Development Manager of Anttila Oy and K-city-market Oy.

CASE

Energy efficient stores through cooperation of Rautakesko and Ruukki

The energy efficiency requirements set on buildings as well as the property and building sector's own efficiency targets are constantly being tightened. In their joint project, Ruukki and Rautakesko created an energy-efficient store concept. The energy consumption results clearly

exceeded the required level, which can be mainly attributed to tightness and efficient heat recovery.

"Rautakesko is building new, increasingly energy-efficient stores both in Finland and other countries. In order to reduce energy consumption of buildings during their entire life cycle, we have developed together with Ruukki, our own tailor-made frame and outer shell solution. To date, we have built as many as nine stores applying this new concept," says **Ari Pärssinen**, Rautakesko's Store Site Director.

Ruukki participates in the TEKES project on sustainable energy, coordinated by Aalto University. The objectives include finding the most

cost-effective methods to improve the energy efficiency of real estate properties.

A study reported that energy consumption of the K-rauta store in Lahti completed in 2008 was even less than that of a comparable building that fulfils the 2010 building regulations.

The most important individual contributing factors included the good thermal insulation capacity and air tightness of the building. The air tightness of the K-rauta store, implemented with Ruukki's sandwich panel system, was more than four times better than the reference value in the 2010 building regulations.

CASE

Konekesko people in Latvia planted fir trees

Planting forests mitigates climate change. Through photosynthesis, a growing forest binds carbon dioxide in the atmosphere. Young forests grow fastest and so bind most car-

bon dioxide (Source: Paper and Wood Insights).

Employees of Konekesko Latvija's forest machinery sales unit participated in a forest planting event with two vocational schools in September 2010.

The technical institute of Ergli is managing 120 hectares of forest provided for this purpose by the State of Latvia. The forest, located in the Madona region in the heart

of Latvia, suffered extensive damage during autumn storms. During the one-day event, Konekesko staff and students planted fir trees on the 2.7-hectare plot.

"This way, Konekesko Latvija wants to take responsibility for the regeneration of forests. Our joint efforts have generated an investment in the future, for many decades to come," says **Einars Skels**, Sales Manager of Konekesko Latvija.

CASE

Real estate managers advise in energy savings

Chest freezers covered with lids, timely maintenance of refrigeration equipment and properly timed lighting are all retail stores' methods of saving energy, the environment and costs.

Kesko's 40 real estate managers visit K-Group stores on a regular basis to give advice on how to reduce energy consumption. The managers have some 800 stores representing all Kesko's divisions to visit.

"A real estate manager takes up the subjects and areas where the retailer can save energy through his or her own actions. It's possible to cut their electricity bill by a surprising amount just by timely servicing and defrosting the refrigeration equipment, adjusting the temperature to exactly the right level, keeping condensers clean and ensuring that the air circulates freely. Replacing store freezers with ones covered with lids and doors generates energy savings of some 40%," says **Jari Pihlajamaa**, Maintenance Manager of Kesko Food.

Real estate managers operate in specific areas: ISS's managers are responsible for the Greater Helsinki area, Oventia's managers for Uusimaa, Pirkanmaa and Central Finland, while YIT's managers are responsible for all other areas.

The managers spend most of their time in stores with retailers: 60% of their work is done out of the office. Reporting, development work and the implementation of the agreed energy saving activities take up the rest of their time.

Sami Pasi, YIT's Key Account Manager, is responsible for south-western Finland. He describes how K-supermarket Hirvensalo in Turku achieved savings:

"K-supermarket Hirvensalo operates in an old building heated with electricity. The old, energy-consuming blowers of the ventilation equipment were replaced with energy-efficient ones. Furthermore, accurate measuring systems were installed in the store to enable the use of ventilation that depends on the number of customers. These measures have cut the building's monthly consumption of electricity in K-supermarket Hirvensalo by 15–30%."

CASE

K-rauta and Rautia assists in heat renovation

The heat energy tours of Rautakesko's K-rauta and Rautia chains visited various Rautia stores and fairs across Finland in 2010. The tours gave consumers an opportunity to familiarise themselves with different energy options and equipment such

as ground heat pumps, a solar water heater, floor heating, air heat pumps, insulations and solar panels.

K-rauta and Rautia stores give Finns advice on how to reduce their housing-related impact on the environment. The stores offer, among other things, an energy saving survey comprising a study, calculations and a report stating how the consumption of heating energy in a one-family house can be cut considerably. Planning a heat renovation – the correct measures and

in a correct order – is an easy start for those who want to reduce the environmental burden of their housing.

The stores also provide a thermographic camera inspection, which can be used to establish the condition of the building's outer shell in terms of heat technology and the functioning of the heat insulation layer. The camera reveals leakages and faults with accuracy. The report lists what faults there are, for example, and what and how to make



repairs. It is well suited for assessing refurbishment needs and monitoring success in renovations.

CASE



Common concerns over the condition of Lake Vesijärvi

Lake Vesijärvi in the region of Päijät-Häme in southern Finland is an essential part of the landscape and life of thousands of local inhabitants. Constant measures need to be taken so that this very special and sensitive lake remains in a good condition. During 2008–2010, Kesko has been one of the main cooperation partners providing support for the foundation that raises funds for the Clean Lake Vesijärvi campaign to restore and maintain the lake.

Heikki Mäkinen, Programme Director of the Foundation, emphasises the vital role companies play in protecting.

“Without companies, there would be no Vesijärvi Foundation. Public contribution alone is simply not enough.”

Major focuses in the protection of Vesijärvi include oxygenation, management fishing and the building of wetlands. The treatment programme also includes research efforts that provide the basis for management measures as well as communications to the general public, such as exhibitions, newsletters, advice and information for all age groups. According to Mäkinen, it is very important that an effective and versatile cooperation network is created around the treatment of the lake.

CASE

Energy labelling to guide car purchases

Traffic, in general, has considerable environmental impact with road traffic accounting for most of it. In Finland, traffic accounts for some 20% of the total carbon dioxide emissions, and some 77% of these are generated by road traffic.

In Finland, the average carbon dioxide emissions of new passenger cars dropped annually by about 10 g/km in 2007–2009. In August 2010, the average CO₂ emissions of new registered passenger cars in Finland were 148.5 g/km. The average CO₂ emissions of Volkswagen passenger cars imported in January-

August 2010 were 136 g/km. The corresponding figure was 140 g/km for Seat passenger cars, 155 g/km for Audis, and 196 g/km for Volkswagen commercial vehicles.

On 1 March 2010, Finland adopted a voluntary energy labelling for cars from A to G – similar to that for domestic appliances. The aim is to guide car purchases so that they would be more economical and have less impact on the environment. The energy labelling provides buyers with information on the energy consumption and costs of different makes of cars so they can make comparisons before deciding to buy.

The energy labelling indicates the car's make and model, CO₂ emissions and emission category. It also gives the target for a car of the same weight sold in the EU for CO₂ emissions, theoretical fuel costs, annual



vehicle tax and car tax rate, fuel consumption, other emissions and noise level. How the results achieved actually comply with the energy labelling depends on each individual's driving style and conditions.

The energy labels of different makes and models are available at:

www.trafi.fi/ekoautoilu, a website maintained by Trafi.

(Sources: the Finnish Transport Safety Agency (Trafi) and the Finnish Information Centre of Automobile Sector)



The product's path

to a store's shelf is long and comprises many stages. A customer who picks up a can of pineapple slices, a packet of frozen fish or a pair of jeans is seldom aware of the work done to ensure the quality and safety of the product. Supplier audits and competitive tendering, sensory evaluations, laboratory analyses and package labelling are only a few of the tasks that need to be done during the months before a new product is launched onto the market.

SUSTAINABILITY STANDS AND STATEMENTS SUPPORT BUYERS IN THEIR WORK

The K-Group is responsible for ensuring that the products it sells meet all the requirements of both Finnish and EU legislation.

Kesko's ethical purchasing principles guide Kesko's responsible purchasing. Various policy statements have also been prepared to support its operations:

- Kesko Food's and Kespro's fish and shellfish statement advises buyers and retailers to favour sustainable fish stocks as well as certified suppliers and products while avoiding endangered fish species.
- Since autumn 2008, all Pirkka eggs have been produced either in free-range cage systems, organic poultry houses or enriched cages.

- According to the timber policy, Kesko's building and home improvement store chains, and home and speciality goods store chains do not purchase products made of endangered wood species growing in tropical natural forests. Read more on page 38.
- Kesko uses a list that indicates which chemicals are either completely banned or allowed to a limited extent in the home textiles, clothing, leather goods, shoes and upholstered furniture delivered to Kesko. Read more on page 45.
- Kesko keeps a close eye on the development of the legislation concerning the use of genetic engineering and the latest data and products available. Kesko Food has had no GMO foods or foods containing GMO ingredients in its selections.

Read more about stands and statements at: www.kesko.fi/responsibility.

PRODUCT RESEARCH LABORATORY ENSURES PRODUCT SAFETY

Kesko Food's Product Research Unit ensures the safety and quality of the products included in K-food stores' selections and develops Kesko Food's own brand products (Pirkka, Euroshopper, Menu). The Product Research also monitors the quality of non-food and home and speciality goods sold by K-citymarkets and Anttila and Kodin Ykkönen department stores. Read more on page 47.

The Product Research Unit's laboratory is the first ISO 17025 accredited laboratory in the Finnish trading sector. In 2010, the laboratory analysed 8,826 product samples.

FROM AN IDEA TO A PIRKKA PRODUCT

Jaakko Arpiainen, Product Quality Manager of the Product Research Unit, is closely involved in the generation of new own brand products.

"We look for new products that meet customer needs, such as lactose-free or gluten-free options for existing products. In cooperation with the buyers, we define the required product's quality and packaging, arrange competitive tendering for suppliers, carry out comparative quality surveys, organise sensory evaluations and make chemical and microbiological determinations in our laboratory," says Jaakko Arpiainen.

The development of a new product also includes preparing a product specification



with detailed information on product characteristics, such as ingredients, allergens, microbiological features and nutritional values.

MORE ORGANIC AND FAIRTRADE PRODUCTS IN THE PIRKKA RANGE

The Pirkka Organic range in particular has grown in recent years. The most popular Pirkka Organic products include eggs, lettuce, carrots and tomatoes, while new arrivals

include blueberry concentrate, Fairtrade chocolates and Finnish cherry tomatoes.

K-food stores have some 200 Fairtrade products in their selections, of which nearly 40 are Pirkka Fairtrade products. The latest arrivals are Pirkka Fairtrade Cola and Pirkka vanilla and chocolate ice creams, made partly of Fairtrade ingredients.

The following list contains examples of Pirkka products' Finnish origins by category in terms of sales figures.

CASE

Pirkka range includes nearly 50 organic products

New, organically cultivated and manufactured products are actively sought for the Pirkka range. The most popular organic products are Pirkka Organic eggs, lettuce, carrots and tomatoes. In addition to Pirkka organic products, K-food stores also offer a wide selection of other organic products.

Organic products come up more and more frequently in discussions. K-food retailers also purchase many organic products direct from producers and farmers located near their stores. Customer feedback and demand play significant roles

for any store wishing to build up its own selection of organic products.

JUVAN LUOMU, SUPPLIER OF PIRKKA ORGANIC YOGHURTS, WAS AWARDED AS THE ORGANIC COMPANY OF THE YEAR

The Union for Organic Farming awarded Juvan Luomu Oy, the supplier of Pirkka Organic yoghurts, as the Organic Company of 2010. The award is in recognition for the long-term work of the Juva-based organic dairy to promote organic production. Juvan Luomu manufactures products sold under its business partners' private labels, such as Pirkka, and sells milk to other companies that make organic products.

Kari Partanen, Managing Director of Juvan Luomu, has confidence in the future of organically produced food, while also emphasising the importance of local food and green electricity.

"Besides organic production, all our products represent local food. Our milk production farms are situated within 35 kilometres from the dairy and all our performance is geared towards sustainable development. We have been using green electricity for several years now. We want to be a strong player in the developing organic food market and accept this recognition with great gratitude and humbleness," says Partanen.

PIRKKA ORGANIC CARROTS GROWN ON AN ENVIRONMENTALLY FRIENDLY FARM

The Lietlahti farm by Lake Kyyvesi in eastern Finland has cultivated carrots as the main crop since 1996. The farm also produces carrots for the Pirkka range. Grower **Paavo Pulkkinen** says that the organic cultivation of carrots relies on manual work, as each row of carrots must

be weeded by hand. The farm produces more than half a million kilos of organic carrots per year.

It goes without saying that operations at the Lietlahti organic farm are environmentally friendly. The refrigerated storage and packaging machinery operate with electricity produced by wind power. The farm does not use any chemical pesticides and the only fertiliser is organic material spread over the ground's surface. In intermediate years, the carrot fields are colonised by nitrogen-fixing plants, which increase the humus content of soil and help the carrots grow.

(Sources: Kari Partanen, Managing Director of Juvan Luomu and Paavo Pulkkinen, grower of Lietlahti farm.)

Pirkka products' Finnish origins in 2010

Product group	%
Milk products	100
Soft drinks	100
Meat, fresh and packaged	97.7
Processed meats	82.6
Ready-to-eat meals	96.1
Fish	63.5
Vegetables and root crops	56.7
Cheese	33.2
Yoghurts, puddings, etc.	22.7

When products are selected for the Pirkka range, top priority is always given to the domestic alternative, provided that it meets the quality and price criteria.

The domestic content of Pirkka products in fresh foods, such as meat and processed meat, liquid dairy products, such as milks and creams, is very high, sometimes even 100%.

A significant part of products purchased from abroad are those which are not available in Finland, like fruits and canned foods. The domestic content also depends on the seasons of the year: domestic products are not always sufficiently available around the year.

**RESPONSIBILITY FACTORS
IMPACT PLANNING**

The product and package design team, headed by **Erika Appelström**, K-citymarket-Anttila's Head Designer, is responsible for designing

the collections and packaging for the companies' own imports. Responsibility is an important factor in product design and purchasing decisions.

"In my own job, the area of responsibility comprises environmental responsibility, social responsibility, working conditions in suppliers' factories and auditing them. We are constantly looking for more BSCI audited or SA8000 certified suppliers. It's a good feeling to know that the basic things in the factory are all right. In general, it's also easier to cooperate with these suppliers and the work they produce is neater," says Appelström.

K-citymarkets sell Doogood, their own brand made of ecological cotton for women and babies. The selections of Anno Collection, sold by Anttila and Kodin Ykkönen department stores, were expanded in autumn 2010 by the Fair Trade product family, made of Fairtrade cotton. K-citymarkets and other K-food stores sell Pirkka Fairtrade cotton pads and sticks.

**A LIST OF BANNED AND RESTRICTED
CHEMICALS**

Kesko uses a list that indicates which chemicals are either completely banned or allowed to a limited extent in the home textiles, clothing, leather goods, shoes and upholstered furniture delivered to Kesko. The list of chemicals contains the requirements of Finnish and EU chemicals legislation (REACH) as well as Kesko's own policy definitions on limitations set on chemicals. Kesko's buyers send the chemicals list to suppliers outside the EU.

"Chemicals that are completely banned in manufacture include heavy metals and carcinogenic textile dyes. Some of the chemicals, such as formaldehyde, have a limit value that must not be exceeded. The Product Research Unit regularly analyses imported batches for their formaldehyde and phthalate content, for example," says **Satu Nissi-Rantakömi**, Research Engineer of the Unit.

**PACKAGE LABELLING HELPS
CONSUMERS**

The Product Research Unit's daily work also includes drawing up package labelling for Kesko's own brands. In the package labelling of its own brands and imports, Kesko complies with Finnish and EU legislation, and the recommendations given by the authorities.

Compulsory food labelling includes 'Best before' and 'Use by' dates. Package labelling of Kesko's own brands always comprises – package size and space permitting – nutritional values, even if not required by legislation. Nearly all Pirkka products have the Guideline Daily Amount (GDA) labelling, which indicates how much energy and main nutrients one serving contains. Read more on page 52.

In addition to compulsory labelling, information on allergens is also given when it is possible that they unintentionally end up in the product during production. One example of this is the text 'may contain traces of peanuts' on chocolate bars.

CASE**K-maatalous
Experimental
Farm tests plant
varieties and
develops
cultivation**

The agricultural sector is facing the challenge of producing food to the growing population of the world without burdening the environment while maintaining operations on a financially sustainable ground for the farmer at the same time. In the changing climate, the development of varieties is increasingly important so that farmers always have varieties available that are most suitable for their current farming conditions.

Future agriculture is also a concern for the K-maatalous Experimental Farm in Hauho. The farm

carries out research and produces information on how to improve both the efficiency of cultivation and the quality of the harvest.

"We test the grain, oil, legume and grass plant varieties that are most suitable for the cultivation conditions in Finland. We also develop cultivation techniques that suit different species as well as possible," says **Jouko Pakarinen**, acting Director of the K-maatalous Experimental Farm.

Based on research, the experimental farm develops variety-specific cultivation programmes, which assist farmers to produce high-quality harvests that fulfil the requirements of the food industry. The aim of the cultivation programmes is to optimise the use of soil fertilisers and pesticides in order to produce a good harvest, both in terms of quantity and quality while burdening the environment as little as possible.

CASE**Audits improve
working
conditions in
high-risk
countries**

Through Eurogroup membership, Rautakesko observes and improves working conditions in its supplier chain. BSCI audits cover the evaluation of occupational health and safety practices, compliance with legislation concerning working time and compensation, and management practice in the factories of Rautakesko's suppliers.

Rautakesko and Eurogroup support their suppliers in China, India, Bangladesh and Vietnam through pre-audit training events. During the events, suppliers are given advice on how to run a sustainable

and law-abiding factory, and provided with information on the requirements of the BSCI audit.

Eurogroup supports the suppliers included in the BSCI audit process by giving suggestions on corrective actions and additional training, if required. Through BSCI involvement, suppliers have increased their awareness of labour legislation, occupational health and safety as well as communications between the employer and employees. At the end of 2010, nearly 90% of Rautakesko's purchasing volume imported through Eurogroup was in the sphere of BSCI auditing.

PRODUCT QUALITY IS ENSURED WITH QUALITY AUDITS

Jaakko Arpiainen is also responsible for quality audits of new suppliers. In 2010, he visited the factories of 36 suppliers from Spain to India to audit possible new products.

“We require that the supplier has an international audit standard, for example BCR, IFS, GlobalGAP or ISO 22000. In addition, we often audit the new supplier of our own-label products. Our audit comprises the monitoring of production premises, establishing the traceability of ingredients and quality assurance,” explains Arpiainen.

The K-maatalous Experimental Farm in Hauho tests and develops agricultural plant varieties. Read more on page 45.

SPECIAL ATTENTION TO WORKING CONDITIONS IN FACTORIES IN RISK AREAS

In product sourcing, Kesko pays special attention to the human rights and working conditions of employees across the supply chain. A special focus is on countries where the risks of violating these rights are high.

“Outside the EU, Kesko’s most important supplier countries in risk areas are China, Turkey and India. We import clothing, home textiles, shoes and domestic appliances from these countries. Some 1.5% of Kesko’s direct purchases come from suppliers in risk areas,” says **Marjut Lovio**, Kesko’s Corporate Responsibility Advisor.

For supplier audits, Kesko uses international auditing systems – BSCI audits and the SA8000 certification. Kesko’s objective is to do business in high-risk countries only with suppliers who have passed the audit. Some 190 factories of Kesko’s suppliers in high-risk countries are in the sphere of BSCI audits.

MONITORING IN ASIA

As China is Kesko’s most important supplier country in risk areas, a monitoring team was established there in 2008. The monitoring team guides, trains and oversees the Chinese suppliers of Kesko’s division parent companies.

Monitoring has brought improvements to factories’ management practices, working hours, wages, and occupational health and safety issues. In 2010, **Angel Young and Buick Bie**, the Chinese auditors of the monitoring team, made 86 factory visits.

Rautakesko monitors and develops working conditions in its supplier chain in Asia through Eurogroup cooperation. Read more on page 45.

CONTINUOUS QUALITY MONITORING

After competitive tendering, research and audits, the idea gradually turns into a finished product, and all labelling, including cooking instructions, is printed on the packaging. After the supplier sends the final samples, transportation to the central warehouse and stores can begin. The whole process that starts from the product idea often takes six to nine months.

The monitoring of the quality of products by the Product Research Unit continues. The laboratory carries out systematic monitoring by spot checks and customers give feedback to the unit’s consumer service. If several complaints are received about the same product, the cause is easier to find when the product quality manager and laboratory assistants work for the same unit as consumer advisors, and cooperate with Kesko’s buyers.

THE STORE’S SELF-CONTROL IS PART OF QUALITY ASSURANCE

Self-control refers to food operators’ statutory obligation to establish the product safety hazards involved in their operations and create systematic action plans on how to manage these hazards.

The Product Research is responsible for the management and support of the K-Group’s self-control.

“When the self-control system in the trading sector is effective, customers can rely on the quality of foodstuffs and services; hygiene risks and food shrinkage are smaller; and operations become more systematic,” says Product Research Manager **Matti Kalervo**.

The monitoring team made

86

factory visits in China in 2010.

PRODUCTS FROM SALE QUICKLY BY RECALLS

Occasionally, a defect is noticed in a product or package, which thus needs to be taken from the market by the so-called ‘recall’.

“The reason for a recall may, for example, be that there is no Finnish text on the package or the ‘best before’ date is incorrect. A product is also recalled if a defect is detected in its manufacture or quality. We are most particular with allergens: if the product labelling is insufficient, the whole lot is withdrawn from stores,” says Matti Kalervo.

CASE

Pirkka ranked among the three most responsible brands

According to the responsibility survey made for the Finnish newspaper Helsingin Sanomat in autumn 2010, Pirkka is considered the third most responsible brand in Finland, right after Valio and Fazer.

The survey was carried out for Helsingin Sanomat by TNS Gallup, which interviewed 1,204 Finns aged over 15. The respondents were presented with a list of the 25 largest advertisers, the 50 most advertised brands, and the 25 largest companies in Finland in terms of net sales.

“This is a terrific achievement and a proof of our long-term and determined work for enhancing the selection of responsible Pirkka products,” says **Juha Andelin**, Kesko Food’s Pirkka Manager.

The key focuses in Kesko Food’s responsibility include encouraging healthy eating habits, taking care of employees’ wellbeing and competence as well as developing the selections of sustainably produced merchandise for the Pirkka range in particular.

“The Pirkka range already has some 80 products with Swan labelling,” reminds Andelin.

The objective of the survey was to establish consumers’ views about ethical and responsible business operations. According to the survey, business ethics for Finns mean,

above all, taking responsibility for the environment and people.

In the sustainability estimates of the top three, emphasis was also laid on the quality and safety of products and services, contribution to employees’ wellbeing and competence, and as little impact as possible on the environment. In the case of the Pirkka brand, the most important factors were domestic origins and a good price/quality ratio.

CASE

Product Research analyses clothes even before they are purchased

Before a shirt or a pair of trousers end up on a shelf of a K-citymarket or Anttila, they have gone through many analyses and tests.

The product must comply with the requirements of Finnish and EU legislation, Kesko's chemicals statement and the ethical principles of Kesko's purchasing.

Kesko's buyers of home and speciality goods and the Product Research unit act in close cooperation to ensure the safety of products long before Kesko makes a decision to order the particular product.

"First we analyse the quality of textiles from the fabric samples sent by suppliers. And before delivery from the manufacturing country to Finland, we receive shipping samples for analysis. We are most particular with suppliers delivering merchandise to the K-Group for the first time," says Research Engineer **Satu Nissi-Rantakömi** of Product Research.

In 2010, the Product Research analysed more than 1,000 home and speciality goods items and carried out over 14,500 product analyses. Textiles were analysed for textile chemicals used, such as textile colours, various process and auxiliary substances and finishing agents. Limit values, which must not be exceeded, have been determined for them.



Satu Nissi-Rantakömi has been responsible for textiles testing at Kesko since 2000. She is a member of several networks and working groups related to textiles and toy research both in Finland and abroad. Such working groups include Ginetex, the international association for textile care labelling, a working group on the safety of children's

clothing, a committee on toys and baby supplies, and an ISO standards working group.

"At Ginetex, we discuss how to make the care symbols of textiles uniform and easily understandable in all countries. Groups on children's clothing and toys address the very strict safety requirements applied to these products. The length of

strings and cords in clothing, for example, is covered by strict regulations to prevent entrapment or strangulation hazards for playing children," says Nissi-Rantakömi.

CASE

Vegetables from central Finland in international company

Jari Häyrynen from Juva and **Risto Janhunen** from Mikkeli, who cultivate Pirkka iceberg lettuce, broccoli and Chinese cabbage, are pleased. Their farms are the first in Finland to receive the GlobalGAP certificate

– a guarantee that their vegetables have been cultivated following Good Agricultural Practice.

"GlobalGAP and Pirkka go well together, because Pirkka products are known for their high quality and reliability. There's no better way of monitoring the quality of products than GlobalGAP. Together with Pirkka and GlobalGAP, we are now at the top of the quality scale," say the growers.

Häyrynen and Janhunen took an initiative to get the GlobalGAP certificate some three years ago. The growers believe that the interna-

tionally recognised certificate makes domestic vegetables increasingly attractive while enhancing their value in the eyes of K-food store customers. "Retailers must also bear responsibility for the product quality," they explain. Lettuce, for example, should be shelved in a cool area in the store.

The adoption of GlobalGAP did not require any major changes or involve extra costs because the farms were already well managed. "There was some excitement in the air before the first audit, but the process was more painless than

expected. We could conduct everything in Finnish, which made it all easier," laughs Häyrynen.

The GlobalGAP certificate is required from all foreign suppliers of Pirkka fruit and vegetables. The quality of all Finnish suppliers of Pirkka fruit and vegetables is assured by Kesko Food's own audits and the Finnish Horticultural Products Society's quality guidelines, which correspond to the GlobalGAP standards in many respects. The differences mainly lie in GlobalGAP's more compact documentation and residue monitoring.

CASE



Chip & pin era launched in K-stores

The Single Euro Payments Area (SEPA) was introduced in 2010. People and companies can now make their euro-denominated payments as quickly, at the same low price and as safely from one country to another within the euro area as in their home countries.

The aim was to make the introduction of the chip & pin era as easy as possible for customers. The same payment terminal was selected for all stores to make the adoption easier.

“We wanted to ensure that our customers have as modern, easy-to-use and secure equipment as possible,” Kesko’s Group Treasurer **Heikki Ala-Seppälä** points out.

Chip & pin payments also change the handling of the K-Plussa card, as customers can register their cards themselves in the new payment terminal.

The Banksys Yomani chip & pin terminal is of modern design, has a large and clear colour display and a good shield for entering the PIN code. The installation of new terminals started in August 2010 and all stores in Finland will have them during 2011.

In a company of the size of Kesko, changing the payment system is a large-scale investment. It is not only the adoption of a new kind of payment terminal but an extensive system of secure payments which involved, for example, a survey of security risks related to card payments carried out in cooperation with the National Bureau of Investigation.

In connection with Kesko’s chip & pin payments initiative, the security of card payments was enhanced in many ways. New payment terminals prevent the use of forged cards and alert if anything indicating malpractice comes up. Card information is also encrypted at the moment they are generated in stores.

CASE

Working conditions in Vietnamese factories improved

Vietnam is a developing country where the clothing and textile industry is one of the corner stones of the economy. Most of the over two million employees are women with low education.

In 2006–2010, Kesko participated in a Vietnam project, which was financed mainly by the Ministry of Foreign Affairs, coordinated by the Trade Union Solidarity Centre of Finland, and comprised 16 Vietnamese factories, eight of which were clothing and textile factories. In addition to Kesko, Finnish participants included Stockmann, Tuko, the Trade Union Solidarity Centre of Finland, the Central Organisation of

Finnish Trade Unions – SAK, and the Central Chamber of Commerce.

Long-term targets of the project included permanent improvement in the working conditions of the factories and the establishment of effective work-life practices, in which the trade union movement is an active party.

Short-term targets included achieving the state where the factories fulfil the BSCI best practice requirements and improving the project partners’ opportunities to promote responsible practices in Vietnamese companies.

At the initial BSCI audit made at an early stage of the project, only one factory passed the audit, eight factories reached the ‘improvements needed’ level, while six of them were non-compliant.

“At the beginning of the project, several deficiencies were detected in Vietnamese factories: overtime hours exceeded the legal maximum, there were insufficient safety mechanisms in the machinery and employees did not have personal protective equipment,” says **Marjut**

Lovio, Kesko’s Corporate Responsibility Advisor, who participated in the project.

During the project, commitment and initiative of factory management were considered to be of primary importance. The factories were given support in the implementation of the corrective actions needed. Gradually the work started to show and after the second re-audit, three of the factories had passed the audit.

“The project also contributed to improving the factories’ occupational health practices – one of the factories even set up a clinic of its own. Working conditions improved: air-conditioning and lighting were enhanced, work places were rearranged and the availability of clean water was improved. Pregnant workers were offered additional food, more breaks and a paid maternity leave. The factories which participated in the project also increased their knowledge of Vietnamese labour legislation,” concludes Lovio on the achievements of the project.

CASE

Fairtrade premiums provide equipment and training

Fairtrade pineapples have been sold in Finland since 2003. The Pirkka Fairtrade pineapples were introduced to stores in October 2005. They are imported from Ghana, where they are produced by Gold Coast Fruits, and from Costa Rica from the farms of the Asoproagroin cooperative.

The growers of Fairtrade pineapple are paid at least the guaranteed Fairtrade price, which covers the costs of sustainable production. In addition to the guaranteed price, the farmers are paid a separate Fairtrade premium, which is intended to be used for projects that benefit

the local society. Decisions on the use of the Fairtrade premium are made by the producer communities.

Asoproagroin farmers have used their Fairtrade premiums to acquire computers and school supplies.

MARTHAS FOR FAIRTRADE

In October 2010, the Martha Organization, Fairtrade Finland and K-city-market joined forces and organised a consumer event in all K-citymarkets. During the one-day event, voluntary Marthas presented Fairtrade products and arranged tastings of Pirkka Fairtrade pineapples in the supermarkets. The purpose of the event was to guide customers towards responsible consumption.



CASE



Non-disposable fruit bags save the environment and support Emergency Youth Shelters

In response to consumers' wishes, K-food stores have offered non-disposable fruit bags in their fruit and vegetable departments since autumn 2010. The use of non-disposable bags reduces the amount of packaging waste and, at the same time, supports the Finnish Red Cross Emergency Youth Shelters.

An average family's annual purchases of fruit and vegetables generate quite a pile of small plastic bags. The use of non-disposable

bags reduces the amount of packaging waste going to landfills thus helping to save the environment.

The non-disposable bags are meant for continuous use. They can be washed and used to pack fruit and vegetable purchases again and again.

If there are not yet non-disposable bags available in your K-store's fruit and vegetable department, the customer can ask the retailer to order them.

By selling fruit bags, K-food stores support the Finnish Red Cross Emergency Shelter Homes where young people get help and support if things get difficult in their lives.

Emergency shelters, located in Helsinki, Espoo, Vantaa, Tampere and Turku, offer young people a safe place to stay the night, assistance in talking to their parents and provide a range of support activities to help build a brighter future.



Healthy living

We encourage all our customers to adopt healthy lifestyles, eat healthily and to maintain good health and fitness through physical activity. We provide our customers with information and offer them health promoting products.

INTEREST IN WHOLESOME FOOD

Some 70% of Finnish people say that they eat healthy foods. When shopping for food, they pay particular attention to the diversity, freshness and fibre content. However, consumers say that it is increasingly difficult to choose good products. More than half of Finnish consumers are of the opinion that so much is written about the healthiness of foodstuffs, for example, that it is difficult to know what to believe. (Source: Taloustutkimus' survey "Suomi syö 2010".)

According to the latest nutrient recommendations, lots of root crops, vegetables, fruits and berries should be eaten and often. A diversified diet also includes wholegrain products and milk products. Main courses of meat, fish and chicken should be accompanied by potatoes, pasta, barley, oats and rice. Sources of good fat are fish, margarine and rape seed oil. Foods containing animal fats and sugar should be eaten seldom and in small quantities.

(Source: publication "Itämeren ruokakolmio 2010" of the food specialists of the Finnish Diabetes Association, the Finnish Heart Association and the University of Eastern Finland.)

WE HELP OUR CUSTOMERS IN HEALTH PROMOTION

Kesko's responsibility programme for the period 2008–2012 includes several objectives related to healthy lifestyles and responsible product selections. Promoting healthy lifestyles and eating habits, in tandem with physical activity, are essential aspects especially in our food and sports trade.

Berries, root crops, vegetables and fruits should be eaten several times a day. The recommended daily intake is half a kilo, or six handfuls, as part of a varied diet.

PRODUCT RESEARCH DEVELOPS NEW FOODSTUFFS

Kesko Food's Product Research Unit analyses product samples and develops new foodstuffs and tastes on a daily basis. The Product Research Laboratory has the ISO 17025 certification.

Health aspects hold a prominent place in the product development of Pirkka products. The Pirkka range includes four cholesterol-lowering Pirkka Reducol products. The active ingredient in these Pirkka Reducol yoghurts is Reducol, a compound of plant sterols and stanols which has been proven to reduce cholesterol.

Since 2008, sugar, fat and salt have been reduced from the Pirkka products. This reformulation supports the targets of the EU White Paper - 'A Strategy for Europe on Nutrition, Overweight and Obesity related Health Issues'. Kesko Food is a frontrunner in the reformulation, as the ingredients of dozens of Pirkka products have been made even healthier than before.

"The reduction of sugar, fat and salt is a challenging long-term operation, since the products must be modified without compromising their organoleptic properties and replacing the ingredients by other supplementary ingredients. By the end of 2010, we had reformulated a total of over 80 Pirkka products. Monosodium glutamate has been removed from 17 products," explains Product Research Manager **Matti Kalervo**.

GDA LABEL GIVES INFORMATION ON HEALTHINESS

The Guideline Daily Amount, or GDA label, shows the amount of energy and essential nutrients per portion of food, and expresses these quantities as a percentage of the daily amount.

"We have added the GDA label to all Pirkka products where appropriate," says Kalervo.

ALL RECIPES ARE TESTED IN THE PIRKKA TEST KITCHEN

The Pirkka test kitchen has created cooking recipes for K-store customers for as long as 50 years. The recipes are available on product packs, in the K-Group's customer magazine Pirkka, in the K-RuokaPirkka leaflet available at K-food stores, and at the pirkka.fi website, which provides a choice of some 4,000 recipes for everyday and festive cooking.

"We test all of our recipes in our test kitchen. Promoting a balanced and healthy diet is an important part of recipe planning. It is advisable to eat root crops, vegetables and fruits several times a day. This is more easily achieved when you add root crops and vegetables in the cooking. Carrots can be grated into minced meat sauce while herbs, root crops and vegetables go well with pasta casserole. Our recipes on the pirkka.fi website include hundreds of vegetable-based alternatives," says Home Economist **Leena Korkalainen** of the Pirkka test kitchen.

'WHAT ARE WE HAVING TODAY?'

On weekdays, the MTV3 television channel broadcasts a programme with top chef **Aki Wahlman** who cooks recipes published in the K-RuokaPirkka leaflet. All the recipes in the programme are tested in the Pirkka test kitchen.

"Recipes cooked in many programmes are too complicated and intended for professional cooks. Those cooked in the 'What are we having today?' programme are ideal for all home cooks," says Wahlman.

The cooking programme has run for three years and has the widest audience of all cooking shows, with more than half a million viewers every day. All of the 800 editions and their recipes are available at: www.mitataanaansyotaisiin.fi and at: www.pirkka.fi.

CONSULT CUSTOMER SERVICE

Advising consumers about healthful eating is part of Kesko Food's daily operations. Kesko Food's Consumer Service Unit comprises three consultants who take consumer calls and answer customer feedback. In 2010, Consumer Service received 19,106 contacts. The feedback concerned product complaints, product inquiries, questions about cooking and new ideas.

"We are home economists or bachelors of hospitality management by education, which enables us to give expert advice to customers on product ingredients and cooking," says Consumer Service Manager **Heta Rautpalo**.

FOOD STORES HIGHLIGHT HEALTHINESS

K-food stores offer their customers wide selections from their fruit and vegetable departments, bread and bakery departments, as well as a counter that serves meat and fish products as well as ready meals.

Fruits and vegetables are an important part of a wholesome diet, because they contain lots of important nutrients and fibre, but only small amounts of energy and fat. A K-supermarket selection includes 60 different fruits and 140 vegetables and root crops on average.

K-supermarkets annually organise three-day fruit campaigns in which the over 180 K-supermarkets in Finland offer more than 30 different fruits at one euro per kilo, pack, box or bag. The special Fruit & Veg campaign held in September 2010 multiplied K-supermarkets' sales of fruits and vegetables.

K-food stores also provide advice on healthy choices in terms of customer service. Tips and guidelines for wholesome diets are available from as many as 370 K-Food Specialists. Read more on page 55.

CASE

Finnish Coeliac Society awards K-food stores with certificates of honour

Coeliac disease is lifelong and caused by gluten, that is, proteins in wheat, barley and rye. The only treatment is a gluten-free diet.

While there are a reported 30,000 diagnosed coeliacs in Finland, according to studies we may have

as many as 100,000 people with the disease. Gluten-free bread, flour mixes and pastas are purchased annually at a value of €31 million. (Source: Finnish Coeliac Society)

The fifteenth nationwide coeliac disease week was organised in September 2010, under the theme of 'A Good Store!' The aim of the week was to improve the opportunities for retail stores to better serve those customers with the disease. The local branches of the Finnish Coeliac Society organised various events in stores across Finland. The importance of gluten-free products was communicated to store staff and

efforts made to enhance product availability and selection.

The K-Group's own Pirkka range includes some 40 gluten-free special food products.

The local branches of the Finnish Coeliac Society awarded the stores with the best gluten-free selection in their areas with the 'Good Store!' certificates of honour. Last year, a large proportion of the 78 food stores that received the certificate were K-food stores.

"Our local branches informed us that retailers would be pleased to continue cooperation. They valued the certificates, which were a pleas-

ant surprise for them," says **Marjo Aspegren**, Coordinating Manager of the Finnish Coeliac Society.

The society reminds that the selection of gluten-free products available in food stores has a major impact on the opportunities for coeliacs to treat their disease.

"As coeliacs' only treatment and medicine is a gluten-free diet, food stores play an important role in the treatment of the disease – they are like pharmacies for coeliacs," explains Aspegren.



RAUTAKESKO'S OWN BRAND PRODUCTS

Our building and home improvement trade also provides products which help promote customers' health. Cello paints, sold in the K-rauta and Rautia store chains, are the first range of indoor paints in which all products carry both the M1 and the allergy labels. The M1 classification granted by the Building Information Foundation RTS indicates that the product's emissions into indoor air are low. The allergy label tells that the range has been developed in cooperation with the Allergy and Asthma Federation. Cello paints are water-dilutable, solventless and nearly odourless. The Cello adhesive and the FXA light filler have also been granted the M1 label.

PHYSICAL ACTIVITY GENERATES HEALTH

Since 1998, Kesko has promoted physically active lifestyles and wellbeing of children, families with children and youths in cooperation with the Young Finland Association. Joint activity campaigns annually put hundreds of thousands of children on the move. With the help of this cooperation, the K-Group wants to highlight the importance of healthy food and physically active lifestyles.

In May-June 2010, Kesko was the principal partner for the 'Your Move on Tour' series of events of the Young Finland Association. Read more on page 54.

INTERSPORT ENCOURAGES PEOPLE TO BE PHYSICALLY ACTIVE

Kesko's sports retail chain Intersport is passionate about sport. Intersport's objective is not only to sell sports equipment, but to activate and guide people in physical hobbies and interests.

"Our concept 'Sport to the People' means that sport has something for everyone regardless of age and level of interest. Intersport stores help and guide customers to enjoy the sport they have chosen. Not all sport is performance driven, as people go for sports because they want to have diversified activities, improve their fitness and health and to feel well," explains **Juha Nurminen**, President of Intersport Finland Ltd.

DO YOU KNOW YOUR BODY'S AGE?

Intersport stores throughout Finland provide different physical activity services and events for their customers. The Kunnossa.fi service, piloted at Intersport Jumbo in Vantaa in late 2009, enables customers to have their fitness levels and body ages measured for a charge. The measurement results show the person's aerobic condition, blood pressure, body composition, muscular fitness and mobility.

Personal sales assistants free of charge, as well as personal trainers for an extra charge are available for Intersport customers. The service is intended to guide customers in correct and safe physical exercise.

"The Kunnossa.fi service is suitable for both beginners and experienced alike. Not many of us know our body conditions. The service has been well received and we have arranged special events to demonstrate it. The media event featured the runner **Wilson Kirwa**, who had his body's age tested, and Rautakesko offered the possibility to their personnel," says Intersport Jumbo's retailer **Kai Lehmus**.

RUNNING CLINIC OR MEASUREMENT OF BODY FAT PERCENTAGE

Among events arranged by Intersport stores for their customers are running clinics, with a physical therapist present for advice in choosing running shoes.

“In spring, we normally organise four to five running clinic events in Intersport Jumbo, followed by one or two events before the winter running season,” says Lehmus.

All Intersport stores provide Footbalance analyses to help correct foot position, a treatment needed by three out of four people. The

correct foot position adds to the pleasure of movement and helps prevent injuries. After the Footbalance analysis, the customer can take away a pair of corrective shoe inserts right away.

The measurement of body composition appeals to customers who take care of their physical condition.

Intersport Mikonkatu organised a customer event in tandem with the Kisakallio College for physical education in November 2010. The event featured the runner **Jukka Keskisalo** who gave running tips, a demonstration of a zumba exercise and the possibility to try a kettlebell workout. Customers also had the

opportunity to have their muscle and bone mass and fat percentage measured. They were provided with a realistic target body weight and a report of the indicators to work for.

The Nice Run kick-off event arranged by Intersport Forssa in November 2010 attracted nearly 100 participants. Nice Run is a women's activity festival taking place in several Finnish localities in summer 2011.

“The ladies' evening was a preparation for the main summer event where members for running teams were recruited. The programme also included body composition measurement and Footbalance analyses,” say Intersport Forssa retailers **Maire and Aki Seppälä**.

Sport has something for everyone

CASE

Your Move put the young on the move

Since 1998, and in cooperation with the Young Finland Association, Kesko has promoted the physical activities and wellbeing of children, families with children and the young.

Kesko was the main partner of the 'Your Move On Tour' in Helsinki, Oulu, Pori, Jyväskylä and Turku in May and June 2010. Participants of the tour – organised by the Young Finland Association and the Finnish Sports Federation (SLU) - included the following Kesko chains: K-city-market, K-supermarket, K-market, K-rauta, Rautia and Intersport.

Your Move events gave the young a chance to see and try out activities such as parkour, skateboarding, roller skating and Kesko's turbo-move track. They could also test their environmental skills in the 'Do you want to be a millionaire' game of K-rauta and Rautia, and generate ideas for a future grocery store at the Kesko stand. The Intersport section offered Footbalance analyses of foot position.

The 'Your Move On Tour' addressed a national health problem: physical activity among young people has decreased, which is a threat to their health (Source: Recommendation on physical activity of school age children, Ministry of

Education, and the Young Finland Association).

The 2010 spring tour put over 25,000 people aged from 13 to 19 on the move in seven towns.

“From the very beginning, young people participated in planning, generating ideas and implementing

the tour. The target was to encourage the young to move in, one way or another. We want to emphasise that it doesn't matter what exercise you do, as long as you do something,” says **Ossi Heinänen**, Director of the Your Move campaign.

Cooperation between Kesko and the Young Finland Association will continue in the Your Move Grand Event which will run in Helsinki from 27 May to 1 June 2011. Nearly 50,000 participants are expected from all over Finland to move and have fun together.



CASE



Wellbeing and local food in Honkajoki

Honkajoki, a municipality of some 2,000 inhabitants in Satakunta, is the home of many Pirkka products. It is where Honkatarhat grows ice-

berg lettuce, dill, parsley and chives and Isokaski produces oven and soup vegetables, root crop cubes and swedes all for the Pirkka range.

Anneli Hautaoja, retailer of the local K-market, is an energetic organiser whose Wellbeing Event attracts one in five of all inhabitants of the municipality. In October 2010, she set up the third event for local businesses and people.

At the event, **Tapani Kiminkinen** – ‘country doctor’ from a TV programme – gave a lecture on a healthy way of life and took a stand on the current discussion about fat. Kiminkinen encouraged his audience to favour spreadable and liquid fats:

“No tests have proved that the narrowing of arteries would occur without cholesterol and that’s just what solid fats are causing. You

should continue using liquid fats, such as rape and fish oil.”

In addition to seven local entrepreneurs presenting their products, there was an exhibition of drawings by schoolchildren and a concert by the village orchestra. The food was prepared by local members of the Martha Organization and the Agricultural Women. The food ingredients that came from local producers were turned into grated turnip, carrot and beetroot, meatballs as well as various salads.

“Nearly all we had available was local food – some of it straight from the fields. The root crops were picked by myself and **Aino Isokaski**, a representative of the local vegetable packing firm, the very morning,” says Anneli Hautaoja.

The Martha Organization provides advice on home economics and promotes the wellbeing of families in doing so. The organization has some 1,300 local clubs and activity groups, and a membership of over 42,000 in Finland. The Honkajoki club has 40 members.

“There were many Marthas present at the Honkajoki event, which occupied us for two days. It was a real pleasure to put our local products on show again as an impressive and mouth-watering buffet for the large number of people who attended,” says **Ulla Kurumaa**, who chairs the local Martha club.

CASE

Asko's Puro sofa is suitable for those with allergies

In September 2010, Asko launched a sofa which had been designed in cooperation with the Finnish Allergy and Asthma Federation. Non-irritating, washable covers and nickel-free metal parts make the Puro sofa a good choice for families with allergies.

The EcoSeat padding, which has received the Innosuomi Award, is made of recycled PET beverage bottles, while 85% of the EcoSoft back padding is made of recycled material. The upholstery material and zippers of the sofa have the Öko-

Tex100 label. All frame and cushion upholstery is detachable and washable. The fabrics are available in several colours and do not contain any skin irritating surface treatment agents.

Some 80% of the materials of the Puro sofa, manufactured in Lahti by Insofa Oy, Asko's own sofa factory, are of Finnish origin. The frame is made of durable, Finnish PEFC certified solid wood and Finnish plywood. All upholstery and cushions are also made in Finland, which keeps transportation distances short and reduces the impact on the environment.

Insofa Oy became the first sofa manufacturer in Finland to have the allergy label when it was granted to the Puro sofa.

CASE

A K-Food Specialist is an expert in healthy and balanced food

The K-Food Specialist training programme, aimed at K-food stores' staff and organised by K-instituutti, was launched in February 2010. So far, over 600 students have already completed or started the programme, which has turned out more than 370 specialists in healthy nutrition and special diets for K-food stores.

With the help of training, store personnel can deepen their knowl-

edge in nutrition. The training programme provides the participants with instructions on how to assist other store staff who need to address customers' questions on diet-related issues. The training also encourages the K-Food Specialists to organise tastings and events under the theme of healthy and balanced nutrition.

Students study independently – both online and in the store – by working with day-to-day service situations. The online study package includes information on package labelling, balanced nutrition, the most typical special diets, and the requirements set on food by different cultures and religions.

The K-Food Specialists can be distinguished by a badge they wear.

GRI index

Based on its own assessment, Kesko has followed the A+ application level of the GRI guidelines. The application level has been checked by a third party, PricewaterhouseCoopers Oy. In accordance with the A+

level, Kesko reports all the key indicators. GRI indicator protocols are not applied in detail for the calculation of all indicators.

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
1. STRATEGY AND ANALYSIS					
1.1	Statement from the President and CEO	●	6–7		x
1.2	Description of key impacts, risks, and opportunities	●	10–11, 12–13, 20–21		
2. ORGANISATIONAL PROFILE					
2.1	Name of the organisation	●	2		
2.2	Primary brands, products and services	●	4–5		
2.3	Operational structure	●	4–5, 14		
2.4	Location of organisation's headquarters	●	4		
2.5	Countries where the organisation operates	●	4–5		
2.6	Nature of ownership and legal form	●	4–5, 61–62		
2.7	Markets served	●	4–5		
2.8	Scale of the reporting organisation	●	4–5		
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●		No significant changes during the reporting period.	
2.10	Awards received in the reporting period	●	8–9		
3. REPORT PARAMETERS					
3.1	Reporting period	●	3		
3.2	Date of most recent previous report	●	3		
3.3	Reporting cycle	●	2		
3.4	Contact point for questions regarding the report or its contents	●	90		
3.5	Process for defining report content (materiality, prioritisation, stakeholders expected to use the report)	●	2–3, 22–23		
3.6	Boundary of the report	●	2–3		
3.7	Specific limitations on the scope or boundary of the report	●	2–3		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations	●	2–3		
3.9	Data measurement techniques and the basis of calculations	●	2–3		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	●	3		
3.11	Significant changes in the scope, boundary, or measurement methods applied in the report	●	2–3		
3.12	GRI content index	●	56–60		
3.13	Policy and current practice with regard to seeking external assurance for the report	●	3, 88–89		
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT					
4.1	Governance structure of the organisation	●	16, 18–19	Presented in Kesko's Annual Report 2010, pages 64–68.	
4.2	The Board Chair's function within the organisation's management	●	16		
4.3	Independence of Board members	●	16		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	●	16, 84		
4.5	Linkage between compensation for members of the Board and the management, and the organisation's corporate responsibility performance	●	16, 79		

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	●	16	Kesko complies with the Finnish Corporate Governance Code for listed companies.	
4.7	Qualifications and expertise of the Board members for strategic management and corporate responsibility	●	16, 25	Presented in Kesko's Annual Report 2010, pages 65–66 and 76–77.	
4.8	Mission, values, codes of conduct and principles, and the status of their implementation	●	14–15		
4.9	Procedures of the Board for overseeing the organisation's management of economic environmental and social performance, including risk management	●	16–19		
4.10	Processes for evaluating the Board's own performance	●	16		
4.11	Explanation on how the precautionary principle is addressed	●	17	Description of risk management.	
4.12	Externally developed economic, environmental and social initiatives to which the organisation endorses	●	14–15, 66		
4.13	Memberships in associations and advocacy organisations	●	16, 28		
4.14	Stakeholder groups engaged by the organisation	●	3, 15		
4.15	Basis for identification and selection of stakeholders	●	15		
4.16	Approaches to stakeholder engagement	●	15		
4.17	Key topics and concerns raised through stakeholder engagement	●	15, 18, 22–23		

5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

ECONOMIC RESPONSIBILITY

MANAGEMENT APPROACH TO ECONOMIC RESPONSIBILITY	●	61		x
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Economic performance indicators

EC1*	Direct economic value generated and distributed	●	61		
EC2*	Financial implications and other risks and opportunities for the organisation's activities due to climate change	●	63	Financial implication for the organisation's activities due to climate change not assessed.	x
EC3*	Coverage of the organisation's defined benefit plan obligations	●	63	Presented in Kesko's Annual Report 2010, page 118.	
EC4*	Financial assistance received from government	●	63		
EC5	Standard entry level wages compared to local minimum wages at organisation's significant locations of operations	●		Finland, Sweden and Norway have collective agreements, other countries have at least statutory minimum wages. Ratio between wages not available.	
EC6*	Spending on locally-based suppliers	●	64		
EC7*	Procedures for local hiring	●	65		x
EC8*	Infrastructure investments and services provided for public benefit	●	65		
EC9	Significant indirect economic impacts, including the extent of impacts	●	65	To be evaluated case by case in connection with the establishment of a new store.	

ENVIRONMENTAL RESPONSIBILITY

MANAGEMENT APPROACH TO ENVIRONMENTAL RESPONSIBILITY	●	66–67, 69–70, 73		x
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Environmental performance indicators

EN1*	Materials used	●	67	Packaging materials supplied to the market.	x
EN2*	Materials used that are recycled input materials	●		Not material in Kesko's operations. A trading company does not use recycled material in the way referred to by GRI.	
EN3*	Direct energy consumption	●	68		x
EN4*	Indirect energy consumption	●	68		x
EN5	Energy saved due to conservation and efficiency improvements	●	69	Description of energy saving actions.	x
EN6	Energy-efficient or renewable energy-based products and services	●	69	Energy-efficient products have been described. Savings achieved not reported.	x
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	69	Actions to reduce energy consumption have been described. Savings achieved not reported.	x

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
EN8*	Water withdrawal	●	70	Water consumption in Finland has been reported. Water consumption in companies in other countries is low.	x
EN9	Water sources significantly affected by withdrawal of water	●		Not material to Kesko's operations. Kesko uses water from municipal systems.	
EN10	Water recycled and reused	●		Not material to Kesko's operations in the way referred to by the GRI.	
EN11*	Land owned, leased and managed in areas of high biodiversity value or in protected areas	●		Not material to Kesko, store sites are only in areas zoned for business premises.	
EN12*	Impacts of activities on biodiversity in protected areas and areas of high biodiversity value	●		See EN11	
EN13	Habitats protected or restored	●		See EN11	
EN14	Strategies, actions and plans related to biodiversity	●		See EN11	
EN15	IUCN Red List species and national conservation list species in areas affected by operations	●		See EN11	
EN16*	Direct and indirect greenhouse gas emissions	●	70–71		x
EN17*	Other indirect greenhouse gas emissions	●	71–72		x
EN18	Initiatives to reduce greenhouse gas emissions	●	72	Initiatives to reduce greenhouse gas emissions have been described. Achieved reductions not reported.	x
EN19*	Emissions of ozone-depleting substances	●	72	Few ozone-depleting coolants still in use in cooling equipments of stores, amounts not reported.	x
EN20*	NO _x , SO _x , and other significant air emissions by type	●	72	Acidification and ethene emissions from electric and heat energy in Finland have been reported.	x
EN21*	Water discharge	●		All wastewater into the municipal sewerage system. No water discharge referred to by the GRI.	
EN22*	Total weight of waste by type and disposal method.	●	72		x
EN23*	Total number and volume of significant spills	●	73		x
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous	●		Not material to Kesko's operations.	
EN25	Water bodies significantly affected by the reporting organisation's discharges of water and runoff	●		Not material to Kesko's operations.	
EN26*	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	74	Kesko has indirect impacts on products on sale.	x
EN27*	Percentage of products sold and their packaging materials that are reclaimed	●	74	Recycling of plastics recovered from goods transportation has been reported.	x
EN28*	Compliance with environmental laws and regulations	●	73		x
EN29	Significant environmental impacts of transporting	●	74		x
EN30	Total environmental protection expenditures and investments	●		Data not available.	

SOCIAL RESPONSIBILITY

MANAGEMENT APPROACH TO LABOUR ASPECTS	●	75			x
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Labour practices and decent work performance indicators

LA1*	Total workforce by employment type and employment contract	●	75–76		
LA2*	Employee turnover	●	75–76	Not reported by age group or gender. Data not available.	x
LA3	Benefits provided to employees	●	76	Benefits exceeding the statutory level have not been reported in detail. Practices vary by operating country.	
LA4*	Percentage of employees covered by collective bargaining agreements	●	77		x
LA5*	Minimum notice period(s) regarding operational changes	●	77		x
LA6	Percentage of total workforce represented in formal health and safety committees	●	78	The percentage of employees not reported. Arrangements based on local legislation.	x

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
LA7*	Rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities	●	77–78	Reporting does not cover contractors. The statistics of occupational injuries only available for Finnish operations.	x
LA8*	Education and counselling to assist workforce members regarding serious diseases	●	78		x
LA9	Health and safety topics covered in formal agreements with trade unions	●		In Finland, arrangements based on legislation.	
LA10*	Average hours of training per employee	●	78	Not reported by employee category. Data not available.	
LA11*	Programmes for skills management and lifelong learning	●	78		
LA12	Performance and career development reviews	●	79		
LA13*	Composition and diversity of governance bodies and employee categories	●	79–80		x
LA14*	Ratio of basic salary of men to women	●	81	The ratio has not been reported. It is not possible to make a Group-level comparison.	x
MANAGEMENT APPROACH TO HUMAN RIGHTS		●	81		x
Human rights performance indicators					
HR1*	Human rights screening in investment decisions	●		No human rights problems relating to retailing have been detected in Kesko's operating countries. The issue is included in the risk assessment procedure.	
HR2*	Suppliers' and contractors' screening on human rights	●	82–83	The number of suppliers in the BSCI, SA8000 or Fairtrade auditing process has been reported, not the percentage.	x
HR3	Employee training on policies and procedures concerning aspects of human rights	●	83	The training hours have not been reported. Data not available.	x
HR4*	Total number of incidents of discrimination and actions taken	●	84		x
HR5*	Operations in which the right to exercise freedom of association and collective bargaining may be at risk	●	84	The unionisation rate of employees has been reported for those operations for which the data is available.	x
HR6*	Operations with a risk for incidents of child labour	●	82–83		x
HR7*	Operations with a risk for incidents of forced or compulsory labour	●	82–83		x
HR8	Percentage of security personnel trained in aspects of human rights	●		Not material to Kesko's operations.	
HR9	Number of incidents involving rights of indigenous people and actions taken	●	84		x
MANAGEMENT APPROACH TO SOCIETAL ASPECTS		●	84		x
Society performance indicators					
SO1*	Programmes that assess and manage the impacts of operations on communities	●		Impacts on communities are assessed as part of the development of the store network.	
SO2*	Percentage and number of business units analysed for risks related to corruption	●	85	The risk management practices have been described. The number of business units has not been reported.	x
SO3*	Percentage of employees trained in anti-corruption policies and procedures	●	85	The number of employees trained and percentage for management and other employees not reported. Data not available.	x
SO4*	Actions taken in response to incidents of corruption	●	85		x
SO5*	Organisation's public policy positions, participation in public policy development and lobbying	●	85	Kesko's main channels of influence have been reported.	x
SO6	Financial and in-kind contributions to political parties, politicians and related institutions	●	85		x
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	●	85		
SO8*	Fines and non-monetary sanctions for non-compliance with laws and regulations	●	85		

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
MANAGEMENT APPROACH TO PRODUCT RESPONSIBILITY		●	85		x
Product responsibility performance indicators					
PR1*	Assessment of health and safety impacts of products and services at various life cycle stages	●	86	The percentage of products that are covered by the assessment has not been reported. Data not available.	x
PR2	Non-compliance with regulations and codes concerning health and safety impacts of products	●	86		x
PR3*	Product and service information required by procedures	●	86	The percentage of products that are covered by information requirements has not been reported. Data not available.	x
PR4	Non-compliance with regulations and voluntary codes concerning product and service information and labelling	●	86		x
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	●	86	The results of customer satisfaction surveys have not been reported. Group level results not available.	
PR6*	Adherence to laws, standards and voluntary codes related to marketing communications, incl. advertising, promotion and sponsorship	●	86		
PR7	Incidents of non-compliance with laws and regulations and voluntary codes related to marketing communications	●	86		
PR8	Complaints regarding breaches of customer privacy and losses of customer data	●	86	The accurate number of complaints regarding breaches of customer privacy has not been reported. The complaints are not recorded by topic.	x
PR9*	Fines for non-compliance with laws and regulations concerning products and services	●	86		

● Included ● Partly included ● Not included

*Key indicator recommended in the GRI guidelines

x) Reporting in compliance with Global Compact, COP = Communication on Progress

Economic responsibility

Management approach to economic responsibility

According to Kesko's general principles of corporate responsibility, economic responsibility refers to the good management of finances, the efficient use of resources as well as generating stable, long-term economic benefits to different stakeholders. General management is complemented by Kesko's ethical purchasing principles, risk management and internal audit principles, as well as corporate governance and other practices and guidelines for product and service purchases. Read 'General principles of Kesko's corporate responsibility' at: www.kesko.fi/responsibility.

Financial results must be achieved in responsible ways – supported by good corporate governance, open communications and effective stakeholder interaction, while taking environmental and social responsibility into account.

Kesko's key strategic objective is profitable growth, at a rate exceeding that of the domestic market. Growth is also sought in the nearby areas, especially in the fast developing Russian market.

Kesko's performance indicators

	Target level	2008	2009	2010
Return on capital employed, %	14.0			
Actual return on capital employed, %		15.2	11.0	15.9
Return on equity, %	12.0			
Actual return on equity, %		12.1	6.6	10.1
Equity ratio, %	40–50			
Actual equity ratio, %		52.4	54.1	53.4
Gearing, %		2.3	-12.5	-16.8
Capital expenditure*, € million		338	198	325
Capital expenditure as percentage of net sales*, %		3.5	2.3	3.7

*Continuing operations

Kesko seeks growth through a reinforced store site network, the implementation of competitive advantage projects, the achievement of synergy benefits as well as developing electronic customer communications and e-commerce. Read the objectives of the responsibility programme on pages 20–21.

In the food trade, major capital expenditures are made in the expansion and modernisation of the store network in Finland. Another objective is to expand business operations into Russia. In the food trade, the most important competitive advantage project is to strengthen the selections, service offer and displays of fruit & vegetable and bakery departments, as well as those of service counters offering fresh meat, fish and ready meals.

In the home and speciality goods trade, synergy benefits are sought by combining Anttila's and K-citymarket's purchasing and logistics operations and chain control. An important competitive advantage project in the home and speciality goods trade is to increase online sales.

In the building and home improvement trade, the store site network will be expanded over the next few years in both Finland and other operating countries, especially in Russia. Synergy benefits in the building and home improvement trade are gained by making capital expenditures in centrally controlled purchasing and selection development, as well as in a shared enterprise resource planning system and the logistics network.

In the car and machinery trade, the market share of brand representations, such as Volkswagen and Audi, is reinforced by developing the dealer network.

Read also 'Kesko in brief' on pages 4–5.

Most of the economic responsibility indicators in this report are presented based on stakeholder group and derived from the consolidated financial statements (www.kesko.fi/investors), whose preparation and presentation are governed by the IFRSs (International Financial Reporting Standards). Kesko's reporting on economic responsibility is in compliance with the GRI Guidelines. This report also presents results essential for business divisions, such as the development of the store site network, geographical scope of operations and breakdown of purchases.

ECONOMIC VALUE GENERATED AND DISTRIBUTED, EC1

Kesko analyses the economic benefits from its operations with regard to different stakeholder groups and market areas. Stakeholder welfare in its market areas is important for Kesko, but its international trading operations also increase welfare outside its own markets, especially in developing countries.

The following tables show cash flows between Kesko and its stakeholders, as well as the breakdown 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 available in full in the consolidated financial statements (IFRS). Read more in Kesko's 2010 Annual Report beginning on page 80.

Economic benefits from Kesko's operations flowing to stakeholder groups, € million, continuing operations

		2008	2009	2010
Customers*	Revenues	10,322	9,157	9,476
Suppliers	Cost of goods, materials and services purchased	-9,278	-8,257	-8,526
Value added		1,043	900	949

Distribution of value added:

		2008	2009	2010
Employees	Wages, salaries and social costs	-578	-535	-521
Creditors	Net financial revenue/expense	3	-16	6
Shareholders	Dividends	-98	-89	-128
Public sector	Income taxes	-89	-82	-97
Communities	Donations given	-2	-2	-2
Retained in business		279	177	207

*Incl. net sales and other operating income

Basic information on Kesko shares and shareholders at 31 Dec.

	2008	2009	2010
Number of shares, 1,000 pcs	97,824.9	98,321.5	98,641.3
Share capital, € million	196	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, %	83	83	83
B shares as percentage of all votes, %	17	17	17
Market capitalisation of A shares, € million	698	749	1,101
Market capitalisation of B shares, € million	1,176	1,537	2,337
Number of shareholders	38,080	38,888	38,258
Earnings per share, diluted, €	2.24	1.27	2.06
Dividend per share, €	1.00	0.90	1.30

According to its dividend policy, Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking however the company's financial position and operating strategy into account. In 2010, Kesko distributed a total of some €88.5 million in dividends for the 2009 profit, which represented 70.5% of earnings per share and 126.8% of earnings per share excluding non-recurring items. A decision has been made to distribute some €128 million for the 2010 profit as dividends, which is 63.1% of earnings per share and 72.7% of earnings per share excluding non-recurring items.

At 31 December 2010, foreign ownership of all shares was 26%, and foreign ownership of B shares was 38%.

In 2010, the price of liquid B shares rose by 51% and that of less liquid A shares by 47%, while the NASDAQ OMX Helsinki All Share Index was up 19%.

The largest foreign shareholders are from the United States, Norway, Great Britain, Germany and France (source: BigDough).

Ten largest shareholders by number of shares (A and B series) at 31 Dec. 2010

	% of shares	% of votes
Vähittäiskaupan Takaus Oy	3.54	7.06
K-Retailers' Association	3.50	8.88
Kruunuvuoren Satama Oy	2.67	6.86
Ilmarinen Mutual Pension Insurance Company	2.07	1.08
Valluga-sijoitus Oy	1.36	3.49
Kesko Pension Fund	1.32	2.22
Varma Mutual Pension Insurance Company	1.15	0.29
Oy The English Tearoom Ab	1.02	0.26
Foundation for Vocational Training in the Retail Trade	0.96	2.11
Tapiola Mutual Pension Insurance Company	0.91	0.23

More detailed information on Kesko's shareholders and shares is available in Kesko's 2010 Annual Report and at: www.kesko.fi/investors.

Store network

Kesko has about 2,000 stores engaged in chain operations in Finland and other operating countries. The K-food network is the most comprehensive in Finland, as the food trade services cover nearly all municipalities in Finland (see the adjoining table) and K-food stores have some 900,000 customers every day. Kesko also has a large number of B2B customers. Outside Finland, Kesko engages in the building and home improvement trade, the interior decoration trade and the machinery trade. See number of stores by division on pages 4–5.

In Finland, Kesko acts in close cooperation with K-retailers. At the end of the year, Kesko partnered with 1,270 K-retailer entrepreneurs and about 170 other retailer entrepreneurs in the Asko, Sotka, Byggmakker and Senukai chains. The K-Group, i.e. Kesko and retailer entrepreneurs, employ a total of some 45,000 people.

Kesko's staff cost, € million, continuing operations

	2008	2009	2010
Salaries and fees	497	448	451
performance bonuses in Finland	13	5	8
Social security expenses			
pension costs	29	40	23
other social security expenses	47	39	41
Share options granted	6	8	5

Foreign operations accounted for €114 million of total salaries in 2010.

Foreign operations accounted for €25 million of total pension costs and other social security expenses in 2010.

Kesko's taxes, € million, continuing operations

	2008	2009	2010
Income taxes to Finland	79.4	76.5	92.6
Income taxes to other countries	10.1	5.9	4.1
Real estate taxes to Finland	3.4	3.4	3.0
Real estate taxes to other countries	1.1	1.1	1.3

Kesko's support for the public good, € thousand

	2009	2010
Non-governmental and environmental organisations	79	130
Science, research and education	140	1,033
Culture	122	166
Sports	621	619
Health care	63	89
Youth work	469	207
Veteran organisations	14	10
Total	1,508	2,253

Number of K-food stores in Finnish municipalities

K-food stores	Municipalities	% of all municipalities
10 or more	17	5.0
7–9	6	1.8
5–6	28	8.2
3–4	55	16.1
2	64	18.7
1	134	39.2
0	38	11.0
Municipalities, total	342	100.0

Analysis of economic benefits from Kesko's operations by market area, € million

	Purchases	Capital expenditure	Salaries and share options granted	Pension and social security expenses and taxes	Total
Finland	5,174	283	342	135	5,934
Other Nordic countries	777	19	52	16	864
Baltic countries	188	3	40	7	239
Russia	170	15	17	4	205
Other countries	1,176	5	6	4	1,190

FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANISATION'S ACTIVITIES DUE TO CLIMATE CHANGE, EC2

Key objectives in Kesko's work for the environment include mitigation of climate change, which provides opportunities but also incurs costs for Kesko's operations. The need for cost reductions generates an increasing necessity to save energy and optimise transportation. Transportation fleet composition must also be taken into consideration in logistics operations. Furthermore, waste management in compliance with laws and regulations is increasingly expensive, which sets the objective for higher recovery rates.

The objectives included in Kesko's responsibility programme for the period 2008–2012 contains aspects closely related to Kesko's and its divisions' own strategies, which are expected to generate commercial savings as well as business opportunities and competitive advantages. The progress and results of the responsibility programme are presented on pages 20–21 and in various sections of this report.

As a multi-division company, Kesko is able to offer responsible consumption alternatives and service solutions in nearly all sectors of consumption. Kesko's selections contain many alternatives with which Kesko and its customers can jointly reduce negative impacts of consumption and promote sustainable development.

Maintaining a comprehensive store network is one of Kesko's corporate responsibility objectives. Visits in shopping centres and stores generate some of the environmental impacts of consumption which Kesko aims to help reduce through the location of its stores.

The emissions from the production of electrical and heat energy for Kesko's own properties represent a significant part of the K-Group's environmental impacts. The K-Group's environmental policy obliges Kesko's real estate operations, in cooperation with its business partners, to develop solutions related to the building, repairs, concept changes, maintenance and use of real estate properties that reduce the consumption of materials and energy during the life cycle of these properties. Kesko is a member of Green Building Council Finland (FIGBC), an environmental organisation whose goal is to foster the sustainable development perspective as a natural part of all real estate and construction activity. Consideration of sustainable development in construction is an opportunity for Kesko in a competitive situation.

New building requirements especially for energy saving also provide opportunities for the building and home improvement trade. The operations of the building and home improvement trade emphasise eco-efficient building and energy saving solutions.

The changing climate conditions require that plant varieties new to Finnish conditions be tried and current farming practices modified. The K-Group's own K-maatalous Experimental Farm carries out such research and development.

The importance of responsible purchasing practices can be expected to increase, and it will be necessary to provide customers with increasingly accurate information on the origin and production methods of products.

The promotion of healthy lifestyles and eating habits is a major opportunity and a strategic objective for the food trade. Different forms of physical activity play a significant part in the product selections of both the K-Group's sports and department stores.

Read more about opportunities on pages 12–13.

Kesko's operations are considered in continuous risk assessments which also cover changes necessitated by climate change. Read more about risks on pages 13 and 17.

COVERAGE OF DEFINED BENEFIT PLAN OBLIGATIONS, EC3

The Group operates several retirement plans. In Finland, employees' pension insurance is partly arranged with insurance companies and partly by the Kesko Pension Fund, whose department A granting additional benefits was closed on 9 May 1998. The pension plan arranged with the Kesko Pension Fund is classified as a defined benefit plan. At 31 December 2010, the plan obligations totalled €285.8 million and were fully covered. The surplus was €185.8 million at 31 December 2010. When calculated under IFRS (the Pension Fund's contributions are made to a defined benefit plan), the whole Group's contribution represents 6.9% of the salary amount. Read more in Kesko's 2010 Annual Report, Consolidated financial statements, page 118, Note 20.

In 2010, the Kesko Pension Fund paid pensions to a total of 2,722 people. At the end of the year, the Pension Fund covered 5,839 people with an employment with the Kesko Group or related parties. Additional benefits covered 640 people at the end of the year.

In Kesko's other operating countries, retirement benefits are arranged in accordance local legislation and significant defined benefit plans are not operated except in Norway. The number of employees covered by additional benefits in Norway is insignificant in relation to the whole Group.

SIGNIFICANT FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT, EC4

In 2010, Kesko received financial support amounting to €92,400 from the Finnish business partnership programme, Finnpartnership, managed by Finnfund and financed by the Ministry for Foreign Affairs of Finland for a monitoring project which Kesko implemented in China in 2008–2010. As the outcome of the project, Kesko established a control and support process of its suppliers in high-risk countries, which is now an everyday tool in Kesko. Read more about monitoring on page 46.

Kesko's purchases by operating country in 2010

	Suppliers of goods and services in operating country*			Suppliers of goods and services in other countries*		
	kpl	milj. €	%	kpl	milj. €	%
Finland	11,778	5,152	81.6	2,480	1,160	18.4
Sweden	1,044	124	81.3	105	28	18.7
Norway	1,377	489	97.8	82	11	2.2
Estonia	1,096	34	56.1	319	27	43.9
Latvia	558	32	51.7	214	29	48.3
Lithuania	810	57	31.1	1,187	127	68.9
Russia	1,042	154	99.9	6	0	0.1
Belarus	705	32	52.2	172	29	47.8
Total	18,410	6,074	81.1	4,565	1,411	18.9

* Suppliers of goods and services

** Suppliers of goods

Kesko's purchases by company's country of domicile and by supplier's country of domicile in 2010, € million

Company's country of domicile	Supplier's country of domicile									Total
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus	Other countries	
Finland	5,152	147	7	31	0	3	0	0	971	6,311
Sweden	9	124	4	1	0	0	0	0	15	152
Norway	1	4	489	0	0	0	0	0	7	500
Estonia	5	2	0	34	1	1	0	0	18	61
Latvia	4	0	0	4	32	1	0	0	20	61
Lithuania	3	0	0	6	14	57	2	1	100	184
Russia	0	0	0	0	0	0	154	0	0	154
Belarus	1	0	0	0	0	3	13	32	12	61
Total	5,174	277	500	76	48	65	170	33	1,143	7,485

SPENDING ON LOCALLY-BASED SUPPLIERS, EC6

Most of the economic benefits from Kesko's operations – about 85% of Kesko's total net sales – flow to suppliers of goods, from whom the purchases were valued at €7.5 billion in 2010.

In 2010, Kesko had some 23,000 suppliers of goods and services from whom the purchases were valued at least €1,000 during the year (25,000 in 2009, the figure has been restated since the previous report). Of these, some 12,000 operated in Finland, some 7,500 in Kesko's other operating countries, and about 3,400 in the rest of the world. Kesko's purchases of goods totalled €7,485 million.

The decrease in the number of Baltic suppliers was especially due to the planned discontinuation of the grain and agricultural inputs trade in the Baltics and the concentration of purchases.

The ten largest suppliers accounted for 23.1% (22.9%) of the Group's purchases of goods, and the 100 largest suppliers for 52.4% (52.8%). Of the ten largest suppliers, seven were Finnish food industry companies, one import company operating in Finland and two German car manufacturers.

The purchases of all Kesko's companies from suppliers operating in Finland totalled €5,174 million, accounting for 69.1% (70.7%) of the Group's total purchases.

The purchases of goods by the Kesko Group's Finnish companies totalled €6,311 million. Of these, 81.6% were from suppliers operating in Finland and 18.4% from other countries. It should be noted that as 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 number of local suppliers and encourages K-retailers to purchase locally. In 2010, K-retailers' direct purchases from regions totalled 537 million (see table on page 65).

Capital expenditure

In 2010, Kesko's capital expenditure totalled €325 million, or 3.7% of net sales (2.3% in 2009). Capital expenditure in Finland was €283 million and €42 million in other countries. Capital expenditure on store sites – on service network development – was €212 million. In addition to Kesko, K-retailers annually make capital expenditures on the building and reconstruction of stores used by the K-Group. These included, the total capital expenditure in Finland was some €351 million (€327 million) in 2010.

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.

Economic benefits from Kesko's and K-retailers' operations flowing to Finnish regions in 2010, € million

Region	Kesko's purchases of goods	K-retailers' direct purchases	Kesko's and K-retailers' capital expenditure	Salaries paid by Kesko	Salaries paid by K-retailers	Taxes paid by K-retailers	Total
Southern-Karelia	11.5	13.0	13.2	4.5	11.0	1.2	54.4
Southern-Ostrobothnia	237.6	33.0	3.1	4.2	11.9	1.1	290.9
Southern-Savo	37.8	15.8	1.4	4.8	10.5	1.5	71.8
Eastern-Uusimaa	87.5	6.6	-	0.7	5.9	0.4	101.1
Kainuu	2.3	11.4	0.1	1.7	6.0	0.5	22.0
Kanta-Häme	70.2	22.0	0.2	1.2	12.0	0.6	106.2
Central-Ostrobothnia	49.0	14.3	0.2	2.2	3.8	0.7	70.2
Central-Finland	70.5	18.4	56.8	8.0	17.0	1.5	172.2
Kymenlaakso	24.2	18.1	9.3	5.6	10.8	1.3	69.3
Lapland	18.4	24.1	13.8	6.1	16.2	1.7	80.3
Pirkanmaa	358.4	30.0	34.4	26.1	31.0	3.3	483.2
Ostrobothnia	111.0	10.5	2.8	5.1	7.2	0.8	137.4
Nothern-Karelia	25.9	18.5	-	3.5	10.5	1.6	60.0
Nothern-Ostrobothnia	75.7	35.7	5.3	16.8	24.5	2.1	160.1
Nothern-Savo	145.4	26.3	34.7	9.1	18.4	1.7	235.6
Päijät-Häme	95.4	23.6	14.6	8.7	11.9	1.0	155.2
Satakunta	98.7	23.1	17.2	5.1	14.4	0.8	159.3
Uusimaa	3,000.0	130.6	129.4	230.4	98.6	11.6	3,600.6
Varsinais-Suomi	613.2	61.7	14.6	23.0	31.6	2.6	746.7
Åland	18.9	-	-	-	-	-	18.9
Total	5,151.5	536.9	351.1	366.8	353.1	35.8	6,795.2

The figures are for those K-retailers whose bookkeeping and payroll are carried out by Vähittäiskaupan Tilipalvelu Oy, accounting for some 85% of K-retailers' total business volume.

PROCEDURES FOR LOCAL HIRING, EC7

Kesko recruits local expertise and aims to cover a wide diversity of candidates for job openings including management and middle management positions. Kesko provides statistics on recruitment by country. In 2010, all Kesko's top and middle management positions in Finland were held by Finnish people.

In the other operating countries, the top and middle management positions were held at 99% by local people.

INFRASTRUCTURE INVESTMENTS AND SERVICES PROVIDED PRIMARILY FOR PUBLIC BENEFIT, EC8

During the reporting period, Kesko itself did not make infrastructure investments for public benefit referred to in the GRI. Instead, Kesko made contributions to the public good in donations and through business partners.

At the national level in all operating countries, Kesko supports initiatives promoting, for example, science, research and education, youth work, sports, as well as the operations of non-governmental and environmental organisations. Kesko especially supports projects for the wellbeing of families with children. Read more on pages 28 and 29.

Kesko's support for the public good

	2008	2009	2010
€ thousand	1,622	1,508	2,253

SIGNIFICANT INDIRECT ECONOMIC IMPACTS, INCLUDING THE EXTENT OF IMPACTS, EC9

Kesko's measurable indirect impact on society, such as employment impact, increased municipal tax income, or income in the producer and supplier chain, must be evaluated case by case, in connection with the establishment of a new store, for example.

Read more about impacts on society on pages 10–11.

Environmental responsibility

Management approach to environmental responsibility

The K-Group's environmental management is based on the ICC Business Charter for Sustainable Development, standards for management systems, as well as requirements set by legislation and the authorities. Kesko is also committed to observe the Global Compact principles.

Environmental management is part of the K-Group's management system. The 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. The assessment of the significance of impacts aims to examine impacts throughout the whole lifecycle and chain of functions. 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.

Kesko's environmental objective is to mitigate climate change through energy efficiency, and to reduce carbon dioxide emissions from transportation and travel. Read detailed targets and results on pages 66–74, and a summary in the responsibility programme on pages 20–21.

The K-Group's environmental policy covers the operations of the 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.

VV-Auto Group Oy and its subsidiaries fulfil the requirements of the ISO 14001 environmental system and the ISO 9001 quality system. The operations of Keslog and Anttila are ISO 14001 certified.

In the food trade, the building and home improvement trade and the agricultural trade, environmental management is based on the K-environmental store model – the K-environmental store diploma (kesko.fi/responsibility). The model is part of the K-citymarket, K-supermarket, K-market, K-rauta, Rautia and K-maatalous chain concepts.

Food stores applying for the diploma are audited by Bureau Veritas, who also perform repeat audits by annual sampling. Key environmental issues are also included in the food store chains' concept measurements. The Environmental School of Finland (SYKLI) is responsible for the audits of the building and home improvement stores and for repeat audits conducted every third year.

The criteria content of the K-environmental store model will be revised and its structure will be reviewed during 2011.

Kesko Food's and Rautakesko's partners in the management and maintenance of premises are YIT Kiinteistötekniikka Oy, ISS Palvelut Oy and Ovenia Oy. YIT Kiinteistötekniikka's environmental system has the ISO 14001 certification.

Kesko's main office in Katajanokka, Helsinki, and Kesko Food's central warehouse in Hakkila, Vantaa, have adopted an environmental programme for office work developed by them.

At the end of 2010, environmental systems covered 63% of the Kesko companies net sales in Finland and 52% of the whole Group's net sales. The coverage has been calculated in proportion to retail sales. Certified environmental systems have not yet been adopted by the Group companies outside Finland.

The K-Group's environmental policy can be read at: www.kesko.fi/responsibility.

Environmental systems at Kesko

Operations	Environmental management system	Comment
Keslog's warehousing, terminal and transportation operations	ISO 14001	Certificate renewed in 2009
Anttila Oy; central unit, mail order sales and Net Anttila, all Anttila and Kodin Ykkönen department stores	ISO 14001	Certificate renewed in 2010 - in addition to this, Lielähti Kodin Ykkönen certified as new in 2010
Real estate management and maintenance	ISO 14001; ISO 9001	Certificated held by YIT Kiinteistötekniikka Oy
VV-Auto Group Oy	ISO 14001; ISO 9001	Programme created by the Finnish Central Organisation for Motor Trades and Repairs Association
K-food stores: 458 K-environmental stores	K-environmental store concept	Chain requirement for K-citymarkets, K-supermarkets and K-markets
K-rauta stores: 40 K-environmental stores (of which one joint store 1)	K-environmental store concept	Chain requirement, totally 41 stores
Rautia-stores: 100 K-environmental stores (of which 50 joint stores)	K-environmental store concept	Chain requirement, totally 107 stores, - in addition to this, process going on in three stores
K-maatalous-stores: 77 K-environmental stores (of which 51 joint stores)	K-environmental store concept	Chain requirement, totally 88 stores
Main office in Katajanokka, Helsinki, and warehouses in Vantaa	Environmental management system for offices	System developed by Kesko

K-environmental stores at 31 Dec. 2010

	2010
K-citymarket	69
K-supermarket	175
K-market	212
K-extra	2
K-rauta	40
Rautia	100
K-maatalous	77
Total	675

Management approach to materials use

Kesko works actively in Finnish producer associations and standardisation organisations, among others, to improve the standardisation of packaging, the use of materials with a smaller impact on the environment, and to reduce the quantities of materials used.

Kesko can play an important role in determining the packaging materials and quantities, especially when developing its own brands. For example, Kesko Food will put an emphasis on the development of private label (Pirkka, Menu) packaging. Among the most important functions of packaging is to sufficiently protect the product from spoilage before use and that the whole product quantity can be used. According to surveys, the environmental impacts of foodstuff packaging are significantly smaller than the emissions from the production and consumption of the foodstuff itself. A recent study shows that the production of foodstuffs which end in waste has a higher environmental impact than the production of the packaging. The most ecological packaging are those which generate the minimum of food waste. (Source: MTT Agrifood Research Finland FutupackEKO).

Read about the objectives and progress of Kesko's recycling and material efficiency in the responsibility programme on pages 20–21.

MATERIALS USED, EN1

Large quantities of materials pass through Kesko's operations. The most significant of them are the packaging of products imported by us and the materials of products packaged by ourselves, which are reported to the authorities in compliance with the EU packaging directive. Kesko reports the quantities of packaging materials it supplies to the market (excl. wood packagings and roll containers). The statistics system for Kesko Food's quantities of packaging materials was reformed in early 2011. The statistics for 2010 have been produced by the new system, and K-citymarket Oy is no longer included in Kesko Food's figures (2010 in Anttila's figures), which is why Kesko Food's statistics for 2009 and 2010 are not completely comparable.

Kesko's logistics operations also take account of the possibilities to use more environmentally friendly materials in their operations and packaging systems. Kesko guides its customers in comparing the environmental properties of products and packaging, their proper use and disposal after use.

Quantities of packaging imported and packaged by Kesko, Finland, tons

	2009	2010
Anttila/K-citymarket	1,146	2,575
Rautakesko	2,978	3,701
Kesko Food	25,628	18,101

In 2009, K-citymarket was included in Kesko Food figures.

Management approach to energy management

Mitigating climate change resulting from energy consumption is one of the key objectives in Kesko's environmental work. Kesko develops, in cooperation with business partners, solutions for new construction, repair, concept modifications, maintenance and use which help reduce the materials and energy consumption throughout the lifecycles of properties. Kesko offers its customers energy saving products and services with which they can save energy in their own activities.

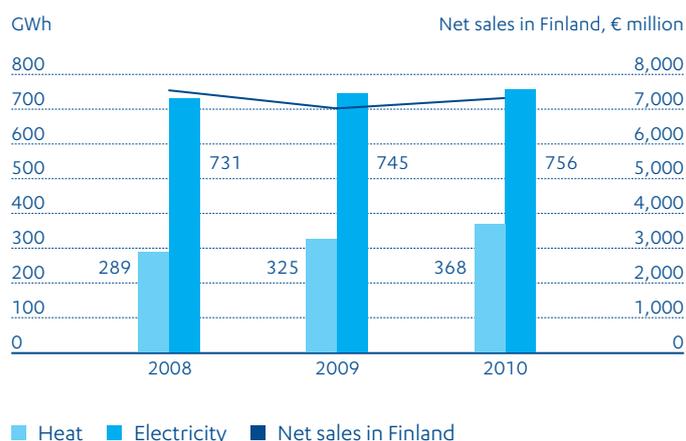
The K-Group's objective is to save 65 GWh by the end of 2016. The actions to meet this target can be read in the responsibility programme on pages 20–21. Since 1995, Kesko's heat energy consumption has decreased by over 60% and the consumption of electric energy has dropped by over 20% during the same period.

In 2010, the total consumption of electric and heat energy in Kesko's office and warehouse premises and the K-Group stores in Finland was 1,124 GWh.

In Finland, electricity, heat, and water consumption (multi-energy monitoring) is monitored using the Enerkey system supplied by Energiakolmio Oy. This enables automatic monitoring in locations where the electricity supplier has an hourly-based measurement terminal. Readings from manually monitored locations or meters are collected by maintenance companies. In terms of energy consumption, the most important types of properties are K-citymarkets, K-supermarkets, Anttila stores, and large wholesale and warehouse buildings. Especially in these locations, the aim in consumption monitoring is to achieve as comprehensive coverage as possible.

In 2010, multi-energy monitoring covered 2,405,963 m² in Finland and electricity monitoring alone covered 461,308 m². The consumption of locations is estimated by type of real estate, based on the specific consumptions of the monitored premises. Specific consumption is calculated per gross square metre of heated area.

Outside Finland, the real estate area was 955,000 m² in 2010. In the last two years, Rautakesko's real estate in the other operating countries have been increasingly included in operating control and energy monitoring systems

Total energy consumption in real estate managed by Kesko in Finland, 2008–2010

DIRECT, EN3, AND INDIRECT ENERGY CONSUMPTION, EN4

In 2010, the specific consumption of electricity in Kesko's properties in Finland (properties managed by Kesko and covered by monitoring system supplied by Energiakolmio Oy, see report attachments at: www.kesko.fi) totalled 216 kWh/m² gross area. In 2010, the total electricity consumption in properties in Finland was 756 GWh, whereas in 2009 it was 745 GWh. There is an increase of 1.4% as the corresponding properties in Finland decreased by 1.5% over the same period. The 1.4% increase in electricity consumption is largely attributable to changes in store opening hours and the exceptionally hot summer.

The specific heat energy consumption in Finland was 105 kWh/m² gross area. In 2010, the increase in the measured specific consumption was exceptionally high owing to cold weather. In the most important property classes, changes varied between +3.9% and +30.1%.

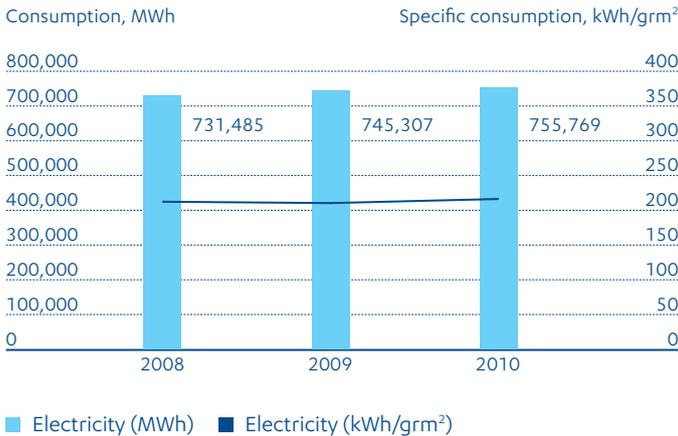
Specific consumptions of electricity and heat by type of real estate, and developments in real estate in Finland can be read in the consumption monitoring report at: www.kesko.fi/responsibility.

Subsidiaries in the other operating countries purchased a total of 129.2 GWh (94.5 GWh in 2009) of electricity and district heat in 2010. Read more in the report by Energiakolmio at: www.kesko.fi/responsibility. In the other countries, electricity and heat was produced to the total of 26.9 GWh (20.0 GWh), mainly from non-renewable energy sources, gas and oil. The energy consumption of subsidiaries in Belarus is not included.

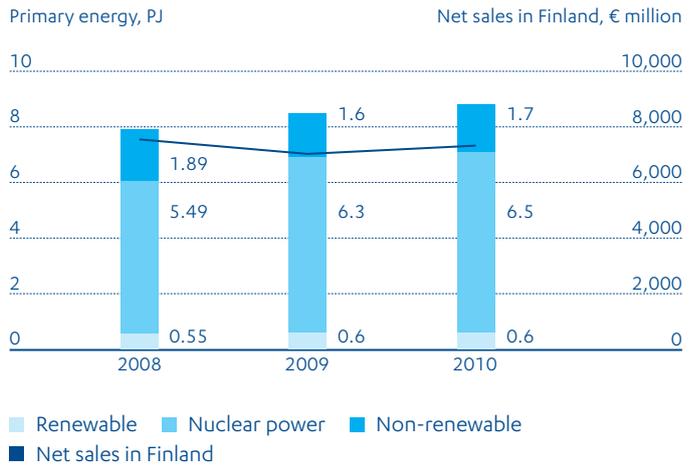
Kesko supplied 562 GWh, or approximately 74% of the total electricity used by the K-Group in Finland. Fortum Markets Oy accounted for 99.3% and the balance power for 0.7% of the electricity purchased by Kesko. K-retailers purchased 194 GWh of electricity, mainly from local power plants.

The 2010 source data and calculation principles are available in the report attachments. The year 2009 indicators have been calculated and updated to correspond to the actual consumptions in 2009. The energy consumption figures for 2010 and the environmental profiles for energy consumption have been produced by Energiakolmio Oy. The calculation, which includes a comparison with the energy protocol contained in the GRI reporting guidelines, is available at: www.kesko.fi/responsibility.

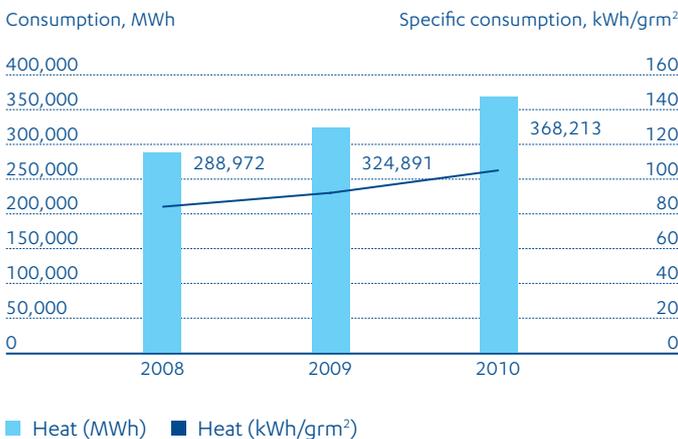
Kesko's electricity consumption and specific electricity consumption, Finland



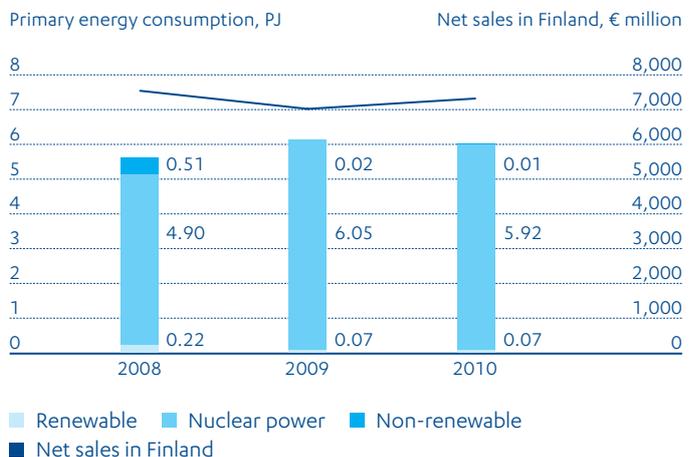
Profile for energy consumed in real estate managed by Kesko in Finland



Kesko's total heat consumption and specific heat consumption, Finland



Profile for electricity supplied by Kesko to the K-Group in Finland



ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS, EN5

The K-Group participates in the trading sector energy-efficiency agreement and is committed to saving 65 GWh of energy by the end of 2016, calculated from the 2005 level. The agreement is based on the 9% savings target set in the 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.

In K-food stores, energy is consumed especially by freezers and other refrigeration equipment. As part of Kesko's responsibility programme, Kesko Food is installing freezers with lids in all new food stores. Lids and new fan motors are installed in the existing refrigeration equipment whenever technically and economically reasonable. Lids help save 30–40% of electric energy compared with uncovered chest freezers. The saving in electricity achieved annually is over 13 GWh. By the end of 2010, there were about 200 K-food stores whose freezers had lids or doors, and the total length of such refrigeration equipment was about 4.3 kilometres.

Electricity savings are also gained thanks to fewer defrostings needed and the smaller fan and refrigeration power required. An even temperature enabled by lids also helps improve the quality of products. Additionally, the service lives of the equipment lengthen, in-store air-conditioning can be adjusted more accurately, and the need for cleaning and maintenance is reduced, as are the costs of interruptions and power failures.

A new saving method piloted by Kesko is to add doors to the juice and dairy cabins. The annual saving in electric energy achieved by this is about 30% compared to not having doors on the cabins.

LED technology is used in the illuminated signs of all new K-food stores. The resulting savings compared with traditional neon and fluorescent tube solutions are 60–70%. LED lighting systems can also be used in general lighting in stores. Read more on page 38. This consumes over 35% less energy than the widely used energy-efficient fluorescent lighting. In addition, LED lights have long service lives, with replacement periods of about 10 years. When a light needs to be changed, only the lighting system's LED panel is replaced – not the whole system. Furthermore, LED lights do not contain hazardous waste.

In their joint project, Rautakesko and Ruukki created an energy-efficient store concept. The energy consumption results clearly exceeded the required level, which is mainly attributable to tightness and efficient heat recovery. Read more on page 40.

ENERGY-EFFICIENT OR RENEWABLE ENERGY-BASED PRODUCTS AND SERVICES, EN6

The aim of Rautakesko's energy efficiency project is to create a concept of the services available at K-rauta and Rautia for improving the energy efficiency of housing so that each customer can easily find the solutions suitable just for them. Read more on pages 39 and 41.

Kesko offers energy efficient and lower emission products to consumers also in the car trade. BlueMotion Technology is a Volkswagen brand for models using technologies with smaller environmental impacts. A wide range of models optimised for lower CO₂ emissions and fuel consumption enabled by a combination effect of several solutions is already available. The BlueMotion Technology range features modified engine management software, reduced engine idle speed, reconfigured gearboxes and modified aerodynamics as well as tyres with optimised rolling resistance. They also feature intelligent technology telling you when to change gear for optimum driving efficiency (models with manual gearboxes), a start/stop system and a braking energy recuperation mechanism.

Most Audi models have the start/stop system as standard. The Audi e-models focus on improving their energy efficiency. Carbon dioxide emissions and other harmful exhaust gas emissions are reduced by lowering consumption. Engine management software has been modified, engine idle speed has been reduced, gearboxes reconfigured as well as aerodynamics and tyre rolling resistance optimised. They also feature intelligent technology telling you when to change gear for optimum driving efficiency (models with manual gearboxes), a start/stop system and a braking energy recuperation mechanism.

Ecomotive is a Seat brand for models including technologies with lower environmental impacts. There is already a wide range of models optimised for lower CO₂ emissions and fuel consumption enabled by a combination effect of several solutions is already available. Read more on page 41.

INITIATIVES TO REDUCE INDIRECT ENERGY CONSUMPTION AND REDUCTIONS ACHIEVED, EN7

In 2010, air miles in business travel in Kesko totalled 9.5 million (9.6 million in 2009). The aim is to continue reducing emissions from air travel as part of the Group's responsibility programme, for example by increasing video conference facilities. At the end of 2010, there were 20 Videra distance meeting points in use within the Group and the total duration of video meetings arranged between two or several facilities was 4,516 hours (2,846 hours). There were 991 distance meetings from employees' own terminals (Genesys Conference), with a total duration of 2,771 hours (4,460 hours). The use of Genesys has been decreased by an increasing use of Videra and the Office Communicator instant messaging pilot.

At the end of the year, Kesko had 577 company cars in Finland, of which 254 were petrol and 323 diesel engined.

Management approach to water management

Monitoring water consumption has been part of the K-Group's environmental policy for many years, and the importance of water has become recognised in changing environmental conditions. The environmental policy will be reviewed in 2011, and attention will be paid to the use of water.

In the K-Group's operations, water is mainly used for cleaning. The level of hygiene and cleaning methods for food stores have been stipulated in the Food Act and the decree on food hygiene.

The total quantity of water consumed in the properties in Finland (monitoring supplied by Energiakolmio Oy), some 805,000 m³/year, is not material. Nevertheless, water consumption is part of real estate consumption monitoring also in the other operating countries outside Finland. When needed, responses to changes can be fast.

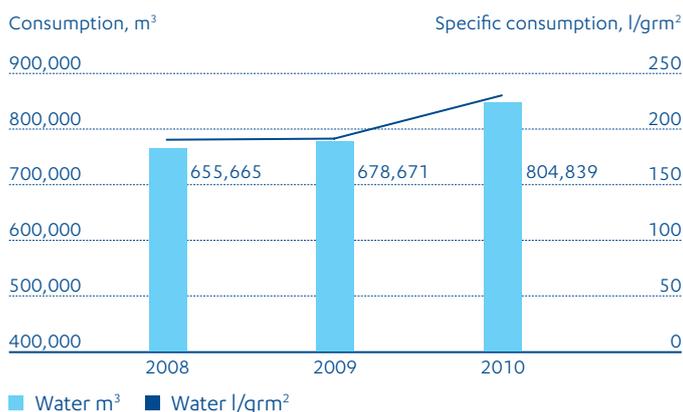
In the trading sector, indirect water consumption, in other words, the use of water during the process of growing or manufacturing products for sale in stores is more significant than the trading sector's own water consumption. With respect to the most material product groups, such as fruit and vegetables, most producers have the Global-GAP certificate for good agricultural production, including the use of water. The beverage industry products included in Kesko's selections are mainly produced in Finland. The breweries and soft drink manufacturers used by Kesko have their own environmental criteria concerning the use of water. The optimisation of water consumption in the textile industry production begins from monitoring water consumption at the factory, coupled with the factory's own measures.

WATER WITHDRAWAL, EN8

Property-specific statistics in Finland are available at: www.kesko.fi/responsibility. The 18.6% increase in water consumption is partly attributable to a more comprehensive water measurement at K-service station grocery stores coupled with the hot summer of 2010.

The total water consumption in companies in the other operating countries (Belarus not included in the statistics) is small at less than 95,000 m³/year.

Water consumption, Finland



Management approach to safeguarding biodiversity

Kesko only builds retail stores on areas zoned for business properties. Kesko's operations do not have significant direct impacts on biodiversity, which is why Kesko's management operations are limited to individual actions and policy definitions.

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 such wood species whose cultivation is possible in accordance with the principles of sustainable development. Tropical wood and timber represented less than 1% of the building and home improvement trade's total sales.

In 2010, certified timber – mainly with the Finnish national FFCS forest certification and the FSC certification – accounted for some 91% of sawn timber sold by Rautakesko.

Kesko's fish statement is intended to direct Kesko Food's (and Kespro's) own sourcing, as well as K-retailers' sourcing to safeguard responsible fishing and the cultivation of fish. Kesko's fish statement can be read at: www.kesko.fi/responsibility.

In 2008–2010, Kesko was one of the main partners supporting the Päijät-Häme Vesijärvi Foundation in their campaign for a clean Vesijärvi lake. Read more on page 41.

Kesko's customers have the possibility to donate their K-Plussa points to charity projects, such as the WWF – Help WWF protect the Baltic Sea.

Management approach to emissions and aspects of waste

The K-Group's operations have both direct and indirect impacts on the environment, which are included in the environmental policy covering the whole K-Group. The most significant direct impacts include emissions from the production of electric and heat energy used in properties, and the emissions from transportation. Indirect impacts are related to the production, use and disposal of products sold and their packagings. Indirect impacts are also generated from shopping visits to the K-Group stores.

Kesko's responsibility programme sets objectives and defines actions aimed at reducing energy consumption and CO₂ emissions in its own energy use, transportation and business travel.

In cooperation with business partners, Kesko develops solutions for the building, repairs, concept modifications, maintenance and use of real estate properties that reduce the consumption of materials and energy during the life cycle of the properties. In cooperation with business partners, logistics operations for smaller impacts on the environment are developed by optimising transportation and promoting energy efficient modes of transport, and by offering return logistics and recycling services to customers.

Kesko recovers the waste generated in its operations as possible. Kesko develops recycling systems in cooperation with other operators and promotes waste recycling also by developing packaging methods and the use of materials. The generation of waste is prevented by using recyclable 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.

Product and service alternatives with smaller environmental impact are made available to customers. Kesko provides guidance for comparing the environmental properties of products and packagings and their proper use and disposal after use.

The impact from Kesko's energy consumption on acidification and lower atmosphere ozone are not material due to small quantities of fossil fuels used as heat sources. Energy profile is available at: www.kesko.fi/responsibility. Kesko's operations do not generate water discharge referred to in the GRI.

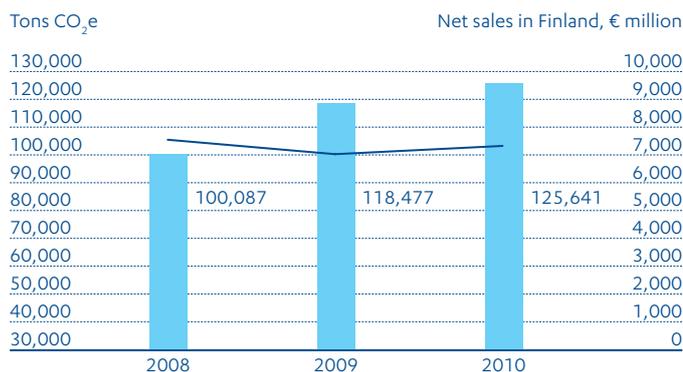
The objectives and the progress of the actions can be read in the responsibility programme on pages 20–21.

DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS BY WEIGHT, EN16

Kesko reports the greenhouse gas emissions from the energy purchased by it and by retailers, and from self-produced energy abroad in accordance with the GHG Protocol (The Green House Gas Protocol, Scope 1 and Scope 2; report supplied by Energiakolmio Oy).

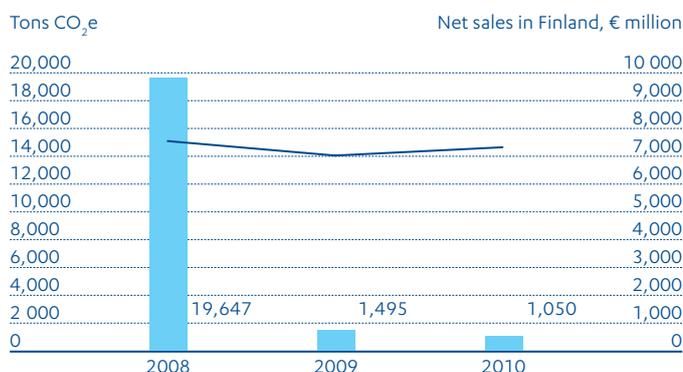
The electricity, 562 GWh (576 GWh in 2009), supplied by Kesko represents 74.3% of the total consumption by real estate in Finland. Of all carbon-free electricity purchased by Kesko from Fortum Markets Oy (99.3%), 97% was produced using nuclear power. The carbon dioxide emissions from the electricity purchased by Kesko were 1,050 tons. The share of nuclear power decreased slightly from the previous year, and correspondingly the use of primary energy decreased by 1.1%.

Climate change impact from energy used in properties managed by Kesko, Finland



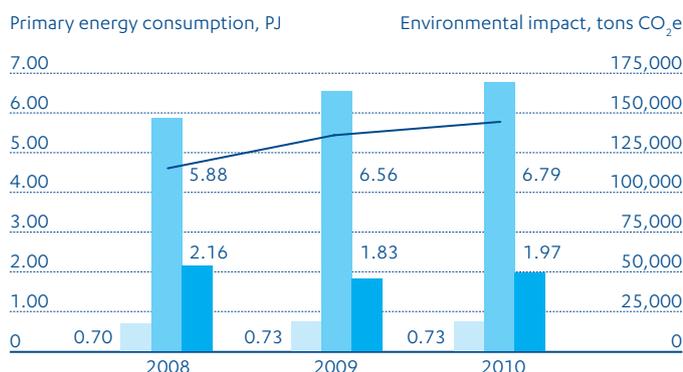
■ Climate change ■ Net sales in Finland

Climate change impact from electricity supplied by Kesko to the K-Group, Finland



■ Climate change ■ Net sales in Finland

Profile and environmental impact from purchased energy consumed by the whole K-Group, all operating countries, 2008–2010



■ Renewable ■ Nuclear power ■ Non-renewable
■ Climate change

Belarus is not included in the statistics.

K-retailers' own electricity purchases included, the total carbon dioxide emissions from electricity used in all real estate properties totalled 48,337 tons.

In 2010, carbon dioxide emissions from real estate heat energy were 77,303 tons.

The aggregate carbon dioxide emissions (CO₂e) were 125,641 tons, slightly less than 0.2% of total emissions in Finland (66.4 million tons CO₂e according to advance information from Statistics Finland's energy statistics for 2009).

Energiakolmio Oy has also calculated the environmental profile of the energy used by Kesko companies outside Finland. Regarding the calculation of electricity and heat consumption, the profile is based on country-specific energy production statistics and the statistics of emissions prepared by the International Energy Association (IEA). The amount of radioactive waste generated from nuclear fuel used is estimated at 3.0 mgU per kWh regardless of country. The calculation of carbon dioxide emissions from Kesko's own energy production is based on the OECD/IEA instructions and the IPCC 1996 Good Practices Guide. Acidifying emissions from Kesko's own production have not been calculated.

The aggregate carbon dioxide emissions from real estate properties in other countries totalled slightly over 25,000 tons (27,568 tons in 2009). Country-specific environmental profiles of purchased energy are presented at: www.kesko.fi/responsibility.

Kesko's own electric and heat energy production accounted for some 6,300 (7,800 tons) of the total carbon dioxide emissions from real estate properties in the other operating countries. The acidifying emissions (from purchased energy only) were 161 tons (171 tons).

OTHER INDIRECT GREENHOUSE GAS EMISSIONS, EN 17

Kesko reports emissions from transportation and business travel under the GHG Protocol, Scope 3, definitions. The information on transportation in Finland includes Kesko's own transportation and outsourced transportation controlled by it. Transportation kilometres totalled 40.7 (38.9) million in 2010. The traffic exhaust emissions are calculated using the LIPASTO system developed by VTT Technical Research Centre of Finland. The 2010 emissions have been calculated using the LIISA 2009 software unit coefficients.

The CO₂ emissions from transportation totalled 47,543 tons (46,025 tons). The increase in volumes supplied exceeded that of kilometres driven, which means that the relative emissions per transport kilometre were 0.0242 (0.0252) CO₂ kg, a year-on-year decrease of 3.98%.

Compared to the 2007 level, the relative emissions from transportation have increased by 0.7%. Because the development of biofuels and technology for heavy vehicles has been slower than expected, it is likely that Kesko will not meet its objective to reduce the relative emissions from its transportation by 10% by the end of 2012. The objective will be revised based on the latest know-how in connection with updating Kesko's responsibility programme.

The majority of Anttila's transportation was handled by Kesko and is reported in Kesko's indicators, as is transportation handled by Kesko for the other division parent companies.

The total volume of imports forwarded by Kesko was 320,200 tons, an increase of 6.4% on the previous year. There is no information on kilometres driven or any emission calculations available for imports transportation. Transportation within Europe was handled by trucks, semi-trailers and containers, and from outside Europe only by containers. Kesko Food accounted for 74% of the total volume of imports.

Transportation of subsidiaries in other countries has been divided between a larger number of companies than in Finland and some of the transportation is made from manufacturers directly to end-users. Transportation statistics are incomplete and annual data is not based on a consistent database; for this reason they are not presented in this report.

In 2010, air miles in employees' business travel in Kesko totalled 9.5 million and their CO₂ emissions were 1,935 tons (1,971 tons in 2009, restated since the previous report). Although emissions from air travel represent only a small part – roughly 1.1% of the Group's total emissions – the aim is to continue reducing them as part of Kesko's responsibility programme, for example by increasing video conference facilities (read also item EN7).

Kesko had 577 company cars in Finland at year-end. Kesko's company car policy recommends a CO₂ emission level below 160 g CO₂/km. In 2010, the average emission level was 155 g CO₂/km (161 g CO₂/km in 2009) and the total CO₂ emissions from company cars were 2,505 tons (2,600 tons). The calculation also includes private travel by the company cars. Part of Kesko's business travel is carried out by employees in their own cars. In 2010, allowances paid for such travel in Finland covered 7.4 million km. Kesko does not take a stand on emissions of business trips made by employees' cars and they are not included in Kesko's emission figures. If it is assumed that the average emission level of employees' cars was 179 g CO₂/km, the total emissions from business travel by employees in their own cars would have been about 1,320 CO₂ tons.

CO₂ emissions from transportation in Finland, tons

	2008	2009	2010
Anttila's delivery transportation	192	188	189*
Keslog's delivery transportation	19,117	18,854	18,454
Keslog's trunk and long delivery transportation	14,975	15,513	16,528
Outsourced transportation	10,242	11,658	12,372
Total	44,526	46,213	47,543

Most of Anttila's distribution transportation is managed by Keslog and included in Keslog's emissions figures.

*Anttila's figure for 2010 is notional.

INITIATIVES TO REDUCE GREENHOUSE GAS EMISSIONS AND REDUCTIONS ACHIEVED, EN18

By improving energy efficiency and adopting carbon-free electricity Kesko has significantly reduced the impact from properties on climate change. For example, in Finland, when electricity purchased by Kesko and K-retailers is taken into account, the CO₂ emissions from electricity have decreased by 78% (2001 is used as base year, when CO₂ emissions totalled 220,644 tons).

The relative reduction of emissions from transportation is more difficult. The positive trend in CO₂ emissions in 2010 is attributable to the centralisation of warehousing operations from Turku to Hakkila, Vantaa, the development of transport route optimisation, and the change in the trading structure.

In addition, Keslog has long reduced emissions from the K-store supply chain by centralising distribution. Key tools in improving logistics efficiency also include the optimisation of transport routes and a high volumetric efficiency. A significant part is played by efficient return 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. For several years, we have also arranged training in economical driving styles for our drivers.

In its own operations, as well as through the services and products it offers, Kesko makes effective efforts to operate in ways in which to curb greenhouse gas generation. Read more on page 74.

In autumn 2010, Kesko joined the supporters of the CANEMU (carbon neutral municipality) project of the Finnish Environment Institute SYKE, and participates in the management team work of the CANEMU COMP project. The main purpose of this project, funded by the Finnish Funding Agency for Technology and Innovation (Tekes), is to establish a national investment and emission compensation model, which would be effective and widely adopted in minor environmental projects. The aim is to increase the use of renewable energy and to improve energy efficiency.

EMISSIONS OF OZONE-DEPLETING SUBSTANCES BY WEIGHT, EN19

The use of ozone-depleting substances is not material in the K-Group's operations and the phase-out of HCFC is not reported. CFCs (R12 and R502) are no longer used in K-food store refrigeration equipment (prohibited by law since 2000). HCFC chlorofluorohydrocarbon refrigerants, such as R22, are still used in some old stores and the existing equipment will be used until the end of their service lives. This refrigerant will be prohibited from the beginning of 2015.

The HFC substance, more specifically R404a, is currently the leading refrigerant in K-stores. R744 technology, using carbon dioxide recovered to 100% from industry processes as the refrigerant, is already used in some K-food stores. 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.

The leading refrigerants in Keslog's warehouses are NH₃ (ammonia) and R404a.

The refrigerant in air heat pumps sold in the building and home improvement stores is R410A which is permitted.

NO_x, SO_x, AND OTHER SIGNIFICANT AIR EMISSIONS BY TYPE AND WEIGHT, EN20

In 2010, the acidification emissions (SO₂e) from electricity and heat energy used in real estate properties (see report by Energiakolmio Oy) were 381 tons and ethene emissions (C₂H₄e) producing lower atmosphere ozone were 12.9 tons. The emissions were from the production of purchased energy and insignificant in quantity.

The quantity of radioactive waste produced by using nuclear power was 1.8 tons. Kesko is a participant in Fennovoima Oy's nuclear power plant project. Kesko's related statement can be read at www.kesko.fi/responsibility.

CO₂ emissions are only reported for transportation and business travel.

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD, EN22

The total amount of waste generated in companies in Finland (Kesko Food Ltd (logistics), Anttila Oy (logistics centre), Rautakesko Ltd and VV-Auto Group Oy) 8,962 tons, of which 84% was recovered. The aggregate quantity of waste in the other operating countries (excluding Latvia and Belarus) was 10,029 tons, and the recovery rate there was 71%. In Finland, Kesko's waste statistics mainly cover warehousing operations, while in the other countries most of the waste included in statistics is generated in retail stores.

Kesko Food's objective is to raise the recovery rate in K-food stores' waste management to 90% by 2012.

Kesko's waste management statistics in Finland, tons

	Kesko Food (logistics)			Anttila (logistics centre)			Rautakesko			Car and machinery		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008 ⁴⁾	2009	2010
Waste for recovery	5,792	5,638	5,596	608	539	471	339	414	405	374	599	969
WEEE	5	-	-	101	95	94	-	-	-	3	-	-
Landfill waste ¹⁾²⁾	705	901 ³⁾	1,100 ³⁾	23	14	15	111	100	59	138	147	130
Hazardous waste	1	-	3	8	3	-	-	-	-	140	65	120
Total	6,503	6,539	6,698	740	651	581	450	514	464	655	811	1,219
Recovery rate, %	89	86	84	96	97	97	75	81	87	58	74	79

1) Mixed waste and other components not suitable for recovery.

2) Composted organic waste is included in the recovery rate.

3) In addition, 2009: 110 tons and 2010: 96 tons of construction and special waste were treated, but such one-time batches are not included in calculations.

4) Konekesko included in Rautakesko figures (Kesko Agro).

Waste management statistics in the other operating countries, tons

	Sweden			Norway			Estonia			Lithuania			Russia		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Waste for recovery	2,022	2,044	2,055	932	654	699	285	196	158	1,931	2,069	1,905	-	1,906	2,343
Landfill	635	555	480	765	574	504	449	422	271	672	992	796	-	889 ¹⁾	771
Hazardous waste	83	48	-	11	8	38	-	8	-	11	21	11	-	-	-
Total	2,739	2,647	2,535	1,708	1,236	1,241	734	626	428	2,614	3,082	2,711	-	2,795 ¹⁾	3,114
Recovery rate, %	74	77	81	55	53	56	39	31	37	74	67	70	-	68 ¹⁾	75

1) The figure has been corrected after the previous report.

Statistics for Latvia and Belarus are not available.

Keslog's objective is to increase the efficiency in distribution transportation in terms of €/m³ and to raise the recovery rate. In 2010, the amount of mixed waste per cubic metre delivered was 0.44 kg (0.38 in 2009). The increase is largely attributable to changes in HoReCa product warehousing in Hakkila.

VV-Auto Group Oy is in the process of selecting a more efficient waste transportation and device waste operator in order to reduce mixed waste quantities and the number of waste press emptying transportation. Some of the waste presses have already been replaced by larger ones with higher volumetric efficiency, and emptying weights have been monitored whereby the volumetric efficiency has already improved. Waste sorting training will be continued in 2011.

Some 50% of the Anttila premises achieved their targets for reducing waste quantities. The recovery rates of the department stores varied between 60% and 100% depending on local recycling possibilities.

There are 243 recycling points made available to customers in K-food stores. A total of 278 million cans and 103 million recyclable plastic bottles were returned. K-food stores contributed some 28% to all returned beverage packagings in Finland.

Packagings delivered by Kesko Food's return logistics for recovery and reuse, 1,000 pcs

	2008	2009	2010
Aluminium cans	81,885	74,161	103,149
PET bottles	18,061	28,463	53,540
Disposable bottles	2,872	2,685	4,266
Deposit bottles	666	362	452
Transbox crates	9,125	9,856	10,885

Impregnated timber and lead-acid batteries recycled in the building and home improvement trade (K-rauta and Rautia) in Finland, tons

	2008	2009	2010
Impregnated timber	832	858	840
Lead-acid batteries	3	22	5

TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS, EN23, AND COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS, EN28

ISO 14001 certified Kesko units manage their environmental risks and readiness to act in exceptional and emergency situations in accordance with the requirements of the standard. As one of the biggest risks for trading sector companies is fire, employees have been given appropriate instructions and training. In 2010, there were no reportable environmental damages or accidents within the Group.

Surveys of contaminated land are made annually in connection with construction work and real estate transactions. In 2010, a total of five such surveys were conducted as part of real estate construction in Finland. Contaminated land was found at three sites, of which two were cleaned up by the end of 2010. One site will be cleaned up during the construction period before opening the store in 2012. Land cleaning operations were not performed outside Finland in 2010.

In addition, in connection with real estate transactions possible disruptive substances and ozone-depleting substances within structure are surveyed.

In 2010, there were no non-compliance cases within the Group.

Management approach to product and services

The K-Group's operations have direct and indirect environmental impacts, whose control is guided by the requirements of legislation, the K-Group's environmental policy and Kesko's general corporate responsibility principles. Indirect impacts are linked to the manufacture, use and disposal of the products on sale and their packagings. Indirect impacts also arise from customer visits to the K-Group stores.

We offer our customers product and service alternatives with smaller environmental impacts.

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES, AND EXTENT OF IMPACT MITIGATION, EN26

Selection and marketing policies concerning organic products and products with environmental labelling are, just like Fairtrade products, included in the K-food stores' chain concepts. At the end of 2010, Kesko Food had over 1,100 (some 850) organic products and products with environmental labelling in its selections, of which 48 (41) were Pirkka Organic products and 78 (73) Pirkka products with the Swan label. Both of the ranges are continuously expanded with new products.

The number of organic products in K-food store selections varied depending on the size of the store. Some of the organic products – such as milk, bakery and meat products – are delivered by suppliers directly to stores; further, K-retailers also buy organic vegetables direct from local producers. There are no reliable statistics on these products.

Anttila department stores and Kodin Ykkönen department stores for interior decoration and home goods accept as pro-environmental products those which carry a Swan label, the EU Flower Ecolabel or the label indicating that the energy consumption category is 'A'. These products are highlighted by 'Pro-environmental product' shelf labels in the stores. Anttila and Kodin Ykkönen currently have some 230 products labelled as Pro-environmental, especially paper products, light bulbs, batteries, washing agents and household appliances.

Some 97.0% (96.5%) of Kesko Food's import suppliers of fruit and vegetables have the GlobalGAP (Good Agricultural Practice) certificate. Chiquita's banana plantations supplying Kesko in 2010 are Rainforest Alliance and SA8000 certified, as are Chiquita pine apple plantations. Also Dole banana plantations are SA8000 certified. Banacol's banana plantations, Kesko's new banana supplier, are SA8000 and Rainforest Alliance certified.

Kesko Food's Finnish producers of vegetables must belong to the Finnish Horticultural Products Society (KK) and be entitled to use the society's seed leaf symbol. The society has drawn up a set of guidelines on good production methods for the sector to ensure product safety and environmental aspects of domestic gardening products. Compliance with these guidelines is compulsory for companies using the KK's seed leaf symbol.

Kesko Food's Finnish supplier of Pirkka products was the first in Finland to receive the GlobalGAP certificate. Read also page 47.

Instead of an ordinary plastic shopping bag, K-food store customers can choose a bag made of recycled plastic (read more on page 39), a biodegradable Pirkka bag or a non-disposable Pirkka bag. At K-city-markets, options for families with babies include domestic Muumi reusable nappies and the same manufacturer's – which has the Swan label – disposable Pirkka nappies made from biodegradable and chlorine-free pulp. The long-term development programme of the Pirkka product range includes the launch of biodegradable packaging to the market. No genetically manipulated ingredients are accepted.

Rautakesko offers a wide selection of products featuring environmental or energy efficiency category labelling. In the building and home improvement trade, products with the EU Flower symbol or the Swan symbol, as well as products made of FSC certified wood, are considered as pro-environmental products. In environmental stores, these products have a logo in question within shelf or other price labelling.

Certified timber – with the PEFC (in Finland FFCS) or FSC forest certification – accounted for some 91% of sawn goods sold by Kesko. Tropical wood and timber accounted for less than 1% of Rautakesko's total sales. In 2010, all garden furniture made of tropical wood imported by Rautakesko was FSC certified.

In line with Kesko's sourcing recommendation, the garden furniture made of tropical wood in all K-Group stores is either FSC certified or made of such wood species whose cultivation is possible in accordance with the principles of sustainable development.

When required, Kesko draws up sustainability statements concerning product selections and purchasing criteria. These include:

- A stand on genetic engineering
- A fish and shellfish statement
- Pirkka eggs
- Rautakesko's timber policy

and can be read in full at: www.kesko.fi/responsibility.

In the car trade, Kesko's selections include low emission brands. Read more on page 68.

PERCENTAGE OF PRODUCTS SOLD AND THEIR PACKAGING MATERIALS THAT ARE RECLAIMED BY CATEGORY, EN27

Pirkka recycled plastic bags are manufactured to a 90% of recycled plastic. Of this material, 30% is recovered from protective plastic wrapping used in Kesko Food's goods transportation. Read more on page 39.

SIGNIFICANT ENVIRONMENTAL IMPACTS OF TRANSPORTING, EN29

CO₂ emissions are reported at EN17.

Social responsibility

Management approach to labour aspects

Kesko's HR management is based on the company's values and responsible working principles. Kesko's HR principles and HR strategy provide guidelines and support in the practical implementation of the HR policy. HR principles are permanent corporate policies and guidelines for practical personnel issues. The HR strategy defines HR management objectives and key development initiatives. View 'Our Responsible Working Principles' guide at: www.kesko.fi/responsibility.

The Corporate HR Unit is responsible for defining the HR strategy as part of the annual Kesko Group strategy process. The HR steering group monitors and promotes the implementation of the HR principles and HR strategy. Division parent companies and subsidiaries can also establish complementary guidelines to support the achievement of their business objectives.

Kesko's HR objectives are to be the most attractive workplace, to have the most competent and motivated personnel and the best labour productivity in the trading sector. The indicators related to Kesko's HR objectives are presented in the table on this page and the results are discussed in the respective sections.

The state of the working community and the quality of leadership is measured with an annual personnel survey. Development plans are drawn up for each place of business on the basis of the survey results. The external employer image is monitored with various studies. Kesko came in 36th place (18) in the 2010 Universum Young Professionals survey and in 18th place (18) in the Universum Student survey. Kesko came in 19th place (17) in T-Media's survey of students in upper secondary education.

Systematic and continuous development of employee competence is one of the main factors that ensure good customer services and the competitiveness of stores. Staff competence and enthusiasm also improve the productivity of work carried out by the personnel of Kesko and its chains. Kesko subsidiary K-instituutti Oy is responsible for training services provided to Kesko and its chains. Annual planning and training programmes for developing competence are drawn up with business units.

The work and productivity programme that was launched in 2008 is still underway. Personnel productivity improved in most divisions in 2010. The Group's staff costs fell 2.7% compared with the previous year.

Labour productivity, continuing operations, € thousand

	2008	2009	2010
Net sales/average number of employees			
Finland	706	683	739
other Nordic countries	451	437	489
Baltic countries	150	116	109
whole Group	450	440	482
Profit before tax/employee	14	11	17

In autumn 2010 Kesko hired a manager for wellbeing at work to promote projects and business models related to employee wellbeing. The focus areas of employee wellbeing are work and competence, leadership and managerial work, personal life management and the working community. The target is to improve employees' working

capacity and motivation, reduce sickness absences and raise the retirement age. Kesko's responsibility programme for 2008–2012 contains several objectives associated with employee wellbeing. Read more on pages 20–21.

Occupational safety management is defined in Kesko Corporation's labour protection programme. The objective of labour protection is to secure and maintain employees' working capacity and to prevent and avoid occupational accidents, occupational diseases and other physical and mental health disorders caused by the work environment. Labour protection is part of the line organisation's normal leadership and managerial work, and each superior is responsible for labour protection in his or her own area.

Kesko's occupational health care action plan defines the general contents and targets of occupational health care. The target of occupational health care is maintaining and promoting employees' health, working capacity, preventing occupational illnesses and accidents, ensuring health and safety in the work environment and supporting the functionality of work communities. The Chief Physician is in charge of Kesko's Occupational Health Service.

HR objectives and indicators

The most attractive workplace in the trading sector	The most competent and motivated personnel in the trading sector	The best personnel productivity in the trading sector
<ul style="list-style-type: none"> ■ Personnel survey (Kesko's and company's operations; scale 1–5) ■ Departure turnover, % ■ Company's/chain's employer profile 	<ul style="list-style-type: none"> ■ Personnel survey, performance and development review discussion, realisation % ■ Personnel development costs, €/person, Training days, days/person ■ Personnel survey (own job, supervisor's performance, unit's operations; scale 1–5) ■ Customer satisfaction, two own indicators 	<ul style="list-style-type: none"> ■ Staff cost/gross profit, % ■ Staff cost/net sales, % ■ Average number of personnel (converted into full-time employees) ■ Sickness absence hours/total hours, %

TOTAL WORKFORCE BY EMPLOYMENT TYPE AND EMPLOYMENT CONTRACT, LA1, AND EMPLOYEE TURNOVER, LA2

At the end of 2010, the Kesko Group had 22,124 employees, of whom 86.3% (88.1%) were permanent employees and 13.7% (11.9%) were fixed-term employees. The figure includes 1,343 (1,512) people who are absent for an extended period, such as employees on parental leave. Employees absent for an extended period are included in permanent, full-time employees. The proportion of fixed-term employees is higher at year-end than at other times due to the Christmas season.

Part-time employees (less than 37.5 hours/week) accounted for 28.7% (29.0%) of all Group personnel at year-end. The majority of part-time employees work for retail subsidiaries in Finland. Approximately three-quarters of all Group employees work in retailing.

In 2010, the Group recruited 4,011 (4,122) new employees in Finland. In Finland 4,154 (4,277) employees left the Group.

In other countries, the Group recruited 3,844 employees (1,416 in 2009, the figure for 2010 does not include Anttila AS), while 3,355 employees (3,863 in 2009, the figure for 2010 does not include Anttila AS) left the Group. The most common reason for the termination of an employment relationship in Finland was a fixed-term contract, which accounted for about 53% (47%) of departures. Elsewhere, the reason for approximately 66% (73%) of departures was the employee's resignation.

In Finland, 6.9% of employment relationships (288) and 20.4% (683) in other countries were terminated by the employer for production and financial reasons, or other reasons based on the Employment Contracts Act. The corresponding figures in 2009 were 7.6% (323) and 22.7% (875) respectively.

At the end of 2010, Finland's Supreme Court had one case, the Court of Appeal had four cases and the district courts had five cases pending concerning employment disputes on, for example, the termination of an employment contract and the payment of supplementary benefits. In Kesko's other countries of operation there were no employment dispute cases pending in which a Group company was the defendant.

Trends in the number of Kesko employees*

	2006	2007	2008	2009	2010
Finland at 31 Dec.	14,149	14,192	13,651	12,959	12,720
Other countries at 31 Dec.	9,606	11,698	11,017	9,248	9,404
Total at 31 Dec.	23,755	25,890	24,668	22,207	22,124
Finland, average	11,583	11,338	10,939	10,284	9,914
Other countries, average	12,184	9,842	10,590	8,916	8,300
Total, average	23,767	21,180	21,529	19,200	18,215

*Figures for 2006–2008 include Kauko-Telko and Tähti Optikko

BENEFITS PROVIDED TO EMPLOYEES, LA3

The 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 accidents and diseases, parental leave and retirement benefits.

Employees are also provided with diverse shopping benefits that can be used at K-Group stores and staff shops. A company mobile phone and car are also offered, if required in the job.

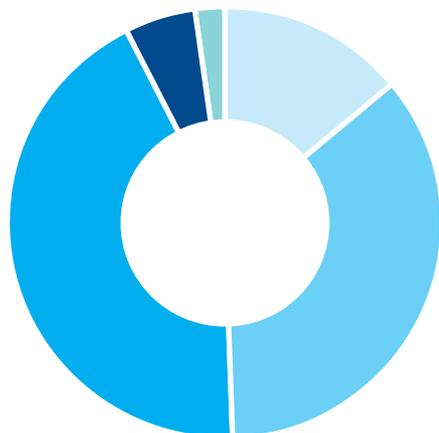
Bonuses and share option schemes

In spring 2010, about €8.4 million (€5.0 million) was paid in Finland in bonuses under the 2009 performance bonus schemes, accounting for some 2.5% (1.5%) of the total payroll. Kesko Corporation's performance bonus schemes cover the whole personnel, with the exception of sales assistants. In 2010, the total amount of different fees paid in operations in Finland was €9.5 million (€6.0 million) consisting of bonuses, sales commissions and other similar monetary remuneration.

In Kesko Corporation's bonus scheme, the key factors contributing to the bonus amount are the total performance of the Group and the division, the sales and performance of the employee's unit and customer satisfaction. Personnel job satisfaction is another contributing factor for supervisors.

BREAKDOWN OF KESKO PERSONNEL BY DIVISION AT 31 DEC. 2010, %

- Food trade 14.0%
- Home and speciality goods trade 35.6%
- Building and home improvement trade 42.9%
- Car and machinery trade 5.4%
- Other 2.0%



Fixed-term and part-time employment relationships in Kesko*

	2006	2007	2008	2009	2010
Fixed-term employees as % of total personnel at 31 Dec.					
Finland	16.5	14.8	15.6	15.3	14.6
Companies in other countries of operation	0.9	0.8	0.5	7.0	12.6**
Whole Group	10.2	8.6	8.8	11.9	13.7
Part-time employees as % of total personnel at 31 Dec.					
Finland	42.0	43.6	43.0	43.1	43.3
Companies in other countries of operation	8.8	8.8	6.7	9.3	9.0
Whole Group	28.6	27.8	27.5	29.0	28.7

*Employees absent for an extended period are included in permanent full-time employees.

**Statistics more accurate. The figure is not fully comparable with previous years.

Kesko personnel statistics for 2010 by country of operation

	Finland	Estonia	Latvia	Lithuania	Belarus	Russia	Sweden	Norway
Total number of employees at 31 Dec.	12,720	629	577	3,407	1,381	1,677	1,159	574
Average number of employees in 2010	9,914	596	538	2,881	1,193	1,548	1,093	451
New employment relationships*	4,011	71***	140	1,467	662	860	499	145
Terminated employment relationships*	4,154	105***	155	1,524	370	714	357	130
Terminated by employer, %*	10.2	43.8***	22.6	19.6	16.5	9.4	47.3	4.6
Departure turnover, %**	24.8	15.8***	25.0	44.5	26.3	43.0	21.7	22.6

* Summer employees included.

** Summer employees not included.

*** Data of Anttila AS not included.

In 2010, the companies outside Finland paid some €9.3 million in bonuses and other remuneration (does not include Senukai's data), accounting for 10.6% of the payroll. The corresponding figures for 2009 were €8.9 million, accounting for 7.6% of the payroll.

The Kesko Group's management – comprising some 90 people – has a performance-based bonus scheme. The maximum bonus amounts vary depending on the profit impact of the person's job and are equivalent to the salary over 3 to 8 months.

In 2010, Kesko had two option schemes in force: the 2003 and 2007 option schemes. The subscription period of the 2003 option scheme expired on 30 April 2010. The terms and conditions of the schemes are available at: www.kesko.fi/investors. The staff cost in the 2010 financial statements included share options granted to the value of €5.0 million.

Pensions

In Finland, 180 (179 in 2009, figure corrected after the previous report was published) employees retired from the Kesko Group. The figure includes employees retiring on part-time pension and on partial disability pension. Rehabilitation allowance was granted for vocational re-training or work testing for 19 (23) employees with an obvious risk of incapacity for work during the next few years. Read more on page 34.

The number of disability pensions has remained low throughout the 2000s. During the same period, the Occupational Health Service has intensively focused on actions targeted at maintaining working capacity. The average retirement age of employees was 59 years.

The average pension paid by the Kesko Pension Fund was €1,235 per month (€1,397).

In the other operating countries, 15 (6) employees retired.

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS, LA4, AND MINIMUM NOTICE PERIOD(S) REGARDING OPERATIONAL CHANGES, LA5

Collective agreements cover about 80% of employees in Finland. Industry-wide collective bargaining agreements have not yet been drawn up in the Baltic countries or Russia.

A total of 40.4% (40.3%) of the 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 from their salaries.

In Norway, the unionisation rate was 22.1% (21.8%). Statistics on employee unionisation in the other operating countries are not available. In the Baltic countries, Kesko's subsidiaries have workplace committees comprising both management and employee representatives.

The Kesko Group has a company-specific shop steward system in place in its largest subsidiaries in Finland. Keslog Ltd's site-specific shop stewards also represent the employees of other division parent companies at their sites. Anttila Oy and K-citymarket Oy also have department store-specific shop stewards.

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

In all operating countries, Kesko applies the notice periods specified in labour legislation. In Finland, the minimum notice period is from two weeks to six months depending on the duration of employment.

Injuries and occupational diseases in Finland

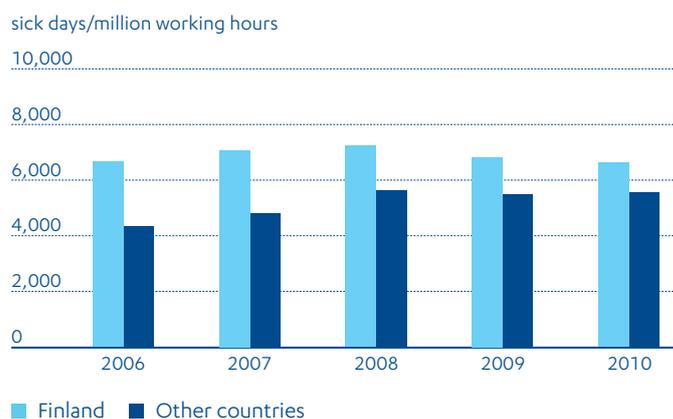
	2009**	2010
Fatal injuries	0	0
Occupational injuries, excl. commuting injuries	173	149
Commuting injuries	47	62
Injury rate*/million working hours	10	9
Average degree of injury severity, days	15.5	23.3
Suspected occupational diseases	4	3
Occupational diseases	0	3
Sick days due to injuries and occupational diseases per employee	3,415	4,495
	0.33	0.45

The calculation method has been changed in the 2010 report: 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.

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

**The figures of the above companies have been eliminated from the 2009 figures after the previous report was published.

Trends in the number of sick days



Sickness absences by country in 2010

	Finland	Estonia	Latvia	Lithuania	Belarus**	Russia	Sweden	Norway
Total number of sick days	129,811	1,934	8,280	27,355	11,772	22,617	11,963	6,610
per employee*	13.1	3.2	15.5	9.5	9.9	14.7	10.9	14.6
per million working hours	6,626	1,599	7,669	4,700	4,856	7,439	6,219	8,320

*The calculation method has been changed in the 2010 report: sick days per employee have been calculated on the average number of employees during the year.

**Data of Konsoma Belarus not included.

PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL HEALTH AND SAFETY COMMITTEES, LA6

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

K-instituutti provides labour protection training for all Kesko employees and K-retailers. There were also training sessions tailored to the needs of different Group companies.

RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM AND WORK-RELATED FATALITIES, LA7

The statistics on injuries in Finland are shown on page 77. Injury statistics are not available for the other countries.

In 2010, the sickness absence rate in Finnish companies was 5.0% (5.1% in 2009). Some 75% of the sickness absences were short-term absences (paid sick days). In other countries, the sickness absence percentage was 4.2% (4.1%, statistics corrected after the publishing of the previous report). The figure for 2010 does not include Konsoma Belarus' data.

EDUCATION AND COUNSELLING TO ASSIST WORKFORCE MEMBERS REGARDING SERIOUS DISEASES, LA8

At the Kesko Group, the normal operations of the Occupational Health Service include the training and counselling of employees, surveying and prevention of risks and treatment of serious illnesses.

In Finland, there were approximately 6,200 Kesko Group employees in the sphere of Kesko's in-house Occupational Health Service. The occupational health services provided to retail employees outside the Greater Helsinki area are acquired mainly from outside of the Kesko Corporation from various clinics. In other countries, occupational health care is arranged according to the local practice and legislation.

A total of €4.3 million (€4.3 million) was spent on occupational health care in Finland in 2010. The Social Insurance Institution of Finland compensated around €1.9 million (€1.8 million) of this sum. In 2010 Kesko's Occupational Health Service spent €452 per employee served by Kesko's in-house occupational health care on maintaining employees' working capacity and providing employees with medical care. Rehabilitation courses are presented on page 35 of this report.

Kesko's investment in occupational health care in Finland, Kesko's own Occupational Health Service

	2006	2007	2008	2009	2010
€/person	420	484	427	455	452

The Occupational Health Service Unit's expertise is diversely used by Kesko's retail companies in the development of workplace ergonomics. Ergonomics is a broad concept here and it includes chemical and physical factors and factors related to work movement and psychosocial factors.

Occupational health care negotiations involving the employee, the supervisor and a representative of the Occupational Health Service are a long-established operating practice in occupational health care. Situations in which these negotiations are conducted include, for example, an employee's reduced working capacity, vocational rehabilitation planning, high absence rate, experience of work-related strain or a conflict. The aim is early intervention in situations threatening working capacity.

AVERAGE HOURS OF TRAINING PER EMPLOYEE AND PROGRAMMES FOR SKILLS MANAGEMENT, LA10, AND LIFELONG LEARNING, LA11

The statistics on basic education are available for Kesko's employees in Finland, with the exception of retailing companies. Of the 7,084 people included in these statistics 15% (16%) have basic education, 68% (66%) have intermediate vocational education and training and 18% (18%) have a degree from an institution of higher education. In other countries these percentages vary greatly by country.

Training days and costs

	2009	2010
Training days		
Finland	20,028	17,728
other countries*	3,050	10,558
Training days per employee		
Finland	2.0	1.8
other countries*	0.6	1.5
Training costs, € million		
Finland	3.4	2.7
other countries*	0.7	1.3
Training costs per employee, €		
Finland	331	276
other countries*	79	160

*Data of SIA Antti and Konsoma Belarus not included.

K-instituutti provides training service planning, delivery and sourcing for the K-Group in Finland. In 2010, approximately 40% of training days were provided by K-instituutti. A total of 24,300 (24,207) K-Group employees, including also the employees employed by the retailers, studied at K-instituutti.

K-instituutti is responsible for implementing Master Sales Assistant training, one of Finland's largest adult training programmes. In 2010, 16,532 (17,010) K-Group employees participated in the programme, studying in 13 different product lines. The goal is to continuously develop the service attitude, sales skills and product knowledge of sales assistants in cooperation with suppliers.

As in previous years, the Master Assistant training programme was offered in about 100 business colleges and polytechnics. Some 5,000 students took the opportunity to participate in the training.

In 2010, 871 employees had an apprenticeship contract and 289 of these graduated with a vocational qualification.

The training programmes for K-retailers and store managers focus on the daily management of the store, business planning and entrepreneurship. In addition, K-instituutti offers training in customer service and selling for staff of K-stores.

Leadership skills and career advancement are supported with supervisor, expert and management training provided to Kesko employees and store supervisors. During 2010 the training programmes were updated and the new training programmes will be launched in 2011. Common themes for management are dealt with in annual training. Development programmes dealing with topical issues are also arranged for management and key personnel. About 200 employees participate in these programmes each year. These training programmes provided for all are complemented by the chains' own management training programmes.

In-house job rotation provides an extensive selection of career alternatives. In Finland, some 1,100 (1,800) people moved to a new job within the Group.

In Finland, recruitment in the K-Group is supported by the K-trainee and K-retailer trainee programmes. An essential part of the K-trainee programme is work experience in a K-Group store.

The K-retailer trainee programme offers three alternatives: an extensive programme; and intensive programme; or studying to become a retailer entrepreneur at a polytechnic. After completing the programme, the trainee is qualified to start a career as an independent K-retailer entrepreneur, which 95–99% of trainees choose to do. Find out more about our K-trainee and K-retailer trainee programmes at www.kesko.fi/jobs.

PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, LA12

Performance and development review discussions and performance assessment of key personnel are carried out in all Kesko Group companies and countries. In 2010, 76% (77%) of the Group's employees in Finland and 68% (71%) elsewhere participated in the reviews. The level of satisfaction with the reviews was 3.8 (scale of 1–5).

Personnel survey

The annual personnel survey plays a key role in measuring and developing the quality of the working community and leadership. The same survey is carried out at Kesko and its chains' stores. K-market and Senukai did not participate in 2010. In 2010, 74% of the employees in the participating Kesko Group companies responded to the survey. Employees who are absent for an extended period are excluded from the survey.

The results of the personnel survey are presented below. Further development of employee wellbeing, such as working capacity, and wider use of the personnel survey results were identified as areas for improvement. In the Group companies in Finland, the results of the personnel survey have an impact on the bonuses paid to supervisors, including top management.

COMPOSITION AND DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEE CATEGORIES, LA13

In 2010, the average age of personnel in Finland was 35.4 years. In the other countries, the average age of personnel varies from 27 years to 40 years.

Kesko Corporation and its Finnish division parent companies and subsidiaries draw up company-specific equality plans based on national legislation and define objectives for improvement. The plans cover recruitment, career development and training, remuneration, and reconciliation of work and family life.

Personnel job satisfaction in Finland, Sweden and Norway (scale 1–5)

	Finland			Sweden			Norway		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Own job	3.75	3.76	3.73	3.74	3.83	3.79	3.78	3.67	3.77
Supervisor's performance	3.76	3.81	3.79	3.48	3.53	3.62	3.52	3.53	3.74
Unit's operations	3.79	3.83	3.80	3.80	3.81	3.86	3.77	3.51	3.64
Kesko's operations	3.77	3.62	3.65	3.67	3.79	3.65	3.69	3.63	3.44

Personnel job satisfaction in the Baltic countries and Russia (scale 1–5)

	Estonia			Latvia			Lithuania			Russia		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Own job	3.98	3.98	3.81	4.06	3.97	3.79	4.05	4.09	3.92	4.08	4.01	4.06
Supervisor's performance	3.88	3.85	3.78	3.93	3.83	3.70	4.15	4.01	4.10	4.26	4.21	4.29
Unit's operations	4.05	3.92	3.79	4.03	3.73	3.53	4.22	4.19	3.95	4.30	4.31	4.40
Kesko's operations	3.97	3.97	3.72	4.00	3.91	3.62	4.14	4.13	3.91	4.21	4.10	4.17

Personnel job satisfaction, average by country (scale 1–5)

Finland			Sweden			Norway			Estonia			Latvia			Lithuania			Russia		
2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
3.77	3.80	3.77	3.67	3.72	3.76	3.69	3.57	3.72	3.97	3.92	3.79	4.01	3.84	3.67	4.14	4.10	3.99	4.21	4.18	4.25

The average is calculated from the results in categories 'own job', 'supervisor's performance' and 'unit's operations'.

BREAKDOWN OF KESKO PERSONNEL BY AGE GROUP IN FINLAND IN 2010, %

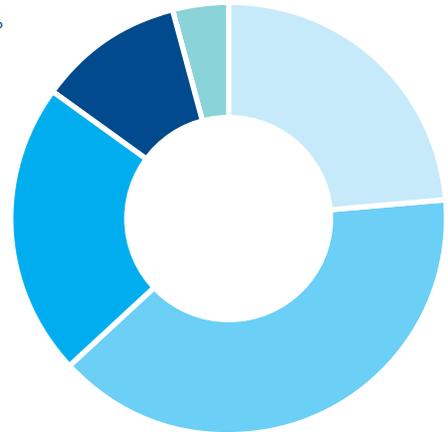
- under 26 years 26.9%
- 26–35 years 28.0%
- 36–45 years 22.1%
- 46–55 years 15.6%
- over 55 years 7.5%



BREAKDOWN OF KESKO PERSONNEL BY AGE GROUP IN OTHER COUNTRIES IN 2010, %

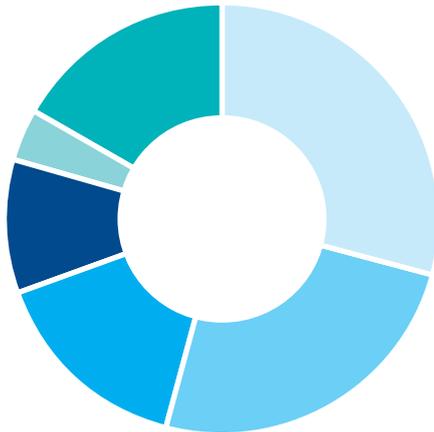
- under 26 years 23.8%
- 26–35 years 39.4%
- 36–45 years 21.8%
- 46–55 years 11.0%
- over 55 years 3.9%

Sample some 5,800 people.



DURATION OF EMPLOYMENT IN FINLAND IN 2010, %

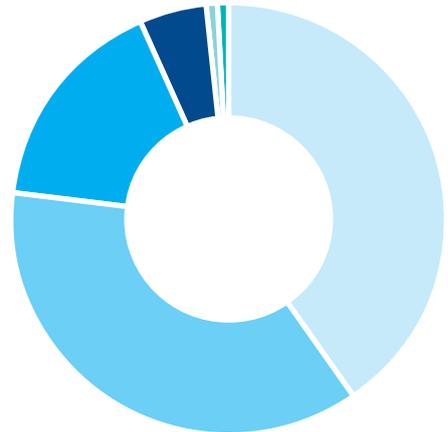
- under 2 years 29.4%
- 2–5 years 24.9%
- 5–10 years 15.4%
- 10–15 years 9.8%
- 15–20 years 4.0%
- over 20 years 16.5%



DURATION OF EMPLOYMENT IN OTHER COUNTRIES IN 2010, %

- under 2 years 40.3%
- 2–5 years 36.6%
- 5–10 years 16.4%
- 10–15 years 5.0%
- 15–20 years 1.0%
- over 20 years 0.6%

Sample some 5,200 people.



Percentage of women by employee category in Finland

	2006	2007	2008	2009	2010*
Top management	15.6	16.2	20.6	20.6	25.7
Middle management	24.7	21.6	20.3	24.8	18.0
Supervisors and specialists	48.7	42.6	48.8	50.1	44.5
Workers and office employees	64.4	66.2	65.2	64.8	64.2
Total	60.9	62.0	61.7	60.9	60.7

*Only the figure for top management is comparable with previous years, as the determination of employee categories was changed in 2010.

Percentage of women by employee category in other countries

	2010
Top management*	32.3
Middle management*	40.4
Supervisors and specialists*	52.6
Workers and office employees*	39.8
Total	46.2

*Breakdown by employee category does not include data on Senukai or Byggnakker.

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 with respect to age, ethnic origin and gender have been monitored as part of the personnel survey. In these areas, employees' experiences of equality are good: the implementation of equality in the operations of Kesko Group is 4.02 for gender equality (scale of 1–5), 4.00 in equality of different age groups and 4.12 in equality of people from different cultural backgrounds.

At year-end, 61% (61%) of Kesko Group employees in Finland were female and 39% (39%) were male. In our foreign companies, the figures were 46.2% and 53.8% (50.1% and 49.9%) respectively.

In 2010, one of the seven members of the Board of Directors, and two of the eight members of the Corporate Management Board were female.

In the retailing subsidiaries in Finland a significant percentage of women hold management positions. 82% of K-citymarket home and speciality goods' department managers and 69% of Anttila department stores' department managers are women.

RATIO OF BASIC SALARY OF MEN TO WOMEN, LA14

The average annual salary of Kesko employees was €33,955 in Finland, €33,523 in the other Nordic countries, and €9,265 in the Baltic countries, Russia and Belarus. As the Kesko Group's operations are diverse – there are nearly 700 different job titles – average salary is not a good indicator of salary level or structure.

Equality in remuneration 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.

The wage groups and tables specified in the collective trading sector labour agreement are applied to jobs covered by the collective labour agreement, such as sales assistant and warehouse worker. Salaries take into account job-based responsibility bonuses, work experience and cost-of-living class based on locality.

In addition to the requirements of the job, the salary of a senior white-collar employee is determined by competence, work experience, performance and results. Because of the versatility of jobs, it is not possible to make a comparable Group-level survey between genders. Company-specific equality plans are drawn up to promote equal pay in comparable duties.

Management approach to human rights

In its operations, Kesko pays special attention to the human rights issues and working conditions in its purchasing chain and, in monitoring these, primarily focuses on suppliers in the high-risk countries. In accordance with the BSCI (Business Social Compliance Initiative), these are countries and areas where there is a risk of human rights and workers' rights violations. The classification is based, for example, on the UN Index of Human Development and the Transparency International Corruption Perceptions Index.

High-risk countries typically produce clothing and home textiles, shoes and other leather goods, furniture, carpets, interior decoration items, sports equipment, toys, agricultural supplies (such as coffee, tea, cocoa, fruit, vegetables, wines), and canned fish, fruit and vegetables.

In 2010, direct purchases by Kesko's Finnish companies from suppliers in risk areas totalled €114 million (€113 million in 2009) and accounted for 1.5% (1.6%) of Kesko's total purchases. Direct imports from high-risk countries accounted for 18.2% of Kesko's total imports into Finland. Outside the EU, Kesko's most important supplier countries in risk areas were China (€68 million), Turkey (€8 million) and India (€8 million). Around 82% (76%) of Kesko's imports (excluding VV-Auto's imports) come from EU countries. There are no statistics available on the imports of Kesko's foreign subsidiaries from high-risk countries.

In addition to its own direct imports, Kesko also buys goods produced in high-risk countries from other importers operating in Finland and through international purchasing groups. There are no reliable statistics available on the countries of origin of these imports, which mainly consist of international branded products that have been the subject of much attention in respect of assuring the responsibility of their production in recent years. 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.

Kesko's own direct imports from outside the EU, 10 largest countries in 2010*

Country	Value of imports, € million
China	68.3
Turkey	8.3
India	7.9
Thailand	7.6
Vietnam	4.0
Pakistan	3.6
Brazil	3.2
Indonesia	2.8
United States	2.6
Israel	2.5

*Figures include direct imports forwarded by Keslog only, not VV-Auto's imports.

Ethical purchasing principles and the Steering Group for Responsible Purchasing

Responsible purchasing is guided by Kesko's ethical purchasing principles, which are available at: www.kesko.fi/responsibility. The principles are based on the national labour protection legislation and corresponding conventions of the International Labour Organization (ILO), applied when national legislation is not up to their level.

Kesko has a steering group for responsible purchasing, which steers and coordinates social quality control of suppliers. The group consists of representatives of Kesko's division parent companies importing from high-risk countries. The steering group met three times in 2010 and focused on the purchasing policies of tropical wood, the monitoring work in China, as well as the BSCI audits and related objectives.

Monitoring human rights and working conditions in the purchasing chain

Kesko is a member in the European BSCI audit system, and 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 ethical purchasing principles. As a member of BSCI, Kesko has to set annual objectives for the number of audits to be made in suppliers' factories in various high-risk countries. The objective is also to improve the quality of audit results.

Kesko primarily promotes BSCI auditing to its suppliers in high-risk countries, although it still also recommends SA8000 certification, which is included in the BSCI audit as a voluntary part (the 'best practice').

In cooperation with 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. Kesko accepts ETI, WIETA and UTZ audits complying with its sourcing practices, while the other audits systems are handled case by case. See the table on page 83 on some certification and audit systems used for different product groups in Kesko. Kesko is a member in CIES, the Food Business Forum, which runs the Global Social Compliance Programme (GSCP) to enhance the comparability of social and environmental audits.

In China, Kesko supports its suppliers of home and speciality goods by monitoring activities. A team of two experts operating from Shanghai guides, trains and oversees Kesko's Chinese suppliers in issues related to the terms of employment and working conditions, and the observance of environmental and chemical regulations. The monitoring principles of Kesko are in compliance with the terms of the BSCI auditing. The ultimate aim is to get the factory to apply for either the BSCI audit or the SA8000 certification made by a third party. In 2010, the team made 86 factory visits.

Rautakesko and Kesko Food monitor and develop the responsibility of the purchasing chain as part of the sourcing cooperation with other European retail chains (in Eurogroup, ICASS and AMS). Read more about Eurogroup's BSCI work on page 45.

Kesko has the SUMO (supplier monitoring) database, in which it saves all information on supplier audits, certifications and monitoring visits in high-risk countries as well as the risk classification based on them. Information about BSCI audits are also saved in the database maintained by the BSCI and available for all members.

Main elements of SA8000 and BSCI audits

Auditing areas	Corresponding ILO convention
Compliance with legislation and agreements	-
Freedom of association and collective bargaining	87, 98, 135 and 154
Discrimination	100, 111, 143, 158 and 159
Compensation	26 and 131
Working hours	1 and 14
Health and safety at work	155 and recommendations 164 and 190
Child labour	79, 138, 142, 182 and recommendation 146
Forced labour	29 and 105
Basic environmental protection	-



SUPPLIERS' AND CONTRACTORS' SCREENING ON HUMAN RIGHTS, HR2, AND OPERATIONS WITH A RISK FOR INCIDENTS OF CHILD, FORCED OR COMPULSORY LABOUR, HR6 AND HR7

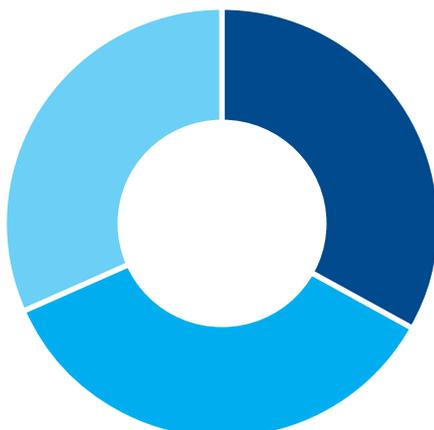
Significant risks related to the use of child, forced or compulsory labour have not been identified in Kesko's own operations. Kesko's reporting is focused on supplier assessments.

SA8000 certifications

At the beginning of 2011, Kesko had 24 suppliers with SA8000 certification. In addition, all plantations of Chiquita in Costa Rica and Panama that supplied bananas to Kesko in 2010 have both SA8000 and Rainforest Alliance certification. The plantations of Banacol in Colombia, which has supplied Pirkka bananas to Kesko since the beginning of 2011, have the same certifications.

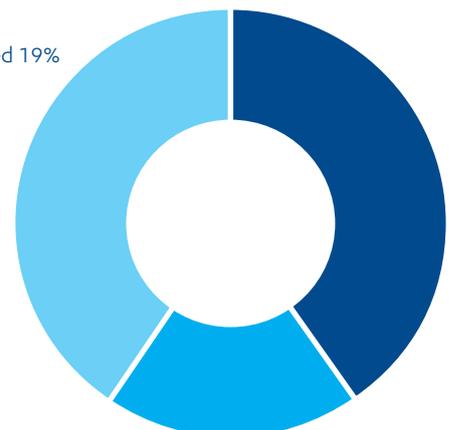
KESKO'S BSCI RESULTS IN 2010, INITIAL AUDITS

- Good 33%
- Improvements needed 35%
- Non compliant 31%



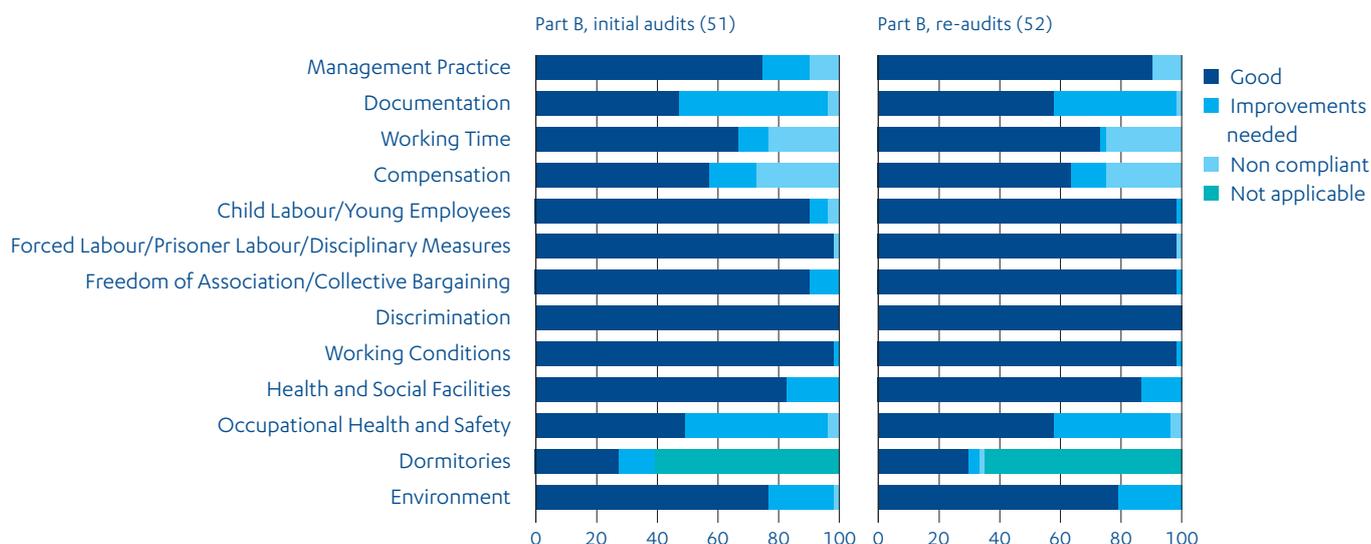
KESKO'S BSCI RESULTS IN 2010, RE-AUDITS

- Good 40%
- Improvements needed 19%
- Non compliant 40%



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

Certification/audit system	Product group	Coverage of criteria	Product labelling
BSCI (Business Social Compliance Initiative)	All product groups	Social, limited environmental part	No
SA8000	All product groups	Social	No
Fairtrade	Agricultural products, incl. cotton	Social, environment	Yes
Rainforest Alliance	Agricultural products	Social, environment	Yes
UTZ Certified	Coffee, cocoa, tea	Social, environment	Yes
FSC (Forest Stewardship Council)	Wood products and timber	Social, environment	Yes
MSC (Marine Stewardship Council)	Caught fish and shellfish	Environment (sustainable fishing)	Yes

RESULTS OF KESKO'S BSCI AUDITS IN DIFFERENT AREAS IN 2010, % AUDITED FACTORIES**BSCI audits**

Kesko's objective for 2010 was to have 85 initial audits and 50 re-audits at the premises of the suppliers of home and speciality goods and foodstuffs, and five initial audits at the farms of the producers of agricultural products. The total number of initial audits carried out at suppliers' premises or farms during the year was 51, while the number of re-audits was 52. At the beginning of 2011, a total of 188 factories or farms of Kesko's suppliers in high-risk countries were in the BSCI auditing process. Some of Kesko's suppliers are themselves members of BSCI and thus promote audits in their own supply chains.

The results of the BSCI audits of Kesko's suppliers' factories are presented on this page. Most deficiencies occur in documentation, observance of working time regulations, compensation, and occupational health and safety. Experiences gained from monitoring work in China are very similar, and it has been found that Chinese suppliers need time and professional support in order to manage the corrective actions required by BSCI. Re-audits prove, however, that improvements in working conditions are possible.

Kesko's target for 2011 is 90 initial BSCI audits and 55 re-audits. BSCI members have also decided to focus on improving the qualitative level of suppliers, and accordingly quantitative audit targets alone are no longer informed to BSCI; in the future, the targeted audit results must be at the 'good' or 'improvements needed' level.

Fairtrade products

Kesko Food has a comprehensive cooperation agreement with Fairtrade Finland and a licence for Fairtrade products in the Pirkka range. The selection and marketing policies of Fairtrade products are included in K-food stores' chain concepts.

In 2010, Kesko Food had 201 Fairtrade products (154 in 2009) in its selection, of which 37 (28) were Pirkka products. According to the statistics of Fairtrade Finland, Kesko Food had 114 Fairtrade suppliers in 33 countries, and the products sold by Kesko Food generated nearly €240,000 in Fairtrade premium for social development projects. Kesko's home and speciality goods companies had a total of some 50 Fairtrade products in their selections.

EMPLOYEE TRAINING ON POLICIES AND PROCEDURES CONCERNING ASPECTS OF HUMAN RIGHTS, HR3

Kesko's buyers are regularly trained in practices related to responsible purchasing. In 2010, the focus was on the use of the SUMO database and the evaluation criteria of suppliers.

In 2010, BSCI also arranged 70 training events for suppliers in 15 high-risk countries.

In 2006–2009, some of Kesko's Vietnamese suppliers participated in the development project promoting BSCI audits and employees' knowledge of trade unions. According to the project evaluation carried out in 2010, working conditions in all participating factories had improved, particularly in terms of occupational health, social facilities and the working environment as well as the relations between management and employees. The need for improvement was identified in creating a comprehensive management system relating to occupational health and safety in factories. Furthermore, many of the factories also need improvements in employee compensation, their insurance coverage and working time. Six out of the 17 factories which participated in the project passed the BSCI audit. Read more about the project on page 48.

TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND ACTIONS TAKEN, HR4

At the end of 2010, the Court of Appeal in Finland had one case pending concerning discrimination in the selection of a candidate in which a Kesko Group company was the defendant.

OPERATIONS IN WHICH THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK, HR5

Page 77 reports on the unionisation of Kesko's personnel. The monitoring of suppliers and corrective actions are included in SA8000 and BSCI audits.

INCIDENTS OF VIOLATION INVOLVING RIGHTS OF INDIGENOUS PEOPLE AND ACTIONS TAKEN, HR9

No incidents of violation involving rights of indigenous people in 2010. Kesko's operations have no significant impact on the rights on indigenous people.

Management approach to societal aspects *Communities*

In Kesko's operations, impacts on communities are assessed as part of the development of the store network. Establishing a new store, or expanding or changing an existing one involves various statutory reports and hearings of local inhabitants and operators both at the town plan and construction permit phases, depending on the extent of the project. Reports take a stand on the project's impacts on the community structure, traffic and employment.

Prevention of malpractice

Kesko's attitude to bribery and other malpractice is absolutely uncompromising. Kesko's principles are presented in the guide 'Our Responsible Working Principles', adopted by all Kesko's units and K-stores in 2008. The guide consists of the following sections:

- observance of law
- avoiding conflicts of interest
- anti-bribery approach
- creating a good working atmosphere
- safety
- confidentiality of customer information
- open communications.

The guide has been published in Finnish, Swedish, Norwegian, English, Russian, Estonian, Lithuanian, and Latvian languages as have the animated videos made on the themes of the guide, available at: www.kesko.fi. The animated videos can be used to facilitate discussions about the principles with the personnel. The guide will be updated in 2011 and an online training programme will be built to support it. The updating process will also include some specifications on stakeholder cooperation, for example, to the Group- and division-level instructions relating to the Responsible Working Principles. In late 2010, Kesko's Legal Affairs, Risk Management and Internal Audit organised a series of value discussions on Kesko's responsible working principles in Sweden, Norway, Estonia, Latvia, Russia and Belarus. Read more on page 26.

Kesko's ethical purchasing principles, adopted for business relations with suppliers in high-risk countries, make a clear statement about Kesko's opposition to bribery. Kesko is a member of Transparency International, Finland.

The Kesko Group's Internal Audit has paid particular 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. Information technology is increasingly used to trace unusual transactions, and to prevent and examine malpractice. Kesko uses a malpractice examination and reporting guideline, according to which Kesko's Risk Management examines the suspicions of malpractice. Suspicions of crime are reported to the police for investigation.

Through Kesko's intranet, employees in all operating countries, except for Belarus, can give feedback on operations not only in their own units but also directly to top management. Feedback can be given openly or anonymously.

Public policy

Kesko does not engage in direct lobbying with politicians and the authorities. Instead, Kesko plays an active role in trade and industry organisations in Finland and in the European Union, contributing its expertise to legislative work. The chart on Kesko's channels of influence and representation in organisations is presented at: www.kesko.fi/responsibility.

Anti-competitive behaviour

For Kesko, compliance with competition legislation is of primary importance. Kesko has a competition legislation guide and a control system, which includes self-assessments and employee training events. Key principles and guidelines of competition legislation have also been presented in the internal web training on matters concerning competition legislation.

PERCENTAGE AND NUMBER OF BUSINESS UNITS ANALYSED FOR RISKS RELATED TO CORRUPTION, SO2, PERCENTAGE OF EMPLOYEES TRAINED IN ANTI-CORRUPTION POLICIES AND PROCEDURES, SO3, AND ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION, SO4

Risks related to corruption are managed as part of the Kesko Group's risk management. Key risks are systematically identified, assessed, managed, monitored and reported as part of business operations at the Group, division, company and unit levels in all of Kesko's operating countries. In addition, risk assessments are made of significant projects related to capital expenditures or changes in operations. Rankings of Kesko's operating countries in the Corruption Perceptions Index 2010 from Transparency International are presented on page 26.

Kesko's anti-corruption principles are included in the 'Our Responsible Working Principles' guide. According to the 2010 personnel survey, 69% of employees had read the guide.

In 2010, Kesko was not informed of any corruption-related cases pending in which a Kesko Group company was the defendant.

THE ORGANISATION'S PUBLIC POLICY POSITIONS, PARTICIPATION IN PUBLIC POLICY DEVELOPMENT AND LOBBYING, SO5, AND FINANCIAL AND IN-KIND CONTRIBUTIONS TO POLITICAL PARTIES, POLITICIANS AND RELATED INSTITUTIONS, SO6

In election years, political parties and candidates are given equal opportunities to arrange campaign events in K-Group stores. In addition, Kesko participates in economic and tax policy seminars arranged by parties, impartially and with appropriate consideration. In 2010, the seminar participation fees and advertising in Finnish party newspapers paid by Kesko totalled some €14,000. In the table 'Kesko's support for the public good' (page 62), political support is included in the amount of 'Non-governmental and environmental organisations'.

LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST, AND MONOPOLY PRACTICES, SO7, AND FINES AND NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS, SO8

No legal actions or fines in 2010.

Management approach to product responsibility *Customers' health and safety*

Kesko and K-Group stores are responsible to the products' end-users for ensuring that the products comply with all requirements of Finnish and EU legislation, are safe for the users and meet quality and other promises. Kesko Food's Product Research ensures the safety and quality of the products purchased, develops Kesko Food's own brand products, coordinates self-control, keeps abreast of food legislation, and is responsible for recipe and consumer services. In addition to food products, the unit also controls the safety and quality of non-foods and home and specialty goods. In the development of its own brands, the unit works in close cooperation with Kesko's buyers and product manufacturers.

Kesko's 2008–2012 responsibility programme includes several objectives related to a healthy way of life. Read more on pages 20–21.

Privacy protection

K-Plus Oy, a Kesko subsidiary, manages and maintains the K-Plussa customer loyalty system, operated by K-store chains and K-Plussa partners. The system is limited to Finnish operations. There are over 3.6 million K-Plussa customers.

The customer information of K-Plussa cardholders forms a customer database that is used, with the customer's permission, for managing customer relationships, for customer contacts and marketing purposes of the companies which have joined K-Plussa system. Data on cardholders' purchasing patterns are collected at sum total and product group level. Customers can forbid the use of their product group level information. In this case, product group data on their purchases are not collected or used in selection planning or for direct advertising purposes. Customers can also request that no information at all is registered on their purchases, and only make use of the immediate benefits they receive from using their K-Plussa cards. In these cases, purchasing data are not entered into the K-Plussa system and the customer does not gain K-Plussa points. At the end of 2010, some 1,000 active customers had requested that their purchasing data not be collected at all.

According to the K-Plussa rules, personal data from the customer database and customer information accrued from the use of the K-Plussa card can be made use of and assigned for direct marketing purposes to the companies participating in K-Plussa cooperation. Customers can forbid the use and assignment of information for this purpose by informing K-Plus Oy. The prohibition always applies to the K-Plussa customer and the holder of a parallel card.

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

ASSESSMENT OF HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES AT VARIOUS LIFE CYCLE STAGES, PR1, AND NON-COMPLIANCE WITH REGULATIONS AND CODES CONCERNING HEALTH AND SAFETY IMPACTS OF PRODUCTS, PR2

The activities of Kesko Food's Product Research include assessing products' impacts on health and safety. In 2010, the Product Research audited 43 suppliers (41 in 2009), of which 4 (9) were Finnish. These companies mainly included manufacturers of Kesko Food's own brands, and were audited in compliance with Kesko Food's audit protocol.

A total of 8,826 (9,226) product samples were analysed, nearly half of which related to product development of Kesko Food's own brands. A total of 1,488 (1,393) batch control and other self-control samples were analysed. Read more about self-control on page 46.

In the development of the company's own brands, special attention, in line with Kesko Food's strategy, is paid to the healthiness of the products. Since 2008, fat, salt and sugar have been reduced from the Pirkka products containing a high content of them. A total of 81 Pirkka products had been reformulated by the end of 2010.

The Product Research Unit is also responsible for product recalls, which numbered 80 in 2010 (61 in 2009). Of these, 24 (21) were Kesko Food's own brand products; in the other cases, the unit assisted manufacturers in recalls. One was a public recall involving a potential health hazard. In this case, grill sausages with cheese had been packed by mistake in the Pirkka A class grill sausage wrapping.

At the end of 2010, there was one case pending in the Finnish district court concerning product safety in which a Kesko Group company was the defendant.

PRODUCT AND SERVICE INFORMATION REQUIRED BY PROCEDURES, PR3, AND NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELLING, PR4

In the package labelling of its own brands and imports, Kesko complies with the Finnish law and with EU legislation, as well as the recommendations given by the authorities. Voluntary package labelling on the product's responsibility aspects can also be added to the products. Such labelling may include, for example, organic and environmental labelling, as well as labelling indicating social responsibility. The selection of organic products and products with environmental labelling are discussed on page 74 and product labelling indicating mainly social responsibility on page 83.

Package labelling of Kesko Food's own brands always comprises – package size and space permitting – nutritional values. Nearly all Pirkka products have the Guideline Daily Amount (GDA) labelling, which indicates how much energy and main nutrients one serving contains.

During the year, there were 19 product recalls caused by defective package labelling, four of which concerned Kesko Food's own brands.

PRACTICES RELATED TO CUSTOMER SATISFACTION AND RESULTS OF CUSTOMER SATISFACTION SURVEYS, PR5

The recognition level and images of Kesko's chains are regularly monitored in brand surveys targeted at consumers in all product lines. Store-level customer satisfaction is measured with customer satisfaction surveys, complemented with the mystery shopping method in food and building and home improvement stores. Satisfaction with the K-Plussa customer loyalty programme is measured once a year.

The chains have different channels for giving customer feedback and Group-level feedback can be given through the www.kesko.fi pages. All contacts received via the feedback channels are responded to.

During the year, Kesko Food's consumer service, maintained by the Product Research, received 19,106 contacts (20,999). Some 80% of feedback were product complaints. The consumer service received more than 2,400 product samples or packages, of which the unit analysed nearly 40% and sent the rest to manufacturers for analysis.

ADHERENCE TO LAWS, STANDARDS AND VOLUNTARY CODES RELATED TO MARKETING COMMUNICATIONS, INCL. ADVERTISING, PROMOTION AND SPONSORSHIP, PR6, AND INCIDENTS OF NON-COMPLIANCE WITH LAWS AND REGULATIONS AND VOLUNTARY CODES RELATED TO MARKETING COMMUNICATIONS, PR7

Kesko complies with legislation in its marketing communications. The changes in legislation and authorities' recommendations are monitored on a regular basis, and related information is given to the employees responsible for marketing in respective units. Sponsorship is guided by Kesko's sponsorship principles, available at: www.kesko.fi/responsibility. There were no incidents of non-compliance with legislation or voluntary codes during the year.

COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA, PR8

In 2010, K-Plus Oy had some customer contacts regarding the processing of customer information. Replies were given in the way of normal customer service and they did not lead to any further actions. No data leaks came up and no complaints were received from regulatory bodies.

FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING PRODUCTS AND SERVICES, PR9

No fines during the year.

Definitions of terms

The text and graphs contain terms and indicators whose contents are defined below.

Return on equity, %	=	$\frac{\text{Profit/loss before tax} - \text{income tax}}{\text{Shareholders' equity}} \times 100$
Return on capital employed, %	=	$\frac{\text{Operating profit}}{(\text{Non-current assets} + \text{inventories} + \text{receivables} + \text{other current assets} - \text{non-interest-bearing liabilities}) \text{ for a 12 month average}} \times 100$
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{prepayments received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}} \times 100$
Market capitalisation	=	Share price at balance sheet date x number of shares
Primary energy	=	Available in resources in their natural state; divided into renewable and non-renewable energy
GWh	=	Gigawatt hour = a million kilowatt hours (kWh)
1 kWh	=	3.6 MJ = 3,600 kJ (in GRI guidelines the unit for measuring energy is joule or J)
CO₂	=	Carbon dioxide = affects climate change ('greenhouse effect')
CO₂e	=	Carbon dioxide equivalent, the amount of different gases whose combined impact on the greenhouse effect corresponds to the amount of carbon dioxide mentioned
SO₂	=	Sulphur dioxide equivalent (affects acidification)
C₂H₄	=	Ethene (affects the ozone content of the lower atmosphere)
Sickness absence/ million working hours	=	$\frac{\text{Sickness absence 1 Jan.} - 31 \text{ Dec.}}{\text{Theoretical regular working time 1 Jan.} - 31 \text{ Dec.}} \times 1,000,000 \text{ hours}$
Sickness absence percentage	=	$\frac{\text{Sickness absence 1 Jan.} - 31 \text{ Dec.}}{\text{Theoretical regular working time 1 Jan.} - 31 \text{ Dec.}} \times 100$
Employee departure turnover	=	$\frac{\text{Number of departures 1 Jan.} - 31 \text{ Dec. (does not include summer employees)}}{\text{Number of personnel at 31 Dec.}}$
Injury rate/ million working hours	=	$\frac{\text{Number of injuries 1 Jan.} - 31 \text{ Dec.}}{\text{Number of hours worked 1 Jan.} - 31 \text{ Dec.}} \times 1,000,000 \text{ hours}$

(TRANSLATION FROM THE FINNISH ORIGINAL)

Independent

TO THE MANAGEMENT OF KESKO CORPORATION

We have been engaged by the Management of Kesko Corporation to perform a limited assurance engagement on the information on economic, social and environmental responsibility disclosed in Kesko Corporation's Corporate Responsibility Report 2010 for the reporting period of 1 January 2010 to 31 December 2010 (hereinafter "Corporate responsibility information").

MANAGEMENT'S RESPONSIBILITY

The Management of Kesko Corporation is responsible for preparing the Corporate responsibility information according to the reporting criteria as set out in Kesko Corporation's internal corporate responsibility reporting guidelines, the Global Reporting Initiative's Sustainability Reporting Guidelines version G3, as well as AA1000 AccountAbility Principles Standard 2008 issued by AccountAbility.

PRACTITIONER'S RESPONSIBILITY

It is our responsibility to present a conclusion on the Corporate responsibility information based on our work performed. This assurance report has been prepared in accordance with the terms of our engagement. We do not accept, nor assume responsibility to anyone else, except to Kesko Corporation for our work, for this report, or for the conclusions that we have reached.

We have conducted the assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance engagements other than audits or reviews of historical financial information". The ISAE 3000 -standard requires compliance with ethical principles as well as planning and performing the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that the

Corporate responsibility 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, and as a Type 2 assurance engagement, as agreed with Kesko Corporation. The AA1000 Assurance Standard 2008 requires planning and performing of the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that Kesko Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles (inclusivity, materiality and responsiveness), and that the Corporate responsibility information would not be reliable, in all material respects, based on the reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than in 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 Corporate responsibility information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Corporate responsibility information.

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

- conducted interviews with senior management of Kesko Group to gain an understanding of Kesko Corporation's targets for corporate responsibility as part of the business strategy and operations;
- conducted interviews with key personnel from various organizational levels of Kesko Group to gain an understanding of stakeholder expectations towards Kesko Corporation, Kesko's responses to those expectations as well as stakeholder engagement;

- assessed Kesko Group's materiality determination process and evaluating the results of this process;
- performed a media analysis and an internet search for references to Kesko Corporation during the reporting period;
- conducted interviews with employees responsible for the collection and reporting of Corporate responsibility information at group and site level;
- inspected relevant documents and systems for gathering, analyzing and aggregating the Corporate responsibility information as well as performing tests on a sample basis;
- assessed the data consolidation process of the Corporate responsibility information at Kesko Group level.

CONCLUSION

Based on our limited assurance engagement nothing has come to our attention that would cause us to believe that Kesko Corporation would not adhere, in all material respects, to the AA1000 AccountAbility Principles.

Furthermore, nothing has come to our attention that would cause us to believe that the Corporate responsibility information has not been prepared, in all material respects, in accordance with the reporting criteria, or that the Corporate responsibility information would not be reliable, in all material respects, based on the reporting criteria.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate social responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Kesko Corporation's performance in relation to its principles of corporate responsibility.

Assurance Report

OBSERVATIONS AND RECOMMENDATIONS

Based on our limited assurance engagement we provide the following observations and recommendations in relation to adherence to the AA1000 AccountAbility Principles. These observations and recommendations do not affect the conclusions presented earlier.

- **Regarding Inclusivity:** Kesko Corporation has identified key stakeholders for its operations, and it has an extensive stakeholder engagement process in place. We recommend that Kesko Corporation further develops the systematic management of the stakeholder engagement process.

- **Regarding Materiality:** Kesko Corporation has a process in place to determine the materiality of corporate responsibility issues. During the reporting period Kesko Corporation has updated the materiality assessment of corporate responsibility and developed its reporting based on the results of the materiality assessment. We recommend that the results of the materiality assessment will be taken into account when updating the corporate responsibility programme for 2013–2017.
- **Regarding Responsiveness:** Kesko Corporation is committed to being responsive to its stakeholders, which is evident from the ongoing and wide-ranging communication on corporate responsibility issues and stakeholder engagement related to corporate responsibility. We recommend that Kesko Corporation strengthens its corporate responsibility activities and communications especially towards consumers.

PRACTITIONER'S INDEPENDENCE AND QUALIFICATIONS

As auditor of Kesko Corporation, PricewaterhouseCoopers Oy is required to meet the independence requirements of the Finnish Auditing Act (459/2007). In addition, PricewaterhouseCoopers' own Global Independence Policy is applicable to PricewaterhouseCoopers Oy, its partners and professional staff, including all members of the assurance engagement team.

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 industry to undertake this assurance engagement.

Helsinki, 6 April 2011

PricewaterhouseCoopers Oy



Johan Kronberg
Authorised Public Accountant

Sirpa Juutinen
Partner
Sustainability & Climate Change

Maj-Lis Steiner
Director, Authorised Public Accountant
Sustainability & Climate Change



AA1000
Licensed Assurance Provider
000-29

Contacts

CORPORATE RESPONSIBILITY CONTACTS

This list below 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. Kesko's phone number from outside Finland is +358 10 5311. E-mail: firstname.lastname@kesko.fi.

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

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Helena Frilander	CR Manager	Kesko Corporation, Corporate Communications and Responsibility
Marjut Lovio	Corporate Responsibility Advisor	Kesko Corporation, Corporate Communications and Responsibility
Pirjo Nieminen (pirjo.j.nieminen@kesko.fi)	Communications Officer	Kesko Corporation, Corporate Communications and Responsibility
Lena Leeve	Kesko Corporation, Corporate Accounting	Kesko Corporation, Investor Relations

ECONOMIC RESPONSIBILITY

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Tiina Nyrhi	Financial Controller	Kesko Corporation, Corporate Accounting
Päivi Avelin	Controller	Kesko Corporation, Corporate Accounting
Esko Mansikka	Managing Director	Vähittäiskaupan Tilipalvelu VTP Oy
Sari Viitanen	Systems Manager	Vähittäiskaupan Tilipalvelu VTP Oy
Lena Leeve	Kesko Corporation, Corporate Accounting	Kesko Corporation, Investor Relations

ENVIRONMENTAL RESPONSIBILITY

Timo Jäske	Environmental Manager	Kesko Food Ltd, Logistics and IT Management
Jari Suuronen	Maintenance Manager	Kesko Food Ltd, Real Estate Maintenance
Jari Pihlajamaa	Maintenance Manager	Kesko Food Ltd, Real Estate Maintenance
Satu Kuoppamäki	Property Information Coordinator	Kesko Food Ltd, Real Estate Maintenance
Toni Pelin	Environmental and Safety Manager	Keslog Ltd, Supply Chain Management
Harri Ajomaa	Environmental Manager	K-citymarket Oy/Anttila Oy
Jesse Mether	Sustainability Manager	Rautakesko Ltd, Customers and Concepts
Joni Ikonen	Development Manager	VV-Autotalot Oy

Name	Title	Unit
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HUMAN RESOURCES RESPONSIBILITY

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