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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) recommendation. This is Kesko's tenth such report.

Traditionally, Kesko's reporting has been very extensive and many investors and rating agencies use this report as a source of information when assessing Kesko's performance in the different areas of corporate responsibility. We use case stories to illustrate the diversity and extensiveness of Kesko's activities.

Kesko's corporate governance and risk management are discussed in more detail in Kesko's Annual Report and at www.kesko.fi. This report concentrates on the organisation and management of responsibility issues in Kesko, our responsibility performance and their social impacts, and the risks and opportunities inherent in responsibility work. Information on Kesko as a listed company includes basic ownership data and Kesko's ratings in sustainability indexes. More extensive financial information is available at www.kesko.fi/investors. The attachments to this report can be read at www.kesko.fi/responsibility.

A comparison of the report with the GRI recommendation is available on pages 84–89 of this report. The comparison includes our self-declaration statement on the level of compliance with the GRI recommendation, as well as the declaration of our assurance provider. The parties unanimously declared Kesko to level A+ (see page 84) in the GRI application.

Report structure

The report first gives a summary of our key achievements in 2009, a review of the objectives and actions of our responsibility programme for 2008–2012, basic information on Kesko, and the key corporate responsibility indicators for 2007–2009. We then discuss the impacts, risks and opportunities of responsible operations, concentrating on issues specific to the retailing sector.

The section on responsibility work management presents the management principles and systems guiding Kesko's corporate responsibility work, the stakeholder process, our corporate responsibility vision, corporate governance and responsibility organisation. The corporate responsibility vision and principles, and the stakeholder analysis can be read in full at www.kesko.fi/responsibility.

Our corporate responsibility performance is presented in the economic, environmental and human resources sections of the report. A separate section is devoted to responsible purchasing and sales, because it includes actions in the areas of economic, social and environmental responsibility. Our performance is presented using the most essential indicators for the stakeholder groups and Kesko.

This report follows the GRI protocol for calculation, as applicable. Most economic responsibility indicators can be derived from the consolidated financial statements, whose preparation and presentation are governed by the IFRS standards.

Some aspects covered by the GRI recommendation, such as privacy protection, compliance with marketing and competition regulations, and political relations are included in economic responsibility reporting. Product safety is included in the section on responsible purchasing and sales.

Report scope

The report covers all of Kesko's operations. Any deviations or limitations, or changes in the data reported previously are reported in connection with the indicators in question. Kesko follows the principles for reporting boundary and disclosure levels defined in the GRI Boundary Protocol. The order in which indicators are presented and headlining are not fully compliant with the GRI recommendation.

The coverage of performance indicators of foreign subsidiaries does not match the level of Finnish operations. The coverage of some environmental and human resources indicators has improved, whereas the compilation of statistics by especially younger, continuously expanding subsidiaries seems to take longer than expected. On the other hand, the majority of environmental impacts of transportation in the Kesko Group are generated in the food trade in Finland, and the amount of transportation of foreign subsidiaries active in the building and home improvement trade and the machinery trade is insignificant, and there are no reliable statistics available concerning them.

Kesko's division parent companies and chains operate in close cooperation with retailer entrepreneurs and other partners. The report presents information on K-stores when it is substantially related to Kesko's reporting and complements the overall picture of the relations of Kesko and K-retailers with society and other stakeholder groups.

Stakeholders' viewpoints

In recent years, stakeholder opinions have been collected using reputation surveys (TRI*M Reputation Radar 2008), annual customer satisfaction and personnel surveys, and consumer panel discussions.

In 2009, Kesko Food commissioned a survey on consumer opinions about corporate responsibility in the food trade. Read more on page 68.

Kesko's responsibility statements concerning product selections and purchasing criteria, incorporating the expertise of environmental organisations, are discussed in section 'Responsible purchasing and sales' on page 74.

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 comparison table on pages 84–89 shows which indicators have been used to evaluate Kesko's performance in fulfilling the principles of human rights, labour standards, the environment and anti-corruption.



Assurance of the Corporate Responsibility Report

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

Independent assurance reports of the Finnish and English versions of the report have been provided since 2002. The assurance for the 2009 Corporate Responsibility Report was carried out by the Sustainable Business Solutions unit of PricewaterhouseCoopers Oy, Kesko's auditors. Their report can be read on pages 90–91.

This report covers the performance in 2009 with some information for January–March 2010. The 2008 report was published in April 2009 and the 2010 report will be issued in spring 2011.



In its reporting, Kesko follows the recommendation for reporting on sustainable development drawn up by the Global Reporting Initiative (GRI) and is a Organisational Stakeholder of the GRI. Kesko is committed to the Global Compact challenge launched by the UN Secretary General. In June 2009, the Global Compact Office thanked Kesko for excellent responsibility reporting and presented Kesko's report on its website, classified as 'Notable'. In November 2009, Kesko was rewarded for the best corporate responsibility report and good supply chain reporting in the service sector in the Corporate Responsibility 2009 competition in Finland.

Materiality assessment of Kesko's responsibility indicators

Level of concern to stakeholders	VERY HIGH		<ul style="list-style-type: none"> • Social quality control of suppliers • Financial performance from shareholder point of view 	<ul style="list-style-type: none"> • Sources of energy supply (impact on climate change) • Product safety • Prohibition of bribery 	
	HIGH	<ul style="list-style-type: none"> • Transportation and return logistics • Development and communication of environmentally friendly and ethical products • Job creation • Economic benefits to suppliers • Privacy protection 	<ul style="list-style-type: none"> • Employments, job satisfaction • Employee wellbeing • Harmonised principles for corporate responsibility • EMS = environmental management systems • Energy and water consumption • CO₂ emissions • Waste (stores) • Use of materials • Economic benefits to retailers and other service providers • Corporate security (emerging markets) 	<ul style="list-style-type: none"> • Impacts of construction and structural safety • Environmental risks, damages and incidents • Supplier selection 	
	MEDIUM	<ul style="list-style-type: none"> • Employee safety • Types of employment (incl. part-time and fixed-term employments) • Equality • Waste (warehouses) • Packagings • Investments in store network • Pensions (emerging markets) • Support for the public good • Corporate safety (Scandinavia) 	<ul style="list-style-type: none"> • Kesko's attractiveness as an employer and employee commitment • Promoting sustainable production and consumption • Real estate maintenance • Land contamination • K-environmental stores • Recognition as a forerunner in corporate responsibility • Political relations 		
	LOW	<ul style="list-style-type: none"> • EMS in office premises • Pensions (Finland and Scandinavia) 			
		LOW	MEDIUM	HIGH	VERY HIGH

Impact on Kesko

This materiality assessment was completed at the end of 2006. It will be revised by the Corporate Responsibility Advisory Board in 2010.

Review by the President and CEO



In all of Kesko's business divisions and operating countries, the recession has had a major impact on the operating environment of the trading sector and on the willingness of customers to consume. In 2009, we cut costs and adapted our operations to the prevailing market situation. We also had to decrease the number of employees, especially in the building and home improvement trade, and in the car and machinery trade.

Increased proportion of Finnish suppliers

As a result of declined sales, our total purchases of goods decreased by 14.2%, and our purchases from suppliers operating in Finland by 8.7% in 2009. In other words, the relative proportion of Finnish suppliers increased. More than 70% of the Group's purchases are from suppliers operating in Finland.

We actively increase the amount of local purchases and encourage K-retailers to purchase locally. In 2009, K-retailers' direct purchases from regions totalled €525 million. In some regions, namely Southern Karelia, Kainuu and Lapland, K-retailers' direct purchases exceeded Kesko's purchases.

Whenever possible, we have the products of our own Pirkka range manufactured in Finland. There are currently more than 1,800 Pirkka products. For example, all Pirkka milk and Pirkka soft drinks are made in Finland.

Responsibility also means profitability

Despite the difficult market situation, Kesko's all divisions achieved positive results in 2009. Kesko's solvency and liquidity continued at excellent levels.

Thanks to our strong balance sheet and financial standing, we have been able to continue the development of our store site network. In 2009, our investments in Finland were €128 million and in other countries €70 million. The K-food store network is Finland's most extensive: there are 1,030 K-food stores in over 300 municipalities.

In accordance with our responsibility programme for 2008–2012, we are improving our energy efficiency and reducing our emissions. Owing to carbon-free electricity, the carbon dioxide emissions of electricity used in the K-Group properties decreased by 59% in Finland in 2009. There are still plenty of possibilities for improvement in our electric and heat energy use.

Wellbeing, competence and productivity of the personnel are key issues

At this time of recession and cost savings, wellbeing at work and working capacity are increasingly important. Motivating

and encouraging leadership and working community are prerequisites for employees' excellent work performance and working capacity.

We will continue long-term projects in different Kesko companies for promoting wellbeing at work. Our Occupational Health Service focuses on operations that maintain working capacity and promote the wellbeing of the working community.

The systematic development of employee competence is one of our major focal areas. The time used for training per employee increased in Finland last year. Over 17,000 students in 12 product lines participated in the Master Sales Assistant training.

An annual personnel survey is conducted throughout Kesko and its chain stores. The survey results show that Kesko employees are satisfied with their jobs and committed to Kesko and its objectives. The 2009 survey revealed a higher level of satisfaction with equality.

Kesko and its chains' stores are implementing a work and productivity programme aimed to improve the employees' work productivity, competence, wellbeing and leadership. Labour productivity has also been improved by the adoption of different working hour models and an efficient working hour planning.

Responsibility increasingly important for investors

Responsibility plays an increasingly important part in investors' decisions. Responsible investors consider how companies take care of their economic, social and environmental responsibilities. There are already more than 700 investors, mainly institutional, in 43 countries, who have signed the principles of responsible investment. This group invests most of the world's pension assets, which have a major impact on markets.

Kesko has established its position in comparisons measuring responsibility. For years, we have been included in the most important sustainability indexes and the list of the Global 100 Most Sustainable Corporations.

I thank all K-Group people and our business partners for their commitment to our common objectives. A pioneering position requires a strong vision and combined competence.

Matti Halmesmäki
President and CEO

Key achievements in 2009



Economic responsibility

- Kesko was again included in the Dow Jones sustainability index and on the 'The Global 100 Most Sustainable Corporations' list
- For the first time, Kesko was included in the FTSE4Good indexes
- Despite the recession, Kesko's operating profit excluding non-recurring items was positive, although lower than last year
- Kesko's food store network was Finland's most extensive, with 1,030 K-stores in 311 municipalities
- The K-Plussa customer loyalty system gained over 190,000 new customers
- Charity campaigns carried out with K-store customers raised record amounts



Human resources responsibility

- In Finland, the time used for training per employee increased
- Over 17,000 students participated in the Master Sales Assistant training in Finland
- The proportion of women in middle management and supervisory and specialist positions increased in Finland
- Satisfaction with the implementation of equality continued to improve both in Finland and in other countries
- Young professionals were of the opinion that Kesko offers the widest variety of assignments
- The number of employees retiring on disability pension decreased in Finland



Environmental responsibility

- As a result of carbon-free electricity, carbon dioxide emissions from electricity used by the K-Group in Finland decreased by 59%
- Combined carbon dioxide emissions of electricity and heat decreased by 13% in Finland
- Emissions from employees' business travel by air decreased by 20.7% and from company cars by 18.8%
- Keslog's return logistics collected 28.5 million PET bottles for raw material recycling, which was 58% more than in the previous year
- The waste recovery rate in Anttila's distribution centre was 97%
- At the end of 2009, there were 624 K-environmental stores, 114 more than the year before



Responsible purchasing and sales

- 61 Pirkka products have been reformulated (decreased fat, salt and sugar) since 2008
- The selection of Pirkka organic products and Pirkka products with Swan labelling continued to increase
- The number of Fairtrade products offered by Kesko Food grew by 25% and in the Pirkka product range by 43%, while the number of Fairtrade suppliers nearly doubled
- Kesko's monitoring team in China made 161 factory visits to the premises of 50 suppliers
- The number of suppliers included in the BSCI audit process tripled
- The number of companies in the sphere of approved BSCI audits doubled

Kesko's responsibility programme 2008–2012

Objectives and actions	Performance in 2009
<p>We actively increase the number of local suppliers and encourage K-retailers to purchase locally</p> <ul style="list-style-type: none"> • K-retailers' local purchases totalled €534 million in 2007 and €569 million in 2008. Our objective is to increase the value of local purchases, reported annually in the CR report. 	<ul style="list-style-type: none"> • K-retailers' local purchases were €525 million and their proportion of store-specific selections remained unchanged.
<p>We maintain a comprehensive store network in Finland</p> <ul style="list-style-type: none"> • Kesko Food's store network is the most comprehensive and the households have the shortest distance to the nearest food store compared to its Finnish competitors. • Among Finnish trading groups, Kesko Food also has the highest number of neighbourhood stores. • In 2008, 45.5% of the Finnish population lived within one kilometre of the nearest K-food store. 	<ul style="list-style-type: none"> • At year-end, there were 1,030 K-food stores and the store network covered 89% or 311 out of all 348 Finnish municipalities. • 51% of the Finnish population lived within one kilometre of the nearest K-food store.
<p>Combating climate change</p> <ul style="list-style-type: none"> • The K-Group has signed the trading sector energy efficiency agreement and made a commitment to save over 65 GWh (65 million kWh) by the end of 2016. The agreement covers all K-Group stores. • Electricity purchased by Kesko to the K-Group is carbon-free. 	<ul style="list-style-type: none"> • The CO₂ emissions of energy used by the K-Group in Finland decreased by 13%. • Nearly 97% of electricity purchased by Kesko was produced with nuclear power.
<p>Increasing energy efficiency (Kesko Food)</p> <ul style="list-style-type: none"> • Freezers in all new stores will be fitted with lids. • Doors will be piloted with other cooling equipment. • Only LED lighting will be used in new K-stores' signs. • The possibilities of replacing the neon and fluorescent tubes of existing signs with the new LED technology are also under study. • The number of breweries' own cooling cabinets will be optimised. • The recommended energy consumption category for all store equipment is 'A'. 	<ul style="list-style-type: none"> • Freezers in all new K-food stores were fitted with lids and LED technology used in their signs.
<p>Transportation</p> <ul style="list-style-type: none"> • Our target is to reduce CO₂ emissions calculated per delivered kilo by 10% by the end of 2012; 2007 is used as baseline. • All our contract drivers will be trained in economical driving by the end of 2009. 	<ul style="list-style-type: none"> • Keslog's CO₂ emissions were 0.0252 kg per delivered kg; 6.3% higher than 2007 emissions (0.0237 kg). • The training target covering all contract drivers was achieved.
<p>Business travel and company cars</p> <ul style="list-style-type: none"> • As of 2008, we will report the CO₂ emissions derived from travelling with company cars and the average CO₂ emission level per km. Our recommendation is below 180 g CO₂/km. • All employees who drive significant distances with company cars should have diesel cars. • A pilot group of 50 company car holders will be trained in economical driving, and their future fuel consumption monitored. • We will continue to increase video conference facilities in our operating countries and actively train employees to favour video conferences over business travel. The target is to reduce the amount of air travel. • As of 2009, we will follow the number of video conferences held. • We will report the CO₂ emissions from air travel. 	<ul style="list-style-type: none"> • In 2009, average CO₂ emissions were 161 g and the new recommendation was set at 170 g CO₂/km. • The total CO₂ emissions of company cars were 2,600 tons (3,200 tons in 2008). • In 2009, there were 2,846 hours of video conferences between two or several facilities, and 4,460 hours (1,276 meetings) from employees' own terminals. • The CO₂ emissions from air travel totalled 1,970 tons, a decrease of 20.7% on 2008.
<p>Recovery and material efficiency</p> <ul style="list-style-type: none"> • The recovery rate of our warehouse activities is some 90%. Our aim is to increase the recovery rate of K-food stores to 90% by 2012. • We will decrease the food stores' shrinkage by some 20% by 2012. • We will develop the recovery and recycling services offered to our customers at K-food stores in cooperation with municipalities. 	<ul style="list-style-type: none"> • The development of recycling in warehouses and K-stores continued.

Objectives and actions	Performance in 2009
<p>Environmental management at stores</p> <ul style="list-style-type: none"> • In Anttila Oy, all new department stores are included in Anttila Oy's ISO 14001 certification. • All K-citymarket and K-supermarket stores are K-environmental stores. • Half of K-market stores are K-environmental stores. • In Finland, all K-rauta and Rautia stores will be under the K-environmental store concept by the end of 2009, and all K-maatalous stores by spring 2009. • Kesko Food expands the K-environmental store concept by including elements of responsible purchasing, product safety and a healthy way of living. Training of the above issues will be held at K-food stores by the end of 2010. 	<ul style="list-style-type: none"> • All Anttila department stores have been certified. • All K-supermarket stores except for two are K-environmental stores. • In the K-market chain, there are now also K-market stores located at service stations, which do not yet have the K-environmental store concept included in their business model. At the end of 2009, 56% of the traditional K-market stores were K-environmental stores. • Due to the changes in the store network, audits of 19 K-rauta, Rautia and K-maatalous stores will be held in 2010.
<p>Responsible purchasing, stands and statements</p> <ul style="list-style-type: none"> • Kesko has two monitoring officers in China. Their target is to make 160 factory visits to the premises of Kesko's suppliers annually. • Kesko continues to promote the BSCI audits. The target for 2009 is 59 initial audits and 24 re-audits. • In 2008, Kesko published its fish and shellfish statement on sustainable sourcing and the list of restricted chemicals. Their implementation will continue in 2009. The key target is to train K-retailers on the requirements of the sustainable fish and shellfish statement, as they purchase much of the fresh fish sold at K-food stores. 	<ul style="list-style-type: none"> • In 2009, there were 161 factory visits. • 55 initial audits and 53 re-audits were made. • The implementation of the fish and shellfish statement and K-retailers' training continued. • The list of restricted chemicals is in use; in China, the monitoring of the list is included in the monitoring practices. • Rautakesko made a policy decision to ensure the origin and traceability of timber and wood products (read more on page 83).
<p>Responsible product assortments</p> <ul style="list-style-type: none"> • We will promote the sales of Pirkka biodegradable and Pirkka reusable bags. • We will introduce new biodegradable packaging materials in the Pirkka product range. Materials of GMO origin are not accepted. • We will continue with the reduction of salt, sugar and fat content of Pirkka products. We will have all Pirkka products with high salt, sugar and fat contents reformulated by the end of 2010. • We will expand the use of the Nutritioncode service to be available in all K-citymarket, K-supermarket and K-market stores. The service is free to our customers. Our target is to have 100,000 service users by the end of 2009. • We will continue consumer health education. We will train 500 specialists in healthy eating for K-stores by the end of 2012. • Kesko Food will have the widest assortment and sales of Fairtrade products in Finland. • Rautakesko will continue to focus on developing cost and eco-efficient service solutions for construction and living. • The K-maatalous chain will continue to focus on promoting sustainable practices in agriculture in Finland. 	<ul style="list-style-type: none"> • The promotion of the sales of biodegradable and reusable bags continued. • The supply of biodegradable packaging has been studied; as yet, there is no biodegradable packaging in the selection. • 61 products had been reformulated by the end of 2009. • At the end of 2009, there were 26,000 service users. The new target is 50,000 users by the end of 2010. • The Food Specialist training programme on healthy nutrition and diets was launched in February 2010 (read more on page 76). • Rautakesko continues the development of service solutions (read more on page 80).
<p>Wellbeing of employees</p> <ul style="list-style-type: none"> • We use €2 million on employees' recreational and leisure activities annually. • Kesko's Occupational Health Service focuses on operations that maintain the ability to work and prevent illnesses. • We aim at promoting working capacity and improving labour productivity by active measures to improve wellbeing at the workplace. • We harmonise the calculation methods of sickness absences and, from the beginning of 2009, will adopt an hourly sickness absence recording system. We will pay special attention to frequent sickness absences and long-term sickness absences. • In all divisions, a new model of early intervention to manage sickness absence will be introduced by 2010. 	<ul style="list-style-type: none"> • Some €2 million were used for employees' recreational and leisure activities in 2009 (estimate). • In Finland, €455 per person were used in occupational health services, an increase of nearly 7% on 2008. Preventive measures accounted for 40% of the costs. • Hourly sickness absence recording was introduced according to plan. Special attention was paid to frequent short-term sickness absences and long-term sickness absences. • The adoption of an early intervention model progressed as planned in 2009.
<p>Incorporating the responsibility programme into the brand and marketing strategy work</p> <ul style="list-style-type: none"> • We strengthen the responsibility image associated with Kesko, its division parent companies and the various product brands. • We bring the results of responsibility work to the attention of customers in the stores. • Kesko's divisions' and chains' communications plans on the most important sustainability messages will be developed during spring 2009. • We will revise Kesko's web pages on responsibility in 2009 to comply with Kesko's responsibility programme's communication plan. 	<ul style="list-style-type: none"> • Some of the actions were postponed to 2010. • Revised responsibility pages were published in April 2010.

Basic information on the Kesko Group

Kesko is a provider of trading sector services and a listed company domiciled in Helsinki, Finland. Kesko's main office building is located in Helsinki. The company manages retail chains and produces services for the chains' purchasing logistics, network development and information management. Kesko has about 2,000 stores engaged in chain operations in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. 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 business operations

The Kesko Group's net sales from continuing operations were €8.4 billion in 2009. The food trade contributed 44% to the net sales. Foreign operations accounted for 17.5% (21.5% in 2008). In Finland, Kesko operates in close chain cooperation with K-retailer entrepreneurs, whose total number was 1,302 at the end of the year. In addition, Kesko had about 250 other retailer and dealer partners. The K-Group had some 1,750 retail stores in Finland and some 200 in other countries. In 2009, the K-Group stores' retail and B2B sales (incl. VAT) totalled €12.6 billion (a decrease of 9.1% on the previous year), of which €2.1 billion is attributable to foreign operations.

Food trade

Kesko Food is active in the grocery trade in Finland. The more than 1,000 K-food stores are run by K-retailers, whose operations are based on the K-retailer business model.



Kesko Food manages K-citymarket's food trade and the K-supermarket, K-market and K-extra chains. 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.

Kesko Food's subsidiary Kespro Ltd is a wholesaler in the Finnish HoReCa (hotel, restaurant, catering) business.

Home and speciality goods trade

Kesko's home and speciality goods trade operates in the clothing, home, leisure, home technology, entertainment and furniture product lines. The home and speciality goods trade comprises Anttila Oy, K-citymarket Oy, Intersport Finland Ltd, Indoor Group Ltd, Musta Pörssi Ltd and Kenkäkesko Ltd. The home and speciality goods chains comprise 450 stores.

Building and home improvement trade

Rautakesko operates in the building and home improvement trade in Finland, Sweden, Norway, the Baltic countries, Russia, and Belarus, and in the agricultural supplies trade in Finland. Rautakesko manages and develops the K-rauta, Rautia, K-maatalous, Byggmakker, Senukai and OMA retail chains and B2B sales in its operating area. Rautakesko is responsible for the chains' concepts, marketing, sourcing and logistics services, store site network, and retailer resources. There are 330 building and home improvement stores in eight countries and 90 agricultural stores in Finland.

Car and machinery trade

WV-Auto and Konekesko with its subsidiaries make up the car and machinery trade division.

WV-Auto imports and markets Volkswagen, Audi and Seat passenger cars, and Volkswagen commercial vehicles in Finland, and it also imports and markets Seat cars in Estonia and Latvia. WV-Auto is also active 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 and sales of construction, environmental and agricultural machinery, trucks and buses, and recreational machinery. Konekesko operates in Finland, the Baltic countries and Russia. Konekesko arranges the manufacture of and sells Yamarin boats in Finland and exports them to several European countries and Russia.

Kesko Group's net sales by division 2009, %



Kesko's shareholders

Kesko is a listed company whose shares are traded on the Helsinki Stock Exchange of NASDAQ OMX Helsinki Ltd. At the end of 2009, the company's share capital was €196,643,058. The share



capital comprises the A and B series of shares. A shares accounted for 32.3% of the company's total share capital and 82.7% of all votes. The corresponding percentages for B shares were 67.7% and 17.3%. The company's 10 largest shareholders, calculated by number of votes, held 34.77% of all votes and 16.73% of all shares. The market value of A shares was €749 million and that of B shares €1,537 million. The total market capitalisation stood at €2,286 million. At the end of 2009, the number of shareholders was 38,888. 20% of all shares were in foreign ownership.

Personnel

In 2009, the average number of personnel in the Kesko Group was 19,184 (21,327) converted into fulltime employees.

At the end of December 2009, the total number of personnel was 22,200 (24,668) of whom 12,959 (13,651) worked in Finland and 9,241 (11,017) in other countries. Approximately three quarters of all employees worked in retailing.

Store site operations

The store site network is a strategic competitive factor for Kesko. 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 investments in accordance with the Group's real estate strategy. The division parent companies develop their own store sites, manage their construction, and are responsible for maintaining, managing, leasing and selling them.

At the end of 2009, the aggregate floor area of real estate and premises owned or leased by the Kesko Group was 3,872,000 m²,

which is 1.7% more than in 2008. Store premises account for most of this area, with warehouses and offices accounting for less than one fifth. The total floor area of own premises was 629,000 m² in Finland and 229,000 m² in other countries. The total floor area of leased premises was 2,358,000 m² in Finland and 656,000 m² in other countries. The majority of premises owned or leased in Finland are rented to K-retailers.

Suppliers of goods and services

In 2009, Kesko bought products valued at €7.0 billion, of which some 70% was from Finnish suppliers. The total number of active product and service suppliers was some 29,500, of which 16,300 operated in Finland. The Group had 9,500 suppliers in its other operating countries and 3,700 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. Finnish production was estimated to account for approximately 66% of all products sold by Kesko in Finland.

Customer groups

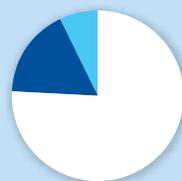
Retailer entrepreneurs accounted for 51% of Kesko's net sales. On average, K-retailers concentrated 92% (86%) of their grocery purchases and 93% (91%) of their home and speciality goods purchases in Kesko. In addition, K-retailers' purchases from the local regional suppliers valued at some €525 million. B2B customers accounted for 22%, and Kesko's own retailing 27% of Kesko's net sales.

Net sales by division in 2009*



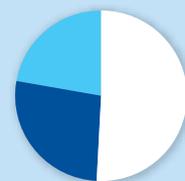
- Food trade 44%
- Home and speciality goods trade 18%
- Building and home improvement trade 27%
- Car and machinery trade 11%

Operating profit excl. non-recurring items by division in 2009*



- Food trade 76%
- Home and speciality goods trade 17%
- Building and home improvement trade 7%
- Car and machinery trade 0%

Customer groups, % of Kesko's net sales



- Retailer entrepreneurs' retailing 51%
- Kesko's own retailing 27%
- B2B sales 22%

*continuing operations

Key performance indicators of corporate responsibility for 2007–2009

Indicators of economic responsibility

	2007	2008	2009
Net sales (M€) ¹⁾	9,287	9,591	8,447
Profit before tax (M€) ¹⁾	358	289	217
Return on capital employed (%)	16.3	15.2	11.0
Dividends paid (M€)	146	156	98
Investments (M€) ¹⁾	228	338	198
Equity ratio (%)	48.5	52.4	54.1
Salaries paid (M€) ¹⁾	477	497	448
Income taxes (M€) ¹⁾	87	89	82
Number of personnel (average) ¹⁾	20,520	21,327	19,184
Purchases from suppliers (M€) ²⁾	8,091 ^{a)}	8,106	6,951
Support to organisations working for the public good (M€)	2.3	1.6	1.5

¹⁾ Continuing operations

²⁾ For 2008 and 2009, continuing operations

^{a)} Incl. Kauko-Telko and Tähti Optikko

Indicators of environmental responsibility

	2007	2008	2009
Consumption of electrical energy in real estate (GWh) ¹⁾	825	820	862
Consumption of heat energy in real estate (GWh) ¹⁾	299	320	362
Water consumption in real estate (1,000 m ³) ²⁾	651	663	686
Emissions from the production of electrical and heat energy used			
climate change (tn CO ₂ eq) ¹⁾	206,026	119,399	114,352
acidification (tn SO ₂ eq) ¹⁾	625	455	441
radioactive waste from production of electricity purchased ¹⁾	0.60	1.22	1.81
Transportation managed by Keslog in Finland			
kilometres (1,000 km)	36,300	38,200	38,900
tons	1,813,813	1,834,422	1,826,000
carbon dioxide emissions, tn	40,347	44,526	46,213
Carbon dioxide emissions from air travel, tn	2,370	2,483	1,970
Carbon dioxide emissions from company cars, tn	^{a)}	3,200	2,600
Use of materials/waste (tn)			
materials of packaging imported to Finland	^{a)}	^{a)}	29,752
waste from distribution warehouses in Finland	8,576	8,310	8,339
of which for recovery (%) ³⁾	88.6	88.3	84.6
waste in other operating countries (mainly from retail stores)	8,581	7,795	10,150

¹⁾ As all real estate outside Finland have not been able to distinguish the consumption of electricity and heat, the district heat and subsidiaries' own production of heat have been recorded in heat and everything else in electricity.

²⁾ Contains water consumption in Finnish properties only.

³⁾ Recovery figures include organic waste.

^{a)} Data not available or inaccurate.

Indicators of human resources responsibility

	2007	2008	2009
Job satisfaction in Finland (scale 1-5)			
own job	3.85	3.75	3.76
supervisor's performance	3.85	3.76	3.81
unit's operations	3.80	3.79	3.83
Kesko's operations	3.62	3.77	3.62
Employee turnover, Finland and other countries			
new	14,148	11,075	5,538
departed	9,804	10,919	8,140
retired	164	181	175
Average age of employees			
Finland	35.1	36.2	35.4
other operating countries	^{a)}	33.0	35.1
Sickness absences (working days/person)			
Finland	9.3	10.1	10.7
other operating countries	7.7	11	10.6
Funds spent on health care (/person, €) ¹⁾	484	427	455
Average annual earnings (/person, €)			
Finland	31,589	32,054	32,297
other operating countries	15,219	16,327	13,082
Training days (/person)			
Finland	1.4	1.8	2.0
other operating countries	0.7 ^{a)}	0.5 ^{a)}	0.6
Training costs (/person, €)			
Finland	420	420	331
other operating countries	220	124	79

¹⁾ In Kesko's own occupational health care in Finland.

^{a)} Possible deviation is explained in the human resources section of the report for that year. For 2009: see personnel statistics on page 42.

Indicators of responsible purchasing and sales

	2007	2008	2009
Activities of Pirkka Product Research			
audited suppliers	28	31	41
product samples analysed	8,053	8,313	8,177
items of feedback to the consumer service	20,305	21,482	20,999
product recalls	35	66	61
of which recalls of Kesko's own brands	9	18	21
Social quality control			
direct purchases from high-risk countries (% of Kesko's all purchases)	1.6	1.6	1.6
suppliers with SA8000 certification ¹⁾	16	23	30
suppliers with BSCI audits	23	35	119
Fairtrade products in Kesko Food's selection at year-end	64	120	150
Kesko Food's suppliers of Fairtrade products at year-end	64	60	112

¹⁾ Certified Chiquita plantations not included.

Impacts, risks and opportunities

In 2008, Kesko announced its responsibility programme for 2008–2012. Its targets comprise both international issues shared by all major companies and issues closely connected to the strategies of Kesko and its divisions, which are estimated to create business opportunities and generate competitive advantages. The progress of the responsibility programme is outlined on pages 6–7 and in the respective sections of this report. Many objectives extend over a period of several years and updates are made to the website www.kesko.fi/responsibility.

Impacts on society

Kesko offers product alternatives and service solutions in nearly all sectors of consumption. Consequently, Kesko is an operator with multiple impacts on stakeholders and society as a whole.

Kesko's purchases influence the success of product and service providers and the resulting wellbeing in Finland, Kesko's other operating countries and the rest of the world. Kesko sells products and services through a diversified and comprehensive retail network and online stores while continuously investing in the improvement of services. Success enables Kesko to safeguard and increase jobs, which is beneficial to people and the society around us. The salaries, taxes and indirect social security contributions paid by Kesko support the maintenance and development of social services. Society receives similar income from all parties operating in a business or employment relationship with Kesko.

In the area of human resources responsibility, the key issues are the wellbeing and job satisfaction of our own personnel. Employee turnover, accidents at work, sick days and investments in occupational health care and training are elements connected to the profitability and competitiveness of the company and the attractiveness as an employer.

The most important direct environmental impacts include the emissions resulting from the production of the electric and heat energy consumed by Kesko and K-stores, transport emis-



sions, and waste produced in warehouses and stores. Indirect impacts are linked to the production conditions, the use and disposal of products and their packaging materials. Indirect environmental impacts are also produced by customer traffic to the K-Group's stores.

Several responsibility issues are related to the products for sale throughout their life cycles, such as product safety, traceability, healthiness, environmental impact, labour standards, human rights and animal welfare. The evaluation of impacts and the assurance of responsibility necessitate cooperation among the different parties of the product chain.

Risks relating to responsibility

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, the shareholder value, and the continuity of business. Efficient risk management is a competitive advantage for Kesko.

The risk management policy approved by the Board of Directors guides risk management in Kesko. The policy 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 Kesko's 2009 Annual Report (pages 62–63), in the Report by the Board of Directors (pages 76–77), Note 42 to the financial statements (pages 130–132) and at www.kesko.fi/investors.

Compliance with legislation, agreements and Kesko's ethical principles is an important basic value in all of Kesko's operations. Different aspects of responsibility are increasingly important for customers and thus possible responsibility failures would weaken Kesko's reputation. Responsibility is regularly discussed in the Group's risk assessment. The Group's and the divisions' key responsibility personnel participate in the assessment.

Two of the responsibility risks detected in 2009 were included in the risk list of the Corporate Management Board's risk assessment and further in the risk report presented to the Board's Audit Committee. The leverage of responsibility work in the business operations of the K-Group stores can remain inadequate unless the communications to suppliers, retailers and customers is effective enough. Purchasing from high-risk countries involves a concern about violations of labour



standards and human rights. Their prevention necessitates efficient monitoring and audit systems.

In addition to the above, the risk review of Kesko's Board of Directors also discusses other risks related to responsibility: financial malpractice, people's competence and working capacity as well as product safety and supply chain quality. The failure of quality assurance in the supply chain or product control can result in financial losses, the loss of customer confidence, or in the worst case, health hazards.

Product safety risk management in Kesko Food is implemented by the product research unit, whose operations are discussed on page 68.

Opportunities inherent in responsibility

Kesko's product selections include abundant alternatives with which Kesko and customers together can reduce the ill effects of consumption and promote sustainable development. The responsibility inherent in them creates significant possibilities to improve competitiveness and increase business.

Climate change, as it progresses, sets new requirements for construction. Rautakesko can place an increasing emphasis on eco-efficient construction and energy saving in its product offering. Read more on page 80. A guide in sustainable living ('Kestävän asumisen opas') is available from the K-rauta and Rautia chains to help customers make their own climate change management plan.

The implementation of the EU's Integrated Energy and Climate Policy, and the Finnish Government's energy policy report 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.

For customers of the K-agricultural trade, climate change will mean a longer growing season with increasing numbers of plant diseases and pests. The changing climate conditions, such as an increased spring drought, require that plant varieties new to Finnish conditions be tried and current farming practices modified in favour of varieties sown in the autumn or perennial varieties, for example. The K-Group's K-maalous Experimental Farm carries out such research and devel-

opment in cooperation with Lantmännen SW Seed, a plant breeding company operating in the south of Sweden. The cultivation programmes offered by K-maalous are based on the experimental farm's research. The right variety and cultivation technology coupled with the optimised use of agricultural inputs aim at the right quality for different purposes.

Kesko's direct purchases and purchases outside Finland via other importers account for about one third of Kesko's total purchases. Some 76% of imports came from the EU area – the figure is exclusive of 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 purchasing practices can be expected to increase and it is necessary, therefore, 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 goal for Kesko Food. This work is carried out in many ways. Read more on pages 76, 81 and 82. Different forms of physical activity naturally 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.

Responsibility management

Kesko's corporate responsibility work is integrated in the Group's normal management. Corporate responsibility is largely defined and guided by the Group's values and its management system, stakeholder analysis, vision, general principles and organisation of corporate responsibility, as well as the Code of Conduct. The management principles and systems of the different sectors of corporate responsibility are discussed in the respective sections of this report and their contents are not repeated in this chapter. Risk management is discussed separately on pages 12–13 and in more detail in Kesko Annual Report, on pages 62–63.

Values, strategy, management model and systems

Kesko's present values were introduced in 2002. The Code of Conduct guidebook for the K-Group's personnel, 'Our Responsible Working Principles', was adopted in all operating countries in 2008.

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 division and chain-specific strategies, supervised by the division Boards and Kesko Corporation's Board, playing a central part. The key strategic objective is that our customer satisfaction and sales performance in all store chains exceed those of the competition. Strategy implementation is measured using, for example, customer satisfaction and personnel surveys, and sales, market share and profitability performance indicators.

The business models used in Kesko's consumer customer trade are the retailer entrepreneurs' retailing and Kesko's own retailing. In addition, Kesko is engaged in B2B sales. Further information on the business models is available in Kesko's Annual Report 2009, page 11.

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

The different dimensions of corporate responsibility use management systems based on international standards. The environmental management system that covers the Group's most significant environmental impacts is ISO 14001 certified. K-stores' environmental management is implemented as part of the chain concepts with the help of the K-environmental store diploma, and compliance with its criteria is controlled with independent audits. The quality assurance performed by Kesko Food's Product Research Unit is based on the ISO 9001 quality system and a self-control system approved by the authorities. The Product Research Laboratory has been awarded the ISO 17025 accreditation. Kespro Ltd, VV-Auto Group Oy, VV-Autotalot Oy and Turun VV-Auto Oy have been awarded the ISO 9001 certification. The social quality

Values

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 absences and accident statistics
- Equality statistics and training statistics

We bear our corporate responsibility



- Customer, decision-maker and media surveys
- Sustainability indexes

of suppliers operating in high-risk countries is controlled using the principles of the European Business Social Compliance Initiative and the Social Accountability SA8000 standard.

Stakeholder process

The assessment of corporate responsibility performance takes account of Kesko's key stakeholder groups, namely shareholders, the Kesko personnel, retailers and their staff, consumers, suppliers of goods and services, the media, the authorities, non-governmental organisations and trade unions.

A stakeholder analysis is included in Kesko's management system and operating plans. The Corporate Responsibility Unit has prepared a process description of stakeholder cooperation (see chart below) to facilitate the analysis and planning of 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, which can be read at www.kesko.fi/responsibility. The divisions also use their specific stakeholder analyses.

Consumers are the most important stakeholder group for Kesko's chains. The chains' recognition and image are regularly monitored in brand surveys targeted at consumers in all product lines. Store-level customer satisfaction is measured using customer satisfaction surveys, and the mystery shopper method in the food trade and the building and home improvement trade. Furthermore, the satisfaction of K-retailers, the media, investors and analysts with Kesko's operations is measured. Satisfaction with the K-Plussa customer loyalty programme is measured once a year.

The chains have different channels for receiving customer feedback, and at the Group-level feedback can be given through the kesko.fi pages. All contacts received via the feedback channels are responded to, and Kesko follows a two hour rule in answering inquiries from the media.

The views and expertise of environmental organisations have been used in the preparation of stands and statements on prod-

uct selections and purchasing criteria. They are discussed in more detail on page 74.

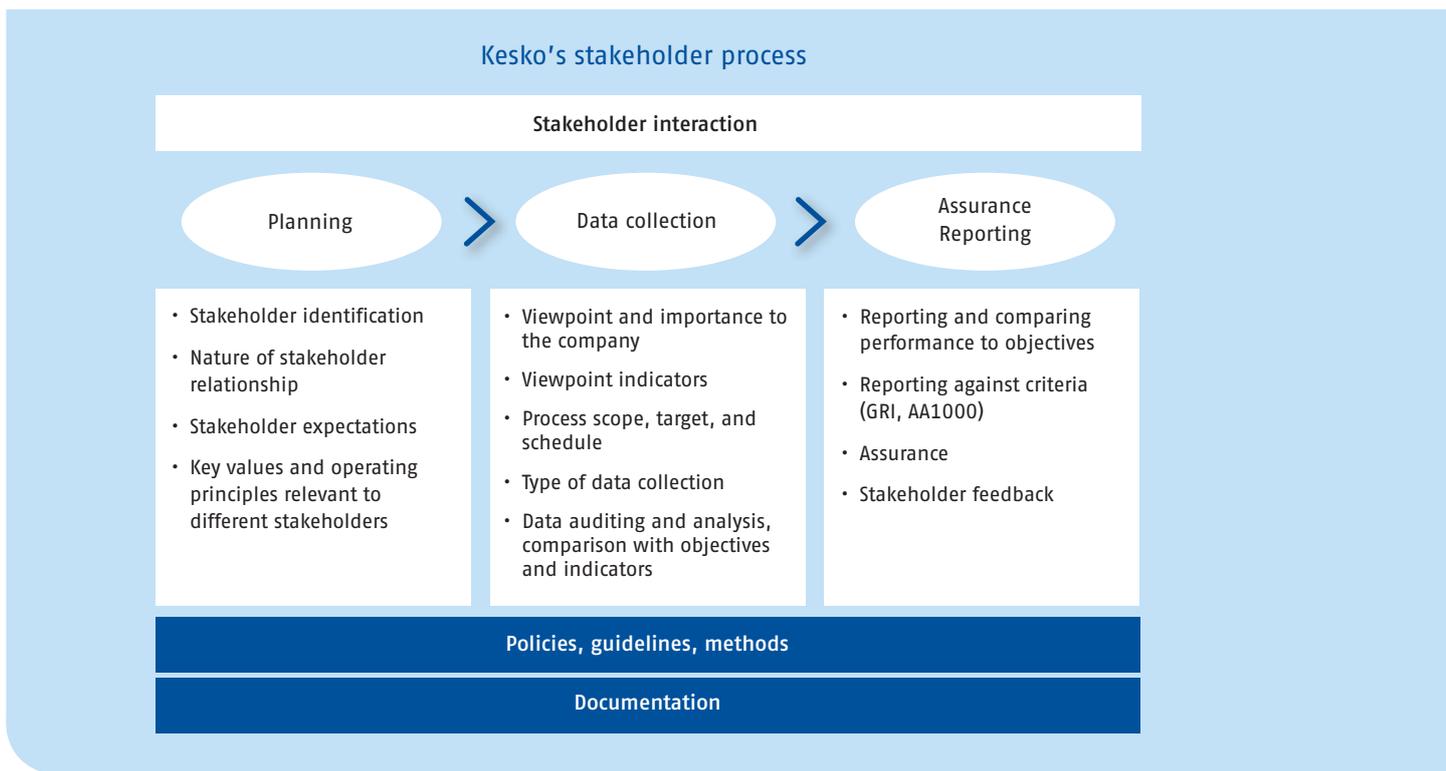
The personnel's opinions are monitored in a personnel survey, discussed on pages 43-45. The opinions of potential employees about the attractiveness of different employers are surveyed. Read more on pages 45 and 52.

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 of the Rights of the Child, the ILO convention on the Fundamental Rights and Principles at Work, the OECD Guidelines for Multinational Corporations, the ICC Business Charter for Sustainable Development and principles against corruption and bribery, the UN Global Compact principles, and the purchasing principles of the Business Social Compliance Initiative (BSCI). The Board of K-Retailers' Association has recommended that Kesko's principles be also followed by K-stores. The 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 supervisors are responsible for presenting the contents of the guide to their subordinates and to take care that its principles are observed in their units. Based on the 2009 personnel survey results, 74% of the Group's employees in Finland and 69% of all employees had read the guide.



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.

Kesko's vision outlined below has been drawn up by key stakeholder group. Kesko's Corporate Management Board reviews the vision approximately every two years.

Drivers of corporate responsibility

Responsible operation is important for Kesko for several reasons:

- responsibility is part of competitiveness, it is a tool in the competition for investors, personnel and customers
- in addition to financial indicators, stakeholder groups evaluate the company's operations in terms of other indicators as well
- responsibility is about better leadership aimed at a good working community, and at environmental efficiency contributing to cost-efficiency
- good performance in environmental and social responsibility improve financial results
- respectively, good financial results enable environmental and social responsibility to be developed further
- responsibility improves the corporate image, if the company is seen as a forerunner
- responsibility is about managing reputation risks, which ensures a steady development in sales, profitability and share value.

Shareholders/investors

Kesko's general principles for corporate responsibility state that good financial performance must be achieved in a responsible way. Kesko wants to be included in significant sustainability indexes recognised as impartial indicators of responsible operations. Inclusion in such indexes reinforces existing shareholders' views of Kesko and facilitates the decision-making of investors who value responsible corporate behaviour. High scorings also give us confidence that our responsibility work is correctly focused and our performance is world-class within the retail sector.

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. Kesko's reputation as a responsible company benefits the company in its recruitment both in Finland and the neighbouring areas. This will be further highlighted in the coming years as the baby-boomer generation retires.

Suppliers of goods and services

Diverse networks with product and service suppliers and with K-retailers means that all the parties involved accept common values, objectives and working principles. 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 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 high-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. Kesko is in a good position to offer alternatives for sustainable consumption and balanced diet and to educate consumers on these issues. We believe that product safety, reliability, and ethics will gradually rival price in communications and marketing. Researchers, non-governmental organisations, and the media pay increasing attention to shortcomings in the supply chain, and help consumers to distinguish between responsible and irresponsible trade

Cooperation with the authorities and organisations

Kesko is actively monitoring and anticipating changes in society in close cooperation with its stakeholders. This is important for preparing ourselves for emerging issues and maintaining a forerunner position. We maintain continuous contacts and open dialogue with non-governmental organisations, the authorities, and other decision-makers. Our specialists participate in a wide range of national and international organisations in their own sectors and in business life in general.

Responsibility organisation in Kesko

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, and the rules and guidelines of NASDAQ OMX Helsinki Ltd. Kesko complies with the Finnish Corporate Governance Code. 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.

Kesko's Board of Directors has seven members, one of whom is female. All of Kesko's Board members are non-executive directors. They are also independent of the company's significant shareholders, and their majority is also independent of the company. A minority of three Board members are K-retailers, and the company each of them controls has a chain agreement with a Kesko Group company.

The Board of Directors regularly assesses its operations and working practices and carries out a related self-assessment once a year. In 2009, the Board of Directors met ten times. The members' attendance rates are presented in Kesko's 2009 Annual Report, on page 57.

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' preparations. In 2009, the Audit Committee met five times and the Remuneration Committee three times. Further information on the Committees' work is available in Kesko's 2009 Annual Report (pages 57–58) and at www.kesko.fi/investors.

The Board of Directors has not appointed any of its members to concentrate especially on corporate responsibility matters, and the Board members' fees are not related to corporate responsibility performance. The fees are presented in Kesko's Annual Report (page 59) 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 duties of the Board are listed in the Annual Report (page 56) and at www.kesko.fi/investors.

The Kesko Group has a Corporate Management Board, the Chair of which is 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 dealing with Group-wide development projects

Corporate responsibility in Kesko is integrated in normal, day-to-day work. The line organisation 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 development, coordination and reporting.

and Group-level policies and practices. In addition, the Corporate Management Board deals with 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, and corporate communications and responsibility. Two of the members are female.

The Corporate Management Board also participates in the preparation of matters discussed by Kesko's Board of Directors, and takes a stand on matters brought out by the Corporate Responsibility Advisory Board. The Corporate Management Board meets 8–10 times a year.

Corporate responsibility steering groups

Risk Management Steering Group

Kesko's risk management is proactive and an integral part of management and day-to-day activities. Each division has appointed a responsible person, usually the finance director, to be responsible for coordinating risk management, safety and security, and for providing guidelines for the respective division and reporting on risk management responses.

Kesko has a Group-level Corporate Risk Management Steering Group, which is chaired by the President and CEO, and consists of the representatives of the management of the various divisions and Group units. The steering group discusses risk

management and safety and security procedures and key policy definitions, and assesses and monitors the Group's risks and safety situation, and the implementation of risk management responses.

Kesko's Board of Directors discusses the most significant risks and the responses required to control them, as well as assesses the efficiency of risk management. Significant risks and uncertainties, as well as changes in and responses to them, are reported to the Audit Committee of Kesko Corporation's Board when each interim report is discussed.

Internal Audit annually assesses the efficiency of the Group's risk management and reports on it to the Audit Committee.

In 2009, the Risk Management Unit conducted a Group-wide responsibility risk inquiry addressed to the key responsibility people in the divisions and the Group. Based on the results, two responsibility related issues were included in the Group's risk list, namely poor responsibility work management at the store level, and responsibility issues in purchasing and sourcing. This is discussed in more detail at 'Impacts, risks and opportunities', on page 12.

Corporate Responsibility Advisory Board

The Corporate Responsibility Advisory Board comprises five members representing the management of Kesko's divisions and the Group management. The Advisory Board's duty is to develop the principles that guide the Group's corporate responsibility, and to steer and coordinate their practical implementation. The most important steering tool is Kesko's responsibility programme 2008–2012. Its progress is monitored by the Advisory Board on a regular basis and its objectives are specified as necessary. The Board is chaired by Senior Vice President for Corporate Communications and Responsibility, and it met three times in 2009. The emphasis was on preparing a responsibility communications plan and participating in the Group's brand and marketing strategy work.

Kesko Food's Responsibility Steering Group

In addition, Kesko Food, the biggest division parent company, has established a responsibility steering group of its own, chaired by the Vice President for Logistics and Finance. The steering group's special focus was on defining Kesko Food's responsibility targets for 2008–2012. In 2009, the group met eight times.

Environmental Steering Group

In 2009, the Group's Environmental Steering Group comprised the Group's Assistant Vice President for Corporate Responsibility, division parent companies' environmental managers and specialists and, as necessary, representatives of real estate maintenance, personnel and product safety. The Steering Group's purpose is to develop the Group's environmental management based on the objectives set by the Corporate Advisory Board, to promote the sharing of best practices among units, and to keep up with changes in environmental and chemical legislation. The Environmental Steering Group met two times in 2009.

Steering Group for Responsible Purchasing

The Steering Group for Responsible Purchasing established in 2007 consists of representatives from the division parent companies. In 2009, the Steering Group met four times addressing the risk classification and monitoring of suppliers, and the introduction of the database of suppliers in high-risk countries.

Corporate Communications and Responsibility

The development and coordination of corporate responsibility at Group level is the responsibility of the Corporate Responsibility Team. The team is organised under the Corporate Communications and Responsibility Unit, headed by the Senior Vice President for Corporate Communications and Responsibility, reporting directly to the President and CEO.

The members of the Corporate Responsibility Team have corporate responsibility indicators included in their performance bonus system. Some responsibility indicators are also included in other units' bonus systems, covering areas such as job satisfaction, customer satisfaction, and recycling performance.

Case

Street chalk art at the Night of the Arts



The Roihuvuori district of Helsinki organised a local happening at the Night of the Arts event on Friday 21 August 2009. Throughout the morning, daycare and school-age children made chalk drawings on the street covering the roughly one-kilometre distance between Roihuvuori library and the old people's home. Porolahti

school's art class 9B was one of the classes making the colourful drawings.

The Night of the Arts was part of the Helsinki Festival, the biggest arts festival in Finland, which had nearly 288,000 visitors in 2009. During the Night of the Arts itself, there were more than 100,000 people moving around in the centre of Helsinki.

Kesko Corporation donated 2,000 Color&Co street chalks for the event. The chalks were also sold in buckets of 15 in K-citymarkets throughout the summer. The event is well in line with Kesko's policy of participating primarily in such sponsorship projects that are associated with the everyday life of families with children, improving the quality of living and sustainable development.

Tanja used street chalks for the first time

The budding artists made their contribution in the morning with their street drawings extending over almost one kilometre. One of the groups taking part was class 9B from Porolahti school lead by teacher Leena Ahtola:

"This is an art class, so the pupils were at once excited about street drawing. Pupils from other local schools, at least from Roihuvuori school and Itä-Helsinki music school, will be joining us."

Tanja, from 9B, (pictured) added a colourful landscape with a rainbow in less than no time:

"Street drawing is quite nice. I had never tried street chalks before today."



Customer feedback contributes to development

Kesko Food's Consumer Service employs three consumer advisors who give customers advice and replies to their feedback by phone, email or letter. The unit received 20,999 items of customer feedback in 2009.

"We want to hear and find out what consumers think about our products, as feedback helps us develop," says Consumer Advisor Heta Rautpalo.

Customers give Kesko Food valuable information on successes and failures. Besides product complaints, inquiries and ideas, the feedback also contains many 'thanks' every week.

"We often receive thanks for individual products or packages. The Pirkka product range as a whole is popular among customers. Much praised products include Pirkka Karelian pasties, Pirkka Caesar salad or its dressing, Pirkka rye nut yoghurt and various Pirkka cut flowers."

The Consumer Service cooperates with the Allergy and Asthma Association of Helsinki, the Finnish Coeliac Society and Weight Watchers.

Those with allergies receive information on Pirkka products' ingredients while coeliac patients get information on new gluten-free products on the web sites of their respective associations. For those who are monitoring their weight, the nutrient contents of Pirkka products are found in Weight Watchers' guidebooks.

"We are trained home economists, which is really useful when discussing product ingredients and cooking with different customers."



Heta Rautpalo is one of Kesko Food's consumer advisors.

"It's great to help people suffering from allergies find products suitable for them from our selections. In June 2009, we received thanks from an atopic customer who had managed to reduce her eczema and itching with Pirkka After Sun emulsion better than with any other lotion," says Heta Rautpalo.

Case

Visually impaired taken into account on K-citymarket's revised website

There are some 80,000 visually impaired people in Finland; 10,000 of them are blind and the rest are partially sighted in different ways.

As the average age of the population keeps growing, so does the number of visually impaired people and they are one of the groups who can clearly benefit from the increasing number of web services.

The visually impaired often need different auxiliary devices when accessing data networks. The partially sighted can use the programme that enlarges the information on screen. Blind people can read the information contained from a Braille screen with their fingertips. They can also use a screen-reading programme and a speech synthesizer. The screen-reading programme reads the text information and the speech synthesizer converts it into voice that can be listened through loudspeakers or earphones.

The Finnish Federation of the Visually Impaired (FFVI) helps the producers of web pages and services take the visually impaired into account in their design. FFVI's web site of www.nkl.fi provides instructions on how to make pages easy-to-use and obstruction-free and test this during the design stage.

K-citymarket started sending email offers to their customers in spring 2009. When they were designed, a decision was made to present the pictures, prices and texts in separate fields, and the price and product information in text format. It was not long before K-citymarket's electronic customer feedback system received the first thank-you message:

"For me, this presents real progress. I'm blind and cannot read paper advertising. Current computers convert text into speech and now I get all the information without bothering sales people. The pages

are implemented fine, the links work and new information adds advance planning to my shopping. Thousands of thanks on behalf of all visually impaired people!"

K-citymarket's web pages www.k-citymarket.fi

were revised in autumn 2009 and the experiences gained from and feedback received on email offers were taken into account in planning.

"We want to serve our visually impaired customers as well as possible on our website, too, and took this into account from the very beginning. We use text and number fields so that the customers can, with the help of their special devices, convert the content into speech," says Antti Kallio, Sales Manager for K-citymarket, who was responsible for the web project.

FFVI encourages businesses to take visually impaired customers into account.

"It's good that website designers are aware of and know how to pay attention to unobstructed access in the technical implementation of the pages. Visually impaired people need as much information as possible on products in words – not pictures alone," says Teuvo Heikkonen, FFVI's Director of accessible information services.



Practical instruction and ideas for teachers

A group of teachers participated in the one-week working life training, organised by the K-instituutti training centre, in February 2009. During the week, participants learned about the operations of Kesko's different divisions and had the chance to attend practical training.

Working life training, which is very popular among teachers, was now arranged in K-instituutti for the tenth time. Originally, training



Teachers Outi Laitinen, Seija Kouvo and Maarit Lehtonen familiarised themselves with practical work in Kodin Ykkönen in Kaisaniemi, Helsinki.

was provided for business college teachers, but over the years it has expanded to encompass teachers of upper secondary vocational institutions and polytechnics of all fields.

Good blend of theory and practice

Maarit Lehtonen, who teaches entrepreneurship at the Vocational School of Southern Karelia, said that the week exceeded her expectations. Practical training in the Kodin Ykkönen department store in Kaisaniemi made a nice change and complemented the programme. What came as a surprise to her was the diversity of the shop assistant's work with home and speciality goods.

"I can highly recommend this training for those teaching vocational subjects to service sector students, for example. I believe I will myself include some special features of retailer entrepreneurship in my lessons."

Seija Kouvo, a teacher of logistics and financial administration at the Vocational School of Southern Karelia, wanted to update her knowledge on retailing practices and familiarise herself with store operations. The one-week period gave her plenty of ideas she will make good use of in her work.

"All opportunities of opening a window into students' likely future jobs are valuable for teachers – after all, it's practical work we are teaching them!"

Carrotmob challenged K-markets to increase their energy efficiency

During the energy saving weeks in October 2009, Carrotmob Finland organised events in two K-food stores: K-market Kotikontu in Helsinki and K-market Tullintori in Tampere.

Carrotmob is a consumer movement which wants to contribute to slowing down climate change with the help of shoppers flocking into businesses. The movement has its origins in the United States.

The target was to challenge food stores for energy saving actions by creating a positive rush of shoppers. Both of the stores selected for the event were K-food stores: the retailers were willing to invest every euro generated from extra sales in improving their stores' energy efficiency.

In cooperation with Carrotmob, K-market Tullintori decided to set up an event focusing on food with less impact on the environment.

"In the energy audit, K-market Tullintori's energy efficiency was found to be at such a good level that it was sensible to postpone investments," says retailer Ville Pirtinaho.

"As we had no need to replace store refrigeration equipment and as people's diet plays a major role in their total carbon footprint, we wanted to tell our customers how to reduce the footprint through their own choices – easily and without compromising taste," he explains.

Like Tullintori, K-market Kotikontu does not need to change its equipment; however, it aims to enhance energy efficiency in other ways.

"Our equipment is energy-efficient – our chest freezers, for example, are already fitted with lids. With the help of our cooperation partners we have made plans on how to further increase energy-efficiency by directing lighting and making use of the cooling equipment's excess flows," says Jiri Tynkkynen, retailer of K-market Kotikontu.

Carrotmob people were pleased to see how actively K-food stores and customers participated in the event.

"Activities involving retail stores have been asked from us from the very beginning," says Ilkka Hannula from Carrotmob Helsinki.

"Shopping behaviour is an easy way for consumers to show that they are prepared to reward businesses which are ready to focus on saving energy, for example. It's great that store events met the targets set and took concrete actions."



Jiri Tynkkynen, retailer of K-market Kotikontu, promises to further increase the energy efficiency of his store.



Responsibility also means
profitability

Key issues in economic responsibility

- Economic performance from the stakeholder perspective
- Job creation
- Prevention of corruption and bribery
- Customers' privacy protection
- Political relations

09

Economic responsibility

Key economic performance in 2009

- + Kesko was included in the Dow Jones sustainability indexes DJSI World and DJSI STOXX for the seventh time in succession
- + Kesko was included in the FTSE4Good Index Series for the first time
- + Kesko was again included in the list of 'The Global 100 Most Sustainable Corporations' published by the World Economic Forum
- + Kesko's operating profit excluding non-recurring items was positive, but lower than in the previous year. The deterioration of the general economic situation especially affected the demand in Kesko's building and home improvement trade, and the car and machinery trade.
- + The price of the Kesko B share increased by 30% and Kesko's market capitalisation by 22% during the year
- + The K-food store network, with 1,030 K-stores in 311 municipalities, was the most comprehensive in Finland
- + 51% of the Finnish population lived less than a kilometre away from a K-food store
- + The K-Plussa customer loyalty system gained more than 190,000 new customers
- + The charity campaigns in which we raised money jointly with K-store customers (Happy Christmas Spirit collection, Give Children a Life campaign, Pampers/UNICEF campaign) produced record results
- Kesko's investments represented 2.3% of net sales compared to 3.5% in the previous year
- The number of personnel (converted into full-time employees) decreased by 530 on average in Finland and by 1,613 in the other operating countries
- The total amount of goods purchased dropped by 14.2%, purchases in Finland by 8.7%, and purchases from countries outside Kesko's operating area by 26.7%
- The economic benefit generated by Kesko decreased by 41.8% in the Baltic countries
- The Market Court imposed a penalty on Kesko and the K-Food Retailers' Club for setting maximum prices during 1997-2000

Principles of Kesko's 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 stakeholder groups. 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.

Most indicators of economic responsibility can be derived from the consolidated financial statements, the preparation and disclosure of which are based on the IFRS standards. They also include information derived from accounting which is not analysed in the financial statements.

In addition to the indicators in compliance with GRI recommendation, Kesko also reports on developments in its store network and the breakdown of economic benefits between various stakeholder groups in the economic performance section. The information on the geographic coverage of the operations, neighbourhood stores' sales percentage or ratios between domestic production and imports contained in the statistics does not contain target definitions. In a market econo-

my, these trends depend on consumers' wishes and behaviour – issues that Kesko must adapt to and anticipate. Kesko also considers that openly presenting this kind of structural development is part of economic responsibility.

Kesko's economic responsibility performance broken down by its most important stakeholder groups is presented in the chapters that follow.

Dividend policy

On 4 February 2009, Kesko Corporation's Board of Directors decided to revise Kesko's dividend policy it had announced on 6 April 2005. In addition to the financial position and the operating strategy, the new policy takes account of the nature of non-recurring items. According to the revised 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 2009, Kesko distributed €1.00 per share, or some €97.9 million in aggregate, as dividends from its 2008 net profit. A decision has been made to distribute €0.90 per share, or some €88.5 million in aggregate, from the 2009 net profit, which is

Kesko shares and shareholders

Basic information on shares and shareholders at 31.12.

	2007	2008	2009
Number of shares (1,000 pcs)	97,767.8	97,824.9	98,321.5
Share capital (€ million)	196	196	197
A shares of all shares (%)	32	32	32
B shares of all shares (%)	68	68	68
Votes carried by A shares (% of all votes)*	83	83	83
Votes carried by B shares (% of all votes)*	17	17	17
Market capitalisation, A shares (€ million)	1,201	698	749
Market capitalisation, B shares (€ million)	2,491	1,176	1,537
Number of shareholders	28,925	38,080	38,888
Earnings per share, diluted (€)	2.90	2.24	1.27
Dividend per share (€)	1.60	1.00	0.90

*A share, votes per share: 10 votes; B share, votes per share: 1 vote

Basic information on shares at 31.12.2009

- The number of foreign shareholders remained unchanged at 30% of B shares, 20% of all shares and 5% of votes
- The largest foreign shareholders are from the United States, Great Britain, Germany, Sweden and Norway (source: ThomsonReuters)
- During the year, the price of a Kesko B share increased by 30% and that of a Kesko A share by 7%
- NASDAQ OMX Helsinki All-share index increased by 19.5%

10 largest shareholders by number of shares (A and B series) at 31.12.2009

	% of shares	% of votes
Kesko Pension Fund	4.51	9.22
K-Retailers' Association	3.46	8.76
Vähittäiskaupan Takaus Oy	3.04	6.94
Ilmarinen Mutual Pension Insurance Company	1.97	1.02
Valluga-sijoitus Oy	1.36	3.49
Varma Mutual Pension Insurance Company	1.23	0.32
Tapiola Mutual Pension Insurance Company	1.04	0.27
Oy The English Tearoom Ab	1.03	0.26
Foundation for Vocational Training in the Retail Trade	0.95	2.08
State Pension Fund	0.86	0.22
Total	19.45	32.58

More detailed information on Kesko's shareholders and shares is available in Kesko's 2009 Annual Report and at www.kesko.fi/investors/share information.

70.5% of the earnings per share and 126.8% of the earnings per share excluding non-recurring items. In the five previous years, the distributed dividends have represented an average of 83.4% of the earnings per share excluding non-recurring items.

Investor communications

Kesko's investor communications continuously provide accurate and up-to-date information for the markets to serve as a basis for Kesko Corporation's share price formation. The aim is to make Kesko's activities better known and to increase the transparency of investor information and, thereby Kesko's attractiveness as an investment. Kesko follows the principle of impartiality and publishes all investor information on its website at www.kesko.fi in Finnish and English. The financial statements release, three interim reports and an online version of the Annual Report are available at www.kesko.fi. Kesko also publishes a printed Annual Report in Finnish and English. The company maintains an Annual Report mailing list. Those who wish to be included on the mailing list may fill in the form at www.kesko.fi/media. Kesko's stock exchange and press releases sent by e-mail can also be ordered from the same website.

Kesko arranges press conferences for analysts and the media at the time of publishing financial statements or other significant news, and holds Capital Market Days for analysts and institutional investors on various themes once or twice a year.

Kesko observes a two-week period of silence before publishing information on its results. At other times, analyst and investor inquiries are answered by phone or e-mail, or by arranging investor meetings.

Kesko in sustainability indexes

For several years, Kesko has been included in the 'Global 100 Most Sustainable Corporations' list and in the most important sustainability indexes. These listings provide analysts and investors reliable, impartial information on Kesko's performance measured by sustainability indicators. Kesko's current listings are presented on page 26.

Customers

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 has about 2,000 stores engaged in chain operations in the Nordic and Baltic countries, Russia and Belarus.

In Finland, Kesko provides services in nearly every municipality. The K-Group's food stores have about 900,000 customers every day, and about two million Finnish families have the K-Group's customer loyalty card K-Plussa. Kesko also has a great number of B2B customers.

Outside Finland, Kesko engages in the building and home improvement trade, and the machinery trade.

Investments and store network

In 2009, Kesko's investments were €198 million, or 2.3% of the net sales (3.5% in 2008). Investments in Finland were €128 million and in other countries €70 million. Store site investments – service network development – were €161 million. In addition to Kesko, K-retailers and real estate investors annually invest in the building and reconstruction of stores used by the K-Group. Including these investments, the total investments in Finland were some €327 million in 2009.

Kesko's investments have a positive financial impact on the operations of building firms, building sector service companies, and suppliers of fixtures, equipment and information systems. Investments in Finland are included in the table 'Distribution of economic benefits by region' on page 32.

Kesko has an extensive store network both in Finland and its other operating countries. The number of stores in different countries is given in the table on page 27.

The K-food concepts cater for various consumer needs from daily local services to large stores which also carry a wide range of clothing and other home and speciality goods. Kesko Food actively develops the K-food store network by investing in stores of all sizes. The constant development of the network is required to meet the needs of ageing stores, expanding selections, new service needs and migration.

The K-food network is the most comprehensive in Finland. At the end of 2009, there were 1,030 K-food stores, which is 25 less than in the previous year. During the year, 24 new K-food stores were opened and several others were renovated or extended. The store network covered 89% of Finland's 348 municipalities, in other words 311. 51% of the Finnish population lived less than a kilometre away from a K-food store.

The grocery sales of large retail stores, namely K-citymarket hypermarkets, accounted for 28.9% (26.7%) of the K-food stores' sales. There were 676 neighbourhood stores (K-market and K-extra).

The total number of other K-Group stores in Finland was 720. There were five more Rautia stores than in 2008. The other changes in the K-store chains were insignificant.

97 new K-retailers started their careers in 2009.

Customer loyalty system

The K-Plussa customer loyalty system, operated by the K-store chains and K-Plussa partners, is managed by a Kesko subsidiary, K-Plus Oy. The system is limited to operations in Finland. During the year, the system gained 190,000 new loyal customers. At the end of 2009, there were approximately 3.6 million K-Plussa cards in slightly more than two million households.

The K-Plussa network includes all K-Group stores and a great number of cooperation partners, 3,500 outlets in all. Kesko awards monthly points to K-Plussa cardholders for their purchases. A customer is sent a €5 voucher for every 1,000

Performance indicators

		2007	2008	2009
Net sales*	€ million	9,287	9,591	8,447
Gross profit*	%	14.3	13.5	13.6
Operating profit				
excl. non-recurring items*	€ million	315	217	155
Profit before tax*	€ million	358	289	217
Profit before tax as % of net sales*	%	3.9	3.0	2.6
Return on capital employed	%	16.3	15.2	11.0
Equity ratio	%	48.5	52.4	54.1
Gearing	%	14.0	2.3	-12.5
Investments*	€ million	228	338	198
Investments as % of net sales*	%	2.5	3.5	2.3

*continuing operations

Kesko in sustainability indexes

Kesko has been included in the most important sustainability indexes for several years and has been ranked among the world's most sustainable companies both in the trading sector and all-sector comparisons. Impartial specialist assessments are important not only for investors interested in Kesko, but also for Kesko itself with a view to the continuous development of its operations.

Dow Jones Sustainability Index

Kesko has been included in the Dow Jones sustainability indexes for seven years in succession. As in the previous year, Kesko was chosen for the list in both of the indexes, DJSI World and DJSI STOXX for the period 2009/2010. The DJSI World Index lists 317 companies from 27 countries, and the European index 154 companies from 14 countries. The companies are broken down into broader industry sectors (Supersectors) and more detailed sub-sectors (for example, Food Retailers & Wholesalers). In the Food Retailers & Wholesalers subgroup, five companies were included in the world index and four in the European index. Kesko is the only Nordic trading sector company included in both indexes.

As in previous years, the assessment was carried out by SAM Group of Switzerland and covered all dimensions of corporate responsibility: economic, social and environmental. In the 2009 assessment, Kesko gained the subsector's best score for its innovation management, risk management, standards for suppliers, environmental reporting, operational eco-efficiency, and corporate operating principles for preventing corruption and bribery.

In the Sustainability Yearbook 2010 published by SAM Group, Kesko's responsibility work qualified in the SAM Silver Class in the food and drug retail sector, as in the previous year. No companies in this sector qualified in the gold class. Kesko was also recognised as the 'Sector Mover', a qualification given to the company that has achieved the biggest proportional improvement in its sustainability performance. SAM's assessment included 1,237 companies, the top 15% of each sector qualifying for the Sustainability Yearbook.

FTSE4Good

In March 2009, Kesko was included as a member in the FTSE-4Good Global and FTSE4Good Europe indexes focusing on responsible investment. The assessment was made by the Ethical Investment Research Service (EIRIS), a provider of independent investment research. The FTSE Group, which is owned half and half by the Financial Times and the London Stock Exchange, is one of the world's leading market index producers and operates with investors in 77 countries.

More than 800 companies have been selected for the FTSE-4Good indexes. EIRIS assesses companies in five different areas: environmental responsibility, mitigation of climate change, human rights, supply chain labour standards and countering bribery.

ASPI Eurozone® and Ethibel

The Vigeo Group of France has designed two families of SRI indexes: the ASPI Eurozone® and the Ethibel Sustainability indexes. Kesko is included in both of them.

For the ASPI (Advanced Sustainable Performance Indexes) Eurozone® index, the companies' performances are assessed and rated based on the six Vigeo criteria: human rights, human resources, environment, business behaviour, corporate governance and community involvement. Annually a total of 120 companies are included in the index.

The indexes of Ethibel, Vigeo's Belgian subsidiary, are based on two investment registers: Ethibel Pioneer (250 companies) and Ethibel Excellence (400 companies). From among the companies included in the registers Ethibel compiles, jointly with Standard & Poors, the ESI Europe and ESI Global indexes. Kesko is included in both registers and the European index, for which 195 companies were selected in December 2009.

Other indexes

Several other assessments have been made of Kesko with the purpose of helping investors and financial service providers implement investment strategies in line with sustainable development.

The German oekom research assesses companies based on 200 environmental and social responsibility criteria. The analyses of oekom currently affect around €90 billion in assets under management. In 2009, oekom assigned Kesko a prime grade of C+. This means that Kesko ranks among the world's best companies within the same industry.

Kempen/SNS Smaller Europe SRI Index is an initiative of two Dutch investment companies – Kempen Capital Management and SNS Asset Management – and is mainly designed for companies with a market value of less than €2 billion. Kesko is also one of the 150 companies included in this index.

The Global 100 Most Sustainable Corporations

In January 2010, Kesko was chosen for the sixth time for 'The Global 100 Most Sustainable Corporations' list published by World Economic Forum. Kesko has ranked in the list since it was first launched. The 2010 list, based on the leading indexes, was compiled by the Corporate Knights magazine, with Inflection Point Capital Management, Legg Mason's Global Currents Investment Management and Phoenix Global Advisors LLC as its strategic partners. Eleven indicators of sustainable development were used to evaluate companies. Environmental indicators were used to assess companies' energy and water consumption, waste ratio and carbon dioxide emissions in relation to their net sales. This time the participating companies were also listed in order of superiority – Kesko was placed 33rd.



FTSE4Good



K-Plussa points he/she has collected, or is paid the corresponding amount into his/her bank account. In addition to points, K-Plussa benefits include specially priced offers. The total amount of K-Plussa benefits awarded during the year is not included in the calculations concerning the economic benefit provided by Kesko to its stakeholders, as the benefits are part of product pricing and rewarding loyal K-store customers, and are therefore treated as part of normal competition.

Personnel

The economic responsibility section discusses personnel in terms of the overall trends in the number of jobs and the amounts of salaries paid. The human resources responsibility section discusses Kesko's responsibility in terms of the personnel as such.

Trends in jobs, salaries paid

In 2009, the average number of people employed by the Kesko Group was 19,184 converted into full-time employees. Of them, 10,284 worked in Finland and 8,900 in Kesko's other operating countries. Compared with 2008, there was a decrease of 530 employees in Finland and an aggregate 1,613 employees in other countries. At the end of 2009, the total number of personnel was 22,200 (24,668), of whom 12,959 (13,651) worked in Finland and 9,241 (11,017) in other countries. The breakdown between permanent and fixed-term, and between full-time and part-time employments is discussed in the human resources section.

In Finland, Kesko works in a close cooperation with K-retailers. At year-end Kesko had 1,302 K-retailers as partners and 250 other retailer and dealer partners. K-retailers employed slightly more than 22,000 people in all, including retailers themselves.

The Kesko Group salaries recognised in the income statement totalled €448 million (€497 million in the previous year), of which foreign operations accounted for €116 million (€154 million). Share options recognised as expenses totalled €8 million. K-retailers paid €342 million in salaries. These figures include the K-retailers whose bookkeeping and salaries are handled by Vähittäiskaupan Tilipalvelu VTP Oy, accounting for some 85% of K-retailers' total business volume.

Store network in 2009

Finland

- 1,030 K-food stores
- 31 Anttila department stores
- 10 Kodin Ykkönen department stores
- 69 K-citymarket hypermarkets
- 328 other home and speciality goods stores (sports, interior decoration, home technology and shoe stores)
- 149 K-rauta and Rautia building and home improvement stores*
- 90 K-maatalous agricultural stores*
- 6 car and 2 machinery retail outlets

*in 2009, 52 of the building and home improvement stores also operated as K-maatalous stores

Other Nordic countries

- 133 building and home improvement stores

Baltic countries

- 34 building and home improvement stores
- 9 furniture stores

Russia

- 10 building and home improvement stores

Belarus

- 4 building and home improvement stores



Number of K-food stores in Finnish municipalities

K-food stores	Municipalities			% of all municipalities		
	2007	2008	2009	2007	2008	2009
10 or more	13	18	17	3%	4%	5%
7-9	9	9	8	2%	2%	2%
5-6	24	28	26	6%	7%	7%
3-4	65	56	56	16%	13%	16%
2	86	70	69	21%	17%	20%
1	170	135	135	40%	33%	39%
0	49	99	37	12%	24%	11%
Municipalities total	416	415*	348	100%	100%	100%

*number of municipalities at 31.12.2008; at 1.1.2009 the number was 348

Society

Kesko contributes to financing the social security system and other services by paying income and real estate taxes, pension contributions and social security expenses. Kesko also collects value added taxes, which are not, however, included in the economic benefits generated by Kesko because of their indirect nature.

Taxes and social security expenses

In 2009, the Kesko Group's income taxes were €82 million (€89 million), of which €6 million (€10 million) outside Finland. In Finland, it paid €3.4 million in real estate taxes to 77 municipalities, and €1.1 million in other countries. The income taxes of K-retailers using the services of Vähittäiskaupan Tilipalvelu VTP Oy were €35 million (€35 million). The taxes paid by the K-Group in Finland totalled €114 million.

The Kesko Group's pension costs in 2009 were €40 million (€29 million) and other social security expenses €39 million (€47 million). The pension costs in Finland were €37 million and other social security expenses €20 million. The social security contributions paid by K-retailers were €78 million.

Employee pension and health insurance schemes

In Finland, the Kesko Pension Fund's Department B is responsible for the pension insurance coverage based on the Employees' Pensions Act of the employees of Kesko Corporation, its division parent companies, and some other related parties. Varma Mutual Pension Insurance Company is responsible for the statutory pension contributions of some subsidiaries, based on the Employees' Pensions Act. The Pension Fund also has a Department A providing supplementary benefits, which was closed on 8 May 1998. Employees covered by Department A have access to some retirement benefits not offered on the basis of the Employees' Pensions Act, such as an early retirement pension for production related reasons.

In 2009, the Kesko Pension Fund paid €65.2 million (€61 million in 2008) in pensions to 3,889 people. At the end of the year, the Pension Fund covered 8,837 (8,757) employees of the Kesko Group or related parties, while Department A providing supplementary benefits covered 702 (745) people.

Kesko has decided to transfer the management of the statutory pension provision and the insurance portfolio to Ilmarinen Mutual Pension Insurance Company in two phases,

Kesko's staff cost, € million (continuing operations)

	2007	2008	2009
Salaries and fees	477	497	448
bonuses in Finland	14.1	12.5	5.0
Social security expenses			
pension costs	21	29	40
other social security expenses	46	47	39
Share options granted	2	6	8

Foreign operations accounted for €116 million of total salaries in 2009

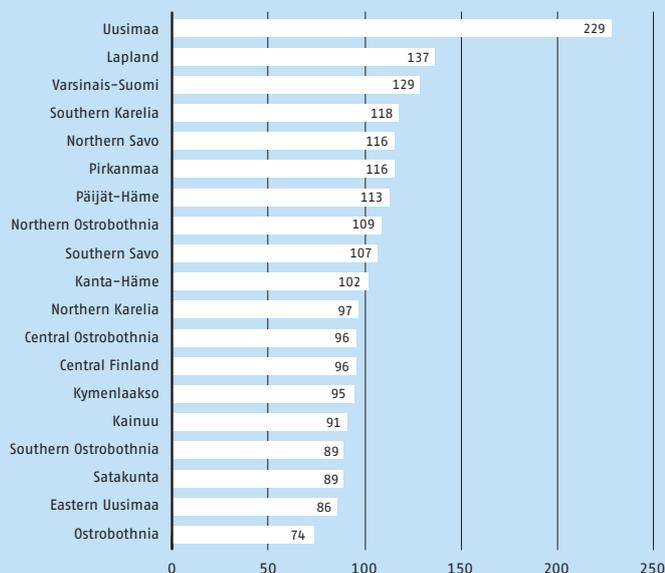
Labour productivity in Kesko, €1,000 (continuing operations)

	2007	2008	2009
Net sales/average number of employees			
Finland	674	706	683
other Nordic countries	494	451	437
Baltic countries	166	150	116
whole Group	453	450	440
Profit before tax/employee	17	14	11

Kesko's taxes, € million (continuing operations)

	2007	2008	2009
Income taxes to Finland	70.7	79.4	76.5
Income taxes to other countries	16.5	10.1	5.9
Real estate taxes to Finland	3.2	3.4	3.4
Real estate taxes to other countries	0.7	1.1	1.1

Salaries and taxes paid in 2009 analysed by region, €/inhabitant*



*Salaries and taxes paid by Kesko and retailers using Vähittäiskaupan Tilipalvelu VTP Oy's services.

starting from 1 June 2010. The change will not have an impact on the level or coverage of the employees' or pensioners' pension provision. The first phase of the transfer will concern some 3,600 people. The second phase will be implemented at the beginning of 2012 at the earliest. The transfer is subject to the approval of the Financial Supervisory Authority and the Finnish Competition Authority. The Kesko Pension Fund will continue to manage the supplementary pension provision (department A).

The Kesko Sickness Fund provides statutory sickness insurance for the employees of the Kesko Group corporations. The Sickness Fund covers some 10,380 people. In 2009, the sickness insurance contributions paid by the Sickness Fund totalled €9.5 million (€9.3 million).

Kesko's subsidiaries in other countries arrange their own pension and health insurance coverage according to local legislation and practices.

Suppliers of goods and services

Most of the economic benefits from Kesko's operations – over 82% of Kesko's net sales – go to suppliers of goods, the pur-

chases from whom valued at €7.0 billion in 2009. Suppliers of services also received a significant part of the economic benefits, but statistics on service purchases cannot be compiled in the same way, which is why they are not as reliable as the cost of sales.

Purchases of goods

In 2009, Kesko had about 29,500 suppliers of goods and services from whom the purchases valued at least €1,000. Of these, some 16,300 operated in Finland, some 9,500 in Kesko's other operating countries, and about 3,700 in the rest of the world.

Kesko's purchases of goods totalled €6,951 million (€8,106 million). The purchases of all Kesko's companies from suppliers operating in Finland were valued at €4,912 million (€5,382), accounting for 70.7% (66.4%) of the Group's total purchases. The Group's purchases from suppliers in the Group's other operating countries were €1,077 million (€1,410 million), or 15.5% (17.4%), with suppliers outside Kesko's operating area accounting for €963 million (€1,314 million), or 13.9% (16.2%). The total amount of purchases decreased by 14.2% and purchases from Finland by 8.7%, which means that the proportion of Finnish

Kesko's purchases by country in 2009, € million

	Suppliers in the operating country*	Purchases from suppliers**		Suppliers in other countries*	Purchases from suppliers**	
	number	€ million	%	number	€ million	%
Finland	15,982	4,894	83.1	2,742	993	16.9
Sweden	987	114	86.0	86	19	14.0
Norway	1,431	419	97.5	90	11	2.5
Estonia	2,248	50	61.9	361	31	38.1
Latvia	1,551	69	60.9	254	45	39.1
Lithuania	794	44	30.5	1,216	101	69.5
Russia	705	125	99.5	5	1	0.5
Belarus	819	16	45.5	184	19	54.5
Total	24,517	5,732	82.5	4,938	1,219	17.5

*suppliers of goods and services

**suppliers of goods

Kesko's purchases by company's and supplier's country of origin in 2009, € million

Company's country of origin	Supplier's country of origin									Total
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus	Other countries	
Finland	4,894	141	8	28	1	3	0	0	813	5,887
Sweden	4	114	4	0	0	0	0	0	11	133
Norway	1	3	419	0	0	0	0	0	7	429
Estonia	7	2	0	50	2	1	0	0	19	81
Latvia	3	1	0	4	69	12	0	0	25	114
Lithuania	2	0	0	5	11	44	2	1	81	145
Russia	0	0	0	0	0	0	125	0	0	126
Belarus	1	0	0	0	0	1	10	16	7	36
Total	4,912	261	430	87	83	62	137	17	963	6,951

Examples of domestic content of Pirkka products

Sales of domestic Pirkka products of all Pirkka products by category, %



Milk products	100.0%
Soft drinks	100.0%
Fresh and frozen meat	97.5%
Soft tissues	96.6%
Prepared foods	96.6%
Processed meat	84.7%
Vegetables and root crops	58.1%
Fish	57.5%
Detergents and cleaning agents	40.0%
Confectionery	38.8%
Cheese	35.6%
Yoghurts, puddings, etc.	29.3%
Frozen foods	21.2%
Canned foods	19.3%
Fruits and berries	2.9%

Domestic products account for 54.7% of the total Pirkka sales

Domestic products account for 46.9% of the total Pirkka range

suppliers increased. Purchases from countries outside Kesko's operating area decreased by 26.7%.

The ten largest suppliers accounted for 22.9% (21.3%) of the Group's purchases of goods, and the 100 largest suppliers for 52.8% (49.1%). Of the ten largest suppliers, six were Finnish food manufacturers, one importing company operating in Finland, one Finnish IT wholesaler and two German car manufacturers.

The purchases of goods by the Kesko Group's Finnish companies totalled €5,887 million. Of these, 83.1% were from suppliers operating in Finland and 16.9% from other countries. Some of the suppliers operating in Finland were import companies, the purchases from whom accounted for 21% of all purchases from Finland, according to a 2007 calculation. Assuming that the proportion remained unchanged, the purchases from import companies operating in Finland were about €1,028 million (€1,125 million). The purchases of Kesko's Finnish companies from outside Finland totalled €993 million. Imports accounted for some €2,021 million, or about 34.3% of the purchases of the Group's Finnish companies. Some €3,866 million, or about 65.7%, is attributable to Finnish production, compared to about 64.7% in 2008. These figures should only be considered as indicative, as statistics were available for companies and not for products.

The numbers of suppliers of goods and services, and purchases from suppliers were analysed by Kesko's operating country as presented in the table on page 29. The proportion of domestic suppliers in, for example, Norway and Russia is very high, because Kesko's local subsidiaries are not engaged in own import. Instead, they buy products of foreign origin from import companies. As the proportions of import companies have not been estimated in other countries than Finland, and domestic purchases include the purchases from import

Breakdown of economic benefits from Kesko's operations by market area, € million (continuing operations)

	Purchases	Investments	Salaries and share options granted	Pension and social security expenses and taxes	Total
Finland	4,912	128	340	137	5,516
Other Nordic countries	691	17	46	13	768
Baltic countries	232	8	51	9	299
Russia	137	42	15	3	198
Other countries	980	3	4	3	991

Breakdown of economic benefits from Kesko's operations by stakeholder group, € million (continuing operations)

	2007	2008	2009
Suppliers of goods			
Finland** ***	5,223	5,382	4,912
Other countries*, **	2,868	2,724	2,040
Suppliers of capital goods and acquisitions	228	338	198
Personnel (salaries and other benefits)	477	497	448
Shareholders (dividends)	146	156	98
Tax authorities (income and real estate taxes)	91	94	87
Social security (pension and social security expenses)	67	76	79

*2007 figures include other countries' purchases from Finland

**2007 figures also include Kauko-Telko and Tähti Optikko

***2007 figures include only Finnish companies' purchases from Finnish suppliers
2008-2009 figures include all companies' purchases from Finnish suppliers

companies, the actual proportion of domestic production in all countries is smaller than the table suggests.

Own brand products

At year-end, Kesko had 1,826 own brand Pirkka products. In terms of quantities, 46.9% (45.6%) of them were manufactured in Finland, accounting for 54.7% (58.5%) of the total value of sales. The table on page 30 gives some examples of the proportion of Finnish products in different Pirkka product categories.

Kesko Food had 404 (321) Euroshopper products purchased through the European AMS alliance in its selections. Among these, products manufactured in Finland accounted for 29.3% (28.2%) of the sales. In addition to Kesko, AMS members include, for example, Ahold, Dansk Supermarked, ICA, Migros and Système U.

Support for the public good

Kesko and its subsidiaries support a variety of organisations and institutions working for the public good in Finland and the Group's other operating countries. In many cases, the support is based on interactive cooperation, in which Kesko is not only a sponsor, but also an active player.

In accordance with its sponsorship and donation principles, Kesko directs its support primarily to initiatives benefiting the everyday lives of families with children. For example Kesko's cooperation with the Young Finland Association has continued for over a decade. Supporting socially responsible activities and sustainable development in Kesko's operating environment is also important. Drawing a line between donations, sponsorship and marketing is often difficult. When pure marketing measures are left out of the calculations, the financial support provided by the Kesko Group for the public good in 2009 was €1.5 million.

In spring 2009, Kesko's Board of Directors distributed €141,000 in scholarships and donations granted by the Annual General Meeting. Among the donation recipients were the Finnish Children and Youth Foundation (FCYF) and the Finnish Association for Mental Health. The nationwide project run by the Finnish Association for Mental Health will train 700 health education teachers to integrate information and skills on mental wellbeing in secondary school teaching by 2011. Read more on page 37. Kesko made a donation to UNICEF for ensuring children's education in Vietnam as a follow-up to the three-year cooperation project concentrating on the promotion of suppliers' responsible working conditions. Kesko has supported WWF's programme to protect the Baltic Sea since 2004. In 2009, the particular focus of the protection activities is on the reduction of eutrophication caused by agriculture. For the 22nd time, Kesko awarded scholarships to talented young athletes and students of fine arts universities and polytechnics who had been particularly successful in their studies. In addition, Kesko awards the best theses of polytechnics in the Thesis contest.

Kesko and K-retailers have participated in organising fund raising campaigns among K-store customers. The Happy Christmas Spirit collection, organised jointly for the 13th time by Kesko, the Mannerheim League for Child Welfare, the Finnish Red Cross, the Finnish Broadcasting Company's YLE Radio Suomi and Channel 1 Morning TV, raised €950,000, which was a new record. K-food stores' and Chiquita's 'Give Children a Life' campaign raised €138,000 for purchasing intensive care equipment for premature babies in the university hospitals in

Helsinki, Turku, Tampere, Kuopio and Oulu. Procter&Gamble's and K-food stores' Pampers campaign raised funds for UNICEF to provide vaccine for the protection of newborn babies against tetanus. K-retailers complemented the campaign by donating funds for nearly 600,000 further inoculations.

The subsidiaries outside Finland accounted for 7.8% of the total financial support. Included in the amount are Byggmakker's donation of some €44,000 to sports in Norway, and its donation, jointly with the personnel, of some €57,000 to the 'Save the Children' foundation. Read more on page 34.

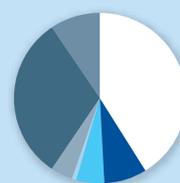
Breakdown of economic benefits by stakeholder group

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 the state. The table on page 30 shows how these benefits are divided by stakeholder group and market area. The determination of the share of finance providers involves amortisation, measurement, foreign exchange rate and other aspects, and is not included in these calculations. Ample information on financing is provided in Kesko's financial statements.

Suppliers clearly gain the most benefits generated by Kesko, over 82% of Kesko's net sales. During the last three years, the aggregate amount of taxes and social security contributions has remained roughly the same, whereas the benefits gained by all other stakeholder groups has varied due to market situation. With respect to market areas, the smallest decrease in benefits was recorded in Finland (9.6%) and the biggest in the Baltic countries (41.8%) in 2009.

As mentioned under 'Suppliers of goods and services', some of the products Kesko buys in Finland are manufactured in other countries. The foreign products imported by Kesko or other companies operating in Finland benefit not only their manufacturers in their countries of origin, but also generate substantial economic benefits in Finland. The commissions of

Kesko's support for the public good, €1,000



■	Sports 621 (41.2%)
■	Culture 122 (8.1%)
■	Non-governmental and environmental organisations 79 (5.3%)
■	Veteran organisations 14 (0.9%)
■	Health care 63 (4.2%)
■	Youth work 469 (31.1%)
■	Science, research and education 140 (9.3%)

Total €1.5 million in 2009

importers and trade operators cover the salaries and other expenses of the Finnish employees of the companies involved. Furthermore, value added tax on imports is paid in Finland as are customs duties on some products.

Breakdown of economic benefits by region in Finland

The benefits from Kesko's purchases, K-retailers' direct purchases from local suppliers, investments made and salaries paid by Kesko and K-retailers, and taxes paid by K-retailers are broken down by region in the table below.

It has only been possible to analyse purchases based on the localities from where suppliers' invoices were sent, despite the fact that production might have taken place in several localities. As a result, the figures for Uusimaa are higher than its actual share. In addition, the majority of import companies are located in Uusimaa.

It was possible to analyse nearly all salaries paid by Kesko by region unlike income taxes, for which the tax administration is responsible. Compared to the other figures in the table, the amounts of real estate taxes are so small that they have been excluded.

Only those K-retailers who are customers of Vähittäiskaupan Tilipalvelu VTP Oy are included in the analysis. They account for some 85% of K-retailers' aggregate net sales. It was not possible to analyse K-retailers' direct purchases on the basis of invoicing addresses. Instead, the statistics assume that the purchases have been made in the local region.

K-retailers' direct purchases from the regions totalled €525 million (€569 million), which means that the proportion of local suppliers in store-specific selections has remained more or

less unchanged. In some regions (South Karelia, Kainuu, Lapland), K-retailers' direct purchases exceeded those of Kesko. These regions have only a few suppliers with sufficient capacity to supply Kesko's nationwide chains. Therefore K-retailers buy products from these small suppliers for their store-specific selections. Kesko also stocks a great variety of small suppliers' products for the same purpose.

Absolute figures do not fully illustrate the differences between regions. Instead, they should be made proportional to population, especially when estimating the service level. The figures for salaries and taxes per inhabitant shown on page 28 illustrate the K-Group's input in the infrastructure of each region. The figures for Uusimaa are not comparable in this respect, as they include the Kesko Group's administrative functions and most of the personnel of the division parent companies.

Privacy protection

The K-Plussa customer loyalty system, operated by K-store chains and K-Plussa partners, is managed by a Kesko subsidiary, K-Plus Oy, and limited to Finnish operations. As at the end of 2009, there were over 3.6 million K-Plussa cards in slightly over two million households.

The customer information of K-Plussa cardholders forms a customer database that is used, with the customer's permission, to manage customer relationships of the K-Plussa system partner companies, for both customer contact, and marketing purposes. 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 purchasing are not collected or used in selection planning, nor used for direct advertising pur-

Breakdown of economic benefits from Kesko's and K-retailers' operations by Finnish region in 2009, € million

Region	Kesko's purchases of goods	K-retailers' direct purchases	Kesko's and K-retailers' investments*	Salaries paid by Kesko	Salaries paid by K-retailers	Taxes paid by K-retailers	Total
Southern Karelia	7.3	12.1	3.0	4.3	10.6	1.0	38.3
Southern Ostrobothnia	229.1	29.7	24.0	4.3	11.9	1.1	300.1
Southern Savo	38.5	14.9	12.3	5.4	10.0	1.6	82.7
Eastern Uusimaa	94.9	7.2	6.1	1.9	5.8	0.4	116.3
Kainuu	2.4	11.7	7.7	1.6	5.5	0.4	29.4
Kanta-Häme	50.3	20.0	4.7	5.0	11.6	0.7	92.2
Central Ostrobothnia	45.5	12.7	0.7	2.3	3.9	0.6	65.6
Central Finland	65.2	17.8	2.2	8.2	16.1	1.8	111.3
Kymenlaakso	21.7	16.9	6.1	5.7	10.5	1.2	62.1
Lapland	16.2	36.3	6.4	6.1	16.9	2.0	83.9
Pirkanmaa	355.2	30.7	67.0	22.6	29.8	3.1	508.3
Ostrobothnia	105.4	11.8	16.1	5.3	6.9	0.8	146.5
Northern Karelia	21.7	18.8	0.6	3.8	10.6	1.7	57.2
Northern Ostrobothnia	61.4	32.9	13.0	17.0	23.0	1.9	149.3
Northern Savo	120.9	25.5	0.3	8.6	18.4	1.9	175.6
Päijät-Häme	83.0	19.5	1.4	10.2	11.4	0.9	126.3
Satakunta	98.7	21.7	10.7	4.6	14.8	0.7	151.1
Uusimaa	2,848.9	124.4	104.7	222.2	93.9	10.1	3,404.2
Varsinais-Suomi	610.4	60.5	40.0	25.7	30.7	2.5	769.9
Åland	17.7	-	-	-	-	-	17.7
Total	4,894.2	525.0	327.0	364.9	342.2	34.5	6,487.8

*incl. real estate investors' investments in the K-Group's store sites

poses. 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-Plus cards. In these cases, purchasing data are not entered into the K-Plus system and the customer does not gain K-Plus points. As at the end of 2009, some 4,000 customers had requested that their purchasing data not be collected.

As a data controller, K-Plus Oy ensures that the customer information is only used for the purposes specified in the description of the file. 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 description of the file. K-Plus Oy's description of the file can be read in Finnish at www.plussa.com. In 2009, K-Plus Oy did not receive any complaints about privacy protection or the disposal of customer information.

Marketing and competition regulations

According to the GRI reporting recommendation, companies must report their possible breaches of marketing, competition and product safety regulations during the year and the sanctions imposed. In 2009, there was one such decision concerning Kesko.

In December 2009, the Market Court imposed a €100,000 fine on Kesko, as proposed by the Finnish Competition Authority. According to the Market Court's decision, Kesko had required that the K-market, K-neighbourhood store and K-extra chains adopt the maximum prices decided by the K-retailers' Chain Executive Committees in 1997–2000. The Market Court's decision included a €10,000 fine on the K-Food Retailers' Club for making the agreement on the maximum prices in the above Chain Executive Committees.

Political relations

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. In Finland, this refers to the Confederation of Finnish Industries EK, the Federation of Finnish Commerce and its associations, and the Central Chamber of Commerce. Kesko's President and CEO is one of EK's Deputy Chairs of the Board. The Federation of Finnish Commerce is a member of EuroCommerce, a centralised representative of trading interests to the EU Commission and the European Parliament. Kesko also belongs to UGAL, the EU organisation of independent retailers, which promotes its members' interests both directly and through EuroCommerce, as applicable. A chart on Kesko's key channels of influence and representation in organisations is presented at www.kesko.fi/responsibility.

Kesko's subsidiaries in Sweden and Norway are members of national employer organisations in these countries. In Kesko's other operating countries, trade and industry are not yet as highly organised as in Finland; however, trade associations and central organisations, such as chambers of commerce have been established. Kesko's memberships in these are listed under 'Operation in employer organisations', page 49.

In 2009, Kesko gave election funding to political parties by paying €7,000 in seminar participation fees. In addition, advertising of a supportive nature in Finnish party newspapers amounted to €3,000. In previous years, Kesko's has usually

paid about €20,000 for such advertising. In the table 'Kesko's support for the public good' (page 31), political support is included in the amount of 'Non-governmental and environmental organisations'.

Attitude to malpractice

Kesko's attitude to bribery and other malpractice is absolutely uncompromising. The personnel have been informed about the principles in the guide 'Our Responsible Working Principles', adopted by all Kesko units and K-stores in 2008. The guide has been published in Finnish, Swedish, Norwegian, English, Russian and all the Baltic languages, as the animated videos on the themes of the guide made available at www.kesko.fi, which can be used to animate discussions about the principles with the personnel.

Kesko's ethical purchasing principles, mainly adopted in business relations with high-risk countries, make a clear statement about Kesko's opposition to bribery. Kesko is a member of Transparency International, Finland. Among Kesko's operating countries listed in the Transparency International Corruption Perceptions Index 2009, Norway, Lithuania and Belarus improved their ratings moderately, and Russia slightly, while the rating of Finland, Sweden and Latvia fell from the previous year.

Internal Audit has paid particular attention to assessing systems preventing malpractice and financial losses. The recession has increased the risk of financial malpractice. Preventive measures have included more effective communications, training and guidelines as well as tightened controls. Information technology is increasingly used to trace incidental 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.

Kesko's operating countries in the Transparency Corruption Perception Index

	Scale 1-10
3. Sweden	9.2
6. Finland	8.9
11. Norway	8.6
27. Estonia	6.6
52. Lithuania	4.9
56. Latvia	4.5
139. Belarus	2.4
146. Russia	2.2

Case

Rautakesko supports village communities in China through Eurogroup cooperation

Rautakesko also implements its corporate responsibility via the international Eurogroup cooperation. The Eurogroup Charity Fund (ECF) helps Asian villages improve their social conditions and vitality. ECF finds assistance recipients with the help of local charity organisations. This ensures efficient use of funds by directing them to the target – mainly towards improving the living conditions and education of children and the young.

Rautakesko, which imports goods from the Far East, puts its corporate responsibility into practice by participating in ECF's village community projects which are interwoven with the daily lives of the people.

"This investment is targeted to children and young people – the next generation – which I think is a very good solution," says **Kimmo Pihlman**, Rautakesko's Brand and Sourcing Manager, who is involved in the practical work related to the projects.

A school for over one thousand pupils, corresponding to the Finnish upper level of comprehensive school and built as a cooperation project, was opened in the city of Daqiao in the Guangxi region, southern China in July 2009. The village of Hu To Shan spent the donated funds to build a residence hall for teachers, improve roads and the school area, and renovate classrooms.

The village community work, organised by Eurogroup, started three years ago. As a result, several schools have already been opened for children aged from 1 to 15 in Thailand, India and China.

"We are a cooperation partner which acts responsibly in Asia. As part of the larger partnership, Eurogroup, we have far better opportunities to achieve concrete results than by acting alone – also in the field of sustainability," says Pihlman.

Through its cooperation with tooMax-x, Rautakesko is partner in the Eurogroup buying offices. The volumes of tooMax-x, one of Europe's leading purchasing alliances, provide Rautakesko with synergy benefits and resources for its purchases.



A new school for Cambodian children increased enrolment

Byggmakker, Rautakesko's subsidiary in Norway, supported the 'Save the Children' organisation with some €57,000 in 2009. Part of the donation was used to build a primary school in the Srey Snam district of northwest of Cambodia. The district has been suffering from poverty and poor education development – both legacies of war – and as a consequence, more than 30% of children in the school zone do not attend school and learning achievements have been very poor.

The new primary school was officially opened in late 2009. It contains a four-room school building, furnished with enough classroom equipment (blackboards, chairs and desks for children and teachers) for children in grades 1 to 6. A new two-room toilet block was constructed and an existing two-room toilet block was renovated. A hand-dug well was also repaired to provide children and teachers with safe drinking water, personal hygiene and sanitation.

"We are very pleased with our cooperation with Save the Children. The project has managed to increase the enrolment of children attending school and also lower the drop-out rate," says **Irlinn Tystad**, Marketing Director of Byggmakker.

Byggmakker and their employees donated some €57,000 to the 'Save the Children' organisation.

K-Group customers supported breast cancer research by buying Pink Ribbon campaign products

Each year, nearly 4,200 Finnish women are diagnosed with breast cancer.

During autumn 2009, the Pink Ribbon campaign that supports breast cancer research was implemented in several K-Group chains. The campaign collected money for the Pink Ribbon fund of the Finnish Cancer Foundation, which supports breast cancer research and develops the treatment and rehabilitation of patients.

The symbol of the campaign, a pink silk ribbon, is the global symbol of the battle against breast cancer. The campaign was organised in more than 40 countries during October; however, K-Group customers had the chance to support the campaign throughout the autumn.

The K-rauta and Rautia stores' campaign item was a pink rake set by Fiskars, who donated 10% of the sales to Pink Ribbon.

Intersport participated in the campaign in cooperation with Reebok. In September, Intersport stores sold a number of Reebok products, such as fitness shoes and clothing, and Reebok donated one euro to the fund for each item sold.

In October, K-supermarket customers had the opportunity to buy bunches of roses in a pink wrap and in doing so directed 50 cents per bunch to breast cancer research.

K-citymarket customers could choose several products with the Pink Ribbon symbol to add to their shopping baskets. The campaign selection included DVD films, kitchen utensils, kitchen paper and tea glasses.



K-rauta and Rautia stores sold the Pink Ribbon rake set by Fiskars, who donated 10% from each set sold to the Pink Ribbon fund of the Finnish Cancer Foundation.

Retailer Juha Ketola buys fish from local fishermen

K-supermarket Vääksy is located near Päijänne, Finland's second largest lake. For retailer Juha Ketola, it goes without saying that the fish sold in the store comes from the lake whenever possible.

"If two local fishermen go fishing in the afternoon or evening, we'll sell their catch the following morning. Our customers have learned to look for the sign 'fresh whitefish' and we often sell as much as 30 kilos per day."

During the crayfish season, Juha Ketola cooperates with Salpaus, the local training centre. Students of the fishing industry catch, cook, season and deliver the crayfish to K-supermarket Vääksy:

"The crayfish business is part of students' leisure activities. Last season, we bought 314 crabs in all from the students."

Organic, Fairtrade and local foods are close to Juha Ketola's heart, which is manifested to customers as a large supply of these products.

"Half of the eggs and all unpacked potatoes sold by us come from local producers. Last Christmas, for example, we sold organic hams from Kiven Säästöpossu in Karkkila and the demand for them was really high."

In 2009, K-supermarket Vääksy had 129 organic products and 29 Fairtrade products available. The aim is to increase the number of organic products available to 200 and the number of Fairtrade products offered to 60 in 2010.

Juha Ketola speaks for local, organic and Fairtrade food also in private. He has been an active member of Pro Fair Trade Finland since 2000 and its chair since the beginning of 2010.

"The association is an independent non-governmental organisation and its purpose is to promote fair and ecologically sustainable global trade. We arrange study circles, tastings and various campaigns. We also train our members and other people interested in fair consumption to become specialists."



Retailer Juha Ketola wants to increase the number of organic and Fairtrade products available in K-supermarket Vääksy.

Case

Donated jackets went out into the world

In a joint campaign by Intersport and the Finnish Red Cross at the end of September 2009, old outdoor coats and jackets went to charity. From the collection boxes in Intersport stores, they were transported by the Red Cross to crisis areas around the world.

All Intersport stores in Finland received used outdoor coats and jackets from customers over a three-week period. The campaign, organised jointly by the Finnish Red Cross, Halti and Intersport, sent the clothing to families in need in catastrophe areas.

The total weight of donated jackets and coats was 1,820 kg or some 2,220 items in all. After inspection, the clothes were then sorted into 64 bales, 22 of which were sent to Kyrgyzstan in late November, the rest leaving for Mongolia and Tadjikistan in early January.

Kerttu's autumn jacket was one of the first to go

Those who donated had the chance to track their jackets' journey by putting their contact information in the pockets.

Kerttu Laitinen, 8, (pictured) donated a red autumn jacket which was too small for her. Kerttu left her name and address in the pocket and was looking forward to hearing who would be wearing it as it was one of the first to go to Kyrgyzstan.

"I got mail from the Finnish Red Cross in December. It said that my jacket had gone to a Kyrgyzstan girl or boy," says a very pleased Kerttu.



Rautakesko Latvia received the 'We for society' award

In December 2009, Rautakesko Latvia was recognised by the Building Material Traders Association of Latvia with the annual 'We for society' award. The recognition was based on two separate projects.

In 2009, Rautakesko Latvia provided consumers with information and advice on multiple Do It Yourself (DIY) topics and included customer workshops on various DIY tasks in stores. Stores also introduced large informative boards offering customers leaflets on about 20 DIY topics ranging from 'How to insulate buildings' and 'How to heat bathroom floors'.

In spring 2009, the very popular and successful 'Latvia TV', broadcast on a state-financed national TV channel, was under threat of closure due to reduced state fi-

nancing. This worried the Latvian people who took it to their hearts. People lined up to donate money so that the TV channel could continue. Rautakesko Latvia contributed to the effort by donating doors, wallpapers and lamps to build sets and for scenery decorations.



The informative boards in the K-rauta stores in Latvia offer customers leaflets on DIY topics.



Pirkka Mainio participates in nutrition research

The Universities of Kuopio and Oulu are participating in the joint-Nordic research project which examines interconnection between nutritional factors and people's genetic inheritance.

"This research is pioneering, as some years ago there were no methods for analysing the impact. However, thanks to new methods, it's now possible to examine why different people react to nutritional factors and changes in the diet in a different way," says Ursula Schwab, Lecturer at the University of Kuopio.

The six-month survey from autumn 2009 to summer 2010 has 120 participants in Finland, some in the Kuopio University's research group and the others in Oulu.

The participants have been divided into two groups: the first was given instructions to use a mix that contains milk fat on bread while observing an average Finnish diet and corresponding intake of fibre, fish, salt and vegetables.

These factors changed for the other group as they were asked to use margarine that contains no milk fat on their bread. It is then analysed whether the groups differ from each other, for example in respect of the appearance of genes.

Kesko Food's Product Research Unit supplies the mix containing milk fat for the research participants. The unit is responsible for the product safety and quality of Kesko Food's selections as well as for the product development of the company's own brands, such as Pirkka, Menu and Euro Shopper.

"In 2009, we supplied 108.8 kg of Pirkka Mainio 75% fat spread mix – the estimated total amount needed during the project will be 330 kg. We are participating in the research because nutrition issues are important for Kesko Food and we want to contribute to scientific research in this sector," says Product Research Manager Matti Kalervo.

Konekesko Lithuania contributes to responsibility projects

Konekesko Lithuania wants to give an example of responsibility. In 2009, one of its supports was the work for disabled people.

"The concept of corporate responsibility is new in Lithuania. Most companies know of it but the majority is not engaged in it yet. As Konekesko Lithuania is a subsidiary of Kesko, one of the leading companies in corporate responsibility, we are defining the meaning of corporate responsibility in our country."

"Konekesko Lithuania wants to involve its personnel in corporate responsibility projects. We encourage our employees to take part in voluntary actions. Last year, we chose several directions of involvement in community projects: the support for disabled people, the farm union, and culture. We also had cooperation with universities", says **Lina Morkunaite**, Managing Director of Konekesko Lithuania.

In July 2009, Konekesko Lithuania was one of the sponsors of the pilgrimage of disabled people to the city of Lourdes in France.

Some 500 disabled people took part in the journey organized by the Lithuanian Pilgrimage Fund taking care of the disabled and impaired. The Fund wanted to give disabled people a chance to see the world, to break away from their sorrows and help them appreciate life. The project was also called 'The School of Love', because the Fund sees life as a journey of a pilgrim trying to find the meaning of life.

In April 2009, Konekesko Lithuania contributed to the career days for visually impaired 16-18-year olds organized by the Junior Chamber In-



The mentors and students of the 'You can see a dream' project.

ternational Association in Vilnius. The young participants had a possibility to visit companies and to meet representatives of different professions face-to-face.

During the career days, Konekesko Lithuania contributed to a mentorship project dubbed 'You can see a dream'. The project purpose was to help young people set personal goals, especially related to their professions. Konekesko Lithuania's personnel presented the company's jobs and products to more than 100 young people.

Towards a safer school with Kesko's support

Kesko's Board of Directors distributed scholarships and donations totalling €141,000 in May 2009. The donations were especially intended to support the wellbeing of families with children. The Finnish Association for Mental Health, one of the recipients, is using the donation of €20,000 to promote the idea of a 'Good Mood School'.



Kesko's President and CEO Matti Halmesmaki presented the donation to Marita Ruohonen, Executive Director of the Finnish Association for Mental Health, in May 2009.

"Although Finnish schools have achieved top learning results, according to research there are great differences between pupils' wellbeing and school satisfaction," says **Marita Ruohonen**, Executive Director of the Finnish Association for Mental Health.

According to Ruohonen, teachers have expressed the wish to get tools to help increase students' wellbeing, satisfaction and the feeling of safety at school.

In a three-year-project financed by the Ministry of Education, 700 teachers of health education are being trained to include information and skills related to mental health in their lessons for upper-level students at comprehensive schools.

"Too often, mental health is seen from the perspective of an illness of the mind - in fact, mental health is something we all have. It's all about very commonplace and down-to-earth skills, such as recognising emotions, strengthening self-confidence or the ability to endure everyday disappointments and setbacks."

Ruohonen thinks it is great that Kesko, too, wants to contribute to the mental wellbeing of young people:

"The donation has helped us respond to the feedback from the field very quickly. I'm glad that the time is ripe for developing these issues and that people want to act to promote mental wellbeing. Much can be achieved by working together."

Responsibility also means
creating a team spirit



Key issues in human resources responsibility

- Job satisfaction
- Personnel's wellbeing
- Kesko's and its chain stores' attractiveness as employers
- Types of employment and employment permanence
- Equality
- Employment outlook in retailing
- Training and development of personnel

09

Human resources responsibility

Key human resources performance in 2009

- | | |
|--|--|
| <ul style="list-style-type: none"> + Satisfaction with the implementation of equality continued to improve in Finland and in other countries + Improved personnel commitment + Proportion of women in middle management and supervisory and specialist positions in Finland increased + In the 2009 Universum Young Professionals survey, Kesko was rated top among one hundred companies as the company offering the widest variety of assignments + Number of employees retiring on disability pension decreased in Finland + Over 17,000 students participated in the Master Sales Assistant training in Finland + In Finland, the time used for training per employee increased | <ul style="list-style-type: none"> - Number of sick days per employee increased in Finland - Number of employments terminated for production and financial reasons increased - In other countries, less money was used for training than before |
|--|--|

Human resources management

Kesko's HR management is based on the company's values and responsible operating practices. 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.

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 their business objectives.

The work and productivity programme launched in Kesko and all of its chains' stores in 2008 was continued. Practical examples include the adoption of different working hour models, a systematic working hour management and closer monitoring of sickness absences. Focus was also placed on the development of competence, wellbeing and HR management, as well as on Occupational Health Service whose operations in Finland concentrate on maintaining people's ability to work and promoting the wellbeing of the working community. More information on the programme and the Occupational Health Service can be found on page 47.

Objectives and performance

Kesko's HR objectives are the best labour productivity, the most competent and motivated personnel and the most attractive workplace in the trading sector. Performance indicators are presented in the table on this page, and the performance is discussed in the respective sections.

Employments and job turnover

At the end of 2009, the Kesko Group had 19,567 (22,489) permanent employees and 2,633 (2,179) fixed-term employees – equivalent to 88.1% (91.2%) and 11.9% (8.8%) of the total. The 1,512 (1,397) people on long-term absence, such as parental leave, are included in permanent employees. Due to the Christmas season, the proportion of fixed-term employees is higher at year-end than at other times.

Part-time employees (less than 37.5 hours/week) accounted for 29.0% (27.5%) of all Group personnel at year-end – the majority working for retail subsidiaries in Finland. Approximately three-quarters of all Group employees work in retailing.

In Finland, the proportion of fixed-term employees is 15.3% (15.6%). In other countries, the percentage rose to 7.0% (0.5%) owing to the unstable economic situation. See table on page 42.

In 2009, the Group recruited 4,122 (5,620) new employees in Finland, of whom 1,091 (2,025) on a permanent basis. In Finland, 4,277 (5,729) employees, of whom 1,763 (2,506) were permanent, left the Group. Employee departure turnover in Finland was 27.2% (35.0%); calculated from permanent employments, it was 13.8% (23.1%).

In other countries, the Group recruited 1,416 (5,455) employees, while 3,863 (5,190) left the Group. The departure turnover rate outside Finland varied between some 8% in Estonia and 62% in Lithuania. See personnel statistics on page 42.

The most common reason for terminating employment in Finland was a fixed-term contract which accounted for about 47% (47%) of departures. Elsewhere, the reason for approximately 73% (86%) of departures was the employee's resignation. In Finland, 169 (181) people retired, while 6 (0) employees retired in our foreign companies.

In Finland, 7.6% of employments (323) and 22.7% (875) elsewhere were terminated by the employer for production and financial reasons, or other reasons based on the Employment Contracts Act. The corresponding figures in 2008 were 2% (97) and 12% (615) respectively.

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.

Average age and duration of employment

The age breakdown of Group personnel in Finland is given in the chart on page 43. Some 55% of the employees are younger than 36, while those over 55 account for 8%. The average age is 35.4 (36.2). On average, employees are younger in subsidiaries outside Finland (except in Norway and Estonia); the age breakdown is given in a chart on page 43.

HR objectives and indicators

Objective	Objective	Objective
<p>The best personnel productivity in the trading sector</p>	<p>The most competent and motivated personnel in the trading sector</p>	<p>The most attractive workplace in the trading sector</p>
<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, % 	<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, superior's performance, unit's operations; scale 1–5) • Customer satisfaction, two own indicators 	<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

A breakdown of the duration of employment in Finland is presented in the chart on page 43, which shows that 16% (14%) of employees had worked for the Group for over 20 years.

The chart on page 43, illustrating the breakdown of the duration of employment in our subsidiaries in other countries, shows that over 76% of the employees had worked for the Group for less than five years and fewer than 1% over 20 years.

Recruitment and job rotation

In Finland in 2009, Kesko recruited 4,122 (5,620) new employees (summer employees included), of whom 1,091 (2,025) were permanent and the rest hired for a fixed term, such as seasonal helpers. The Kesko Group in Finland had 789 (967) summer employees, and in other countries 298 (299), most of whom worked in retail and warehouse duties.

In-house job rotation provides an extensive choice of career alternatives. The efficiency of the K-Group's internal labour market, coupled with well-managed job rotation, will be of crucial importance in the forthcoming years. In Finland, some 1,800 (1,600) people moved within the Group from one job to another and outside Finland about 240 (400). See employee statistics on page 42.

In Finland, recruitment in the K-Group is supported by the K-trainee and the K-retailer trainee programmes. The application period for the third K-trainee programme began in February 2010.

An essential part of the K-trainee programme is the practical training in a retail store. One of the other programme sections is the top retail expert training for supervisory positions taking place in K-instituutti. Students are admitted to the K-trainee 2010 programme to gain expertise in either the food trade, the building and home improvement trade, the home and speciality goods trade or the car trade.

The K-retailer trainee programme offers three alternative paths: an extensive programme; an intensive programme; or a path to retailer entrepreneurship in a polytechnic. Some 50% of students starting the programme already have solid experience in retailing. In recent years, the proportion of students changing a career path and those who are admitted directly from school has increased. Admission to the K-retailer trainee programme is subject to an assessment of the applicant's development potential, values, work experience and basic education. The admitted K-retailers-to-be begin their K-retailer trainee programme, which consists of three parts: on-the-job retailer work training in a store under mentor retailer; theoretical studies in K-instituutti; or in an online network environment, and regional K-trainee theme events. After completing the programme, a trainee is able to start the career of an independent K-retailer entrepreneur, which 95-99% of them actually do.

There is a human resources risk that the trading sector will not attract the most competent people in Finland and Kesko's other operating countries. The increased need for specialised expertise increases dependence on the competences of individuals and the risk of losing key people. In connection with strategy work, the competencies required for strategy implementation are identified, and personnel plans are drawn up. Personnel surveys play a central role in the development of HR management.

Competence development and training

The objective of Kesko's personnel development and training is to develop the competencies needed to deliver the Group's business strategies and the chains' customer promises.



'Our Responsible Working Principles' guide is available to all personnel in all operating countries.

The statistics on basic education are available for Kesko's employees in Finland, with the exception of retailing companies. Of the 6,661 (5,638) people included in these statistics, 16% (20%) have basic education; 66% (65%) have intermediate vocational education and training; and 18% (15%) have a degree from an institution of higher education.

These percentages vary greatly between our operating countries; for example, less than 5% of employees in Norway, but nearly 50% of employees in Latvia have a degree from an institution of higher education.

More than 20,000 (19,900) days, or 2.0 days (1.8) per employee were devoted to training in Finland, with €3.4 million (€4.6 million), or €331 (€420) per employee. Around 90% (90%) of training days was arranged internally within the Group, including training at K-instituutti.

The number of training days outside Finland totalled 9,890 (3,230), including 6,840 days of internal training in the SAP system in Russia. These excluded, the average number of training days in the other operating countries in 2009 was 0.6 (0.5) per employee.

Outside Finland, training costs totalled some €0.7 million (€1.1 million) in 2009, or some €79 (€124) per employee calculated based on the average numbers of employees.

Trends in the number of Kesko employees



The figures for 2005-2008 include Kauko-Telko and Tähti Optikko.

Breakdown of Kesko personnel
by division as at 31 December 2009, %



K-instituutti ensures competence in the K-Group

The K-Group's training service planning, delivery and sourcing is centralised in K-instituutti, which is a Kesko subsidiary. Its main function is to ensure the development of competence in the K-Group with the best price/quality ratio. K-instituutti plans competence development solutions for the support of business operations in cooperation with business units, and delivers them in cooperation with selected and audited training partners. K-instituutti is also tasked with duplicating and distributing best practices quickly and efficiently across the K-Group.

In 2009, 24,207 (25,057) K-Group employees studied in K-instituutti. 40% of all training took place outside K-instituutti, calculated from student workdays.

K-instituutti is responsible for implementing the Master Sales Assistant training, one of Finland's largest adult training programmes. In 2009, 17,010 (16,600) K-Group employees participated in the programme in 12 different product lines. The aim is to continuously develop the service attitude, sales skills and product knowledge of sales assistants in cooperation with suppliers.

Kesko's personnel statistics for 2009 analysed by operating country

	Finland	Estonia	Latvia	Lithuania	Belarus	Russia	Sweden	Norway
Total number of personnel at 31 Dec.	12,959	668	647	3,547	1,122	1,591	1,089	577
Average number in 2009	10,284	643	692	3,463	1,067	1,515	1,029	492
New employments	4,122	41	69 ²⁾	3 ¹⁾	109	645	343	206
Employments terminated	4,277	59	210 ^{1) 2)}	2,199	197	652	281	265
by employer	944	44	185	113	8	296	108	121
Summer employments of all employments	789	4	6 ^{1) 2)}	1 ¹⁾	102	-	106	79
Internal transfers	1,795	12 ²⁾	50 ^{1) 2)}	2 ¹⁾	-	163	14	-
Departure turnover, %	27.2	8.2	33.8 ^{1) 2)}	62.0	8.5	41.3	16.1	32.2
Sick days	139,130	2,125 ²⁾	6,585 ^{1) 2)}	417	8,933	18,765	8,249	8,176
per person	10.9	9.8	10.5	4.1	8.4	12.5	8.0	16.6
per million working hours	6,808	4,846	5,191	2,024	4,120	6,301	4,555	9,442
Salaries paid, € million	332.1	7.5	10.2	32.9	4.4	15.4	22.7	23.2
average annual pay, €	32,297	11,717	14,712	9,499	4,110	10,180	22,015	47,126
Vocational education and training, %	66.0	69.9 ²⁾	36.0 ^{1) 2)}	25.0	47.9	38.0	-	14.0
Degree from higher education institution, %	18.0	27.8 ²⁾	49.2 ^{1) 2)}	32.4	27.4	46.2	-	3.3
Training costs, € per person	331	150	102	5	6	52	285	292

Estonia: ¹⁾excl. Anttila AS, ²⁾excl. Rautakesko AS

Latvia: ¹⁾excl. Indoor Group SIA, ²⁾excl. SIA Antti

Lithuania: ¹⁾excl. Senukai

Fixed term and part-time employments in Kesko in 2005-2009

	2005*	2006	2007	2008	2009
Fixed-term employees as % of total personnel at 31 Dec.					
Finland	14.1	16.5	14.8	15.6	15.3
Companies in other countries	1.0	0.9	0.8	0.5	7.0
Whole Group	8.2	10.2	8.6	8.8	11.9
Part-time employees as % of total personnel at 31 Dec.					
Finland	37.1	42.0	43.6	43.0	43.1
Companies in other countries	9.0	8.8	8.8	6.7	9.3
Whole Group	24.3	28.6	27.8	27.5	29.0

*Figures include Kauko-Telko and Tähti Optikko

As in previous years, the Master Sales Assistant training programme was offered in about 100 business colleges and polytechnics. Some 5,000 (6,000) students took the opportunity and participated in the training.

The number of employees with an apprenticeship contract was 820, compared to 1,034 in 2008. Of them, 306 (329) graduated with a vocational qualification, a decrease of 7% over 2008. Apprenticeship students are mainly (85%) K-retailers and their employees, while the rest (15%) are employees of division parent companies.

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 K-stores' staff. An example of these is K-citymarket's '1 euro more' sales coaching aimed to develop the activity, customer service and selling skills of the sales staff of the home and speciality goods departments. Training pilots in the Greater Helsinki area totalled 13 in autumn 2009 and the sessions will continue in spring 2010. Intersport's training programme 'What am I expected of?' coached sales personnel to meet customers' expectations in the store by improving their abilities to find out customer needs and expectations, and to better meet them. During autumn 2009, 45 stores participated in the programme. Its follow-up part 'What am I like?' takes place in spring 2010.

Management and leadership

A uniform management system built on corporate values and responsible working principles is aimed at long-term operational development. The management ensures that Kesko operates in compliance with the Group's values. Motivating and encouraging both leadership and the working community are prerequisites for the employees' excellent work performance and working capacity. One of the key tools in efficient performance management and the motivating leadership of immediate superiors is the performance and development review discussion covering the entire personnel. In 2009, 77% (77%) of the Group's employees in Finland participated in the reviews and 71% (74%) elsewhere. The performance assessment of key personnel was extended to cover all companies in the Kesko Group.

15 either new graduates from polytechnics or universities, or graduates with only a short work experience, are selected to the 2010 K-trainee programme.

Kesko offers the K-retailer trainee programme for about 100 would-be retailer entrepreneurs annually.

Leadership skills and career progress are supported by Kesko's three-step supervisor and management training. Kesko has also implemented a long-term development programme for management and potential management personnel since 2004. There are some 200 participants in the programme, which is designed to ensure a sufficient supply of managerial resources both in terms of quality and quantity, and focuses on leadership, management and strategic focuses. In 2009, the key personnel participated in a training supporting the implementation of the work and productivity programme.

Shared coachings are complemented by the chains' own coachings. In 2009, the Master Training programme was launched in the building and home improvement trade, aimed at a uniform concept implementation in all operating countries. 190 supervisors of the Anttila and Kodin Ykkösen department stores participated in the house-specific 'Supervisor's HR responsibilities' training. It was aimed to increase competence in HR and employment matters, and to enhance and ensure the implementation of HR processes in day-to-day operations.

Personnel survey

A good working community is a prerequisite for the employees' wellbeing and excellent performance. Progress in this area is monitored in Kesko through a regular personnel survey evaluating management quality.

Breakdown of Kesko personnel by age group in Finland in 2009



under 26 yrs	27.1%
26-35 yrs	27.5%
36-45 yrs	22.3%
46-55 yrs	15.4%
over 55 yrs	7.6%

Breakdown by age group in other countries in 2009*



under 26 yrs	29.2%
26-35 yrs	38.1%
36-45 yrs	19.9%
46-55 yrs	9.1%
over 55 yrs	3.7%

* A sample of 4,400 people

Duration of employment in Finland in 2009



under 2 yrs	30.6%
2-5 yrs	19.2%
5-10 yrs	17.1%
10-15 yrs	10.6%
15-20 yrs	7.1%
over 20 yrs	15.6%

Duration of employment in other countries in 2009



under 2 yrs	33.3%
2-5 yrs	43.5%
5-10 yrs	17.0%
10-15 yrs	5.5%
15-20 yrs	0.4%
over 20 yrs	0.3%

The annual personnel survey plays a key role in measuring the quality of working community and leadership, and the internal employer profile. The survey is conducted with the same content across Kesko and its chains' stores. Excluded from the survey were Senukai, Indoor Group SIA and the K-market service station stores. In 2009, 72.3% of the employees in the participating Kesko Group companies responded to the survey.

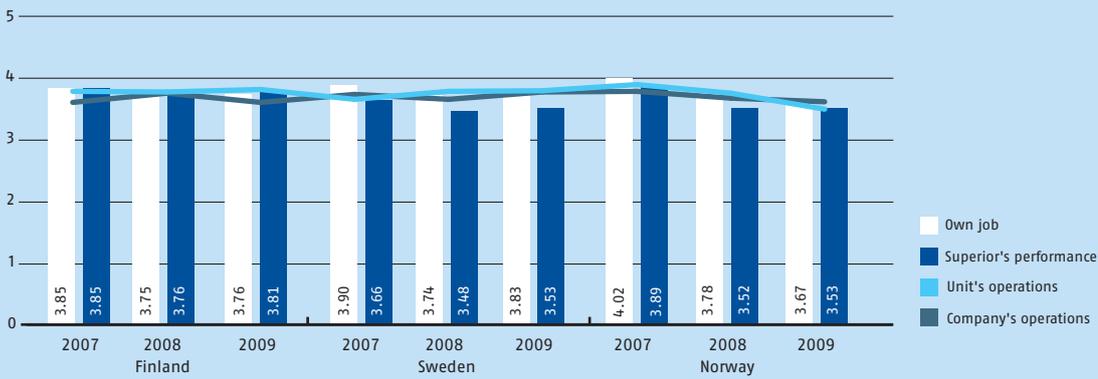
The results of the employee survey are presented below. The total number respondents was 11,452 (11,282), or 72.3%

(68.8%) of the personnel of the participating companies. The response rate in Finnish units was 73.5%, while in the other countries it varied between 51.6% in Sweden to 83.1% in Estonia. Long-term absences are excluded from the survey.

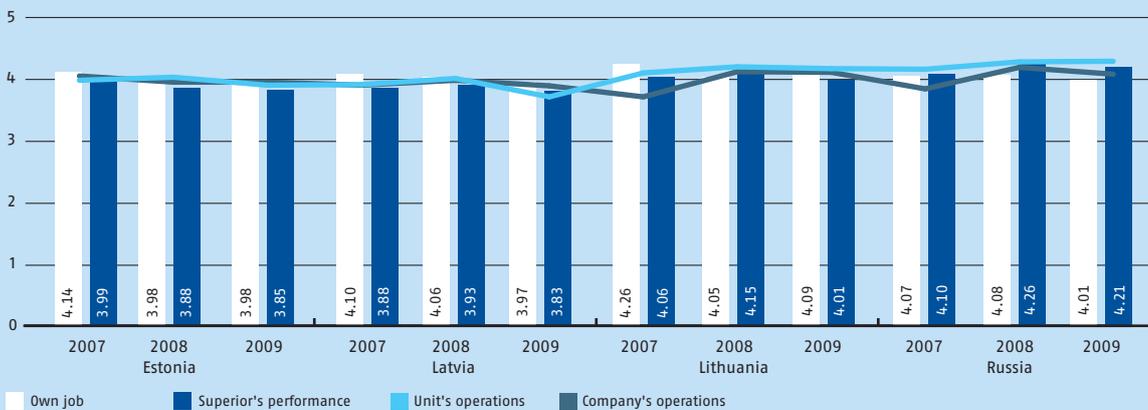
The active leverage of the survey results in practical managerial work and the efficient implementation of concrete development actions are of essential importance.

According to the survey results, equality was considered to be good, improving year after year. Read more under 'Equality' on page 45.

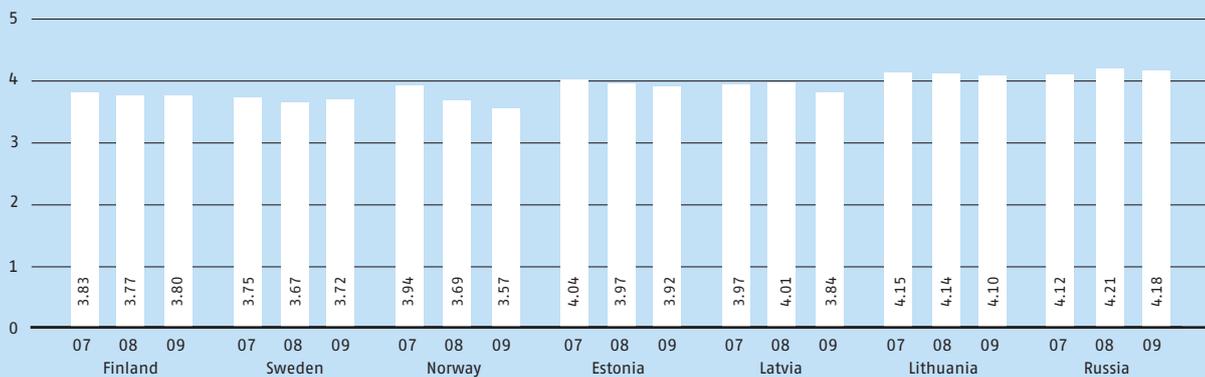
Job satisfaction of personnel in Finland, Sweden and Norway (scale 1-5)



Job satisfaction of personnel, the Baltic countries and Russia (scale 1-5)



Job satisfaction of personnel, average by country (scale 1-5)



The average is calculated from the results in categories 'own job', 'supervisor's performance' and 'unit's operations'

Commitment to Kesko and the own unit continued to strengthen, whereas the internal employer profile, the leverage of development discussions and the use of personnel survey results were seen as improvement areas.

In the Group companies in Finland, the personnel survey results contribute to the bonuses paid to supervisors.

Other evaluation practices

Management quality is evaluated regularly through a number of other surveys too. Kesko's annual customer-satisfaction survey results show how both external and internal customer relationships are developing. The results contribute to the bonuses paid at unit level.

The first stage of the project to redesign Kesko's intranet – Keskonet – was completed in June 2009, when the service was extended to the personnel in all our operating countries, except Belarus. Keskonet is available in three language versions: Finnish for Finns, Latvian for the employees of Rautakesko's Latvian subsidiary, which acted as the pilot company in the project, and English for all operating countries. Keskonet's development project continues and more language versions will be made available as soon as the other operating countries adopt Keskonet for their intranet.

Through Keskonet, employees in all operating countries (except Belarus) can give feedback on operations not only in their own units but also directly to top management. 'Direct-Line' is for feedback and questions to the management, openly or anonymously. The management's answers are published on a specific column on 'DirectLine'. The President and CEO personally replies to comments and proposals made openly via the 'Mail to the President and CEO Matti Halmesmäki' channel. Keskonet also features a discussion column and any news released on Keskonet can be commented on.

Senukai in Lithuania, for example, has an 'Ethical Committee', which consists of five management representatives and meets when necessary to consider complaints and problems presented by employees. The committee did not receive any complaints in 2009.

Equality

Kesko Corporation and its Finnish division parent companies and subsidiaries have company-specific equality plans including objectives for improvement based on national legislation. The plans cover recruitment, career development and training, compensation, and work-family reconciliation.

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. The employees' experiences of equality with respect to age, ethnic origin and gender have been monitored as part of the person-

The proportion of women in middle management in Finnish operations rose to 24.8% (20.3%) and in supervisory and specialist positions to 50.1% (48.8%).

In our subsidiaries engaged in retailing in Finland, the percentage of women in supervisory positions is significant; 81% of K-citymarket Home and Speciality Goods' department managers, and 67% of Anttila department stores' department managers are women.

In the annual personnel survey, the implementation of equality in Finland was rated at 3.95 (3.89) in Kesko and at 4.03 (3.98) in the whole Group on a scale 1–5.

nel survey. In these areas, employees' experiences of equality are good.

At year-end, 61% (62%) of the Kesko Group employees in Finland were female and 39% (38%) male. In our foreign companies, the figures were 50.1% and 49.9% (45% and 55%) respectively.

In Finland, seven (7) women held top management positions in 2009, representing 20.6% (20.6%) of the total top management personnel. One of the seven members of the Board of Directors, and two of the eight members of the Corporate Management Board were female.

In our operating countries outside Finland, the proportion of women in the companies' top management positions was about 26%, while in middle management it was 44% on average, and about 47% in supervisory and specialist positions. The percentages vary by country in each category.

Kesko's employer profile

Kesko's aim is to be the most attractive workplace in the trading sector. In addition to increasing the commitment and job satisfaction of the current Group employees, Kesko wants to be seen as an interesting option by other trading sector professionals and students. To meet this target, Kesko participates in recruitment fairs and presents the K-Group as an employer at various events.

Commercial students are interested in Kesko and its chains as a workplace. In the Universum survey, those with upper secondary education and training ranked Kesko sixth, as they did in the previous year. Read more on page 52.

Kesko is engaged in close cooperation with students and teachers in different sectors. For example, the job-orientation

Percentage of women by employee category in Kesko in Finland

	2005	2006	2007	2008	2009
Top management	14.3	15.6	16.2	20.6	20.6
Middle management	23.6	24.7	21.6	20.3	24.8
Supervisors, specialists	54.8	48.7	42.6	48.8	50.1
Workers, office workers	63.4	64.4	66.2	65.2	64.8
Total	60.8	60.9	62.0	61.7	60.9

A uniform system for monitoring and reporting sickness absences was introduced at the beginning of 2009. All companies prepared a concrete action plan aimed to reduce sickness absence.

Accidents and occupational diseases in Finland

	2008	2009
Occupational accidents, incl. minor accidents	609	535
Commuting accidents	179	145
Occupational accidents, excl. minor accidents	205	174
Suspected occupational diseases ¹⁾	8	4
Occupational diseases ¹⁾	0	0
Fatal accidents	0	0
Accident frequency / million working hours ²⁾		
of accidents, incl. minor accidents	41.9	38.2
of accidents, excl. minor accidents	10.9	9.8
of work-related accidents, incl. minor accidents, excl. commuting accidents	32.3	30.1

Sickness absences in Finland

	2008	2009
Sick days due to accidents and occupational diseases (all)	3,548	3,551
per employee	0.3	0.3
Average degree of accident severity (days)	4.5	5.2
Sick days due to accidents at work and occupational diseases, excl. minor accidents ³⁾	-	2,381
Sick days due to commuting accidents and occupational diseases, excl. minor accidents ³⁾	-	1,067
Average degree of accident severity (days) excl. minor accidents ³⁾		
at work	-	13.7
commuting	-	22.7
total	-	15.6
Sick days total	138,101	139,130
per employee	10.1	10.7
per million working hours ⁴⁾	6,531	6,808

¹⁾ Figure for 2008 has been restated since the previous report was published, because accurate figures were not available until March 2009

²⁾ Annual working hours refer to actual hours worked

³⁾ Not reported for 2008

⁴⁾ Statistics for 2005-2009 are given in the graph on page 48; data on hours worked more accurate from 2008 onward

of Finnish teachers of commercial and technical subjects is promoted in training sessions arranged by Kesko. Trainings will be revised in 2010. Read more on page 20.

Health and safety

Kesko collects occupational health and safety statistics, as well as sickness absence statistics. Statistics on contractors are not collected.

Sickness absences and accidents in Finland

The Kesko Group's statutory accident insurance is provided by Pohjola. The number of accidents in the Kesko Group decreased by over 10% in 2009, but the degree of accident severity rose from 4.5 to 5.2 days. These statistics include all accidents, also minor ones resulting in less than three sickness days. The statistics on accidents and sickness absences are shown on this page.

According to the Confederation of Finnish Industries EK, the average sickness absence rate in the Finnish service sector in 2008 was 4.6% (2007: 4.4%) of theoretical working hours. The corresponding figure for industry was 6.5% (6.7%). The table on page 48 illustrates the reasons for sickness absence in Kesko. The comparable sickness absence rate in Kesko's Finnish companies was 5.1% (4.9%) in 2009.

Labour protection activities in the Kesko Group are arranged separately by each company or place of business. K-instituutti provided labour protection training for all Kesko employees and K-retailers. There were also training sessions tailored to the needs of different Group companies.

In 2009, the number of paid and unpaid days used in rehabilitation increased by 30.8% compared to the previous year.

The vocationally oriented medical rehabilitation courses (ASLAK) continued to be provided in 2009. There were an aggregate of 11 course applications submitted to Kela (the Social Insurance Institution of Finland) in its different operating areas. Kela accepted eight courses – two for supervisors, one for an office worker and five to department store staffs. 66 Group employees started rehabilitation on these ASLAK courses in different parts of Finland. In addition, applications for Kela's statutory TyK rehabilitation courses, aimed at maintaining the ability to work, were submitted for department store staffs in southern and eastern Finland; 14 people started rehabilitation on these courses. An aggregate of 75 employees participated in the four health and fitness courses ('Kuntoremontti') organised by K-instituutti, two of which were financially supported by SAL ry (the Finnish trade unions' holiday organisation) while the other two were provided without external support.

The K-Retailers' Association applied for retailers' ASLAK 2009 rehabilitation courses in all Kela's operating areas. They were granted for southern, northern, western and southwestern Finland. A preliminary selection among eligible retailers was conducted by Kesko's Occupational Health Service Unit. An aggregate of 33 retailers started a rehabilitation course in 2009.

Sickness absences in other countries

The statistics on sick days collected in the other operating countries show a total of 53,250 days, or 10.6 days per employee and 5,469 days per million working hours. The number of working hours refers to country-specific theoretical working hours per year, and the average number of personnel includes the employees of subsidiaries covered by the statistics. The absence percentage in other countries was 4.1%. A country-specific analysis is available in the table on page 42.

Wellbeing and labour productivity

The main purpose of the work and productivity programme launched in 2008 is to improve workforce productivity, competence, wellbeing and human resource management. The programme focuses on the development of selling and customer services skills, projects promoting wellbeing at work, efficient working hour management and the adjustment of the number of personnel resulting from the market situation. The electrification of operations is also included in the programme. The work and productivity programme applies to all of Kesko and its chains' stores.

Due to declined consumer demand, the adaptation of the number and cost of staff was continued in the Group's business operations in 2009.

Labour productivity has also been improved by the adoption of different working hour models and the systematic management of working hours. For example, K-food stores carried out an extensive project to improve the planning of working hours, increase the use of planning programmes and the electronic transfer of related information to the payroll accounting unit.

Kesko's business divisions' continued long-term projects focusing on wellbeing at the workplace are being implemented by several companies. The introduction of the intervention model has further expanded during the year. The aim is to increase labour productivity by reducing sickness absences and raising the retirement age.

In addition, the Kesko Staff Club encourages and supports the personnel's hobby and recreational activities. The club's purpose is to create good team spirit and promote the personnel's physical, cultural and recreational activities.

Occupational Health Service

In Finland, approximately 6,150 (6,100) Kesko Group employees used the services of Kesko's in-house Occupational Health Care Service; over 5,200 (5,400) at the Group's own occupational health care clinics in the Greater Helsinki area. Some Kesko Group companies buy occupational health care services from external service providers, which account for some 39% (45%) of the total services. In other countries, occupational health care has been arranged according to the local practice and legislation.

K-retailers' wellbeing programme received an honorary mention

The fitness training programme produced by the K-Retailers' Association is aimed to support retailers' physical, mental and social wellbeing. 1,054 K-retailers had participated in the programme by the end of January 2010.

Sessions with a personal trainer and other group sessions have been among the most popular services. Retailers have also been encouraged to apply for ASLAK rehabilitation courses. One third of retailers have changed their diets and lost weight.



Retailer Esa Kiiskinen received an 'Ikiliikkuja' honorary mention from the Suomen Messusäätiö foundation in March 2010. Marjo Matikainen-Kallström, the jury Chair, considers the K-retailers' wellbeing initiative very significant also on a national scale.

Objectives of Occupational Health Service (OHS) for 2009–2010

Objective	Performance
Development of OHS's customer organisation's annual planning process in 2009	A template form to harmonise and guide annual planning was developed, taking into account the changes in Kela's reimbursement policy.
Leveraging the annual planning template form in 2010	Intended for introduction to customers of the in-house OHS in 2010, and for offering to service providers.
Development of medical care relying on occupational health care	Operations of OHS clinics and appointment reservation in the Greater Helsinki area have been harmonised. A common service number for in-house OHS was introduced.
OHS cooperation among in-house workplaces	Taken into account in annual planning with customer organisation.

A total of €4.3 million (€4.5 million) was spent on occupational health care in Finland in 2009. Around €1.8 million (€1.9 million) of this amount was compensated by the Social Insurance Institution of Finland.

Kesko's Occupational Health Service focuses on operations that maintain the ability to work and promote the wellbeing of the working community, which accounted for over 40% (40%) of the total costs in 2009. The total costs were €455 (€427) per employee served by Kesko's in-house occupational

health care in Finland. The total costs, including outsourced services, were €330 (€349).

The Occupational Health Care Service's expertise is used by Kesko's retail companies in the development of workplace ergonomics. Where required, the Service also participates in the care and referral to treatment of employees with substance abuse problems. It also trains supervisors, in cooperation with the occupational psychologist, to handle problematic situations involving intoxicants, with prevention as the primary target. HIV tests are only made in connection with medical treatment, not in connection with normal medical entry or check-up examinations.

Occupational health care negotiations involving the employee, the supervisor and a representative of the Occupational Health Care 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.

Kesko's Occupational Health Care Service participated in the following research projects in 2009:

- Improving the workplace efficiency
- The effectiveness of medical examinations in occupational health care
- Early diagnosis and prevention of work-related upper extremity
- 'Stop the Flu' project
- Effective treatment of depression in occupational health care

The occupational health service objectives for 2009-2010 and their achievement are presented in the table on page 47.

Salaries and other benefits

The average annual salary of Kesko employees in Finland was €32,297 (€32,054), in the other Nordic countries €30,159 (€32,223) and in the Baltic countries, Russia and Belarus €9,541 (2008: excluding Belarus €12,803) calculated for the average number of personnel.

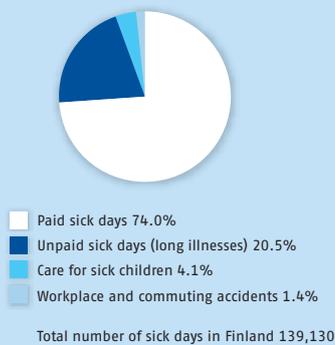
As Kesko Group's operations are diverse – nearly 700 job titles – the average salary is not a good indicator of salary level or structure. Also, because the Group composition has also undergone many changes in Finland and elsewhere, the comparison of calendar years does not illustrate the actual salary trends.

Equality in compensation is considered as part of annual company-specific equality plans. Gender is not a factor in determining pay levels, and no significant differences in comparable jobs have been detected.

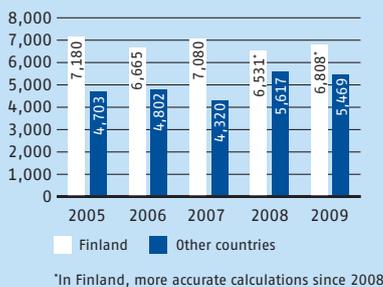
The wage groups and tables specified in the collective trading sector labour agreement are applied to jobs covered by the collective labour agreement, such as sales assistant and warehouse worker. Compensation takes account of job-based responsibility bonuses, work experience and cost-of-living class 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 sufficiently comparable Group-level survey between the genders. Company-specific equality plans are aimed to promote equal pay in comparable duties.

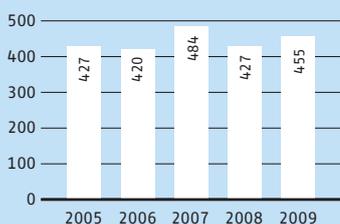
Sickness absence in Kesko Finland, 2009



Trends in the number of sick days, sick days/million working hours



Kesko's investment in occupational health care in Finland, €/person (Kesko's in-house OHS)



Bonuses

In spring 2009, about €5.0 million (€12.5 million) was paid in Finland in bonuses under the 2008 bonus systems, accounting for some 1.5% (3.6%) of the total payroll. The Group's bonus systems covers the whole personnel, with the exception of sales assistants. In 2009, the aggregate amount of different fees paid in operations in Finland was €6.0 million (€14.3 million), consisting of bonuses, sales commissions and other similar monetary remunerations.

In Kesko Corporation's bonus system, 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. Job satisfaction of the personnel is another contributing factor for supervisors.

In 2009, the companies outside Finland paid some €8.9 million (€9.2 million; corrected figure after the previous report was published) in bonuses, accounting for about 7.6% (6.2%) of the payroll.

The Kesko Group's management – comprising some 100 people – has a performance-based bonus system approved by Kesko's Board of Directors. The maximum bonus amounts vary depending on the profit impact of the person's job and are equivalent to 3–8-month salaries.

Share option schemes

Kesko had two share option schemes in force in 2009. The share subscription period under the 2003 scheme will expire in 2010. The share subscription period under the 2007 scheme will end in 2012, 2013 or 2014 depending on the option series. The scheme terms and conditions are available at www.kesko.fi/investors. The staff cost in the 2009 financial statements included share options granted to the value of €8.1 million.

Pensions

At the end of the year, the Kesko Pension Fund covered 8,837 people in an employment relationship with the Kesko Group (or a related organisation). In Finland, 169 (181) employees retired from the Kesko Group, of whom 84 (94) belonged to the Pension Fund and the pension insurance of 85 (87) employees was provided by Varma Mutual Pension Insurance Company. The figure includes employees retiring on part-time pension and on partial disability pension. Vocational re-training was arranged for 23 (16) employees unable to continue in their jobs, or whose work capacity was at risk due to illness. In the other operating countries, six (0) employees retired.

The number of employees retiring on a full pension due to health reasons decreased from 78 to 57. The number of disability pensions has remained low throughout the 2000s. When looking at the three-year average, it can be seen that the number has been declining after the mid-1990s and has now settled at a low level. During the same period of time, the Occupational Health Care Service has intensively focused on actions targeted at maintaining working capacity.

Department A of the Pension Fund granted an early retirement pension to eight (10) employees on production and financial reasons.

The average retirement age of employees in the pension grants by the Kesko Pension Fund rose to 56.5 (55.4), and decreased in the grants by Varma Mutual Pension Insurance Company to 53.9 (57.4). Regarding the Kesko Pension Fund, the average retirement age varies from year to year depending on,

for example, the age of employees retiring on a disability pension. In 2009, the employees covered by Varma Mutual Pension Insurance Company included a few young people (below 40) retiring on a disability pension, which reflects on the average retirement age. In 2008, the average retirement age of people covered by the whole Finnish employee pension scheme was 59.

The average pension amount paid by the Kesko Pension Fund was €1,397 (€1,324) per month – a total of €65.2 (€61) million to an aggregate of 3,889 (3,839) people.

Operation in employer organisations

Kesko is a member of the Federation of Finnish Commerce, and Kesko's President and CEO is a member of the Federation of Finnish Commerce's Board of Directors and the Deputy Chairman of the Confederation of Finnish Industries EK's Board of Directors.

Of the subsidiaries in the other operating countries, K-rauta AB is a member of the federation of the Swedish commerce. Svensk Handel, and in Norway, Byggnakker is a member of HSH, the confederation of commerce and service industries. Rautakesko AS in Estonia is a member of the Estonian employer organisation, Eesti Tööandjate Keskliit. The other subsidiaries of Rautakesko and Konekesko are not members of any organisation in the Baltic countries, Russia and Belarus.

Cooperation with employee representatives

A total of 40.3% (40.1%) of the Kesko Group employees in Finland were members of trade unions, mainly the Service Union United PAM. The statistics include employees whose trade union membership fees are deducted from their salaries.

In Norway, the unionisation rate was 21.8% (25.5%). 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.

Collective agreements cover about 80% of employees in Finland. So far, the Baltic countries and Russia have no industry-wide collective bargaining agreements.

The Kesko Group has a company-specific shop steward system in place in its biggest 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 Councils meet twice a year. The international Group-level European Works Council (EWC) meets once a year, and was attended by representatives from Finland, Sweden and Estonia in 2009.

At the end of 2009, Finland's Court of Appeal had two cases and the district courts five cases pending concerning employment disputes on, for example, the termination of an employment contract and the payment of supplementary benefits. In 2009, one case was decided in Kesko's favour and one in the complainant's favour. As regards our foreign companies, there were five employment dispute cases pending at the end of 2009. They concerned, for example, the termination of an employment contract and occupational accident compensations.

Case

Threat of unemployment turned into a job

A cheerful attitude, service-mindedness and a lot of competence. These qualities were highlighted when staff was sought for the new K-citymarket Koivukylä, which opened in November 2009.

Recruiting began in late summer 2009 with some 1,600 applicants for the vacancies. "We received plenty of high-level applications," says retailer **Janne Rinne**. The store employs a staff of around 100, of whom one third work in the food department run by the retailer.

The REKRY labour market training was applied to some employees recruited to the home and speciality goods departments in the store, which are run by K-citymarket Oy.

"The training model in question, which is supported by the Employment and Economic Development Centre (as of 1 Jan. 2010: Centre for Economic Development, Transport and the Environment), is used to train those either under the threat of unemployment or unemployed for a new job," explains **Liisa Laakkonen**, HR Manager of K-citymarket Oy.

The six-month training, which is attended by 14 students, comprises both studies and on-the-job learning. Having successfully completed the training, the students will be employed by K-citymarket Oy.

In September 2009, a corresponding training programme was also started in K-citymarket Tampere Linnainmaa, attended by 25 students.



K-food stores' work clothes are made in Finland

Kesko Food's store chains replace their staff's work clothes every four to five years. "When the selection process of the current clothes started in 2005, K-citymarket employees were given the chance to test new outfits in advance and put forward their recommendations," says **Juha Dahlman**, current Managing Director of K-instituutti, who participated in the project.

There were test wearers in K-citymarkets throughout Finland. The final selection was made between clothes manufactured in Finland and the Far East. Following the recommendations, the final choice was the

K-food stores work clothes are made by E. Laiho, which specialises in work clothing.

domestic manufacturer.

"The main criteria in selecting the manufacturer were practicality, user comfort, ease of care, clothes' trendiness and accuracy of deliveries. Finnish quality – from design to manufacture – was also important for us and, because this way we could also support the domestic clothes manufacturing industry and its employees, as it has been continuously on the wane for some time," says the then Project Manager **Mauri Pylkkö**.

All K-food store chains use the same basic collection of trousers, a skirt, shirt and vest. Chain-specific differences are created by using different colours and supplementary products.

E. Laiho, which specialises in light work clothing for men and women, employs 45 people. The family business, established more than 50 years ago, was one of the first Finnish clothing companies to receive the quality certificate of the Finnish Standards Association SFS. The clothing for K-food stores was designed by **Anna-Kaisa Huttunen**.

"This agreement has been very important for us. It generated 4,600 workdays, which means that over a period of four years we spent the equivalent of one calendar year making clothing for Kesko Food. We are located close to the customer, which enables us to supply complementary orders quickly and flexibly. Our strengths include individual service – something that is important when providing clothing for thousands of people of different ages and sizes," explains **Liisa Laiho**, Managing Director of E. Laiho.

Kesko's Work Psychologist Janne Riste

"My work is about mental wellbeing and creating good working conditions. It also encompasses enhancing managerial work and contributing to job satisfaction," says Work Psychologist **Janne Riste**.

Kesko hired work psychologist five years ago. Janne Riste had some twenty years' work experience in occupational health care, including Finnair, Post of Finland and Medivire, a healthcare service company. At Kesko, his duties focus on working communities and their activities.

Help where it is needed

Janne Riste has no reception in the Occupational Health Service Unit.

"I travel around Finland in different Kesko chains whenever outside help is needed. I work behind the scenes but will be on site in accident or crisis situations – whenever immediate help is needed like after the shooting incident in the Sello shopping centre and after the fire at the Neste service station in Oulunkylä in late 2009. In both cases, employees received immediate help."

Intervention in difficult issues is not to be avoided

One of the services provided by the Occupational Health Service Unit is to support supervisors. A work psychologist complements this service by offering consultation to supervisors in difficult situations involving the work community.

"I develop managerial work in cooperation with the HR Unit, for example by creating models for early intervention. Everybody benefits if action is taken no matter how difficult it may be – as the saying goes: practice makes perfect!"

The principle of early intervention means looking for solutions that benefit all parties and caring for employees, providing tools and advice for supervisors on how to approach an employee in challenging situations. Whether they like it or not, managers have a strong influence on their employees' wellbeing and the working community's atmosphere.



Kesko's Work Psychologist Janne Riste provides help at Kesko's offices and stores throughout Finland.

Case

Confidence is important in personnel management



Kesko monitors the job satisfaction of personnel annually as do many K-stores. Retailer **Sami Toivonen** of K-supermarket Itäpoiju in Uusikaupunki carried out a personnel survey among his staff of 20 in late 2008. The survey was similar to the one conducted throughout the K-Group. K-supermarket Itäpoiju had 14 respondents and the results were excellent: the retailer's performance was rated at 4.47 on a scale of 1–5 and the total average for the employees' own job, superior's performance and store's operations was 3.89.

"Our store was rated particularly high for having written work contracts (4.85) and the employees feel that the retailer appreciates them (4.64)," says the retailer.

Sami Toivonen has been in managerial positions for over 20 years. His leadership style highlights the importance of staff as he believes in and appreciates each and every employee. According to him, the key success factors are openness and trust.

Heli Arkkila, who works as a Sales Director for the K-supermarket chain, also lists reliability and attitude as the key features in managerial duties. Heli Arkkila has worked for Kesko in a range of jobs and has almost 10 years' experience as a manager. She is known for good managerial skills, confirmed at Kesko Food's personnel surveys.

"Reliability is one of the key requirements for success as a manager. And it's essential that trust is mutual. All team members must be able to trust their superior and vice versa. Other important things include clear objectives and letting everyone do their jobs in peace. Superiors must also be accessible whenever needed," she points out.

Retailer of K-supermarket Itäpoiju trusts and appreciates each of his employees.

Kesko offers the most diverse career opportunities

Young professionals placed Kesko on pole position out of one hundred companies in terms of the most diverse career opportunities. The employer image was studied in the Universum Young Professional Survey Finland 2009. Kesko's overall ranking was 18 on the list of young business professionals.

The Universum Young Professional Survey 2009 had some 6,000 respondents representing the commercial, technical and IT sectors and included 100 companies. The average age of respondents was 31 and all had approximately five years' work experience. The Young Professional Survey is an annual independent employer image survey which has been conducted in Finland since 2001.

"Young professionals see varied duties and diverse career opportunities as the most important things an employer can offer. Developing and building an employer image is a long-term process. Kesko has succeeded in highlighting the wide range of career options and opportunities available for young professionals and students," says **Michaela von Wendt**, Country Manager for Universum.

Preparing for the swine influenza at Kesko



The World Health Organization (WHO) declared the influenza A(H1N1)v virus, swine influenza, a pandemic in June 2009. The epidemic started in Finland in early October and the peak was reached first in the north and then in the south.

Kesko started preparing for the epidemic as soon as the first cases of the disease were reported from the world. The Kesko Group's risk management set

up a monitoring team in April to actively watch and assess the developments of the situation.

"The team comprised specialists from the risk management, Occupational Health Service, Corporate HR, and Corporate Communications and Responsibility. The team met 18 times during the year," says Petri Käyhkö, Security Manager from the Group's risk management.

The monitoring team established how employees' long simultaneous periods of absences caused by the influenza epidemic would affect Group operations. In order to ensure the continuity of operations, all units assessed their critical functions, prioritised core duties and checked their arrangements concerning substitutes and backup people.

Keskonet, Kesko's intranet site, gave information on the development of the influenza situation. Employees were given instructions on how to prevent the spread of the disease with good hand hygiene. 'Please don't be offended, we avoid shaking hands' signs were put up for visitors in lobbies. The staff was also reminded of the opportunity to arrange distant and video conferences instead of meeting face-to-face.

The Occupational Health Service has followed suspected cases of swine influenza since August

"The rate of Kesko employees falling ill was, to a large extent, in line with the general trends in Finland. The number of suspected or confirmed cases was highest in mid-November, after which the disease started to fade. Luckily, there wasn't the wide epidemic we had feared. Most of those who caught the disease had relatively mild symptoms," says Pirjo Anttila, Chief Physician of Kesko's Occupational Health Service.

After the first wave of the swine influenza had subsided at the end of November, a decision was made for the monitoring team to meet when needed in the future.



There are more than 700 job titles in the K-Group – many of them in retail stores.



Responsibility also means
taking care of the environment

Key issues in environmental responsibility

- Impact on climate change
- Energy and water consumption
- Transportation and return logistics
- Waste
- Use of materials
- Environmental risks, damage and incidents

09

Environmental responsibility

Key environmental performance in 2009

- + As a result of carbon-free electricity, carbon dioxide emissions from electricity used by all K-Group real estate in Finland decreased by 59%
- + Combined carbon dioxide emissions from electricity and heat decreased by 13% in Finland
- + Specific electricity consumption calculated for all real estate types decreased by 0.7% in Finland
- + Emissions from employees' business travel by air decreased by 20.7% and from company cars by 18.8%
- + The total amount of waste generated in Kesko Food's warehouses and terminals dropped from 2.79 kg to 2.73 kg per cubic metre supplied
- + The number of PET bottles collected for raw material recycling was 28.5 million, which was 58% more than in the previous year
- + The waste recovery rate in Anttila distribution centre was 97%
- + At the end of the year, there were 624 K-environmental stores, 114 more than the year before
- Owing to the cold weather, heat energy consumption increased by 12.9% in real estate in Finland - when temperature adjustments are taken into account, the increase was 2.1% and the specific consumption decreased by 0.5%
- The amount of radioactive waste generated in the production of purchased electricity increased from 0.6 tons to 1.7 tons in Finland
- Carbon dioxide emissions in Keslog's transportation increased by 3.7% per each kilo transported
- The amount of mixed waste generated in Kesko Food's warehouses increased from 0.30 kg to 0.38 kg per cubic metre supplied

Environmental management at Kesko

Kesko's environmental management is based on the Kesko Group's environmental policy, the International Chamber of Commerce's principles of sustainable development, the Global Compact commitment and the ISO 14001 standard. The K-retailers are also committed to the Group's environmental policy and follow the requirements of the K-environmental store diploma in their environmental work. VV-Auto Group Oy, VV-Autotalot Oy and Turun VV-Auto Oy follow the principles of the programme created by the Finnish Central Organisation for Motor Trades and Repairs, which fulfils the requirements set both in the ISO 14001 environmental system and the ISO 9001 quality system. Kesko's main office building in Katajanokka, Helsinki, and Kesko Food's central warehouse in Hakkila, Vantaa, have adopted an environmental programme for office work developed by Kesko.

The K-Group's environmental policy together with other group level policies, principles and commitments can be found at www.kesko.fi/responsibility. A summary of the policy has also been published in the 'Our Responsible Working Principles' guide, which is distributed to all employees of the K-Group.

Coverage of environmental systems at Kesko

An environmental system certified in accordance with the ISO 14001 standard is in use in all units in Finland that have significant environmental impact (see table below). At the end of 2009, environmental systems covered 65% of the Finnish companies' and 54% of the whole Group's net sales. The calculation is retail store based, that is, despite Kesko Ltd's certification covers all its warehousing and distribution, the calculation only includes K-environmental stores' percentage share of all K-stores' sales and the corresponding percentage share of Kesko's net sales. There are no certified environmental systems in Group companies outside Finland.

Kesko Food and Rautakesko have agreements on the management and maintenance of premises with YIT Kiinteistötekniikka

Oy, ISS Palvelut Oy and Ovenia Oy. YIT Kiinteistötekniikka's environmental system, which has the ISO 14001 certification, covers some 28% of all premises owned or leased by Kesko in Finland.

K-environmental stores

K-retailers' environmental management is based on the K-environmental store operating model – the K-environmental store diploma. The model is incorporated in the K-citymarket, K-supermarket and K-market chain concepts. Rautakesko's aim has been to include all K-rauta, Rautia and K-maatalous agricultural stores under the concept. No corresponding operating model has been developed for other divisions, as the environmental impact of home and speciality goods stores is regarded as considerably smaller than the impact of food, building and home improvement, and agricultural stores.

The implementation of the K-environmental store model starts with providing basic environmental training for all store staff and appointing employees responsible for environmental issues. After that, regular supplementary training on different themes is arranged annually. Bureau Veritas audits the fulfilment of the requirements of the K-environmental store diploma in case of every food store, and also makes repeat audits by annual sampling. The audits focus on evaluating whether the store meets all the requirements set out in the K-environmental store checklist. In addition to training, these cover areas such as product selection and labelling, the prevention of generating in-store waste and recycling it, recycling services and consumption-related environmental information offered to customers, in-store energy management and cleaning practices. Key environmental issues are also included in the chains' concept measurements.

At year-end, 457 K-food stores (423 in 2008) had the K-environmental store diploma. All K-citymarkets and all K-supermarkets, except for two, were K-environmental stores, while 218 K-markets had the diploma. The target of the K-market chain for 2009 was to have 230 K-environmental stores. Read more in the table on page 57.

Coverage of environmental systems at Kesko

Operations	Environmental management system	Comment
Kesko'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 2008 – in addition to this, the Rovaniemi department store and the Anttila Store in Nummela were certified as new in 2009
Real estate management and maintenance	ISO 14001; ISO 9001	Certificates held by YIT Kiinteistötekniikka Oy, which is responsible for some 33% of Kesko's outsourced real estate and maintenance operations
VV-Auto Group Oy, VV-Autotalot Oy and Turun VV-Auto Oy	ISO 14001; ISO 9001	Programme created by the Finnish Central Organisation for Motor Trades and Repairs Association
K-food stores: 457 K-environmental stores	K-environmental store concept	Chain requirement for K-citymarkets, K-supermarkets and K-markets
K-rauta stores: 38 K-environmental stores	K-environmental store concept	Four stores will be audited in 2010 and one store opened in 2009 will be audited in 2010-2011
Rautia stores: 100 K-environmental stores	K-environmental store concept	Four stores opened in 2009 will be audited in spring 2010. The target is to have the remaining another four stores, too, under the concept in 2010.
K-maatalous stores: 29 K-environmental stores	K-environmental store concept	The target is to have seven stores under the concept in 2010 (according to chain policy)
Main office in Katajanokka, Helsinki and warehouses in Vantaa	Environmental management system for offices	System developed by Kesko

Chain management work in the K-rauta, Rautia and K-maatalous chains focuses on developing store operating models in cooperation with the K-environmental store development team of each chain. The teams comprise K-retailers and employees responsible for environmental issues. The Environmental School of Finland (SYKLI) is responsible for the auditing work. Repeat audits are made every three years. The number of K-environmental stores in the K-rauta, Rautia and K-maatalous chains increased by more than 80 in 2009. The target was to have all stores of these chains covered by the model by year-end; however, due to the changes in the store network, audits of 19 stores will be carried out in 2010.

K-environmental stores in 2009

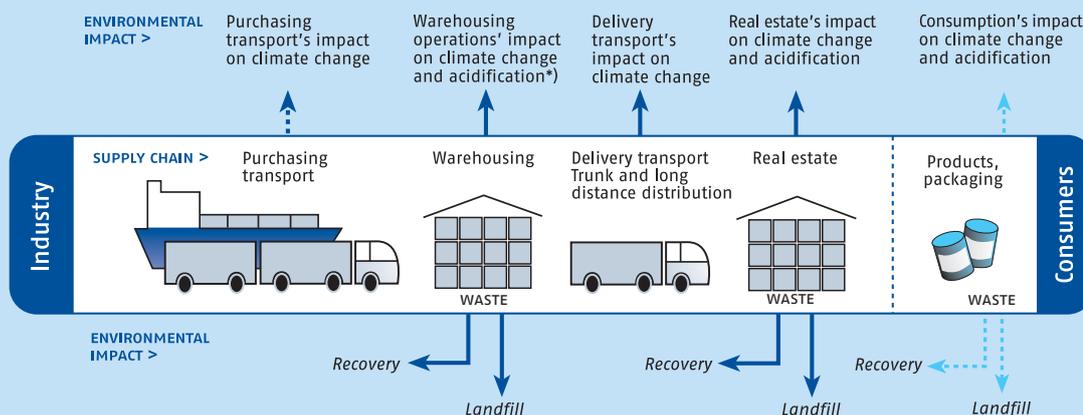
- 69 K-citymarkets
- 168 K-supermarkets
- 218 K-markets
- 2 K-extra stores
- 38 K-rauta stores
- 100 Rautia stores
- 29 K-maatalous stores



Kesko's targets and performance in environmental management

Operations	Target	Performance	Comment
Keslog Ltd	Increasing the efficiency of distribution transportation, €/m ³ .	The target was met; costs decreased by 0.8%.	
Keslog Ltd	Decrease in the amount of mixed waste by 4% per delivered volume, kg/m ³ .	The total amount of waste in relation to the volume supplied decreased by 2%, but the amount of mixed waste increased by 25%.	Some of the waste from construction of warehouses in Hakkila, Vantaa, and the destruction of product lots of defective quality were handled through Keslog's waste management.
Keslog Ltd	Training all drivers in proactive driving.	The target was met, there were 17 training events.	
Anttila Oy	Reduction of electricity consumption, targets department store-specific.	The target was met: reduction was 3% in department stores and 6% in the central warehouse. 70% of the department stores met their target.	
Anttila Oy	Reduction of waste, targets are real estate-specific.	61% of department stores met their target.	The recovery rate of the distribution centre increased from 95.9% to 97.4%; the amount of waste left outside recovery was 16.9 tons.
Anttila Oy	Reduction in paper consumption in the central unit by 33%.	The target was not met: consumption decreased by 27%.	Two-sided printing and copying was adopted.
VV-Auto Group Oy, Turun VV-Auto Oy and VV-Autotalot Oy	Reduction of mixed waste.	The results of more efficient segregation are not available yet.	Despite the improved segregation, waste expenses increased. Efficiency measures will be continued in 2010.
VV-Auto Group Oy, Turun VV-Auto Oy and VV-Autotalot Oy	Reducing the amount of transportation when emptying waste presses to decrease related costs and emissions.	The target was met.	Energy component and cardboard presses were equipped with remote control; presses are only emptied when full.

Kesko's environmental impact



*) included in the impact associated with real estate

Targets and performance in environmental management

A summary of Kesko's Group-level targets and performance is presented at 'Key achievements in 2009' on page 5 of this report and in Kesko's responsibility programme for 2008-2012 on pages 6-7.

The units with ISO 14001 certification have set their individual targets in line with the requirements defined in the standard. These division-specific targets and performance are presented in the table on page 57.

Impact on climate change

Curbing the climate change resulting from energy consumption is one of the key targets of Kesko's environmental work.

Kesko's office and warehouse premises and the K-Group stores annually consume a total of over 1,200 GWh of electricity and heat energy, the production of which generates emissions into the air. Goods are purchased from various parts of the world – though mainly from Finland – and both purchases and distribution to K-Group stores necessitate transportation with emissions into the air. Improving energy-efficiency and adopting carbon-free electricity have significantly reduced the premises' impact on climate change. The relative cutting of emissions from transportation is much more difficult.

Kesko's real estate covered by energy monitoring

At the end of 2009, the floor area of Kesko's real estate covered by energy monitoring totalled 3,548,484 m² in Finland. The floor area of real estate outside Finland totalled 885,000 m².

The total floor area increased by 2.6% in Finland and by 2.9% in other countries.

Monitoring energy and water consumption

In terms of energy consumption, the most important real estate categories are K-citymarkets, K-supermarkets, K-markets, Anttila department stores, and office and warehouse buildings. As Kesko Food and K-food stores account for some two thirds of all electricity consumed by the K-Group in Finland, monitoring has been made as comprehensive as possible particularly in these properties.

Electricity, heat, and water consumption in Finland 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. In most buildings, remote terminal reading takes place via the telephone network at least six times a month. In the most important properties, measurements of district heat and water are also included in remote reading systems. Readings from manually monitored meters are collected by maintenance companies.

In 2009, monitoring covered 83% of the total gross area of Kesko's real estate in Finland. The coverage of multi-sector monitoring increased to 69% (62% in 2008) and electricity monitoring alone covered 14% (20%). Consumption at premises outside the present system is evaluated by the property type and based on the specific consumption of the premises covered by monitoring. In Finland, specific consumption is calculated per gross square metre of heated area. Information on premises outside Finland are given per net floor area.

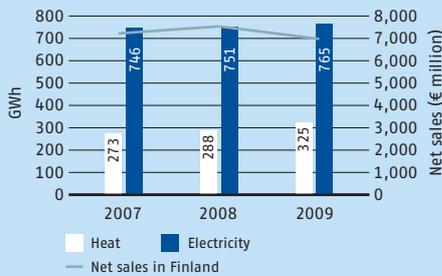
Energy and water consumption in 2009

The combined electricity consumption of Kesko and the K-retailers operating in Kesko's premises in Finland totalled 765 GWh. Electricity consumption increased by 1.9% when, at the same time, the gross floor area of all real estate increased by 2.6%.

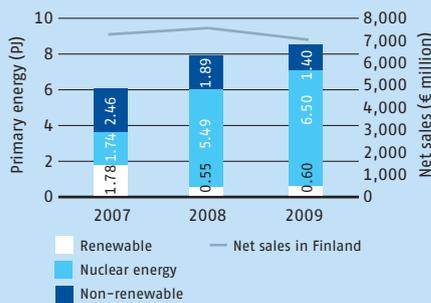
The specific consumption of electricity at all real estate categories decreased by 0.7% from 2008 and totalled 216 kWh per gross m². Specific consumption figures of K-citymarkets, all K-market types as well as K-rauta and Rautia stores increased by 2.0-2.4%, but remained unchanged at K-supermarkets. Specific consumption increased in warehouse and office premises, Anttila stores and K-maalous stores by 1.6-2.7%.

Absolute heat consumption in Finland was 325 GWh, representing an increase of 12.9%. The average specific consumption increased by 10.0% to 92 kWh per gross m². The exceptionally large change was due to the unusually cold weather. Temperature-adjusted consumption increased by 2.1% and specific consumption decreased by 0.5%. Specific consumption

Total energy consumption in the real estate owned or leased by Kesko in Finland, 2007-2009



Profile of the energy used in the real estate owned or leased by Kesko in Finland, 2007-2009



Climate change impact of the total energy used in the real estate owned or leased by Kesko in Finland, 2007-2009



decreased in office and cash&carry premises, K-rauta, Rautia and K-maatalous stores.

Water consumption stood at 686,041 cubic metres, 3.5% more than in 2008. The specific consumption was 193 litres per gross m², an increase of 0.8%. The specific water consumption increased by 3.5% at K-citymarkets and decreased by 6.0% at K-supermarkets.

The primary energy used by Kesko accounted for approximately 0.3%, electricity for around 0.9% and district heat likewise for around 0.9% of the respective total consumption in Finland. The figures are based on the 2009 energy statistics of Statistics Finland (figures for primary energy on the 2008 statistics).

Kesko's companies outside Finland purchased a total of 94.5 GWh (77.9 GWh in 2008) of electricity and district heat in 2009. Subsidiaries in all countries, except for Latvia, produced electricity to the total of 20.0 GWh. Consumption of heat energy produced by the subsidiaries themselves (in all countries except for Sweden) totalled 18.8 GWh (21.4 GWh). Energy consumption figures of subsidiaries in Belarus are not included. Water consumption in subsidiaries outside Finland is small and thus not included in this report.

Environmental energy profile

Like in previous years, Energiakolmio Oy has calculated Kesko's environmental profiles for 2009. The calculation, which includes a comparison with the energy protocol contained in the GRI reporting guidelines, is published in the attachments to this report at www.kesko.fi/responsibility. Energy statistics of foreign subsidiaries are also presented on the same pages.

Kesko supplied 576 GWh or approximately 75% of the total electricity used by the K-Group in Finland (77% in 2008). The amount supplied was 1.7% smaller than in 2008. Fortum Markets Oy accounted for 99% and the balance power for 1% of the electricity purchased by Kesko. K-retailers purchased 189 GWh of electricity (174 GWh), mainly from local power plants.

As no environmental profile for 2009 for calculating Kesko's indicators was available from the energy utilities in February 2010, the emissions of electricity purchased by Kesko and K-retailers are based on the 2008 profiles. As 99% of the electricity purchased by Kesko was supplied by Fortum Markets Oy and as 97% of this amount had been produced by nuclear power, the environmental profile is in that respect known in practice. For the balance power and electricity purchased by K-retailers themselves, the 2008 environmental profile of electricity purchased from Nord Pool electricity stock market has been used. Kesko's indicators for 2008 have now been updated to correspond to actual emissions in 2008. The changes affected by the update were not significant, because 77% of the electricity purchased in 2008 was carbon-free. The calculation of nuclear waste for 2009 is based on the real amount of nuclear fuel used - energy suppliers have a statutory obligation to report this indicator at the end of every year.

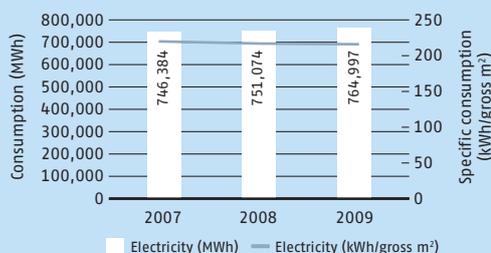
The environmental impact of the generation of district heat has been assessed on the basis of generation and emissions information for 2009 published by Energiategollisuus ry - Finnish Energy Industries.

The attachments to this report at www.kesko.fi/responsibility include statistical tables on the environmental impact of the production of electricity purchased by Kesko and the electricity and heat used in all premises owned or leased by Kesko - including electricity purchased by K-retailers - in 2007-2009. The figures on page 58 present the total energy consumption

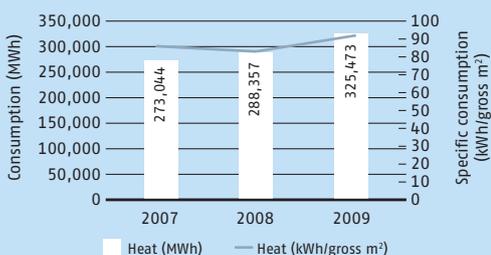
per net sales in the premises owned or leased by Kesko in Finland; the breakdown of the production between renewable and non-renewable sources and the nuclear power; and the carbon dioxide emissions generated in the production. The figures on page 60 give the corresponding details on electricity supplied by Kesko to the K-Group.

CO₂ emissions of energy decreased by 13% in Finland
Carbon-free electricity purchased from Fortum Markets Oy is generated from nuclear power and from renewable natural sources in the ratio 97:3. As Kesko purchased practically all electricity supplied by it to the K-Group from Fortum Markets Oy, the proportion of non-renewable energy sources dropped to zero, compared with some 31% as recently as 2007. Correspondingly, CO₂ emissions of electricity purchased by Kesko dropped to nearly

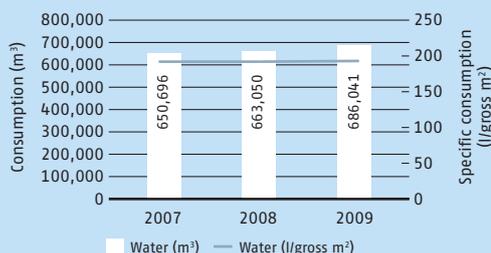
Kesko's consumption of electricity and specific consumption in Finland, 2007-2009



Kesko's heat consumption and specific consumption in Finland, 2007-2009



Kesko's water consumption and specific consumption in Finland, 2007-2009



zero (443 tons). As the proportion of nuclear power continued to increase, consumption of primary energy increased by 9%.

When electricity purchased by K-retailers is taken into account, CO₂ emissions of electricity used by real estate were 15,180 tons, which is 59% less than a year before. In 2001, the corresponding emissions were the highest, totalling 220,644 tons; the decline compared with this has thus been 93%.

As production methods of the district heat purchased have remained unchanged over the years, emissions have in that respect changed along with consumption. In 2009, all premises' CO₂ emissions from heat energy totalled 71,606 tons (63,439 tons).

Combined carbon dioxide emissions (CO₂ eq.) of electricity and heat were 86,784 tons, accounting for slightly over 0.1% of total emissions in Finland (according to the energy statistics of Statis-

tics Finland around 70 million tons in 2008), a decrease of 13% on 2008. In 2001, emissions totalled 292,509 tons, the decrease over eight years has thus been 70%. Most of the reductions originate from the decision to direct Kesko's electricity purchases, first gradually and in the end wholly, to carbon-free electricity.

The impact of energy consumption on acidification and lower atmosphere ozone has also decreased considerably year-on-year as electricity produced by non-renewable sources has been given up. In 2001, the acidification emissions (SO₂ eq.) generated by electricity and heat energy used by all premises were 741 tons and the ethylene emissions (C₂H₄-eq.) that generate lower atmosphere ozone were 15 tons. In 2009, the corresponding figures were 270 tons and 8 tons. Correspondingly, the adoption of electricity produced with nuclear power has increased the amount of radioactive waste from 0.6 tons to 1.7 tons.

Kesko participates in the nuclear power plant project of Fennovoima Oy, and Kesko's stand can be read at www.kesko.fi/responsibility.

Russia included in energy statistics

Energiakolmio Oy has also calculated the environmental profile of the energy used by Kesko companies outside Finland. Regarding the consumption of primary energy, the profile is based on country-specific energy production statistics and the statistics prepared by the International Energy Association (IEA). Specific electricity emissions are based on the statistics of Eur-electric, and the assessments of district heat emissions are based on the energy sources used. The amount of radioactive waste generated from nuclear energy consumed is estimated at 4.25 g per MWh regardless of the 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 energy production have not been calculated.

Combined CO₂ emissions from premises in other countries were 27,568 tons, of which 11,434 tons were generated in Russia and 8,508 tons in Estonia. Statistics from Russia were now available for the first time. Emissions of purchased energy decreased by 8.7% in Lithuania and by 1.6% in Latvia, but increased by 1.7% in Estonia. CO₂ emissions were very low in Sweden and Norway due to the production methods of energy (in Sweden nuclear and hydroelectric power; in Norway hydroelectric power).

The proportion of Kesko's own electricity and heat production out of the CO₂ emissions of properties outside Finland was 7,800 tons. Acidifying emissions (from purchased energy only) were 171 tons, an increase of 17 tons on 2008, which can be fully attributed to the preparation of statistics concerning Russia.

Premises outside Finland accounted for approximately 23% of Kesko's total real estate volume, 11% of combined electricity and heat consumption, 24% of greenhouse gas emissions, and 39% of acidifying emissions.

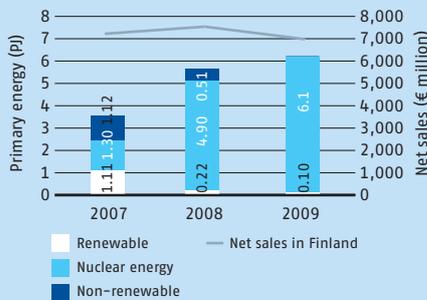
Whole Group's emissions into the air from energy production decreased

Combined energy consumption of Kesko in Finland and other countries totalled 1,224 GWh, an increase of about 7.5% on 2008. Climate warming-related emissions decreased by 4.2%, and acidifying emissions by 3.1%. The amount of radioactive waste increased by 48.4%.

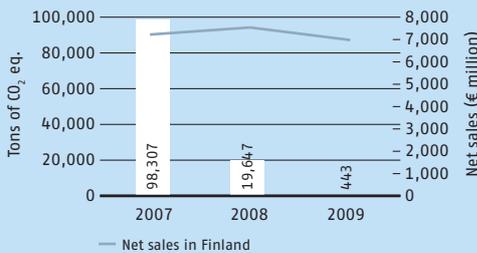
Energy-efficiency is improved in many ways

The K-Group participates in the trading sector energy-efficiency agreement and is committed to saving 65 GWh of energy by the

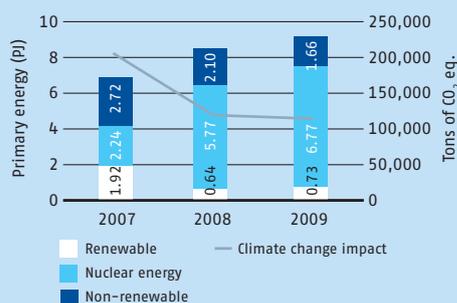
Profile of electricity supplied by Kesko to the K-Group, 2007-2009



Climate change impact of electricity supplied by Kesko to the K-Group, 2007-2009



Environmental profile and impact of the purchased energy consumed by the whole K-Group, all operating countries, 2007-2009



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 savings target set by the K-Group means in practice a smaller decrease, 6.7%. When defining the target, Kesko could benefit from relative savings of 20% in electricity and savings of 60% in heating energy achieved by Kesko Food in 1995–2006. The agreement covers all store chains that belong to the K-Group.

Freezers and other cooling equipment in particular consume energy at K-food stores. As part of Kesko's responsibility programme, Kesko Food made a decision to install freezers with lids in all new food stores. As regards existing equipment, the installation of lids and new fan motors is being tested. Lids save some 40% of electric energy compared with uncovered chest freezers. Significant electricity savings are also gained thanks to fewer defrostings needed and the smaller fan and refrigeration power required.

Energy consumption and emissions are also reduced by the introduction of new refrigeration technology. The newest K-food stores use R744 technology, in which the coolant used is carbon dioxide recovered to a 100% at industrial processes. Refrigeration equipment also makes use of the gas temperature that is higher than that generated in the traditional cooling process. An efficient heat recovery system has been built for heating service water and the incoming air of the air-conditioning system.

As of January 2009, only LED lightning has been used for K-food stores' new illuminated signs. The possibilities of replacing the neon and fluorescent tubes of existing signs are also being studied. The use of LED lighting technology on this scale is still uncommon in cased illuminated advertising. Compared with fluorescent and neon tubes, advantages of the technology include energy consumption that is up to 60–80% lower, about double the service life and less maintenance. Furthermore, LED signs contain no hazardous waste.

K-retailers and the consumer movement 'Carrotmob' have arranged joint energy-saving campaigns, and the retailers have committed to investing extra sales generated in enhancing the stores' energy-efficiency. Read more on page 21.

Transportation

In 2009, the scope of Keslog's transportation statistics covered all trunk transportation between Kesko's warehouses and distribution terminals; delivery transportation from distribution terminals; and long-distance distribution between the central warehouse and terminals to stores outside their distribution areas. The calculations also include distribution carried out by all external operators and managed by Keslog.

Some 70% of goods for Kesko Food's warehouses are bought 'ex works', which allows Kesko Food to decide on the mode of transport. In most cases, transportation is handled by Kesko Food's trucks returning from trunk transportation or deliveries, which means that these purchases are included in Keslog's distribution kilometres.

In 2009, the total distance driven by all forms of transportation managed by Keslog was 38.9 million km (38.2 million in 2008) and the total volume delivered was 1,826,000 tons (1,834,000 tons). Delivery transportation accounted for 17.0 million km (17.7), long distance distribution and trunk distribution 12.0 million km (11.6), and external operators 9.9 million km (8.8).

The majority of Anttila's transportation was handled by Keslog and is reported under Keslog's statistics, as are other Kesko divisions whose transportation is managed by Keslog.

Transportation outsourced by Anttila outside Keslog totalled 147,900 km (151,000 km).

The total volume of imports forwarded by Keslog was 301,000 tons, a decrease of 4.8% on 2008. There is neither information on kilometres driven nor emission calculation available in imports transportation. Transportation within Europe was handled by trucks, semi-trailers and containers, and from outside Europe only by containers. Kesko Food accounted for 75% of all 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. Transport statistics are incomplete and they are not presented in this report.

CO₂ emissions from transportation

The emissions associated with deliveries by Keslog and other Finnish transport companies have been calculated according to the number of kilometres, as no fuel consumption data are available. The calculation is based on the emission factors and definitions contained in the LIPASTO (LIISA) 2005 and 2008 models produced by VTT Technical Research Centre of Finland. Information on the co-efficient is provided by truck type, engine category and driving speed.

Volumetric efficiencies applied in Keslog's calculation for distribution delivery were 50% for truck and 70% for semi and full trailer transportation.

The assumed proportion of trailer transportation in distribution delivery is 60%, of which 30% is considered to be urban traffic and 70% rural traffic. Truck transportation accounted for 40%. Here the proportion of urban and rural traffic is 70% and 30%, respectively. For trunk and long distance transportation, the assumed proportion is 99% for a semi and full trailers, and 90% of transportation is assumed to be rural.

17% of outsourced deliveries are assumed to be made by truck (70% urban traffic), 1% by semi trailers and 82% by full trailers (90% rural traffic).

The same assumptions are applied in Anttila's and other division parent companies' transportations managed by Keslog.

The CO₂ emissions of Keslog's transportation operations (18,854 tons) decreased by 3.2% on 2008. The CO₂ emissions (15,513 tons) of long distance and trunk transportation increased by 2.7% and those of outsourced transportation (11,658 tons) increased by 12.4%. The changes can nearly fully be attributed to changes in the ratios of kilometres driven.

The total CO₂ emissions of all Keslog-managed transportation (46,025 tons) increased by 3.3% and the CO₂ emissions calculated per delivered kg (0.0252 kg CO₂/kg) increased by 3.7%. The increase in relative CO₂ emissions was mainly due to the changes in purchase transportation; the fact that Kespro started separate distribution in the Greater Helsinki area and the increase in distant distribution which also decreased the

Recoverable and reusable packaging sent back in Kesko Food's return logistics (1,000 pcs)

	2007	2008	2009
Aluminium cans	81,636	81,885	74,161
PET bottles		18,061	28,463
Disposable bottles	2,763	2,872	2,685
Deposit bottles	761	666	362
Transbox crates	7,087	9,125	9,856

CO₂ emissions in transport in Finland 2007–2009, tons

	2007	2008	2009
Anttila's delivery transportation	888	192	188
Keslog's delivery transportation	17,113	19,117	18,854
Keslog's trunk and long delivery transportation	14,459	14,975	15,513
Outsourced transportation	7,888	10,242	11,658
Total	40,347	44,526	46,213

Most of Anttila's distribution is managed by Keslog and included in Keslog's transportation figures.

environmental impact of district terminals. Emissions also increased on account that the pilot distribution of biofuel in Southern Finland in 2008 was discontinued in January 2009, because its distribution could not be expanded nationwide.

As statistics on other countries are incomplete and different years are not based on the completely same database, no statistics are presented in this report.

CO₂ emissions related to business travel

In 2009, air miles in business travel totalled 9.6 million (11.9 million in 2008) and their CO₂ emissions were 1,970 tons (2,483 tons). The decrease on 2008 was 20.7%. Although emissions from air travel represent only a small part – roughly 1.2% 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. In 2009, there were 14 Vid-era distance meeting points in the Group and the total duration of meetings arranged between two or several facilities was 2,846 hours. There were 1,276 distance meetings from employees' own terminals, with a total duration of 4,460 hours.

Kesko had 578 company cars in Finland at year-end, of which 231 were petrol and 347 diesel. Kesko's company car policy recommends cars with the CO₂ emission level below 170 g CO₂/km starting from the beginning of 2010 (previously below 180 g CO₂/km). In 2009, the average level was 161 g CO₂/km (167 g in 2008) and the total CO₂ emissions of company cars were 2,600 tons (3,200 tons). The calculation also includes private travel by company car.

Some of business-related trips in Kesko are made by employees' own cars. In 2009, compensation paid for such travel in Finland covered 7.8 million km. Kesko has taken no 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 170 g CO₂/km, total emissions of such business travel would be slightly over 1,300 CO₂ tons.

Summary of climate change impact

A graph of the emissions from the production of energy used in Kesko's and K-stores' real estate is on page 58, a table on emissions in transport is on this page, while information on the emissions from business travel is available above. The information covers the majority of the climate change impact caused by Kesko and enables it to be related to Kesko's net sales.

Some of Kesko's division parent companies have outsourced their warehousing and transportation, and some manufacturers supply goods directly to K-stores or end-users. It is difficult for Kesko to get reliable information on such transportation. Compiling statistics on purchasing transportation is also difficult in such cases when Kesko does not collect products ex works. Due to these shortcomings, a decision has been made not to calculate the Group's overall carbon dioxide balance until further notice.

Use of materials

The GRI guidelines' indicator on the use of materials refers, in the case of Kesko, to the amounts of materials imported or packaged by Kesko. In accordance with the EU packaging directive, these shall be reported annually to the authorities.

In 2009, packaging materials of goods packed by Kesko Food and placed on the Finnish market totalled 25,628 tons; 1,146 tons by Anttila; and 2,978 tons by Rautakesko.

Kesko continues to work actively in Finnish producer associations and standardisation organisations to improve the standardisation of packaging and the use of materials with a smaller impact on the environment, and to reduce the amount of materials used. Kesko can play an important role in determining the packaging materials and quantities used for its own brands in particular.

Waste management and recycling

In 2009, the amount of waste generated by Kesko Food's warehouses totalled 6,539 tons (6,503 tons in 2008). The total amount in relation to each cubic metre of material supplied dropped from 2.79 kg to 2.73 kg. The figure includes the corrugated board collected by Keslog from K-stores. Excluding the corrugated board, the total waste was 1.13 kg (1.11 kg) of waste per cubic metre supplied.

The amount of mixed waste generated was 0.38 kg (0.30 kg) per cubic metre supplied. The increase on 2008 can be attributed to the waste generated in the construction of the central warehouse in Hakkila, Vantaa, and the disposal of product lots of defective quality through Keslog's waste management. As the amount of mixed waste increased, the total waste recovery rate dropped to 86% (89%). Kesko Food's target is to increase the waste recovery of the K-food stores to 90% by 2012.

The total amount of waste from the Anttila distribution centre was 651 tons (740 tons) and the recovery rate was 97% (96%). The recovery rates of department stores varied between 68% and 100%, depending on recycling opportunities in the region.

The total amount of waste from Rautakesko increased by 14%; however, the amount of landfill waste decreased and the recovery rate improved from 75% to 81%. The amount of waste from VV-Auto Group Oy, VV-Autotalot Oy and Turun VV-Auto Oy decreased slightly and the recovery rate improved from 58% to 73%.

The growing popularity of recyclable plastic (PET) bottles was clearly reflected in Kesko Food's return logistics. The number of PET bottles collected from K-stores for the reuse of material was 28.5 million, compared with 18.0 million in 2008, when collection started. A total of 74.2 million (81.9 million) drink cans were returned from K-stores. The decrease in the number was due to the fact the some of the cans previously handled by Keslog's return logistics were now returned to recycling through other operators. As for other returnable components, the number of disposable alcohol bottles decreased slightly, the number of refillable alcohol bottles dropped clearly, while the number of Transbox crates increased slightly.

Outside Finland, waste amounts decreased clearly in Norway (– 28%) and in Estonia (– 15%) but increased in Lithuania (+ 14%). Waste statistics were now received from Russia for the first time, but there are still no corresponding statistics available from Latvia or Belarus.

The total amount of waste generated in Finnish companies was 8,339 tons, of which 84,6% was recovered. The combined amount in other countries was 10,150 tons, and the recovery rate there was 68%. In Finland, Kesko's waste statistics mainly cover warehousing operations, while in other countries most of the waste included in statistics is generated in retail stores.

Product-related development

Kesko's division parent companies have many products with environmental labelling, certification and sold on other environmental criteria. For more information, see 'Responsible purchasing and sales' starting from page 73.

Stakeholder cooperation and communications

Kesko continued to maintain close contacts with its stakeholder groups in the area of environmental activities.

Contacts with the Finnish and EU authorities were primarily maintained through the Environmental Committee of the Federation of Finnish Commerce. Kesko had a representative in the Environment and Logistics Committee of Eurocommerce and the ICC's Commission on Environment and Energy.

Kesko's representatives participated in the work of several organisations and associations in Finland, including the Finnish Food Marketing Association, the Finnish Standards Association SFS; the Finnish Packaging Association; the Finnish Society of Refrigeration; Elävä kaupunkikeskusta ry; and producer communities responsible for the recycling of packaging materials, and electrical scrap. Cooperation also continued with suppliers to promote organic foods and various recycling systems.

Kesko continued to support WWF Finland and cooperated with it by monitoring the natural fish stock in nearby areas, catch recommendations and the cultivation conditions of cultivated fish with the help of WWF's fish guide. Read more on page 74.

Kesko is a supporting member of the Finnish Association for Nature Conservation. After the FIN-MIPS Household project completed at the end of 2008, there were no concrete cooperation projects between Kesko and the Association in 2009.

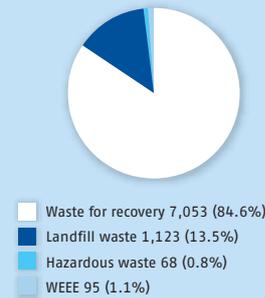
Environmental risks, damage and incidents

Units having ISO 14001 certification manage their environmental risks and readiness to act in emergency circumstances according to the requirements set in the standard. As the greatest risk to a company operating in the trading sector is fire, Kesko has provided its personnel with the relevant instructions and training needed to meet this contingency. No environmental damage or incidents to be reported took place in the Kesko Group in 2009.

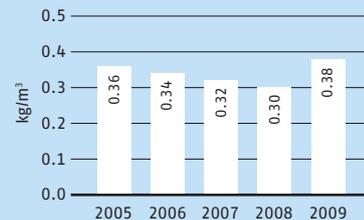
Surveys of contaminated land are made annually in connection with construction work or real estate transactions. In 2009, a total of 38 such surveys were conducted as part of real estate transactions in Finland. Contaminated land was found at four sites which were cleaned by the end of 2009.

No decontaminations were made outside Finland in 2009.

Waste components from Finnish operations, tons



Mixed waste per cubic metre delivered, Kesko Food 2005-2009



Waste from Finnish operations in 2007-2009, tons

	Kesko Food			Anttila			Rautakesko			WV-Auto Group, Turun WV-Auto and WV-Autotalot		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Waste for recovery	5,786	5,792	5,638	632	608	539	320	339	414	294	374	462
WEEE	-	5	-	94	101	95	-	-	-	3	3	-
Landfill waste ^{1) 2)}	1,137	705	901 ³⁾	17	23	14	95	111	100	135	138	108
Hazardous waste	3	1	-	9	8	3	-	-	-	54	140	65
Total	6,926	6,503	6,539	752	740	651	415	450	514	483	655	635
Reuse, %	90	89	86	97	96	97	77	75	81	61	58	73

¹⁾ Mixed waste and other components not suitable for recovery

²⁾ Composted organic waste is included in recovery percentage

³⁾ In addition, 110 tons of construction and special waste were treated, but this one-off lot was not included in calculations. More detailed specifications concerning waste components are available in attachments at www.kesko.fi/responsibility

Waste from operations outside Finland in 2007-2009, tons

	Sweden			Norway			Estonia			Lithuania			Russia		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Waste for recovery	1,990	2,022	2,044	1,001	932	654	198	285	196	1,627	1,931	2,069	-	-	1,906
Landfill waste	660	635	555	884	765	574	600	449	422	779	672	992	-	-	653
Hazardous waste	37	83	48	12	11	8	10	-	8	11	11	21	-	-	-
Total	2,686	2,739	2,647	1,897	1,708	1,236	808	734	626	2,417	2,614	3,082	-	-	2,559
Reuse, %	74 ¹⁾	74 ¹⁾	77	53	55 ¹⁾	53	26	39	31	67 ¹⁾	74 ¹⁾	67	-	-	74

¹⁾ The figure has been corrected after the previous report. No information available on Latvia and Belarus.

Case



Cleaner and cheaper drive with natural gas

Gasum Oy's natural gas filling station in connection with K-citymarket Laune in Lahti was opened in December 2009. There were 14 public natural gas stations in Finland at year-end. In addition to Lahti, there are also natural gas stations at Kesko's sites in Kouvola and Tampere.

"Kesko wants to promote the spread of fuels with less environmental impact in Finland and help in providing more responsible options. In urban areas, an ideal location for a natural gas station is beside a hypermarket that draws heavy traffic," says Timo Heikkilä, Kesko's District Director for Southeastern Finland.

Including all city buses, waste trucks, distribution trucks, taxis, other commercial vehicles and private cars, there are some 600 natural gas-driven vehicles in Finland.

The low price of fuel combined with low carbon dioxide, nitrogen oxide and particle emissions are encouraging people to buy natural gas cars. The amount of natural gas with the same amount of energy as one litre of petrol costs some €0.7. Compared with

a petrol-driven car, a natural gas-driven car's carbon dioxide emissions are 24%, carbon monoxide emissions 80%, nitrogen oxides 53% and hydrocarbon emissions 60% lower. There are virtually no particle emissions (source: Volkswagen AG).

There are already more than 10 million natural gas vehicles on the roads of the world, about one million in Europe alone. In the Finnish market, Kesko's imports include natural gas versions (EcoFuel) of Volkswagen Passat Variant, Touran, Caddy and Caddy Maxi Life.

"Carbon dioxide emissions of new cars have dropped dramatically during the last couple of years. As a fuel, natural gas also provides the best and most affordable alternative for essentially decreasing local emissions of cars. We sold more than 50 Passats, 2 Tourans and 13 Caddies in natural gas versions in 2009," says Pekka Lahti, President of VW-Auto Group Oy.



The K-citymarket centre in Koivukylä was built on the environment's terms

K-citymarket Koivukylä received the K-environmental store diploma on 12 November 2009, the day it opened. The diploma confirms that the store has all environmental issues under control.

Environmental aspects were comprehensively taken into account during the construction phase of the whole building, some 27,000 square metres in all. Energy savings, ease of moving around and safety were sought in many ways.



Efficient systems enable heat recovery from ventilation and refrigeration technology's condensation heat, which is mainly used for heating the building and de-icing the store's entrances and ramps during the winter.

"We try to avoid the need to cool down store furnishings as far as possible. All island freezers are fitted with lids, which means an energy saving of up to 40 percent compared with open top freezers," says Kimmo Leivo, Kesko Food's Construction Manager.

Much attention was also paid to entrance design. Entrances are now as unrestricted as possible and the main passage is higher than usual with a large window surface area to make the most of natural light. Sun protection screens on windows reduce the heat impact of sunlight.

There are racks for one hundred bicycles outside the shopping centre since it has good access for both cyclists as well as those who choose to walk there. There is also space for 400 cars in the basement where special attention was paid to the lightness of the parking hall and the safety of pedestrians. Ceilings were painted white and columns light yellow with the floor drains tilted away from pedestrian areas and driveways so that they remain drier for shoppers walking to their cars.

Kodin Ykköinen's homely lighting solution saves electricity



Special attention has been paid to lighting in the Kodin Ykköinen department store for home goods and interior decoration which was opened in Lielähti, Tampere, in October 2009. The lighting design was made by VALOA design, a specialist in architectural lighting.

There are no dazzling lamps or traditional fluorescent tubes hanging from the ceiling. Each product area has different lighting, tailored for the purpose. The emphasis is on spot lighting and highlighting product displays.

"The store's lighting is as little dazzling as possible. The tidy look of the ceiling and the spotlights provide a composed air and create a cosy and homely atmosphere," says Antti Hiltunen VALOA's lighting designer.

As universal lighting has been reduced, products can be accentuated with spotlights with lower wattage. Electricity consumption of the Lielähti store is about 25% lower compared with earlier solutions.

"Savings will be as much as tens of thousands of euros per year. Lower electricity consumption also cuts air-conditioning costs in summer," explains Juha Riipinen, Department Store Director.

Energy saving experiments in Estonia

Two families tried energy saving

In 2009, Rautakesko Estonia supported a responsibility experiment organised by the Nordic Council of Ministers' Office in Estonia together with the Tallinn Science Center Energy. Two families with the same number of children and of the same age were chosen to take part. One family lived in a single-family house, and the other in a block of flats. Both families tried to save energy without changing their basic habits and daily lives. During the first two weeks, the families continued living as they had been, while measuring their energy consumption with watt metres provided by Rautakesko Estonia.

The second phase involved finding ways in which they could save energy by adopting new technology but without actually changing their habits. This meant that they could, for example, change an old TV for a new model, or use energy saving bulbs. Both families were given a small budget for this by the Nordic Council. Throughout the experiment, the families wrote a blog at minuenergia.wordpress.com where they shared their feelings about the project and its results. The conclusions the families drew from the project were that information is not easily available, it takes some effort to find new technologies, and when they do find them they can be expensive.

Energy saving signs in stores

Rautakesko Estonia had signs featuring a little green house made for its stores. The sign is used on energy friendly products, and by buying such products consumers can both save money and preserve nature. These products include energy saving bulbs, certain heaters, fireplaces and



In August 2009, Rautakesko Estonia's personnel helped put in order the Voore park. Pictured Kadi Jaanson, Arvo Anton, Karita Lorents and Ragnar Atonen.

taps. Rautakesko Estonia also uses this green 'Energiasäästlik' sign on their marketing material.

Teeme ära! cleaning campaign

In August 2008 and 2009, during the Rautakesko Estonia 'Summer Days', some 350 Rautakesko employees helped the local community by cleaning areas and sites of importance. In 2009, Rautakesko helped to put in order the Voore park and playfield in the village of Voore in mid-Estonia.

Singing is a very popular pastime in Estonia and almost every village has a small singing arena of its own. Rautakesko Estonia has also contributed to cleaning Voore's arena.

A close-up photograph of a male scientist with a beard, wearing a white lab coat, working in a laboratory. He is focused on his task, using a pipette to transfer a small amount of red liquid into one of several Erlenmeyer flasks on a white lab bench. The flasks contain liquids of different colors: yellow, red, and yellow. The background is softly blurred, showing laboratory equipment and shelves.

Responsibility also means safety

Key issues in responsible purchasing and sales

- High level of product safety
- Promoting a healthy way of life and eating habits
- Working conditions and terms that comply with legislation and agreements in the purchasing chain
- Selection policies are based on products that fulfil responsibility criteria
- Product stands and statements that complement legislation and standards

09

Responsible purchasing and sales

Key performance in responsible purchasing and sales in 2009

- + 61 products in the Pirkka product range have been reformulated (decreased fat, salt and sugar) since 2008
- + Kesko's monitoring team made 161 factory visits to the premises of 50 suppliers in China
- + The number of suppliers included in the BSCI audit process tripled
- + The number of companies in the sphere of approved BSCI audits doubled
- + The total number of Fairtrade products offered by Kesko Food grew by 25%; their number in the Pirkka range increased by 43%; and the number of Fairtrade suppliers nearly doubled
- + The selection of Pirkka Organic products and Pirkka products with Swan labelling continued to increase
- Incidents related to food quality and safety (shards of glass, marinades of meat and fish) were discussed in public - some were quality defects; some malicious intent
- SA8000 certification did not proceed in Kesko's supplier companies

Principles that guide responsible purchasing and sales

Kesko and K-Group stores are responsible for the products' users: ensuring that the products comply with all requirements of the Finnish and EU legislation, are safe for the users and meet quality and other promises. The impact of the whole product chain on the environment and employees is monitored and effort is made to ensure that the requirements of sustainable development have been taken into account. Kesko reports on the purchasing criteria and responsibility results transparently.

Kesko's international commitments are listed in Kesko's general corporate responsibility principles (page 15). The commitments related to purchasing include, above all, the UN Declaration of Human Rights and Global Compact initiative, ILO's conventions and the ICC Business Charter for Sustainable Development. The general principles also contain purchasing and sales principles that apply to economic, environmental and social performance. More detailed purchasing criteria have been included in the ethical purchasing principles and environmental policy; the risk management policy for its part also guides purchasing. Monitoring the compliance of the foodstuffs' and consumer durables' quality and product safety with the legislation has been complemented with product group and subject-specific policy statements – observed in purchasing.

Kesko does not define the responsibility criteria for the products it sells, but uses international standards, certifications, audits and product labelling. Neither can Kesko be responsible for the audits of its supplier companies; however, in accordance with the standard practice, independent accredited certification bodies and other corresponding organisations are responsible for them.

Product safety

Product safety is closely linked to all of Kesko's business. It is particularly important in the food trade, where safety is highlighted both by means of legislation and statutory control, and by companies' voluntary activities. The consumer survey on companies' responsibility made for Kesko Food (TNS Gallup 1/2010), product safety was rated number one among responsi-



bility factors – 83% of respondents considered it very important or important.

ISO 17025 accreditation and self-control approval to the laboratory

Kesko Food's Pirkka Product Research Unit's laboratory was awarded the ISO 17025 accreditation from the Finnish Accreditation Service (FINAS) on 11 February 2009. The accreditation includes one chemical and five microbiological methods. More methods will be applied for inclusion in the accreditation in connection with subsequent reassessments. The laboratory of the Product Research is the first ISO 17025 accredited laboratory in the Finnish trading sector.

On 18 February 2009, the laboratory was approved by the Finnish Food Safety Authority Evira as a self-control laboratory in accordance with Section 37 of the Food Act. The ISO 17025 recognition of competence is one of the approval criteria.

Activities of Pirkka Product Research

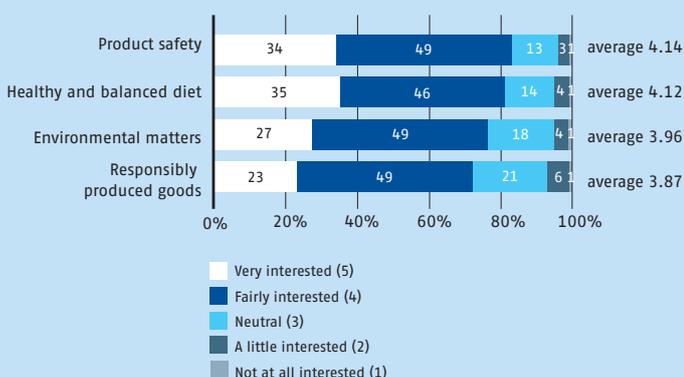
Pirkka Product Research ensures the quality of the products purchased by Kesko, develops Kesko's own brand products, coordinates self-control, keeps abreast of food legislation, and is responsible for recipe and consumer services. In addition to food products, the unit also controls the quality of some non-foods and home and specialty goods. The unit acts as a partner in product development of Kesko's own brands, working in close cooperation with Kesko's buyers and product manufacturers.

In 2009, the Product Research audited 41 suppliers (31 in 2008), of which 9 (19) were Finnish. These companies mainly included manufacturers of Kesko Food's own brands, and were audited in compliance with Kesko Food's audit protocol. The suggested improvements mainly related to the planning and hygiene of production facilities.

A total of 8,177 (8,313) product samples were analysed, 55% of which related to product development of Kesko's own brands. The number of samples related to new products was 1,169 (1,469). A total of 1,393 (1,341) batch control and other self-control samples were analysed.

Kesko Food's Consumer Service operated by the Product Research received 20,999 (21,482) items of feedback during the year – all of which were answered. Some 80% were product complaints, and some 13% were questions concerning products. Feedback also included thanks, ideas and suggestions. The unit received more than 2,500 product samples or packages; slightly over 40% of them were analysed by the unit and

Consumer expectations of responsibility in the food trade



Source: Kesko Food's survey on corporate responsibility, TNS Gallup 1/2010.



the rest were sent to the manufacturers for analysis. Read more on page 19.

Representatives of the Product Research participated in several legislation and development projects concerning food quality and safety both at national and international levels. These included the EU/Codex hygiene and labelling workgroups, ISO/TC standard working groups, expert groups under the Advisory Committee on Foodstuffs, and the workgroups of the Finnish Grocery Trade Association. If required, the Product Research Unit prepares and publishes Kesko Food's statements on current product safety issues.

Recalls

The Product Research Unit is also responsible for product recalls, which numbered 61 in 2009 (66 in 2008). Of these, 21 (18) were Kesko Food's own brand products; in the other cases, the unit assisted manufacturers in recalls. Three were public recalls involving a potential health hazard. Such cases are always notified to the relevant national authorities. In 2009, public recalls were related to a goat cheese with insufficient labelling, and two cases in which permitted limit values had been exceeded: the PAH content of a blueberry extract food supplement and an anti-mould agent used in the leather lining of women's shoes.

Topics of the year

Media attention was given to shards of glass found in food products – first in Sweden and then in Finland – and to the quality of fresh marinated meat and fish.

Product Research took part in the discussion on the pieces of glass and informed K-retailers about their own and the authorities' investigations, giving instructions in case of product defects and malicious intent. Product Research received 18 samples, 15 of which turned out to be glass. All cases were notified to the authorities. Some of the pieces of glass found in food products in Finland were actually foreign objects; some were results of malicious intent; and some were false notifications. In consequence of the cases, the authorities, the food industry and the trading sector intensified their mutual cooperation and practical control.

In order to avoid quality and hygiene risks involved in marinating fresh meat and fish, K-retailers received specified self-control instructions. K-food store chains' district personnel visited stores to ensure that all of them had adopted and complied with the self-control and sampling plan approved by a health inspector. The self-control and hygiene training or-

ganised by K-instituutti was continued and diversified. Read more on page 81.

Promoting a healthy way of living

According to the consumer survey (TNS Gallup 1/2010), promoting a healthy and balanced diet is considered an important part of the responsibility in the food trade along with product safety. Kesko Food's Product Research participates in this work many ways; for example, Kesko's responsibility programme for 2008–2012 contains several objectives related to promoting a healthy way of life.

The Nutritioncode service at www.ravintokoodi.fi is a K-Plussa customer loyalty benefit, which is available at all K-citymarket, K-supermarket and K-market stores. With the help of the service, K-Plussa cardholders can compare their purchases with the recommendations of the National Nutrition Council and check if their purchases during the past three months, for example, comply with the recommendations. Furthermore, the service gives users advice on how to compose nutritionally high-quality home meals. The service does not collect or handle personal data. At the end of 2009, the service had 26,000 users.

Health aspects have been highlighted in the product development of the Pirkka range. Since 2008, fat, salt and sugar have been systematically reduced from the products whenever this has been possible and reasonable. This reformulation supports the targets of the EU White Paper – 'A Strategy for Europe on Nutrition, Overweight and Obesity related Health Issues'.

The work is long-standing and demanding because the products must be developed without compromising their organoleptic properties. The reduced contents of fat, sugar or salt are not replaced by new, supplementary ingredients. A total of 61 Pirkka products had been reformulated by the end of 2009. The EU Commission aims to review the progress of the strategy during 2010.

Kesko Food has provided consumers with information on health issues for decades. Information has, for example, been given in the Pirkka magazine and the K-Ruoka-Pirkka leaflet, at the www.pirkka.fi and www.plussa.com websites, as well as in food recipes. The Pirkka test kitchen has prepared recipes for K-store customers for 50 years. Promoting a balanced and healthy diet is an important part of recipe planning. The K-stores also highlight health aspects in their customer service. The K-instituutti training centre has started a programme which aims to train about 500 specialists of healthy eating for K-stores in 2010. Read more on page 76.

Kesko's own direct imports from outside EU, 10 largest countries in 2009*

Country	Value of imports, € million
China	66
India	7
Thailand	6
South Korea	6
Turkey	6
Switzerland	5
Vietnam	4
United States	4
Japan	3
Israel	3

*Figures include direct imports forwarded by Keslog only, not VV-Auto's imports.

Monitoring social compliance

Determining risks

In monitoring the social compliance of its suppliers, Kesko primarily focuses on suppliers operating in the 'high-risk' countries. These are countries and areas where there is a risk of human rights and workers' rights violations, mainly due to insufficient national labour legislation or its poor monitoring. These 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, fruits and vegetables.

In 2009, direct purchases by Kesko's Finnish companies from suppliers in risk areas totalled €113 million (€129 million in 2008) and accounted for 1.6% (1.6%) of Kesko's total purchases. Direct imports from high-risk countries accounted for 11.4% of Kesko's total imports into Finland. Outside the EU, Kesko's most important supplier countries in risk areas are China (€66 million), India (€7 million) and Thailand (€6 million). Around 76% (75%) of Kesko's imports (excluding VV-Auto's imports) come from EU countries.

There are no statistics available on the imports of Kesko's subsidiaries outside Finland from high-risk countries. Because

parent companies in Finland purchase products for their subsidiaries in other countries on a centralised basis, subsidiaries have only a few suppliers of their own in 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; however, their proportion is estimated to be comparable to Kesko's own imports from risk areas. These imports mainly consist of international branded products that have been the subject of much attention in respect of assuring the social quality of their manufacture 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.

Ethical purchasing principles

In monitoring social compliance, the buyers' work is guided by Kesko's ethical purchasing principles from 1999, 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.

Until 2004, the implementation of the principles was monitored with the help of independent audits in accordance with the Social Accountability SA8000 standard. In 2005, Kesko became a member of Business Social Compliance Initiative (BSCI), a European audit system, and since then the SA8000 standard has been complemented with BSCI audits. Kesko is also committed to implementing the principles of the BSCI Code of Conduct, the content of which is practically the same as Kesko's own principles approved in 1999.

In practice, 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 supplementary part (part C, Best Practice for Industry). Kesko has participated in the BSCI System and Primary Production Committees, general European meetings, and also in national level meetings in Finland.

In cooperation with BSCI, Kesko also monitors other audit systems available in the market and approves audits made in compliance with them, if their requirements level is the same as in BSCI audits. Read more at 'Other systems of social auditing' on page 72.

Social quality control in practice

Kesko has a Steering Group for Responsible Purchasing, which steers and coordinates social quality control. The group consists of representatives of Kesko's division parent companies importing from high-risk countries.

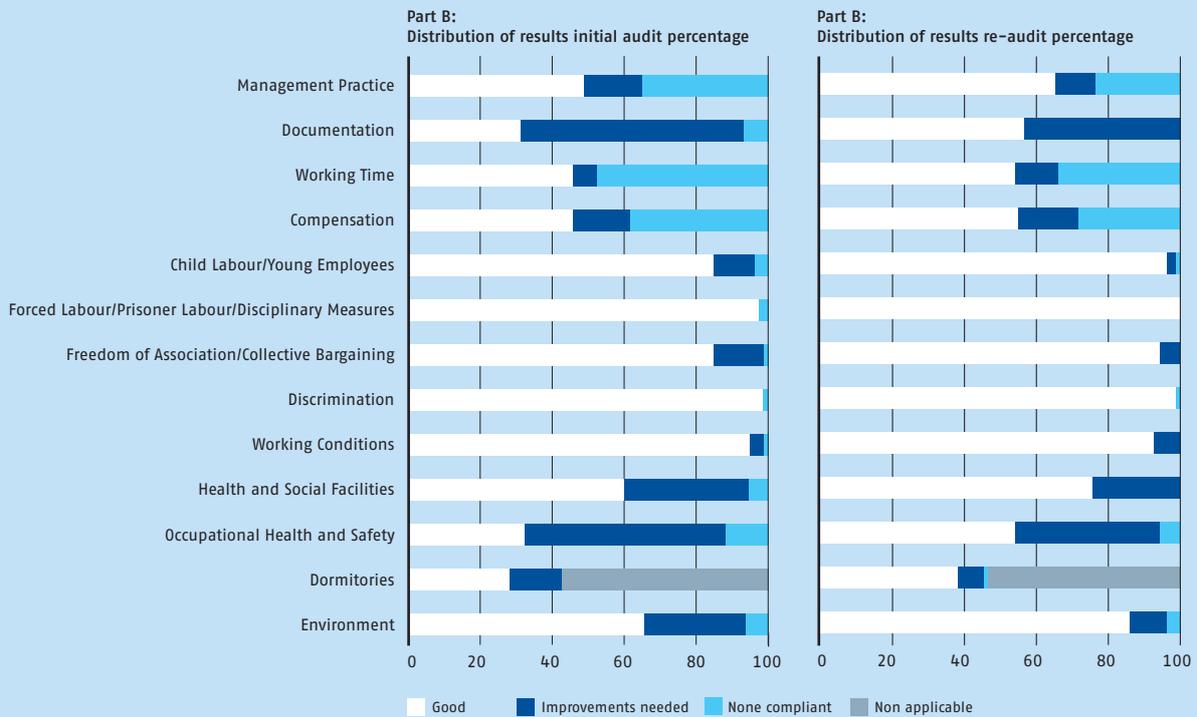
The steering group met four times in 2009 and focused on the monitoring work in China, the risk classification of suppliers in high-risk countries, and setting up and introducing a database of suppliers in high-risk countries.

The monitoring activities supporting purchasing, started in 2008, were continued in China. 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

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	-

Results of BSCI audits in different areas in 2005–2009, % of audited factories



the SA8000 certification made by a third party. In 2009, the team made 161 factory visits to the premises of 50 suppliers.

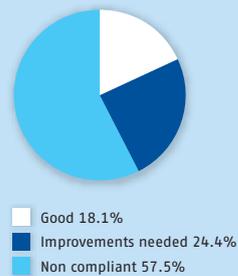
Kesko's buyers are responsible for presenting the BSCI audit system and its requirements to suppliers, guiding and advising suppliers and monitoring their progress in the BSCI process. BSCI audits are ordered by suppliers. The auditor enters audit results in the BSCI database which is available for all BSCI members.

Kesko's buyers are regularly trained in practices related to responsible purchasing. In 2009, the focus was on the implementation of monitoring, suppliers' risk classification and the introduction and use of Kesko's own database in supplier evaluations. No training for agents and importers used by Kesko was arranged in 2009. Enhancing BSCI awareness is included in normal contacts between those responsible for Kesko's purchasing and agents/importers.

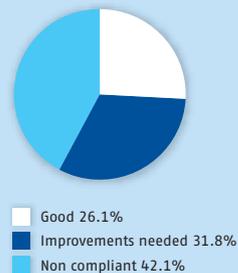
Rautakesko continued to improve the efficiency of purchasing and quality assurance, including social responsibility, in imports from the Far East via tooMax Handels GmbH's Asian operations (Eurogroup). Eurogroup helps and supports BSCI's compliance process and, if required, also arranges special training for suppliers in cooperation with a third party, usually an accredited audit firm. Read more on page 34.

When collecting information on its suppliers in high-risk countries, Kesko uses a self-evaluation form on which the supplier gives basic information about the company and on the basis of which the buyer will prepare an initial risk analysis of the supplier. There is also a list of restricted substances which determines the prohibited or restricted chemicals in home textiles, clothing, leather goods, shoes and upholstered furniture; further, it bans the use of the substances of very

Kesko's BSCI results 2005–2009, initial audits



Kesko's BSCI results 2005–2009, re-audits



high concern in a concentration above 0.1% (w/w) based on the EU chemicals legislation, REACH. The project concerning the database of suppliers in high-risk countries, which had been started in late 2008, reached the pilot stage in autumn 2009. Read more on page 77.

Results of social auditing

Kesko reports on its performance in social quality control in the supply chain by providing information on SA8000 certifications and BSCI audits. Although Kesko also provides information on the development of the Fairtrade product range in the report, Kesko is not concretely involved with the Fairtrade auditing of products other than those selected to the Pirkka range.

SA8000 certifications

At the end of January 2010, Kesko had 30 suppliers in six countries that had been granted the SA8000 certification. The number of Kesko's suppliers with SA8000 certification has nearly doubled in two years. In addition, all Chiquita's banana plantations in Costa Rica and Panama that supply Kesko have both Rainforest Alliance and SA8000 certification.

At the end of September 2009, there were 2,093 companies with SA8000 certification in 64 countries. 42% of the companies with certification were located in Italy, followed by India, China and Brazil.

BSCI audits

Kesko focuses on promoting BSCI audits of its suppliers. Kesko's objective for 2009 was to have 59 initial audits and 24 re-audits. In February 2010, Kesko had 119 audited suppliers (35 in February 2009) in the BSCI database. The total number of initial audits carried out at suppliers' premises during the year was 55, while the number of re-audits was 53. The number of employees involved was more than 52,000. Kesko also had 33 suppliers, which are members of BSCI and thus promote audits in their own supply chains. In 2009, two of Kesko's suppliers of agricultural products had BSCI audits.

The total number of suppliers in the BSCI database at the end of 2009 was 12,000. There were some 4,100 initial audits and some 4,200 re-audits during the year. Most audits in 2009 were carried out in China (about 6,400), followed by Bangladesh, India and Turkey.

The results of the BSCI audits of Kesko's suppliers' factories are presented on page 71. Most deficiencies come up in documentation, observance of working time regulations, compensation, and occupational health and safety, which can often be attributed to the lack of good management practice. 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 progress is made with corrective actions, even if in small steps.

Kesko's target for 2010 is a total of 85 initial BSCI audits and 50 re-audits at the premises of suppliers of home and speciality goods and groceries. 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; however, in the future, the targeted audit results must be at the 'good' or 'approved after corrective actions' level.

Although auditing or monitoring work alone is not enough to improve working conditions, they raise companies' aware-

ness in developing countries and provide concrete, relatively easy proposals on how to correct deficiencies in occupational health and safety, for example. Sustainable improvement can only be achieved through long-term supplier training and more input from the local authorities, trade unions and other stakeholders.

BSCI training

In 2009, BSCI arranged 27 basic and 32 extension training events for suppliers – 45 days in all – in China, Vietnam, Bangladesh, India, Turkey, Brazil and Peru. More than 2,000 suppliers, including some 40 Kesko's suppliers, attended these training events.

In 2006–2008, some of Kesko's Vietnamese suppliers participated in the development project promoting BSCI audits and employees' knowledge of trade unions. The project will continue in 2010 in those ten factories which have not yet passed the audit. However, major improvements have been carried out in all participating factories during the process and labour productivity has clearly increased in the companies which have already passed the audit. The final report of the project will be prepared in 2010, to assess the improvements achieved and how permanent they will be.

Fairtrade products

The Fairtrade system is so far the only audit system applying both social and environmental criteria that grants the label suitable for consumer marketing to goods produced by the suppliers it has audited. At the end of 2009, there were about 1,400 Fairtrade products in the Finnish market, and their sales totalled €87 million (€54 million in 2008).

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. At the end of 2009, Kesko Food had 150 Fairtrade products (120 in 2008) in its selection, of which 28 (16) were Pirkka products. New arrivals to the Pirkka range included Fairtrade oranges, cocoa drink powder, dark chocolate and loose tea. Bestsellers in 2009 were Pirkka Fairtrade roses – 1.2 million bunches of ten. According to the statistics of Fairtrade Finland, Kesko Food had 112 Fairtrade suppliers in 32 countries, and the products sold by Kesko Food generated more than €210,000 in Fairtrade premium for social development projects. Kesko's home and speciality goods companies had a total of some 40 Fairtrade products in their selections. Read more on pages 78–79.

Other systems of social auditing

In addition to BSCI, there are several other corresponding systems developed in cooperation with buyer and manufacturer companies. BSCI has had cooperation and coordination negotiations with these audit systems, with the aim to promote the uniformity of auditing content and the exchange of audit information as well as to decrease overlapping audits in supplier companies.

BSCI's requirements are in full met by the audits of the British Ethical Trading Initiative (ETI), the South African Wine and Agricultural Ethical Trading Association (WIETA) and the Dutch UTZ, which focuses on coffee production. Most of the requirements are fulfilled by the audits of the French Initiative Clause Social (ICS), the American Worldwide Responsible Apparel Production (WRAP), and the International Council of Toy Industries ICTI. Kesko accepts ETI, WIETA and UTZ audits complying with its



sustainable sourcing practices, while the other are handled case by case. For example, some 90% of K-food stores' Pirkka coffee is UTZ certified, and Kespro Ltd sells products from a WIETA audited winery.

Kesko is a member in CIES, the Food Business Forum, which runs the Global Social Compliance Programme (GSCP) to enhance social and environmental audits. The purpose of GSCP is not to create a new audit system but to harmonise existing ones and promote the exchange of information between them. There are currently 27 companies involved in GSCP, four of which are BSCI members. BSCI has regular negotiations on cooperation with GSCP. Kesko is not directly involved in GSCP but participates in its development through BSCI.

Summary of social quality control

For ten years, Kesko has worked on monitoring the social quality of the purchasing chain. While for many years forward development has come in very small steps, in 2009 progress was made in longer leaps. Selections grew with a large number of Fairtrade products, and Kesko's own monitoring in China progressed well, as did the BSCI audits. Now that BSCI membership totals about 500, the group is starting to be a considerable market force, which contributes to the manufacturing industry's interest in fulfilling the requirements set by BSCI. Many countries have also taken BSCI requirements into account when improving their labour protection control and in this way seek to safeguard their national industry's export potential.

Thanks to SA8000 certification, BSCI audits and the Fairtrade system, in 2009 Kesko participated in enhancing working conditions of over 250 supplier companies and safeguarding the rights employees are entitled to at their work. In 2008, the corresponding number was 120, which means that Kesko's volume in social quality assurance has more than doubled in a year.

Environmental criteria in purchasing and sales

Organic products and products with environmental labelling
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. Kesko Food's selections expanded considerably in 2009 and, at the same time, accuracy in product data maintenance of organic products and products with environmental labelling improved. At the end of the year, Kesko Food had some 850 organic products and products with environmental labelling in its selection, of which 41 (30) were Pirkka Organic products and 73 (59) Pirkka products with the Swan label. Both of the ranges are continuously being expanded with new products. (Read more on page 80.) For example, Pirkka Sensitive was the first

laundry washing liquid in the Finnish market that passed the new, stricter Swan label requirements. It also has the logo that informs of the cooperation with the Allergy and Asthma Federation.

The number of organic products in K-food store selections varies 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. Consequently, there is no reliable information available in Kesko's data systems on K-stores' actual selections and shares of organic products.

Anttila department stores and Kodin Ykkönen department stores for interior decoration and home goods accept as environmental products those with a Swan label, the EU Flower Ecolabel or the label indicating that the energy consumption category is 'A'. These products have 'Environmental product' shelf labels to distinguish them from other products. Anttila and Kodin Ykkönen currently have some 220 products with environmental labelling, mainly paper products, light bulbs, batteries, washing agents, household appliances and televisions. Read more on page 75.

Other environmental criteria

Most – 96.5% – of Kesko Food's import suppliers of fruit and vegetables have the GlobalGAP (Good Agricultural Practice) certificate which, based on an inspection by an independent party, ensures that production fulfils traceability, product safety and environmental requirements.

Chiquita's banana plantations are Rainforest Alliance certified. The certification is based on the Sustainable Agriculture Network's SAN standards used in 19 Central and South American and African countries. In addition to environmental requirements, SAN standards also include the monitoring of working conditions and terms.

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.

Instead of an ordinary plastic shopping bag, K-food store customers can choose a bag made of recycled plastic, a biodegradable Pirkka bag or a non-disposable Pirkka bag. At K-citymarkets, options for families with babies include domestic Muumi reusable nappies (read more on page 76) 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, energy or emission category labelling. In the building and home improvement trade, products with the EU Flower symbol or the Swan symbol are considered as environmental products. In environmental stores, these products have an 'Environmental Product' shelf labelling.

During the year, there were campaigns promoting energy-efficient heating and energy-saving bulbs, for example. Read more on page 83. Certified timber – mainly with the Finnish national FFCS forest certification – accounted for nearly 95% of sawn goods sold by Kesko. Tropical wood and timber account for under 1% of Rautakesko's total sales. In line with Kesko's sourcing recommendation, the garden furniture sold by 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.

K-rauta and Rautia stores recycled a total of 858 tons (832 tons) of impregnated timber withdrawn from use and took 22 tons of lead accumulators brought by customers to hazardous waste collection points.

The most significant renovation in VW-Auto's car selection has been the launch of Volkswagen's BlueMotion Technologies, in which cleaner and more economical driving is sought with new kinds of engine, chassis, transmission and aerodynamics solutions or alternative fuel solutions (EcoFuel natural gas engines). All BlueMotion Technology models include the Start-Stop system and recovery of braking energy. CO₂ emission rates of Audi TDIe models are considerably lower than those of previous models, thanks to the charging system that uses engine braking and the information system that guides the driver towards a low-consumption driving style. Read more on page 64.

Kesko's sustainability stands and statements

When required, Kesko draws up sustainability statements concerning product selections and purchasing criteria. These include:

A stand on genetic engineering

In its stand, Kesko says that it keeps a close eye on the development of the legislation concerning the use of genetic engineering and the latest data and products available. Special attention is paid to products offering added value to consumers. If required, Kesko can participate in the research involving GM plant varieties and products. Kesko's decisions on selections are based on consumers' needs and wishes; Kesko can thus include in its ranges such GMO products whose safety has been duly confirmed in the way required by authorities. So far, Kesko has had no GMO foods (or foods containing GMO ingredients) in its selections.

Fish and shellfish statement

The fish and shellfish statement of Kesko Food and Kespro is part of the K-environmental store concept and Kesko Food's guidelines for responsible purchasing. The purpose of the statement is to guide both Kesko Food's and its subsidiary Kespro's and K-food stores' own purchasing to secure responsible fishing and cultivation of fish. The suitability of fish caught in neighbouring areas in selections is evaluated with the help of WWF Finland's Fish Guide. Regarding fish from distant areas, Kesko Food relies on www.fishonline.org, the website of the Marine Conservation Society of the UK. When making decisions on the sales of fish both from neighbouring and distant areas, focus is on fish species that are widely available and selling endangered fish species is avoided.

Pirkka eggs

Kesko Food's statement concerning eggs in the Pirkka product range has been prepared taking animal welfare into account. Since autumn 2008, all Pirkka eggs have been produced either in free-range cage systems, organic poultry houses or enriched cages. The statement is preparing, well in time, for the EU decision that will phase out conventional battery cages throughout the EU from the beginning of 2012, requiring that only eggs laid by hens in free-range production systems or enriched cages can be produced and sold.

Rautakesko's timber policy

Rautakesko has made a policy decision to ensure the origin and traceability of timber and wood products. Rautakesko does not purchase products made of endangered wood species growing in tropical natural forests. Products made of wood of tropical origin shall have either FSC or PEFC certification. Read more on page 83.

Case

Environmental labelling helps consumers choose products

In Finland, there are two official environmental labels in use: the Nordic Swan Ecolabel and the EU Ecolabel (the 'Flower').

The Swan label is the joint Nordic ecolabel, which guides consumers towards wise choices to the benefit of the environment. The label also encourages manufacturers and service providers to offer alternatives that are more environmentally friendly.

The European Ecolabel, the Flower, is a joint environmental label of the European Community, which aims to promote the development, manufacture, marketing and use of products with less burden on the environment.

The target of the environmental programme of Anttila department stores and Kodin Ykkönen department stores for interior decoration and home goods is to reduce environmental impact by saving electricity, channelling packaging waste to recovery and offering products with environmental labelling to customers.

In the stores, Anttila and Kodin Ykkönen highlight environmental products, comprising those with the Swan Label, the EU Flower or the label indicating that the energy consumption category is A. These products have shelf labels which distinguish them as environmental products.

Anttila and Kodin Ykkönen currently have some 220 products with environmental labelling in their selections, mainly in the categories of paper products, light bulbs, batteries, washing agents, household appliances and televisions.



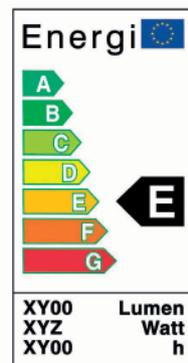
Anttila and Kodin Ykkönen currently have some 220 products with environmental labelling in their selections.



Swan label



EU flower



Energy consumption label

Case

K-food stores' own food specialists

The Food Specialist training programme tailored for the K-food store staff was launched in February 2010. The programme is targeted to store employees who are interested in nutrition and diets and wish to deepen their knowledge.

In addition to online sections, the Food Specialist programme consists of practical tasks carried out in stores.

"The training has aroused a lot of interest and nearly 250 employees signed on for the first course," says a pleased Reija Isaksson, K-instituutti's Training Manager.

In future, customers will be served in many K-food stores by these food specialists, who are experts in special diet products, for example, and are able to give customers related advice. They understand food-related requirements of different cultures and are well familiar

with the Nutritioncode.fi service, which is available for all K-Plussa cardholders to monitor their individual or families' eating habits. Food specialists will also act as internal coaches for other store staff in nutrition and diets.

Pirkko Ilanne (pictured), who works for K-market Katiska, is one of the first to



have completed the training programme. Although she has studied nutritional issues during her catering and hospitality management studies, the programme offered her plenty of new information.

"Though my knowledge about food and nutrition is good, I still had much to learn about special diets. We have many old customers, who are very concerned about issues related to celiac disease and diabetes," she says.

Reusable nappies are an ecological choice



Napero
kerho

According to Kestovaippayhdistys, the association promoting the use of reusable nappies, each child uses some 5,000 disposable nappies during their early years. The decomposing of these nappies in landfills takes several hundreds of years and those that degrade in oxygen-free circumstances release methane into the environment – the second most important gas causing global warming.

"The sale of reusable nappies is strongly concentrated on the web. However, for environmental reasons, we also wanted to offer our customers a reusable nappy option. Domestic Muumi reusable nappies, manufactured by Delipap Oy, are mainly sold by K-citymarkets," says Liisa Puhakka, Product Manager of Kesko Food.

More and more consumers are today interested in reusable nappies. As families with children are important customers for K-food stores, Kesko wants to offer them a wide variety of options and benefits. One such benefit is the Napero Club, intended for all K-food stores' K-Plussa customers who have children under seven years old.

"The Napero Club is a free-of-charge benefit for members with no obligation to buy. We mail special offers and surprises roughly six times a year to the 134,000 or so club members. Special offers for our youngest members differ from those available for two to seven years olds. Early in 2010, the Napero Club established Facebook pages of its own, and all adults with children in their immediate circle can become fans," says Contact Manager Pia Nordström of Kesko Food.

SUMO collects information on suppliers in high-risk countries

In 2008, Kesko started a project to set up a database of suppliers in high-risk countries. The Supplier Monitoring (SUMO) database reached a pilot phase in autumn 2009 and will be adopted gradually in 2009–2010 by Kesko's division parent companies and those subsidiaries that import from high-risk countries.

Kesko's SUMO system, which was developed in cooperation with Tofuture Oy, is based on a web-based supply chain risk management software.

"SUMO allows us to control the supply chain's performance and risks. Kesko's buyers can monitor the risk level of the existing and potential suppliers and see the changes in the database with the help of the alarm function," says Helena Frilander, Kesko's Corporate Responsibility Advisor.

Kesko's monitoring officers and buyers can update their observations in the system and other users see them in real-time. SUMO compiles

supplier-related documentation in one location accessible to all users and saves information on any changes, which makes the source of the change easily traceable.

The database provides Kesko with reliable information on the number of social audits and certifications of its suppliers in high-risk countries, including – in the future – also the number of various factory audits and certificates indicating the quality of products. In the database, Kesko can group all its suppliers in high-risk countries into risk categories in use and the information can be shared without delay between different Kesko companies.

Because the database is web-based, Kesko's buyers and monitoring officers in China can use it both in and out of the office. Information on the factories monitored is transferred quickly and safely to buyers in Finland. The system also produces summary and analysis reports for both corporate responsibility and internal reporting.



Information on Shandong Charming Home Textile Co Ltd is also available in SUMO. Kesko's corporate responsibility team visited the factory with a monitoring officer in April 2009.

Case

Ten years of Fairtrade certified products in Finland

Besides the working and living conditions of small farm owners as well as farm workers and their families on larger farms, Fairtrade also improves the state of the environment in developing countries. The Fairtrade certification is a registered trademark which indicates that the goods have been produced according to global Fairtrade criteria. Through their purchases, consumers have the opportunity to make a positive contribution to the lives of people living in developing countries.



More than one million small farm owners and employees at larger farms produce Fairtrade products in 59 developing countries. Nearly 90% of the producers are small farmers, whose average cultivating areas are under five hectares.

Fairtrade products are available throughout Finland

Finns have increased their consumption of Fairtrade products – in 2009, their sales per capita amounted to an average of €16.31, compared with €10.22 in 2008 (Fairtrade Finland). Some 82% of the population know what Fairtrade means (TNS Gallup 2009).

As many as 49% of Finns would like to buy more, and the most important reason why they buy these products is that they want to support the farmer or producer: be fair towards

them (TNS Gallup 2008). 92% of the Finns familiar with the Fairtrade system have confidence in the certification logo (GlobeScan Incorporated 2009).

"Research proves that our decision to increase the offering and selection of Pirkka Fairtrade products has been the right one. There are now nearly 30 Pirkka Fairtrade products which are provided by all K-food stores and so available throughout Finland. Pirkka Fairtrade products lower consumers' purchase threshold because surveys show that the Pirkka range is regarded as favourably priced," says Minna Kurunsaari, Kesko Food's Vice President, responsible for Commerce.

Roses and bananas are popular Fairtrade products

New Fairtrade products are actively being sought for Kesko Food's selections. New arrivals in 2009 included Pirkka Fairtrade oranges, cocoa drink powder, dark chocolate and loose tea.

"Pirkka Fairtrade oranges come from the Zebediela farm in South Africa. In Zebediela, the Fairtrade premium has been used for different social and environmental projects. The farm also has a free health care centre of its own, available for the farm workers and other people in the area," explains Tarja Jukkara, Kesko Food's Purchasing Director.

"Roses were the first Fairtrade flowers to arrive to Finland in 2006. In 2009, as many as 1.2 million Pirkka Fairtrade rose bunches were sold; the Fairtrade premium generated by Kesko's flowers totalled €105,919.

Pirkka Fairtrade bananas from Ecuador, which were launched on the market in autumn 2008, increased the total amount of Fairtrade premiums considerably.



Gadjéré Oumarou produces cotton in Cameroon.



Workers on a Kenyan flower farm.



Anttila and K-citymarket sell terry towels made by Finlayson of Fairtrade cotton produced in India and West Africa.

"From the farmers' perspective, Pirkka Fairtrade bananas are one of the most significant launches carried out in Finland. Farmers in developing countries value enormously the fact that large companies make such important decisions," says Pirjo Virtaintorppa, Executive Director of Fairtrade Finland.

Kesko Food and Fairtrade Finland have had cooperation since 1999, and a wide cooperation agreement was signed in 2007. So far, Kesko Food is the only Finnish nationwide grocery retailer that has a cooperation agreement with Fairtrade Finland.

According to Fairtrade Finland's statistics, farmers and employees in 32 countries and 112 farms benefited from Kesko Food's Fairtrade sales in 2009. The total Fairtrade premium generated from Kesko Food's sales was €210,615.

Anttila and K-citymarket sell clothes and home textiles made of Fairtrade cotton

More than 40% of Fairtrade products sold in Finland are made of cotton – an important source of import income, investments and economic growth in many of the world's poorest countries. Some 100 million families in the world make their living by growing cotton. Fairtrade cotton to Finland comes from Mali, Cameroon, India, Peru, Pakistan, Burkina Faso and Senegal.

Anttila's and NetAnttila's selection include clothes and home textiles made of Fairtrade cotton. In Anttila's clothing department, their sales are relatively steady. Best-selling items include t-shirts, polo and tricot shirts, and other basic products.

The aim is to increase the number of Fairtrade products in Anttila's home goods department.

"We will introduce a new product range under the 'Anno' brand into Anttila's and Kodin Ykkönen's selections in autumn 2010. The range will be made of Fairtrade cotton and different types of home textiles," explains Markus Kovanen, Anttila's Marketing Manager for home goods.

Home goods departments of K-citymarkets sell socks and towels by Finlayson made of Fairtrade cotton.



In addition to textiles, many other Fairtrade products are also made of cotton. Pads and sticks made of Fairtrade were included in the Pirkka range in 2009.

Case

Peloton project supports in everyday energy choices

Rautakesko participates in the Peloton project lead by Demos Helsinki and financed by Sitra, which supports people in their everyday energy choices. The project aims to find out how to reduce the energy demand of the Finnish lifestyle in the future and how to translate the positive environmental attitudes into daily actions.

The energy consumption of buildings now generates over 30% of the Finnish greenhouse gas emissions. According to the government's foresight report published in October 2009, the target is an essential reduction in the emissions. Improving energy efficiency and promoting energy savings are top priorities in the reduction of emissions.

The Peloton workshop by Sitra and Demos Helsinki invited 20 building and home improvement trade professionals to Helsinki in November 2009 to discuss how to promote energy savings and to contemplate the future of the sector.

The workshop thought that easier monitoring of energy consumption and carbon footprint combined with comprehensive services will provide solutions for reducing the climate impact of housing. The workshop also agreed that the future targets of Finland to dramatically cut energy consumption and emissions will affect the building and home improvement sector and create new business opportunities.

"The workshop really gave me much to think about," says K-rauta retailer Sami Aalto from Raisio. "This is a chance to combine business and environmental actions. Our aim has to be that K-rauta is the first to provide consumers with an easy and skilled service package consisting of a survey, information and complete solutions, and all from one place."

In two days, the workshop generated four ideas to speed up climate-friendly and energy-efficient housing: an online energy con-



sumption calculator for each house, a turnkey energy renovation service, training new specialists or: 'House Doctors', and a joint carbon footprint symbol for the sector. New solutions would benefit both the store and the customer – the store could offer larger service and product packages and the customer would save the trouble of having to deal with many parties.

New Pirkka Organic products



The Pirkka Organic range now comprises about 40 products, some of which are sold during a certain season only. The most popular Pirkka Organic products are tomatoes, carrots and eggs with new items constantly and actively being sought for the range. The most recent arrivals include Pirkka Fairtrade Organic cocoa powder and Pirkka Fairtrade Organic chocolates, which combine Fairtrade certification and organic production.

Pirkka Organic carrot puree was chosen as the Organic Product of 2007 and became the first own brand of the trading sector to win the competition. In 2009, honorary mention went to Pirkka Organic pea shoot – it merited special praise due to its cultivation technique which saves both energy and production space.

Pirkka Organic pea shoot is an example of seamless cooperation between different parties. Product development was carried out by Ikaalisten Luomu, Kesko Food's purchasing unit and the Pirkka Product Research.

"Pirkka Organic pea shoot is the first organic product in the category of herbs that is available for consumers throughout Finland. The Pirkka Organic range will be complemented with other herbs," says Kesko Food's Brand Manager Kaija Grommi.

50 years of recipes from the Pirkka test kitchen

It has been 50 years since the Pirkka test kitchen published its first recipe. The kitchen produces hundreds of such new recipes annually, in which Kesko Food's own Pirkka products have an important role to play. Consumers have always valued tested and reliable recipes. Today the key words are fast, easy and healthy cooking – not forgetting taste!

The first recipes were for cakes to be served with coffee at store events. Over the years, the kitchen has created nearly 4,000 food recipes with new ones rolling out at an annual rate of some 900 – more than two a day.

"The most popular recipes of all times are 'layer cake à la K-store' and baked rainbow trout. With the help of tested and reliable recipes, we want to help consumers find the best food ideas and solutions," says Home Economist **Leena Korkalainen**.

The Pirkka test kitchen is part of Kesko Food's Pirkka Product Research Unit, whose laboratory has the ISO 17025 accreditation, an international recognition of competence, as the only Finnish laboratory responsible for the quality assurance of own-brand products in the trading sector. The lab is responsible for the quality assurance of all Pirkka products.



Home Economist *Leena Korkalainen* creates food recipes in the Pirkka test kitchen.

Self-control in stores is quality assurance

Self-control refers to the food sector operators' statutory obligation to:

- establish the product safety risks in their operations and
- draw up plans for actions to manage these risks.

The K-Group's grocery business has 14 self-control plans in all, which cover, for example, purchasing, logistics, food stores and the wholesale of alcohol.

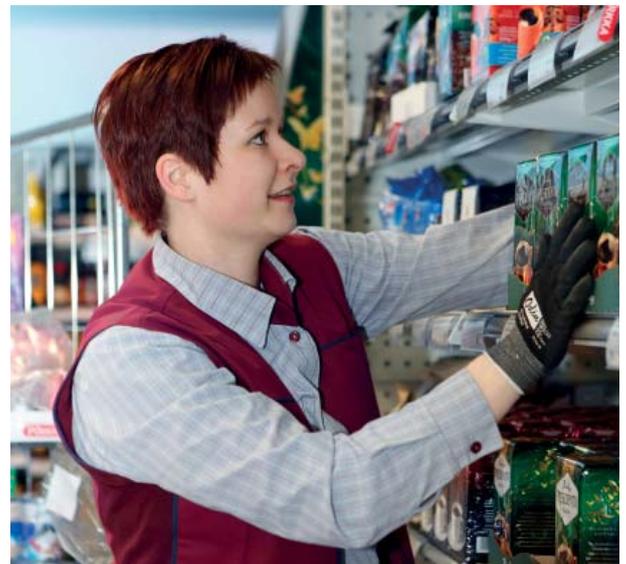
Kesko Food's Pirkka Product is responsible for the K-Group's self-control guidance and support.

"It is very important that every employee in the food sector understands the principles and importance of self-control. An effective self-control system ensures that customers can rely on the quality of foodstuffs and service; that hygiene risks and foodstuff shrinkage are smaller; and operations are more systematic," says Product Research Manager **Matti Kalervo**.

Kesko's subsidiary, K-instituutti, started the food sector's self-control training and the supporting e-learning web training programme in autumn 2008. Retailers and store employees receive training on the basics of legislation, the use of self-control instructions and on how to draw up a store self-control plan. Guidance is also given on how to easily enter the self-control results with the help of Symppis, the store's order system terminal.

"The training deals with the benefits of self-control from the viewpoint of the customer and the store. Special emphasis lies on how to convert the self-control plan and related monitoring into an electronic form in order to achieve better documentation of self-control functions.

A total of 806 people had completed the self-control training by February 2010. In addition, 590 employees from different K-Group chains have actively studied in self-control e-learning," says **Reija Isaksson**, Training Manager of K-instituutti.



Heli Korkeila works at K-supermarket Vääksy.

Case

Skier Pirjo Muranen tested Nutritioncode

Skier Pirjo Muranen, who competed in her first Olympic Games in Vancouver, has faith in a conventional, healthy diet that is easy to follow with the help of the Nutritioncode service. She is a registered user of the free online service intended for K-Plussa customers. When a K-Plussa card is shown at the checkout, purchases are automatically registered in the service, which then compares their nutrition content with the recommendations of the National Nutrition Council of Finland.

Pirjo has faith in the conventional plate model – half of the plate is filled with vegetables and the other half with other foods. For a well balanced diet, an athlete needs proteins, carbohydrates, fats and fibres; however, according to Nutritioncode, Pirjo's purchases contain too much protein in relation to carbohydrates.

"I guess the rice and pasta I'm stocking at home has a bearing on the results somewhat," she says with a laugh.

"Nutritioncode certainly gives the best results in the long run. I hope that the service helps many consumers consider their eating habits and adopt healthier ones."

The top skier is not too eager to keep up with different nutrition trends that pop up from time to time as she thinks that eating in general must not be taken too seriously. She observes the golden mean and believes that the best results are achieved by combining common sense with nutrition recommendations.



Rautia's heating renovation tour from Ivalo to Helsinki



During the Rautia tour, consumers were given information on economical heating methods and energy-efficient renovation solutions.

The heating renovation tour of Rautakesko's Rautia chain kicked off from Ivalo in August 2009. Trucks presenting economical heating methods and energy-efficient solutions for renovation and new buildings toured Rautia stores throughout Finland during autumn 2009.

"We consider it important that consumers get information on how to reduce housing-related environmental impact. We want to offer them energy-efficient heating options. The trading sector and the services it provides play an important role in housing-related selections. Everyone can act for the environment, no matter how small their actions may seem! For example, a good air heat pump correctly installed saves energy, freshens the indoor air and increases housing comfort while doing so," says Kai Helpiö, Customer Relationship Manager of Rautakesko's Rautia chain.

During the tour, Rautia stores encouraged locals to reduce housing-related environmental impact and offered practical alternatives. A free-of-charge guidebook on sustainable housing is available at all Rautia stores. Under the theme 'Choice for tomorrow', the guidebook contains information on energy-efficiency in the home – different heating options, water consumption, segregation and recycling.

"In the Rautia chain, we provide energy-efficient housing-related products on a turnkey basis. Besides information and advice, Rautia stores also offer their customers design and installation services if needed," says Kai Helpiö.

The products presented on the tour included Panasonic air heat pumps, Lämpöässä's ground heat pumps and Sanyo's air/water heat pumps. The tour ended in the Greater Helsinki area in late November.

Rautakesko does not purchase products made of endangered wood species

Rautakesko has made a policy decision on ensuring the origin and traceability of its timber and wood products.

Rautakesko is committed to a responsible sourcing model, in which the target is to always ensure the origin and traceability of the timber and wood products purchased and sold by Rautakesko.

This means that Rautakesko does not purchase products made of endangered wood species growing in tropical natural forests. Rautakesko accepts FSC or PEFC certification systems (in Finland FFCS).

All new products included in K-rauta and Rautia stores' selections shall comply with this wood policy. All products that do not fulfil this policy in all respects shall be sold or removed from store selections by the end of 2010.



Energy-saving hints from K-rauta during 'Lamp changing weeks'

In the next few years, EU regulations will change the light bulb selection available in stores towards more energy-efficient lighting solutions. Banned light bulbs will be gradually removed from the market by 2012. The first to go, starting from 1 September 2009, were those consuming most energy: incandescent bulbs of over 80W and all frosted incandescent bulbs due to their weak luminous efficiency compared to their electricity consumption.

'Lamp changing weeks' – the joint environmental project of the K-rauta chain and the lamp manufacturer OSRAM – were implemented in K-rauta stores from 28 September to 18 October 2009. The campaign directed consumers towards more energy-efficient and responsible lighting solutions.

"We want to provide our customers with advice on how to improve the efficiency of lighting and energy consumption. The use of energy-saving lamps saves energy, reduces emissions and cuts costs. Switching to them decreases the environmental impact of lighting," says Raimo Jaakkola, Marketing Director for K-rauta.

During the campaign, K-rauta stores offered their customers the opportunity to bring any old energy-saving lamps and fluorescent tubes considered as hazardous waste and removed from use.

More information on the lamp changing campaign is available for Finnish consumers at www.lampunvaihtoviikot.fi which also includes a savings calculator and other useful lighting-related information.

Comparison of the report with the guidelines of the Global Reporting Initiative

		GRI 3 – application levels						
		C	C+	B	B+	A	A+	
Optional	Mandatory	Self Declared		Report Externally Assured		Report Externally Assured	Report Externally Assured	✓
	Optional	Third Party Checked		Report Externally Assured		Report Externally Assured	Report Externally Assured	✓
	Optional	GRI Checked		Report Externally Assured		Report Externally Assured	Report Externally Assured	

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 Oyj. In accordance with the A+ level, Kesko reports all the key indicators or explains why it has not reported on them. GRI indicator protocols are not applied in detail for the calculation of all the indicators

GRI guidelines		Kesko's report				
Code	GRI content	Global Compact	Included	Page	Report title/Figure	Further information/shortcomings/deviations
1. Strategy and Analysis						
1.1	Statement from the Managing Director		Yes	4	Review by the President and CEO	
1.2	Key impacts, risks and opportunities		Yes	6–7, 12–13	Kesko's responsibility programme 2008–2010, Impacts, risks and opportunities	
2. Organisational Profile						
2.1	Name of the organisation		Yes	2	Contents of the report	
2.2	Primary brands, products, and/or services		Yes	8	Basic information on the Kesko Group	
2.3	Operational structure		Yes	8–9	Basic information on the Kesko Group	
2.4	Location of organisation's headquarters		Yes	8	Basic information on the Kesko Group	
2.5	Countries where the organisation operates		Yes	8–9	Basic information on the Kesko Group	
2.6	Nature of ownership and legal form		Yes	8–9, 24	Basic information on the Kesko Group, Economic responsibility	
2.7	Markets served		Yes	8–9	Basic information on the Kesko Group	
2.8	Scale of the reporting organisation		Yes	8–9	Basic information on the Kesko Group	
2.9	Significant changes during the reporting period regarding size, structure, or ownership		Yes			No significant changes during the reporting period.
2.10	Awards received in the reporting period		Yes	3, 36	Kesko rewarded for the best corporate responsibility report in the service sector, Case: Rautakesko Latvia received 'We for Society' award	
3. Report Parameters						
3.1	Reporting period		Yes	3	Contents of the report	
3.2	Date of most recent previous report		Yes	3	Contents of the report	
3.3	Reporting cycle		Yes	2	Contents of the report	
3.4	Contact point for questions regarding the report or its contents		Yes	92	Corporate responsibility contacts	
3.5	Defining report content (materiality, prioritisation, stakeholders expected to use the report)		Yes	2–3	Contents of the report	
3.6	Boundary of the report		Yes	2	Contents of the report	Possible deviations and limitations are reported with the respective indicators.
3.7	Specific limitations on the scope or boundary of the report		Yes	2–3	Contents of the report	No specific limitations.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations		Yes	2–3	Contents of the report	Reported with the respective indicators.
3.9	Data measurement techniques and the bases of calculations		Yes	2–3	Contents of the report	Measurement techniques and the bases of calculations are reported with the respective indicators.

GRI guidelines			Kesko's report			
Code	GRI content	Global Compact	Included	Page	Report title/Figure	Shortcomings/deviations
3.10.	Explanation of the effects of any re-statements of information provided in earlier reports		Yes	2-3	Contents of the report	Explanation of the effects of any re-statements of information provided in earlier reports is given with the respective indicators.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report		Yes	2-3	Contents of the report	Possible changes are reported with the respective indicators.
3.12	GRI content index		Yes	84-89	Comparison of the report with the guidelines of the Global Reporting Initiative	
3.13	Policy and current practice with regard to seeking external assurance for the report		Yes	3, 90-91	Contents of the report, Independent assurance report	
4. Governance, Commitments, and Engagement						
4.1	Governance structure of the organisation		Yes	17	Corporate governance	
4.2	The Board Chair's function within the organisation's management		Yes	17	Corporate governance	
4.3	Independence of Board members		Yes	17	Corporate governance	
4.4	Mechanisms for shareholders and employees to influence the Board's operations		Partly			Presented in Kesko's 2009 Annual Report.
4.5	Linkage between compensation for members of the Board and the management, and corporate responsibility performance		Yes	17	Corporate governance	
4.6	Processes in place for the Board to ensure conflicts of interest are avoided		Yes	17	Corporate governance	Conflicts of interest are handled in accordance with the requirements of the law.
4.7	Qualifications and expertise of the Board members for strategic management and corporate responsibility		Partly	17	Corporate governance	The Board rely on the expertise of the Corporate Management Board and the Corporate Responsibility Advisory Board.
4.8.	Mission, values and ethical principles		Yes	14-16	Responsibility management	
4.9	Procedures of the Board for overseeing corporate management, including risk management		Yes	17	Corporate governance	
4.10	Processes for evaluating the Board's own performance		Yes	17	Corporate governance	
4.11	Explanation of how the precautionary principle is addressed		Yes	17	Risk management steering group	Reporting on risk management.
4.12	Commitment to externally developed corporate responsibility initiatives		Yes	15, 56	Principles guiding responsibility, Environmental management at Kesko	
4.13	Memberships in organisations, associations and advocacy organisations		Yes	49, 63	Operation in employer organisations, Stakeholder cooperation and communications	Memberships and operations in organisations are discussed in each section.
4.14	Stakeholder groups engaged by the organisation		Yes	15-16	Stakeholder process, CR vision	
4.15	Basis for identification and selection of stakeholders		Yes	15-16	Stakeholder process, CR vision	
4.16	Approaches to stakeholder engagement		Yes	15-16	Stakeholder process, CR vision	
4.17	Key topics and concerns raised through stakeholder engagement		Yes	3, 16, 19	Materiality assessment, Corporate responsibility vision, Case: Kesko Food's Consumer Service	
5. Management Approach and Performance Indicators						
Management approach to economic responsibility			Yes	6-7, 24	Kesko's responsibility programme 2008-2010, Principles of Kesko's economic responsibility	
Economic performance indicators						
EC1*	Direct economic value generated and distributed		Partly	8-9, 10, 25, 27-32	Basic information on the Kesko Group, Key performance indicators of corporate responsibility for 2007-2009, Economic responsibility	Economic benefits for finance providers is not reported due to amortisation, measurement, foreign exchange rate and other aspects involved in the determination. Funding information is reported in the financial statements.
EC2*	Financial implications, risks and opportunities for the organisation's activities due to climate change	x	Partly	13, 58	Opportunities inherent in responsibility, impact on climate change	
EC3*	Coverage of the organisation's defined benefit plan obligations		Yes	28-29, 49	Employee pension and health insurance schemes, Pensions	

GRI guidelines			Kesko's report			
Code	GRI content	Global Compact	Included	Page	Report title/Figure	Further information/shortcomings/deviations
EC4*	Financial assistance received from government		Yes	33	Political relations	Assistance was not received from the public sector during the reporting period.
EC5	Standard entry level wages compared to national minimum wages		No			Finland, Sweden and Norway have collective agreements, other countries have statutory minimum wages. Statistics have not been collected.
EC6*	Spending on locally-based suppliers		Yes	29-30, 32	Suppliers of goods and services, Breakdown of economic benefits by region in Finland	
EC7*	Procedures for local hiring	x	Partly	40-41	Employments and job turnover, Recruitment and job rotation	Only a couple of Finns work in the subsidiaries of Kesko's other operating countries. The report does not specify more details.
EC8*	Infrastructure investments		No			Not expected of companies in Kesko's operating countries.
EC9	Indirect economic impacts		No			A reliable calculation method is not available.
Management approach to environmental responsibility			Yes	6-7, 56-57	Kesko's responsibility programme 2008-2012, Environmental management at Kesko, Coverage of environmental systems in Kesko, K-environmental stores, Targets and performance of environmental management	
Environmental performance indicators						
EN1*	Materials use	x	Partly	62	Use of materials	Packaging material supplied to the market.
EN2*	Recycled input materials	x	No			Not essential in Kesko's operations. A trading company does not use recycled material in the way referred to by GRI.
EN3*	Direct energy consumption	x	Yes	58	Energy and water consumption in 2009	Production of electricity and heat in companies outside Finland has been reported. Direct energy consumption is not essential compared with indirect energy consumption, which is reported at EN4.
EN4*	Indirect energy consumption	x	Yes	58-59	Energy and water consumption in 2009	Consumption of electricity and heat has been reported in GWh and MWh, not in joules.
EN5	Energy saved due to conservation and efficiency improvements	x	Partly	21, 58, 60	Case: Carromob challenged..., Energy and water consumption in 2009, Energy efficiency is improved...	Energy saving actions are described, the savings achieved cannot be measured reliably in all respects.
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services	x	Partly	82-83	Cases: Rautia's heating renovation tour..., Energy-saving hints from K-rauta stores	Kesko presents solutions it sells.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	x	Partly	58	Energy and water consumption in 2009	Actions taken to reduce indirect energy consumption are described.
EN8*	Water withdrawal	x	Partly	58-59	Energy and water consumption in 2009	Water consumption in Finland has been reported. Water consumption in companies outside Finland is small.
EN9	Water sources significantly affected by withdrawal of water	x	No			Not material to Kesko.
EN10	Water recycled and reused	x	No			Not material to Kesko.
EN11*	Land owned, leased or managed in protected areas or areas of high biodiversity value	x	No			Not essential in Kesko, store sites are only in areas reserved for business premises in town plans.
EN12*	Description of significant impacts of activities on biodiversity in protected areas and areas of high biodiversity value	x	No			See EN11
EN13	Habitats protected or restored	x	No			See EN11
EN14	Strategies, urgent actions and future plans for managing impacts on biodiversity	x	No			See EN11

GRI guidelines			Kesko's report			
Code	GRI content	Global Compact	Included	Page	Report title/Figure	Further information/shortcomings/deviations
EN15	Endangered species in areas affected by operations	x	No			See EN11
EN16*	Direct and indirect greenhouse gas emissions	x	Yes	59–60	CO ₂ emissions of energy decreased..., Russia included...	
EN17*	Other relevant indirect greenhouse gas emissions	x	Yes	61–62	CO ₂ emissions from transportation, CO ₂ emissions related to business travel	
EN18	Initiatives to reduce greenhouse gas emissions	x	Partly	60, 62	Energy efficiency is improved..., CO ₂ emissions related to business travel	Initiatives to reduce greenhouse gas emissions have been described. Reductions in emissions have not been reported in full.
EN19*	Emissions of ozone-depleting substances	x	No			Use of ozone-depleting coolants has not been reported, because cooling equipment is owned by K-retailers and Kesko's data system contains no statistics on them.
EN20*	NO _x , SO _x and other significant air emissions	x	Partly	59	CO ₂ emissions of energy decreased...	Acidification and ethene emissions from electricity and heat energy in Finland have been reported. Only CO ₂ emissions from transportation have been reported.
EN21*	Total water discharge	x	No			Not material to Kesko. All wastewater into the municipal sewerage system. No discharge referred to by GRI into water.
EN22*	Total weight of waste by type and disposal method	x	Yes	62	Waste management and recycling	
EN23*	Total number and volume of significant spills	x	Yes	63	Environmental risks, damage and incidents	
EN24	Weight of transported, imported, exported or treated waste deemed hazardous	x	No			Not material to Kesko.
EN25	Water bodies significantly affected by the reporting organisation's discharges of water and runoff	x	No			Not material to Kesko.
EN26*	Mitigation of environmental impacts of products and services	x	Partly	73	Environmental criteria in purchasing and sales	Kesko has indirect impacts on products sold.
EN27*	Products and packaging materials reclaimed, recycled and reused	x	Partly	62	Waste management and recycling	Packaging supplied by Kesko Food's return logistics to recovery and recycling. Kesko does not produce products, but as a retailer plays a significant role as an enabler of recycling.
EN28*	Non-compliance with environmental laws and regulations; resulting fines and non-monetary sanctions	x	Yes	63	Environmental risks, damage and incidents	
EN29	Significant environmental impacts related to transportation	x	Yes	61–62	Transportation	CO ₂ emissions from transportation and business travel.
EN30	Total environmental protection expenditures and investments	x	No			Costs have not been recorded based on environmental protection.
Management approach to social responsibility			Yes	6–7, 40, 68, 70	Kesko's responsibility programme 2008–2010, Human resources management, Principles that guide responsible purchasing and sales, Ethical purchasing principles	Kesko's approach has not been reported in accordance with the G3 guidelines separately for all aspects of social responsibility. Instead, HR management has been reported as a whole. Management has also been described in the principles that guide responsible purchasing and sales.
Social performance indicators						
LA1*	Total workforce by employment type and employment contract		Yes	40, 42	Employments and job turnover	
LA2*	Employee turnover	x	Partly	40, 42	Employments and job turnover	Not analysed by age group.
LA3	Benefits provided to employees	x	Partly	48	Salaries and other benefits	Compensation systems and statistics are presented.
LA4*	Percentage of employees covered by collective bargaining agreements	x	Yes	49	Cooperation with employee representatives	

GRI guidelines			Kesko's report			
Code	GRI content	Global Compact	Included	Page	Report title/Figure	Further information/shortcomings/deviations
LA5*	Minimum notice period(s) regarding restructuring situations	x	Yes	40	Employments and job turnover	
LA6	Percentage of total workforce represented in formal health and safety committees	x	Partly	49	Cooperation with employee representatives	A statutory system in the Nordic countries. Voluntary workplace committees in the other countries.
LA7*	Rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities	x	Partly	46	Sickness absence and accidents in Finland / other countries	Injuries and sickness absences are reported in accordance with the general guideline of the Finnish Accounting Standards Board (KILA). The data of constructor injuries are not available. Some indicators are only reported for Finland. For the other countries, the aggregate number of sick days, sick days per person and per a million hours worked, and sickness absence percentage are reported.
LA8*	Counseling and education to assist workforce members regarding serious diseases	x	Yes	47, 53	Occupational Health Service, Case: Swine flu	Description of proactive measures in personnel's occupational health care.
LA9	Health and safety topics covered in formal agreements with trade unions	x	No			In Finland, arrangements based on legislation.
LA10*	Average hours of training per employee		Partly	41	Competence development and training	Reported training days per employee. Not analysed by employee group.
LA11	Programmes for skills management and lifelong learning		Yes	41	Recruitment and job rotation, Competence development and training	
LA12	Performance and career development reviews		Yes	43	Management and leadership	
LA13*	Composition and diversity of governance bodies and employee groups	x	Yes	17, 45	Responsibility organisation in Kesko, Equality	
LA14*	Ratio of basic salary of men to women	x	Partly	48	Salaries and other benefits	Description of compensation bases. Ratio of basic salary of men to women is not reported. Gender does not impact compensation. No significant differences between comparable jobs have been detected.
HR1*	Human rights screening in investment decisions	x	No			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*	Human rights screening of suppliers and contractors	x	Partly	70-73, 77	Social quality control, Case: SUMO collects information on suppliers in high-risk countries	Included in SA8000, BSCI and Fairtrade auditing.
HR3	Employee training on policies and procedures concerning aspects of human rights	x	Partly	70-71	Social quality control	Description of training Kesko's buyers in responsible purchasing practices. The number of people trained or training hours was not reported.
HR4*	Incidents of discrimination and actions taken	x	Yes	49, 72	Cooperation with employee representatives, BSCI audits	Own personnel not involved in employment disputes. A few cases detected in suppliers' BSCI audits, actions included in auditors' corrective plans.
HR5*	Operations in which the right to exercise freedom of association and collective bargaining may be at risk	x	Yes	49, 72	Cooperation with employee representatives, BSCI audits	Control and corrective actions in BSCI audit process.
HR6*	Operations having risk for incidents of child labour, and their elimination measures	x	Partly	70	Social quality control	Control and corrective actions in BSCI audit process.
HR7*	Operations having significant risk for incidents of forced or compulsory labour, and their elimination measures	x	Partly	70	Social quality control	Control and corrective actions in BSCI audit process.
HR8	Percentage of security personnel trained in policies or procedures concerning human rights		No			Not material in Kesko's operations.
HR9	Incidents of violations involving rights of indigenous people and actions taken	x	No			Not material in Kesko's operations.

GRI guidelines		Kesko's report				
Code	GRI content	Global Compact	Included	Page	Report title/Figure	Further information/shortcomings/deviations
Society						
S01*	Programmes assessing and managing the impacts of operations on communities		No			Kesko is not implementing such programmes.
S02*	Percentage and number of business units analysed for risks related to corruption. Part of the risk management and internal audit operations.	x	Partly	33	Attitude to malpractice	Part of risk management and internal audit functions. Kesko's operating countries in the Transparency International Corruption Perceptions Index is reported.
S03*	Percentage of employees trained in anti-corruption policies and procedures	x	Partly	33	Attitude to malpractice	The guide 'Our Responsible Working Principles' has been adopted by Kesko's all units and K-stores. The percentage of employees trained is not reported.
S04*	Actions taken in response to incidents of corruption	x	Yes	33	Attitude to malpractice	
S05*	The organisation's participation in public policy development and lobbying	x	Yes	33, 74	Political relations	Description of engagement in the safeguarding of interests. Responsibility stands and statements on product selections and purchasing criteria.
S06	Financial aid and in-kind contributions to politics	x	Yes	33	Political relations	
S07	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		Yes	33	Marketing and competition regulations	
S08*	Fines and non-monetary sanctions for non-compliance with laws and regulations		Yes	33, 49	Marketing and competition regulations, Cooperation with employee representatives	
Product responsibility						
PR1*	Assessment of health and safety impacts of products and services at various life cycle stages	x	Partly	68-69, 81	Product safety: Case: Self-control in stores is quality assurance	These are mainly statutory requirements and Kesko's reporting mainly focuses on own brand products.
PR2	Non-compliance with regulations and codes concerning health and safety	x	Yes	68-69	Product safety	No incidents of non-compliance.
PR3*	Compulsory product information related to products and services	x	Yes	68-69	Product safety	The Product Research Unit monitors the compliance of labelling with legislation. Any packaging contrary to law that have been launched to the market are recalled.
PR4	Non-compliance with regulations and voluntary codes related to product information and labelling	x	Yes	68-69	Product safety	Product recalls.
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys		Partly	15, 68	Stakeholder process, Activities of Pirkka Product Research	No customer satisfaction surveys have been presented.
PR6*	Adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship		Partly	33	Marketing and competition regulations	Compliance with laws and Kesko's own sponsorship principles. No deviations during the year.
PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications		Yes	33	Marketing and competition regulations	None.
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data		Partly	32	Privacy protection	Description of practices related to customer privacy. No complaints during the year.
PR9*	Monetary value of fines for non-compliance with laws and regulations concerning the provision and use of products and services		Yes	68-69	Product safety	No fines during the year.

*Key indicator recommended in the GRI Guidelines
x) Reporting in compliance with Global Compact COP

Independent assurance report

To the management of Kesko Corporation

To the management of Kesko Corporation We have been engaged by the Management of Kesko Corporation to perform a limited assurance engagement on the Corporate Responsibility Report of Kesko Corporation for the year ending December 31, 2009 (hereinafter "the Report").

Management's responsibility

The Management of Kesko Corporation is responsible for the collection, preparation and presentation of the information disclosed in the Report according to the reporting criteria as set out in the Global Reporting Initiative's Sustainability Reporting Guidelines version G3, AA1000 Accountability Principles Standard 2008 issued by AccountAbility as well as Kesko Corporation's internal corporate responsibility reporting guidelines.

Practitioner's responsibility

It is our responsibility to present a conclusion on the information disclosed in the Report 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 Report would not in all material respects give a balanced and reasonable representation of Kesko Corporation's corporate responsibility results based on the reporting criteria.

In addition, we have conducted our work in accordance with the AA 1000 Assurance Standard 2008. For conducting a Type 2 assurance engagement as agreed with Kesko Corporation the AA 1000 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 in all material respects apply the principles of AA1000 Accountability Principles Standard 2008 (inclusivity, materiality and responsiveness) and that the information presented in the Report would not be reliable 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. The selection of procedures is based on the practitioner's judgment which includes an assessment of the risks that the information disclosed in the Report is not in all material respects prepared according to the reporting criteria. Among others, we have performed the following evidence-gathering procedures:

- interviewed five (5) representatives of the top management of Kesko Corporation in order to clarify the targets for Kesko Corporation's corporate responsibility as part of the business strategy and operations;
- interviewed seven (7) persons from various organizational levels of Kesko Corporation in order to clarify stakeholder expectations towards Kesko, the meeting of those expectations as well as stakeholder interaction;
- assessed Kesko Corporation's materiality definition process and evaluated defined material corporate responsibility aspects as well as assessed information presented in the Report with respect to these aspects;
- interviewed persons responsible for the collection and reporting of corporate responsibility information at group level as well as at selected locations in Finland and Latvia;
- assessed the systems and practices used for the collection and consolidation of quantitative information;
- tested the accuracy of the information from original documents and systems on a sample basis;
- tested the consolidation of information and performed recalculations on a sample basis.

Conclusion

Based on our limited assurance engagement nothing has come to our attention that would cause us to believe that Kesko Corporation would not in all material respects comply with the AA 1000 Accountability Principles Standard 2008 principles.

Furthermore nothing has come to our attention that would cause us to believe that Kesko Corporation's Corporate Responsibility Report 2009 would not in all material respects give a balanced and reasonable representation of Kesko Corporation's corporate responsibility results based on the reporting criteria, or that the information disclosed in the Report would not in all material respects be reliable 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 is not intended to be used for assessing Kesko Corporation's corporate responsibility performance.

Recommendations

Based on our limited assurance engagement we provide the following observations and recommendations. These observations and recommendations do not affect the conclusions presented earlier.

- We recommend that Kesko Corporation updates the definition process for material corporate responsibility aspects and assesses the materiality of reported issues and indicators based on this update.
- We recommend that Kesko Corporation continues to develop and make the reporting process of corporate responsibility information more efficient.

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, which in some areas exceeds the Finnish statutory requirements, 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, 21 April 2010

PricewaterhouseCoopers Oy



Johan Kronberg
APA



Sirpa Juutinen
Director, Sustainable Business Solutions



Maj-Lis Steiner
APA

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
Development, coordination, responsibility for editing the report		
Paavo Moilanen	Senior Vice President	Kesko Corporation, Corporate Communications and Responsibility
Helena Frilander	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	Financial Communications Officer	Kesko Corporation, Investor Relations
Economic responsibility		
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	Financial Communications Officer	Kesko Corporation, Investor Relations
Environmental responsibility		
Timo Jäske	Environmental Manager	Kesko Food Ltd, Logistics and Finance
Jari Suuronen	Maintenance Manager	Kesko Food Ltd, Real Estate Maintenance
Jari Pihlajamaa	Maintenance Manager	Kesko Food Ltd, Real Estate Maintenance
Toni Pelin	Environmental and Security Manager	Keslog Ltd, Supply Chain Management
Jesse Methel	Environmental Specialist	Rautakesko Ltd, Customers and Concepts
Virpi Kantoluoto	Environmental Specialist	Rautakesko Ltd, Customers and Concepts
Iivari Oksanen	Development Manager	VV-Autotalot Oy
Harri Ajomaa	Quality and Environmental Manager	Anttila Oy, Development
Human resources responsibility		
Sari Kulmala	Senior HR Manager	Kesko Corporation, Human Resources
Mikko Myyryläinen	HR Development Manager	Kesko Corporation, Human Resources
Sirpa Mansikka	HR Specialist	Kesko Corporation, Human Resources
Päivi Sariola	Financial Manager	Kesko Pension Fund, Pension Insurance and Occupational Health Service
Pirjo Anttila	Chief Physician	Kesko Corporation, Occupational Health Service
Responsible purchasing and monitoring		
Helena Frilander	Corporate Responsibility Advisor	Kesko Corporation, Corporate Communications and Responsibility
Product safety		
Matti Kalervo	Product Research Manager	Kesko Food Ltd, Product Research
Corporate security and risk management		
Pasi Mäkinen	Chief Audit Executive	Kesko Corporation, Internal Audit and Risk Management
Petri Käyhkö	Security Manager	Kesko Corporation, Internal Audit and Risk Management
Privacy protection/customer loyalty system		
Niina Ryyänen	Vice President K-Plus Ltd, Managing Director	Kesko Food Ltd, Customer Relationship

Definitions of terms

The text and graphs contain terms and indicators whose contents are defined below.

Return on capital employed, %	=	$\frac{\text{Operating profit}}{(\text{Non-current assets} + \text{inventories} + \text{receivables} + \text{other current assets} - \text{non-interest-bearing liabilities}) \text{ for a 12 month average}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{(\text{Balance sheet total} - \text{prepayments received})}$	x 100
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}}$	x 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)	
CO ₂	=	Carbon dioxide = affects climate change ('greenhouse effect')	
CO ₂ eq.	=	Carbon dioxide equivalent, the amount of different gases whose combined impact on the greenhouse effect corresponds to the amount of carbon dioxide mentioned	
SO ₂	=	Sulphur dioxide equivalent (affects acidification)	
C ₂ H ₄	=	Ethene (affects the ozone content of the lower atmosphere)	
Transbox crate	=	Reusable transport case made of plastic	
Sickness absence/ million working hours	=	$\frac{\text{Sickness absence 1 Jan. - 31 Dec.}}{\text{Theoretical regular working time 1 Jan. - 31 Dec.}}$	x 1,000,000 hours
Sickness absence percentage	=	$\frac{\text{Sickness absence 1 Jan. - 31 Dec.}}{\text{Theoretical regular working time 1 Jan. - 31 Dec.}}$	x 100
Employee departure turnover	=	$\frac{\text{Number of departures 1 Jan. - 31 Dec.}}{\text{Number of personnel at 31 Dec.}}$	
Accident frequency/ million working hours	=	$\frac{\text{Number of hours worked 1 Jan. - 31 Dec.}}{\text{Number of hours worked 1 Jan. - 31 Dec.}}$	x 1,000,000 hours



Building for a better tomorrow

Kesko Corporation

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