

KESKO

Responsibility in figures

2014

Responsibility in figures

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Responsibility management in day-to-day activities

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

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

Values

- We exceed our customers' expectations
- We are the best operator in the trading sector
- We create a good working community
- We bear our corporate responsibility

General operating principles guiding responsibility

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

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

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

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

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



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

Mikko Helander
President and CEO



Corporate responsibility organisation in Kesko

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

Corporate Responsibility Advisory Board

Senior Vice President for corporate responsibility, communications and stakeholder relations (Ch.), division representatives, Group representatives

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

Environmental Steering Group

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

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

Steering Group for Responsible Purchasing

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

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

Steering Group for Local Responsibility in Operating Countries

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

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

Division-specific responsibility steering groups

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

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

In addition, the Risk Management Steering Group and the HR Management Board support responsibility management and implementation in Kesko with their work.

Corporate responsibility steering in Kesko



Responsibility programme



Responsible operator:

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

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

Objective	Progress
<p>All of our personnel act in compliance with our responsible working principles.</p>	<p>On plan</p> <div style="border: 1px solid black; width: 100%; height: 15px; background-color: #ccc; margin-bottom: 5px;"></div> <p>Guidelines are a material part of the induction of new employees. In 2014, Kesko's Internal Audit conducted a survey on responsible working principles for all Kesko employees in Finland. A total of 93.3% of all respondents were familiar with the Our Responsible Working Principles guidelines.</p>
<p>We organise regular training on our responsible working principles.</p>	<p>On plan</p> <div style="border: 1px solid black; width: 100%; height: 15px; background-color: #ccc; margin-bottom: 5px;"></div> <p>The online training on responsibility which was prepared in 2014 and is compulsory to all Kesko employees, describes Our Responsible Working Principles. As part of the constant responsibility training, four events on responsible working practices were organised by different divisions in Finland, Latvia, Lithuania and Estonia in 2014. On Keskonet, Kesko's intranet, there is a permanent banner on the front page to remind Kesko employees of the guidelines.</p>
<p>Kesko's target for return on equity is 12% and the target for return on capital employed is 14%.</p>	<p>On plan</p> <div style="border: 1px solid black; width: 100%; height: 15px; background-color: #ccc; margin-bottom: 5px;"></div> <p>In 2014, the return on equity excl. non-recurring items was 7.6% and the return on capital employed excl. non-recurring items was 9.9%.</p>

We offer e-commerce services in all divisions during 2014. Comprehensive store-specific product information, prices and availability will be provided online by the end of 2016.

Started



All our divisions focus on electronic and multi-channel customer service. The Ruoka.citymarket.fi online store for food expanded to all of the Greater Helsinki area in 2014. The Intersport.fi online store opened in 2014 and the online store of the Sotka chain in January 2015. In spring 2015, Kesko's Group Management Board will be joined by the Chief Digital Officer, who will be responsible for Kesko's business development, digital business environment and marketing.



For the benefit of the community:

We build a better society together

- We establish partnerships and contribute to the development of local communities.
 - We develop our operations in interaction with customers.
 - Our personnel act responsibly in day-to-day operations.

Objective	Progress
<p>We are an attractive partner and a responsible neighbour.</p>	<p>On plan</p>  <p>K-food stores, Anttila and Kodin1 participated in the Blue and White Footprint campaign in 2014, and new participants in 2015 include K-rauta and Rautia stores. In 2014, Local Food Dates were organised in order to increase the supply of local products in K-food stores. Kesko was the national partner of the Salvation Army's Christmas Kettle Collection in 2014. Some of the proceeds of K-food stores' bottle return raffles are directed either to the Mannerheim League for Child Welfare or to the Association of Friends of the University Children's Hospitals every six months. The K-Group participated in the development project of village stores in 2013–2015.</p>
<p>We include our customers and our personnel in our responsibility work.</p>	<p>On plan</p>  <p>In 2014, a compulsory online course on responsibility was prepared for all Kesko employees and a compulsory online course on responsible purchasing for the employees in the food trade's commerce. An online course on the K-responsibility concept was drawn up for the building and home improvement store staff. An advisory board was established to promote corporate responsibility work in other countries. During 2015, each company will prepare their own responsibility objectives to support Kesko's responsibility programme. Customer expectations are regularly reviewed by conducting various surveys and studies.</p>

<p>We help customers in efficient shopping; online stores, SmartPost, in-store collection.</p>	<p>On plan</p>  <p>All of the divisions focus on electronic and multi-channel customer service. K-rauta, Rautia, K-maatalous and Byggnakker provide customers with comprehensive electronic services across their whole area of operations. Many building and home improvement stores and food stores launched click&collect services in 2014. A total of 137 K-food stores have the automated SmartPost terminal.</p>
<p>We expand the contract seed production programme trainings; the objective is to train 100% of the contract farmers within three years.</p>	<p>On plan</p>  <p>By the end of 2014, 77% of the seed contract farmers had been trained.</p>
<p>We develop the organic farming programme into a concept.</p>	<p>On plan</p>  <p>The K-Group's experimental farm tested plant varieties in the Åland Islands in 2014. The experimental farm is seeking new options to continue organic research with grain varieties in continental Finland.</p>



Working community:

We perform and offer high-quality work

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

Objective	Progress
We are the best employer in the trading sector in terms of job satisfaction.	Behind plan  In the 2014 personnel survey, the employee engagement index was 53%. In the Universum Young Professionals 2014 survey, Kesko's ranking was 29.
We conduct a performance and development review annually with every employee.	On plan  In the 2014 personnel survey, 83% of respondents said that they had had a performance and development review during the past 12 months.
We train our supervisors on a regular basis.	On plan  Key tools in the development of supervisory work include training courses entitled Let's Talk about Work, Performance Management, Employee Engagement and the extensive online training programme for the various areas of supervisory work, completed in 2014. A total of 2,391 online courses for supervisors were completed in 2014.

We reduce sickness absences and premature disability pensions.

On plan



Since the beginning of 2011, about 950 supervisors in Finland have been trained in the Let's Talk about Work model, which is used by nearly all of our companies. In Finland, the sickness absence percentage has decreased by 11% since 2009, while the number of disability pensions has decreased by 37% since 2010. In other countries, the sickness absence percentage has decreased by 10% since 2009.



Responsible purchasing and sales:

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

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

Objective	Progress
<p>We identify the whole of our supply chain and actively promote the social responsibility audits of our suppliers in high-risk countries.</p>	<p>On plan</p>  <p>In 2014, 88 full audits and 74 re-audits were conducted in suppliers' factories and farms. In 2014, Kesko's suppliers in high-risk countries had 284 factories or farms within the scope of the BSCI process. Efforts to ensure the sustainability of ingredients imported from high-risk countries continued. Kesko started to assess human rights impacts in 2014.</p>
<p>We add indication of origin to our own brand products.</p>	<p>On plan</p>  <p>Origins are indicated on our own brand products. In 2014, a major project of changing package labelling of own brand products was underway at Kesko Food, based on the EU food information regulation. The project will continue until spring 2015, when the transition period of the complementing regulation on the indication of the origin of certain meats ends.</p>
<p>We offer a wide selection of Pirkka responsible products; 500 Pirkka products meeting a responsibility criterion by 2015 and 200 Pirkka organic products by 2015.</p>	<p>Behind plan</p>  <p>In 2014, the Pirkka range included 44 Fairtrade products, 116 Organic products, 29 MSC certified fishes, 16 UTZ ertified products and 13 products containing certified sustainable palm oil (CSPO).</p>

<p>By 2020, all palm oil in Pirkka products is responsibly produced (CSPO).</p>	<p>Behind plan</p>  <p>At the end of 2014, about 13% of the palm oil in Kesko Food's and Kespro's products was certified sustainable palm oil. Kesko's website includes a list of Pirkka products containing CSPO.</p>
<p>Social responsibility of the production of Kesko Food's own direct imports from high-risk countries is 100% assured by the end of 2015.</p>	<p>On plan</p>  <p>At the end of 2014, nearly 100% of such imports was assured.</p>



Wellbeing for customers:

We offer services which promote customers' wellbeing

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

Objective	Progress
<p>Every building and home improvement store has at least one trained Energy Expert or Energy Master and a service cooperation network.</p>	<p>On plan</p> <div style="border: 1px solid black; width: 100%; height: 15px; background-color: #0056b3; margin-bottom: 5px;"></div> <p>In 2014, Energy Expert service products were part of stores' basic selection. Expertise available at retail stores was reinforced with training courses, which were attended by employees from nearly all K-rauta and Rautia stores.</p>
<p>All K-food stores will have adopted the K-responsibility concept by 2014.</p>	<p>Achieved</p> <div style="border: 1px solid black; width: 100%; height: 15px; background-color: #0056b3; margin-bottom: 5px;"></div> <p>All K-food stores have adopted the K-responsibility concept. In 2014, the concept was adopted by K-rauta stores and the introduction to the stores in the Rautia chain started. During 2015, the concept will be implemented at all Rautia stores and in the K-maatalous chain.</p>
<p>The theme 'Let's do good. Together.' is visible in stores and marketing.</p>	<p>On plan</p> <div style="border: 1px solid black; width: 100%; height: 15px; background-color: #0056b3; margin-bottom: 5px;"></div> <p>The theme 'Let's do good. Together.' is a material part of the grocery trade communications and marketing.</p>
<p>We train and advise our machinery trade customers in the correct, safe and economical use of machines and devices and in prolonging the service lives of machinery.</p>	<p>On plan</p> <div style="border: 1px solid black; width: 100%; height: 15px; background-color: #0056b3; margin-bottom: 5px;"></div> <p>Customers in the agricultural machinery trade are trained in the use of the machinery they have bought, such as combine harvesters, precision choppers and large tractors.</p>



Mitigation of climate change:

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

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

Objective	Progress
<p>We increase cooperation with the supply chain in order to promote the sustainable use of natural resources and the development towards a low carbon society.</p>	<p>Started</p> <div style="border: 1px solid #ccc; width: 100%; height: 15px; margin-bottom: 5px;"> <div style="background-color: #76b82a; width: 10%;"></div> </div> <p>In late 2014, Kesko joined the Foreign Trade Association's (FTA) Business Environmental Performance Initiative (BEPI). BEPI helps member companies in the management of the environmental issues of global supply chains.</p>
<p>We recover the waste generated in our operations to achieve zero landfill waste.</p>	<p>On plan</p> <div style="border: 1px solid #ccc; width: 100%; height: 15px; margin-bottom: 5px;"> <div style="background-color: #76b82a; width: 75%;"></div> </div> <p>In 2014, the waste recovery rate of Anttila's logistics centre was 99%, and that of Keslog's central warehouses and terminals 98%. The recovery rate of waste generated in stores was 96% and the recycling rate was 67%. VV-Auto Group's waste recovery rate was nearly 100%.</p>
<p>We reduce food wastage by 10% by 2020.</p>	<p>On plan</p> <div style="border: 1px solid #ccc; width: 100%; height: 15px; margin-bottom: 5px;"> <div style="background-color: #76b82a; width: 75%;"></div> </div> <p>K-food stores have reduced food wastage with the help of electronic forecast and order systems, efficient logistics, employee training, lowering prices of products approaching their best before dates and by optimising properties of packaging. Many K-food stores also donate food to charity. K-food stores participated in the Consumers' Union of Finland's Wastage Week campaign in 2014.</p>

<p>We improve our annual energy efficiency by 65 GWh by 2016.</p>	<p>On plan</p>  <p>During 2014, Kesko improved its energy consumption by 59 GWh and achieved 90% of its objective.</p>
<p>We reduce the relative carbon dioxide emissions from Keslog's transportation by 10% by 2020.</p>	<p>On plan</p>  <p>Emissions are reduced by route planning, reverse logistics, two-tier trailers and training in economical driving style. In March 2015, Keslog starts to pilot an extra long Ecotruck on the main logistics route between Vantaa and Oulu.</p>

Responsibility monitoring and steering

Responsible operator

Management approach	We are committed to responsible working principles and we together generate economic value added
Material aspects	<ul style="list-style-type: none"> • Economic performance • Indirect economic impacts • Anti-corruption • Public policy • Anti-competitive behaviour • Compliance • Grievance mechanisms for impacts on society • Customer privacy
We generate economic value added	At Kesko, economic responsibility refers to the good management of finances, the efficient use of resources, as well as generating stable, long-term economic benefits to the various stakeholders. Kesko's operations generate economic benefits for shareholders, personnel, retailers, suppliers of goods and services and their employees, customers, as well as municipalities and states.
Responsible working principles (Code of Conduct) and reputation management	Different aspects of responsibility, such as ethicality of production and sourcing, fair and equal treatment of employees and environmental protection are increasingly important for customers. Kesko's attitude to bribery and other malpractice is absolutely uncompromising. Responsible working principles are essential for building trust between Kesko, K-stores, our customers and our partners.
Public policy	Kesko plays an active role in trade and industry organisations in Finland and in the European Union, contributing its expertise to social development and legislative work. Kesko does not donate funds to political parties.
Customer privacy	Customers' personal data are, for instance, processed in various personal data registers and online stores' customer registers that are collected for the implementation of marketing activities. K-Plus Oy, a Kesko subsidiary, manages and maintains the K-Plussa customer loyalty system, operated by K-chains and K-Plussa partners. Using the information received from the K-Plussa customer loyalty system we can develop and tailor our operations to better suit our customers' needs. Taking care of our customers' privacy is of utmost importance to us.
Objectives	The objectives have been recorded in the responsibility programme.
Policies, working principles and commitments	
Accounting policies	Kesko Group complies with International Financial Reporting Standards (IFRS) approved for adoption by the European Union.
Corporate Governance principles	Kesko's decision-making and corporate governance are guided by Kesko's values and responsible working principles. Decision-making and corporate governance comply with the Finnish Limited Liability Companies Act, regulations concerning publicly quoted companies, Kesko's Articles of Association, the charters of Kesko's Board and its Committees and the rules and guidelines of NASDAQ OMX Helsinki Ltd. The company complies with the Finnish Corporate Governance Code for Listed Companies 1 October 2010.
Risk management principles	The risk management policy confirmed by the Board of Directors guides risk management in Kesko.
Good trading practices	Kesko Food and Kespro are committed to good trading practices.
Our responsible working principles	The 'Our responsible working principles' guidelines (Code of Conduct) bind all Kesko employees in all operating countries to act in accordance with shared values and responsible working principles.
Data protection policy	The data protection policy defines how Kesko Group strives for compliance with the law in the processing of personal data and a high level of data protection in all of its operations and operating countries.
Monitoring and control systems; programmes, projects and initiatives	
Financial reporting and planning	Kesko's financial reporting and planning are based on Kesko Group's management system. The Group's financial development and achievement of financial objectives are monitored by financial reporting covering the entire Group.
Compliance	Kesko runs compliance programmes to ensure that Kesko employees are familiar with the key laws relating to operations and act in compliance with them. For Kesko, knowledge of and compliance with competition laws is of primary importance. Kesko has a competition law compliance programme, composed of training sessions and an e-learning component available to all Kesko employees. Those whose work is largely related to competition laws are separately obligated to complete the training. The Group Legal Affairs Unit supervises the completion of the training.

Prevention of malpractice	<p>Kesko's Internal Audit pays special attention to the efficiency of controls that prevent malpractice and financial losses. Measures preventing malpractice have included more effective communications, training and guidelines as well as tightened controls. Kesko's Risk Management, Legal Affairs and Internal Audit have organised value discussions in Kesko subsidiaries with the focus on anti-bribery work. Through Kesko's intranet, employees in all operating countries, except for Belarus, can give feedback and ask questions concerning operations not only in their own units but also directly to top management. Feedback can be given openly or anonymously. Through the intranet or by e-mail at IA (at) kesko.fi, employees can also contact Kesko's Internal Audit in confidence.</p> <p>A new channel for reporting suspected malpractice was taken in use in Kesko's Russian subsidiaries. The channel for suspected malpractice is a Russian-language channel through which the partners and employees of Kesko's Russian subsidiaries can report in confidence any suspicions of malpractice in Kesko's Russian subsidiaries.</p>
Risk management	<p>Kesko has a uniform risk assessment and reporting system. Risk identification is based on business objectives and opportunities and the defined risk appetite. Risks are prioritised on the basis of their significance by assessing the impacts in euros and probability of their materialisation. When assessing the impact of materialisation, the impacts on reputation, people's wellbeing and the environment, among other things, are considered in addition to impact in terms of euro. Risk management measures are assigned persons in charge who are responsible for planning, implementing and monitoring the measures. The measures defined are added in action plans and monitoring systems.</p>
Privacy protection	<p>Personal data collected for various purposes on the grounds defined in the Finnish Personal Data Act form separate person registers. For example, the customer information of K-Plussa cardholders forms a customer database that is used, with the customer's permission, for managing customer relationships, for customer contacts and marketing purposes of the companies that have joined the K-Plussa system. K-Plussa customers can prohibit the connection of product or product group level information to their identified customer relationship. In compliance with the Personal Data Act, K-Plus Oy's file description is available in Finnish at www.plussa.com. Data controllers ensure that customer information is only used for the purposes specified in the file description. Information on individual customers is secured by issuing instructions to personnel and by using technical systems. Customer data is only disclosed to third parties if required by law. In 2014, Kesko started a data protection programme which consists of training events and an e-learning session. The implementation of the programme is overseen by the Privacy Officer who works under the supervision of the Legal Affairs Unit.</p>
Responsibilities and resources	<ul style="list-style-type: none"> • Kesko's Corporate Governance structure is laid out in Kesko's Corporate Governance • The Group Legal Affairs Unit • The Group Internal Audit and Risk Management Unit • K-Plus Oy
Management approach assessment	<p>The management approach is assessed continuously as part of operations. Changes in the operating environment and in Kesko are taken into account by adjusting objectives, operating principles, monitoring systems and resources. In January 2015, the risk management function took part in an international self-assessment concerning the level of risk management. The results will be used to further improve Kesko's risk management. Kesko Group's internal audit conducts audits in data protection issues as part of its normal auditing functions.</p>

For the benefit of the community

Management approach	We build a better society together
Material aspects	<ul style="list-style-type: none"> • Purchase practices
A local approach has an effect on the entire society	<p>Retail trade plays an important role in a local community. It serves and employs local people. In addition to its direct employment impact, the retail trade is also a significant indirect employer through its suppliers and business partners. Retailers, supported by Kesko's district organisations, represent local activities. The K-retailer entrepreneur is responsible for his or her store's staff and customer satisfaction. Listening to the wishes of local customers and making use of customer data, K-retailers build a selection of products and services that meet customer needs. We develop our business in interaction with our customers. Kesko purchases the majority of the products it sells from Finland and encourages K-retailers to include locally produced products in their selections. The impact of Finnish products on employment is significant. For example, Pirkka products are produced in nearly 160 companies all over Finland.</p>

Objectives	The objectives have been recorded in the responsibility programme.
Policies, operating principles and commitments	
Good trading practices	Kesko Food and Kespro are committed to good trading practices.
Our responsible working principles	Kesko requires that its suppliers and other partners act in compliance with Kesko's responsible operating principles. A responsibility clause has been incorporated in all significant new agreements since the beginning of 2013.
Chain business model	The principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's retail chains. In Finland, all food stores, building and home improvement stores and agricultural stores in the K-Group are run by K-retailer entrepreneurs. In the retailer model, through its chain operations Kesko provides a first-class setting for its retailer entrepreneurs to provide the best possible service to their customers. The K-retailer entrepreneur implements the chain concept and is responsible for store management, customer satisfaction, personnel and business profitability.
Stakeholder interaction	In Kesko's operations, social impact on local communities is estimated as part of the development of the store network. The establishment of a new store or the expansion or change of an existing store involves various statutory reports – both at the planning and building permit stages – and hearings of local inhabitants and operators, depending on the extent of the project. Reports take a stand on the impact of the project on the community structure, traffic and employment, among other things.
Monitoring and control systems; programmes, projects and initiatives	
The Blue and White Footprint campaign	K-food stores, K-citymarket Oy (home and speciality goods), Anttila department stores, Kodin1 department stores for interior decoration and home goods participated in the Blue and White Footprint campaign of the Association for Finnish Work in 2014. The campaign will continue in 2015 when K-rauta and Rautia stores will also join in. The campaign aims to increase the sales of Finnish products and consciousness of the positive impacts of buying Finnish work.
Responsibilities and resources	<ul style="list-style-type: none"> • K-retailers and K-Retailers' Association • Kesko's district organisation • Steering group for responsible purchasing and Kesko's buyers • Division Management Boards
Management approach assessment	The management approach is assessed continuously as part of operations. Changes in the operating environment and in Kesko are taken into account by adjusting objectives, operating principles, monitoring systems and resources.

Working community

Management approach	We perform and offer high-quality work
Material aspects	<ul style="list-style-type: none"> • Employment • Labour/management relations • Occupational health and safety • Training • Diversity and equal opportunity • Equal remuneration • Labour practices grievance mechanisms
Employment and labour/management relations	We want to be the most attractive workplace in the trading sector, with satisfied employees and competent supervisors. The K-Group offers varied career and personal development opportunities in varied jobs of the trading sector. In reorganisation situations, Kesko complies with the local legislation in all its operating countries. In Finland, the Act on Co-operation within Undertakings determines the key statutes concerning reorganisations.
Health and safety at work	Kesko and K-stores are responsible for providing employees a safe working environment and appropriate training and guiding for their work.
Development of personnel	Systematic, business-driven development of personnel and management is critical for future success. In line with its values, Kesko invests in the development of the working environment and the quality of management with the objective that the employees think highly of their work and employer and are motivated to perform well. In the K-Group, there are many kinds of development paths an employee may follow.
Diversity and equal opportunity	A pluralist organisation that promotes diversity guarantees equal opportunities, rights and treatment to all. Equality, justice and non-discrimination are important principles which are observed at Kesko throughout the employment relationship. The most suitable person with the most development potential is selected for the job, and applicants are judged according to their competence, skills and accomplishments.

Remuneration	The objective of remuneration in Kesko is to encourage employees to exceed the objectives given and to motivate them to do long-term work in order to meet the goals of Kesko Group and its subsidiaries. Remuneration is fair and is based on principles that are commonly known.
Labour practices grievance mechanisms	Employees can ask questions and give feedback or development proposals on issues related to the operations of Kesko or its subsidiaries anonymously via the Direct Line available on the Keskonet intranet. Answers are published for all to see on Keskonet.
Objectives	The objectives have been recorded in the responsibility programme.
Policies, working principles and commitments	
HR policy	Kesko's HR management is based on Kesko's values and responsible operating practices, which are described in the guide 'Our Responsible Working Principles'. Kesko's HR policy defines key operating principles in the various areas of HR management. The HR strategy defines HR management objectives, critical success factors and key development initiatives.
Diversity commitment	Kesko is a member of Diversity Charter Finland. The operations of Diversity Charter Finland are based on a charter that is signed by all members.
Monitoring and control systems; programmes, projects and initiatives	
Wellbeing at work programme	In the development of wellbeing at work, the objective is to increase employees' job satisfaction and motivation, reducing sickness, increasing the retirement age and enhancing employer image and, in this way, increasing personnel productivity. The wellbeing at work programme focuses on the development of supervisory work and management and on improving the efficiency of cooperation in occupational healthcare and labour protection.
Labour protection programme	The personnel's ability to work is protected by creating a safe and supportive working environment. The goal of labour protection is to secure and maintain employees' ability to work and to prevent and avoid occupational injuries, occupational diseases and other physical and mental health hazards arising from work or the working environment.
Youth Guarantee in the K-Group programme	Kesko and K-stores participated in the Youth Guarantee programme launched at the beginning of 2013 to promote employment and prevent social exclusion among young people. The aim of the Youth Guarantee in the K-Group programme was to employ 1,000 young people during 2013-2014. By the end of December 2014, nearly 1,800 young people had found employment in K-stores and Kesko across Finland.
Employment of disabled people and people with partial work capacity	In 2012, the K-Retailers' Association launched a project called 'Many kinds of performers' in cooperation with the Finnish Association on Intellectual and Developmental Disabilities (FAIDD). The project was turned into a permanent working model in 2013. In the Greater Helsinki area, Kesko's Occupational Health Service directs employees to AMI rehabilitation, which promotes mental health. A partial daily allowance can help an employee return to work after sick leave. The support provided by pension insurance companies for occupational rehabilitation has been used to promote return to work.
Responsibilities and resources	<ul style="list-style-type: none"> • HR Management Board • Kesko HR/Common Services • Division and company HR • HR Service Centres • Each supervisor is responsible for labour protection in his/her area as it is part of the line organisation's normal management and supervisory work.
Management approach assessment	The management approach is assessed continuously as part of operations. Changes in the operating environment and in Kesko are taken into account by adjusting goals, operating principles, monitoring systems and resources. The personnel survey, to be implemented at about 18 month intervals since 2015, measures the quality of management. The results of the survey are used when agreeing on development measures that are integrated as part of the yearly action plan and personnel plan. The fulfilment of the measures is monitored.

Responsible purchasing and sales

Management approach	We purchase and sell responsibly and support our customers in their sustainable choices
Material aspects	<ul style="list-style-type: none"> • Products and services • Supplier assessment for labour practices • Labour practices grievance mechanisms • Human rights • Customer health and safety • Product and service labelling • Marketing communications • Compliance
Purchasing from high-risk countries	<p>In its operations, Kesko pays special attention to human rights issues and working conditions in its purchasing chain and, in monitoring these, primarily focuses on suppliers in high-risk countries. In accordance with the BSCI (Business Social Compliance Initiative), these are countries and areas where there is a risk of human rights and workers' rights violations. The classification is based on the World Bank's Worldwide Governance Indicators. High-risk countries typically produce clothing and home textiles, shoes and other leather goods, furniture, carpets, interior decoration items, sports equipment, toys, agricultural products (such as coffee, tea, cocoa, fruit, vegetables, wines) and canned fish, fruit and vegetables.</p> <p>In 2014, direct purchases by Kesko's Finnish companies from suppliers in risk areas totalled €131 million (€123 million in 2013) and accounted for 1.5% (1.6%) of Kesko's total purchases. The most significant high-risk countries in terms of imports are listed at human rights assessments. Direct imports from high-risk countries accounted for 21.1% (21.7%) of Kesko's total imports into Finland. There are no statistics available on the imports of Kesko's subsidiaries in other countries from high-risk countries, but in 2014 Kesko's purchases analysed by a company's country of domicile and by a supplier's country of domicile also included purchases from high-risk countries at a total value of €367 (€328) million, or 4.2% (4.2%) of Kesko's total purchases. Around 76% (74%) of Kesko's imports into Finland (excluding imports by VV-Auto) come from EU countries.</p> <p>In addition to its own direct imports, Kesko also purchases goods produced in high-risk countries from other brand and import companies operating in Finland. There are no reliable statistics available on the countries of origin of these imports. There may also be social risks involved in the manufacture of products imported to Finland through third countries or in the production of their ingredients.</p>
Product safety and product labelling	<p>Kesko and K-Group stores are responsible to the products' end-users for ensuring that the products comply with all the requirements of Finnish and EU legislation, are safe for users and meet quality and other promises. Product labelling and marketing communications comply with legislative requirements and authorities' recommendations.</p> <p>Kesko and K-Group stores want to support customers in making sustainable choices and offer a wide selection of products with responsibility criteria.</p>
Objectives	The objectives have been recorded in the responsibility programme.
Policies, working principles and commitments	
Purchasing principles	Responsible purchasing is guided by Kesko's purchasing principles. The principles are based on national labour protection legislation and corresponding conventions of the International Labour Organization (ILO), which are applied when national legislation does not correspond to the same level.
Policy on chemicals	Kesko's policy on chemicals applies to home textiles, clothing, leather goods, shoes and upholstered furniture. Based on EU and Finnish legislation, it lists the chemicals which are prohibited or the quantity of which is restricted in the products supplied to Kesko. In addition, for substances of very high concern, Kesko sets restrictions that are stricter than those set in legislation.
PVC statement	Kesko reduces its impact on the environment by actively seeking options for PVC plastic, both in the packaging of its own brands and in the products themselves. It has been estimated that the elements and compounds contained in PVC, such as chlorine and phthalates, have significant environmental and health impacts. Therefore, replacing PVC with materials more suitable for recycling is appropriate, particularly in packaging and products with short life spans.
Sustainability statements	Various product group-specific policy statements, such as the palm oil policy, the fish and shellfish statement, the timber policy, and the stand on the sandblasting of jeans, have been prepared to support purchasing operations.
K-responsibility concept	Responsible choices are communicated to customers in stores according to the K-responsibility concept with shelf labelling and product labelling, among other things. The selection and marketing policies of organic, eco-labelled and Fairtrade products are included in K-food stores' chain concepts. The K-responsibility concept was first adopted by K-food stores in 2013. During 2014, the concept was adopted by K-rauta stores and the adoption started in Rautia chain stores. During 2015, it will be visible in all Rautia stores and the K-maatalous chain.

Monitoring and control systems; programmes, projects and initiatives

Audits of suppliers in high-risk countries	<p>Kesko requires its suppliers in high-risk countries to have social responsibility certification or audits. Kesko is a member in the European BSCI audit system and is committed to the BSCI Code of Conduct, the content of which is practically the same as Kesko's own purchasing principles.</p> <p>In cooperation with the BSCI, Kesko follows other audit systems in the market and accepts audits based on them, provided that the level of requirements is the same as in the BSCI audit. Below is a table of the certification and audit systems Kesko uses in various product groups.</p> <p>In China and India, Kesko supports its suppliers through monitoring. A local monitoring officer guides and oversees Kesko's suppliers in issues related to terms of employment and working conditions and compliance with environmental and chemical regulations. Kesko's own monitoring principles are based on the BSCI audit requirements. The ultimate aim is to get the factory to apply for a third-party BSCI audit or SA8000 certification. The responsibility of the purchasing chain is also monitored and developed as part of the sourcing cooperation with other European retail chains (Swisstec, ICA, AMS).</p> <p>Kesko has a SUMO (supplier monitoring) database, in which the information on supplier audits, certifications and monitoring visits to suppliers in high-risk countries is saved alongside their respective risk ratings. The information on BSCI audits is also saved in the database maintained by the BSCI and is available to all members.</p> <p>In 2014, a risk assessment tool was developed with the purpose of better identifying risks across the entire purchasing chain of Kesko's own brands, including indirect purchases from high-risk countries. The intention is to first adopt the tool for Kesko Food's purchases, where it has already been piloted.</p>
Audits of Kesko Food's own brand product manufacturers and producers	<p>Kesko Food requires that the manufacturers and producers of its own brand products have an international food safety certification. Kesko Food accepts the following audit procedures: BRC, IFS, ISO 22000, SQFI000/2000 and GlobalGAP (in Finland, the 'Quality Requirements for Vegetables' requirements).</p>
Kesko Product Research Unit's laboratory	<p>The Product Research Unit Laboratory monitors the quality of products sold by K-food stores, Anttila department stores, K-citymarket hypermarkets and Kodinl department stores for interior decoration and home goods. It is a testing laboratory T251 which has been accredited by the FINAS accreditation services and approved to comply with the SFS-EN ISO/IEC 17025 standard.</p>
K-responsibility concept audits	<p>The assessment of a store's responsible operations comprises the store's annual self-assessment, the criteria defined in the store's quality system and a responsibility audit performed by an external party on a specified sample. The auditor reports the results to the store and to Kesko.</p>
Responsibilities and resources	<ul style="list-style-type: none"> • The Group's Corporate Responsibility Steering Group • The Steering Group for Responsible Purchasing and Kesko's buyers • Kesko Food Commerce's Responsibility Steering Group • Kesko Product Research Unit • Division parent companies' employees responsible for communications and marketing • K-stores
Management approach assessment	<p>The management approach is assessed continuously as part of the operations of the steering groups. Changes in the operating environment and in Kesko are responded to by adjusting objectives, working principles, monitoring systems and resources. Internal Audit conducts audits on responsible sourcing in Kesko companies. The audits evaluate the effectiveness of controls and provide recommendations on how shortcomings can be corrected.</p> <p>The self-control of Kesko Food and K-food stores is developed on the basis of the results of official inspections, among other things. The Product Research Unit's laboratory is audited annually as required by the SFS-EN ISO/IEC 17025 standard. In addition, its operations are assessed annually with an internal audit and an inspection by the management.</p>

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

Certification/audit system	Product group	Coverage of criteria	Product label
BSCI (Business Social Compliance Initiative)	All product groups	Social, limited environmental part	No
SA8000	All product groups	Social	No
ETI	All product groups	Social	No
Sedex/SMETA	All product groups	Social, limited environmental part	No
ICS	All product groups	Social	No
ICTI CARE	Toys	Social	No
FSC (Forest Stewardship Council)	Wood products and timber	Social, environmental	Yes
Fairtrade	Agricultural products, incl. cotton	Social, environmental	Yes
Rainforest Alliance	Agricultural products	Social, environmental	Yes
UTZ Certified	Coffee, cocoa, tea	Social, environmental	Yes
RSPO (Roundtable on Sustainable Palm Oil)	Products containing palm oil	Economic, environmental, social	Yes
WIETA	Wines	Social	Yes
MSC (Marine Stewardship Council)	Caught fish and shellfish	Environmental (sustainable fishing)	Yes
ASC (Aquaculture Stewardship Council)	Farmed fish and shellfish	Social, environmental	Yes

Wellbeing for customers

Management approach	We offer services that promote customers' wellbeing
Material aspects	• Customer health and safety
Products and services that promote wellbeing	Kesko and K-stores aim to make their customers' lives easier, providing them with services that promote health and wellbeing and guidance on the proper use of products. Promoting healthy ways of living and eating habits as well as physical activity is central to the K-Group's food and sports stores.
E-commerce and multi-channel services	Customers' needs and consumption behaviour change greatly as new electronic services and, particularly, mobile services become increasingly widespread. Kesko's key strategic objective is to provide customers with optimal service in all of its divisions in electronic channels irrespective of place and time.
Objectives	The objectives have been recorded in the responsibility programme.
Policies, working principles and commitments	
K-responsibility concept	The K-responsibility concept is used to tell customers about the store's good deeds and to help them make healthy and sustainable choices easily. The K-responsibility concept was first introduced in K-food stores in 2013. The concept was taken into use in K-rauta stores and its launch in Rautia stores started over the course of 2014. It will be introduced in all Rautia stores and in the K-maatalous chain in 2015.
E-commerce and multi-channel services	The development of electronic services requires major investments in competence development and capital expenditure in technology and logistics. At the beginning of 2015, the building and home improvement division and the home and speciality goods division were combined into the home improvement and speciality goods division which provides customers with multi-channel stores and services in the building, interior decoration and speciality goods trade. Kesko also strongly develops e-services and online sales in the grocery trade, and e-services in the car and machinery trade.
Monitoring and control systems; programmes, projects and initiatives	
Product research	Kesko Product Research Unit's laboratory monitors the safety and quality of groceries and home and speciality goods sold by K-food stores, Anttila department stores, K-citymarket hypermarkets and Kodin1 department stores for interior decoration and home goods. In addition to the laboratory, the Product Research Unit includes the test kitchen and Kesko Food's consumer service. The test kitchen's duties include sensory evaluations of products and testing their cooking properties. The consumer service provides information on Pirkka products. Customers give feedback about products and ask about various aspects such as product origins, ingredients, their suitability for different kinds of users and instructions for use and preparation.

Recipe service	The home economics teachers in the Pirkka test kitchen develop and test hundreds of new food recipes annually. The nutritional contents for about 5,400 recipes found in the K-ruoka.fi recipe service have been calculated to help customers make choices.
K-responsibility concept audits	The assessment of a store's responsible operations comprises the store's annual self-assessment, the criteria defined in the store's quality system and an external responsibility audit based on a defined sample. The auditor reports the results to the store and Kesko.
Customer satisfaction	The recognition level and images of Kesko's chains are regularly monitored in brand surveys targeted at consumers in all product lines. The same practice is applied to the K-Plussa customer loyalty programme and the grocery trade's own brand products. Store-level customer satisfaction is measured by customer satisfaction surveys and the mystery shopping method in food stores and the building and home improvement stores.
Responsibilities and resources	<ul style="list-style-type: none"> • Kesko's divisions • Kesko's Product Research Unit • K-stores
Management approach assessment	The management approach is assessed continuously as part of the operations. Changes in the operating environment and in Kesko are responded to by adjusting objectives, operating principles, monitoring systems and resources.

Mitigation of climate change

Management approach	We take part in mitigating climate change and promote the sustainable use of natural resources
Material aspects	<ul style="list-style-type: none"> • Energy • Water • Biodiversity • Emissions • Wastewater and waste • Environmental assessment of suppliers
Energy consumption	Energy consumption has a significant impact on both the progress of climate change and the costs of the K-Group's operations. The energy consumption of properties accounts for a considerable share of the greenhouse gas emissions caused by the K-Group. Mitigating climate change resulting from energy consumption is one of the focus areas in Kesko's environmental work.
Water	Properties managed by Kesko use municipal water. In the K-Group's own operations, water is used mainly for cleaning.
Biodiversity	Kesko concentrates on diminishing the effects of climate change to preserve biodiversity. Kesko only builds retail stores in areas zoned for business properties, so building does not have significant direct biodiversity impacts. Indirect impacts occur through the products sold.
Emissions	Kesko's logistics company Keslog has long reduced emissions from the K-store supply chain by centralising distribution. New replacements in the vehicle fleet have reduced unit-specific emissions. Key tools in improving logistics efficiency also include the optimisation of transport routes and a high volumetric efficiency. A significant part is also played by efficient reverse logistics. Drivers have been trained in economical driving styles.
Waste management	Preventing the generation of waste, increasing the recovery rate and recycling of materials are the means by which Kesko reduces the amount of waste.
Environmental assessments of suppliers	The assessment procedures of Kesko's procurement practices include environmental criteria.
Objectives	The objectives have been recorded in the responsibility programme.
Policies, working principles and commitments	
Environmental and energy policy	The K-Group's environmental and energy policy covers the operations of Kesko Group and the K-Group stores both in Finland and the other operating countries. The K-Group's key business partners are also expected to observe corresponding environmental management principles. Environmental management is part of the K-Group's management system and is based on the ICC Business Charter for Sustainable Development, environmental management standards, as well as requirements set by legislation and the authorities.

Monitoring and control systems, programmes, projects and initiatives

Environmental work steering	Kesko Group's Corporate Responsibility Advisory Board defines the main policies for environmental work and the target levels for the Group companies, taking account of the environmental impacts of operations and their significance throughout the whole life cycle and supply chain. The division parent companies and subsidiaries specify the main policies of their environmental work into environmental action programmes which support their business operations. The action programmes are monitored and updated annually as part of strategy work.
Environmental systems	At the end of 2014, environmental systems covered 63% of the Kesko companies' net sales in Finland and 53% of the whole Group's net sales. The coverage has been calculated in proportion to retail sales. The logistics operations of Kesko and Anttila are ISO 14001 certified. VV-Auto Group Oy and its subsidiaries fulfil the requirements of environmental programme of Finnish Central Organisation for Motor Trades and Repairs Association and the ISO 9001 quality system. In the food stores and the building and home improvement stores, environmental management is based on the K-responsibility concept. Key environmental issues are also included in the concept measurement of the food store chains. The K-responsibility concept was also taken into use in K-maatalous stores. No certified environmental systems were yet in use in operations in other countries.
Energy consumption monitoring	Kesko's maintenance partners monitor the energy consumption of properties with the help of the EnerKey.com system supplied by Energiakolmio Oy. Energiakolmio reads remotely energy consumption measurement terminals located in properties and records the data in the database by the hour. Also the consumption figures for properties where the data are collected manually are saved in the EnerKey system. The EnerKey programme responds to even minor location-specific changes in consumption and sends an alarm to the person in charge.
Energy efficiency agreement	Kesko has signed the trading sector energy efficiency agreement. In terms of specific energy consumption, the types of properties with the highest energy consumption are K-citymarkets, K-supermarkets, Anttila department stores and large wholesale and warehouse buildings. Kesko conducts energy reviews in the properties managed by it on a regular basis.
Water consumption monitoring	Water consumption monitoring is part of real estate consumption monitoring.
Biodiversity	In line with Kesko's sourcing recommendation, the garden furniture made of tropical wood and sold by the K-Group stores is either FSC certified or made of wood species whose cultivation is possible in accordance with the principles of sustainable development. The K-Group's fish and shellfish statement directs Kesko Food's and Kespro's own sourcing, as well as K-food retailers' sourcing to safeguard responsible fishing and cultivation of fish. Palm oil must be produced in a responsible manner, taking account of economic, social and environmental aspects. Kesko Food is a member of the RSPO (Roundtable on Sustainable Palm Oil). Kesko Food's objective is that by 2020, all palm oil used in Pirkka products will be responsibly produced (CSPO). Sustainability statements
Waste management	Kesko develops recycling systems in cooperation with other operators and promotes waste recycling by developing packaging methods and the use of materials. The generation of waste is prevented by using reusable transport units and by minimising the wastage of products on sale. According to Kesko's business model, retailer entrepreneurs are responsible for wastage management in K-stores.
Building contracting and maintenance	Kesko's building contracting is based on target conditions and key technical quality factors determined for each business concept and the planning and execution instructions in respect of building services and construction engineering based on them. Kesko measures the efficiency and quality of planning and execution by providing its individual properties with international environmental certificates, such as BREEAM and LEED. In 2014, Kesko's partners in the maintenance and service of properties were Caverion Oy, Ovenia Oy and L&T plc. The environmental systems of Caverion Oy and L&T plc are ISO 14001 certified.
Business Environmental Performance Initiative BEPI	In late 2014, Kesko joined the Foreign Trade Association's (FTA) Business Environmental Performance Initiative (BEPI). BEPI is aimed at helping member companies in the management of global supply chains and, consequently, increasing the transparency and risk management of their product supply chains. BEPI provides a practical framework and guidelines for suppliers to improve their environmental activities.

Responsibilities and resources	<ul style="list-style-type: none"> • Group Corporate Responsibility Advisory Board • Environmental Steering Group • Store Sites and Real Estate Unit • Keslog Ltd
Management approach assessment	The management approach is assessed continuously as part of the operations. Changes in the operating environment and in Kesko are responded to by adjusting objectives, operating principles, monitoring systems and resources. Audits and reviews of the environmental systems.

Environmental systems at Kesko

Function	Environmental management system	Comment
Keslog's warehousing, terminal and transportation operations	ISO 14001	Certificate revised in 2013.
Anttila Oy's logistics centre	ISO 14001	Certificate revised in 2014.
Real estate service and maintenance operations	ISO 14001, ISO 9001	ISO 14001, ISO 9001: Caverion, L&T ISO 9001: Ovenia
VV-Auto Group Oy	ISO 14001 and AKL's environmental programme	ISO 14001 certificate: Audi Center Espoo. Action programme of The Finnish Central Organisation for Motor Trades and Repairs (AKL): VV-Autotalot Oy
K-food stores: 845 K-responsibility stores	K-responsibility concept	Chain requirement for K-citymarket, K-supermarket, K-market and K-extra stores
K-rauta stores: 40 K-responsibility stores	K-responsibility concept	Total number of stores: 42
Rautia stores: 88 K-responsibility or K-environmental stores (including combination stores)	K-responsibility concept and K-environmental store concept	Total number of stores: 96
K-maatalous stores: 24 K-environmental stores	K-environmental store concept	Total number of stores: 35

Responsibility work focuses on materiality

Go to: Identified material aspects of corporate responsibility

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

Corporate responsibility vision

Kesko's vision for corporate responsibility is: in all areas of responsibility, we are one of the trading sector's pioneers on a global scale. The corporate responsibility vision is also described by key stakeholder groups.

Responsibility programme

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

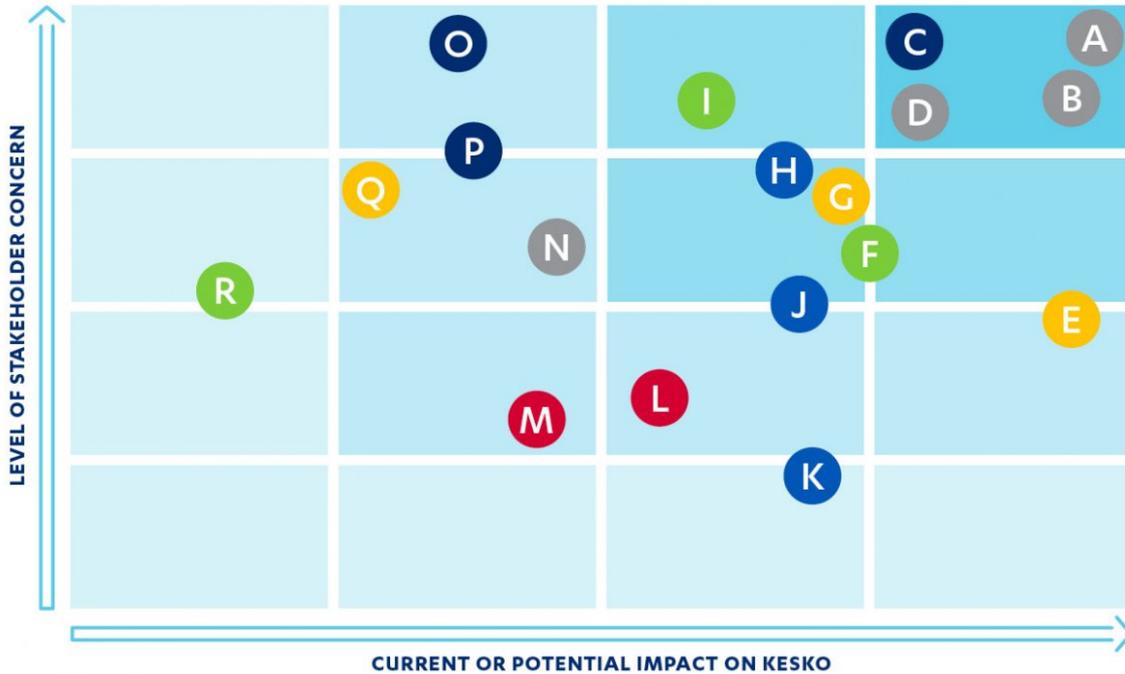
Materiality assessment

The purpose of the materiality assessment of Kesko's responsibility is to identify the key responsibility aspects for Kesko and its stakeholders. The materiality assessment guides Kesko's corporate responsibility and stakeholder work and defines activities for meeting stakeholder expectations.

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

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

Materiality assessment



Responsible operator

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

For the benefit of the community

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

Working community

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

Responsible purchasing and sales

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

Mitigation of climate change

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

Wellbeing for customers

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

Identified material aspects of corporate responsibility

The Group's boundaries

The Group's boundaries include the parent company, Kesko Corporation, its subsidiaries and the subsidiaries owned by them and listed in a note to the financial statements. The subsidiaries are listed in a note to the Kesko Group's financial statements.

The reporting covers all of Kesko's operations:

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

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

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

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

Defining report content

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

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

Material aspects and boundary

GRI aspect (G4-19)	Aspect boundary (G4-20-21)
ECONOMIC IMPACTS	
Economic performance	Kesko Group
Indirect economic impacts	Kesko Group and K-stores
Procurement practices	Kesko Group and K-stores
ENVIRONMENTAL IMPACTS	
Energy	Kesko Group and K-stores
Water	Kesko Group and K-stores
Biodiversity	Kesko Group and suppliers
Emissions	Kesko Group (Scopes 1 and 2), K-stores (Scope 2) and supply chain (Scope 3)
Effluents and waste	Kesko Group
Products and services	Suppliers
Environmental assessment of suppliers	Suppliers. This aspect has been identified as material and reporting is under development.
SOCIAL IMPACTS	
Personnel and working conditions	
Employment	Kesko Group
Labour/management relations	Kesko Group
Occupational health and safety	Kesko Group
Training	Kesko Group
Diversity and equal opportunity	Kesko Group
Equal remuneration	Kesko Group
Supplier assessment for labour practices	Suppliers in high-risk countries
Labour practices grievance mechanisms	Kesko Group, suppliers in high-risk countries. This aspect has been identified as material and reporting is under development.
Human rights	
Non-discrimination	Kesko Group
Freedom of association and rights of collective bargaining	Kesko Group
Human rights assessments	Kesko Group
Human rights assessments of suppliers	Suppliers in high-risk countries
Grievance mechanisms for issues in human rights	Kesko Group, suppliers in high-risk countries. This aspect has been identified as material and reporting is under development.
Society	
Anti-corruption	Kesko Group
Public policy	Kesko Group
Anti-competitive behaviour	Kesko Group
Compliance	Kesko Group
Grievance mechanisms for impacts on society	Kesko Group. This aspect has been identified as material and reporting is under development.
Product responsibility	
Customer health and safety	Kesko Group – Own brand products and own imports
Product and service labelling	Kesko Group – Own brand products and own imports
Marketing communications	Kesko Group
Customer privacy	Kesko Group, K-Plus Oy
Compliance	Kesko Group

Contact information

Contacts

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

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

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Ismo Riitala	Managing Director	K-Plus Oy
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GRI index

GRI G4 content index

Code	GRI content	Location	Omissions	Further information	Assurance	Global Compact
General Standard Disclosures						
Strategy and Analysis						
G4-1	Statement from the President and CEO	Review by the President and CEO				
G4-2	Key impacts, risks and opportunities	Trends in trading sector operating environment, Description of value creation, We listen to our stakeholders, Responsibility programme				
Organisational Profile						
G4-3	Name of the organisation	Kesko in brief				
G4-4	Primary brands, products and services	Kesko in brief, Divisions in brief				
G4-5	Location of the organisation's headquarters	Kesko in brief				
G4-6	The number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Kesko in brief				
G4-7	Nature of ownership and legal form	Kesko in brief, Impact on society				
G4-8	Markets served	Kesko in brief				
G4-9	Scale of organisation	Kesko in brief				
G4-10	Total number of employees by employment contract, region and gender	Social impacts - Employees	No distribution by gender. Information not available. The aim is to report the information 2016–2018.	There are no independent entrepreneurs among Kesko employees, nor does suppliers' or hired labour perform a significant part of the work. There are no significant seasonal fluctuations in the number of employees.	Yes	x
G4-11	Percentage of total employees covered by collective bargaining agreements	Social impacts - Human rights			Yes	x
G4-12	Organisation's supply chain	Trends in trading sector operating environment, Procurement practices				

G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	No significant changes during the reporting period.				
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	Trends in trading sector operating environment - Opportunities and risks related to the operating environment				
G4-15	Externally developed charters, principles or initiatives to which the organisation subscribes or which it endorses	Responsibility management in day-to-day activities, Responsibility monitoring and steering				
G4-16	Memberships of associations and advocacy organisations	Activities in organisations				
Identified Material Aspects and Boundaries						
G4-17	Entities included in the organisation's consolidated financial statements	Identified material aspects of corporate responsibility				
G4-18	Process of defining the report content	Identified material aspects of corporate responsibility				
G4-19	Material aspects	Identified material aspects of corporate responsibility, Responsibility monitoring and steering				
G4-20	Aspect boundary for each material aspect within the organisation	Identified material aspects of corporate responsibility				
G4-21	Aspect boundary for each material aspect outside the organisation	Identified material aspects of corporate responsibility				
G4-22	Restatements of information provided in previous reports	Changes reported in connection with relevant performance indicators.				
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	No significant changes.				
Stakeholder Engagement						
G4-24	List of stakeholder groups engaged in the organisation	We listen to our stakeholders				
G4-25	Basis for identification and selection of stakeholders with whom to engage	We listen to our stakeholders				
G4-26	Organisation's approach to stakeholder engagement	We listen to our stakeholders				

G4-27	Key topics and concerns that have been raised through stakeholder engagement	We listen to our stakeholders, Stakeholder addresses, Product responsibility - Marketing communications				
Report Profile						
G4-28	Reporting period	GRI Report Profile				
G4-29	Date of the most recent previous report	GRI Report Profile				
G4-30	Reporting cycle	GRI Report Profile				
G4-31	Contact point for questions regarding the report of its contents	Contact information				
G4-32	GRI content index	GRI G4 Content Index, GRI Report Profile			Yes	
G4-33	Organisation's policy with regard to external assurance	GRI Report profile, Independent Assurance Report				
Governance						
Governance Structure and Composition						
G4-34	Governance structure of the organisation and committees	Corporate Governance Statement 2014				
G4-35	Delegating authority	Responsibility management in day-to-day activities				
G4-36	Positions with responsibility	Senior Vice President, CFO and Senior Vice President, Corporate Responsibility, Communications and Stakeholder Relations				
G4-37	Consultation with stakeholders	We listen to our stakeholders, Corporate Governance Statement 2014				
G4-38	Composition of the Board of Directors	Board of Directors, Corporate Governance Statement 2014				
G4-39	Position of the Chair of the Board	Corporate Governance Statement 2014				
G4-40	Selection of the Board	Corporate Governance Statement 2014, Responsibility management in day-to-day activities				

G4-41	Processes to ensure conflicts of interest are avoided	Corporate Governance Statement 2014		Kesko complies with the Finnish Corporate Governance Code for Listed Companies.		
Board's Role in Setting the Organisation's Purpose, Values and Strategy						
G4-42	Board's role in setting the organisation's purpose, values and strategy	Corporate Governance Statement 2014, Responsibility management in day-to-day activities				
Board's Competencies and Performance Evaluation						
G4-44	Board's performance evaluation	Corporate Governance Statement 2014	Only the Board's self-assessment has been reported.			
Board's Role in Risk Management						
G4-45	Board's role in the identification and management of risks	Corporate Governance Statement 2014				
G4-46	Reviewing the effectiveness of risk management	Corporate Governance Statement 2014				
G4-47	Frequency of risk reviews	Corporate Governance Statement 2014				
Board's Role in Sustainability Reporting						
G4-48	Formal approval of the organisation's sustainability report	Responsibility management in day-to-day activities				
Board's Role in Evaluating Economic, Environmental and Social Performance						
G4-49	Communicating critical concerns	We listen to our shareholders, Corporate Governance Statement 2014				
Remuneration and Incentives						
G4-51	Remuneration policies for the Board and senior executives	Corporate Governance Statement 2014, Remuneration Statement 2014				
Ethics and Integrity						
G4-56	Organisation's values, principles and codes	Responsibility management in day-to-day activities, Responsibility monitoring and steering - Responsible operator				x
G4-58	Reporting concerns about unethical or unlawful behaviour	Responsibility monitoring and steering - Responsible operator				x

Specific Standard Disclosures

Specific Standard Disclosures are reported regarding aspects identified as material.						
Disclosure on Management Approach						
	Disclosure of management approach (DMA)	Responsibility monitoring and steering, Responsibility programme, Responsibility management in day-to-day activities				
Economic Impacts						
Economic Performance						
G4-EC1	Direct economic value generated and distributed	Economic impacts – Economic performance			Yes	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Economic impacts – Economic performance	Monetary evaluations or realisations have not been reported.			x
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Economic impacts – Economic performance			Yes	
G4-EC4	Financial assistance received from government	Economic impacts – Economic performance, Analysis of shareholding			Yes	
Indirect Economic Impacts						
G4-EC7	Development and impact of infrastructure investments and services supported	Economic impacts – Indirect economic impacts				
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Economic impacts – Indirect economic impacts			Yes	
Procurement Practices						
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Economic impacts – Procurement practices			Yes	
Environmental Impacts						
Energy						
G4-EN3	Energy consumption within the organisation	Environmental impacts – Energy			Yes	x
G4-EN4	Energy consumption outside the organisation	Environmental impacts – Energy	Only a limited amount of data is collected on energy consumption outside the organisation for EN17 / Scope 3 review.			x
G4-EN5	Energy intensity	Environmental impacts – Energy			Yes	x
G4-EN6	Reduction of energy consumption	Environmental impacts – Energy			Yes	x

G4-EN7	Reductions in energy requirements of products and services	Environmental impacts – Energy	No numerical data on energy requirements of products and services have been reported. As for vehicles sold, average CO ₂ emissions are reported.			x
Water						
G4-EN8	Total water withdrawal by source	Environmental impacts – Water			Yes	x
G4-EN9	Water sources significantly affected by withdrawal of water	Environmental impacts – Water				x
G4-EN10	Percentage and total volume of water recycled and reused	Environmental impacts – Water				x
Biodiversity						
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Environmental impacts – Biodiversity				x
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Environmental impacts – Biodiversity				x
G4-EN13	Habitats protected or restored	Environmental impacts – Biodiversity			Yes	x
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Environmental impacts – Biodiversity				x
Emissions						
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Environmental impacts – Emissions			Yes	x
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Environmental impacts – Emissions			Yes	x
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environmental impacts – Emissions			Yes	x
G4-EN18	Greenhouse gas (GHG) emissions intensity	Environmental impacts – Emissions			Yes	x
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Environmental impacts – Emissions	Review has not been made in CO ₂ e tonnes.		Yes	x
G4-EN20	Emissions of ozone-depleting substances (ODS)	Environmental impacts – Emissions	Review has not been made in CFC-11e tonnes.		Yes	x
G4-EN21	NO _x , SO _x and other significant air emissions	Environmental impacts – Emissions			Yes	x
Effluents and Waste						
G4-EN22	Total water discharge by quality and destination	Environmental impacts – Effluents and waste		Effluents from Kesko's operations go to municipal water systems. There is no water discharge referred to by GRI from Kesko's operations.		x

G4-EN23	Total weight of waste by type and disposal method	Environmental impacts – Effluents and waste			Yes	x
G4-EN24	Total number and volume of significant spills	Environmental impacts – Effluents and waste			Yes	x
Products and Services						
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Product's path, Responsibility programme		GRI indicator is not suitable for Kesko's operations. Information material to Kesko is presented in the business review and the responsibility programme.		
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Product's path, Environmental impacts - Effluents and waste		GRI indicator is not suitable for Kesko's operations. Information material to Kesko is presented in the business review and in EN23.		
Supplier Environmental Assessment						
G4-EN32	Percentage of new suppliers that were screened using environmental criteria		Information not available. The aim is to report the information 2016–2018.			x
Social Impacts						
Labour Practices and Decent Work						
Employment						
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Social impacts – Employees	New employees hired have not been reported by age group. Turnover rate has not been reported by age group and gender. Information not available. The aim is to report the information 2016–2018.		Yes	x
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location of operation	Social impacts – Employees	Benefits exceeding the statutory level have not been reported in detail. Varying practices in different operating countries.			
Labour/Management Relations						
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Social impacts – Employees	Arrangements compliant to legislation. The law does not define minimum notice periods at the precision required by GRI.			x

Occupational Health and Safety						
G4-LA5	Percentage of total workforce represented in formal management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Social impacts – Employees	Percentage of employees has not been reported. Information not available. The aim is to report the information in 2016.			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Social impacts – Employees	Reporting does not cover suppliers. Not reported by gender. Information not available. The aim is to report the information 2016–2018.		Yes	
Training and Education						
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Social impacts – Employees	Not reported by gender and employee category. Information not available.		Yes	x
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Social impacts – Employees			Yes	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Social impacts – Employees	Not reported by gender and employee category. Information not available.		Yes	x
Diversity and Equal Opportunity						
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Social impacts – Employees	Not reported by age group or minority group. Information not available/material. The aim is to report age group information 2016–2018.		Yes	x
Equal Remuneration for Women and Men						
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Social impacts – Employees	The ratio of basic salary of men and women has not been reported. Information not available. The aim is to report the information 2016–2018.			x
Supplier Assessment for Labour Practices						
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Social impacts – Human rights	The percentage of suppliers screened has not been separately reported out of new suppliers but out of all suppliers in high-risk countries.		Yes	
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	Social impacts – Human rights			Yes	
Labour Practices Grievance Mechanisms						
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms		The aspect identified as material. Information not available. The aim is to report the information 2018–2020.			

	Human Rights					
	Non-discrimination					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Social impacts – Human rights			Yes	x
	Freedom of Association and Collective Bargaining					
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at a significant risk, and measures taken to support these rights	Social impacts – Human rights, Responsibility monitoring and steering, Product's path		Kesko has not identified operations, in which the right to exercise freedom of association and collective bargaining had been violated or at a significant risk.	Yes	x
	Human Rights Assessment					
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Social impacts – Human rights	Not reported by country. Information not available. The aim is to report the information in 2016.			x
	Supplier Human Rights Assessment					
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	Social impacts – Human rights	The percentage of suppliers screened has not been separately reported out of new suppliers but out of all suppliers in high-risk countries.		Yes	x
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Social impacts – Human rights			Yes	x
	Human Rights Grievance Mechanisms					
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		The aspect identified as material. Reporting is being developed according to the schedule the BSCI grievance mechanism is developed.			x
	Society					
	Anti-corruption					
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Social impacts – Society	The number and percentage of assessments have not been reported. Risks related to corruption have not been specified in detail.	Risks related to corruption are discussed as part of Kesko's risk management. Key risks are identified and assessed regularly throughout the year.		x
G4-SO4	Communication and training on anti-corruption policies and procedures	Social impacts – Society	Percentages have not been reported. Information not available.			x
G4-SO5	Confirmed incidents of corruption and actions taken	Social impacts – Society			Yes	x
	Public Policy					
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Social impacts – Society	Not reported by country and recipient/beneficiary.		Yes	x

	Anti-competitive Behaviour					
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Social impacts – Society			Yes	
	Compliance					
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Social impacts – Society			Yes	
	Grievance Mechanisms for Impacts on Society					
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms		The aspect identified as material. We monitor the development of the reporting practice.			
	Product Responsibility					
	Customer Health and Safety					
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Social impacts – Product responsibility	Percentages have not been reported. Information is not available.		Yes	
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Social impacts – Product responsibility			Yes	
	Product and Service Labelling					
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Social impacts – Product responsibility	Percentages have not been reported. Information is not available.		Yes	
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Social impacts – Product responsibility			Yes	
G4-PR5	Results of surveys measuring customer satisfaction	Social impacts – Product responsibility	Results of customer satisfaction surveys have not been reported. No Group-level results are available.		Yes	
	Marketing Communications					
G4-PR6	Sale of banned or disputed products	Social impacts – Product responsibility			Yes	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	Social impacts – Product responsibility			Yes	
	Customer Privacy					
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Social impacts – Product responsibility			Yes	
	Compliance					
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Social impacts – Product responsibility			Yes	

Economic impacts

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

INDICATORS

Economic performance

Indicators: EC1–EC4

INDICATORS

Indirect economic impacts

Indicators: EC7–EC8

INDICATORS

Procurement practices

Indicators: EC9

Economic performance

EC1 Direct economic value generated and distributed

Kesko assesses the economic benefits it generates with regard to different stakeholder groups and market areas. Stakeholder welfare in its market areas is important for Kesko and its international trading operations also promote increasing welfare outside its own markets, especially in developing countries.

The following tables show cash flows between Kesko and its stakeholders, as well as the distribution of economic value added between stakeholder groups. The consolidated income statement, the consolidated statement of financial position and the consolidated statement of cash flows are presented in full in the Financial statements.

According to its dividend policy, Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking into account, however, the company's financial position and operating strategy. Kesko's Board of Directors proposes to the Annual General Meeting that a total dividend of €149 million be paid for the year 2014, which represents 91.1% of earnings per share excluding non-recurring items. In 2014, Kesko distributed a total of €138 million as dividends for the 2013 profit, which represented 83.3% of earnings per share excluding non-recurring items.

As at 31 December 2014, foreign ownership of all shares was 27%. Foreign ownership of B shares was 39% as at 31 December 2014.

The price of the liquid B shares increased by 12.6% and that of the less liquid A shares by 6.6%, while the NASDAQ OMX Helsinki All Share Index increased by 5.7%. The B share trading volume fell by 7.8%, but the value increased by 14.0% on the Helsinki stock exchange. The A share trading volume increased by 75.3% and the value by 104.9% from the previous year.

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

Economic benefits from Kesko's operations to stakeholder groups

€ million		2014	2013	2012
Customers ¹	Revenues	9,800	10,050	10,433
Value added generated		9,800	10,050	10,433
Distribution of value added:				
Suppliers	Goods, materials and services purchased	-8,839	-9,037	-9,454
Employees	Salaries, fees and social security costs	-614	-611	-608
Payments to providers of capital	Net finance income/costs	-6	-6	-2
Owners	Dividend	-149 ²	-138	-118
Public sector	Taxes ³	-37	-58	-75
Community investments	Donations	-1	-1	-1
Development of business activities		154	198	176

¹ Incl. net sales and other operating income

² Proposal to the General Meeting

³ Incl. income tax and changes in deferred taxes

Basic information on Kesko shares and shareholders as at 31 December

	2014	2013	2012
Number of shares (1,000 pcs)	100,020	99,833	98,712
Share capital (€ million)	197	197	197
A shares as percentage of all shares (%)	32	32	32
B shares as percentage of all shares (%)	68	68	68
A shares as percentage of all votes (%)	82	82	83
B shares as percentage of all votes (%)	18	18	17
Market capitalisation of A shares (€ million)	906	851	774
Market capitalisation of B shares (€ million)	2,031	1,810	1,644
Number of shareholders	39,869	42,809	44,554
Earnings per share, diluted (€)	0.97	1.75	1.26
Dividend per share (€)	1.50 ¹	1.40	1.20

¹ Proposal to the General Meeting

Economic benefits from Kesko's operations by market area in 2014

	Purchases	Capital expenditure	Salaries and share-based payments	Pension and social security expenses	Taxes ¹	Total
€ million						
Finland	5,203	115	360	80	732	6,491
Other Nordic countries	639	6	44	14	33	737
Baltic countries	253	6	54	4	26	344
Russia and Belarus	342	66	45	13	20	485
Other countries	1,185					1,185
Total	7,623	194	503	111	810	9,242

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

10 largest shareholders by number of shares held (A and B series) as at 31 December 2014

	Percentage of shares, %	Percentage of votes, %
K-Retailers' Association	3.74	9.70
Vähittäiskaupan Takaus Oy	3.49	7.04
Kruunuvuoren Satama Oy	3.44	8.92
Ilmarinen Mutual Pension Insurance Company	1.88	1.19
Valluga-sijoitus Oy	1.34	3.48
Elo Mutual Pension Insurance Company	1.19	0.31
Varma Mutual Pension Insurance Company	1.13	0.29
Foundation for Vocational Training in the Retail Trade	1.06	2.39
Oy The English Tearoom Ab	1.00	0.26
Kesko Corporation	1.00	0.26

Store network

The K-Group's store network is diverse: more online stores are being opened to complement the network of around 2,000 physical stores. The K-Group has a comprehensive network of over 900 K-food stores. The grocery trade services cover nearly all municipalities in Finland and K-food stores are visited by around 900,000 customers every day. Kesko also has a large number of B2B customers. Outside Finland, Kesko engages in the food trade, the building and home improvement trade, the machinery trade and the sports trade. At the end of 2014, Kesko had 1,030 independent K-retailer entrepreneurs and, in addition, 147 other retailer entrepreneurs as partners. Kesko's sales to retailer entrepreneurs accounted for 51% of total sales in 2014.

Kesko and K-retailers form the K-Group, whose retail sales totalled €11.3 billion (VAT 0%) in 2014. The K-Group employs approximately 45,000 people.

Employee benefit expenses

€ million	2014	2013	2012
Salaries and fees	497	495	503
Social security expenses			
pension costs	64	64	52
social security costs	47	49	49
Share-based payments	6	3	3
Total	614	611	608

In 2014, foreign operations accounted for €143 million of total salaries.

In 2014, foreign operations accounted for €31 million of total pension costs and other social security expenses.

Kesko's community investments

€1,000	2014	2013	2012
Non-governmental, environmental and other organisations	474	207	109
Science, research and education	65	32	86
Culture	36	59	51
Sports (adults)	556	575	470
Health care	11	2	0
Youth sports and other youth work	244	281	125
Veteran organisations and national defense	4	6	15
Political parties and organisations	5	5	4
Total	1,395	1,168	860

In addition, Veikkaus Oy contributed an estimated revenue of €55-60 million to the Ministry of Education and Culture, generated from sales of games by Veikkaus points of sale located at K-stores. The calculation is based on the average breakdown of each euro spent on games in 2014. The estimate has been calculated by Veikkaus Oy. The Ministry of Education and Culture distributes the total proceeds to Finnish arts, sports, science and youth work.

K-food stores in Finnish municipalities (as at 31 December 2014)

Number of K-food stores	Municipalities in 2014	% of all municipalities
10 or more	15	4.7
7-9	9	2.8
5-6	18	5.6
3-4	48	15.0
2	53	16.6
1	132	41.3
0	45	14.1
Municipalities, total	320	100.0

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

Key objectives of Kesko's responsibility work include mitigating the progress of climate change.

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

More detailed information about risk management and control practices at www.kesko.fi.

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

Physical impact

- Extreme weather phenomena, such as storms and heavy rains, have consequences for the built environment. Physical risks are related to both the physical store network and logistics. Unusual weather patterns can cause interruptions in operations or problems in the availability of products and changes in sales particularly in the home improvement and speciality goods trade.
- Climate change can affect the procurement sources and availability of products both within and outside Europe. Due to drought and desertification, water has become less available in many countries, reducing the productive potential of local economies. Agricultural production will suffer if

desertification and rising sea levels reduce the arable land area. Drought or floods may also destroy agricultural harvests.

- The availability of energy sources and emission limitations may affect energy prices.
- Accidents and epidemics resulting from natural phenomena can cause damage or business interruptions that cannot be prevented.

Regulation

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

Customers

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

Opportunities and risks related to climate change are also described in the report's Our operating environment / Opportunities and risks section.

EC3 Coverage of the organisation's defined benefit plan obligations

Kesko Group operates several pension plans in its various operating countries. In Finland, statutory pension provision for personnel is organised through pension insurance companies and voluntary supplementary pension provision is mainly organised through Kesko Pension Fund's department A. At the end of the year, the number of employees eligible to receive supplementary retirement benefits from department A was 486. The statutory pensions organised through pension insurance companies are defined contribution plans. The supplementary pension provision organised by Kesko Pension Fund is a defined benefit plan. As at 31 December 2014, the plan obligation was €289.3 million (€247.5 million in 2013), which is fully covered. In accordance with IFRS, the surplus amount was €147.2 million as at 31 December 2014 (€170.2 million in 2013). Calculated in compliance with IFRS (Pension Fund's insurance premium is based on a defined benefit plan), the Group's total premium represents 12.8% of the amount of salaries (12.9% in 2013). Read more in the Financial Statement, Note 17.

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

EC4 Financial assistance received from government

In 2014, the Group received financial assistance of €1.4 million from the Finnish government. No significant financial assistance has been received from other governments.

Indirect economic impacts

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

EC7 Development and impact of infrastructure investments and services supported

Especially outside growth centres, retail stores can offer community services which may otherwise be scarcely available. In 2014, the following were located in connection with K-food stores:

- 160 postal sales outlets and 137 parcel points
- 17 pharmacy service points
- 8 Matkahuolto outlets and 4 parcel points
- Cashback service at more than 700 stores

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

- Collection of impregnated wood
- Collection of clothing

Waste statistics are presented under EN23 Waste.

Kesko's community investments are presented in more detail under EC1 Direct economic value generated and distributed.

Kesko's community investments

	2014	2013	2012
€ 1,000	1,395	1,168	860

EC8 Significant indirect economic impacts, including the extent of impacts

Kesko is a service sector company which, in addition to its own direct impacts, has indirect impacts related to the production, use and recyclability of products, which play a significant part of the whole.

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

Kesko is a significant tax payer. In 2014, the income taxes paid by Kesko to Finland were €23.7 million and to other countries €12.9 million. The Group's effective tax rate was 25.2%. Kesko paid €4.9 million in real estate to Finland, and €5.6 million in real estate and net-worth taxes to its other operating countries in 2014.

Kesko also collects, reports and remits indirect taxes. Indirect taxes include, for example, value-added tax and excise taxes. Value-added tax is a consumption tax paid by the end consumers of goods and services – in other words, households. Kesko remits value-added taxes to tax recipients in its capacity as a company selling goods and services. In 2014, Kesko remitted value-added taxes to Finland in the amount of €358.3 million, and €32.9 million to other countries. As for excise tax, it is a consumption tax collected from the manufacturer, producer, importer or wholesaler of certain products and remitted to tax recipients. Excise tax is included in the product price, which makes it payable by the consumer. Kesko remits excise taxes on products such as confectionery, alcohol and soft drinks. In 2014, Kesko remitted excise taxes to Finland in a total amount of €59.8 million.

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

Taxes

€ million	2014	2013	2012
Income taxes, Finland	23.7	51.7	69.4
Income taxes, other countries	12.9	5.9	5.3
Real estate taxes, Finland	4.9	4.4	3.8
Real estate and net-worth taxes, other countries	5.6	5.8	4.2

Taxes remitted

€ million	2014	2013	2012
Value-added taxes, Finland	358.3	377.6	319.8
Value-added taxes, other countries	32.9	42.9	42.0
Withholding taxes, Finland	93.3	92.2	91.7
Withholding taxes, other countries	20.5	22.8	23.1
Car taxes, Finland	179.8	178.3	¹
Customs duties, Finland	12.2	13.0	¹
Customs duties, other countries	6.7	6.8	¹
Excise duties, Finland	59.8	71.0	¹

¹ Information not available

Economic benefit generated by Kesko and K-retailers to Finnish regions in 2014

Region	Kesko's purchases of goods	K-retailers' direct purchases of goods	Kesko's and K-retailers' capital expenditure ¹	Salaries paid by Kesko	Salaries paid by K-retailers	Taxes paid by K-retailers	Total
€ million							
Southern Karelia	5.6	14.9	7.7	5.3	12.0	1.1	46.6
Southern Ostrobothnia	255.1	35.3	0.7	5.1	12.3	0.8	309.4
Southern Savo	31.6	13.9	1.2	4.3	11.5	1.0	63.4
Kainuu	4.7	6.3	1.0	1.4	6.5	0.6	20.5
Kanta-Häme	93.9	24.5	0.9	4.4	10.8	0.5	135.1
Central Ostrobothnia	43.0	14.8	5.1	1.9	4.5	0.7	70.0
Central Finland	52.1	21.5	3.6	9.3	17.8	1.7	106.0
Kymenlaakso	44.1	16.9	1.3	6.2	11.7	1.0	81.2
Lapland	19.0	25.3	0.9	5.5	17.4	1.8	69.9
Pirkanmaa	318.0	28.7	4.9	25.0	32.4	2.6	411.7
Ostrobothnia	134.1	8.6	2.2	4.8	8.5	0.6	158.8
Northern Karelia	23.8	22.3	0.3	4.2	11.3	1.6	63.4
Northern Ostrobothnia	108.0	41.5	6.9	16.1	25.3	2.1	199.9
Northern Savo	162.8	30.3	3.4	11.2	19.6	1.4	228.6
Päijät-Häme	128.7	32.5	7.1	8.7	12.5	0.7	190.2
Satakunta	106.6	27.2	7.5	4.0	15.2	0.9	161.4
Uusimaa	2,967.4	147.3	81.4	261.5	114.4	10.1	3,582.1
Varsinais-Suomi	652.0	55.0	7.1	23.5	33.0	2.6	773.3
Åland	28.6	-	-	-	-	-	28.6
Total	5,179.2	566.7	143.5	402.3	376.8	31.8	6,700.3

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

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

Procurement practices

EC9 Proportion of spending on local suppliers

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

Most of the economic benefits generated by Kesko's operations – approximately 84% of Kesko's net sales – flow to suppliers of goods, from which purchases were valued at €7.6 billion in 2014.

In 2014, Kesko had around 21,800 suppliers and service providers from whom purchases were valued at over €1,000 during the year. Of these, around 10,200 operated in Finland, around 8,500 in Kesko's other operating countries, and around 3,100 elsewhere.

The 10 largest suppliers accounted for 23.5% (23.6% in 2013) of the Group's purchases of goods, and the 100 largest suppliers for 52.2% (52.0% in 2013). Six out of the 10 largest suppliers were Finnish food industry companies, one import company operating in Finland, one a grocery trade company and two German car manufacturers.

The purchases of all Kesko companies from suppliers of goods operating in Finland totalled €5,203 million, accounting for 68.3% (68.9% in 2013) of the Group's total purchases.

The purchases of goods by Kesko Group's Finnish companies totalled €6,330 million. Of these purchases, 81.8% were from suppliers operating in Finland and 18.2% from other countries. It should be noted that because some of the suppliers operating in Finland are import companies, reliable statistics cannot be compiled on the origin of goods supplied by them.

Kesko actively increases the amount of local purchases and encourages K-retailers to include products from near-by producers in their selections. In 2014, K-retailers' direct purchases from Finnish regions totalled €567 million.

Capital expenditure

In 2014, Kesko's capital expenditure totalled €194 million (€171 million in 2013), or 2.1% of net sales (1.8% in 2013). Capital expenditure in store sites was €143 million (€125 million in 2013). Capital expenditure in foreign operations accounted for 40.5% (41.3% in 2013) of the total capital expenditure.

In addition to Kesko, K-retailers annually make capital expenditures in the fixtures of stores used by the K-Group. When these figures are included, the total capital expenditure in Finland was around €143 million in 2014.

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

Kesko's purchases by operating country in 2014

	Suppliers of goods and services in operating country ¹	Purchases from suppliers of goods ²		Suppliers of goods and services in other countries ¹	Purchases from suppliers of goods ²	
	number	€ million	%	number	€ million	%
Finland	10,052	5,179	81.8	2,052	1,151	18.2
Sweden	858	111	84.8	100	20	15.2
Norway	940	377	97.5	31	10	2.5
Estonia	774	49	54.5	203	41	45.5
Latvia	694	28	37.9	238	47	62.1
Lithuania	826	79	32.5	1,191	165	67.5
Russia	2,156	263	95.9	57	11	4.1
Belarus	1,222	57	62.6	385	34	37.4
Total	17,522	6,144	80.6	4,257	1,479	19.4

¹ Suppliers of goods and services

² Suppliers of goods

Kesko's purchases by company's and supplier's country of domicile in 2014

Company's country of domicile	Supplier's country of domicile									Total
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus	Other countries	
€ million										
Finland	5,179	132	8	37	3	8	0	0	962	6,330
Sweden	4	111	3	0	0	0	0	0	12	131
Norway	0	6	377	0	0	0	0	0	3	386
Estonia	12	1	0	49	5	2	0	0	21	90
Latvia	3	0	0	7	28	2	0	0	34	75
Lithuania	4	1	0	8	20	79	3	2	128	245
Russia	0	0	0	1	0	0	263	0	10	275
Belarus	1	0	0	0	0	2	17	57	15	92
Total	5,203	251	389	104	57	92	283	59	1,185	7,623

Environmental impacts

At the end of 2014, the environmental systems covered:

- 63% of the net sales of Group companies in Finland
- 53% of the net sales of the whole Group

The coverage has been calculated in proportion to retail sales. Environmental systems are not yet used for operations in the other operating countries.

INDICATORS

Energy

Indicators: EN3–EN7

INDICATORS

Water

Indicators: EN8–EN10

INDICATORS

Biodiversity

Indicators: EN11–EN14

INDICATORS

Emissions

Indicators: EN15–EN21

INDICATORS

Effluents and waste

Indicators: EN22–EN24

The K-Group's environmental and energy policy is available on the Kesko website.

Energy

Energy consumption

Finland	2014	2013	2012
Electricity (MWh)	754,301	764,387	778,961
Heat (MWh)	292,453	304,141 ¹	347,643
Total electricity and heat (MWh)	1,046,754	1,068,528	1,126,604
Water (m ³)	935,472	920,414	893,803

Other operating countries

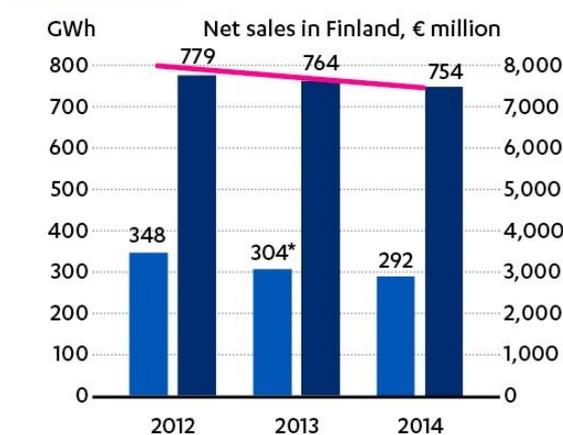
Electricity (MWh)	96,231	91,658	88,367
Heat (MWh)	46,723	39,685	38,308
Total electricity and heat (MWh)	142,954	131,343	126,675
Water (m ³)	176,784	154,733	127,658

All operating countries

Total electricity (MWh)	850,532	856,045	867,328
Total heat (MWh)	339,176	343,826	385,951
Total electricity and heat (MWh)	1,189,708	1,199,871	1,253,279
Total water (m ³)	1,112,256	1,075,147	1,021,461

¹ Figure adjusted for improved accuracy since the previous report

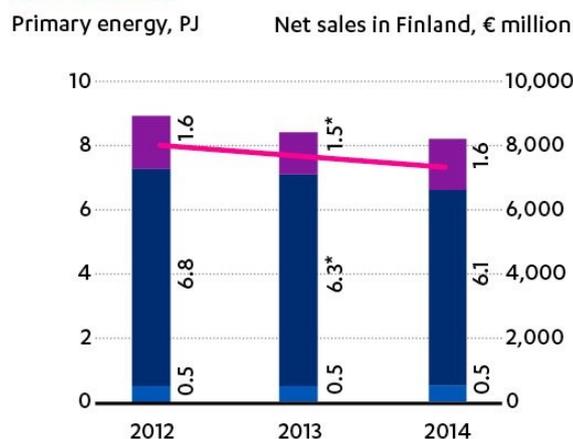
Total energy consumption in properties managed by Kesko in Finland



- Heat
- Electricity
- Net sales in Finland

* more specific figure was obtained after the previous report was published

Profile for energy consumed in properties managed by Kesko in Finland



- Renewable
- Nuclear power
- Non-renewable
- Net sales in Finland

* more specific figure was obtained after the previous report was published

EN3 Energy consumption within the organisation and EN5 Energy intensity

Consumption of electric and heating energy in Kesko's office and warehouse properties and the K-Group stores in 2014:

- In Finland: 3,768 TJ (1,047 GWh)
- In other operating countries: 515 TJ (143 GWh)

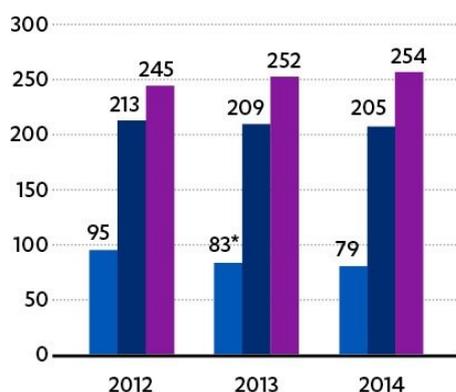
Consumption of fuel (diesel oil) in Kesko's (Keslog / Kesko Food and Anttila) own transport of goods or in transport under its direct control in 2014:

- In Finland: 527 TJ (146 GWh)
- No figures available for other operating countries

Kesko's total energy consumption within the organisation in 2014 was 4,810 TJ.

Energy consumption in real estate in Finland

Specific consumptions in Finland in 2012–2014



Heat, kWh/gross m²

Electricity, kWh/gross m²

Water, l/gross m²

* more specific figure was obtained after the previous report was published

Energy consumption in properties managed by Kesko in 2014:

- Total consumption of electricity: 754 GWh (764 GWh in 2013)
- Specific consumption of electricity: 205 kWh/gross m² (209 kWh/gross m² in 2013)
- Total consumption of heating energy: 292 GWh (304 GWh in 2013, figure adjusted for improved accuracy since the previous report)
- Specific consumption of heating energy: 79 kWh/gross m² (83 kWh/gross m² in 2013, figure adjusted for improved accuracy since the previous report)

The K-Group is a signatory of the trading sector energy efficiency agreement. Read more about our actions related to reducing electricity and heating energy in section EN6. It must be noted that according to the statistics of the Finnish Meteorological Institute, the average temperature of 2014 was higher than the previous year, although the average temperature of 2013 was also 1–2 °C higher than the long-term average.

Energy consumption is monitored in some properties using multi-energy monitoring and in some properties by monitoring the consumption of electricity. Multi-energy monitoring includes accounting for the consumption of electricity, heating energy and water. The total area of the properties covered by multi-energy monitoring is 2,647,129 m². This corresponds to 72% of all properties. The total area of properties that are monitored for electricity consumption only is 496,162 m², which corresponds to 13% of all properties.

Specific consumption rates for all property types were determined on the basis of monitoring data. The energy consumption of properties outside the scope of monitoring activities was then also calculated using these specific consumption rates. Electricity and heating energy consumption statistics by property type and changes in properties in Finland are available in the report by Energiakolmio.

Energy consumption in real estate in other operating countries

Energy consumption in real estate managed by Kesko in 2014:

- Total consumption of electricity: 96 GWh (92 GWh in 2013)
- Specific consumption of electricity: 94 kWh/gross m² (90 kWh/gross m² in 2013)
- Total consumption of heating energy: 47 GWh (40 GWh in 2013)
- Specific consumption of heating energy: 46 kWh/gross m² (39 kWh/gross m² in 2013)

The increases in the total and specific consumptions of electricity and heating energy since the previous year can be attributed to the four K-food stores that opened in Russia in 2013 and 2014. The cold chain and the need for heated premises in grocery stores and food warehouses require greater amounts of energy in comparison with other retail sectors. The specific consumptions in foreign operations are, however, smaller on average than in Finland, because food retailing still accounts for a small proportion of business operations.

Some of the heating energy was self-produced. Heat is mainly produced using non-renewable energy types: gas and oil. In Belarus, timber (516 MWh) and peat (105 MWh) were also used for heating. In 2014, self-produced heat totalled 29 GWh.

Self-produced electricity was no longer used at K-food Russia stores in 2014.

In 2014, the total area of subsidiaries' properties in other operating countries was 1,024,000 m².

Fuel consumption of transport of goods in Finland – Calculation

Fuel consumption was calculated using data on kilometres driven, volumetric efficiencies and the transportation fleet. In 2014, the total distance driven by Keslog was 33.4 million kilometres (32.2 million km in 2013).

The calculation was made in accordance with the Lipasto calculation system of VTT Technical Research Centre of Finland.

EN4 Energy consumption outside of the organisation

The consumption of energy purchased by retailers is included in the EN3 indicator.

Only a limited amount of data on energy consumption outside of the organisation is collected for Scope 3 reporting (EN17 Other indirect greenhouse gas emissions).

EN6 Reduction of energy consumption

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

During 2014, Kesko improved its energy consumption by 59 GWh with the implementation of varying energy-saving activities, which means that 90% of the savings commitment of the energy-efficiency agreement was achieved. Plans are underway for a continuation of the energy-efficiency agreement after 2016. Kesko has committed to negotiate a new agreement with the other trading sector companies that will begin in 2017.

The energy consumption at store sites consists of:

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

In food stores, the consumption of refrigeration systems can account for more than half of the total electricity

consumption at small store sites. K-food stores have installed a total length of over eight kilometres of lids and doors on freezer equipment. Lids on freezer chests save 40% of the electrical energy consumed by uncovered equipment. Installing doors on dairy and juice cabinets also helps grocery stores save electricity.

The remote monitoring of refrigeration systems in stores helped save approximately 4.1 GWh of energy in 2014. Remote monitoring enables refrigeration equipment to be adjusted for optimum temperatures and defrosting cycles. In addition, deviations can be responded to immediately. Condensation heat from refrigeration equipment is recovered at nearly all K-food stores, which means additional heat energy is needed only during very low sub-zero temperatures.

Increasingly many K-food stores also save energy by using carbon dioxide recovered from industrial processes as the refrigerant in their refrigeration equipment. Carbon dioxide is an environmentally friendly refrigerant. CO₂ refrigeration plants enable the efficient use of condensation energy together with low temperature heating systems. This combination achieves a considerably higher heat energy recovery efficiency compared to the traditional solutions using condensation heat from HFC-refrigeration units.

When Kesko builds new stores or shopping centres, the lifecycle energy and material efficiencies of the buildings are considered already during the planning phase. For example, the Veturi shopping centre, which opened in 2013, uses a geothermal heating and cooling system that generates around half of the centre's heating and cooling energy. This solution generates an annual energy saving of 1.9 GWh.

The Kodin1 department store for interior decoration and home goods in Raisio, which opened in 2013, is the first passive retail store building in the Nordic countries. Eco-efficient activities reduce the consumption of heating energy by about 60% and the consumption of electricity by about 50% compared with a traditional department store. Modern building automation saves energy by adjusting the lighting and air conditioning according to the movement of people and the time of day at Veturi and Raisio.

In February 2015, the building automation of 167 Kesko facilities was monitored by a remote energy management centre. The set points of properties and equipment running hours can be changed from the management centre as necessary, which also enables rapid responses to disturbances. Setting the correct running times and set points is the easiest and most effective way to improve energy efficiency. The average specific heat energy consumption of remote controlled properties was 11% lower compared to non-remote controlled properties. The specific electrical energy consumption of remote controlled properties was 2.8% lower than non-remote controlled properties.

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

LED technology is used in the illuminated signs of all new stores. The resulting savings compared to ordinary neon and fluorescent tube solutions are 60–70%. LED technology is also used to light outdoor areas at K-supermarket Jalasjärvi and the Veturi shopping centre, for example.

Information about energy savings in Kesko's logistics is in the section EN19 Reduction of greenhouse gas (GHG) emissions.

EN7 Reductions in energy requirements of products and services

Rautakesko's Energy Expert service concept is available at K-rauta and Rautia stores. The concept involves a range of solutions for higher energy efficiency in homes, which a sales assistant familiar with building services can use to find the best solution for the customer. The Energy Expert concept also includes an optional installation service provided by K-rauta and Rautia stores. In 2014, the expertise available at stores was reinforced with training courses, which were attended by employees from almost all of the K-rauta and Rautia stores.

In 2014, the CO₂ emissions of passenger cars registered for the first time in Finland were 128.40 g/km (130.0 g/km in 2013). Of the car brands imported by Kesko last year, the average CO₂ emissions of Volkswagen passenger cars, for example, were 118.00 g/km (123.63 g/km in 2013). The Volkswagen Group is committed

to reducing the average CO₂emissions of its entire range to 95 g/km in Europe by 2020.

In 2014, Volkswagen launched two battery electric vehicles with zero emissions on the Finnish market, the e-Golf and e-up! models. In addition, the cars brands imported by Kesko included three hybrid models: the Jetta and Golf GTE by Volkswagen and the Audi A3 Sportback e-tron.

Water

EN8 Total water withdrawal by source

Finland has abundant water resources. Due to the virtual water footprint associated with the import of processed goods, around half of the water footprint of Finnish consumption falls outside of Finland (source: www.waterfootprint.org), which means that Kesko's most significant impacts from water consumption are caused through the products on sale.

Properties managed by Kesko in Finland and in other operating countries use water from municipal water supplies. Exceptions are one well on a property of Konekesko Eesti and two wells used by UAB Senukai in Lithuania.

In the K-Group's own operations, water is mainly used for cleaning. Maintaining a high level of hygiene is particularly important in food stores. General requirements for hygiene concerning food stores are described in the Finnish Food Act and the decree on premises selling food.

In Russia, three K-food stores opened during 2013 and one in 2014, causing water consumption to rise 72% in 2014. The purchase and repair of used machinery at Konekesko Lithuania has grown in 2014 leading to a water use increase of 69% due to washing of used machinery before repair. Car wash facilities at Neste Oil K-markets in Finland are big individual consumers of water.

Water consumption at properties managed by the K-Group in 2014:

- In Finland: 935,472 m³ (920,414 m³ in 2013)
- In the other operating countries: 176,784 m³ (154,733 m³ in 2013)

Water consumption statistics by property type and changes in properties in Finland are available in the report by Energiakolmio.

EN9 Water sources significantly affected by withdrawal of water

All properties managed by Kesko use water from municipal water supplies. Exceptions are one well on a property of Konekesko Eesti and two wells used by UAB Senukai in Lithuania. Significant water withdrawal from water sources does not occur.

EN10 Percentage and total volume of water recycled and reused

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

Biodiversity

EN11 Operational sites owned and managed in areas of high biodiversity value, and EN12 Description of significant impacts of activities on biodiversity in protected areas and areas of high biodiversity value

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

Kesko does not cause any significant direct impacts on biodiversity. Kesko does not own property or operate in areas adjacent to protected areas or areas of high biodiversity value. Indirect impacts occur through products on sale. Read more about our Statements and Policies regarding products on the Kesko website.

Kesko participates in the Business & Biodiversity Finland programme organised jointly by the Corporate Responsibility Network FIBS and the Ministry of Environment of Finland. The programme, initiated in 2014, offers companies information and tools for managing their own environmental impacts, risks and opportunities. The goal of the programme is to increase awareness of the significance of biodiversity in business operations.

EN13 Habitats protected or restored

Kesko does not have any protected or restored habitats.

Surveys of contaminated land are made annually in connection with construction work and real estate transactions. In 2014, contaminated soil was found at two sites in Savonlinna and Espoo from which a total of 552 tonnes of contaminated soil was removed.

The restoration at Savonlinna was carried out by Ramboll Finland Oy with permission of the South Savo Centre for Economic Development, Transport and the Environment (ELY Centre). The residual content samples were verified at SGS Inspection Services laboratories for compliance with regulatory threshold levels.

At the Espoo site, VV-Auto Group Oy restored the contaminated land under technical supervision from Insinööritoimisto Pohjatekniikka Oy. The Espoo Environment Department acted as the supervising authority and the residual content samples were verified by Novalab Oy laboratories as compliant with regulatory threshold levels.

The contaminated soil was successfully removed from both sites and follow-up actions are not required at either site.

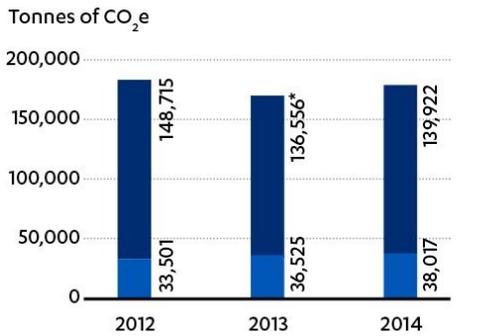
EN14 Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations

No endangered species are directly affected by Kesko's operations. Indirect impacts occur through products on sale. Read more about our Statements and Policies regarding products on the Kesko website.

Emissions

Kesko reports direct and indirect greenhouse gas emissions from its operations using the GHG Protocol.

Climate change impacts under GHG protocol, Scope 1 and Scope 2, Finland



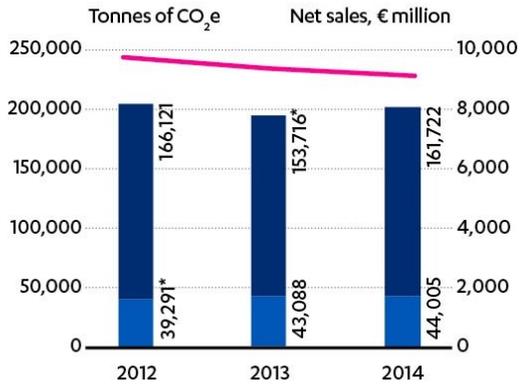
■ Scope 1, own energy production as well as own transportation and that controlled by Keslog

■ Scope 2, purchased energy

Own energy production in 2012 is partly included in Scope 2 figures.

* more specific figure was obtained after the previous report was published

Climate change impacts under GHG protocol, Scope 1 and Scope 2, all operating countries



■ Scope 1, own energy production as well as own transportation and that controlled by Keslog

■ Scope 2, purchased energy

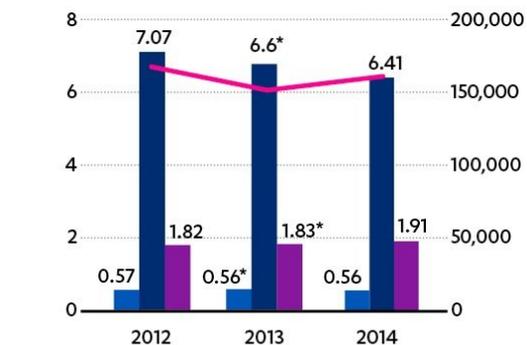
■ Net sales, all operating countries

Own energy production in Finland in 2012 is partly included in Scope 2 figures.

* more specific figure was obtained after the previous report was published

Profile and environmental impact of energy purchased and consumed by the K-Group, all operating countries

Primary energy, PJ Environmental impact, tonnes of CO₂e



- Renewable
- Nuclear power
- Non-renewable
- Climate change

* more specific figure was obtained after the previous report was published

EN15 Direct greenhouse gas (GHG) emissions (Scope 1)

Direct greenhouse gas emissions produced by Kesko's operations in 2014 include:

- Own transport of goods and transport directly controlled by Kesko in Finland (Keslog): 36,915 tonnes of CO₂e (35,582 tonnes of CO₂e in 2013)
- Heating in Finland (properties managed by Kesko; oil and natural gas): 1,102 tonnes of CO₂e (943 tonnes of CO₂e in 2013)
- Total own transport of goods and transport directly controlled by Kesko and heating in Finland: 38,017 tonnes CO₂e (36,525 tonnes CO₂e in 2013)
- Data on transport of goods in the other operating countries is not available
- Heating in the other operating countries (oil, gas, peat and timber¹): 5,988 tonnes of CO₂e (6,563 tonnes of CO₂e in 2013)

In Finland, the logistics for Kesko Food and Anttila is managed by Keslog. The emission values of Keslog's own transport of goods and transport under its direct control were calculated based on data including kilometres driven, volumetric efficiencies and the transportation fleet. The calculations were made using the Lipasto system developed by VTT Technical Research Centre of Finland.

The calculation principles and more detailed calculations for heating are available in the reports by Energiakolmio:

- Finland
- Other operating countries

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

EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2)

Indirect greenhouse gas emissions caused by energy consumption by properties managed by Kesko in 2014:

- Electricity purchased in Finland: 79,795 tonnes of CO₂e (73,836 tonnes of CO₂e in 2013; figure adjusted for improved accuracy since the previous report)
- District heat purchased in Finland: 60,127 tonnes of CO₂e (62,720 tonnes of CO₂e in 2013; figure adjusted for improved accuracy since the previous report)
- Total electricity and district heat purchased in Finland: 139,922 tonnes of CO₂e (136,556 tonnes of CO₂e in 2013; figure adjusted for improved accuracy since the previous report)
- Electricity purchased in the other operating countries: 17,362 tonnes of CO₂e (14,442 tonnes of CO₂e in 2013)
- District heat purchased in the other operating countries: 4,438 tonnes of CO₂e (2,718 tonnes of CO₂e in 2013)
- Total electricity and district heat purchased in the other operating countries: 21,800 tonnes of CO₂e (17,160 tonnes of CO₂e in 2013)

The electricity supplied by Kesko, 469 GWh (501 GWh in 2013), covers 62.2% of the total consumption of Kesko's properties in Finland. The electricity supplied by Kesko was largely carbon-free electricity from Helsingin Energia produced by nuclear power. However, a portion of the electricity was carbon-free electricity produced with biogas by KSS Energia. Consequently, the carbon dioxide emissions from the electricity purchased by Kesko were zero in 2014.

The calculation principles and more detailed calculations are available in the reports by Energiakolmio:

- Finland
- Other operating countries

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

Scope 3 categories

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

¹ Calculation includes distribution of goods in Finland and, to a limited extent, transportation of imports (car trade and building and home improvement trade)

² Only calculated for operations in Finland

³ Calculation includes travel (by air, sea, rail, and road) and hotel accommodations

No information on kilometres driven or any emission calculations are available for transport of imports. Goods were transported from other European countries by truck, semi-trailer and container. Containers were the only form of transport for imports from outside of Europe.

Transport of goods by subsidiaries in other countries is divided between a larger number of logistics companies than in Finland. Some manufacturers transport their products directly to stores. The transport statistics are incomplete and emissions have not been calculated for 2014. The development of collecting transport statistics for the other operating countries will continue in order to report emissions for 2015.

The greenhouse gases are reported in CO₂-equivalents; more information on the calculation principles can be found in the Scope 3 GHG Inventory Report.

EN18 Greenhouse gas (GHG) emissions intensity

Emissions intensity ratio (Scope 1 and 2) calculated based on net sales in 2014 (€9,071 million):

22.7 tonnes of CO₂e/€ million (21.1 tonnes of CO₂e/€ million in 2013; figure adjusted for improved accuracy since the previous report)

Emissions intensity ratio (Scope 1 and 2) calculated based on the average number of employees in 2014 (19,976 full-time employees):

10.3 tonnes of CO₂e/person (10.1 tonnes of CO₂e/person in 2013; figure adjusted for improved accuracy since the previous report)

The greenhouse gases are reported in CO₂-equivalents; more information on the calculation methods can be found in the reports by Energiakolmio, see EN15 or EN16 above.

EN19 Reduction of greenhouse gas (GHG) emissions

Keslog has worked ambitiously to reduce emissions from the K-store supply chain by centralising distribution. New replacements in the vehicle fleet have reduced unit-specific emissions. Key tools in improving logistics efficiency also include the optimisation of transport routes and a high volumetric efficiency. Efficient reverse logistics also play a significant part through the collection of purchase loads, carrier trays, pallets, roller cages and recycling components, such as cardboard, bottles or cans, on the return

route.

All of Keslog's contract drivers, who number more than 500, have been trained in economical driving courses. In February 2015, a total of nine two-tier trailers were in use for long distance transport between main warehouses. Starting in March 2015, Keslog will be piloting an extra-long two-tier trailer on its main Vantaa-Oulu logistics route. This Ecotruck improves logistics efficiency significantly compared to a traditional full-trailer combination vehicle because it can hold twice as many roller cages. The Ecotruck will be the first of its kind in food transport in Finland and has been granted a temporary special operating permit by the Finnish Transport Safety Agency (Trafi).

In 2014, the air miles of Kesko employees travelling on business totalled 8.1 million (7.8 million in 2013). Encouraging the use of virtual meetings is one way Kesko endeavours to decrease the amount of air travel. The number of virtual meetings held via employees' own computers (Microsoft Lync) has almost doubled since the previous year. In 2014, a total of 39,924 hours of Lync-meetings were held (21,901 hours in 2013). At the end of 2014, the Kesko Group had 28 Videra video conferencing facilities in use and the total duration of all video meetings between two or more facilities was 4,341 hours (5,483 hours in 2013).

At the end of 2014, Kesko had 644 company cars in use in Finland (642 in 2013).

- 17 ethanol-fuelled cars (14 in 2013)
- 268 petrol-fuelled cars (272 in 2013)
- 358 diesel-fuelled cars (355 in 2013)
- 1 natural gas car (1 in 2013)

Kesko's company car policy recommends an emission level below 160 g CO₂/km. In 2014, the average emission level was 132 g CO₂/km (137 g CO₂/km in 2013) and the emissions from company cars totalled 2,497 CO₂ tonnes (2,569 CO₂ tonnes in 2013). This calculation also includes private use of company cars.

EN20 Emissions of ozone-depleting substances (ODS)

The building services equipment in properties managed by Kesko contains approximately 16 tonnes of refrigerants. Refrigerants are added because of leaks in the equipment. Kesko monitors the use of refrigerants by compiling refill data from its maintenance partners. In 2014, around 747 kilograms of refrigerants were added.

HFC substances, such as R404, are the most frequently used refrigerant in K-food stores. New K-food stores use R744 technology, in which the carbon dioxide used as a refrigerant is 100% recovered from industrial processes. Refrigeration units also make use of the gas temperature in the carbon dioxide process – higher than that generated in the traditional refrigeration process – by building an efficient heat recovery system for heating service water and the incoming air of the air-conditioning system.

HCFC chlorofluorohydrocarbon refrigerants, such as R22, were used at around 20 stores at the end of 2014. Refrigeration equipment that uses HCFC is technologically outdated. The use of HCFC substances in the maintenance of equipment is banned after 2014. Therefore, HCFC substances will be replaced with other permitted refrigeration substances or new equipment will be installed whenever maintenance is necessary.

CFCs are no longer used in K-food store refrigeration equipment.

The leading refrigerants in Keslog's warehouses are NH₃ (ammonia) and R404a.

EN21 NO_x, SO_x, and other significant air emissions

In 2014, from electric and heat energy used in properties managed by Kesko:

- The acidifying emissions of nitrogen oxide emissions (NO_x) were 239 tonnes (236 tonnes in 2013)
- The acidifying emissions of sulphur dioxide (SO₂) were 202 tonnes (200 tonnes in 2013, figure adjusted for improved accuracy since the previous report)
- The ethylene emissions producing lower atmosphere ozone (C₂H₄e) were 9 tonnes (9 tonnes in 2013)
- The quantity of radioactive waste from electricity produced by using nuclear power was 1.4 tonnes (1.5 tonnes in 2013, figure adjusted for improved accuracy since the previous report).

The calculation principles and more detailed calculations are available in the report by Energiakolmio.

Only CO₂ emissions data is collected on transport of goods and business travel.

Effluents and waste

EN22 Total water discharge

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

EN23 Waste

Waste management statistics on operations in Finland

Tonnes	Kesko Food (logistics)			Kespro			Anttila (logistics centre)			Rautakesko			Car and machinery trade		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Waste for recovery	7,762	7,048	7,473	1,076	1,239	849	378	413	542	1,679	1,869	640	589	618	734
WEEE for recycling	7	9	1	0.5	-	2	30	51	71	-	-	-	3	0.3	5
Landfill waste ¹	156	152	291	188	239	328	4	4	4	4	166	102	13	37	41
Hazardous waste ²	8	2	4	-	0.2	1	0.1	0.7	-	4	0.8	-	31	35	149
Total	7,933	7,211	7,769	1,265	1,478	1,180	412	469	617	1,687	2,036	742	636	690	929
Recovery rate, % ³	98	98	96	85	84	72	99	99	99	99	92	86	98	95	96

¹ Waste not suitable for recovery

² Hazardous waste is disposed through hazardous waste treatment or recycling

³ Composted organic waste and hazardous waste are included in the recovery rate

Waste management statistics for Sweden and Norway

Tonnes	Sweden			Norway		
	2014	2013	2012	2014	2013	2012
Waste for recovery	2,206	2,464	1,998	1,019	1,057	1,199
Landfill waste	582	838	727	3	6	11
Hazardous waste ¹	29	169	164	55	37	45
Total	2,817	3,471	2,889	1,077	1,100	1,255
Recovery rate, % ²	79	76	75	99	99	99

¹ Hazardous waste is disposed through hazardous waste treatment or recycling

² Composted organic waste and hazardous waste are included in the recovery rate

Waste management statistics for the Baltics, Russia and Belarus

Tonnes	Estonia			Latvia			Lithuania			Russia			Belarus		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Waste for recovery	392	193	387	127	183	153	2,430	1,793	2,304	1,918	1,138	438	58	38	40
Landfill waste	239	350	176	418	419	464	1,115	1,111	938	6,619	3,520	2,109	1,683	467	290
Hazardous waste ¹	14	11	10	3	2	2	18	16	22	0.6	1	1	1	0.2	0
Total	645	554	573	548	603	619	3,563	2,920	3,264	8,538	4,659	2,548	1,742	505	330
Recovery rate, % ²	63	37	69	24	31	25	69	62	71	22	24	17	3	8	12

¹ Hazardous waste is disposed through hazardous waste treatment or recycling

² Composted organic waste and hazardous waste are included in the recovery rate

In 2014, the total weight of hazardous waste in all operating countries was 164 tons and non-hazardous waste 30,699 tons.

The recovery rate of waste management in Finland was 97% and in the other operating countries 44% in 2014. Almost all of VV Auto Group's waste is recycled or recovered, 99.83%. Read more in the Car and machinery trade section. The waste management statistics in Finland cover mostly warehousing operations, while in the other countries statistics cover mostly store operations.

In 2014, Kesko Food's centralised waste management agreement included around 110 K-stores. The recovery rate of the waste generated in stores was about 96% (90% in 2013) and the recycling rate was about 67%. The incineration of mixed waste for energy has increased the recovery rate considerably. In addition, cardboard and plastic bales from approximately 165 K-food stores were centrally directed by Kesko Food for industry reuse in 2014.

Recycling services available at K-food stores are helpful in the daily lives of customers and provide an efficient way to increase household recycling of items no longer used and consumer packaging waste.

In 2014, around 252 recycling points for consumer packaging (fibre, glass, metal) were located at K-food store sites. Eleven of these included collection of plastic for recycling. Several of them also accepted wastepaper and discarded clothing.

All K-food stores accepted deposit beverage containers. In 2014, customers returned:

- 320 million cans
- 96 million recyclable plastic bottles
- 27 million recyclable glass bottles

All K-food stores accepted portable batteries and small accumulators for recycling by customers.

The obligation to accept waste electrical and electronic equipment (WEEE) depends on a store's sales area, its product selection and on the size of the equipment. When buying a new product, customers can return large equipment (over 25 cm) to all stores that sell corresponding products. Small equipment (under 25 cm) can be returned to large grocery stores of over 1,000 m² and to speciality stores of over 200 m² without requiring the customer to buy a new product. The total amount of WEEE collected at stores in Finland was around 900 tonnes. K-stores' share of this was approximately 170 tonnes, which is 19%.

Packaging delivered by Kesko Food's reverse logistics (Keslog) for recovery and reuse

1,000 pcs	2014	2013	2012
Aluminium cans	93,107	85,009	95,252
PET bottles	54,296	52,511	53,453
Recyclable glass bottles ¹	9,667	12,508	6,606
Reusable crates	16,501	18,457	12,097

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

Impregnated timber and lead-acid accumulators recycled by the building and home improvement trade (K-rauta and Rautia), Finland

Tonnes	2014	2013	2012
Impregnated timber	1,003	1,080	891
Lead-acid accumulators	4.3	2.4	4.0

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

Tonnes	2014	2013	2012
Batteries and accumulators	193	174	152

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

Tonnes	2014	2013	2012
Recycling of clothes	2,507	2,280	1,736

EN24 Total number and volume of significant spills

In 2014, no significant oil, fuel, waste, chemical or other spills occurred. See also EN13.

Social impacts

The approach to social responsibility management, including the operating principles and monitoring and control systems, is described in the section entitled 'Responsibility management'.

INDICATORS

Employees

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

INDICATORS

Human rights

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

INDICATORS

Society

Indicators: SO3–SO8

INDICATORS

Product responsibility

Indicators: PR1–PR9

Employees

LA1 Employee turnover

In 2014, Kesko had an average of 19,976 (19,489 in 2013) full-time equivalent employees in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. Of the employees 48% worked in Finland and 52% in other countries. Around three quarters of all employees worked in retailing.

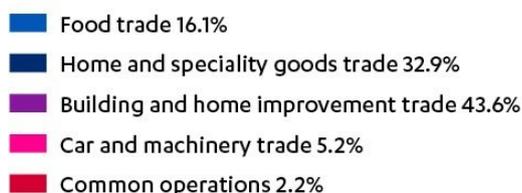
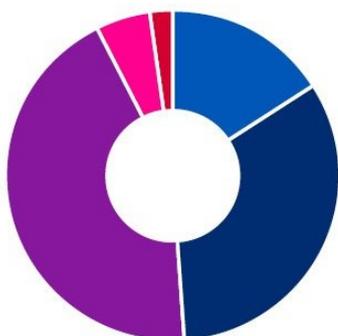
In 2014, Kesko Group recruited 3,711 (4,417 in 2013) new employees in Finland, while 3,820 (4,095 in 2013) left the Group in Finland.

In other countries, the Group recruited 6,478 employees (6,330 in 2013), while 6,163 employees (5,964 in 2013) left the Group. The most common reason for employment relationships being terminated in Finland was expiring fixed-term contracts, which explained about 55% (53% in 2013) of departures. In other countries, the most common reason – for 58% (61% in 2013) – of departures was the employee's resignation.

In Finland, 6.4% (245) of the terminated employment relationships and 20.5% (1,262) in other countries were terminated by the employer for financial or production-related reasons, or due to the employer's operational reorganisation, or for other reasons based on the Employment Contracts Act. The corresponding figures in 2013 were 6.8% (278) and 23.3% (1,389), respectively.

In 2014, Kesko Group companies had seven employment disputes ongoing in different courts in Finland. One ruling was given in favour of the employer and one in favour of the employee. Five employment disputes are pending. In Kesko's other operating countries, there were two employment disputes ongoing, one of which was settled and one is still pending.

Distribution of Kesko personnel by division at 31 Dec. 2014, %



Changes in the number of Kesko employees

	2014	2013	2012
Finland at 31 Dec.	12,180	12,776	13,278
Other operating countries at 31 Dec.	11,614	11,087	10,802
Total at 31 Dec.	23,794	23,863	24,080
Finland, average	9,580	9,805	10,231
Other operating countries, average	10,396	9,683	9,515
Total, average	19,976	19,489	19,747

Fixed-term and part-time employments at Kesko

	2014	2013	2012
Fixed-term employees of total personnel at 31 Dec., %			
Finland	13.9	12.9	14.7
Companies in other operating countries	7.2	7.0	8.0
Whole Group, total	10.7	10.2	11.0
Part-time employees of total personnel at 31 Dec., %			
Finland	43.6	45.4	45.4
Companies in other operating countries	7.1	8.0	8.4
Whole Group, total	25.8	28.1	28.7

Kesko's personnel statistics for 2014 analysed by operating country

	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus
Total number of personnel at 31 Dec.	12,180	767	331	575	494	3,898	3,338	2,211
Average number of personnel in 2014	9,580	814	310	535	479	3,455	2,854	1,950
Number of new employments ¹	3,711	226	72	182	176	2,226	1,956	1,640
- women ²	1,575	86	11	38	44	0 ³	897	350
- men ²	1,181	140	58	70	95	8 ³	1,053	592
Number of terminated employments ¹	3,820	347	232	172	162	2,073	1,785	1,392
Terminated by employer, %	6.4	17.9	31.9	8.1	27.2	15.1	17.0	32.3
Total turnover rate, % ²	23.5	45.2	69.2	17.0	25.3	51.3	53.3	31.4

¹ Including summer employees

² Excluding summer employees

³ Excluding Senukai, Lithuania

LA2 Benefits provided to employees

Kesko Group provides its employees in all its countries of operation with employee benefits. In Finland, benefits provided to both permanent as well as fixed-term and part-time employees include occupational health services, insurance against occupational injuries and diseases, parental leave and retirement benefits.

Group companies in Finland honour their employees on various special days. If, for instance, an employee's 50th or 60th birthday falls on a workday, it will be a paid day off. Kesko also supports leisure activities in Finnish companies through the Kesko Staff Club. The purpose of the Club is to create a good team spirit and promote sport, cultural and recreational activities. Some of the companies operating in Estonia and Latvia also give financial support to their employees through various life stages, such as when a child is born, during the child's first year at school, and in the event of the death of a close relative. Employees are also provided with a diverse range of shopping benefits that apply in K-Group stores and staff shops. A company phone and car are also provided if required for the job.

Bonus payments and share-based payment plan

In spring 2014, around €12.7 million (€10.5 million in 2013) was paid in Finland in bonuses under the 2013 performance bonus schemes, accounting for some 3.6% (3.0% in 2013) of the total payroll. The performance bonus schemes cover the entire personnel, with the exception of sales assistants and jobs covered by other types of bonus and commission systems. In 2014, the amount of different bonuses paid in operations in Finland was €13.4 million (€11.1 million in 2013) consisting of bonuses, sales commissions and other similar monetary remuneration.

The indicators in the performance bonus scheme include the total performance of Kesko Group and the division, the sales and performance of the employee's own unit and customer satisfaction. The job satisfaction of personnel also contributes to supervisors' bonuses.

In 2014, the companies outside Finland paid €6.2 million in bonuses and other remuneration, accounting for 4.3% of the payroll. The corresponding figure for 2013 was €2.9 million, accounting for 2.1% of the payroll.

Kesko Group's management and key people – comprising around 150 people – are covered by a performance-based bonus scheme. The maximum bonus amounts vary depending on the profit impact of the person's job and are equivalent to 3–8 months' salary.

Kesko has a share-based payment system for 2014–2016 covering around 145 Kesko management personnel and other named key personnel. The share-based payment system has three vesting periods: the calendar years 2014, 2015 and 2016. A commitment period of three calendar years follows each vesting period. During this period, shares must not be transferred. In February 2015, the Board decided to grant a total of 120,022 of the company's series B shares to 146 Kesko management personnel and other named key personnel based on the fulfilment of the vesting criteria for the 2014 vesting period in the share-based payment system.

Pensions

In Finland, new pensions were granted to 155 employees (162 in 2013) who retired from Kesko Group. In addition to old-age and disability pensions, this figure also includes employees retiring on part-time pension or partial pension and those receiving cash rehabilitation benefit. Rehabilitation allowance was granted for vocational retraining or trials for 40 (26 in 2013) employees with an obvious risk of incapacity for work in the next few years.

The number of disability pensions has remained low since the turn of the century. In this period, the Occupational Health Service has focused on actions targeted at maintaining employees' working capacity. In 2014, the average retirement age of employees was 59 (59 in 2013). In the other operating countries, a total of 14 (19 in 2013) employees retired.

Labour/management relations

LA4 Minimum notice periods regarding operational changes

In all of its operating countries, Kesko complies with local legislation. The key statutes governing restructuring are included in the Act on Co-operation within Undertakings, according to which the employer

has to communicate the decisions under consideration on the basis of the negotiations within a reasonable period of time. Minimum notice periods regarding operational changes have not been defined in the trading sector collective bargaining agreement.

Kesko Group has a company-specific shop steward system in place in all of its largest subsidiaries in Finland. Keslog Ltd has site-specific shop stewards, whereas Anttila Oy and K-citymarket Oy also have store-specific shop stewards.

In all of its operating countries, Kesko applies the notice periods specified in local labour legislation. In Finland, the notice period is between two weeks and six months, depending on the duration of the employment relationship.

Employees can ask questions, give feedback or development proposals on issues related to the operations of Kesko or its subsidiaries anonymously via the 'Direct Line' available on the Keskonet intranet. Answers are published for all to see on Keskonet. Employees can also send their wishes, comments and proposals directly to the President and CEO through the feedback channel available on Keskonet.

Occupational health and safety

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

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

K-instituutti provides occupational safety training for Kesko employees and K-retailers. Different Group companies also arranged training sessions tailored to their needs.

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

At Kesko Group, the counselling and guidance of employees, appraisal and prevention of work-related health risks and illnesses, including treatment of serious illnesses, in cooperation with the primary and specialised health care providers are part of the normal operations of the Occupational Health Service.

In Finland, approximately 10,500 (9,500 in 2013) Kesko Group employees were covered by Kesko's in-house Occupational Health Service. In Finland, occupational health services for employees outside the Greater Helsinki area are mainly procured from other service providers. Centralised procurement and target-oriented management enable uniform contents and operating practices in occupational health care. In other countries, occupational health care is arranged according to local practice and legislation.

A total of around €5.2 million (€5.0 million in 2013) was spent on occupational health care in Finland in 2014. The Social Insurance Institution of Finland compensated Kesko for around €2.5 million (€2.4 million in 2013) of this amount. In 2014, Kesko's Occupational Health Service spent €412 (€481 in 2013) per covered employee on maintaining employees' working capacity and providing medical care.

Kesko's contribution to occupational health care, Finland

	2014	2013	2012
€/person	412	481	479

The expertise of the Occupational Health Service is widely used by Kesko's retail companies to develop workplace ergonomics. In this context, ergonomics is a broad concept, including chemical and physical, motion-related and psychosocial factors.

Occupational health care interviews involving the employee, the supervisor and a representative of the Occupational Health Service are part of basic operations in occupational health care. These negotiations can be conducted when an employee's working capacity appears to have decreased, vocational rehabilitation is being planned, the absence rate is high, employees have work-related strain or there is a conflict in the working community. The objective is early intervention in situations threatening the individual's working capacity.

Injuries and occupational diseases in Finland

	2014	2013	2012
Fatal injuries	0	0	0
Occupational injuries, excl. commuting injuries	124	116	143
Commuting injuries	32	43	53
Injury rate/million working hours ¹	6	6	7
Average degree of injury severity, days	17.6	18.3	20.7
Suspected occupational diseases	11	4	2
Occupational diseases	0	9	0
Sick days due to injuries and occupational diseases	2,751	2,902	4,056
per employee	0.29	0.30	0.40

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

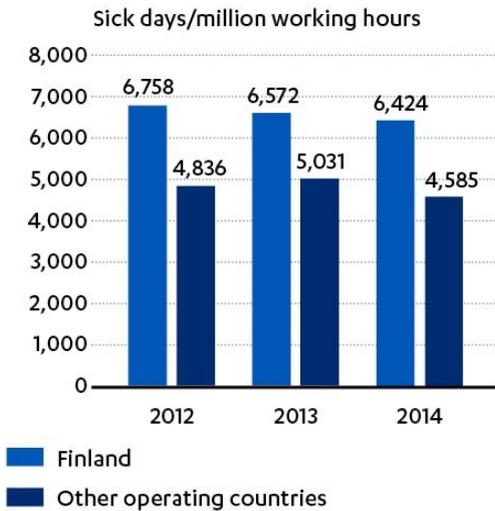
¹ Excl. small injuries and commuting injuries, calculated with actual working hours

Sickness absences by country in 2014

	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus
Total number of sick days	116,066	7,714	3,173	3,253	5,383	24,435	28,759	21,844
per employee	12.1	9.5	10.2	6.1	11.2	7.1	10.1	11.2
per million working hours	6,424	5,385	5,821	2,997	5,568	3,501	5,089	5,513

The calculation method: Sick days per employee have been calculated on the average number of employees during the year. 2014 data of Konsoma JLLC, Belarus not included.

Trend in number of sick days



Data for Konsoma JLLC, Belarus not included.

The statistics on injuries in Finland and the analysis of sickness days by country are presented in the above tables. In other countries, there were a total of 46 injuries resulting in sickness absence of more than three days in 2014. In Finland, the corresponding number was 124.

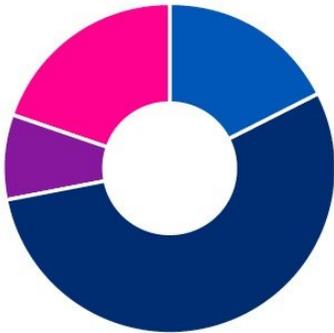
In 2014, the sickness absence rate in Finnish companies was 4.5% (4.6% in 2013) of hours worked. Around 78% (79% in 2013) of the sickness absences were short-term absences (paid sick days). In other countries, the sickness absence rate was 3.7% (4.0% in 2013). The figures do not include the data for Konsoma JLLC.

Training and personnel development

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

K-instituutti is in charge of planning, providing and sourcing training services for the K-Group in Finland. In 2014, a total of 37,118 (30,247 in 2013) K-Group employees, including the store staff employed by retailers and the employees who completed online courses, received training at K-instituutti.

**Distribution by education
at 31 Dec. 2014, %**



- Comprehensive school 17.7%
- Upper secondary vocational education 54.3%
- Lower university degree 8.4%
- Higher university degree 19.6%

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

Systematic, business-driven development of personnel and management is a critical factor for future success. Core competence development areas include sales and service competence, product line specific competence advantage projects, immediate leadership and management, as well as e-commerce and services. IT and language courses also play an important role in the continuous competence development process.

In 2014, approximately 1,100 Kesko employees participated in training courses organised by Kesko HR / Common Services and targeted for all of the employees. More than half of all participants attended courses in management and immediate supervisory work. The participants in the Personal Development Programmes for potential future management and the Leadership Development Programme consisted of international groups.

Since 2011, Kesko has been implementing a wellbeing at work programme aimed at enhancing employees' job satisfaction and working capacity and lowering the total costs of wellbeing at work.

The K-instituutti training provider is responsible for carrying out the Master Sales Assistant training, one of Finland's largest adult training programmes. Access to the Master Sales Assistant training programme via the training portal allows everyone to study according to their own schedule and choose the most interesting and useful online courses from among of all Kesko Group's e-learning material. The objective is to continuously develop the service attitude, sales skills and product knowledge of sales assistants in cooperation with suppliers. The Master Sales Assistant training programme was also offered in about 100 business colleges and polytechnics. In 2014, about 167,500 online courses in the Master Sales Assistant training programme were completed by employees of K-stores, while the corresponding figure for business college and polytechnic students was about 53,000.

Over the course of 2014, the common learning environment in online training, managed by K-instituutti, was expanded to other operating countries in cooperation with Rautakesko. In Latvia, Russia, Estonia and Sweden, there were a total of nearly 2,400 students, who have completed more than 14,000 online courses. The implementation in various operating countries will also continue with other divisions in 2015.

Regional and store-specific training courses provided by K-instituutti in Finland had about 2,100 students in 2014. The vocational and specialist vocational qualification training programmes organised by K-instituutti had 560 students (539 in 2013), of whom 185 (223 in 2013) completed the qualification.

In-house job rotation provides an extensive selection of career alternatives. In Finland, there were around 1,900 (1,500 in 2013) internal transfers to new jobs, while the corresponding total figure in other countries was around 2,500 (3,000 in 2013).

In Finland, recruitment in the K-Group is supported by the K-trainee and retailer training programmes. The fifth K-trainee programme was launched in June 2014 and the content was made increasingly flexible: in addition to newly graduated young people, applicants may also include those about to finish their studies and those with some work experience. Out of 340 applicants, 11 were selected for the K-trainee programme.

Future K-retailers are trained in the retailer training programmes. Coaching involves online studies and on-the-job training under a mentor retailer, as well as regional and national on-site training periods. Those completing the programme are qualified to start a career as independent K-retailers. Find out more about the K-trainee and retailer coaching programmes on the Kesko website.

Training days and costs in 2014

	2014	2013	2012
Training days			
Finland	9,083	9,021	9,498
Other countries ^{1 2}	14,285	16,848	7,819
Training days per employee			
Finland	0.9	0.9	0.9
Other countries ^{1 2}	1.4	1.7	0.8
Training costs, € million			
Finland	2.9	2.0	2.6
Other countries	0.8	0.9	1.2
Training costs per employee, €			
Finland	298	205	255
Other countries	80	94	121

Training days excluding eLearning.

¹ 2012: Excluding Byggmakker, Norway and Konsoma JLLC, Belarus

² 2013 and 2014: Excluding Konsoma JLLC, Belarus

LAT1 Performance and career development reviews

Performance and development reviews and performance assessment of key personnel are carried out in all Kesko Group companies and operating countries. In the performance and development reviews, the performance of the past period is evaluated and targets are set for the upcoming period, including a discussion on the development of the employee, supervisory work and the working community. Performance and development reviews apply to all employees. In 2014, 86% (85% in 2013) of the Group's employees in Finland and 76% (76% in 2013) of those in other countries participated in reviews. Of those who had had a review, 74% were satisfied with it.

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

Personnel survey

The personnel survey is one of the key tools in developing internal working practices and the quality of supervisory work.

The survey is conducted simultaneously in Kesko Group and some of the K-stores in Finland and other countries. It looks into employee engagement in the organisation, practices that enable good performance, employee wellbeing and satisfaction with the performance of their immediate supervisors and management.

In 2014, the response rate was higher than before: 81% (78% in 2013). Employees felt that cooperation with other employees was very good: 82% (80%). The assessment given for supervisory work improved to 73% (72%).

The greatest decline was in the employee engagement index, which dropped to 53% (55%).

Supervisors always discuss the results of the survey with their personnel. Based on the results, they agree on development activities, which are linked to the annual action and HR plan and are monitored. After the results for 2014 had been obtained, two Employee Engagement training courses were organised for a total of 100 representatives of Kesko’s management, focusing on how to make improvements in this area.

Personnel survey

	Finland		Sweden		Norway		Estonia		Latvia		Lithuania		Russia	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Employee commitment	50%	54%	42%	49%	51%	48%	63%	56%	59%	56%	75%	79%	63%	58%
Performance enablement	68%	69%	51%	54%	72%	70%	71%	68%	70%	69%	82%	83%	81%	75%
Supervisory work	70%	70%	61%	60%	66%	70%	73%	71%	78%	79%	75%	80%	85%	83%
Wellbeing at work	58%	60%	37%	45%	68%	69%	72%	69%	69%	68%	81%	83%	69%	65%

Diversity

LA12 composition and diversity of governance bodies and employee categories

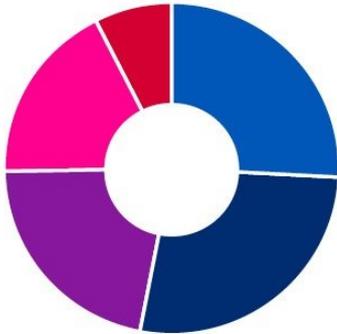
In 2014, the average age of personnel in Finland was 36.0 (35.2 in 2013). In other countries, the average age varies from 27 (25 in 2013) to 46 (44 in 2013).

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

In addition to gender equality, employees’ experiences of equality have been monitored as part of the personnel survey by following the equal treatment of people in different age groups or with different cultural backgrounds. The survey looks into the equal treatment of employees regardless of their age, race, working ability, religion or sexual orientation. In 2014, 74% of the respondents felt that all employees are treated equally.

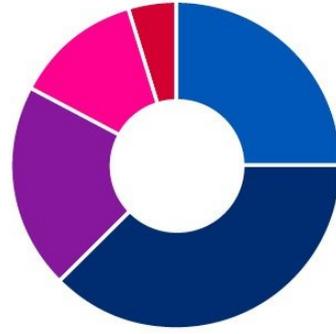
At year-end, 59% (59% in 2013) of Kesko Group employees in Finland were female and 41% (41% in 2013) were male. In foreign companies, the figures were 52% and 48% (50% and 50% in 2013) respectively.

Age distribution of Kesko personnel in Finland in 2014, %



- Under 26 years 25.9%
- 26–35 years 27.2%
- 36–45 years 21.6%
- 46–55 years 17.8%
- Over 55 years 7.5%

Age distribution of Kesko personnel in the other operating countries in 2014, %



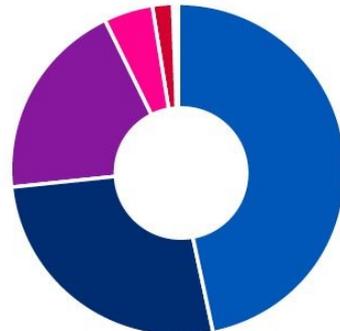
- Under 26 years 25.0%
- 26–35 years 37.5%
- 36–45 years 20.3%
- 46–55 years 12.6%
- Over 55 years 4.5%

Years of service in Finland in 2014, %



- Under 2 years 24.5%
- 2–5 years 25.6%
- 6–10 years 18.2%
- 11–15 years 10.8%
- 16–20 years 7.2%
- 21–25 years 5.5%
- Over 25 years 8.2%

Years of service in the other operating countries in 2014, %



- Under 2 years 46.9%
- 2–5 years 26.6%
- 6–10 years 19.3%
- 11–15 years 4.8%
- 16–20 years 2.1%
- 21–25 years 0.1%
- Over 25 years 0.2%

In 2014, two of the seven members of Kesko's Board of Directors and two of the eight members of the Group Management Board were women. In 2015, the Group Management Board has nine members, two of whom are women. In the retailing subsidiaries in Finland, women hold a significant percentage of the supervisory

positions. Of K-citymarket home and speciality goods' department managers, 83% (84% in 2013) are women and 75% (75% in 2013) of Anttila department stores' department managers are women. In Finland, 54% (53% in 2013) of all supervisory positions were held by women and 46% (47% in 2013) by men at the end of 2014.

In 2012, the K-Retailers' Association launched a project called 'Many kinds of performers' in cooperation with the Finnish Association on Intellectual and Developmental Disabilities (FAIDD). In 2013, a permanent operations model was created based on the project.

Since August 2013, Kesko has implemented the 'Youth Guarantee in the K-Group' programme, which aimed to employ at least 1,000 young people by the end of 2014. All expectations were exceeded and K-stores and Kesko Group had employed 1,800 young people by the end of 2014.

Equality of men and women

LA13 Ratio of basic salary of men to women

The average annual salary of Kesko employees was €36,930 in Finland, €39,418 in the other Nordic countries, and €10,649 in the Baltic countries, Russia and Belarus. As Kesko Group operates in many lines of business, the average salary is not a good indicator of salary level or structure.

The wage groups and tables specified in the collective trading sector labour agreement are applied to jobs covered by the agreement, such as sales assistants and warehouse workers. Salaries are affected by job-based responsibility bonuses, work experience and the cost-of-living category, which depends on locality. Besides the role and job requirements, the salary of a senior white-collar employee is determined by competence, work experience, performance and results. Because of the diversity of job descriptions, it is not possible to comprehensively compare the salaries between genders at the Group level.

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

Percentage of women by employee category, Finland

	2014	2013	2012
Top management	15.6	16.7	24.4
Middle management	18.6	19.8	17.1
Supervisors and specialists	48.2	47.7	46.6
Workers and white-collar employees	61.5	61.9	63.0
Total	58.8	59.3	59.9

Percentage of women by employee category, other countries

	2014	2013	2012
Top management	0.0	0.0	0.0
Middle management	46.8	48.6	46.0
Supervisors and specialists	54.7	52.6	47.0
Workers and white-collar employees	46.2	48.9	48.1
Total	51.5	50.2	47.7

2012 and 2013: Excluding Senukai, Lithuania and Bygghjæger, Norway

2014: Excluding Senukai, Lithuania

Human rights

Non-discrimination

HR3 Total number of incidents of discrimination and corrective actions taken

In 2014, there was one case in the Finnish courts of law in which a company belonging to Kesko Group was sued for compensation on grounds of alleged discrimination. The proceedings will continue in 2015.

Freedom of association

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

A total of 41.8% (41.4% in 2013) of Kesko Group employees in Finland were members of trade unions, mainly the Service Union United PAM. The statistics include the employees whose trade union membership fees are deducted at source from pay.

In Norway, the unionisation rate was 25.7% (22.1% in 2013). Statistics on employee unionisation in the other operating countries are not available. In the Baltic countries, Kesko's subsidiaries have workplace committees composed of management and employee representatives.

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

Collective agreements cover all of Kesko's employees in Sweden and Norway, and around 83% (84% in 2013) in Finland. So far, no binding industry-wide collective bargaining agreements have been drawn up in the Baltic countries or Russia.

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

Human rights assessments

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

In 2014, Kesko initiated a human rights impact assessment in compliance with the UN's Guiding Principles on Business and Human Rights.

Kesko also participated in retail round table discussions with businesses, labour market organisations and NGOs organised by the Ministry of Employment and the Economy and the Ministry for Foreign Affairs as part of the national implementation of the UN's Guiding Principles on Business and Human Rights. These discussions aim to build a dialogue between different stakeholders, identify the material risks associated with each sector and find a sufficient level of risk management and compliance with the due diligence principle. The round table discussions will continue in 2015.

Suppliers in high-risk countries are mainly assessed by BSCI audits. Kesko's BSCI results for 2014 in different areas are presented in a diagram (see Supplier assessment for labour practices). Corrective actions and their monitoring are included in the audit process.

Supplier assessment for labour practices

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

SA8000 certifications and BSCI audits

Kesko mainly uses BSCI auditing and the SA8000 standard for assessing its suppliers in high-risk countries. Kesko also accepts other social responsibility systems, if their criteria correspond to those of BSCI auditing and the audit is conducted by an independent party. These systems are listed in the section Responsibility monitoring and steering, at Responsible purchasing and sales. Kesko’s most significant high-risk countries of import are listed in the table below.

Of Kesko’s suppliers in high-risk countries at the beginning of 2015

- 14 had SA8000 certification (15 at the beginning of 2014)
- 284 were included in BSCI audits (254 at the beginning of 2014)

In 2014, suppliers’ factories or farms had

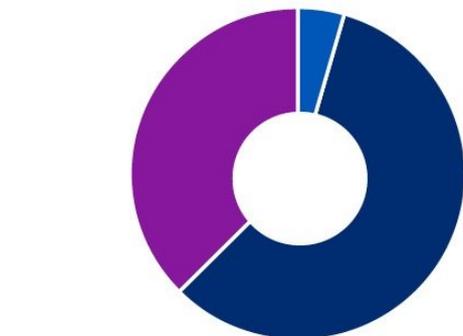
- 88 full BSCI audits (81 in 2013)
- 74 BSCI re-audits (25 in 2013)
- 39 monitoring visits (53 in 2013)

Some of Kesko’s suppliers are members of BSCI and promote audits in their own supply chains. Kesko’s principle is to cooperate only with suppliers which are already included in the BSCI auditing process or start the process at the beginning of the cooperation.

The results of the BSCI audits of Kesko’s suppliers’ factories for 2014 are presented below. Most deficiencies occur in the observance of working time regulations, in compensation and occupational health and safety matters. Experiences gained from monitoring work in China and India are similar. Corrective actions and their monitoring are included in the audit and monitoring process.

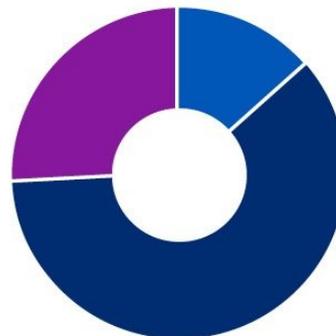
Kesko does not terminate cooperation with a supplier which undertakes to resolve the grievances specified in the audit report. In 2014, cooperation was not terminated with any supplier on the basis of an audit.

Kesko’s BSCI audit results in 2014, full audits



- Good 5%
- Improvements needed 58%
- Non-compliant 38%

Kesko’s BSCI audit results in 2014, re-audits



- Good 14%
- Improvements needed 61%
- Non-compliant 26%

Kesko’s BSCI audit results, distribution in different areas in 2014



Fairtrade products

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

- In 2014, Kesko Food had more than 230 Fairtrade products in its selections, of which 44 (35 in 2013) were Pirkka products.
- According to the statistics of Fairtrade Finland, Kesko Food had a total of 166 Fairtrade suppliers (175 in 2013).
- The products sold by Kesko Food generated over €360,000 in Fairtrade premium for social development projects.

The figure for 2013 includes only those Pirkka Fairtrade products which were included in the selections at the end of the year, and the figure for 2014 includes all Pirkka Fairtrade products which were included in the selections during the year.

SA8000 and Fairtrade certifications and BSCI audits included, nearly 90% of Kesko’s direct suppliers in high-risk countries have at least one of their factories or farms included in social assessments. The acceptance of other approved procedures adds to the coverage.

Kesko's own direct imports from high-risk countries, 10 largest countries in 2014 ¹

Country	Value of imports, € million
China	74.0
India	13.7
Turkey	9.0
Vietnam	8.5
Thailand	6.6
Bangladesh	4.5
Brazil	2.7
Indonesia	1.4
Argentina	1.3
Philippines	1.2

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

Society

Anti-corruption

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

Risks related to corruption are considered as part of Kesko Group’s risk management. Key risks, including those related to corruption, are regularly identified, assessed, managed, monitored and reported as part of business operations at the Group, division, company and unit levels in all operating countries. Rankings of Kesko’s operating countries in the Corruption Perceptions Index 2014 by Transparency International are presented below.

Kesko’s anti-corruption principles are included in the ‘Our Responsible Working Principles’ guidelines, which is available on the Kesko website. The website includes animations related to responsible operating practices. The guide and the website are available in the languages of all of Kesko’s operating countries. In 2015, responsible working principles will be highlighted by introducing a new e-learning programme called ‘Kesko’s responsibility’. This programme will first be implemented in Kesko’s operations in Finland. The training is compulsory for all Kesko employees and participation will be monitored. The aim is to roll out the training in the other operating countries at a later date.

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

Kesko arranges annual Value Discussions on responsible working principles in its companies. In 2014, four Value Discussions were organised for different divisions in Finland, Latvia, Lithuania and Estonia. They focused on issues related to corruption and malpractice. In 2014, one of the focus areas of Kesko’s internal audit was the audit of malpractice risks.

In 2014, Kesko was not informed of any corruption-related lawsuits against any Kesko Group company.

Rankings of Kesko’s operating countries in the Transparency Corruption Perceptions Index in 2014

Ranking	Country	Score
3	Finland	89
4	Sweden	87
5	Norway	86
26	Estonia	69
39	Lithuania	58
43	Latvia	55
119	Belarus	31
136	Russia	27

Public policy

SO6 Total value of political contributions

In election years, political parties and candidates are given equal opportunities to arrange campaign events in K-Group stores’ yards and entrance halls. In addition, Kesko may participate in economic and tax policy seminars arranged by political parties, at its discretion and without indicating partiality. Kesko does not

make monetary donations to political parties. In 2014, the seminar attendance fees and commercial advertising in party newspapers paid by Kesko totalled approximately €5,000.

Anti-competitive behaviour

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

In 2014, Kesko was not informed of any legal actions for anti-competitive behaviour or significant fines or other sanctions for non-compliance with laws and regulations.

Product responsibility

Customer health and safety

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

The activities of Kesko Food's Product Research include assessing the impacts of products on health and safety. In 2014, Product Research audited 26 suppliers (20 in 2013), of which 14 (11 in 2013) were Finnish. These audited companies were manufacturers of Kesko Food's own brands, and the audits were conducted in compliance with Kesko Food's own audit guidelines.

A total of 8,864 (9,460 in 2013) product samples were analysed. Most of them related to the product development of own brands. A total of 1,779 (1,625 in 2013) own control samples were analysed.

When developing own brand products, Kesko Food pays special attention, in line with its strategy, to the health aspects of the products. Sugar, saturated fat and salt have been reduced from nearly 160 Pirkka products that contained high levels of them. This so-called reformulation was completed in 2013. The health aspects of new Pirkka products are taken into account already at the product development stage.

Product Research is also responsible for product recalls, which numbered 125 in 2014 (127 in 2013). Of these, 24 (35 in 2013) were Kesko Food's own brands; in the other cases, Product Research assisted the manufacturers in recalls. There were no public recalls involving a potential health hazard resulting from product flaws or defects in Kesko Food's own brand products (6 in 2013).

In November 2014, the problem with MRSA (the "hospital super bug") in European pork became a topic in public discussion. MRSA bacteria were also found in one lot of K-Menu bacon cubes. The lot was recalled immediately. Kesko Food's Product Research Unit included MRSA monitoring in its own control programme.

In 2014, there were no lawsuits or fines concerning product health or safety.

Product and service labelling

PR3 Product and service information and labelling, and PR4 Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling

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

The transition period for the EU regulation No. 1169/2011 on the provision of food information to consumers ended in December 2014. During the three-year transition period, Kesko Food updated the labels of around 2,500 own brand products to comply with the requirements of the regulation. Changes will continue to be made until spring 2015, when the transition period of the EU regulation No. 1337/2013 laying down rules for the indication of country of origin for certain meats will end.

In addition to statutory package labelling, voluntary labelling can be added to inform the consumer of the product's responsibility aspects. Such labelling may include organic and eco-labelling, as well as labelling indicating social responsibility. Labelling is discussed in the section Responsibility monitoring and steering at Responsible purchasing and sales. The selection of labelled products is discussed in the section Business review.

The name and location of the manufacturer are indicated on all Finnish Pirkka products. Foreign Pirkka products carry the name of the country of manufacture. The country of origin of meat is indicated in the list of ingredients on those Pirkka products that have meat as one of the main ingredients. The country of origin is indicated on all own brand products of K-citymarket, Anttila and Rautakesko as their selections are updated.

There were 40 (27 in 2013) product recalls resulting from defective product labelling, 11 (6 in 2013) of which were Kesko Food's own brands.

PR5 Results of surveys measuring customer satisfaction

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

The chains have different channels for customer feedback, and Group-level feedback can be given on Kesko's website. All messages received via all the feedback channels are responded to. During the year, Kesko Food's Consumer Service, maintained by Product Research, was contacted by customers 20,911 (23,074 in 2013) times. Approximately 80% of these were product complaints.

Marketing communications

PR6 Sale of banned or disputed products

During 2014, Kesko's stakeholders raised questions and concerns regarding several products and the conditions under which they are produced.

In January 2014, Finnwatch published a follow-up report on private label products. The report indicates that the grievances revealed in 2013 on Thai pineapple juice and tuna factories have not been resolved in all respects. The survey also revealed grievances in a new pineapple juice factory. A BSCI audit was conducted in the factory at the end of March 2014. Part of the audit results supported the Finnwatch report findings.

In 2013, Kesko Food added an item on assuring the sustainability of ingredients to purchase agreements. From the beginning of 2014, all Kesko companies have attached the BSCI Code of Conduct to all purchasing agreements.

Kesko has actively cooperated with stakeholders in Thailand with the aim of improving conditions in purchasing chains. Examples of cooperation include participation in ILO's Good Labour Practices buyer reference group, and research cooperation with Plan, an international development organisation promoting children's rights, launched at the beginning of 2015.

In autumn 2014, Pro Ethical Trade Finland (Eetti) published a survey on the responsibility of Finnish clothing companies. The survey focused on the payment of living wages at suppliers' factories. Read more in the stakeholder address. Kesko was thanked for its monitoring work and for starting a human rights impact assessment in compliance with the UN Guiding Principles on Business and Human Rights.

The discussion concerning products produced in Israeli settlements continued. Kesko Food has made a policy statement and informed its suppliers that it will not accept fruit and vegetables from Israeli settlements in its selections. The origin of a product can be seen on labelling in stores and on the product. Imports by Kesko's other divisions from Israel are small, but these divisions also actively discuss issues of product origins with suppliers.

There has been a long-felt need in the European cocoa and chocolate industry for an international standard to help in the assurance of responsibility and traceability of cocoa. The International Organisation for Standardisation (ISO), and the European Committee for Standardisation (CEN), decided in October 2014 to start preparing a responsibility standard for cocoa. The target timeline for its completion is three years. A monitoring group has been set up in the Finnish Standards Association (SFS) in order to influence the content of the standard. Kesko has a representative in the monitoring group. Read more on the Kesko website.

In spring 2014, Kesko joined WWF's soy programme, which aims to reduce the environmental impacts of soy production in South America. Kesko Food recommends that manufacturers of own brand products use responsible soy.

The working conditions of wild berry pickers who come to Finland from other countries and their ability to earn sufficient income were discussed during the berry season in particular. The berry companies of the Wild

Organic Products Industries' Association have developed a self-regulation mechanism to ensure the availability of berries for processing and to take care of the pickers in a responsible manner. The self-regulation mechanism consists of principles that must be followed by businesses that invite wild berry pickers to come to Finland. The business advises pickers on the general rules and provides them with information about berry crop forecasts, picking areas and accommodation alternatives.

Already in spring 2012, Kesko Food recommended that its suppliers comply with the berry picking guidelines prepared by the Finnish Food and Drink Industries' Federation (ETL) and the Ministry for Foreign Affairs. In 2014, all of Kesko Food's suppliers of wild berries were committed to compliance with wild berry picking principles following the self-regulation mechanism. Read more on the Kesko website.

In 2014, the Ministry of Employment and the Economy and the Ministry for Foreign Affairs signed a letter of intent on wild berry picking with a number of berry industry companies. The agreement is a continuation of earlier development actions. The agreement took effect immediately, meaning that it will apply to the 2015 picking season.

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

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

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

Kesko monitors the amendments to legislation and authorities' recommendations related to marketing communications and provides information about them to the staff responsible for marketing in each unit. In 2014, there were no advertisements by Kesko or its subsidiaries submitted for consideration by the Council of Ethics in Advertising nor were there any incidents of non-compliance with legislation or voluntary principles. Sponsorship is guided by Kesko's sponsorship principles.

Customer privacy

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

In 2014, K-Plus Oy did not detect any leaks of information or other personal data breaches. Neither did the company receive complaints from customers or the data protection authorities.

Compliance

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

No fines in 2014.

GRI report profile

GRI G4 guidelines applied to the report

Since 2000, Kesko has annually reported on its corporate responsibility in accordance with the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development. The Responsibility in figures section of Kesko's Integrated Annual Report is prepared in accordance with GRI G4 guidelines and covers the key areas of economic, social and environmental responsibility. In our operations, we apply the AA1000 AccountAbility Principles (stakeholder inclusivity, identification of material aspects and responsiveness to stakeholders). We have divided the GRI report into three sections: corporate responsibility management, GRI index and indicators. The report is available in Finnish and English, and the report is published online only. The scope of the GRI guidelines that Kesko uses in this report is Core. However, the General Standard Disclosures according to the GRI G4 guidelines are presented in a much wider scope than required by the Core option. Specific Standard Disclosures, that is, the disclosures on management approach and indicators, are made with respect to the material aspects for Kesko. However, indicators are reported in a much wider scope than required by the Core option. A comparison of the contents of the report and the GRI G4 guidelines is given in the GRI index.

Assurance of reporting

An independent third party, PricewaterhouseCoopers Oy, has provided assurance on corporate responsibility information disclosed in Kesko's Integrated Annual Report 2014 and indicated as assured in the GRI G4 index, as well as other corporate responsibility information disclosed in the report and agreed to be assured, for the reporting period 2014. The congruence between responsibility information presented in the Finnish and English versions has been checked. The assurance also comprised the application of the AA1000 AccountAbility Principles in Kesko. The conclusions, observations and recommendations by PricewaterhouseCoopers Oy are detailed in the assurance report. The assurance is commissioned by the operative management of Kesko Corporation.

Global Compact reporting

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

Report stakeholders

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

Reporting period and contact information

This report is about the progress and results of responsibility work in 2014. It includes some information from January to March 2015. The report for 2013 was published in April 2014, and the report for 2015 will be published in the spring of 2016. Further information on the topics covered in the report can be obtained from Kesko's contact people.

Independent Assurance Report

(Translation from the Finnish original)

To the Management of Kesko Corporation

We have been engaged by the Management of Kesko Corporation (hereinafter also the Company) to perform a limited assurance engagement on the corporate responsibility information disclosed in Kesko Corporation's online report "Kesko's Integrated Annual Report 2014" and indicated as assured in the Company's GRI Index 2014, as well as other corporate responsibility information disclosed in the online report and agreed to be assured, for the reporting period 1 January 2014 to 31 December 2014 (hereinafter CR Information).

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

Management's responsibility

The Management of Kesko Corporation is responsible for preparing the CR Information in accordance with the Reporting criteria as set out in the Company's reporting instructions and the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative.

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

Practitioner's responsibility

Our responsibility is to express a conclusion on the CR Information and on the Company's adherence to the AA1000 AccountAbility Principles based on our work performed. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Kesko Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the CR Information has not been prepared, in all material respects, in accordance with the Reporting criteria.

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

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the CR Information, and about the Company's adherence to the AA1000 AccountAbility Principles. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the CR Information and an assessment of the risks of the Company's material nonadherence to the AA1000 AccountAbility Principles. Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Interviewing employees from various organisational levels of the Company with regards to materiality, stakeholder expectations, meeting of those expectations, as well as stakeholder engagement.
- Assessing stakeholder inclusivity and responsiveness based on the Company's documentation and internal communication.

- Assessing the Company's defined material aspects of corporate responsibility as well as assessing the CR Information based on these aspects.
- Analysing references to the Company from the reporting period in online media.
- Visiting the Company's Head Office as well as one site in Norway.
- Interviewing employees responsible for collecting and reporting the CR Information at the Group level and at the site where our visit took place.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that Kesko Corporation does not adhere, in all material respects, to the AA1000 AccountAbility Principles.

Furthermore nothing has come to our attention that causes us to believe that Kesko Corporation's CR Information has not been prepared, in all material respects, in accordance with the Reporting criteria, or that the CR Information is not reliable, in all material respects, based on the Reporting criteria.

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

Observations and recommendations

Based on our work described in this report, we provide the following observations and recommendations in relation to Kesko Corporation's adherence to the AA1000 AccountAbility Principles. These observations and recommendations do not affect the conclusions presented earlier.

- **Regarding Inclusivity:** Kesko Corporation has processes in place for stakeholder inclusivity, collection of feedback and stakeholder engagement. We recommend that the Company continues to systemise the stakeholder dialogue and pays specific attention to the possibilities for increasingly utilising social media as a channel for stakeholder dialogue.
- **Regarding Materiality:** Kesko Corporation has a systematic process in place to evaluate and determine the materiality of corporate responsibility aspects. We recommend that the Company continues the execution of its responsibility programme based on its materiality assessment and pays specific attention to the concretisation of division specific targets and the communication of the progress against targets.
- **Regarding Responsiveness:** Kesko Corporation has processes in place for responding to stakeholder expectations. We recommend that the Company further invests in sharing best practices and information within and amongst divisions.

Practitioner’s independence and qualifications

We comply with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the IESBA (the International Ethics Standards Board for Accountants).

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

Helsinki, 17 March 2015

PricewaterhouseCoopers Oy

Sirpa Juutinen
Partner
Sustainability & Climate Change

Maj-Lis Steiner
Director, Authorised Public Accountant
Assurance Services



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Licensed Assurance Provider
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