



KESKO

**CORPORATE
RESPONSIBILITY REPORT**

2011



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CONTENTS OF THE REPORT

Since 2000, Kesko has annually reported on its corporate responsibility in accordance with the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development. This report covers, in line with the GRI G3 guidelines, key areas of economic, social and environmental responsibility.

On the basis of the feedback received from the previous year's report, Kesko has now divided the Corporate Responsibility Report into four sections: introduction, themes, management and GRI indicators. Their contents are described in the report structure below.

A comparison of the report contents with the GRI recommendation is provided on pages 60–64. As required by the GRI, the comparison includes Kesko's self-declaration statement on the level of compliance with the GRI guidelines. The application level has also been checked by the assurance provider and the parties are in agreement that Kesko has followed the A+ application level in the GRI guidelines.

REPORT STRUCTURE

The introduction first provides basic information on Kesko, followed by the review by the President and CEO, and a summary of the events and achievements in 2011.

Next, there are five themes material to Kesko, which have been selected on the basis of the responsibility programme and the materiality assessment. Pages 10–41 contain information on Kesko's impact on society, wellbeing at work, work towards mitigating climate change, responsible purchasing and sales, and healthiness.

The case examples illustrate the diversity and extent of Kesko's operations.

Following the themes, the report discusses the impacts, opportunities and risks of Kesko's responsible operations, concentrating on issues most material to the retail-

ing sector. After describing responsibility management, the key results of Kesko's 2008–2012 responsibility programme in 2011 are presented. The materiality assessment of Kesko's corporate responsibility is presented on page 46 and the summary of the key indicators is on page 47.

In accordance with the GRI guidelines, the progress and results of responsible operations are presented in more detail in the GRI indicator section of the report (pages 65–90). When presenting the results, the most material indicators from the viewpoint of stakeholders and Kesko have been used.

FURTHER INFORMATION ON KESKO'S WEB PAGES

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

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

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

REPORT SCOPE

The Kesko Group (hereinafter Kesko) follows the principles for reporting boundary and disclosure levels defined in the GRI Bound-



ary Protocol. The report covers all of Kesko's operations:

- Most economic responsibility indicators have been derived from the consolidated financial statements, the preparation and representation of which are governed by the IFRS standards.
- The environmental indicators cover the parent company Kesko Corporation's and its subsidiaries' most significant environmental impacts in all the countries in which they operate.
- The HR indicators cover the parent company Kesko Corporation's and its subsidiaries' personnel in all the countries in which they operate. Around three quarters of the Kesko Group's employees work in retail stores. The report does not cover the personnel employed by retailer entrepreneurs, unless separately stated in the text.

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

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

INFORMATION ON K-RETAILERS

Kesko's division parent companies and chains act in close cooperation with retailer entrepreneurs and other partners. The

report presents information on K-stores (e.g. energy monitoring) when it is integrally related to Kesko's reporting and complements the overall picture of the relations of Kesko and K-retailers with society and other stakeholder groups. In such cases, the report refers to them as 'the K-Group'.

REPORT'S STAKEHOLDERS

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

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

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

GLOBAL COMPACT REPORTING

The report describes Kesko's progress on the 10 principles of the Global Compact initiative. Global Compact accepts the use of the indicators in the GRI G3 Guidelines as appropriated for this purpose. The GRI index on pages 60–64 shows which indicators have been used to evaluate performance

in fulfilling the principles of human rights, labour standards, the environment and anti-corruption.

ASSURANCE OF THE REPORT

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

An independent third party has provided assurance on the Finnish language report and reviewed the correspondence of the English language version. The assurance for the 2011 report was carried out by Kesko's auditor, PricewaterhouseCoopers Oy, whose assurance report is available on pages 92–93.

An independent assurance report has been provided for Kesko's report since 2002. This report covers the progress and results of responsibility actions in 2011 with some information for January–March 2012. The 2010 report was published in May 2011 and the 2012 report will be published in spring 2013.



KESKO IN BRIEF

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

KESKO'S BUSINESS OPERATIONS

In 2011, the Kesko Group's net sales were €9,460 million, showing an increase of 7.8% compared to the previous year. The food trade accounted for 43% and international operations for 17.1% (16.7% in 2010) of the net sales.

There were 1,643 retail stores in the K-Group in Finland and 230 in other countries. In 2011, the K-Group's (i.e. Kesko's and K-retailers') retail and B2B sales (VAT 0%) totalled €11,767 million, of which international operations accounted for €1,976 million. The increase was 7.2% compared to the previous year.

At the end of 2011, Kesko had 1,102 independent K-retailers and about 130 other retailer entrepreneurs in the Asko, Sotka, Byggmakker and Senukai chains as partners.

Food trade

Kesko Food operates in the Finnish grocery trade. K-retailers, with whom Kesko Food applies the chain business model, are responsible for the nearly 1,000 K-food stores. Kesko Food's chains are K-citymarket, K-supermarket, K-market and K-extra. The most important brand is Pirkka; the Pirkka product range includes over 2,000 products.

Kesko Food's main functions include the centralised purchasing of products, selection management, logistics, and the development of chain concepts and the store site network.

Cooperation between Kesko Food and K-food retailers is based on the chain operations defined in the chain agreement, which ensure the customer-orientation of operations, efficiency and the achievement of competitive advantages.

Kesko Food's subsidiary Kespro is a wholesaler in the hotel, restaurant and catering (HoReCa) business and acts as a partner for

its customer companies and municipalities in Finland. Kespro provides delivery and cash&carry services to its customers. Kespro has a Menu product range of its own.

Home and speciality goods trade

Kesko's home and speciality goods trade provides customers with products and services related to clothing, home, sports, leisure, home technology, entertainment, as well as interior decoration and furniture. The home and speciality goods trade comprises Anttila and Kodin Ykkönen, K-citymarket's home and speciality goods, Intersport and Budget Sport, Asko and Sotka, Musta Pörssi and Konebox, and Kookenkä and Andiamo. All chains offer well-known domestic and foreign product brands to their customers and also serve customers online.

Anttila's online store (NetAnttila) also operates in Estonia and the Asko and Sotka chains have stores in Estonia. Intersport also operates in Russia after the Intersport licence and business operations in Russia were transferred to a Kesko subsidiary in August 2011.

Building and home improvement trade

Rautakesko is the leading retailer of building, renovation and home improvement products and services, operating in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. Rautakesko develops the K-rauta, Rautia, K-maatalous, Byggmakker, Senukai and OMA retail chains and B2B sales in its operating area, with an emphasis on customer orientation. Rautakesko's own brands – Cello, Prof and FXA – are developed on a long-term basis.

Rautakesko's core functions supporting sales to consumer and professional customers include the centralised development of

KESKO OPERATES IN EIGHT COUNTRIES

- **Finland:** all divisions
Number of stores: 1,643
- **Sweden and Norway:** building and home improvement trade
Number of stores: 131
- **Baltic countries:** building and home improvement trade, machinery trade, furniture trade and distance sales
Number of stores: 43
- **Russia, St. Petersburg and Moscow areas:** building and home improvement trade, sports trade, machinery trade
Number of stores: 50
- **Belarus:** building and home improvement trade
Number of stores: 6



chain selections and services, purchasing and logistics, and the development of chain concepts and the store network.

Car and machinery trade

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

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

Konekesko is a service company specialising in the import and sale of construction, materials handling, environmental and agricultural machinery, trucks and buses, and recreational machinery. Konekesko operates in Finland, Estonia, Latvia, Lithuania and Russia. Product brands represented by Konekesko include Yamaha, Linder, Massey Ferguson, New Holland, Kubota and MAN. Konekesko's own boat brands are Yamarin, Yamarin Cross and Suvi. Yamarin and Suvi boats are manufactured in Finland and exported to several European countries and Russia.

KESKO'S OWNERS

Kesko Corporation is a listed company whose shares are quoted on the NASDAQ OMX Helsinki Ltd Helsinki Stock Exchange. At the end of 2011, the company's share capital was €197,282,584, divided in A and B share series.

A shares accounted for 32.2% of all shares and 82.6% of all votes. The corresponding percentages for B shares were 67.8% and 17.4%. The company's ten largest shareholders, calculated by number of votes, held 35.4% of all votes and 20.3% of all shares.

The company cannot vote with own shares held by it (700,000 B shares).

The market capitalisation of A shares was €788 million and that of B shares €1,719 million, while their combined market capitalisation of the company was €2,506 million.

At the end of 2011, the number of shareholders was 41,215, which is 2,957 more than at the end of 2010. At the end of 2011, foreign ownership of all shares was 20%. At the end of 2011, foreign ownership of B shares was 29%, compared to 38% the year before.

PERSONNEL

During the year, the average number of employees in the Kesko Group was 18,960 (18,215) converted into full-time employees. At the end of 2011, the total number of employees was 23,375 (22,124), of whom 13,124 (12,720) worked in Finland and 10,251 (9,404) outside Finland. Compared to the end of 2010, there was an increase of 404 people in Finland and an increase of 847 outside Finland. Approximately three quarters of all employees worked in retailing.

Kesko and the K-retailers form the K-Group, which employs a total of some 45,000 people.

STORE SITE OPERATIONS

The store site network is a strategic competitive factor for Kesko. It provides opportunities for developing business operations and increasing sales and customer satisfaction. Kesko's division parent companies are responsible for their own store sites throughout their life cycles. The companies plan their own store site networks and, on the basis of their network and business plans, make the capital expenditure in accordance with the Group's real estate strategy. Opportunities for cooperation between

the division parent companies are sought and made use of in shopping centre projects.

Kesko's real estate operations are based on the life-cycle affordability and eco-efficiency of store sites. At the end of 2011, the combined area of real estate and premises owned or leased by the Kesko Group was 4,032,000 m². At the end of the year, the area of owned properties in Finland was 693,000 m² and in the other operating countries 306,000 m². The area of leased properties in Finland was 2,338,000 m² and in other countries 695,000 m². A large part of the premises owned and leased in Finland are leased to K-retailers.

PRODUCT AND SERVICE SUPPLIERS

In 2011, Kesko purchased products and services valued at some €8.0 billion, of which some 68% was from Finnish suppliers. In 2011, Kesko had some 23,100 active product and service suppliers, of which 11,900 were companies operating in Finland. The Group had 7,700 suppliers in the other operating countries and 3,500 in the rest of the world. The main countries from which goods were imported for operations in Finland were the Netherlands, Germany, Sweden and Belgium and, outside the EU, China.

CUSTOMER GROUPS

Kesko's sales to retailer entrepreneurs accounted for 52% of the sales in 2011. Grocery retailers made some 93% of their purchases, speciality goods retailers some 95% and building and home improvement and agricultural retailers some 74% of their purchases via Kesko. K-retailers' product purchases from local provincial suppliers valued at some €563 million.

Kesko's own retailing accounted for 26% of sales. Kesko's sales to professional customers contributed 22% to sales.

REVIEW BY THE PRESIDENT AND CEO

The growth of Kesko's business operations strengthened in 2011. Sales in the food trade and the building and home improvement trade developed well, and growth was particularly strong in the car and machinery trade. Profitability improved in the food trade and in the car and machinery trade. We are continuing with our responsibility work and want the results to be increasingly visible to our customers.

THE STORE NETWORK IS GROWING

Kesko's chain operations include around 2,000 stores in eight countries. In 2011, Kesko's capital expenditure, mainly in store sites, totalled €425 million.

Store openings in Finland in 2011 included six new K-citymarkets, 17 K-supermarkets, one Kodin Ykkönen department store and four K-rautas. Our target is to open 23 new K-supermarkets and seven new K-citymarkets in 2012. The Karisma shopping centre was opened in Lahti in November 2011, and the Veturi shopping centre will be opened in Kouvola in late 2012.

OPERATIONS IN RUSSIA ARE EXPANDING

In 2011, a decision was made to expand Kesko's business operations in the Russian building and home improvement, food and sports trade. The plan is to open 10 new K-rauta stores in Russia in 2012–2015 in addition to the current 15 K-rauta stores. At the end of 2011, there were 36 Intersport stores in Russia, and the target there is to double the network by 2015.

The first four grocery stores will be opened in St. Petersburg and Moscow in 2012–2013. We plan to acquire sites in both of the cities for at least 10 new large grocery stores. The objective in Russia is to achieve net sales of €500 million and a positive operating result by 2015.

The Russian market offers significant potential for growth, but the fast expansion of business is setting growing demands on Kesko. New stores mean that thousands of new employees must be hired. Special attention must be paid to the recruitment and induction of employees and to the implementation of responsible operating practices and the principles of responsible purchasing in all operations.

MORE ONLINE SERVICES AND E-COMMERCE

Online transactions and interactive channels are important competitive factors. The development of online transactions and e-commerce are strategic focal points in all divisions.

In December 2011, the pilot testing of the online food store was introduced in K-market Ruoholahti in Helsinki. Kesko

Food Ltd and K-citymarket Oy plan to launch a common online store for food and home and speciality goods in 2012.

In 2011, Kesko, the K-Group chains and stores became active in social media. In particular, Facebook has proved to be important as a channel for customer service and dialogue between the store and customers. Social media channels have also been introduced to provide information on job opportunities.

THE TRADING SECTOR EMPLOYS YOUNG PEOPLE

The trading sector is the biggest employer in the Finnish economy, employing more than one third of all working people aged under 25. Many young people start their careers in a K-store in short-term orientation for working life, organised for secondary school students, in a summer job or when earning some extra income during studies. It is important that in their very first jobs future employees gain a positive image of the trading sector as a responsible employer.

THE K-RETAILERS' ASSOCIATION CELEBRATES ITS 100TH ANNIVERSARY

The K-Retailers' Association, which looks after the interests and promotes the cooperation of K-retailers, has around 1,230 K-retailers as members. The association is celebrating its 100th anniversary in 2012.

To celebrate its first 100 years, the K-Retailers' Association has started a cooperation project with the Finnish Association on Intellectual and Developmental Disabilities (FAIDD), called 'Many kinds of performers'. The funds donated during the centenary year will be used to hire a work supervisor for the FAIDD and take measures to help people with intellectual or developmental disabilities find employment in K-stores.

WE SAVE ENERGY IN OUR OPERATIONS

Kesko participates in curbing the progress of climate change by saving energy and increasing waste recycling and reuse.

The refrigeration equipment of K-food stores already uses lids and doors, totalling close to seven kilometres in length. Condensation heat from store cooling units is recovered in nearly all K-food stores. Many



“ Competition in sustainable development is getting tougher year by year and being ranked among the most sustainable companies in the world cannot be taken for granted. ”

K-food stores use carbon dioxide recovered from industrial processes as coolant in their cooling equipment.

The Veturi shopping centre introduced ground heat as a source of heating from the construction phase. The waste recovery rate in Anttila's new logistics centre is nearly 100%. A two-tier trailer was introduced for test use in transportation to K-food stores, which helps us cut transportation-related carbon dioxide emissions by one third.

WE HELP OUR CUSTOMERS IN THEIR CHOICES FOR THE ENVIRONMENT

The Energy Expert service at K-rauta and Rautia stores makes it easy for customers to improve energy efficiency in their homes.

The aim of K-food stores is to increase the selection of Pirkka organic products from the current around 70 to around 100 by the end of 2012. Kesko Food has more than 200 Fairtrade products in its selections, of which Pirkka Fairtrade products account for nearly 40.

Anttila and Kodin Ykkönen department stores and NetAnttila sell around 70 products made from Fairtrade cotton.

INFORMATION ON COFFEE ORIGINS AND FARMERS

The importance of social responsibility is increasing throughout the supply chain. Customers are interested in where and in what kinds of conditions the products they buy are manufactured.

In supplier assessment, Kesko uses international auditing systems, BSCI auditing and SA8000 certification. The aim is to do business in high-risk countries with suppliers who have successfully passed the audit. Improving working conditions in suppliers' factories is a long-term operation.

In the summer 2011, we published a Product's path map on our web pages, providing information on the origins of our products and their path from the farm or factory to the store. You can, for example, click on the map to follow the growth and path of coffee beans for UTZ certified Pirkka coffees from Brazil to Finland.

RESPONSIBILITY PROGRAMME GUIDES OUR OPERATIONS

Kesko's responsibility programme sets objectives for combating climate change, for energy efficiency, the wellbeing of employees as well as responsible purchasing and sales.

Updating of the responsibility programme will continue in 2012. When defining the content of and objectives for the programme, we take into account the views and expectations of our employees and other stakeholders concerning our future responsibility work. The updated programme will be published at the end of 2012.

RECOGNITION FOR RESPONSIBILITY WORK AND REPORTING

In 2011, Kesko was again included in the most important sustainability indexes, such

as the Dow Jones indexes DJSI World and DJSI Europe. Kesko is also included in 'The Global 100 Most Sustainable Corporations in the World' list and 'The World's Most Ethical Companies' list.

In February 2012, World Finance Magazine recognised Kesko for the best corporate governance in Finland in terms of development and reporting, as in the previous year. In November 2011, the 'Responsibility Reporting' contest awarded Kesko as the best in Finland in responsibility reporting.

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

Competition in sustainable development and responsibility is getting tougher year by year and being ranked among the most sustainable companies in the world cannot be taken for granted. We will continue our responsibility work and pay special attention to making our work and its results increasingly visible to our customers in stores.

I wish to extend my warmest thanks to all of Kesko employees, retailers and their staff, and our business partners for the work they do every day to achieve our shared objectives.

Matti Halmesmäki
President and CEO

EVENTS IN 2011

JANUARY–JUNE

24 January

Kesko organised

THE DAY OF COMMERCE,

the theme of which was 'Finland's future lies in competent and industrious people'.

1 February

Kesko was included for the seventh time in

THE GLOBAL 100 MOST SUSTAINABLE CORPORATIONS IN THE WORLD

list.

1 March

In the SAM (Sustainable Asset Management) assessment, Kesko's responsibility work qualified in

THE SILVER CLASS IN THE FOOD & DRUG RETAILERS SECTOR

in the Sustainability Yearbook 2011.



16 March

In its assessment, World Finance Magazine recognised Kesko for

THE BEST CORPORATE GOVERNANCE IN FINLAND

in terms of development and reporting.

22 March

PRO LUOMU ASSOCIATION

to promote the organic sector was established; Kesko Food is one of the founding members.

26 March

Kesko participated in the world-wide

WWF'S EARTH HOUR CAMPAIGN

by turning off office and store lights for one hour.

19 April

Helena Rossi, Kesko's Occupational Health Physician-in-Charge, was granted

THE 2011 OCCUPATIONAL HEALTH AWARD

for her distinguished work in the Finnish Institute of Occupational Health's training project for the treatment of depression.

8 May

In Kaivopuisto Park in Helsinki, Kesko arranged a

MOTHER'S DAY EVENT,

at which 10,000 Pirkka Fairtrade roses were given to mothers and grandmothers.

16 May

From the funds granted by the Annual General Meeting to the Board of Directors for donation purposes, Kesko distributed a total of €30,000 as

SUSTAINABLE DEVELOPMENT AWARDS.

Scholarships of €1,000 each were also awarded to 42 young athletes and art students from the funds.

27 May to 1 June

'YOUR MOVE' EVENT

in Helsinki. The Sports Event of 2011 attracted more than 42,000 participants aged 13–19 from across Finland.



5 August

Agricultural producers, the food industry and the trading sector gathered together to discuss Finnish food in the

PROMOTING FINNISH FOOD AND WELLBEING

seminar organised by Kesko, Atria and Valio in Lapua.

24 August

Kesko's acquisition of

INTERSPORT OPERATIONS IN RUSSIA

was concluded. At the end of 2011, Kesko had 36 Intersport stores in Russia.

31 August

ANTTILA'S NEW LOGISTICS CENTRE

in Kerava was inaugurated. The new logistics centre handles deliveries to all Anttila and Kodin Ykkönen department stores and to NetAnttila customers.

9 September

For the ninth time, Kesko was included in the

DOW JONES

sustainability indexes DJSI World and DJSI Europe.

21 September

A new

TWO-TIER TRAILER

was introduced for test use in transportation to K-food stores. The new kind of trailer helps Kesko cut transportation-related carbon dioxide emissions by one third.



22 September

Kesko was included for the third time in the

FTSE4 GOOD INDEX

focusing on responsible investment. The score given to Kesko's work for curbing climate change was 5 on a scale of 0–5.

12 October

Kesko was selected in the

STOXX GLOBAL ESG LEADERS

indexes.

21 October

Kesko was awarded the highest score in the Consumer Staples sector in the assessment by the

NORDIC CARBON DISCLOSURE LEADERSHIP

climate index.

21 October

Anttila's new logistics centre received

ISO 14001

environmental certification.

3 November

THE KARISMA SHOPPING CENTRE

was opened in Lahti. The shopping centre comprises nearly 80 stores, of which K-citymarket, Intersport and Kookenkä represent the K-Group chains. The shopping centre is one of Kesko's largest retail projects of all time.



10 November

Kesko's 2010 Corporate Responsibility Report was chosen as

FINLAND'S BEST CORPORATE RESPONSIBILITY REPORT

and students' favourite in the responsibility reporting competition.

31 December

Kesko Food developed K-food stores'

WASTE MANAGEMENT MODELS

in the Greater Helsinki area and Uusimaa region during the year. At the end of the year, the waste recovery rates of the K-food stores included in the new model were nearly 90%.



THEMES

KESKO'S MOST MATERIAL CORPORATE RESPONSIBILITY THEMES

IMPACT ON SOCIETY 12

Kesko operates in the food, home and speciality goods, building and home improvement, and car and machinery trades. Kesko's chain operations comprise around 2,000 stores in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

WELLBEING AT WORK 18

Our programme on wellbeing at work supports employees' wellbeing and the implementation of our business and HR objectives. Wellbeing at work involves the opportunity to do meaningful work, in line with one's abilities, in a supportive working environment.

CLIMATE CHANGE WORK 24

We contribute to mitigating the progress of climate change by saving energy and increasing waste recycling and recovery. We promote environmentally friendly building, save energy in stores and offer our customers environmentally sustainable products.

RESPONSIBLE PURCHASING AND SALES 30

Our purchasing principles and policy statements guide our responsible purchasing. We provide regular training for our buyers responsible for sourcing and purchasing as well as our sales assistants serving customers in stores.

HEALTHINESS 36

We encourage our customers and employees to adopt healthy lifestyles, eat healthily and be physically active in order to maintain good health and fitness. We offer our customers products and services that help promote health.



KESKO OPERATES IN EIGHT COUNTRIES

Kesko develops and provides trading sector services, employs directly and indirectly, arranges the manufacture of and sells products. Kesko operates in the food, home and speciality goods, building and home improvement, and car and machinery trades. Kesko's chain operations comprise around 2,000 stores in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

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

Kesko and K-retailers employ a total of about 45,000 people in eight countries. In 2011, Kesko paid a total of €473 million in salaries and other employee benefits in all operating countries. Kesko's income taxes totalled €85 million, and the total sum paid in pensions and social security expenses amounted to €91 million.

Read more about the number of stores on page 5 and in Kesko's Annual Report, on pages 14–29.

K-RETAILERS ARE RESPONSIBLE FOR CUSTOMER SATISFACTION IN THEIR STORES

In Finland, K-food stores welcome about 900,000 customers every day. The K-food store network is the most comprehensive in Finland: 964 K-food stores in 301 municipalities in 2011. Around half of the Finnish population live within one kilometre from a K-food store.

The principal business model in the Finnish market is the chain business model, in

which independent K-retailers run retail stores in chains managed by Kesko. In Finland, all food and building and home improvement stores in the K-Group are run by K-retailers.

At the end of 2011, Kesko had 1,102 K-retailers and about 130 other retailer entrepreneurs as in the Asko, Sotka, Byggmakker and Senukai chains as partners. Kesko's sales to the retailer entrepreneurs accounted for 52% of Kesko's total sales in 2011.

Competitive edge is gained by combining systematic chain operations and the K-retailer operations based on entrepreneurship. Kesko is responsible for the constant development of the business model and the store concepts, for chain operations management and for sourcing and purchasing of the products included in the chain selections. The K-retailer is responsible for his or her store's customer satisfaction, personnel and profitability of business.

K-retailers listen to the wishes of their clientele and adapt their selections accordingly. Kesko Food's Responsibility Survey for 2011 showed that the following factors are the most important for consumers: products sold by the store are of high quality and durable, health-promoting foods are

reasonably-priced, the origins of product ingredients are given, and store employees are treated equally.

RETAILER TRAINING PRODUCES K-RETAILERS

Future K-retailers are trained in the K-retailer training programmes. The training consists of online studies, on-the-job training under a mentor retailer as well as regional and nationwide classroom instruction periods. More than 100 people complete the programme every year.

The retailer entrepreneur path (KYP), a systematic training route for would-be K-retailers, has been developed by Kesko Food and polytechnics. It has been adapted to constitute an optional module of polytechnic studies. A related cooperation agreement has been signed with 17 polytechnics and the model is being further expanded.

“In recent years, more subjects related to wellbeing at work, responsibility and social media have been added to the retailer training. Students familiarise themselves with one K-environmental store and consider the benefits of recycling, for example, from the viewpoint of the store and the customer. They have an exam on responsibility issues, the questions of which are based on different sections of Kesko's Corporate Responsibility Report,” says Marketing Manager **Matti Vornanen**, who is responsible for Kesko Food's retailer reserve activities.

In 2011, 78 new K-retailers started their careers. Of these, 55 are male (70%) and 23 female (30%). The number of new K-food retailers is 66, compared with nine building and home improvement retailers, two sports retailers and one shoe retailer. The K-market chain had the most new entrepreneurs (42).

Teppo Hirvoila, Master of Science in Economics, passed Kesko Food's retailer training in April-December 2011 and started as the retailer at K-market Kaarina Center in March 2012.

Data security test
for the safety of payments

New, uniform chip & pin terminals were installed in all K-stores in 2010–2011. The reform also involved the demand that each store employee handling card payments has to pass a proficiency test entitling them to a data security certificate every year. All temporary employees also have to pass the test if they work at the checkout. By March 2012, more than 17,000 K-Group employees had already completed the test via online training organised by K-instituutti.

“Retailer training guides well towards independent thinking and work. I found particularly useful the tools provided for HR management and development and the comprehensive planning of store operations.”

“In stores, responsibility is implemented in all operations: by taking care of employee wellbeing, investing in energy efficient refrigeration equipment and recycling waste systematically. Responsibility is reflected in cooperation with local suppliers and selections of products with environmental labelling and Fairtrade products to customers. In the best case, the responsible actions of the store encourage customers to start making more responsible choices themselves,” says Teppo Hirvoila.

MOST K-STORES ARE FAMILY BUSINESSES

The K-Retailers' Association, which looks after the interests and promotes the cooperation of K-retailers, has around 1,230 K-retailers as members. The K-Retailers' Association's duties include enhancing and strengthening K-retailer entrepreneurship as a competitive asset of the K-Group and promoting K-retailers' joint interests in the trading sector. The K-Retailers' Association is celebrating its 100th anniversary in 2012.

“During one hundred years, the work of K-retailers and their operating environment have changed considerably. Nowadays, special focuses in the K-retailer's work are customers' individual needs and expectations, increasingly electronic operations, tight competition in the sector and corporate responsibility,” says **Matti Mettälä**, Managing Director of the K-Retailers' Association.

Around 80% of K-stores are family businesses. The K-Retailers' Association has been a member of the Finnish Family Firms Association since 2010.

There are several retailer families in the K-Group, who have experienced the changes during the past decades. The Perälä and Rahkonen families have had retailers for four generations.

“**Juho** and **Albertiina Perälä** founded the Perälä grocery store in Toivakka in 1875. Now the store is run by the fourth generation, me and my wife **Minna**,” says **Jussi Perälä**, retailer of K-rauta Palokka in Jyväskylä.

“The history of our family firm has progressed from a shoemaker's shop to a sports store. We have sold everything except for cars. And we already have the fifth generation growing – our daughter **Julia** has been working in the store at weekends and our son **Jimi** is a willing tester of our bikes,” explains **Jarkko Rahkonen**, retailer of Inter-sport Imatra.

One million NOK from Byggmakker for children's future

Byggmakker, Rautakesko's Norwegian subsidiary, is a cooperation partner of Save the Children (Redd Barna). In the past four years, Byggmakker has donated funds reserved for Christmas presents to the organisation. In recent years, Byggmakker has participated in the building costs of three primary schools in Cambodia. In 2012, Byggmakker is selling Save the Children shopping bags and will donate the proceeds in full to the organisation. In 2011, Byggmakker's and retailers' joint support for Save the Children totalled NOK 1,000,000 (€137,000).



IMPACT ON SOCIETY

WE ENCOURAGE PURCHASING LOCALLY

Most of the economic benefit generated by Kesko - 85% of Kesko's net sales – goes to suppliers of goods.

In 2011, Kesko's purchases from Finnish suppliers totalled €5,436 million and from other countries €2,613 million.

Kesko is actively increasing the amount of local purchases and encouraging K-food retailers to complement their selections with local products. Retailers' direct purchases from Finnish regions totalled €563 million in 2011.

Kesko Food participates in the micro firm initiative of the Finnish Grocery Trade Association (FTGA). The aim of the initiative is to provide small grocery sector producers with information on how products are included in K-food stores' selections and what factors affect how the product will do in the store.

THE TRADING SECTOR EMPLOYS YOUNG PEOPLE

The trading sector is the biggest employer in the Finnish economy, employing more than one third of all working people aged under 25. Source: The Federation of Finnish Commerce.

In Finland, 28% of Kesko employees were under 26 years in 2011.

The trading sector companies and the food manufacturing industry showed a strong increase in the Universum Young Professionals survey of 2011. Kesko's ranking among business economy students increased to 15th from 27th.

Kesko people regularly visit various recruitment fairs as well as business universities and polytechnics to give information on the K-Group's career and summer job opportunities, K-trainee programmes and retailer training.

The application period for the fourth K-trainee programme started in February

Slow-track checkout won popularity

The slow-track checkout (dubbed "Elä hättäile" in Finnish), which was piloted in K-citymarket Iso Omena in Espoo in late 2011, is aimed at customers who want their grocery shopping to be a more relaxed process. The idea of a slow-track checkout was developed to meet the everyday needs of customers with mental disabilities. The checkout also gained great popularity among the elderly and families with children and enjoyed wide publicity. K-citymarket is now surveying the stores in which it can implement the idea.

2012. For communication purposes, more use was made of social media channels, Kesko's Facebook site and the K-trainee videos. There were more than 500 applicants to the programme and the selections will be made during spring 2012.

The K-Group provides various training and summer jobs whenever possible. Most of the jobs are available in K-stores, but every year Kesko also employs thousands of summer employees, job trainees, and young people for short-term orientation to working life and for short-term summer jobs called 'Learn and earn'. Kesko participated in the 'Responsible summer job' 2011 and 2012 campaigns. In 2012, Kesko and the K-Retailers' Association are supporting K-stores' participation in the Finnish Family Firms Association's 'Summer job for 10th graders' project.

Many young store employees are full-time students and work during evenings and weekends. Retailer **Ville Kestilä**, who runs K-supermarket Joutjärvi and K-supermarket Ahtiala in Lahti, has good experience of employing young people.

"All our current 10 part-time employees worked for us during their 'orientation to working life' period and continued after that. Young people have a very high work ethic. Even the youngest take responsibility for what they do."

K-PLUSA POINTS AWARDED MORE THAN A MILLION TIMES A DAY

K-Plussa, the K-Group's customer loyalty programme, gained over 150,000 new customers in 2011. Approximately 2.2 million households – about 84% of all Finnish households – enjoy K-Plussa customer loyalty benefits.

K-Plussa benefits are available from more than 3,000 outlets and over 40 business partners. Customers make use of the customer loyalty programme more than a million times a day.

At the end of 2011, a new Traveller's K-Plussa card was launched for travellers visiting Finland, so that they can benefit from K-Plussa offers when shopping at K-Group stores. A contactless K-Plussa cash card, which makes shopping easier, was introduced in February 2012.

Since October 2011, Helsingin Energia and K-Plussa have offered Plussa electricity for their customers. It is produced by hydro-power and generates K-Plussa points for those K-Plussa customers who buy it.

VALUE DISCUSSIONS CONTINUED IN FINLAND

In late 2011, Kesko's legal affairs, risk management and internal audit functions organised a series of value discussions in Kesko Corporation and its division parent companies. At the discussions, the themes included opposing bribery as an important part of Kesko's responsible working principles and the management of the business environment in Russia. In the previous year, similar discussions were organised in Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus.

KESKO PEOPLE ARE ACTIVE IN ORGANISATIONS

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

In May 2011, Kesko hosted the General Assembly of UGAL, the Union of Groups of Independent Retailers of Europe, in Helsinki. The topics of the meeting included e-commerce and EU regulations. Kesko's General Counsel **Anne Leppälä-Nilsson** is a Board member of UGAL.

New 'Our Responsible Working Principles' guide

Kesko prepared the first ethical operating instructions for its employees in 1999 to help them with everyday work. In 2007, the instructions were published as a guide titled 'Our Responsible Working Principles'. The guide was translated into English and the languages of Kesko's operating countries and it became part of employee induction.

All Kesko employees are expected to commit themselves to following the principles in the guide in their own work. Employee familiarisation with the guide is monitored, for example, through an annual employee survey.

The guide is being revised in 2012: the contents are being defined, practical examples and instructions are being added to the guide and the visual look will comply with Kesko's new visual image. The new guide will be published in spring 2012.

President and CEO **Matti Halmesmäki** is a Board member of the Confederation of Finnish Industries EK and acted as the Board Deputy Chair in 2005–2011. At the beginning of 2012, he was elected the Board Chair of the Federation of Finnish Commerce.

The list of Kesko employees' activities in major organisations is available at www.kesko.fi/responsibility.

SPONSORSHIP FOR CHILDREN, THE YOUNG AND SUSTAINABLE DEVELOPMENT

In 2011, Kesko and its subsidiaries gave financial support amounting to approximately €1.1 million to various organisations and institutions.

Kesko was the main partner in Your Move, the Sports Event of 2011, organised by the Young Finland Association in Helsinki. The six-day event was targeted at young people aged 13–19 and attracted more than 42,000 participants. The young participants made birdhouses in Kesko's event tent, some of which were donated to parks in Helsinki.

The theme of Kesko's awards for sustainable development presented in 2011 was materials efficiency. The prizes were directed at projects which promote sustainable production and consumption. Voluntary work and the work done with limited resources were also considered valuable. The prizes went to Dodo's urban growers, Netcycler Ltd swapping service, the 'Yritetään yhdessä' (Let's make a joint effort) association, and the Small Green Workshop NY. The total amount awarded was €30,000. Rautakesko and Dodo's urban growers are cooperating in developing a 'Grow It Yourself' service. Read more on page 34.

K-citymarket and Anttila donated reflectors to schoolchildren for use during the dark days of autumn, toys to the Children's

Hospital, and women's clothing and toys for the mother and child home in Helsinki.

MORE ONLINE SERVICES AND E-COMMERCE

An increasingly high number of customers are searching for and comparing products and services and sharing information on the web. Customers can find detailed information about the products online, including, for example, a description of an individual product's path from a factory or farm to the store. The trading sector must be able to anticipate customers' future needs and provide the services they expect.

Electronic shopping and online retailing have become key competitive factors and in all the business divisions the strategic emphasis is on their development. The objective is to be strongly present throughout customers' purchase transactions, so that customers will be able, if they wish, to use web services, from planning their purchases to using the products.

Kesko has gained a strong position in online sales of home and speciality goods through the netanttila.com, kodin1.com, konebox.fi, cmstore.fi and budgetsport.fi online stores. Electronic services and e-commerce are also actively developed in the building and home improvement trade and the food trade.

In December 2011, K-market Ruoholahti started to test online sales of food through k-ruokakauppa.fi. Kesko Food is also planning to establish a joint online store with the home and speciality goods trade.

INTERACTION WITH CUSTOMERS IN SOCIAL MEDIA

In 2011, Kesko, K-Group chains and stores became active in social media.

Among the building and home improvement trade's chains K-rauta, Rautia and Byggmakker maintain dialogue with customers about building and renovation as well as related products and selections. In the home and speciality goods trade, K-citymarket and Anttila chains' Facebook sites became some of the most visited sites in Finland in a short time.

"The K-Group chains' sites and the approximately 200 Facebook sites of K-stores are important channels for customer service and dialogue between store people and customers. Customers can, for example, give feedback to stores and present ideas on selections or easily get replies to their questions concerning, say, product manufacture, origins or use," says Kesko's Social Business Director **Anne Laakso**.

Kesko also publishes news and has dialogue with its stakeholders via Twitter, LinkedIn and Kesko's Facebook site. The social media channels have also been increasingly introduced for providing information on vacancies.

"Our own employees should not be forgotten in social media," Anne Laakso points out and continues: "In addition to Kesko's intranet, the social media tool Yammer is provided for Kesko employees as an internal channel for exchanging news on current issues, finding the best information and receiving comments from fellow employees. While going social in business changes the way customers and companies communicate with each other, it also changes companies' internal operating models, job descriptions, interaction and the speed of information flow."

CASE

KESKO IS EXPANDING VIGOROUSLY IN RUSSIA

Kesko has had building and home improvement operations in Russia since 2005. At the end of 2011, there were 14 K-rauta stores in Russia, and the plan is to open 11 new K-rauta stores in 2012–2015.

In August 2011, Kesko acquired Intersport's Russian business operations and, at the end of the year, there were 36 Intersport stores in Russia. The aim is to double the Intersport store network by 2015.

In 2012–2013, four big grocery stores will be opened in Russia: two in the St. Petersburg area and two in the Moscow area. The aim is to acquire sites for at

least 10 large grocery stores in St. Petersburg and Moscow.

During the planning stage of Kesko Food's Russian operations, the emphasis is on the acquisition of store sites, staff recruitment and the preparation of business processes. The selection and training of the right staff is extremely important, as Kesko Food will employ thousands of Russians in the very first years. During the recruitment and induction process, it must be ensured that all new employees also commit themselves to working in line with Kesko's values and responsibility guidelines.

"Kesko Food's country director for Russia is a Finn who knows well Kesko and its operating principles, but nearly all other management board members are experienced Russian retailing professionals. General Director **Oleg Buyalski** has long experience of management duties at Auchan and Lenta in Russia. By recruiting Russian employees, we want to ensure a good understanding of local customer needs, cooperation partners and the operating environment," says Kesko Food's President **Terho Kalliokoski**.

CASE

LOCALLY BAKED PIRKKA BREAD

At the turn of the year, the Pirkka product range was complemented with an up-to-date new arrival: local Pirkka bread. The growing demand for local foods is met by testing a new business model in K-food stores in the Pirkanmaa region. Pirkka rye breads, barley breads and buns are baked by Leivon Leipomo, the local bakery.

Purchasing Manager **Sirpa Koppinen-Lindström**, who is responsible for Kesko Food's bakery and pastry products, says that the impulse to launch local Pirkka breads came from customers.

"Our customers have always loved local, genuine flavours. As the leading in-house brand in the Finnish retail sector, Pirkka follows trends and meets the growing demand for local foods. Bread was selected to be the product category for our first local food project, because it's in our bread



culture that different types of bread are traditionally eaten in different parts of the country."

Local Pirkka rye breads, barley breads and buns developed in cooperation with and baked by Leivon Leipomo meet the local demand. Customers now find products made by a familiar bakery from bread departments under the Pirkka brand.

"We want to combine the taste of familiar local bread with the high quality of

Pirkka products. People are familiar with products made locally. We try to meet the local taste as well as possible and a local bakery is our excellent partner in this," says Koppinen-Lindström.

Local Pirkka breads arrive at stores in normal deliveries from the bakery six days a week.

Pirkanmaa and Kanta-Häme were selected as test regions in order to find out how customers would receive the new Pirkka product concept.

Pirkka products are manufactured by more than 130 companies across Finland, which has a positive impact on regional employment. The production of Pirkka products provides many regional companies with an opportunity to increase their sales or gain nationwide distribution for their products.

CASE

RETAILERS JOIN FORCES TO SEARCH FOR NEW LOCAL FOOD CONTACTS

The retailers of seven big K-supermarkets in the Greater Helsinki area – Kontumarket, Seilori, Mankkaa, Kamppi, Yliveto, Mustapekka and Hertta – have joined forces in the search for new producers of local and organic foods. The selected venue was the Elma Food and Countryside Show in Helsinki in November 2011.

The retailers were particularly interested in finding new contacts and suppliers.

"Our customers want to know about the origins of food and the production and purchasing channels. We want to add more locally produced foods to our selections, because there is a clear demand for that and we want to respond to the competition. It's essential to make the markets

coincide," says **Heimo Välinen**, retailer of K-supermarket Seilori.

The seven K-supermarkets in the area sell meat produced nearby and fish caught in nearby waters, for example. In the summer and autumn, there are plenty of vegetables and root crops produced nearby in the stores' selections.

CASE

KONEKESKO'S SKIPPERS TOOK BOYS AND THEIR ADULT MALE FRIENDS ON A BOAT TRIP

For the second time, Konekesko Marine participated in the voluntary male mate activities by providing a boat trip in summer 2011. Konekesko's skippers **Harri Kosunen** and **Lasse Niskanen** took four children and their male friends on a one-day boat trip to the island of Kaunissaari. In addition to boating, the programme included grilling sausages on an open fire, playing petanque and an adventure in the woods.

The male friend activities of the Single Parents' Association is voluntary work, in which grown-up men act as friends and role models for children with no contact with their own fathers or other men.

"The Single Parents' Association has been developing adult male friend activities since 1992 in the Greater Helsinki area as an operating model that prevents the marginalisation of young boys – and

girls, too. The experiences gained have been splendid; single parent families have had invaluable support and hundreds of children have found a safe male role model. The support provided by companies and private persons has been essential for our operations," says **Juha Turtiainen**, Executive Director of the Single Parents' Association.

CASE

KARISMA AND VETURI WERE PLANNED ACCORDING TO CUSTOMER NEEDS

Karisma, the first shopping centre that Kesko has planned and had built, was opened in Lahti in November 2011. Kesko's next shopping centre, Veturi, will be opened in Kouvola in autumn 2012. Kesko is participating in around 20 shopping centre projects that are currently underway or being prepared.

Customer needs provided the basis for planning both Karisma and Veturi.

"A location at the centre of purchasing power, easy access, easy-to-outline space allocation, a profile that suits the area and the use of natural light," says **Mika Ohenoja**, Director of Kesko Food's shopping centre operations, listing the factors that provide the keys to a shopping centre's success. "Customers also value easy shopping, recycling points and baby care facilities."

In the future, the population will increasingly settle in towns and cities. Ohenoja believes that shopping centres will become so-called hybrid centres, complemented with connected residential or office premises and public services.

"The Land Use and Building Act is becoming stricter as far as the building of large units is concerned. Constructors have to assume more responsibility for



taking the big picture into account as part of the more comprehensive development of society. Kesko wants to be an active part of society and at the forefront when shopping centre operations are developed."

In the construction of the Veturi shopping centre, currently being built in Kouvola, the perspective of sustainable development has been taken into account from the very beginning.

"BREEAM certification, which defines the impact of construction on the environment, is applied at the centre during the construction phase. The timetables for public transport will be communicated to customers automatically on info boards and there will be recharge points for electric cars. From the construction phase on, the heating of the shopping centre is provided with ground heat," says Ohenoja.

CASE

K-PLUSA AND K-RETAILERS PROMOTE REGIONAL YOUTH ACTIVITIES

The main emphasis in K-stores' support activities is to provide support to children and the young. K-Plussa, the K-stores' customer loyalty programme, also has long traditions in providing support for youth work. Juniori KuPS, the supporters' association of the Kuopion Palloseura football club, and the K-retailers in Kuopio signed an extensive three-year cooperation agreement in December 2011, which will ensure that the youth work of KuPS will continue into the future.

K-retailers see the support given to Juniori KuPS as something that ensures the continuity of youth work that is important locally. Thanks to the agreement, K-Plussa and K-retailers together are an

important main cooperation partner of Juniori KuPS.

"K-Plussa's sponsorship service encourages and supports retailers in local cooperation models. It's great that such an extensive programme has been built in Kuopio to support important youth work," says **Heli Törrönen**, Customer Relationship Director of K-Plus Oy.

There are about one thousand members playing in Juniori KuPS teams. The club's A and B juniors play in the national football league of Finland, whereas Juniori KuPS is responsible for running 14 junior teams and 14 district teams.

K-stores play a significant role in the area of Kuopio: there are about 30 stores

and offices of Kesko and K-retailers in and around the town. Support given to Juniori KuPS is a natural part of K-stores' regional responsibility work.

"The work done by Juniori KuPS is good for society. Football teaches children social skills and encourages them to take part in physical activities. We want to support the sports activities of children and the young, and not only competitive sports," explains **Kari Niskanen**, Kesko's District Director for Eastern Finland.

In addition to Juniori KuPS, K-Plussa and K-retailers provided support to around 100 other junior teams in Finland in 2011.



A SENSE OF WELLBEING THROUGHOUT ONE'S CAREER

The pillars on which wellbeing at work is built in Kesko are the programme on wellbeing at work and the management model. These are divided into work and competence, management and leadership, life management and the working community.

A sense of wellbeing at work is something each of us experiences in our own way. For one person, wellbeing at work means a good job, motivation, joy and enthusiasm about work, while for someone else it means health, working capacity, safety or productivity.

Janna Pirhonen, Kesko's Manager for Wellbeing at Work, defines wellbeing at work like this:

"Wellbeing at work involves, for example, the opportunity to do meaningful work, in line with one's abilities, in a safe, pleasant and supportive working environment. In a healthy and profitable community, members support each other's work performance and take care of their own mental and physical wellbeing. The employer creates the right conditions for success and is, for its part, responsible for the wellbeing of the working community."

JOINT RESPONSIBILITY FOR WELLBEING

Wellbeing at work and a good working community do not come about by themselves. The supervisor and all members of the working community all have to do their bit.

The aim of Kesko's programme on wellbeing at work is to support employees' wellbeing and the implementation of Kesko's business and HR objectives.

"Maintaining and improving wellbeing at work increases employees' job satisfaction and motivation, decreases sickness, lengthens careers and improves the employer image, also increasing personnel productivity. It's nice to come to a healthy workplace and working community in the morning," says Janna Pirhonen.

WORK AND COMPETENCE

Wellbeing at work and competence go hand in hand. Wellbeing at work is based on the fact that employees feel that they know how to do their jobs. In the constantly changing operating environment, maintaining and improving competence is in the interests of both the employee and the employer.

Wide range of training

Employees can improve their competence in many ways: by learning from their fellow employees and work units, participating in various development projects, attending

courses and trainings, reading trade literature or studying online.

K-instituutti, which is a Kesko subsidiary, organises training for Kesko employees and store personnel. The courses available cover a wide range and many target groups, such as sales assistants working behind cheese counters, new supervisors, managers learning Russian or communications officers maintaining different companies' Facebook pages. In 2011, around 23,800 K-Group employees studied at K-instituutti.

In 2011, nearly 200 Kesko employees studied English in the EF online language school provided by K-instituutti.

"My interest in new methods of learning speeded up the start of my studies. I can study at any time most suitable for me using my own computer and, best of all, the group may consist of students from all over the world. Group discussions take place in the EF learning environment, in which everyone takes their turn just like in a real classroom, by indicating so. It's really worth coming along to learn new things," says an enthusiastic **Tarja Toivanen**, Kesko Food's HR Manager.

Aptitude assessment helps in recruitment

From the perspective of wellbeing at work, it's important that the employee's duties are suitably demanding. When work is sufficiently challenging without being overwhelming, people enjoy their work and are motivated.

When searching for a new employee for Kesko or a new retailer for a store, an aptitude assessment is often done for applicants. In the assessment, a psychologist examines how the applicant's abilities meet the requirements of the vacancy. Annually, Kesko orders approximately 500 aptitude assessments or resource surveys from Psycon Corporation, its cooperation partner.

"Job requirements and employee resources have to match. An experienced, skilled employee gets frustrated if the duties are not challenging enough. But if the duties are too demanding, the employee gets stressed and, in the worst case, suffers burnout," says **Tommi Lehtinen**, Partner Consultant (PsM) and Kesko's Customer Relationship Manager at Psycon Corporation.

An aptitude assessment provides the supervisor with important information about the future employee's character, objectives and motivation. Every employee who has been assessed is given a copy of the psychologist's report. This enables employees to develop their self-knowledge and obtain an assessment of their individual abilities.

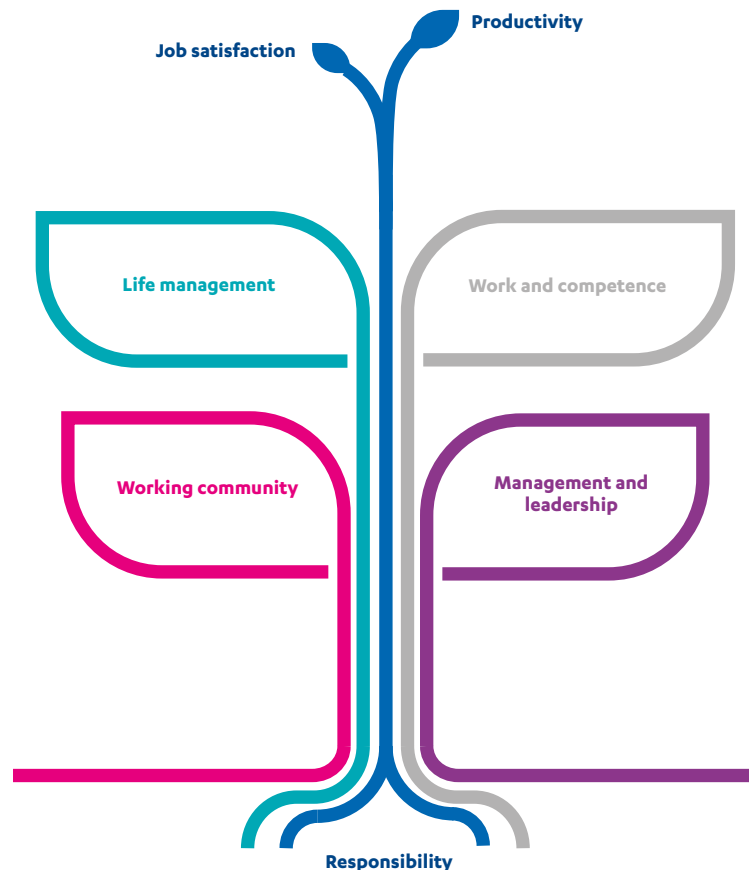
MANAGEMENT AND LEADERSHIP

In management and leadership, communicating the company's and the unit's strategies and objectives clearly is essential. Each and every employee has to know the objectives of their work and get feedback on implementing them.

With their leadership, supervisors create a basis for a good working atmosphere, which all employees can strengthen through their own behaviour.

Management model for wellbeing at work launched

Kesko's joint management model for wellbeing at work was completed at the beginning of 2011. During the year, the model was discussed in the management boards of the companies and it is now used in all companies and operating countries. During the year, Group- and company-level action



Support for wellbeing of veteran employees in Oulu

Kesko's District Centre of Northern Finland has nearly 20 employees aged over 55, with long careers in various divisions. The mission is to keep these key veteran employees working and fit as long as possible.

The six-month training for wellbeing at work, organised for 15 employees of the district office, started in November 2011. The purpose is to provide the employees with the means for taking care of their own wellbeing, health and ability to work. The training includes a health check-up, a heart rate variation analysis that measures stress and recovery, and a fitness test. An individual wellbeing programme is prepared for each participant, with the aim of providing support for wellbeing and advice for future working years.

WELLBEING AT WORK

plans for developing wellbeing at work were also prepared.

Training for supervisors on wellbeing at work

Kesko has around 1,200 supervisors in Finland, of whom about 500 participated in trainings on wellbeing at work in 2011. Training provides supervisors with information on leadership, uniform practices and initiatives concerning wellbeing at work. This helps them better support and develop the motivation and working capacity of employees in their own units.

Training events on wellbeing at work include discussions on what kinds of signs in daily situations should raise an alarm with supervisors so that an issue related to work performance, time management, harassment, bullying at work or physical and mental working capacity has to be dealt with. Participants also discuss the actions a supervisor could take to promote wellbeing in the working community.

Supervisors complete practical exercises on raising difficult subjects. For example, what to do if an employee is continually absent on sick leave or if the results of the unit's personnel survey are poor. The idea is that joint discussions promote employees' wellbeing at work, improve working conditions and the efficiency of the working community, alleviate work-load and enhance competence.

Supervisors in the car and machinery trade participated in the 'Let's Talk about Work' training in the Hämeenkylä mansion in Vantaa in November 2011.

"The programme for the day was very practical and the exercises gave us many ideas for solving challenging situations. It was also very useful to receive feedback on your own way of performing and acting", says **Martti Muona**, Director of

CASE

PHYSICAL EXERCISE AND THE RIGHT POSTURE PREVENT MANY PROBLEMS

Most employees of Bygghjælp Norge AS work in the office, where the main risk factors include ergonomic stress and the uneven distribution of work-load. Bygghjælp Norge has realised that it is best to focus on the prevention of any possible problems.

In 2011, every employee's workstation and posture were analysed and adjusted for proper ergonomic benefit. During the ergonomic week in autumn 2011, all employees were given a rubber band, a hand-squeezer and a five-minute exercise programme. They were encouraged to perform the exercises once a day, with

the possibility of registering the exercise and collecting points. The employee with the most points during the week was given a gift voucher for the local sports store.

Bygghjælp Norge's health care provider conducted collective group trainings in the gym, demonstrating movements one could perform to strengthen vulnerable areas and prevent ergonomic strain. In accordance with Kesko's well-being programme, the responsibility for one's own health was communicated throughout the week.

VV-Autotalot Oy, who was one of the participants at the training.

LIFE MANAGEMENT

The balance between work and leisure plays an important role in our wellbeing. The employer is responsible for creating the conditions for success and wellbeing at work. However, the ultimate responsibility for wellbeing lies with every individual.

State of wellbeing surveyed at Kesko

More than 2,200 Kesko employees replied to the wellbeing survey via Keskonet, Kesko's intranet, in spring 2011. Each respondent was given individual feedback on the results of the survey and tips on how to improve

their own wellbeing and what to take into account in their own lifestyle.

A summary report was also compiled of all the replies that are used for planning various activities. According to the survey, the state of wellbeing at Kesko is at a good average level when compared with other Finnish reference material. 69% of respondents were satisfied with their own work. The lifestyle and health results of employees were above the average and 80% of respondents felt that their ability to work was good.

"About half of the respondents suffered from problems with the neck and shoulder area and there also remains room for improvement in issues related to working capacity. The survey also revealed a clear

Fit Kesko employees

The K-fitness course is intended for Kesko employees and the programme has been planned by the K-instituutti training centre and Kesko's Occupational Health Service with the aim of supporting employees' physical and mental wellbeing.

Participants attend a one-week K-fitness course, followed by a weekend refresher after six months. During the follow-up weekend, changes in wellbeing are discussed and new targets are sought together in a group.

In 2011, eight K-fitness courses were organised, with 138 Kesko employees participating. There were 84 participants in the course for the over-40-year-olds, 14 participants in the course for over-60-year-olds, 20 in the course for 25-39-year-olds and 20 participants in the course with a focus on working capacity, which will also be the main theme of the courses in 2012.



connection between supervisors' management of wellbeing issues and employees' motivation and productivity. This also calls for development from us in some respects," says Janna Pirhonen, Manager for Wellbeing at Work.

Guide provides tips for better wellbeing at work

In autumn 2011, the Occupational Health Service and Human Resources units published a guide on wellbeing at work, which was translated into the languages of all operating countries. Supervisors were given instructions to distribute the guide to all employees in their units.

The guide covers various factors of wellbeing at work and provides tips and ideas on how to start the change towards better wellbeing at work.

The guide contains information about working community skills and leadership and gives practical advice on diet and physical exercise. The advice given in the guide is based on general recommendations in these areas.

Measurement and information on the wellbeing event

A wellbeing event for the office employees in Tampere and Katajanokka, Helsinki, was organised in May 2011.

Employees had a chance to take wellbeing-related tests and measurements, such as blood pressure, blood sugar, waistline, body composition, pressing power, balance and endurance of upper limbs.

Information was provided on self-care, the risk of adult diabetes, nutrition and other issues related to health and wellbeing. Lectures were given with information about

the wellbeing of the brain and the importance of communications and interaction in the working community. Information on the events and lectures was also available on Keskonet.

In spring 2012, the wellbeing event will be organised in Oulu and for the second time in Tampere.

WORKING COMMUNITY

In a good working community, it's a pleasure to work with other people. An effective working community achieves the targets set for it and copes with many kinds of situations. Every member of the working community contributes to, and is responsible for, the atmosphere. Every employee's attitude and enthusiasm affect the atmosphere of the whole working community.

The personnel survey supports the development of the working community

The wellbeing of the working community and the quality of management are measured at Kesko and its chain stores with an annual personnel survey.

In the 2011 survey, the Kesko Group's results improved on the previous year's. The total satisfaction was 3.90 (scale 1–5) and increased by 0.06 on the previous year. Marks given for the performance of supervisors and the development of the working community improved the most. The total average given for the performance of supervisors was 3.90 (+0.07), while the development of the working community was rated at 3.91 (+0.07).

For two years now, the development of wellbeing at work has been monitored with the help of an index that measures the work-

ing capacity of employees and work-load. The index is calculated on the basis of the following statements:

- I feel that I can cope well with my work.
- I feel that my work and leisure are mainly in balance.
- I'm enthusiastic about my work.
- I can influence my work and its content.

In 2011, the wellbeing at work index at the Group level was 3.75, the same as the year before.

Among Kesko employees aged under 26, total satisfaction was very high (3.95 for those aged 20–25 and 4.01 for those under 20). The most critical age category was 26–35-year-olds, who expressed a wish for investment in training and development opportunities, in particular.

"Kesko is revising the model of the competence survey, which will also improve our opportunities for more systematic personnel development," says Janna Pirhonen.

The results are used to develop or maintain the good operations of the unit. Over the years, Training Manager **Pirjo Kostiainen** from K-instituutti has been giving support to many of Kesko's units going through the results.

"Group work methods help in keeping the discussion balanced and solution-oriented. Breaking routines is worth a try, a new way of discussing job satisfaction in a group may reveal new features in your fellow employees and create fresh understanding and appreciation. It's good to proceed with small steps and follow the progress, say, on a quarterly basis," says Kostiainen, describing her experience.

Take a break

Office workers often sit for most of the day. It is, however, a good idea to take an occasional break, as too much sitting can cause problems with muscles and joints. Kesko Food's product research people know this and get together for some exercises every day – something they have been doing for 10 years.

" We assemble in the passage and do some exercises, rolling and stretching our bodies, stiff from work. At the same time, we have a chance to talk about this and that. Depending on the day, there are around 10 of us, which is roughly one third of all employees in the unit. After a short break, it's nice to get back to work again," say Research Assistant **Suvi Cuny** and Home Economics Teacher **Sanna Huovilainen.**





CASE **FLEXIBILITY** IN WORK

There are times in people’s working careers when the balance between work and private life has to be reconciled. Maternity and paternity leaves, child-care leaves, study leaves and job alternation leaves become familiar to many employees.

Some Kesko employees describe how they reconcile work and leisure:

1 Taija has been translating Kesko’s documents into and from English for 36 years, and since August 2010 as a part-time pensioner.

“I work for three days a week and have two days off. My work as a translator is busy when financial statements and annual publications, for example, come out. Being a part-time pensioner provides me with some flexibility: I can occasionally work more and postpone some days off. Now, I’ve got more time for my leisure interests, such as physical exercise and studying Italian. And it also gives me energy for the last years at work!”

part-time pension
Taija Mäentaka
Translator, Kesko Corporation

2 Anu was responsible for the home textiles department at K-citymarket Jumbo until the summer 2011. In the autumn, when her firstborn started school, Anu took her job alternation leave. The little schoolgirl had support for her days during the autumn, while her five-year-old sister could enjoy her mother’s company. Anu herself had time for physical exercise, handicrafts and meeting her friends.

“I started my study leave at the end of 2011, right after my job alternation leave. The plan is that after two years I will have completed my studies and I’ll be a qualified interior decorator. Both of the periods of leaves have been very important for me. Such an investment in my family, developing myself and my wellbeing cannot be measured by money alone.”

study leave, job alternation leave
Anu Roehr
Sales Assistant
K-citymarket Jumbo, Vantaa

3 For **Jarkko**, who works as a real estate manager, taking paternity leave following the birth of his first child went without saying. Jarkko was pleased to notice that his boss was most encouraging.

“I took paternity leave of 11 days right after our daughter was born and will take the remaining seven days later in the spring. My paternity leave was very significant for my family as you can never get back the first moments of a newborn child’s life. I will have my paternity month possibly when my daughter is about one year. And, of course, I will take my turn and care for her if she is sick, if needed, later when she goes to nursery.”

paternity leave
Jarkko Hanninen
Real Estate Manager, Kesko Food Ltd

4 Satu, who works as a communications officer in Kesko's District Office of Southeastern Finland, has two sons: **Oliver**, who is 11 years and **Emil**, who is two and a half. Satu took care of her youngest child at home for two years until August 2011, first on maternity leave and then on child-care leave.

"I took child-care leave because the idea of taking a baby of less than a year old to a day nursery seemed strange. I wanted my child to enjoy unhurried days during his first couple of years. My return to work has gone well, and it certainly helps a lot that I can agree with my supervisor to work at home when my child is sick. With the help of my laptop and mobile, I can perform many of my duties well at home."

child care leave

Satu Harden

District Communications Officer
Kesko/Southeastern Finland

5 Lotta has been working in various jobs at K-citymarket Länsikeskus in Turku since 2000. In January 2012, after her maternity leave and child-care leave, she returned to work and is now on part-time child-care leave. She works in the home textiles department for five days a month.

"I'm really pleased with this opportunity to have 'a soft landing'. Two small children take up much of a parent's strength: you sleep fewer hours and the kids are often sick. Now I can stay at home with my youngest one without fretting over how much work is left undone. My boss has been very positive about this leave and I can go back to full-time work so long as I give her enough notice."

part-time child care leave

Lotta Tammi

Department Assistant
K-citymarket Länsikeskus, Turku

6 Toni, who works as a product manager for VV-Auto Group Oy, has been doing part of his job as distance work since 2011. Toni and his wife **Mari** wanted to have 'a safety network' to help with the everyday life of the family and children and decided to move to Punkalaidun, closer to their relatives. Usually, Toni works in the VV-Auto offices in Vantaa for two days a week and in his office in Punkalaidun for three days a week.

"Thanks to distance work, I have more time for my family and, when working at home, I manage to make better progress with projects that demand concentration. My main customers, car salespeople, have not even noticed any change – things are dealt with using the telephone and e-mail messages in the same way as before."

part-time distance work

Toni Nieminen

Product Manager, VV-Auto Group Oy

CASE

THE RIGHT PERSON FOR THE RIGHT JOB

K-citymarkets have a great demand for competent employees. New stores are being opened and old ones are being refurbished. "This calls for competent people and an effective and efficient recruitment system, which ensures that the applicants' abilities meet with our expectations. Employment relationships have to succeed from the very beginning," explains **Sauli Ylöstalo**, K-citymarket's Development Director, who has developed the recruitment process.

The revised training recruitment process begins with setting objectives. Different competencies are required from hypermarket directors and sales assistants. Based on the objectives, applications are screened and those who are selected are invited to a recruitment event held in the hypermarket. Recruitment starts with a group interview, in which applicants discuss the topics given and take turns to

act as the chairpersons. The topic under discussion may be associated with a customer encounter at a store, for example.

Group interviews reveal the role which is the most natural for the applicant in situations of interaction. After the interview, everyone has an opportunity to show his or her practical skills with customers in a store, while also getting an idea of real retail store duties. Applicants' performances are assessed and monitored in the store exercise section with the help of various case tasks. Attention is paid to stress tolerance, customer-orientation and the ability to take fast action. On the basis of the assessment, some of the applicants are accepted for individual interviews, and the best of these are recruited to K-citymarkets.

Hypermarket directors have praised the new recruitment model, which makes the entire process less arduous for directors

and supervisors, who also have K-citymarket's recruitment specialists at their disposal. Recruited employees have been motivated and enthusiastic, which has had a direct impact on the performance of new stores.

"I was recruited as a sales assistant for the home department of K-citymarket Tammisto through the new model in January 2011. I think the model is really effective and practical. In store situation tasks, applicants can demonstrate how efficient and competent they are. You can always say that you are customer service oriented but the reality may be something else. Now, I'm a manager trainee alongside my regular work and my aim is to work as a K-citymarket department manager in the future," says **Pia Malmberg**, who is satisfied with her work at K-citymarket Tammisto in Vantaa.



CHOICES FOR THE BENEFIT OF THE ENVIRONMENT

In its operations, Kesko contributes to mitigating the progress of climate change by saving energy and increasing waste recycling and recovery. We also want to help our customers and business partners to contribute to the same effect.

Kesko has signed the trading sector energy efficiency agreement and committed to saving 65 GWh of energy by the end of 2016 by improving the efficiency of its energy consumption through various energy saving actions. The amount corresponds to the annual energy consumption of over 3,200 one-family houses.

Kesko actively participates in energy discussions and the development of energy legislation in Finland. Kesko is one of the owners of Suomen ElFi Oy, through which it makes statements and takes stands on matters which are considered to have an impact on the electricity market and the position of electricity users. Kesko Food's Maintenance Manager **Jari Suuronen** is a member of the Board of Suomen ElFi Oy.

WE PROMOTE ENVIRONMENTALLY FRIENDLY BUILDING

The design of a new store site or shopping centre relies on sustainable development, environmental friendliness and energy efficiency. When building new stores and renovating existing ones, we use solutions that reduce the consumption of materials and energy during the lifecycles of properties.

Kesko contributes to the development of green building and is a member Green Building Council Finland (FIGBC). FIGBC's main tasks include encouraging the use of

environmental categories for properties. Kesko uses internationally well-known systems for environmental categorisation, the British BREEAM or the American LEED systems best suited for retail store properties.

"We pilot the BREEAM system in categorising the environmental impacts of the Veturi shopping centre opening in Kouvola in late 2012, for example," says Kesko Food's Maintenance Manager Jari Suuronen.

In 2011, special attention in building contracting was paid to the heat insulation capacity of the outer shell of the building and to improving its tightness, which are highly important for energy efficiency. The results of tightness measurement in K-supermarket Jääli, opened in March 2012, were excellent.

"The K-supermarket Jääli building was designed to have a tight structure and good ventilation management in order to save energy. Oulu University of Applied Sciences conducted the tightness measurements, which gave the building an excellent result of 0.2 l/h. The tighter the building, the lower the value," says Jari Suuronen.

Rautakesko is building new, increasingly energy efficient stores in both Finland and other operating countries. Thanks to tightness and efficient heat recovery in particular, good results have been achieved in the energy consumption of stores modelled on

the new energy efficient concepts developed by Rautakesko and its partners.

“K-rauta Lahti’s air tightness value was 0.4 1/h and K-rauta Uppsala’s was 0.2 1/h. These are very good results, because values between 0–1 on the scale for one-family houses, for example, mean ‘very tight’, those between 2–5 are ‘normal’ and over 10 means ‘very leaky,’” says Rautakesko’s Building Manager **Petri Mörk**.

STORE REFRIGERATION EQUIPMENT MAKES USE OF CARBON DIOXIDE

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

Nowadays, increasingly many K-food stores save energy also by using carbon dioxide recovered from industry processes as refrigerant.

“Recovered carbon dioxide is a safe refrigerant and it does not deplete the ozone layer like freons, which were used earlier but are forbidden today. The stores using carbon dioxide as refrigerant consume 30% less heat energy than stores using other refrigerants,” says Maintenance Manager **Jari Pihlajamaa** of Kesko Food.

GROUND HEAT AS A SOURCE OF HEAT IN ONE-FAMILY HOUSES AND SHOPPING CENTRES

In recent years, ground heat pumps have become increasingly popular as heating systems. In 2011, ground heat was chosen for some 45% of new buildings. Ground heat pumps utilise the solar energy stored just beneath the ground surface or water systems.

K-rauta displayed ground heating and other housing solutions which save energy at its stand at the Housing Fair in Kokkola in summer 2011.

CLIMATE CHANGE

The ongoing climate change, which is the result of human activity, is primarily caused by the increasing amount of greenhouse gases, especially carbon dioxide (CO₂), in the atmosphere. If emissions continue to grow at the current rate, the accelerating greenhouse effect will raise the global average temperature by approximately 2–6 degrees by the end of the century. About one third of emissions are produced by housing, one third by transport and the rest by food and other consumer products.

Source: The Finnish Meteorological Institute, the Finnish Environment Institute (SYKE).

“Residents of one-family houses are very familiar with ground heat by now. It was in record demand in 2011. Hybrid heating solutions and solar energy in particular are expected to become increasingly popular,” says Sales Manager **Vesa Saarenheimo** of Rautakesko.

A ground heating system was adopted at the Veturi shopping centre in Kouvola already at the construction stage. Half of the cooling and heating power of the shopping centre is derived from the ground. Veturi also uses a carbon dioxide system for the store refrigeration units.

“In the summer, Veturi is cooled with ground cooling and, in the winter, the same holes convey ground heat. The shopping centre only needs district heat in very low sub-zero temperatures. Veturi is situated on a rocky, 14-hectare site with yard areas sufficient for accommodating about 130 cooling/heating wells. This gave us an opportunity to adapt new technologies to our store site construction. Not only does the shopping centre benefit from them, but it also gives us useful information for our future projects, says Building Contractor Manager **Seppo Kempainen** of Kesko Food.

Read more about Veturi on page 17.

STORES ENHANCE THEIR ENERGY CONSUMPTION IN MANY WAYS

Energy management and energy efficiency are emphasised in K-stores by means of maintenance operations and continuous monitoring conducted jointly by retailers. The store site maintenance organisation has been trained for effective energy management.

The biggest energy savings in stores are achieved by providing chest freezers with lids, by ensuring correct use of technical systems and by using LED illuminated signs.

The refrigeration equipment of all new K-food stores has lids and doors. The total length of lids and doors on K-food stores’ refrigeration equipment is nearly seven kilometres.

In 2011, K-food stores added doors to their juice and dairy cabinets. K-citymarket Hämeensaari, opened in early September, was one of the first stores to have doors on dairy cabinets.

“We are very satisfied with our dairy cabinets with doors. Protecting the environment also saves money. The annual saving in electricity achieved by this is about 30% compared to not having doors on the cabinets. An even temperature enabled by doors also

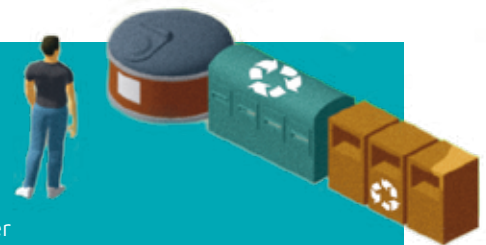
Eco Point Pilot also accepts plastic packaging

The waste legislation to be enforced at the beginning of May 2012 will change producers’ liability for packaging and set new requirements on the organisation of packaging recovery by consumers. Kesko Food is participating in the Eco Point Pilot research project on household waste run by the packaging producer communities, the trading sector and municipal waste treatment plants from January 2012 until August-September 2012.

Five K-food stores in the Tampere and Kuopio areas are involved in the project. The project is aimed at establishing

a recovery network and an operating model for discarded consumer packaging which would be efficient in respect of the environment and costs and fulfil the requirements of the new waste legislation.

Eco Point Pilot encourages customers to return their sorted household waste to the eco points at stores during shopping trips. In addition, the pilot point also accepts consumers’ plastic packaging. The eco points will continue to collect other sorts of waste, such as cardboard, glass and metal, as before.



CLIMATE CHANGE WORK

improves the quality and shelf life of products. Customers fully understand why we have added doors to the cabinets. There is no sense in letting the cold escape; we don't leave the fridge door open at home either," says retailer **Juha Ketola** of K-citymarket Hämeensaari.

THE RIGHT LIGHTING IN THE RIGHT PLACE

Energy saving in stores and homes is possible by planning the lighting and choosing the right kind of lighting.

Energy saving LED lights are used in the new illuminated signs of all K-Group stores. The resulting savings, compared to traditional neon and fluorescent tube solutions, are 60–70%. The Anttila and Kodin Ykkönen department stores have saved approximately 35% of their electricity consumption by using adjustable and directional lighting systems.

As a result of the law enacted by the EU for more efficient energy use, incandescent bulbs will disappear completely from stores in Finland in September 2012, and C-class halogen bulbs by 2016. Depending on the purpose, different types of bulbs, ranging from energy saving bulbs, or compact fluorescent lamps, to LED lamps and halogens, can be used for household lighting.

WASTE RECOVERY

Kesko Food's objective is to direct all generated waste to recycling and energy recovery. The recycling rate of waste from Kesko Food's warehouse and terminal operations improved to nearly 95% in 2011.

Kesko Food developed operating systems for K-food stores' waste management in Kesko's Greater Helsinki Area and Uusimaa districts in 2011.

"The development project included the adoption of new technologies in the recovery



Let's eat according to the season!

How might stores tell consumers about climate friendly product alternatives? This was the issue discussed by the CANEMU project food team consisting of District Sales Manager **Hanna Lähde** of Kesko Food, retailer **Taina Jansén** of K-supermarket Hannunniittu, Turku and District Communications Officer **Teija Hakula** of Kesko's District of South-western Finland.

The group reminds us that it would be better for the environment to eat

according to the season: Finnish tomatoes, cucumbers, peas and strawberries in the summer and vegetable marrows, outdoor cucumbers, apples and mushrooms in the autumn. Ideal shopping items in the winter are root vegetables, frozen berries and citrus fruits. In the spring, asparagus and rhubarb could be added to the shopping basket. In late 2010, Kesko joined the supporters of the CANEMU project for carbon neutral municipalities.

ery of biological waste, for example, and in the centralisation of stores' waste management reporting. At the end of 2011, the recovery rates of K-food stores complying with the new operating system were nearly 90%," says Environmental Manager **Timo Jäske** of Kesko Food.

Anttila's new logistics centre in Kerava handles deliveries to all Anttila and Kodin Ykkönen department stores and NetAnttila customers. The heating energy consumption of the logistics centre is approximately one fourth and its electric energy consumption approximately one third of the old warehouse located in Hämeenkylä, Vantaa. The recovery rate of the new logistics centre stands at 99% compared to the 97% rate of the Hämeenkylä warehouse. The improve-

ment is a result of using recyclable pallets, among other things. The logistics centre was granted the ISO 14001 environmental certificate in autumn 2011.

NEW WAREHOUSE FOR THE PRODUCTS OF THE BUILDING AND HOME IMPROVEMENT TRADE

Rautakesko's logistics services are provided by Itella Logistics, which is building a new logistics centre in Orimattila and is set for completion in summer 2013. The logistics centre will use sonar control for goods picking and the premises will be heated by a hybrid system using ground heat and gas.

Rautakesko's cooperation with Itella Logistics covers warehousing, terminal operations and transportation of building

CASE

KODIN YKKÖNEN'S AND ANTTILA'S ENERGY SAVING LIGHTING SOLUTIONS

The illumination of Kodin Ykkönen Tampere Lielähti has been designed with special attention to atmosphere and good product displays. The aim has been to make a visit to the store a pleasant and impressive total experience.

"Non-directional lighting was reduced, enabling products to be highlighted with lower power directional light fittings. As a result, electricity consumption has fallen by about 35% compared to previous lighting solutions. Good lighting is soft, elegant and effective, but also economi-

cal," says **Anne Jaakkola**, Store Design Manager of Anttila Oy.

The lighting system was implemented successfully, which was recognised when Kodin Ykkönen Tampere Lielähti received an honorary mention in the Lighting Solution of the Year 2011 competition. In the competition, participants were evaluated in terms of lighting technology requirements, economic and ecological elements, creative use of modern technology and contribution to the purpose of use, the architectural total solution and ambient comfort.

The Anttila Hyvinkää store has undergone an extensive renovation, including the replacement of its lighting system. The department store has an unusual lighting control system, even by international standards. The departments feature motion sensors that increase and decrease lighting according to customer flows. The power of basic lighting devices has been reduced and the number of spotlights increased for a better display of products. As a result, electricity consumption has fallen substantially compared to the old lighting system.

and home improvement and agricultural trade products. In addition to Finland, Itella partners with Rautakesko in Sweden, Norway, Estonia, Latvia and Russia.

FOOD WASTE HAS THE HIGHEST ENVIRONMENTAL IMPACT

Consumers can have an impact on the carbon dioxide emissions of their food when making choices in the store or actions at home by weighing up options such as: "Should I buy beef, Baltic herrings or oranges?" or "Should I fry or cook in the oven?"

Stores help customers choose by adding environmental or carbon footprint labels on environmentally friendly products, for example. In autumn 2011, Pirkka potatoes were the first Pirkka product to carry a carbon footprint label. Read more on page 34.

Finns discard around 23 kg/person of edible food per year. Many of us do not think that food ending in waste has the highest environmental impact. No more than half

a slice of rye bread or a single slice of ham ending up as waste is enough to cause a higher environmental impact than the production of the packaging and waste management. Source: MTT Agrifood Research Finland.

Kesko Food participates in the ECOPAF research project run by Tekes – the Finnish Funding Agency for Technology and Innovation and MTT Agrifood Research Finland, to find out whether the properties of foodstuffs packaging, such as size and usability, have any significance in the generation of food wastage.

"It is important that we are involved in research projects that provide information to support our solutions. For one thing, foodstuffs are not overpackaged nowadays. A more problematic issue is that foodstuffs packaging does not survive the distribution chain of logistics. Moreover, packaging sizes should be suited to different sizes of families," says Packaging Specialist **Marju Erävaara** of Kesko Food.



Ivana Helsinki's design called 'Auringonkehrä', gave the Pirkka reusable bag a new look.

Shopping bag does make a difference

Most customers continue to pack their shopping into an ordinary plastic bag. There are, however, reusable bags, biodegradable plastic bags and recycled plastic bags available at store checkouts.

The Pirkka recycled plastic bag, which received the 2010 Recovery Award of the Year, is made of 90% recycled plastic. Nearly all plastic waste from Kesko Food's largest grocery warehouse is directed to the manufacture of bags.

The Question of the Day on Keskonet, the Kesko intranet, revealed many friends of the recyclable bag:

QUESTION OF THE DAY

What kind of bag do you use most often for your shopping?



Total responses: **648**

CASE

PASSIVE COMMERCIAL BUILDING IN RAISIO USES SOLAR ENERGY

The Kodin Ykkönen department store, which is scheduled to open in Kuninkoja, Raisio, in spring 2013, will be the first passive commercial building in the Nordic countries. The building highlights minimised energy use and the utilisation of renewable energy. The aim is to gain annual electricity savings corresponding to the consumption of as many as 56 one-family houses heated with electricity.

"We want to find a building system for commercial buildings that is as responsible as possible. It involves several subcontractors who get the opportunity to try completely new types of environmentally friendly solutions in commercial building. Responsibility will also be highlighted in the services and products offered by the Kodin Ykkönen store in Raisio. Consumers are interested in products that help reduce the consumption of electricity, for example," says **Matti Pohjola**, Sales Director of Kodin Ykkönen.

NEW IDEAS FOR ENERGY EFFICIENCY

The building project is part of the Sustainable Community Technology programme of Tekes – the Finnish Funding Agency for Technology and Innovation. VTT Technical Research Centre of Finland and Kimmo

Lylykangas Architects, also participating in the project, aim to set target levels for the energy consumption of passive commercial buildings.

"Some 70% of the energy consumption of residential buildings is used for heating the premises and household water, and 30% is attributable to real estate and household electricity. In a typical commercial building, the proportions are the other way round, in other words, heating accounts for some 25% of the total energy consumption and electricity for 75%," says **Riikka Holopainen**, Senior Research Scientist of VTT Technical Research Centre of Finland.

Energy efficiency in Kodin Ykkönen Raisio will be achieved by the recovery of heat from ventilation, air tight structures and lighting solutions, taking customer movement into account. These functions are controlled by highly sophisticated real estate automation systems. Eco-efficient operations will enable the heating energy consumption of the department store to be reduced by some 60% and electricity consumption by some 50% compared to a traditional department store. In addition, the department store will have a photovoltaic solar energy system. There are only a few similar commercial buildings in Europe.

MORE ENERGY EFFICIENT BUILDING AND HOME IMPROVEMENT STORES IN ALL OPERATING COUNTRIES



Antons Andrianovs works at Rautakesko as an international real estate manager and controls the maintenance operations of Rautakesko's building and home improvement stores in Latvia, Sweden, Norway and Estonia. In addition, he acts as a consultant for Rautakesko's real estate properties in Russia. He travels on business a lot. On two or three working days a week, he tours building and home improvement stores in different countries and meets service producers and other Rautakesko people.

"It's very important to exchange experiences and information with colleagues

in different countries. Nordic companies have long benefited from buying electricity from a power exchange, for example, whereas the liberalisation of the Baltic electricity market has only started. The management of electricity purchase prices is one way of reducing costs," says Andrianovs.

Andrianovs and his unit not only take care of Kesko's real estate but also improve their energy efficiency in order to generate savings and increase property values.

"We started the improvement of energy efficiency in our real estate properties in

Latvia in 2009. Our objective was to gain results by adjusting their ventilation, heating and lighting systems. The results have been good: in 2011, the annual electric energy saving was approximately 28% compared to 2008. During the same period, the consumption of heat energy decreased by 59%," says Andrianovs.

"We adopted the same property management system in Estonia in 2011 and expect the results to be similar with those in Latvia. In 2012, we are planning to do the same in Norway and to conduct a survey of the K-rauta stores in Sweden."

An energy audit of K-rauta Ulmana, Latvia, was carried out in winter 2010–2011 to verify that the operations had been successful. The audit results showed that the K-rauta corresponds to a low-energy building.

"Work in property maintenance for energy efficiency is interesting, varied and challenging. By building energy efficient properties Kesko demonstrates a willingness to improve its energy consumption and support sustainable property development," says Andrianovs.

ENERGY EXPERT IS THE CUSTOMER'S PARTNER IN HOUSING TECHNOLOGY

Rising energy prices and the discussion in the media about climate impacts have made customers consider the energy consumption of housing. Heating is the biggest cost and an important environmental factor in a one-family home.

K-rauta's Energy Expert concept has been developed to make it easier for customers to choose between different heating and structural solutions. It helps both builders of new homes and renovators of old ones.

Solutions for higher energy efficiency are displayed at one in-store location where an Energy Expert sales assistant, familiar with house technology, serves customers by offering installation or material delivery solutions that best suit their homes.

According to **Tomi Mäkilä**, the Energy Expert at K-rauta Kuninkoja, most questions from customers concern repairs to old properties and the first steps towards energy efficiency. Should old radiators be replaced by modern floor heating and an oil fired boiler by ground heat in one go? Or would it be advisable to upgrade the existing boiler with solar panels, for example, or to add insulation to walls and the flat roof?

"The final decisions are usually made after visiting the customer's property and conducting a thorough energy survey," says Mäkilä.

Ground heat may reduce the energy bill substantially compared to oil heating. But if the house has poor insulation, heat will continue to escape. Pitfalls cannot be de-

tected unless the property is carefully surveyed, for example, with a thermo camera. In most cases, customers are not willing to conduct a total overhaul of their homes. Instead, they prefer a step by step approach.

"In addition, homes are very individual in terms of energy consumption and structures, which is why there is no single correct solution," says Mäkilä.

Energy Experts help customers confront the multitude of alternatives, regardless of whether the case concerns heating system replacement, adding insulation, window replacement, ventilation improvement or reducing the energy consumption of lighting. For customers, this means that all they need for an energy system renovation can be purchased easily and reliably from one place, K-rauta.



CASE

KNOW MORE, CONSUME LESS – THINK BLUE

The Think Blue principle is an important element in Volkswagen's environmental responsibility. It encompasses car models featuring economical BlueMotion Technologies, more energy efficient car manufacturing methods, reducing the environmental impact of car factories, promoting the use of renewable energy sources, and not forgetting driving comfort and responsibility. Volkswagen also challenges its customers to work for the benefit of the environment. You can start with small steps and try tips on, for example, an economical driving style.

USE THE HIGHEST GEAR POSSIBLE

The most economical gear is always the highest possible, because it helps reduce fuel consumption significantly. Volkswagen's smart DSG transmission automatically selects the right gear.

USE ELECTRICAL DEVICES SPARINGLY

Electrical car accessories provide comfort but increase consumption, if used unnecessarily. In sub-zero temperatures, for example, it is advisable to switch off seat heating as soon as the seat feels comfortable.

AVOID MAKING REPEATED SHORT TRIPS

The fuel consumption of a car engine is at its highest after cold start. If short trips only are made, fuel consumption can be as high as 30 l/100 km. It is advisable to try and combine as many errands as possible on the same journey, giving the engine time to warm up and consume less fuel.

CASE

INDOOR GROUP PEOPLE SET UP A BUS POOL FOR COMMUTING

The offices of Indoor Group, which had been located in Lahti for years, were joined with the other Kesko functions in Hakkila, Vantaa in November 2009. The idea of bus pooling was born as most employees continued to be resident in the Lahti district.

Now, after more than two years, there are still about 20 regular pool members

happily sharing the one-hour bus journey in the mornings and evenings. Commitment to a regular schedule gives much more than it takes. We have often talked about how economical and environmentally friendly our bus pooling is," says Indoor Group's Communications Officer **Päivi Hurri**.

CASE

REDUCING THE CARBON FOOTPRINT FROM TRANSPORTATION

A new type of trailer truck has been tested for the purpose of reducing the carbon footprint from K-food stores' transportation. A two-tier trailer – the first of its kind in Finnish retail distribution – was introduced for testing in September 2011. The new trailer will help us cut the carbon dioxide emissions from transportation by one third.

"In the new trailer, products can be loaded on two decks, which means that one trailer carries more than double a normal load. It also means that less transportation is required and the carbon dioxide footprint is reduced by one third, says **Mika Salmijärvi**, Managing Director of Keslog Ltd, the company responsible for K-food stores' logistics services.

The new trailer is being tested on the long-distance route between Vantaa, in the south, and Oulu, in the north of Finland. The experiences so far have been good.

Keslog's environmental system had its 10th anniversary in 2011; the ISO 14001 certificates granted to K-food stores' logistics operations in 2001 were the first of their kind in Finland. In addition to developing transportation, key elements in the environmental work in logistics include the continuous improvement of energy use and recycling efficiency. Long-established environmental work at all stages of the product and service chain has also produced results.

"Our current waste recovery rate is approximately 94%, whereas in the late 1990s, it was 70%. The waste generated is directed as extensively as possible to recycling and fuel production," says **Toni Pelin**, Keslog's Environmental and Safety Manager.

The trading sector can offer customers environmentally friendly choices only by taking account of the environmental impact of its entire supply chain. This encourages Keslog Ltd and K-food stores to continue improving the environmental efficiency of their goods deliveries.



RESEARCHED AND SAFE PRODUCTS

There are many steps between the manufacturer and the end-user. An individual purchase can only be successful if the right product has originally been acquired for the selection and the sales assistant knows the product and can tell about it to the customer. Kesko provides regular training for its buyers who are responsible for sourcing and purchasing and for sales assistants who serve customers in stores.

Customers must be able to rely on the fact that their responsible choices start as soon as they enter a K-store. And K-stores' function is to help customers make better choices.

PRINCIPLES AND STATEMENTS SUPPORT RESPONSIBLE PURCHASING

Kesko's purchasing principles guide Kesko's responsible purchasing. Above all, the principles are applied to purchases from countries where the risks of human rights and employee violations are the highest.

Various policy statements have been prepared to support purchasing. The new statements drawn up in 2011 were Kesko Food's palm oil policy and Kesko's stand on the sandblasting of jeans.

Palm oil is an important source of income to the national economies of those countries which produce it, but the expansion of palm oil production to new areas in the tropics is causing growing concern for the environment. Kesko Food recommends the use of Certified Sustainable Palm Oil (CSPO) for manufacturers of Pirkka and Menu products.

"Currently, the palm oil used in 10 Menu products and 14 Pirkka products – Pirkka pop corn and potato crisps, for example – is CSPO. Our aim is to go on replacing the current palm oil with CSPO in the products where palm oil is used," says **Matti Kalervo**, Kesko Food's Product Research Manager.

Kesko Food is a member of the RSPO, the Roundtable on Sustainable Palm Oil (www.rspo.org), which promotes the sustainable production of palm oil.

In the WWF Palm Oil Scorecard published in autumn 2011, the score given to Kesko for the responsibility of its sourcing chain of palm oil was 4.5 (max. 9), which exceeded the European average.

The sand used in the sandblasting process for jeans contains the mineral silica, which may cause incurable silicosis in the lungs of the workers who inhale the dust. In autumn 2011, Kesko stated that it does not allow sandblasting on its private label jeans. The stand is observed in the chains that sell jeans: K-citymarket, Anttila and Intersport.

The fish and shellfish statement is applied in Kesko Food's, Kespro's and K-food stores' purchasing of fish and shellfish and the products in which fish is the main ingredient.

The selections of Kesko Food, Kespro and K-food stores do not contain species given a red rating in the traffic light type format in WWF Finland's (www.wwf.fi) fish guide, such as eel, Atlantic Halibut and fresh tuna. Kesko Food, Kespro and K-food stores promote the species with a green rating, such as perch, pike, vendace, in their selections. When making decisions on selections, sustainable fish stocks and MSC certified suppliers are preferred. Kesko Food supports retailers' opportunities to sell fish caught in local waters using sustainable methods.

At the end of 2011, there were six MSC certified products in the Pirkka range.

GUIDANCE FOR SUSTAINABLE PURCHASING

For supplier audits, Kesko uses international assessment systems – BSCI auditing and SA8000 certification. The objective is to do business in high-risk countries only with those suppliers who have passed the audit. Kesko's suppliers in high-risk countries have around 247 BSCI audited factories.

Kesko has a Steering Group for Responsible Purchasing, which promotes the sharing of best practices within the Group. The steering group, which meets approximately four times a year, consists of the purchasing representatives of various divisions.

In China, Kesko supports its suppliers of home and speciality goods by monitoring activities. The local monitor guides, trains and oversees the terms of employment and working conditions of Kesko's Chinese suppliers, and the observance of environmental and chemical regulations. A total of 64 factory visits were conducted in China in 2011.

Rautakesko monitors and improves the working conditions of its suppliers in the Far East through Eurogroup cooperation. BSCI audits cover the evaluation of occupational health and safety practices, compliance with legislation concerning working time and compensation as well as management practice in the factories of Rautakesko's suppliers.

Kesko's buyers are provided regular training in responsible purchasing practices. Kesko Food's buyers of processed foods received more information on BSCI and responsible purchasing in December 2011.

"The event was useful for the whole product line. There was a wide-ranging discussion on how we could better promote and monitor BSCI audits of suppliers in high-risk countries. Responsible operating practices have a comprehensive impact on the whole purchasing process. At the very beginning, when searching for new possible suppliers, we observe the candidates and take up possible drawbacks. The aim is to find suppliers who share the same responsible principles as Kesko Food," says Product Group Manager **Tuuli Luoma**.

Tuuli Luoma became a member of the BSCI's Food Working Group at the beginning of 2012.

"From the group meetings, I'm expecting plenty of open dialogue with participants from different countries and a joint view on how to improve the processes. I believe that group work will increase the knowledge of the various sectors of responsible purchasing across the entire product line," says Tuuli Luoma.

TOP PRIORITY TO DOMESTIC PRODUCTS

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

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

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

LABELLING PROVIDES SUPPORT FOR CUSTOMERS

In the package labelling of its own brands and imports, Kesko complies with Finnish law and with EU legislation. Package labelling of Kesko's own food brands always comprises – package size and space permitting – nutritional values, even if not required by law.

All Finnish Pirkka products have had the name and location of the manufacturer indicated on packaging for over 25 years. Foreign Pirkka products bear the name of the manufacturing country. Finnish Pirkka products always carry the Swan label to indicate domestic origin if the criteria set for this are fulfilled. The current number of Pirkka products with the Swan label is nearly 270.

Since summer 2011, the country of origin of meat has been indicated on the list of ingredients in those Pirkka products which have meat as one of the main ingredients. Legislation requires that the area where fish has been caught must be indicated, but Kesko has expanded such information to concern also fish products in the Pirkka range, such as fish fingers and canned tuna. There are now around 260 products for which the origin of the main ingredient is indicated. The objective is to have the information on origin added to most meat and fish products by the end of 2012.

The country of origin is indicated on most private label products of K-citymarket and Anttila. This information will be added to the remaining products during 2012.

THE PRODUCT RESEARCH LABORATORY HAS ISO 17025 ACCREDITATION

Kesko Food has a Product Research Laboratory of its own, which monitors the quality of groceries and home and speciality goods sold by K-food stores, K-citymarkets and Anttila and Kodin Ykkönen department stores. It is the only research laboratory for trading sector private labels in Finland to have ISO 17025 accreditation, which is international certification. Based on the Food Act, this accreditation also enables acting as a self-control laboratory approved by the Finnish Food Safety Authority Evira.

Obtaining and maintaining ISO 17025 accreditation necessitates a high level and continuous development from the laboratory. The accreditation requires that a quality system in compliance with the standard has been prepared for the laboratory and the measuring instruments used are traceably calibrated and analysis methods validated,

Some 680 **K-environmental stores**

In the food trade, the building and home improvement trade and the agricultural trade, environmental management is based on the K-environmental store model. A K-environmental store works for the good of the environment, helping its customers to make sustainable choices. When a store becomes a K-environmental store, all its employees receive training in environmental issues.



RESPONSIBLE PURCHASING AND SALES

meaning that their functioning has been checked before implementation.

Eight of the research methods used by the Product Research Laboratory have been accredited: for example, microbiological salmonella and listeria definitions and chemical definitions of salt and formaldehyde. The FINAS service of the Centre for Metrology and Accreditation examines annually the operations and the accredited research methods of the Product Research Laboratory.

“Inspectors come to our lab for a day, monitor the practical work of laboratorians and compare it with working instructions. They read through our research documents and other documentation. We receive an inspection report, which lists possible deviations that should be corrected during the time limit set. Our objective is to improve continuously the operations of the laboratory,” says Laboratory Chemist **Timo Kivi**.

PRODUCTS ANALYSED BEFORE PURCHASE DECISIONS

In 2011, the Product Research Laboratory analysed 10,369 product samples. The number of research analyses carried out on home and speciality goods has increased: in 2009, the laboratory carried out about 6,700 analyses, while in 2011 the number exceeded 21,000.

One of the research methods is the determination of formaldehyde content, which

is performed for around 4.5% of the textiles and tableware analysed.

“In particular, we analyse textiles that come into contact with the skin, such as children's clothing and bed linen, the finishing agent of which may contain formaldehyde. Formaldehyde has been found to be harmful; it irritates the eyes, respiratory tracts and mucous membranes. Finnish legislation and the chemicals list used at Kesko set very strict limit values on formaldehyde,” says Research Engineer **Satu Nissi-Rantakömi** of Product Research.

According to Nissi-Rantakömi, the amount of formaldehyde found in textiles is very seldom so high that it leads to a rejection. Suppliers know that Kesko demands high quality from the products it sells. If an analysis reveals that a garment contains a lot of formaldehyde, another product will be chosen for selections.

“New sheets, towels and clothes of small children should always be washed before use, to dissolve possible formaldehyde residues in washing water,” says Nissi-Rantakömi.

FAIRTRADE FLOWERS AND SHEETS

Two of Kesko's divisions – the food trade and the home and speciality goods trade – cooperate with Fairtrade Finland and offer Fairtrade products to customers.

Changes were made to the international rules of Fairtrade in 2011.

“The international Fairtrade organisation began a historic reform process, when a decision was made to give half of the voting rights in Fairtrade International, the umbrella organisation, to farmers in developing countries. Rules that apply to Fairtrade combination foods, such as ice cream, yoghurt, soft drinks and bakery products, also changed and now they allow for a higher use of domestic ingredients in Fairtrade products,” says **Janne Sivonen**, Executive Director of Fairtrade Finland.

In 2011, Kesko Food had 158 Fairtrade suppliers in 35 countries. Kesko Food had 222 Fairtrade products in its selections, of which 38 were Pirkka Fairtrade products. The most popular Pirkka Fairtrade products are flowers, bananas, coffee, juices, cocoa and chocolate.

The products sold by Kesko Food generated a total of over €280,000 as Fairtrade premium for social development projects. Out of this, Kesko Food's flower sales accounted for €178,000 as Fairtrade premium.

Anttila and Kodin Ykköjen department stores and the NetAnttila online store sell around 70 products – towels, sheets and clothing – made from Fairtrade cotton.

CASE

THE PRODUCT'S PATH OPENS UP THE PRODUCT'S ROUTE

Customers are interested in product origins and the working conditions across the entire production chain. In spring 2011, we made a decision to tell our customers in an illustrative way what happens before a product reaches the shelves of stores. We selected 18 key products representing various product lines, half from

Finland and the other half from other countries. On the Product's Path map, we describe the manufacture of these products and their journeys from farms or factories using texts, pictures and videos. The Product's Path map was published at kesko.fi and pirkka.fi in summer 2011.

UTZ Certified (www.utzcertified.org) is

an international certification programme that ensures sustainable production and sourcing of coffee. UTZ certified coffee has been produced according to the certification programme's corporate responsibility and environmental requirements.

At the end of 2011, Kesko Food had 18 UTZ certified products among its selections, six of which were Pirkka coffees. All Kesko's Menu coffees are UTZ certified.

In the Product's Path, we talk about the growth of coffee beans used in UTZ certified Pirkka coffees, their journey from Brazil to Finland and the quality control of coffee in our Product Research unit. The video advises customers on how to trace the origins of an individual pack of coffee on the Internet all the way back to the coffee farm.



READ MORE AT:
www.kesko.fi

PIRKKA FAIRTRADE ORGANIC BANANAS GROWN IN PERU

K-food stores' aim is to increase the selection of Pirkka organic products from the current number of around 70 to 100 during 2012.

The most recent addition to the selection of Pirkka organic products is Pirkka Fairtrade Organic bananas, which came into stores in March 2012. The bananas have both Fair Trade certification and GlobalGap certification.

"We wanted to combine Fairtrade and organic production in the same product to make it easier for our customers to make responsible choices. Fairtrade guarantees a steady income for farmers and good working conditions for employees. In organic production, food is produced using natural methods without artificial fertilisers and pesticides," says Purchasing Director **Tarja Jukkara**, who is responsible for fruit and vegetables at Kesko Food.

Pirkka Fairtrade Organic bananas come to Finland from Peru. The search for the supplier started in spring 2010.

"We conducted a survey of possible countries of origin, suppliers and farmers who would meet our requirements concerning certificates, availability and quality. Purchasing Manager **Janne Vuorinen** visited Fairtrade organic farms in Ecuador and Peru in September 2011. During the autumn, we had negotiations with the candidates who got that far and then made the final selection. Package planning and other practical work also took some time. Pirkka Fairtrade Organic bananas reached K-food stores' fruit and vegetable departments in March 2012," says Tarja Jukkara.

MASTER SALES ASSISTANT TRAINING GOES ONLINE

Kesko's subsidiary K-instituutti has been training retail salespeople through the Master Sales Assistant course for over 50 years. The training is implemented for each chain of the food, building and home improvement, agricultural, and home and speciality goods trades. The content is prepared in cooperation with suppliers and the chains.

In 2011, the Master Sales Assistant training had more than 15,900 participants in the K-Group in 12 different product lines. The training is also provided online by more than one hundred business colleges and polytechnics, in which more than 3,500 participants completed the training in 2011.

"The Master Sales Assistant training as distance studies provides many young people with good knowledge of the sector. In addition to product-specific information, students are given general information on good customer service, consumer protection and environmental issues as well as on current matters in the K-Group," says **Anu Haapoja**, Training Manager at K-instituutti.

The training culminates in the Master Sales Assistant finals for the best sales participants. At the K-Team Event organised in November 2011, 36 individuals and 78 representatives of teams attended the finals.

In March 2012, the training was launched online and participants are able to study flexibly according to their own schedules, whenever they find it suitable.

"Online training helps us reach higher numbers of students. Updating the material throughout the year will be fast and providing information on new arrivals and seasonal products will be easier. On the web,

it is also easy to attach pictures, videos and links to other online training," says Anu Haapoja.

TRAINING IN LIGHTING FOR BUILDING AND HOME IMPROVEMENT STORE STAFF

Rautakesko will arrange training in lighting and lighting design for salespeople of K-rauta and Rautia stores in autumn 2012. The training will be implemented as an online version as collaboration of K-instituutti and Rautakesko. The content has been prepared in cooperation with Osram, Motiva and the Illuminating Engineering Society (IES) of Finland.

"In the training, we will address the recent major trends in lighting equipment and the changes and interpretations of comparison values (watts vs. lumens), for example. As customer expectations for the competence level of our salespeople are high, the training will also cover technical issues and installation regulations. We will highlight the energy efficiency perspective and provide more information on recycling and the trading sector's contribution. The most essential aspects concerning the selection and placing of lamps will also be in the programme. The aim is to deepen our salespeople's knowledge and skills in many lighting-related areas. Our consumer customers are increasingly interested in lighting and how to implement it," says **Marita von Herten**, ICM, Design and Installation Services, from Rautakesko.

CASE

KESKO FOOD PARTICIPATES IN THE DEVELOPMENT OF ORGANIC PRODUCTS

The popularity of organic food is growing. Kesko Food and K-food stores are strongly committed to developing organic products in cooperation with producers, the industry and other parties working for organic production. Kesko Food is a founding member of the Pro Luomu association, established in March 2011 to promote the target-oriented development and growth of organic production in Finland and to advance the meeting of the demand for and supply of organic products. The vision of the Pro Luomu initiative is that by 2015 organic products are a part of consumers' and food chain operators' everyday lives

and the product selection meets consumers' needs, covering the key categories.

"In autumn 2011, the objective set to K-food stores was to double the selection of Pirkka organic products from fifty to around one hundred by the end of 2012. This is well underway. At the end of 2011, we had 73 Pirkka organic products, and new ones are being added each month," says **Juha Andelin**, who is responsible for the Pirkka product range at Kesko Food.

The most popular Pirkka organic products include Pirkka Organic eggs, lettuce and carrots.

Sales of organic products in K-food

stores have been clearly increasing for some time now, particularly in 2011. The proportion of organic products out of the total sales of Pirkka products is already higher than their proportion of the average sales of all products.

In addition to Pirkka organic products, Kesko Food more than 1,000 organic products in its selection. K-food stores also have local organic products in their store-specific selections, such as dairy, bakery and meat products and vegetables. These selections are also being continuously developed and expanded on the basis of customers' needs and wishes.

CASE

GROW IT YOURSELF

The trend of food growing, popular throughout the world, is now on the rise in Finland, too. At the moment, there are not yet many complete solutions available for customers who want to try urban growing or other small-scale cultivation of their own food.

The purpose of the 'Grow It Yourself' concept created by Rautakesko for K-rauta and Rautia chain stores is to make concrete the responsible concept and develop solutions for home gardeners for the small-scale cultivation of high-quality, natural and

clean food. A cooperator in finding means for promoting the idea has been Dodo, an environmental organisation which has been promoting and acting as a pioneer in urban growing. Dodo's urban growers received the Environmental Award of the City of Helsinki and Kesko's award for sustainable development in 2011.

Rautakesko is developing the concept in cooperation with suppliers. The aim is to make small-scale food cultivation easy and fun for customers. Food can be grown on a balcony or in a small yard, but one can also manage without a yard and green fingers.

Special modules will be built for 'Grow It Yourself' products in K-rauta and Rautia stores. During the winter season, the emphasis is on the store where seeds, equip-



ment for preliminary plant treatment and kitchen herbs are sold, but the spring season will shift the focus outdoors as soon as plants and seedlings arrive. As the season progresses, larger seedlings gain more ground. The concept will be experimented with in a number of K-rauta stores in spring 2012.

CASE

OIVA SMILES WHEN EVERYTHING IS OKAY

The Oiva experiment is a new way of monitoring foodstuffs and an example of an open operating method, easily visible to customers. The information obtained by food supervision is published in the form of an Oiva report. A smiling face on the door of a store or a restaurant shows that everything is okay. Corresponding operations in other countries have served as a model.

The Oiva practice was experimented with in various parts of Finland from April to December 2011. The experiment included food stores and restaurants in Helsinki, Heinola, Kerava, Jalasjärvi, Ilmajoki, Kurikka and Lappeenranta.

Food supervision in Finland is coordinated by the Finnish Food Safety Authority Evira, but inspections are made by each

community. Oiva inspections are always conducted by the municipal inspector, who checks temperatures, the handling and manufacture of foodstuffs, sanitation and hygiene competence certificates, for example.

After an inspection, the store or restaurant receives an inspection report and the Oiva label on the door to indicate the result of the inspection. A smile means that operations are at an exemplary or good level, while a more serious face indicates that the operations require attention, either as a matter of urgency or for a certain period of time.

Retailer **Jesse Lintumäki** of K-market Ahjontori in Kerava was taken by surprise when he received the first Oiva report for his store.

"Though results in various areas covered by the report were all good or excellent, the score for hand hygiene was passable. In the Oiva system, the total score is determined on the basis of the lowest partial score, and so our total score was passable, that is, a 'sour Oiva face'. We soon found out that the reason was a problem that was easy to fix. One of the employees at the service counter had forgotten to wear gloves and she also had a ring on her finger. A renewed inspection gave very good results: the level of store operations was exemplary," says Lintumäki with a smile.

On the basis of the experiment, the plan is to introduce the Oiva system across the country during 2013.

CASE

POTATO HAS A SMALL CARBON FOOTPRINT

Pirkka was the first trading sector own brand to include a carbon footprint label on packaging. The label was introduced on Pirkka potato bags in October 2011.

"With the help of carbon labelling, we are able to tell our customers what kind of impact the product has on the environment and so increase their awareness of the issue," says **Matti Kalervo**, Kesko Food's Product Research Manager.

The carbon footprint is a measure of the impact caused by a product, activity or service on the environment. It shows how much greenhouse gases are generated during the life cycle of a product or activity.

The carbon footprint labels on Pirkka products are easy to read. The triangle and dark frame of the section describe the product's carbon footprint on the total scale. The unit used in Pirkka products

is grams. The carbon footprint of Pirkka potatoes is 16 g per 100 g.

The carbon footprint of Pirkka potatoes shows the producer's proportion of carbon dioxide emissions, but the size of the carbon footprint can also be measured during the entire life cycle of the product. The Pirkka.fi site provides information on carbon dioxide emissions of potatoes during their life cycle, from cultivation to the dinner table.



CASE

CHARITY CAMPAIGNS IN 2011

BRACELET CAMPAIGN HELPED KENYAN MOTHERS AND CHILDREN

In May, Kesko Food implemented a bracelet campaign for the second time. Kenyan women made 300,000 bracelets, which were included within the covers of Pirkka Fairtrade flower bunches. Part of the money coming from bracelet sales is used for the public good in Inkoriento, the home village of the women. The funds raised by the previous campaign of Kesko Food were used to buy a water tank, which provides clean water for 10,000 Kenyans.

FAIRTRADE ROSES TO MOTHERS ON MOTHER'S DAY

Kesko celebrated Mother's Day at the 'Expectation' sculpture in Kaivopuisto Park in Helsinki on 8 May. At the event, mothers and grandmothers were given 10,000 Pirkka Fairtrade roses. The Fairtrade premium generated to Kenya from K-food stores' sales of flowers totalled around €158,000 in 2011.

TWO DRIVING ASSISTANTS

In the 'summer job beyond compare' campaign organised by Volkswagen Commercial Vehicles, Antero the Assistant took small waste electronic equipment for recycling and Annukka the Assistant was in charge of food service transportation to old people.

PINK RIBBON CAMPAIGNS PROVIDE SUPPORT FOR BREAST CANCER RESEARCH

Pirkka Fairtrade Pink Ribbon roses were sold in K-food stores in October. For every bunch of roses sold, €0.10 was donated to the Pink Ribbon breast cancer campaign of the Cancer Society of Finland. The total number of bunches of roses sold was around 100,000 and the sum donated exceeded €10,000.

The Facebook sites of Anttila and NetAnttila were launched in October and they organised a charity campaign, the aim of which was to donate, with the help of 'likes' on the sites, €10,000 to the Pink Ribbon campaign of the Cancer Society of Finland. Each fan increased the sum to be donated by €0.10. The sum obtained was over €5,300. Anttila and NetAnttila donated the rest and the total donation to the Society was €10,000.

In the spring, K-rauta stores sold Pink Ribbon herb pots and watering cans, donating 10% for every product sold to the Cancer Society of Finland. The sum donated totalled €8,200.

CLEAN WATER TO AFRICA

In May-December, K-food stores and Bonaqua donated three litres – and in September six litres – of clean water to Mozambique for each bottle of water

bought in K-food stores. In practice, water was donated as 'Lifestraw' filter straws and family filters to be used for cleaning water. The amount of clean water donated to Mozambique for the Bonaqua bottles sold by K-food stores totalled over 10 million litres.

SUPPORT FOR THE PROTECTION OF THE BALTIC SEA

K-food stores and Ben & Jerry's carried out a collection campaign in K-food stores. For each half a litre can of Ben & Jerry's ice cream sold during the campaign, €0.10 was donated to the WWF's Operation Mermaid. The campaign raised more than €14,000 for the WWF.

GOOD CHRISTMAS SPIRIT

Kesko participated in the Good Christmas Spirit collection, which was arranged for the 15th time in November-December. Kesko's Board of Directors donated €35,000 to the Good Christmas Spirit collection, which generated more than €1 million for low-income Finnish families.

TETANUS VACCINES TO DEVELOPING COUNTRIES

K-food stores participated for the fourth time in the international vaccine campaign of UNICEF and Pampers in November-December. The campaign included Pampers, Ariel and Fairy products. For each product sold, K-food stores donated an additional vaccine. In all, K-food stores collected and donated more than 1.2 million vaccines for UNICEF.

POTS AND PANS RECYCLED

In February, Anttila and Kodin Ykkönen department stores and K-citymarket hypermarkets participated in Hackman's recycling campaign, during which consumers brought used pots, pans and cutlery to stores. More than 8,400 kilos of products were returned for recycling and nearly 100% of their raw materials – steel and aluminium – can be reused.





THE RIGHT FOOD AND EXERCISE INCREASE **HEALTH**

Kesko and K-stores encourage their customers and employees to adopt healthy lifestyles, eat healthily and be physically active in order to maintain good health and fitness. Kesko's responsibility programme includes several objectives related to healthy lifestyles and responsible product selections.

Customers expect the trading sector to make an effort to develop and provide healthy selections. The Responsibility Survey for 2011 ordered by Kesko Food from TNS Gallup revealed that customers are very interested in product safety and a healthy diet.

Customers expect stores to provide a good and reasonably priced selection of health promoting products. Customers consider it important that healthier products are developed by reducing or removing additives as well as fat, salt and sugar. Many customers wish that stores take special diets into account and that staff are able to advise them on how to make healthy choices.

WE HELP OUR CUSTOMERS AND EMPLOYEES IN HEALTH PROMOTION

Promoting healthy lifestyles, eating habits and physical activity is essential, especially in our food and sports trade.

The duties of Kesko's Occupational Health Service include promoting and monitoring employees' health and wellbeing and ensur-

ing that they are able to work in a healthy and safe environment.

K-FOOD SPECIALISTS ARE EXPERTS IN HEALTHY AND BALANCED FOOD

K-Food Specialists, experts in nutrition and special diets, have been trained for K-food stores since 2010. There are already 560 employees with this qualification in K-food stores. The training, organised by K-instituutti, consists of independent studies – both online and in-store learning from day-to-day service situations.

Soile Hannonen, who works as a sales assistant in K-citymarket Keljo in Jyväskylä, is the 500th K-Food Specialist.

"Customers appreciate balanced and healthy food and follow various diets. Tourism has increased their interest in different food cultures and foreign recipes. The K-Food Specialist training provided me with a lot of new information about package labelling, Pirkka products, special diets, various religions and cultures and in-store

communications, for example,” says Soile Hannonen.

Soile has been pleased to find out that the knowledge provided by the training helps her offer new alternatives to customers and solutions to their problems.

“Just a little while ago, a customer asked for gluten-free bread when a coeliac friend of hers was coming for a visit. I showed her the store’s wide selection of gluten-free bread, ranging from toast to loaves and rolls – fresh, frozen or available on a special shelf,” says Soile.

MONOSODIUM GLUTAMATE REMOVED FROM PIRKKA PRODUCTS

During the past four years, Kesko Food’s product research has been reducing sugar, fat and salt from Pirkka products that contain much of them. By the end of 2011, nearly 90 Pirkka products had been reformulated.

Monosodium glutamate (E621) has been removed from nearly 50 Pirkka products. Kesko Food has made a decision to reduce monosodium glutamate, even if legislation does not require so.

“Several studies have proved that monosodium glutamate is a safe additive in reasonable quantities. For some people, however, glutamates cause headaches, palpitations and nausea. Some think that monosodium glutamate creates a sensation of the fifth basic taste, the pleasant umami taste, while others think that it gives an industrial taste to foodstuffs. We have removed monosodium glutamate from Pirkka cold cuts and Pirkka kebab hamburgers, for example,” says **Matti Kalervo**, Kesko Food’s Product Research Manager.

FRUIT AND VEGETABLES AT ONE EURO FROM K-SUPERMARKETS

A large and well-managed fruit and vegetable department is one of the most important departments of the K-food store. K-supermarkets have, on average, 70 varieties of fruit and 150 vegetables and root crops in their selections. In addition, retailers complement their selections with products from local producers.

During the 2011 autumn event, all of the more than 200 K-supermarkets in Finland organised a Fruit&Veg campaign, in which different fruit and vegetables were offered at one euro per kilo, package, box or bag.

Retailers participate actively in the annual fruit and vegetable campaign. During the campaign, sales of fruit and vegetables multiply. Customers have thanked us for the campaign and asked about the date of the next campaign.

“The Fruit&Veg campaign is the absolute culmination of the event in our store. All

the staff of the department take part in its planning, well in advance. Customers carry home bags full of fruit. Favourable prices also inspire them to try more exotic fruits,” says **Veli-Pekka Hussi**, retailer of K-supermarket Manhattan in Turku.

BERRIES ARE DOMESTIC SUPER FOOD

According to nutritional recommendations, we should, in addition to fruit and vegetables, eat different wild berries, which contain lots of vitamins, trace elements and flavonoids. The most commonly used domestic berries include blueberry, lingonberry, cloudberry, sea buckthorn and crowberry.

In the Pirkka range, you can find domestic frozen strawberries, blueberries and lingonberries. During the harvest season, K-food stores also sell fresh domestic strawberries and highbush blueberries under the Pirkka label. In the summer and autumn, K-food retailers also buy berries from local berry pickers and farmers.

“We should eat fresh berries as much as possible during the harvest season. Berries are light domestic super food and excellent in baking. Berries are also an ingredient in tasty smoothies and other refreshing beverages. Fresh berries bought or self-picked in the summer can be preserved for winter, either frozen, as jam or juice,” says **Heta Rautpalo**, Kesko Food’s Consumer Service Manager.

In 2011, Kesko’s Board of Directors donated €10,000 to the Arctic Flavours Association, which promotes the use of berries and other natural products.

CUSTOMERS INQUIRE ABOUT HEALTHY EATING

Kesko Food’s Consumer Service unit answers customers’ questions and feedback every day. In 2011, the unit had 20,215 customer contacts.

“Different fats, additives, organic, Fair-trade and domestic products as well as the countries of origin of products are issues that generated discussion and raised questions over the year. Customers want to have more information about the salt content, omega-3 fatty acids and the use of additives in products. Occasionally, assistance is needed in the interpretation of nutrient labelling: the GDA label – the Guideline Daily Amount – is still causing some confusion among consumers,” says Heta Rautpalo.

Many consumers contact the unit to thank us for stocking those products that are suitable for their diets.

“Many customers are pleased that monosodium glutamate has been removed from cold cuts. Some prefer artificially sweetened light products, while others go for full-fat products sweetened with sugar. We constantly receive thanks for organic products, but also questions about their origins, the supervision of organic production and the use of additives,” says Heta Rautpalo.

SPORT FOR ALL

Intersport, Kesko’s sports store chain, encourages people to be physically active. Intersport offers a diverse range of sports equipment and encourages customers to participate in sports. There are 56 Intersport stores in Finland and 36 in Russia.

Occupational Health award to Occupational Health Physician Helena Rossi

The Finnish Association of Occupational Health Physicians granted this year’s Occupational Health award to Helena Rossi, Kesko’s Occupational Health Physician-in-Charge for her distinguished work in the training project for the treatment of depression, run by the Finnish Institute of Occupational Health. Helena Rossi participated, in cooperation with specialists, in coordinating and conducting a nationwide depression training tour of the Finnish Institute of Occupational Health in 2008–2011. According to the jury, Helena Rossi and **Katinka Tuisku**, Specialist in Psychiatry and the project trainer for the Finnish Institute of Occupational Health, have successfully adopted good practices in the treatment of depression and also written a guidebook on depression treatment tools for use by Occupational Health Service units.

HEALTHINESS

According to Intersport's Sport to the People concept, sport has something for everyone, regardless of age and level of interest. In 2011, business operations in line with the 'Sport to the People' concept progressed to cover all the stores in the chain in Finland.

Every Intersport store in Finland organises a physical activity event for its customers at least twice a year. The aim is to promote a healthy way of life and encourage people to be physically active. At the events, the stores offer customers body composition and Footbalance analyses and demonstrate various forms of physical activity and related aids, such as special footwear and socks. Customers also have a chance to consult a personal trainer, nutritional therapist and product demonstrators.

Intersport's online pages (www.intersport.fi) provide tips on training and equipment for running, cycling and ball games, for example.

IS KETTLEBELL FOR ME?

One form of exercise that has gained popularity in recent years is kettlebell training. A kettlebell is a metal ball with a handle, and the training suits all, regardless of fitness level or gender.

Partial daily allowance helps the return to work

After a long sick leave, when the ability to work has not yet fully returned, a partial return to work may be an appropriate solution. The partial daily allowance granted by Kela, the Social Insurance Institution of Finland, supports a disabled employee's ability to continue in working life and return to his or her full-time work. With a permission by an occupational health physician, the employee returns to work on a part-time basis, doing 40–60% of the hours, performing duties agreed by the employee and the supervisor at the occupational health negotiations. A partial return to work is planned in co-operation by the employee, the Occupational Health Service and the supervisor. In 2011, Kesko's Sickness Fund granted partial daily allowance to 230 employees, which is 158% more than in 2010.

Intersport Rintamäki in Oulu demonstrated kettlebell training for the first time at the store's customer event in November 2011.

"In connection with the Sport to the People event, we organised a kettlebell demonstration in the store's backyard. We

welcomed all beginners interested in the sport as well as more experienced fans. We provided kettlebells of different weights to enable everyone to try it out, say, with a 12-kilo kettlebell. **Tinja Repo** from Haukiputaan Heitto, a local sports club, demonstrated safe but efficient forms of kettlebell

CASE

GUIDANCE FOR SENIOR CITIZENS

Intersport megastore Lielähti in Tampere was full of talkative 60–70-year-olds on a Thursday morning in October. Many of them said that this was the first time in their lives that they had entered a sports store, a place they had previously considered as somewhere for competing athletes only. Retailers **Timo** and **Sanna Tiitinen** succeeded in convincing senior citizens who had been avoiding sports stores to come and see for themselves.

"We had been thinking about how to encourage senior citizens to take up physical activity and visit the store. According to our Sport to the People concept, sport has something for everyone, regardless of age and fitness level, and this formed the basis for idea generation. **Janne Haarala** from the Pulmonary Association suggested that we cooperate in organising an event, which would support the association's nationwide outdoor activity day for elderly people. The local Diabetes Society also joined in by providing information on the increasing prevalence of type 2 diabetes, and the importance of physi-



cal activity in its prevention. As older people have more problems with their feet, we also invited a company that imports various gel protectors and supports and a physiotherapist from a local health clinic," explains Sanna Tiitinen.

The participants were very interested in the exercise tips and various aids that help in physical activities. Many Footbalance analyses were made during the event and insoles correcting foot position were added to shoes. Intersport also provided the participants with an opportunity to

join in with guided Nordic walking tours.

"The participants were smiling and pleased. One of the ladies thanked us, saying that for once something had been arranged for people of her age. The day was also one of the finest ever at work for us employees. We decided to repeat the event. It's important that sports stores take the ageing population into account. Retired people have the time to take care of their fitness and we have to provide tips, equipment and clothing for them," says Sanna Tiitinen.

training. Participants were very enthusiastic and raised a lot of good questions for Tinja,” says **Anne Holla** from Intersport Rintamäki.

HEALTH IS WORTH MAINTAINING

The aim of Kesko's Occupational Health Service is healthy employees, an efficient working community, and a healthy and safe working environment. The unit cooperates closely with various Kesko offices. Monitoring employees' health and working ability is a continuous joint effort between the unit and each office.

Kesko's Occupational Health Service has signed a service provider agreement with Kela, the Social Insurance Institution of Finland, valid from the beginning of 2012. Kesko's Occupational Health Service produces related services for Kesko employees in the Greater Helsinki area. In other parts of Finland, such services are acquired for companies covered by the agreement on a centralised basis. In other countries, occupational health care is arranged according to the local social legislation.

“Employees across the whole country benefit from the adoption of the centralised provision of occupational health care services and target-oriented management practices,”

says **Pirjo Anttila**, Chief Physician of Kesko's Occupational Health Service, and continues:

“Our aim is that all employees in the Kesko Group have available to them occupational health care services to the same extent and content throughout Finland, without the previous diversity of outsourced services.”

HEALTH CHECK-UPS PROVIDE INFORMATION

Before the start of employment, all new employees have a medical check-up. The content of the check-up varies according to whether the employee will work in the office, warehouse or store.

Regular medical check-ups are conducted for the following age groups: 35-, 40-, 45-, 50-, 55-, 58-, 61- and 64-year-olds. They consist of laboratory tests, filling in different questionnaires, an examination done by a nurse and, if required, by a doctor.

In all medical check-ups, the employee's health and working ability is assessed in relation to job requirements, after which a health plan is drawn up together.

In connection with the check-ups, fitness tests are carried out for those aged 35 and 40. In 2011, fitness tests of 30-year-olds were also included in the programme.

“Musculo-skeletal disorders are very common in the trading sector, even among young people. We wanted to include a new age group in our tests, so that those who have been neglecting their health would wake up in time to do some exercise and take care of themselves with future in mind,” says Pirjo Anttila.

ADVICE AND WEIGHT CONTROL

The Occupational Health Service provides individual guidance for employees in many kinds of situations – in personal crises, case of burnout or if something is threatening their physical health. If needed, gym classes and tailored exercise and health advice groups will be set up.

Many employees who want to lose weight have received support from their occupational health nurse.

“First, we discuss issues related to diet and life-style and think about which factors would best help the employees with weight control and feel good for them. This way we can best motivate them and guide towards the right kind of weight control. The kilos alone don't tell the whole story. Good results are often obtained when changes in the body composition index, the ratio of fat

CASE

OCCUPATIONAL HEALTH SERVICE PARTICIPATED IN PLANNING THE WORKING CONDITIONS AT THE LOGISTICS CENTRE

Kesko's Occupational Health Service unit has participated in the planning of Anttila's new logistics centre since the autumn 2009. The aim of the cooperation with the representatives of the logistics centre was to make the new premises as ergonomic and safe as possible for employees.

“We participated in Anttila's planning working group when equipment and tools were selected for the logistics centre. We carried out a work safety analysis in the areas of high-bay storage, case and pallet picking and robot case picking. We thought over the intensity of lighting and the location of equipment and displays. The assessment of work hazards was made in cooperation with the occupational safety unit. We recommended that electrically adjustable packaging tables should be acquired for the small goods packaging unit to enable people of different height to work in an optimum position. It's also important for employees that there is an occupational health



clinic and a new gym in the premises,” explains Occupational Physiotherapist **Kristian Turklin** from Kesko's Occupational Health Service.

The new logistics centre was officially opened in August 2011. Work with the

occupational health care will continue.

“During spring 2012, we will arrange work safety training for all the employees of the logistics centre, prepare a work site survey and repeat the assessment of work hazards,” says Kristian Turklin.

HEALTHINESS

and muscle, are monitored on a monthly basis. Many people have succeeded in losing a lot of weight simply by starting to eat properly and regularly," says **Pirkko Laine**, Occupational Health Nurse at the Katajanokka clinic.

REHABILITATION PROMOTES WELLBEING

Rehabilitation is organised in cooperation with Kela, the Social Insurance Institution

of Finland. The ASLAK vocationally oriented medical rehabilitation for those with early symptoms and the TYK rehabilitation courses aimed at maintaining the ability to work are courses that are annually applied for groups of employees operating in various duties. Five ASLAK courses were granted in 2011 and 49 employees started rehabilitation on them.

AD **Sirkka Paldanius** from Anttila department store marketing and **Anneli Teräspää**,

Anttila's Purchasing Specialist, attended the ASLAK course organised at the premises of Kuntoutus Orton Oy in Helsinki in 2011.

During the four weeks, Sirkka and Anneli had an opportunity to focus on themselves and learn how to control stress. They tried many new sports – from qigong and Flexi-Bar to various types of aquabics.

CASE

PIRKKA OMEGA-3 PRODUCT PROMOTES HEALTH

Kesko Food and K-food stores are actively increasing their selections of healthy and balanced foods, and more functional products are also being added to the Pirkka range. K-food stores want to help their customers make healthy choices when shopping for daily groceries. One basis of a healthy diet is a sufficient amount of omega-3 fatty acids.

The Pirkka vegetable fat spread 38% omega-3 improves the fatty acid composition of a diet. Fish oil has been added to the spread, which makes it rich with omega-3 fatty acids. Furthermore, the spread is salt-free and fortified with vitamins A, B, D and E.

Omega-3 fatty acids are polyunsaturated fatty acids, which should make up

one percent of our daily intake of energy. Good sources of omega-3 are fish oil and vegetable oils. According to Finnish nutritional recommendations, the daily diet should contain around 2–3 grams of omega-3 fatty acids.

CASE

JOINT EFFORT TO QUIT SMOKING

Rautakesko and Indoor Group started a 'Quitting smoking' campaign in September 2011. The aim of the campaign was to encourage Kesko employees to test their lung capacity and stop smoking.

The good results achieved in the non-smoking campaigns of other divisions were made use of in the campaign. VV-Auto implemented a campaign called 'Put it out!' in 2010 and Kespro organised a 'Towards less-smoking Kespro' campaign in 2010–2011. K-supermarket Peltola in Järvenpää has had the principle of non-smoking staff since the store opened in 2009.

In September, Kesko organised two events in Hakkila, Vantaa, where employees were given advice, lung capacity tests and carbon monoxide measurements. The events attracted 88 people, of whom 24 were smokers, 26 ex-smokers and 38 non-smokers.

All those who had low values at blow tests or had symptoms were advised to contact the Occupational Health Service for evaluating the need for and performing more detailed inspections.

Ten people started the 'Quitting smoking' campaign and three of them stopped smoking. There was also a peer group in

Hakkila, which met once a month. Participants of the peer group considered the support given there as important.

Rautakesko and Indoor Group contribute to successful quitting of smoking by paying for the expenses of withdrawal and medical treatment.

CASE

Pirkka.fi RECIPE SERVICE REVISED

The Pirkka.fi site was revised in 2011. The revised pages, particularly the recipe search, now meet better the needs of modern web users and home cooks.

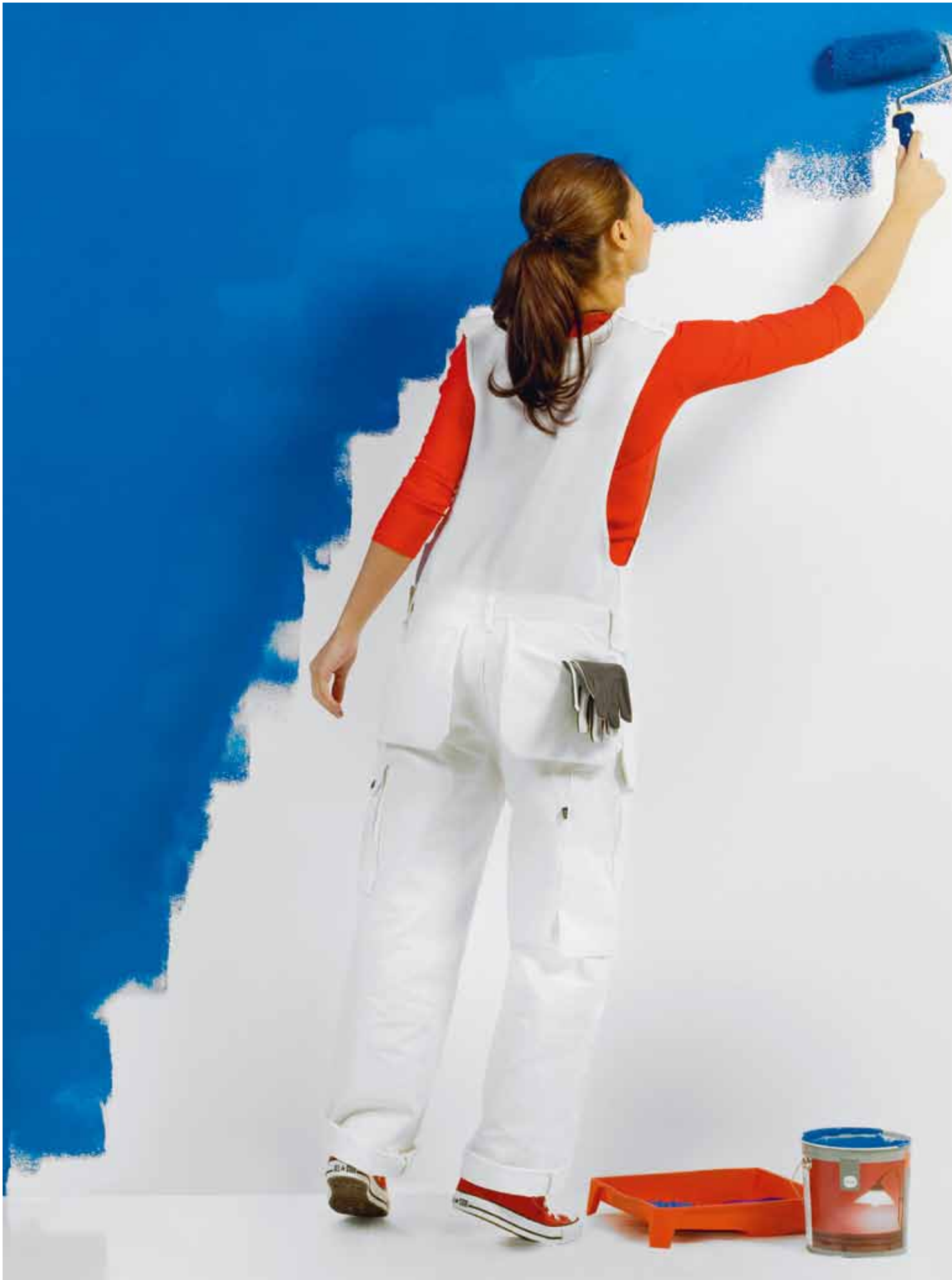
Special diets have become increasingly common and more and more Finns are interested in a healthy lifestyle and eating habits.

The revised Pirkka recipe search is available for Finnish customers in the Recipes and Cooking section of the Pirkka.fi site. It allows them to search for meal ideas according to the ingredients available at home or by directly using the name of the recipe.

“The specified search enables consumers to search for recipes according to special diets and, for example, search for gluten-free, egg-free, milk-free, sugar-free or vegetable dish recipes. In addition, nutrient contents have been calculated for all of the 4,700 plus recipes, which makes healthy cooking choices easier,” says Home Economist **Leena Korkalainen** from the Pirkka test kitchen.

The recipe service has also been developed in a more interactive direction. Users are free to comment on, recommend or criticise recipes. The ‘Own kitchen’ service available on the Pirkka.fi site provides an electronic recipe leaflet, where you can save your own favourite recipes from the Pirkka recipe search or your own leaflets. In the service, you can also share recipes and food photos with other users, design menus, and create and send shopping lists by text message and e-mail.





RESPONSIBILITY MANAGEMENT

IMPACTS OF KESKO'S OPERATIONS

44

The impacts of Kesko's operations can be divided into economic, social and environmental impacts. We develop and offer trading sector services, we employ directly and indirectly and we have products manufactured and we sell them.

MATERIALITY ASSESSMENT OF KESKO'S CORPORATE RESPONSIBILITY

46

In our responsibility work, we concentrate on the material: matters which concern our stakeholders and have a present or a potential future impact on Kesko's business operations.

KEY PERFORMANCE INDICATORS FOR 2011

47

In terms of materiality, we have determined the most significant key performance indicators discussed in the report.

OPPORTUNITIES AND RISKS

48

Responsible operations provide opportunities for improved competitiveness and growth, but also requires risk identification.

RESPONSIBILITY IN DAY-TO-DAY OPERATIONS

50

Kesko's responsibility work is based on Kesko's values and vision. It is guided by the management system, stakeholder analysis, operating principles and the guide 'Our Responsible Working Principles'. We identify management approaches to material aspects.

WHAT ARE THE IMPACTS OF KESKO'S OPERATIONS?

ILLUSTRATION: MIKAEL ERIKSSON



A PRODUCTION

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

B LOGISTICS

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

The impacts of Kesko's corporate responsibility can be divided into economic, social and environmental impacts. Kesko is a service sector company which, in addition to its own direct impacts, has indirect impacts related to the production, use and recyclability of goods, which play a significant role in the overall picture. The impacts of Kesko's operations on society are illustrated in this diagram, which also includes examples of such indirect impacts.



C STORE

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

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

D USE OF PRODUCTS AND SERVICES

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

WE CONCENTRATE ON THE MATERIAL

The materiality assessment of Kesko's responsibility, which was updated at the end of 2010, guides Kesko's corporate responsibility work as well as work with stakeholders and defines measures in response to stakeholders' expectations.

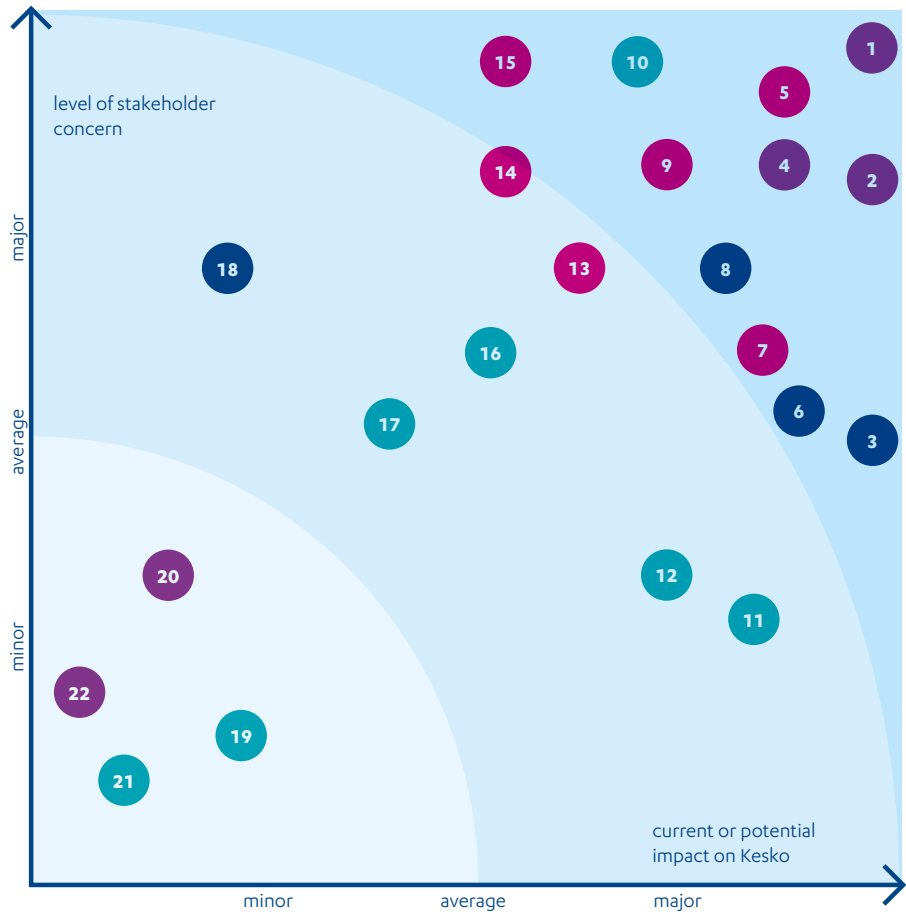
Kesko has also defined the indicators presented in this report in terms of materiality to the company itself. Moreover, the materiality assessment is an important tool in updating Kesko's responsibility programme, which continues in 2012.

The definitions of stakeholder analysis and materiality assessment of the Kesko Group's responsibility work can be read in more detail at www.kesko.fi/responsibility. Kesko's stakeholder process is also described in this report, on pages 53–54.

RESPONSIBILITY TRENDS

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

Kesko's material corporate responsibility areas are presented in the adjoining matrix. The vertical axis shows the level of concern for the stakeholder groups and the horizontal axis the current or potential impact on Kesko. The level of concern for stakeholders has been assessed as a whole, which is why the weightings of areas by separate stakeholder groups are not shown in the matrix. The areas can be divided into four categories: economic responsibility, environmental responsibility, human resources responsibility, and responsible purchasing and sales. The trends impacting responsibility are listed to the left of the matrix.



HUMAN RESOURCES RESPONSIBILITY

- 3 Development of personnel competencies and diverse duties
- 6 Occupational health and safety
- 8 Good working community (fair, provides equal opportunities and promotes employee wellbeing)
- 18 Steady employment relationships

ECONOMIC RESPONSIBILITY

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

RESPONSIBLE PURCHASING AND SALES

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

ENVIRONMENTAL RESPONSIBILITY

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

KEY RESPONSIBILITY PERFORMANCE INDICATORS

	2011	Change from previous year	2010	2009
ECONOMIC RESPONSIBILITY				
Net sales (€ million)	9,460	●	8,777	8,447
Profit before tax (€ million)	282.1	●	312.4	216.6
Return on capital employed (%)	13.2	●	16.0	11.0
Dividends (€ million)	118	●	128	89
Salaries, fees and social security costs paid (€ million)	571	●	521	535
Goods, materials and services purchased (€ million)	9,188	●	8,526	8,257
Capital expenditure (€ million)	425	●	325	198
ENVIRONMENTAL RESPONSIBILITY				
Electric energy consumption of properties (GWh), all operating countries	839	●	844	827
Heat energy consumption of properties (GWh), all operating countries	361	●	406	363
Water consumption of properties (1,000 m ³), all operating countries	952	●	892	772
Specific electric energy consumption of properties (kWh/gross m ²), Finland	211	●	214	209
Specific heat energy consumption of properties (kWh/gross m ²), Finland	88	●	108	92
CO₂ emissions, tons				
■ Energy, all operating countries	141,083	●	148,991	143,766
■ Transportation, Finland	46,350	●	47,543	46,213
■ Air miles, Finland	2,101	●	1,935	1,971
■ Company cars, Finland	2,949	●	2,505	2,600
Waste recovery rate (%)				
■ Finland	92	●	84	85
■ Other operating countries	67	●	71	68
SOCIAL RESPONSIBILITY				
Number of personnel, average, Finland	10,056	●	9,914	10,284
Number of personnel, average, other operating countries ¹⁾	8,904	●	8,300	8,916
Number of personnel, percentage of women, Finland (%)	59.8	●	60.7	60.9
Number of personnel, percentage of women, other operating countries (%)	43.5	●	46.2	50.1
Gender equality ²⁾	4.11	●	4.02	4.03
Age equality ²⁾	4.07	●	4.00	4.00
Ethnic equality ²⁾	4.19	●	4.12	4.12
Performance and development discussions, (%), Finland ²⁾	76	●	76	77
Performance and development discussions, (%), other operating countries ²⁾	65	●	63	58
Pirkka Product Research				
■ suppliers audited	32	●	43	41
■ product samples tested	10,369	●	8,826	8,177
■ feedback to Consumer Service	20,215	●	19,106	20,999
■ product recalls,	87	●	80	61
of which recalls of own branded products	28	●	24	21
Social quality control in high-risk countries				
■ direct purchases from high-risk countries, Finnish companies (as % of all purchases)	1.8	●	1.5	1.6
■ SA8000 certified suppliers	10	●	24	30
■ suppliers included in BSCI auditing process	247	●	188	119
Number of Fairtrade products in Kesko Food's selections	222	●	213	150
Fairtrade premium contributed by Kesko Food, €	280,000	●	240,000	210,000

1) The figure for 2011 includes OOO Johaston, Russia

2) Personnel survey, scale 1–5



KESKO'S RESPONSIBILITY PROGRAMME ON PAGES 58–59.

OPPORTUNITIES AND RISKS

The material aspects of Kesko's corporate responsibility are presented in the materiality assessment on page 46. Impacts from Kesko operations related to these aspects are illustrated on pages 44–45. The issues closely connected to the strategies of Kesko and its divisions, which are estimated to create business opportunities and generate competitive advantages are discussed in more detail in the 2011 Annual Report on pages 8–11. Risk management is discussed in the Annual Report on pages 52–53 and at www.kesko.fi/investors.

KESKO PROMOTES SUSTAINABLE DEVELOPMENT JOINTLY WITH ITS CUSTOMERS

As a multi-division company operating in eight countries, Kesko offers responsible product alternatives and service solutions to a great number of consumers in nearly any sector of consumption.

Kesko's product and service selections provide a wide range of choices with which Kesko and its customers together can reduce the adverse effects of consumption and promote sustainable development. Kesko responsible day-to-day operations create possibilities to improve competitiveness and increase healthy, profitable business.

BUSINESS OPPORTUNITIES

In all of its divisions, Kesko actively develops store selections and services to meet customer needs. New products are sought with a customer-driven approach. As early as in preparing product specifications, for example, product characteristics, such as ingredients, allergens, microbiological features and nutritional values can be determined. For home and speciality goods a list of banned chemicals, maintained by Product Research, has been adopted jointly with a policy which defines the quality level required of products and which every supplier is expected to comply with. Packaging is designed and their material is determined before purchasing regardless of division.

The importance of responsible purchasing can be expected to increase and more

detailed information on product origin and manufacturing methods must be provided to customers. The aim in products offered to customers is to take account of their impacts on consumption during their entire life cycles.

Maintaining a comprehensive store network is one of Kesko's objectives. Maintaining the store network and visits in shopping centres and stores generate some of the environmental impacts which Kesko aims to help reduce jointly with its stakeholder groups.

The emissions from the production of electrical and heat energy for Kesko's own properties represent a significant part of the K-Group's environmental impacts. The K-Group's environmental policy obliges Kesko's real estate operations, in cooperation with its business partners, to develop solutions for the building, repair, concept changes, maintenance and use of real estate properties that reduce the consumption of materials and energy during the life cycle of these properties.

Kesko also helps customers find energy efficient solutions. The products and services of the building and home improvement trade which improve the energy efficiency of housing enable customers to find suitable solutions for their homes and support sustainable development. In the car trade, voluntary energy labelling help customers choose cars which are more economical and have a smaller environmental impact.

The implementation of the EU's Integrated Energy and Climate Policy, and the Finnish Government's energy policy will affect future energy solutions and may increase energy prices, adding to energy saving pressures. Kesko wants to support a total solution towards carbon dioxide free production, reduce Finland's dependency on imported energy and enhance the efficiency of the electricity market. To this aim, a Kesko subsidiary, Kestra Kiinteistöpalvelut Oy, is a participant with a 2.8% share in the Fennovoima project which aims to build a new nuclear power plant in Finland.

Kesko also actively examines the use of renewable energy sources. The use of, for example, soil and water as sources of heat as well as solar energy, will be a potential alternative as the technical solutions become increasingly sophisticated, in the same way as the condensation heat of the refrigeration units in stores is already being recovered. Read more on pages 24–29.

Customers are increasingly aware of all areas of corporate responsibility. New online services, wireless solutions and different terminal devices have increased the diversity of customers' needs and purchasing habits. Online shopping and interactive channels have become important competitive factors.

Customers' purchase decisions are also affected by a concern for personal wellbeing. Promoting healthy ways of life and eating habits is an opportunity and a strategic objective for the food trade. Different forms of physical activity play a significant part

in the product selections of the K-Group's sports stores and department stores, as well as Kesko's various forms of cooperation in projects which promote the wellbeing of families and children.

Read more about the product selections of the food trade on pages 30–41, the Energy Expert concept on page 28, the energy efficient products of the car and machinery trade on page 29, and the responsible purchasing of the home and speciality goods trade on pages 30–33.

RISK MANAGEMENT IN KESKO

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

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

Kesko has a uniform risk assessment and reporting system. Risk identification is based on business objectives and opportunities and the defined risk appetite. Risks are prioritised on the basis of their significance by assessing the impact and probability of their realisation and the level of risk management. When assessing the impact of realisation, the impacts on reputation,

employees' wellbeing and the environment are considered in addition financial impacts.

SOME OF THE MOST SIGNIFICANT RISKS AND UNCERTAINTIES IN BUSINESS OPERATIONS

A comprehensive account of Kesko's most significant risks and uncertainties and responses to them is given at www.kesko.fi/investors.

Kesko's Board has been reported on, for example, the following risks identified in risk assessments performed at Kesko in the following areas:

- Development of the economic situation and consumer confidence
- Expansion in Russia
- Multi-channel approach
- Slow execution of changes in business operations
- Store sites
- Regulation of the trading sector
- Business interruptions and information system failures
- Product safety and supply chain quality
- Personnel competence and working capacity
- Suppliers and distribution channels
- Crime and malpractice
- Responsible operating practices

The financial risks and consequences as well as risks and opportunities from climate change to the organisation are described on page 67.

RESPONSIBILITY MANAGEMENT IN DAY-TO-DAY ACTIVITIES

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

VALUES, STRATEGY AND MANAGEMENT MODEL

Corporate responsibility at Kesko is a measurable activity, based on Kesko's values, operating principles, objectives and strategy. The implementation of the values is monitored using a number of corporate responsibility performance indicators. Some examples of the indicators used at Kesko are shown in the table below.

Kesko is active in the food trade, the home and speciality goods trade, the building and home improvement trade, and the car and machinery trade. Growth is sought by actively developing store selections and services to meet customer needs, by making capital expenditure in a competitive store network and by developing online services and e-commerce. Online services and e-commerce are important competitive factors and their development is a strategic focal point in all divisions.

The strategic objectives are presented in the chart on page 51. Kesko's strategy is largely built on division and chain specific

strategies guided by the division Boards and Kesko's Board.

In the food trade, significant capital expenditure is allocated to developing the store network in Finland and starting business operations in Russia. The most important project providing competitive advantage in the food trade involves strengthening the selections, the service and the displays of fruit, vegetable and bakery departments and service counters offering fresh meat, fish and ready-to-eat meals.

In the home and speciality goods trade, the strategic emphasis is on increasing retail sales, strengthening the competitive advantages of K-citymarket's and Anttila's concepts and continuing the integration of purchasing and logistics operations. An important project providing competitive advantage is increasing online services and e-commerce.

In the building and home improvement trade, the store network will be expanded over the next few years, particularly in Russia, where the focus is on the Moscow

VALUES AND PERFORMANCE INDICATORS

WE EXCEED OUR CUSTOMERS' EXPECTATIONS

- Customer satisfaction surveys

WE ARE THE BEST IN THE TRADING SECTOR

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

WE CREATE A GOOD WORKING COMMUNITY

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

WE BEAR OUR CORPORATE RESPONSIBILITY

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

region. Synergy benefits are achieved by capital expenditure on centrally guided purchasing and selections development, and in a shared enterprise resource planning system and logistics network.

In the car and machinery trade, the market shares of the brands represented, including Volkswagen and Audi, will be increased by developing the retail sales and service network with an increasing customer-driven approach.

Kesko's strategy is presented in more detail in Kesko's 2011 Annual Report on pages 9–11.

The business models applied in Kesko's sales to consumer-customers are retailing through retailer entrepreneurs and Kesko's own retailing. Kesko is also engaged in B2B sales. More detailed information on the business models and responsible and efficient operating practices is available in Kesko's 2011 Annual Report on pages 10–11.

Kesko's financial reporting and planning are based on the Kesko Group's management system. The plans and actions relevant to corporate responsibility are integrated in the different sections of Kesko's management system (see page 52). Management systems based on international standards have also been adopted.

The progress and results of Kesko's corporate responsibility work are discussed in Kesko's responsibility programme 2008–2012 on pages 58–59 and in the GRI section on pages 60–90.

CORPORATE GOVERNANCE

Kesko's decision-making and corporate governance are guided by Kesko's values and responsible operating practices. 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 of Directors 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 2010. The code can be read in full at www.cgfinland.fi.

As provided by the Comply or Explain principle of the Corporate Governance Code, the company departs from the Corporate Governance Code's recommendation concerning a Board member's term of office to the effect that the term of office of a Kesko Board member is three years instead of the one-year term of office recommended by the Code. Read more at www.kesko.fi/investors or in the Annual Report on page 46.

The highest decision-making power in Kesko is exercised by the company's shareholders at the company's General Meeting. The company's shareholders elect the company's Board and auditor at the Annual General Meeting. The company uses a so-called one-tier governance model. Read more about the General Meeting, the matters falling within the competence of the General Meeting, convening the General Meeting, right to participate in the General Meeting, its minutes, and the presence of governing bodies at www.kesko.fi/investors, or in the Annual Report on pages 46–47.

Kesko's Board is composed of seven members, one of whom is a woman. All Board members are non-executive directors.

Based on the latest independence evaluation carried out on 4 April 2011, the Board considers that all of its members are independent of the company's significant shareholders, and that the majority of the members are also independent of the company. Three Board members (K-retailers) control companies each of which has a chain agreement with a Kesko Group company. The Kesko Board does not include representatives of the personnel.

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

In 2011, the Board held 10 meetings. The Board members' attendance rate at the Board meetings was 94.3%. More information on the Board's operations in 2011 is available in Kesko's Annual Report on pages 47–48 and at www.kesko.fi/investors.

The Board has an Audit Committee and a Remuneration Committee, both of which are composed of three members. Neither Committee has independent decision-making power. Instead, the Board makes decisions based on the preparatory work of the Committees. In 2011, the Audit Committee held five meetings and the Remuneration Committee held three meetings. More information on the Committees' work is available on Kesko's 2011 Annual Report on pages 48–49 and at www.kesko.fi/investors.

The Board has not appointed any of its members to concentrate especially on corporate responsibility matters, nor does Kesko have a separate process for evaluating the Board members' competence in corporate responsibility. In its decision-making, the Board relies on the expertise of the Corporate Responsibility Advisory Board, as necessary.

The Board members' fees are not tied to the company's corporate responsibility performance. The Board's remuneration plans and fees are presented in the Annual Report on pages 49–50 and at www.kesko.fi/investors.

The Board discusses the Corporate Responsibility Report as soon as it has been completed, and as necessary, also other related issues brought out either by the Corporate Management Board or the Corporate Responsibility Advisory Board. The Board's principal duties are listed in the Annual Report, on page 47 and at www.kesko.fi/investors.

The Kesko Group has a Corporate Management Board, the Chair of which is Kesko's President and CEO. The Corporate Management Board has no authority based on

STRATEGIC OBJECTIVES

PROFITABLE GROWTH

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

SALES AND SERVICES FOR CONSUMER-CUSTOMERS

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

RESPONSIBLE AND EFFICIENT OPERATING PRACTICES

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

RESPONSIBILITY IN DAY-TO-DAY ACTIVITIES

legislation or the Articles of Association. The Corporate Management Board's duties are to discuss Group-wide development projects and Group-level policies and practices. In addition, the Corporate Management Board discusses the Group's and the division parent companies' business plans, profit performances and matters handled by Kesko's Board, in the preparation of which it also participates.

The Corporate Management Board is composed of the presidents of the major division parent companies and the senior vice presidents responsible for corporate finance and accounting, human resources, as well as corporate communications and responsibility. In 2011, the Corporate Management Board composition changed to the effect that from the beginning of December 2011, four of the eight members are women. The Corporate Management Board takes a stand on matters brought out by the Corporate Responsibility Advisory Board. The Corporate Management Board meets 8–10 times a year.

RISK MANAGEMENT

Kesko's risk management is proactive and an integral part of its management and day-to-day activities. The objective of risk management is to ensure the delivery of customer promises in the Kesko Group, profit performance, dividend payment capacity,



The Kesko Group's management system

RESPONSIBILITY ORGANISATION IN KESKO

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

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

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

The Corporate Responsibility Advisory Board is responsible for:

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

and, as necessary, supporting their implementation.

The Environmental Steering Group is responsible for:

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

The Steering Group for Responsible Purchasing is responsible for:

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

The HR Steering Group is responsible for:

- preparing the Group's HR strategy and common HR policy definitions

- setting the common objectives for the HR function and guiding and coordinating the achievement of the objectives of HR operations and practical implementations
- guiding the development of HR processes and services and monitoring the quality and efficiency of HR processes and services

The Wellbeing at Work Steering Group is responsible for:

- preparing the Group's employee wellbeing management model and common operating principles
- setting common objectives for employee wellbeing work and monitoring their achievement
- coordinating practical implementations and promoting the sharing of best practices within the Group.

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

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

shareholder value, the implementation of responsible operating practices and the continuity of operations. Efficient risk management is a competitive advantage for Kesko.

The risk management policy confirmed by the Board guides risk management in the Kesko Group. The policy is based on the COSO ERM Framework and the SFS-ISO 31000 Risk Management Standard. The policy defines the goals, principles, practices, organisation and responsibilities of risk management.

Kesko divides risks into strategic, operational and financial risks. In Kesko, a risk is defined as an event or circumstance that can hinder or prevent the attainment of Kesko's objectives, or that can lead to a failure to exploit business opportunities.

The Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management as part of business operations at the Group, division, company and unit level in all operating countries.

The business division and Group function managements are responsible for risk management implementation. Each division has appointed a management board member, usually the finance director, to be responsible for coordinating risk management and security and providing guidelines in each respective division and reporting on risk management responses. In addition, divisions have risk managers and security managers, who are responsible for the development and control of risk management and security in the divisions, in cooperation with the business management and support functions.

Kesko has a Group-level Risk Management Steering Group, which is chaired by

the Group's President and CEO and composed of the management representatives of the various divisions and Group functions. The Group's risk management function controls and coordinates the development of joint risk management and security procedures, the adoption of best practices in the Group, and is responsible for risk reporting to the Group's management. Based on the divisions' and Group functions' risk analyses, the Group's risk management function prepares the Group's risk map, presenting the most significant risks and their management.

The Group's risk map, the most significant risks and uncertainties, as well as changes in and responses to them are reported to the Kesko Board's Audit Committee in connection with handling the interim reports and the financial statements. The Audit Committee's Chair reports on risk management to the Board as part of the Audit Committee report. Kesko's Board discusses the most significant risks and their management responses, and assesses the efficiency of risk management. The most significant risks and uncertainties are reported to the market by the Board in the financial statements, and changes in them in interim reports.

More information on Kesko's risk management is available at www.kesko.fi/investors and in this report on page 49.

STAKEHOLDERS

The assessment of corporate responsibility performance takes account of Kesko's key stakeholders, namely Kesko's owners, personnel, retailers and their staff, consumers, suppliers of goods and services, the media, the authorities, non-governmental

and environmental organisations and trade unions.

A stakeholder analysis is included in Kesko's management system and operating plans. Operations in the areas of economic, social and environmental responsibility are developed in accordance with the expectations of the key stakeholder groups.

Kesko's corporate responsibility vision has been defined in respect of its stakeholders. The vision can be read at www.kesko.fi/responsibility.

In 2011, Kesko engaged in active dialogue with its various stakeholders.

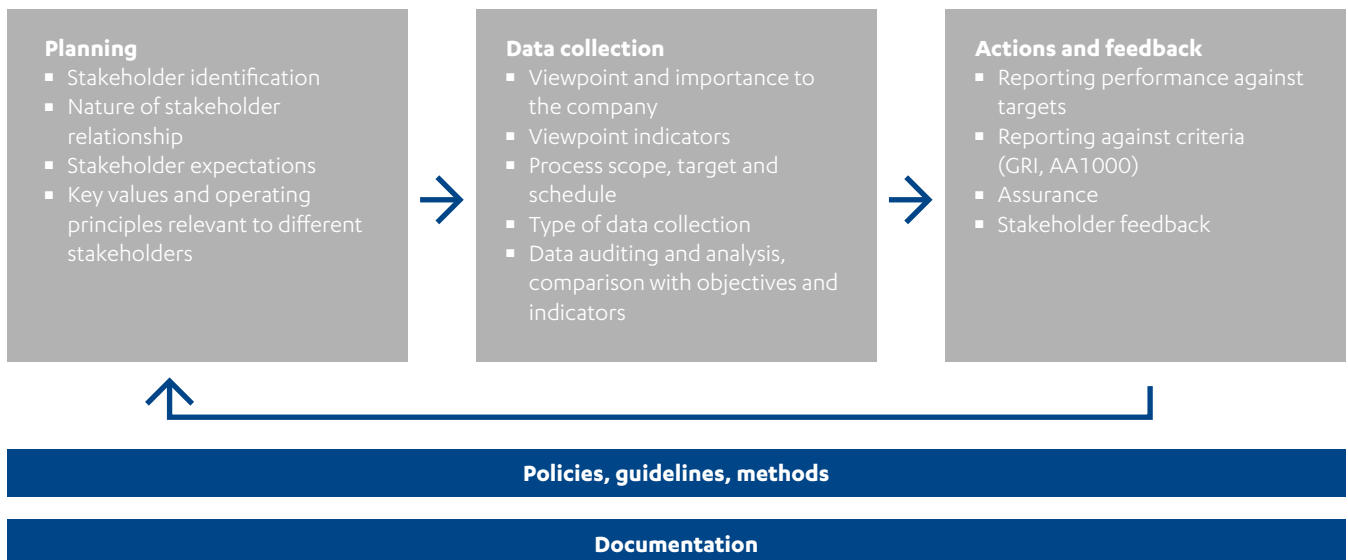
In spring 2011, Kesko and the other Finnish BSCI members arranged a seminar in which one of the issues discussed with importers was social responsibility requirements set by the trading sector on the supply chain.

Customer needs and meeting them form the basis of the development of professional competencies in Kesko and its chains' stores. Responsibility is one of the criteria by which consumers choose the store. The results of Kesko Food's responsibility survey 2011 (TNS Gallup) show that K-stores' customers are more interested in responsibility issues than those of other trading groups, and they also include a higher than average number of future shapers, i.e. representatives of a new segment of consumers thinking responsibly.

In 2011, Kesko, K-Group chains and stores become active in social media. In particular, Facebook has proved to be important as a channel for customer dialogue.

As part of updating the responsibility programme, Kesko arranged two stakeholder discussions to which it invited the divisions'

KESKO'S STAKEHOLDER INTERACTION



RESPONSIBILITY IN DAY-TO-DAY ACTIVITIES

stakeholders ranging from non-governmental organisations to suppliers of goods. A total of about 60 people participated in the discussions, bringing up suggestions of issues to be included in the future responsibility programme: customer inclusion, carbon footprint labels on products, training of sales assistants and increasing the responsibility information made available to customers in stores.

In late 2011, Kesko's Legal Affairs, Risk Management and Internal Audit organised a series of value discussions on Kesko's responsible working principles for the divisions' managements and other key people in Finland. The special theme was combating bribery. In the previous year, value discussions were arranged in Sweden, Norway, Estonia, Latvia, Lithuania, Russia and Belarus. Read more on page 14.

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

Kesko has prepared a process description of stakeholder cooperation (see page 53) to facilitate the analysis and planning of the cooperation. Stakeholders' expectations of Kesko, Kesko's actions to meet these expectations, and indicators measuring the performance are described in the stakeholder group analysis of the Group's responsibility work available at www.kesko.fi/responsibility. The divisions also use their specific stakeholder analyses.

GENERAL OPERATING PRINCIPLES GUIDING RESPONSIBILITY

Kesko's Corporate Management Board has approved the Group's general corporate responsibility principles. These principles define the basic economic, social and environmental responsibility promises, and related communication principles. Kesko's commitments to international declarations and conventions are also included in the principles. The most important of them are the UN Universal Declaration of Human Rights and the UN Convention of the Rights of the Child, the ILO convention on the Fundamental Rights and Principles at Work, the OECD Guidelines for Multinational Corporations, the ICC Business Charter for Sustainable Development and principles against corruption and bribery, the UN Global Compact initiative, and the purchasing principles of the Business Social Compliance Initiative (BSCI). Kesko has used the ISO 26000 standard as a source document that offers orientation to corporate responsibility. The Board of the K-Retailers' Association has recommended that Kesko's principles be also followed by K-stores.

Kesko's corporate responsibility principles can be read at www.kesko.fi/responsibility. Kesko's general corporate responsibility principles are complemented by more detailed policies, principles, stands and statements. They are listed in the guide 'Our Responsible Working Principles' and at www.kesko.fi/responsibility.

Kesko reports on economic, environmental and social responsibility in compliance with the GRI guidelines version 3.0.

RESPONSIBILITY STEERING

Economic responsibility

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

General management of economic responsibility is complemented by corporate governance principles, risk management and internal audit principles, Kesko's ethical purchasing principles, as well as other practices and guidelines for product and service purchases.

Environmental responsibility

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

The Kesko Group's Corporate Responsibility Advisory Board defines the main policies for environmental work and the target levels for the Group companies, taking account of the environmental impacts of operations and their significance throughout the whole life cycle and chain of functions. The division parent companies and subsidiaries specify the main policies of their environmental work into environmental action programmes which support their business operations. The action programmes are monitored and updated annually as part of strategy work.

Mitigating climate change resulting from energy consumption is one of the key principles in Kesko's environmental work. Preventing the generation of waste, increasing the recovery rate and recycling of materials are the means by which Kesko reduces the amount of waste at landfills. According to Kesko's business system, retailer entrepre-

neurs are responsible for wastage management in K-stores.

The K-Group's environmental policy, updated in 2011, covers the operations of the Kesko Group and the K-Group stores both in Finland and the other operating countries. The K-Group's key business partners are also expected to observe corresponding environmental management principles.

Social responsibility

Kesko's HR management is based on Kesko's values and responsible operating practices. The guide 'Our Responsible Working Principles' can be read at www.kesko.fi.

The HR policy defines the permanent operating principles to be followed in dealing with personnel issues. These principles are guided by Kesko's values and the principles defined in the guide 'Our Responsible Working Principles'. The HR policy is complemented by the guidelines for the HR operations.

The HR strategy defines HR management objectives and key development initiatives. The Corporate HR Unit is responsible for defining the HR strategy as part of the annual Kesko Group strategy process. The HR Steering Group monitors and promotes the implementation of the HR principles and HR strategy. Division parent companies and subsidiaries can also establish complementary guidelines to support the achievement of their business objectives.

Occupational safety management has been defined in Kesko Corporation's labour protection programme. Labour protection is part of the line organisation's normal management and leadership work, and each superior is responsible for labour protection in his/her area.

Kesko's occupational health care action plan defines the overall contents and objectives of occupational health care. The Chief Physician is in charge of the occupational health services.

Communities

In Kesko's operations, impacts on communities are assessed as part of the development of the store network. Establishing a new store, or expanding or changing an existing one involves various statutory reports and hearings of local inhabitants and operators both at the town plan and construction permit phases, depending on the extent of the project. Reports take a stand on the project's impacts on the community structure, traffic and employment.

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. The chart describing Kesko's channels of influence and representation in organisations is presented at www.kesko.fi/responsibility.

MONITORING AND CONTROL SYSTEMS

Economic responsibility

Most of the economic responsibility indicators in this report on pages 65–70 are presented based on stakeholder group and derived from the consolidated financial statements (www.kesko.fi/investors), whose preparation and presentation are governed by the IFRSs (International Financial Reporting Standards).

In addition, Kesko's report also presents results material for the divisions, such as the development of the store site network, geographical scope of operations and breakdown of purchases.

Environmental responsibility

At the end of 2011, 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 environmental systems used at Kesko are presented on page 72.

VV-Auto Group Oy and its subsidiaries fulfil the requirements of the ISO 14001 environmental system and the ISO 9001 quality system. The operations of Keslog and Anttila are ISO 14001 certified. In the food trade, the building and home improvement trade and agricultural trade, environmental management is based on the K-environmental store model – the K-environmental store diploma (www.kesko.fi/responsibility). The model is part of the K-citymarket, K-supermarket, K-market, K-rauta, Rautia and K-maatalous chain concepts.

Food stores applying for the diploma are audited by Bureau Veritas, who also perform

annual repeat audits based on sampling. Key environmental issues are also included in the food store chains' concept measurements. The Environmental School of Finland (SYKLI) is responsible for the audits of the building and home improvement stores and for repeat audits conducted every third year.

The criteria content of the K-environmental store model is being revised and its structure was reviewed in Kesko Food during 2011. Rautakesko started the concept reform in autumn 2011 and the reformed concept will be introduced during the first half of 2012.

Kesko's partners in the management and maintenance of premises are YIT Kiinteistötekniikka Oy, ISS Palvelut Oy and Ovenia Oy. YIT Kiinteistötekniikka's environmental system has ISO 14001 certification.

Kesko's main office in Katajanokka, Helsinki, and Kesko Food's central warehouse in

CORPORATE RESPONSIBILITY STEERING AT KESKO



RESPONSIBILITY IN DAY-TO-DAY ACTIVITIES

Hakkila, Vantaa, have themselves developed and adopted an environmental programme for office work.

So far, certified environmental systems have not been adopted by the Group companies outside Finland. The K-Group's environmental policy can be read at www.kesko.fi/responsibility.

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 registers the data in the data file by the hour. The system responds to even minor location-specific changes in consumption and sends an alarm to the person in charge.

Multi-energy monitoring covers 72% of Kesko's real estate, which means that they are monitored in respect of electricity, heating energy and water consumption. Manually collected readings are also registered in the EnerKey system.

Kesko has signed the trading sector energy-efficiency agreement. In terms of specific energy consumption, the types of real estate with the highest energy consumption are K-citymarkets, K-supermarkets, Anttila department stores and large wholesale and warehouse buildings. Every property is important, but the consumption monitoring of these properties has the highest significance for the reduction of energy consumption.

In the last two years, Rautakesko's properties in the other operating countries have been increasingly included in operating control and energy monitoring systems.

Water consumption monitoring is also part of real estate consumption monitoring in Finland and the other operating countries. As a result of monitoring, responses to changes can be fast, when necessary.

Biodiversity

Kesko concentrates on reducing the impacts of climate change in order to preserve biodiversity. Kesko only builds store sites on areas zoned for business properties and it does not have significant direct impacts on biodiversity. In consequence, Kesko's management actions are limited to individual measures and policy definitions.

In line with Kesko's sourcing recommendation, the garden furniture made of tropical wood and sold by the K-Group stores is either FSC certified or made of such wood species whose cultivation is possible in accordance with the principles of sustainable development.

Kesko's fish statement is intended to direct Kesko Food's and Kespro's own sourcing,

as well as K-food retailers' sourcing to safeguard responsible fishing and the 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) and recommends that the producers of Pirkka and Menu products use certified sustainable palm oil (CSPO).

Waste management

Kesko develops recycling systems in cooperation with other operators and promotes waste recycling also by developing packaging methods and the use of materials. The generation of waste is prevented by using recyclable transport units and by minimising the wastage of products on sale. According to Kesko's business model, retailer entrepreneurs are responsible for wastage management in K-stores.

Social responsibility

Kesko's HR goals are to be the most attractive workplace, to have the most competent and motivated personnel and the best personnel productivity in the trading sector. The attainment of the goals is monitored with the help of the HR scorecard.

The wellbeing of the working community and individual employees and the quality of leadership is measured with an annual personnel survey. Continuous improvement is ensured by development plans and actions drawn up for each unit whose implementation is monitored by the HR functions. Superiors are coached and supported in using the results of the personnel survey and the management of employee wellbeing. The results of the personnel survey are included in every superior's scorecard and performance bonus indicators.

The external employer image is monitored with various surveys. Kesko came in 15th place (27th) in the 2011 Universum Young Professionals survey among business economy students and in 20th place (18th) in the Universum Student survey among business economy students.

The most important tools for improving productivity include enhancing personnel competence and management, and increasing the efficiency of operating practices. Supervisors are responsible for familiarising each employee with Kesko's values and responsible working principles and ensuring that employees know their duties and objectives. Competence development is systematic and based on business units' annual planning and strategic focuses. Personal performance and development reviews are conducted at least once a year and personal development plans are drawn up in that con-

text. The implementation of performance and development reviews is monitored with the annual personnel survey.

Kesko's programme on wellbeing at work aims to support employee wellbeing and the implementation of Kesko's objectives. Several projects on promoting the wellbeing at work are underway at Kesko, with the aim of improving the working capacity and motivation of employees and reducing morbidity and increasing the retirement age.

The areas of wellbeing at work include control of personal life, work and competence, the working community, as well as management and leadership. Read more on pages 18–23.

Anti-competitive behaviour

For Kesko, compliance with competition legislation is of primary importance. Kesko has a competition legislation guide and a control system, which includes self-assessments and employee training events. Key principles and guidelines of competition legislation have also been presented in the internal web training on matters concerning competition legislation.

Occupational safety

Occupational safety management is defined in Kesko Corporation's labour protection programme. The goal of labour protection is to secure and maintain employees' working capacity and to prevent and avoid occupational accidents, occupational diseases and other physical and mental health disorders caused by the work environment. Labour protection is part of the line organisation's normal leadership and managerial work, and each superior is responsible for labour protection in his or her own area.

Occupational health care

Kesko's occupational health care action plan defines the general contents and objectives of occupational health care. The objective of occupational health care is maintaining and promoting employees' health, working capacity and ability to function, preventing occupational illnesses and accidents, ensuring health and safety in the work environment and supporting the functionality of work communities. The Chief Physician is in charge of Kesko's Occupational Health Service.

Purchasing chain control

In its operations, Kesko pays attention to the human rights issues and working conditions in its purchasing chain and, in monitoring these, primarily focuses on suppliers in the high-risk countries. In accordance with the BSCI (Business Social Compliance Initiative), these are countries and areas where there is a risk of human rights and

workers' rights violations. The classification is based, for example, on the UN Index of Human Development and the Transparency International Corruption Perceptions Index.

Kesko has a steering group for responsible purchasing, which steers and coordinates social quality control of suppliers. The group consists of representatives of Kesko's division parent companies importing from high-risk countries.

Kesko is a member in the European BSCI audit system, and uses both BSCI auditing and the SA8000 standard for assessing its suppliers in high-risk countries. Kesko is committed to the BSCI Code of Conduct, the content of which is practically the same as Kesko's own ethical purchasing principles.

In cooperation with BSCI, Kesko follows other audit systems in the market and accepts audits based on them, provided that the level of requirements is the same as in the BSCI audit. See the table on page 87 on some certification and audit systems used for different product groups in Kesko. Kesko is a member of CGF (The Consumer Goods Forum), a discussion and cooperation forum for the grocery trade and industry, currently working on the Global Social Compliance Programme (GSCP), which is aimed at building comparability between social and environmental audit systems.

In China, Kesko supports its suppliers of home and speciality goods by monitoring activities. The local monitoring officer guides, trains and oversees Kesko's Chinese suppliers in issues related to employment and working conditions, and the observance of environmental and chemical regulations. Rautakesko and Kesko Food monitor and develop the responsibility of the purchasing chain as part of the sourcing cooperation with other European retail chains (Eurogroup, ICASS and AMS).

Kesko has the SUMO (supplier monitoring) database, in which it saves all information on supplier audits, certifications and monitoring visits in high-risk countries as well as the risk classification based on them. The information on BSCI audits is also saved in the database maintained by the BSCI and available for all members.

Product Research

Kesko and the K-Group stores are responsible to the products' end-users for ensuring that the products comply with all requirements of Finnish and EU legislation, are safe for the users and meet quality and other promises. Kesko Food's Product Research is responsible for the safety and quality assurance of the products purchased, develops own brand products, coordinates self-

control, keeps abreast of food legislation, and is responsible for recipe and consumer services.

In addition to food products, Product Research also controls the safety and quality of non-foods and home and speciality goods. In the development of own brands, Product Research works in close cooperation with Kesko's buyers and product manufacturers.

Privacy protection

K-Plus Oy, a Kesko subsidiary, manages and maintains the K-Plus customer loyalty system, operated by K-store chains and K-Plus partners. The system is limited to Finnish operations. Around 2.2 million, or some 84% of Finnish households, enjoy K-Plus's customer loyalty benefits.

The customer information of K-Plus cardholders forms a customer database that is used, with the customer's permission, for managing customer relationships, for customer contacts and marketing purposes of the companies which have joined K-Plus system. Data on cardholders' purchasing patterns are collected at sum total and product group level.

Customers can forbid the use of their product group level information. In this case, product group data on their purchases are not collected or used in selection planning or for direct advertising purposes.

Customers can also request that no information at all is registered on their purchases, and only make use of the immediate benefits they receive from using their K-Plus cards. In these cases, purchasing data are not entered into the K-Plus system and the customer does not gain K-Plus points. At the end of 2011, some 1,200 active customers had requested that their purchasing data not be collected at all.

According to the K-Plus rules, personal data from the customer database and customer information accrued from the use of the K-Plus card can be made use of and assigned for direct marketing purposes to the companies participating in K-Plus cooperation. Customers can forbid the use and assignment of information for this purpose by informing K-Plus Oy. The prohibition always applies to the K-Plus customer and the holder of a parallel card.

As a data controller, K-Plus Oy ensures that the customer information is only used for the purposes specified in the file description. Information on individual customers is protected efficiently with instructions given to the personnel and by various technical means. Customer data is only disclosed to outside parties if required by law. According to the Finnish Personal Data

Act, every data controller must have a file description. K-Plus Oy's file description is available in Finnish at www.plusa.com.

Prevention of malpractice

Kesko's attitude to bribery and other malpractice is absolutely uncompromising. Kesko's principles are presented in the guide 'Our Responsible Working Principles', adopted by all Kesko's units and K-stores since 2008. The guide consists of the following sections:

- observance of law
- avoiding conflicts of interest
- anti-bribery approach
- creating a good working atmosphere
- safety
- confidentiality of customer information
- open communications.

The guide has been published in Finnish, Swedish, Norwegian, English, Russian, Estonian, Lithuanian, and Latvian, as have the animated videos made on the themes of the guide, available at www.kesko.fi.

The guide was updated in 2011 and an online training programme is being built to support it. The updating process also included some specifications on stakeholder cooperation, for example, to the Group and division level instructions relating to the Responsible Working Principles.

Kesko's ethical purchasing principles, adopted for trade relations with suppliers in high-risk countries, make a clear statement about opposition to bribery. Kesko is a member of Transparency International, Finland.

The Kesko Group's Internal Audit has paid particular attention to the efficiency of controls that prevent malpractice and financial losses. Measures preventing malpractice have included more effective communications, training and guidelines as well as tightened controls. Information technology is increasingly used to trace exceptional transactions, and to prevent and examine malpractice. Kesko has a malpractice examination and reporting guideline, according to which Kesko's Risk Management examines the suspicions of malpractice. Clear suspicions of criminal activity are reported to the police for further investigation.

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, employees can also contact Kesko's Internal Audit.

KESKO'S RESPONSIBILITY PROGRAMME 2008–2012

The whole responsibility programme is available at www.kesko.fi/responsibility. Here are the key results of the responsibility programme in 2011. More extensive information on the progress in the objectives and performance of the programme can be found in the respective sections of this report. The update of the responsibility programme continues and the new programme will be published in late 2012.

Objective and actions	Year 2011
<p>We actively increase the number of local suppliers and encourage K-retailers to purchase locally</p>	
<ul style="list-style-type: none"> The aim is to increase the amount of local purchases (K-retailers' direct purchases totalled €534m in 2007, €569m in 2008, €525m in 2009 and €537m in 2010). 	<ul style="list-style-type: none"> K-retailers' direct purchases were €563 million.
<p>We maintain a comprehensive store network in Finland</p>	
<ul style="list-style-type: none"> Compared with Finnish competitors, Kesko Food's store network is the most comprehensive and households' distance to the nearest food store is the shortest (start value in 2008: 45.5% lived within one kilometre from a K-food store). 	<ul style="list-style-type: none"> At year-end, there were 964 K-food stores and the store network covered 88% or 301 out of all 324 Finnish municipalities. Around 50% of the Finnish population lived within one kilometre of the nearest K-food store.
<p>Combating climate change</p>	
<ul style="list-style-type: none"> The K-Group has signed the trading sector energy efficiency agreement and made a commitment to save 65 GWh by the end of 2016. Electricity purchased by Kesko to the K-Group is carbon-free. 	<ul style="list-style-type: none"> The combined CO₂ emissions of electricity and heat used by the K-Group in Finland were 118,011 tons, down 5.2% from 2010. Electricity purchased by Kesko was carbon-free and produced with nuclear power.
<p>Increasing energy efficiency (Kesko Food)</p>	
<ul style="list-style-type: none"> Actions include fitting freezers of all new stores with lids, cooling cabinets with doors, all new stores' advertising signage with LED lighting only, optimising the number of cooling cabinets, and energy classification recommendation 'A' for store equipment. 	<ul style="list-style-type: none"> There are nearly 7 kilometres of freezers covered with lids and doors and the project of fitting cooling cabinets with doors continued. LED lighting is used in illuminated signs and also for general lighting.
<p>Transportation</p>	
<ul style="list-style-type: none"> Reducing CO₂ emissions calculated per delivered kilo by 10% by the end of 2012; 2007 is used as baseline (0.0237 CO₂ kg per delivered kilo). 	<ul style="list-style-type: none"> Comparative emissions per delivered kilo were 0.0236 (0.0242) CO₂ kg, down 2.3% from the previous year. Compared with the 2007 level, relative emissions from transportation have decreased by 1.1%.
<p>Business travel and company cars</p>	
<ul style="list-style-type: none"> Reporting the CO₂ emissions derived from travelling with company cars and the average emission level (g CO₂/km). Our recommendation is below 180 g CO₂/km. Continuing to increase video conference facilities. Reducing the amount of air travel and reporting the CO₂ emissions derived from air travel. 	<ul style="list-style-type: none"> In 2011, the average CO₂ emissions were 146 g (155 g in 2010). The recommended level is below 160 g of CO₂/km. The total CO₂ emissions of company cars were 2,949 tons (2,505 tons in 2010.) There were 4,438 hours of video conferences (4,516 hours). Own terminals were used for (Genesys Conference) video conferences for 1,117 hours (2,771); the reduction can be attributed to the use of Videra and Office Communicator instant messaging applications. Emissions from air travel were 2,101 (1,935) tons and air miles were 10.3 (9.5) million.

Objective and actions **Year 2011**

Recovery and material efficiency

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| <ul style="list-style-type: none"> ■ Having the recovery rate of some 90% in our warehouse activities. Increasing the recovery rate of K-food stores to the same level of 90% by 2012. ■ Decreasing the K-food stores' shrinkage by some 20% by 2012. ■ Developing the recovery and recycling services offered by K-food stores to their customers. | <ul style="list-style-type: none"> ■ The development of recycling in warehouses and K-stores continued. The recovery rate in Kesko Food's logistics was nearly 95% (84%). ■ Work to reduce shrinkage continued in warehouses and K-stores by developing sales management and ordering tools. Operating models for store waste management were developed; K-food stores included in the new model had recovery rates of nearly 90%. ■ There were 223 recycling points for customers in connection with K-food stores. Some 338 (278) million cans and 111 (103) million recyclable plastic bottles were returned. |
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Environmental management at stores

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| <ul style="list-style-type: none"> ■ Including Anttila Oy's all new department stores in Anttila's ISO 14001 certification. ■ All K-citymarket and K-supermarket stores, and 50% of K-market stores are K-environmental stores. ■ In Finland, all K-rauta and Rautia stores are K-environmental stores by the end of 2009, and all K-maatalous stores by spring 2009. ■ Kesko Food develops the K-environmental store concept, trainings of new sections by the end of 2010. | <ul style="list-style-type: none"> ■ All Anttila department stores have been certified, and also the new logistics centre. ■ Situation with K-environmental stores: 98% of K-citymarkets, 94% of K-supermarkets and 43% of K-markets (there are K-markets in service stations that do not yet have the K-environmental store model in their chain concept). ■ 98% of K-rauta stores, 93% of Rautia stores and 90% of K-maatalous stores are environmental stores. ■ The update of the content of the K-environmental store concept and the revision of the set of criteria was completed in spring 2011. The e-learning training project will be launched in 2012. |
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Responsible purchasing, stands and statements

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| <ul style="list-style-type: none"> ■ Kesko has two monitoring officers in China whose target is to make 160 factory visits to the premises of Kesko's suppliers annually. ■ The BSCI objective for 2010 is 85 initial audits and 50 re-audits. ■ Establishing the fish and shellfish statement. | <ul style="list-style-type: none"> ■ 64 factory visits were made during the year. ■ In BSCI audits, there were 73 initial audits and 61 re-audits. ■ The statement is applied to Kesko Food Ltd's, Kespro Ltd's and K-food stores' purchases for fish and shellfish and the products with fish as the main ingredient. When recommendations change, changes are made within the framework of purchase agreement periods. The statement is reviewed and updated when needed, however, at least once a year. |
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Responsible product selections

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| <ul style="list-style-type: none"> ■ Promoting the sales of biodegradable Pirkka bags and reusable Pirkka bags. ■ New biodegradable packages to the Pirkka product range. Materials of GMO origin are not accepted. ■ Continuing with the reduction of salt, sugar and fat content of Pirkka products. Having all Pirkka products with high salt, sugar or fat content reformulated by the end of 2010. ■ Expanding the use of the Nutritioncode service. ■ Training 500 specialists in healthy eating for K-stores by the end of 2012. ■ Kesko Food's objectives include having the largest selection and sales of Fairtrade products in Finland. ■ Developing cost- and eco-efficient service solutions for construction and living in Rautakesko. ■ The K-maatalous chain continues to focus on promoting sustainable practices in agriculture in Finland. | <ul style="list-style-type: none"> ■ The promotion of biodegradable and reusable bags continued. ■ Development work with the packaging of the Pirkka range continued. ■ At the end of 2011, there were 89 reformulated Pirkka products. ■ There are a total of 560 K-Food Specialists in K-food stores in February 2012. ■ There are 222 (213) Fairtrade products, of which 38 (37) are Pirkka products. ■ Rautakesko's energy efficiency project continues; K-rauta and Rautia both have the Energy Expert concept in use. ■ The development work of K-maatalous continues. |
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Wellbeing of employees

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| <ul style="list-style-type: none"> ■ Supporting employees' recreational and leisure activities annually by some €2 million. ■ The aim in developing employee wellbeing is promoting working capacity and maintaining the ability to work. ■ Harmonising the calculation methods of sickness absences. ■ Introducing a new model of early intervention in all divisions to manage sickness absences by 2010. | <ul style="list-style-type: none"> ■ Around €1.9 million were used for employees' recreational and leisure activities. ■ The programme for wellbeing at work and the management model for wellbeing at work have been drawn up in Kesko. ■ Sickness absences are recorded as planned. ■ The early intervention model is in use as planned. |
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Incorporating the responsibility programme into the brand and marketing strategy work

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| <ul style="list-style-type: none"> ■ Strengthening the responsibility image associated by stakeholders to Kesko, its division parent companies and the various product brands. ■ Bringing our responsibility work to the attention of customers in the stores. | <ul style="list-style-type: none"> ■ Kesko's visual image was refreshed in 2011. ■ Pirkka was successful in the nationwide youth survey conducted in 2011. ■ More effective responsibility communications were included in action plans. |
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GRI INDEX 2011

Based on our own assessment, our reporting complies with the A+ application level of the GRI G3 guidelines (version 3.0). PricewaterhouseCoopers Oy has checked that our reporting complies with the

A+ application level of GRI. Kesko reports on all material information and indicators related to its operations. GRI indicator protocols are not applied in detail for all the indicators.

GRI GUIDELINES		KESKO'S REPORT			Global Compact
Code	GRI content	Included	Page	Further information	
1. STRATEGY AND ANALYSIS					
1.1	Statement from the President and CEO	●	6–7		
1.2	Description of key impacts, risks, and opportunities	●	44–45, 48–49, 58–59		
2. ORGANISATIONAL PROFILE					
2.1	Name of the organisation	●	5		
2.2	Primary brands, products and services	●	4–5		
2.3	Operational structure	●	4–5		
2.4	Location of organisation's headquarters	●	4		
2.5	Countries where the organisation operates	●	5		
2.6	Nature of ownership and legal form	●	5, 66		
2.7	Markets served	●	4–5		
2.8	Scale of the reporting organisation	●	4–5	Presented in Kesko's Annual Report 2011.	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	4, 9	The Intersport licence and business operations in Russia were transferred to a Kesko subsidiary in August 2011.	
2.10	Awards received in the reporting period	●	8–9		
3. REPORT PARAMETERS					
3.1	Reporting period	●	3		
3.2	Date of most recent previous report	●	3		
3.3	Reporting cycle	●	2		
3.4	Contact point for questions regarding the report or its contents	●	94		
3.5	Process for defining report content (materiality, prioritisation, stakeholders expected to use the report)	●	2–3, 46–47		
3.6	Boundary of the report	●	2–3		
3.7	Specific limitations on the scope or boundary of the report	●	3	The Intersport business operations in Russia are not yet included in the environmental responsibility figures; the possible limitation has been given at the other indicators.	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations	●	3		
3.9	Data measurement techniques and the bases of calculations	●	3		
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	●	3		
3.11	Significant changes in the scope, boundary, or measurement methods applied in the report	●	3		
3.12	GRI content index	●	60–64		
3.13	Policy and current practice with regard to seeking external assurance for the report	●	3, 92–93		
4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT					
4.1	Governance structure of the organisation	●	51	Presented in Kesko's Annual Report 2011, pages 46–49.	
4.2	The Board Chair's function within the organisation's management	●	51	Presented in Kesko's Annual Report 2011, page 47.	
4.3	Independence of Board members	●	51	Presented in Kesko's Annual Report 2011, page 47.	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	●	51	Presented in Kesko's Annual Report 2011, pages 46–49.	

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
4.5	Linkage between compensation for members of the Board and the management, and the organisation's corporate responsibility performance	●	51, 81, 83	Presented in Kesko's Annual Report 2011, pages 49–51.	
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	●	51	Kesko complies with the Finnish Corporate Governance Code for listed companies. Presented in Kesko's Annual Report 2011, pages 46–49.	
4.7	Qualifications and expertise of the Board members for strategic management and corporate responsibility	●	51	Presented in Kesko's Annual Report 2011, pages 47–49 and 55–57.	
4.8	Mission, values, codes of conduct and principles, and the status of their implementation	●	50, 54		
4.9	Procedures of the Board for overseeing the organisation's management of economic, environmental and social performance, including risk management	●	51–53	Presented in Kesko's Annual Report 2011, page 47.	
4.10	Processes for evaluating the Board's own performance	●	51		
4.11	Explanation of how the precautionary principle is addressed	●	48–49, 51–53		
4.12	Externally developed economic, environmental and social initiatives to which the organisation endorses	●	54		
4.13	Memberships in associations and advocacy organisations	●	14–15	www.kesko.fi/responsibility	
4.14	Stakeholder groups engaged by the organisation	●	53–54		
4.15	Basis for identification and selection of stakeholders	●	53–54		
4.16	Approaches to stakeholder engagement	●	53–54		
4.17	Key topics and concerns raised through stakeholder engagement	●	15, 53–54, 83, 89		

5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

ECONOMIC RESPONSIBILITY

MANAGEMENT APPROACH TO ECONOMIC RESPONSIBILITY	●	54–59		x
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Economic performance indicators

EC1*	Direct economic value generated and distributed	●	65–66		
EC2*	Financial implications and other risks and opportunities for the organisation's activities due to climate change	●	67–68		x
EC3*	Coverage of the organisation's defined benefit plan obligations	●	69		
EC4*	Financial assistance received from government	●	69	No assistance in 2011.	
EC5	Standard entry level wages compared to local minimum wages at organisation's significant locations of operations	●		Finland, Sweden and Norway have collective agreements, in other countries at least statutory minimum wages. The ratio between wages not available.	
EC6*	Spending on locally-based suppliers	●	14, 58, 69–70		
EC7*	Procedures for local hiring	●	15, 70		x
EC8*	Infrastructure investments and services provided for public benefit	●	70		
EC9	Significant indirect economic impacts, including the extent of impacts	●	44–45, 70		

ENVIRONMENTAL RESPONSIBILITY

MANAGEMENT APPROACH TO ENVIRONMENTAL RESPONSIBILITY	●	54–59		x
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Environmental performance indicators

EN1*	Materials used	●	71	Packaging materials supplied to the market. No information available from countries outside Finland.	x
EN2*	Materials used that are recycled input materials	●	71, 78	Recycling of packaging plastic used in transportation in reported.	
EN3*	Direct energy consumption	●	71–73		x
EN4*	Indirect energy consumption	●	71–73		x
EN5	Energy saved due to conservation and efficiency improvements	●	24–26, 73–74	Energy savings achieved not reported.	x
EN6	Energy-efficient or renewable energy-based products and services	●	24–29, 74	Energy savings achieved not reported.	x
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	●	24–25, 74	Energy savings achieved not reported.	x

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
EN8*	Water withdrawal	●	74	Kesko uses water from municipal systems.	x
EN9	Water sources significantly affected by withdrawal of water	●		Not material in Kesko's operations. Kesko uses water from municipal systems.	
EN10	Water recycled and reused	●	74		
EN11*	Land owned, leased and managed in areas of high biodiversity value or in protected areas	●	74		
EN12*	Impacts of activities on biodiversity in protected areas and areas of high biodiversity value	●	74	Kesko's direct impacts and purchasing policy definitions have been reported. All impacts of the supply chain cannot be reliably assessed.	
EN13	Habitats protected or restored	●	74, 77–78		
EN14	Strategies, actions and plans related to biodiversity	●	56, 74, 78		
EN15	IUCN Red List species and national conservation list species in areas affected by operations	●	74–75	There are no endangered species in areas affected by Kesko's direct operations.	
EN16*	Direct and indirect greenhouse gas emissions	●	75–76		x
EN17*	Other indirect greenhouse gas emissions	●	75–76		x
EN18	Initiatives to reduce greenhouse gas emissions	●	29, 76	Achieved reductions in emissions are not reported.	x
EN19*	Emissions of ozone-depleting substances	●	76	Small quantities of ozone-depleting substances, no quantities reported.	x
EN20*	NOx, SOx, and other significant air emissions by type	●	76		x
EN21*	Water discharge	●	76		
EN22*	Total weight of waste by type and disposal method	●	76–77		x
EN23*	Total number and volume of significant spills	●	77–78		x
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous	●		Not material in Kesko's operations.	
EN25	Water bodies significantly affected by the reporting organisation's discharges of water and runoff	●	78	All wastewater goes to the municipal sewage system.	
EN26*	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	33, 56, 59, 78	Kesko has indirect impacts on products on sale. Results achieved through products on sale cannot be reliably assessed.	x
EN27*	Percentage of products sold and their packaging materials that are reclaimed	●	78	Recycling of plastics used in transportation has been reported.	x
EN28*	Compliance with environmental laws and regulations	●	77–78		x
EN29	Significant environmental impacts of transporting	●	29, 75–76, 78		x
EN30	Total environmental protection expenditures and investments	●		Data not available.	

SOCIAL RESPONSIBILITY

MANAGEMENT APPROACH TO LABOUR ASPECTS

		●	54–59		x
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Labour practices and decent work performance indicators

LA1*	Total workforce by employment type and employment contract	●	80		
LA2*	Employee turnover	●	80	Not reported by age group or gender. Data not available.	x
LA3	Benefits provided to employees	●	80–81	Benefits exceeding the statutory level not reported in detail. Practices vary by operating country.	
LA4*	Percentage of employees covered by collective bargaining agreements	●	81		x
LA5*	Minimum notice period(s) regarding operational changes	●	81		x
LA6	Percentage of total workforce represented in formal health and safety committees	●	81	The percentage of employees not reported. Arrangements based on local legislation.	x
LA7*	Rates of injury, occupational diseases, lost days, absenteeism and work-related fatalities	●	81, 82	Reporting does not cover contractors. The statistics of occupational injuries only available for Finnish operations.	x
LA8*	Education and counselling to assist workforce members regarding serious diseases	●	81–82	Kesko's activities/programmes regarding serious diseases concern directly Kesko employees only.	x
LA9	Health and safety topics covered in formal agreements with trade unions	●		In Finland, arrangements based on legislation.	

GRI GUIDELINES		KESKO'S REPORT			
Code	GRI content	Included	Page	Further information	Global Compact
LA10*	Average hours of training per employee	●	82	Not reported by employee category. Data not available.	
LA11*	Programmes for skills management and lifelong learning	●	19, 82–83		
LA12	Performance and career development reviews	●	83		
LA13*	Composition and diversity of governance bodies and employee categories	●	83–85		x
LA14*	Ratio of basic salary of men to women	●	85	The ratio not reported. It is not possible to make a Group-level comparison.	x
MANAGEMENT APPROACH TO HUMAN RIGHTS		●	54–59, 85–87		x
Human rights performance indicators					
HR1*	Human rights screening in investment decisions	●		No problems related to retailing have been detected in human rights issues in Kesko's operating countries. The issue is included in the risk assessment procedure.	
HR2*	Suppliers' and contractors' screening on human rights	●	86–87	The number of suppliers in the BSCI, SA8000 or Fairtrade auditing processes has been reported, not the percentage.	x
HR3	Employee training on policies and procedures concerning aspects of human rights	●	88	The training hours not reported. Data not available.	x
HR4*	Total number of incidents of discrimination and actions taken	●	88		x
HR5*	Operations in which the right to exercise freedom of association and collective bargaining may be at risk	●	88	The unionisation rate of employees has been reported for those operations for which the data is available.	x
HR6*	Operations with a risk for incidents of child labour	●	86–87		x
HR7*	Operations with a risk for incidents of forced or compulsory labour	●	86–87		x
HR8	Percentage of security personnel trained in aspects of human rights	●	88	Management of security issues is described.	
HR9	Number of incidents involving rights of indigenous people and actions taken	●	88	No violations.	x
MANAGEMENT APPROACH TO SOCIETY ASPECTS		●	54–59		x
Society performance indicators					
SO1*	Programmes that assess and manage the impacts of operations on communities	●		Assessments are made according to local legislation.	
SO2*	Percentage and number of business units analysed for risks related to corruption	●	88	Risks related to corruption are dealt with as part of Kesko's risk management. Key risks are identified and assessed regularly during the year.	x
SO3*	Percentage of employees trained in anti-corruption policies and procedures	●	88	The number of employees trained and percentage of management and other employees not reported. Percentage not available.	x
SO4*	Actions taken in response to incidents of corruption	●	88		x
SO5*	Organisation's public policy positions and participation in public policy development and lobbying	●	89		x
SO6	Financial and in-kind contributions to political parties, politicians and related institutions	●	89		x
SO7	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	●	89		
SO8*	Fines and non-monetary sanctions for non-compliance with laws and regulations	●	89		

GRI GUIDELINES

KESKO'S REPORT

Code	GRI content	Included	Page	Further information	Global Compact
MANAGEMENT APPROACH TO PRODUCT RESPONSIBILITY		●	54–59		x
Product responsibility performance indicators					
PR1*	Assessment of health and safety impacts of products and services at various life cycle stages	●	89	The percentage of products covered by the assessment of health and safety impacts not reported. Data not available.	x
PR2	Non-compliance with regulations and codes concerning health and safety impacts of products	●	89		x
PR3*	Product and service information required by procedures	●	31, 89	The percentage of products covered by information requirements not reported. Data not available.	x
PR4	Non-compliance with regulations and voluntary codes concerning product and service information and labelling	●	89		x
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	●	89	The results of customer satisfaction surveys not reported. Group-level results not available.	
PR6*	Adherence to laws, standards and voluntary codes related to marketing communications, incl. advertising, promotion and sponsorship	●	90		
PR7	Incidents of non-compliance with laws and regulations and voluntary codes related to marketing communications	●	90		
PR8	Complaints regarding breaches of customer privacy and losses of customer data	●	90	The number of complaints regarding breaches of customer privacy not reported. Statistics of complaints by topic not compiled.	x
PR9*	Fines for non-compliance with laws and regulations concerning products and services	●	90		

● Included ● Partly included ● Not included

*Key indicator recommended in the GRI guidelines

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

ECONOMIC RESPONSIBILITY

RETURN ON CAPITAL EMPLOYED

Target level	Return on capital employed for 2011	
14%	13.2%	
2009	2010	
11.0	16.0	

EQUITY RATIO

Target level	Equity ratio for 2011	
40–50%	53.9%	
2009	2010	
54.2	53.5	

RETURN ON EQUITY

Target level	Return on equity for 2011	
12%	8.9%	
2009	2010	
6.6	10.1	

CAPITAL EXPENDITURE, € MILLION

2009	2010	Capital expenditure in 2011
198	325	425

Management approach to economic responsibility, including operating principles and monitoring and control systems, is described on pages 54–57.

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

Kesko's key strategic objective is healthy, profitable growth. Growth is sought by actively developing store selections and services to meet customer needs, by making capital expenditure in a competitive store network and by developing online services and e-commerce.

Kesko's financial indicators

	2011	2010	2009
Return on capital employed (%)	13.2	16.0	11.0
Return on equity (%)	8.9	10.1	6.6
Equity ratio (%)	53.9	53.5	54.2
Gearing (%)	1.5	-16.8	-12.5
Capital expenditure (€ million)	425	325	198
Capital expenditure as percentage of net sales (%)	4.5	3.7	2.3

In Finland, growth is sought by increasing market shares and by providing more customer-driven services than those of competitors. In addition, growth is sought in the Russian market, in particular, which is growing faster than the Nordic or Baltic markets.

The objective is to make capital expenditures of over €600 million in the operations of the food trade, the building and home improvement trade and Intersport in Russia, mainly in the Moscow and St. Petersburg regions, by 2015. In the food trade, the objective is to open a cluster of 10 stores in both St. Petersburg and Moscow. In the building and home improvement trade, the objective is to open 11 new K-rauta stores by 2015. At the end of 2011, there were 14 K-rauta stores in Russia. Intersport had 36 stores and the aim is to double the network by 2015. Read more on pages 4–5 of this report and on page 9 in Kesko's 2011 Annual Report.

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

ECONOMIC VALUE GENERATED AND DISTRIBUTED, EC1

Kesko analyses the economic benefits of its operations with regard to different stakeholder groups and market areas. Stakeholder welfare in its market areas is important for Kesko and its international

ECONOMIC RESPONSIBILITY

trading operations also promote increased welfare outside its own markets, especially in developing countries.

The following tables show cash flows between Kesko and its stakeholders, as well as the breakdown of economic value added between stakeholder groups. The consolidated income statement, the consolidated statement of financial position and the consolidated statement of cash flows are available in full in the consolidated financial statements (IFRS). Read more in Kesko's 2011 Annual Report beginning on page 80.

Economic benefits from Kesko's operations flowing to stakeholders, € million

		2011	2010	2009
Customers*	Revenues	10,165	9,476	9,157
Suppliers	Cost of goods, materials and services purchased	-9,188	-8,526	-8,257
Value added generated		977	949	900
Distribution of value added:				
Employees	Salaries, fees and social security contributions	-571	-521	-535
Creditors	Net finance income/costs	2	6	-16
Owners	Dividend	-118	-128	-89
Public sector	Income taxes	-85	-97	-82
Communities	Donations	-1	-2	-2
Retained in business		204	207	177

* Incl. net sales and other operating income.

Basic information on Kesko shares and shareholders at 31 Dec.

	2011	2010	2009
Number of shares (1,000 pcs)	98,645.0	98,641.3	98,321.5
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 (%)	83	83	83
B shares as percentage of all votes (%)	17	17	17
Market capitalisation of A shares (€ million)	788	1,101	749
Market capitalisation of B shares (€ million)	1,719	2,337	1,537
Number of shareholders	41,215	38,258	38,888
Earnings per share, diluted (€)	1.84	2.06	1.27
Dividend per share (€)	1.2	1.3	0.9

According to its dividend policy, Kesko Corporation distributes at least 50% of its earnings per share excluding non-recurring items as dividends, taking into account, however, the company's financial position and operating strategy. In 2011, Kesko distributed a total of approximately €128 million as dividends for the 2010 profit, which represented 62.6% of earnings per share and 72.9% of earnings per share excluding non-recurring items. A decision has been made to distribute approximately €118 million for the 2011 profit as dividends, which is 64.9% of earnings per share and 65.3% of earnings per share excluding non-recurring items.

At 31 December 2011, foreign ownership of all shares was 20%, and foreign ownership of B shares was 29%.

The price trend of both shares followed the general share price trend. The price of the liquid B shares decreased by 26% and that of

the less liquid A shares by 28%, while the NASDAQ OMX Helsinki All Share Index decreased by 30%. The number and value of B shares traded on the Helsinki Stock Exchange rose by about one fifth. The number and value of A shares traded halved from the previous year.

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

Ten largest shareholders by number of shares (A and B series) at 31 Dec. 2011

	% of shares	% of votes
Ilmarinen Mutual Pension Insurance Company	3.62	1.61
K-Retailers' Association	3.56	9.05
Vähittäiskaupan Takaus Oy	3.54	7.06
Kruunuvuoren Satama Oy	2.67	6.86
Valluga-sijoitus Oy	1.36	3.49
Kesko Pension Fund	1.31	2.22
Varma Mutual Pension Insurance Company	1.15	0.29
Tapiola Mutual Pension Insurance Company	1.12	0.29
Oy The English Tearoom Ab	1.02	0.26
Foundation for Vocational Training in the Retail Trade	0.99	2.18

STORE NETWORK

Kesko has about 2,000 stores engaged in chain operations in Finland and other operating countries. The K-food store network, which consists of nearly 1,000 K-food stores, is the most comprehensive in Finland. The food trade services cover nearly all municipalities in Finland (see the adjoining table) and K-food stores have some 900,000 customers every day. Kesko also has a large number of B2B customers. Outside Finland, Kesko engages in the building and home improvement trade, the interior decoration trade and the machinery trade. The numbers of stores are presented on page 5.

At the end of 2011, Kesko partnered with 1,102 independent K-retailer entrepreneurs and about 130 other retailer entrepreneurs in the Asko, Sotka, Byggmakker and Senukai chains. Kesko's sales to retailer entrepreneurs accounted for 52% of sales in 2011.

Kesko and K-retailers form the K-Group, whose retail sales totalled €12 billion (VAT 0%) in 2011. The K-Group employs approximately 45,000 people.

Staff cost, € million

	2011	2010	2009
Salaries and fees	473	451	448
Indirect employee costs			
pension costs	45	23	40
other indirect employee costs	46	41	39
Share-based payments	6	5	8

In 2011, foreign operations accounted for €126 million of total salaries.

In 2011, foreign operations accounted for €28 million of total pension costs and other indirect employee costs.

Taxes, € million

	2011	2010	2009
Income taxes to Finland	78.7	92.6	76.5
Income taxes to other countries	6.5	4.2	5.9
Real estate taxes to Finland	2.4	3.0	3.4
Real estate taxes to other countries	1.9	1.3	1.1

In 2011, the amount of real estate taxes to Finland includes real estate tax refunds for prior years.

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

	2011	2010	2009
Non-governmental and environmental organisations	189	130	79
Science, research and education	96	1,033	140
Culture	94	166	122
Sports	463	619	621
Health care	15	89	63
Youth work	198	207	469
Veteran organisations	16	10	14
Total	1,072	2,253	1,508

Number of K-food stores in Finnish municipalities (as at 1 Jan. 2011)

K-food stores	Municipalities	% of all municipalities
10 or more	17	5.0%
7-9	5	1.5%
5-6	24	7.0%
3-4	52	15.2%
2	62	18.1%
1	141	41.2%
0	41	12.0%
Municipalities, total	342	100.0%

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

One of the key objectives in Kesko's responsibility work is to mitigate the climate change progress, because climate change causes risks and costs but also provides opportunities for Kesko's operations. Overall, climate change may impact on the company's business operations in terms of risks involved in regulation, for example, various permit procedures, or in terms of risks resulting from physical changes, such as draught or abundant rainfall. Climate change can affect business operations also in terms of other risks, such as reputation risks and changes in consumer behaviour. On the other hand, the above changes resulting from climate change can also provide new opportunities and competitive advantages

for business operations. Estimated financial impacts on operations are business secrets and therefore not reported.

Maintaining an **extensive store network** is one of Kesko's objectives. Maintaining the store network and visits in shopping centres and stores generate some of the environmental impacts which Kesko aims to help reduce in cooperation with its various stakeholder groups. In respect of expansion, it is crucial to succeed in the acquisition and building of good store sites, the development of store concepts, in purchasing and logistics and the recruitment of key personnel. Good store sites are a key competitive factor and the acquisition of store sites can be delayed by zoning and permit procedures, among other things.

Increasing regulations restricting competitive trading conditions are being imposed also by the European Union. Such a development would weaken the trading sector's possibilities to serve customers and operate efficiently.

Possible rapid changes in legislation and the application of laws, as well as sudden changes in the operating environment can delay the expansion and complicate operating activities. Non-compliance with legislation and agreements can result in fines, compensation for damages and other financial losses, and a loss of confidence and reputation.

An analysis of risks and opportunities can also reveal **customers'** future needs. Kesko actively develops the stores' selections and services in all of its divisions to meet customer needs. At the same time, customer awareness is increasing and needs and buying behaviour have become diversified as new services have been made available. Online transactions and interactive channels will be key competitive factors in the near future.

Climate change may have an impact on **the sources and availability of products** both inside and outside Europe. Accidents, natural phenomena and epidemics can cause damages or business interruptions which cannot be prevented. The trading sector is characterised by increasingly complicated and long supply chains and an increased dependency on information systems, data communications and external service providers. Failures in information and payment systems or in other parts of the supply chain can cause significant losses of sales and weaken customer satisfaction.

In addition, the importance of responsible sourcing practices can be expected to increase and it is necessary to provide customers with

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

	Purchases	Capital expenditure	Salaries and share-based payments	Pension and indirect employee costs and taxes	Total
Finland	5,436	291	354	144	6,224
Other Nordic countries	846	22	56	17	941
Baltics	201	2	44	7	255
Russia	196	109	21	7	333
Other countries	1,370	1	5	5	1,382

ECONOMIC RESPONSIBILITY

Kesko's purchases by operating country in 2011

	Suppliers of goods and services in operating country*		Suppliers of goods and services in other countries*		Purchases from suppliers of goods**	
	pcs	€ million	€ million	%	pcs	€ million
Finland	11,699	5,406	80.2	2,483	1,331	19.8
Sweden	1,066	134	86.5	145	21	13.5
Norway	1,183	530	98.2	91	10	1.8
Estonia	917	38	49.7	346	38	50.3
Latvia	661	30	36.5	293	52	63.5
Lithuania	818	61	28.7	1,197	152	71.3
Russia	1,355	184	98.5	5	3	1.5
Belarus	712	40	66.1	167	21	33.9
Total	18,411	6,423	79.8	4,727	1,626	20.2

* Suppliers of goods and services

** Suppliers of goods

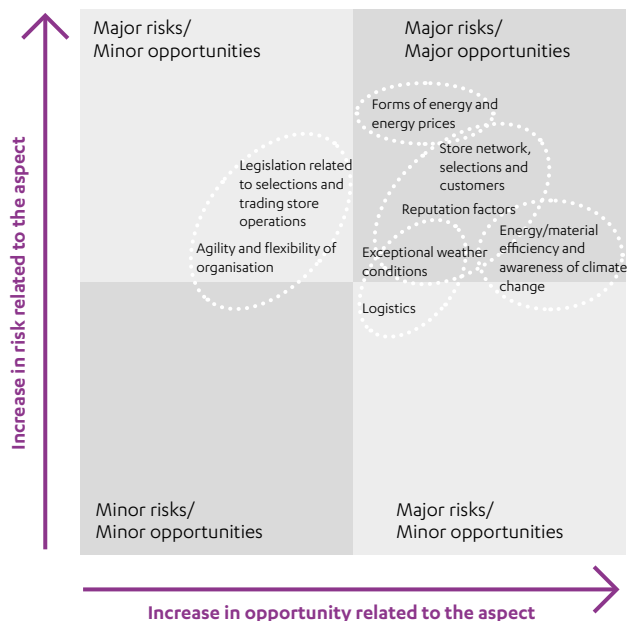
Kesko's purchases in 2011 analysed by company's and supplier's country of domicile, € million

Company's country of domicile	Supplier's country of domicile									Total
	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Russia	Belarus	Other countries	
Finland	5,406	165	9	35	1	4	0	0	1,118	6,737
Sweden	9	134	1	0	0	0	0	0	11	155
Norway	1	4	530	0	0	0	0	0	6	540
Estonia	7	1	0	38	2	1	0	0	26	76
Latvia	6	1	0	5	30	2	0	0	38	81
Lithuania	6	0	0	6	15	61	2	1	120	213
Russia	0	0	0	0	0	0	184	0	3	187
Belarus	0	0	0	0	0	2	10	40	8	61
Total	5,436	305	541	84	48	69	196	41	1,329	8,049

increasingly accurate information on the origin and production methods of products. We must strive to take account of the impacts on consumption of products offered to customers throughout the whole product lifecycle.

The need for electrical and heat energy in Kesko's own properties represents a significant part of the K-Group's energy costs.

RISK MATRIX



Kesko's real estate operations, in cooperation with business partners, develop solutions for the building, repairs, concept changes, maintenance and use of real estate properties that reduce the consumption of materials and energy during the lifecycle of these properties.

Kesko also helps customers find energy saving solutions. Products and services available at building and home improvement stores for improving the energy efficiency of housing help customers find the solutions which support sustainable development and are suitable just for their homes. Energy labels voluntarily adopted in the car trade make it easier for customers to make buying decisions in favour of more economical vehicles with a smaller impact on the environment.

The implementation of the EU's and the Finnish Government's climate and energy policies will affect energy solutions and may increase energy prices, adding to energy saving pressures. Kesko wants to support a total solution towards carbon dioxide free production, reduce Finland's dependency on imported energy and enhance the efficiency of the electricity market.

A Kesko subsidiary, Kestra Kiinteistöpalvelut Oy is a 2.8% participant in the Fennovoima project, which aims to build a new nuclear power plant in Finland. Kesko also actively examines the use of renewable energy sources, such as soil and water as sources of heat as well as solar energy, which will be a potential alternative as the technical solutions become increasingly sophisticated, in the same way as the condensation heat of the refrigeration units in stores is already being recovered. Read more on pages 25 and 73.

Responsibility issues related to climate change are increasingly important for customers. Possible failures in implementing responsibility would weaken Kesko's reputation.

Kesko's operations are surveyed in continuous risk assessments which also cover changes possibly necessitated by climate change. The Group's risk map, the most significant risks and uncertainties,

Economic benefits from Kesko's and K-retailers' operations flowing to Finnish regions in 2011, € million

Region	Kesko's purchases of goods	K-retailers' direct purchases of goods	Kesko's and K-retailers' capital expenditure	Salaries paid by Kesko	Salaries paid by K-retailers	Taxes paid by K-retailers	Total
Southern Karelia	9.3	17.2	12.0	5.1	12.9	1.6	58.2
Southern Ostrobothnia	254.9	37.0	31.3	4.7	12.6	1.5	342.0
Southern Savo	38.6	15.4	12.1	4.7	11.4	1.5	83.8
Kainuu	1.3	10.8	0.5	1.6	5.9	0.6	20.8
Kanta-Häme	93.2	22.7	30.3	4.4	12.7	0.9	164.1
Central Ostrobothnia	51.5	15.7	0.1	2.0	3.9	0.6	73.9
Central Finland	61.9	19.6	38.7	8.9	17.9	1.9	149.0
Kymenlaakso	28.5	19.5	3.9	5.5	11.6	1.4	70.4
Lapland	18.8	22.5	5.3	5.8	16.8	1.8	70.9
Pirkanmaa	381.7	31.5	10.7	26.1	32.4	3.4	485.8
Ostrobothnia	120.7	9.6	8.0	5.1	7.7	0.9	152.0
Northern Karelia	26.3	20.2	4.2	3.7	11.1	1.9	67.4
Northern Ostrobothnia	84.8	36.2	14.7	17.5	25.5	2.7	181.3
Northern Savo	165.4	27.6	50.0	10.8	19.5	1.9	275.4
Päijät-Häme	110.2	25.2	92.9	8.9	11.4	1.0	249.5
Satakunta	101.9	25.5	2.0	4.5	15.1	1.0	149.9
Uusimaa	3,178.7	138.7	86.1	252.7	109.3	13.3	3,778.8
Varsinais-Suomi	651.9	68.3	30.2	23.3	33.6	2.9	810.3
Åland	26.2	-	0.6	-	-	-	26.7
Total	5,406.0	563.1	433.6	395.5	371.3	40.9	7,210.3

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.

as well as changes in and responses to them are reported to the Kesko Board's Audit Committee in connection with handling the interim reports and the financial statements. Read more about risk management on pages 51–53.

The risk matrix on page 68 describes some of the risks and opportunities related to Kesko's operations in respect of climate change.

Read more about the product selections of the food trade on page 78, about the eco-efficient building activities of the building and home improvement trade and energy saving solutions offered to customers on page 28, about energy efficient products of the car and machinery trade on page 29, and responsible purchasing of the home and speciality goods trade on page 32.

Read more about the risks on page 49 and in Kesko's 2011 Annual Report on pages 67–68.

COVERAGE OF RETIREMENT BENEFIT PLANS, EC3

The Group operates several retirement plans. In Finland, employees' pension cover is arranged partly with insurance companies and partly with the Kesko Pension Fund, whose department B provides the statutory pension cover and department A provides additional pension cover. Department A was closed on 9 May 1998. The pension plan arranged with the Kesko Pension Fund is classified as a defined benefit plan. At 31 December 2011, the total plan obligation was €292.4 million (€285.8 million) and was fully covered. The surplus was €200.1 million (€185.8 million) at 31 December 2011. Calculated under IFRS (the Pension Fund's contributions are made to a defined benefit plan), the whole Group's contribution accounts for 9.6% (5.2%) of the salary amount. Read more in Kesko's 2011 Annual Report, Consolidated financial statements, page 100, Note 20.

In 2011, the Kesko Pension Fund paid pensions to a total of 2,777 people (as at 31 Dec). At the end of the year, the Pension Fund covered 5,546 people in an employment relationship with the Kesko Group

(or related parties). Additional benefits provided by department A covered 596 people at the end of the year.

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

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT, EC4

No financial assistance was received from government in 2011.

SPENDING ON LOCALLY-BASED SUPPLIERS, EC6

Kesko estimates the economic benefits from its operations 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 from Kesko's operations – about 85% of Kesko's net sales – flow to suppliers of goods, from which purchases were valued at €8.0 billion in 2011.

In 2011, Kesko had some 23,100 suppliers of goods and services from which the purchases were valued at at least €1,000 during the year. Of these, about 11,900 operated in Finland, about 7,700 in Kesko's other operating countries, and about 3,500 in the rest of the world.

The 10 largest suppliers accounted for 24.3% (23.1%) of the Group's purchases of goods, and the 100 largest suppliers for 53.4% (52.4%). Of the 10 largest suppliers, seven were Finnish food industry companies, one import company operating in Finland and two German car manufacturers.

The purchases of all of Kesko's companies from suppliers of goods operating in Finland totalled €5,436 million, accounting for 67.5% (69.1%) of the Group's total purchases.

ECONOMIC RESPONSIBILITY

The purchases of goods by the Kesko Group's Finnish companies totalled €6,737 million. Of these purchases, 80.2% were from suppliers operating in Finland and 19.8% 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 locally produced products in their selections. In 2011, K-retailers' direct purchases from Finnish regions totalled €563 million (see table on page 69).

CAPITAL EXPENDITURE

In 2011, Kesko's capital expenditure totalled €425 million (€325 million), or 4.5% of net sales (3.7% in 2010). Capital expenditure on store sites was €361.8 (€209.2 million). Capital expenditure in foreign operations accounted for 31.7% (13.1%) of the total capital expenditure.

In addition to Kesko, K-retailers annually make capital expenditures on the building or reconstruction of stores used by the K-Group. These included, the total capital expenditure in Finland was around €434 million (€351 million) in 2011.

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.

PROCEDURES FOR LOCAL HIRING, EC7

Kesko recruits local expertise and aims to cover a wide diversity of candidates for job openings, including management and middle management positions. Kesko compiles statistics on recruitment by country. In 2011, all of Kesko's top and middle management positions in Finland were held by Finnish citizens.

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

INFRASTRUCTURE INVESTMENTS AND SERVICES PROVIDED FOR PUBLIC BENEFIT, EC8

During the reporting period, Kesko itself did not make any infrastructure investments for public benefit referred to in the GRI. Instead, Kesko made contributions to the public good in donations and through its business partners. At the national level in all of its operating countries, Kesko supports initiatives promoting, for example, science, research and education, youth work, sports, as well as the operations of non-governmental and environmental organisations. Kesko especially supports projects for the wellbeing of families with children.

The reduction in the support in 2011 is due to the donations to a number of universities granted by the Board in spring 2010. Read more about donations on pages 13, 15 and 37.

Kesko's support for the public good

	2011	2010	2009
€1,000	1,072	2,253	1,508

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

Kesko's measurable indirect impact on society, such as employment impact, increased municipal tax income, or income in the producer and supplier chain, must be evaluated case by case, in connection with the establishment of a new store, for example. See, for example, the table for the economic benefit generated by Kesko and K-retailers to Finnish provinces in 2011.

Read more about impacts on society on pages 12–17.

ENVIRONMENTAL RESPONSIBILITY

CO₂e EMISSIONS

Company cars,
Finland



2,949 t

Air travel,
Finland



2,101 t

Transportation,
Finland



46,350 t

Energy consumption in
properties



141,083 t

Management approach to environmental responsibility including operating principles and monitoring and control systems are described on pages 50–57.

At the end of 2011, 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. So far, environmental systems have not been adopted in the operations outside Finland.

The K-Group's environmental policy, updated in 2011, can be read at www.kesko.fi/responsibility.

MATERIALS

MATERIALS USED, EN1

In respect of Kesko, materials used refer to the quantities of packaging materials of products imported or packaged by Kesko. Kesko reports these materials to the authorities in compliance with the EU packaging directive. Kesko's logistics operations take account of the possibilities to use more environmentally friendly materials in its operations and packaging systems.

Kesko guides its customers in comparing the environmental properties of products and packaging, their proper use and disposal after use. Kesko can have an impact on the packaging materials and quantities, especially when developing its own brand products. Among the clearly most important properties of packaging is to sufficiently protect the product from spoilage before use and to enable the whole product quantity to be used. According to surveys (Source: MTT Agrifood Research Finland FutupackEKO), the environmental impacts of foodstuffs packaging as a rule are significantly smaller

than the emissions from the production and consumption of the foodstuff itself.

Read about the objectives and progress of Kesko's recycling and material efficiency on pages 58–59.

Quantities of packaging imported and packaged by Kesko, tons

	2011	2010	2009
Anttila/K-citymarket	2,231	2,575	1,146
Rautakesko	2,966	3,701	2,978
Kesko Food	17,869	18,101	25,628

In 2009, K-citymarket was included in Kesko Food's figures.

Excluding wood packaging and roll containers.

MATERIALS USED THAT ARE RECYCLED INPUT MATERIALS, EN2

In 2011, 277 tons of packaging plastic recovered from Kesko Food's goods transportation was recycled. Because most part of the reported packaging materials go to consumers, the calculation of the proportion of recycled materials is not appropriate. Read more at EN27.

ENERGY

DIRECT ENERGY CONSUMPTION, EN3, AND INDIRECT ENERGY CONSUMPTION, EN4

In 2011, Kesko's office and warehouse properties and the K-Group stores in Finland consumed a total of 1,071 GWh of electric and heat energy. In the other operating countries, the total consumption of heat and electricity was 129.1 GWh in 2011.

ENVIRONMENTAL RESPONSIBILITY

Environmental systems at Kesko

Operations	Environmental management system	Comment
Keslog's warehousing, terminal and transportation operations	ISO 14001	Certificate renewed 2010
Anttila Oy: central unit, logistics centre, mail order sales and NetAnttila, all Anttila and Kodin Ykkönen department stores	ISO 14001	Certificate renewed 2010 - in addition, Kerava logistic centre certified as new in 2011
Real estate management and maintenance	ISO 14001; ISO 9001	Certificate held by YIT Kiinteistötekniikka Oy
VV-Auto Group Oy	ISO 14001; ISO 9001	Programme created by Finnish Central Organisation for Motor Trades and Repairs Association
K-food stores: 462 K-environmental stores	K-environmental store concept	Chain requirement for K-citymarkets, K-supermarkets and K-markets
K-rauta stores: 40 K-environmental stores (of which one joint store)	K-environmental store concept	Chain requirement, total of 41 stores, in addition, process going on in one store
Rautia stores: 99 K-environmental stores (of which 50 joint stores)	K-environmental store concept	Chain requirement, total of 106 stores, in addition, process going on in two stores
K-maatalous stores: 79 K-environmental stores (of which 49 joint stores)	K-environmental store concept	Chain requirement, total of 88 stores, in addition, process going on in one store
Main office in Katajanokka, Helsinki and warehouses in Vantaa	Environmental management system for offices	System developed by Kesko

ENERGY CONSUMPTION IN FINLAND

In Finland, multi-energy monitoring covered 2,585,817 m² and electricity monitoring alone 579,983 m² in 2011. The coverage of multi-energy monitoring, i.e. monitoring properties in respect of electricity, heating energy and water consumption, is 72%. Including properties monitored in respect of electricity consumption only, the coverage is 88%.

Based on the measurements, a specific consumption is determined for each type of real estate, which enables the calculation of the total consumption of all properties. In 2011, the classification of real estate for the comparative years was also updated, causing minor changes in the total consumptions reported for the previous years.

In 2011, the total consumption of electricity calculated for Kesko's properties (properties managed by Kesko and monitored by Energiateollisuus Oy, see report attachments at www.kesko.fi) was 755 GWh/m² whereas the consumption in 2010 was 748 GWh. In 2011, the total properties increased by 2.6%, but the total consumption grew by no more than 0.9% during the same period.

In 2011, the total heat energy consumption calculated for all properties was 316 GWh, showing a reduction of 15.3% on 2010. The decrease in the measured specific consumption for 2011 was exceptionally steep owing to exceptionally heavy heat consumption in 2010. Especially the mild autumn reduced the need for heating clearly below normal.

In 2011, the total specific electricity consumption calculated for all properties in Finland was 211 kWh/gross m². The specific electricity consumption decreased by 1.6% from 2010, when it was 214 kWh/gross m².

The corresponding specific consumption of heat energy in Finland was 88 kWh/gross m². In 2011, the specific consumption of all of Kesko's properties decreased by 17.4%. In 2010, the specific heat consumption was 107 kWh/gross m².

Specific consumptions of electricity and heat and developments in real estate in Finland by type of real estate can be read in the consumption monitoring report at www.kesko.fi/responsibility.

ENERGY CONSUMPTION IN THE OTHER OPERATING COUNTRIES

The real estate area of subsidiaries outside Finland was 1,001,000 m² in 2011. Rautakesko's properties outside Finland have been increasingly included in operating control and energy monitoring systems. Except for Sweden, some heat energy was produced in the operating countries outside Finland mainly from non-renewable energy sources, gas, oil and peat.

In 2011, Kesko's direct energy consumption consisted of self-produced heat outside Finland, a total of 29.9 GWh. The consumption of purchased electricity was 84.5 GWh and district heat consumption was 14.7 GWh, and a total of 129.1 GWh.

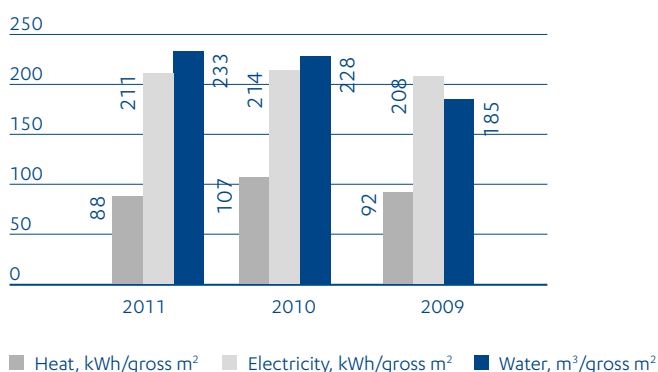
ENERGY CONSUMPTION

	2011	2010	2009
Finland			
Electricity (MWh)	754,751	747,652	739,276
Heat (MWh)	316,114	373,170	327,077
Total electricity and heat	1,070,865	1,120,822	1,066,353
Water, m ³	834,253	795,338	658,054
Other operating countries			
Electricity (MWh)	84,478	96,026	87,493
Heat (MWh)	44,621	33,232	35,598
Total electricity and heat	129,099	129,258	123,091
Water, m ³	117,881	96,941	114,243
All operating countries			
Electricity (MWh)	839,229	843,678	826,769
Heat (MWh)	360,735	406,402	362,675
Total electricity and heat	1,199,964	1,250,080	1,189,444
Water, m ³	952,134	892,279	772,297

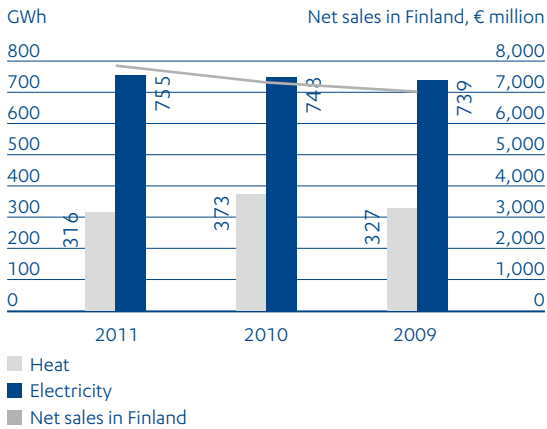
Finland: figures for 2009 and 2010 have been specified.

Other operating countries: figures for 2011 include Belarus for the first time. Figures for 2009 have been specified.

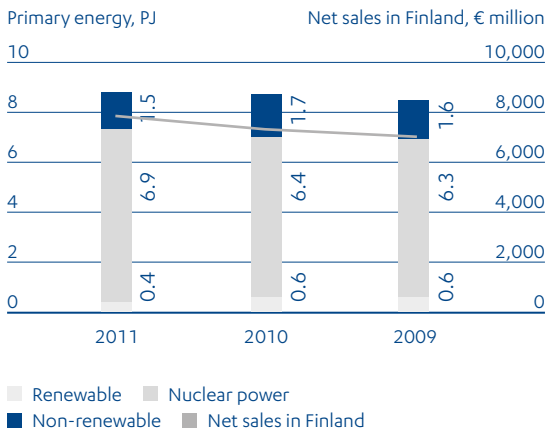
SPECIFIC CONSUMPTIONS, FINLAND, 2009–2011



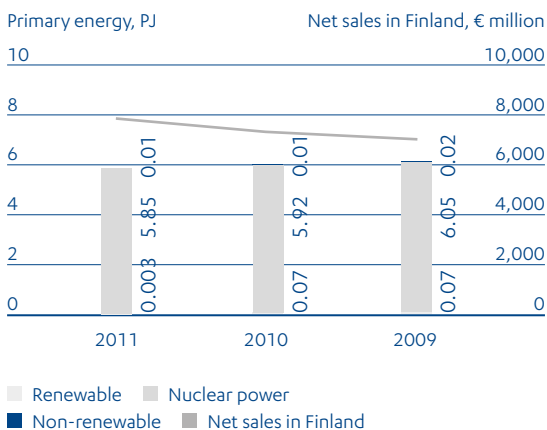
TOTAL ENERGY CONSUMPTION IN REAL ESTATE MANAGED BY KESKO IN FINLAND



PROFILE FOR ENERGY CONSUMED IN REAL ESTATE MANAGED BY KESKO IN FINLAND



PROFILE FOR ELECTRICITY SUPPLIED BY KESKO TO THE K-GROUP IN FINLAND



ELECTRICITY SUPPLIED BY KESKO TO THE K-GROUP

Kesko supplied 538 GWh, or approximately 70.9% of the total electricity consumed by the K-Group in Finland. In 2011, electricity was supplied by Helsingin Energia. Kesko's stores are also located in shopping centres, in which case both electricity and heat is purchased from the real estate company. In addition, some K-retailers purchase electricity, mainly from regional electric power plants.

The 2011 source data and calculation principles are available in the report attachments. The energy consumption figures for 2011 and the environmental profiles for energy consumption have been produced by Energiakolmio Oy. The calculation, which includes a comparison with the energy protocol contained in the GRI reporting guidelines, is available at www.kesko.fi/responsibility.

ENERGY SAVED DUE TO CONSERVATION AND EFFICIENCY IMPROVEMENTS, ENS

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

The energy consumption at store sites consists of consumption related to store operations, such as lighting and equipment, and 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.

By the end of 2011, the building automation of 99 Kesko properties had been connected to remote control. The set points of properties and the control run-times can be changed from monitoring stations as necessary, which also enables quick response to possible disturbances. The right run-times and set points are the easiest and the most effective practical ways in which to improve energy efficiency. The average specific heat energy consumptions of remote controlled properties were 11% lower compared to non-remote controlled properties. The specific electric energy consumption of remote controlled properties was 2.8% lower than the consumption of non-remote controlled properties.

In 2011, the replacement of some ventilation blowers by energy saving ones was tested. At the same time, the type of ventilation control was changed to accommodate CO₂ sensitive air volume control. The operation will save as much as 100 MWh of energy per year. The same technology is available for circulation pumps, in which the new technology would save as much as 70% compared to traditional solutions. Encouraged by the results, old blowers and pumps will be replaced in more properties in the future. When mechanical ventilation is controlled by carbon dioxide sensors, the ventilation operates on a need basis. In the future, new buildings will mainly be equipped with CO₂ controlled ventilation.

The installation of lids on the chest freezers in K-food stores has continued. In 2011, the total length of added chest freezer lids and doors contributed 2.5 kilometres to the total length of around 6.8 kilometres of such refrigeration equipment. Lids help save 30–40% of electric energy compared to uncovered chest freezers.

The test of adding doors to juice and dairy cabinets, launched in 2010, was continued in 2011.

Currently, energy is saved in increasingly many K-food stores also by using carbon dioxide recovered from industrial processes as a refrigerant in cooling equipment. Not only is carbon dioxide an environmentally friendly coolant, but using the condensation energy from CO₂ plants can save as much as 55% of a store's heat energy compared to traditional solutions using condensation heat from cooling units.

ENVIRONMENTAL RESPONSIBILITY

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, for example, at K-supermarket Jalasjärvi and the Veturi shopping centre.

ENERGY EFFICIENT OR RENEWABLE ENERGY-BASED PRODUCTS AND SERVICES, EN6

Rautakesko's Energy Expert concept has been adopted by a total of 118 K-rauta and Rautia stores. In the concept, solutions for higher energy efficiency are displayed at one in-store location where an Energy Expert sales assistant, familiar with house technology, serves customers by finding the solutions that best suit their needs. The Energy Expert concept also includes installation service from a K-rauta or Rautia store, if customers need it.

The in-use CO₂ emission of car brands imported by Kesko decreased in 2011 compared to 2010. Especially low-emission (less than 100 CO₂) Seat and Volkswagen models will be launched in 2012. Selections of the machinery trade also include models with lower emissions, for example, in agricultural machinery. The first hybrid engine machine, a forklift, has been sold.

VV-Auto is a member of Finnish Car Recycling Ltd, through which it promotes car recycling.

VV-Autotalot has adopted a voluntary energy labelling scheme for cars, in which the energy label indicates the car's emission category and fuel efficiency. The scheme corresponds to the energy labelling scheme adopted in the EU member countries for the energy consumption of household appliances.

Read more about energy efficiency in construction activity on page 73.

INITIATIVES TO REDUCE INDIRECT ENERGY CONSUMPTION AND REDUCTIONS ACHIEVED, EN7

Kesko is building new, increasingly energy efficient stores in both Finland and its other operating countries. By using energy efficient building materials, we have gained good results in energy consumption, especially in the tightness of buildings. Read more on pages 24–25.

In 2011, air miles in business travel in Kesko totalled 10.3 million (9.5 million in 2010). The aim is to continue reducing emissions from air travel as part of the Group's responsibility programme, for example, by increasing options for virtual meetings.

At the end of 2011, there was 23 Videra distance meeting points in use within the Group and the total duration of video meetings arranged between two or several facilities was 4,438 hours (4,516 hours in 2010). The total duration of distance meetings from employees' own terminals (Genesys Conference) was 1,117 hours (2,271 hours in 2010). The use of Genesys has been decreased by an increasing use of Videra and the Office Communicator instant messaging application.

At the end of the year, Kesko had 651 company cars in Finland, of which 295 were petrol and 356 diesel engined.

WATER

WATER WITHDRAWAL, EN8

Finland has abundant water resources. Due to virtual water associated with the import of processed goods, more than half of the water footprint of Finnish consumption falls outside Finland (Source: www.waterfootprint.org).

The K-Group has recognised the importance of fresh water as a natural resource. In the K-Group's own operations, water is mainly used for cleaning. The level of hygiene and cleaning methods for food stores have been stipulated in the Food Act and the decree on food hygiene. Major consumers of water within the K-Group are car washes. All water used by Kesko comes from municipal supplies.

The total quantity of water consumed in the K-Group's operations in Finland (monitored by Energiakolmio) is 834,253 m³/year (795,338 m³/year in 2010). Water consumption monitoring is part of real estate consumption monitoring also in the other operating countries outside Finland. When needed, changes can be responded to quickly.

The most significant impacts from water consumption are through the products we sell. With respect to the most material product groups in terms of water consumption, such as fruit and vegetables, most producers of imports have obtained the GlobalGAP certification for good agricultural production, including the use of water. The beverage industry products included in Kesko's selections are mainly produced in Finland. The breweries and soft drink manufacturers used by Kesko have their own environmental criteria concerning the use of water. The optimisation of water consumption in the textile industry production begins from monitoring water consumption at the factory, coupled with the factory's own measures.

Property-specific statistics on water consumption in Finland are available at www.kesko.fi/responsibility.

Water consumption in companies operating in countries outside Finland is of minor significance, totalling 117,881 m³ (95,000 m³ in 2010) per year. The water consumption figures for 2011 also include Belarus for the first time. Read more on page 72.

WATER RECYCLED AND REUSED, EN10

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

BIODIVERSITY

LAND OWNED, LEASED AND MANAGED IN AREAS OF HIGH BIODIVERSITY VALUE OR IN PROTECTED AREAS, EN11, AND IMPACTS OF ACTIVITIES ON BIODIVERSITY IN PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE, EN12

Kesko does not own or operate in areas close to areas with protection or high biodiversity requirements. Kesko only builds retail stores on areas zoned for business properties. Consequently, Kesko does not have significant direct impacts on biodiversity and Kesko's management operations are limited to individual actions and policy definitions. For indirect impacts, see EN15.

HABITATS PROTECTED OR RESTORED, EN13

Kesko does not have protected or restored habitats. Surveys of contaminated land are made annually in connection with construction work and real estate transactions. In 2011, an area of less than one hectare of land, located in the region of Central Finland, was restored. Read more about the restoration of contaminated land on page 77.

STRATEGIES, ACTIONS AND PLANS RELATED TO BIODIVERSITY, EN14

Mitigating climate change resulting from energy consumption is one of the key objectives in Kesko's environmental work for preserving biodiversity. Kesko has signed the trading sector energy efficiency agreement. Read more on page 73.

Read more about the principles for preserving biodiversity on page 55 and about our product selections on page 78.

IUCN RED LIST SPECIES IN AREAS AFFECTED BY OPERATIONS, EN15

Red List species are not affected by Kesko's direct operations. Indirect impacts arise through products on sale.

In line with Kesko's sourcing recommendation, the garden furniture made of tropical wood and sold by the K-Group stores is either FSC (Forest Stewardship Council) certified or made of such

wood species whose cultivation is possible in accordance with the principles of sustainable development.

Tropical wood and timber represented less than 1% of the building and home improvement trade's total sales. In 2011, certified wood – mainly with the Finnish national FFCS forest certification and the FSC certification – accounted for some 93.3% of sawn timber sold by Rautakesko.

The K-Group's fish and shellfish statement directs Kesko Food Ltd's and Kespro Ltd's own sourcing, as well as K-food stores' sourcing to safeguard sustainable fishing and the cultivation of fish. Read more about Kesko's fish and shellfish statement at www.kesko.fi/responsibility.

EMISSIONS AND WASTE

DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS, EN16, AND OTHER INDIRECT GREENHOUSE GAS EMISSIONS, EN17

Kesko reports the direct and indirect greenhouse gas emissions from its operations in accordance with the GHG Protocol (The Greenhouse Gas Protocol). The greenhouse gas emissions reported by Kesko under Scope 1 and Scope 2 of the GHG Protocol include the energy purchased by Kesko and retailers, own energy production abroad and own transportation in Finland. Scope 3 reporting includes emissions from outsourced transportation in Finland and emissions from business travel. In emissions included in the Corporate Value Chain of the GHG Protocol, Scope 3, outsourced transportation has been identified as a material class. We will specify the materiality of the Corporate Value Chain later on.

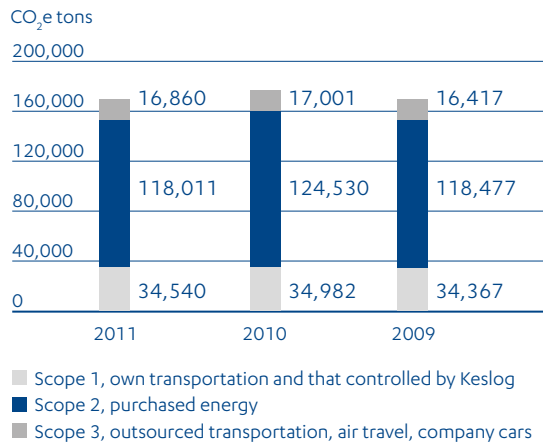
The electricity, 538 GWh (562 GWh in 2010), supplied by Kesko represents 70.9% of the total consumption by real estate in Finland. All carbon-free electricity purchased by Kesko from Helsingin Energia is produced using nuclear power. Consequently, the carbon dioxide emissions from the electricity purchased by Kesko were 0 tons in 2011. The use of primary energy decreased by 2.6% from the previous year. K-retailers' own electricity purchases included, the total carbon dioxide emissions from electricity used in properties totalled 51,646 tons.

In 2011, carbon dioxide emissions from real estate heat energy were 66,366 tons in Finland. The combined carbon dioxide emissions (CO₂e) from electricity and heat were 118,011 tons, which is less than 0.2% of the total emissions in Finland (74.6 million tons CO₂e according to Statistics Finland's energy statistics for 2011). The carbon dioxide emissions from electricity and heat energy consumption in Kesko's operations in Finland decreased by 5.2% in 2011.

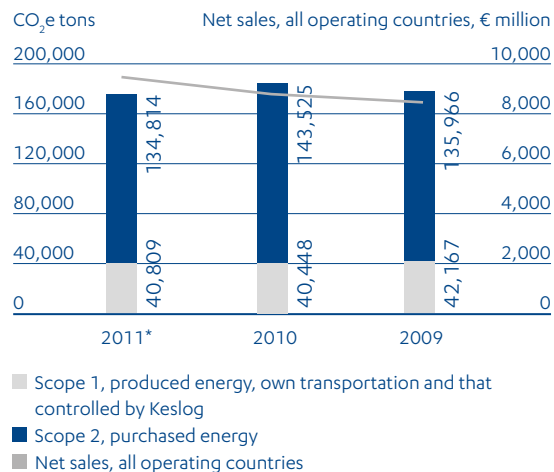
Energiakolmio Oy has also calculated the environmental profile of the energy used by Kesko companies outside Finland. The calculation relies on country-specific energy and heat production profiles, which are based on the statistics of the International Energy Agency (IEA) of the OECD on production distributions and carbon dioxide emissions. The amount of radioactive waste generated from nuclear fuel used is estimated at 3.0 mgU per kWh regardless of country. The calculation of carbon dioxide emissions from Kesko's own energy production is based on the instructions of the IEA. Acidifying emissions from Kesko's own production have not been calculated. The combined carbon dioxide emissions from real estate in other countries were 23,075 tons (25,000 tons in 2010). Kesko's own heat energy production accounted for 6,269 tons (6,300 tons in 2010) of the total carbon dioxide emissions from real estate in the other operating countries. The acidifying emissions (from purchased energy only) were 138 tons (161 tons in 2010).

The emissions from transportation are calculated using the LIPASTO system developed by VTT Technical Research Centre of Finland. The 2011 emissions have been calculated using the LIISA 2010 software unit coefficients.

CLIMATE CHANGE IMPACTS UNDER GHG PROTOCOL IN FINLAND

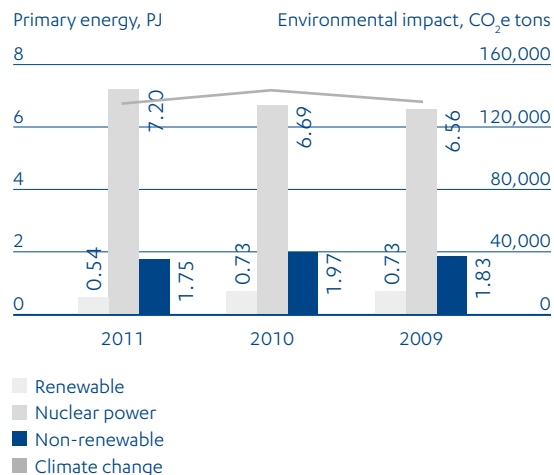


CLIMATE CHANGE IMPACTS UNDER GHG PROTOCOL, SCOPE 1 AND SCOPE 2, ALL OPERATING COUNTRIES



* Figures for 2011 also include Belarus.

PROFILE AND ENVIRONMENTAL IMPACT OF ENERGY PURCHASED AND CONSUMED BY THE K-GROUP, ALL OPERATING COUNTRIES



ENVIRONMENTAL RESPONSIBILITY

Transportation for Kesko Food and Anttila in Finland is handled by Keslog Ltd, with a total distance of 37.9 million kilometres travelled by vehicles in goods transport in 2011. Own vehicles and those controlled by Keslog accounted for 34,540 CO₂e of the carbon dioxide emissions from transportation. In 2011, the CO₂ emissions from outsourced transportation controlled by Keslog were 9,560 tons. Rautakesko's transportation is handled by Itella Corporation. The total distance travelled in transport for Rautakesko in Finland was 1.6 million kilometres, of which 90% was by vehicles assigned for Rautakesko's logistics only. The emissions from this transportation were 2,250 tons. In 2011, the total transportation distance in Finland was 39.6 million kilometres. The CO₂e emissions from transportation in Finland were 46,350 tons.

The total volumes transported by Keslog decreased less than the transport kilometres, which is why the relative emissions per transport kilometre were 2.3% lower than in the previous year. Compared to the 2007 level, the relative emissions from transportation have decreased by 1.1%.

The total volume of imports forwarded by Keslog was 318,000 tons, showing a decrease of 0.7% on the previous year. There is no information on kilometres driven or any emission calculations available for import transportation. Transportation from Europe was handled by trucks, semi-trailers and containers, and from outside Europe only by containers. Kesko Food accounted for 74% of the total volume of imports.

Transportation of subsidiaries in other countries has been divided between a larger number of companies than in Finland and part of the transportation is made from manufacturers directly to end-users. Transportation statistics are incomplete and annual data is not based on a consistent database and statistics are not presented in this report. Transportation statistics are developed in order to provide information on the other operating countries as well.

In 2011, air miles in Kesko employees' business travel totalled 10.3 million (9.5 million in 2010) and their CO₂ emissions were 2,101 tons (1,935 tons in 2010). Emissions from air travel represent only a small part – roughly 1.2% – of the Group's total emissions. In accordance with Kesko's travel policy, the environmental impacts from travel are considered when making decisions concerning travel. Virtual meetings are part of the ordinary meeting procedure. Read more on page 74.

Kesko had 651 company cars in use in Finland at the end of 2011. Kesko's company car policy recommends an emission level below 160 g CO₂/km. In 2011, the average emission level was 146 g CO₂/km (155 g CO₂/km in 2010) and the total emissions from company cars were 2,949 tons (2,505 tons in 2010). The calculation also includes private travel by the company cars.

Part of Kesko's business travel is carried out by employees in their own cars. In 2011, allowances paid for such travel in Finland covered 8.0 million kilometres. Kesko does not take a stand on emissions from business travel carried out by employees' cars and they are not included in Kesko's emission figures. If it is assumed that the average emission level of employees' cars was 180 g CO₂/km, the total emissions from such business travel would have been about 1,440 CO₂ tons.

INITIATIVES TO REDUCE GREENHOUSE GAS EMISSIONS AND REDUCTIONS ACHIEVED, EN18

In its own operations, as well as through the services and products it offers, Kesko makes effective efforts to operate in ways in which to curb greenhouse gas generation. Read more on page 54.

By improving energy efficiency and adopting carbon-free electricity Kesko has been able to significantly affect the climate change impact of properties. For example, in Finland, when electricity purchased by Kesko and K-retailers is included in the calculation, the CO₂ emissions from electricity have decreased by 77% (2001 is the base year, with CO₂ emissions totalling 220,644 tons).

The positive trend in the CO₂ emissions from transportation in 2011 is attributable to the improved logistics efficiency. Keslog has long reduced emissions from the K-store supply chain by centralising distribution. Key methods for improving logistics efficiency also include the optimisation of transport routes and a high volumetric efficiency. A significant part is also played by efficient return logistics with, for example, purchased loads or carrier trays and recycling components, such as pallets, roll containers, cardboard, bottles or cans, collected on the return route.

On several years, training in economical driving styles has also been arranged for drivers.

In 2011, a two-tier trailer was tested in long distance trunk delivery transportation as a new solution for improving transportation efficiency.

The volumes of return logistics will increase significantly in 2012, as the collection of recyclable glass bottles also from food stores begins.

In 2011, Kesko continued to support the CANEMU project of the Finnish Environment Institute SYKE, and joined the TAPRE project of the EcoEfficient Tampere programme, the objective of which is to promote energy efficiency in the Pirkanmaa region.

EMISSIONS OF OZONE-DEPLETING SUBSTANCES BY WEIGHT, EN19

The use of ozone-depleting substances is not material in the K-Group's operations and the phase-out of HCFC is not reported. CFCs (R12 and R502) are no longer used in K-food store refrigeration equipment (prohibited by law since 2000). HCFC chlorofluorohydrocarbon refrigerants, such as R22, are still used at some old store sites and the existing equipment will be used until the end of their life cycles. This refrigerant will be prohibited from the beginning of 2015.

The R404a HFC substance is currently the leading refrigerant in K-stores. R744 technology, using carbon dioxide recovered to 100% from industry processes as the refrigerant, is also used in some K-food stores. The gas temperature in the carbon dioxide process – higher than in the traditional refrigeration process – can be used in refrigeration units by building an efficient heat recovery system for heating service water and the incoming air of the air-conditioning system. Today, increasingly many K-food stores use carbon dioxide recovered from industrial processes as the refrigerant.

The leading refrigerants in Keslog's warehouses are NH₃ (ammonia) and R404a. The refrigerant in air heat pumps sold in the building and home improvement stores is R410A.

NOX, SOX, AND OTHER SIGNIFICANT AIR EMISSIONS BY TYPE AND WEIGHT, EN20

In 2011, the sulphur dioxide emissions (SO₂) from electricity and heat energy used in real estate properties in Finland (report by Energia-kolmio Oy) were 189 tons, and nitrogen dioxide emissions were 211 tons, which is 344 tons of SO₂e (381 tons in 2010). Ethene emissions (C₂H₄e) producing lower atmosphere ozone were 11.7 tons (12.9 tons in 2010). Nitrogen oxide emissions from purchased energy were 211 tons in 2011. The quantity of radioactive waste produced by using nuclear power was 1.6 tons (1.8 tons). The Kesko subsidiary Kestra Kiinteistöpalvelut Oy is a participant in Fennovoima's nuclear power plant project. Read more at www.kesko.fi/responsibility. CO₂ emissions only are reported for transportation and business travel. Read more at EN16 and EN17.

WATER DISCHARGE, EN21

Wastewater from Kesko's operations goes to municipal sewer systems. There is no water discharge referred to by GRI from Kesko's operations.

TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD, EN22

The total amount of waste generated in companies in Finland (Kesko Food Ltd (logistics), Kespro Ltd, Anttila Oy (logistics centre), Konekesko Ltd, Rautakesko Ltd and VV-Auto Group Oy) was 10,776 tons, of which 92% was recovered. The aggregate quantity of waste in the other operating countries was 9,628 tons, and the recovery rate there was 67%. In Finland, Kesko's waste statistics mainly cover warehousing operations, while in the other countries, most of the waste included in statistics is generated in retail stores.

In Finland, the quantity of mixed waste decreased significantly, as the new operating system for organic waste was fully introduced in the central warehouses. In 2011, the recovery rate in Kesko Food's warehouses clearly improved from the previous year reaching 95% (84% in 2010). In 2011, the amount of mixed waste per cubic metre delivered was 0.15 kg (0.44 kg in 2010).

The recovery rate of Anttila's new logistics centre opened in 2011 is over 99%.

There are 223 recycling points made available to customers in K-food stores. A total of 338 million cans and 111 million recyclable plastic bottles were returned.

In spring 2011, a reusable Chep crate replaced the Transbox crate in vegetable transportation. Their share of transportation via terminals operated by Keslog increased slightly.

This year, the amounts of batteries and accumulators recovered through the K-Group stores were reported for the first time. The quantities are presented for the whole time during which they have been recovered in Finland.

Packaging delivered by Kesko Food's return logistics for recovery and reuse, 1,000 pcs

	2011	2010	2009
Aluminium cans	100,236	103,149	74,161
PET bottles	56,841	53,540	28,463
Disposable bottles	5,107	4,266	2,685
Deposit bottles	356	452	362
Reusable crates	11,429	10,885	9,856

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

	2011	2010	2009
Impregnated timber	931	840	858
Lead-acid batteries	4	5	22

Batteries and accumulators (Recser) collected in the K-Group stores, Finland, tons

	2011	2010	2009
Batteries and accumulators	130	108	80

TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS, EN23, AND COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS, EN28

The ISO 14001 certified Kesko units manage their environmental risks and readiness to act in exceptional and emergency situations in accordance with the requirements of the standard. One of the biggest risks for trading sector companies is fire, which is why employees have been given appropriate instructions and training. In 2011, there were no reportable environmental damages or accidents within the Group.

Waste management statistics on operations in Finland, tons

	Kesko Food (logistics)			Kespro ⁴⁾	Anttila (logistics centre)			Rautakesko			Car and machinery trade		
	2011	2010	2009		2011	2010	2009	2011	2010	2009	2011	2010	2009
Waste for recovery	7,245	5,596	5,638	941	423	471	539	439	405	414	689	969	599
WEEE	14	-	-	-	96	94	95	-	-	-	-	-	-
Landfill waste ^{1) 2)}	391	1100 ³⁾	901 ³⁾	316	2	15	14	52	59	100	75	130	147
Hazardous waste ²⁾	18	3	-	12	-	-	3	-	-	-	61	120	65
Total	7,668	6,698	6,539	1,269	521	581	651	491	464	514	825	1,219	811
Recovery rate, %	95	84	86	75	99	97	97	89	87	81	91	79	74

1) Mixed waste and other components not suitable for recovery.

2) Composted organic waste and hazardous waste (from 2011) are included in the recovery rate.

3) In addition, in 2009: 110 tons and in 2010: 96 tons of building and special waste was treated, but such a one-off batch was not included in the calculation.

4) Reported by Kespro for 2011 for the first time.

Waste management statistics for Sweden and Norway, tons

	Sweden			Norway		
	2011	2010	2009	2011	2010	2009
Waste for recovery	1,482	2,055	2,044	1,224	699	654
Landfill waste	441	480	555	22	504	574
Hazardous waste	41	-	48	37	38	8
Total	1,964	2,535	2,647	1,283	1,241	1,236
Recovery rate, %	75	81	77	95	56	53

Waste management statistics for the Baltics, Russia and Belarus, tons

	Estonia			Latvia ¹⁾	Lithuania			Russia			Belarus ¹⁾
	2011	2010	2009	2011	2011	2010	2009	2011	2010	2009	2011
Waste for recovery	402	158	196	189	2,300	1,905	2,069	574	2,343	1,906	8
Landfill waste	43	271	422	478	1,050	796	992	1,113	771	889	53
Hazardous waste	7	-	8	7	25	11	21	-	-	-	132
Total	452	428	626	674	3,375	2,711	3,082	1,687	3,114	2,795	193
Recovery rate, %	89	37	31	28	68	70	67	34	75	68 ²⁾	4

1) Data of Latvia and Belarus for 2011 only.

ENVIRONMENTAL RESPONSIBILITY

Surveys of contaminated land are made annually in connection with construction work and real estate transactions. In 2011, the soil of four properties was surveyed in connection with construction in Finland. Contaminated land was found at one site, which was cleaned up in 2011. The restored area of land is located in the region of Central Finland. The total quantity of land transported to processing plants was 7,342 tons. In addition, the cleaning up of soil at one site begun in 2010 was completed. Land cleaning operations were not performed outside Finland in 2011.

In addition, possible disruptive substances and ozone-depleting substances within structure are surveyed in connection with property transactions.

In 2011, there were no cases of non-compliance with environmental legislation or regulations within the Group.

WATER BODIES SIGNIFICANTLY AFFECTED BY THE REPORTING ORGANISATION'S DISCHARGES OF WATER AND RUNOFF, EN25

Kesko has no discharges into water bodies. All wastewater from Kesko's operations goes to municipal sewer systems.

PRODUCTS AND SERVICES

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES, AND EXTENT OF IMPACT MITIGATION, EN26

Kesko can have a direct impact on the reduction of the environmental impacts of products in respect of its own products and an indirect impact through product selections. The selection and marketing policies concerning organic products and products with environmental labelling are, just like Fairtrade products, included in the K-food stores' chain concepts. At the end of 2011, Kesko Food had around 1,790 organic products and products with environmental labelling in its selections (around 1,350 in 2010; number corrected based on more accurate statistics available after the previous report was published), of which 73 (48) were Pirkka Organic products and 73 (48) Pirkka products with the Swan label.

The objective set in autumn 2011 was to double the number of Pirkka organic products from 50 to around 100 by the end of 2012. At the end of 2011, the number of organic products in K-food store selections varies depending on the size of the store. Some of the organic products – such as milk, bakery and meat products – are delivered by suppliers directly to stores; K-retailers also buy organic vegetables direct from local producers. There are no reliable statistics on these products.

Anttila department stores and Kodin Ykkönen department stores for home goods and interior decoration accept as pro-environmental products those which carry a Swan label, the EU Flower Ecolabel or the label indicating that the energy consumption category is 'A'. These products are highlighted by 'Pro-environmental product' shelf labels in the department stores. Anttila and Kodin Ykkönen currently have some 280 products labelled as Pro-environmental (230 in 2010), especially paper products, light bulbs, batteries, washing agents and household appliances.

Most of Kesko Food's import suppliers of fruit and vegetables – 96.7% – have the GlobalGap (Good Agricultural Practice) certificate. Banacol, the supplier of the Pirkka bananas, is both SA8000, GlobalGap and Rainforest Alliance certified. The Pirkka pineapple, launched in early 2011, is also GlobalGap and Rainforest Alliance certified.

Kesko Food's Finnish producers of vegetables must belong to the Finnish Horticultural Products Society (KK) and be entitled to use the society's seed leaf symbol. The society has published a guidebook called "Quality Requirements for Vegetables" to ensure product safety and environmental aspects of domestic gardening products. Compliance with this guidebook is compulsory for companies using the KK's seed leaf symbol.

In 2011, Kesko Food joined the RSPO (Roundtable on Sustainable Palm Oil). Palm oil is used in a large number of foodstuffs. Palm oil is an important source of income for the national economies of the countries of production. The yield potential of oil palm per growing area is higher than that of any other oil plant. However, palm oil production extending over wider tropical growing areas is an increasing concern for the environment. Palm oil production must be sustainable. Responsibility must be considered in respect of economic, social and environmental aspects. Kesko Food recommends that the manufacturers of Pirkka and Menu products use Certified Sustainable Palm Oil (CSPO). Currently, 14 Pirkka products and 10 Menu products contain CSPO. Read more at www.kesko.fi/responsibility.

Instead of an ordinary plastic shopping bag, K-food store customers can choose a bag made of recycled plastic, a biodegradable Pirkka bag or a non-disposable Pirkka bag.

The long-term development programme of the Pirkka product range includes the launch of biodegradable packaging to the market. No genetically modified ingredients are accepted.

Rautakesko offers a wide selection of products featuring environmental or energy efficiency category labelling. In the building and home improvement trade, products with the EU Flower symbol or the Swan symbol, as well as products made of FSC certified wood, are considered to be pro-environmental products. In environmental stores, these products are identified within shelf or other price labelling. PEFC or FSC certified timber accounted for some 93.3% of sawn timber sold by Kesko. Tropical wood and timber accounted for less than 1% of Rautakesko's total sales. In 2011, all garden furniture made of tropical wood imported by Rautakesko was FSC certified. In line with Kesko's sourcing recommendation, the garden furniture made of tropical wood in all K-Group stores is either FSC certified or made of such wood species whose cultivation is possible in accordance with the principles of sustainable development.

In the car trade, Kesko's selections include low emission brands. Emphasis on low emission models is also manifest in the average CO₂ emissions of, for example, Volkswagen passenger cars, which were 133.7 g/km in 2011.

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

- A stand on genetic engineering
- A fish and shellfish statement
- Pirkka egg statement
- Rautakesko's timber policy
- Kesko Food's palm oil policy

The statements can be read in full at www.kesko.fi/responsibility.

PERCENTAGE OF PRODUCTS SOLD AND THEIR PACKAGING MATERIALS THAT ARE RECLAIMED BY CATEGORY, EN27

The Pirkka recycled plastic bags are manufactured to a 90% of recycled plastic. Of this material, 30% is recovered from protective plastic wrapping used in Kesko Food's goods transportation. In 2011, 277 tons of plastic recovered from Kesko Food's goods transportation were used in the manufacture of the Pirkka recycled plastic bags.

Jointly with suppliers, Kesko contributes to the reuse and recycling of products on sale. Read more on page 35.

The quantities of consumer packaging, such as bottles and cans, recyclable hazardous waste, like accumulators, batteries and impregnated timber, are reported at EN22.

SIGNIFICANT ENVIRONMENTAL IMPACTS OF TRANSPORTING, EN29

CO₂ emissions are reported at EN17.

SOCIAL RESPONSIBILITY

HR OBJECTIVES AND INDICATORS

Personnel productivity

- Average number of employees
- Wages, salaries and fees
- Wages, salaries and fees/gross profit
- Wages, salaries and fees/net sales
- Net sales/average number of employees (CR report)

Competent and motivated people

- Sufficient competence for own job (personnel survey)
- Motivated by own job (personnel survey)
- Job satisfaction (personnel survey: own job, leadership, unit's operation)
- In-house mobility

The most attractive workplace

- Departure turnover
- Departure turnover of key persons
- Internal employer image (personnel survey)
- External employer image

Ability to work

- Sickness absences
- Wellbeing at work (personnel survey)
- Number of disability pensions

Management approach to HR management, including the operating principles and monitoring and control systems, is described on pages 54–57. The indicators in the social responsibility section do not include data for OOO Johaston, Russia, unless otherwise expressly mentioned.

Kesko's HR goals are to be the most attractive workplace, to have the most competent and motivated personnel and the best personnel productivity in the trading sector. The indicators related to Kesko's HR goals are presented in the above table and the results are discussed in the respective sections.

The state of the working community and the quality of leadership are measured by an annual personnel survey. Development plans are drawn up for each place of business on the basis of the survey results. The external employer image is monitored with various surveys. Kesko came in the 15th place (27th) in the 2011 Universum Young Professionals survey investigating the views of business economy students and in the 20th place (18th) in the Universum Student survey among business economy students.

Systematic and continuous development of employee competence is one of the main factors that ensure good customer service and the competitiveness of stores. Staff competence and motivation also improve the productivity of work carried out at Kesko and its chains. Kesko subsidiary K-instituutti Oy is responsible for training services provided to Kesko and its chains. Annual planning and training programmes for developing competence are drawn up with business units.

Personnel productivity, continuing operations, €1,000

	2011*	2010	2009
Net sales/average number of employees			
■ Finland	782	739	683
■ Other Nordic countries	504	489	437
■ Baltics	117	109	116
■ Russia and Belarus	104	101	86
Profit before tax/employee	15	17	11

*Including OOO Johaston, Russia

Wellbeing at work consists of the job and competence, management and leadership, personal life management and the working community. The objective is to improve employees' working capacity and motivation, reduce sickness absences and raise the retirement age. Kesko's responsibility programme for 2008–2012 contains several objectives associated with employee wellbeing. Read more on pages 58–59.

Occupational safety management is defined in Kesko Corporation's labour protection programme. 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. Labour protection is part of the line organisation's normal management and leadership work, and each superior is responsible for labour protection in his/her area.

SOCIAL RESPONSIBILITY

The action plan of Kesko's Occupational Health Service defines the general contents and objectives of occupational health care. The objective of occupational health care is maintaining and promoting employees' health, ability to work and function, preventing work-related diseases and injuries, ensuring health and safety in the working environment and supporting the functionality of work communities. Kesko's Occupational Health Service is managed by the chief occupational health physician.

TOTAL WORKFORCE BY EMPLOYMENT TYPE AND EMPLOYMENT CONTRACT, LA1, AND EMPLOYEE TURNOVER, LA2

At the end of 2011, the Kesko Group had 23,375 (22,124) employees, of whom 87.4% (86.3%) were permanent employees and 12.6% (13.7%) fixed-term employees. The figure contains 1,433 (1,343) people who were absent for an extended period, such as employees on parental leave. Employees absent for an extended period are included in permanent, full-time employees. The proportion of fixed-term employees is higher at year-end than at other times due to the Christmas season.

Part-time employees (working less than 37.5 hours/week) accounted for 28.5% (28.7%) of all Group personnel at year-end. The majority of part-time employees work for retail subsidiaries in Finland. Approximately three quarters of all Group employees work in retail. In 2011, the Group recruited 5,092 (4,011) new employees in Finland. In Finland 4,392 (4,154) employees left the Group.

In other countries, the Group recruited 4,382 employees (3,844 in 2010) while 3,969 employees (3,355 in 2010) left the Group. The most common reason for the termination of an employment relationship in Finland was a fixed-term contract, which explained about 48% (53%) of departures. Elsewhere, the reason for approximately 66% (66%) of departures was the employee's resignation.

In Finland, 3.5% of the terminated employment relationships (155) and 20.5% (814) in other countries were terminated by the employer for financial, production-related reasons, or for reasons of the employer's operational reorganisation, or for other reasons

based on the Employment Contracts Act. The corresponding figures in 2010 were 6.9% (288) and 20.4% (683) respectively.

In 2011, nine employment disputes were pending at different courts in Finland. One ruling was given in favour of the employer and three in favour of the employee. In one dispute, the plaintiff withdrew the case. In Kesko's other operating countries, there were no employment disputes with a Group company acting as the defendant.

Changes in the number of Kesko employees

	2011*	2010	2009
Finland at 31 Dec.	13,124	12,720	12,959
Other operating countries at 31 Dec.	10,251	9,404	9,248
Total at 31 Dec.	23,375	22,124	22,207
Finland, average	10,056	9,914	10,284
Other operating countries, average	8,904	8,300	8,916
Total, average	18,960	18,215	19,200

*Including OOO Johaston, Russia

BENEFITS PROVIDED TO EMPLOYEES, LA3

The Kesko Group provides its permanent, fixed-term and part-time employees in all its countries of operation with the employee benefits required by local legislation. These benefits include occupational health services, insurance against occupational injuries and diseases, parental leave and retirement benefits. Employees are also provided with diverse shopping benefits that apply in the K-Group stores and staff shops. A company mobile phone and car are also provided, if required in the job.

BONUS PAYMENTS AND SHARE OPTION SCHEMES

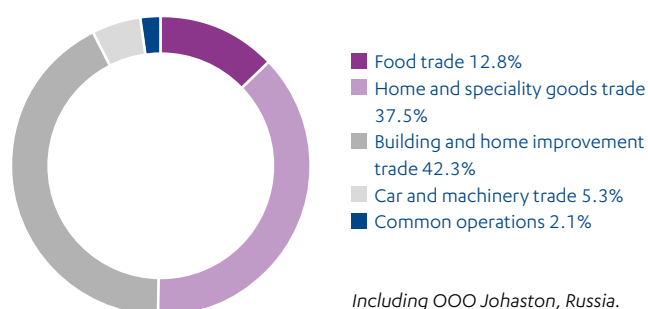
In spring 2011, around €16.2 million (€8.4 million) was paid in Finland in bonuses under the 2010 performance bonus schemes, accounting for some 4.7% (2.5%) of the total payroll. The performance bonus schemes cover the whole personnel, with the exception of sales assistants. In 2011, the total amount of different bonuses paid in operations in Finland was €17.5 (€9.5 million) consisting of

Fixed-term and part-time employments at Kesko

	2011*	2010	2009
Fixed-term employees of total personnel at 31 Dec., %			
Finland	14.7	14.6	15.3
Companies in other operating countries	10.0	12.6	7.0
Whole Group, total	12.6	13.7	11.9
Part-time employees of total personnel at 31 Dec., %			
Finland	44.2	43.3	43.1
Companies in other operating countries	8.4	9.0	9.3
Whole Group, total	28.5	28.7	29.0

*Including OOO Johaston, Russia

BREAKDOWN OF KESKO PERSONNEL BY DIVISION AT 31 DEC. 2011, %



Kesko's personnel statistics for 2011 analysed by operating country

	Finland	Estonia	Latvia	Lithuania	Belarus	Russia	Sweden	Norway
Total number of personnel at 31 Dec.	13,124	619	542	3,558	1,380	2,441 ⁴⁾	1,146	565
Average number of personnel in 2011	10,056	592	517	3,065	1,335	1,793 ⁴⁾	1,143	459
Number of new employments ¹⁾	5,092	56	164	1,941	626	1,038	470	87
Number of terminated employments ¹⁾	4,392	121	201 ³⁾	1,674	600	753	554	66
Terminated by employer, %	3.5	11.6	29.4	15.7	37.5	1.9	41.3	16.7
Total turnover rate, % ²⁾	24.5	16.6	32.3	45.4	38.9	38.9	48.3	11.7

1) Including summer employees.

2) Excluding summer employees.

3) Excluding SIA Antti.

4) Including OOO Johaston, Russia.

bonuses, sales commissions and other similar monetary remuneration.

In Kesko Corporation's bonus scheme, the key factors contributing to the bonus amount are the total performance of the Group and the division, the sales and performance of the employee's own unit and customer satisfaction. Personnel's job satisfaction is another contributing factor in superiors' bonuses.

In 2011, the companies outside Finland paid €10.3 million in bonuses and other remuneration, accounting for 8.2% of the payroll. The corresponding figure for 2010 was €9.3 million, accounting for 10.6% of the payroll.

The Kesko Group's management – comprising some 90 people – are covered by a performance-based bonus scheme. The maximum bonus amounts vary depending on the profit impact of the person's role and are equivalent to 3–8-months' salary. In 2011, Kesko operated the 2007A, 2007B and 2007C option schemes. More information on the schemes is available at www.kesko.fi/investors. The options had a €2.4 million impact on the Group's profit for the financial year 1 January-31 December 2011.

On 4 April 2011, Kesko's Board of Directors decided to introduce a new share-based compensation plan for some 150 Kesko management personnel and other named key personnel, in which a total maximum of 600,000 own B shares held by the company can be granted to people in the target group within a period of three years. The share-based compensation plan includes three vesting periods: the calendar years 2011, 2012 and 2013. A commitment period of three calendar years following each vesting period is attached to the shares issued in compensation, during which shares must not be transferred. (Stock exchange release on 4 April 2011, www.kesko.fi/media/releases/stock_exchange_releases.)

In February 2012, the Board decided to grant a total of 93,875 company B shares to some 150 Kesko management personnel and other named key personnel, based on the fulfilment of the vesting criteria of the 2011 vesting period of the share-based compensation plan. (Stock exchange release on 2 February 2012, www.kesko.fi/media/releases/stock_exchange_releases.)

PENSIONS

In Finland, 162 employees (180 in 2010) retired from the Kesko Group. The figure includes employees retiring on part-time pension and on partial disability pension. Rehabilitation allowance was granted for vocational re-training or trials for 16 (19) employees facing an apparent risk of incapacity for work in the next few years.

The number of disability pensions has remained low throughout the 2000s. In this period, the Occupational Health Service has intensively focused on actions targeted at maintaining employees' working capacity. The average retirement age of employees was 58 years (59).

In the other operating countries, 13 (15) employees retired.

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS, LA4, AND MINIMUM NOTICE PERIOD(S) REGARDING OPERATIONAL CHANGES, LA5

In all of its operating countries, Kesko complies with local legislation. The key statutes governing restructuring situations are included in the Act on Co-operation within Undertakings, according to which, the minimum notice period in most cases is one week.

In Finland, collective agreements cover about 80% of Kesko employees. So far, industry-wide collective bargaining agreements have not been drawn up in the Baltic countries or Russia.

A total of 38.8% (40.4%) of the Kesko Group employees in Finland were members of trade unions, mainly the Service Union United PAM. These statistics include the employees whose trade union membership fees are deducted from pay at source.

In Norway, the unionisation rate was 25.5% (22.1%). 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 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 have department store-specific shop stewards as well.

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

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

PERCENTAGE OF TOTAL WORKFORCE REPRESENTED IN FORMAL HEALTH AND SAFETY COMMITTEES, LA6

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

K-instituutti provides labour protection training for Kesko employees and K-retailers. There were also training sessions tailored to the needs of different Group companies.

RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, ABSENTEEISM AND WORK-RELATED FATALITIES, LA7

The statistics on injuries in Finland and an analysis of sickness absence days by country are presented on page 82. Injury statistics are not available for other countries.

In 2011, the sickness absence rate in Finnish companies was 4.8% (4.9% in 2010, figure corrected after publication of the previous report) of hours worked. Some 81% (75%) of the sickness absences were short-term absences (paid sick days). In other countries, the sickness absence rate was 3.4% (3.7% in 2010, figure corrected after publication of the previous report).

The figures for 2010 and 2011 do not include the data for Konsoma Belarus and the figure for 2011 does not include the data for SIA Antti.

EDUCATION AND COUNSELLING TO ASSIST WORKFORCE MEMBERS REGARDING SERIOUS DISEASES, LA8

At the Kesko Group, the training and counselling of employees, appraisal and prevention of risks and treatment of serious illnesses are part of the normal operations of the Occupational Health Service.

In Finland, Kesko's in-house Occupational Health Service reached approximately 6,400 (6,200) Kesko Group employees. Occupational health services for retail employees outside the Greater Helsinki area are mainly outsourced from private clinics. In other countries, occupational health care is arranged according to local practice and legislation.

A total of €4.5 million (€4.3 million) was spent on occupational health care in Finland in 2011. The Social Insurance Institution of Finland compensated around €1.9 million (€1.9 million) of this sum. In 2011, Kesko's Occupational Health Service spent €447 (€435 in 2010; calculation has become more accurate also for the previous years) per covered employee on maintaining employees' working capacity and providing medical care.

Kesko's contribution to occupational health care, Finland

	2011	2010	2009
€/person	447	435	424

SOCIAL RESPONSIBILITY

Injuries and occupational diseases in Finland

	2011	2010	2009
Fatal injuries	0	0	0
Occupational injuries, excl. commuting injuries	154	149	173
Commuting injuries	75	62	47
Injury rate*/million working hours	9	9	10
Average degree of injury severity, days	17.3	23.3	15.5
Suspected occupational diseases	3	3	4
Occupational diseases	3	3	0
Sick days due to injuries and occupational diseases	3,967	4,495	3,415
per employee	0.39	0.45	0.33

The calculation method 2010–2011: small injuries, i.e. those leading to absence of less than three days, are not included in the figures.

Statistics do not include contractors or the following companies: Vähittäiskaupan Takaus Oy, Vähittäiskaupan tilipalvelu VTP Oy, the Agricultural Foundation of Trade.

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

Sickness absences by country in 2011

	Finland	Estonia	Latvia	Lithuania	Belarus*	Russia	Sweden	Norway
Total number of sick days	126,722	3,288	5,129	25,393	11,856	13,126	10,707	6,516
per employee	12.6	5.6	9.9	8.3	8.9	7.3	9.4	14.2
per million working hours	6,372	2,735	4,916	4,101	4,370	3,697	5,324	8,060

The calculation method: Sick days per employee have been calculated on the average number of employees during the year.

* Data of Konsoma Belarus not included.

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

Occupational health care interviews involving the employee, the superior and a representative of the Occupational Health Service are part of basic operations in occupational health care. Cases in which these negotiations can be conducted include, for example, an employee's reduced working capacity, vocational rehabilitation planning, high absence rate, experience of work-related strain or a conflict. The objective is early intervention in situations threatening the individual's working capacity.

AVERAGE HOURS OF TRAINING PER EMPLOYEE, LA10, AND PROGRAMMES FOR SKILLS MANAGEMENT AND LIFELONG LEARNING, LA11

In Finland, the breakdown of Kesko's employees by education, as far as information available, is as follows: 13% (15%) have basic education, 69% (68%) have intermediate vocational education and 18% (18%) have a degree from an institution of higher education. In other countries, these percentages vary greatly by country.

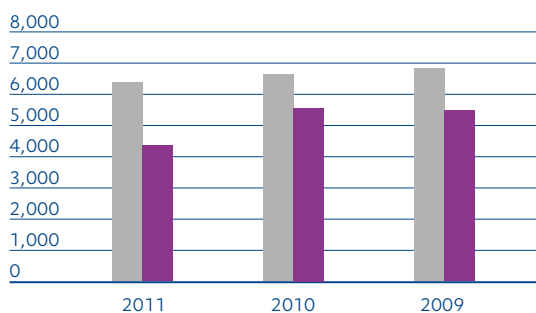
K-instituutti is in charge of the planning, provision and sourcing of training services for the K-Group in Finland. In 2011, approximately 34% (40%) of all training days were provided at K-instituutti. A total of 23,823 (24,300) K-Group employees, including the store staff employed by retailers, received training at K-instituutti.

K-instituutti is responsible for carrying out the Master Sales Assistant training, one of Finland's most extensive adult training programmes. In 2011, 15,912 (16,352) K-Group employees participated in the programme, studying in 12 different product lines. The objective is to continuously develop the service attitude, sales skills and product knowledge of sales assistants in cooperation with suppliers.

As in previous years, the Master Sales Assistant training programme was also offered in about 100 business colleges and poly-

TREND IN NUMBER OF SICK DAYS

Sick days/million working hours



■ Finland
■ Other countries

2011: Data of Konsoma Belarus, Russia and SIA Antti, Latvia not included.

technics. Some 5,200 students took the opportunity to participate in the training.

In 2011, 753 (871) employees had an apprenticeship contract and 224 (289) of them graduated with a vocational qualification.

The training programmes designed for K-retailers and store managers focus on the daily management of the store, business planning and entrepreneurship. K-instituutti also offers training in customer service and selling for staff working at K-stores.

Leadership skills and career advancement are supported with managerial, expert and management training programmes provided to Kesko employees and store supervisors. In 2010, the general training programmes were updated and the revised programmes were launched in 2011. A separate development path was designed for those employed in expert roles, and several new training courses were produced especially for more experienced target groups. Several brief tailored courses were carried out to support immediate

Training days and costs in 2011

	2011	2010	2009
Training days			
Finland	16,790	17,728	20,028
Other operating countries ¹⁾²⁾	15,219	10,558	3,050
Training days per employee			
Finland	1.7	1.8	2.0
Other operating countries ¹⁾²⁾	1.8	1.5	0.6
Training costs, € million			
Finland	3.0	2.7	3.4
Other operating countries ³⁾	0.9	1.3	0.7
Training costs per employee, €			
Finland	299	276	331
Other operating countries ³⁾	103	160	79

1) 2009–2010: data of SIA Antti, Latvia not included.

2) 2011: data of Byggnakker, Norway not included.

3) 2011: data of OOO Johoston, Russia included.

leadership work. The chains arrange their own training courses to complement the general offer.

The Management Coaching Programme (Jova) was split into two: the Personal Development Programme focuses on supporting personal development, and the Leadership Development Programme focuses on strengthening management and leadership. From 2012 onwards, these coaching programmes will be arranged in international groups with English as the coaching language.

Common management themes will be addressed in annual Management Coaching. Topical seminars are also arranged for management and potential future management. The theme of the 2011 seminar was the digital era. Approximately 250 participants from around Kesko attended the seminar.

In-house job rotation provides an extensive selection of career alternatives. In Finland, some 1,200 (1,100) people moved to a new job within the Group.

In Finland, recruitment in the K-Group is supported by the K-trainee and retailer training programmes. An essential part of the K-trainee programme is work experience in a K-Group store.

Future K-retailers are trained in the retailer training programmes. The coaching involves online studies, on-the-job training under a mentor retailer as well as regional and national on-site training periods. Those completing the programme are qualified to start a career as independent K-retailers, which about 95–99% of trainees choose to do. Find out more about the K-trainee and retailer coaching programmes at www.kesko.fi/jobs.

PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, LA12

Performance and development review discussions and performance assessment of key personnel are carried out at all Kesko Group companies and operating countries. In 2011, 76% (76%) of the Group's employees in Finland and 65% (63%, figure corrected after publication of the previous report) in other countries participated in the reviews. The level of satisfaction with the reviews was 4.07 (3.98) (on a scale of 1–5) for the whole Group.

PERSONNEL SURVEY

The annual personnel survey plays a key role in measuring and developing the quality of workplace relations and leadership. The survey is carried out at Kesko and its chains' stores. OOO Johaston, Senukai and OMA did not participate in the 2011 survey. The response rate was 75% (74%) of the employees in the participating companies. Employees who are absent for an extended period are excluded from the survey. The results of the personnel survey are presented in the table below.

Further development of employee wellbeing, including working capacity, and wider use of the personnel survey results were identified as areas for improvement. In the Group companies in Finland, the results of the personnel survey have an impact on the bonuses paid to superiors, including management. Since 2010, the Group has compiled a new wellbeing index based on the personnel survey responses and used it as one of the wellbeing programme indicators. The index is a combination of questions used for monitoring employees' working capacity and experience of work-related strain. In 2011, the Group-level wellbeing index rating stood at 3.75 (3.75 in 2010, 3.80 in 2009).

COMPOSITION AND DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEE CATEGORIES, LA13

In 2011, the average age of personnel in Finland was 35.1 (35.4) years. In the other countries, the average varied from 31 (27) years to 39 (40) years.

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

In addition to gender equality, the plans also guide other aspects of equality, such as the treatment of people in different age groups or with different cultural backgrounds. Employees' experiences of equality with respect to age, ethnic origin and gender have been monitored as part of the personnel survey. In these areas, employees' experiences of equality are good: in the Kesko Group's operations,

Personnel's job satisfaction, Finland, Sweden and Norway (scale 1–5)

	Finland			Sweden			Norway		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Own job	3.82	3.81	3.86	3.93	3.95	3.96	3.91	3.90	3.82
Leadership	3.86	3.79	3.81	3.68	3.62	3.53	3.70	3.74	3.53
Unit's operations	3.86	3.80	3.83	3.88	3.86	3.81	3.71	3.64	3.51
Kesko's operations	3.65	3.63	3.59	3.47	3.83	3.63	3.42	3.35	3.26

Personnel's job satisfaction, the Baltics and Russia (scale 1–5)

	Estonia			Latvia			Lithuania			Russia		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Own job	3.96	3.95	4.09	4.12	3.95	4.10	4.29	4.12	4.24	4.17	4.18	4.09
Leadership	3.83	3.78	3.85	4.02	3.70	3.83	4.38	4.10	4.01	4.30	4.29	4.21
Unit's operations	3.82	3.79	3.92	3.87	3.53	3.73	4.29	3.95	4.19	4.37	4.40	4.31
Kesko's operations	3.74	3.73	3.80	3.91	3.65	3.70	4.16	3.83	3.78	4.14	4.44	4.09

Personnel's job satisfaction, average by country (scale 1–5)

Finland			Sweden			Norway			Estonia			Latvia			Lithuania			Russia		
2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
3.85	3.80	3.83	3.82	3.78	3.72	3.76	3.74	3.59	3.86	3.82	3.93	4.00	3.70	3.85	4.33	4.05	4.12	4.28	4.30	4.22

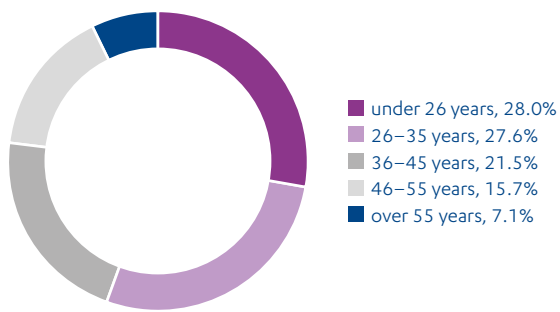
The average is calculated from the results in the categories 'own job', 'leadership' and 'unit's operations'.

Questions at Own job, Unit's operations and Kesko's operations were updated in 2011.

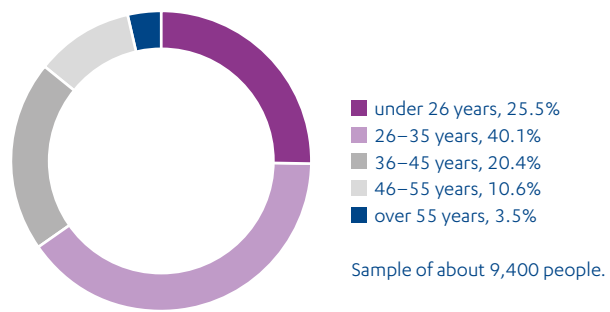
The updates have been taken into account in averages for 2009–2010 and the results are comparable with each other.

SOCIAL RESPONSIBILITY

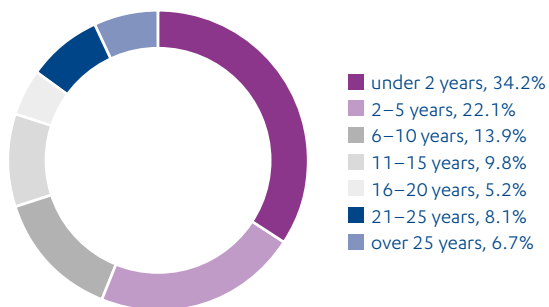
BREAKDOWN OF KESKO PERSONNEL BY AGE GROUP IN FINLAND IN 2011, %



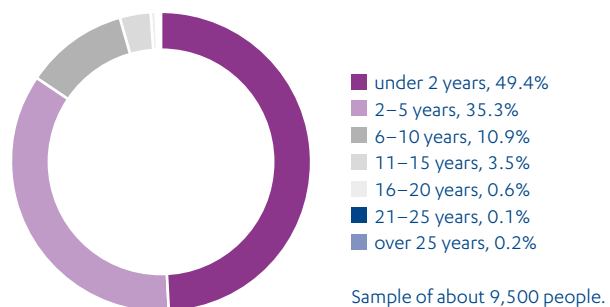
BREAKDOWN OF KESKO PERSONNEL BY AGE GROUP IN OTHER COUNTRIES IN 2011, %



YEARS OF SERVICE IN FINLAND IN 2011, %



YEARS OF SERVICE IN OTHER COUNTRIES IN 2011, %



Percentage of women by employee category, Finland

	2011	2010*	2009
Top management	28.6	25.7	20.6
Middle management	18.9	18.0	24.8
Superiors and specialists	46.0	44.5	50.1
Workers and white-collar employees	63.0	64.2	64.8
Total	59.8	60.7	60.9

*Only the figure for top management is comparable with previous years. In 2010, the determination of employee categories was changed. 2011 is comparable to 2010.

Percentage of women by employee category, other countries

	2011	2010
Top management*	24.1	32.3
Middle management*	36.6	40.4
Superiors and specialists*	52.2	52.6
Workers and white-collar employees*	40.6	39.8
Total	43.5	46.2

*Breakdown by employee category does not include data for Senukai, Lithuania and Byggmakker, Norway.

the rating for gender equality is 4.11 (4.02) (on a scale of 1–5), age equality 4.07 (4.00) and ethnic equality 4.19 (4.12).

At year-end, 60% (61%) of the Kesko Group employees in Finland were female and 40% (39%) were male. In foreign companies, the figures were 44% and 56% (46% and 54%) respectively. The figure for 2011 does not include data for Konsoma Belarus.

In 2011, one of the seven members of the Kesko Board, and two of the eight members of the Corporate Management Board were women. Since 1 December 2011, the Corporate Management Board has had four female members.

In the retail subsidiaries in Finland, a significant percentage of supervisory positions are held by women. 81% (82%) of K-citymarket home and speciality goods' department managers and 69% (69%) of Anttila department stores' department managers are women.

RATIO OF BASIC SALARY OF MEN TO WOMEN, LA14

The average annual salary of Kesko employees was €34,534 in Finland, €34,777 in the other Nordic countries, and €9,613 in the Baltic countries, Russia and Belarus (OOO Johaston is included). As the Kesko Group operates in many lines of business, 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 the 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.

Human rights issues in Kesko's purchasing chain

In its operations, Kesko pays special attention to the human rights issues and working conditions in its purchasing chain and focuses its monitoring efforts primarily on suppliers operating in the high-risk countries. Read about supply chain control on page 56.

High-risk countries typically produce clothing and home textiles, shoes and other leather goods, furniture, carpets, interior decoration products, sports equipment, toys, agricultural products (such as coffee, tea, cocoa, fruit, vegetables, wines), and canned fish, fruit and vegetables.

In 2011, direct purchases by Kesko's Finnish companies from suppliers in the high-risk regions totalled €143 million (€114 million in 2010), which is 1.8% (1.5%) of Kesko's total purchases. Direct imports from high-risk countries accounted for 25.6% (18.2%) of Kesko's total imports to Finland. No statistics are available on direct imports from the high-risk countries by Kesko's subsidiaries in other countries, but Kesko's purchases in 2011 analysed by company's country of domicile and by supplier's country of domicile also include purchases from high-risk countries at a total value of €237 million (€203 million), or 2.9% (2.7%) of Kesko's total purchases. Approximately 72% (82%) of Kesko's imports to Finland (excluding imports by VV-Auto) comes from other EU countries.

In addition to its own direct imports, Kesko also purchases goods produced in high-risk countries from other importers operating in Finland and through international purchasing groups. There are no reliable statistics available on the countries of origin of these imports, which mainly consist of international branded goods that have been the subject of much attention in respect of assuring the responsibility of their production in recent years. There may also be social risks involved in the manufacture of products imported to Finland through third countries or in the production of their ingredients.

Ethical purchasing principles and the Steering Group for Responsible Purchasing

Responsible purchasing is guided by Kesko's ethical purchasing principles, which are available at www.kesko.fi/responsibility. The principles are based on the national labour protection legislation and corresponding conventions of the International Labour Organization (ILO), applied when national legislation does not impose equally high standards.

Kesko has a steering group for responsible purchasing, which steers and coordinates social quality control of suppliers. The group consists of representatives of Kesko's division parent companies importing from high-risk countries. The steering group met three times in 2011 and focused on purchasing policies, BSCI Committee work, BSCI audits and related annual objectives.

Monitoring human rights and working conditions in the purchasing chain

Kesko is a member in the European BSCI audit system, and uses the BSCI audits and the SA8000 standard for assessing its suppliers in high-risk countries. As a member of the BSCI, Kesko sets annual targets for the number of audits to be conducted in suppliers' factories in the high-risk countries. The objective is also to improve the quality of audit results.

In cooperation with BSCI, Kesko follows other audit systems in the market and accepts audits based on them, provided that the level of requirements is the same as in the BSCI audit. Kesko accepts ETI, WIETA and UTZ audits as compliant with its sourcing practices, and other audits systems are assessed on a case-by-case basis. The table on page 87 presents some certification and audit systems which are applied to different product groups in Kesko.

SOCIAL RESPONSIBILITY

Kesko is a member of CGF (The Consumer Goods Forum), a discussion and cooperation forum for the grocery trade and industry, currently working on the Global Social Compliance Programme (GSCP), aimed to enhance the comparability of social and environmental audits.

In China, Kesko supports its suppliers of home and speciality goods through monitoring. A local monitoring officer guides, trains and oversees Kesko's Chinese suppliers in issues related to the terms of employment and working conditions and compliance with environmental and chemical regulations. Kesko's own monitoring principles support the BSCI audit requirements. The ultimate aim is to get the factory to apply for a third-party BSCI audit or SA8000 certification. In 2011, a total of 64 (86) factory visits were made.

Rautakesko and Kesko Food monitor and develop the responsibility of the purchasing chain as part of the sourcing cooperation with other European retail chains (in Eurogroup, ICASS and AMS).

Kesko has a SUMO (supplier monitoring) database, in which all 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 available for all members.

Main elements of SA8000 and BSCI audits

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



SUPPLIERS' AND CONTRACTORS' SCREENING ON HUMAN RIGHTS, HR2, AND OPERATIONS WITH A RISK FOR INCIDENTS OF CHILD LABOUR, OR FOR INCIDENTS OF FORCED OR COMPULSORY LABOUR, H6 AND HR7

No significant risks related to child, forced or compulsory labour have been detected in Keskos' own operations. Kesko's reporting concentrates on supplier assessments.

SA8000 CERTIFICATIONS

At the beginning of 2011, Kesko had 10 suppliers with SA8000 certification. In addition, all plantations that supply Pirkka bananas have SA8000 and Rainforest Alliance certification.

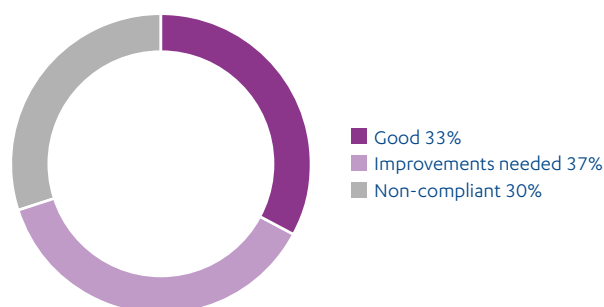
BSCI AUDITS

Kesko's objective for 2011 was to have 90 initial audits and 55 re-audits at the factory premises of the suppliers of home and speciality goods and foodstuffs, and five initial audits at the farms of the producers of agricultural products. The total number of initial audits carried out at suppliers' factory premises or farms during the year was 73, while the number of re-audits was 61. At the beginning of 2012, a total of 247 factories or farms of Kesko's suppliers in high-risk countries were in the BSCI auditing process, an increase of 59 factories from the previous year. In addition, some of Kesko's suppliers are themselves members of BSCI and promote audits in their own supply chains.

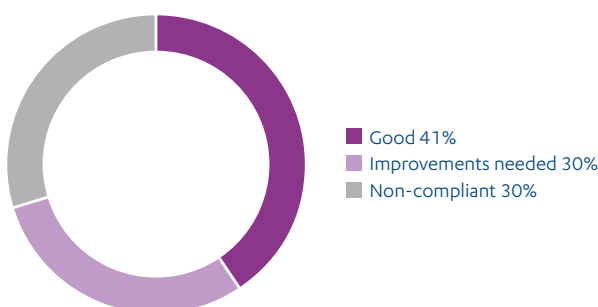
The results of the BSCI audits of Kesko's suppliers' factories for 2011 are presented in the figures on this page. Most deficiencies occur in documentation, observance of working time regulations, compensation, and occupational health and safety. Experiences gained from monitoring work in China are similar, and it has been found that Chinese suppliers need time and professional support in order to manage the corrective actions required by BSCI. Re-audits prove, however, that improvements in working conditions are possible.

Kesko's target for 2012 is 45 initial BSCI audits and 40 re-audits. BSCI members also strive to improve the qualitative level of suppliers, and accordingly quantitative audit targets alone are informed to BSCI; instead, the targeted audit results must be at the 'good' or 'improvements needed' level.

KESKO'S BSCI RESULTS IN 2011, INITIAL AUDITS



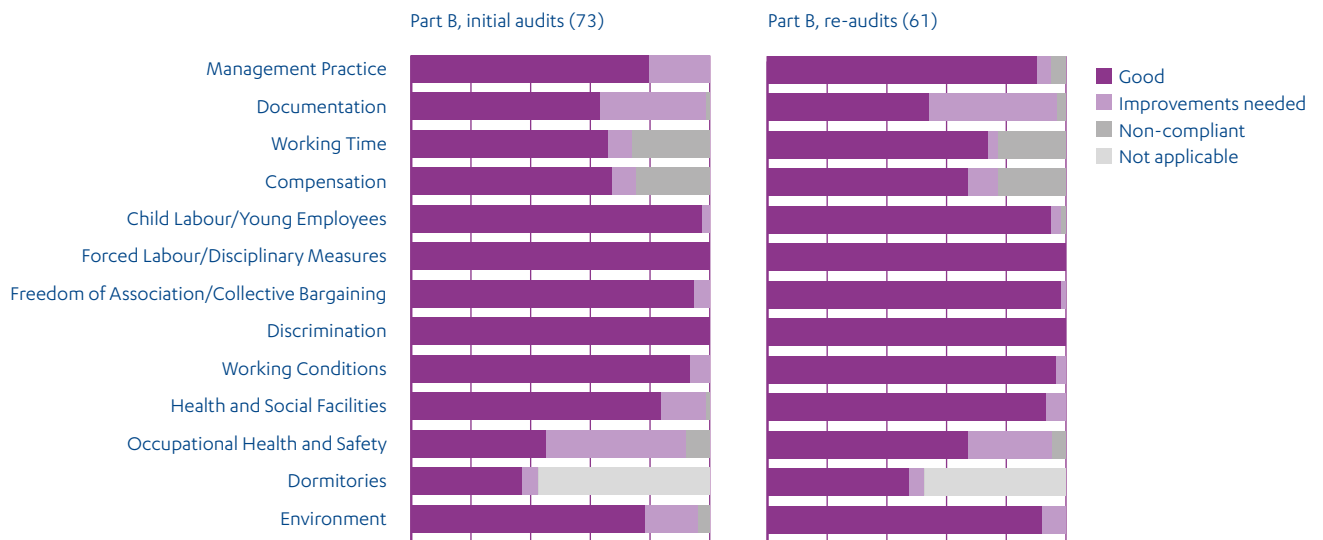
KESKO'S BSCI RESULTS IN 2011, RE-AUDITS



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
Fairtrade	Agricultural products, incl. cotton	Social, environmental	Yes
Rainforest Alliance	Agricultural products	Social, environmental	Yes
UTZ Certified	Coffee, cocoa, tea	Social, environmental	Yes
FSC (Forest Stewardship Council)	Wood products and timber	Social, environmental	Yes
MSC (Marine Stewardship Council)	Caught fish and shellfish	Environmental (sustainable fishing)	Yes

RESULTS OF KESKO'S BSCI AUDITS IN DIFFERENT AREAS IN 2011, % OF AUDITED FACTORIES



FAIRTRADE PRODUCTS

Kesko Food has a comprehensive cooperation agreement with Fairtrade Finland and a licence for Fairtrade products in the Pirkka range. The selection and marketing policies of Fairtrade products are included in K-food stores' chain concepts.

In 2011, Kesko Food had 222 Fairtrade products (213 in 2010) in its selection, of which 38 (37) were Pirkka products. According to the statistics of Fairtrade Finland, Kesko Food had 158 Fairtrade suppliers in 35 countries, and the products sold by Kesko Food generated over €280,000 in Fairtrade premium for social development projects.

In 2011, Kesko's home and speciality goods companies had a total of some 70 (50) Fairtrade products made of Fairtrade cotton in their selections.



SOCIAL RESPONSIBILITY

EMPLOYEE TRAINING ON POLICIES AND PROCEDURES CONCERNING ASPECTS OF HUMAN RIGHTS, HR3

In 2011, Kesko's buyers were trained in responsible purchasing practices with the focus on the BSCI audit process. BSCI also arranged training events for suppliers in high-risk countries in 2011.

TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND ACTIONS TAKEN, HR4

At the end of 2011, one case (the same as in the previous year) concerning discrimination in recruitment, with a Kesko Group company as the defendant, was pending at the Court of Appeal in Finland.

OPERATIONS IN WHICH THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK, HR5

Page 81 reports on the unionisation of Kesko's personnel. The control of and corrective actions by suppliers are included in the SA8000 and BSCI audits.

PERCENTAGE OF SECURITY PERSONNEL TRAINED IN ASPECTS OF HUMAN RIGHTS, HR8

At Kesko, security matters are part of the Group's internal audit and risk management.

Security issues are assessed and managed from a business perspective as part of the operations at Group, division, company and unit level in all operating countries. All divisions have a risk management coordinator who participates in the operation of the Risk Management Steering Group. Security issues are also addressed in the security and real estate security teams which hold regular meetings and have representation from all divisions.

The duties of Kesko Corporation's security manager include ensuring that the management of the Group's security matters is efficient and proportionate to business operations, and that the Group's top management is adequately informed of security matters to make decisions.

Each division in each operating country has nominated people responsible for security matters.

Kesko uses services provided by the security industry as needed and as considered appropriate. Finland has a law governing the operations of the private security business (Private Security Services Act, 12 April 2002/282). Local legislation is adhered to in the other operating countries.

When services are purchased, the operations of service providers must comply with relevant statutory requirements.

The relevant legislation stipulates the minimum training required of guards. The training includes the basics in the use of force and forcible means equipment, and regular refresher training is required.

K-instituutti provides training in security issues to Kesko's personnel in supervisory, retailer and management positions (around 1,000 attendees each year). The Master Sales Assistant training also includes a 'Threatening customer situation' course. The Master Sales

Assistant training, which is among Finland's most widely attended adult training events, had more than 15,900 participants in 2011. Divisions also arrange regular training; for example, Anttila arranged a total of 256 security training workshops in 2011.

Kesko is actively involved in the development of security issues, for example, through participation in activities arranged by organisations in the field.

INCIDENTS OF VIOLATION INVOLVING RIGHTS OF INDIGENOUS PEOPLE AND ACTIONS TAKEN, HR9

No incidents of violation involving the rights of indigenous peoples in 2011. Kesko's operations do not specifically impact the rights of indigenous peoples.

PERCENTAGE AND NUMBER OF BUSINESS UNITS ANALYSED FOR RISKS RELATED TO CORRUPTION, SO2, PERCENTAGE OF EMPLOYEES TRAINED IN ANTI-CORRUPTION POLICIES AND PROCEDURES, SO3, AND ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION, SO4

Risks related to corruption are managed as part of the Kesko Group's risk management.

Key risks are systematically identified, assessed, managed, monitored and reported at quarterly intervals as part of business operations at Group, division, company and unit level in all operating countries. In addition, risk assessments are made of significant projects related to capital expenditures or changes in operations. Rankings of Kesko's operating countries in the Corruption Perceptions Index 2011 by Transparency International are presented herein.

Kesko's anti-corruption principles are included in the 'Our Responsible Working Principles' guide updated in 2011. According to the 2011 personnel survey, 71% (69% in 2010) of employees had familiarised themselves with the guide. Kesko arranges value discussions on responsible working principles throughout the Group. The theme in 2011 was anti-bribery work and the management of the business environment in Russia.

In 2011, Kesko was not informed of any corruption-related lawsuits against any Kesko Group company.

Rankings of Kesko's operating countries in Transparency's Corruption Perceptions Index in 2011

Ranking	Country	Scale 1–10
2	Finland	9.4
4	Sweden	9.3
6	Norway	9.0
29	Estonia	6.4
50	Lithuania	4.8
61	Latvia	4.2
143	Belarus	2.4
143	Russia	2.4

THE ORGANISATION'S PUBLIC POLICY POSITIONS, PARTICIPATION IN PUBLIC POLICY DEVELOPMENT AND LOBBYING, SO5, AND FINANCIAL AND IN-KIND CONTRIBUTIONS TO POLITICAL PARTIES, POLITICIANS AND RELATED INSTITUTIONS, SO6

In election years, political parties and candidates are given equal opportunities to arrange campaign events at K-Group stores. In addition, Kesko may participate in economic and tax policy seminars arranged by political parties, at its discretion and without indicating partiality. The seminar participation fees and advertising in party newspapers paid by Kesko in Finland totalled approximately €29,100 in 2011. In the table 'Kesko's support for the public good' (page 67) political support is, for the most part, included under 'Non-governmental and environmental organisations'.

Read also 'Public policy' on pages 54–55.

LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST, AND MONOPOLY PRACTICES, SO7, AND FINES AND NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS, SO8

No legal actions or fines in 2011.

ASSESSMENT OF HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES AT VARIOUS LIFE CYCLE STAGES, PR1, AND NON-COMPLIANCE WITH REGULATIONS AND CODES CONCERNING HEALTH AND SAFETY IMPACTS OF PRODUCTS, PR2

The activities of Kesko Food's Product Research include assessing products' impacts on health and safety. In 2011, the unit audited 32 suppliers (43 in 2010), of which 24 (4) were Finnish. These companies mainly included manufacturers of Kesko Food's own brands, and the audits were conducted in compliance with Kesko Food's audit protocol.

A total of 10,369 (8,826) product samples were analysed. Nearly half of them related to product development of Kesko Food's own brands. A total of 1,712 (1,488) batch control and other self-control samples were analysed.

In the development of the company's own brands, Kesko Food pays special attention, in line with its strategy, to the health aspects of the products. Since 2008, fat, salt and sugar have been reduced from the Pirkka products containing a high content of them. By the end of 2011, a total of 89 (81) Pirkka products had been reformulated.

Product Research is also responsible for product recalls, which numbered 87 in 2011 (80 in 2010). Of these, 28 (24) were Kesko Food's own brand products; in the other cases, Product Research assisted the manufacturers in recalls. One was a public recall involving a potential health hazard. In this case, a batch of Pirkka and Euro Shopper fish fingers potentially contained egg, which had not been marked on the label.

In October, Gaudio Bio olives stuffed with almonds, which had caused botulism, were recalled in October. Later in October–November, all Gaudio products imported by Kespro were recalled.

At the end of 2011, there were no lawsuits concerning product safety.

PRODUCT AND SERVICE INFORMATION REQUIRED BY PROCEDURES, PR3, AND NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELLING, PR4

In the product labelling of its own brands and imports, Kesko complies with the Finnish law and with EU legislation. Voluntary product labelling on the product's responsibility aspects can also be added. Such labelling may include, for example, organic and eco-labelling, as well as labelling indicating social responsibility. The selection of organic products and eco-labelled products is discussed on page 78, and product labelling indicating mainly social responsibility on page 87.

Product labelling of Kesko Food's own brands always comprises – package size and space permitting – also the nutritional values.

Nearly all Pirkka products have the Guideline Daily Amount (GDA) labelling, which indicates how much energy and essential nutrients are contained in one serving.

In 2011, there were 21 (19 in 2010) product recalls resulting from defective product labelling, 5 (4) of which concerned Kesko Food's own brands.

RESULTS OF CUSTOMER SATISFACTION SURVEYS, PR5

The recognition level and images of Kesko's chains are regularly monitored in brand surveys targeted at consumers in all product lines. Store-level customer satisfaction is measured by customer satisfaction surveys, complemented by the mystery shopping method in the food trade and the building and home improvement trade. Satisfaction with the K-Plussa customer loyalty programme is measured once a year.

The chains have different channels for giving customer feedback, and Group-level feedback can be given through the www.kesko.fi website. All messages received via all the feedback channels are responded to.

In 2011, Kesko Food's consumer service, maintained by Product Research, received 20,215 (19,106 in 2010) consumer contacts. Approximately 80% of these were product complaints. The consumer service received more than 2,400 (2,400) product samples or packages, of which the unit analysed almost 40% and sent the rest to manufacturers for analysis.

SOCIAL RESPONSIBILITY

ADHERENCE TO LAWS, STANDARDS AND VOLUNTARY CODES RELATED TO MARKETING COMMUNICATIONS, INCL. ADVERTISING, PROMOTION AND SPONSORSHIP, PR6, AND INCIDENTS OF NON-COMPLIANCE WITH LAWS AND REGULATIONS AND VOLUNTARY CODES RELATED TO MARKETING COMMUNICATIONS, PR7

Kesko complies with laws and regulations in its marketing communications. Amendments to legislation and authorities' recommendations are monitored on a regular basis, and the staffs responsible for marketing in each unit are kept informed. Sponsorship is guided by Kesko's sponsorship principles, available at www.kesko.fi/responsibility. There were no incidents of non-compliance with legislation or voluntary principles in 2011.

COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA, PR8

In 2011, K-Plus Oy received a couple of direct customer contacts regarding the handling of personal information and checking their own information. Responses to these enquiries were provided as part of normal customer service, and they did not lead to further action. No data leaks were detected in 2011.

According to the Finnish Personal Data Act, in individual cases, customer data can be used in order to protect the vital interests of the data subject, without an express consent. Concerning the recall of food preserves imported by Kespro Ltd in October 2011, Finnish Food Safety Authority Evira ordered that, in order to protect the health of consumers who had bought the preserves, that the customers's contact details be traced with the help of customer and receipt data registers. Thereby the recall could be carried out by personally contacting the consumers who had bought the preserves. The data protection authorities were informed.

No reason for complaint was detected in the inspection by the Data Protection Ombudsman in 2011. Read more at The Office of the Data Protection Ombudsman (www.tietosuoja.fi), press release on 27 January 2012.

FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING PRODUCTS AND SERVICES, PR9

No fines in 2011.

DEFINITIONS OF TERMS AND THE BOUNDARIES

The text and graphs contain terms and indicators whose contents are explained below.

Return on equity, %	=	$\frac{(\text{Profit/loss before tax} - \text{income tax})}{\text{Shareholders' equity}}$	x 100
Return on capital employed, %	=	$\frac{\text{Operating profit}}{(\text{Non-current assets} + \text{inventories} + \text{receivables} + \text{other current assets} - \text{non-interest-bearing liabilities}) \text{ for a 12-month average}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders' equity}}{(\text{Balance sheet total} - \text{prepayments received})}$	x 100
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}}$	x 100
Market capitalisation	=	Share price at balance sheet date x number of shares	
Earnings/share, diluted	=	$\frac{\text{Profit/loss} - \text{non-controlling interests}}{\text{Average number of shares adjusted for the dilutive effect of options}}$	
Primary energy	=	Available in resources in their natural state; divided into renewable and non-renewable energy	
GWh	=	Gigawatt hour = a million kilowatt hours (kWh)	
1 kWh	=	3.6 MJ = 3,600 kJ (in GRI guidelines, the unit for measuring energy is joule, or J)	
CO₂	=	Carbon dioxide = causes climate change ('greenhouse effect')	
CO₂e	=	Carbon dioxide equivalent, the amount of different gases whose combined impact on the greenhouse effect corresponds to the amount of carbon dioxide mentioned	
SO₂	=	Sulphur dioxide equivalent, affects acidification	
C₂H₄	=	Ethene, affects the ozone content of the lower atmosphere	
Sickness absence/ million working hours	=	$\frac{\text{Sickness absence 1 Jan.} - \text{31 Dec.}}{\text{Theoretical regular working time 1 Jan.} - \text{31 Dec.}}$	x 1,000,000 hours
Sickness absence percentage	=	$\frac{\text{Sickness absence 1 Jan.} - \text{31 Dec.}}{(\text{Number of hours worked 1 Jan.} - \text{31 Dec.} + \text{absence period})^*}$	x 100
Employee departure turnover	=	$\frac{\text{Number of departures 1 Jan.} - \text{31 Dec. (excluding summer employees)}}{\text{Number of personnel at 31 Dec.}}$	
Injury rate/ million working hours	=	$\frac{\text{Number of injuries 1 Jan.} - \text{31 Dec.}}{\text{Number of hours worked 1 Jan.} - \text{31 Dec.}}$	x 1,000,000 hours

* Calculation formula established at Kesko. For units whose hours worked are not known, calculation uses the theoretical regular working time.

(Translation from the Finnish Original)

INDEPENDENT ASSURANCE REPORT

TO THE MANAGEMENT OF KESKO CORPORATION

We have been engaged by the Management of Kesko Corporation to perform a limited assurance engagement on the information on economic, social and environmental responsibility for the reporting period of January 1, 2011 to December 31, 2011 disclosed in Kesko Corporation's Corporate Responsibility Report 2011 (hereinafter "Corporate Responsibility information").

MANAGEMENT'S RESPONSIBILITY

The Management of Kesko Corporation is responsible for preparing the Corporate Responsibility information according to the Reporting criteria as set out in Kesko Corporation's corporate responsibility reporting instructions, the Sustainability Reporting Guidelines of the Global Reporting Initiative (version 3.0), as well as AA1000 Accountability Principles Standard 2008 issued by AccountAbility.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Corporate Responsibility information based on our work performed. Our assurance report has been made in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Kesko Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance engagements other than audits or reviews of historical financial information'. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Corporate Responsibility information has

not been prepared, in all material respects, in accordance with the Reporting criteria.

In addition, we have conducted our work in accordance with the AA1000 Assurance Standard 2008. For conducting a Type 2 assurance engagement as agreed with Kesko Corporation the AA1000 Assurance Standard 2008 requires planning and performing of the assurance engagement to obtain limited assurance on whether any matters come to our attention that cause us to believe that Kesko Corporation does not adhere, in all material respects, to the AA1000 Accountability Principles (inclusivity, materiality and responsiveness) and that the Corporate Responsibility information 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 Corporate Responsibility information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Corporate Responsibility information. Our work consisted of, amongst others, the following procedures:

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

- Assessing Kesko Corporation's defined material corporate responsibility aspects as well as assessing Corporate Responsibility information based on these aspects.
- Performing a media analysis and an internet search for references to Kesko Corporation during the reporting period.
- Interviewing persons responsible for the collection and reporting of Corporate Responsibility information at group level as well as at site level in Russia.
- Assessing the systems and practices used for the collection and consolidation of quantitative information.
- Testing the accuracy 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 limited assurance engagement 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 Corporate Responsibility information has not been prepared, in all material respects, in accordance with the Reporting criteria, or that the Corporate Responsibility information is not reliable, in all material respects, based on the reporting criteria.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for Corporate Responsibility information. This independent assurance report should not be used for interpreting Kesko Corporation's performance in relation to its corporate responsibility principles.

OBSERVATIONS AND RECOMMENDATIONS

Based on our limited assurance engagement we provide the following observations and recommendations in relation to adherence to the AA1000 AccountAbility Principles. These observations and recommendations do not affect the conclusions presented earlier.

- **Regarding Inclusivity:** Kesko Corporation has a strong commitment to stakeholder engagement. The company uses a systematic stakeholder engagement process to ensure that the stakeholder expectations and suggestions are taken into consideration in the development of the activities of Kesko Corporation. We recommend that Kesko Corporation further develops the management of stakeholder engagement with special focus on the management of stake-

holder engagement at different organisational levels.

- **Regarding Materiality:** Kesko Corporation has processes in place to determine the material corporate responsibility aspects. We recommend that Kesko Corporation revises its materiality analysis with those issues that arise during the update of its corporate responsibility program.
- **Regarding Responsiveness:** Kesko Corporation is committed to being responsive to its stakeholders, which is evident from the ongoing and wide-ranging communication on corporate responsibility issues in media, forums and other communication channels, such as social media. We recommend that Kesko maintains communication with consumers in social media and utilises social media in the communication of corporate responsibility. We

also recommend that Kesko Corporation increases the corporate responsibility communication to its personnel, and that corporate responsibility issues are increasingly brought forward to consumers in stores.

PRACTITIONER'S INDEPENDENCE AND QUALIFICATIONS

PricewaterhouseCoopers' own Global Independence Policy is applicable to PricewaterhouseCoopers Oy, its partners and professional staff, including all members of the assurance engagement team.

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

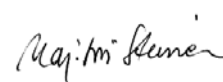
Helsinki, 3 April 2012

PricewaterhouseCoopers Oy




 Johan Kronberg
 Authorised Public Accountant


 Sirpa Juutinen
 Partner
 Sustainability & Climate Change


 Maj-Lis Steiner
 Director, Authorised Public Accountant
 Sustainability & Climate Change

CONTACTS

CORPORATE RESPONSIBILITY CONTACTS

The list gives contact information on the personnel who primarily provide additional information on different areas of the report. The list does not include all Kesko employees who have participated in editing the report.

Name	Title	Unit
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DEVELOPMENT, COORDINATION, RESPONSIBILITY FOR EDITING THE REPORT:

Merja Haverinen	Senior Vice President	Kesko Corporation, Corporate Communications and Responsibility
Helena Frilander	CR Manager	Kesko Corporation, Corporate Communications and Responsibility
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Tiina Nyrhi	Corporate Financial Controller	Kesko Corporation, Corporate Accounting
Päivi Avelin-Jakovlev	Financial Controller	Kesko Corporation, Corporate Accounting
Esko Mansikka	Managing Director	Vähittäiskaupan Tilipalvelu VTP Oy

ENVIRONMENTAL RESPONSIBILITY:

Timo Jäske	Environmental Manager	Kesko Food Ltd, Commerce
Jari Suuronen	Maintenance Manager	Kesko Food Ltd, Real Estate, Maintenance
Toni Pelin	Environmental and Safety Manager	Keslog Ltd, Supply Chain Development
Harri Ajomaa	Environmental Manager	K-citymarket Oy/ Anttila Oy
Jesse Mether	Sustainability Manager	Rautakesko Ltd, Customers and Concepts
Joni Ikonen	Development Manager	VV-Autotalot Oy

Name	Title	Unit
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HUMAN RESOURCES RESPONSIBILITY:

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Mikko Myyryläinen	HR Development Manager	Kesko Corporation, Human Resources
Janna Pirhonen	Manager, Wellbeing at Work	Kesko Corporation, Human Resources
Susanna Sorvari	HR Specialist	Kesko Corporation, Human Resources
Päivi Sariola	Financial Manager	Kesko Pension Fund, Pension Insurance and Occupational Health Services
Pirjo Anttila	Occupational Health Service, Chief Physician	Kesko Corporation, Pension Insurance and Occupational Health Services

RESPONSIBLE PURCHASING:

Helena Frilander	CR Manager	Kesko Corporation, Corporate Communications and Responsibility
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PRODUCT SAFETY:

Matti Kalervo	Product Research Manager	Kesko Food Ltd, Product Research
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Pasi Mäkinen	Chief Audit Executive	Kesko Corporation, Internal Audit and Risk Management
Petri Käyhkö	Security Manager	Kesko Corporation, Risk Management
Timo Pajala	Risk Manager	Kesko Corporation, Internal Audit and Risk Management

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KESKO'S CORPORATE RESPONSIBILITY REPORT has been published in Finnish and English. The report can be ordered and read at: www.kesko.fi/responsibility. It may also be ordered from Kesko Corporation, Corporate Communications and Responsibility, Satamakatu 3, FI-00016 Kesko and by phone +358 1053 23702.

The report has been edited by Kesko's Corporate Communications and Responsibility Unit (Helena Frilander, Satu Kuoppamäki and Pirjo Nieminen) and translated from Finnish into English by Tajja Mäentaka and Pirjo Holm.

PHOTOS: Mats Vuorenjuuri, Rasmus Wilén, Mia Saarinen, Volkswagen AG and Kesko's image banks.

LAYOUT: Anne Laakso, Kesko and Zeeland Branding

PRINTED BY: Libris Oy

PAPER: cover: 300g/m² Scandia 2000 white, inside: 130g/m² Scandia 2000 white

The paper and the printers have been granted the right to use the Nordic Swan environmental label.





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Business ID 0109862-8