



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	980 656 616
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	BYGGMAKKER HANDEL AS
Forretningsadresse:	Høgslundveien 49 2020 SKEDSMOKORSET

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Espen Ingvoldstad
Dato for fastsettelse av årsregnskapet:	30.06.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 14.08.2024



Resultatregnskap

Beløp i: NOK	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Revenue	1, 2	6 051 036 000	6 090 150 000
Other income	2	425 136 000	370 232 000
Sum inntekter		6 476 172 000	6 460 382 000
Kostnader			
Raw materials and consumables used	3	5 362 365 000	5 320 526 000
Employee benefits expense	4, 5	442 554 000	464 929 000
Depreciation and amortisation expenses	6, 7	20 437 000	23 243 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	7		
Other expenses	3	501 174 000	454 195 000
Sum kostnader	8	6 326 530 000	6 262 893 000
Driftsresultat		149 642 000	197 489 000
Finansinntekter og finanskostnader			
Income from associated companies	9	2 828 000	3 827 000
Renteinntekt fra foretak i samme konsern	8	1 000	166 000
Annen renteinntekt		1 127 000	1 290 000
Other financial income	3		543 000
Sum finansinntekter		3 956 000	5 826 000
Rentekostnad til foretak i samme konsern	8	12 827 000	14 147 000
Annen rentekostnad		432 000	86 000
Other financial expenses	3		
Sum finanskostnader		13 259 000	14 233 000
Netto finans		-9 303 000	-8 407 000
Ordinært resultat før skattekostnad		140 339 000	189 082 000
Income tax expense	10	31 169 000	41 252 000
Ordinært resultat etter skattekostnad		109 170 000	147 830 000
Årsresultat		109 170 000	147 830 000



Resultatregnskap

Beløp i: NOK	Note	2022	2021
Årsresultat etter minoritetsinteresser		109 170 000	147 830 000
Overføringer og disponeringer			
Other equity		109 170 000	147 830 000
Sum overføringer og disponeringer	11	109 170 000	147 830 000



Balanse

Beløp i: NOK	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Trade mark	6	274 900 000	274 900 000
Concessions, patents, licences, trademarks, and similar rights	6	565 000	593 000
Utsatt skattefordel	10	16 472 000	19 993 000
Goodwill	6	4 168 000	4 853 000
Sum immaterielle eiendeler		296 105 000	300 339 000
Varige driftsmidler			
Equipment and other movables	7	88 501 000	87 126 000
Sum varige driftsmidler		88 501 000	87 126 000
Finansielle anleggsmidler			
Investering i datterselskap		1 394 468 000	1 467 855 000
Investeringer i tilknyttet selskap	9	8 250 000	9 182 000
Investments in shares		187 000	182 000
Other long-term receivables	5		
Sum finansielle anleggsmidler		1 402 905 000	1 477 219 000
Sum anleggsmidler		1 787 511 000	1 864 684 000
Omløpsmidler			
Varer			
Varer		415 838 000	422 663 000
Sum varer		415 838 000	422 663 000
Fordringer			
Accounts receivables, incl Intercompany	12	385 808 000	426 767 000
Other short-term receivables	12	406 725 000	291 505 000
Sum fordringer		792 533 000	718 272 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	13	4 142 000	3 590 000
Sum bankinnskudd, kontanter og lignende		4 142 000	3 590 000



Balanse

Beløp i: NOK	Note	2022	2021
Sum omløpsmidler		1 212 513 000	1 144 525 000
SUM EIENDELER		3 000 024 000	3 009 209 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	14	6 000 000	6 000 000
Paid in capital, not registered	14		
Overkurs	14	2 163 102 000	2 163 102 000
Annen innskutt egenkapital		14 605 000	14 605 000
Sum innskutt egenkapital		2 183 707 000	2 183 707 000
Opptjent egenkapital			
Other equity		-252 547 000	-321 899 000
Sum opptjent egenkapital		-252 547 000	-321 899 000
Sum egenkapital	11, 18	1 931 160 000	1 861 808 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	10		
Other provisions		130 000	130 000
Sum avsetninger for forpliktelser		130 000	130 000
Annen langsiktig gjeld			
Other non-current liabilities		1 192 000	1 937 000
Sum annen langsiktig gjeld		1 192 000	1 937 000
Sum langsiktig gjeld		1 322 000	2 067 000
Kortsiktig gjeld			
Leverandørgjeld	12	410 600 000	311 337 000
Tax payable	10	26 953 000	39 562 000
Public duties payable		62 450 000	59 933 000
Other current debt, incl Intercompany	12	567 539 000	734 500 000
Sum kortsiktig gjeld		1 067 542 000	1 145 332 000



Balanse

Beløp i: NOK	Note	2022	2021
Sum gjeld		1 068 864 000	1 147 399 000
SUM EGENKAPITAL OG GJELD		3 000 024 000	3 009 207 000



Konsernets resultatregnskap

Beløp i: EUR	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		11 809 000 000	11 300 000 000
Annen driftsinntekt		999 000 000	957 000 000
Sum inntekter		12 808 000 000	12 257 000 000
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		-237 000 000	-43 000 000
Varekostnad		10 305 000 000	9 695 000 000
Lønnskostnad		786 000 000	764 000 000
Avskrivning på varige driftsmidler og immaterielle eiendeler		491 000 000	487 000 000
Annen driftskostnad		670 000 000	607 000 000
Sum kostnader		12 015 000 000	11 510 000 000
Driftsresultat		793 000 000	747 000 000
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		24 000 000	28 000 000
Annen finansinntekt		13 000 000	13 000 000
Sum finansinntekter		37 000 000	41 000 000
Annen finanskostnad		69 000 000	80 000 000
Sum finanskostnader		69 000 000	80 000 000
Netto finans		-32 000 000	-39 000 000
Ordinært resultat før skattekostnad		761 000 000	708 000 000
Skattekostnad på ordinært resultat		151 000 000	141 000 000
Ordinært resultat etter skattekostnad		610 000 000	567 000 000
Årsresultat		610 000 000	567 000 000



Konsernets balanse

Beløp i: EUR	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter		190 000 000	190 000 000
Bruksrettigheter		1 738 000 000	1 735 000 000
Utsatt skattefordel		2 000 000	1 000 000
Goodwill		589 000 000	589 000 000
Sum immaterielle eiendeler		2 519 000 000	2 515 000 000
Varige driftsmidler			
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		1 746 000 000	1 538 000 000
Sum varige driftsmidler		1 746 000 000	1 538 000 000
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap		232 000 000	235 000 000
Investeringer i aksjer og andeler		13 000 000	16 000 000
Andre fordringer		178 000 000	168 000 000
Sum finansielle anleggsmidler		423 000 000	419 000 000
Sum anleggsmidler		4 688 000 000	4 472 000 000
Omløpsmidler			
Varer			
Varer		1 115 000 000	894 000 000
Sum varer		1 115 000 000	894 000 000
Fordringer			
Kundefordringer		969 000 000	909 000 000
Andre fordringer		456 000 000	412 000 000
Sum fordringer		1 425 000 000	1 321 000 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		246 000 000	280 000 000
Sum bankinnskudd, kontanter og lignende		246 000 000	280 000 000



Konsernets balanse

Beløp i: EUR	Note	2022	2021
Sum omløpsmidler		2 786 000 000	2 495 000 000
SUM EIENDELER		7 474 000 000	6 967 000 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		197 000 000	197 000 000
Overkurs		198 000 000	198 000 000
Annen innskutt egenkapital		250 000 000	266 000 000
Sum innskutt egenkapital		645 000 000	661 000 000
Opptjent egenkapital			
Annen egenkapital		2 097 000 000	1 869 000 000
Sum opptjent egenkapital		2 097 000 000	1 869 000 000
Sum egenkapital		2 742 000 000	2 530 000 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt		63 000 000	38 000 000
Sum avsetninger for forpliktelser		63 000 000	38 000 000
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner		246 000 000	206 000 000
Leieforpliktelse		1 592 000 000	1 611 000 000
Annen LG		34 000 000	40 000 000
Sum annen langsiktig gjeld		1 872 000 000	1 857 000 000
Sum langsiktig gjeld		1 935 000 000	1 895 000 000
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner		253 000 000	160 000 000
Leieforpliktelse		328 000 000	318 000 000
Leverandørgjeld		1 499 000 000	1 333 000 000
Betalbar skatt		19 000 000	29 000 000
Annen kortsiktig gjeld		697 000 000	701 000 000



Konsernets balanse

Beløp i: EUR	Note	2022	2021
Sum kortsiktig gjeld		2 796 000 000	2 541 000 000
Sum gjeld		4 731 000 000	4 436 000 000
SUM EGENKAPITAL OG GJELD		7 473 000 000	6 966 000 000



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Byggmakker Handel AS_Annual report 2022.pdf

Name	Method	Signed at
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ANU AULIKKI MYYRYLÄINEN	FTN (Nordea)	2023-05-30 08:32 GMT+02
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Sollie, Jørgen	BANKID	2023-05-30 08:23 GMT+02
Johnsen, Odd Gunnar	BANKID	2023-05-30 08:23 GMT+02
Stranden, Kurt Normann	BANKID	2023-05-30 15:26 GMT+02
Lumi-Sirkku Johanna Vikiö	FTN (Danske Bank)	2023-05-30 10:34 GMT+02
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Bygghakker Handel AS Annual Report 2022

Board of Director's Report

Bygghakker Handel AS manages the Bygghakker chain that consists of 79 building and home improvement stores. Bygghakker Handel AS owns and operates 32 of the stores that is part of the Bygghakker chain as a result of the mergers with Bygghakker Sør AS and Bygghakker Nord AS in 2021. In addition, the company controls another 25 stores through its subsidiary Bygghakker CF. Other stores within the chain are owned by retailer entrepreneurs who have chain agreements with Bygghakker.

The company has its headquarters in Lillestrøm municipality. This is also the company's business address.

Kesko Oyj own 100% of the shares in the company.

Financial Statement

Bygghakker Handel AS reported revenues of NOK 6 476 million in 2022, which is 0,2% above 2021 (NOK 6 460 million). Earnings before Interest and Taxes (EBIT) ended at NOK 149,6 million (NOK 197,5 million). The net profit for the year was NOK 109,2 million (NOK 147,8 million).

The net cash flow from operating activities amounted to NOK -4,0 million (NOK -15,9 million). The difference between the operating profit and the cash flow is mainly related to a decrease in the intercompany debt. The total investments in 2022 was NOK 20,8 million.

The current liabilities of Bygghakker Handel AS amounted to 99,9% of total debt per 31.12.2022.

The total assets of Bygghakker Handel AS were NOK 3 001 million per 31.12.2022 (NOK 3 009 million). The equity ratio in 2022 was 64,4% (61,9%).

The company had no research and development activities in 2022.

Allocation of the Year's Result

The net profit for Bygghakker Handel AS was NOK 109,2 million which the Board proposes to be distributed as follows:

Group contribution	TNOK	0
Transferred to retained earnings	TNOK	109 170
Total	TNOK	109 170



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Subsequent events and Prospects for 2023

It is the opinion of the Board that the preconditions for continued operation are present. There have been no events after the balance sheet date that affect the assumptions about continued operations.

Bygghandels AS was merged with Bygghandel AS in April of 2023.

Pursuant to Section 3-3a of the Norwegian Accounting Act, the Board confirms that the financial statement has been prepared on the assumption of a going concern as of the date of the financial statement.

Risks

Risk management in Bygghandel AS is based on the principle that risk evaluation is an integral part of all business activities. Policies and procedures have been established to manage risks. Through quarterly risk reviews the significant risks are mapped and mitigating actions are planned and executed.

Bygghandel AS is exposed to fluctuations in interest rates

Most of the sales in Bygghandel AS is credit sales, and credit risk management is thus an important part of the business. The company monitors the credit exposure continuously, and management reviews the status in monthly credit reviews.

Board members of Bygghandel AS, as well as directors and managers that may be subject to personal liability, are covered by a Directors and Officers Liability Insurance entered into by Kesko Oyj on behalf of all of its subsidiaries.

- The insurance covers the personal liability of the insured person arising out of act or negligence of the insured person.
- The insurance covers liability for damages and investigation, defense and litigation costs related to the claim
- The insurance also covers claims related to offenses regarding safety at workplace

Organization and Working Conditions

At the end of 2022 Bygghandel AS employed a total of 810 persons, equivalent to 627 FTEs. Sickness absence in the company was 7,25% in 2022, of which 4,54% was long term absence.

During 2022 it was reported eight accidents resulting in absence. The accidents, as well as other minor incidents, are routinely analyzed, and actions have been undertaken to eliminate the root cause.

The company regularly conducts employee satisfaction surveys. The Board believes that the working environment in the company is satisfactory.

Of the company's 810 employees, 24,4% are women. The Board consists of three women and four men.



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Environmental impact

Bygghandelen AS does not have a significant direct negative impact on the environment. The company will always work to comply with environmental regulations. The company's indirect impact on the environment is mainly caused by the production and use of the products sold by Bygghandelen AS in addition to emissions to air from hired transport used to ship goods to customers.

The company emphasizes social responsibility and sustainable procurement in the value chain. Ongoing work is being done with business partners to ensure that they choose sustainable solutions in their own operations and production.

Environmental management in Bygghandelen AS is anchored in Miljøfyrtårn. Each year, the company's management develops action plans with different goals and activities that aim to:

- Reduce own and indirect CO2 emissions
- Reduce energy consumption in their own operations
- Reduce consumption, reuse and recycle the packaging materials
- Increase the use of recycled material in packaging materials
- Increase average order value as measures to reduce the number of shipments

Report on Gender Equality

Bygghandelen AS works for equality and against discrimination on the basis of gender, pregnancy, parental leave, care tasks, ethnicity, religion, beliefs, disability, sexual orientation, gender identity and gender expression and combinations of these foundations.

Diversity, inclusion and equal opportunity is a strategic focus area both locally and with our owners, and is a key part of the Sustainability strategy that was updated in 2022.

Strategic objectives in diversity and non-discrimination are:

- Increase gender equality at all levels of the organization. This entails equal pay for equal work, and diversity at all levels of management
- Strengthen employees' perception that the company contributes to diversity, inclusion, and equal opportunity
- Increase the diversity of the company to reflect the composition of society and provide a better customer experience

Follow-up on these points is done through two new indexes in the employee survey: Well-being Index and Diversity and Inclusion Index.

The Diversity and Inclusion Index will focus on employees' personal experience of the extent to which they perceive the company as inclusive.

In November 2022, we conducted the employee survey and measured the performance of the new indexes. The result on the diversity and inclusion index was for Bygghandelen AS 94% compared to 92% in 2021 on a scale from 0-100.

In 2022, a diversity and inclusion e-learning course was developed with our owners, which will be rolled out in 2023.



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Gender Equality

Bygghandelen Handel has mapped the state of gender equality in the company:

- total gender balance in the company (number)
- temporary employees (gender difference as a percentage)
- employees in part-time positions (gender difference as a percentage)
- average number of weeks of parental leave for women and men

	Kjønnsbalanse		Midlertidig ansatte		Deltidsansatte		Foreldrepermisjon (uker)	
	Kvinner	Menn	Kvinner	Menn	Kvinner	Menn	Kvinner	Menn
Antall	136	612	24	58	61	144	14,5	13,4
Prosent	24,4 %	75,6 %	29,3 %	70,7 %	29,8 %	70,2 %		

In addition, for 2022 we have mapped the following:

- wage differences at different position levels/groups (gender difference as a percentage)
- total wage disparity in the company (gender difference as a percentage)
- gender distribution at different position levels/groups (gender difference as a percentage)

K-grade is a division of roles into categories across functional areas in the business.

In K1-K2 and from K7 up, there are less than 5 of either men or women, and they are therefore excluded from the report.

The difference shows women compared to men and is shown as a percentage.

Bygghandelen Handel AS	Antall ansatte		Totalt	Grunnlønn	Uregelmessige tillegg	Bonuser	Overtidsgodtgjørelser	Skattepl. Naturalytelser
	Menn	Kvinner	%	%	%	%	%	%
Gruppe K1								
Gruppe K2								
Gruppe K3	600	211	2 %	1 %	27 %	3 %	54 %	1 %
Gruppe K4	71	27	2 %	1 %	49 %	-15 %	13 %	-9 %
Gruppe K5	99	27	3 %	0 %	36 %	0 %	55 %	56 %
Gruppe K6	34	12	-5 %	-2 %	197 %	-111 %	20 %	50 %
Gruppe K7	42	11	-9 %	-5 %	38 %	-144 %	-84 %	11 %
Gruppe K8								
Gruppe K9								
Gruppe K10-E2								

Bygghandelen Handel's work with equality and non-discrimination

We work systematically with gender equality and non-discrimination. Our routines and guidelines are continuously updated in accordance with legislation, and with the goal of promoting diversity and non-discrimination. Continuous efforts are made to ensure that these are complied with, through information and training.

We focus on diversity and inclusion in several aspects as an integral part of our business, and not as separate exercises. Relevant procedures and procedures have been reviewed and revised/specified where appropriate.

The company's goal for diversity and inclusion is to ensure compliance and support for activities, and that our employees experience working in an inclusive work environment. We want to focus on



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unconscious discrimination, through awareness-raising work and courses. Awareness of actions and attitudes will affect our input factors in all arenas, especially areas we are not allowed to question or measure. At the same time, we must have a sustainable balance that reflects the industry we are part of.

Management has a conscious approach to coaching talents in areas where we have a skewed distribution, such as gender.

Notification:

We have routines for whistleblowing internally, as well as an independent channel for whistleblowing. The company encourages whistleblowing of unacceptable conditions.

Methods of mapping:

We conduct annual Employee Surveys, which, among other things, address diversity and inclusion. The company has processes for review and follow-up.

A survey for well-being and motivation is sent out several times a year to employees in the company. The results are followed up per manager/department, and measures are implemented as needed.

As part of Kesko OY, we have continued to work on job categorisation as part of the mapping around equal pay for work of equal value. The process has meant that all positions have undergone a revision, which has provided a good basis for further development.

Follow up:

We require policies, procedures, and standards to be followed as intended, and will continuously work with information and training to ensure this in all areas.

The company works continuously to ensure compliance with applicable legislation and internal procedures through information and training.

The employee survey shows high scores in all categories surveyed at company level. All departments work with the results afterwards. Action is taken as needed.



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Bygghandels Handel's work related to the Transparency Act

The Transparency Act

Bygghandels Handel is covered by the Transparency Act, and pursuant to Section 5 of the Transparency Act, we provide an account of how Bygghandels Handel has worked with the Transparency Act in the year 2022. The content is approved by management and the board.

According to the Transparency Act, a statement must at least contain information about:

- a. a general description of the company's organisation, area of operation, policies and procedures for dealing with actual and potential negative impacts on fundamental human rights and decent working conditions,
- b. information about actual negative consequences and material risk of negative consequences that the enterprise has uncovered through its due diligence assessments,
- c. information about measures that the enterprise has taken or plans to implement to stop actual negative consequences or limit material risks of negative consequences, and the result or expected results of those measures.

a. General description of Bygghandels Trade organisation and area of operation, guidelines and routines for dealing with actual and potential negative consequences for fundamental human rights and decent working conditions

Address headquarters

Høgslundveien 49, 2020 Skedsmokorset

Number of employees in 2022

810

Email address for questions about this statement

apenhetsloven@byggmakker.no

Organization and structure

Bygghandels is part of the Finnish K-group, Kesko. K-Group/K-Group Building and Technical Trade (BTT) operates in eight countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland and Belarus. Bygghandels has shops / department stores divided into 9 different regions depending on geographical location in Norway in addition to the national online store. This structure also includes Bygghandels CF (BM CF), which is owned by Bygghandels Handel. Bygghandels CF will be merged into Bygghandels Handel in 2023.

The head of Kesko in Norway is Hilde Kristoffersen (she is the CEO of Bygghandels Handel AS and Onninen AS and the chair of the board of Bygghandels CF)

Bygghandels Handel is headed by Chief Operating Officer (COO) Kjell Vidar Dokken, who is part of the corporate management team and reports to the CEO.

Responsibility for HR, Quality & Sustainability at Kesko Norway is led by the Director of HR, Quality & Sustainability who is part of the Group Management team and reports to the CEO.

The Environmental and Sustainability Manager has the operational responsibility for implementing the work related to the Transparency Act and reports to the Director of HR, Quality and Sustainability.



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The work is organized in a working group with employees from Commerce with support from the legal department.

Information about the work is updated to employees on the www.byggmakker.no/apenhetsloven and workplace (internal "collaboration platform" in Byggmakker)

Main brands, products, and services

Byggmakker is one of Norway's leading building supply chains with outlets all over the country. Byggmakker sells building materials to professionals and the consumer market. Byggmakker has its own logistics business with shipping of building materials.

Byggmakker purchasing model and supply chain

Byggmakker negotiates central purchasing agreements for self-owned stores and individual members who make use of the agreements. Byggmakker has agreements with almost 190 different suppliers.

The procurement and follow-up of the Transparency Act, including due diligence, for self-owned warehouses is organised by the head office.

Purchases made shall not be an obstacle to ethical trade or contribute to an unnecessary environmental impact.

As part of Byggmakker's environmental policy, the company will identify and evaluate environmental aspects of its activities and their impact, and use its position in the customer interface to influence green responsibility. Byggmakker's head office and all self-owned stores are Eco-Lighthouse certified.

a. General description of Byggmakker Handel's organisation and area of operation, guidelines and routines for dealing with potential negative consequences for fundamental human rights and decent working conditions

Foundation for the work under the Act in internal guidelines and routines

On the first of December 2021, Kesko hired Norway dedicated sustainability manager responsible for following up the Transparency Act in Kesko in Norway. An internal working group was established in Byggmakker to work together to follow up the various steps related to due diligence that follow from the Act¹. A due diligence assessment must be understood as a process or a working method for mapping, preventing, explaining and following up how an enterprise handles actual and potential negative consequences of its activities. The members of the working group consist of Commerce executives, category managers, and sustainability managers. In addition, the group consults with legal counsel as needed. In addition, competence exchange takes place between employees of Byggmakker and Onninen in connection with the work.

The working group's overall routine is that it works in line with the 6 steps that follow from the due diligence process towards suppliers. During the process, mitigation measures shall be routinely assessed to minimize any negative consequences. The first measure will be preventive efforts to counteract negative consequences before the damage occurs. Measure number two will be an assessment of the necessary limitation of an injury that has occurred. The last measure will be to stop the damage if possible, or break the cooperation with the supplier. All 3 types of measures will depend on the outcome of our mapping in line with step 2 of 6 of the due diligence assessments.

¹ Step 6: Anchoring (Step 1), kartlegg risiko (trinnet 2), take action (trinnet 3), follow up on the measures (trinnet 4), communicate with stakeholders (trinnet 5), gjennomsett (trinnet 6)}



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Foundation for guidelines and routines

As a result of the 6 steps that follow from due diligence in the Transparency Act and in line with step 1, Bygghuset has updated its own internal policy¹ ("policy") and ethical guidelines² aimed at our suppliers where the purpose is to highlight the requirements that follow from the law³. The guidelines included in main agreements with suppliers from 2022 onwards and commit the suppliers. In addition, all suppliers must commit to the Kesko Group Code of Conduct⁴. In the agreements with suppliers, there are minimum requirements related to several conditions, including the environment, fundamental human rights and decent working conditions.

Kesko Group's requirement for Amfori BSCI principles - rooted in routines and guidelines

The Kesko Group sets requirements for itself and for suppliers to follow the Amfori BSCI's (Amfori Business Social Compliance Initiative) values and principles or equivalent. Amfori BSCI is an international organization working to promote sustainable trade and promoting governance and control in global supply chains with emphasis on the follow-up of social responsibility. Kesko Group is a member and participates in Amfori BSCI and is committed to acting and promoting compliance with the Amfori BSCI Code of Conduct in its own supply chains. In contract with Kesko in Norway, suppliers are obliged to follow the Amfori BSCI Code of Conduct. The contractual clause applies to both direct suppliers located in risk countries and suppliers located in Norway or the EU such as purchasing raw materials or products of suppliers located in a risk country).

The Kesko Group conducts due diligence and follow-up of adverse conditions through audit and certification systems. Amfori BSCI audits are preferred when working conditions at factories in risk countries are to be assessed. The Kesko Group accepts other audit systems and certifications for corporate social responsibility if the criteria underlying the audits correspond to the requirements of an Amfori BSCI audit and the audit is performed by an independent third party. Audits and certifications are used to assess the safety of working conditions in production, the wages and working hours of employees, employees' rights to freedom of association and the right to collective bargaining. The use of children or forced labor is prohibited.

Routines for whistleblowing channels and complaint mechanisms in the event of negative consequences

Bygghuset has routines for internal whistleblowing, as well as an external whistleblowing channel available for external and internal. The latter whistleblowing channel enables anonymous whistleblowing and anonymous dialogue with whistle-blowers. We want a low threshold for employees to speak up and encourage reporting of unacceptable conditions.

In accordance with the Working Environment Act, Bygghuset employee representatives have a working environment committee where matters can be raised with the management of Bygghuset.

Anyone can contact Bygghuset on apenhetsloven@byggmakker.no. In addition, our suppliers are obliged to inform Bygghuset in the event of negative conditions that violate the contract terms.

¹ <https://www.byggmakker.no/side/policy-for-etisk-handel>

² <https://www.byggmakker.no/side/apenhetsloven>

³ <https://lovdata.no/dokument/NL/lov/2021-06-18-99>

⁴ <https://www.kesko.fi/-/o/kode-of-conduct/samarbeidsvillighet-og-respekt-for-menneskerettigheter-og>



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b. information about actual negative consequences and material risk of negative consequences that the enterprise has uncovered through its due diligence assessments

Risk mapping; negative impact on people, society, and the environment

Kesko Group conducts due diligence and applies Amfori BSCI to this, which is in line with step two of the due diligence assessments. Due diligence work includes follow-up of negative risks associated with direct suppliers located in risk countries.

Bygghuset has mapped and concluded that purchases are not made from direct suppliers located in risk countries, or from intermediary suppliers/importers located in Norway or the EU.

Bygghuset has also mapped our categories and associated risk by virtue of the raw materials used in construction products. Construction products made of stone, metals, textiles and wood are considered to be at increased risk of violations of fundamental human rights and decent working conditions compared to other raw materials⁶. The survey led to an overview of construction products with raw material content from China, Sri Lanka, Vietnam, Brazil and Turkey. Six suppliers have been designated for further follow-up in 2023.

It was decided in 2022 that 210 intermediary providers will be further investigated through an ESG⁷ survey in 2023 in collaboration with Cemsys (www.cemsys.com). The survey will map Bygghuset's risk exposure by examining how intermediary suppliers work with the Transparency Act. Thereafter, prioritisation will be made of which suppliers need to be followed up more closely.

c. Information about measures that the enterprise has implemented, or plans to implement, to stop actual negative impacts or limit material risks of negative consequences, and the result, or expected results, of those measures.

Bygghuset has not uncovered actual negative violations of human rights or decent working conditions at its intermediary suppliers in 2022. This does not mean that Bygghuset excludes the possibility of negative conditions. The conclusion is due to the fact that the work on due diligence assessments, across different product categories in Bygghuset, started in 2022 as a result of the introduction of the Transparency Act on 1st of July 2022. As the work develops further in 2023, there will be a risk that Bygghuset may discover negative conditions. The ESG survey to be conducted in 2023 will provide more information that will enable Bygghuset to investigate further.

The largest product category in Bygghuset is wood. Bygghuset is PEFC certified, and wood is mainly purchased from PEFC certified suppliers. The PEFC certification sets requirements for sustainable logging and production, and negative impact on people and the environment must also be considered. In order to maintain a PEFC certification, Bygghuset must be audited by an independent third party in line with the requirements of the PEFC standard. As of 31.12.2022, Bygghuset had routinely checked wood suppliers to ensure that the PEFC certification was in order. The work is part of the work leading up to an audit in the first quarter of 2023.

As of 31.12.2022, Bygghuset has no information about measures that the business has implemented or plans to implement to stop actual negative consequences, results, or expected results of these measures. This is because due diligence work across different product categories started in 2022. As the work progresses in 2023, Bygghuset will be able to provide more information about planned or implemented measures.

⁶ Source: <https://anskaffelser.no/samfunnsansvar/Social-Responsibility/High-Risk-Product-List/Construction-Stone-Wood-and-Metal>

⁷ Environmental, Social and Governance (ESG)



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In April 2022, Bygghandelen Norge became a member of Ethical Trade Norway.

Lillestrøm, 30th of June 2023
The Board of Bygghandelen Norge AS

Jorma Rauhala
Chairman of the Board

Anu Aulikki Myyryläinen
Member of the Board

Mia Maria Kaitaharju
Member of the Board

Lumi-Sirkku Johanna Vikiö
Member of the Board

Kurt Normann Stranden
Member of the board

Jørgen Sollie
Member of the Board

Odd Gunnar Johnsen
Member of the Board

Hilde M. Kristoffersen
General Manager



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BMH - Financial statement 2022.pdf

Name	Method	Signed at
MIA KAITAHARJU	FTN (OP)	2023-05-30 09:25 GMT+02
ANU AULIKKI MYYRYLÄINEN	FTN (Nordea)	2023-05-30 08:30 GMT+02
Johnsen, Odd Gunnar	BANKID	2023-05-30 08:24 GMT+02
Kristoffersen, Hilde Merethe	BANKID MOBILE	2023-05-30 08:23 GMT+02
Sollie, Jørgen	BANKID	2023-05-30 08:22 GMT+02
Stranden, Kurt Normann	BANKID	2023-05-30 15:28 GMT+02
Lumi-Sirkku Johanna Vikiö	FTN (Danske Bank)	2023-05-30 10:32 GMT+02
Jorma Antero Rauhala	FTN (Danske Bank)	2023-05-30 10:05 GMT+02



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STATEMENT OF PROFIT AND LOSS

BYGGMAKKER HANDEL AS

AMOUNTS IN NOK 1.000

NOTE

2022

2021

OPERATING INCOME AND OPERATING EXPENSES

Revenue	1, 2	6 051 036	6 090 150
Other income	2	425 136	370 232
Total income		6 476 172	6 460 382

Raw materials and consumables used	3	5 362 365	5 320 526
Employee benefits expense	4, 5	442 554	464 929
Depreciation and amortisation expenses	6, 7	20 437	23 243
Other expenses	3	501 174	454 195
Total expenses	8	6 326 530	6 262 893

Operating profit		149 642	197 489

FINANCIAL INCOME AND EXPENSES

Income from associated companies	9	2 828	3 827
Interest income from group companies	8	1	166
Other interest income		1 127	1 290
Other financial income	3	0	543
Interest expense to group companies	8	12 827	14 147
Other interest expenses		432	86
Net financial items		-9 304	-8 407

Net profit before tax		140 339	189 082
Income tax expense	10	31 169	41 252
Net profit after tax		109 170	147 830

EXTRAORDINARY INCOME AND EXPENSES

Net profit or loss		109 170	147 830

ATTRIBUTABLE TO

Other equity		109 170	147 830
Total	11	109 170	147 830

BYGGMAKKER HANDEL AS

SIDE 1



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BALANCE SHEET			
BYGGMAKKER HANDEL AS		AMOUNTS IN NOK 1.000	
ASSETS	Note	2022	2021
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Trade mark	6	274 900	274 900
Concessions, patents, licences, trademarks, and similar rights	6	565	593
Deferred tax assets	10	16 472	19 993
Goodwill	6	4 168	4 853
Total intangible assets		296 105	300 339
TANGIBLE ASSETS			
Equipment and other movables	7	88 501	87 126
Total tangible assets		88 501	87 126
NON-CURRENT FINANCIAL ASSETS			
Investments in other group companies	9	1 394 468	1 467 855
Investments in associated companies	9	8 250	9 182
Investments in shares		187	182
Total non-current financial assets		1 402 905	1 477 219
Total non-current assets		1 787 512	1 864 684
CURRENT ASSETS			
Inventories		415 838	422 663
DEBTORS			
Accounts receivables, incl Intercompany	12	385 808	426 767
Other short-term receivables	12	406 725	291 505
Total receivables		792 533	718 272
INVESTMENTS			
Cash and cash equivalents	13	4 142	3 590
Total current assets		1 212 513	1 144 524
Total assets		3 000 024	3 009 208

BYGGMAKKER HANDEL AS

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BALANCE SHEET			
BYGGMAKKER HANDEL AS		AMOUNTS IN NOK 1.000	
EQUITY AND LIABILITIES	Note	2022	2021
EQUITY			
PAID-IN CAPITAL			
Share capital	14	6 000	6 000
Share premium reserve		2 163 102	2 163 102
Other paid-up equity		14 605	14 605
Total paid-up equity		2 183 707	2 183 707
RETAINED EARNINGS			
Other equity		-252 547	-321 899
Total retained earnings		-252 547	-321 899
Total equity	11, 18	1 931 160	1 861 808
LIABILITIES			
PROVISIONS			
Other provisions		130	130
Total provisions		130	130
OTHER NON-CURRENT LIABILITIES			
Other non-current liabilities		1 192	1 937
Total non-current liabilities		1 192	1 937
CURRENT LIABILITIES			
Trade payables	12	410 600	311 337
Tax payable	10	26 953	39 562
Public duties payable		62 450	59 933
Other current debt, incl Intercompany	12	567 538	734 500
Total current liabilities		1 067 542	1 145 332
Total liabilities		1 068 864	1 147 400
Total equity and liabilities		3 000 024	3 009 208

BYGGMAKKER HANDEL AS

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BALANCE SHEET

BYGGMAKKER HANDEL AS
The board of Byggmakker Handel AS

AMOUNTS IN NOK 1.000

Jorma Antero Rauhala
chairman of the board

Mia Maria Kaitaharju
vice chairman

Anu Aulikki Myyryläinen
member of the board

Lumi-Sirkku Johanna Vikiö
member of the board

Kurt Normann Stranden
member of the board

Jørgen Sollie
member of the board

Odd Gunnar Johnsen
member of the board

Hilde Merethe Kristoffersen
general Manager

BYGGMAKKER HANDEL AS

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BYGGMAKKER HANDEL AS

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Note 1 - Accounting principles

The annual financial statement is created in accordance with the Norwegian Accounting act, and general accepted accounting practice.

Operating Income

Sales revenues are related to the flow-through-invoicing process in the Bygghammer chain. Revenue recognition takes place at the time of delivery of the goods. Rendered bonus and cash discounts to the chain members are booked as reduction of sales revenues. Other operating income is related to chain membership fee, supplier fees, and marketing support.

Classification and assessment of balance sheet items

Current assets and current liabilities include items that are due for payment within one year from the acquisition date, and items that are related to the cycle of goods. Other items are classified as fixed assets at fair value. Current assets are valued at fair value. Current liabilities are recognized at nominal value at point of borrowing, then valued at fair value.

Subsidiaries

Subsidiaries are valued at the lowest of purchase price value and fair value. Dividends and other disbursements are recognized the same year as they are accrued in the subsidiary.

Associated companies

Associates are accounted for using the equity method from the date when significant influence or joint control is achieved until such influence ceases.

Investments in an associates are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the entity's share of the results of operations of the associate.

If there are indication of that the investment in the associate is impaired, the Entity will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of an associate in the statement of profit or loss.

Receivables

Accounts receivables and other receivables are stated in the balance sheet at fair value after deduction of accrual for expected bad debt losses. Accrual for bad debt loss is based on individual assessment of the receivable items.

Fixed Assets

Fixed assets are recognized in the balance sheet and depreciated over the asset's useful life when the useful life exceeds three years. Direct maintenance of fixed assets is expensed under operating expenses, while additions or improvements are added to the fixed asset's acquisition value and depreciated at the same rate as the asset. If the recoverable value of an asset is lower than what is recognized in the balance sheet, a write down is done to reflect the recoverable value. Recoverable value is the higher of net sales value and fair value. Fair value is the net present value of future economic benefit the asset will generate. The fixed assets in the balance sheet are valued at fair value.

Intangible Assets

Intangible Assets are valued at fair value.

Inventory

Purchased finished goods are valued at the lowest of average cost and fair value.



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BYGGMAKKER HANDEL AS

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Bank deposits and overdraft facilities

The cash pool agreement the company had with parent company Kesko Oyj has been discontinued, and the company is now instead part of Kesko's internal In House Cash solution.

The company's spend inside the In House Cash solution constitutes an intercompany debt.

Pension

The net pension cost for the year is classified as Payroll expense. The company is required by law to have an obligatory occupational pension plan. The current pension plan meets the requirements in the law.

Bonus

Purchases through Bygghakker Handel AS's purchasing agreements generate supplier bonus which is to be distributed between the members of the Bygghakker chain. Accrued supplier bonus is netted against accrued bonus for chain members in the balance sheet.

Rent / Leasing

Rental agreements are classified as either financial or operational leasing based on assessment of each individual agreement. Lease agreements for non-current assets which are classified as financial leasing are booked to the balance sheet, and depreciated like fixed assets. Lease agreements for non-current assets which are classified as operational leasing are expensed as part of other operating cost.

Taxes

The Tax amount in the income statement for the year comprises the tax payable, and the change in deferred tax. Deferred tax is calculated by 22% on the basis of the temporary differences which exist between accounting values and tax values. Tax increasing and tax reducing temporary differences which are reversing, or can be reversed within the same period, are offset.

Cashflow

The cashflow statement is prepared using the indirect method. Cash and cash equivalents consists of cash and bank deposits. However, bank deposits that are part of the Kesko global cash pool are not included in cash and cash equivalents, as they are stated as intercompany receivables, and any utilization of credit limit in the cash pool is stated as intercompany debt.

Note 2. Sales revenues

Amounts in NOK 1.000

	2022	2021
Segment		
Building and technical trade	6 051 036	6 090 150
Other operating income	425 136	370 232
Total	6 476 172	6 460 382
Geographic division		
Norway	6 476 172	6 460 382
Total	6 476 172	6 460 382



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Note 3. Foreign currency

Amounts in NOK 1.000

	2022	2021
Foreign currency items in the income statement		
Gain on foreign exchange	127	37
Loss on foreign exchange	-139	-34
Total	-12	4

Note 4. Salaries and allowances, number of employees, employee loans and audit fees

Amounts in NOK 1.000

Salaries

	2022	2021
Salary	366 273	381 881
Social security contribution	48 348	53 774
Pension cost	13 235	13 614
Other benefits	14 698	15 659
Total	442 554	464 929

Average number of Full Time Employees (FTE) 627 691

Salaries for management	General Manager	The Board
Salary	3 967	
Other allowances	319	

No loans or securities have been granted to the General manager or other related parties.

Bonus to the General management team is determined for one year at a time, and is based on achievement of fixed goals.

No board fees are paid to the Board.

Audit

Audit fee is comprised of	2022	2021
Regular audit	1 765	478
Tax advisory services	0	0
Other services	19	45
Total audit fee	1 784	523

Value added tax (VAT) is not included in the Audit fee.



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Note 5. Pensions

The defined benefit pension plans Bygghakker Handel had were discontinued at the beginning of 2017. Since then Bygghakker Handel has had Defined contribution plans, in addition to a Collective contractual pension (AFP).

There is no pension liability attached to the AFP-plan, so the cost is consecutively expensed throughout the year.

Note 6. Intangible assets

Amounts in NOK 1.000

	Trademark	Art / Other intangible assets	Patents, licences etc	Goodwill
Acquisition cost as of 01.01.2022	274 900	518	53 332	29 351
Total Acquisition cost as of 31.12.2022	274 900	518	53 332	29 351
Accumulated depreciation as of 31.12.2022	0	12	53 273	25 183
Net book value as of 31.12.2022	274 900	506	59	4 168
This year's depreciation	0	0	27	685
Useful life	Indefinite	Indefinite	5 years	5 years
Depreciation plan			Linear	Linear

Note 7. Fixed Assets

Amounts in NOK 1.000

	Lease modifications	Furniture & Fixtures, Office equipment, Real estate equipment Patents, licences etc	Total Fixed Assets
Acquisition cost as of 01.01.2022	57 412	143 996	201 408
Acquisition during the year	7 064	13 773	20 837
Additions from merger		9 611	9 611
Scrapped/sold during the year	-51	-4 599	-4 650
Total Acquisition cost as of 31.12.2022	64 425	162 781	227 206
Accumulated depreciation as of 31.12.2022	35 877	102 828	138 705
Net book value as of 31.12.2022	28 548	59 953	88 501
This year's depreciation	4 866	14 858	19 724
Useful life	Indefinite	5 years	
Depreciation plan		Linear	



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BYGGMAKKER HANDEL AS

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Note 8. Intercompany transactions

Amounts in NOK 1.000

Kesko Oyj owns 100% of the shares in Bygghakker Handel AS. Bygghakker Handel AS has intercompany sales and purchases of both goods and services to and from its subsidiaries, as well as other Kesko group companies. All these transactions with the intercompanies are based on market prices and terms. As of 1. January 2022 Reidar Flokkmanns Etf. AS merged into Bygghakker Handel AS.

Receivables from intercompanies are mainly related to sales of goods and services. Payables to intercompanies are mainly related to purchase of goods and services.

The most significant transactions with Kesko Intercompanies are as follows:

Transactions	2022	2021
Operating income (1)	1 616 712	1 606 851
Cost of goods sold (2)	111 524	62 661
Other operating expenses (3)	96 783	154 342
Net Financial income + /expense - (4)	39 078	13 981
Group contribution paid (5)	0	7 930

(1) Bygghakker CF AS, Onninen AS, Sport1 Flokkmann Mosjøen AS

(2) Kesko Oyj, Onninen AS, Bygghakker CF AS

(3) Bygghakker CF AS, Bygghakker Mosjøen AS, Sport1 Flokkmann Mosjøen AS, Onninen AS, Kesko Oyj, Hasti Ari AS, Sørby AS, Tau & Jørpeland Eiendom AS, Arn Eiendom AS

(4) Kesko Oyj, Onninen AS

(5) N/A

Intercompany balances in the Balance sheet are shown in Note 12.

Note 9. Subsidiaries and associated companies

Amounts in NOK 1.000

Subsidiaries

Company name	Acquisition date	Business address	Book value	Equity 31.12.2022	Annual result 2022
Sport 1 Flokkmann Mosjøen AS	01.10.20	MOSJØEN	7 126	7 516	1 011
Arn Eiendom AS	01.10.20	SKEDSMØKORSET	34 202	36 862	900
Bygghakker CF AS	07.07.20	SANDEFJØRD	1 353 140	636 849	104 848
Sum			1 394 468		

Ownership in all companies is 100%



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BYGGMAKKER HANDEL AS

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Associated companies

Company name	Proffsenteret AS
Business address	HØNEFOSS
Ownership	34,11%

Book value as of 01.01.2022	Share of profit	Received dividend	Book value as of 31.12.2022
9 182	2 828	-3 759	8 250

Note 10. Taxes

Amounts in NOK 1.000

Below is a specification of the differences between Accounting profit before tax and Tax basis for the year, as well as a specification of this year's tax expense.

Calculating the tax basis for the year:

	2022	2021
Profit before tax	140 339	189 082
Permanent differences	1 799	-1 574
Change in temporary differences	-19 622	-7 683
Tax basis for the year	122 516	179 825

This year's tax expense consists of:	2022	2021
Tax payable 22%	26 953	39 562
Change in deferred tax	3 419	1 690
Change in deferred tax due to merger	796	0
Total tax expense	31 169	41 252

Temporary differences	2022	2021
Fixed assets	-12 326	-11 759
Finished goods	-40 482	-35 378
Accounts receivables	-11 223	-15 240
Accounting Accruals	-10 528	-28 107
Gains- and loss	-315	-394
Basis for Deferred tax liability/ Deferred tax asset (-)	-74 874	-90 878
22% deferred tax liability/ deferred tax asset (-)	-16 472	-19 993

Tax payable in the balance sheet

	2022	2021
Tax payable in tax expense	26 953	39 562
Total tax payable in the balance sheet	26 953	39 562



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BYGGMAKKER HANDEL AS

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Note 11. Equity

Amounts in NOK 1.000

	Share capital	Share premium	Other paid-in capital	Other equity	Total
Equity pr 01.01.2022	6 000	2 163 102	14 605	-321 899	1 861 808
Effect of merger	0	0	0	-39 818	-39 818
Annual result	0	0	0	109 170	109 170
Equity pr 31.12.2022	6 000	2 163 102	14 605	-252 547	1 931 160

Note 12. Intercompany balances

Amounts in NOK 1.000

Receivables	2022	2021
Accounts receivables intercompany	103 308	100 435
Other receivables intercompany	65 306	4 970
Total Receivables	168 614	105 405
Debt /Payables		
Accounts payable intercompany	15 010	14 330
Other payables intercompany	326 963	344 023
Total debt / payables	341 973	358 353

Note 13. Tax guarantee

Byggmakker Handel AS does not have a restricted account for deposit of employees' withholding tax. Instead a Tax Guarantee (bank guarantee) has been issued by Onninen (part of the same Group) for Skedsmo Kommune. The guarantee is for NOK 40.710.000,-, which covers the liability of the company, as well as for the intercompany Onninen AS.

Note 14. Share Capital

Amounts in full figures

The Share capital consists of:	Number of shares	Nominal value	Recognized in balance sheet
A-shares	4 000	1 475	6 000 000
Total	4 000	1 475	6 000 000

Shareholders pr 31.12.2022

	A-shares	Ownership %	Vote %
Kesko Oyj, Finland	4 000	100%	100%
Sum	4 000	100%	100%



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BYGGMAKKER HANDEL AS

980 656 616

Note 15. Rent and Leasing-agreements

Total rent liability for offices and warehouses is KNOK 699.660. Rent expenses for 2022 is KNOK 146.864 (KNOK 135.827 in 2021). The agreement with the longest duration ends in 2034. The agreement for rent in Lillestrøm has an expiry date of Dec 18th 2023. Annual rent expense for 2022 is KNOK 11.078.

Furthermore, Bygghakker Handel has operational lease agreements for cars with varying expiry dates up to 2026. Annual expense related to these lease agreements was KNOK 9.476 in 2022 (KNOK 4.319 in 2021).

Note 16. Consolidated financial statement

Bygghakker Handel AS is included in the consolidated financial statement of Kesko Oyj.

The consolidated financial statement can be retrieved from Kesko Oyj.

Visiting address: Työpajankatu 12, FI-00580, Helsinki, Finland

Mail address: P.O.B. 1, FI-00016 Kesko, Helsinki, Finland

Web site: <https://www.kesko.fi/en>

Note 17. Pledges and Guarantees

There are no pledges.

Bank guarantee

For Nordahl Bruns Gate 10 KS

Nominal value Expiry date

11 000 Jun 18th, 2024

Note 18. Mergers

The wholly owned subsidiary Reidar Flokkmanns Etf. has been merged into Bygghakker Handel AS. All assets, rights and liabilities are transferred to Bygghakker Handel AS without consideration.

For accounting purposes, both merges are carried out with continuity and with 1 January 2022 as effective date. The merges are carried out in accordance with the simplified merger procedure for parent/subsidiary mergers.

Note 19. Subsequent events

It is the opinion of the Board that the preconditions for continued operation are present. There have been no events after the balance sheet date that affect the assumptions about continued operations.

Bygghakker CF AS was merged with Bygghakker Handel AS in April of 2023, and Bygghakker Handel AS has take over all assets, rights and obligations from its subsidiary.



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BYGGMAKKER HANDEL AS

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Cash flow statement

Amounts in NOK 1.000

	2022	2021
Cash flow from operating activities		
Profit before tax	140 339	189 082
Taxes paid during the year	-43 690	-26 659
Share of profit of associated companies	-2 827	-3 827
Ordinary depreciation	20 436	23 243
Gain/loss from sale of fixed assets	-349	-529
Change in inventory	16 185	-87 854
Change in accounts receivable	50 750	-78 094
Change in accounts payable	99 548	-45 250
Change in intercompany debt	-138 008	-123 993
Change in other accruals	-146 422	138 010
Net cash flow from operating activities	-4 038	-15 871
Cash flow from investing activities		
Received dividend and group contribution	3 759	1 707
Proceeds from sale of non-current assets	580	549
Payment for purchase of fixed assets	-20 837	-13 226
Payment/refund purchase of shares	0	-16 160
Received cash from merger	21 088	51 426
Net cash flow from investing activities	4 590	24 296
Cash flow from financing activities		
Paid group contribution	0	-6 638
Net cash flow from financing activities	0	-6 638
Net change in cash and cash equivalents	552	1 787
Cash at the beginning of the year	3 589	1 802
Cash at the end of the year	4 141	3 589



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NO-0103 Oslo
Norway

Tel. +47 23 27 90 00
www.deloitte.no

To the General Meeting of Byggmakker Handel AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Byggmakker Handel AS (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Organisasjonsnummer: 980 711 787

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Independent Auditor's Report -
Byggmakker Handel AS

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 30 June 2023
Deloitte AS

Stian Jilg Scherven
State Authorised Public Accountant

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"By my signature I confirm all dates and content in this document."

Stian Jilg-Scherven

State Authorised Public Accountant (Norway)

Serial number: 9578 5999 4 1167624

IP: 77.16.xxx.xxx

2023-06-30 13:07:09 UTC



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Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Jeanette Munkvold	23.05.2018	11.06.2018
Skovholt		
Telefon	Deres referanse	Vår referanse
90076012	Espen Ingvoldstad	2018/700520

BYGGMAKKER HANDEL AS
Postboks 117
2021 SKEDSMOKORSET

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Byggmakker Handel AS, org.nr. 980 656 616

Vi viser til deres brev av 23. mai 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Byggmakker Handel AS.

Skattedirektoratet gir på bakgrunn av en konkret vurdering Byggmakker Handel AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Fra søknaden gjengis:

Byggmakker Handel driver kjedevirksomhet innen byggevarehandel og kundene består utelukkende av selvstendige selskaper som driver ett eller flere av de 65 utsalgstedene som inngår i Byggmakker kjeden (...)

(...) Kekso Oyj eier 100% av aksjene i Byggmakker Handel AS. Kekso Oyj er registrert i Finland og forretningsspråket i konsernet er engelsk. Styret i Byggmakker Handel AS består av tre aksjonærvalgte medlemmer, inklusive styreformannen, og to ansatte representanter. De tre aksjonærvalgte styremedlemmene er alle finske, og styremøtene foregår på engelsk.

Den primære målgruppen for årsregnskapet og årsberetningen til Byggmakker Handel AS har ikke norsk som morsmål.

En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post:	22 17 08 60
	skatteetaten.no/sendepost	



regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *“informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet er heleid av et utenlandsk selskap. Eierkretsen er begrenset. Forretningspråket i konsernet er engelsk. Videre er det vektlagt at flere av styremedlemmene er utenlandske.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jeanette Munkvold Skovholt

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



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KESKO ANNUAL REPORT 2022

Kesko's 2022 Annual Report comprises five sections. It details the progress made in Kesko's strategy, sustainability work and financial performance, with comprehensive performance indicators.

KESKO'S DIRECTION



The section describes Kesko and its divisions and the progress made in strategy execution, as well as Kesko's financial targets, operating environment and value creation.

[Read more ›](#)

SUSTAINABILITY REPORT



The Sustainability report details the objectives and progress made in our sustainability work, and provides key indicators in accordance with GRI standards.

[Read more ›](#)

FINANCIAL REVIEW



The Financial review comprises the Report by the Board of Directors, the Group's key performance indicators, and the financial statements and Auditor's Report for 2022.

[Read more ›](#)

CORPORATE GOVERNANCE



The section comprises Kesko's Corporate Governance Statement, the Remuneration Report for Governing Bodies, and details on the members of Kesko's Board of Directors and Group Management Board.

[Read more ›](#)

DATA BALANCE SHEET



The Data balance sheet describes Kesko's responsible data value creation to businesses, and

[Read more ›](#)

The following symbols indicate that additional information can be found either in this report or on our website:



[Read more in this Annual Report](#)



[Read more on our website](#)



KESKO'S DIRECTION

KESKO'S ANNUAL REPORT 2022



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KESKO IN BRIEF

Kesko is a Finnish trading sector forerunner. We operate in the grocery trade, building and technical trade, and car trade. Our divisions and chains act in close cooperation with retailer entrepreneurs and other partners.

Kesko has around **1,800 stores engaged in chain operations** in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland*. By combining online sales and digital services with our extensive store network, we enable a seamless customer experience in all channels.

Kesko's strategic business areas are **grocery trade, building and technical trade, and car trade**. These are areas where Kesko has strong expertise and market positions, and they offer good potential for profitable growth in the long term.

Kesko and K-retailers together form **K Group***, which is the biggest trading sector operator in Finland and one of the biggest in Northern Europe. K Group's retail sales in 2022 totalled some €16 billion. Kesko and K-retailers combined

employ approximately 39,000 people, and K Group employs some 45,000 people in total.

Sustainability is a core part of Kesko's strategy. We promote sustainability in the whole value chain, from production to customer choices. The focus areas of our sustainability strategy are **climate and nature, value chain, people, and good governance**. We create value extensively for the whole society.

Kesko's shares are listed on Nasdaq Helsinki. The company's domicile and main premises are located in Helsinki, Finland.



Biggest trading sector operator in Finland, one of the biggest in Northern Europe



Profitable growth 3 divisions, 1,800 in 7 countries, extensive digital services



One of the most successful companies in the world 2005 (Global 100)



Strong financial position good dividend and capital growth



Market cap €8.2 billion (31 Dec. 2022), some 83,000 shareholders

* Kesko Senukai, a joint venture that engages in building and home improvement trade in the Baltics and Belarus, is part of K Group.



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YEAR IN FIGURES

- All divisions generated good results in 2022.
- Net sales in January-December totalled €11,809.0 million, an increase of 4.4% in comparable terms.
- Comparable operating profit totalled €815.1 million, an increase of €39.6 million.
- Grocery trade net sales were up by 3.6%. Profitability for the division was good, with a comparable operating margin of 7.5%.
- Building and technical trade net sales increased by 9.4% in comparable terms, comparable operating margin for the division was 7.1%.
- Car trade net sales totalled €910.9 million, with a comparable operating margin of 5.3%.
- Kesko was included in the Dow Jones Sustainability Indices the DJSI World and DJSI Europe, and on the Global 100 Most Sustainable Corporations in the World list.
- Nearly 83,000 shareholders at the end of 2022.
- The Board proposes a dividend of €1.08 per share, to be paid in four instalments.

More information in the Business section.

Net sales

11,809
€ million

Operating profit*

815.1
€ million

- Grocery trade €6,124.7 million
Building and technical trade €4,805.1 million
Car trade €910.9 million

- Grocery trade €460.4 million
Building and technical trade €339.7 million
Car trade €48.4 million

Årsregnskap regnskapsåret 2022 for 980656616

Year in Figures	1-12/2022	1-12/2021
Net sales, € million	11,809.0	11,300.2
Operating profit, € million*	815.1	775.5
Operating margin, %*	6.9	6.9
Earnings per share, basic, €*	1.54	1.43
Capital expenditure, € million	449.2	276.6
Comparable return on capital employed, %	16.9	17.2

*Comparable figures



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KEY EVENTS IN 2022

In 2022, Kesko continued the execution of its growth strategy. Accordingly, our focus is on the constant improvement of customer experience, further development of digital services, and sustainability.

Our K-Lataus EV charging network doubled in size in 2022. At the end of the year, it offered some 1,000 charging points at some 200 K Group store locations.

In the autumn, Kesko initiated measures to save energy in 1,300 stores as well as offices and warehouses in Finland, in an effort to cut peak consumption and prevent potential electricity shortages during colder winter months. The measures aim at temporarily saving electricity by as much as 20%.



In 2022, the Russian attack and war in Ukraine significantly impacted our operating environment in Europe and Finland. In addition to the crisis in Ukraine and geopolitical tensions, inflation rose record high, interest rates began to rise after staying at zero for years, and uncertainty concerning the availability and price of energy was historically high.

Rapid inflation also pushed up food prices, and customers became increasingly interested in more affordable products. We launched a new concept – **both premium and bargains** – to better showcase our range that extends from low-priced private label products and offers to premium products.

The **new sustainability strategy** for 2022–2024, approved in March, sets clear sustainability targets for the operations of Kesko and its three divisions. The focus areas of the strategy are climate and nature, value chain, people, and good governance. As part of the sustainability strategy, sustainability-linked criteria was introduced to Kesko's share-based commitment and incentive plans.

Kesko was included in the esteemed **Dow Jones Sustainability Indices** the DJSI World and the DJSI Europe.

Finland's first in-store automation-assisted system for online grocery orders began operation in K-Citymarket Ruoholahti in Helsinki. The enables faster deliveries, higher volumes and customer experience.

We announced we will continue to implement our strategy by investing over €300 million to build 82,000 square-metre logistics centre for Oskari K-Auto in Finland. Construction will be completed between 2025–2030, and the centre will house 400–500 logistics professionals.

According to its new no deforestation policy in June, Kesko will only accept its own brand wood, paper, palm oil, soy, cocoa, coffee and been produced 100% sustainably.

We continued acquisitions in line with our strategy in 2022: in March, Kesko acquired Trävaruaktiebolag in Sweden, in June Seljor AS in Norway, and in September Sörlinge SÅ Djurbergs Järnhandel Aktiebolag in Sweden.



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KESKO ANNUAL REPORT 2022

DIVISIONS IN BRIEF

Grocery trade



K Group is the 2nd biggest grocery trade operator in Finland. Some 900 independent K-retailers ensure good customer experiences for 1.2 million daily customers at K Group's 1,200 grocery stores. Over 600 of the stores also offer online grocery services. K-Markets also in collaboration with Wolt. Our grocery store chains are K-Citymarket, K-Supermarket, K-Market and Neste K. Kespro is the leading foodservice wholesale provider in Finland.

	2022	2021
Net sales, € million	6,124.7	5,909.0
Operating profit, comparable, € million	460.4	442.9
Operating margin, comparable, %	7.5	7.5
Return on capital employed, comparable, %	19.6	20.6
Capital expenditure, € million	257.6	122.8
Personnel, average	6,288	6,126

More about the division and its key events in 2022

Building and technical trade

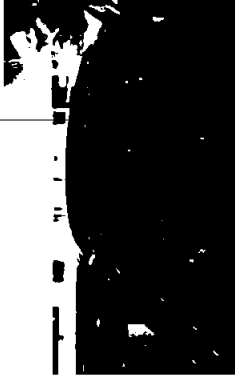


The building and technical trade division operates in 7 countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. In the Baltics and Belarus, building and home improvement trade operations are handled by the joint venture Kesko Senukai. The division has some 500 stores and offers extensive online services via its chains: Onninen serves technical wholesale customers, while K-Rauta, Byggnakker and K-Bygg serve professional builders and consumers. The division also includes the sports trade chains Intersport and Budget Sport.

	2022	2021
Net sales, € million	4,805.1	4,387.7
Operating profit, comparable, € million	339.8	318.0
Operating margin, comparable, %	7.1	7.2
Return on capital employed, comparable, %	19.4	19.0
Capital expenditure, € million	108.7	43.1
Personnel, average	6,155	5,977

More about the division and its key events in 2022

Car trade



K-Auto is a leading operator in Finnish car trade. The division's operations comprise the import and sale of new cars, used car sales, extensive servicing and other services, and K-Lataus EV charging. K-Auto are 1.2 million customers, served by over 1,000 points of sale. The brands imported and sold by K-Auto are Audi, SEAT, CUPRA, Porsche and Bentley parts. The division also includes the car rental companies Volkswagen Commercial Vehicles and MAN and SEAT & CUPRA in the Baltics.

	2022	2021
Net sales, € million	910.0	910.0
Operating profit, comparable, € million	40.0	40.0
Operating margin, comparable, %	4.4	4.4
Return on capital employed, comparable, %	1.1	1.1
Capital expenditure, € million	4.0	4.0
Personnel, average	1,200	1,200

More about the division and its key events in 2022



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REVIEW BY THE PRESIDENT AND CEO

ALL KESKO DIVISIONS GENERATED GOOD RESULTS IN 2022

Kesko achieved a record result in 2022, and our annual result has now improved for eight consecutive years. The result is strong proof that our strategy works and yields results also in a changing operating environment. Our profit ability is based on successful strategic choices and consequent sales growth. Kesko is in many ways a unique trading sector operator.

In 2022, our net sales grew by 4.3% in comparable terms and totalled €11,809 million. Our comparable operating profit amounted to €815 million, representing an increase of €40 million. Profitability in both grocery trade and building and technical trade has risen to the level of the best European operators. In car trade, strong transformation efforts have improved profitability. Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. Our strategic objective is to strengthen the customer experience we offer to both B2C and B2B customers in our stores and digital channels. Continuous improvement of customer experiences, further development of digital services, and corporate responsibility and sustainability are central themes for us strategically.

Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade.





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Focus on customers also in a changing operating environment

We experienced another exceptional year in 2022. The Covid-19 pandemic continued to impact our operations early in the year, but the biggest change in our operating environment was the Russian attack on Ukraine at the end of February, and the impacts the war and related sanctions had globally on the energy and raw materials markets.

The price of food rose especially in the second half of the year, interest and energy costs went up, prices of certain building materials continued to rise, and the availability of cars weakened further. Thanks to its right strategic choices, Kesko is a unique trading sector operator that can navigate also through rapidly changing operating conditions.

Our good results are based on the strategy first established in 2015 and its successful execution. During our annual strategy review in the spring, we

evaluated the effectiveness of our existing growth strategy in the changed operating environment. As a result, we noted that we continue the execution of our good growth strategy in all three divisions, taking more targeted division-specific actions to ensure further growth in sales and better efficiency and profitability in each division. Kesko's sustainability strategy was updated in 2022, setting even clearer sustainability targets for the operations of Kesko and its divisions.

We want to maintain and strengthen our reliable K brand, and to provide even better service to our customers. In addition to a common strategy, operating as 'one unified K' means seamless cooperation with retailers and across

divisions. Customer-orientation drives everything we do. Customer trust towards K Group is good and we are among the most reputable companies in Finland. Interest towards Kesko as an investment rose significantly among Finnish private investors in 2022. At the end of the year we had some 83,000 shareholders: the figure rose by 27% during the year.

A good result in food trade in a changing market

Profitability in the grocery trade division was good in 2022 and was improved by a good performance by Kespro.

The division's net sales grew by 3.6% and its comparable operating profit rose to €460 million. The basis for the division's good profitability is our strong position in all areas of Finnish food trade. Our strength lies in our extensive network of physical grocery stores combined with efficient online sales, our foodservice business, and our well-functioning retailer business model. The division's growth strategy

Customer-orientation drives everything we do.

is based on store-specific business ideas, data and customer insight driven decision-making, strong digital capabilities, and efficient processes. B2C online grocery sales were strengthened by the extensive collaboration launched with Wolt in quick deliveries.

Food prices rose in 2022. Combined with the rise in other costs, this had a marked impact on consumer behaviour.

Customers focused more on food prices and interest toward offers, bargains and private label products increased. In 2022, our strategic focus was especially on strengthening our price competitiveness, price image, selection image and differentiation. We launched a new concept – 'both

premium and bargains' – to strengthen our position and better showcase our grocery range, which is derived from low-priced private label products and our premium categories.

In the foodservice business, Kespro strengthened its market-leading position: it is the leading foodservice wholesaler company in Finland, and acts as a customer business and municipalities as well as public operators. Kespro has the biggest online business in Finland, and some 70% of its sales are digital channels. Demand for foodservice remained strong in 2022. We strongly believe that the trend will grow, even if rising inflation is forcing customers to re-examine their consumption habits. Some sales come from lunches and workplace cafeterias to public sector operators such as schools and universities. In 2022, Kespro's sales grew clearly compared to before, and profitability was at a good level.

A record-result also in building and technical trade

The building and technical trade division posted its time best result in 2022. The division's net sales grew by 9.4% in comparable terms and totalled €4.8 billion. The division's comparable operating margin for the year was 10.1%.

B2B trade now accounts for over 70% of the division's sales. Sales growth in B2B trade continued to be strong, underpinned by good construction activity and price levels of products. Demand was particularly strong for products related to the green transition and energy efficiency. Good demand for renovation services also underpinned the performance. Renovation services



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accounts for over half of the division's sales. The share of international operations of the division's net sales grew in comparable terms and totalled 46%.

The key to strategy execution is to address the differing needs of the division's three customer segments - B2B customers in technical wholesale, B2B customers in building and home improvement trade, and B2C customers in building and home improvement trade - in all channels. Digital solutions and multichannel customer experience play a very significant role for all customer segments.

In Finland, K-Rauta's sales outperformed the market in 2022 and the chain's market share was over 45%. Onninen's performance was strong in all operating countries, with higher net sales and significantly improved profitability. In Sweden, sales development was good in the B2B segment in both technical trade and building and home improvement trade, while B2C sales decreased. In Norway, the year was particularly good for Onninen, where net sales increased by 17% and profitability also clearly improved. Bygghälsan's net sales were at a good level, but declined year-on-year. Onninen's sales growth was particularly strong in Poland, and solidly strong in Estonia, Latvia and Lithuania. The share of result of Kesko Senukai, which focuses on B2C trade, decreased in particular due to rapid acceleration in inflation.

In addition to organic growth, we continued acquisitions to execute our growth strategy.

A good result in car trade in a difficult market

The transformation of our car trade division is proceeding and yielding results. Issues with car availability caused net sales to decrease in 2022, but profitability remained

good thanks to better sales margins and continued transformation measures and efficiency improvements. All operations within the division - new cars, used cars, and services - were in profit.

The car trade market is changing rapidly. Cars are becoming electric and digitalisation is changing consumer purchase behaviour. To ensure future success, our focus will be - in line with our strategy - on improving customer experiences, strengthening profitability, accelerating digitalisation, and ensuring sustainability, while utilising synergies as part of 'One unified K'. Today, Kesko's car trade is No 1 in Finland when it comes to the sales of electric cars and EV charging network.

Kesko's sustainability work ranks high on a global scale

Companies have assumed a bigger role in finding solutions to global sustainability challenges. Investors are also increasingly taking account of aspects related to the environment, social responsibility, and corporate governance (ESG) alongside financials when making investment decisions. Sustainability is an integral part of Kesko's strategy and one we have engaged in for years. Kesko's sustainability strategy was updated in 2022, setting clear sustainability targets for the operations of company and its three divisions. The focus areas of the strategy are climate and nature, value chain, people, and good governance. Kesko's long-standing work for sustainability and corporate responsibility brings results that gather international recognition. The most recent examples are the assessments for the Dow Jones Sustainability Indices and the Global 100 listing of the most sustainable companies in the world: Kesko ranked among the best in its sector in both. Kesko is the only company in the world to have made

the Global 100 list every year since it was first included in 2005.

As a trading sector company, we have a unique opportunity and a duty to enable sustainability for our customers.

Plenty of further growth potential

Our good ability to produce profit and strong position enable not only investments but also capacity. Kesko's Board proposes to the Annual General Meeting a dividend of €1.08 per share.

Overall, the outlook for Kesko's business in 2023 will be in the range of €600-800 million.

I want to thank all our customers, shareholders, Kesko and K Group, and our partners for the collaboration in 2022.



Mikko Helander
President and CEO



STRATEGY AND OPERATING ENVIRONMENT



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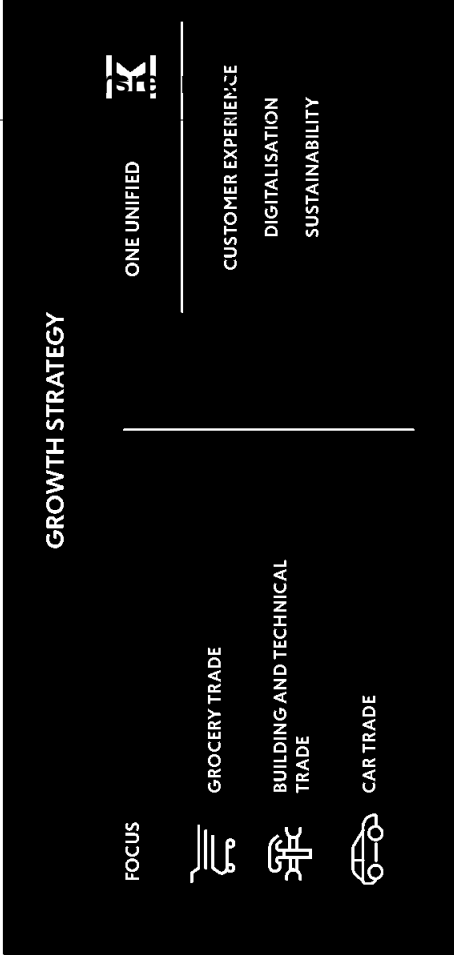
STRATEGY AND OBJECTIVES

Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical trade, and car trade. We continue to execute our growth strategy in the three business divisions. Continuous improvement of customer experiences, further development of digital services, and corporate responsibility and sustainability are also central themes for us strategically.

We continue our strategy execution

Kesko has a strategy that has proven effective: it seeks profitable growth through focus and transformation. The trading sector and our operating environment are changing rapidly. For an agile and constantly evolving operator, this poses opportunities. The results we have achieved so far act as strong proof that we have made the right strategic choices and that our strategy works well also in a rapidly changing post-pandemic market.

Grocery trade, building and technical trade, and car trade are all businesses in which Kesko has good market positions and the strongest capabilities, and they offer the best potential for long-term development. We use quality and customer experience to differentiate ourselves from the competition in both our stores and digital services.



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Digitalisation and customer experience

are two complementary central themes in Kesko's strategy. Kesko's key objectives in utilising digitalisation are to enable the best possible customer experience and to increase the efficiency of our operations and consequently our cost-efficiency. Data is central to all our operations, and we seek to create value in various ways for our customers with business processes that utilise data, analytics, AI and automation.

K-Plussa is the most extensive and versatile customer loyalty programme in Finland. The number of Finnish households belonging to the K-Plussa loyalty scheme and using the Plussa network totalled 2.4 million at the end of December 2022, with 3.3 million active customers.

'One unified K' is an important part of our strategy.

K Group, which at its core comprises Kesko and independent retailer entrepreneurs in Finland, today operates in eight countries. The retailer entrepreneurs lend Kesko a significant competitive advantage, and we employ the retailer business model whenever it gives us a competitive edge. We want to maintain and strengthen our reliable K brand, and to provide even better service to our customers. In addition to a common strategy, operating as 'One unified K' means seamless cooperation with retailers and across business divisions to achieve synergies.

Kesko's sustainability strategy was updated in

spring 2022. The strategy sets clear sustainability targets for the operations of Kesko and its three divisions, focusing on climate and nature, value chain sustainability, people, and good governance. With climate and nature, Kesko focuses on reducing emissions from its own operations and in the whole value chain. We aim to reach carbon

neutrality by 2025, and to cut our emissions to zero by 2030. In the value chain, we emphasise responsibility and sustainability in our whole purchasing chain.

With people, Kesko focuses on employee safety and wellbeing and on fostering diversity, inclusion and equal opportunities for its personnel. Key aspects to ensure good governance include the implementation of the K Code of Conduct, and building stronger sustainability competencies among employees.

SUSTAINABILITY STRATEGY

VISION:

We enable sustainable choices for our customers and drive change throughout the value chain

FOCUS AREAS:

- Climate and nature
- Value chain
- Our people
- Good governance

IMPLEMENTATION BY DIVISION:

- Grocery trade
- Building and technical trade
- Car trade

Progress is measured with sustainability indices and assessments, including the Dow Jones Sustainability Indices, MSCI ESG, Sustainability, and CDP.



Find out more about our sustainability objectives

K Supermarket



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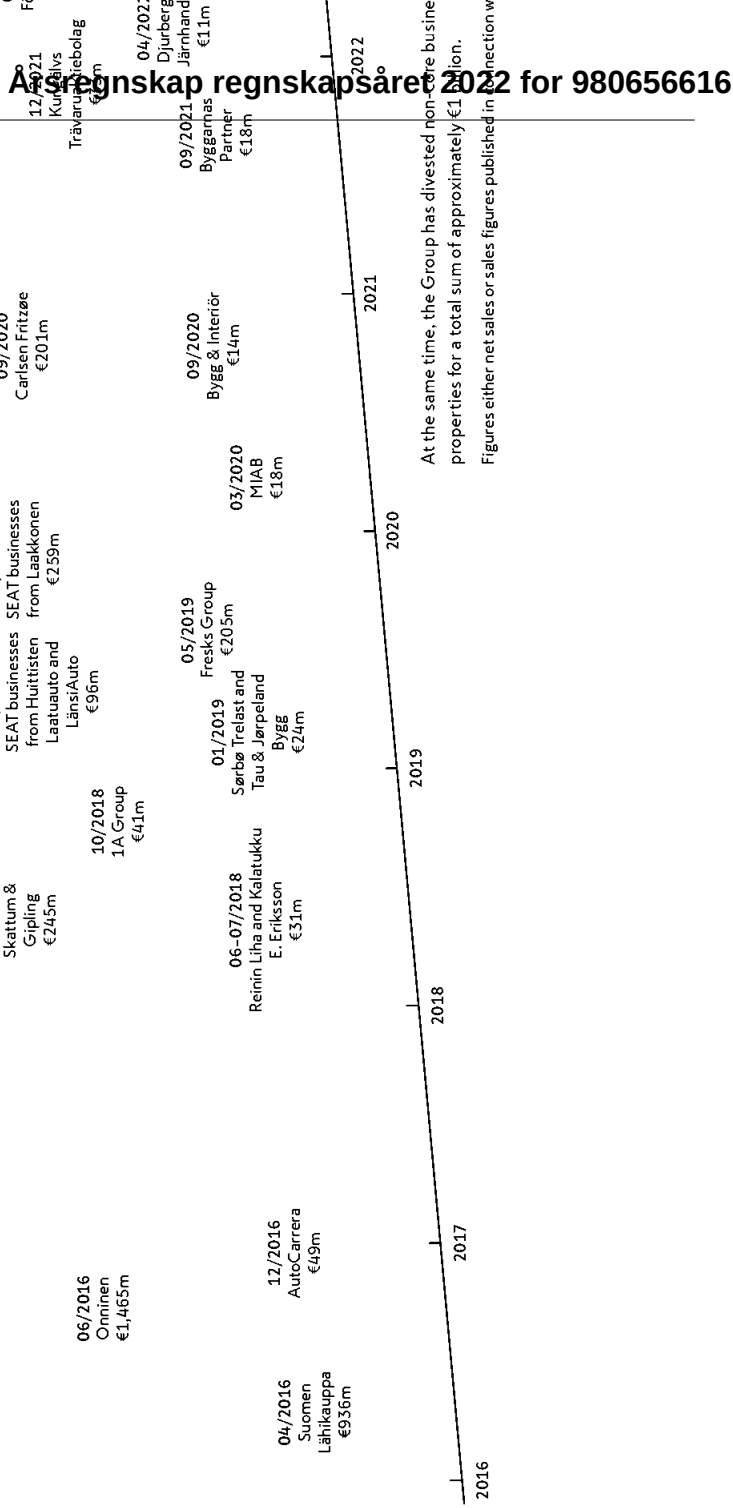
In grocery trade, Kesko strives to maintain its position as Finland's most customer-oriented and profitable grocery retailer both in physical stores and online. The division's growth strategy is based on store-specific business ideas, extensive utilisation of data, and strong digital capabilities, combined with efficient processes. We respond quickly to changes in our operating environment. Online grocery operations support sales in our physical stores, as the most active online customers are often loyal customers for

the traditional stores as well. Our strategic investments in remodelling the stores of all our grocery chains and store-specific business ideas tailored to each location and customer base strengthen K Group's sales and customer satisfaction. Independent K-retailer entrepreneurs are responsible for the business ideas, and ensure customer focus in the most extensive store network in Finland. Megatrends such as urbanisation, population ageing, and increasingly individual customer behaviour support the

strengthening of neighbourhood services. V 760 K-Market stores, K Group is the market Finnish neighbourhood store market.

Our aim also remains to further strengthen market-leading position in foodservice. We trend of eating out to continue to grow, thus our business.

Acquisitions as part of Kesko's growth strategy





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In building and technical trade. Kesko continues to strengthen its leading position in Northern Europe. The division serves B2B customers in technical wholesale, and B2B and B2C customers in building and home improvement trade, and will continue to execute its growth strategy with a country focus, seeking growth both organically and via acquisitions.

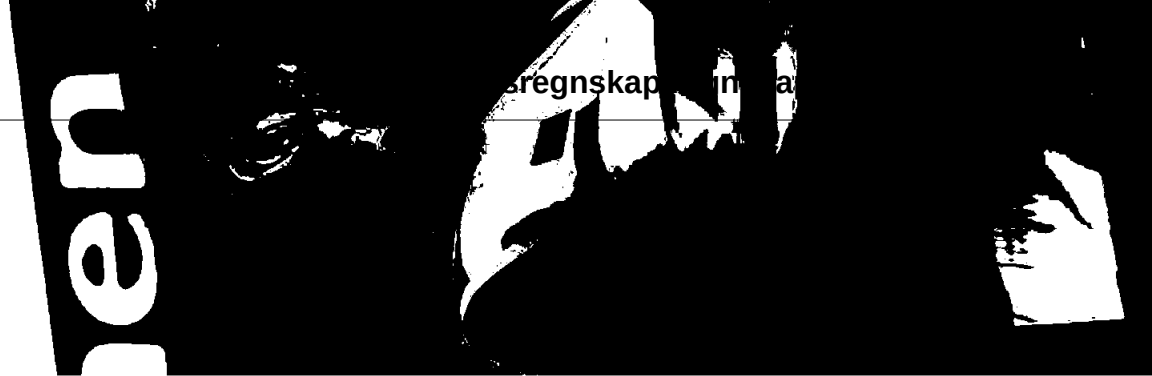
Each of our operating countries has its own customer-focused strategy. We seek synergies both within and between the countries.

B2B trade now accounts for over 80% of the division's sales. Building and renovation are becoming more technical and are increasingly outsourced to professionals. The green transition, need to improve energy efficiency, and urbanisation support the growth. The need for renovation building is also growing in Northern Europe. Our recent acquisitions have further strengthened our position in the growing B2B segment.

New digital services and online sales are a significant part of the customer journey and more efficient operations. For B2B customers, good digital services primarily mean efficient order channels. Some 30% of Omninen's sales now come from digital channels. Consumers, on the other hand, use online services to obtain information and compare products, services and prices.

In car trade, Kesko aims to offer the best customer experience on the market and to strengthen its market position in both new and used cars and services. The division's growth strategy is based on a strong partnership with the world's leading car manufacturer the Volkswagen

Group, more extensive utilisation of digitalisation, improved operational efficiency, and growing the sales of used cars and services. Our objective is to improve customer satisfaction and strengthen profitability and market position in all businesses. The sales of electric cars and rechargeable hybrids in particular will continue to grow in upcoming years. We support this trend with our extensive range and by expanding our K-Lataus EV charging network.



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FINANCIAL TARGETS

Kesko achieved its financial targets also in 2022. Central to this were business growth, constant improvement in cost efficiency, and efficient allocation of capital.

Our growth strategy, first established in 2015, has proven effective also in a constantly changing operating environment, and its successful execution has seen our net sales grow and profitability improve significantly.

We will continue growth strategy execution in all three business divisions, focusing on constant improvement of customer experiences, further development of digital services, and sustainability. In future acquisitions, we will aim for economies of scale and improved competitiveness especially in building and technical trade.

Financial indicators

Kesko's medium-term financial targets were last updated in spring 2021. We have achieved the targets in a constantly changing operating environment.

Indicator	Targets (as of 27 May 2021)	Level achieved 2022	Level achieved 2021	Level achieved 2020
Comparable operating margin, %	Over 6.0	6.9	6.9	5.3
Comparable return on capital employed, %	Over 14.5	16.9	17.2	12.0
Interest-bearing liabilities / EBITDA, excluding IFRS16 impact	at maximum 2.5	0.2	0.0	0.4

GUIDANCE FOR 2023

Kesko Group's guidance is given for the year 2023, in comparison with the year 2022. Kesko's net sales and operating profit are estimated to remain at a good level in 2023 despite the challenges in the company's operating environment. Kesko estimates that its comparable operating profit in 2023 will be in the range of €680–800 million.

Read more about Kesko's outlook





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TRENDS IMPACTING OUR OPERATING ENVIRONMENT

The trading sector operating environment is impacted by various global megatrends and changing consumer trends. By identifying the trends that affect K Group's operations, we strive to anticipate future challenges and opportunities.

MEGATRENDS

Accelerating transformation in the utilisation of digital solutions, data, and new technologies

- Growth in local and international eCommerce
- Automation, robotics and improving operational efficiency
- Data, analytics and AI

Importance of sustainability, climate and environmental impacts

- Carbon neutrality, emissions reductions, renewable energy
- Ensuring biodiversity
- Increased sustainability regulation

Globalisation: importance of supply chain security and risk management

- Heightened geopolitical situation and consequent tensions and crises
- Globalisation trend continues, supply chain security and transparency important
- Importance of and demand for local products growing

Continued population change, urbanisation and population mobility

- People continue to move to urban areas
- Urbanisation impacts transportation and mobility
- Regional divisions, structural changes

CHANGING CONSUMER TRENDS

Constant adjustment of selections

- The importance of price emphasised as purchasing power diminishes
- Appreciation of Finnish products
- Interest towards sustainable and healthy products

Multichannel sales

- Sales through digital channels growing
- Seamless multichannel customer experience a requirement
- Services that utilise customer data and AI, targeted marketing

Growing customer knowledge and power

- Customers seek information themselves to base their choices on
- Customers want to impact selections
- Sustainable lifestyles: carbon footprint of food, living and mobility, impact on biodiversity
- Importance of peer experiences in consumption

Individuality in customer purchasing

- Rapid changes in purchasing individualisation
- Customers value versatility, convenience and safety
- Changing concept of work hours: impact on e-commerce, equipment and traffic, equipment and traffic



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CHANGES IN OUR OPERATING ENVIRONMENT IN 2022

In 2022, strong price inflation, rising costs, uncertainties related to the price and availability of electricity, and geopolitical tensions heightened by the war in Ukraine led to fast changes in Kesko's operating environment. The keys to managing changes in all our operations are securing supply chains, managing cash flows, efficiency, and measures to curb the rise in costs.

GROCERY TRADE

Factors affecting business

- Price inflation and diminished purchasing power.
- Rise in costs.

Actions

- Strengthening competitiveness in both B2C and B2B trade.
- Measures to save energy, preparing for potential power outages.
- Managing rising costs, improving process efficiency.

Outlook for 2023

- B2C trade as a whole is estimated to remain stable, and the foodservice market is predicted to continue to grow.
- Price inflation will support sales development in euro terms, but will also increase costs.
- Operating profit is expected to remain at a good level.

Managing the impact of rising electricity prices

- The price of electricity rose significantly and fluctuated heavily in 2022.
- Our electricity costs in 2022 totalled around €39 million (€28 million in 2021).

BUILDING AND TECHNICAL TRADE

Factors affecting business

- Uncertainty in the construction market, demand shifting from new construction to renovation building and products that support the green transition.
- Diminished consumer purchasing power.

Actions

- Growing the share of B2B trade, already accounts for over 80% of sales.
- Managing rising costs, improving process efficiency.

Outlook for 2023

- The construction market is expected to decrease somewhat compared to 2022.
- New building construction is estimated to decrease, but renovation building and construction related to the green transition are estimated to continue to grow.
- Operating profit is expected to remain at a good level.

- In Finland, we have a centralised company for purchasing electricity, which purchases some 2/3 of the electricity consumed by K Group. Some 50–80% of these electricity purchases have been hedged until 2025.

CAR TRADE

Factors affecting business

- Extended delivery chain disruptions weaken availability of new cars.
- General economic uncertainty weakened both new and used cars.

Actions

- Continued measures to transition operations to improve efficiency to maintain profitability.
- A more balanced business structure: new cars, services.

Outlook for 2023

- Car availability is estimated to improve, but is estimated to remain below long-term average.
- Profitability in the car trade division is expected to remain at a good level.

- Measures were initiated to save energy in 1,300 well as offices and warehouses in Finland, with the aim of temporarily saving electricity by as much as 2% of total electricity consumption. As a result, K Group accounts for approximately 1% of all electricity consumption in Finland.



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OPPORTUNITIES AND RISKS IN OUR OPERATING ENVIRONMENT

RISK	IMPACT	MANAGEMENT	OPPORTUNITIES
 Economic operating environment • Inflation, rising interest rates, and high energy prices have an impact on consumer purchasing power and companies' willingness to invest	• In grocery trade, product price has an emphasised impact on consumer purchase decisions, customers in car trade may postpone their purchases. • In building and technical trade, construction and renovation projects may be postponed, which would impact sales and inventory management.	• Strengthening our competitive advantage by ensuring customer orientation, quality and competitive prices. • Increasing operational efficiency through digitalisation. • Adjusting operating costs to business.	• Utilising the business agility and competitive advantages enabled by entrepreneurs. • Utilising Kesko's strong financial position for growth opportunities and development. • Utilising business opportunities in green transition, especially in technical trade.
 Digital services and data-driven management • Tightening competition over skilled experts. • Increasing regulation concerning digitalisation and the collection and use of data. • Cybercrime.	• Digital service development could slow down because skilled experts cannot be hired or retained. • EU legislation may limit the collection and use of data that would be significant for business and customer service purposes, or lead to considerable additional costs. • Cyber threats directed at digital services and information systems increase risks related to business continuity and customer data management.	• Developing elements that impact K Group's employer image, ensuring the availability and retention of skilled personnel. • Actively monitoring and impacting the preparation of legislation affecting the sector at EU level. • Constantly monitoring threats to information security and proactively developing information security. • Providing extensive training to personnel. • Requiring a high level of information security from critical service providers.	• Using customer data and research to develop more personalised customer experiences and store-specific business ideas. • Offering a seamless customer experience across all channels by utilising artificial intelligence, data analytics, and service development. • Combining online sales and digital services with our comprehensive store network to enable excellent customer experience. • A chance to utilise our existing physical stores more effectively in online sales and digital services.
 Geopolitical situation • Growing tensions in security policy as a result of the war in Ukraine and the potential expansion of the conflict, as well as tightened military and economic competition between superpowers.	• Rising energy prices impact Kesko's costs both directly and indirectly. • The energy crisis leads to a growing threat of electricity rationing and disruptions in electricity availability. • If escalated, heightened military and economic competition between superpowers could have a significant impact on Kesko's operating environment, supply chain continuity, and product availability.	• K Group has significantly reduced its energy consumption and prepared for potential power outages by updating and testing its business contingency plans. • Preparing for potential tightening in global tensions and disruptions in supply chains by ensuring our contingency plans and crisis management systems are up to date.	• Efficient response to the accelerated green transition as a result of the crisis, by offering customers products, solutions and services that improve energy efficiency.

Årsrapport 2022 for 980656616



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KESKO'S BUSINESS MODEL

Kesko's business model comprises Kesko's own retailing and B2B trade, and the chain business model.

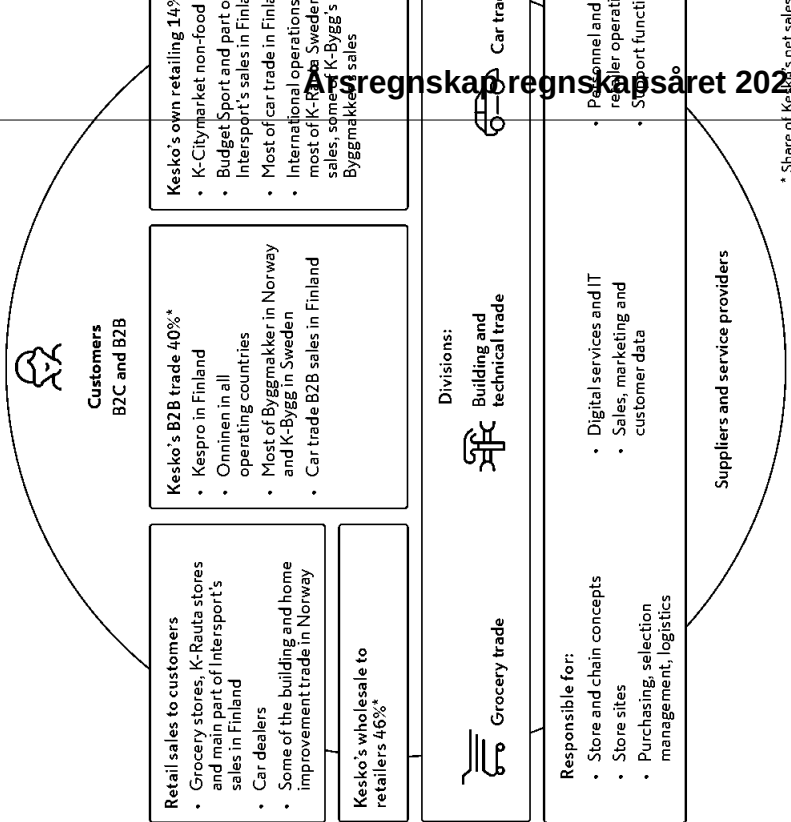
In Finland, the biggest business model in terms of percentage is the chain business model, in which **independent K-retailers run retail stores in Kesko's chains**, namely the grocery store chains, and the K-Rauta and Intersport chains. Some 46% of Kesko's net sales come from sales to retailers.

Kesko's own retailing and B2B trade account for some 54% of net sales. In Finland, Kesko's own retailing and B2B trade comprise e.g. car trade, Kespro, Onninen, non-food sales at K-Citymarket hypermarkets, and part of the Intersport sales and Budget Sport. **B2B trade in particular is a strongly growing part of Kesko's business operations.** Outside Finland, Kesko mainly engages in own retailing and B2B trade.

Net sales from international operations totalled some €2.2 billion, or 19%, of Kesko's net sales in 2022. Kesko operates in seven countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. In addition, K Group operates in Belarus via a joint venture.

The constant improvement of customer experiences and further development of digital services are at the heart of our growth strategy. We use quality and customer experience to differentiate ourselves from the competition in both our stores and digital services.

Kesko's business model





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K-RETAILER OPERATIONS IN FINLAND

Kesko and K-retailers: roles

In Finland, Kesko's principal business model is **the chain business model**, in which some 1,100 independent entrepreneurs – referred to as K-retailers – operate retail stores in Kesko's chains, which include **the grocery store chains, the K-Rauta chain, and the Intersport chain**. Outside Finland, Kesko mainly engages in own retailing and B2B trade.

Kesko is responsible for the continuous development of the operating model and store concepts, for steering chain operations, for purchasing products included in chain selections, and for the store site network.

K-retailers are responsible for their store-specific business ideas, customer satisfaction, store personnel and business performance. The multi-store model, in which one retailer can have multiple stores, creates synergies in e.g. management, personnel resourcing, and product selections.

K-Retailers' Association is a co-operative organisation for K-retailers that oversees their interests. It holds 5.13% of the shares or a 13.31% share by votes of Kesko's shares (31 Dec. 2022). K-retailers are significant Kesko shareholders.

[+ More information on the store site and chain fees paid by retailer entrepreneurs in Notes 2.1 and 2.4 to the financial statements](#)

[➔ More on K-Retailers' Association](#)

Wholesale, product strategy
Chain agreement, chain steering
Services and business support



Wholesale profit for Kesko
Chain fees based on net sales
Store site fees based on sales margin
Other cost-based fees

KESKO

Store concepts

Chain selections, wholesale

Responsible purchasing channels, purchasing alliances, logistics

Own brands

Data-driven management, customer data

Marketing services

Online stores

Store chains

Store sites

Centralised services (IT, financial administration, other support processes)

Retailer reserves

K-RETAILERS

Ensure customer satisfaction results and profitability in their stores

Store-specific business ideas based on customer data

Synergies from the multi-store model

Significant employers

Purchases from local businesses

Members of Retailers' Association



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KESKO'S GROCERY TRADE HAS A STRONG POSITION IN ALL AREAS OF FINNISH FOOD TRADE

In the grocery trade division, profit improved in 2022 thanks to good performance by Kespro and the grocery stores. Sales continued to grow and operating profit improved. Kespro's performance was particularly strong. In grocery stores, we focused increasingly on making store-specific business ideas visible and on improving our price competitiveness and price image. Sales growth, better efficiency per square metre, and more efficient processes contributed to profitability improvement.



“ Our effective strategy brought results in a challenging operating environment. Demand in food trade remained good, and demand in the foodservice business was particularly strong. During the year, we launched the “both premium and bargains” marketing concept to boost our price image and showcase our strengths, while also making store-specific business ideas more visible.

Ari Akseli
Ari Akseli, President, grocery trade division



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Strong position in all areas of Finnish food trade

In the grocery trade division, Keskko strives to maintain its position as the most customer-oriented and profitable food trade operator in Finnish B2C and B2B trade, and the market leader in online grocery trade. The growth strategy is based on store-specific business ideas, data and customer insight driven decision-making and strong digital capabilities, as well as efficient processes. In 2022, we honed store-specific business ideas and focused in particular on strengthening our price image and price competitiveness. In the foodservice business, the aim is to further strengthen our market position by offering the best selection and service. Our strong position in both consumer trade and B2B trade brings us strategically important synergies in purchasing, logistics and IT investments. Net sales and sales continued to grow in both grocery stores and foodservice. Towards the end of the year changes in customer behaviour due to the rise in food prices and growth in the share of campaign sales year-on-year had a diminishing impact on profitability. The increase in costs resulting from rising inflation also had a negative impact on profitability.

During the year, we invested €230.5 million in our store network. Our focus is on updating existing store sites, with new stores opened mainly in growth centres.

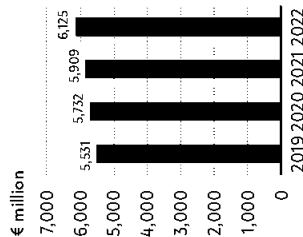
Strategy focus heavily on customer experience and managing price image

We introduce new products and services to our grocery stores based on customer data and local preferences. In 2022, the rise in energy and producer prices saw inflation accelerate at an exceptionally fast pace, and food prices rose. This had a marked impact on consumer behaviour:

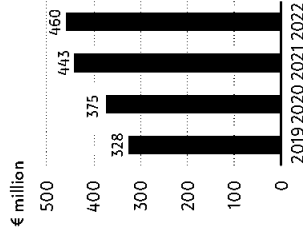
customers focused more on food prices, and interest toward offers, bargains and private label products increased. As food expenses are less fixed than, for example, housing expenses, consumers began to plan their grocery shopping more carefully. Our customer data shows that 30% of our customers focus on price, while 30% choose premium products. Some 40% employ a hybrid approach, buying both bargains and premium. There is a difference in everyday food shopping and shopping for special occasions.

In 2022, our strategic focus was especially on making store-specific business ideas visible, and on strengthening price competitiveness, price image, selection image and differentiation. For price image, we launched the "both premium and bargains" marketing concept, which emphasises how our stores offer both affordable private label products and offers as well as premium options. Thus customers have a one-stop shop for both affordable everyday items and treats for the weekend and special occasions. Price image management relies heavily on our private labels K-Menu and Pirkka. We will also continue to

Net sales



Operating profit



Comparable figures



PIRKKA IS THE BEST-KNOWN PRIVATE LABEL IN FINNISH GROCERY

Sales of own brand products accounted for 15% of Keskko's total retail sales in grocery trade. Keskko's own brand has a significant role in strengthening price image and diversifying selections, and ensuring Pirkka range offers a good price-to-quality ratio. Own brand products have been successful in many competitive markets. It also enables many smaller brands to get their products on store shelves across Finland. At the end of 2022, there were in total some 2,000 Pirkka products: of these, 330 were Pirkka Parhaat products and 200 Pirkka Luonto organic products. Pirkka's lowest price point K-Menu range comprises 100 products.

BETTER VISIBILITY FOR LOCAL PRODUCERS

Tailoring store-specific selections and lists to local tastes and wishes on specific products is an essential part of Keskko's work of K-retailer entrepreneurs. Although currently on price, consumer interest in local products is growing. K Group launches a platform that makes it easier for local food producers to collaborate with K-retailers and get their products on shelves in K-retailer stores. Finnish small producers can add their products to the platform for no charge, and K-retailers can add them to their assortments. K-retailer managers have easy access to the platform to see what interests their customers.



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focus on sustainable high-quality selections that set us apart, easy shopping, and individuality.

To offer a better customer experience, we are constantly developing inspiring digital services that make life easier. The use of digitalisation in K Group grocery stores is advanced.

For instance, most stores now have electronic price labels, and many stores have large marketing screens. We offer the biggest in-store media in Finland, accelerating sales and bringing new earnings for Kesko. We are also investing in various digital applications that make store operations easier.

The good sales and customer satisfaction figures in all our grocery store chains and online are proof that our strategic choices have been correct. The NPS figure for customer satisfaction for all K Group grocery stores was 68, while the NPS for online grocery was 80.

K-Ruoka is the biggest food media in Finland, and its mobile app one of the most popular apps in the country. In 2022, the K-Ruoka website and mobile app had on average 3 million weekly visits.

Online grocery sales capacity grew

Online grocery sales have risen clearly above pre-pandemic levels. Our retailer business model enabled us to increase online service capacity further. In our view, physical stores and online sales are an effective combination. At the end of the year, more than 600 K Group grocery stores offered online services (2021: approx. 500). Online grocery sales in 2022 totalled around €236 million (incl. VAT), down by 3.3%. Online accounted for 3.1% of the division's sales. Some 70% of online orders are home deliveries, which remains the most popular order type. Click & collect has also grown in popularity, and the new K-Nouto concept is available at 90

stores, with further rollout in 2023. Customer satisfaction for the K-Nouto click & collect service is very high: 86.5 for personal service and 78.8 for locker collection. Our K-Ruoka online grocery service was ranked the best in Finland in 2022.

Finland's first in-store automation-assisted collection system for online grocery orders began operations in K-Citymarket Ruoholahti in Helsinki. The system is based on the Micro Fulfillment Center concept, and enables faster deliveries, higher volumes and a better customer experience.

Together with Wolt, we have created an efficient fast-delivery concept for groceries in Finland. At the end of 2022, some 160 K-Market stores around Finland offered fast deliveries, covering a range of as many as 5,000 grocery store products. Demand for fast deliveries has been strong, and they play a significant role in both the growth of the online grocery business and the sales development of the K-Market chain. In the Greater Helsinki region, we launched a pilot for Wolt+ with monthly fees.

K-retailer entrepreneurs as our competitive advantage

Kesko's grocery store business relies heavily on retailer entrepreneurs. There are in total some 900 K-retailers in grocery trade, with 61 new retailers launching their careers in 2022. K-retailers handle selections, quality, customer service, staff and competencies, and business performance in their stores, based on individual store-specific business ideas. Data-driven management is a central part of store operations, and we utilise customer data in supporting the retailers in defining their store-specific business ideas.

Innovative executions of these business ideas have gained international attention. We see plenty of potential to improve sales and profit with the implementation of store-specific business ideas. Retailers running K Group stores have long Finnish grocery trade.

Kespro creates services based on customer insight

Kespro is the leading foodservice wholesaler in Finland, and acts as a partner for its customers and municipalities and other public operators. Its customers tailored purchase solutions and collection services based on extensive customer data. The biggest online store in the business in Finland, and 70% of sales come from digital channels. They include strong own brands, which account for 30% of sales. The Kespronet online service is tailored to the customer, displaying customer-specific selection and delivery times and options.

Kespro has 14 cash-and-carry outlets across Finland, including an online wholesaler in Kespro's foodservice division. Kespro's most modern development and training kitchen, Kespro also includes speciality food and meat processing. Kalatukku E. Eriksson and Reiniina.



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BUSINESS ENVIRONMENT

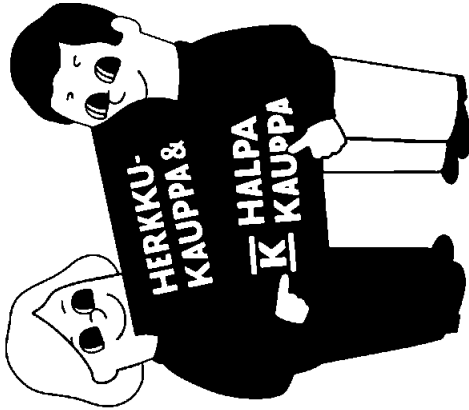
- Polarisation and significant changes in population structure
- Increased importance of hybrid consumption and individuality
- Blending the roles of stores and restaurants: trends in eating out and popularity of takeaway meals
- Price competition increasing

- Accelerating evolution of digitalisation and AI, seamless customer experience combining digital and physical
- Climate change and environmental awareness emphasised
- Responsibility and sustainability required from operations and concepts

Our strategic objective is to maintain our position as the most customer-oriented and profitable grocery retailer in Finland and the market leader in online grocery.

STRATEGIC OBJECTIVES

- Making store-specific business ideas clearly visible to customers
- The best multichannel customer experience
- Leading selection image and differentiation
- Strengthening price competitiveness and price image
- Decision-making based on data and customer insight
- Enabling sustainable choices for customers
- The best selection and service in the foodservice sector
- The most attractive partner and business platform



SUSTAINABILITY STRATEGY OBJECTIVES AND FOCUS AREAS

Climate

- Expanding our pilot of the carbon-neutral grocery concept in 2023
- Shifting to renewable diesel by the end of 2024, the use of electricity in transports

Biodiversity

- Acknowledging biodiversity in purchasing chain for store sites and logistics centres
- Increasing the sales of organic and MSC fish products by 2024

Circular economy

- Actively promoting the rollout of packaging in stores
- Reducing food waste by 25% by 2026, halving waste by 2030

Supply chain

- Setting targets for sustainable selections
- Strengthening our Fairtrade collaboration
- Visible commercial sustainability actions

Customer choices

- Making sustainable selections visible in our digital services by 2024
- Making healthy choices easier for our customers
- Elaborating on our 'sustainable choice' concept

Finnish food

- Strengthening the Finnish food chain and securing the image of Finnish food as the biggest locally produced food



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Market

In 2022, the Finnish grocery retail market totalled some €21–22 billion (incl. VAT), representing a growth of some 3.3% (Finnish Grocery Trade Association's statistics). Strong food price inflation decreased volumes, but increased sales in euro terms. Consumer purchase behaviour has changed, with emphasis on price and often favouring more affordable alternatives. Sales volumes were also impacted by people returning to offices and restrictions on restaurants, events and travel being lifted. Price competition in the Finnish grocery trade market has intensified due to the strong rise in prices. Online grocery sales have continued to grow, while the relative share of online of the total market has decreased.

Market shares

GROCERY TRADE

Kesko's market share in Finland was 35.3% (Kesko's own estimate based on Nielsen's comparison group which includes discount stores and service stations as well as grocery stores). K Group is the second biggest operator in Finnish grocery trade. Our market share decreased slightly in 2022 due to the changes in our operating environment and competitors establishing more new stores. Competitors: Prisma, S-market, Alepa/Sale and Food Market Herkku, ABC (S Group), Lidl, Tokmanni, Minimani, Halpa-Halli, R-kioski and M-chain stores.

The market share for K-Citymarket's home and speciality goods (non-food) cannot be reliably calculated. Competitors: hypermarkets, department stores, discounters, specialist chains, and online stores.

Grocery trade in figures

Key figures

Net sales, € million	2022
Operating profit, comparable, € million	6,124.7
Operating margin, comparable	460.4
Return on capital employed, comparable, %	7.5
Capital expenditure, € million	19.6
Personnel, average	257.6
	6,288

Properties

Owned properties, capital, € million	2022
Owned properties, area, 1,000 m²	943
Leased properties, area, 1,000 m²	598
	1,434

Retail area
0% VAT

Number of stores

K Group's grocery trade	2022	2021
K Food stores	1,220	1,237
K-Citymarket, non-food	81	81
Kespro	-	-
Grocery trade, total	1,220	1,237

In addition, 619 K-food stores offer online grocery sales services. Kespro has 14 cash & carry outlets and an online outlet.

KESPRO FOODSERVICE

Pandemic-related restrictions on restaurants, events and travel, and recommendations to work from home in the first quarter of 2022 impacted the foodservice business negatively, after that the market returned to almost normal levels. Kespro's market share is estimated to

have grown and to stand at 46.1% in the Finnish Trade Association's Foodservice Wholesale p Competitors: Meira Nova, Metro Herkku, Val Suomen Palvelutukkurit.



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GROWTH CONTINUED IN BUILDING AND TECHNICAL TRADE

The execution of country-specific strategies led to a record-result in the building and technical trade division in 2022. All business areas were in profit. During the year, we continued the determined, country-specific execution of our growth strategy both organically and via acquisitions. Our strategic objective is to become an even stronger operator in Northern Europe, especially in B2B trade.

“Growth in Kesko's building and technical trade continued in all operating countries, driven by B2B trade. In technical wholesale in particular, we reached significant profit improvement, and won over market share in all countries. In building and home improvement trade, despite market challenges, sales grew in all countries and profit stayed at a good level.

Jorma Rauhala

President, building and technical trade, Deputy CEO





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High activity in B2B trade

In the building and technical trade division, Kesko continues to strengthen its leading position in Northern Europe by executing country-specific strategies. In 2022, the division's net sales grew by 9.4% in comparable terms, totalling €4,805.1 million, with a comparable operating margin of 7.1%. International operations account for 46% of net sales.

The business is divided into technical wholesale and building and home improvement trade. In 2022, growth continued in all countries in technical wholesale, while sales in building and home improvement trade stayed at a good level.

Net sales for technical wholesale, i.e. Onninen, totalled €2,286.2 million, and operating profit grew in all operating countries. The technical wholesale business is 100% directed at professionals, with the customer base comprising technical contractors, industry, infrastructure builders, and retailers. Onninen's business is Kesko's own retailing.

Combined, B2B customers in technical wholesale and building and home improvement trade accounted for over 80% of the division's sales. Sales growth in B2B trade continued strong, underpinned by good construction activity. Demand was very strong in products related to the green transition and to improving energy efficiency, which is approximately 36% of the division's products. Strong demand in renovation building also underpinned the good performance. Renovation building accounts for over half of the division's sales.

Building and technical trade

Net sales for building and home improvement trade totalled €2,377.2 million, and comparable operating profit increased. Building and home improvement trade serves both B2B customers (some 68%) and consumers (32%). Kesko's building and home improvement chains are K-Rauta, K-Bygg and Byggnakker. Kesko also owns half of the company Kesko Senukai, which operates in the Baltic countries and Belarus. The K-Rauta stores in Finland are run by K-retailer entrepreneurs.

The key to our strategy execution is to address the differing needs of our three customer segments – B2B customers in technical wholesale, and B2B and B2C customers in building and home improvement trade – in all channels. We strive to offer a seamless customer experience in physical stores and digital channels. We actively seek synergies within and between our operating countries, for example, in concept, digital service and own brand development.

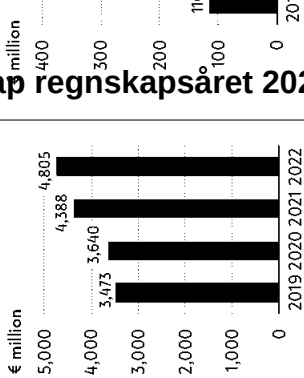
We continued acquisitions in line with our strategy in 2022 by acquiring the B2B building and home improvement trade companies Djurbergs Järnhandel, Fällinge Såg and XL-BYGG Bergslagen in Sweden, and Seljord Elektriske in Norway. The acquisitions in Sweden strengthen our position in growth centres in northern and central parts of the country, and were merged as part of the growing K-Bygg chain for B2B customers. We continue to see further potential for growth in both Sweden and Norway especially in B2B trade.



onninen

Business units excluding Kesko Senukai.

Net sales



Comparable figures. Illustrative figures for 2019 and 2020 excluding Kesko Senukai.



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Strong year for K-Rauta and Onninen in Finland

K-Rauta Finland saw good sales development, and its market share rose further to over 45%. The chain aims to be the best locally, and combines store-specific business ideas with the efficiency and competitiveness of chain operations. We have continued to update K-Rauta through sales programmes, and have further strengthened the multichannel customer experience. Proactive sales work and sales management continue to be crucial. K-Rauta stores serve both B2B customers and consumers – the share of the former is bigger. In addition to physical stores, the chain offers the K-Rauta Pro online service for professionals and the K-rauta.fi service for consumers.

Onninen is the market leader in Finnish technical wholesale, with a market share of 44%. The market share continued to grow in 2022. Onninen's performance was strong, with higher net sales and significantly improved profitability. Of the product categories, demand was particularly strong for products related to the green transition, such as air source heat pumps, solar panels and wind power-related products. Technical wholesale is by nature a high-volume business, in which efficient logistics, an extensive store network, and effective electronic order channels and skilled sales staff play a key role. Digital sales have become significantly more important, and now account for some 30% of Onninen's sales in Finland.

In leisure trade, sales for Intersport and Budget Sport were at a good level, and our market share in sports trade grew. The good progress was attributable to stronger focus on specific sports, improving the multichannel customer experience, and tightening collaboration with strategic suppliers to ensure product availability.

Good progress continued in Sweden and Norway

In Sweden, Kesko serves technical wholesale customers in infrastructure construction via Onninen, B2B customers via K-Bygg and K-Rauta, and consumers via K-Rauta. B2B trade in Sweden grew, while B2C trade contracted. K-Bygg's net sales grew by 5.8% in comparable terms. K-Rauta's sales remained at a good level but were down by 1.2% year-on-year in comparable terms. The good position we have achieved in Sweden provides us with a strong basis for continued growth.

We strengthened our B2B chain K-Bygg with acquisitions, while the number of B2B customers also grew in K-Rauta. K-rauta.se, which serves consumers, was named the best renovation and building online store in Sweden. In technical wholesale, we only operate in the growing infrastructure business and water and sewage business in Sweden. Onninen is particularly strong in e.g. product categories related to wind farms in Sweden.

In Norway, 2022 was a strong year for Onninen in particular. Onninen's net sales increased by 17.2% in comparable terms, and operating profit grew markedly. In Norway, Onninen only focuses on the electricity product categories, and is the market leader in our selected area of wholesale. Onninen Norway offers the best digital services in the business, and has achieved excellent results with proactive sales and sales management. Net sales and profitability for Byggmakker were at a good level, but net sales came down by 2.3% in comparable terms. One of Byggmakker's strengths is its extensive store network, combined with good digital services.

In the long term, we expect both Sweden and Norway to continue to offer significant growth potential.





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Strong year of growth for Onninen also in Poland and the Baltics

Onninen's sales growth was strong and profitability improved significantly in Poland, Estonia, Latvia and Lithuania. B2B demand was strong in the Baltic countries and Poland, underpinned by high construction activity.

Onninen in Poland is also strong in digital services. Of the Baltics, the biggest business and most extensive Onninen Express store network are found in Estonia.

The comparable operating profit in building and technical trade in Finland was €200.7 million (€180.7 million), in

Sweden €27.1 million (€30.5 million) in Norway (€70.4 million), and in Poland and the Baltic countries €13.1 million).

The share of result of the Kesko Senukai joint venture in the total result of the Group was 10% focuses on B2C trade, stayed at the level of 10%.

Building and technical trade in figures

Key figures	2022	2021
Net sales, € million	4,805.1	4,387.7
Building and technical trade excl. speciality goods trade	4,591.1	4,164.0
Building and home improvement trade	2,377.2	2,292.3
Onninen	2,286.2	1,930.3
Speciality goods trade	214.0	223.7
Operating profit, comparable, € million	339.8	318.0
Building and technical trade excl. speciality goods trade	302.8	275.4
Building and home improvement trade	127.5	154.2
Onninen	173.7	122.3
Speciality goods trade	16.1	21.2
Kesko Senukai	20.9	21.5
Operating margin, comparable, %	7.1	7.2
Building and technical trade excl. speciality goods trade	6.6	6.6
Building and home improvement trade	5.4	6.7
Onninen	7.6	6.3
Speciality goods trade	7.5	9.5
Return on capital employed, comparable, %	19.4	19.0
Capital expenditure, € million	108.7	43.1
Personnel, average	6,155	5,977
Properties	2022	2021
Owned properties, capital, € million	175	166
Owned properties, area, 1,000 m²	252	241
Leased properties, lease liabilities, 1,000 m²	883	886

K Group's building and technical trade	2022	2021	2020
K-Rauta, Finland	123	125	127
Rautakesko B2B Service, Finland	-	-	33
Onninen, Finland	57	58	128
Leisure trade, Finland	62	62	27
Finland, total	242	245	308
K-Rauta, Sweden	17	17	17
K-Bygg, Sweden	50	42	38
Onninen and MIAB, Sweden	5	4	14
Byggmakkeri, Norway	89	90	81
Onninen, Norway	19	18	37
Onninen, Baltics	18	17	13
Onninen, Poland	36	36	35
Other countries, total	234	224	238
Kesko Senukai	60	60	122
Building and technical trade, total	536	529	678

In addition, building and technical trade stores offer e-commerce services to their customers. Three Onninen stores in Finland operate on the same store premises with K-Rauta. * The Change, % compared to the year before has been calculated to illustrate a situation in which the acquisition of K-Rauta is included in the calculation. ** The change, % compared to the year before has been calculated to illustrate a situation in which the acquisition of K-Rauta is included in the calculation. Seljord Elektriske AS in Norway on 1 June 2022, the acquisitions of Föllinge Säg AB and Djurås Elektriske AS in Norway on 1 September 2022, and the acquisition of XL Bygg Bergslagen AB on 1 October 2022. January 2021.



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BUSINESS ENVIRONMENT IN NORTHERN EUROPE

- Market consolidation
- Green transition and energy-efficiency requirements growing the market
- Outsourcing construction to professionals
- Growing need for renovation and infrastructure investment debt
- Technology and digital becoming increasingly important for the customer journey

Our strategic objective is to gain an even stronger position in building and technical trade in Northern Europe.

STRATEGIC OBJECTIVES

- Country focus with country-specific strategic actions, serving three customer segments according to their specific needs
- Proactive sales work and sales management
- Improving the digital customer experience
- Utilising synergies within and between countries
- Organic growth and profitability improvement, targeted acquisitions
- Measures to meet our ambitious sustainability goals



SUSTAINABILITY STRATEGY OBJECTIVES AND FOCUS AREAS

Climate

- Achieving carbon neutrality by 2025, si reducing greenhouse gas emissions by
- Encouraging suppliers to commit to em reduction targets

Biodiversity

- Establishing a chemicals policy by 2024
- Causing no net biodiversity loss through operations from 2025 onwards

Circular economy

- All packaging for own brand products r in 2025
- Developing circular economy operating
- Raising our recycling rate by 2025

Value chain

- Establishing a supplier policy for enviro protection by 2023
- Sustainability audits of direct suppliers countries by 2024

Customer choices

- Establishing an operating model that su sustainable choices by 2024 (Finland)

Societal and local impacts

- Guidelines and implementation of local works for business units



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Market

Outlook for the building and technical trade division weakened during 2022 due to the rise in inflation. However, renovation building grew in all operating countries, thus supporting good demand in B2B trade. B2C trade remained at a good level, but at a more normal level than during the peak pandemic consumer construction boom.

The total market for our current building and technical trade business in our market areas was some €34 billion in 2022. Market growth varied between countries.

Construction related to energy efficiency and the green transition, as well as urbanisation and changes in population structure will continue to support the construction market in Northern Europe. The renovation needs of homes and other properties, building becoming increasingly technical, and growing infrastructure investment debt also support construction.

Growth potential through acquisitions

The Northern European market continues to offer good possibilities for growth also in the form of acquisitions. The building and technical trade markets are fragmented in many of our operating countries, and thus there is excellent potential to continue active sector consolidation. The total potential market with our strategy amounts to over €46 billion in Northern Europe. Currently our market shares are still relatively low in e.g. Norway, Sweden and Poland, which means excellent potential for continued growth also via acquisitions in line with our strategy.

Kesko's own estimates. Market excluding sports trade.

Markets

Market by country, along with the improvement in 2022 from the previous year (retail trade, VAT 0%), and main competitors

	Market area	Market size and change	Market share	Main competitors
Building and home improvement trade	Finland	€3.7 bn (+0.4%), (RaSi ry)	45%	STARK, S-Group, RTV, Bauhaus
	Sweden	€7.3 bn (+7.4%), (Byggmaterialhandlarna and Kesko's own estimate)	8%	Beijer, XL-Bygg, Optimera, Bauhaus, Bygghuset, Derom
	Norway	€6.2 bn (+1.6%), (Virke and Kesko's own estimate)	13%	Optimera, Mestergruppen
Technical trade	Finland	€2.8 bn (+15.0%), (STK, Talteka)	44%	Dahl, Ahlsell, SLO, Rexel
	Sweden	€1.0 bn (+23.8%), (SEG Infra, RGF** Water and sewage)	11%	Dahl, Ahlsell, Elektroskandia
	Norway	€1.5 bn (+11.5%), (Virke electrotechnical trade)	22%	Elektroskandia, Solar, Ahlsell, Amundsen, Sonepar, Elektro
	Poland	€6.7 bn (+18.0%)*	5%	GC Group (BIMs, HTI, Hydro Grudnik, Tadmec, TIM, Kaco Elektro, Grieder)
	Estonia	€0.7 bn (+20.5%)*	10%	FEB (Ahlsell), SLO, W.E.G
	Latvia	€0.5 bn (+15.8%)*	6%	Sanistal, EVA-T, SLO
Sports trade	Lithuania	€1.0 bn (+24.1%)*	3%	Sanistal, Dahl, Sonepar, Elektro
	Finland	€1.1 bn (-8.3%), (Fashion and Sports Commerce association)	26%	XXL, Stadium, Permark, online stores

* Kesko's own estimate ** Total market has been specified

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PROFITABILITY IN CAR TRADE REMAINED AT A GOOD LEVEL

We continued our strategy execution in 2022 in a rapidly changing operating environment. Our main objective is to offer the best customer experience on the market and to strengthen our market position. Availability issues caused our net sales to come down, but our profitability remained at a good level thanks to improved sales margins and continued transformation measures and efficiency improvements. In passenger car sales, the share of electric cars continued to grow strongly. We expanded our K-Lataus EV charging network with over 100 stations, and charging doubled during the year.



“The car trade market is undergoing a transformation. We continued the execution of our customer-oriented strategy and efforts to transform and improve the efficiency of our operations in all businesses areas. Our profitability remained good despite availability issues with new cars. The electrification of traffic and digitalisation of services are accelerating, and K-Auto is a forerunner in both in Finland.

Matti Virtanen
President, car trade division



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Net sales for the car trade division decreased by 11.4% in 2022 and totalled €910.9 million. Net sales decreased due to availability issues with new cars. In line with our strategy, we continued measures to transform our operations and make them more efficient, and the division's profitability improved, with a comparable operating margin of 5.3%. All three business areas – new cars, used cars, and services – were in profit.

The car trade market is changing rapidly due to electrification and consumer purchase behaviour being impacted by digitalisation. The market is subject to significant uncertainties, and issues related to lack of raw materials in particular continued to cause supply chain disruptions in 2022. To ensure future success, our focus will be – in line with our strategy – on improving customer experiences, strengthening profitability, utilising digitalisation, and ensuring sustainability, while utilising synergies as part of 'One unified K'. The cornerstones of our growth are our close collaboration with the Volkswagen Group, and accelerating the sales of used cars and services.

All businesses in profit

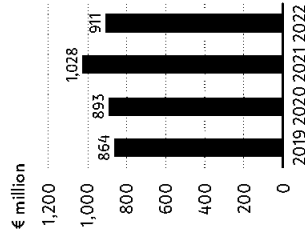
General economic uncertainty and inflation had an impact on consumer purchase behaviour in 2022 also in car trade. First registrations of new cars were down by some 16% in Finland. K-Auto's share of first registrations of new cars was 14.1% in 2022 (passenger cars and vans). The share decreased due to delays in car delivery times resulting from continued issues with car availability. Demand for new all-electric cars grew strongly. Together with that, regardless of power options, the consumers' interest in more economical and environmentally friendly alternatives grew. The surge in electricity prices and related uncertainties caused public

debate over different power options. All-electric cars represented by Kesco accounted for 20.5% of total all-electric car first registrations in Finland (passenger cars and vans). New car sales accounted for 54% of the division's net sales.

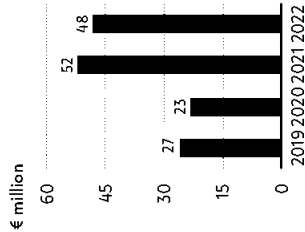
Market demand for used cars also declined in 2022, but K-Auto outperformed the market in used car sales. Used car prices fluctuated significantly during the year. K-Auto's purchases are made by its own purchasing unit that operates internationally. Used car sales accounted for some 25% of the division's net sales.

Sales and profitability for the service business were at a good level. The business area comprises servicing, damage repair, spare parts, and K-Lataus. Services accounted for some 21% of the division's net sales. The 206% sales growth for K-Lataus was particularly strong.

Net sales



Operating profit



Comparable figures



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Our own leasing fleet comprises some 4,500 cars, making us one of the biggest car leasing service providers in Finland.

Key strategic themes are growing all businesses within the division, and the sales of new and used cars and services. We believe that once it normalises, the market will offer plenty of opportunities for growth and new operating models.

Technological and digital development accelerating

There is an accelerating transformation ongoing in the automotive sector, driving and mobility. New forms of mobility demand constant development of operating models, services and technologies. Our strategic partner the Volkswagen Group has stated it will invest some €89 billion in developing EV technologies and car digitalisation in upcoming years. Examples of innovation in the sector include the electrification of transport, and connected cars that are constantly able to access information on e.g. road conditions.

Car sales are becoming increasingly digital, and we want to be the Finnish forerunner in digital services and operating models in car trade. We actively seek synergies with Kesko's other divisions, and utilise shared customer data to offer digital services and a better customer experience. We are constantly developing and updating our services in all our business areas. In used car sales, we have introduced new analytics tools and made pricing digital. Digital tools are also used for inventory and selection management, and

automation and robotics are used extensively to improve operational efficiency.

Volkswagen is the most registered brand of all-electric cars in Finland

Demand for all-electric cars has grown faster than anticipated and is expected to grow further in upcoming years. Of the registrations of new cars sold by us in 2022, some 24% were all-electric cars. Rechargeable hybrids and all-electric cars together accounted for 35% of the registrations of new cars sold by us. Volkswagen was the most registered brand of all-electric cars in Finland in 2022. We are able to offer customers the most extensive and versatile range of new all-electric cars, rechargeable hybrids, natural gas cars, and combustion engine cars on the market.



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BUSINESS ENVIRONMENT

- New distribution models bring significant reductions in total delivered cost
- Electrification continues, customers are not clear on choices
- Continued disruptions in supply chain
- Digitalisation with focus on efficiency, major changes in buying behaviour
- New competition arriving in Europe
- Possible economic downturn and reduction in market demand

Our strategic objective is to be the leading operator in mobility services in Finland.



STRATEGIC OBJECTIVES

- The best customer experience in the business
- Making car trade digital
- Close collaboration with the Volkswagen Group
- Cost-efficient business model
- Growing used car sales
- Actions to meet our ambitious sustainability goals
- K-Auto the leading brand in the business
- Utilising synergies within the whole K Group

SUSTAINABILITY STRATEGY OBJECTIVES AND FOCUS AREAS

Climate

- Reducing scope 3 emissions from the use of purchased goods
- Maintaining position as market leader in electric vehicle imports and sales
- Promoting sustainable mobility by investing in K-Lataus EV charging network

Traffic safety

- Creating and implementing a concrete road safety programme to improve traffic safety in Finland

Biodiversity

- Creating a programme for decreasing biodiversity loss

Circular economy

- Developing circular economy business models and services, especially for HV batteries
- Further increasing recycling rates in all localities

Supply chain

- Including sustainability as part of all supplier selection and evaluation

Customer choices

- Increasing the share of sustainable products
- Lowering CO₂ emission levels by updating vehicle stock



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Markets

In 2022, there were 80,267 first registrations of passenger cars, 11,193 of vans, and 2,594 of trucks (over 6 tons) in Finland. The passenger car market decreased by 17.0% compared to the year before, while the market for vans decreased by 13.2% and the market for trucks (over 6 tons) decreased by 2.1%.

The total number of first registrations of passenger cars and vans imported by K-Auto was 12,855 (excluding motorhomes). The number of MAN trucks registered was 74.

Market shares

K-Auto's market share of first registrations in Finland was 14.1% (Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen commercial vehicles, excluding motorhomes).

- Volkswagen passenger cars 8.9%
- Audi 3.4%
- SEAT and CUPRA 1.0%
- Porsche and Bentley 0.5%
- Volkswagen Commercial Vehicles 15.7%
- MAN trucks 2.9% (over 6 tons)

Registration data source: Bun&Bradstreet/Traficom

Car trade in figures

Key figures	2022	2021
Net sales, € million	910.9	1,028.3
Operating profit, comparable, € million	48.4	52.2
Operating margin, comparable	5.3	5.1
Return on capital employed, comparable, %	12.7	14.0
Capital expenditure, € million	44.7	71.2
Personnel, average	1,235	1,225
Properties	2022	2021
Owned properties, capital, € million	44	47
Owned properties, area, 1,000 m²	50	50
Leased properties, area, 1,000 m²	96	100

Number of stores		Retail and B2B sales, 0% VAT, € million
2022	2021	2022
46	46	918.5
K Group's car trade		Change, %
Car trade, total		-11.5

RatatPro



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REASONS TO INVEST IN KESKO

Interest towards Kesko as an investment has grown in recent years. In 2022, the number of registered Finnish shareholders increased by 27% and rose to a new record of 82,983 by the end of the year. Foreign ownership in Kesko has also grown in recent years.



Kesko is a growing and profitable Northern European retail company that strives to strengthen its cash flow and dividend capacity with a long-term focus. In food trade, Kesko is a defensive player also during more difficult times. Our customer-oriented growth strategy has proven effective, as demonstrated by our result in 2022.

Jukka Erlund
EVP, Chief Financial Officer

Profitable growth strategy

Kesko's growth strategy centres on profitable growth in three selected business divisions: grocery trade, building and technical car trade. Continuous improvement of customer experiences, further development of digital services, and corporate responsibility are central themes for us strategically. We execute our growth strategy both organically and via acquisitions. We 'One unified K' and maximise synergies between our operations.

Our growth strategy, first established in 2015, has proven effective, and its successful execution has seen Kesko's net sales growth profitability improve significantly. We have also invested over €3 billion in growth, while divesting non-core businesses worth in total. We continued strategic investments also in 2022.

Strong market position

Kesko is one of the leading trading sector operators in Northern Europe. Finland accounts for some 80% of net sales, and over biggest trading sector operator in the country, and number one in building and technical trade and car trade. We are also among operators in the Nordic and Baltic countries in various customer segments. Our objective is to grow our market shares in various and to be among the top two operators in all our businesses to ensure economies of scale.

Ability to increase shareholder value

Kesko's good dividend capacity is based on the strong and steady ability of its operations to generate cash flow. We aim for a growing, attractive dividend yield. Kesko has paid dividends uninterrupted every year since 1968, and over the past five years, dividend yield has averaged 4.4%. Growth in shareholder value is based on making and executing successful strategic choices efficient allocation of capital – these saw Kesko's comparable return on capital employed reach 16.9% in 2022.

Responsibility and sustainability

Sustainability is at the core of Kesko's operations. Kesko strives to enable sustainable choices for its customers and drive change in its value chain. The focus areas of Kesko's sustainability strategy, updated in spring 2022, are climate and nature, value chain, good governance. The strategy sets clear sustainability targets for the operations of Kesko and its three divisions. Management is tied to both financial targets and sustainability criteria.

Business-oriented sustainability actions are increasingly central to Kesko's strategy. We aim to enable more sustainable lifestyle customers, and actively offer them information and easier ways to reduce their carbon footprint.

Kesko was the first Finnish company to set emission reduction targets approved by the Science Based Targets initiative in 2017 set even more demanding targets that aim at limiting global warming to 1.5 degrees. In the MSCI ESG Ratings, Kesko received AAA rating (scale: AAA-CCC). In 2022, Kesko was included e.g. in the Dow Jones sustainability indices the DJSI World and DJSI Nordic and made both the Leadership level Climate A- List in CDP's international climate questionnaire and the 'Global 100 Most Sustainable Corporations in the World' list.



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INVESTOR INFORMATION

Kesco's shares are listed on Nasdaq Helsinki. Kesco has two share series, A and B, with the respective trading symbols KESKOA and KESKOB. The B share has higher trading volumes and liquidity. The share series differ only in terms of the number of votes they carry: each A share carries 10 votes and each B share 1 vote. Both shares entitle the holder to the same dividend. Both share series are traded independently on the stock exchange, with independent pricing. Shares of different series cannot be directly exchanged with one another. At the end of December 2022, the combined market capitalisation of Kesco's shares was €8,161 million, down by €3,212 million from the end of 2021. The company had nearly 83,000 shareholders, and the number grew by some 17,500 during the year.

Shareholders

Kesco's ownership is diversified. **The biggest shareholder is K-Retailers' Association**, which at the end of the year held 5.13% of all shares and 13.31% of votes.

Nominee-registered and international shareholders controlled 38.5% of Kesco's shares at the end of 2022. Finnish institutions and funds held 37.8% of all shares, and Finnish households 23.7%.

[➔](#) More information on Kesco's largest shareholders

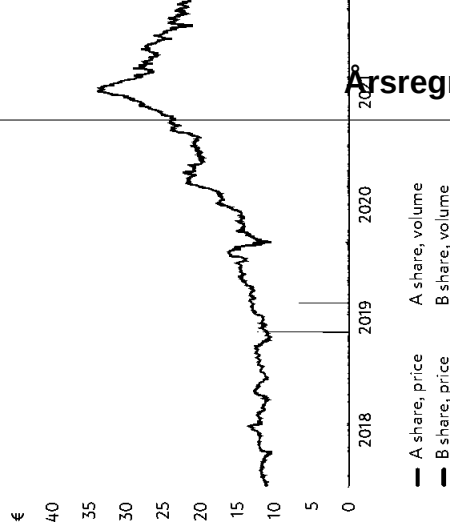
Ownership structure (shares)

31 Dec. 2022



- Nominee-registered and international 38.50%
- Finnish institutions and funds 37.70%
- Finnish households 23.80%

Share prices and trading volumes 2018–2022



10 largest shareholders by votes 31 Dec. 2022

	Shareholders	Number of		Total number of votes
		shares	% of shares	
1.	K-retailers' Association	20,529,553	5.13	205,295,553
2.	Ilmarinen Mutual Pension Insurance Company	14,635,984	3.66	146,359,840
3.	Vähittäiskaupan Takaus Oy	13,195,008	3.30	131,950,080
4.	Foundation for Vocational Training in the Retail Trade	5,290,612	1.32	52,906,120
5.	K-Food Retailers' Club	2,374,951	0.59	23,749,510
6.	Heimo Väilinen Oy	2,280,000	0.57	22,800,000
7.	Food Paradise Oy	1,640,164	0.41	16,401,640
8.	Elo Mutual Pension Insurance Company	5,224,489	1.31	52,244,890
9.	OP-Finland Fund	1,454,861	0.36	14,548,610
10.	T.A.T. Invest Oy	792,080	0.20	7,920,800



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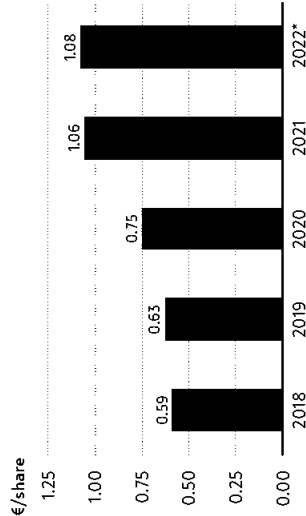
Annual General Meeting

Kesko will hold its Annual General Meeting of shareholders on Thursday, 30 March 2023, starting at 13.00 EET, at Messukeskus Helsinki, Rautatieäisenkatu 3 (Siipi entrance), Helsinki. Participants must register for the Annual General Meeting beforehand. A shareholder in the register of shareholders wishing to participate must register by 24 March 2023 at 16.00 EET at the latest, by which time the registration will have to have been received by the company. The Notice of Annual General Meeting was published on 2 February 2023. More information at kesko.fi/agma.

Dividend

Kesko's Board proposes to the Annual General Meeting on 30 March 2023 that a dividend of €1.08 per share, a total of €429,255,338.76 be paid for the year 2022 based on the adopted balance sheet, and that the dividend be paid in four instalments as follows:

Dividend history 2018–2022



*Proposal to the Annual General Meeting

- The first instalment of €0.27/share would be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the record date 3 April 2023. The Board proposes that the dividend instalment pay date be 12 April 2023.
- Second instalment of €0.27/share: record date 21 June 2023, proposed pay date 28 June 2023.
- Third instalment of €0.27/share: record date 12 September 2023, proposed pay date 19 September 2023.
- Fourth instalment of €0.27/share: record date 12 December 2023, proposed pay date 19 December 2023.

Investor relations

The objective of Kesko's Investor Relations is to support the appropriate valuation of Kesko's shares by continuously and consistently communicating all essential information on the company equally to all market participants. We want to serve both retail and institutional investors and analysts covering the company in Finland and elsewhere. Investor relations contact details can be found at: kesko.fi/en/investor.

In addition to share and company information, Kesko's investor webpages provide other topical information to those interested in Kesko as an investment, including blog posts and investor podcasts. Kesko's investor webpages have also received outside recognition: they were ranked the best in Finland and sector-best in Europe in Comprend's 2022 Webranking comparison, and the best among Finnish large caps by the Finnish Foundation for Share Promotion,

which also named Kesko's Vice President of Relations Hanna Jaakkola as IRO of the Year 2023. We strive for dialogue with retail investor social media channels and investment-related forums, where we participate in discussions parameters of Kesko's disclosure policy.

INTERIM REPORT PUBLICATION

DATES IN 2023:

- 1–3/2023 interim report: 28 April 2023
- 1–6/2023 half-year financial report: 27 July 2023
- 1–9/2023 interim report: 26 October 2023

KESKO'S DIVIDEND POLICY

In the long-term, Kesko aims to distribute a steady dividend of some 60–100% of its comparable share, taking into account the company's financial and strategy.



Additional investor information can be found on our investor webpages



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STORE SITES AND PROPERTIES

The store site network is a strategic competitive factor for the Group. It enables the development of business operations as well as the improvement of sales and customer satisfaction, and supports online sales.

Our store sites are divided into four categories: **strategic properties, basic properties, development properties and realisation properties.**

Our capital expenditure in store sites in 1–12/2022 totalled €268 million (1–12/2021 €129 million, and 1–12/2020: €126 million).

Strategic properties:

- Significant properties for business operations, for example, properties that are or can be developed into large retail units
- Properties Kesko wants to own
- Strategic properties in 12/2022: 59% (12/2021: 62%, and 12/2020: 64%)

Basic properties:

- Properties Kesko owns, but could sell and then lease back
- Basic properties in 12/2022: 27% (12/2021: 27%, and 12/2020: 26%)

Development properties:

- Plots and properties that require development to fit their planned purpose
- Development properties in 12/2022: 14% (12/2021: 11%, and 12/2020: 9%).

Realisation properties:

- Properties Kesko no longer has use for
- Realisation properties in 12/2022: 0% (12/2021: 0%, and 12/2020: 1%)

Owned store sites and properties

Book value by region, € million	2022	%	2020
Finland	1,183	94.9%	1,010
Other Nordic countries	48	3.9%	55
Baltics and Belarus	0	0.0%	0
Poland	15	1.2%	15
Total	1,246	100.0%	1,080

Area by region, 1 000 m²

	2022	%	2020
Finland	863	88.5%	818
Other Nordic countries	87	8.9%	95
Baltics	0	0.0%	0
Poland	25	2.6%	25
Total	975	100.0%	938

Leased store sites and properties

Area by region, 1 000 m ²	2022	%	2020
Finland	2,232	78.4%	2,225
Other Nordic countries	538	18.9%	535
Baltics	41	1.4%	41
Poland	35	1.2%	35
Total	2,846	100.0%	2,836

➔ Read more about Kesko's properties

Properties by division illustrated on pages 29, 33 and 40.



SUSTAINABILITY REPORT

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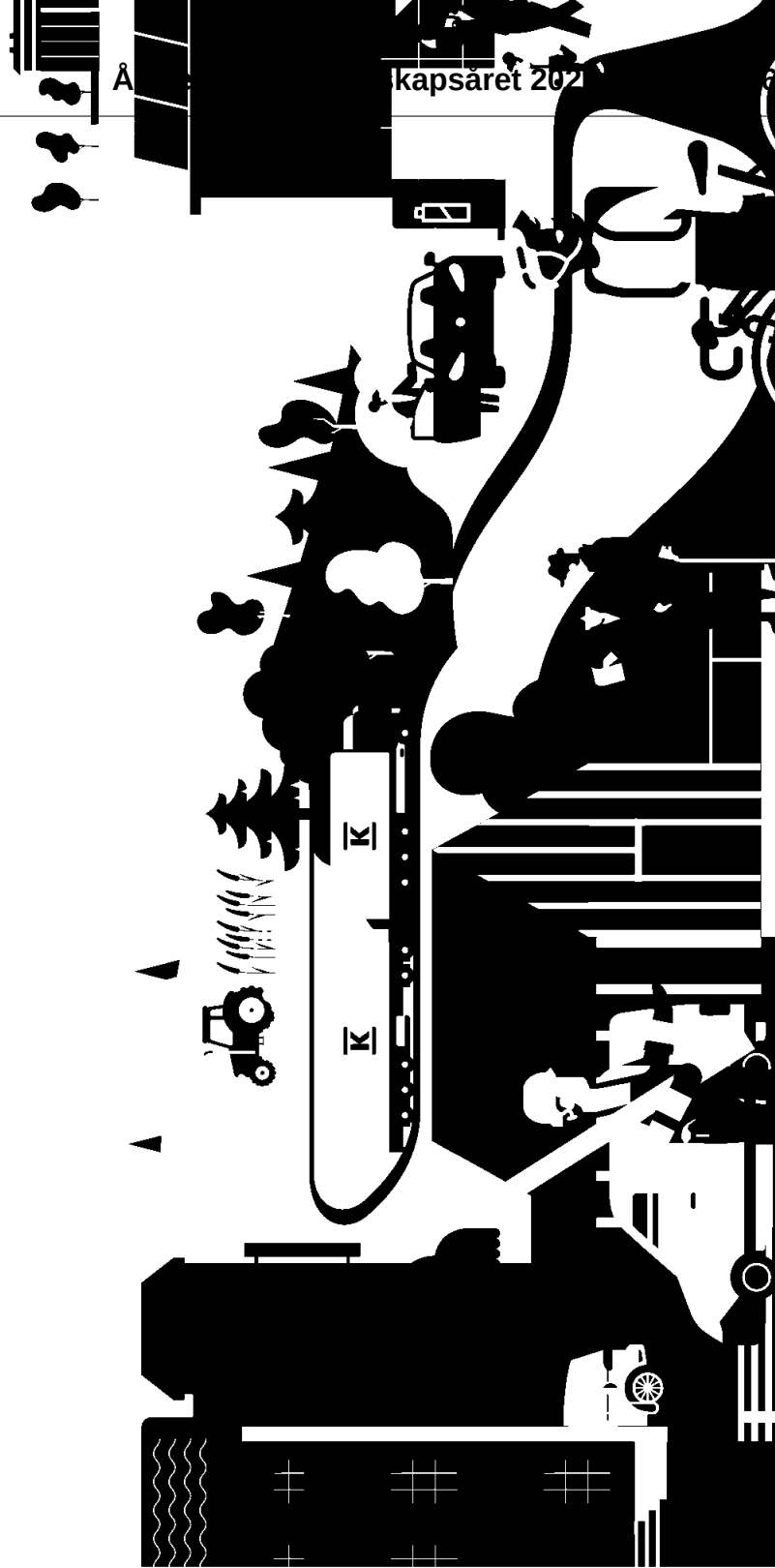
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SUSTAINABLE KESKO

Sustainability is one of the key focus areas in Kesko's strategy. Our sustainability vision is to enable sustainable choices for our customers by driving change throughout the value chain. The focus areas in our sustainability strategy include climate and nature, value chain, our people and good governance. All three divisions support their customers in making sustainable choices whether it be a question of food, housing or transportation.





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SUSTAINABILITY STRATEGY

Our sustainability strategy that was updated in spring 2022 covers Kesko's three divisions and has a holistic approach regarding sustainability. The strategy is based on the materiality assessment updated in spring 2021, where our stakeholders shared their views concerning the key sustainability topics for Kesko and its stakeholders. The materiality assessment guides Kesko's sustainability and stakeholder work and defines actions to meet stakeholder expectations. We have reviewed our strategy based on UN Sustainable Development Goals, identified the most material SDG goals and our impact on them.

The updated sustainability strategy sets a clear direction for sustainability at Kesko. With our strategy we wanted to continue our commitment to ambitious and goal-oriented sustainability work. A large group of people from all three divisions at Kesko participated in creating the strategy. In this way, we ensured our commitment to the strategy and that it is closely connected with our business. The four focus areas of our sustainability strategy are climate and nature, value chain, our people and good governance.

We will focus on reducing emissions both from our operations and in the entire value chain. The importance of biodiversity will increase, and in circular economy the focus is on packaging and reducing food waste.

We encourage our suppliers to set emission targets of their own, raise the number of audits in our supply chain and increase the share of sustainable products of our net sales.

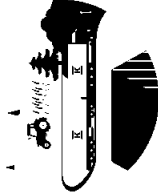
Sustainability strategy focus areas

VISION: We enable sustainable choices for our customers and drive change throughout the value chain.



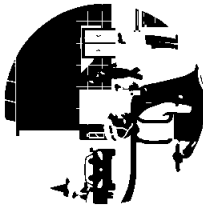
CLIMATE AND NATURE

We respect planetary boundaries by minimising negative and maximising positive impacts on climate and nature.



VALUE CHAIN

We drive sustainability throughout the value chain and help our customers make sustainable choices.



OUR PEOPLE

We create safety, wellbeing and success within K Group. We foster diversity and inclusion, and offer opportunities for both current and future employees.



“

The purpose of our new sustainability strategy is to ensure that we remain at the forefront of development also when it comes to sustainability. Our goal is to make sustainable choices for our customers and drive change throughout our value chain from production to consumption.

Riikka Joukio

Executive Vice President, Sustainability and Public Affairs

GOOD GOVERNANCE
We create a safe and secure environment for our customers and drive change throughout the value chain.

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Key targets and performance indicators

TOPIC	TARGET	KPI	2022	ADDITIONAL INFORMATION
Climate	Achieve carbon neutrality in 2025 and make own operations emission-free by the end of 2030.	Carbon dioxide emission in tCO ₂ e	75,500 tCO ₂ e	During 2025-2030, we will offset the emissions generated. We will continue measures to reduce emissions towards zero by the end of 2030, after which we have no need for offsets.
	Require 67% of our suppliers by spend to have science-based emissions reductions targets by the end of 2026.	% of suppliers (CDP)	27.7%	In 2022, we called on our 364 suppliers and service providers to cut emissions and report on their climate targets and actions through the CDP Climate Change Questionnaire. Out of the invited suppliers by spend 27.7% had approved, science-based emissions reductions targets.
Supply chain	Ensure social responsibility in the production of directly imported goods from high-risk countries by assuring them 100% with appropriate audits by 2024.	% of audits	91.5%	Kesko's grocery trade and building and technical trade require all of their direct suppliers in risk countries to have an approved audit when the cooperation begins. Social responsibility audits are used to assess the safety of working conditions in production, the salaries and working hours of employees and their rights of freedom of association and collective bargaining.
Sustainable products	Increase the share of sustainable products in net sales by 2024.	% of sustainable products in net sales	39%* grocery trade 21% car trade	We have made our own classification of products and capital expenditure in a division that are sustainable from a climate and/or biodiversity perspective, building and technical trade, the percentage of sustainable products in net sales yet available. Our own classification of sustainable products complements reported in accordance with the EU Taxonomy. *excl. Kespro's sales data
Our people	Conduct actions to support our people's health, wellbeing and capabilities by the end of 2024.	Wellbeing index	81*	The progress towards the target was measured by the renewed Wellbeing in Our People survey, which we conducted in all operating countries in November. The index covers the various aspects which influence the personnel's wellbeing and job satisfaction. *scale 0-100, Our People 2022 survey
We will strengthen the sustainability of our value chain also by supporting our customers in making sustainable choices.		sustainability competencies among our entire personnel and linking executive remuneration more closely to sustainability performance.		product selection. The car trade focuses on reducing transport emissions and promoting road safety.
In terms of people, we will promote the occupational safety and wellbeing of our personnel and will build on future capabilities through these actions. We want to promote diversity, inclusion and equal opportunities.		In addition to the common strategy, each division has its own focus areas in sustainability work based on the division's business. In the grocery trade, the focus is on securing the food chain in Finland, reducing food waste and promoting the circular economy. The building and technical trade promotes the green transition and a sustainable		In conjunction with the update, we determined performance indicators for the strategy which measure our success in promotion of the strategy and key performance indicators are included in the
For good governance, the key aspects are commitment to the K Code of Conduct, building stronger				



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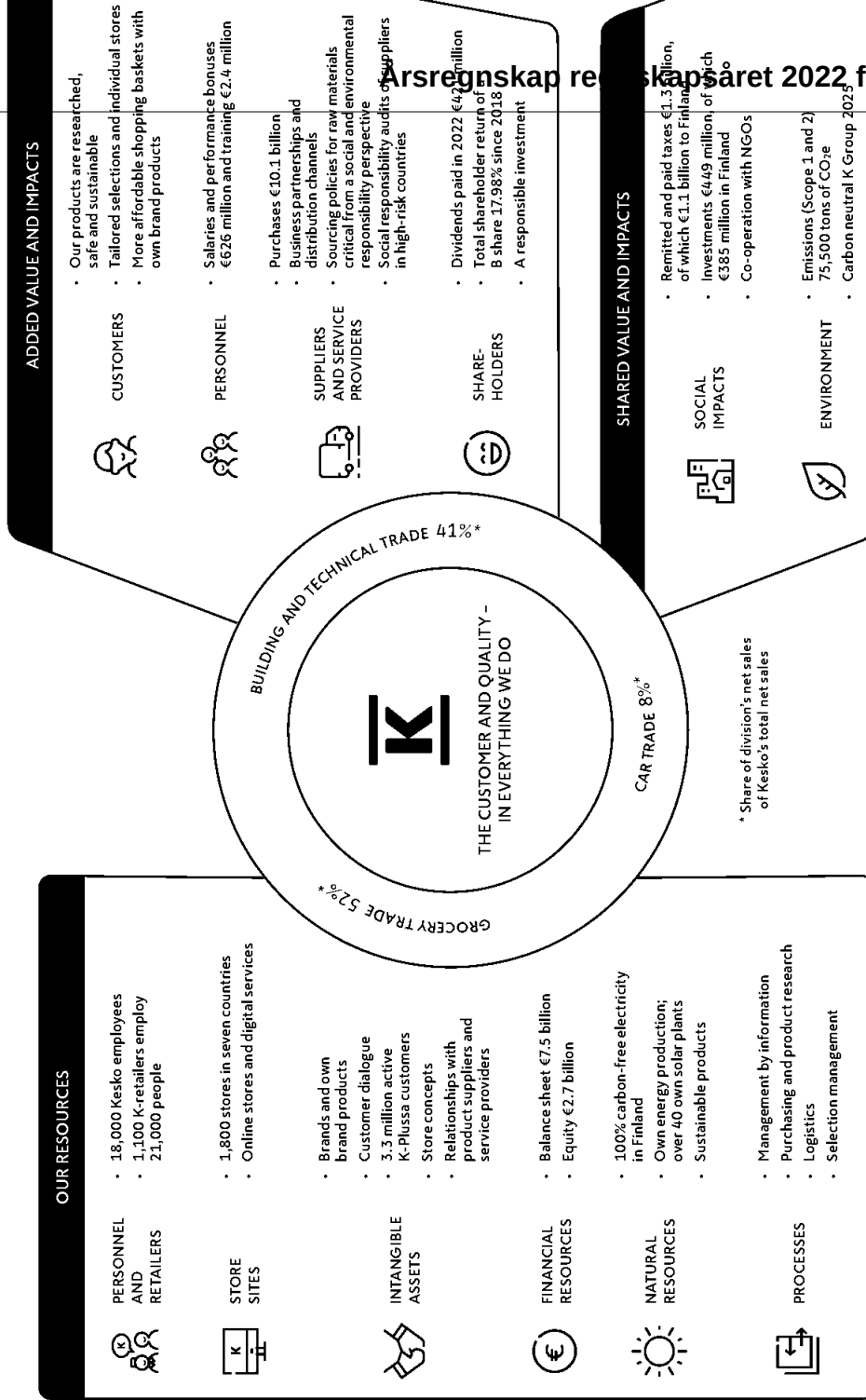
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SUSTAINABLE VALUE CREATION FOR THE WHOLE SOCIETY



Arsregnskap reviderat 2022 for 980656616



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SUSTAINABILITY HIGHLIGHTS IN 2022

PROGRESS MADE IN OUR SUSTAINABILITY WORK:

WE ENCOURAGE OUR SUPPLIERS TO REDUCE EMISSIONS

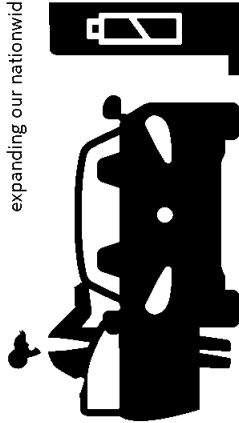
Our goal is that 67% of our largest suppliers by spend will have science-based reductions targets set for their emissions by the end of 2026. In 2022, 55.3% out of the 364 companies we called on to respond to the CDP Climate Change Questionnaire disclosed their responses to Kesko, and 27.7% of them had science-based reductions targets for their emissions.

KESKO WAS THE BEST COMPANY IN ITS INDUSTRY IN DJSI EUROPE SUSTAINABILITY INDEX

Kesko was included in the Dow Jones Sustainability Indices the DJSI World and the DJSI Europe, as the best company in its industry in Europe. In DJSI World, Kesko ranked third highest in its industry.

K CHARGE NETWORK FOR ELECTRIC VEHICLES WAS EXPANDED

As electric vehicles are becoming more popular, we focused on expanding our nationwide K Charge network for the charging of electric vehicles. The size of the network doubled compared to 2021. At the end of 2022, there were 200 charging stations with a total of some 1,000 charging points.

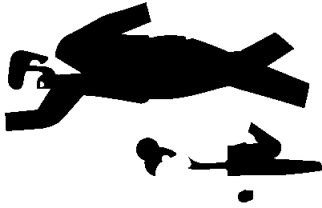


PLANNING FOR ELECTRICITY SHORTAGES REDUCED K GROUP'S ELECTRICITY CONSUMPTION

In the autumn we launched an initiative to save energy in our 1,300 stores, Kespro's cash-and-carry outlets and numerous offices and warehouses across Finland. With proactive measures – such as adjusting lighting and heating – we aimed to reduce peaks in demand for electricity and prevent a potential electricity shortage in the winter. Owing to the measures taken, our electricity consumption was around 8% lower in December 2022 than in December 2021.

WE MAKE IT EASIER TO MAKE HEALTHIER CHOICES

The goal of the K Group health and nutrition roadmap is to make healthier food choices as easy as possible for the customer. We will take measures to increase the amount of vegetables eaten by Finns to half a kilo per day and reduce the intake of added salt, sugar and fat in the Finnish diet by renewing the nutritional content of our own brands.



WHAT WE CONTINUE TO WORK ON

WE WILL CONTINUE TO WORK ON SUSTAINABILITY STRATEGY

We will continue implementing our strategy in all divisions in 2022–2023, encourage our suppliers to reduce emissions and increase sustainability competencies among our personnel. Our aim is to expand the remuneration linked to sustainability in 2023.

THE IMPORTANCE OF BIODIVERSITY INCREASES

We participated in a pilot program where companies tested the new guidelines of Science Based Targets network (SBTN). Our next steps are under development for setting based nature targets. Our aim is to create a roadmap for biodiversity specific targets for each division for on biodiversity of our own operations supply chain.



CLIMATE AND NATURE

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SUSTAINABILITY IN ACTION

We minimise impacts on climate and nature

We respect planetary boundaries by minimising negative and maximising positive impacts on climate and nature.

The greenhouse gas emissions from our own operations in 2022 totalled

75,500
tCO₂e

OUR TARGETS:

- Carbon neutral K Group in 2025 and emission-free own operations by the end of 2030.
- We encourage our largest suppliers and service providers to set their science-based emissions reductions targets by the end of 2026.
- We reduce emissions from the use of sold products by the end of 2026.

- We create a biodiversity roadmap and set goals for our biodiversity impacts.
- We introduce sustainable packaging for our own brand products by the end of 2025.
- We halve our food waste by 2030.

WE PROMOTE THE F
SUSTAINABLE DEVEL





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K Group's climate impacts

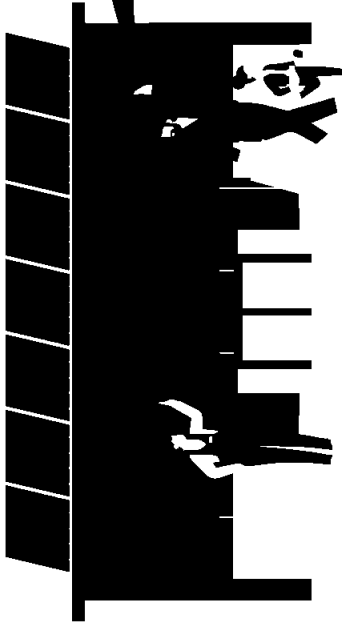


EMISSIONS FROM KESKO'S OWN OPERATIONS

75,500 tCO₂e

Emissions from own operations are mainly related to the fuel consumption of transportation and logistics (57%) and consumption of district heat (33%). In addition to these, emissions are generated by the consumption of electricity purchased (4%), self-produced energy (3%) and emissions of refrigerant leakages (3%).

Emissions from own operations correspond to the emissions of some 7,550 Finns.*



* The carbon footprint of an average Finn is 10.5 tCO₂e per year (source: Ministry of the Environment, Climate Annual Report 2022).



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AMBITIOUS CLIMATE ACTIONS

Climate change caused by human action is one of the largest global crises. Limiting global warming to 1.5 degrees will require ambitious targets for emissions and significant actions to cut emissions from all operators.

We are committed to the targets of the Paris Agreement and have set science-based emissions reductions targets. We are reducing the emissions arising from our own operations towards zero and also encourage operators in our value chain to take measures to reduce emissions and to set emissions reductions targets.

Reducing emissions from our operations – towards a carbon neutral K Group

We aim to achieve carbon neutrality from our own operations in 2025 and zero emissions by the end of 2030. During 2025–2030, we will offset the emissions generated, and continue to decrease the emissions towards zero emissions by the end of 2030.

Our key measures to achieve the carbon neutral K Group target are improving the energy efficiency of our properties and stores, switching to emission-free sources of energy in all operating countries and replacing fossil fuels with renewable and low emission fuels in transports.

Science-based emissions reductions targets

We are committed to mitigating climate change by setting science-based emissions reductions targets. Our targets have been approved by the Science Based Targets initiative (SBTi), and in addition to emissions from our own operations they cover the emissions from our value chain.

Our SBT targets are:

- Kesco Corporation commits to reduce absolute Scope 1 and 2 GHG emissions 90% by 2030 from a 2020 base year.
- Kesco Corporation also commits to reduce absolute scope 3 GHG emissions from the use of sold products 17% by 2026 from a 2020 base year.
- Kesco Corporation commits that 67% of its suppliers by spend covering purchased goods and services, will have science-based targets by 2026.

In 2022, the absolute Scope 1 and 2 emissions from our own operations increased by 7.3% compared to the base year of 2020. The increase in emissions is due to increased emissions of transportation and logistics, and also due to more extensive calculation.

We monitor the setting of science-based emissions reductions targets by our suppliers and serv through the CDP Supply Chain programme. 27.7% of the suppliers had science-based emissions reduction targets.

In 2022, the absolute Scope 3 emissions from our products decreased by 43.8% compared year of 2020. Significant reductions of emissions updated and specified calculation in 2022, with comparability between the years.

In 2017, Kesco was the first company in Finland to set science-based 2°C emissions reductions targets by SBTi. In November 2021, SBTi approved emissions reductions targets with which we limiting global warming to 1.5 degrees.

Climate-related opportunities and risks

In 2022, we assessed our risks and opportunities to climate change in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD). More information on the TCFD can be found in the direction section of the Annual Report or on



Read more about Carbon neutral group targets



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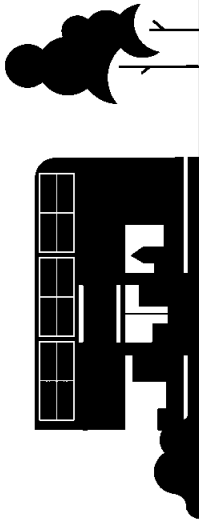
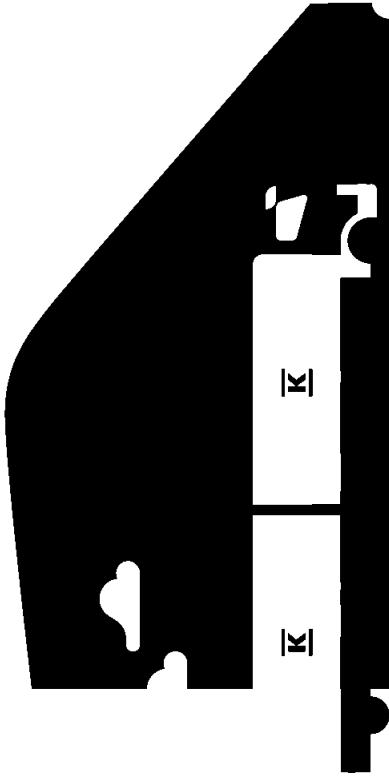
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Emissions from own operations towards zero

2020:	2022:
Scope 1: 38,400 tCO ₂ e	Scope 1: 47,700 tCO ₂ e
Scope 2: 31,900 tCO ₂ e	Scope 2: 27,800 tCO ₂ e
Total: 70,300 tCO ₂ e	Total: 75,500 tCO ₂ e

K Group aims for carbon neutrality in 2025. We will systematically reduce emissions to reach zero emissions from our own operations by the end of 2030.



Årsregnskap regnskapsåret 2022 for 980656616

Reducing and offsetting emissions

2025

Reducing emissions

Baseline 2020

Targets in 2023–2025

- We increase the purchase of emission-free electricity in all operating countries.
- We reduce emissions of self-produced energy in all operating countries by decreasing the consumption of natural gas and oil.
- Replacing fossil fuels with renewable and low emission fuels in transports.

Progress in 2022

- During autumn 2022, we took significant actions to save electricity and to prevent potential power outages, e.g. reducing lighting, adjusting heating and optimising settings for refrigerating equipment.
- We installed an ingenious heat recycling system in 12 K-food stores.
- We introduced three electric vans and two liquefied biogas (LBG) trucks for transports at Kesko Logistics.



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CARBON NEUTRAL K GROUP 2025

Our carbon neutral K Group target is to minimise emissions from our own operations and to be carbon neutral in 2025. We will offset the emissions generated in 2025–2030.

We will continue to take measures to reduce emissions towards zero by the end of 2030, after which we will have no need for offsets.

GHG emissions from our own operations (Scope 1 and 2)

In 2022, Kesko's direct (Scope 1) and indirect (Scope 2) GHG emissions were 75,505 tCO₂e in total, which is 7.3% more than in the previous year. Increased emissions are due to increased emissions of own transportation in Finland and also due to more extensive reporting of transportation and logistics in other operating countries.

Our target is to minimise emissions from our own operations and to be carbon neutral.

In 2022, we reported emissions of refrigerant leakages for the first time, which also increased emissions compared to the previous year. Refrigerants are cooling gases circulating in the pipes of refrigeration equipment. When released into the atmosphere, refrigerants can have a global warming impact almost 4,000 times higher compared to carbon dioxide.

Of the emissions of our own operations, 42,937 tCO₂e, i.e. 56.9% are caused by the fuel consumption of transportation and logistics, and 24,876 tCO₂e, i.e. 32.9% by the consumption of district heat. In addition, emissions are

caused by purchased electricity (3.9%), self-production of energy (3.1%) and refrigerant leakages (3.1%).

Our key means to minimise emissions from our own operations include, for example, improving energy efficiency, reducing emissions from heating by recycling waste heat, stopping the use of fossil heating fuels, increasing the share of emission-free energy sources in purchased electricity especially in other operating countries, and switching to renewable and low emissions fuels in transports.

In Sustainability report 2022, we updated the emission reporting of heat consumption. The update concerned emissions from district heat and self-produced heat in Finland. Previously, the figures also included estimated emissions of heat consumption. Due to improved monitoring, we now report emissions based on actual consumption. In the tables of the Sustainability report, the figures have been retroactively adjusted.

We report direct and indirect (Scope 1 and 2) greenhouse gas emissions from our own operations according to the GHG Protocol standard.



[Read more about energy efficiency](#)



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Direct and indirect greenhouse gas emissions (Scope 1 and 2)

tonnes CO ₂ e	2022	2021	2020
Direct greenhouse gas emissions total (Scope 1)	47,681	43,881	38,413
Finland			
Transportation and logistics ¹	41,721	39,794	34,850
Self-produced heat ²	1,483	2,602	2,419
Refrigerant leakages ³	2,371	n/a	n/a
Other operating countries			
Transportation and logistics ⁴	1,216	351	292
Self-produced electricity and heat ¹	891	1,134	852
Indirect greenhouse gas emissions total (Scope 2)	27,824	37,536	31,940
Finland			
Purchased electricity (market-based) ⁵	0	0	0
Purchased electricity (location-based) ⁵	50,646	72,113	77,884
Purchased district heat (market-based) ⁵	24,372	n/a	n/a
Purchased district heat (location-based) ⁵	35,601	33,786	28,002
Purchased district cooling (location-based) ³	0	n/a	n/a
Other operating countries			
Purchased electricity (market-based) ⁵	2,948	2,943	n/a
Purchased electricity (location-based) ⁵	12,044	3,136	3,232
Purchased district heat (location-based) ¹	505	808	706

¹ Corrected figure for 2021

² Corrected figures for 2020–2021

³ Reported the first time in 2022

⁴ Expanded calculation method starting from 2022; not comparable to 2020–2021.

⁵ Following the GHG Protocol standard, the market-based and location-based emission figure for electricity consumption has been reported. Market-based figure for heat consumption of Finland was reported the first time in 2022. The market-based figures are used primarily for the emissions totals.

Scope 1 and 2 emission intensities

	2022	2021	2020
Based on net sales*, tCO ₂ e/€ million	6.4	7.2	6.6
Based on average number of employees, tCO ₂ e/person	5.2	5.7	5.0

* Corrected figures for 2020–2021

Distribution of Kesko's emissions in 2022

|

- Direct emissions (Scope 1) (47,681 tCO₂e)
- Indirect emissions (Scope 2) (27,824 tCO₂e)
- Other indirect emissions (Scope 3) (99.2% (8,966,700 tCO₂e))

Scope 1: The most significant emissions are caused by fuels used in transportation and logistic operations.

Scope 2: The most significant emissions are caused by consumption of district heat.

Scope 3: The most significant emissions are caused by production of products for sale.

Nitrogen oxides, sulfur oxides, and other significant emissions

tonnes	2022
Electricity and heating in properties ¹	
NO _x ²	89.3
SO ₂ ²	76.9
Amount of radioactive waste produced by nuclear power ²	0.25
Logistics ³	
NO _x ⁴	28.3
SO ₂	0.07

¹ Boundary: Finland

² Corrected figures for 2020–2021

³ Boundary: Kesko Logistics

⁴ Corrected figure for 2021. Updated calculation method starting from 2022, not comparable to 2020.



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Reduced emissions from our own transports

Minimising emissions from our own transports is an essential part of reaching the carbon neutral K Group target.

We will reduce emissions from transports in Kesko Logistics, for example, by modernising the vehicle fleet, increasing the efficiency of operations through centralised distribution, optimisation of delivery routes and high volumetric efficiency, increasing the efficiency of reverse logistics and by providing contract drivers with training in economical driving. In 2022, two electric vans and two liquid biogas (LBG) trucks were taken into use at Kesko Logistics.

In the building and technical trade, transports have mostly been carried out in partnership with external transport companies. Since 2019, we have had one electric delivery vehicle in use for our own logistics.

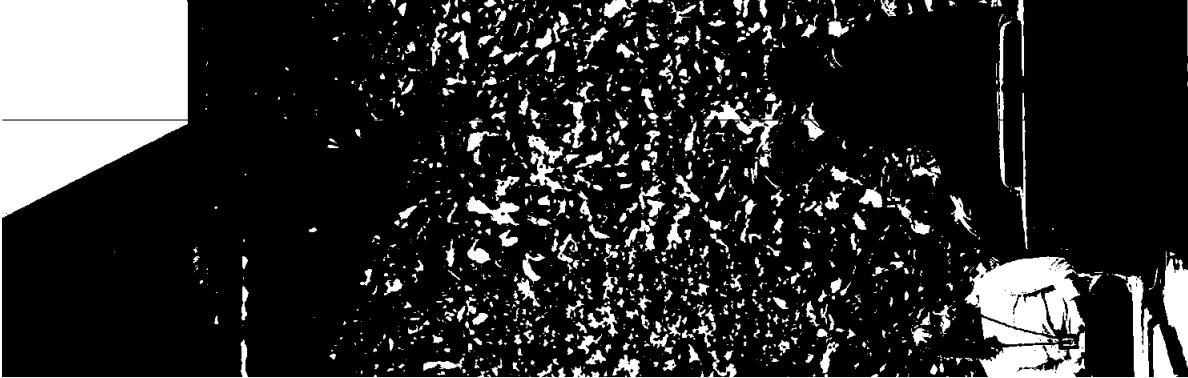
Carbon neutral food store

By the end of 2022, the model we developed together with Natural Resources Institute Finland (Luke) in 2019, which enables a grocery store to become carbon neutral, had been utilised in a total of ten K-food stores, one Kespro cash-and-carry outlet and at Kalatukku E. Eriksson. The purpose of the operating model is to identify the most significant climate impacts of the store's own operations and to plan the most significant store-specific actions to reduce emissions. Utilisation of the operating model will continue in 2023.

Certified environmental management systems

The ISO 14001 certified environmental management system is in use in Kesko Logistics and in all operating countries and operations of Onninen, excluding Poland.

The WWF Green Office environmental management system is in use at our K-Kampus head office in Kalasatama, Helsinki. It is a tool used for environmental management, reduction of emissions and use natural resources sustainably at workplaces. In November 2022, a new Green Office audit was performed at K-Kampus. In the audit report, we received particular praise for our comprehensive Green Office team, for linking work to other sustainability work and for energy efficiency. As an area for development, we will continue to improve measures to increase our recycling rate.





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REDUCING EMISSIONS THROUGHOUT THE VALUE CHAIN

The most significant climate impacts in our value chain are generated during the lifecycle of the products sold by us, such as the primary production of raw materials, the manufacture of products, packaging, transport and product use. We encourage our suppliers and service providers to reduce emissions and guide customers to make sustainable choices.

Other indirect GHG emissions (Scope 3)

In 2022, our other indirect GHG emissions (Scope 3) were total 8,966,700 tCO₂e, i.e. 7.6% less than the previous year. The reduction in emissions is due to the updated and specified calculation in 2022, which reduces comparability between the years. In 2022, about 80% of other indirect emissions was caused by the production of products for sale and about 13% from the use of products.

We report other indirect (Scope 3) greenhouse gas emissions from our operations according to the GHG Protocol standard.

We encourage operators in our value chain to take climate action
We participate in the CDP Supply Chain programme. CDP is a non-profit environmental organisation that annually collects information on actions taken by individual companies to combat and adapt to climate change.

Other indirect greenhouse gas emissions (Scope 3)

tonnes CO ₂ e	2022	2021
Other indirect greenhouse gas emissions total (Scope 3)	8,966,700	9,701,313
Upstream		
Purchased goods and services ^{1,2}	7,164,100	6,885,010
Capital goods (buildings)	10,500	4,700
Indirect emissions of purchased energy (other than Scope 1 and 2) ¹	18,300	14,200
Transport and distribution of goods ³	7,900	8,600
Waste	6,900	5,500
Business travel ⁴	5,700	7,000
Employee commuting ^{1,4}	11,100	11,300
Downstream		
Shopping commutes by customers ^{1,4}	137,800	78,800
Use of sold products ^{1,2}	1,153,900	2,464,500
End-of-life treatment of sold products ^{1,2}	336,900	167,700
K-retailers ^{1,5}	113,600	60,300

¹ Corrected figures for 2020-2021

² Updated calculation method starting from 2022; not comparable to 2020-2021.

³ Corrected figure for 2021

⁴ Boundary: Finland

⁵ Expanded calculation method starting from 2022; not comparable to 2020-2021.



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In 2022, we called on our 364 suppliers and service providers to cut emissions and report on their climate targets and actions through the CDP Climate Change Questionnaire. Out of the invited suppliers by spend 55.3% disclosed their reply to Keskko.

One of Keskko's Science Based Targets (SBTs) is that 67% of our suppliers and service providers by spend, will have science-based reductions targets set for their emissions by the end of 2026. We monitor the achievement of the target through the CDP Climate Change Questionnaire. In 2022, 27.7% of suppliers and service providers had approved, science-based emissions reductions targets. More information on our SBT targets in the Ambitious climate actions section.

Climate impacts of sold products

Our greatest indirect emissions by far are caused by the production of the products for sale and in the use phase of the products. These emissions can be mitigated by offering selections of products causing less emissions and by encouraging customers to make sustainable choices.

In private consumption, living, food and transportation are the most significant causes of GHG emissions. All our divisions have the opportunity, and as significant operators also the obligation, to offer solutions to our customers for reducing their climate impact.

SUSTAINABLE PRODUCTS

We have classified the products and capital expenditure in each division that are sustainable from a climate or biodiversity perspective. We defined sustainable products as those which have a significantly smaller impact on the climate or biodiversity than comparable products or which are important for adapting to climate change or preventing the loss of biodiversity. More information on our sustainable products is available in the [Value chain](#) section or on our [website](#).

CLIMATE IMPACTS OF FOOD CHOICES

Households can decrease the climate impact of their food choices especially by reducing the consumption of animal-based products and by minimising food waste created at home.

Vegan and plant-based products belong to our definition of sustainable products, and increasing their share of our sales is one of our targets in sustainability strategy. Our health target is to encourage our customers to eat half a kilo of fruit and vegetables per day. When the amount of fruit and vegetables increases, the proportional climate impact of the shopping basket is reduced.

K-Ruoka.fi and the K-Ruoka app provide our customers with concrete tips for their everyday choices and for increasing the consumption of fruit and vegetables, as well as useful recipes for minimising food waste. The K-Ruoka app also includes a carbon footprint calculator, which provides information on the carbon footprint of the customer's shopping basket.

HOUSING SOLUTIONS AND REDUCTION OF CLIMATE IMPACTS

The products and services offered by the building division's technical trade help our customers reduce their impacts at home. For example, switching to energy-efficient light bulbs, choosing water-saving taps and showers or window seals improve energy efficiency at home and reduce the electricity bill.

POPULARITY OF ELECTRIC VEHICLES CONTINUES TO GROW

Electric vehicles have already become a mainstream choice. Interest and the electrification of motoring increased in 2022. K-Auto was the market leader in electric vehicles with a 20.5% market share (includes cars and vans).

We have built an extensive network of charging stations for electric vehicles at K Group stores to help the transition to electric vehicles. In 2022, the network doubled in size from 99 to 200 charging stations. The electricity provided at K Charge stations is renewable energy produced with Finnish wind power.

The average carbon dioxide emissions result from the use of new passenger cars sold by K-Auto in 2022 was 89.9 gCO₂ per kilometre, which is approximately 10% lower than the year before.



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Value chain transports

In transports we cooperate with several logistics companies.

In 2022, Omminen introduced trucks operating on biogas for delivering goods to sites in the Helsinki and Uusimaa region. The biogas used in the trucks comes from Gasum's biogas plant, where renewable fuel is produced from inedible biowaste coming from K-stores, for example.

In addition, at the end of 2022 there was a total of 21 long High Capacity Transportation (HCT) trucks in use in the building and technical trade's transports, offering higher volumetric efficiency.

Customer shopping commutes

We offer the most comprehensive network of neighbourhood stores in Finland. Every Finn has approximately 3 kilometres to their nearest K-food store.

When planning the store network, we emphasise the location of grocery stores at transport nodes which are used by our customers and which are easy to reach with all means of transport. We aim to find new locations for our stores that are close to current or future settlements. In large cities, public transport connections are very important, and we seek locations that are easily accessible by foot that are next to public transport terminals and busy tram or bus stops.

Our customers also have the opportunity to utilise the extensive network of charging stations for electric vehicles located at K Group stores.



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ENERGY USE AND ENERGY EFFICIENCY

Our key means of mitigating climate change and achieving our carbon neutral K Group target are improving energy efficiency and reducing emissions from energy consumption. We aim to achieve a 10% increase in energy efficiency by the end of 2023.

Energy consumption

In 2022, our total energy consumption in all of our operating countries was 998 GWh. Energy consumption of properties was 83.5% of the total consumption and 16.5% was energy consumption of transportation and logistics, i.e. energy consumption of fuels used.

ELECTRICITY CONSUMPTION OF PROPERTIES

At the end of 2022, properties managed by Kesko in Finland included offices, warehouses and 1,192 store sites. In terms of energy consumption, the most significant properties are K-food stores.

In 2022, Kesko's subsidiary Ankkuri-Energia Oy purchased 504 GWh of electricity to K Group. In addition, we used around 65 GWh of electricity purchased elsewhere by the property owners or K-retailers outside of our own electricity purchases. The electricity we purchase and use in Finland is carbon-free and most of it is generated using renewable sources of energy. 42.4% of the electricity was produced by hydroelectric power, 35.0% by nuclear power, 21.2% by wind power and 1.5% by bioenergy. In 2022, we also produced 7.7 GWh of solarpower using 44 solarplants.

In 2022, K Group's electricity consumption in Finland was around 753 GWh, which includes 674 GWh of measured consumption and about 79 GWh of estimated consumption. Energy saving measures during autumn 2022 reduced K Group's electricity consumption around 2% compared to the previous year. In addition to electricity purchased and used by Kesko, K Group's electricity consumption figure includes electricity used by K-retailers and other tenants of the properties.

In 2022, in other operating countries, consumption of purchased electricity was 35.2 GWh, i.e. 3.2% less than the previous year. Electricity was also produced with solar panels and with diesel generator a total of 0.06 GWh.

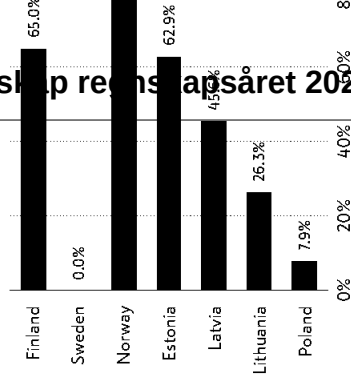
HEAT AND COOLING CONSUMPTION OF PROPERTIES

In 2022, we consumed 201 GWh of district heat in properties we manage, which is 11.9% less than the previous year. The standardized district heat consumption in 2022 was 214 GWh, i.e. 5.7% less than the previous year. The decreased consumption was due to the energy saving measures implemented during the year, but also due the decreased need for heating compared to the previous year and the colder winter season. In some of our stores, the heating energy is taken care of by our landlord. We estimate this consumption to be around 116 GWh.

In addition to district heat, we self-produced 6.5 GWh of heat with oil and natural gas, 41.7% less than the previous year.

In 2022, for the first time, we reported the consumption of district cooling. Consumption of district cooling in 2022 was 0.06 GWh. In Sustainability report 2022, we updated the method of heat consumption. The update corrected consumption of district heat and self-produced consumption. Previously, the figures also included consumption. Due to improved monitoring, report consumption based on actual figures. Table of the Sustainability report, the figures are retroactively adjusted.

Share of renewable electricity by country in 2022*



*In Finland, Norway and Estonia, the share of renewables is reported according to the amount of purchased Renewable Energy. In Sweden, the share of renewables is reported according to the amount of purchased Renewable Energy. Other countries are reported according to residual mix (source: Eurostat, 2021).



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Energy consumption

Total energy consumption, GWh	2022	2021	2020
Finland	998	1 002	951
Electricity ¹ , %		55.7	59.1
District heat ² , %	57.8	22.8	19.1
District cooling ³ , %	20.2	n/a	n/a
Fuel for self-produced heat ² , %	0.2	1.1	1.1
Fuel for transportation and logistics ⁴ , %	0.6	15.2	15.5
Other operating countries	15.9		
Electricity ¹ , %	3.5	3.6	3.8
District heat ² , %	0.8	0.9	0.9
Fuel for self-produced electricity and heat ⁴ , %, %	0.4	0.6	0.4
Fuel for transportation and logistics, %	0.5	0.2	0.1

¹ Includes all electricity purchased by Ankkuri-Energia Oy, electricity produced by Kesko's solarplants, and Kesko's share of the electricity consumption purchased by K-retailers and landlords.

² Corrected figures for 2020–2021

³ Reported the first time in 2022

⁴ Corrected figure for 2021

Specific consumptions of energy

kWh/m² gross area	2022	2021	2020
Specific consumption of electricity*	204	208	206
Specific consumption of district heating*	89	99	85

* Boundary: properties in Finland managed by Kesko

In 2022, in other operating countries, consumption of district heat was 7.7 GWh, i.e. 12.6% less compared to the previous year. In addition, consumption of self-produced heat using natural gas and oil was 4.4 GWh, which was 19.8% less than in the previous year.

ENERGY CONSUMPTION OF TRANSPORTATION AND LOGISTICS

In Finland and in other operating countries, our own fuel consumption includes road transportation and logistic operations, for example forklifts and wheel loaders.

In 2022, energy consumption of transportation was 159 GWh (572.7 TJ), which is 4.8% more than in the previous year. The increase is due to the transportation kilometres of Kesko Logistics expanded calculation method: K-Auto's own and Onninen's own logistic operations were first time. Fuels used in transportation and K-fossil diesel and fuel oil.

In 2022, in other operating countries, calculation of energy consumption of transportation and logistics was 5.2 GWh (18.8 TJ). The figure is more than 10% to the previous year, because the fuel consumption and logistic operations was reported in the previous years. Fuels used were renewable diesel, petrol and gas.

Energy strategy and energy saving measures

In our energy strategy, we aim to achieve a 10% increase in energy efficiency by the end of 2023 compared to the baseline in 2015. This target corresponds to implemented in 2018–2023 that would save 105 GWh of energy. The measure Kesko has implemented since 2018 have resulted in saving equivalent 86 GWh.

We have implemented

86 GWh

of energy saving measures since 2018



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We participate in the 2017–2025 action plan of the commerce sector Energy Efficiency Agreement. We commit to implementing energy saving measures that are equivalent to 7.5% of energy consumption in 2015, i.e. approximately 79 GWh. During 2022, we implemented energy efficiency projects equivalent to at least 13.3

GWh, in addition to which we carried

out operational energy saving measures

equivalent to around 6.8 GWh. By the end

of 2022, we had recorded measures worth

approximately 103 GWh of energy, which

means we have achieved the target well

ahead of schedule.

ELECTRICITY CRISIS PROMPTED

EXCEPTIONAL SAVING MEASURES

During the autumn 2022, we took exceptional measures

to save electricity in order to reduce peaks in demand and

help prevent a potential electricity shortage. For example,

we reduced the use of lighting, adjusted heating and

optimised temperatures in refrigeration systems. Measures

affected the specific consumption of electricity and heat

in the properties we manage; specific consumption of

electricity decreased by 2.1% and heat by 10.4% compared

to the previous year. We are prepared to take short-term

emergency measures and to cut our electricity consumption

by as much as 20%, if necessary.

INGENIOUS HEAT RECYCLING SYSTEM

One of the most important means of reducing consumption

of heating energy and the emissions generated is the

ingenious heat recycling system used in K-food stores.

It combines a low-emission refrigeration system, a heat

pump and recovery systems needed for recycling energy.

The system utilises the condensation heat generated as a

by-product of refrigeration for heating the premises. The

ingenious heat recycling system was awarded the European Heat Pump City of the Year 2020 prize. Motiva awarded the system the Energy Genius of the Year 2019 recognition.

Our aim is to install the heat recycling system in all K-food

stores that are due for renewal by the end

of 2030. In 2022, 12 K-food stores were

equipped with the heat recycling system. In

total, the heat recycling system has already

been installed in 38 K-food stores.

NEW ENERGY SAVING

MODE FOR LIGHTING

Replacing old fluorescent lighting with LED lighting is one

of the most efficient ways to save electricity, as it is possible

to reduce electricity consumption by as much as 50–60%

using LED lighting. In 2022, we added a separate energy

saving mode to LED lighting systems to make it possible to

reduce the brightness of lighting in stores for short periods

of times.

REDUCING THE USE OF NATURAL GAS

About 10 of our properties in Finland had natural gas

heating at the beginning of 2022. Our aim is to discontinue

the use of natural gas for heating and to replace it with

district heat or geothermal heating by the end of 2023.

REFRIGERATION UNITS WITH HIGHER ENERGY

EFFICIENCY AND LOWER EMISSIONS

We intend to replace the old refrigeration systems at K-food

stores that use R404A refrigerant with systems that use

energy-efficient, lower-emission refrigerant by 2030 in

accordance with the EU's F-gas Regulation. In 2022, the

refrigeration systems at 33 K-food stores were replaced. In

total, the refrigeration systems at 356 K-food stores have

been upgraded to use natural refrigerant.



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BIODIVERSITY

Loss of biodiversity has risen alongside climate change as a significant global threat. Mitigating the loss of biodiversity and climate change call for largely similar measures; our lifestyles must become more sustainable.

The increase in the importance of biodiversity is also visible in our sustainability strategy which was published in spring 2022. Our goal is to prevent loss of biodiversity in both our own operations and value chain. We will strengthen our biodiversity work by creating a biodiversity roadmap and setting division-specific targets for our operations and supply chains.

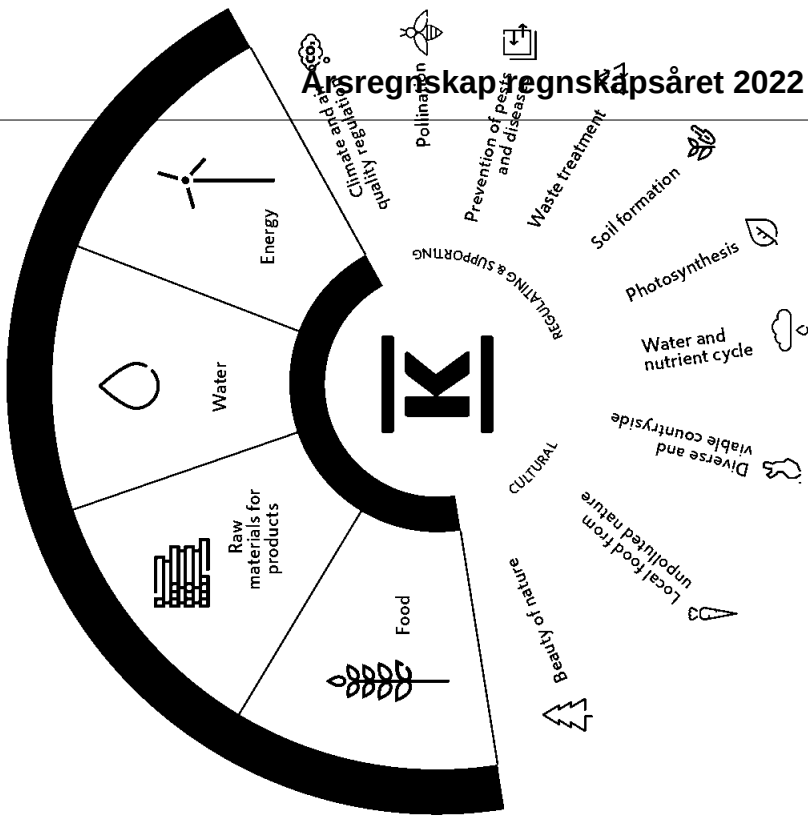
Ecosystem services that we depend on

We have carried out an ecosystem services review in order to identify the ecosystem services provided by nature which we depend on and where we can have an impact. These ecosystem services are divided into provisioning, regulating and supporting, and cultural services. Provisioning services are commodities produced by the ecosystem. Regulating and supporting services are ecosystem's processes that life on earth is based on. Nature also provides non-material benefits, which are called cultural services.

We piloted targets for nature

In 2022, we participated in a pilot project involving 10 companies that was funded by the Finnish Innovation Fund Sitra and implemented by FIBS (Finnish Business & Society). The project tested how the guidelines of the international Science Based Targets Network (SBTN) can be applied to setting science-based targets for nature. The observations

Ecosystem services K Group depends on





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and outcomes of the pilot project from the participating countries will be compiled and utilised in setting targets in accordance with the Science Based Targets for Nature guidelines created by the SBTN.

Our operations and biodiversity

Both Kesko and the K-retailers carry out concrete measures in their own operations to promote biodiversity.

In spring 2022, we planted native flowering meadow plants in the grounds of K-Citymarket Lohja with the help of volunteers in place of rugosa rose bushes, which were removed earlier due to them being an invasive species. This meadow will promote biodiversity and attract pollinating insects to the area. We also installed insect hotels in the area.

Retailers are also promoting biodiversity through beekeeping. Bees living in beehives placed on a store's roof or at the edge of a nearby field play an important role in pollinating plants in the surrounding area. The honey collected from the beehives is sold by the store where it is produced.

We are looking into practical measures in construction projects and the maintenance of the stores that are most significant in terms of preserving and increasing biodiversity. We build stores and other properties only on sites planned by municipalities for business properties. Surveys of contaminated land are made annually in conjunction with construction work and real estate transactions. In 2022, the land at two of our locations in Finland was decontaminated based on a survey of contamination and the need for decontamination.

Biodiversity in the supply chains

Our impacts on biodiversity occur primarily in the supply chains of our products, which is also where our most significant climate impacts arise.

We observe our sustainability policies for sourcing to prevent causing negative impacts on biodiversity in our supply chains. Critical raw materials include fish and shellfish, timber, palm oil, soy, cocoa, coffee, tea and cotton. Cotton production consumes a lot of water, for example. In the production of coffee, cocoa, soy, palm oil and timber and paper products, the creation of new farmland results in deforestation and threatens biodiversity.

By the end of 2022, the fish counters of 85 K-food stores had already been awarded the MSC and ASC traceability certificates which promote sustainable fishing and aquaculture. A total of 17 fish counters were certified in 2022. Kespro and its subsidiary Kalatukku E. Eriksson have also been awarded the MSC and ASC traceability certificates. MSC awarded Kalatukku E. Eriksson the Golden Fish 2022 responsibility prize in recognition of the company's work towards increasing awareness of responsibly caught fish and shellfish. In addition, every K-food store follows K Group's fish and shellfish policy, which is based on WWF Finland's Seafood Guide and has been in effect already since 2008.

 [More information on our sustainability policies](#)

One of our enthusiastic beekeeper Romppanen, retailer at K-Supermarket Suosikki in Suolahti, has a beehive at the edge of a field about 15 m distance from the store.

WATER

Water is essential for all life. Clean, fresh water plays a vital role in maintaining biodiversity, offering a habitat for countless species. Fresh water is also an essential ecosystem service for us.

Water consumption in our operations

The properties we manage use water from municipal water supplies in all operating countries. Waste water from our operations goes to municipal sewer systems.

In 2022, we consumed a total of 751,391 cubic metres of water. In Finland, water consumption was 726,653 cubic meters, which is 8.9% less compared to the previous year.

In other operating countries, water consumption was 24,737 cubic meters, i.e. 11.1% less than in the previous year.

In Sustainability report 2022, we updated the reporting method of water consumption. Previously, the figures also included estimated consumption of water. Due to improved

Water consumption

	2022	2021	2020
Total water consumption, m³	751,391	825,080	781,455
Finland ¹ , %	96.7	96.6	97.1
Other operating countries ² , %	3.3	3.4	2.9

¹ Corrected figures for 2020-2021

² Corrected figure for 2021

monitoring, we now report consumption based on actual consumption figures. In the table of the Sustainability report, the figure have been retroactively adjusted.

Water risks in the supply chains

Our most significant impacts on water consumption arise in the products' supply chains through the products we sell, particularly those products which originate from areas suffering from water scarcity or contamination. Almost half (47%) of the water footprint of Finnish consumption arises outside Finland through the supply chains of the products we consume.

All of the own brand fruits and vegetables we import to Finland are GLOBALG.A.P. certified. The criteria for GLOBALG.A.P. (Good Agricultural Practice) certification also include a requirement on good water management. In addition, Kesko's sustainability policies and the grocery trade's certifications for sustainable products include criteria for water consumption and the minimisation of water risks. For example, the BCI certification for cotton production, the GOTS certification for textile production and the Fair Trade certification include water-related criteria.

Our aim is to identify the most important products, product groups or production areas where water risks can be minimised so we can draw up plans for managing water risks in our products' supply chains.



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CIRCULAR ECONOMY AND WASTE MANAGEMENT

Packaging targets and progress made towards them

Packaging has an important role in protecting products, providing information on them and preventing and minimising waste. Together with our suppliers and partners, we are constantly seeking new solutions for finding easily recyclable and reusable packaging. We favour renewable packaging materials, such as paperboard, paper, cardboard and plastics made from renewable materials.

Developing the circular economy

We are actively developing solutions together with our partners to utilise production side streams and food waste. More information on the utilisation of food waste can be found in the [Food waste](#) section.

In early 2022, we launched a new circular economy cooperation project with Berner, where the used coffee grounds generated at Neste K service stations are collected and utilised. The coffee grounds are composted and the resulting material is utilised in the Pirkka Kaffe Kasvumulta products for plants. During the year, we collected a total of 81 tonnes of coffee grounds. More information on this circular economy innovation for coffee grounds can be found on our [website](#).

of plastic by 27 tonnes each year, corresponding to 1.3 million plastic bags. We have reduced plastic packaging by a total of 11.5% compared to the baseline in 2019.

In 2022, we made changes to the packaging of our own brand products in compliance with our plastics policies.

In addition to the targets set in our policies, trade has set more detailed targets for sustainable packaging development work in its own packaging. For example, the aim is to increase the use of plastic and to add written sorting instructions in language on own brand product packaging for customers to sort plastic waste.

Own brands' packaging materials of grocery trade

tonnes	2022
Packaging materials total	104 833
Wood and paper: fibre	6 664
Plastics	2 221
Glass	1 664
Metal	8 334

In 2022, we reduced plastic in the packaging of our own brand products by 33 tonnes. The biggest reduction was achieved by replacing the plastic buckets used to transport Pirkka tulips with cardboard boxes. This will reduce the use

- Our target is that, by the end of 2025, all of our packaging will be recyclable or reusable.

Our target of reducing the use of plastic is also part of The New Plastics Economy Global Commitment, which was launched by the Ellen MacArthur Foundation and the UN Environment Programme and has the aim of reducing the consumption of unnecessary plastic items.

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Packaging legislation and Green Deals

Legislation governing packaging is being reformed and regulation will increase considerably as a result. In 2022, we prepared for compliance with the requirements of the Single-Use Plastics (SUP) Directive (2019/904/EU).

At the end of the year 2022, we joined the SUP Green Deal, which aims at reducing the consumption of portion packaging, and committed to cutting the amount of single-use plastics in portion packaging in the grocery trade and to developing new packaging solutions with our partners.

The building and technical trade division was the first retail sector operator to join the voluntary Green Deal of Construction Plastics in March 2022. The aim of the Green Deal is to promote the circular economy of plastics by reducing the use of plastic and promoting the recycling of plastic in the construction industry.

Centralised collection service and efficient reverse logistics

In 2022, a total of 3,919 tonnes of cardboard and 114 tonnes of plastic were directed by the central collection service of Keskko's Logistics for recycling. Our waste management partner picks up the collected waste from our terminals and our central warehouse for further recycling.

We are increasing the efficiency of our own transportation by transporting returned beverage packs and transport support equipment, for example, together with reverse transportation.

Kesko logistics' reverse logistics

1,000 pcs	2022	2021	2020
Deposit aluminium cans	95,433	102,418	95,203
Deposit PET bottles	68,288	71,683	67,044
Deposit glass bottles	7,135	6,521	6,812
Reusable crates	20,862	21,360	21,560

Circular Economy Agreement for stores

We offer all K-food stores and building and home improvement stores in Finland the opportunity to participate in the national centralised waste management framework agreement, or Circular Economy Agreement. The aim of the agreement is to prevent the creation of waste, increase the efficiency of recycling and advance the circular economy. At the end of 2022, a total of 848 K Group stores were covered by the Circular Economy Agreement. The recycling rate of waste generated at these locations was 74%, and the waste recovery rate, which also includes utilisation for energy, was 100%.

K Group's grocery trade committed to a second agreement period under the food industry's material efficiency commitment at the end of 2022. Our aim is to reduce food waste and achieve a 4% increase in the waste recycling rate in our own operations and at the K-food stores by the end of 2026 compared with the baseline in 2019, when the recycling rate was 74%. At the end of 2022, the recycling rate at food stores covered by the agreement was 77%.

Sorting points for our customers
Our customers have the opportunity to use take-back points located by our stores in Finland for their waste. At the end of 2022, there were 1,000 Rinki eco take-back points located by our stores. Our customers could sort cardboard, glass and plastic waste at 226 eco take-back points. In total, over 16,600 tonnes of waste was sorted at the eco take-back points in 2022.

In addition to the Rinki eco take-back points, our customers can return beverage containers, batteries and waste electric and electronic equipment, and clothing and textiles to the sorting points located by our stores.

Packages and items returned by customers to our recycling points in Finland

	2022
Deposit aluminium cans, million pcs	436
Deposit PET bottles, million pcs	493
Deposit glass bottles, million pcs	32
Batteries and accumulators, tonnes	488
Waste electric and electronic equipment, tonnes	176



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Waste generated and recovery rates

Our target is to minimise the waste generated in all of our operations and to efficiently deliver generated waste for recovery whenever possible.

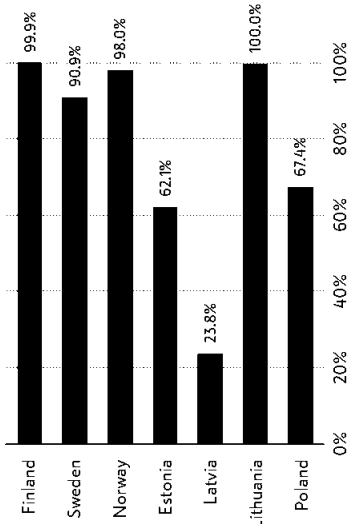
In 2022, in all operating countries, a total of 23,290 tons of waste was generated, which is 4% less than in the previous year. More than 88% of the waste is non-hazardous waste that ended up in recycling or for energy incineration.

In our own operations in Finland, 14,703 tons of waste was generated. This is 5.5% less than in the previous year, although the waste figures were more extensive in 2022 compared to the previous years. The utilization rate in Finland was 99.9% including energy incineration.

In other operating countries, 8,587 tons of waste was generated, i.e. 1.4% less than in the previous year. In the

operating countries, Finland excluded, the utilization rate including energy incineration was an average of 73.7%.

Waste recovery rate by country in 2022



Waste

Waste total, tonnes		2022	2021	2020
Finland		23,290	24,269	24,753
Non-hazardous waste, %	Recycling/energy incineration	60.7	61.7	62.9
	Landfill	0.0	0.3	<0.1
	Recycling/energy incineration	2.1	2.1	1.2
Hazardous waste, %	Hazardous waste treatment	0.2	0.1	0.9
	Other operating countries			
Non-hazardous waste, %	Recycling/energy incineration	27.5	28.6	28.5
	Landfill	3.2	2.7	2.7
Hazardous waste, %	Recycling/energy incineration	5.5	4.0	2.7
	Hazardous waste treatment	0.7	0.6	1.1



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FOOD WASTE

We are committed to halving our food waste by 2030 from the level in 2019. Our interim target is to achieve a 25% reduction in food waste by the end of 2025. By the end of 2022, the relative food waste created at K-food stores had decreased by 9% and in Kespro's cash-and-carry outlets almost 20% from the baseline in 2019.

Food waste prevention

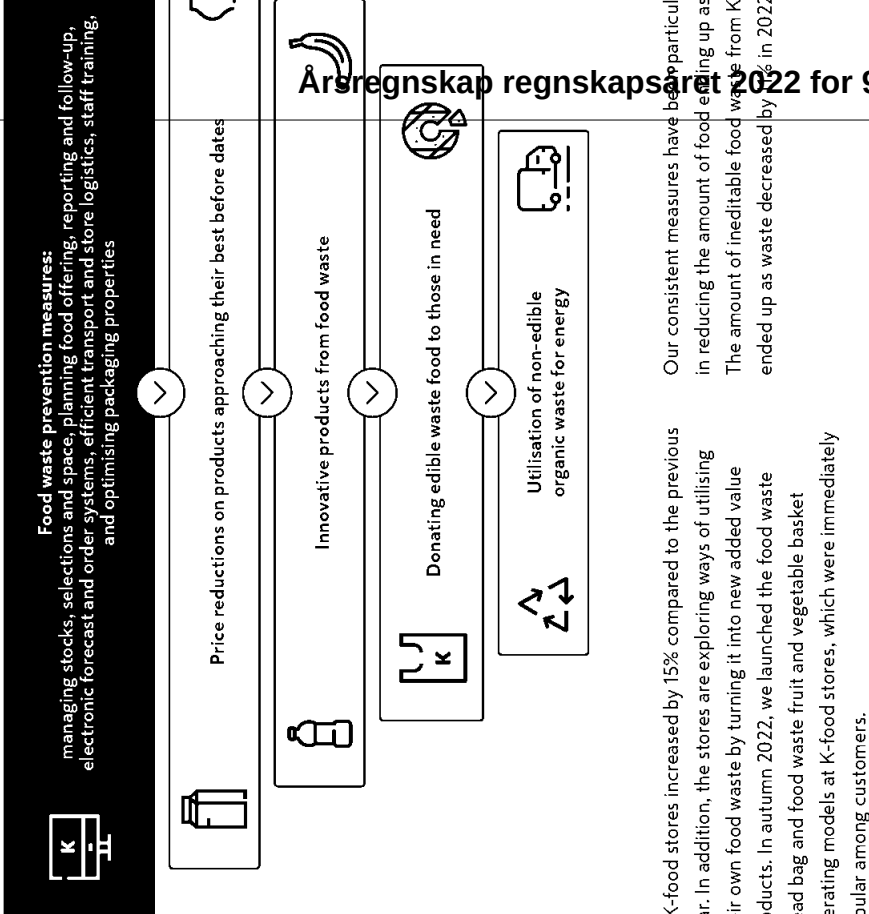
Our primary means of preventing food waste include selection management and forecasting and material requirements planning. What ends up on the shelves of K-food stores and Kespro's cash-and-carry outlets is based on accurate data analysis and management of store-specific selections. Transportation and store logistics are optimised so as little waste as possible is created. The optimisation and continuous development of packaging features play a key role in reducing waste.

Our target is to constantly find new ways of reducing waste. In autumn 2022, we launched the Vieläkin hyvä (Still Good) concept, which is intended to help customers make more sustainable choices and efficiently reduce food waste in stores.

Prevention of waste in K-food stores

As a product's 'best before' or 'use by' date approaches, K-food stores can sell the product at a discount. Based on the number of products, the best-selling red label products are bread, ready meals, meat and meat products as well as yoghurts and puddings. In 2022, sales of red label products

K Group food waste hierarchy



at K-food stores increased by 15% compared to the previous year. In addition, the stores are exploring ways of utilising their own food waste by turning it into new added value products. In autumn 2022, we launched the food waste bread bag and food waste fruit and vegetable basket operating models at K-food stores, which were immediately popular among customers.

Our consistent measures have been particularly effective in reducing the amount of food ending up as waste from K-food stores. The amount of inedible food waste decreased by 20% in 2022.



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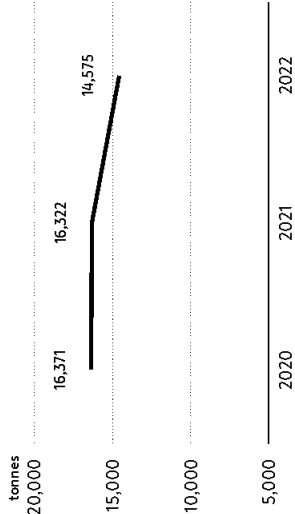
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Food waste hierarchy figures

	2022	2021
Sold red label products, million pcs	42	37
Utilisation of non-sellable fruits and vegetables from the warehouse, kg	-9,300	-38,000
Donations to food aid, change from the previous year, %	+3.8	+2.3
Biowaste to biogas production: number of stores involved in collection, pcs	636	~400

Inedible food waste in K-food stores



Food donations to charities

In 2022, the donations of K-food stores to charities increased by 3.8% on the previous year. The majority of donations goes to religious organisations, which receive over one third of all food donations.

Prevention of waste at the central warehouse

At times, waste is generated in the warehousing operations of fruit and vegetables. Fruit and vegetable products may be damaged on their way to the warehouse, and some of them

fail to meet the required standards due to their appearance. These kinds of edible yet non-sellable fruit and vegetable products are excellent ingredients for soups, for example.

In April 2022, we launched the Hyvis tomato and cheese soup in the Hyvis product range. The soup contains about 40% waste tomatoes. The soup's rich flavour comes from matured cheeses, which are also surplus products. In 2022, around 8,800 kilos of non-sellable tomatoes were used to make Hyvis tomato and cheese soup.

Between 2020 and 2022, around 69,300 kg of waste fruit and vegetables have been utilised in K-food stores' own circular economy products.

Reducing food waste at Kespro's cash-and-carry outlets

In 2022, the food waste percentage, or the share of average purchase price sales that ends up as food waste, at Kespro's 14 cash-and-carry outlets was 1.1%. The ambitious target was to reduce this to 0.8%, and this was achieved at the cash-and-carry outlets in Turku and Tampere. Eight cash-and-carry outlets improved their food waste percentage on the previous year.

Around half of all the food waste recorded by the cash-and-carry outlets is donated to food aid, which means the proportion of food waste that actually ends up being disposed of is about 0.5%. Cooperation with local food aid partners was improved in 2022. Measured in kilograms, the amount of food donations increased by 22% on the previous year.

Some of the key measures to reduce food waste are data-driven waste prediction and arranging products on a first-in,

first-out basis, as well as discount shelves for food being removed from the selection or nearing its date. This means that the products closest to the first to the customers.

Biogas from food waste

In cooperation with Gasum, we use inedible food produce biogas, which is utilised as energy in the production of new Pirikka products such as ice creams and pasties. Three manufacturers of Pirikka products, Kespro's cash-and-carry outlets and the Logistics central warehouse are included in the model. In 2022, around 6,024 tonnes of organic waste was used to produce 4,492 MWh of biogas, an emission by 895 tCO₂ compared to natural gas, 1,135 tCO₂ compared to fuel oil (emissions factor, Fuel classification 2022).

Waste management services create savings for restaurants

In 2022, Kespro launched cooperation with food waste management services. The service, the Kespro Services package offered to customers, allows AI's food waste management service to reduce waste and reduce costs.

The relative amount of food waste at K-food stores has increased by 9% compared to 2019.

Arsenitekap regnskapsår 2022 för 980656616



VALUE CHAIN

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SUSTAINABILITY IN ACTION

We challenge our suppliers and encourage our customers

We challenge our suppliers and encourage our customers to make sustainable choices throughout the value chain

OUR TARGETS:

- 100% of direct suppliers in risk countries audited for social responsibility by 2024
- We extend climate and environmental audits
- We increase the share of sustainable products in net sales
- We support sustainable choices with selections, data and customer communication
- We strengthen the Finnish food chain and security of supply

91.5%
of direct suppliers in
risk countries audited

WE PROMOTE THE FOLLOWING U
SUSTAINABLE DEVELOPMENT GO



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SUSTAINABLE SOURCING GLOBALLY

We promote sustainability and transparency in our supply chains with our sustainability policies, factory and plantation audits, products' sustainability certifications and by working in cooperation with international organisations.



FINLAND

the purchases of goods by Kesko Group's Finnish companies totalled*

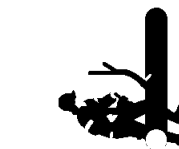
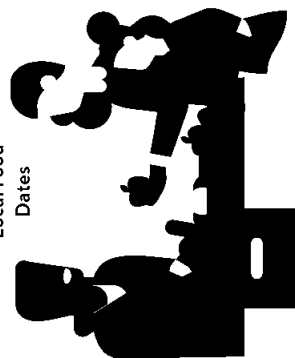
€8.4 billion
of which
79.6%

were from Finland.



Thank the
Producer

Local Food
Dates



Soy policy

No
deforestation
policy



Coffee and
tea policy



Fish and
shellfish
policy



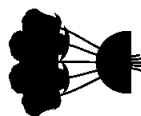
Timber and
paper policy



CDP Supply Chain:
suppliers' emissions
reductions



Cotton
policy



Fairtrade
collaboration



Cocoa policy

International
Accord



amfori BSCI: social
responsibility audits at
factories and plantation



* In 2022, the purchases of all Kesko companies from suppliers operating in Finland totalled
€6.7 billion, or 66.3% of the Group's total purchases.

Årsrapport 2022 Kesko regnskapsåret 2022 for 980656616



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PURCHASES FROM FINLAND AND OTHER COUNTRIES

The majority of purchases are from Finnish suppliers

Most of the economic benefit generated by Kesko's operations flows to suppliers of goods. Purchasing local products and services creates economic benefits for Kesko's home country Finland and promotes local work.

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

Most of the economic benefit generated by Kesko's operations – some 85% of Kesko's net sales – flows to suppliers of goods, purchases from which were valued at €10.1 billion in 2022 (2021: €9.5 billion). The purchases of all Kesko companies from suppliers operating in Finland totalled €6.7 billion, or 66.3% of the Group's total purchases (2021: €6.5 billion, or 68.1%). The purchases of all Kesko companies from suppliers in other operating countries totalled €1.9 billion, or 19.0% of the Group's total purchases (2021: €1.8 billion, or 18.9%).

In 2022, Kesko had some 23,400 suppliers from whom purchases were valued at a minimum of €1,000 during the year. Of these, some 9,400 operated in Finland, some 11,700 in Kesko's other operating countries and some 2,300 elsewhere.

The ten largest suppliers accounted for 20.1% (2021: 21.7%) of the Group's purchases of goods, and the 100 largest suppliers

for 47.0% (2021: 51.6%). Of the ten largest suppliers, seven were Finnish food industry companies, two import companies operating in Finland and one German car manufacturer.

The purchases of goods by Kesko Group's Finnish companies totalled €8.4 billion (2021: €7.9 billion). Of these purchases, 79.6% (2021: 81.1%) were from suppliers operating in Finland and 20.4% (2021: 18.9%) from other countries. Some of the suppliers operating in Finland are import companies, and reliable statistics cannot be compiled on the origin of goods supplied by them.

We support Finnish work and production

Finnish food producers play a key role in K Group's grocery trade: nearly 80% of all the food sold by K-food stores is of Finnish origin. We also want to promote the success of Finnish

small food producers and accelerate the journey of products to store shelves. K-food stores are in partnership with small producers as local K-retailer partners for small producers as local K-retailer partners directly from the producers for their products. During 2022, the situation of primary production chain was frequently highlighted. The difficult results from a long-term decline in the profitability of production, which was rapidly made worse by the prices of production inputs and the war in Ukraine, was the first retail sector operator to start negotiating with hundreds of suppliers with the aim of trying to secure the situation of primary producers. We also actively in the activities of the entire food chain working groups to seek solutions to secure the Finnish food chain and agriculture.

Kesko's purchases by operating country in 2022

	Suppliers of goods in operating country		Purchases from suppliers of goods		Suppliers of goods in other operating countries		Purchases from suppliers of goods in other operating countries
	number	€ million	number	%	number	€ million	
Finland	9,408	6,661	2,262	79.6	2,262	1,710	77
Sweden	4,906	429	232	84.7	232	32	32
Norway	2,927	782	139	96.1	139	29	29
Estonia	528	26	283	47.4	283	12	12
Latvia	414	11	213	47.4	213	17	17
Lithuania	425	10	171	37.4	171	25	25
Poland	1,413	265	70	91.5	70	1,901	1,901
Total	20,021	8,183	3,370	81.1	3,370		



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Finnish products are always primarily selected for our own Pirkka range provided that the quality and price criteria are met. Pirkka product groups that are 100% Finnish include milks and milk drinks, fresh meat products and eggs, for example. Pirkka is an important employer in Finland: Out of the Pirkka products, more than 1,000 are manufactured in Finland and in more than 200 companies across the country. Pirkka offers many small companies in Finland an opportunity to have their products sold nationwide and to increase their production in a controlled manner.

The 'Thank the Producer' operating model is one of the ways in which we support Finnish agriculture. Under the operating model, the consumer price may be slightly higher for the products, which partly enables K Group to pay an additional payment to the producers. The additional sum is paid directly to the producers. In 2022, the operating model involved 31 partners and 113 products. In 2015–2022, products sold under the 'Thank the Producer' model accrued a total of more than €8 million in additional money for farmers.

We have made the path of local food to store shelves smoother for years through the Local Food Date events held across Finland. Organised by K Group and Finfood – Finnish Food Information, these events bring together K-retailers and small food producers. In 2022, we organised three Local Food Date events in which a total of 123 producers and 302 retail trade representatives participated.

In 2022, we promoted Finnish products and their origin in our stores and marketing. With the Kotimainen Onninen (Finnish Onninen) campaign in the building and technical trade, we highlighted Onninen's Finnish origin and raised awareness of Onninen as an important Finnish operator in the industry.



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GLOBAL SUPPLY CHAINS

Suppliers' social responsibility assessment

Kesko pays special attention to human rights issues and working conditions in its supply chain in countries with the greatest risk of human rights violations. In the risk assessment of supply countries, we utilise the amfori Country Risk Classification, based on Worldwide Governance indicators published by the World Bank.

In 2022, direct purchases from suppliers in risk countries totalled €156 million (2021: €111 million) and accounted for approximately 1.6% (2021: 1.2%) of Kesko's total purchases. Direct imports from risk countries accounted for some 15.8% (2021: 13.4%) of Kesko's total imports to Finland. The figures concern direct purchases in Finland; no statistics are available on direct imports from risk countries in Kesko's other operating countries.

Kesko is a member of amfori, an association dedicated to promoting sustainable trade, and takes part in amfori BSCI (amfori Business Social Compliance Initiative). Amfori BSCI promotes the management of social responsibility in global supply chains. Kesko is committed to promoting compliance with the amfori BSCI Code of Conduct in its supply chain. According to Group guidelines, an amfori BSCI Code of Conduct contract clause must be added to supplier agreements.

Kesko utilises global social responsibility audit and certification systems, primarily amfori BSCI audits, in the assessment of working conditions at factories and

Social responsibility audits and certifications of suppliers in high-risk countries

Social responsibility assessment system	1 Jan. 2023, total	1 Jan. 2022, total	1 Jan. 2021, total	1 Jan. 2020, total
amfori BSCI	345	238	339	347
Smeta	77	195	115	177
Siza	66	147	59	100
SA8000	13	12	16	15
Fairtrade	8	31	29	28
Rainforest Alliance	2	28	20	22
Fair for Life	0	6	2	4
For Life	0	3	14	10
ICA Social Audit	1	2	12	22
ICS	1	-	-	-
ICTI	6	6	6	8
WRAP	1	2	1	0
WIETA	0	0	0	0
Total	520	670	613	733

plantations in risk countries. We also accept other assessment systems of social responsibility if their criteria correspond to those of amfori BSCI auditing and if the audit is conducted by an independent party. As part of the sourcing cooperation between Kesko's grocery trade and ICA Global Sourcing, Kesko also accepts the ICA Social Audit. In this case, however, suppliers are required to adopt a third-party audit approved by Kesko after a maximum of two ICA Social Audits.

Social responsibility audits and certifications are used to assess the safety of working conditions in production, the

salaries and working hours of employees and freedom of association and collective bargaining. Child or forced labour is strictly forbidden.



Member of amfori, the leading global business association for open and sustainable trade. For information visit www.amfori.org



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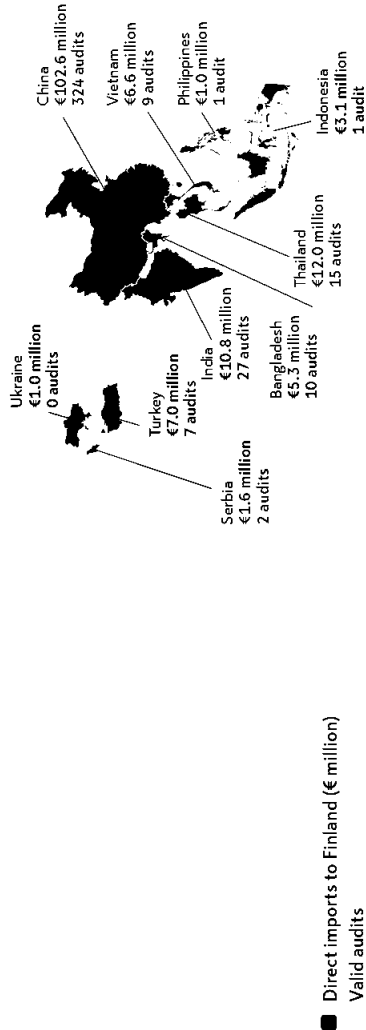
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Value of Kesko's direct imports and number of social responsibility audits, 10 largest high-risk countries of import¹



■ Direct imports to Finland (€ million)
Valid audits

¹CIF, direct imports to Finland by Kesko and Omninen only, excluding imports by K-Auto

RESULTS OF AMFORI BSCI AUDITS

In 2022, a total of 219 (2021: 117) of the factories of Kesko's suppliers underwent BSCI audits. In addition, 125 (2021: 103) suppliers' plantations underwent amfori BSCI follow-up audits.

The results of the 2022 amfori BSCI audits of suppliers' factories and plantations are shown in the table below. The majority of the deficiencies occurred in the areas of working hours and to social management in the auditing process. In accordance with the amfori BSCI operating model, a full audit is conducted at factories every two years to assess every field of the auditing protocol. If a factory receives an audit result of C, D or E, a follow-up audit within 12 months must be arranged to assess the deficiencies identified in the full audit and the measures implemented.

Kesko does not terminate cooperation with suppliers who have received a C, D or E, a follow-up audit within 12 months must be arranged to assess the deficiencies identified in the full audit and the measures implemented.

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In 2022, 91.5% of Kesko's direct suppliers in risk countries had been audited for social responsibility. Kesko's suppliers in risk countries had a total of 520 (2021: 670) valid social responsibility audits. Some of Kesko's suppliers are also members of amfori and thus promote amfori BSCI audits in their own supply chains. In 2022, the Covid-19 pandemic posed some challenges for the implementation of audits.

Our principle in risk countries is to collaborate only with suppliers that are already included in the scope of social responsibility audits or that start the process when the cooperation begins. Kesko's grocery trade and building and technical trade require all of their direct suppliers in risk countries to have an approved audit when the cooperation begins.



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amfori BSCI audit results by area in 2022

Full audits	A			D			E		
	Outstanding	Insufficient	Good	Acceptable	Insufficient	Good	Acceptable	Insufficient	Unacceptable
Social Management System and Cascade Effect	• 1%		9%	77%	• 12%	•	•	•	•
Workers' Involvement and Protection	• 55%		34%	9%	• 1%	•	•	•	•
The Rights of Freedom of Association and Collective Bargaining	• 99%		1%						
No Discrimination	• 96%		2%	2%					
Fair Remuneration	• 42%		50%	6%	• 1%	•	•	•	•
Decent Working Hours	• 16%		1%	4%	• 78%	•	•	•	•
Occupational Health and Safety	• 76%		20%	1%	• 1%	•	•	•	•
No Child Labour	• 99%								
Special Protection of Young Workers	• 99%		1%						
No Precarious Employment	• 99%		1%						
No Bonded Labour	• 98%		1%						
Protection of the Environment	• 87%		11%	2%					
Ethical Business Behaviour	• 96%		4%						

amfori BSCI results in 2022, full audit



Outstanding (A)
Good (B) 11%
Acceptable (C)
Insufficient (D)
Unacceptable (E)

Follow-up audits

Social Management System and Cascade Effect	• 2%	2%	29%	• 67%
Workers' Involvement and Protection	• 59%	35%	6%	
The Rights of Freedom of Association and Collective Bargaining	• 100%			
No Discrimination	• 100%			
Fair Remuneration	• 32%	60%	8%	
Decent Working Hours	• 4%	2%	• 93%	• 1%
Occupational Health and Safety	• 87%	11%	• 1%	• 1%
No Child Labour	• 100%			
Special Protection of Young Workers	• 99%		1%	
No Precarious Employment	• 100%			
No Bonded Labour	• 100%			
Protection of the Environment	• 89%	10%	1%	
Ethical Business Behaviour	• 98%	2%		

amfori BSCI results in 2022, follow-up



Outstanding (A)
Good (B) 1%
Acceptable (C)
Insufficient (D)
Unacceptable (E)

If the supplier underwent more than one amfori BSCI audit during 2022, the results of the latest audit are presented.



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INTERNATIONAL ACCORD

Kesko is a signatory of the new International Accord for Health and Safety in the Textile and Garment Industry, which is continuing the work of the Bangladesh Accord to improve electricity, fire and building safety at garment and textile factories in Bangladesh. The new International Accord improves occupational health and safety at garment and textile factories in Bangladesh more extensively than its predecessor.

Kesko requires the ready-made garment factories in Bangladesh that produce clothing for K-Citymarket's mywear brand and home textiles for its myhome brand to be included in the International Accord process. In 2022, all 6 garment factories in Bangladesh producing for K-Citymarket's mywear and myhome brands were included in the International Accord process. Factories are inspected regularly, and the process of remedying detected deficiencies is monitored. In 2022, 15 factory inspections were made at the factories producing for mywear and myhome brands. Training is also organised for the workers at the factories.

FAIRTRADE PREMIUMS HELP DEVELOP LOCAL COMMUNITIES

Kesko's grocery trade selections have included Fairtrade products since 1999. In 2022, the retail selection of Kesko's grocery trade included 292 (2021: 290) Fairtrade products, of which 23 (2021: 28) were Pirikka products. Kespro's foodservice selection had a total of 77 (2021: 84) Fairtrade products, of which 3 (2021: 5) were Kespro Menu products.

Farmers are paid a guaranteed price and a Fairtrade premium for the products. Fairtrade premiums have been used to build day-care centres, schools and healthcare centres for local communities, as well as housing for workers, among others.

OWN BRAND PRODUCTS WITH SUSTAINABILITY LABELLING

The grocery trade's Pirikka and K-Menu ranges:	Kespro's Menu range:	The building and technical trade's FXA, GOODIY and Omniflex ranges:
467 (477) Hyvää Suomesta (Produce of Finland) products 274 (305) products with the Key Flag symbol 205 (215) organic products 82 (85) Seed leaf label products 125 (164) Nordic Swan label products 23 (28) Fairtrade products 93 (81) Rainforest Alliance/UTZ certified products 55 (53) MSC certified products 22 (17) ASC certified products 12 (15) products with the Finnish allergy label (Allergiatunnus) 6 (7) EU Ecolabel products 19 products with the Heart Symbol	125 (84) Hyvää Suomesta (Produce of Finland) products 31 (53) products with the Key Flag symbol 12 (12) organic products 28 (29) Seed leaf label products 28 (38) Nordic Swan label products 3 (5) Fairtrade products 14 (12) Rainforest Alliance/UTZ certified products 8 (3) ASC certified products 9 (12) Dolphin Safe certified products 1 (1) products with the Finnish allergy label (Allergiatunnus) 36 products with the Heart Symbol	1,359 (615) products with the Key Flag symbol 46 (30) Nordic Swan label products 165 (76) products with the label (Allergiatunnus) 184 (119) M1 certified products

In 2009–2022, a total of more than €9.3 million was generated as Fairtrade premiums for social development projects in local communities from Fairtrade products sold by K-food stores and Kespro. In 2022, a total Fairtrade premium of €944,830 was generated by products sold by K-food stores and Kespro (2021: €941,570).

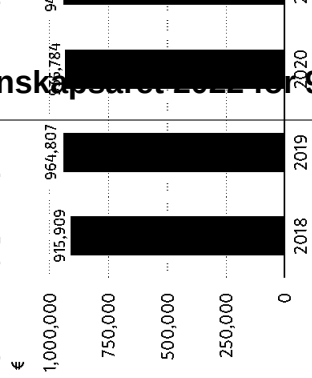
The products generating the largest Fairtrade premiums were Fairtrade flowers, bananas and coffee.

Fairtrade audits ensure that working conditions, labour rights, Fairtrade premiums and environmental considerations, among others, are in line with the Fairtrade criteria.

On the [Tracing Our Products website](#), we provide information on the origin of Pirikka Fairtrade roses and

and Pirikka Luomu Fairtrade bananas and the shelves of K-stores.

Fairtrade premium generated by products sold by K Group grocery stores and Kespro





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Suppliers' environmental assessment

K Group's most significant climate impacts are caused by emissions from own operations as well as emissions from the value chain of the products. We participate in the CDP Supply Chain programme and through this encourage our suppliers to reduce their emissions. Read more about the CDP Supply Chain programme in section [Climate and nature](#).

We participate in the amfori BEPI programme, which aims to develop environmental management of suppliers in risk countries. In 2022, amfori BEPI risk assessment was carried out on 11 of our suppliers in risk countries.

In 2022, KOPO (Kesko Onninen Purchasing Office), the purchasing office of the building and technical trade division in Shanghai, carried out an audit on 30 (2021: 45) suppliers with focus on environmental management and the

ISO 14001 environmental system. At the end of 2022, 66 (2021: 55) suppliers had a valid ISO 14001 certification.

In the IGS (ICA Global Sourcing) purchasing cooperation, we have introduced the IGS Environmental Assessment in which we ask suppliers for information on their energy consumption and sources and their measures taken to reduce energy consumption. No IGS Environmental Assessments were carried out in 2022 because of the Covid-19 pandemic.

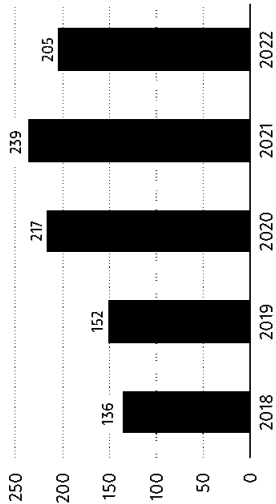
Suppliers' sustainability training

Increasing suppliers' awareness of sustainability is important for promoting social and environmental responsibility in our supply chains. We annually organise sustainability training sessions for suppliers both in-house and through our partners.

The following training sessions were organised for our suppliers in 2022:

- Together with CDP, we organised training on the CDP Supply Chain programme for our suppliers. In the training, the suppliers were given practical tips on how to respond to the CDP Climate Change Questionnaire. Representatives of 24 of Kesko's suppliers and service providers participated in the training.
- As part of the IGS purchasing cooperation, IGS organised seven training sessions for suppliers in risk countries. The sessions dealt with the sustainability work of IGS sourcing, the ICA Audit process, and suppliers' obligations and best practices in resolving social responsibility issues. A total of 63 Kesko suppliers took part in the training.

Own brand products with ecolabelling*



*Includes Nordic Swan label products and EU Ecolabel products in Pirikka, K-Menu, Menu, Cello, Prof, FXA, GOODY and Onninen ranges.

By the end of 2022, Kesko's 35 suppliers located in 15 countries had participated in the training organised by amfori. The training topics included the amfori and BEPI process, continuous improvement and recruitment, remuneration and working hours and the amfori Sustainability Platform database.

Promoting transparency in supply chains

We guide the sourcing of products containing materials that have been identified critical from an environmental responsibility perspective. In 2022, we complemented our policies with deforestation policy and coffee and tea policies.

To improve the transparency of our supply chain, we provide information on the origin of our products on our website. We select products that have an environmental responsibility challenge in their production of raw materials and choose products steered by sustainability policies. In 2022, we published information about the supply chain of Pirikka Fairtrade bananas to the website.

We publish a list of manufacturers of clothing and home textiles of our own brands and own brands located in risk countries, the addresses of the suppliers and the number of employees annually on our website.



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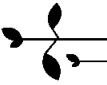
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SUSTAINABILITY POLICIES

POLICY	OBJECTIVE	ACHIEVEMENTS IN 2022	PROGRESS IN 2018–2022		
1 (3) Fish and shellfish policy	Our selections do not include species on the red list of WWF Finland's Seafood Guide which do not have the MSC or ASC certificate. When making decisions concerning selections, we favour sustainable stocks of fish and MSC and ASC certified suppliers.	The retail selection of Kesko's grocery trade included 498 MSC certified fish products and 122 ASC certified products. Kesko's selections had 249 MSC certified products and 41 ASC certified products. 85 K-food stores had fish counters with the MSC and ASC traceability certificate, which promotes sustainable fishing and aquaculture.	2022	2021	2020
			747	584	443
No deforestation policy	Kesko commits to purchasing raw materials that pose a particular concern in terms of deforestation only when they are sustainably produced. We are guided by our timber and paper policy, palm oil policy, soy policy, cocoa policy, and coffee and tea policy and timelines specified within them.	We published our no deforestation policy in June 2022.	163	133	69
					
Palm oil policy	The palm oil in our own brand groceries is 100% sustainably produced.	100% of the palm oil in Pirikka and K-Menu food products sold in 2022 was sustainably produced, of which 54% was Segregated, 37% Mass Balance and 9% RSPO Credits. 100% of the palm oil in Kespro Menu food products sold in 2022 was sustainably produced, of which 78% was Segregated, 20% Mass Balance, and 2% RSPO Credits.	100	100	100
					
Soy policy	The ingredients of soy origin in the grocery trade's own brand food products and the soy fodder used in the production of products of animal origin are 100% sustainably produced and RTRS, ProTerra, Donau Soja/Europe Soya or Fairtrade certified.	100% of the soy used as an ingredient in Pirikka and K-Menu food products sold in 2022 was sustainably produced soy, of which 38.0% was RTRS, Donau Soja/Europe Soya or ProTerra certified and the rest was RTRS credited. 100% of the soy used as an ingredient in Kespro Menu food products sold in 2022 was sustainably produced soy, of which 66.8% was RTRS and DonauSoja/Europe Soya certified and the rest was RTRS credited. About 61% of the soy fodder used for the production of products of animal origin in Pirikka, K-Menu and Menu foods was within the scope of the producers' own certification procedures. For the remaining 39% we acquired the RTRS credits ourselves.	100	100	100
					



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	POLICY	OBJECTIVE	ACHIEVEMENTS IN 2022	PROGRESS IN 2018-2022			
				2022	2021	2020	
2 (3)							
Timber and paper policy	By 2025, timber and paper products in Kesko's product range will be 100% of sustainable origin. The timber and paper products will be FSC or PEFC certified, of certified origin or made of recycled materials.	Kesko's building and technical trade has been awarded the PEFC certificate, which covers sawn pine and spruce timber as well as processed timber wholesale distribution in Finland (percentage-based method). The average PEFC certification percentage in 2022 was 89% for pine and 85% for spruce.	Percentage of timber and paper products containing sustainable raw material in the Pirikka and K-Menu ranges	40	41	36	
	In the grocery trade, the policy applies to Kesko's own brand products. In the building and technical trade, the policy applies to all timber delivered by Kesko.	Of the timber and paper products in the Pirikka and K-Menu ranges, 40% contained sustainable raw material, of which 58% were FSC certified, 32% PEFC certified and 10% made of recycled materials. In the Menu range, 89% of timber and paper products contained sustainable raw material, of which 62% were FSC certified, 28% PEFC certified and 10% made of recycled materials.	Percentage of timber and paper products containing sustainable raw material in the Menu range	89	84	67	
Coffee and tea policy	All of our own brand tea and coffee is more sustainable, which means that the sustainability of their primary production has been certified.	100% of the Pirikka and K-Menu coffee sold in 2022 was more sustainable, of which 99% were Rainforest Alliance certified and 1% Fairtrade certified. 99% of the Pirikka and K-Menu tea was more sustainable, of which 94% were Rainforest Alliance certified and 6% Fairtrade certified.	Percentage of more sustainable Pirikka and K-Menu coffee	100	100	100	
		100% of Kespro Menu coffee and tea sold in 2022 was more sustainable, of which 100% were Rainforest Alliance/UTZ certified.	Percentage of more sustainable Pirikka and K-Menu tea	99	83	64	
			Percentage of more sustainable Menu coffee	100	100	100	
			Percentage of more sustainable Menu tea	100	100	100	
Cocoa policy	All the cocoa used in Kesko's own brand cocoa drinks, chocolate confectionery products and chocolate baking products is of sustainable origin. The cocoa used in other own brand products containing cocoa will be 100% of sustainable origin by the end of 2025.	100% of the Pirikka and K-Menu cocoa drinks, chocolate confectionery products and chocolate baking products sold in 2022 contained sustainable cocoa, of which 93% were Rainforest Alliance certified and 7% Fairtrade certified. The cocoa used in other Pirikka and K-Menu products containing cocoa was 22% of sustainable origin. 100% of Kespro Menu cocoa drinks, chocolate confectionery products and chocolate baking products sold in 2022 contained sustainable cocoa, of which 100% were Fairtrade certified. The cocoa used in other Menu products containing cocoa was 26% of sustainable origin.	Percentage of Pirikka and K-Menu cocoa drinks, chocolate confectionery products and chocolate baking products containing sustainable cocoa	100	100	100	
			Percentage of Menu cocoa drinks, chocolate confectionery products and chocolate baking products containing sustainable cocoa	100	100	100	



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	POLICY	OBJECTIVE	ACHIEVEMENTS IN 2022	PROGRESS IN 2018-2022		
				2022	2021	2020
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	Cotton policy	All of the cotton sourced for our own clothing and home textile brands will be more sustainable cotton by the end of 2025. More sustainable cotton is certified organic cotton, recycled cotton, Better Cotton or Fairtrade cotton. Our own brand clothing and home textiles include K-Citymarket's mywear clothes and myhome home textiles, Pirkka socks and K-Rauta's PROF workwear and Cello interior textiles.	Kesko has been a member of the Better Cotton since 2020. Better Cotton's mission is to help cotton communities survive and thrive, while protecting and restoring the environment. In 2022, 92.2% of the cotton sourced for our own clothing and home textile brands was more sustainable cotton.	92.2	14.6	4.8
	Plastics policy	By the end of 2025, all packaging used in our own brand products will be recyclable or reusable. Our objective is to reduce the amount of plastic contained in the packaging of our own brand products by 20% by the end of 2025.	By the end of 2022, we had reduced plastic in the packaging of our own brand products in Kesko's grocery trade by 13% and in the packaging of Kespro's own brand products by 5% from the 2019 level. In 2022, we reduced plastics by 28 tonnes in Kesko's grocery trade's own products and by 5 tonnes in Kespro's own brand products. Read more about the measures taken in 2022 in the Climate and nature section.	12*	12	8
Kesko's direction Year 2022 Strategy and operating environment Business Investors Sustainability report Sustainable Kesko Climate and nature Value chain Our people Good governance Sustainability reporting Financial review Report by the Board of Directors Consolidated financial statements (IFRS) Parent company's financial statements (FAS) Signatures Corporate governance Corporate Governance Statement Remuneration Report Data balance sheet Data strategy Customers and data KESKO ANNUAL REPORT 2022	Packaging policy	We avoid using excess packaging material and reduce the use of plastic in our packaging. Our packaging must be recyclable or reusable. We favour renewable packaging materials: paperboard, paper, cardboard and bio-based plastics. In our wood-based packages we favour solutions of sustainable origin (FSC or PEFC certified) or recyclable materials.	In 2022, we made changes to the packaging of a total of 55 own brand products in compliance with our packaging and plastics policies. 29 of the changes were made to the packaging of own brand products in Kesko's grocery trade and 26 to the packaging of Kespro's own brand products.	55*	4	77
	Animal welfare policy	When making decisions concerning selections, we take the wellbeing of farmed animals into account. From the start of 2026, we will no longer accept eggs from furnished cages into Kesko's selections.	In 2022, Kesko's grocery trade sold some 247 million eggs, of which 44% were furnished cage eggs and 56% were barn eggs, organic eggs and free-range eggs.	56	5	46

* the figure includes Kespro



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HUMAN RIGHTS COMMITMENT AND ASSESSMENT

In compliance with Kesko's human rights commitment, we respect all internationally recognised human rights. Our sourcing operations are guided by Kesko's ethical purchasing principles, which are based on the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO), the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

In 2016, we published our statement of commitment on human rights and impact assessment in compliance with the UN's Guiding Principles on Business and Human Rights. The human rights assessment is reviewed every three years by the sustainability management group, with the latest review conducted in autumn 2022. In spring 2022, we published our commitment to achieve a living wage and income in the supply chain.

Respect for fundamental human rights is at the core of Kesko's K Code of Conduct. Our uncompromising zero tolerance policy towards human rights violations requires us to continuously monitor compliance with the K Code of Conduct in our own activities and in those of our partner network. We require every Kesko business partner to commit to complying with the K Code of Conduct. We instruct our personnel and other stakeholders to report any violations they detect. Kesko's SpeakUp channel can be used to submit reports also anonymously. We provide our employees with K Code of Conduct online training, which includes information on respecting human rights. For more information on our training, see the [Good governance section](#).

As part of our human rights assessment, we have conducted broad surveys into the realisation of human rights in our supply chain. The results of the surveys are available on our website.

We have been auditing retail service providers in Finland since 2020. The sustainability of retail service providers – such as cleaning companies and sushi shop owners – is monitored by means of third-party audits.

Kesko is a member of the Centre for Child Rights and Business, a Chinese organisation promoting children's rights.

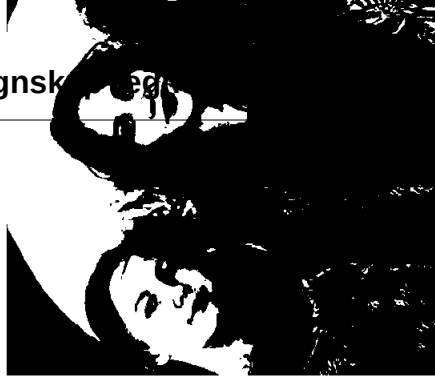
Regular training sessions in responsible purchasing are arranged for those working in purchasing on the implementation of human rights in global sourcing. The training sessions discuss, among other things, sustainability policies guiding sourcing, the assessment process in purchasing from risk countries and the BSCI Code of Conduct principles. In 2022, we conducted four training sessions in cooperation with Fairtrade, one training on our cotton policy in Kesko's global supply chain and one training on our cotton policy in Kesko's global trade division.

ANTI-BULLYING ZONE BECAME A PERMANENT OPERATING MODEL

The anti-bullying zone, which was created on the initiative of one K-retailer, became a permanent operating model in all 800 K-Markets in 2022. An anti-bullying zone means that stores offer refuge to bullied children and teenagers where there is always a caring adult around. Partnering with K-Markets, the Mannerheim League for Child Welfare trains K-retailers and their personnel and offers advice for the prevention of bullying.

The anti-bullying zone model was awarded the 2022 Public Health Award by the Finnish Institute for Health and Welfare for its significant contribution towards public health. K-Market stores were praised for prompting high-profile public debate on the issue and for offering a model for intervening in bullying.

Arsregnsk



or 980656616



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SUSTAINABLE PRODUCTS AND CAPITAL EXPENDITURE

Sustainable products

Kesko reports on its environmentally sustainable operations in accordance with the criteria defined in the EU Taxonomy in the [Report by the Board of Directors](#).

Our own classification of sustainable products complements the turnover KPI in accordance with the EU Taxonomy. The car trade division's leasing business is currently Kesko's only function generating net sales within the EU Taxonomy scope. In our own specification of sustainable products, for the car trade division, we also present the net sales from the sale of new vehicles with emissions less than 50 g CO₂/km as part of our net sales from sustainable products. As the sale of goods by the grocery trade and the building and technical trade are not activities that are within the Taxonomy scope, this specification is based on our own definition of sustainable products. We define sustainable products as those which have a significantly smaller impact on the climate or biodiversity than comparable products or which are important for mitigating climate change or preventing the loss of biodiversity.

Sustainable capital expenditure mainly corresponds to the capital expenditure reported according to the EU Taxonomy as environmentally sustainable. In the EU Taxonomy, the right-of-use assets recognised based on lease agreements are included in the Taxonomy's definition of capital expenditure, which deviates from Kesko's definition of capital expenditure in its financial reporting. Sustainable capital expenditure corresponds to the definition used in Kesko's financial reporting, and we do not include additions to right-of-use assets recognised based on lease agreements as sustainable capital expenditure.

GROCERY TRADE

- Products compliant with Kesko's sustainability policies
- Products with sustainability certification and labelling
- Plant-based products
- Circular economy products

Percentage of sustainable products of grocery trade's net sales in 2022*:

39% (2021: 34%)

*excl. Kespro's sales data 2022 and 2021

BUILDING AND TECHNICAL TRADE

- Products reducing energy consumption and emissions
- Renewable energy supply and distribution products
- Sustainably produced timber and wood products
- Products enabling a healthy and sustainable indoor environment

Percentage of sustainable products: information is not yet available

CAR TRADE

- Sales and leasing of vehicles with zero emissions of CO₂ exceeding 50 g CO₂/km
- Percentage of sustainable products of car trade's net sales in 2022:

21% (2021: 2%)

Sustainable capital expenditure

- Vehicles with low and zero emissions in K-Auto's leasing fleet
- K Charge stations
- Equipment used for monitoring properties' energy efficiency
- Technologies based on renewable energy
- Properties sustainable from a point of view

Sustainable capital expenditure in million (2022: 59 million, 2021: 16 million)



[Read more about sustainable products](#)



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NUTRITION AND PRODUCT SAFETY

We care for the health and safety of our customers

The activities of our Quality and Product Development Unit include assessing the impacts of products on health and safety. Manufacturers of our own brand food products must have international certifications that assure product safety. The standards we approve include: BRC, IFS, FSSC 22000 and GlobalGAP. In 2022, the total number of certified suppliers was 696 (2021: 534).

We analysed 6,712 (2021: 8,393) product samples.

Almost 3,500 of the samples were related to the product development of our own brands. We analysed 2,970 (2021: 3,154) of our own control samples.

In 2022, the product safety risk assessment on own brand products in the building and technical trade was updated. The assessment covers all product categories which have own brand products.

K GROUP HEALTH AND NUTRITION PROGRAMME

In January 2023, we published the K Group health and nutrition programme that was prepared during 2022.

The goal of the K Group health and nutrition programme is to make healthier food choices as easy as possible for the customer using three clear and measurable targets:

1. Finns eat half a kilo of vegetables a day

The goal is that those people who buy most of their groceries from K-food stores will eat half a kilo of vegetables a day by 2026. Consumers are encouraged to add vegetables to their diet for example with the contents and recipes available in the K-Ruoka service, as well as the materials found in the fruit and vegetable departments of stores, which illustrate how easy it is to meet the nutritional recommendation goal in everyday life.

2. Decreasing the consumption of salt, sugar and saturated fat

The amount of added salt, sugar and saturated fat in Pirikka products will be reduced by the end of 2025. The goal of reformulating the nutritional content to a healthier option is to reduce the amount of sugar by 200,000 kg, the amount of salt by 50,000 kg and the amount of saturated fat by 50,000 kg.

3. Heart Symbol

Healthier food choices will be made easier by adding the Heart Symbol to at least 200 products from K Group's own brands by the end of 2024. The Heart Symbols will also be added to K-Ruoka.fi recipes.

MORE PLANT-BASED PRODUCTS

We actively develop our selection of plant-based products. Vegetable protein products are part of every chain selection in our grocery store chain.



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In the stores, vegetable protein products are located on veggie shelves to help as many customers as possible to find them easily. The veggie shelves can be recognised in the stores from their green taping and 'Vege' texts.

The Pirkka, Pirkka Parhaat and K-Menu ranges, which are K Group's own brands, include a wide selection of 100% plant-based products, and we are constantly developing this selection. There are already nearly 170 fully vegan Pirkka, Pirkka Parhaat and K-Menu products.

The customers of K-food stores can monitor their consumption of red meat, fruit and vegetables, for example, in the Nutrition section of the data-based K-Ostokset service. They can compare their own data to the

national nutritional recommendations concerning fruit and vegetables, fish and seafood, red meat, salt and sugar, and set targets for their consumption. K-Ostokset also enables users to measure the domestic content and climate impact of their food shopping.

We offer our customers a broad selection of recipes on the K-Ruoka.fi website with more than two thousand plant-based and vegan recipes.

WE MONITOR PRODUCT SAFETY

We take measures against food fraud in accordance with the VACCP plan (Vulnerability Assessment and Critical Control Points). The VACCP plan contains an assessment of the probability of encountering food fraud and a monitoring plan to protect us against such fraud. Product groups

identified as critical control points are not only subjected to normal product and supplier controls, but also regular analytic monitoring to detect any frauds.

In 2022, we made 178 product recalls in the grocery trade (2021: 214). Of these, 31 concerned our own brand products (2021: 50). In other cases, our Quality and Development Unit assisted the product manufacturers in the recall. If a defect or error in a product might have health impacts, a public recall is carried out. In 2022, this happened 2 times for our own brand products (2021: 5).

We add written recycling instructions on own brand product packaging to make sorting easier.

In the building and technical trade division, one product recall was made in 2022 (2021: 0).

A vehicle manufacturer must launch a recall campaign if a serious error or deviation that needs repairing is detected in one of their models or a part thereof. A serious error or deviation is one that poses a hazard to road safety or significant harm to the environment or health. As a rule, this kind of fault or defect would result in a rejection in a vehicle inspection.

In 2022, a total of 34 recall campaigns were launched for brands represented by K-Auto (Volkswagen passenger cars and commercial vehicles, Audi, SEAT, CUPRA, Porsche, Bentley and MAN) (2021: 25).

There were no legal proceedings, fines, warnings or breaches of voluntary requirements associated with product safety or health in Kesko in 2022.



We add warning labelling of chemicals that are hazardous to the environment in accordance with the CLP regulation.

- A plant-based product which can replace animal-based products such as meat and dairy products

Our cashiers must participate in training on age limits for sales and take a test on the topic. The age limit training includes basic information on age limits for sales and rehearsals of various situations. After passing the final test, the cashier earns a certificate called "limit passport".



OUR PEOPLE

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SUSTAINABILITY IN ACTION

We support the wellbeing and success of our people

We foster diversity and inclusion, and offer equal opportunities for both current and future employees.

The result of the wellbeing index

81
(scale 0-100)

OUR TARGETS:

- We support the health, wellbeing and success of our employees
- Our ultimate target is zero injuries
- We create a diversity and inclusion programme
- We aim for equal pay
- We promote gender equality on all levels of the organisation

WE PROMOTE THE F
SUSTAINABLE DEVELOPMENT





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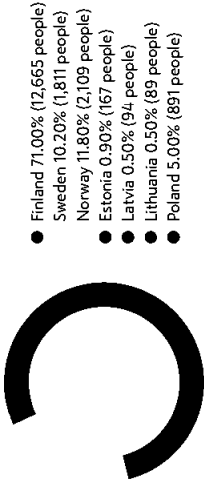
WORKING AT KESKO

The foundation of our operations is our professional and committed personnel. Kesko and K-retailers offer hundreds of different jobs in stores and warehouses and in expert positions at offices in the three divisions across seven countries. More than 70% of Kesko employees work in Finland.

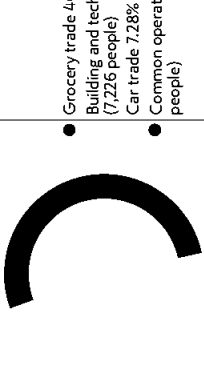
We made Our People one of the key focus areas of our sustainability strategy, which was updated in spring 2022. Responsibility for people is evident particularly in the safety and wellbeing of our personnel as well as in the promotion of diversity, inclusion and equal opportunities.

The wellbeing and work capacity, satisfaction, motivation and competence of our employees are key resources for us, helping us maintain our competitiveness in the current and future environment. In 2022, we focused particularly on the measurement of results, data-driven management and diversity.

Personnel by country at 31 Dec. 2022, %



Distribution of Kesko personnel by division at 31 Dec. 2022, %



Changes in the number of Kesko employees

	2022	2021
Finland on 31 Dec.	12,665	12,442
Other operating countries on 31 Dec.	5,176	4,960
Total on 31 Dec.	17,841	17,402
Finland, average	10,372	10,114
Other operating countries, average	4,261	4,119
Total, average	14,633	14,232



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Kesko's personnel statistics for 2022 analysed by operating country

	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland
Total number of personnel at 31 Dec.	12,665	1,811	2,109	167	94	89	891
female	6,133	505	520	48	29	24	218
male	6,532	1,306	1,589	119	65	65	673
Average number of personnel in 2022	10,372	1,490	1,546	162	91	84	873
Average age	37.5	39.2	40.3	40.8	40.2	38.9	39.9
Number of new employments ¹	4,353	498	446	44	36	25	163
female	2,143	142	106	12	10	3	38
male	2,210	356	340	32	26	22	125
Number of terminated employments ¹	4,067	544	369	38	26	17	130
female	2,171	163	89	11	8	2	24
male	1,896	381	280	27	18	15	106
Percentage of new employments ¹							
female	49.2	28.5	23.8	27.3	27.8	12.0	23.3
male	50.8	71.5	76.2	72.7	72.2	88.0	76.7
Percentage of terminated employments ¹							
female	53.4	30.0	24.1	28.9	30.8	11.8	18.5
male	46.6	70.0	75.9	71.1	69.2	88.2	81.5
Terminated by employer, %	2.3	2.8	6.0	7.9	30.8	5.9	12.3
Total turnover rate, % ²	18.6	20.2	18.2	21.7	27.9	20.7	6.8

¹ Including summer employees

² Excluding summer employees

When calculating the number of terminated employments, each employee is included only once, whereas one person may have several new employments included in the total number.



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DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES

We used our draft diversity and inclusion programme, which we had prepared earlier, in the preparation of our 2022 sustainability strategy. The new sustainability strategy places diversity, inclusion and equal opportunities as one of the themes in the Our People focus area.

As part of our work on the sustainability strategy, we set the goal to take concrete action to promote people's health, wellbeing and capabilities by the end of 2024. Our progress towards this goal will be measured with two new indices: a wellbeing index and a diversity and inclusion index.

The diversity and inclusion index will increasingly focus on the employees' personal everyday experience in inclusion. In November 2022, we conducted the Our People survey and measured its results using the revised indices. The result of the diversity and inclusion index was 86 (on a scale of 0–100).

One of the concrete actions in our sustainability strategy was to create a diversity and inclusion e-learning course for the entire personnel that was rolled out in February 2023.

We also arranged training on the subject for Kesko's Group Management Board in the autumn.

According to the diversity policy of Kesko's Board of Directors, Kesko seeks to have a balanced representation of genders on the Board. At the end of 2022, women accounted for two out of the seven members of the Board of Directors, and two out of the eight members of

the Group Management Board. In accordance with our sustainability strategy, we aim to achieve gender equality at all levels of the organisation.

Personnel by gender in 2022, %

	Female	Male
Full-time	20.8	44.2
Part-time	19.4	9.1
Non-guaranteed hours employees	1.7	4.7
Permanent	42.9	57.1
Fixed-term	36.5	63.5
Managers	37.8	62.2

Personnel by employee category in 2022, %

	Female	Male
Top management	23.9	76.1
Middle management	38.9	61.1
Managers and specialists	42.8	57.2
Workers and white-collar employees	41.9	58.1
Total	41.9	58.1

Zero-tolerance for discrimination

Equality, fairness and non-discrimination are important principles that are observed at Kesko. Kesko Corporation and its subsidiaries in Finland draw up statutory company-specific HR, training, equality and non-discrimination plans and define objectives for improvement. Kesko has established an Employee Equality and Diversity Group in

accordance with a non-discrimination plan, matters related to non-discrimination and equality at the Group. The Employee Equality and Diversity Group includes representatives of the employer, personnel and labour protection functions. No cases of discrimination were reported to us in 2022.

Preferred employer

In 2022, we began to renew Kesko Group's recruitment and recruitment process. During 2023, the recruitment process will make it easier to submit applications from the applicant experience and enhance the attractiveness of applicants.

Kesko Group improved its position in the University of Applied Sciences Employer Ranking survey, going from 10th to 9th position.

In T-Media's Reputation & Trust survey, Kesko Group's reputation as an employer improved among the population by 0.03 units, ending with a score of 4.5.

Internal job rotation opens up opportunities for employees' careers options. In 2022, a total of 953 internal transfers were made in Kesko Corporation and its subsidiaries in Finland (2021: 2,396 transfers). In 2022, 725 transfers were made in Kesko Corporation and its subsidiaries in operating countries.



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During 2022, we participated in the Security Through Work project run by the Confederation of Finnish Industries EK with the aim of helping refugees from Ukraine find employment in Finland. A number of Ukrainian refugees were employed through the project in the grocery trade division's logistics operations.

In 2022, the average age of the total personnel was 38.2 years.

Good experiences were gained from using English as the working language, and therefore we intend to make it easier to use English as a working language in logistics over the coming year. Our K-Citymarkets continued their training programme for non-Finnish speakers in cooperation with Careeria in the Helsinki region and with Tredü in Pirkanmaa. In total, more than 20 people with an immigrant background participated in the training programmes in 2022.

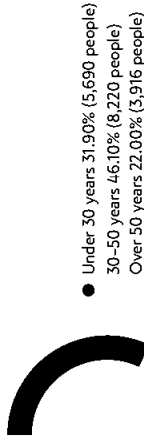
In 2022, we continued to apply the New Job and the New Direction operating models in Finland to help people with partial work capacity to continue in working life. The New Job operating model is used for situations where an employee's work capacity is permanently reduced compared to the requirements of the current job, and the employee is no longer capable of returning to their former job. The operating model provides a low-threshold way to search for a job and supplements the vocational rehabilitation supported by earnings-related pension providers. In 2022, with the help of the operating model, we provided 15 people with full-time employment either in a new position at Kesko or in their current position with modified duties.

The New Direction operating model, which was piloted in the grocery trade's logistics operations, aims to find employees jobs that suit their work capacity with a new employer either directly or through retraining. Thanks to the success of the solution, we have decided to expand the trial of the model to other areas of our Group.

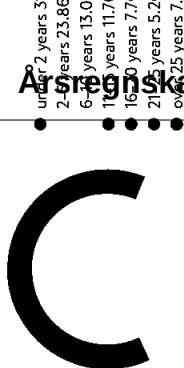
We also use a headhunting service in recruitment situations where it is harder to find skilled employees. This includes recruitments for K IT roles requiring special expertise.

We offer comprehensive personnel services. In addition, we offer our personnel more extensive statutory occupational health care services, benefits, versatile shopping benefits in K Group and the staff store as well as the possibility of leasing for employees. In all operating countries our employees' leisure activities in different Finnish companies provide benefits for physical cultural activities, commuting and wellbeing.

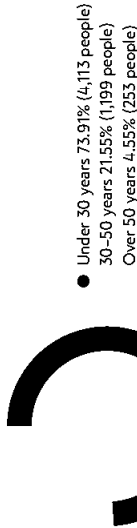
Age distribution of Kesko personnel in 2022*, %



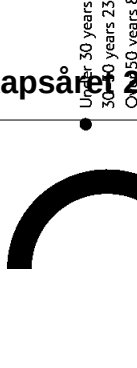
Years of service in 2022*, %



Recruits, age distribution in 2022*, %



Terminated employments, age distribution in 2022*, %



* All operating countries



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Both the permanent and temporary personnel in Finland have statutory insurance against occupational injuries, commuting injuries and occupational diseases.

Parental leave

	2022
Number of employees who are entitled to parental leaves	17,410
female	7,383
male	10,027
Number of employees who have taken parental leave	658
female	485
male	173
Number of employees who have returned to work after parental leave	476
female	344
male	132
Number of employees who have returned to work after parental leave and are still working after 12 months	402
female	243
male	159

In all of our operating countries, our personnel, both men and women, are entitled to family leaves (maternity, paternity, parental and childcare leave).

Family leaves were reformed in Finland in 2022. The reform also offers more equality for diverse families and allows parents to share parental allowance equally. Parental allowance is paid for a total of 320 working days, which are divided equally in families with two parents. The pregnant parent is also entitled to pregnancy allowance for 40 working days.

Parents are entitled to take partial care leave until the end of their child's second year of school. A parent on partial care leave works six hours per day and 30 hours a week. If a child under the age of 10 falls ill suddenly, the parent is entitled to

take a maximum of four days off work, of which a maximum of three calendar days are paid. It is also possible to take temporary unpaid leave of absence from work if a family member or close relative





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Some of the companies in our operating countries also give financial support to their employees through different situations in life, such as when a child is born, during a child's first year at school, in the event of the death of a close relative and in other special situations.

PENSIONS

In Finland, all Kesko personnel are covered by statutory pension security. In 2022, new pensions were granted to 167 (2021: 142) people in Finland. Of these, 27 (2021: 36) were disability pensions, of which 11 (2021: 13) were partial disability pensions. The rehabilitation benefit is a form of fixed-term disability pension granted with the aim of rehabilitating the employee to allow them to return to work. Rehabilitation benefits were granted for the purpose of retraining or work trials to 37 people (2021: 68) who were at a clear risk of incapacity for work within a few years. The average retirement age of employees in 2022 was 62.7 (2021: 61.7). The average retirement age for old-age pensions was 63.6 (2021: 63.5) and the age for disability pensions was 56.8 (2021: 56.5). In the other operating countries, 22 (2021: 28) employees retired.

PERFORMANCE BONUSES AND SHARE PLANS

The entire personnel of Kesko in Finland are covered by one of the various performance bonus schemes. During 2022, we introduced two new performance bonus models for sales assistant jobs that previously had no such models. Criteria for the performance bonus scheme include, for example, the Group's and the division's operating profit, the sales and profit of the employee's own unit and customer satisfaction or market share. Depending on the role, personal performance bonus targets may also be set.

Fixed-term and part-time employments at Kesko in the end of the year, number

	2022	
	Female	Male
Fixed-term employees of total personnel	995	1,731
Finland	748	5,467
Other operating countries	247	666
Permanent employees of total personnel	6,482	8,618
Finland	5,385	5,467
Other operating countries	1,097	3,151
Part-time employees of total personnel	3,435	1,551
Finland	3,157	985
Other operating countries	278	566
Full-time employees of total personnel	3,710	7,881
Finland	2,760	4,959
Other operating countries	950	2,922
Non-guaranteed hours employees of total personnel	301	842
Finland	216	588
Other operating countries	85	254

In spring 2022, around €23.1 million (2021: €24.5 million) was paid in Finland in bonuses under the 2021 performance bonus schemes, accounting for approximately 4.5% (2021: 4.9%) of the total payroll. In 2021, the total remuneration paid in the form of performance bonuses, sales commissions and other corresponding monetary remuneration was as follows:

- In Finland, €23.8 million (2021: €25.6 million)
- In the other operating countries, €7.1 million (2021: €6.0 million)

The maximum performance bonus amounts vary depending on the profit impact of the person's role and are equivalent to 10–100% of the person's annual salary.

Kesko has a personnel fund in Finland, in which personnel can deposit their performance bonus in instalments. The personnel fund is based on Personnel Funds.

Kesko operates a share-based compensation scheme for some 215 members of management and other key personnel. In 2022, we introduced new indicators and as a result some of the performance bonuses are based on Kesko's ranking in international sustainability indices.

[+ Read more in the Remuneration report](#)



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WELLBEING AND WORK CAPACITY

With proactive management of personnel wellbeing and work capacity we ensure our employees' work capacity and functional capacity, keep sickness absences under control and prevent workplace injuries and retirements due to disability. We systematically track key indicators and trends, setting goals based on them and taking measures in accordance with these goals. Wellbeing and occupational safety is one of the themes of our sustainability strategy's Our People focus area. The personnel's wellbeing was measured in November 2022 with the Our People survey, which we conducted in all our operating countries. The score achieved in the revised personnel wellbeing index was 81 (on a scale of 0–100).

We continued to support our employees' mental and physical wellbeing in different ways, including through digital health coaching sessions, wellbeing coaching sessions for managers and various online mental wellbeing services. We arranged a mental wellbeing coaching session for department managers at K-Citymarkets together with MIELI Mental Health Finland. We boosted our community spirit through various events and supported the personnel in coping with the challenging global situation through unit-specific events.

The Covid-19 pandemic continued, but as restrictions were lifted, we gradually transitioned to managing the Covid-19 situation as part of normal day-to-day management. We compiled the lessons learned and best practices discovered during the pandemic systematically from the business units and used them to develop management in special situations. We continued to ensure safety in logistics and the stores, in particular.

Employees' occupational health and safety
Kesko's occupational health and safety principles have been defined in K Code of Conduct and Kesko's HR policy. The main points of the wellbeing at work management system are based on legal conformity requirements in different operating countries, observation and minimisation of occupational safety risks, training of employees and on systematic reporting and analysis of near miss situations and accidents at work. We aim to continuously improve the health and occupational safety of our personnel in a holistic way. Kesko has set objectives for the development of personnel wellbeing and occupational safety, and we review the results quarterly with the business units and make improvements based on them.

Occupational safety management is based on systematic risk assessment and on mitigation measures specific to each division. We use the ISO 14001 standard and in Finland partly the ISO 45001 standard. The occupational safety and health policy contains measures to prevent, reduce and remove injuries caused by working conditions, occupational diseases and physical and mental load that is harmful to health. We prepared occupational safety principles in 2022 and we require all operators to adhere to these principles. The most significant occupational safety risks are related to manual lifting and moving, the use of machinery as well as slipping during the commute and at work. In logistics, particular attention has been paid to induction and work guidance to prevent risks. In order to enhance our occupational safety work, we have designed a more comprehensive occupational safety management model which is based on the ISO 45001 standard and takes into account the specific needs of our divisions.



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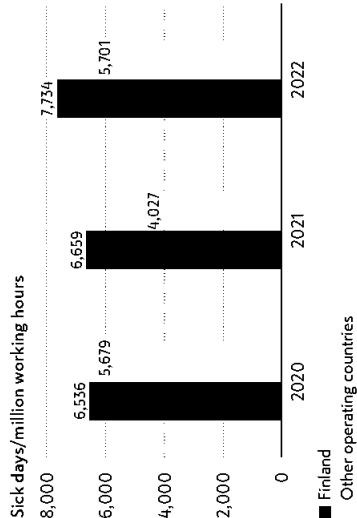
Occupational safety cooperation is carried out in

accordance with the legislative requirements in the different countries, and there has been an occupational safety and health cooperation group with representatives from the divisions in Finland for many years. As regards occupational safety, occupational health care assesses in particular the health risk caused by work by taking into account the health risks and exposure factors occurring in it. We continuously evaluate and prevent potential work-related risks, which may be injurious to employees' health.

We assess the effectiveness of occupational health care operations by monitoring access to treatment, the sickness absence rate and costs, the distribution of diagnoses and indicators of occupational diseases and injuries as well as pension risks. We survey customer satisfaction in various ways several times a year. We utilise the data and reports in our work capacity management system when managing sickness absences.

Information security is of utmost importance in all of our operations, and it is controlled regularly. Occupational health care has its own patient information system, which

Trend in number of sick days



is separate from other information systems at Kesko. To secure data protection, we make occupational health log data inspections four times a year, and no anomalies have been detected. In health care, the level of data protection is the highest possible, and the law requires the information in patient documents to remain confidential.

In 2022, sickness absences increased due to Covid-19 and other respiratory infections as well as mental health reasons. In 2022, the sickness absence rate in the Group

companies in Finland was 5.4% of hours worked. Approximately 79.8% (2021: 71.7%) of sick leave were paid short-term absences. In the other sickness absence rate was 5.3% (2021: 5.5%) injuries in Finland and breakdowns of sickness by country are presented in the tables below countries, a total of 19 injuries (excluding injuries occurred resulting in sickness absences of more than 21 days in 2022 (2021: 21). The corresponding sickness absence rate in the Group was 138 (2021: 106).

Injuries and occupational diseases

	2022				2021			
	Male	Female	Total	Other operating countries	Male	Female	Total	Other operating countries
Fatal injuries	0	0	0	0	0	0	0	0
Occupational injuries, excl. commuting injuries	92	46	138	117 ¹	69	37	106	106
Commuting injuries	34	43	77	3	20	17	37	37
Injury rate ² /million working hours			6.57	3.68			6.57	3.68
Average degree of injury severity, days			15.0				15.0	
Suspected occupational diseases	3	0	3	0	3	0	3	0
Occupational diseases	0	0	0	0	0	0	0	0
Sick days due to occupational injuries, commuting injuries and occupational diseases	1,806	1,412	3,218	1,350	1,350	779	2,129	2,129
Per employee			0.32				0.32	

The calculation method: small injuries, i.e. those leading to absence of less than three days, are not included in the figures. Statistics do not include small injuries. Calculation method for 2022 changed. Reported by injury date. Comparison figures reported according to the new calculation method.

¹ Incl. 87 reported injuries in Sweden, without classification.

² Excl. small injuries and commuting injuries, calculated with actual working hours

Sickness absences by country in 2022

	Finland	Sweden	Norway	Estonia	Lithuania
Total number of sick days	151,284	6,790	25,679	166	283
Per employee	15.0	4.3	31.2	10.6	10.4
Per million working hours	7,734	1,490	1,546	162	91

The calculation method: sick days per employee have been calculated on the average number of employees during the year.



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Service providers at our K-Kampus headquarters are using a shared system for reporting employees' occupational safety observations. In 2022, there were no occupational injuries among the employees of service providers working at K-Kampus.

Occupational health and work capacity management

Kesko provides comprehensive occupational health services for all of its employees, and as entrepreneurs, retailers arrange the corresponding occupational health services for their own employees. In Finland, Kesko Occupational Health provides services for employees in the Helsinki region and purchases occupational health care services from one service provider for employees elsewhere in Finland. In 2022, a total of 12,101 (2021: 11,930) employees in Finland were covered by Kesko's occupational health services. A total of approximately €5.7 million (2021: €5.9 million) was spent on occupational health care in Finland. More than 60% of the occupational health care expenses was allocated to promoting work capacity and the wellbeing of the employees.

To maintain health and work capacity, employees in Finland are entitled not only to statutory occupational health care but also medical examinations and specialist's consultations needed for their treatment through Kesko Occupational Health Care. In addition to appointments with occupational health care specialists, our service agreement includes psychologist, occupational health nurse and occupational physiotherapist services. The employer, the employees and occupational health care work together to help prevent occupational diseases and injuries. We also promote the health and safety of the work environment, ensure the health and functional capacity of employees at different stages of their career and promote the operations of the working community. The strategic focus areas in occupational health cooperation are promoting brain health and mental wellbeing

and supporting managerial work and cooperation of the working community in continuous change.

In occupational health care, the priority is on preventive measures and early identification of risks regarding both the employee's health and work capacity. From the perspective of occupational safety, occupational health care continuously assesses particularly the health risk caused by work by taking into account the health risks and exposure factors occurring in it. As part of our work to manage the Covid-19 pandemic, we provided our employees with Covid testing through occupational health care and enhanced testing in logistics and continued to provide frequent information about the pandemic. Kesko has also actively offered Covid home tests to the personnel at all business locations.

Kesko's contribution to occupational health care, Finland

€/person	2022	2021	2020
	467	494	563

To maintain employees' work capacity and to prevent their incapacity for work, Kesko utilises the multi-professional expertise of occupational health care professionals, work capacity specialists, occupational rehabilitation offered by a pension insurance company and work training services provided by third parties. As part of work capacity management in 2022, we intensified our cooperation with the pension insurance companies and conducted an assessment of risks related to incapacity for work together with the risk management function. Work capacity management is supported by systematic joint meetings with the business areas where we discuss the key indicators, conclusions and further measures concerning sickness absences, occupational injuries and work capacity risks. The managers participated in work capacity coaching actively during the year.



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ENABLING SUCCESS

The systematic, business-driven development of personnel competencies is a critical factor for future success. The transformation of the trading sector, digitalisation and continuous changes in working life act as drivers for future development needs.

Key areas of competence building in K Group are:

- Leadership and management
- Interaction and self-management skills
- Training for store personnel: sales, customer interaction, service and product competences

We offer managers a variety of training programmes which support daily managerial work on topics such as performance management, recruiting, coaching style of leadership, change leadership, interaction skills, remuneration and employment law. We especially focus on continuous performance management and strong feedback culture, and support this with various training programmes.

In 2022, we continued to provide the Leader@K coaching package intended for new managers, which includes a 360 assessment and a personal development plan. We developed a new leadership programme called Leadership Boost 2 for the entire manager target group, and it will be rolled out in spring 2023.

Store personnel are provided with a broad selection of professional training courses in a virtual learning environment, including chain-specific coaching, e-learning

content and opportunities to complete vocational degrees. We have been training workplace instructors for stores for several years. Workplace instructors work in stores extensively to support learning and offer guidance covering everything from induction of new employees to acting as the workplace instructor in training leading to a degree.

Performance and development reviews and performance evaluation

Target setting, performance and development reviews and performance evaluation are carried out in all operating countries. Our employees are given feedback on their performance and development opportunities in annual reviews. These reviews also provide the employees an opportunity to give feedback on managerial work.

Performance and development reviews are a systematic part of our performance management model. In 2022, around 86% (2021: 89%) of our employees discussed their objectives and development with their manager. Per personnel group, 81% of workers and office employees, 99% of managers and specialists and 97% of management discussed their objectives and development with their managers. In performance and development reviews we discuss the employee's wellbeing, competencies and motivation, career aspirations and the quality and development of managerial work and the whole working community. Finally, a personal development plan is created for the employee.

Training hours and costs

Training hours	2022	2021
Workers, office workers'	26,676	20,180
Managers/specialists'	25,361	27,100
Management'	2,251	1,100
Kesko Group female'	73,151	96,600
male'	20,431	21,100
Training hours per employee	33,856	19,200
Workers, office workers'		
Managers/specialists'		
Management'		
Kesko Group female'		
male'		
Training costs, € million		
Training costs per employee, €		
Distribution by education, %		
Comprehensive school		
Upper secondary vocational school		
Lower university degree		
Upper university degree		
¹ eLearning not included		



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The purpose of performance reviews is to give feedback on the person's performance during the previous year, support their development and encourage them to improve their performance. Should the performance not meet expectations, we will support the employee's progress through a separate process. Uniform criteria ensure a fair assessment of performance and competencies for all employees.

PERSONNEL SURVEY AS DEVELOPMENT TOOL

The personnel survey is among the key tools for improving methods of operation and managerial work and one way of listening to the views of the personnel. In 2022, in addition to various pulse surveys, we conducted the Group-wide Our People personnel survey in Finland, Sweden, Norway, Poland and in the Baltic States. The purpose of the survey was to measure how well the goals of the Our People section of Kesko's sustainability strategy have been achieved with regard to the personnel's wellbeing and diversity and inclusion. The response rate to the survey was 48%.

We promote the realisation of pay equality

The average annual salary of Kesko employees was €43,236 in Finland, €40,766 in Sweden, €56,289 in Norway, €30,933 in Estonia, €25,355 in Latvia, €39,841 in Lithuania and €21,253 in Poland. As Kesko Group engages in various types of operations, average salary is not a good indicator of salary level or structure. The wage groups and tables specified in the collective agreement are applied to jobs covered by the agreement, such as sales assistants and warehouse workers. Salaries are also influenced by role-based responsibility bonuses, years of experience and the cost-of-living category of the locality.



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Besides the role and its requirements, the salary of a specialist is determined by competence, experience, performance and results. Kesko uses a job evaluation system.

The job evaluation system enables the comparison of salaries in comparable jobs. In jobs evaluated based on the system, in higher and middle management jobs women's salary is 99% of men's salary for comparable jobs, and 95% with manager and specialists positions. As a whole, women's salary is 98% of men's salary for comparable jobs.

Kesko uses a job evaluation system.

In Finland, working time is regulated by the Working Time Act and collective agreements. In compliance with the Working Time Act, the regular working time shall not exceed eight hours per day or 40 hours per week.

The control of the association of suppliers' employees in risk countries and corrective actions are included in social responsibility audits.

Periods of notice and restructuring situations

Kesko complies with local legislation in all of its operating countries, or the notice periods specified in collective agreements.

Freedom of association is an important value

Employees' freedom of association is a central characteristic of a welfare society. Kesko respects its personnel's freedom of association. The freedom of association or the right to collective bargaining is not seen to be at risk in Kesko's operating countries.

The freedom of association is also supported by the EWC (European Work Council) activities in cooperation with the Service Union United PAM. Due to the Covid-19 pandemic, no international meetings were held in 2020-2022.

Out of the total personnel, 78.2% are covered by collective agreements. So far, no binding industry-wide collective agreements have been drawn up in the Baltic States and Poland.

In Sweden, the statutory minimum notice period in event of organisational changes is 8-24 weeks on the nature of the change. The collective applying to operations in Sweden also does minimum notice periods for restructuring situations.

No specific minimum notice period for organisational changes is defined in Norway, but both legislation and the collective agreement stipulate that personnel shall be informed of organisational changes at the earliest opportunity.

In Estonia, Latvia and Lithuania, the minimum notice period in restructuring situations is four weeks. The collective agreements in these operating countries stipulate that personnel shall be informed of organisational changes at the earliest opportunity.

In Poland, the notice period with permanent employment varies from two weeks to three months depending on the duration of employment. The periods of notice are valid in restructuring situations.

enterprise services has been observed by providing coaching due to protection in the event of restructuring by providing an adjusted training programme. Employees would not be entitled to coaching due to protection in the event of restructuring on the basis of the salary.

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SUSTAINABILITY IN ACTION

We ensure good and transparent governance

We create long-term value by embedding sustainability in everything we do.

Ethics index

82%

measures compliance with the K Code of Conduct and good governance at Kesko

OUR TARGETS:

- We commit to the K Code of Conduct
- Remuneration will be linked to sustainability performance
- We develop our sustainability competence
- We utilise data in a responsible and ethical manner and create added value with it

WE PROMOTE THE FOLLOWING SUSTAINABLE DEVELOPMENT





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SUSTAINABILITY MANAGEMENT

Sustainability is a core part of Kesko's strategy. Sustainability work is guided by Kesko's sustainability policy, sustainability strategy and K Code of Conduct guidelines. We are committed to several international declarations and conventions, the most important of which are:

- The UN Universal Declaration of Human Rights and UN Convention on the Rights of the Child
- The OECD guidelines for Multinational Corporations
- The ILO convention on the Fundamental Rights and Principles at Work
- The UN Global Compact initiative
- The UN Sustainable Development Goals (SDGs)

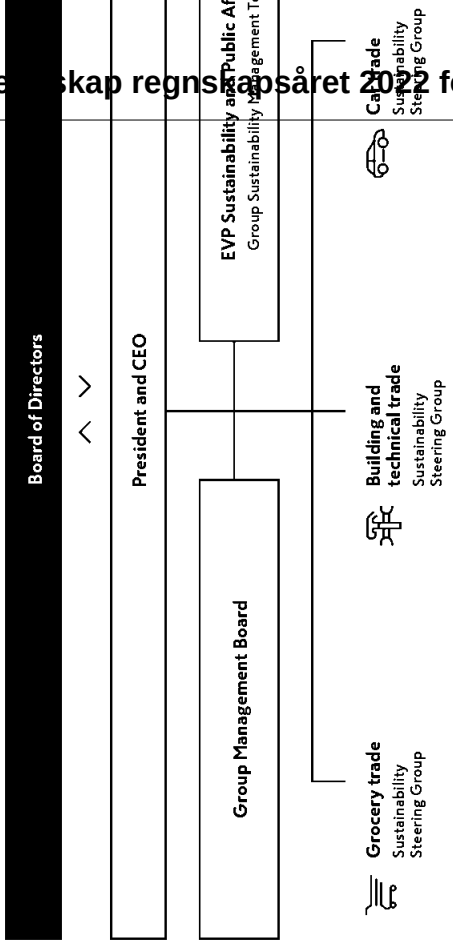
At the highest level, sustainability management is carried out by Kesko's Board of Directors and President and CEO. The Board approves the sustainability strategy and the strategic targets and monitors the progress of the strategy on an annual basis. Kesko's President and CEO has overall responsibility for the implementation of the sustainability strategy and for achieving the common objectives. The Group Management Board approves the new sustainability policies and discusses sustainability in its meetings on a regular basis.

Sustainability work is led by Kesko's Executive Vice President of Sustainability and Public Affairs who is a member of the Group Management Board and reports directly to the President and CEO. She is responsible for the content of the sustainability strategy, monitoring its progress and

supporting the implementation of the strategy in each division. The Executive Vice President of Sustainability and Public Affairs is responsible for stakeholder relationships at the Group level. She chairs the Group Sustainability Management Team which has representatives from the divisions and from the common operations.

The task of the Group Sustainability Management Team is to promote any matters recorded in the sustainability

Sustainability management model



strategy, monitor the progress of the strategy and Group level initiatives and to share best practices.

The divisions are responsible for preparing strategies that are specific to their division and for implementing them under the sustainability covers all the divisions. The divisions are also ensuring the progress of the strategy and for own goals. In the divisions, sustainability work sustainability steering groups.



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STAKEHOLDER ENGAGEMENT

Knowing what our stakeholders expect of us and fulfilling these expectations calls for frequent and open interaction between different stakeholders. We engage in open and active dialogue with our stakeholders. We observe Kesko's disclosure policy to ensure the appropriate disclosure of information.

The feedback we receive from customers helps us meet their expectations and develop our service and selections. We use personnel and pulse surveys to systematically listen to the experiences of our personnel and to measure the quality of leadership.

As part of our human rights assessment we listen to the views of our stakeholders on the realisation of human rights in our operations. We respect the personnel's freedom of association. The control of the association of suppliers' employees in risk countries and corrective actions are included in social responsibility audits.

We are actively participating in the activities of both national and international trading and business organisations. In our stakeholder and lobbying activities we are preparing for the establishment of a statutory transparency register which will enter into effect in 2024. The purpose of the transparency register is to increase the transparency of the stakeholder work of the Finnish parliament, government, ministries and companies.



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ETHICS AND COMPLIANCE

Ensuring ethical business conduct and compliance in Kesko Group takes place by following the K Compliance operating model and K Code of Conduct approved by Kesko's Board of Directors. The Kesko Compliance & Ethics function manages the actions that are in compliance with the K Compliance operating model and reports its operations to Kesko's President and CEO and the Audit Committee of the Board of Directors.

Putting the K Compliance operating model into practice is supported by the K Compliance programmes approved by Kesko's President and CEO. In 2022, Kesko's K Compliance programmes included data protection, competition law, consumer protection, and anti-bribery and corruption. We established an entirely new trade sanctions and export control programme to ensure that international sanctions applicable to our operations are efficiently complied with. The number of sanctions grew significantly as a result of Russia's war of aggression in Ukraine.

In 2022, the focus areas in ensuring compliant and ethical business conduct were training the personnel and performing the compliance audits according to the annual plan. More than 4,000 persons participated in targeted training sessions and employees also completed more than 17,000 online training sessions on compliance.

In 2022, three reports on K Compliance activities were presented to the Audit Committee, one of which focused on the trade sanctions and export control K Compliance

programme alone. In addition, compliance reporting was extended in the divisions' management groups and in country organisations. In 2022, all K Compliance programmes achieved their key goals. Since 2021, reports have also been presented to the Audit Committee on the development of the degree of maturity of Kesko's K Compliance operating model. The key goals set for 2022 were achieved, and the target levels for 2023 were approved.

The compliance and ethics of Kesko's business operations are implemented in everyday work especially by emphasising the role of managers. According to our sustainability strategy, we ensure good and transparent governance. In the case of suspected misconduct, we instruct our employees to first report them to their own manager or to the unit responsible for the matter. If, for any reason, this is not possible, any suspected misconduct can be reported to the Kesko SpeakUp channel, which is a confidential reporting channel open to anyone. Reporting can also be done anonymously. Maintaining the channel is a central part of Kesko's K Compliance operating model.

Based on the results of the K Voices personnel survey completed at the end of 2021, development measures were initiated to ensure low-threshold reporting of any suspected misconduct in Kesko. The development measures were carried out during 2022 as planned, apart from the internal information campaign on the entry into force of the Whistleblower Protection Act, which was



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postponed as the Act's entry into force was delayed until 2023. As part of the development measures, we updated the guidelines for using the SpeakUp reporting channel and published the anti-harassment principles of Kesko. In Sweden, two company-specific reporting channels required by local legislation were introduced.

A total of 37 (2021: 34) reports were submitted through the Kesko SpeakUp channel, 31 (2021: 25) of which required investigation measures. The reports were related to the operations of Kesko, K-stores or Kesko's subcontractors. No incidents of serious misconduct were identified based on the reports submitted in 2022. The most frequent reports (45%) were related to HR issues. In addition, reports were submitted on unethical operations and harassment, for example. No misuse of the reporting channel was observed.

The K Code of Conduct that covers the entire personnel and Kesko's partners serves as a basis for the K Compliance operating model. Activities to increase people's awareness of the K Code of Conduct and to integrate its guidelines into Kesko's HR processes were continued in 2022. Furthermore, we started measures to renew the K Code of Conduct during 2023. All Kesko personnel members are asked annually to confirm their commitment to compliance with the K Code of Conduct. This process was developed in 2022 so that in addition to collecting the annual confirmation, a discussion between the manager and the employees on the application of the K Code of Conduct in practice will also be included. At the time of reporting, the proportion of Kesko's personnel who submitted the annual confirmation was at

least 78%, with the exception of the K-Citymarket chain, where collection will continue in March 2023.

Prevention of corruption and bribery

One of the focus areas of Kesko's compliance operations is the prevention of corruption and bribery. This work is carried out with the K Compliance programme. The

measures taken in 2022 included, for example, developing anti-bribery and corruption guidelines and providing training on them as well as performing risk assessments on a regular basis. In 2022, the focus of risk assessments was on assessing risks related to hospitality in order to support the further development of Group level guidelines. The risks identified will be considered in the further instructions and training to be introduced in 2023 including, for example, more detailed guidelines to be prepared concerning conflicts of interest.

Kesko's K Code of Conduct includes anti-bribery and corruption guidelines, which are complemented by more detailed instructions as necessary. Training on the guidelines will be provided in the Welcome to K Group events targeted at new Kesko employees. Guidelines on gifts and hospitality, for example, are discussed at the event. In addition, every Kesko employee must complete two K Code of Conduct online courses which include guidelines on the prevention of corruption and bribery. In 2022, these online courses were completed a total of 4,798 (2021: 3,696) times.

With the consistent guidelines and training we ensure that everyone at Kesko has the same view about the anti-bribery

and corruption principles and modes of operation guide our everyday work. The anti-bribery guidelines published in the languages of all countries are the same for all Kesko employees. Partners are required to commit to Kesko's Conduct for partners, and through this to zero towards bribery.

Kesko Group's zero tolerance towards bribery corruption is described in the K Code of Conduct "We do not offer or accept bribes", "We conform to Kesko policies on hospitality and gifts" and "Conflicts of interest". Kesko's Compliance & Legal Affairs unit and K Code of Conduct are representing various country organisations providing personnel support in questions relating to application of the K Code of Conduct.

In anti-corruption activities, the key themes have been identified to concern offering and accepting bribes and hospitality, accepting and providing sponsorships, understanding and avoiding conflicts of interest and the rules for lobbying. We do not offer or facilitate payments, or anything other than transparent hospitality that is of low value to our supply chain or in any other operation make monetary donations to political parties.

In 2022, no corruption-related lawsuits against Kesko Group came to our knowledge. No breaches of anti-bribery and corruption guidelines were reported through the SpeakUp in 2022.



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ECONOMIC VALUE CREATION

Kesko's operations generate economic benefits for various stakeholders in Kesko's operating countries and market areas. Key stakeholders include shareholders, customers, personnel, retailers, suppliers of goods and providers of services, and the society. Kesko promotes the growth of welfare throughout its supply chain, including developing countries.

We pay steady dividends

Kesko has some 83,000 shareholders. In the long term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company's financial position and strategy. Read more on [Kesko's dividend policy](#) in Kesko's direction section.

Our capital expenditure impacts the whole society

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

Kesko's capital expenditure in 2022 totalled €449.2 million (2021: €276.6 million). The store site network is a strategic competitive factor for K Group. In 2022, capital expenditure on store sites totalled €268.1 million (2021: €129.0 million).

Read more about Kesko's capital expenditure in the [Report by the Board of Directors](#). In addition to Kesko, K-retailers invest in e.g., store fixtures.

Economic benefits from Kesko's operations to stakeholders

€ million	Revenues	2022
Customers ¹		12,808
Value added generated		12,808
Distribution of value added:		
Suppliers and service providers	Goods, materials and services purchased	-11,044
Employees	Salaries, fees and social security expenses	-786
Payments to providers of capital	Net finance income/costs	-56
Owners	Dividend	-429 ²
Public sector	Taxes ³	-153
Community investments	Donations	-5
Development of business operations		334

¹ Incl. net sales and other operating income

² Proposal to the General Meeting

³ Incl. income taxes, real estate taxes and property taxes

Economic benefits from Kesko's operations by market area in 2022

€ million	Net sales	Purchases ¹	Capital expenditure	Salaries and share-based payments	Social security expenses
Finland	9,600	6,684	385	459	9
Other Nordic countries	1,729	1,466	60	148	4
Baltic countries and Poland	480	452	4	29	0
Other countries	-	1,483	0	1	0
Total	11,809	10,084	449	637	14

¹ Purchases based on the home country of the supplier.

² Taxes include taxes remitted and paid by Kesko i.e. income taxes, real estate taxes, value-added taxes, excise duties, car taxes, customs duties, withholding taxes, social security contributions and statutory pension insurance premiums collected from employee as well as taxes remitted by Kesko. Social security contributions and statutory insurance premiums paid by the employer are presented on column Social security expenses.



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Financial assistance received from public sector

In 2022, Kesko received financial assistance totalling €3.2 million from the public sector. The sum consists mainly of assistance received in Finland (€2.2 million) and in Sweden (€0.8 million). Most of the public sector assistance received in Finland concern projects related to the development of digital services and the improvement of energy efficiency.

Donations, sponsoring and charity

We sponsor nationwide projects in Finland that are connected to the everyday lives of children and young people, promote the quality of living and sustainability, and bring joy to as many people as possible. K Group is the main cooperating partner of the Finnish Football Association in 2021-2024. K-food stores and the Finnish Basketball Association have a multi-year cooperation with the basketball youth national teams and the children and youth teams of the Finnish Basketball Association.

Kesko Corporation may award donations to non-profit organisations out of funds granted by the company's General Meeting. Kesko's Board of Directors decides on the donation recipients. In 2022, half of the Board of Directors' donations were given to Unicef and the Red Cross to support Ukraine. Starting in December 2022, K Group and the Mannerheim League for Child Welfare worked in cooperation to gather funds to support the Ukrainians in Finland by means of sales of the Ukraine bows.

An extensive store network and additional services to customers

Kesko has around 1,800 stores engaged in chain operations in seven countries. In Finland, Kesko's principal business model is the chain business model, in which some 1,100 independent K-retailers operate retail stores in Kesko's chains, which include the grocery store chains, the K-Rauta chain, and the Intersport chain.

Kesko's community investments

€1,000	2022	2021	2020
Non-governmental, environmental and other organisations	434	142	92
Sports (adults)	2,546	1,936	1,246
Youth sports and other youth work	451	486	552
Science, research and education	11	43	61
Culture	454	119	119
Health	1,077	1,057	910
Veteran organisations and national defence	17	51	19
Total	4,990	3,834	3,000

[➔ Read more about sponsoring and donations](#)



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Outside Finland, Kesko mainly engages in own retailing and B2B trade. Read more in [Kesko's direction](#) section.

Together, Kesko and K-retailers form K Group, whose retail sales (pro forma) totalled €15.8 billion in 2022 (0% VAT). K Group has an extensive store network in Finland. Read more at [Kesko's webpages](#).

There is a K-food store in most municipalities in Finland. There are some 1,200 K-food stores in Finland and every day, some 1.2 million customers visit K-food stores. Especially outside growth centres, stores can offer services which may otherwise be scarcely available.

In 2022, the following additional services were available at K-stores:

- Cashback services at all K-food stores
- Postal service points of the Finnish Posti can be found from over 400 K-food stores. In addition to the Posti service points majority of K-food stores offer also other parcel and postal services (Matkahuolto, PostNord, Schenker, UPS, parcel lockers). Parcel and postal services can be found in total at 1,020 K-food stores.
- Charging points for electric cars at over 200 stores
- 400 Rinki eco take-back points





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We are a significant taxpayer

Kesko reports its tax data in compliance with the GRI 207 standard.

Kesko's Tax Policy describes the key principles applied in the management of taxes as well as the tax governance model and responsibilities. The tax policy covers all types of taxes and duties and concerns business areas, common operations and Group companies in all of Kesko's operating countries. Kesko's tax policy was reviewed in February 2023, whereby the wording for principles concerning transfer pricing, tax structures and operating in so called tax havens was clarified. No major changes in the tax management principles have taken place in 2022.

In 2022, Kesko has applied for advance rulings from tax authorities in relation to planned business transactions, the tax treatment of which involved interpretation. In addition, Kesko has had pre-emptive discussions with tax authorities on various questions of interpretation.

Erroneous tax law interpretations or non-compliance may expose Kesko to tax disputes and may negatively impact the business and reputation. Regular tax audits may lead to reassessment of taxes, interest and penalties. The Group's tax positions are regularly reviewed to identify items subject to interpretation. Uncertain positions that are assessed unlikely to be accepted are provided for in tax accounting. The Group's balance sheet on 31 December 2022 does not contain provisions for uncertain tax positions.

In 2022, Kesko participated in public policy advocacy on tax through representation associations such as the Confederation of Finnish Industries (EK), the Finnish Commerce Federation and the Central Chamber of

Commerce. In Sweden and Norway, Kesko is a member of trading industry associations Svensk Handel in Sweden and the Enterprise Federation of Norway (Virke). Stakeholder cooperation and engagement is discussed in more detail in the Stakeholder engagement section of this report. No tax related concerns have come up in stakeholder cooperation or in the materiality assessment.

Kesko's significant Group companies in all operating countries are subject to statutory audits, and Auditor's reports are issued. The Auditor's report concerning Kesko Corporation's separate financial statements and consolidated financial statements can be found in the Financial review section. The taxes included in accounting and financial statements are subject to audits in each country in accordance with the local legislation on audits. In addition, in some countries, such as Norway, the auditor issues a separate report on the company's tax return. Assurance of the information given in the Sustainability section of Kesko's Annual Report is discussed in this report in sections Reporting principles and the Independent Limited Assurance Report.

COUNTRY-SPECIFIC TAX INFORMATION

During the financial year 2022, Kesko has had operations and personnel in seven countries where it engages in both retail and wholesale trade. In addition, Kesko has a subsidiary in China which produces services for the Group related to purchasing operations. Kesko's subsidiary in Kazakhstan was dormant in 2022, and is therefore not covered in the country-by-country reporting. In addition to the operating countries of Group companies, in 2022 Kesko has been liable to pay taxes in Armenia in relation to an export project and in Germany in relation to a temporary working arrangement. Due to the limited nature of the

operations in Armenia and Germany, only income taxes on paid and remitted taxes is reported. Kesko's tax data is reported in the Financial review section of this report. The consolidated financial statements

In 2022, Kesko's income taxes in Finland totaled €23.5 million and in other countries €23.5 million. The Group's effective tax rate was 19.9%. The Group's income taxes are discussed in the Financial review section in the consolidated financial statements.

In addition to income taxes, Kesko pays real property taxes, customs duties, car taxes and employer's social security contributions and pension insurance premiums. Kesko collects value-added taxes, withholding taxes and employee security contributions and statutory pension premiums. Kesko remits excise duties on alcoholic and soft drinks, for example. In addition, Kesko pays withholding taxes and taxes at source on dividends paid by Kesko.

Arm's length interest, based on a currency-specific reference rate and a company-specific margin for the Group's internal debt financing.

Holdings in associates impact the effective cash tax rate of Finnish operations. The share of profit corresponding to Kesko's ownership is calculated using the equity method, while the taxes paid are not included in Kesko Group's tax expenses. In 2022, the profit from Finland included €24.1 million from associates.



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Taxes paid and remitted by country 2022

	€ million	Profit before taxes	Income taxes ¹	Value-added taxes	Withholding taxes on salaries	Social security contributions and statutory pension insurance premiums ²	Real estate and property taxes ³	Car taxes	Customs duties	Excise duties	W
Finland		664.7	118.9	534.4	115.1	122.0	8.8	50.9	10.5	79.3	
Sweden		19.4	4.3	33.2	16.6	21.3	1.3	-	0.4	0.0	
Norway		50.4	12.1	46.8	25.5	16.1	0.2	-	0.0	-	
Estonia		3.9	3.0	7.3	1.1	1.6	0.0	-	0.2	-	
Latvia		2.2	0.1	2.8	0.4	0.8	0.0	-	-	-	
Lithuania		1.1	0.2	4.9	0.6	0.7	0.0	-	0.0	-	
Poland		19.2	3.7	8.9	1.8	7.5	0.2	-	0.2	-	
China		0.0	0.0	0.1	0.0	0.2	-	-	-	-	
Armenia		0.0	0.0	0.1	-	-	-	-	-	-	
Germany		0.1	0.0	-	0.2	0.0	-	-	-	-	
Total		761.1	142.4	638.4	161.4	170.1	10.5	50.9	11.3	79.4	

Reported figures are based on IFRS reporting and may differ from the local financial statements and taxation.

¹ Income taxes include income taxes booked to income statement, deferred taxes excluded.

² Social security contributions and statutory pension insurance premiums include those paid by the employer and collected from the employee.

³ Real estate taxes include the real estate taxes for both owned and rented properties.

The Swedish subsidiaries of the Group have a significant amount of tax losses, from which no deferred tax assets have been recognised due to the historical loss position. In Norway, the difference between the cash tax rate and effective tax rate arises from the timing of tax payments (taxes of a financial year are fully paid during the following financial year).

Estonian and Latvian tax systems do not impose tax on corporate profits, but on profits distributed during the period. Deferred tax on undistributed earnings is only

recognised if a decision on the distribution of earnings is probable in the near future. Consequently, the difference between the theoretical tax calculated from the profit for the financial period and the tax expense accrued based on profit distribution during the period is shown in the table Country-by-country tax rate reconciliation on row 'Effect of unrecognised deferred taxes'. In Estonia, the accrued taxes and cash taxes in 2022 relate to dividend payments.



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Country-specific information 2022

€ million	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland
Personnel at 31 Dec. 2022 ¹	9,770	1,441	1,540	164	94	85	8
Salaries	448.4	60.7	87.0	5.0	2.3	3.3	18
External net sales	9,600.2	680.9	1,048.2	70.4	26.4	33.8	349
Group internal net sales ²	10.5	0.1	-	1.9	0.1	0.4	0
Profit before taxes	664.8	19.4	50.4	3.9	2.2	1.1	19
Intangible assets	1,647.5	42.0	34.1	0.6	0.5	0.7	20
Inventories	786.2	123.4	126.9	18.0	7.6	8.3	45
Group internal interest-bearing debt	31.1	90.4	33.9	0.5	5.2	3.0	7
Income taxes paid	148.0	3.5	15.3	3.7	0.0	0.1	4
Accrued income taxes ³	118.9	4.3	12.1	3.0	0.1	0.2	3
Effective cash tax rate	22.3%	17.8%	30.3%	94.1%	0.0%	5.6%	22.1%

Reported figures are based on IFRS reporting and may differ from the local financial statements and taxation.

¹ Full-time equivalent of active employees (FTE).

² Group internal net sales include only cross-border net sales. The Group internal net sales do not include charges from Group services.

³ Accrued income taxes include income tax recorded in the income statement, excluding deferred taxes.

Country-by-country tax rate reconciliation 2022

€ million	Finland	Sweden	Norway	Estonia	Latvia	Lithuania	Poland
Profit before taxes	664.8	19.4	50.4	3.9	2.2	1.1	19
Local tax rate	20.0%	20.6%	22.0%	20.0%	20.0%	15.0%	19.0%
Tax at local tax rate	-133.0	-4.0	-11.1	-0.8	-0.4	-0.2	-3
Effect of tax-free income	0.3	0.0	0.0	-	0.0	-	-
Effect of expenses not deductible for tax purposes	-0.3	-0.5	-0.2	-	0.0	0.0	-0
Effect of unrecognised deferred taxes	0.1	0.0	0.0	-2.3	0.3	0.0	0
Effect of consolidation of share of result of associates and joint ventures	4.8	-	-	-	-	-	-
Others	-0.4	0.0	0.3	-	0.0	0.0	-0
Tax charge	-128.5	-4.6	-11.1	-3.0	-0.1	-0.2	-3
Effective tax rate	19.3%	23.5%	22.0%	77.7%	5.7%	13.9%	19.0%

Reported figures are based on IFRS reporting and may differ from those stated in local financial statements and taxation.

¹ The presentation of country-by-country tax rate reconciliation differs from the Group reconciliation in the 2022 consolidated financial statements for Estonia and Latvia. In the country-by-country reconciliation, Latvia has been calculated at the local tax rate applied to profit distribution, while in the Group reconciliation, taxes on profit distribution are not taken into account when calculating theoretical tax. The corresponding impact in country tax rate reconciliation is shown on the line "Effect of unrecognised deferred taxes".



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RESPONSIBLE USE OF DATA

Kesko's key objectives of data utilisation are improving customer experience and increasing operational efficiency. High-quality data and services produced using this data create value for customers, retailers, partners and business operations as a whole.

Data responsibility at Kesko is always based on protecting the individual's data and using it sustainably and transparently in business operations. The data is used to create positive impacts for stakeholders and society. In the use of data and artificial intelligence, we follow ethical principles, which are available on [Kesko's website](#).

We process personal data carefully, securely and in compliance with the applicable rules and regulations. K Group uses customer data for the benefit of the customer: for example, special offers, product recommendations and targeted communications are always based on the customer's preferences.

Sustainability benefits for the customer and the retailer

In the grocery trade we use data to help customers make sustainable choices. Customers can make purchase decisions that benefit the environment, Finnish food production, and their own wellbeing by using reporting and product information services, particularly the K-Ostokset service. The service enables customers to set their own sustainability goals, such as the carbon footprint of their grocery purchases, for example.

The carbon footprint calculator enables customers to study the climate impact of their purchases as a whole and by product category. In the application, customers can also set goals related to nutrition, such as a goal to reduce consumption of sugar. Ruokavuotesi 2022 (Your year in food) service launched in December, for example, shows whether the amount of vegetables has increased or decreased in the shopping basket.

The data helps K-retailers create sustainable business. The data is used to build a store-specific business idea based on customer business and market insight generated using analytics. Based on this data, products and services that are best suited to each store's local customer base are suggested to be included in the K-food stores' selections. Food waste will decrease when the ordered amounts are optimised according to the circulation speed.

Kespro is developing a reporting service for its foodservice customers which they can use to view their purchasing data based on the level of Finnish origin or sustainability labelling. The aim is to also include a feature for checking the carbon footprint of products as part of the service.

Data and artificial intelligence are also utilised in K Group's sustainability work. They are used for improving the energy efficiency of properties and store fixtures and for optimising goods flows as well as logistics and delivery routes.



SUSTAINABILITY REPORTING



Årsregnskap 2023
Brønnøysundregistrene
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REPORTING PRINCIPLES

Reporting principles in accordance with the GRI standards

Since 2000, Kesko has annually reported on its sustainability actions in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting. The Sustainability report of Kesko's Annual Report is prepared in accordance with the GRI Standards and it covers the key areas of economic, social and environmental responsibility.

For the first time, we report in accordance with the Universal Standards GRI 1, GRI 2 and GRI 3, in effect at the beginning of 2023. For each reported standard, the GRI index refers to the year of the version used.

Kesko takes account of the IIRC (International Integrated Reporting Council) Framework in its annual reporting. Kesko applies in its operations the AA1000 AccountAbility Principles: stakeholder inclusivity, identification of material aspects and responsiveness to stakeholders. Kesko has taken account of the ISO 26000 standard as a source document providing guidelines for corporate responsibility.

This report has been prepared in accordance with the GRI Standards: Core option. Topic-specific Disclosures are reported with respect to the material topics for Kesko. A comparison of the contents of the report and the GRI standards is given in the GRI index. The report is

published in Finnish and in English. The report is published online in PDF format.

Assurance of reporting

An independent third party, Deloitte Oy, has provided assurance for the Topic-specific Disclosures on economic, social and environmental responsibility presented in the GRI index in the Finnish language Sustainability report of the Annual Report. The congruence between sustainability information presented in the Finnish and English versions has been checked. The conclusions by Deloitte Oy are detailed in the assurance report. The assurance is commissioned by the operative management of Kesko Corporation.

Global Compact reporting

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

Report stakeholders

Various stakeholders use the report as their source of information when assessing Kesko's results in the different areas of sustainability. The most important target groups for the report include investors, shareholders, analysts and

rating agencies, as well as society (the media, educational establishments and NGOs).

Reporting period

This report describes the progress and results of sustainability work in 2022. It includes some from January and February 2023. The report was published in March 2022. The report for published in the spring of 2024.

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

Mikko Halander
President and CEO





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GRI INDEX

AR = A

GLOBAL
COMPACT

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OMISSIONS

LOCATION

CODE GRI CONTENT

STANDARD
VERSION

GRI 2 GENERAL DISCLOSURES

AR 5

2-1 Organizational details
2-2 Entities included in the organization's sustainability reporting

2-3 Reporting period, frequency and contact point
2-4 Restatements of information

2-5 External assurance
2-6 Activities, value chain and other business relationships

AR 92-97

2-7 Employees
2-8 Workers who are not employees

2-9 Governance structure and composition

2-10 Nomination and selection of the highest governance body

2-11 Chair of the highest governance body

2-12 Role of the highest governance body in overseeing the management of impacts

2-13 Delegation of responsibility for managing impacts

Executive Vice President, Sustainability and Public Affairs

Kesko Corporation (Finland) and its building and technical trade companies in Sweden, Norway, the Baltic countries and Poland as well as its car trade companies in the Baltic countries.

No significant changes. Changes reported in connection with topic-specific information.

There are no significant seasonal fluctuations in the number of employees.

There are no independent entrepreneurs among Kesko employees, nor does suppliers' or hired labour perform a significant part of the work.

EVP, Sustainability and Public Affairs is a member of Group Management Board

Årsregnskap regnskapsåret 2022 for 980656616



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	CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
Kesko's direction	2-14	Role of the highest governance body in sustainability reporting	AR 253				
	2-15	Conflicts of interest	AR 249–258		Kesko complies with the Finnish Corporate Governance Code for Listed Companies.		
	2-16	Communication of critical concerns	AR 262				
	2-18	Evaluation of the performance of the highest governance body	AR 254				
	2-19	Remuneration policies	AR 276–281				
	2-20	Process to determine remuneration	AR 276–281				
	2-22	Statement on sustainable development strategy	AR 9–11				
	2-23	Policy commitments	Sustainability policy K Code of Conduct Statement of commitment on human rights and impact assessment				
	2-24	Embedding policy commitments	AR 107–108 Statement of commitment on human rights and impact assessment				
	2-25	Processes to remediate negative impacts	AR 107–108			x	
Corporate governance	2-26	Mechanisms for seeking advice and raising concerns	AR 108 K Code of Conduct		We are not aware of any significant breaches which according to the standard definition would have resulted in fines paid during the reporting period.		
	2-27	Compliance with laws and regulations					
	2-28	Membership associations	Activities in organisations				
	2-29	Approach to stakeholder engagement	AR 106				
	2-30	Collective bargaining agreements	AR 103			x	



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GRI 3 MATERIAL TOPICS						
3-1	Process to determine material topics	<u>Materiality assessment</u>				2021
3-2	List of material topics	<u>Materiality assessment</u>				
3-3	Management of material topics	<u>Management of material topics</u>				
TOPIC-SPECIFIC CONTENT						
Topic-specific content is reported regarding aspects identified as material.						
ECONOMIC IMPACTS						
201 Economic performance						
201-1	Direct economic value generated and distributed	AR 109				2016
201-2	Financial implications and other risks and opportunities due to climate change	AR 21		TCFD Report	x	
201-4	Financial assistance received from government	<u>AR 110</u>		Monetary evaluations or realisations have not been reported for risks and opportunities.		
203 Indirect economic impacts						
203-1	Infrastructure investments and services supported	<u>AR 110–111</u>				2016
204 Procurement practices						
204-1	Proportion of spending on local suppliers	<u>AR 76–77, AR 109</u>	Purchases from suppliers are reported by the location of the supplier. Some of the suppliers operating in Finland are import companies, and reliable statistics cannot be compiled on the origin of goods supplied by them.			2016
205 Anti-corruption						
205-1	Operations assessed for risks related to corruption	<u>AR 107–108</u>		Risks related to corruption are discussed as part of Kesko's risk management. Key risks are identified and assessed regularly throughout the year.	x	2016
205-2	Communication and training about anticorruption policies and procedures	<u>AR 107–108</u>	Data for disclosure not reported. Percentages not reported by personnel group or geographical region.		x	
205-3	Confirmed incidents of corruption and actions taken	<u>AR 107–108</u>			x	



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206	206-1	Anti-competitive behaviour Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices			In 2022 The Finnish Competition and Consumer Authority informed that it has been investigating Onninen on a suspected violation of competition law in 2009-2016 and proposes a penalty payment of €16 million. Onninen denies the claims. Kesco Corporation is not suspected of participation in the alleged infringement. Kesco has published a release on the matter on 8 September 2022. No authority rulings or legal actions regarding anticompetitive behaviour, anti-trust, and monopoly practices were reported in 2022.		2016
207	207-1	Taxes Approach to tax	AR 111-114, Kesco's tax policy				2019
207-2	207-2	Tax governance, control and risk management	AR 111-114, Kesco's tax policy				
207-3	207-3	Stakeholder engagement and management concerns related to tax	AR 111-114, Kesco's tax policy				
207-4	207-4	Country-by-country reporting	AR 111-114				
ENVIRONMENTAL IMPACTS							
301	301-3	Materials Reclaimed products and their packaging materials	AR 70	Percentage calculation model in accordance with the GRI standard is not applicable to Kesco's operations.	Part of the information is reported in accordance with standard 306-2.		2019
302	302-1	Energy Energy consumption within the organisation	AR 63-64	At some properties located in leased premises outside Finland, the heat energy data is not reported because it is included in the lease or data is not available.	Kesco's Greenhouse Gas Inventory Report 2022 The energy consumption data from other countries is compiled from fuel and purchased energy consumption data reported by subsidiaries.	x	2019
302-3	302-4	Energy intensity Reduction of energy consumption	AR 64 AR 65-66			x	
						x	



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CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
303	Water and effluents					2018
303-1	Interactions with water as a shared resource	AR 68			x	
303-5	Water consumption	AR 68	At some properties located in leased premises outside Finland, water consumption is included in the lease and data is not available for reporting	Kesko's Greenhouse Gas Inventory Report 2022 The water consumption data from other countries is compiled from water billing or consumption data reported by subsidiaries.	x	
304	Biodiversity					2016
304-2	Significant impacts of activities, products and services on biodiversity	AR 66-67			x	
304-3	Habitats protected or restored			Kesko does not have any protected habitats of its own.	x	
305	Emissions					2016
305-1	Direct (Scope 1) GHG emissions	AR 58		Kesko's Greenhouse Gas Inventory Report 2022	x	
305-2	Energy indirect (Scope 2) GHG emissions	AR 58		Kesko's Greenhouse Gas Inventory Report 2022	x	
305-3	Other indirect (Scope 3) GHG emissions	AR 60		Kesko's Greenhouse Gas Inventory Report 2022	x	
305-4	GHG emissions intensity	AR 58			x	
305-5	Reduction of GHG emissions	AR 55-57, AR 59			x	
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions	AR 58		Kesko's Greenhouse Gas Inventory Report 2022	x	
306	Waste					2018
306-2	Management of significant waste-related impacts	AR 69-70			x	
306-3	Waste generated	AR 71				
306-4	Waste diverted from disposal	AR 72-73		Food waste reported. Disc. b-e not reported.	x	
308	Supplier environmental assessment					2016
308-1	Supplier environmental assessment	AR 82	Not reported by percentage.			

CODE	GRI/CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
SOCIAL IMPACTS						
401	Employment					
401-1	New employee hires and employee turnover	AR 93	In new employee hires, regional ratio not reported.		x	2016
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	AR 95-96, Benefits and rewards	Personnel benefits exceeding the statutory level not reported in detail and not by employment types. Practices vary in different operating countries. Extent of employment benefits reported for Finland only.			
401-3	Parental leaves	AR 96-97	Data for disc. e not reported.			
402	Labour/Management relations					
402-1	Minimum notice periods regarding operational changes	AR 103	Arrangements compliant to legislation. Legislation does not define minimum notice periods at the precision required by GRI.		x	2016
403	Occupational health and safety					
403-1	Occupational health and safety management system	AR 98-100	Data for disc. a.i., a.ii and b not reported.			
403-2	Hazard identification, risk assessment, and incident investigation	AR 98-100	Data for disc. a.i, b, c and d not reported.			
403-3	Occupational health services	AR 98-100	Data for disc. a not reported.			
403-5	Worker training on occupational health and safety	AR 98-100				
403-6	Promotion of worker health	AR 98-100				
403-9	Work-related injuries	AR 98-100	Not reported by injury type or the number of working hours by workers. Not reported by hired labour and contractors. Data for disc. a.v. not reported.			
403-10	Work-related ill health	AR 98-100	Not reported by occupational disease. Not reported by hired labour and contractors. Data for disc. c not reported.			



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CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
404	Training and education					2016
404-1	Average hours of training per year per employee	AR 101			x	
404-2	Programmes for upgrading employee skills and transition assistance programmes	AR 101	Data for disc. b not reported.			
404-3	Percentage of employees receiving regular performance and career development reviews	AR 101-102	Not reported by gender.		x	
405	Diversity and equal opportunity					2016
405-1	Diversity of governance bodies and employees	AR 94-95	Age distribution data for disc. a not reported.		x	
405-2	Ratio of basic salary and remuneration of women to men	AR 102-103	Data related to equal pay not reported by country.		x	
406	Non-discrimination					2016
406-1	Incidents of discrimination and corrective actions taken	AR 94			x	
407	Freedom of association and collective bargaining					2016
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	AR 103			x	
414	Supplier social assessment					2016
414-1	New suppliers that were screened using social criteria	AR 78-81	The percentage of new suppliers has not been separately screened out of all direct suppliers in high-risk countries.			
414-2	Negative social impacts in the supply chain and actions taken	AR 78-81	Percentage of suppliers with whom we ceased to cooperate not reported.			
415	Public policy					2016
415-1	Political contributions	AR 108			x	



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CODE	GRI CONTENT	LOCATION	OMISSIONS	FURTHER INFORMATION	GLOBAL COMPACT	STANDARD VERSION
416	Customer health and safety					2016
416-1	Assessment of the health and safety impacts of product and service categories	AR 88-89	Percentage calculation model in accordance with the GRI standard is not applicable to Kesko's operations.			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	AR 89				
417	Marketing and labelling					2016
417-1	Requirements for product and service information and labelling	AR 90	Percentage calculation model in accordance with the GRI standard is not applicable to Kesko's operations. Data for disc. a.iii. not reported.			
417-2	Incidents of non-compliance information and labelling	AR 90				
417-3	Incidents of non-compliance concerning marketing communications	AR 90				
418	Customer privacy					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data			In one case in 2022, we were contacted by two customers regarding a breach of customer privacy. We were also contacted by authorities regarding this case.		



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INDEPENDENT LIMITED ASSURANCE REPORT

Translated from Finnish original

To the Management of Kesko Oyj

SCOPE

We have been engaged to provide a limited assurance on the selected GRI disclosures presented on Kesko Oyj's (business identity code 0109862-8) "Sustainability Report" for the reporting period of January 1, 2022 to December 31, 2022. The assured information is presented on the "Sustainability Report's" GRI Content Index pages. (Hereafter Sustainability Reporting).

RESPONSIBILITIES OF THE MANAGEMENT

The Management of Kesko Oyj is responsible for the preparation of the Sustainability Report in accordance with the GRI Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter also the Reporting criteria). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Sustainability Report that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate criteria and making estimates that are reasonable in the circumstances.

ASSURANCE PROVIDER'S RESPONSIBILITIES

Our responsibility is to perform a limited assurance engagement and to provide an independent conclusion on the Sustainability Reporting based on our engagement. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements

(ISAE) 3000 (Revised) and its terms have been agreed with Kesko Oyj. ISAE 3000 standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Sustainability Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria. The nature, timing and scope of the limited assurance procedures are based on professional judgement, including an assessment of material misstatement due to fraud or error. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

We have maintained our independence and confirm that we have complied with the ethical requirements set by the International Ethics Standards Board for Accountants, IESBA. We have applied International Standard on Quality Management, ISQM 1.

DESCRIPTION OF THE MEASURES TAKEN

As the methods of obtaining evidence are more limited in a limited assurance than in a reasonable assurance, an assurance obtained is more limited than in a reasonable assurance. We have designed and performed procedures to obtain sufficient and appropriate evidence for limited assurance and to provide a basis for our conclusion, therefore we do not obtain all the evidence, which is required in reasonable assurance. While we consider the design of internal controls when determining the nature and

scope of our assurance procedures, our limited assurance engagement is not included the testing of the effectiveness of internal controls. Our procedures include control testing or performing procedures combining and calculating data within IT systems.

The limited assurance engagement consists of individuals who are responsible for preparing Reporting and related information, as well as out analytical and other procedures.

THE PROCEDURES INCLUDED:

Among other things, we have carried out the procedures in the assignment:

- Interviewing senior management of the Company
- Conducting interviews with employees, at level and subsidiary level, responsible for and reporting of the Sustainability Information as the personnel in different organisational business areas.

- Performing sample-based testing procedures to what extent these documents and data information included in the Sustainability and evaluating whether the information in the Sustainability Information in line with the knowledge of corporate sustainability at



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- Performing analytical review procedures, recalculating and testing data on a sample basis to assess the reasonability of the presented Sustainability Information;
- Visiting the Company's Head Office;
- Conducting an interview with Company's site in Norway through a video conference;
- Assessing that the Sustainability Information has been prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative

CONCLUSION

Based on procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Kesko Oyj's Sustainability Reporting for the reporting period ended 31 December 2022 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

Helsinki, February 28, 2023

Deloitte Oy
Audit firm

Jukka Vattulainen
Authorized Public Accountant

Anu Servo
Authorized Public Accountant



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2022 KESKO ANNUAL REPORT



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This PDF report has been published voluntarily. Kesko has published the Report by the Board of Directors and the consolidated financial statements as an XHTML document in accordance with the European Single Electronic Format (ESEF) reporting requirements. The ESEF version is the official version of the report. This report is a translation of the Finnish original.

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REPORT BY THE BOARD OF DIRECTORS

Kesko has operations in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland, with some 1,800 stores engaged in chain operations.

Kesko's principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's chains. Retailer operations accounted for approximately 46% of Kesko's net sales in 2022. At the end of 2022, Kesko had nearly 1,100 independent K-retailer entrepreneurs as partners. Kesko also engages in its own retailing, which accounted for some 14% of net sales. B2B trade is a significant and growing part of Kesko's business operations, and it accounted for approximately 40% of Kesko's net sales.

Outside Finland, Kesko mainly engages in its own retailing and B2B trade. Net sales for international operations totalled €2,209 million, and accounted for 19% of Kesko's total net sales.

Together, Kesko and K-retailers form K Group, whose retail sales (preliminary) totalled some €15.8 billion (0% VAT) in 2022.

Operating environment

Identified megatrends impacting K Group's operations include accelerating change in the use of digital solutions and new technologies, the importance of sustainability and impacts on climate and nature, globalisation and related supply chain security, the importance of risk management,

and continued population change. Themes emphasised in customer and consumer trends include the need to constantly adjust selections, multichannel shopping, growing customer knowledge and power, and more individual customer behaviour. Key opportunities and risks in our operating environment are related to developments in our economic operating environment, digital services and data-driven management, the geopolitical situation, sustainable purchasing and human rights, and climate change and loss of biodiversity. Risks are described in more detail in the 'Significant risks and uncertainties' section of this Report by the Board of Directors.

Outlook and guidance for 2022

Kesko Group's guidance is given for the year 2023, in comparison with the year 2022. Kesko's net sales and operating profit are estimated to remain at a good level in 2023 despite the challenges in the company's operating environment. Kesko estimates that its comparable operating profit in 2023 will be in the range of €680–800 million. The guidance is based on an estimated relatively short recession in Kesko's operating countries. Key uncertainties impacting Kesko's outlook are developments in inflation and interest rate levels, and Russia's ongoing offensive war in Ukraine.

In the grocery trade division, B2C trade as a whole is estimated to remain stable, and the foodservice market is predicted to continue to grow. Price inflation will support sales development in euro terms, but will also increase costs. Operating profit is expected to remain at a good level.

The construction market is expected to decrease compared to 2022. New building construction to decrease, but renovation building and construction related to the green transition are estimated to grow. Operating profit is expected to remain also in building and technical trade.

In the car trade division, car availability is estimated to improve, but demand is estimated to remain term average. Profitability in the car trade division is expected to remain at a good level.

Important events

Positive profit warning on 25 April 2022
Kesko raised its profit guidance for 2022 on estimating that its comparable operating profit will be in the range of €730–840 million. Before the announcement, Kesko's comparable operating profit was estimated to be in the range of €680–800 million.



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Financial performance

Net sales and profit 2022

1-12/2022	Net sales, € million	Change %	Change, comparable, %	Operating profit, comparable € million
Grocery trade	6,124.7	+3.6	+3.6	460.4
Building and technical trade excl. speciality goods trade	4,591.1	+10.3	+9.7	302.8
Speciality goods trade	214.0	-4.3	+1.8	16.1
Kesko Senukai	-	-	-	20.9
Building and technical trade total	4,805.1	+9.5	+9.4	339.8
Car trade	910.9	-11.4	-11.4	48.4
Common functions and eliminations	-31.8	-	-	-33.5
Total	11,809.0	+4.5	+4.4	815.1

Group net sales grew by 4.4% in comparable terms. Net sales grew in comparable terms by 3.6% in Finland and by 8.4% in other operating countries. The comparable change % has been calculated in local currencies and excluding the impact of acquisitions and divestments completed. The reported Group net sales grew by 4.5%.

Net sales for the grocery trade division grew by 3.6%. Sales to K Group grocery store chains grew by 0.8%. Net sales for Kespro's foodservice business grew by 20.7%. As Covid-19 restrictions were less severe than in the comparison period, consumption was relatively more geared towards foodservice than retail.

Net sales for the building and technical trade division increased by 9.5%, or by 9.4% in comparable terms. Net sales grew in comparable terms in all operating countries. Net sales growth continued strong in Onninen's technical wholesale. The growth was underpinned by good volume development and rising prices in some product categories.

In building and home improvement trade, sales increased in B2B trade, but decreased in B2C trade.

Net sales for the car trade division decreased by 11.4% due to the poor availability of cars.

The Group's comparable operating profit totalled €815.1 million, an increase of €39.6 million. In the grocery trade division, profitability improved in particular thanks to strong growth in Kespro's foodservice business. In the building and technical trade division, profit continued to strengthen in Onninen's technical wholesale. Onninen's comparable operating profit grew in all operating countries. In building and home improvement trade, comparable operating profit decreased in all operating countries. Share of result from Kesko Senukai had a €0.5 million negative impact on the building and technical trade division's comparable operating profit. In the car trade division, net sales and comparable operating profit decreased due to the weakened availability of cars in 2022.

Items affecting comparability, € million

Comparable operating profit	815.1
Items affecting comparability	
+gains on disposal	+0.1
-losses on disposal	-0.1
-impairment charges	-
+/-structural arrangements	+1.1
Total items affecting comparability	+1.1
Operating profit	816.2

K Group's (Kesko and the chain stores) retail sales (0% VAT) totalled €15,832 million, a growth of 3.6% compared to the previous year. The comparable operating profit for the 12-month period that ended in December 2022 totalled €339.8 million, a number of Finnish households belonging to the Plus loyalty scheme and using the Plus network million, with 3.3 million customers using the



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Net finance costs, income tax and earnings per share

Net finance costs, income tax and earnings per share	1-12/2022	1-12/2021
Net finance costs, € million	-56.0	-68.2
Interests on lease liabilities, € million	-68.4	-71.3
Profit before tax, comparable, € million	763.2	710.4
Profit before tax, € million	761.1	712.9
Income tax, € million	-151.2	-141.1
Earnings per share, comparable, €	1.54	1.43
Earnings per share, €	1.53	1.44
Equity per share, €	6.90	6.37

The Group's net finance costs were positively impacted by the change in the fair value of interest rate derivatives, €13.5 million, and a decrease in interest expenses for lease liabilities. The share of result of associates amounted to €0.6 million (€5.9 million, or €2.0 million in comparable terms).

The Group's comparable profit before tax grew thanks to growth in comparable operating profit and a reduction in net finance costs. The Group's effective tax rate was 19.9% (19.8%).

The Group's earnings per share and comparable earnings per share grew compared to the year before.

Cash flow and financial position

Cash flow, € million	1-12/2022	1-12/2021
Cash flow from operating activities	915.2	1,152.0
Cash flow from investing activities	-344.3	-292.3
Cash flow from financing activities	-604.7	-834.4

Financial position	31.12.2022	31.12.2021
Liquid assets, € million	314.1	387.7
Interest-bearing liabilities, € million	2,418.3	2,295.1
Lease liabilities, € million	1,920.1	1,928.6
Interest-bearing net debt excl. lease liabilities, € million	184.1	-21.3
Interest-bearing net debt/EBITDA, excl. IFRS 16 impact	0.2	0.0
Gearing, %	76.7	75.4
Equity ratio, %	36.9	36.6

The Group's cash flow from operating activities totalled €915.2 million (€1,152.0 million). The cash flow was weakened by growth in working capital. In addition, the cash flow from operating activities for the comparison period included a €38.6 million return of surplus assets paid by Kesko Pension Fund.

The Group's cash flow from investing activities totalled €-344.3 million (€-292.3 million). In the comparison period, the cash flow from investing activities included a negative item of €55.9 million in investment of Group liquid assets in money market funds.

Capital expenditure

Capital expenditure, € million	1-12/2022
Group, total	449.9
Store sites	268.8
Acquisitions	50.0
IT	41.1
Other investments	89.9

Capital expenditure in store sites increased by 1.1 million on the comparison period. Capital expenditure on the property of K-Citym, store sites included the ownership of in Tampere, €40.3 million: the ownership of was transferred to the Group as a result of a surplus assets by Kesko Pension Fund in March. Capital expenditure did not have a cash flow impact.

Capital expenditure included the acquisition of Trävaruaktiebolag, Föllinge Säg AB, Djurbergs Aktiebolag and XL-BYGG Bergslagen AB in Seljord Elektriske AS in Norway.



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Segments

Grocery trade

	1-12/2022	1-12/2021
Net sales, € million	6,124.7	5,909.0
Operating profit, comparable, € million	460.4	442.9
Operating margin, comparable, %	7.5	7.5
Return on capital employed, comparable, %	19.6	20.6
Capital expenditure, € million	257.6	122.8
Personnel, average	6,288	6,126

Net sales for the grocery trade division amounted to €6,124.7 million (€5,909.0 million), an increase of 3.6%. Sales to K Group grocery store chains grew by 0.8%. Net sales for Kespro's foodservice business grew by 20.7%. As Covid-19 restrictions were less severe than in the comparison period, consumption was relatively more geared towards foodservice than retail.

The total retail grocery market in Finland (incl. VAT) is estimated to have grown by approximately 3.3% (Finnish Grocery Trade Association PTY) and retail prices are estimated to have risen by some 8.9% (incl. VAT, Kesko's own estimate). K Group's grocery sales decreased by 0.2% (incl. VAT). Online grocery sales decreased by 3.3%, and accounted for approximately 3.1% of K Group's grocery sales (incl. VAT). Online grocery sales have risen clearly above pre-pandemic levels. All K Group grocery store chains offer online grocery sales services. The number of K Group stores offering online grocery services was 619 at the end of the reporting period, up by 102 year-on-year. The total market for the foodservice business is estimated to have grown by 16.1% (Finnish Grocery Trade Association PTY).

The comparable operating profit for the grocery trade division totalled €460.4 million (€442.9 million), up by €17.5 million. Profitability improved in particular thanks to strong growth in Kespro's foodservice sales. Operating profit for the grocery trade division totalled €461.5 million

Net sales, € million	1-12/2022	1-12/2021	Change, %	Change, % comparable
Sales to K-food stores	4,367.4	4,333.2	+0.8	+0.8
K-Citymarket, non-food	605.1	618.6	-2.2	-2.2
Kespro	1,041.3	862.7	+20.7	+20.7
Others	110.8	94.5	+17.1	+17.1
Total	6,124.7	5,909.0	+3.6	+3.6

(€443.9 million). Items affecting comparability: million (€0.9 million).

Capital expenditure for the grocery trade division totalled €257.6 million (€122.8 million). Capital expenditure in store sites totalled €230.5 million (€101.1 million). Capital expenditure in store sites included the expenditure for K-Citymarket Turtola in Tampere, €40.3 million. Ownership of the property was transferred to Kesko as a result of a return of surplus assets by Kesko. The capital expenditure did not have a cash effect.



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Building and technical trade

	1-12/2022	1-12/2021
Net sales, € million	4,805.1	4,387.7
Building and technical trade excl. speciality goods trade	4,591.1	4,164.0
Building & home improvement trade	2,377.2	2,292.3
Onninen	2,286.2	1,930.3
Speciality goods trade	214.0	223.7
Operating profit, comparable, € million	339.8	318.0
Building and technical trade excl. speciality goods trade	302.8	275.4
Building & home improvement trade	127.5	154.2
Onninen	173.7	122.3
Speciality goods trade	16.1	21.2
Kesko Senukai	20.9	21.5
Operating margin, comparable, %	7.1	7.2
Building and technical trade excl. speciality goods trade	6.6	6.6
Building & home improvement trade	5.4	6.7
Onninen	7.6	6.3
Speciality goods trade	7.5	9.5
Return on capital employed, comparable, %	19.4	19.0
Capital expenditure, € million	108.7	43.1
Personnel, average	6,155	5,977

Net sales for the building and technical trade division increased by 9.5%, or by 9.4% in comparable terms. Net sales grew in comparable terms in all operating countries. Net sales growth continued strong especially in Onninen's technical wholesale. The growth was underpinned by good volume development and rising prices in some product categories. In building and home improvement trade, sales grew in B2B trade but decreased in B2C trade. The weakening of the Swedish krona and Polish zloty against the

Net sales, € million

Building and home improvement trade, Finland	1,126.7	1,078.5
K-Rauta, Sweden	189.1	200.6
K-Bygge, Sweden	352.8	294.6
Bygghälsan, Norway	711.4	721.0
Building and home improvement trade, total	2,377.2	2,292.3
Onninen, Finland	1,319.0	1,121.0
Onninen and MIAB, Sweden	147.0	118.7
Onninen, Norway	346.5	296.1
Onninen, Baltics	130.8	94.8
Onninen, Poland	349.2	303.3
Onninen, total	2,286.2	1,930.3
Building and technical trade excl. speciality goods trade total	4,591.1	4,164.0
Sports trade, Finland	214.0	215.5
Speciality goods trade total	214.0	223.7
Total	4,805.1	4,387.7

euro diminished net sales development in euro terms, while the strengthening of the Norwegian krone against the euro positively impacted net sales in euro-terms.

In Finland, net sales for the building and technical trade division totalled €2,596.3 million (€2,371.4 million), up by 9.5%. In comparable terms, net sales in Finland increased by 10.2%. Net sales from international operations amounted to €2,208.8 million (€2,016.4 million, an increase of 9.5%). In comparable terms, net sales from international operations grew by 8.4%.

Net sales for building and home improvement trade increased in Finland and Sweden and decreased in Norway. Net sales for Onninen's technical wholesale grew in all operating countries. Sports trade net sales in speciality goods trade grew by 1.8% in comparable terms. Reported net sales for speciality goods trade decreased due to the discontinuation of the Kookkä and The Athlete's Foot chains in 2021.

Change, %

Building and home improvement trade, Finland	1,126.7	1,078.5	+4.5
K-Rauta, Sweden	189.1	200.6	-5.7
K-Bygge, Sweden	352.8	294.6	+19.8
Bygghälsan, Norway	711.4	721.0	-1.3
Building and home improvement trade, total	2,377.2	2,292.3	+3.7
Onninen, Finland	1,319.0	1,121.0	+17.7
Onninen and MIAB, Sweden	147.0	118.7	+23.9
Onninen, Norway	346.5	296.1	+17.0
Onninen, Baltics	130.8	94.8	+38.0
Onninen, Poland	349.2	303.3	+15.1
Onninen, total	2,286.2	1,930.3	+18.4
Building and technical trade excl. speciality goods trade total	4,591.1	4,164.0	+10.3
Sports trade, Finland	214.0	215.5	-0.7
Speciality goods trade total	214.0	223.7	-4.3
Total	4,805.1	4,387.7	+9.5

The comparable operating profit for the building and technical trade division totalled €339.8 million (€318.0 million), an increase of €21.8 million year-on-year. In the technical trade division, profit continued to grow in Onninen's technical wholesale. Onninen's operating profit grew in all operating countries and home improvement trade, comparable operating profit decreased in all operating countries. Share of Kesko Senukai had a €0.5 million negative impact on the division's comparable operating profit. The comparable operating profit for speciality goods trade decreased by 4.3%. Operating profit for the building and technical trade division totalled €340.8 million (€323.1 million). Intercompany item affecting comparability in the period was the €6.5 million gain on disposal of share of result of joint ventures.



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Capital expenditure for the building and technical trade division totalled €108.7 million (€43.1 million). Capital expenditure included the acquisitions of Kungälv's Trävaruaktiebolag, Föllinge Säg AB, Djurbergs Järnhandel Aktiebolag and XL-BYGG Bergslagen AB in Sweden and Seljord Elektriske AS in Norway.

Kesko Senukai financials, € million	1-12/2022	1-12/2021
Net sales	1,224.3	1,091.4
Operating profit	70.2	80.2
Operating profit, comparable	64.8	66.3
Net profit for the period	47.1	56.0
Net profit for the period, comparable	41.8	42.9
Kesko Group's share of result of joint ventures	23.5	28.0
Kesko Group's share of result of joint ventures, comparable	20.9	21.5

	31.12.2022	31.12.2021
Assets	849.5	856.6
Liabilities	582.0	570.8
Equity	267.6	285.6

The table figures include Kesko Senukai's business and real estate companies.

Car trade

	1-12/2022	1-12/2021
Net sales, € million	910.9	1,028.3
Operating profit, comparable, € million	48.4	52.2
Operating margin, comparable, %	5.3	5.1
Return on capital employed, comparable, %	12.7	14.0
Capital expenditure, € million	44.7	71.2
Personnel, average	1,235	1,225

Net sales, € million

Car trade

Net sales for the car trade division decreased by 11.4%, impacted by the weakened availability of cars in 2022.

The combined market performance of first registrations of passenger cars and vans was -15.9%. The combined market share of the Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and Volkswagen and MAN vans imported by Kesko's car trade division was 14.1% (17.3%).

The comparable operating profit for the car trade division totalled €48.4 million (€52.2 million). The comparable operating profit was weakened by the decrease in net sales due to weaker availability of cars. Operating profit for the car trade division totalled €47.8 million (€46.2 million). Items affecting comparability totalled €-0.6 million (€-6.1 million), related to division restructuring.

Capital expenditure for the car trade division totalled €44.7 million (€71.2 million).

Changes in Group composition

Kesko acquired Kungälv's Trävaruaktiebolag in Sweden on 1 March 2022, Seljord Elektriske AS in Norway on 1 June 2022, Föllinge Säg AB and Djurbergs Järnhandel Aktiebolag in Sweden on 1 September 2022, and XL-BYGG Bergslagen AB in Sweden on 1 October 2022. During the financial year, subsidiary mergers were carried out in Finland, Sweden and Norway in an effort to streamline Group structure.

1-12/2022

910.9

1-12/2021

1,028.3

Change, %

-11.4

Main objectives and results in sustainability

Financial value creation

Kesko's operations create value and generate benefits for various stakeholders in Kesko's countries and markets. Key stakeholders include shareholders, customers, personnel, retailer and service providers, and the society. Kesko the growth of wellbeing throughout its supply developing countries.

The most important cash flows comprise revenue of goods and services to customers and retailers from suppliers of goods and services, provided paid to shareholders, salaries and wages paid taxes, and capital expenditure. Kesko employs people and in 2022 paid €626.0 million in wages income taxes paid by Kesko in Finland totalled million, and in other countries €22.5 million. pays real estate and property taxes and collects and remits indirect taxes, such as value added excise duties. Kesko's investments have a positive impact on e.g. operators in the construction furniture, equipment and data system provided capital expenditure in 2022 totalled €449.2 million. end of 2022, Kesko had 82,983 registered and dividends distributed for the year 2021 million.



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Kesko's business model is described at the beginning of this Report by the Board of Directors. Risks related to climate change, social and employee issues, human rights, and the prevention of corruption and bribery are described in the 'Significant risks and uncertainties' section of the report.

Operating principles, key commitments and policies

Kesko's operations are based on its value "The customer and quality – in everything we do", and its vision and mission. Key Group-level policies that guide operations include the governance policy, human resources policy, sustainability policy, risk management policy, disclosure policy, data protection policy, information security policy, and tax policy.

Kesko is committed to promoting the UN's Sustainable Development Goals (SDGs) in its operations. For Kesko and its stakeholders, the main goals are Responsible consumption, Climate action, Life on land, Gender equality, and Decent work and economic growth.

Kesko first published a statement of commitment on human rights and impact assessment in compliance with the UN's Guiding Principles on Business and Human Rights in 2016. Kesko reviews the commitment and impact assessment every three years, most recently in the autumn of 2022.

Sustainability strategy

Sustainability is one of the key focus areas in Kesko's strategy. Sustainability work is guided by Kesko's sustainability policy, sustainability strategy, and the K Code of Conduct. The Board of Directors of Kesko Corporation approved a new sustainability strategy for

the company in March 2022. The strategy is based on the extensive materiality assessment updated in 2021, in which stakeholders were asked to provide their views on key sustainability themes for Kesko and its stakeholders.

The updated sustainability strategy sets clear sustainability targets for Kesko and its three divisions. The four focus areas of the sustainability strategy are climate and nature, value chain, people, and good governance. The sustainability vision is to enable sustainable choices for customers and drive change throughout the value chain.

In conjunction with the strategy update, Kesko also updated its sustainability management model, specifying in particular the role of the divisions in sustainability work. The Board of Directors of Kesko Corporation decided to set sustainability-related criteria for the company's share-based commitment and incentive schemes.

Sustainability reporting and sustainability indices

Since 2000, Kesko has reported on its actions in accordance with the Global Reporting Initiative (GRI) guidelines for reporting on sustainable development. The Sustainability section of Kesko's Annual Report is prepared in accordance with the GRI Standards: Core option, and covers the key areas of economic, social, and environmental responsibility. Kesko's sustainability principles, management, objectives, processes and results are described in more detail in the Sustainability section of the Annual Report. Kesko is listed on several sustainability indices, such as the Dow Jones Sustainability Indices the DJSI World and DJSI Europe, CDP, MSCI ESG Ratings, and Sustainalytics.

In December 2022, Kesko was included in the Sustainability Indices the DJSI World and the In the global DJSI World, Kesko ranked third in its industry and in the DJSI Europe the highest industry. Kesko received the highest industry sections concerning climate targets, energy-packaging policy, for example.

In CDP's international 2022 Climate Change Kesko made the Leadership level A- list.

In the MSCI ESG Ratings, Kesko again received AAA grade (scale of AAA-CCC) in September. ESG Research gives MSCI ESG sustainability and certain private companies. The ratings and industry-specific ESG risks and how well managing them compared to their peers.

The Sustainalytics ESG risk rating granted to 2022 was 14.3 (low). Sustainalytics assessed on a scale of 0 to 40+ (negligible 10, low 20–30, high 30–40, severe 40+)

Kesko ranked 74th on the Global 100 list of Sustainable Corporations in the World in 2022). Kesko is the only company in the world included in the Global 100 list every year since first established in 2005.



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Climate and nature

In accordance with its sustainability strategy, Kesko concentrates on reducing emissions from its own operations and its whole value chain. The sustainability strategy increases the importance of biodiversity. In terms of circular economy, focus areas include packaging and reducing food waste.

Reducing emissions from Kesko's own operations – towards carbon neutrality

K Group aims for its operations to be carbon neutral by 2025. It will seek to systematically reduce emissions to reach zero emissions from its own operations and transports in 2030. In between 2025 and 2030, the remaining emissions will be offset. The objective is to reach zero emissions from own operations in 2030, with no need for offsets.

In Kesko's own operations, emissions mostly come from the consumption of district heat and transport fuels. In addition, emissions from own operations come from the consumption of purchased electricity, Kesko's own generation of heat, and refrigerant leaks. Emissions from Kesko's own operations are estimated to account for some 1% of the total value chain emissions.

K Group is moving towards its carbon neutrality objective by e.g. reducing emissions from heating by recycling waste heat, giving up fossil fuels in heating, and improving energy-efficiency. In autumn 2022, the focus was on preventing acute general power shortages, with exceptional measures taken to reduce electricity consumption.

Kesko participates in the Energy Efficiency Agreement for 2017–2025 for the trading sector in Finland, and has committed to reducing its energy consumption by at least

79 GWh, equalling 7.5% of the energy consumption in 2015. This target was already achieved in 2021. In 2022, new energy efficiency measures amounting to at least 18.5 GWh were implemented.

Electricity purchased and consumed by K-stores and other Kesko properties in Finland is fossil-free and free of carbon dioxide emissions. In Q4/2021-Q3/2022, electricity consumption totalled 564 GWh. The electricity was generated using hydropower, nuclear power, wind power and bio energy. Electricity and heat consumption in Finland totalled 915 GWh. In the other operating countries, electricity and heat consumption in Q4/2021-Q3/2022 totalled 51 GWh.

Emission reductions in the value chain

In Kesko's value chain, the most significant climate impacts are generated during the lifecycle of products and services sold, e.g. in primary production of raw materials, product manufacture, packaging, transport, and use of products. Kesko encourages its suppliers of goods and services to reduce their emissions and helps customers make more sustainable choices.

Kesko aims for 67% of its direct suppliers of goods and services to have science-based emission reduction targets set by 2025. The biggest suppliers by spend are challenged to reduce their emissions and to report their climate targets and actions via CDP's Climate Change Questionnaire.

In 2017, Kesko was the first company in Finland to set targets approved by the Science Based Targets Initiative (SBTi) for emissions from its own operations and supply chain. In November 2021, SBTi approved Kesko's new tighter science-based emissions reduction targets with

which Kesko committed to the target of limiting warming to 1.5 degrees Celsius:

- Kesko has committed to reducing absolute GHG emissions by 90% by 2030 from a 2018 base year.
- Kesko has committed to 67% of its suppliers covering purchased goods and services) science-based emission reduction targets by 2025.
- Kesko has also committed to reducing absolute GHG emissions from the use of sold products by 2026 from a 2020 base year.

Biodiversity

Kesko aims to prevent the loss of biodiversity in operations and its value chain.

In 2022, Kesko complemented its sustainability policies with a new no-deforestation policy and tea policy. Kesko also took part in a pilot and Science Based Targets Network (SBTN) instrument setting science-based targets for future.

Next steps include establishing a biodiversity strategy, and setting division-specific targets and biodiversity impact of Kesko's own operations chain.

Circular economy

Kesko is determinately promoting circular economy operations. The objective is to have packaging recyclable, reusable or biodegradable for all brand products by the end of 2025. Packaging has an important role in protecting products, providing information to consumers, and preventing food waste. Kesko aims to halve the amount of food waste by 2030.



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Climate-related opportunities and risks

In 2022, Kesko examined climate change-related risks and opportunities in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) framework. In 2023, the risk assessment will be deepened with a more detailed assessment of the financial impacts of the risks. The impacts of climate change are twofold:

- Impacts on Kesko related to increasing regulation and extreme weather phenomena.
- Impacts of Kesko's operations on the climate related to the lifecycle impact of products and services sold and Kesko's energy solutions and emissions.

Opportunities

In addition to emissions from own operations, the biggest climate impact in the trading sector comes from emissions from the value chain of products. In addition to its own operations, Kesko extends emission reduction targets to its whole value chain.

All Kesko divisions can offer customers solutions that help them reduce their climate impact, as living, food and mobility are the biggest sources of greenhouse gases in private consumption. In grocery trade, the impact of climate change on global production chains enables exporting Finnish food to new markets in collaboration with the food industry. In building and technical trade market, demand for products related to saving energy and the green transition is set to grow.

Risks

The most significant risk is that climate action scale stays at the current level, attempts to n change fail, and as a result, extreme weather such as powerful storms and extended periods of temperatures in the summer, will increase. T global warming on Finnish and global product consequently on product availability, quality could become critical factors for supply chain product availability.

Key targets	Indicators	Results in 2022
Achieving carbon neutrality by 2025 and making Kesko's own operations and transports emissions-free by 2030	Carbon dioxide emissions (tCO ₂ e)	Scope 1 and 2 emissions in all operating countries in Q4/2021–Q3/2022 totalled 89,900 tCO ₂ e ¹
Having 67% of Kesko's biggest suppliers (by spend) set science-based emission reduction targets set by 2026	% of suppliers (CDP)	364 of Kesko's suppliers invited to reduce their emissions and report their climate targets and actions via CDP's Climate Change Questionnaire. Of the invited suppliers by spend based on year 2021, 27.7% already have approved, science-based emission reduction targets.

¹ The Q4–2021–Q3/2022 figures include for the first time own transports by Onninen logistics in Finland and emissions from Kesko's refrigerant leaks in Finland. In addition, in calculating emissions from district heat consumption, region-specific market-based emission coefficients have been used for the first time.



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Value chain

Kesko is developing sustainability and responsibility in its value chain by, for example, supporting customers' sustainable choices and increasing supply chain audits. The sustainability and transparency of Kesko's supply chains is one of the focus areas for Kesko's sustainability work.

Human rights and sustainable purchasing

In accordance with its human rights commitment, Kesko respects all internationally recognised human rights. Kesko's purchasing is guided by Kesko's ethical principles for purchasing, which are based on the fundamental rights at work accepted by the International Labour Organisation (ILO), the UN Declaration of Human Rights, and the UN Convention on the Rights of the Child.

According to Group guidelines, K Code of Conduct contract clauses must be added to all agreements under which Kesko Group companies purchase products or services from external parties.

Kesko employs sustainability policies to guide the sourcing of products containing raw materials identified as critical from a social and environmental responsibility perspective. At the end of 2022, Kesko had 12 such policies.

In its purchasing chains, Kesko pays special attention to human rights issues and working conditions in high-risk countries. Kesko utilises international social responsibility assessment systems for supplier audits in high-risk countries, primarily amfori BSCI auditing. Kesko is a member of amfori and participates in the amfori Business Social Compliance Initiative (amfori BSCI). Kesko's principle in high-risk countries is to collaborate only with suppliers that are already included in the scope of social responsibility audits, or that start the process when the cooperation begins. The audits focus on e.g. the observance of working time regulations, management practices at factories, and occupational health and safety of the workers.

In 2022, Kesko published a Commitment to achieve a living wage and income in the supply chain.

Kesko takes part in the International Accord for Health and Safety in the Textile and Garment Industry to promote occupational health and safety in textile factories in Bangladesh. Kesko is also a member of the Center for Child Rights and Business, an organisation that promotes children's rights in China.

Product safety

Kesko and K Group stores together with suppliers are responsible to the products' end-users for ensuring that products comply with all the requirements of legislation, are safe for users, and meet quality requirements. Food product operations have a self-control as required by law.

The Quality and Product Development unit in Kesko's grocery trade requires the manufacturers of brand food products to have international certificates to assure product safety. The laboratory of the Product Development unit monitors the safety of own brand products and own imports in the laboratory. It is a testing laboratory T251 which has been accredited by the FINAS accreditation services and approved with the SFS-EN ISO/IEC 17025 standard.



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People

Responsibility for people for Kesko means, in particular, ensuring the safety and wellbeing of personnel, and fostering diversity, inclusion and equal opportunities.

Professional and committed personnel forms the foundation for Kesko's operations. Kesko's HR management is guided by its human resources policy, the K Code of Conduct, and common operating principles. Kesko respects internationally recognised human rights and complies with the ILO fundamental principles. Kesko's human resources policy is based on the company's mission, vision, strategy, value and responsible operating and management principles. The purpose of the human resources policy is to ensure that skilled and committed employees who are familiar with both their personal goals and Kesko's direction form a foundation for the achievement of good and sustainable financial results.

Personnel	1-12/2022	1-12/2021
Women	5,921	5,801
Men	8,711	8,431
Average number of personnel converted into full-time employees	14,633	14,232

Personnel at the end of the reporting period	31.12.2022	31.12.2021
Women	7,483	7,509
Men	10,358	9,893
Finland	12,665	12,442
Other countries	5,176	4,960
Total	17,841	17,402

Diversity in the workplace

In the sustainability strategy, key themes in the People focus area include diversity, inclusion and equal opportunities.

In accordance with its non-discrimination plan, Kesko has established a group comprising representatives of the employer, personnel and the labour protection function, to handle matters related to non-discrimination and equality within the Group. Combatting discrimination is at the core of the group's activities. The group reviews matters related to e.g. recruitment, career development and training, remuneration, and the reconciliation of work and family life.

Employee wellbeing and success

Personnel surveys are one of the key development tools for operating practices and managerial work, and they also provide an opportunity to hear personnel views. In 2022, employee experience was measured with a Group-level Our People survey, various pulse surveys, and separate occupational health surveys. The Our People survey covered the whole personnel and comprised wellbeing and diversity and inclusion indices.

Proactive management of employee wellbeing capacity has been used in an effort to ensure capacity and functioning of employees, to keep absences under control, and to prevent work accidents and premature retirement due to occupational health issues. In 2022, pandemic-related restrictions were lifted in 2022, and shift was made to manage the pandemic situation of everyday management. Special focus was on ensuring the safe functioning of logistics and supply chain.

To ensure the execution of Kesko's strategy, the group employs performance and competence management models. The performance management process includes target setting, continuous performance management and performance evaluation. Remuneration and strategy execution and performance (pay for performance) are based on the group's strategy. Competence management comprises strategies for developing and identifying competencies and development measures at various organisational levels. Personnel recruitments are based on the group's approved recruiting plan, and identified changes in recruitment needs. In recruitment, we are committed to equality and non-discrimination, and selection is based on factors ensuring success at a position.

Key targets

Tangible actions to promote employee health, wellbeing and capabilities by the end of 2024

Indicators

Wellbeing index
Diversity & inclusion index

Results in 2022

81 (on a scale of 0 to 100, where 0 represents poor and 100 represents good)
86 (on a scale of 0 to 100, where 0 represents poor and 100 represents good)

Ensuring data protection is a part of Keskko's operating model. Keskko's data protection policy, the principles, procedures and responsibilities for lawful processing of personal data and high level protection. Keskko Corporation's Data Protection and the data protection group with a data protection balance sheet every year, which is then reported to the Committee of the Board of Directors.



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Prevention of corruption and bribery

The prevention of corruption and bribery is one of the focus areas of Kesko's compliance operations. Related actions are implemented under the K Compliance programme. In 2022, such actions included developing anti-corruption and anti-bribery instructions and related training, and conducting regular risk assessments. The focus in risk assessment was on risks related to hospitality, with the objective of further developing Group-level instructions.

Kesko's K Code of Conduct contains instructions on anti-bribery and anti-corruption. Where necessary, these are complemented with more detailed instructions. New employees receive training on the K Code of Conduct as part of their onboarding. Each employee must also complete two online trainings on the K Code of Conduct, which include instructions on the prevention of corruption and bribery. In 2022, the number of completed online training courses was 4,798 (3,696).

Common instructions and training ensure that everyone at Kesko has the same understanding of the anti-corruption and anti-bribery principles and practices that guide their daily work. The anti-corruption and anti-bribery instructions have been published in the languages of all Kesko operating countries, and the same instructions apply to all employees. All Kesko partners are required to commit to compliance with the K Code of Conduct – and consequently to zero tolerance towards bribery.

Kesko Group's absolute zero tolerance towards bribery and corruption is described in the K Code of Conduct. Kesko's Compliance & Ethics function, Legal Affairs unit, and K Code of Conduct ambassadors representing various country organisations and units provide personnel

support in questions related to the application of the K Code of Conduct.

Reports received through Kesko's SpeakUp channel in 2022 did not contain observations or suspicions of breaches of instructions on anti-corruption and anti-bribery in Kesko Group.

All Kesko Group personnel members are asked annually to confirm their commitment to compliance with the K Code of Conduct. In 2022, the process was developed to also include a discussion between manager and employee on the application of the K Code of Conduct.

Sustainability criteria for share-based commitment and incentive plan for Kesko management

As part of the sustainability strategy, Kesko's Board of Directors decided to set sustainability-related criteria for Kesko's share-based commitment and incentive plans (Performance Share Plans, PSP), i.e. the PSP 2021–2024 and the PSP 2022–2025. In addition to financial indicators, the share award plan includes targets linked to emission reductions and international sustainability indices and assessments. The sustainability targets concerned year 2022. Kesko announced the plan in a stock exchange release on 3 February 2022.

Financing linked to sustainability targets

Kesko has drawn down two bilateral loans, which combined total €200 million. The interest margin of these loans accounts for Kesko's sustainability targets for its carbon footprint and food waste, and in the value chain, emission reduction targets set by Kesko's direct suppliers of goods and services.



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EU Taxonomy

Kesko's reporting on EU Taxonomy complies with Regulation (EU) 2020/852 of the European Parliament and of the Council (18 June 2020). The EU Taxonomy is a classification system for sustainable financing, designed to help companies and investors assess whether an economic activity can be considered environmentally sustainable. The Taxonomy defines a set of criteria for a business activity that enables companies to assess to what extent the company's activities support the attainment of environmental and climate objectives.

Companies that are required to publish non-financial information under the Non-Financial Reporting Directive (NFRD) shall disclose information on how and to what extent their activities can be deemed environmentally sustainable in the manner referred to in the EU Taxonomy based on six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

Technical screening criteria have been confirmed for the first two environmental objectives, 'climate change mitigation' and 'climate change adaptation', based on which companies shall report on their activities. Criteria for the remaining four environmental objectives is expected to be confirmed in 2023.

In 2022, EU Taxonomy reporting requirements expanded to include not only the identification of 'Taxonomy eligible' activities falling within the scope of the classification system, but also disclosing information on what proportion of these activities can be classified as environmentally sustainable 'Taxonomy aligned' activities. Key performance indicators are presented for activities within the Taxonomy scope and Taxonomy-aligned activities. These indicators are the proportion of the company's net sales (turnover), capital expenditure (CapEx), and operating expenditure (OpEx) as defined in the Taxonomy.

At this early stage, the EU Taxonomy regulation focuses on activities which are material for reducing greenhouse gas emissions and for building climate resilience and which contribute the most to attaining the objectives of climate change mitigation and climate change adaptation. Currently, the Taxonomy does not specifically mention activities that are typical of the trading sector, meaning that trading sector companies report on the activities within Taxonomy scope if they engage in them.

Taxonomy-eligible activities and assessing taxonomy alignment

Kesko has identified the leasing operations in its car trade division and the owning, leasing and construction of properties for own business needs as activities falling within the Taxonomy scope in Kesko's operations. Kesko has assessed the alignment of each activity within the Taxonomy scope. Taxonomy alignment has been determined by assessing whether an activity significantly contributes to at least one of the environmental and climate objectives.

The assessment of Taxonomy alignment is made based on the substantial contribution criteria applied for each activity.

In addition to meeting said criteria, Kesko has confirmed that the activity does not cause significant harm to other environmental objectives referred to in the Taxonomy Regulation, using the separate DNSH ('Do No Significant Harm') criteria, and that minimum safeguards of Taxonomy Regulation are met.

Kesko has examined the implementation of minimum safeguards in relation to human rights, corruption, bribery, fair competition, and taxation. The inclusion of minimum safeguards has been assessed in accordance with the guidelines of the Report on Minimum Safeguards published by the EU Platform on Sustainable Finance. Kesko operating instructions and measures on human rights, sustainable purchasing, 'Compliance' and 'Prevention of corruption and bribery'. Based on this review, Kesko has confirmed that minimum safeguards are in place in Kesko's operations. Kesko's Taxonomy-aligned activities promote related to climate change mitigation. The following presents the activities identified by Kesko as Taxonomy scope, and Kesko's assessments of activities align with the Taxonomy technical criteria.



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According to Kesko's assessment, the DNSH criteria related to climate change adaptation concerning conducting a climate risk assessment is not material to the Taxonomy activity '6.5. Transport by motorbikes, passenger cars and light commercial vehicles' nor to activities 7.3 – 7.6. with regard to individual building renovation measures due to the nature of the activities.

Kesko's Taxonomy-eligible turnover comprises the leasing operations in the car trade division, which is a Taxonomy activity '6.5. Transport by motorbikes, passenger cars and light commercial vehicles'. In the 2021 reporting, the Taxonomy activity '6.6. Freight transport services by road' was identified as an activity within Taxonomy scope and was reported as part of the turnover indicator for the proportion of selling transport capacity to third parties without a direct connection to Kesko's own sales of goods to customers. Kesko no longer classifies this transport service as an activity falling within Taxonomy scope due to the low volume.

During 2022, Kesko updated its interpretation of activities that fall within Taxonomy scope, and now classifies property-related activities as Taxonomy-eligible activities. In Kesko's financial reporting, activities related to owning, leasing, constructing and using properties do not generate revenue as independent activities. In 2021, real estate activities were not included in the calculation of reported performance indicators as Taxonomy-eligible activities, as the prevailing interpretation at the time was that the inclusion of an activity in the three indicators reported is mostly tied to the recognition of revenue.

Kesko owns and leases properties in all operating countries for business purposes. The Group uses some 1,500 owned

or leased retail, logistics and office properties. Capital expenditure in real estate accounted for 63.9% of the Group's gross capital expenditure in 2022. Properties are a significant source of emissions (Scope 1) in the Group's own operations, and improving the energy efficiency of properties and transitioning to the use of renewable energy reduce the climate impact from own operations. The Taxonomy regulation technical screening criteria related to owning, constructing and renovating buildings have been taken into account in Kesko's internal instructions used when planning and implementing investment projects.

The Group's Taxonomy-eligible capital expenditure includes investments in new store sites and logistics properties and investments in efficient lighting, in machinery and equipment to improve energy efficiency of buildings, and in automation for measuring and monitoring energy efficiency. In addition, Taxonomy-eligible CapEx includes charging stations for electric vehicles and vehicles in the leasing operations of the car trade division. Land areas are not classified as CapEx within Taxonomy scope. Kesko has not identified in its operations any CapEx plans as referred to in the Taxonomy Regulation, aimed at upgrading Taxonomy-eligible activities to render them Taxonomy-aligned.

EU Taxonomy performance indicators

Kesko presents the performance indicators for turnover and capital expenditure (CapEx) in accordance with the tables determined for non-financial undertakings in the Taxonomy Regulation. Due to the nature of its operating expenditure, Kesko does not present a table for the OpEx indicator, as its operating expenditure is not material for the promotion of the environmental objectives specified in the EU Taxonomy. Kesko's Taxonomy-eligible operating expenditure as

defined in the Taxonomy Regulation totalled in 2022. The tables for the performance indicators show the proportion of Group turnover and capital expenditure derived from financial activities in line with the system.



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Turnover	Substantial contribution criteria		DNSH criteria (Do No Significant Harm)						Proportion of turnover
			Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
	Codes	Total turnover € million	%	Y/N	Y/N	Y/N	Y/N	Y/N	
Taxonomy-eligible economic activities									
A. Taxonomy-eligible activities									
A.1. Environmentally sustainable activities (Taxonomy-aligned)									
Transport by motorbikes, passenger cars and light commercial vehicles		6.5	4.3	0.0%	100%	Y	Y	Y	
Turnover from environmentally sustainable activities (A.1)		4.3	0.0%						
A.2. Taxonomy-eligible but not environmentally sustainable activities									
Transport by motorbikes, passenger cars and light commercial vehicles		6.5	19.2	0.2%					
Turnover from Taxonomy-eligible but not environmentally sustainable activities (A.2)		19.2	0.2%						
Total (A.1 + A.2)		23.5	0.2%						
B. Taxonomy-non-eligible activities									
Turnover from Taxonomy-non-eligible activities (B)		11,785.5	99.8%						
Total (A + B)		11,809.0	100.0%						



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Capital expenditure (CapEx)		Substantial contribution criteria (Do No Significant Harm)										Minimum safeguards	
Taxonomy-eligible economic activities		Total CAPEX		Codes	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Y/N	%	
	€ million	%	Proportion of CAPEX										
A. Taxonomy-eligible activities													
A.1. Environmentally sustainable activities (Taxonomy-aligned)													
Transport by motorbikes, passenger cars and light commercial vehicles				6.5	8.3	1.1%	100%	Y	Y	Y	Y	1.1%	
Installation, maintenance and repair of energy efficiency equipment				7.3	0.0	0.0%	0%				Y	0.0%	
Installation, maintenance and repair of charging stations for electric vehicles in buildings				7.4	6.5	0.8%	100%	Y			Y	0.8%	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings				7.5	2.0	0.3%	100%	Y			Y	0.3%	
Installation, maintenance and repair of renewable energy technologies				7.6	1.2	0.2%	100%	Y			Y	0.2%	
Acquisition and ownership of buildings				7.7	139.2	18.0%	100%	Y			Y	18.0%	
CAPEX of environmentally sustainable activities (A.1)					157.2	20.3%	100%					20.3%	
A.2. Taxonomy-eligible but not environmentally sustainable activities													
Transport by motorbikes, passenger cars and light commercial vehicles				6.5	21.5	2.8%							
Installation, maintenance and repair of energy efficiency equipment				7.3	9.4	1.2%							
Installation, maintenance and repair of charging stations for electric vehicles in buildings				7.4	0.0	0.0%							
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings				7.5	0.0	0.0%							
Installation, maintenance and repair of renewable energy technologies				7.6	0.0	0.0%							
Acquisition and ownership of buildings				7.7	342.6	44.2%							
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (A.2)					373.5	48.2%							
Total (A.1 + A.2)					530.7	68.5%							
B. Taxonomy-non-eligible activities													
CAPEX of Taxonomy-non-eligible activities (B)					243.7	31.5%							
Total (A + B)					774.4	100%							

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Performance indicator accounting policy

Turnover

When calculating the performance indicator for turnover, Kesko applies the same IFRS accounting principles as it does in the consolidated financial statements. The accounting principles for revenue recognition are presented in Note 2.1 of the consolidated financial statements. The net sales figure used in calculating the turnover performance indicator is the Kesko Group net sales presented in the income statement. The Taxonomy-eligible turnover is the share of Group net sales that comes from activities within Taxonomy scope. In Kesko's business operations, the leasing operations of the car trade division have been identified as an activity falling within Taxonomy scope and generating turnover. Kesko's primary operations which generate net sales are the sales of goods and services to customers and retailers. The sales of goods does not currently fall within Taxonomy scope.

Capital expenditure (CapEx)

Capital expenditure (CapEx) as defined in the Taxonomy Regulation includes additions to tangible and intangible assets during the financial year, before depreciation, amortisation and any re-measurements. Capital expenditure also includes additions to tangible and intangible assets resulting from business combinations. In accordance with the Taxonomy Regulation, Kesko includes in its CapEx calculation investments in tangible and intangible assets and the aggregate sum of additions to the right-of-use assets recognised in the balance sheet based on lease agreements. Goodwill recorded in acquisitions is not included in the Taxonomy CapEx definition. Additions to property, plant and equipment are presented in Note 3.2, additions to intangible assets in Note 3.3, and additions to right-of-use assets

related to leases in Note 3.4 of the consolidated financial statements.

The Taxonomy Regulation CapEx definition differs from the definition of the 'capital expenditure' performance indicator reported by Kesko. In Kesko's definition, the performance indicator includes investments in tangible and intangible assets and subsidiary shares. The indicator does not include additions to right-of-use assets related to leases recognised in the balance sheet. Group capital expenditure in 2022 totalled €449.2 million. The following table details the capital expenditure items used to calculate the Taxonomy CapEx indicator.

Capital expenditure under EU Taxonomy (CapEx), € million	2022
Property, plant and equipment - Additions (Note 3.2)	370.0
Property, plant and equipment - Acquisitions (Note 3.2)	1.6
Intangible assets - Additions (Note 3.3)	28.6
Intangible assets - Acquisitions (Note 3.3)	3.9
Right-of-use assets - Additions (Note 3.4)	354.6
Right-of-use assets - Acquisitions (Note 3.4)	15.6
EU Taxonomy CapEx, total	774.4

Operating expenditure (OpEx)

Operating expenditure (OpEx) as defined in the Taxonomy Regulation include direct non-capitalised costs that relate to research and development, building renovation measures, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or a third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

In Kesko Group's income statement, operating expenditure is defined in the Taxonomy Regulation as 'Other operating expenses', which are presented in the consolidated financial statements. 2.5 of the consolidated financial statements. expenditure under the Taxonomy Regulation Group are in particular related to expenses for maintenance and repair of properties, the total which was €181.5 million in 2022. In addition, maintenance and repair costs, the figure included to e.g. heating, electricity and water and waste management, which are not included in Taxonomy definition of operating expenditure.

The total amount of operating expenditure a Taxonomy Regulation was €57.1 million in 2022. Taxonomy-eligible operating expenditure amounted to €49.1 million. Operating expenditure included related to property maintenance and repair a for servicing of the leasing car fleet in the car Of the Taxonomy-eligible operating expenditure are expenses related to building renovation. In Kesko's business model, operating expenditure material in the transition to more sustainable instead, building renovation measures such as to improving energy efficiency, and capital ex nature. Due to the nature of the operating ex no table is presented for the Taxonomy OpEx the operating expenditure is not material to environmental objects defined in the EU Taxonomy Regulation.



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Key events during the financial year

On 4 March 2022, Kesko published its 2021 financial statements, Report by the Board of Directors, Corporate Governance Statement, Remuneration Report for Governing Bodies, and the 'Kesko's direction' section of its Annual Report. The 2021 Sustainability Report and Data Balance Sheet were published on 11 March 2022. (Stock exchange release 4.3.2022, investor news 11.3.2022)

Kesko's Board of Directors approved a new sustainability strategy for the company, setting clear sustainability targets for the operations of Kesko and its three divisions. The focus areas of the strategy are climate and nature, value chain sustainability, responsibility for people, and good governance. (Investor news 21.3.2022)

Kesko Corporation's Annual General Meeting was held on Thursday, 7 April 2022, at Kesko Corporation's headquarters K-Kampus, with special arrangements in place and without any shareholders or their representatives present. To prevent the spread of the Covid-19 pandemic, Kesko's Board of Directors decided to have exceptional meeting procedures based on the temporary legislative act 375/2021 in place. Read more in the section: Resolutions of the 2022 Annual General Meeting (Stock exchange releases 11.2.2022 and 7.4.2022)

Kesko issued a positive profit warning and raised its profit guidance for 2022 on 25 April 2022, estimating that its comparable operating profit in 2022 would be in the range of €730–840 million. Before, the company estimated that the comparable operating profit would be in the range of €680–800 million. (Stock exchange release 25.4.2022)

The acquisitions of the Swedish building and home

improvement trade companies Förling & Sjöberg AB and Djurbergs Järnhandel Aktieföretag were completed in September, and the acquisition of the Swedish XL-BYGG Bergslagen in October. These acquisitions complement Kesko's growing K-Bbygg chain, which serves professional builders.

A change in Kesko's Group Management Board: Chief Digital Officer (CDO) Anni Ronkainen announced she would be leaving her duties in Kesko Corporation. Ronkainen had been the CDO and member of Group Management Board since April 2015. Ronkainen's last day was 30 September 2022. (Stock exchange release 4.8.2022)

Kesko announced it would invest over €300 million to build an 82,000 square metre logistics centre for Onninen and K-Auto in Hyvinkää, Finland. The project will be completed in stages between 2025 and 2030. (Investor news 23.9.2022)

Events after the financial year

Kesko announced on 30 January 2023 that it would acquire Elektroskandia Norge AS, a company operating in technical wholesale in Norway, from Rexel Group. The acquisition will strengthen Onninen's position in technical trade in Norway. Elektroskandia Norge AS's net sales in 2022 totalled some €250 million and the company has 270 employees, 13 sales points, and a highly automated distribution centre. The completion of the acquisition is subject to the approval of the local competition authority.

Resolutions of the 2021 Annual General Meeting and decisions of the Board's organisational meetings

The Annual General Meeting of Kesko Corporation was held on Thursday, 2 April 2022 adopted the company's financial statements for 2021. The Annual General Meeting resolved a dividend of €1.06 per share on shares held by Kesko Corporation. The dividend was paid in four instalments on 11 April 2022 and the pay date 2022. The record date of the second dividend instalment was 22 June 2022 and the pay date 2022. The record date of the third dividend instalment was 13 September 2022 and the pay date 20 December 2022. The Board was authorised to decide, if necessary, on new dividend payments and pay dates for the second, third and fourth instalments, if the rules and status of the FAS entry system change or otherwise require distributable assets will remain in equity.

The Annual General Meeting discharged the duties of the Managing Director from responsibility for 2021, and approved the Remuneration Report for 2021. The Resolution on Remuneration Report is advisory in nature.

As proposed by the Shareholders' Nomination Committee, the General Meeting resolved to approve the Board's remuneration policy and the basis for reimbursement of their fees and the basis for reimbursement of their expenses unchanged. Board members' remuneration and expenses for 2021 remained unchanged.



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reimbursement of their expenses for the 2022–2023 period are as follows:

- Board Chair, an annual fee of €102,000
- Board Deputy Chair, an annual fee of €63,000
- Board member, an annual fee of €47,500
- Board member who is the Chair of the Audit Committee, an annual fee of €63,000
- A meeting fee of €600/meeting for a Board meeting and its Committee's meeting. A meeting fee of €1,200/Board meeting for the Board Chair. However, a meeting fee of €1,200/Committee meeting is to be paid to a Committee Chair who is not the Chair or Deputy Chair of the Board. The meeting fees are to be paid in cash.
- Daily allowances and reimbursements of travel expenses are paid to the Board members in accordance with the general travel rules of Kesko.

The aforementioned annual fees will be made in Kesko Corporation's B shares and in cash, with approximately 30% of the fees paid in shares. After the transfer of shares, the remaining amount will be paid in cash. The company will acquire the shares or transfer shares held by the company as treasury shares in the name and on behalf of the Board members. The company is responsible for the costs arising from the acquisition of the shares. The shares will be acquired or transferred to the Board members on the first working day to follow the publication of the interim report for the first quarter of 2022. A Board member cannot transfer shares obtained in this manner until either three years have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first.

As proposed by the Board, the Annual General Meeting re-elected the firm of authorised public accountants Deloitte

Oy as the company's Auditor, with APA Jukka Vattulainen continuing as the auditor with principal responsibility. The Annual General Meeting resolved that the Auditor's fee and the reimbursement of the Auditor's expenses are to be paid according to an invoice approved by the company.

As proposed by the Board, the Annual General Meeting resolved to authorise the Board to decide on the repurchase of the company's B series shares. Under the authorisation, the Board will be entitled to decide on the acquisition of a maximum of 16,000,000 of the company's own B shares. The authorisation is valid until 30 June 2023.

As proposed by the Board, the Annual General Meeting resolved to authorise the Board to decide on the issuance of new B series shares as well as of own B shares held by the company as treasury shares. The number of B shares thereby issued would total at maximum 33,000,000. The authorisation is valid until 30 June 2023.

The Annual General meeting resolved to authorise the Board to decide on donations in a total maximum of €300,000 for charitable or corresponding purposes until the Annual General Meeting to be held in 2023, and to decide on the donation recipients, purposes of use, and other terms and conditions of the donations.

The resolutions of the Annual General Meeting were communicated in more detail in a stock exchange release on 7 April 2022.

Information contained in the notes to the financial statements

Information on the Group's personnel is disclosed in Note 2.5.

Financial risks are presented in Note 4.3 and financial instruments measured at fair value in Note 4.5.

Related party transactions are disclosed in Note 5.3.

Information on disputes and legal and authorisation is disclosed in Note 5.4.

Risk management

Risk management at Kesko is proactive and of day-to-day management to assess and manage related opportunities and risks.

Kesko's divisions and common operations are responsible for identifying, assessing, handling and managing risks related to their operations, and they report on management responses and the results of their management to the Group Risk Management Board. Members of the Group Management Board are responsible for the effective and efficient implementation of control and risk management in their respective responsibility.

Risk management function independent of business operations is responsible for providing a framework and for internal control and risk management and coordinates and supervises risk management in Kesko Group. The Risk Management Steering Committee, headed by the Chief Financial Officer, is responsible for establishing the Group's overview of the risk management system.

The President and CEO is responsible for the management and efficiency of the Group's risk management system.



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Geopolitical risks

Growing tensions in security policy as a result of the war in Ukraine and the potential expansion of the conflict, as well as tightened military and economic competition between superpowers could have a significant impact on Kesko's operating environment, supply chain continuity, and product availability.

Cybercrime

Growing, professional cybercrime has resulted in higher risk on business continuity and loss of critical information. Targets of cyber-attacks may include, for example, data systems critical for business continuity or personal data. Cyber-attacks may result in business disruptions, loss of customer trust, or fines imposed by authorities.

Business continuity

Serious disturbances affecting resources and operations that are critical for business continuity, such as personnel, logistics, and information systems, could cause business disruptions. For example, a personnel strike related to the labour market situation, an extensive fire at the central warehouse, or a telecommunications issue caused by a power outage could result in a significant problem for business continuity.

Compliance with laws and agreements

Changes in legislation and authority regulations could necessitate significant changes and result in additional costs. Compliance with laws and agreements is an important part of Kesko's corporate responsibility. Non-compliance can result in fines, claims for damages and other financial losses, as well as loss of trust and reputation. The EU General Data Protection Regulation has placed more importance on the need to protect personal data.

Availability and retention of personnel

The implementation of strategies and the achievement of objectives require competent and motivated personnel. The Covid-19 pandemic made the workforce more mobile, lowered the threshold of changing jobs. Issues affecting the availability of skilled personnel in logistics and other areas have become more prominent.

Climate change

The impact of risks related to climate change and the transition to a low-carbon economy are assessed using selected climate scenarios. Extreme weather phenomena can impact production and cause disturbances in logistics and the supply chain. The impacts of Kesko's operations on the climate, related to Kesko's energy solutions and emissions, and the lifecycle impact of products and services sold, are assessed in the supply chain.

Product safety

A failure in product safety control in the supply chain of the supply chain could result in financial loss, damage to reputation and customer trust, or even a hazard to customers.

Store sites and profitability

Good store sites are a key competitive factor for growth and profitability. The acquisition of sites can be delayed by town planning and permit procedures. The availability and pricing of sites for consideration of capital or lease liabilities are tied up in procurement years. As a result of urbanisation, changes in commercial real estate situation, growing significance of commercial concept proving inefficient, there is a risk that a property becomes unprofitable and operations are discontinued while long-term liabilities remain.



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Responsible operating practices and reputation management

Various aspects of corporate responsibility, such as ensuring responsibility in the purchasing chain of products, fair and equal treatment of employees, the prevention of corruption, and environmental protection, are increasingly important to customers. Any failures in corporate responsibility could result in negative publicity for Kesko and cause operational and financial damage. Challenges in Kesko's corporate responsibility work include communicating responsibility principles to customers and ensuring responsibility in the purchasing chain of products.

Reporting to the market

In its investor communication and financial reporting, Kesko follows the disclosure policy approved by Kesko's Board of Directors. Kesko's objective is to produce and publish reliable and timely information. Disclosure follows the principle of providing all market participants information in a timely manner and non-selectively to form the basis for the price formation of Kesko's financial instruments such as shares. Should the information published by Kesko prove incorrect, or should communications fail to meet regulations in other respects, it could result in losing investor and other stakeholder trust and in possible sanctions. Significant business arrangements, tight disclosure schedules and the dependency on information systems create challenges for the accuracy of financial information.

Risks of damage

Accidents, natural phenomena and epidemics can cause significant damage to people, property or business. In addition, risks of damage may cause business disruptions that cannot be prevented.

Proposal for profit distribution

The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 30 March 2023 that a dividend of €1.08 per share be paid for the year 2022 based on the adopted balance sheet on shares held outside the company at the date of dividend distribution. The remaining distributable assets will remain in equity. The Board proposes that the dividend be paid in four instalments. The first instalment of €0.27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 3 April 2023. The Board proposes that the dividend instalment pay date be 12 April 2023.

The second instalment of €0.27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 21 June 2023. The Board proposes that the dividend instalment pay date be 28 June 2023.

The third instalment of €0.27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 12 September 2023. The Board proposes that the dividend instalment pay date be 19 September 2023.

The fourth instalment of €0.27 per share is to be paid to shareholders registered in the company's register of shareholders kept by Euroclear Finland Ltd on the instalment's record date 12 December 2023. The Board proposes that the dividend instalment pay date be 19 December 2023.

The Board proposes it be authorised to decide on new dividend payment record dates and on the second, third and/or fourth instalments, and statutes of the Finnish book-entry system otherwise so require.

As at the date of the proposal for the distribution of dividends, a total of 397,458,647 shares outside the company, and the corresponding dividends is €429,255,338.76.

The distributable assets of Kesko Corporation are €1,498,545,852.49, of which profit for the year 2022 is €408,925,619.88.

Annual General Meeting

The Board of Directors decided that the Annual General Meeting will be held on 30 March 2023 at 12.00.

Shares and securities markets

At the end of December 2022, the total number of shares of Kesko Corporation was 400,079,188, of which or 31.7%, were A shares, and 275,830,980 were B shares. On 31 December 2022, Kesko Corporation had 2,620,361 of its own B shares as treasury shares.

These treasury shares accounted for 0.96% of the total number of B shares, 0.65% of the total number of shares and 0.17% of the votes attached to all shares of the company. The total number of votes attached to the shares of Kesko Corporation was 1,542,611,260. Each A share carries ten votes and each B share one (1) vote. The company has no shares held by it as treasury shares.



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dividend is paid on the shares. At the end of December 2022, Kesko Corporation's share capital totalled €197,282,584.

The price of a Kesko A share quoted on Nasdaq Helsinki was €27.15 at the end of 2021, and €20.35 at the end of December 2022, representing a decrease of 25.05%. Correspondingly, the price of a B share was €29.34 at the end of 2021, and €20.62 at the end of December 2022, representing a decrease of 29.72%. In 2022, the highest price for an A share was €27.30 and the lowest €17.24. The highest price for a B share was €29.65 and the lowest €17.81. The Nasdaq Helsinki All-Share index (OMX Helsinki) was down by 16.0% and the weighted OMX Helsinki Cap index by 16.4% in 2022. The Retail Sector Index was down by 44.3%.

At the end of 2022, the market capitalisation of the A shares was €2,583 million. The market capitalisation of the B shares was €5,578 million, excluding the shares held by the parent company. The combined market capitalisation of the A and B shares was €8,161 million, down by €3,212 million from the end of 2021.

In 2022, a total of 7.3 million A shares were traded on Nasdaq Helsinki. The exchange value of the A shares was €160.5 million. Meanwhile, 143.9 million B shares were traded, with an exchange value of €3,325 million. Nasdaq Helsinki accounted for over 95% of the trading on Kesko's A and B shares. Kesko shares were also traded on multilateral trading facilities, the most significant of which was Turquoise (source: Euroland).

At the end of 2022, the number of registered Kesko shareholders was 82,983, the highest figure in the company's history. At the end of 2022, foreign ownership of all shares was 38.46%, and foreign ownership of B shares 55.47%.

Share performance and turnover

Share price as at 31 Dec.		2020	2021
A share*	€	20.00	27.15
B share*	€	21.04	29.34
Average share price			
A share*	€	16.62	26.73
B share*	€	17.72	27.73
Market capitalisation as at 31 Dec., A share		2,539.0	3,446.6
Market capitalisation as at 31 Dec., B share		5,676.4	7,926.6
Turnover			
A share	Million pcs	11**	8**
B share	Million pcs	249**	165**
Relative turnover rate			
A share	%	8.2	6.8
B share	%	91.2	58.6
Diluted average number of shares*		396,661	397,033

* Kesko Corporations' s Annual General Meeting on 28 April 2020 decided on a share issue without payment (share split) in which three (3) new B shares for each existing A share, and three (3) new B shares for each existing B share. The share-specific indicators have been calculated using number of shares. Share-specific indicators for the comparison periods have been adjusted to correspond to the post-share split number of shares.

** Calculated with post-split number of shares



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Analysis of shareholding

Analysis of shareholding by shareholder type as at 31 Dec. 2022

All shares	Number of shares, pcs	Percentage of all shares, %
Nominee-registered and non-Finnish holders	153,873,070	38.46
Households	94,783,242	23.69
Non-financial corporations and housing corporations	91,883,579	22.97
General government*	28,367,242	7.09
Non-profit institutions serving households**	20,193,712	5.05
Financial and insurance corporations	10,978,163	2.74
Total	400,079,008	100.00

A shares	Number of shares, pcs	Percentage of A shares, %	Percentage of all shares, %
Non-financial corporations and housing corporations	73,976,460	58.27	18.49
Households	23,549,520	18.55	5.89
General government*	15,058,525	11.86	3.76
Non-profit institutions serving households**	10,657,043	8.40	2.66
Nominee-registered and non-Finnish holders	2,360,677	1.86	0.59
Financial and insurance corporations	1,345,803	1.06	0.34
Total	126,948,028	100.00	31.73

B shares	Number of shares, pcs	Percentage of B shares, %	Percentage of all shares, %
Nominee-registered and non-Finnish holders	151,512,393	55.47	37.87
Households	71,233,722	26.08	17.81
Non-financial corporations and housing corporations	17,907,119	6.56	4.48
General government*	13,308,717	4.87	3.33
Financial and insurance corporations	9,632,360	3.53	2.41
Non-profit institutions serving households**	9,536,669	3.49	2.38
Total	273,130,980	100.00	68.27

* General government, for example, municipalities, the provincial administration of Åland, authorised pension providers and social security funds
** Non-profit institutions, for example, foundations awarding scholarships, organisations safeguarding certain interests and various charitable associations

Analysis of shareholding by number of shares held as at 31 Dec. 2022

All shares	Number of shares	Number of shareholders, pcs	Percentage of shareholders, %	Share total, pcs
1–100		35,451	42.72	1,348,466
101–500		22,150	26.69	5,855,040
501–1,000		8,068	9.72	6,086,734
1,001–5,000		12,284	14.80	28,897,640
5,001–10,000		2,448	2.95	17,405,203
10,001–50,000		2,136	2.57	43,494,569
50,001–100,000		239	0.29	16,809,244
100,001–500,000		169	0.20	34,741,344
500,001–		38	0.05	245,440,768
Total		82,983	100.00	400,079,008

A shares	Number of shares	Number of shareholders, pcs	Percentage of A shareholders, %	A share total, pcs
1–100	13,246	54.60	13,587	
101–500	5,265	21.70	13,111	
501–1,000	1,422	5.86	1,76,456	
1,001–5,000	2,486	10.25	6,833,638	
5,001–10,000	715	2.95	3,554,976	
10,001–50,000	884	3.64	18,008,419	
50,001–100,000	127	0.52	9,339,860	
100,001–500,000	102	0.42	19,666,346	
500,001–	14	0.06	65,725,635	
Total	24,261	100.00	126,948,028	

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10 largest shareholders by number of votes as at 31 Dec. 2022				
B shares	Number of shares	Number of shareholders, pcs	Percentage of B shares, %	Percentage of B shares, %
1-100	24,470	965,355	0.35	
101-500	18,151	4,883,408	1.79	
501-1,000	7,149	5,405,983	1.98	
1,001-5,000	10,466	23,883,547	8.74	
5,001-10,000	1,856	13,148,495	4.81	
10,001-50,000	1,299	25,318,124	9.27	
50,001-100,000	113	7,860,549	2.88	
100,001-500,000	75	16,172,611	5.92	
500,001-	21	175,492,908	64.25	
Total	63,600	273,130,980	100.00	

10 largest shareholders by number of shares held as at 31 Dec. 2022

	Number of shares, pcs	Percentage of shares, %	Number of votes	Percentage of votes, %
1. K-Retailers' Association	20,529,553	5.13	205,295,530	13.31
2. Ilmarinen Mutual Pension Insurance Company	14,635,984	3.66	146,359,840	9.49
3. Vähittäiskaupan Takaus Oy	13,195,008	3.30	131,950,080	8.55
4. Foundation for Vocational Training in the Retail Trade	5,290,612	1.32	52,906,120	3.43
5. Elo Mutual Pension Insurance	5,224,489	1.31	8,990,890	0.58
6. Varma Mutual Pension Insurance Company	4,303,944	1.08	4,303,944	0.28
7. The State Pension Fund	2,700,000	0.68	2,700,000	0.18
8. K-Food Retailers' Club	2,374,951	0.59	23,749,510	1.54
9. Heimo Välinen Oy	2,280,000	0.57	22,800,000	1.48
10. Oy The English Tearoom Ab	2,000,000	0.50	2,000,000	0.13

Does not contain shares held by Kesko Corporation, amounting to 2,620,361 on 31 Dec. 2022.



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Management's shareholdings

At the end of December 2022, Kesko Corporation's Board members, the President and CEO and the corporations controlled by them held 1,360,800 Kesko Corporation A shares and 526,022 Kesko Corporation B shares, i.e. a total of 1,886,822 shares, which represents 0.47% of the total number of shares and 0.92 % of votes carried by all shares of the Company.

At 31 December 2022, the President and CEO held 5,000 Kesko Corporation A shares and 385,786 B shares, which represented 0.10% of the total number of shares and 0.03% of votes carried by all shares of the Company. At 31 December 2022, the Group Management Board including the President and CEO held 7,824 Kesko Corporation A shares and 993,933 Kesko Corporation B shares, which represented 0.25% of the total number of shares and 0.07% of votes carried by all shares of the Company.

Board authorisations

Kesko has a share-based commitment and incentive scheme. To implement the scheme, Kesko's Board of Directors may decide, within share issue authorisations granted by the company's General Meeting, to transfer Kesko B shares held by the company as treasury shares. In 2022, Kesko Corporation transferred 345,104 Kesko B shares held as treasury shares to members of management and other selected key persons in accordance with the terms and conditions of share award plans, while 1,719 B shares were returned to the company without consideration based on the same terms and conditions. Kesko issued related stock exchange releases on 7 December 2022, 8 July 2022, 20 May 2022, 18 March 2022, 15 March 2022 and 17 February 2022. Kesko issued a stock exchange release on

3 February 2022 regarding the most recent share-based commitment and incentive plans. Kesko Corporation also transferred a total of 4,918 of its own B shares held by the company as treasury shares to the members of Kesko's Board of Directors as part of the Board members' annual remuneration, and issued a related stock exchange release on 2 May 2022.

Kesko's Annual General Meeting of 7 April 2022 authorised the Board to decide on the issuance of a maximum of 33,000,000 new B series shares or B shares held by the company as treasury shares, and on the repurchase of a maximum of 16,000,000 of the company's own B shares. The authorisations are valid until 30 June 2023. The authorisations were communicated in a stock exchange release on 7 April 2022.



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Group's key performance indicators

	2020	2021	2022
Income statement			
Net sales	€ million	11,300.2	11,809.0
Change in net sales	%	-0.5	4.5
Change in net sales, comparable	%	3.6	4.4
Sustainability report			
Operating profit, comparable	€ million	567.8	815.1
Operating profit as percentage of net sales, comparable	%	5.3	6.9
Financial review			
Operating profit	€ million	600.2	816.5
Operating profit as percentage of net sales	%	5.6	6.9
Profitability			
Profit for the year (incl. non-controlling interests)	€ million	435.3	609.9
Profit for the year as percentage of net sales	%	4.1	5.2
Funding and financial position			
Interest-bearing net debt, group	€ million	2,310.3	2,104.2
Interest-bearing net debt excluding lease liabilities	€ million	285.3	184.1
Gearing, group	%	105.5	76.7
Equity ratio, group	%	33.1	36.6
Interest-bearing net debt/EBITDA excluding the impact of IFRS 16, group		0.4	0.2

	2020	2021
Other performance indicators		
Capital expenditure	€ million	398.4
Capital expenditure as percentage of net sales	%	3.7
Share performance indicators		
Cash flow from operating activities	€ million	1,152.4
Cash flow from investing activities	€ million	-421.3
Personnel, average for the period, group total		14,233
Personnel, as at 31 Dec., group total		17,400
Share performance indicators		
Earnings/share, basic and diluted**	€	1.09
Earnings/share, comparable, basic**	€	0.97
Equity/share**	€	5.52
Dividend/share*	€	0.75
Payout ratio	%	69.8
Payout ratio, comparable	%	77.4
Cash flow from operating activities/share**	€	2.91
Price/earnings ratio (P/E), A share		18.62
Price/earnings ratio (P/E), B share		19.59
Effective dividend yield, A share	%	3.8
Effective dividend yield, B share	%	3.6

* Proposal to the General Meeting

**Kesco Corporations' s Annual General Meeting on 28 April 2020 decided on a share split in which three (3) new A shares were issued for each existing A share, and three (3) new B shares were issued for each existing B share. The share-specific indicators have been calculated using the post-split number of shares. Share-specific indicators for the comparison periods have been adjusted to correspond to the post-split number of shares.



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Calculation of performance indicators

Kesko uses alternative performance measures to reflect business performance and profitability. These indicators should be examined together with the IFRS-compliant performance indicators.

Change in comparable net sales is used to reflect changes in the Group's business volume between periods. The indicator reflects the change in net sales excluding the impact of acquisitions and divestments, in local currencies. The comparable net sales have been calculated by including in the net sales the business operations that have been part of Kesko Group in both the financial year as well as the comparison year. Other structural arrangements related to acquisitions and divestments have been adjusted in the same manner as acquisitions.

Performance indicators reflecting comparable profit and profitability are used to improve the comparability of operational performance between periods. Gains and losses on disposal of real estate, shares and business operations, impairment charges and significant restructuring costs are identified as items affecting comparability. Gains on disposal have been presented within other operating income, and losses on disposal within other operating expenses in the income statement.

Alternative performance measures that have been adjusted for the impact of IFRS 16 are used to monitor the achievement of certain financial targets. The EBITDA excluding the impact of IFRS 16 corresponds to EBITDA before the adoption of IFRS 16, and the interest-bearing net debt excluding lease liabilities correspond to interest-bearing net debt before the adoption of the standard. These restated indicators are included as components in the Group's financial target "interest-bearing net debt excluding lease liabilities divided by EBITDA excluding the impact of IFRS 16".

In addition, the financial performance indicators required by the Decree of the Ministry of Finance on obligation of securities issuers to disclose periodic information have been presented as alternative performance measures. The management uses these indicators to monitor and analyse business performance, profitability and financial position.

Profitability

Operating profit, comparable	Operating profit +/- items affecting comparability
Items affecting comparability	- gains on disposal + losses on disposal + impairment structural arrangements
Return on equity, %	(Profit/loss before tax - Income tax) x 100 Shareholders' equity, average of the beginning and end of financial year
Return on equity, comparable, %	(Profit/loss adjusted for items affecting comparability tax - Income tax adjusted for the tax effect of the items affecting comparability) x 100 Shareholders' equity, average of the beginning and end of financial year
Return on capital employed, %	Operating profit x 100 (Non-current assets + Inventories + Receivables + Other assets - Non-interest-bearing liabilities) on average
Return on capital employed, comparable, %	Comparable operating profit x 100 (Non-current assets + Inventories + Receivables + Other assets - Non-interest-bearing liabilities) on average
EBITDA	Operating profit + Depreciation and amortisation + impairment charges
EBITDA excluding the impact of IFRS 16	EBITDA - rents from lease agreements



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Funding, capital expenditure and financial position

Equity ratio, %	Shareholders' equity x 100 (Balance sheet total – Advances received)
Gearing, %	Interest-bearing net debt x 100 Shareholders' equity
Interest-bearing net debt	Interest-bearing liabilities + Lease liabilities – Other current financial assets – Cash and cash equivalents
Interest-bearing net debt excluding lease liabilities	Interest-bearing net debt – Lease Liabilities
Capital expenditure	Performance indicator includes investments in tangible and intangible assets, subsidiary shares, shares in associates and joint ventures and other shares. Additions of right-of-use assets for leases in the consolidated statement of financial position are not capital expenditure. Redemption of a leased property (right-of-use asset) is reported as capital expenditure.
Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16	Interest-bearing net debt excluding lease liabilities / EBITDA excluding the impact of IFRS 16

Share performance indicators

Earnings/share, diluted	Net profit/loss – Share of non-controlling interests of non-controlling interests of shares adjusted for the dilutive effect
Earnings/share, basic	Net profit/loss – Share of non-controlling interests of shares adjusted for the dilutive effect
Earnings/share, basic, comparable	Net profit/loss adjusted for items affecting comparability of non-controlling interests of net profit/loss adjusted for comparability
Equity/share	Equity attributable to equity holders of the parent
Payout ratio, %	Basic number of shares at the balance sheet date (Dividend/share) x 100 (Earnings/share)
Price/earnings ratio (P/E)	Share price at balance sheet date (Earnings/share)
Effective dividend yield, %	(Dividend/share) x 100 Share price at balance sheet date
Market capitalisation	Share price at balance sheet date x Number of shares
Cash flow from operating activities/share	Cash flow from operating activities Average number of shares
Yield of A share and B share	Change in share price + Annual dividend yield



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Reconciliation of alternative performance measures to IFRS financial statements

€ million	1-12/2022	1-12/2021
Continuing operations		
Items affecting comparability		
Gains on disposal	0.0	1.4
Losses on disposal	-0.1	-0.0
Impairment charges	-	-5.4
Structural arrangements	1.6	3.7
Items in operating profit affecting comparability	1.5	-0.3
Items in financial items affecting comparability	-3.6	2.9
Items in income taxes affecting comparability	-0.0	1.0
Total items affecting comparability	-2.2	3.5
Items in EBITDA affecting comparability	-0.1	4.7

Operating profit, comparable		
Operating profit	816.5	775.2
Net of		
Items in operating profit affecting comparability	1.5	-0.3
Operating profit, comparable	815.1	775.5

EBITDA		
Operating profit	816.5	775.2
Plus		
Depreciation and impairment charges	169.0	176.8
Depreciation and impairment charges for right-of-use assets	322.1	310.3
EBITDA	1,307.7	1,262.2

EBITDA, comparable		
EBITDA	1,307.7	1,262.2
Net of		
Items in EBITDA affecting comparability	-0.1	4.7
EBITDA, comparable	1,307.8	1,257.6

€ million	1-12/2022
Profit before tax, comparable	
Profit before tax	761.1
Net of	
Items in operating profit affecting comparability	1.5
Items in financial items affecting comparability	-3.6
Profit before tax, comparable	763.2
Net profit, comparable	
Comparable profit before tax	763.2
Net of	
Income tax	151.2
Items in income taxes affecting comparability	-0.0
Net profit, comparable	612.0
Net profit attributable to owners of the parent, comparable	
Net profit, comparable	612.0
Net profit attributable to owners of the parent, comparable	612.0
Earnings/share, comparable, €	
Net profit attributable to owners of the parent, comparable	612.0
Average number of shares, basic, 1,000 pcs	97,383
Earnings/share, comparable, €	1.54
Return on capital employed, %	
Operating profit	816.5
Capital employed, average	4,811.9
Return on capital employed, %	17.0
Return on capital employed, comparable, %	
Operating profit, comparable	815.1
Capital employed, average	4,811.9
Return on capital employed, comparable, %	16.9



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€ million	1-12/2022	1-12/2021
Group		
Return on equity, %		
Net profit	609.9	571.8
Equity, average	2,635.8	2,359.4
Return on equity, %	23.1	24.2
Return on equity, comparable, %		
Net profit, comparable	612.0	568.2
Equity, average	2,635.8	2,359.4
Return on equity, comparable, %	23.2	24.1
Equity ratio, %		
Shareholders' equity	2,742.2	2,529.5
Total assets	7,474.0	6,966.0
Advances received	46.9	46.2
Equity ratio, %	36.9	36.6



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CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated income statement

€ million	Note	1 Jan.–31 Dec. 2022	%	1 Jan.–31 Dec. 2021	%
Net sales	2.1	11,809.0	100.0	11,300.2	100.0
Material and services	2.3	-10,304.5	-87.3	-9,695.3	-85.8
Change in inventory		237.0	2.0	43.1	0.4
Other operating income	2.4	998.7	8.5	957.3	8.5
Employee benefit expenses	2.5	-785.8	-6.7	-764.0	-6.8
Depreciation, amortisation and impairment charges	3.2 3.3	-169.0	-1.4	-176.8	-1.6
Depreciation and impairment charges for right-of-use assets	3.4	-322.1	-2.7	-310.3	-2.7
Other operating expenses	2.5	-670.2	-5.7	-607.2	-5.4
Share of result of joint ventures		23.5	0.2	28.0	0.2
Operating profit		816.5	6.9	775.2	6.9
Interest income and other finance income	4.4	13.0	0.1	12.5	0.1
Interest expense and other finance costs	4.4	2.9	0.0	-8.6	-0.1
Interest expense for lease liabilities	4.4	-68.4	-0.6	-71.3	-0.6
Foreign exchange differences	4.4	-3.5	-0.0	-0.8	-0.0
Total finance income and costs	4.4	-56.0	-0.5	-68.2	-0.6
Share of result of associates		0.6	0.0	5.9	0.1
Profit before tax		761.1	6.4	712.9	6.3
Income tax	2.7	-151.2	-1.3	-141.1	-1.2
Net profit for the year		609.9	5.2	571.8	5.1

Net profit for the year attributable to

Owners of the parent	609.9	571.8

Earnings per share for net profit attributable to owners of the parent

Basic and diluted, Group total, €	2.8	1.53	1.44

Consolidated statement of comprehensive income

€ million	Note	1 Jan.–31 Dec. 2022
Net profit for the year		609.9
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains and losses	2.7 3.7	30.6
Items that may be reclassified subsequently to profit or loss		
Currency translation differences related to a foreign operation	2.7	-41.9
Share of other comprehensive income of associates and joint ventures	2.7	-0.5
Cash flow hedge revaluation	2.7	26.2
Total comprehensive income for the year, net of tax		14.3
Total comprehensive income for the year		624.2
Comprehensive income for the year attributable to		
Owners of the parent		624.2

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Consolidated statement of financial position

€ million	Note	31 Dec. 2022	%	31 Dec. 2021	%
ASSETS					
Non-current assets					
Property, plant and equipment	3.2	1,745.5		1,537.6	
Goodwill	3.3	588.9		588.8	
Intangible assets	3.3	190.2		190.1	
Right-of-use assets	3.4	1,737.6		1,735.0	
Shares in associates and joint ventures	3.8 5.1	231.9		234.6	
Other investments	4.3 4.5	13.2		15.5	
Non-current receivables	4.3 4.5	90.8		72.6	
Deferred tax assets	2.7	2.2		1.1	
Pension assets	3.7	86.9		94.7	
Total non-current assets		4,687.2	62.7	4,470.1	64.2
Current assets					
Inventories	3.5	1,115.4		894.3	
Interest-bearing receivables	3.6 4.5	4.4		4.1	
Trade receivables	3.6 4.3 4.5	969.3		909.2	
Income tax assets	3.6	21.9		0.1	
Other non-interest-bearing receivables	3.6 4.5	361.2		299.9	
Other financial assets	4.3 4.5	68.6		107.9	
Cash and cash equivalents	4.5	245.5		279.8	
Total current assets		2,786.4	37.3	2,495.4	35.8
Non-current assets classified as held for sale		0.5	0.0	0.5	0.0
Total assets		7,474.0	100.0	6,966.0	100.0

€ million	Note	31 Dec. 2022	%	31 Dec. 2021	%
EQUITY AND LIABILITIES					
Share capital	4.2	197.3		197.3	
Share premium	4.2	197.8		197.8	
Other reserves	4.2	266.9		266.9	
Currency translation differences	4.2	-52.2		-52.2	
Revaluation reserve	4.2	35.3		35.3	
Retained earnings		2,097.1		2,097.1	
Total equity		2,742.2	36.7	2,742.2	36.7
Non-current liabilities					
Interest-bearing non-current liabilities	4.3 4.5 4.6	245.5		245.5	
Lease liabilities	4.5 4.6	1,592.0		1,592.0	
Non-interest-bearing non-current liabilities	4.3 4.5	24.3		24.3	
Deferred tax liabilities	2.7	63.2		63.2	
Provisions	3.9	10.3		10.3	
Total non-current liabilities		1,935.3	25.9	1,935.3	25.9
Current liabilities					
Current interest-bearing liabilities	4.3 4.5 4.6	252.6		252.6	
Lease liabilities	4.5 4.6	328.1		328.1	
Trade payables	4.3 4.5	1,499.4		1,499.4	
Other non-interest-bearing liabilities	4.3 4.5	242.4		242.4	
Income tax liabilities	4.5	19.4		19.4	
Accrued liabilities	4.3 4.5	442.6		442.6	
Provisions	3.9	11.9		11.9	
Total current liabilities		2,796.5	37.4	2,796.5	37.4
Total liabilities		4,731.8	63.3	4,731.8	63.3
Total equity and liabilities		7,474.0	100.0	7,474.0	100.0

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Consolidated statement of cash flows

€ million	Note	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Cash flows from operating activities			
Profit before tax Adjustments		761.1	712.9
Depreciation according to plan		169.0	171.4
Depreciation and impairment for right-of-use assets		322.1	310.3
Finance income and costs		-12.4	-3.1
Interest expense for lease liabilities		68.4	71.3
Other adjustments	2.9	-20.2	9.0
		527.0	558.8
Change in working capital			
Current non-interest-bearing receivables, increase (-)/decrease (+)		-107.2	-146.8
Inventories, increase (-)/decrease (+)		-225.8	-53.2
Current non-interest-bearing liabilities, increase (+)/decrease (-)		163.7	283.7
		-169.3	83.7
Interest paid and other finance costs			
Interest paid on lease liabilities		-5.4	-7.0
		-68.4	-71.3
Interest received		10.5	10.5
Dividends received		1.3	1.6
Dividends received from associated companies and joint ventures		33.1	-
Income taxes paid		-174.7	-137.2
Net cash flows from operating activities, total		915.2	1,152.0

€ million	Note	1 Jan.–31 Dec. 2022
Cash flows from investing activities		
Payments for acquisition of subsidiary shares, net of cash acquired	3.1	-45.3
Payments for investments consolidated using the equity method	2.9	-
Payments for property, plant, equipment and intangible assets	2.9	-352.4
Proceeds from sale of subsidiaries and businesses, net cash deducted		2.2
Proceeds from sale of property, plant, equipment and intangible assets		14.0
Proceeds from sale of other investments		0.4
Loan receivables and other financial assets, increase (-)/decrease (+)		36.8
Net cash flows from investing activities, total		-344.3
Cash flows from financing activities		
Interest-bearing liabilities, increase (+)/decrease (-)	4.1	132.6
Repayments for lease liabilities	3.4 4.1	332.7
Interest-bearing receivables, increase (-)/decrease (+)	4.1	2.1
Dividends paid		-406.7
Other items		0.0
Net cash flows from financing activities, total		-604.7
Change in cash and cash equivalents		-33.8
Cash and cash equivalents as at 1 January	4.5	279.8
Currency translation difference adjustment and change in value		-0.5
Cash and cash equivalents assets as at 31 December	4.5	245.5



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Consolidated statement of changes in equity

€ million	Share capital	Reserves	Currency translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total equity
Balance as at 1 January 2022	197.3	464.7	-10.2	9.1	-30.3	1,898.9	2,529.5
Share-based payments					2.1		2.1
Dividends						-421.3	-421.3
Other changes		-0.0				7.7	7.7
Transactions with owners, total		-0.0			2.1	-413.6	-411.4
Comprehensive income							
Net profit for the year						609.9	609.9
Actuarial gains/losses						30.6	30.6
Currency translation differences related to a foreign operation			-41.9				-41.9
Share of other comprehensive income of associates and joint ventures						-0.5	-0.5
Cash flow hedge revaluation				26.2			26.2
Total comprehensive income for the year, net of tax			-41.9	26.2		30.0	14.3
Total comprehensive income for the period			-41.9	26.2		639.9	624.2
Balance as at 31 December 2022	197.3	464.7	-52.2	35.3	-28.1	2,125.2	2,742.2
Balance as at 1 January 2021	197.3	464.7	-20.0	-2.0	-31.4	1,580.7	2,118.3
Share-based payments					1.1		1.1
Dividends						-297.8	-297.8
Other changes		0.0				4.7	4.7
Transactions with owners, total		0.0			1.1	-293.1	-291.9
Comprehensive income							
Net profit for the year						571.8	571.8
Actuarial gains/losses						40.0	40.0
Currency translation differences related to a foreign operation			9.8				9.8
Cash flow hedge revaluation						-0.5	-0.5
Other items				11.1			11.1
Total comprehensive income for the year, net of tax			9.8	11.1		39.5	60.4
Total comprehensive income for the period			9.8	11.1		611.2	632.1
Balance as at 31 December 2021	197.3	464.7	-10.2	9.1	-30.3	1,898.9	2,529.5

Further information on share capital and reserves is disclosed in Note 4.2 and on share-based compensation plans in Note 5.3. Deferred tax related to components of other comprehensive income is presented in Note 2.7.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The notes to the consolidated financial statements have been grouped into sections based on their subject. The basis of preparation is described as part of this note, while the accounting policies directly related to a specific note are presented as part of the note in question. The notes contain the relevant financial information as well as a description of the accounting policies and key estimates and judgements applied for the topics of the individual note.

1.1 Basic information about the Company

Kesko is a Finnish listed trading sector company. Kesko has approximately 1,800 stores engaged in chain operations in the Nordic and Baltic countries and Poland.

Kesko Group's reportable segments consist of its business divisions, namely the grocery trade, the building and technical trade, and the car trade.

The Group's parent company, Kesko Corporation, is a Finnish public limited company constituted in accordance with the laws of Finland. The Company's business ID is 0109862-8, it is domiciled in Helsinki, Finland, and it's registered address is PO Box 1, FI-00016 KESKO, Finland.

Copies of Kesko Corporation's financial statements and the consolidated financial statements are available from Kesko Corporation, PO Box 1, Helsinki, FI-00016 KESKO, visiting

address Työpajankatu 12, Helsinki, Finland and from the internet at www.kesko.fi.

Kesko's Board of Directors has approved these financial statements for disclosure on 1 February 2023.

Kesko has issued an XHTML financial review complying with the ESEF requirements on Kesko's website. The Audit firm Deloitte Oy has provided to company an independent auditor's reasonable assurance report in accordance with ISAE 3000 (Revised) on Kesko's ESEF Financial Statements.

1.2 Basis of preparation

Kesko's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) approved for adoption by the European Union, and they comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on 31 December 2022. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EU regulation (EC) 1606/2002, included in the Finnish Accounting Act and regulations based on it. The Group has applied new and amended standards that became effective in the financial year that began on 1 January 2022. The improvements and amendments to existing standards did not have an impact on

the consolidated financial statements. Accounting policies not yet effective have not been adopted voluntarily in the consolidated financial statements. The consolidated financial statements also include adjustments in accordance with Finnish accounting and corporate legislation.

All amounts in the consolidated financial statements are in millions of euros and based on original cost, except for items specified below, which have been measured at fair value in compliance with the applicable accounting standards.

1.3 Critical accounting estimates and assumptions

The preparation of consolidated financial statements in accordance with international accounting standards requires the use of certain estimates and assumptions that affect the reported amounts of assets, liabilities, contingent liabilities, and income and expenses. The actual results may differ from these estimates and assumptions.

The estimates and judgements made are considered reasonable, and they are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



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The critical accounting estimates and assumptions used in the preparation of consolidated financial statements are further described in the corresponding notes.

- Acquisitions (3.1)
- Intangible assets (3.3)
- Leases (3.4)
- Inventories (3.5)
- Trade and other current receivables (3.6)
- Pension assets (3.7)
- Provisions (3.9)

1.4 Critical judgements in applying accounting policies

The Group's management uses its judgement in the adoption and application of accounting policies in the financial statements. The management has exercised its judgement in the application of accounting policies in the income statement with regard to the presentation of income (Note 2.1), the existence of control over subsidiaries (Note 1.5), measuring receivables, determining provisions for restructuring, and measuring assets and liabilities recognised in the balance sheet based on lease agreements (Note 3.4).

1.5 Consolidation principles

Subsidiaries

The consolidated financial statements combine the financial statements of Kesko Corporation and subsidiaries controlled by the Group. Control exists when the Group has more than half of the voting rights of a subsidiary or otherwise exercises control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Acquired

subsidiaries are consolidated from the date on which the Group gains control until the date on which control ceases. The existence of potential voting rights has been considered when assessing the existence of control in the case that the instruments entitling to potential control are currently exercisable. Subsidiaries are listed in Note 5.1.

Mutual shareholding is eliminated by using the acquisition cost method. The cost of assets acquired is determined on the basis of the fair value of the acquired assets as at the acquisition date, the issued equity instruments and liabilities resulting from or assumed on the date of the exchange transaction. The identifiable assets, liabilities and contingent liabilities acquired are measured at the fair value at the acquisition date, gross of non-controlling interest.

Intragroup transactions, receivables and payables, unrealised profits and internal distributions of profits are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss is due to the impairment of an asset. Non-controlling interest in the profit for the period is disclosed in the income statement and the amount of equity attributable to the non-controlling interests is disclosed separately in equity.

The Group accounts for its real estate company acquisitions as acquisitions of assets.

Associates

Associates are companies over which the Group has significant influence but not control. In Kesko Group, significant influence accompanies a shareholding or agreement of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost.

The Group's share of post-acquisition profits or losses is recognised in the income statement. The current acquisition movements are adjusted against the Group's share of the investment. If the Group's share of an associate equals or exceeds its interest in the associate, the Group does not recognise further losses.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated, unless the transaction provides evidence of impairment of the asset transferred. Dividends from associates are deducted from the Group's income and the cost of the shares. An investment in an associate includes the goodwill generated by the acquisition and is not amortised.

Joint agreements

Joint agreements are arrangements in which the Group and one or more parties have agreed to jointly control an activity. Joint control exists only when the relevant activities require the unanimous consent of all parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control or significant influence have rights to the net assets of the arrangement and on initial recognition, they are recognised as investments.

The Group's share of post-acquisition profits or losses is recognised in the income statement. The current acquisition movements are adjusted against the Group's share of the investment. If the Group's share of a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses.



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Unrealised gains on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Dividends received from joint ventures are deducted from the Group's result and the cost of the shares. An investment in a joint venture includes the goodwill generated by the acquisition. Goodwill is not amortised.

Mutual real estate companies are consolidated as common functions on a line-by-line basis in proportion to ownership. The Group's share of mutual real estate companies' loans and reserves is accounted for separately in the consolidation.

Associates and joint ventures and proportionately consolidated mutual real estate companies are listed in Note 5.1.

Foreign currency items

The consolidated financial statements are presented in euros, which is both the functional currency of the environment in which the Group's parent operates and the presentation currency. On initial recognition, the amounts with respect to the result and financial position of the Group companies located outside the euro zone are recorded in the functional currency of each of their operating environments.

Foreign currency transactions are recorded in euros by applying the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currency are translated into euros using the closing rate. Exchange rate gains and losses on foreign currency transactions as well as receivables and liabilities denominated in foreign currency

are recognised in the income statement, with the exception of monetary items that form a part of a net investment in a foreign operation and loans designated as hedges for foreign net investments and regarded as effective. These exchange differences are recognised in equity and their changes are presented in other comprehensive income.

The exchange differences are presented in the income statement on disposal of the foreign operation or settlement of the hedges. The Group has currently no loans designated as hedges for foreign net investments. Foreign exchange gains and losses resulting from operating activities are included in the respective items above operating profit. Foreign exchange gains and losses from foreign exchange forward contracts and options used for hedging financial transactions, and from foreign currency borrowings are included in finance income and costs.

The income statements of the Group companies operating outside the euro zone have been translated into euros at the average rate of the financial year, and their balance sheets at the closing rate. The foreign exchange difference resulting from the use of different rates, the translation differences arising from the elimination of the acquisition cost of subsidiaries outside the euro zone, exchange differences arising from monetary items that form a part of a net investment in a foreign operation and the hedging results of net investments are recognised in equity, and the changes are presented in other comprehensive income. In connection with the disposal of a subsidiary, translation differences are recognised in the income statement as part of the gains or losses on the disposal.

Goodwill arising on the acquisition of foreign operations and the fair value adjustments of assets and liabilities made upon their acquisition are treated as assets and liabilities of these

foreign operations and translated into euros rate.

1.6 Discontinued operations and current assets classified as held related liabilities

Non-current assets (or a disposal group) are as held for sale if their carrying amount will be principally through the disposal of the assets highly probable. If their carrying amount will principally through their disposal rather than continuing use, they are measured at the low carrying amount and fair value net of costs to

The comparative information in the income statement adjusted for operations classified as discontinued financial period being reported. Consequently, discontinued operations is presented as a line item also for the comparative period. The Group has discontinued operations in the 2022 and 2021 years.

1.7 New IFRS standards and IFRS interpretations and the impact on updated standards

IFRIC interpretations, amendments to standards, and new and updated standards, annual improvements or amendments to existing standards that become effective for annual periods beginning after 1 January 2023 are not estimated to have an impact on the consolidated financial statements.



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2. FINANCIAL RESULTS

2.1 Revenue recognition

Accounting policies

In the consolidated income statement, net sales comprise the sales of goods, services and energy based on customer agreements. The share of sales of services and energy of total net sales is not significant. The Group sells products to retailers and other business customers and engages in own retailing. Income from sales of goods and services is recognised when the customer obtains control of the goods or services. Customers obtain control when they have the ability to direct the use of and obtain the benefits from the goods or services. As a rule, income from sales of goods can be recognised at the time of transfer. Income from services is recognised as the service is being performed. Sales to retailers and business customers are based on invoicing. Sales to consumers are mainly in cash or by credit card.

When calculating net sales, sales revenue is adjusted for indirect taxes, sales adjustment items and the exchange differences of foreign-currency-denominated sales. In businesses in Finland that are part of the K-Plussa customer loyalty scheme, sales adjustment items include loyalty award credits, recognised as part of sales transactions. Income from corresponding sales is recognised when the award credits are redeemed or expire. Contract liability is recognised in the balance sheet. Loyalty award credits affect the net sales of those businesses that grant K-Plussa customer loyalty award credits in Finland and engage in retailing.

Other operating income includes income other than that associated with the sale of goods or services based on customer agreements, such as lease income, store site and chain fees charged from retailers, and various other service fees and commissions. Fees charged from retailer entrepreneurs are based on a partnership agreement (chain agreement) based on which the retailers engage in business in line with the chain's operating models and objectives. Store site fees and chain fees vary depending on the growth and profitability of the retailer's business operations under the chain agreement. Chain marketing fees and data system fees are cost-based charges. More detailed information on other operating income is presented in Note 2.4.

Other operating income also includes gains on the disposal of property, plant, equipment and intangible assets as well as gains on disposal of businesses and unrealised gains on derivatives used for hedging foreign currency risks and commercial transactions.

Interest income is recognised on a time apportionment basis using the effective interest method. Dividend income is recognised when the right to receive payment has been established.

2.2 Segment information

Accounting Policies

The Group's reportable segments are composed of the Group's divisions, namely grocery trade, the building and technical trade, and the car trade.

Division information is reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, responsible for allocating resources to the divisions, has been identified as the Group Management. The reportable operating segments derive their net sales from the grocery trade and technical trade, and the car trade. Sales between divisions are charged at market rates.

The Group Management Board uses alternative performance measures also in its financial statements indicators in the Group's results reporting. The Group Management Board assesses the divisions' performances based on operating profit, contribution profit, and comparable return on capital employed. Results reporting to management corresponds to the accounting policies of the consolidated financial statements items affecting comparability. Finance income and costs are not allocated to divisions as the Group's cash and cash equivalents and financial liabilities are managed centrally. Changes in the fair values of intra-Group foreign exchange forward contracts are also managed centrally.



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entered into and realised gains and losses are reported as part of other operating income and expenses to the extent that they hedge the divisions' foreign exchange risk.

The assets and liabilities of a division's capital employed consist of operating items that can be justifiably allocated to the divisions. The assets of capital employed comprise property, plant and equipment and intangible assets, right-of-use assets related to leases, interests in associates and joint ventures and other investments, pension assets, inventories, trade receivables and other non-interest-bearing receivables, interest-bearing receivables, and assets held for sale. The liabilities of capital employed consist of trade payables, the share of other non-interest-bearing liabilities and provisions. The Group's real estate assets and the revenue and costs generated from them have been allocated to the divisions. Capital employed does not include deferred tax assets and liabilities, financial assets at fair value through profit or loss with the exception of fair value of foreign exchange forward contracts recognised in the balance sheet, cash and cash equivalents, or interest-bearing liabilities.

The same revenue recognition policies apply to segment information as to the consolidated financial statements and consolidated statement of financial position. The revenue recognition policies are presented in Note 2.1.

Kesko's business models

Kesko's principal business model in the Finnish market is the chain business model, in which independent K-retailers run retail stores in Kesko's chains and B2B trade. Kesko manages the operations of the chains made up of the stores. Chain operations ensure higher competitiveness and a strong operational basis for K-retailers in terms of purchasing goods, building selections, marketing and price competition. Outside Finland, Kesko mainly engages in own retailing and B2B trade. Retailer operations accounted for 46% (48%) of the Group's net sales in 2022. B2B trade accounted for 40% (36%) of the Group's net sales in 2022. Kesko's own retailing accounted for 14% (16%) of the Group's net sales. The management views that these categories depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Grocery trade

The grocery trade comprises the wholesale and B2B trade of groceries and the retailing of home and speciality goods in Finland. Kesko's grocery trade operates under the K-retailer business model. There are approximately 1,200 K-food stores operated by K-retailers in Finland. These stores form the K-Citymarket, K-Supermarket, K-Market and Neste K grocery

retail chains. Kespro is a foodservice provider and wholesaler in Finland. K-City is a home and speciality goods trade operates in home and speciality goods retailing in Finland.

Building and technical trade

The building and technical trade operates in the wholesale, retail and B2B trade in Sweden, Norway, the Baltic countries and Poland. In the building and home improvement trade, Kesko is responsible for the chains' concepts, marketing, purchasing and services and the store site network in all operating countries and for retailer retailing in Finland where the retailer business model is employed. Kesko acts as a retailer in Sweden and Norway. The retail store chains are K-Rauta (Finland and Sweden (Sweden) and Bygghälsan (Norway). The building and home improvement stores serve consumers and business customers. Onninen provides HEPAC and electrical products and services to business customers in the Baltic Sea Region and Scandinavia. Onninen has 130 places of business in Finland, Sweden, Norway, Poland and the Baltic countries.

Speciality goods trade is included in the building and technical trade division, which also includes leisure trade in Finland, with the Intersport and Budget Sport chains. The operating divisions Kookonkä and The Athlete's Foot shoe store chains were discontinued in 2022. The strategy for leisure trade.

Car trade

Car trade comprises the business operations of new cars, used cars, car services and car leasing. The new cars business includes the operations for importing, marketing and retailing of Volkswagen, Audi, SEAT, CUPRA, Porsche and Bentley passenger cars and of MAN commercial vehicles in Finland, and of SEAT and CUPRA passenger cars in Finland. The used car business includes the purchasing of used cars from Finland and a retailing of the cars in Finland. Services operations include repair and maintenance spare parts sales and accessories services in Finland. The leasing business provides services for both private and corporate customers. Services provided by the car trade also include the K-Charge charging network for electric vehicles.

Common functions

Common functions comprise Group support functions.



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Segment information 2022

Profit

€ million	Grocery trade	Building and technical trade	Car trade	Common functions
Division net sales	6,124.7	4,805.1	910.9	-0.0
of which intersegment sales	-23.3	0.0	-8.2	-0.3
Net sales from external customers	6,101.4	4,805.2	902.7	-0.3
Change in net sales in local currency excluding acquisitions and disposals, %	3.6	9.4	-11.4	-
Change in net sales, %	3.6	9.5	-11.4	-
Other division income	789.0	177.2	10.6	28.8
of which intersegment income	-0.1	-2.1	-0.1	-4.6
Other operating income from external customers	788.9	175.1	10.6	24.1
Depreciation and amortisation	-84.4	-28.4	-26.6	-29.7
Depreciation and impairment charges for right-of-use assets	-213.7	-92.4	-10.1	-5.9
Share of result of joint ventures		23.5		
Operating profit	461.5	340.8	47.8	33.6
Items affecting comparability	1.1	1.0	-0.6	-0.1
Comparable operating profit	460.4	339.8	48.4	33.5
Finance income and costs				
Share of result of associates				
Profit before tax				



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Assets and liabilities

€ million	Grocery trade	Building and technical trade	Common operations	Eliminations	Total	
Property, plant, equipment and intangible assets	1,333.6	844.6	243.0	105.1	-1.6	2,524.6
Right-of-use assets	1,189.3	434.3	51.8	62.1		1,737.6
Interests in associates and joint ventures and other investments	4.3	160.4	0.1	81.0	-0.6	245.2
Pension assets	19.6	4.5		62.8		86.9
Inventories	270.3	647.9	197.2			1,115.4
Trade receivables	369.2	561.1	41.1	2.9	-5.1	969.3
Other non-interest-bearing receivables	121.6	231.5	15.2	73.7	-33.0	409.0
Interest-bearing receivables	0.8			68.6		69.4
Non-current assets classified as held for sale				0.5		0.5
Assets included in capital employed	3,308.7	2,884.4	548.3	456.7	-40.3	7,157.7
Unallocated items						
Deferred tax assets						2.2
Other financial assets						68.6
Cash and cash equivalents						245.5
Total assets	3,308.7	2,884.4	548.3	456.7	-40.3	7,174.0

€ million	Grocery trade	Building and technical trade	Common operations	Eliminations
Trade payables	596.7	837.7	35.3	32.3
Other non-interest-bearing liabilities	294.7	293.1	82.9	55.8
Provisions	0.8	2.2	19.0	0.2
Liabilities included in capital employed	892.2	1,133.0	137.3	88.3
Unallocated items				
Interest-bearing liabilities				
Lease liabilities				
Other non-interest-bearing liabilities				
Deferred tax liabilities				
Total liabilities	892.2	1,133.0	137.3	88.3
Total capital employed as at 31 December	2,416.5	1,751.3	411.0	988.4
Average capital employed	2,353.6	1,752.1	379.5	938.9
Return on capital employed, %, comparable	19.6	19.4	12.7	
Number of personnel as at 31 December	8,316	7,226	1,298	9,011
Average number of personnel	6,288	6,155	1,235	8,555



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Segment information 2021

Profit

€ million	Grocery trade	Building and technical trade	Car trade	Common functions
Division net sales	5,909.0	4,387.7	1,028.3	0.0
of which intersegment sales	-17.8	0.2	-6.7	-0.5
Net sales from external customers	5,891.2	4,388.0	1,021.6	-0.5
Change in net sales in local currency excluding acquisitions and disposals, %	3.1	14.7	15.2	-
Change in net sales, %	3.1	20.6	15.2	-
Other division income	762.9	171.3	9.7	17.6
of which intersegment income	-0.1	-1.1	-0.1	-2.8
Other operating income from external customers	762.7	170.2	9.6	14.8
Depreciation and amortisation	-79.8	-32.7	-31.5	-32.7
Depreciation and impairment charges for right-of-use assets	-205.5	-89.2	-9.8	-5.9
Share of result of joint ventures		28.0		
Operating profit	443.9	323.1	46.2	38.0
Items affecting comparability	0.9	5.0	-6.1	-0.3
Comparable operating profit	442.9	318.0	52.2	37.7
Finance income and costs				
Share of result of associates				
Profit before tax				



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Assets and liabilities

€ million	Grocery trade	Building and technical trade	Car trade	Common functions	Eliminations	Total
Property, plant, equipment and intangible assets	1,161.7	817.3	242.5	96.7	-1.6	2,316.5
Right-of-use assets	1,170.3	440.3	58.4	56.0		1,735.0
Interests in associates and joint ventures and other investments	7.7	168.7	0.0	74.4	-0.6	250.1
Pension assets	19.8	4.5		70.4		94.7
Inventories	225.4	525.5	143.4			894.3
Trade receivables	349.7	524.2	35.2	2.8	-2.6	909.2
Other non-interest-bearing receivables	78.4	187.7	23.3	30.6	-15.8	304.2
Interest-bearing receivables	0.6			71.9		72.5
Non-current assets classified as held for sale				0.5		0.5
Assets included in capital employed	3,013.7	2,668.2	502.6	413.2	-20.6	6,577.1
Unallocated items						
Deferred tax assets						1.1
Other financial assets						107.9
Cash and cash equivalents						279.8
Total assets	3,013.7	2,668.2	502.6	413.2	-20.6	6,966.0

€ million	Grocery trade	Building and technical trade	Car trade	Common functions
Trade payables	569.1	716.6	25.0	23.3
Other non-interest-bearing liabilities	283.7	306.4	95.6	49.0
Provisions	0.9	1.0	27.9	0.0
Liabilities included in capital employed	853.7	1,024.0	148.5	72.3
Unallocated items				
Interest-bearing liabilities				
Lease liabilities				
Other non-interest-bearing liabilities				
Deferred tax liabilities				
Total liabilities	853.7	1,024.0	148.5	72.3
Total capital employed as at 31 December	2,160.0	1,644.2	354.2	300.9
Average capital employed	2,145.6	1,673.5	374.4	277.5
Return on capital employed, %, comparable	20.6	19.0	14.0	
Number of personnel as at 31 December	8,303	6,940	1,164	995
Average number of personnel	6,126	5,977	1,225	605



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Alternative performance measures in segment reporting

Kesko uses alternative performance measures in internal reporting of business performance and profitability to the highest operational decision-making body, i.e. the Group Management Board. The alternative performance measures should be examined together with the IFRS performance indicators.

Change in comparable net sales is used to reflect changes in the Group's business volume between periods. The indicator reflects the change in net sales excluding the impact of acquisitions and divestments, in local currencies. The comparable net sales have been calculated by including in the net sales the business operations that have been part of Kesko Group in both the reporting period as well as the comparison period. Other structural arrangements related to acquisitions and divestments have been adjusted in the same manner as acquisitions.

Exceptional transactions outside the ordinary course of business are treated as items affecting comparability. Performance indicators reflecting comparable profit and profitability are used to improve the comparability of operational performance between periods. Gains and losses on the disposal of real estate, shares and business operations, impairments and significant restructurings are identified as items affecting comparability. Gains on disposals are presented in the income statement within other operating income, and losses on disposals within other operating expenses. Impairment charges and significant profit and loss items related to changes in lease agreements are presented in the income statement under depreciation, amortisation and impairment charges.

Alternative performance measures that have been adjusted for the impact of IFRS 16 are used to illustrate continuity in business profitability and financial position and the achievement of certain financial targets. The EBITDA excluding the impact of IFRS 16 corresponds to EBITDA before the adoption of IFRS 16, and the interest bearing net debt excluding lease liabilities correspond to interest-bearing net debt before the adoption of the standard. These restated indicators are included as components in the Group's financial targets' performance indicators. The indicator is presented in Note 4.1 Capital management.

Items affecting comparability

€ million	2022
Gains on disposal	+0,0
Losses on disposal	-0,1
Impairment	-
Structural arrangements	+1,6
Items in operating profit affecting comparability, total	+1,5

Items related to structural arrangements are presented on the following lines in consolidated income statement: employee benefit expenses (€-1.1 million), depreciation and impairment charges for right-of-use assets (€1.6 million), other operating (€-1.6 million) and share of result of joint ventures (€2.6 million).

In 2021 the most significant items affecting comparability were the €0.9 million from grocery trade properties, the €6.5 million sales gain on real estate in the technical trade division, included in the share of result of joint ventures, and the costs related to the restructuring of the car trade division and impairment charges.

In 2021 items related to structural arrangements are presented on the following lines in consolidated income statement: material and services (€0.0 million), change in (€0.6 million), employee benefit expenses (€-4.8 million), depreciation, amortisation and impairment charges for right-of-use assets (€-0.9 million), depreciation and impairment charges for assets (€1.2 million), other operating expenses (€0.9 million) and share of result of joint ventures (€6.5 million).



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Reconciliation of alternative performance measures to IFRS financial statements

€ million	2022	2021
Operating profit, comparable		
Operating profit	816.5	775.2
Net of		
Items in operating profit affecting comparability	1.5	-0.3
Operating profit, comparable	815.1	775.5
Return on capital employed, comparable, %		
Operating profit, comparable	815.1	775.5
Capital employed, average	4,811.9	4,508.9
Return on capital employed, comparable, %	16.9	17.2
Comparable change in net sales		
Net sales, building and technical trade	4,805.1	4,387.7
Foreign exchange effects	35.3	
Effect of acquisitions and divestments	-61.0	-17.3
Change in net sales, comparable, %	9.4	
Net sales, Group	11,809.0	11,300.2
Foreign exchange effects	35.3	
Effect of acquisitions and divestments	-61.0	-17.3
Change in net sales, comparable, %	4.4	

Calculation of performance indicators

Operating profit, comparable

Operating profit +/- items affecting comparability

Return on capital employed, comparable, %

Comparable operating profit x 100

(Property, plant and equipment + Goodwill + Intangible assets + Right-of-use assets + associates and joint ventures + Financial assets at fair value through profit or loss + Non-current interest-bearing receivables + Pension assets + Inventories + Trade receivables + Income tax assets + Current non-current liabilities - Pension obligations - Provisions - Trade payables - Other non-current liabilities - Income tax liabilities - Accrued liabilities - Liabilities related to available-for-sale assets) on average for the reporting period



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Geographical information

The Group operates in Finland, Sweden, Norway, Estonia, Latvia, Lithuania and Poland. The grocery trade operates in Finland. The building and technical trade operates in Finland, Sweden, Norway, the Baltic countries and Poland, and the car trade operates in Finland. Net sales, assets, capital expenditure and personnel are presented by location.

Net sales are mostly derived from sales of goods. The amount derived from sales of minor.

Kesko Group does not have net sales derived from a single customer, which exceeds 10% of Kesko Group's total net sales.

2022 € million	Finland	Other Nordic countries	Baltic countries	Others	Eliminations
Net sales	9,610.7	1,729.3	130.8	349.2	-10.9
Assets included in capital employed	5,492.6	1,294.5	216.0	154.6	
Average number of personnel	10,372	3,036	337	888	
2021 € million	Finland	Other Nordic countries	Baltic countries	Others	Eliminations
Net sales	9,290.7	1,618.6	94.8	303.3	-7.1
Assets included in capital employed	4,989.8	1,226.6	220.9	139.8	
Average number of personnel	10,114	2,980	316	822	



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2.3 Material and services

€ million	2022	2021
Material and services	-10,088.5	-9,488.6
External services	-216.0	-206.7
Total	-10,304.5	-9,695.3

2.4 Other operating income

Revenue recognition, including the definition of income reported under other operating income, is presented in Note 2.1.

€ million	2022	2021
Income from services	773.7	753.7
Lease income	44.0	40.9
Gains on disposal of property, plant, equipment and intangible assets	0.7	1.7
Gains on disposal of businesses	0.0	0.6
Realised gains on derivative contracts and changes in fair value	16.1	7.2
Others	164.3	153.3
Total	998.7	957.4

Income from services mainly comprises chain and store site fees paid by retailers' chain companies.

More information on lease income is provided in Note 3.4.

2.5 Operating expenses

Accounting policies

Other operating expenses include expenses other than the cost of goods sold, employee benefit expenses, marketing costs, property and store site maintenance, information system expenses, and lease payments recognised in the income statement on leases classified as short-term leases or leased assets classified as of low value. Operating expenses also include losses on the disposal of property, plant and equipment and intangible assets, losses on disposal of business operations as well as realised and unrealised losses on derivatives used for hedging foreign currency risks associated with commercial transactions.

Employee benefit expenses

€ million	2022
Salaries and fees	-626.0
Social security costs	-58.8
Pension costs	
Defined benefit plans	-4.1
Defined contribution plans	-86.2
Share-based payment	-10.6
Total	-785.8

Information on the defined benefit plans is presented in Note 3.7. Information on employee benefits of the Group's management personnel and other related parties are presented in Note 5.2, and information on share-based compensation in Note 5.3.

Average number of the Group personnel

	2022
Grocery trade	6,288
Building and technical trade	6,155
Car trade	1,235
Common functions	955
Total, Group	14,633



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Other operating expenses

€ million	2022	2021
Marketing costs	-210.2	-210.6
Property and store site maintenance expenses	-181.5	-159.2
ICT expenses	-117.6	-102.1
Lease payments in the income statement	-7.4	-7.6
Losses on disposal of property, plant, equipment and intangible assets	-0.4	-0.5
Realised losses on derivative contracts and changes in fair value	-11.1	-4.0
Other operating expenses	-142.0	-123.3
Total	-670.2	-607.2

Lease payments in the income statement consist of payments for short-term leases and payments for leases of low-value assets as well as variable lease payments. Property and store site maintenance expenses also include maintenance expenses for leased properties. More information on lease expenditure is provided in Note 3.4.

Auditors' fees

€ million	2022	2021
Audit	-1.2	-1.0
Tax consultation	-0.0	-0.0
Other services	-0.1	-0.1
Total	-1.3	-1.1

Kesko Corporation's Auditor is Deloitte Oy.

2.6 Foreign exchange differences recognised in operating profit

€ million	2022	2021
Net sales	-0.0	-0.1
Other operating income	16.1	7.2
Material and services	1.2	-0.4
Other operating expenses	-11.1	-4.0
Total	6.1	2.8

2.7 Income tax

Accounting policies

The taxes recognised in the consolidated income statement include the Group's taxes on current net profits on an accrual basis, prior period tax adjustments in deferred taxes. The Group companies' taxes have been calculated from the income of each company determined by local jurisdiction. The tax impact of recognised in other comprehensive income has been recognised correspondingly in comprehensive income.

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases and carrying amounts of assets and liabilities and for unused tax losses. Deferred tax liability has not been calculated on goodwill insofar as goodwill is not deductible. Deferred tax on subsidiaries' undistributed earnings is not recognised if the distribution of earnings is probable, causing tax implications.

Deferred tax has been determined using the tax rates enacted at the balance sheet date and as the rates changed, at the known new rate. A deferred income tax asset is recognised to the extent that it is probable that it can be utilised against future taxable income. Group's deferred income tax assets and liabilities are offset when they relate to the same taxation authority.

The most significant temporary differences arise from leases, deferred bene- fits from employee share option plans, property, plant and equipment (depreciation difference), provisions for doubtful receivables and measurements at fair value of asset items in connection with acquisitions.

Group's tax positions are assessed regularly to identify situations requiring recognition of deferred tax. Group prepares for situations in which it is deemed unlikely that the Group will be approved in the calculation of income tax. An uncertain tax position is recognised as a liability for the financial year or both.



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€ million	2022	2021
Current tax	-141.5	-134.0
Tax for prior years	-0.9	0.0
Deferred tax	-8.8	-7.1
Total	-151.2	-141.1

Reconciliation between tax expense shown in the income statement and tax calculated at parent's rate

€ million	2022	2021
Profit before tax	761.1	712.9
Tax at parent's rate 20.0%	-152.2	-142.6
Effect of foreign subsidiaries' different tax rates	-2.8	-1.7
Effect of tax-free income	0.3	0.7
Effect of expenses not deductible for tax purposes	-1.2	-1.2
Effect of unrecognised deferred tax assets	0.1	0.1
Effect of consolidation of share of result of associates and joint ventures	4.8	6.8
Tax for prior years	-0.9	0.0
Adjustment and revaluation of deferred tax for previous years	0.6	-2.0
Others	0.1	-1.3
Tax charge	-151.2	-141.1
Effective tax rate	19.9%	19.8%

Balance sheet division of net deferred tax asset

€ million	2022	2021
Deferred tax assets	2.2	1.1
Deferred tax liabilities	63.2	37.9
Total	-61.0	-36.8

Movements in deferred tax in 2022

€ million	1 Jan. 2022	Income statement charge	Tax charged/credited to equity	Exchange differences
Deferred tax assets				
Leases	39.2	-1.9		-0.2
Provisions	10.4	-1.3		-0.2
Defined benefit pension plans	0.1	-0.0		
Tax loss carry-forwards	0.5	-0.4		
Other temporary differences	13.5	-0.7	0.1	-0.1
Total	63.7	-4.3	0.1	-0.5
Deferred tax liabilities				
Difference between accounting depreciation and tax depreciation	49.4	12.3		0.6
Fair value allocation	28.4	-0.9		
Defined benefit pension plans	18.9	-9.4	7.6	
Other temporary differences	3.7	2.5	6.7	0.0
Total	100.5	4.5	14.3	0.6
Net deferred tax asset (+)/liability (-)	-36.8			



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Movements in deferred tax in 2021

€ million	1 Jan. statement 2021	Income charged/ statement charge	Tax charged/ credited to equity	Exchange differences	Other changes	31 Dec. 2021
Deferred tax assets						
Leases	41.6	-2.5		0.0		39.2
Provisions	7.6	2.0		-0.0	0.8	10.4
Defined benefit pension plans	0.1	-0.0				0.1
Tax loss carry-forwards	4.3	-3.8		0.0		0.5
Other temporary differences	23.6	-6.7	-0.8	0.3	-2.9	13.5
Total	77.1	-11.0	-0.8	0.4	-2.1	63.7
Deferred tax liabilities						
Difference between accounting depreciation and tax depreciation	43.9	5.3			0.2	49.4
Fair value allocation	25.4	3.0		0.5	-0.6	28.4
Defined benefit pension plans	17.6	-8.7	10.0			18.9
Other temporary differences	5.1	-3.4	2.0	0.0		3.7
Total	92.0	-3.8	12.0	0.6	-0.4	100.5
Net deferred tax asset	-14.9					-36.8

Deferred tax related to components of other comprehensive income

€ million	2022 Before tax	Tax charge/ credit	After tax	2021 Before tax
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains and losses	38.2	-7.6	30.6	50.0
Items that may be reclassified subsequently to profit or loss				
Currency translation differences relating to a foreign operation	-41.9		-41.9	9.8
Share of other comprehensive income of associates and joint ventures	-0.5		-0.5	-0.5
Cash flow hedge revaluation	32.8	-6.6	26.2	13.9
Total	28.6	-14.2	14.3	73.2

Tax loss carry-forwards

As at 31 December 2022, the Group had €198.2 million of unused tax losses deferred tax assets have not been recognised, because at the balance sheet date the realisation of the related tax benefit through future taxable profits is not probable.

Tax losses carried forward for which tax assets have not been recognised follows:

€ million	2023	2024	2025	2026	2027
	0.1				1.0



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2.8 Earnings per share

Accounting policies

Basic earnings per share is calculated by dividing the net profit for the period attributable to the parent's equity holders by the weighted average number of shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of all shares to assume conversion of all potentially dilutive shares.

	2022	2021
Net profit for the period attributable to equity holders of the parent, € million	609.9	571.8
Number of shares		
Weighted average number of shares outstanding	397,383,187	397,032,704
Diluted weighted average number of shares outstanding	397,383,187	397,032,704
Earnings per share from net profit attributable to equity holders of the parent		
Basic and diluted, Group total, €	1.53	1.44

2.9 Additional details related to the statement of cash flows

Adjustments to cash flows from operating activities

€ million	2022
Adjustment of non-cash transactions in the income statement and items presented elsewhere in the statement of cash flows:	
Change in provisions	-7.5
Share of results of associates and joint ventures	-24.1
Impairments	-
Credit losses	4.0
Gains on disposal of property, plant, equipment and intangible assets and business operations	3.5
Losses on disposal of property, plant, equipment and intangible assets and business operations	0.4
Share-based compensation	-9.2
Defined benefit pensions	5.5
Others	7.3
Total	-20.2

The group 'Others' within the adjustments to cash flows from operating activities adjustment of unrealised foreign exchange gains and losses on purchases and adjustment of other transactions of a non-cash nature.

Capital expenditure and non-cash financing activities

€ million	2022
Total acquisitions of property, plant, equipment and intangible assets	399.1
Total acquisitions of subsidiaries and investments in associates and other investments	50.1
Total capital expenditure	449.2
of which cash payments	386.4
Loans relating to acquired companies and cash and cash equivalents	19.9
Payments arising from prior period investing activities	-21.9
Capital expenditure financed with liabilities	24.4
Pension Fund return of surplus assets	40.3
Total	449.2



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3. CAPITAL EMPLOYED

3.1. Acquisitions

Accounting policies

Assets acquired and liabilities assumed in business combinations are measured at their fair values at the date of acquisition. The fair values on which the allocation of assets and liabilities is based are determined by reference to market values to the extent they are available. If market values are not available, the measurement is based on the estimated earnings-generating capacity of the asset and its future use in Kesko's operating activities.

Critical accounting estimates and assumptions

The measurement of intangible assets is based on the present values of future cash flows and requires management estimates regarding future cash flows and the use of assets.

Acquisitions in 2022

Acquisitions in Sweden

Kesko's Swedish subsidiary Fresks Försäljning AB acquired Kungälv's Trävaruaktiebolag, a company that serves professional builders, on 1 March 2022, Djurbergs Järnhandel Aktiebolag and Fällinge Säg AB on 1 September 2022, and XL-BYGG Bergslagen AB on 1 October 2022. The consideration paid for the acquisitions totalled €38.3 million. The acquisitions complete Kesko's growing K-Bygg chain for professional builders.

The fair value of the assets acquired for Kesko Group amounted to €43.1 million and the fair value of the liabilities assumed to €23.8 million. The fair value of the intangible assets acquired at the date of acquisitions totalled €4.0 million. The goodwill arising from the acquisition is not tax deductible. The consolidated income statement includes minor acquisition-related costs under "Other operating expenses", presented as items affecting comparability. The impact of the acquired businesses to the Group's net sales and operating profit was minor.

Acquisitions in Norway

Kesko's Norwegian subsidiary Byggmakker CF AS acquired the entire capital of Norwegian Seljord Elektriske AS on 1 June 2022. The consideration paid was €9.2 million.

The fair value of the assets acquired for Kesko Group amounted to €9.2 million, the value of the liabilities assumed to €4.0 million. The fair value of the intangible assets at the date of acquisition totalled €1.1 million. The goodwill arising from the acquisition is not tax deductible. The consolidated income statement includes minor acquisition-related costs under "Other operating expenses", presented as items affecting comparability. The impact of the acquired business to the Group's net sales and operating profit was minor.

Acquisitions in 2021

Byggarnas Partner i Sverige AB

Kesko's subsidiary Fresks Försäljning AB acquired the entire capital stock of Byggarnas Partner i Sverige AB, a Swedish building and home improvement trade business for professional builders, on 1 September 2021. The consideration paid was €9.7 million. The acquisition strengthens Kesko's position in the building and home improvement market in the Stockholm region, where Byggarnas Partner has a network of five stores.

The fair value of the assets acquired for Kesko Group amounted to €7.9 million, the liabilities assumed to €4.5 million. The fair value of the intangible assets acquired at the date of acquisitions totalled €0.6 million. The goodwill arising from the acquisition is not tax deductible. The consolidated income statement includes minor acquisition-related costs under "Other operating expenses", presented as items affecting comparability. The impact of the acquired business to the Group's net sales and operating profit was minor.

The following table provides a summary of the consideration paid, the fair values of the assets acquired and liabilities assumed by Kesko Group at the date of acquisition, and the impact of the acquisitions.



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3.2 Property, plant and equipment

Accounting policies

Property, plant and equipment mainly comprise land, buildings, machinery and equipment. Property, plant and equipment are carried at its cost less any accumulated depreciation and possible impairment charges. The property, plant and equipment of the Group are measured at fair value at the date of acquisition.

Subsequent costs relating to items of property, plant and equipment are included in the carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. The carrying amount of any component of property, plant and equipment is derecognised when replaced. The machinery and equipment are treated as separate assets and any significant expenditure relating to their replacement is capitalised. All other repair, service and maintenance expenditure is charged to the income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method over their estimated useful lives. Land is not depreciated.

The most common estimated useful lives are:

Buildings	10–33 years
Components of buildings	8–10 years
Machinery and equipment	3–8 years
Cars and transport equipment	5 years

The residual values and useful lives of property, plant and equipment are reviewed at the end of each financial year. If the estimates of useful life and the expected cash flows from the property, plant and equipment are different from previous estimates, the change in the estimates is accounted for.

Depreciation of property, plant and equipment ceases when an item is classified as held for sale.



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Gains and losses on disposals of property, plant and equipment are recognised in the income statement and stated as other operating income and expenses.

The Group has not capitalised interest costs incurred as part of the acquisition of assets, because the Group does not have qualifying assets.

2022 € million	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepay- ments and construction in progress	Total 2022

Cost						
Cost as at 1 January	317.6	1,474.0	642.5	37.6	51.8	2,523.5
Exchange differences	-1.7	-4.3	-5.1	-0.6	-0.1	-11.7
Additions	35.5	148.5	79.6	1.7	104.8	370.0
Acquisitions	-	0.6	1.0	-	0.0	1.6
Deductions	-0.1	-3.0	-63.1	-0.8	-1.7	-68.8
Transfers between items	1.2	31.9	11.0	-4.5	-41.1	-1.4
Cost as at 31 December	352.5	1,647.8	665.8	33.4	113.8	2,813.3

Accumulated depreciation and impairment charges

Accumulated depreciation and impairment charges as at 1 January	-7.3	-588.9	-367.5	-22.3		-985.9
Exchange differences	0.1	2.1	3.5	0.4		6.2
Accumulated depreciation on deductions	-	2.2	46.0	1.0		49.2
Accumulated depreciation on transfers	-	0.2	-1.0	1.0		0.2
Depreciation and impairment charges for the year	-0.0	-74.2	-61.5	-1.7		-137.5
Accumulated depreciation and impairment charges as at 31 December	-7.3	-658.5	-380.5	-21.6		-1,067.8

Carrying amount as at 1 January	310.3	885.1	275.0	15.3	51.8	1,537.6

Carrying amount as at 31 December	345.3	989.3	285.3	11.8	113.8	1,745.5

2021 € million

	Land and waters	Buildings	Machinery and equipment	Other tangible assets	Prepay- ments and construction in progress
Cost					
Cost as at 1 January	302.0	1,411.0	604.2	35.7	
Exchange differences	0.3	0.2	0.1	-0.2	
Additions	13.3	59.6	102.3	3.3	
Acquisitions	1.9	5.1	1.1	-	
Deductions	-0.4	-16.6	-65.6	-1.3	
Transfers between items	0.5	14.7	0.5	0.1	
Cost as at 31 December	317.6	1,474.0	642.5	37.6	
Accumulated depreciation and impairment charges					
Accumulated depreciation and impairment charges as at 1 January	-5.0	-537.1	-350.3	-21.7	
Exchange differences	0.0	0.1	0.2	0.1	
Accumulated depreciation on deductions	0.0	15.9	49.1	1.2	
Accumulated depreciation on transfers	-	-0.1	0.0	0.1	
Depreciation and impairment charges for the year	-2.4	-67.7	-66.6	-2.2	
Accumulated depreciation and impairment charges as at 31 December	-7.3	-588.9	-367.5	-21.6	
Carrying amount as at 1 January	297.0	873.9	253.9	14.0	
Carrying amount as at 31 December	310.3	885.1	275.0	15.3	



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3.3 Intangible assets

Accounting policies

Goodwill and trademarks

Goodwill is not amortised but is instead tested for impairment whenever there is an indication of impairment, and at least annually. For testing purposes, goodwill is allocated to the cash generating units. Goodwill is measured at initial cost. Any negative goodwill is immediately recognised as income. For goodwill, a recognised impairment loss is not reversed.

Intangible assets with indefinite useful lives are not amortised. They are tested for impairment whenever there is an indication of impairment, and at least annually. Costs for intangible assets with finite useful lives are initially measured at cost and amortised over the useful life of the assets. The intangible assets with indefinite useful lives include trademarks capitalised upon acquisitions, recognised at their fair values at the acquisition date.

Other intangible assets

The intangible assets with finite useful lives are initially measured at cost and amortised over their useful lives. Such intangible assets include software licences, customer relationships and licences measured at the fair value at the date of acquisition, and leasehold interests that are amortised during their probable lease terms.

The estimated useful lives are:

- Software and licences3–5 years
- Customer and supplier relationships5–10 years

Research and development expenses

The costs of research and development activities have been expensed as incurred, because the Group does not have development costs eligible for capitalisation. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Software

Costs directly attributable to the development of new software are capitalised as part of the software cost. On the balance sheet, software is included in intangible assets and its cost

is amortised over the useful life of the software. Costs associated with main software are recognised as an expense as incurred.

Impairment of non-financial assets

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of goodwill and intangible assets with indefinite useful lives is assessed every year whether or not there is an indication of impairment. An impairment test is performed whenever there is an indication of impairment.

The recoverable amount is the higher of an asset's fair value less costs to sell and its carrying amount. Often, it is not possible to estimate the recoverable amount for an individual cash-generating unit, and therefore the recoverable amount is determined for the cash-generating unit to which the goodwill or asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in the income statement. An impairment loss is not recognised for an asset in prior years if the reversal of an impairment loss would increase the recoverable amount. However, the reversal of an impairment loss for an asset that exceeds the carrying amount of the asset without impairment loss is not recognised if a recognised impairment loss is not reversed under any circumstances.

Critical accounting estimates and assumptions

The recoverable amounts of cash generating units have been determined on a discounted cash flow basis. In the calculations, forecast cash flows are based on approved by management, covering a period of three years.



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2022 € million	Goodwill	Trademarks	Other intangible assets	Prepayments	Total 2022
Cost					
Cost as at 1 January	634.9	97.0	258.8	12.6	1,003.2
Exchange differences	-25.9	-1.7	-3.6	-	-31.2
Additions	0.0	0.1	21.1	7.3	28.6
Acquisitions	26.1	0.7	3.2	-	30.0
Deductions	0.0	-	-42.4	-0.1	-42.5
Transfers between items	-	-	12.2	-10.7	1.5
Cost as at 31 December	635.1	96.1	249.4	9.1	989.7
Accumulated amortisation and impairment charges					
Accumulated amortisation and impairment charges as at 1 January	-46.1	-8.8	-169.4		-224.3
Exchange differences	-0.1	0.5	2.6		2.9
Accumulated amortisation and impairment charges on disposals		-	42.5		42.5
Accumulated amortisation and impairment on transfers			-0.2		-0.2
Amortisation and impairment charges for the year		-1.0	-30.6		-31.6
Accumulated amortisation and impairment charges as at 31 December	-46.2	-9.3	-155.1		-210.6
Carrying amount as at 1 January	588.8	88.2	89.3	12.6	779.0
Carrying amount as at 31 December	588.9	86.8	94.2	9.1	779.1

2021 € million	Goodwill	Trademarks	Other intangible assets	Prepayments
Cost				
Cost as at 1 January	618.3	95.0	261.6	11.1
Exchange differences	5.6	1.5	1.9	0.0
Additions	4.7	-	16.5	1.1
Acquisitions	6.3	0.5	0.1	
Deductions	0.0	-	-24.8	-0.0
Transfers between items	-	-	3.4	-1.1
Cost as at 31 December	634.9	97.0	258.8	11.1
Accumulated amortisation and impairment charges				
Accumulated amortisation and impairment charges as at 1 January	-46.2	-7.2	-156.0	
Exchange differences	0.1	-0.3	-1.5	
Accumulated amortisation and impairment charges on disposals		0.0	24.9	
Amortisation and impairment charges for the year		-1.2	-36.8	
Accumulated amortisation and impairment charges as at 31 December	-46.1	-8.8	-169.4	
Carrying amount as at 1 January	572.1	87.7	105.6	11.1
Carrying amount as at 31 December	588.8	88.2	89.3	11.1

Other intangible assets include software and licences amounting to €52.9 million (€47.6 million).



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Impairment testing for goodwill and intangible rights

Goodwill is allocated to cash-generating units (CGUs) for impairment testing purposes. The cash-generating units have been identified at maximum at the level of reportable segments. The following table presents the allocation of goodwill and trademarks to cash-generating units.

€ million	Trademarks 2022	Goodwill 2022	Trademarks 2021	Goodwill 2021
Grocery trade				
Grocery trade, chain operations	-	76.1	-	76.1
Grocery trade, Kespro	5.3	2.0	5.3	2.0
Building and technical trade				
Byggmakker, Norway	22.4	211.5	24.1	214.9
Onninen	58.3	66.0	58.4	66.9
K-Bygg, Sweden	0.7	190.3	0.4	185.8
Car trade	-	43.1	-	43.1
Total	86.7	588.9	88.2	588.8

Goodwill is tested for impairment whenever there is indication of impairment, and at least annually. Impairment tests have been carried out during the fourth quarter of 2022 for goodwill and trademarks with indefinite useful lives. Trademarks with indefinite useful lives are part of assets acquired in connection with business combinations.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. In the calculations, forecast cash flows are based on financial plans approved by management, covering a period of three years. The plans are based on external sources concerning projections for total market growth, weighted with the cash-generating unit's own business' share of the market in question. The key variable used in determining the forecast cash flows is the development in profitability based on plans approved by management. The development in profitability is influenced by growth predictions, changes in products and services selection and pricing, changes in store site network and development of operating expenses.

The average compound annual growth rate for the forecast period was 0.3–4.6% and the EBITDA ratio range 6.1–13.7%. Cash flows after the forecast period are estimated based on a 0.5–2.0% growth projection, taking into account country-specific differences.

The key variables in impairment testing are the terminal growth rate, discount rate, and EBITDA margin-%. The following table presents the pre-tax discount rate and rate-% for each cash-generating unit.

€ million	Pre-tax discount rate 2022	Terminal growth rate 2022	Pre-tax discount rate 2021
Grocery trade			
Grocery trade, chain operations	6.8%	0.5%	6.1%
Grocery trade, Kespro	6.5%	1.5%	5.9%
Building and technical trade			
Byggmakker, Norway	7.2%	2.0%	7.2%
Onninen	7.8%	2.0%	7.5%
K-Bygg, Sweden	7.1%	2.0%	7.1%
Car trade	7.2%	1.5%	7.2%

The discount rate used is the weighted average cost of capital (WACC) after tax for each division and country and adjusted for tax effect in connection with the formula inputs are risk-free rate of return, market risk premium, industry-specific target capital structure, borrowing cost and country risks.

In the impairment testing carried out in 2022 the recoverable amount did not exceed amount in all cash-generating units. There were no impairment charges recognized for goodwill or intangible rights in the financial years 2022 and 2021.

Sensitivity analysis

According to management estimates, a foreseeable change in any key variable create a situation in which the unit's recoverable amount would be lower than amount. The most sensitive to movements in assumptions is the goodwill impairment K-Bygg. For the K-Bygg impairment test a foreseeable change in the key variable result in impairment of goodwill.

K-Bygg's net sales in 2022 totalled €352.8 million. During the forecast period change in K-Bygg's net sales is 0.5–5.2% and the growth projection for the period the forecast period is 2%. By the end of the forecast period, K-Bygg's EBITDA expected to have grown by 0.4 percentage points from the EBITDA margin at the end of 2021.



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2022. In K-Bygg's impairment test, the recoverable amount exceeded the carrying amount of the assets tested by €161.7 million. Impairment would be recognised if the post-forecast period EBITDA margin would decrease by more than 2.5 percentage points, if the post-forecast period growth percentage would be below -0.7%, or if the pre-tax discount rate was above 9.8%.

3.4 Leases

Accounting policies

Group as a lessee

The Group leases properties, machinery and equipment for use in its business operations. At inception of a contract the Group determines whether the contract is, or contains, a lease. A contract is deemed as a lease if the contract gives the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of the lease the Group recognises a right-of-use asset and a lease liability except for leases of low-value assets and for leases for which the lease term is 12 months or less, for which the Group applies the practical expedient of the standard. Lease payments for the short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. The Group separates the non-lease components, such as service components, and expenses them as they incur.

Lease liability is recognised at the commencement date of the lease and measured at the present value of the future lease payments payable during the lease term. The lease payments are discounted using the interest rate implicit in the lease, if readily available. The interest rate implicit in the lease is not available for all leases. In such cases, the incremental borrowing rate is used, which comprises the reference rate, credit spread for the incremental borrowing, and a potential country and currency risk premium. At the commencement date of the lease, the measurement of the lease liability includes fixed lease payments, variable lease payments that depend on an index or a rate, potential residual value guarantees, and the price of a purchase option if it is reasonably certain the option will be exercised. Payments of penalties for terminating the lease are also included in the measurement of the lease liability if the lease term reflects the option to terminate the lease.

Lease liability is subsequently remeasured when there is a change in lease term, to reassessment of an option to continue or terminate the lease, or when there is a change in future lease payments due to changes of an index or a rate. The remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. If the reduction in lease liability exceeds the right-of-use asset, the difference is recognised in profit or loss.

Right-of-use asset is measured at cost at the commencement date of the lease. The right-of-use asset comprises the amount of the initial measurement of the lease liability. In addition, the cost comprises any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred and costs to be incurred to restore the asset. Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated over its useful life on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term.

If the use of a leased asset is discontinued or a sublease is made, the right-of-use asset is derecognised. If the lease contract becomes loss-making and an impairment loss is recognised, corresponding right-of-use asset.

In sale and leaseback transactions, the parties assess whether the transfer of the asset satisfies the requirements of IFRS 15 for a sale. If the transfer is accounted for as a sale, the right-of-use asset recognised in the balance sheet will be measured by the carrying amount of the original asset that corresponds to the value of the right-of-use asset remains with the seller. Only the portion of the sales proceeds of the asset to the rights transferred to the buyer is presented as sales gain or loss. If the portion of the sales proceeds of the asset for the lease do not equal the fair value of the asset, the difference is recognised as an adjustment to the asset's sales proceeds. Any below-market lease payments are accounted for as a prepayment of lease payments, and any above-market lease payments are accounted for as financial liability. If the requirements for a sale are not satisfied, the transfer will continue to recognise the transferred asset in its balance sheet, and will transfer proceeds as financial liability.



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Critical accounting estimates and assumptions

When recognising leases in the balance sheet, assessments must be made concerning the lease term, use of extension options and the discount rate used. When assessing the lease term of a new lease, extension options are not acknowledged until a commitment has been made to use the extension option. The assessments may differ from the actualised future lease terms and conditions.

Right-of-use assets

The Group leases for its business operations facilities required for retail and for the logistics operations serving retail. The Group's lease contracts are typically fixed term and in line with local market practices. Some of the leases for the properties contain extension options. The Group also leases machinery and equipment used in its business operations, such as vehicles, logistics machinery and equipment, and equipment for recycling waste at stores and logistics operations. The Group has classified office machinery and equipment as low-value assets, and lease payments for them are recognised as an expense in the income statement.

2022 € million	Land and buildings	Machinery and equipment	Total
Carrying amount as at 1 January	1,717.2	17.9	1,735.0
Additions	346.6	8.0	354.6
Acquisitions	14.7	0.9	15.6
Depreciation	-313.8	-7.5	-321.3
Impairment charges	-2.4	-	-2.4
Deductions	-30.0	-0.0	-30.1
Exchange differences	-13.3	-0.6	-13.9
Carrying amount as at 31 December	1,718.9	18.6	1,737.6

2021
€ million

	Land and buildings	Machinery and equipment
Carrying amount as at 1 January	1,798.1	20.9
Additions	256.1	5.0
Acquisitions	1.1	0.1
Depreciation	-300.1	-8.1
Impairment charges	-1.6	0.0
Deductions	-42.0	-0.2
Exchange differences	5.5	0.2
Carrying amount as at 31 December	1,717.2	17.9

The lease commitments for leases not commenced on 31 December 2022 to Group is committed totalled €102.4 million (€127.9 million).

Lease expenditure

2022 € million	
Operating profit	322.1
Depreciation and impairment charges on right-of-use assets	-3.0
Lease payments for short-term leases	-3.4
Lease payments for low-value assets	-1.0
Variable lease payments	-68.4
Financial expenses	-397.9
Interest expense for lease liabilities	
Total	

Maturity of lease liabilities and related finance costs are detailed in Note 4.3.

Cash flow from leases

2022 € million	
Interest expense for lease liabilities	-68.4
Repayments of lease liabilities	-332.7
Lease payments in the income statement	-7.4
Total	-408.5



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Accounting policies

Group as a lessor

In lessor accounting leases are classified as operating leases or finance leases. The Group assesses at the commencement date of a lease whether it is classified as an operating lease or a finance lease. Leases where the risks and rewards incidental to ownership are transferred to the lessee are classified as finance lease agreements. At the commencement date of the lease, the lessor recognises in the balance sheet a finance lease receivable that corresponds to the net investment in the lease. Lease income for operating leases is recognised in the income statement on a straight-line basis over the lease term.

Kesko leases premises to entrepreneurs other than K-retailers to ensure that the combination of services at a store site supports Kesko's overall profit generation. Such premises typically include so-called store entrance shops at large retail outlets. Kesko has store entrance shops both in its own properties and in leased properties. The entrance shops in leased properties include a sublease agreement where Kesko has the head lease. The subleases are classified as operating leases. The business premises owned or leased by Kesko and used by K-retailers to conduct chain operations are provided to the retailers under chain agreements, and are not treated as leases. The treatment of income based on chain agreements is detailed in Note 2.1.

Lease income

€ million	2022	2021
Lease income for operating leases	22.8	19.1
Lease income for subleases	21.1	21.7
Total	44.0	40.9

3.5 Inventories

Accounting policies

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less direct costs necessary to make the sale. The cost is determined using weighted average costs. The cost of finished goods comprises all costs of purchase including freight. The cost of self-constructed goods

comprises all costs of conversion including direct costs and allocations of variable production overheads. The cost excludes borrowing costs.

Critical accounting estimates and assumptions

The Group regularly reviews inventories for obsolescence and turnover, and reduction of net realisable value below cost, and records an impairment as reviews require assessments of future demand for products. Possible changes estimates may cause changes in inventory measurement in future periods.

€ million	2022
Goods	1,113.0
Prepayments	2.3
Total	1,115.4
Write-down of inventories to net realisable value	56.7

3.6 Trade and other current receivables

Accounting policies

Trade receivables and other current receivables are recognised at the amount receivable. According to the IFRS 9 impairment model, impairments must be on the basis of expected credit losses. The Group has adopted the standard approach for recognising impairment of trade receivables using the provision the impairment model, Group companies have been classified in the risk category of their business model and realised historical credit losses on additional basis is recognised, if there is other evidence of a debtor's insolvency. Bankruptcy impairment is recognised as an expense in other operating expenses. If an previously written off is subsequently settled, it is recognised as a reduction of operating expenses.

Critical accounting estimates and assumptions

The Group companies apply a uniform practice to measuring trade receivables. Possible changes in customers' solvency may cause changes in the measurement of receivables in future periods.



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€ million	2022	2021
Interest-bearing receivables		
Interest-bearing loans and receivables	4.4	4.1
Total interest-bearing receivables	4.4	4.1
Trade receivables	969.3	909.2
Income tax assets	21.9	0.1
Other non-interest-bearing receivables		
Non-interest-bearing loans and receivables	80.2	49.0
Prepaid expenses and deferred income	281.0	250.8
Total other non-interest-bearing receivables	361.2	299.9
Total	1,356.9	1,213.3

Prepaid expenses and deferred income mainly relate to purchases. The fair values of current trade and loan receivables, and those of current interest-bearing receivables are estimated to equal the carrying amounts due to their short maturities.

Ageing analysis of trade receivables

Business entities are responsible for managing the credit risk associated with amounts due from customers. Terms and conditions of credit sale and collateral requirements as well as decision-making authorisations for credit facilities have been determined for managing credit risk within businesses. Credit control identifies customers with risk and ensures that credit decisions are based on up-to-date information on a customer's solvency and any changes in solvency are considered. The economic uncertainty is taken into account when estimating expected credit losses in connection with measurement of trade receivables. The Group's trade receivables are from a large number of individual customers, and receivables do not contain significant risk concentrations. The seasonality of businesses impacts the amount of trade receivables in the consolidated statement of financial position. The amount of credit losses remained moderate despite the economic uncertainty.

€ million	2022
Trade receivables not due	886.7
1 – 7 days past due trade receivables	38.1
8 – 30 days past due trade receivables	23.6
31 – 60 days past due trade receivables	4.1
Over 60 days past due trade receivables	16.8
Total	969.3

In Finland the key part of the business is done in cooperation with retailers and receivables, €395.6 million (€375.8 million) were from chain retailers. The co-retailer receivables is an overdraft facility granted by a Kesko associate, Vähittäiskauppa Takaus Oy, with the maximum always limited to the realisable value of the counterparty's receivables from the K-retailer's company and its entrepreneur to Vähittäiskauppa Takaus of the financial year, the aggregate value of counter securities was €238.6 million). In addition, the collateral for receivables includes other collaterals, such as mortgages and other pledged assets.

Trade receivables include an impairment charge to a total of €19.4 million (€19.4 million). The aggregate amount of credit losses and impairments recognised in the profit and loss account for the financial year was €4.0 million (€2.2 million).

The amount of trade receivables with renegotiated terms totalled €13 million.



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3.7 Pension assets

Accounting policies

The Group operates both defined contribution pension plans and defined benefit pension plans. The contributions payable under defined contribution plans are recognised as expenses in the income statement for the period to which the payments relate. In defined contribution plans, the Group does not have a legal or constructive obligation to pay further contributions, in case the payment recipient is unable to pay the retirement benefits.

In defined benefit plans, the Group may incur obligations or assets after the payment of the contribution. The pension obligation represents the present value of future cash flows from the benefits payable. The present value of pension obligations has been calculated using the projected unit credit method. Pension costs are expensed during employees' service lives based on actuarial calculations. The discount rate assumed in calculating the present value of the pension obligation is the market yield of high-quality corporate bonds. Their maturity substantially corresponds to the maturity of the pension liability. The assets corresponding to the pension obligation of the retirement benefit plan are carried at fair values at the balance sheet date. Actuarial gains and losses are recognised in comprehensive income in the income statement.

Critical accounting estimates and assumptions

Items relating to employee benefits are calculated using several factors that require the application of judgement. Pension calculations under defined benefit plans in compliance with IAS 19 are based on, among others, the following factors that rely on management estimates:

- discount rate used in calculating pension expenses and obligations and net finance cost for the period
- future salary increase
- employee service life.

Changes in these assumptions can significantly impact the amounts of pension obligation and future pension expenses. In addition, a significant part of the pension plan assets is invested in real estate and shares, whose value adjustments impact the recognised amount of pension assets.

The Group operates several pension plans in different operating countries. In statutory pension provision of personnel is provided through pension insurance and the voluntary supplementary pension provision is mainly provided through Fund. The statutory pension provision provided through pension insurance consists of defined contribution plan. Defined benefit plans comprise mainly supplementary provision provided through Kesko Pension Fund.

Pension plans in foreign subsidiaries are managed in accordance with local regulations, practices, and they are defined contribution plans.

Kesko Pension Fund

Kesko Pension Fund is a pension provider of its members providing supplementary benefits to employees who are beneficiaries of the Pension Fund. New members included in the Pension Fund after 9 May 1998. As the conditions set out in the are met, beneficiaries between 60 and 65 years of age are granted an old-age pension amount of retirement benefit granted by the Fund is the difference between the retirement benefit based on his/her pensionable salary calculated in accordance with Fund's rules and the statutory pension. In addition to the individually calculated salary, the retirement benefit amount of each beneficiary is impacted by the duration of membership of the Pension Fund. The Pension Fund had 2,148 beneficiaries, of active employees and 1,862 were retired employees. Kesko Group's contribution Fund's obligation is 96.4% (96.4%). The notes present Kesko Group's interest in Fund except for the analysis of assets by category and the maturity analysis of the

In addition to its rules, the Pension Fund's operations are regulated by the Employment Contracts Act, the decrees under the Act and official instructions, and the Fund's supervision by the Financial Supervisory Authority. The regulations include stipulations the calculation of pension obligation and its coverage, for example, the pension shall be fully covered by the plan assets, any temporary deficit is only allowed in addition, the regulations include detailed stipulations on the accountability of assets and the diversification of investment risks.

Kesko Pension Fund did not charge contributions from its members during this financial year. In 2022 Kesko Pension Fund paid €42.9 million in total in return assets to Finnish Group companies. The return of surplus assets included the



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K-Citymarket in Turtola in Tampere, €40.3 million. Kesko Group does not expect to pay contributions to the Pension Fund in 2023.

The defined benefit asset recognised in the balance sheet is determined as follows:

€ million	2022	2021
Present value of defined benefit obligation	-225.2	-282.1
Fair value of plan assets	312.1	376.9
Net assets recognised in the balance sheet	86.9	94.7

Movement in the net assets recognised in the balance sheet:		
As at 1 January	94.7	89.6
Income/cost recognised in the income statement	-4.1	-7.2
Remeasurement	38.3	49.9
Return of surplus assets	-42.9	-38.6
Contributions to plan and plan costs	1.0	1.0
As at 31 December	86.9	94.7

€ million	Present value of defined benefit obligation	Fair value of plan assets	Total
As at 1 January 2022	-282.2	376.9	94.7
Current service cost	-4.0		-4.0
Gains or losses on settlement	-0.3		-0.3
Interest cost/income	-2.5	3.1	0.6
Plan costs		-0.5	-0.5
Remeasurement	-6.8	2.6	-4.1
Return on plan assets		-12.1	-12.1
Gain/loss from changes in financial assumptions	58.5		58.5
Experience gains/losses	-8.0		-8.0
	50.5	-12.1	38.3
Contributions to plan		1.0	1.0
Return of surplus assets		-42.9	-42.9
Benefit payments	13.3	-13.3	0.0
As at 31 December 2022	-225.2	312.1	86.9

€ million	Present value of defined benefit obligation	Fair value of plan assets
As at 1 January 2021	-294.5	384.0

Current service cost	-4.2	
Gains or losses on settlement	-2.8	
Interest cost/income	-1.3	1.6
Plan costs		-0.5

Remeasurement	-8.3	1.1
Return on plan assets		
Gain/loss from changes in demographic assumptions	0.4	42.7
Gain/loss from changes in financial assumptions	12.1	
Experience gains/losses	-5.2	

Contributions to plan and plan costs	7.3	42.7
Return of surplus assets		1.0
Benefit payments	13.3	-38.6
As at 31 December 2021	-282.2	376.9

Plan assets were comprised as follows in 2022

€ million	Quoted
Europe	
Equity instruments	29.2
Debt instruments	20.4
Investment funds	15.1
Properties	86.9
United States	
Investment funds	47.2
Other countries	
Investment funds	18.5
Total	171.6



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Plan assets were comprised as follows in 2021

€ million	Quoted	Unquoted	Total
Europe			
Equity instruments	42.8	34.5	34.5
Debt instruments	64.9	14.4	57.1
Investment funds		10.2	75.1
Properties		120.0	120.0
United States			
Investment funds	78.1		78.1
Other countries			
Investment funds	29.1		29.1
Total	214.9	179.1	394.0
€ million			
Kesko Corporation shares included in fair value		-	-
Properties leased by Kesko Group included in fair value		86.9	120.0

Principal actuarial assumptions:

	2022	2021
Discount rate	3.56%	0.89%
Salary growth rate	2.97%	2.00%
Inflation	2.49%	1.50%
Pension growth rate	2.68%	1.80%
Average service expectancy, years	5	7

Weighted average duration of pension obligations and expected analysis of undiscounted pension obligations

	2022
Weighted average duration of pension obligations, years	12
Expected maturity analysis of undiscounted pension obligations, € million	
Less than 1 year	15.4
Between 1–10 years	120.5
Between 10–20 years	110.2
Between 20–30 years	76.9
Over 30 years	59.4
Total	382.3

Risks related to pension plan

Asset related risks

The Pension Fund's investments comprise properties, equity index funds, private equity funds, private investments, unlisted shares and both long-term and short-term money market investments. Fund's investment policy defines the investment restrictions pertaining to classes and the allowed investees. The investment plan, annually approved by the Pension board, sets the investment allocation and return targets for the year ahead. The of investing activity is to secure a return on the investments and the conversion of cash, as well as ensuring appropriate diversity and diversification of investment annual basis, the objective is to exceed the Pension Fund's obligation expenses so that contributions need not be charged to the members. The long-term target on investment activity is 5.0%. The risks involved in investment activity are managed continuously monitoring market developments and analysing the adequacy of risk potential of the investments. The returns compared to chosen reference in breakdown of investments are reported on a monthly basis. In 2022 the realised investing activity was -3.73%.

If the return on investment assets underperforms the discount rate applied to of the present value of defined pension obligation, a deficit in the pension may arise. Diversification of assets is aimed to reduce this risk in varying financial conditions.

is created in the pension plan, such that the pension obligation is not fully covered, Pension Fund members are obligated to pay contributions to the Fund in order to cover the obligation. Calculated in compliance with the IAS 19 standard, the amount of plan assets exceeded the plan obligation by €89.2 million as at 31 December 2022. Local rules concerning the Pension Fund may also create a contribution obligation in situations in which the IAS 19 obligation is fully covered. In such a case, the amount of contributions charged increases the amount of pension assets according to IAS 19.

Obligation related risks

In addition to the general level of interest rates, the defined benefit obligation may be impacted by changes in the statutory pension provision, future salary increases, index-based pension increases and changes in life expectancy. The pension promise made to the Fund's beneficiaries is tied to the amount of pensionable salary and it is a lifelong benefit. The total pension amount consists of the statutory pension and the supplementary pension provided by the Fund. Salary increases will increase the future pension amount. If changes in statutory pension provision, such as an increase in the retirement age or reduction of pension provision, were compensated to pensioners by the supplementary pension, the changes would increase the defined benefit obligation. The amount of future pensions is adjusted annually with an index-based increase in accordance with the terms and conditions of the plan. The extension of life expectancy will result in an increase in plan obligation.

Changes in the general level of interest rates and the market yield of high-quality bonds have an impact on the present value of the defined benefit obligation. When the level of interest rates rises, the present value of the defined benefit obligation decreases. Because the Pension Fund's investment assets are invested and their return targets are set for long terms, changes in the annual return on investments do not necessarily correlate in the short term with changes in the discount rate applied to the defined benefit obligation.

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented in the following table.

Actuarial assumption	Change in assumption	Impact on defined benefit obligation, increase
2022		
Discount rate	0.50%	-5.70%
Salary growth rate	0.50%	0.72%
Pension growth rate	0.50%	5.30%
2021		
Discount rate	0.50%	-6.89%
Salary growth rate	0.50%	0.99%
Pension growth rate	0.50%	6.40%

The impacts of sensitivity analysis have been calculated so that the impact of each assumption is calculated while assuming that all other assumptions are correct. In practice, this is unlikely to occur, and changes in some of the assumptions may affect each other. The sensitivity of the defined benefit obligation has been calculated using the same method as when calculating the pension obligation recognised within the financial position.

3.8 Shares in associates and joint ventures

Associates and joint ventures

Associates and joint ventures are treated as equity-accounted investments. The associates and joint ventures are not quoted on the market. Associates and joint ventures are not quoted on the market. Associates and joint ventures are not quoted on the market. Associates and joint ventures are not quoted on the market.

Significant joint ventures

The Group has a significant joint venture, UAB Kesko Senukai Lithuania. Kesko Senukai Lithuania is a limited liability company registered in Lithuania. Kesko Senukai Lithuania is a company engaged in building and home improvement trade. The Group's parent company, Kesko Oyj, holds 50.0% holding in Kesko Senukai Group.

UAB KS Holding is a limited liability company registered in Lithuania that engages in real estate development and real estate rental. Its operations are closely related to the operations of Kesko Senukai Group. Kesko Group's holding in KS Holding Group is 50.0%.



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Summary of financials of significant joint ventures, € million

	31 Dec. 2022	31 Dec. 2021
Current assets	427.4	440.4
Non-current assets	422.1	416.1
Current liabilities	285.8	270.6
Non-current liabilities	296.2	300.2

The above-mentioned balance sheet items contain the following items:

Cash and cash equivalents	72.8	120.8
Current interest-bearing liabilities	39.8	44.8
Non-current interest-bearing liabilities	296.1	300.1

1 Jan.–31 Dec. 2022

1 Jan.–31 Dec. 2021

Net sales	1,224.3	1,091.4
Net profit attributable to owners of the parent	47.1	56.0
Comprehensive income for the year attributable to owners of the parent	48.2	54.9
Group share of profit for the year	23.5	28.0
Share of result of the joint venture consolidated in the consolidated financial statements	23.5	28.0
Share of other comprehensive income of the joint venture consolidated in the consolidated financial statements	24.1	27.5

The above-mentioned income statement items contain the following items:

Depreciation, amortisation and impairment	-49.3	-46.1
Interest income	0.6	0.1
Interest expense	-12.3	-12.4
Income tax	-7.9	-7.5
Dividends received from joint ventures	-33.0	-

Reconciliation for balance sheet value of joint ventures, € million

	2022
Net assets of joint ventures	267.6
Minority interest in net assets	34.0
Group interest in net assets	117.2
Goodwill	19.2
Fair value allocations	15.0
Balance sheet value of joint ventures	151.3

Significant associates

Mercada Oy is a limited liability company registered in Finland, which operates in the retail sector. Mercada owns, manages and develops retail sites mainly used by investment. Mercada owns, manages and develops retail sites mainly used by investment. Mercada's three equal stakes in the company.

Summary of financials of a significant associate, € million

	2022
Current assets	27.7
Non-current assets	516.3
Current liabilities	11.4
Non-current liabilities	488.5
Equity attributable to equity holders of the parent	44.1
Net sales	48.7
Net profit for the year	10.5
Comprehensive income for the year, total	9.6

Reconciliation for balance sheet value of an associate, € million

	2022
Net assets of the associate	44.1
Group interest in net assets	14.7
Balance sheet value of the associate	14.7



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Other associates

Summary of financials of other associates, € million			
	2022	2021	
Group share of profit for the year	-3.5	1.4	
Group share of comprehensive income for the year	-3.5	1.4	
Balance sheet value of associates in the consolidated statement of financial position	65.9	63.3	

The table presents the associates Vähittäiskaupan Takaus Oy and Vähittäiskaupan Tilipalvelu Oy, which sell services to Kesko and retail companies of K-retailers, as well as some business property companies.

Mutual real estate companies

Mutual real estate companies are consolidated in the consolidated financial statements in proportion to ownership. The figures in the table below are the Group's share of real estate companies' assets and liabilities and net profit, included in the consolidated statement of financial position and income statement. Mutual real estate companies are treated as joint operations and accounted for in proportion to ownership.

€ million	2022	2021
Non-current assets	28.7	29.7
Current assets	0.7	0.7
Non-current liabilities	1.3	0.1
Current liabilities	6.6	7.7
Net assets	21.6	22.7
Income	2.4	2.4
Costs	3.6	3.4
Net profit for the year	-1.1	-1.0

3.9 Provisions

Accounting policies

A provision is recognised when the Group has a present legal or constructive obligation as the result of a past event, and it is probable that an outflow of resources or economic benefits will be required to settle the obligation, and that a reliable estimate of the amount of the obligation. Provision amounts are reviewed on each reporting date and adjusted to reflect the current best estimate. Changes in provisions are recognised in the income statement in the same item in which the provision was originally recognised.

A warranty provision is recognised when a product covered by warranty provision is sold. The provision amount is based on historical experience about the level of warranty claims.

Critical accounting estimates and assumptions

The existence of criteria for recognising provisions and the amounts of provisions determined based on estimates of the existence and amount of the obligation may differ from the actual future amount of the obligation and with respect to the obligation.

€ million	Warranty provisions	Other provisions
Provisions as at 1 Jan. 2022	16.0	13.8
Foreign exchange effects	0.0	0.0
Additional provisions	7.6	8.2
Unused amounts reversed	-7.8	-0.4
Amounts charged against provision	-7.9	-7.2
Changes in the Group structure	0.0	-0.1
Provisions as at 31 Dec. 2022	7.9	14.3
Analysis of total provisions		
Non-current	4.1	6.2
Current	3.8	8.1

The biggest items in other provisions are costs related to care plans for vehicles sold by Group companies, real estate costs for empty store sites, and restructuring costs. The average duration for care plans is 3–4 years.



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4. CAPITAL STRUCTURE AND FINANCIAL RISKS

4.1 Capital management

Kesko Group's objectives in capital management include target rates set for the Group's solvency and liquidity. The Group's capital structure (equity-to-debt ratio) is managed at Group level. The targets for the Group's solvency and liquidity are set with the purpose of securing the Group's liquidity in all market situations, enabling the implementation of Group strategy, and increasing shareholder value. The targets have been set for the performance indicator 'interest-bearing net debt/EBITDA'. Some of the Group's interest-bearing liabilities include covenants, whose terms and conditions have been taken into account in the above target rate. The Group does not have a credit rating from any external credit rating institution.

Target levels for Kesko Group's performance indicators are approved by the Board of Directors of Kesko Corporation. The Board confirmed an updated version of the company's strategy and new medium-term financial targets for the company on 27 May 2021. The new medium-term financial targets for profitability are a comparable operating margin of over 6.0% (previously 5.5%) and a comparable return on capital employed of over 14.5% (previously 12.5%). As for financial position, the Group continues to target a maximum interest-bearing net debt/EBITDA of 2.5, excluding the impact of IFRS 16.

€ million	2022	2021
Interest-bearing liabilities and lease liabilities in the consolidated statement of financial position	2,418.3	2,295.1
- Lease liabilities	1,920.1	1,928.6
- Other current financial assets	68.6	107.9
- Cash and cash equivalents	245.5	279.8
Interest-bearing net debt excluding lease liabilities	184.1	-21.3

€ million	2022
Operating profit	816.5
+ depreciation, amortisation and impairment	169.0
+ depreciation and impairment charges for right-of-use-assets	322.1
- lease payments for right-of-use-assets	399.1
EBITDA excluding the impact of IFRS 16	908.5

Interest-bearing net debt/EBITDA excluding the impact of IFRS 16	0.2

Reconciliation of net debt

The Group determines net debt by deducting the Group's liquid assets, which and cash equivalents and other current financial assets, from interest-bearing long term-liabilities.

The Group had liquid assets of €314.1 million (€387.7 million) on 31 December 2021. Interest-bearing liabilities on 31 December 2022 totalled €2,418.3 million (€2,295.1 million), of which lease liabilities accounted for €1,920.1 million (€1,928.6 million). bearing net debt totalled €2,104.2 million (€1,907.3 million), and interest-bearing lease liabilities totalled €184.1 million (€-21.3 million).

€ million	2022
Financial assets at fair value through profit or loss	-
Financial assets at amortised cost (maturing in less than 3 months)	17.0
Cash and cash equivalents	228.5
Other current financial assets	68.6
Borrowings - repayable within one year (including overdraft)	-252.6
Lease liabilities - repayable within one year	-328.1
Borrowings - repayable after one year	-245.5
Lease liabilities - repayable after one year	-1,592.0
Cash and debt, net	-2,104.2



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€ million	Carrying amount as at 1 Jan. 2022	Cash flows	Business acquisitions and divestments	Net changes of lease liabilities	Foreign exchange adjustments
Lease liabilities due within 1 year	-317.9	332.7	-1.6	-343.8	2.5
Lease liabilities due after 1 year	-1,610.7		-12.3	19.0	11.9
Borrowings due within 1 year	-160.1	-92.5			0.0
Borrowings due after 1 year	-206.4	-39.1	-0.0		-0.0
Other current financial assets	107.9	-39.3			
Cash and overdraft	197.9	23.5	7.4		-0.3
Financial assets at amortised cost	32.0	-15.0			
Financial assets at fair value through profit or loss	50.0	-50.0			
Net debt	-1,907.3	120.2	-6.4	-324.8	14.1

€ million	Carrying amount as at 1 Jan. 2021	Cash flows	Business acquisitions and divestments	Net changes of lease liabilities	Foreign exchange adjustments
Lease liabilities due within 1 year	-312.7	323.2	-0.6	-326.9	-0.8
Lease liabilities due after 1 year	-1,712.3		-0.5	107.3	-5.3
Borrowings due within 1 year	-182.6	22.5			0.0
Borrowings due after 1 year	-408.7	202.4			0.0
Other current financial assets	51.7	56.2	0.0		
Cash and overdraft	150.0	47.6	0.0		0.3
Financial assets at amortised cost	4.5	27.5			
Financial assets at fair value through profit or loss	99.9	-49.9			
Net debt	-2,310.3	629.4	-1.0	-219.6	2.8



Accounting policies

Accounting policies
The Group classifies the instruments it has issued either in equity or in financial liabilities based on their nature. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Expenses related to the issuance or acquisition of equity instruments are presented as an allowance for

equity. If Kesko Corporation acquires equity instruments of its own, their cost is determined by the fair value of the equity instruments issued in exchange for the equity instruments acquired, less any amounts paid to the equity instrument holders from equity.

The dividend proposed by the Board of Directors to the General Meeting is to be deducted from equity. Instead, dividends are recognised on the basis of the the General Meeting.

Change in share numbers and equity reserves

	Number of shares			Share capital € million	Reserve of invested non-restricted equity € million	Share premium € million
	A	B	Total			
Share capital						
1 January 2021	126,948,028	269,791,118*	396,739,146*	197.3	197.8	266.8
Number of shares after the split						
Transfer of treasury shares						
31 December 2021	126,948,028	371,198	371,198			
Transfer of treasury shares						
31 December 2022	126,948,028	270,162,316*	397,110,344*	197.3	197.8	266.8
Transfer of treasury shares						
31 December 2022	126,948,028	348,303	348,303			
Transfer of treasury shares						
31 December 2022	126,948,028	270,510,619*	397,458,647	197.3	197.8	266.8
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* Excluding treasury shares, which totalled 2,620,361 (2,968,664) at the end of the financial year.

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Authorised by the General Meeting, the Board acquired a total of 500,000 of the Company's own B shares during the 2018 financial year. The Board also acquired a total of 1,200,000 of the Company's own B shares during the financial years 2011 and 2014. The shares are held by the Company as treasury shares and the Company's Board is entitled to transfer them. The reacquisition cost of the B shares held by the Company and acquired during the 2018 financial year was €24.4 million, and the acquisition cost of the shares acquired during the 2011 and 2014 financial years was €23.5 million. These costs have been deducted from retained earnings in equity. The Board has the authorisation granted by the Annual General Meeting on 7 April 2022 to decide on the issuance of at maximum 33,000,000 B series shares and to decide on the repurchase of a maximum of 16,000,000 of Kesko's B shares. The authorisation is valid until 30 June 2023. Information on share-based payments has been given in Note 5.3.

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The acquisition cost of the B shares held by the Company and acquired during the 2018 financial year was €24.4 million, and the acquisition cost of the shares acquired during the 2011 and 2014 financial years was €23.5 million. These costs have been deducted from retained earnings in equity. The Board has the authorisation granted by the Annual General Meeting on 7 April 2022 to decide on the issuance of at maximum 33,000,000 B series shares and to decide on the repurchase of a maximum of 16,000,000 of Kesko's B shares. The authorisation is valid until 30 June 2023. Information on share-based payments has been given in Note 5.3.

Dividends

After the balance sheet date, the Board of Directors proposed the distribution of a dividend of €1.08 per share. The dividend distributed for the profit for 2021 was €1.06 per share.

€1,08 per share. The dividend distributed for the profit for 2021 was ~~2~~ €1,06 p

decide on the repurchase of a maximum of 16,000,000 of Kesko's B shares. The authorisation is valid until 30 June 2023. Information on share-based payments has been given in Note 5.3.

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Equity and reserves

Equity consists of share capital, share premium, reserve of invested non-restricted equity, other reserves, revaluation reserve, currency translation differences and retained earnings net of treasury shares.

Share premium

The amount exceeding the par value of share received by the Company in connection with share subscriptions was recorded in the share premium in cases where options had been granted under the old Limited Liability Companies Act (29 Sept. 1978/734). As at the end of the financial year, the share premium was €197.8 million.

Reserve of invested non-restricted equity

The reserve of invested non-restricted equity, €24.1 million, includes the other equity-related investments and share subscription prices to the extent not designated to be included in share capital.

Other reserves

Other reserves, a total of €242.7 million, have mainly been created and increased as a result of resolutions by the General Meeting. Other reserves mainly comprise contingency reserves to a total amount of €242.3 million at the end of the financial year.

Currency translation differences

Currency translation differences arise from the translation of foreign operations' financial statements. Exchange differences arising from monetary items that form a part of a net investment in a foreign operation or exchange differences from loans designated as hedges for foreign net investments and regarded as effective, are also included in currency translation differences. The change in currency translation differences is stated within comprehensive income.

Revaluation reserve

The revaluation reserve includes the effective portion of the change in the fair value of derivatives for which cash flow hedge accounting is applied. Cash flow hedges include electricity derivatives. The change in the reserve is stated within comprehensive income. The result of cash flow hedging has been presented in Note 4.3 Financial risks.

4.3 Financial risks

With respect to financial risk management, the Group observes a uniform treasury policy that has been approved by the Company's Board of Directors. Compliance with the policy and developments in the Group's financial situation are monitored by the Board of Directors. The Group Treasury is centrally responsible for obtaining financial resources for the Group, for liquidity management, relations with providers of finance, and for management of financial risks. In the main, the Group's financial resources have been obtained from parent company, and the Group Treasury arranges financial resources for subsidiaries in functional currencies. For subsidiaries with significant external ownership, the Group guarantees financial liabilities in excess of its ownership interest.

Foreign exchange risks

Kesko Group conducts business operations in seven countries, in addition to which it purchases from numerous countries. In consequence, the Group is exposed to exchange risks arising from net investments in foreign operations (translation risks), assets, liabilities and forecast transactions (transaction risks) denominated in foreign currencies.

Translation risks

The Group companies' financial resources are arranged in their functional currencies. The parent company bears the ensuing foreign exchange risk and hedges the risk exposure with derivatives or borrowings denominated in the relevant foreign currencies.

Translation risks

The Group is exposed to foreign currency translation risks relating to net investments in subsidiaries outside the euro zone held on the balance sheet. This balance sheet exposure has not been hedged. The hedge can be designated if equity is revaluated, or if the exposure is expected to be exposed to a significant devaluation risk. The most significant exposures are the Norwegian krone and the Swedish krona. Relative to the Group's operations and the balance sheet total, the foreign currency translation risk is immaterial.

Group's translation exposure as at 31 Dec. 2022

€ million	NOK
Net investment	382.2
Group's translation exposure as at 31 Dec. 2021	
€ million	NOK
Net investment	373.0



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Sensitivity analysis, impact on equity as at 31 Dec. 2022

Sensitivity analysis, impact on equity as at 31 Dec. 2021

Transaction risks

The currency-specific transaction risk exposure comprises foreign currency denominated

Insofar as the Group applies hedge accounting to hedge purchases, the valuation of derivatives is recognised in the revaluation reserve of equity. When a derivative matures, it is treated similarly to the hedged item.

Group's transaction exposure as at 31 Dec. 2021
€ million

The Group monitors the transaction risk exposure in respect of existing balance sheet items and cash flows. The table above presents transaction exposure excluding future cash flows. The table does not include the Group's actual foreign exchange risk after hedging. When foreign exchange risk is included in the transaction exposure, the most significant difference to the table above is the USD exposure. As at 31 December 2022, the exposure with respect to USD was

A sensitivity analysis of the transaction exposure shows the impact in the

**Sensitivity analysis, impact on pre-tax profit
as at 31 Dec. 2021**

€ million	USD	SEK
Change +10 %	-4.1	9.3
Change -10 %	5.0	-1.5



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Liquidity risk

Liquidity risk management aims to maintain sufficient liquid assets and credit facilities in order to ensure the ongoing availability of sufficient financial resources for the Group's operating activities.

Liquid assets comprise cash and cash equivalents in the balance sheet, financial assets at amortised cost, and current financial assets at fair value through profit or loss. Changes in these balance sheet items are presented in the consolidated statement of cash flows under change in cash and cash equivalents for cash and cash equivalents, and in cash flow from investing activities for other financial assets.

The Group's liquid assets have mainly been invested in the debt instruments of major Finnish companies, in certificates of deposit and bank deposits operating in Kesko's market area, in bonds of selected companies and in corporate bond funds. The return on these investments in 2022 was -1.1% (0.6%) and the duration 0.7 years at the end of the financial year. The maximum credit risk is the fair value of these investments on the balance sheet at the balance sheet date.

Interest-bearing net debt reconciliation is presented in Note 4.1.

Payables to K-retailers consist of two types of interest-bearing liabilities by K-retailers' prepayments to Kesko and Kesko's chain rebate liabilities to retailers

Kesko has drawn down two bilateral loans, which combined total €200 million. The of these loans accounts for Kesko's sustainability targets for its carbon footprint and in the value chain, emission reduction targets set by Kesko's direct suppliers of goods

At the balance sheet date, the total equivalent of undrawn committed long-term was €300 million (€300 million). According to the terms and conditions of loan change of control, the lenders have the right to terminate the credit facility and possibly drawn. According to the terms and conditions of the loan facility, the ownership to retailers or an association of retailers does not constitute a change in addition, the Group's uncommitted financial resources available contained commercial programmes denominated in euros totalling an equivalent of €506 million (€5

	31 Dec. 2022				31 Dec. 2021			
	< 1 year	1-5 years	> 5 years	Total	< 1 year	1-5 years	> 5 years	Total
Maturities of financial liabilities and related finance costs								
Borrowings from financial institutions	0.2	200.6	0.9	201.7	1.6	150.1	0.1	151.8
finance costs	4.5	9.2	0.1	13.9	0.5	1.0	0.0	1.5
Pension loans	12.0	38.6	5.7	56.3	12.0	44.9	11.5	68.4
finance costs	0.8	1.4	0.1	2.2	0.9	2.0	0.2	3.1
Lease liabilities	328.1	1,012.4	579.7	1,920.1	317.8	984.0	626.8	1,928.6
finance costs	61.6	144.2	52.1	257.9	61.7	146.6	54.7	263.0
Payables to K-retailers	82.1			82.1	120.7			120.7
finance costs	0.2			0.2				0.2
Other interest-bearing liabilities	158.3		0.0	158.3	25.7		0.0	25.7
finance costs	1.3			1.3				1.3
Non-current non-interest-bearing liabilities	1.0	2.6	20.5	24.1	0.7	3.4	20.7	24.8
Current non-interest-bearing liabilities								
Trade payables	1,499.4			1,499.4	1,332.6			1,332.6
Accrued expenses	442.6			442.6	454.8			454.8
Other non-interest-bearing liabilities	195.5			195.5	186.1			186.1
Financial liabilities in the balance sheet include €1.2 million (€3.4 million) in items related to derivatives, of which €1.2 million will mature within the next 12 months. More information is presented in Note 3.4.								

Financial liabilities in the balance sheet include €1.2 million (€3.4 million) in items related to derivatives, of which €1.2 million will mature within the next 12 months. More information is presented in Note 3.4.



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The impact of these trade payables can be seen in cash flow from operating activities as change in working capital.

Current interest-bearing receivables and sensitivity analysis

The objective is to invest liquidity consisting of financial assets in the money markets using efficient combinations of return and risk. At regular intervals, the Group's management approves the investment instruments and limits for each counterparty among those analysed by the Group Treasury. The risks and actual returns on investments are monitored regularly.

Financial assets at amortised cost € million	2022	2021
Carrying amount as at 1 January	52.7	31.7
Changes	-14.1	21.0
Carrying amount as at 31 December	38.7	52.7

The financial assets at amortised costs include investments in commercial papers, certificates of deposits and other interest rate instruments.

In the sensitivity analysis of floating rate receivables, average annual balances of invested assets have been used. The receivables include customer financing receivables, other interest-bearing receivables, and within investments money market funds. The sensitivity of money market funds has been determined based on duration. If the interest rate level had changed by +/- 1 percentage point, the effect of these items on the pre-tax profit would have been €+/- 1.8 million (€+/- 1.8 million).

Maturity of non-current receivables

Maturity analysis of non-current receivables as at 31 Dec. 2022 € million	2024	2025	2026	2027	2028-	Total
Non-interest-bearing non-current receivables	9.8	5.2	4.2	5.9	0.7	25.9
Loans and receivables from associates and joint ventures	3.4	3.4	0.5	1.5	56.0	64.7
Other non-current receivables	0.2	0.0	0.0	0.0	0.0	0.2
Total	13.4	8.6	4.7	7.4	56.7	90.8

The carrying amount of non-interest-bearing non-current receivables equals their fair value.

Maturity analysis of non-current
receivables as at 31 Dec. 2021
€ million

	2023	2024	2025	2026
Non-interest-bearing non-current receivables	2.8	0.6	0.2	0.0
Loans and receivables from associates and joint ventures	3.4	3.4	3.4	0.5
Other non-current receivables	0.0	0.0	0.0	0.0
Total	6.2	4.0	3.6	0.5

Commodity risks and their sensitivity analysis

The Group uses electricity derivatives for the purpose of balancing out energy electricity price risk is assessed for five-year periods. The changes in the fair value of derivatives hedging the price of electricity supplied during the financial year are within adjustments to purchases. Hedge accounting is applied to contracts hedged with purchases. Hedge accounting is applied in accordance with IFRS 9 to hedge the component. The effective portion of the change in the value of derivatives that hedge accounting is recognised in the revaluation reserve of equity. The change in revaluation reserve recognised in equity is presented in the statement of comprehensive income under Revaluation of cash flow hedge.

Result of cash flow hedging

As a result of hedge accounting applied to electricity, an amount of €34.8 million (€34.8 million) was removed from equity and included in the income statement as purchase adjustment, and €67.7 million (€15.4 million) was recognised in equity, respectively, combined effect on the revaluation reserve for the year was €44.2 million (€11.6 million) before accounting for deferred tax.

As at the balance sheet date, a total quantity of 810,336 MWh (1,001,424 MWh) electricity had been purchased with electricity derivatives and 1,159,839 MWh (1,159,839 MWh) under fixed price purchase agreements. The 1-12 month hedging level was 50% (88%), the 13-24 month level was 73% (82%), the 25-36 month level was 50% (37-48 month level was 22% (30%), and the 49-59 month level was 19% (19%).

The sensitivity analysis of electricity derivatives assumes that derivatives mature in 12 months have an impact on profit. If the market price of electricity derivatives



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-/+ 20% from the balance sheet date 31 December 2022, it would contribute €-/+8.5 million (€-/+3.4 million) to the 2022 income statement and €-/+5.6 million (€-/+7.0 million) to equity. The impact has been calculated before taxes.

Derivatives

	31 Dec. 2022	31 Dec. 2022	31 Dec. 2021	31 Dec. 2021
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair values of derivative contracts (balance sheet value)	(balance sheet value)	(balance sheet value)	(balance sheet value)	(balance sheet value)
Interest rate derivatives	12.2	-0.1	0.1	-2.2
Foreign currency derivatives	2.4	-0.6	1.7	-1.1
Electricity derivatives	44.8	-0.7	11.5	-0.2
Notional principal amounts of derivative contracts (€ million)	31 Dec. 2022		31 Dec. 2021	
Interest rate derivatives	330.0		420.0	
Foreign currency derivatives	141.7		204.6	
Electricity derivatives	69.7		35.2	

The fair values of derivatives are presented as gross amounts. Kesco has entered into netting arrangements under ISDA contracts with all counterparties engaged in transactions with derivatives. All of these contracts provide for mutual posting of collateral. The threshold level for collateral posting had not been exceeded at the balance sheet date. Analysed by counterparty, derivative financial liabilities could be set off in a total of €0.5 million.

The maximum credit risk from derivatives is the fair value of the balance sheet at the reporting date.

4.4 Finance income and costs

€ million

Interest income and other finance income	2022
Income on investments at amortised cost	1.0
Interest income on loans and receivables	9.7
Income on investments at fair value through profit or loss	1.0
Other finance income	1.3
Total interest income and other finance income	13.0
Interest expense and other finance costs	
Interest expense on financial liabilities at amortised cost	-4.0
Losses on investments at amortised cost	-2.2
Losses on investments at fair value through profit or loss	-3.5
Other finance costs	12.7
Total interest expense and other finance costs	2.9
Interest expense for lease liabilities	-68.4
Exchange differences	
Exchange differences and changes in fair values of derivatives, borrowings denominated in foreign currencies not qualifying for hedge accounting, and cash at bank	-3.5
Total exchange differences	-3.5
Total finance income and costs	-56.0

Interest expenses and other finance costs include positive change in fair value derivatives.



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4.5 Financial assets and liabilities by category

Accounting policies

Financial assets

The Group classifies financial assets into three groups in accordance with IFRS 9. Financial assets are classified either as instruments measured at amortised cost, or as instruments measured at fair value through profit or loss or in other comprehensive income, depending on the business model targets and cash flows based on agreements.

Regular way purchases or sales of financial assets are recognised on settlement date.

Financial assets are classified as non-current, if they have a maturity of more than 12 months after the balance sheet date. If financial assets are expected to be settled within 12 months, they are classified as current.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred from the Group, and when the risks and rewards of ownership have been transferred from the Group.

Financial assets at amortised cost and financial assets at fair value are only invested in counterparties deemed creditworthy. The impairment model for expected credit losses in line with the standard requires credit losses to be recognised with a forward-looking approach. As for other financial assets, lacking historical credit losses, counterparty risk is monitored actively and credit losses are recognised if risk is observed.

Financial assets at amortised cost

Financial assets at amortised cost consist of assets that are to be held to maturity and whose cash flows consist solely of payments of principal and interest. Financial assets at amortised cost also include trade receivables and other receivables.

Financial assets at fair value

Financial assets at fair value in other comprehensive income comprise derivatives that meet the hedge accounting criteria. Financial assets that do not meet the criteria of the other groups are classified as financial assets measured at fair value through profit or loss.

Level 1 instruments are traded in active markets and their fair values are derived from quoted market prices. The fair values of level 2 instruments are derived from observable market data. The fair value of level 3 instruments is not based on observable market data (unobservable).

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks as funds measured at amortised cost which are invested in instruments with more than three months from acquisition. Investments in money market funds are measured at fair value through profit or loss, for which liquidity is assessed as very good, are as cash and cash equivalents. The cash and cash equivalents in the consolidated balance sheet also include amounts relating to the retail operations of the group companies as cash floats in stores, or amounts being transferred to the respective companies.

Financial liabilities

Financial liabilities have initially been recognised at fair value, net of transaction costs. In the financial statements, financial liabilities are measured at amortised cost using the effective interest rate method. Arrangement fees paid on the establishment of facilities and financial liabilities are amortised over the period of the facility relates. Financial liabilities having maturities of more than 12 months after the balance sheet date are classified as non-current liabilities. Those maturing within 12 months are classified as current liabilities.

Derivative financial instruments and hedge accounting

When derivative contracts are entered into, they are recognised at fair value in the financial statements, they are re-measured at their fair value. The recognition of derivatives depends on whether the derivative instrument is classified as hedge accounting or not and, if so, on the hedged item. When entered into, contracts are treated either as fair value hedges of receivables or liabilities, case of interest rate risk and electricity price risk, as cash flow hedges, as hedges of investments in a foreign entity, or as derivative contracts that do not meet the hedge accounting criteria. If the hedge accounting criteria are not met, the results of hedging a commercial foreign exchange risk are recognised in profit or loss as operating income or expenses. Concerning derivatives hedging financial transactions, the amount to be recognised in the income statement is included in financial



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When a hedging arrangement is entered into, the relationship between the hedged item and the hedging instrument, as well as the objectives of the Group's risk management are documented. The effectiveness of the hedge relationship is tested regularly and the effective portion is recognised, according to the nature of the hedged item, against the change in the fair value of the hedged item, in translation differences in equity, or in the revaluation reserve. The ineffective portion is recognised, according to its nature, either in financial items or other operating income and expenses.

Hedge accounting is discontinued when the hedging instrument expires or is sold, or when the contract is terminated or exercised. Any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction has occurred.

Measurement principles

The fair value of forward rate agreements is determined by reference to the market prices at the balance sheet date. The fair value of interest rate swaps is calculated on the basis of the present value of future cash flows, using the market prices at the balance sheet date. The fair value of foreign exchange forward contracts is determined by measuring the forward contracts at the forward rate at the balance sheet date. Currency options are measured using the counterparty's price quotation, but the Group also verifies the price by applying the Black-Scholes method. Electricity derivatives are measured at fair value using the market quotations at the balance sheet date.

Hedging a net investment in foreign operations

During the financial year, the Group has not hedged net investments in foreign operations. If a hedge is initiated, the Group applies hedge accounting in accordance with IFRS 9 to hedge foreign currency net investments in foreign operations. Foreign exchange forward contracts or foreign currency borrowings are used as hedging instruments. Spot price changes in foreign exchange forward contracts are recognised in translation differences under equity, and disclosed as income under comprehensive income. The premiums of forward contracts are recognised as income under financial items. The exchange difference of foreign currency borrowings is recognised in translation differences under equity. When a foreign operation is partially or wholly disposed of or wound up, cumulative gains or losses from the hedging instruments are recognised in profit or loss.



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As at 31 December 2022

Balance, € million	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Carrying amount	Fair value	Level 1	Level 2
Non-current financial assets							
Other investments	13.2			13.2	13.2		
Non-current receivables		66.0		66.0	66.0		
Non-current receivables, derivatives	12.1		12.8	24.9	24.9		24.9
Current financial assets							
Trade receivables		969.3		969.3	969.3		
Other receivables		331.2		331.2	331.2		
Other receivables, derivatives	2.4		32.1	34.4	34.4		34.4
Other financial assets	29.9	38.7		68.6	68.6		29.9
Cash and cash equivalents		245.5		245.5	245.5		
Total financial assets	57.6	1,650.6	44.8	1,753.1	1,753.1		89.5
Balance, € million							
Non-current financial liabilities							
Non-current interest-bearing liabilities		245.5		245.5	245.5		
Non-current lease liabilities		1,592.0		1,592.0	1,592.0		
Non-current non-interest-bearing liabilities		24.1		24.1	24.1		
Non-current non-interest-bearing liabilities, derivatives							
Current financial liabilities							
Current interest-bearing liabilities		252.6		252.6	252.2		
Current lease liabilities		328.1		328.1	328.1		
Trade payables		1,499.4		1,499.4	1,499.4		
Other non-interest-bearing liabilities		636.9		636.9	636.9		
Other non-interest-bearing liabilities, derivatives	0.6		0.7	1.2	1.2		1.2
Total financial liabilities	0.6	4,578.7	0.7	4,579.9	4,577.3		1.2

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As at 31 December 2021

Balance, € million	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Carrying amount	Fair value	Level 1	Level 2
Non-current financial assets							
Other investments	15.5			15.5	15.5		
Non-current receivables		68.9		68.9	68.9		
Non-current receivables, derivatives			3.6	3.6	3.6		3.6
Current financial assets							
Trade receivables		909.2		909.2	909.2		
Other receivables		294.4		294.4	294.4		
Other receivables, derivatives	1.7		7.9	9.6	9.6		9.6
Other financial assets	55.2	52.7		107.9	108.0		55.2
Cash and cash equivalents	50.0	229.9		279.8	279.8		50.0
Total financial assets	122.3	1,555.1	11.6	1,689.0	1,689.1		118.8
Non-current financial liabilities							
Non-current interest-bearing liabilities		206.4		206.4	207.6		
Non-current lease liabilities		1,610.7		1,610.7	1,610.7		
Non-current non-interest-bearing liabilities		24.8		24.8	24.8		
Non-current non-interest-bearing liabilities, derivatives			0.0	0.0	0.0		0.0
Current financial liabilities							
Current interest-bearing liabilities		160.1		160.1	160.2		
Current lease liabilities		317.9		317.9	317.9		
Trade payables		1,332.6		1,332.6	1,332.6		
Other non-interest-bearing liabilities		637.5		637.5	637.5		
Other non-interest-bearing liabilities, derivatives	3.2		0.2	3.4	3.4		3.2
Total financial liabilities	3.2	4,290.0	0.2	4,293.4	4,294.7		3.2

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In addition to cash on hand and deposits with banks, cash and cash equivalents include liquid assets measured at amortised cost due in less than three months from acquisition of €17.0 million (€32.0 million), and financial assets recognised at fair value through profit or loss of €0.0 million (€50.0 million).

Non-current receivables from associates and joint ventures contain the shareholder loan granted to Mercada Oy and the financing loans granted to UAB Kesko Senukai.

Deferred tax assets, income tax receivables, deferred tax liabilities and income tax liabilities are not classified as financial assets or financial liabilities and are not included in the table above. Prepayments received of €46.9 million (€46.2 million) are not classified as financial liabilities and are not included in the table above in other non-interest-bearing liabilities.

The fair values of borrowings have been calculated based on the present value of future cash flows using the 1.9%–3.5% market rates of interest of the balance sheet date. The fair value of current interest-bearing liabilities has been estimated to approximately equal their balance sheet value. The maturity structure of non-current borrowings has been presented in Note 4.3.

Changes in level 3 instruments € million	2022	2021
Private equity funds and other shares and interests as at 1 January	15.5	22.7
Purchases	0.3	0.2
Refunds received	-	-3.1
Gains and losses through profit or loss	-0.4	-1.6
Changes in fair value	-2.2	-2.7
Private equity funds and other shares and interests as at 31 December	13.2	15.5

Level 3 includes private equity funds and other shares and interests. These investments have been classified as financial assets at fair value through profit or loss. Level 3 financial assets are measured based on computations received from the companies. A loss of €2.6 million has been recorded on these investments for the financial year 2022.

4.6 Commitments and contingencies

€ million	2022
Collateral given for own commitments	
Pledges	9.0
Mortgages	179.6
Guarantees	61.6
Other commitments and contingent liabilities	58.4
Collateral given for others	
Guarantees	-
Other commitments and contingent liabilities	-

The guarantees given do not include guarantees related to the items presented in the consolidated statement of financial position or as a lease liability.

Guarantee maturities are €1.4 million in 2023 and €60.1 million in 2024–2025.

Leases not commenced yet but to which the Group is committed at the balance sheet date are €1.4 million in 2023 and €60.1 million in 2024–2025. Leases commenced at 31 December 2022 are presented in Note 3.4.



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5. OTHER

5.1 Subsidiaries, associates, joint ventures and proportionately consolidated mutual real estate companies

Subsidiaries

Owned by the parent	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Ankkuri-Energia Oy	Helsinki, Finland	100.00	100.00
Asunto Oy Kirkkonummen Västeruddintie 33	Kirkkonummi, Finland	100.00	100.00
Barker-Liittinen Oy	Espoo, Finland	100.00	100.00
Bygghäkker Handel AS	Ospegård, Norway	100.00	100.00
Fiesta Real Estate AS	Tallinn, Estonia	100.00	100.00
Intersport Finland Oy	Helsinki, Finland	100.00	100.00
Jyväscool Oy	Jyväskylä, Finland	100.00	100.00
Kalutukku E. Eriksson Oy	Helsinki, Finland	100.00	100.00
K Auto Oy	Helsinki, Finland	100.00	100.00
Keskinäinen Kiinteistö Oy Malmi Kankirauta	Helsinki, Finland	100.00	100.00
Keskinäinen Kiinteistö Oy Voimalmentie 9	Helsinki, Finland	100.00	100.00
Lappeenranta	Helsinki, Finland	100.00	100.00
Kesko AB	Stockholm, Sweden	100.00	100.00
Kesko Export Oy	Helsinki, Finland	100.00	100.00
Kesko Real Estate Latvia SIA	Riga, Latvia	100.00	100.00
Kiinteistö Oy Eteläkoivulan Kauppakeskus	Pori, Finland	78.45	78.45
Kiinteistö Oy Helsingin Itäkeskus	Helsinki, Finland	100.00	100.00
Kiinteistö Oy Huukavaaran Kauppa	Oulu, Finland	100.00	100.00
Kiinteistö Oy Kittilän Säästökuuma	Helsinki, Finland	100.00	100.00
Kiinteistö Oy Kittilän Valatie 31-33	Helsinki, Finland	100.00	100.00
Kiinteistö Oy Lappeenrannan Oksasenkatu 4	Helsinki, Finland	100.00	100.00
Kiinteistö Oy Mustasaaren Mustikka	Helsinki, Finland	100.00	100.00
Kiinteistö Oy Nokian Kauppapaikka	Helsinki, Finland	100.00	100.00
Kiinteistö Oy Pontsonkuuma	Helsinki, Finland	94.60	94.60
Kiinteistö Oy Riistaveden Keskustie 15	Helsinki, Finland	79.50	79.50

Owned by the parent	Domicile	Group's ownership interest, %
Kiinteistö Oy Savonlinnan Länsikeskus	Joensuu, Finland	100
Kiinteistö Oy Servitintyökatu 4	Kerava, Finland	100
Kiinteistö Oy Sunan Hallitalo	Helsinki, Finland	100
Kiinteistö Oy Tarkkailikka	Oulu, Finland	100
Kiinteistö Oy Vasarakatu 22	Jyväskylä, Finland	100
Kiinteistö Oy Voisalmi Liiketalo	Helsinki, Finland	100
Klintercenter Ab	Marham, Algeria	100
K-Market Oy	Helsinki, Finland	100
Konekesko Oy	Helsinki, Finland	100
Koskelan Ostokeskus Oy	Oulu, Finland	50
Onninen Oy	Helsinki, Finland	100
Rake Eiendom AS	Ospegård, Norway	100
Rantasalmen Kauppakeskus Oy	Helsinki, Finland	100
Reinin Liha Oy	Helsinki, Finland	100
Tampereen Länsikeskus Oy	Tampere, Finland	100



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Owned by other Group companies		Group's ownership interest, %	Parent's ownership interest, %
Arn Eiendom AS	Vefsn, Norway	100.00	
Byggarnas Partner Sverige AB	Segeltorp, Sweden	100.00	
Bygg & Interiör i Katrineholm AB	Katrineholm, Sweden	100.00	
Bygg & Interiör i Flen AB	Flen, Sweden	100.00	
Bygg & Interiör i Vingåker AB	Vingåker, Sweden	100.00	
Byggmakler CF AS	Sandefjord, Norway	100.00	
Djurbergs Järnhandel Aktiebolag	Söderköping, Sweden	100.00	
Fresks Försäkring AB	Östersund, Sweden	100.00	
Hasti-Ari AS	Oppegård, Norway	100.00	
Högsbo Trä Aktiebolag	Västra Frölunda, Sweden	100.00	
K Auto AC Oy	Helsinki, Finland	100.00	
K Auto PC Oy	Helsinki, Finland	100.00	
K Auto Leasing Oy	Helsinki, Finland	100.00	
K Auto Retail Oy	Helsinki, Finland	100.00	
Kesko Onninen International Trading Co., Ltd	Shanghai, China	100.00	
K rauta SIA	Riga, Latvia	100.00	
Kestra Kiinteistöpalvelut Oy	Helsinki, Finland	100.00	
Kiinteistö Oy Hyvinkään Onnela	Helsinki, Finland	100.00	
Kiinteistö Oy Kokkolan Kaanaanmaantie 2-4	Kokkola, Finland	64.78	
Kiinteistö Oy Lappeenranta Rakuunaparkki	Lappeenranta, Finland	57.12	
Kiinteistö Oy Vantaan Simonsampo	Vantaa, Finland	100.00	
Kiinteistö Oy Visuveden Liiketalo	Ruovesi, Finland	100.00	
KR Fastigheter i Järviäla AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Linköping AB	Sollentuna, Sweden	100.00	
KR Fastigheter i Täby AB	Sollentuna, Sweden	100.00	
K-rauta Fastigheter i Malmö AB	Sollentuna, Sweden	100.00	
K-Rauta Holding Finland Oy	Helsinki, Finland	100.00	
Kungälv's Trävaruaktiebolag	Kungälv, Sweden	100.00	
Mark & Infra i Sverige AB	Täby, Sweden	100.00	
Olarin Autokiinteistö Oy	Espoo, Finland	100.00	
Onninen AS	Skedsmo, Norway	100.00	
Onninen AS	Tallinn, Estonia	100.00	
Onninen LLP	Aktau, Kazakhstan	100.00	
Onninen SIA	Riga, Latvia	100.00	
Onninen Sp. z o.o.	Warsaw, Poland	100.00	



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Owned by other Group companies

Owned by other Group companies	Domicile	Group's ownership interest, %
Onninen UAB	Vilnius, Lithuania	100
Peltosaaren Liikekeskus Oy	Riihimäki, Finland	50
Profelco Oy	Vantaa, Finland	100
Rake Berigen AS	Oppegård, Norway	100
Sport1 Flokkmann Mosjøen AS	Mosjøen, Norway	100
Sørbe AS	Skedsmokorset, Norway	100
Sörred's Byggsvaruhus AB	Göteborg, Sweden	100
Tau & Jørpeland Eiendom	Jørpeland, Norway	100
Trøgstadveien 13 AS	Oppegård, Norway	100
XL-Bygg Bergslagen AB	Frövå, Sweden	100
Övik Låsteknik AB	Örnsköldsvik, Sweden	100

Associates and joint ventures

Associates and joint ventures are consolidated using the equity method.



Owned by the parent

Owned by the parent	Domicile	Group's ownership interest, %
Graanin Liikekeskus Oy	Mikkeli, Finland	50
Kesko Senukai Lithuania UAB	Vilnius, Lithuania	50
Kiinteistö Oy Itäaukio	Lahti, Finland	20
Kiinteistö Oy Janakkalan Linnatuuli	Janakkala, Finland	20
Kiinteistö Oy Joensuu Kaupunginportti	Joensuu, Finland	20
Mercada Oy	Helsinki, Finland	30
Vähittäiskaupan Takaus Oy	Helsinki, Finland	40
Vähittäiskaupan Tilipalvelu VTP Oy	Helsinki, Finland	30

Owned by other Group companies

Owned by other Group companies	Domicile	Group's ownership interest, %
EDISON Data AS	Oslo, Norway	20
Proffsenteret AS	Ringerike, Norway	30
KS Holding UAB	Vilnius, Lithuania	50



Arnskap registarsäret 2022

for 980656616



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Proportionately consolidated mutual real estate companies

Owned by the parent and others	Domicile	Group's ownership interest, %	Parent's ownership interest, %
Asunto Oy Harjutie	Espoo, Finland	46.22	46.22
Asunto Oy Kajaanin Louhikatu 2	Kajaani, Finland	42.96	42.96
Asunto Oy Naantalin Tullinkulma	Naantali, Finland	24.45	
Asunto Oy Soukan Itäinentorni	Espoo, Finland	46.60	46.60
Asunto-Oy Punkalaitumen Pankkitalo	Punkalaidun, Finland	33.82	
Itäkeskuksen Pysäköintitalo Oy	Helsinki, Finland	36.16	36.16
Kiinteistö Oy Lahden Lyhytkatu 1	Lahti, Finland	50.00	50.00
Kiinteistö Oy Lukonmäen Palvelukeskus	Tampere, Finland	34.54	
Kiinteistö Oy Taidetehtaanparkki	Porvoo, Finland	21.00	21.00
Kiinteistö Oy Ulvilan Hansa	Ulvila, Finland	42.41	42.41
Kiinteistö Oy Vantaanportin Liikekeskus	Vantaa, Finland	27.81	27.81
Lapin Tehdastalo Oy	Tampere, Finland	21.24	21.24
Munkkivuoren Ostoskeskus Oy	Helsinki, Finland	30.65	30.65
Rakslan Paikoitus Oy	Oulu, Finland	33.33	33.33
Talo Oy Kalevanpuisto	Kuopio, Finland	47.60	47.60
Voisalmen Ostoskeskus Oy	Lappeenranta, Finland	50.00	

5.2 Related party transactions

The Group's related parties include its management (the Board of Directors, CEO and the Group Management Board) and the companies controlled by the members and companies controlled by the family members, Kesko's subsidiaries and joint ventures, and Kesko Pension Fund. The subsidiaries, associates and joint ventures are listed in Note 5.1.

The related party transactions disclosed consist of such transactions carried out by parties that are not eliminated in the consolidated financial statements.

Some members of the Kesko Board are K-retailers. The Group companies sell services to companies controlled by them. Goods and services have been sold and purchased from related parties on normal market terms and conditions and at arm's length.

Kesko reports Kesko Senukai Group and KS Holding Group, which are part of the technical trade segment, as joint ventures using the equity method.

The associated company consolidated using the equity method, Meritada Oy, which have been leased for use by the Group. Vähittäiskaupan Takas Oy and Tilipalvelu Oy sell their services to Kesko's and K-retailers' retail companies. The associates mainly comprise business property companies. Mutual real estate companies have been consolidated in the financial statements in proportion to their ownership interest.

Kesko Pension Fund is a stand-alone legal entity which manages the majority of assets related to the voluntary pensions of the Group's employees in Finland. As of 2022 or 2021, the pension assets did not include Kesko Corporation share owned by Pension Fund have been leased to Kesko Group.

During the financial years 2022 and 2021, Kesko Group did not pay contributions to Pension Fund.



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The following transactions were carried out with related parties:

Income statement € million	Associates and joint ventures		Board and management		Pension Fund	
	2022	2021	2022	2021	2022	2021
Sales of goods	9.9	9.6	88.2	92.0		
Sales of services	5.2	5.1	1.0	1.0	0.2	0.3
Purchases of goods	-0.6	-1.9	-13.1	-11.5		
Purchases of services	-0.1	-0.1	0.0	0.0		
Other operating income	0.8	0.3	19.1	17.9		0.3
Other operating costs	-3.9	-3.6	-0.0	-0.3	-0.2	0.0
Finance income	6.0	6.3				
Finance expenses	-0.3	-0.0		-0.0		

Balance sheet € million	Associates and joint ventures		Board and management		Pension Fund	
	2022	2021	2022	2021	2022	2021
Current receivables	25.8	4.9	7.2	8.2	0.0	3.8
Non-current receivables	64.7	68.1				
Current liabilities	10.1	4.7	2.3	2.5	4.8	13.8

Items related to leases € million	Associates and joint ventures		Board and management		Pension Fund	
	2022	2021	2022	2021	2022	2021
Cash flow from leases	-35.9	-35.1		-1.8	-6.2	-8.3
Lease liabilities	231.9	243.0			41.7	48.5

At the balance sheet date, receivables arisen from Kesko's sales to companies controlled by the Board members were €7.2 million (€8.2 million). The receivables are collateralised by a commercial credit granted by Vähittäiskaupan Takaus Oy, a Kesko associate, with the maximum amount always limited to the maximum realisable value of the counter security from the K-retailer company and entrepreneur to Vähittäiskaupan Takaus. At the end of the financial year, the counter security was valued at €12.0 million (€16.0 million).

Non-current receivables from associates and joint ventures contain the shareholdings granted to Mercada Oy and the financing loans granted to UAB Kesko Senukai. Current receivables contain €3.4 million of the current portion of these loans. Liabilities include, for example, chain rebate payables to companies controlled by Board members. Chain rebates are paid retrospectively based on criteria related to actual annual purchases and the quality of operations.

During the financial year 2022, Kesko Pension Fund paid in total €42.9 million of surplus assets to Finnish Group companies. The return of surplus assets included of K-Citymarket Turku in Tampere, €40.3 million. The ownership of the property transferred to Kesko Corporation. During the financial year 2021 Kesko Pension Fund paid in total €38.6 million in return of surplus assets to Finnish Group companies.

The Group joint ventures UAB Kesko Senukai Lithuania and UAB KS Holding decided to pay dividends to Kesko Group companies in the 2022 financial year in total €33.0 million as dividends to Kesko Group companies in the 2022 financial year.

Management's employee benefits

The top management comprises the Board of Directors and the Group Management. The compensation paid to them for their employee services consists of the following:

Monetary salaries, fees, fringe benefits and share-based compensation

€1,000	2022		
		2021	2020
Mikko Helander	President and CEO	4,866.4	4,866.4
Group Management			
Board	other members	9,801.4	9,801.4
Esa Kiiskinen	Board Chair	117.0	117.0
Jannica Fagerholm	Board member	75.6	75.6
Peter Fagernäs	Board Deputy Chair	71.4	71.4
Pia Karhu	Board member	57.1	57.1
Jussi Perälä	Board member (starting 12 April 2021)	54.1	54.1
Toni Pokela	Board member	54.1	54.1
Timo Ritakallio	Board member (starting 12 April 2021)	58.9	58.9
Matti Kyytönen	Board member (until 12 April 2021)	-	-
Matti Naumanen	Board member (until 12 April 2021)	-	-
Total		15,156.0	15,156.0



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Approximately 30% of the annual fees for Board members was paid in shares in the Company and the remaining fee amount was paid in cash. The members of the Board of Directors were granted 4,918 Kesko Corporation B shares in 2022.

Retirement benefits

The statutory pension provision for the President and CEO and other members of the Group Management Board is provided through a pension insurance company. Three Group Management Board members are provided with a supplementary pension based on a defined benefit plan in line with the rules of Kesko Pension Fund and personal service contracts. Four Group Management Board members are provided with a defined contribution supplementary pension. President and CEO Mikko Helander's old-age pension based on a defined benefit plan accrues until 30 June 2023. The amount of the defined benefit based old-age pension is 60% of the pensionable earnings for the final 10 years in accordance with the Employees' Pensions Act (TyEL). The President and CEO's supplementary pension will be based on a defined contribution plan as of 1 July 2023. The cost of the defined benefit supplementary pension for the period, calculated on an accrual basis, was €1.3 million (€1.2 million) and the related pension asset in the balance sheet was €0.9 million (€3.0 million). The pension cost of the President and CEO's statutory pension provision was €0.3 million (€0.3 million).

Share awards

During the 2022 reporting period, members of the Group Management Board were granted 371,397 shares based on the PSP 2020–2023 plan, while the maximum number of shares to be granted was 421,150. The number of shares represents gross earnings, from which withholding tax is deducted. During the 2021 reporting period, members of the Group Management Board were granted 319,622 shares based on the PSP 2019–2022 plan. The number of shares represents gross earnings, from which withholding tax is deducted.

Termination benefits

If the service contract of the President and CEO or some other Group Management Board member is terminated by the Company, he/she is entitled to a monetary salary and fringe benefits for the period of notice and a separate non-recurring termination compensation determined on the basis of the executive's monetary salary and fringe benefits for the month of notice. The termination compensation is not part of the executive's salary and it is not included in the determination of the salary for the period of notice, termination compensation or, in case of retirement, pensionable salary. If an executive resigns, he/she is only entitled to a salary for the

period of notice and fringe benefits. When a service relationship terminates due to the executive's resignation, the executive is paid a pension based on his/her service contract without other compensation.

Shareholdings

At 31 December 2022, the President and CEO held 5,000 Kesko Corporation B shares and 385,786 Kesko Corporation B shares, which represented 0.10% of the total number of shares and 0.03% of votes carried by all shares of the Company. At 31 December 2022, the Group Management Board, including the President and CEO, held 7,824 Kesko Corporation B shares and 993,933 Kesko Corporation B shares, which represented 0.25% of the total number of shares and 0.07% of votes carried by all shares of the Company.

5.3 Share-based compensation

Accounting policies

The costs relating to share-based payments are recorded in the income statement as an expense. The corresponding liability for share-based payments settled in cash is recorded in the balance sheet. The liability in the balance sheet is measured at fair value at the balance sheet date. For equity-settled share-based payment transactions, a corresponding to the expensed amount is recorded in equity.

The Company's Board of Directors has granted a share-based compensation plan to its management under which an award consisting of B series shares and an amount of cash is paid upon fulfilling the plan's terms. The fair value of the award is calculated at the grant date and it is recognised as an expense over the vesting and commitment period of the plan. The expensed amount is recorded in the income statement as an expense. The Group's estimate of the amount of award payable in shares at the end of the reporting period is based on the effects of non-market conditions are not included in the fair value of the award. Instead, they are accounted for in the assumptions of the number of shares that will vest at the end of the vesting period. A cash component is paid in addition to the share-based award like charges incurred under the award. The cash component is recognised as an expense during the vesting period. Changes in estimates are recorded in the income statement as an expense.

As of 1.1.2018 cash-settled share-based payments for which the employee has not yet received shares on behalf of the employee, from the share award such number of shares will be granted.



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and tax-like charges paid in cash, shall be classified in their entirety as equity-settled share-based payments.

Share-based commitment and incentive scheme

The purpose of the share-based compensation schemes is to promote Kesko's business and increase the Company's value by aligning the objectives of the shareholders and executives. The schemes also aim to commit the grantees to Kesko Group and give them the opportunity to receive Company shares upon fulfilling the objectives set in the share-based compensation plan.

The impact of the share-based compensation plans on the Group's profit for 2022 was €-10.6 million (€-9.6 million).

As at 31 December 2022, the amount to be recognised as expense for the financial years 2023–2025 is estimated at a total of €11.2 million. The actual amount may differ from the estimate.

The performance Share Plan (PSP)

PSP plan is a share-award plan that consists of individual annually commencing share plans, each with a two-year performance period and a two-year commitment period following the payment of the potential share award. Kesko's Board decides annually whether to initiate a new plan. During the commitment period, the shares cannot be pledged or transferred, but the other rights attached to the shares remain in force. If a person's employment or service relationship terminates prior to the expiry of a commitment period, the person must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration.

The number of shares granted based on the share-based compensation plan represents gross earnings, from which the applicable withholding tax is deducted and the remaining net amount is paid to the participants in shares. Kesko Group's tax free sales (%), Kesko Group's comparable return on capital employed (ROCE,%) and the absolute total shareholder return (TSR, %) of a Kesko B share are the performance criteria for the PSPs initiated during 2019–2021. In addition, the target measuring Kesko's sustainability, is included as the performance criteria for the PSP plan initiated in 2022.

Assumptions for share award calculations		PSP		PSP	
Grant dates		2021–2022	2022–2023	2020–2021	2021–2022
Grant date fair value of share award, €	14	27.71	21.01	21.01	21.01
Share price at grant date, €	15	28.77	21.76	21.76	21.76
Shares transferred in	2023	2024	2023	2023	2023
Number of share awards granted, maximum, pcs*	842,8	500,285	646,970	842,8	842,8
Changes in the number of shares granted, pcs	-116,6	-20,550	-87,500	-116,6	-116,6
Actual amount of share award, pcs*	655,1			655,1	655,1
Number of plan participants at end of financial year	52	59	52	52	52
Share price at balance sheet date, €	21	20.62	29.34	29.34	29.34
Assumed fulfilment of performance criteria, %	9	69.0	84.5	84.5	84.5
Estimated number of share awards returned prior to the end of commitment period, %	2.5	2.5	2.5	2.5	2.5

*Gross number of shares from which the applicable withholding tax is deducted and the remaining in shares.

The performance-based share award plan Key Personnel Share and Restricted Share Pool (RSP)

KPSP plan consists of individual annually commencing share plans each with a performance period and a two-year commitment period. Kesko's Board decides whether to initiate a new plan. The number of shares granted based on the share-based compensation plan represents gross earnings, from which the applicable withholding deducted and the remaining net amount is paid to the participants in shares. The criteria for the KPSP comprise indicators related to Kesko's profitability and the growth and capital efficiency of the participant's area of responsibility, and Kesko performance.

RSP is a secondary share plan for special situations, to be decided upon separately. The plan consists of annually commencing individual share plans that each have a commitment period, after which the potentially promised share awards for an will be paid to the participants, provided that their employment or service relationship continues until the payment of the awards. The number of share Kesko Group continues until the payment of the awards. The number of share on the share-based compensation plan represents gross earnings, from which withholding tax is deducted and the remaining net amount is paid to the participant.



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Assumptions for share award calculations				KPSP and RSP 2021	KPSP and RSP 2020	RSP 2019-2020
Grant dates				2.2.2022	4.2.2020	20.3.2019
Grant date fair value of share award, €				27.71	21.01	14.85
Share price at grant date, €				28.77	21.76	15.48
Shares transferred in				2025	2024	2023
Number of share awards granted, maximum, pcs*				215,155	256,769	291,700
Changes in the number of shares granted, pcs				-13,365	-14,936	-50,966
Actual amount of share award, pcs*					192,950	209,320
Number of plan participants at end of financial year				150	135	85
Share price at balance sheet date, €				20.62	29.34	21.04
Assumed fulfilment of performance criteria, %				55.0	89.3	82.0
Estimated number of share awards returned prior to the end of commitment period, %				2.5	2.5	2.5

* Gross number of shares from which the applicable withholding tax is deducted and the remaining net amount is paid in shares.

5.4 Legal disputes and possible legal proceedings

Group companies act as plaintiffs, defendants or parties to certain legal proceedings, disputes or investigations related to the Group's business operations. Although according to Kesko's management's estimate, the outcome of pending disputes and legal and authority proceedings is unlikely to have any material impact on the Group's financial position, the outcome of disputes and legal and authority proceedings is difficult to predict.

Investigation by the Finnish Competition and Consumer Authority regarding Onninen Oy

- The Finnish Competition and Consumer Authority has been investigating Kesko Group company Onninen's suspected violation of competition law for almost 10 years, and finally decided on 8 September 2022 to take the matter to the Market Court. The investigation has concerned a wide range of companies operating in the HPAC infra plastic pipe product market in Finland. The FCCA proposes a penalty payment of €16 million for Onninen for the alleged infringement. The suspected violation concerns almost in its entirety a period of time before Kesko acquired the capital stock of Onninen from Onvest Oy on 1 June 2016. Consequences resulting to Onninen from the investigation were addressed in the acquisition terms and conditions. Onninen denies the FCCA claims of suspected violation of competition law as unfounded. Kesko is not suspected of participation in the alleged infringement.

Legal proceedings concerning UAB Kesko Senukai Lithuania – Kesko has disclosed an example in its financial statements for 2021, that it was party to two legal proceedings concerning the shareholder agreement of Kesko's joint venture UAB Kesko Senukai and the disagreements concerning the management and development of the company and its subsidiary. The other parties to these legal proceedings have included, for example, minority shareholders of UAB Kesko Senukai Lithuania. Both legal proceedings and final judgements have been given. The minority shareholders have brought the District Court of Helsinki to annul and reverse the arbitral award given in the proceedings. Minority shareholders have also initiated a new arbitration proceeding Kesko regarding the company's shareholder agreement.

5.5 Events after the balance sheet date

Kesko announced on 30 January 2023 that it would acquire Elektroskandia Norway company operating in technical wholesale in Norway, from Rexel Group. The strengthened Onninen's position in technical trade in Norway. Elektroskandia Norway sales in 2022 totalled some €250 million and the company has 270 employees, points, and a highly automated distribution centre. The completion of the acquisition is subject to the approval of the local competition authority.



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Parent company's income statement

€	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Net sales	6,620,483,911.52	6,365,811,744.96
Other operating income	896,343,273.82	834,772,868.35
Materials and services	-5,922,332,251.39	-5,662,809,364.87
Change in inventory	57,389,050.87	11,416,497.67
Employee benefit expenses	-348,288,605.22	-338,417,338.48
Depreciation, amortisation and impairment	-102,891,749.91	-101,597,266.27
Other operating expenses	-741,397,846.78	-730,244,803.36
Operating profit	459,305,782.91	378,932,338.00
Finance income and costs	63,839,871.87	47,870,421.15
Profit before appropriations and taxes	523,145,654.78	426,802,759.15
Appropriations		
Change in depreciation reserve	-28,327,302.66	-13,693,328.90
Group contribution	-3,441,910.30	30,475,864.55
Profit before taxes	491,376,441.82	443,585,294.80
Income taxes	-82,450,821.94	-88,935,242.55
Profit for the financial year	408,925,619.88	354,650,052.25



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Parent company's balance sheet

€	31 Dec. 2022	31 Dec. 2021
ASSETS		
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	5,467,058.98	4,062,642.96
Other intangible assets	196,023,659.20	172,161,408.51
Prepayments	8,843,638.88	12,583,008.77
	210,334,357.06	188,807,060.24
PROPERTY, PLANT AND EQUIPMENT		
Land and waters		
Owned	247,306,198.38	224,327,993.92
Leasehold interests and connection fees	6,656,847.26	1,201,988.31
Buildings		
Owned	556,902,410.32	468,798,386.05
Machinery and equipment	97,574,724.25	88,970,519.00
Other tangible assets	6,489,657.89	5,612,838.97
Prepayments and construction in progress	87,473,806.60	45,681,450.60
	1,002,403,644.70	834,593,176.85
INVESTMENTS		
Investments in subsidiaries	1,080,275,454.12	1,052,815,045.52
Investments in associates	113,989,719.85	111,704,919.85
Other investments	23,741,379.16	15,219,812.62
	1,218,006,553.13	1,179,739,777.99
CURRENT ASSETS		
INVENTORIES		
Finished products/goods	325,389,112.08	268,000,061.21
	325,389,112.08	268,000,061.21

€	31 Dec. 2022
RECEIVABLES	
Long-term	
Receivables from subsidiaries	80,431,580.19
Receivables from associates	64,758,166.16
Loan receivables	198,289.59
Other receivables	10,120,166.55
	155,508,202.49
Short-term	
Trade receivables	408,603,965.96
Receivables from subsidiaries	458,263,141.09
Receivables from associates	25,277,501.01
Loan receivables	415,425.56
Other receivables	7,034,007.06
Prepayments and accrued income	122,462,451.29
	1,022,056,491.97
OTHER FINANCIAL ASSETS	35,826,114.02
CASH AND CASH EQUIVALENTS	229,888,894.55
TOTAL ASSETS	4,199,413,170.00

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€	31 Dec. 2022	31 Dec. 2021
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES		
Share capital	197,282,584.00	197,282,584.00
Share premium	197,498,010.90	197,498,010.90
Reserve of invested non-restricted equity	22,753,307.40	22,753,307.40
Other reserves	243,415,795.55	243,415,795.55
Retained earnings	823,451,129.66	881,380,981.71
Profit for the financial year	408,925,619.88	354,650,052.25
	1,893,326,447.39	1,896,980,731.81
APPROPRIATIONS		
Depreciation reserve	183,109,980.14	154,204,262.19
PROVISIONS		
Provisions	2,238,581.83	1,993,887.54
LIABILITIES		
Non-current		
Loans from financial institutes	200,000,000.00	150,000,000.00
Pension loans	44,343,000.00	56,337,000.00
Other creditors	10,372,880.37	8,995,992.00
	254,715,880.37	215,332,992.00
Current		
Pension loans	11,994,000.00	11,994,000.00
Advances received	26,638,337.94	20,241,848.68
Trade payables	745,126,341.50	706,659,113.18
Payables to subsidiaries	516,685,528.79	436,405,049.89
Payables to associates	5,621,438.75	4,656,873.54
Other payables	328,588,060.01	219,821,267.87
Accruals and deferred income	231,368,773.28	238,958,683.51
	1,866,022,480.27	1,638,736,836.67
TOTAL LIABILITIES	4,199,413,370.00	3,907,248,710.21



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Parent company's cash flow statement

€	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Cash flows from operating activities		
Profit before appropriations	523,145,654.78	426,802,759.15
Adjustments		
Depreciation according to plan	102,891,749.91	101,597,266.27
Finance income and costs	-63,839,871.87	-47,870,421.15
Other adjustments	-51,392,533.62	20,225,978.26
	510,804,999.20	500,755,582.53
Change in working capital		
Current non-interest-bearing receivables, increase (-)/decrease (+)	-38,448,516.52	-32,048,396.12
Inventories increase (-)/decrease (+)	-57,389,050.87	-11,416,497.67
Current non-interest-bearing liabilities, increase (+)/decrease (-)	56,750,795.21	60,407,058.59
	-39,086,772.18	16,942,164.80
Interests paid and other finance costs	-14,410,293.32	-17,037,141.16
Interests received	16,608,267.52	14,340,978.85
Dividends received	66,587,990.30	48,186,249.20
Income tax paid	-110,101,403.44	-86,764,319.78
	-41,315,440.94	-41,274,232.89
Net cash generated from operating activities	430,402,786.08	476,423,514.44
Cash flows from investing activities		
Purchases of property, plant, equipment and intangible assets	-268,739,614.55	-154,426,379.56
Acquisitions of subsidiaries	-27,133,141.86	-
Sales of subsidiaries, net of cash	5,987,807.94	2,568,130.88
Acquisitions of associates	-	-462,592.00
Investments in other investments	-1,000.00	-
Proceeds from other investments	363,780.00	147,500.00
Proceeds from disposal of property, plant, equipment and intangible assets	135,466.99	1,475,461.41
Long-term receivables, increase (-)/decrease (+)	11,569,386.96	30,219,565.19
Other financial assets, increase (-)/decrease (+)	38,945,717.30	-64,996,112.70
Net cash used in investing activities	-238,871,597.22	-185,474,426.78

€	1 Jan.–31 Dec. 2022	1 Jan.–31 Dec. 2021
Cash flows from financing activities		
Interest-bearing liabilities, increase (+)/decrease (-)	226,769,185.97	-
Short-term interest-bearing receivables, increase (-)/decrease (+)	-44,199,882.78	-
Dividends paid	-406,670,233.05	-
Group contributions received and paid	-3,441,910.30	-
Other items	-3,394,705.32	-
Net cash used in financing activities	-230,937,545.48	-
Change in cash and cash equivalents	-39,406,356.62	-
Cash and cash equivalents as at 1 Jan.	269,250,914.39	-
Impairment of financial assets at fair value through profit or loss	44,336.78	-
Cash and cash equivalents as at 31 Dec.	229,888,894.55	-

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Notes to the parent company's financial statements

Note 1. Principles used for preparing the financial statements

Kesko Corporation's financial statements have been prepared in compliance with the Finnish Accounting Standards (FAS).

Non-current assets

Intangible assets

Intangible assets are stated in the balance sheet at cost less depreciation according to plan and possible amortisations.

Depreciation plan

- Other capitalised expenditure 5–10 years
- IT software and licences 3–5 years

Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less depreciation according to plan and possible amortisations.

Depreciation plan

Depreciation according to plan is calculated on a straight line basis so as to write off the cost of property, plant and equipment over their estimated useful lives.

The most common estimated useful lives are:

- Buildings 10–33 years
- Fixtures and fittings 8 years
- Machinery and equipment 25% reducing balance method
- Warehouse automation equipment 10 years
- Transportation fleet 5 years
- IT equipment 3–8 years
- Other tangible assets 5–14 years

Leasehold interests are depreciated during their likely lease period. Land and fees have not been depreciated. The total of depreciation according to plan and in depreciation reserve comply with the Finnish Business Tax Act. The change reserve has been treated as appropriations.

Valuation of inventories

Inventories are stated, using the moving-average cost method, at lower of direct cost, replacement cost and probable selling price.

Valuation of financial assets

Marketable securities have been valued at the lower of cost and net realisable

Foreign currency items

Foreign currency transactions have been recorded in euros using the rate of exchange at the date of transaction. Foreign currency receivables and payables have been translated into euros using the rate of exchange at the balance sheet date. If a receivable or a liability is denominated in a foreign currency, it has been used for translation. Exchange rate differences have been recognised in profit or loss.

Derivative contracts

Interest rate derivatives

Interest rate derivatives are used to modify the durations of borrowings. The maturities of interest rate derivatives vary between one and a half and four years. Cash flows from interest rate derivatives are recognised during the financial year as interest expenses, according to the maturity date. In the financial statements, outstanding forward contracts, interest rate future contracts, interest rate option contracts and interest rate swap contracts are stated at fair value, but unrealised revaluations are not stated. Any valuation losses are included in interest expenses.

Foreign currency derivatives

Foreign currency derivatives are used for hedging against translation and transaction risk. Foreign currency derivatives are used for hedging against commercial foreign exchange risk. Foreign exchange forward contracts are valued using the forward exchange rate at the balance sheet date. The exchange differences arising from outstanding derivative



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are reported in financial items and adjustment items of sales and purchases. If a derivative has been used for hedging a foreign-currency-denominated asset, the change in value has been recognised against that of the asset item. The premiums of option contracts are included in the balance sheet accruals until they expire, or if a value change at the balance sheet date so requires, recognition in profit or loss.

Commodity derivatives

Ankkuri-Energia Oy, a Kesko Corporation subsidiary, uses electricity derivatives to balance the energy costs of the Group and its retailers. Kesko Corporation is an external counterparty in electricity derivatives with a bank, and enters into corresponding internal hedge with Ankkuri-Energia Oy. At no stage does Kesko Corporation have derivative positions, and thus there are no effects on profit or loss. The electricity price risk is reviewed on a 5-year time span. With respect to derivatives hedging the price of electricity supplied during the financial year, change in fair value is recognised at Kesko under finance income and cost. Unrealised gains and losses on contracts hedging future purchases are not recognised in profit or loss.

Pension plans

Personnel's statutory pension provision is organised through pension insurance companies and the voluntary supplementary pension provision is mainly organised through Kesko Pension Fund. Pension costs are recognised as expense in the income statement.

Provisions

Provisions stated in the balance sheet include items committed to under agreements or otherwise but not yet realised. Changes in provisions are included in the income statement. Rent liabilities for vacant rented premises no longer used for the Group's business operations, as well as losses resulting from renting the premises to third parties, are included in provisions.

Income tax

Income tax includes the income tax payments for the period calculated based on the profit for the period, and taxes payable for prior periods, or tax refunds. Deferred taxes are not included in the parent company's income statement and balance sheet.

Notes to the income statement

Note 2. Net sales by division

€ million	2022
Grocery trade	5,493.9
Building and home improvement trade	1,126.6
Others	0.0
Total	6,620.5

Note 3. Material and services

€ million	2022
Material and services	-5,811.6
Change in inventory	57.4
External services	-110.7
Total	-5,864.9

Note 4. Other operating income

€ million	2022
Gains on sales of real estate and shares	0.0
Rent income	90.9
Fees for services	576.7
Profits from mergers	28.4
Others	200.3
Total	896.3



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Note 5. Employee benefit expenses

€ million	2022	2021
Salaries and fees	-322.4	-312.6
Social security costs		
Pension costs	-13.8	-14.8
Other social security costs	-12.1	-11.1
Total	-348.3	-338.4

The 2022 pension costs include a €40.3 million (€36.5 million) return of surplus assets by Kesko Pension Fund.

The average number of personnel at Kesko Corporation was 7,308 (7,262) people.

Salaries and fees to the management

€ million	2022	2021
Managing Director	4.9	4.4
Members of the Board of Directors	0.5	0.5
Total	5.4	4.9

An analysis of the management's salaries and fees is included in the notes to the consolidated financial statements.

Note 6. Depreciation, amortisation and impairment

€ million	2022	2021
Depreciation according to plan	-102.2	-100.3
Impairment, non-current assets	-0.7	-1.3
Total	-102.9	-101.6

Note 7. Other operating expenses

€ million	2022
Rent expenses	-327.9
Marketing expenses	-152.0
Maintenance of real estate and store sites	-105.6
Losses on disposals of non-current assets	0.0
ICT expenses	-87.7
Losses from mergers	-6.8
Other operating expenses	-61.5
Total	-741.4

Auditors' fees

€ million	2022
Audit	0.4
Tax consultation	0.0
Other services	0.1
Total	0.5



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Note 8. Finance income and costs

€ million	2022	2021
Income from long-term investments		
Dividend income from subsidiaries	39.5	47.0
Dividend income from associates	26.9	-
Dividend income from others	0.1	1.2
Gains on disposal of shares	0.0	-
Gains on sales of investments	0.0	1.5
Income from long-term investments, total	66.6	49.7
Other interest and finance income		
From subsidiaries	8.9	6.6
From others	22.9	11.3
Interest and finance income, total	31.8	17.9
Impairment of investments held as non-current assets		
Impairment of shares	0.3	0.1
Changes in fair value	0.0	0.0
Impairment and changes in fair value of investments held as non-current assets, total	0.3	0.1
Interest and other finance costs		
To subsidiaries	-11.4	-10.0
To others	-23.5	-9.8
Interest and finance costs, total	-34.9	-19.8
Total	63.8	47.9

Note 9. Appropriations

€ million	2022	2021
Difference between depreciation according to plan and depreciation in taxation		
	-28.3	-13.7
Group contributions received	36.9	43.7
Group contributions paid	-40.4	-13.2
Total	-31.8	16.8

As of the 2020 financial year, an increased 50% depreciation on machinery and equipment and similar fixed assets acquired has been made in compliance with the Finnish Business Tax Act.

Note 10. Changes in provisions

€ million	2022
Other changes	
	0.2
Total	0.2

Note 11. Income taxes

€ million	2022
Income taxes on group contributions	
	0.7
Income taxes on ordinary activities	-82.5
Taxes for prior years	-0.6
Total	-82.5

Note 12. Deferred taxes

Deferred tax assets and liabilities have not been recorded on the balance sheet. The amount of deferred tax liability on accumulated appropriations is €36.6 million. The amount of other liabilities or assets is not material.



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Notes to the balance sheet

Note 13. Intangible assets

€ million	2022	2021
Intangible rights		
Acquisition cost as at 1 Jan.	16.3	15.4
Increases	1.1	2.4
Decreases	-2.8	-1.5
Transfers between items	1.9	-
Acquisition cost as at 31 Dec.	16.5	16.3
Sustainable Kesko		
Accumulated depreciation as at 1 Jan.	-12.3	-10.8
Accumulated depreciation on decreases and transfers	2.8	1.4
Depreciation and amortisations for the financial year	-1.6	-2.9
Accumulated depreciation as at 31 Dec.	-11.1	-12.3
Book value as at 31 Dec.	5.5	4.1
Other intangible assets		
Acquisition cost as at 1 Jan.	369.9	342.8
Increases	48.9	30.0
Decreases	-31.1	-18.8
Transfers between items	17.5	15.9
Acquisition cost as at 31 Dec.	405.2	369.9
Parent company's financial statements (FAS)		
Accumulated depreciation as at 1 Jan.	-197.7	-171.9
Accumulated depreciation on decreases and transfers	31.1	18.2
Depreciation and amortisations for the financial year	-42.6	-44.1
Accumulated depreciation as at 31 Dec.	-209.2	-197.7
Book value as at 31 Dec.	196.0	172.2
Prepayments		
Acquisition cost as at 1 Jan.	12.6	11.9
Increases	7.0	12.1
Decreases	-0.1	-0.3
Transfers between items	-10.7	-11.1
Acquisition cost as at 31 Dec.	8.8	12.6
Book value as at 31 Dec.	8.8	12.6

Note 14. Property, plant and equipment

€ million	2022
Land and waters, owned	
Acquisition cost as at 1 Jan.	224.3
Increases	20.1
Transferred in mergers	2.4
Decreases	-
Transfers between items	0.5
Acquisition cost as at 31 Dec.	247.3
Book value as at 31 Dec.	247.3
Land and waters, leasehold interests	
Acquisition cost as at 1 Jan.	1.6
Increases	5.5
Decreases	-
Transfers between items	0.0
Acquisition cost as at 31 Dec.	7.1
Buildings	
Accumulated depreciation as at 1 Jan.	-0.4
Depreciation for the financial year	0.0
Accumulated depreciation as at 31 Dec.	-0.5
Book value as at 31 Dec.	6.7
Buildings	
Acquisition cost as at 1 Jan.	821.1
Increases	88.2
Transferred in mergers	13.9
Decreases	-0.4
Transfers between items	19.7
Acquisition cost as at 31 Dec.	942.5
Accumulated depreciation as at 1 Jan.	
Accumulated depreciation as at 1 Jan.	-352.3
Transferred in mergers	-3.3
Accumulated depreciation on decreases and transfers	0.0
Depreciation for the financial year	-30.1
Accumulated depreciation as at 31 Dec.	-385.6
Book value as at 31 Dec.	556.9



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Note 15. Investments

€ million	2022	2021
Machinery and equipment		
Acquisition cost as at 1 Jan.	295.1	299.8
Increases	32.0	25.6
Transferred in mergers	0.0	0.2
Decreases	-19.6	-32.5
Transfers between items	3.6	2.0
Acquisition cost as at 31 Dec.	311.1	295.1
Accumulated depreciation as at 1 Jan.		
Transferred in mergers	-206.1	-211.3
Increases	0.0	-0.2
Accumulated depreciation on decreases and transfers	19.2	31.8
Depreciation for the financial year	-26.6	-26.4
Accumulated depreciation as at 31 Dec.	-213.5	-206.1
Book value as at 31 Dec.	97.6	89.0
Other tangible assets		
Acquisition cost as at 1 Jan.	21.2	20.5
Increases	1.2	0.6
Transferred in mergers	-	0.1
Decreases	-	-0.0
Transfers between items	1.0	0.0
Acquisition cost as at 31 Dec.	23.3	21.2
Accumulated depreciation as at 1 Jan.		
Transferred in mergers	-15.6	-14.3
Increases	-	-0.1
Accumulated depreciation on decreases and transfers	-	0.1
Depreciation for the financial year	-1.2	-1.3
Accumulated depreciation as at 31 Dec.	-16.8	-15.6
Book value as at 31 Dec.	6.5	5.6
Prepayments and construction in progress		
Acquisition cost as at 1 Jan.	45.7	10.5
Increases	76.4	41.3
Transferred in mergers	-	2.0
Decreases	-1.0	-0.5
Transfers between items	-33.6	-7.6
Acquisition cost as at 31 Dec.	87.5	45.7
Book value as at 31 Dec.	87.5	45.7

An analysis of Kesko Corporation's ownership interests in other companies as of 31 Dec. 2022 is presented in the notes to the consolidated financial statements.



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Note 16. Receivables

Receivables from subsidiaries

€ million	2022	2021
Long-term receivables		
Loan receivables	80.4	93.9
Long-term receivables, total	80.4	93.9

Short-term receivables

Trade receivables	9.9	9.0
Loan receivables	418.9	377.3
Prepayments and accrued income	29.5	24.7
Short-term receivables, total	458.3	411.0
Total	538.7	504.8

Receivables from associates and joint ventures

€ million	2022	2021
Long-term receivables		
Loan receivables	64.7	68.1
Other receivables	0.0	0.0
Long-term receivables, total	64.8	68.1

Short-term receivables

Accrued income	21.7	1.0
Other receivables	3.6	3.5
Short-term receivables, total	25.3	4.5
Total	90.0	72.6

Kesko Corporation has advanced a long-term loan to its associated company, Mercada Oy, in the amount of €56.0 million and to its joint venture, UAB Kesko Senukai, in the amount of €7.2 million.

Prepayments and accrued income

€ million	2022
Taxes	20.9
Fees for services	6.0
Employee benefit expenses	7.6
Purchases	34.1
Others	53.8
Total	122.5

Note 17. Shareholders' equity

€ million	Share capital	Share premium	Contin-gency fund	Reserve of invested non-restricted equity	Retained earnings
Balance as at 1 January 2021	197.3	197.5	243.4	22.8	1.1
Dividends				-2	
Treasury shares					
Transfer to donations					
Profit for the year					3
Balance as at 31 December 2021	197.3	197.5	243.4	22.8	1.2
Dividends				-4	
Treasury shares					
Profit for the year					4
Balance as at 31 December 2022	197.3	197.5	243.4	22.8	1.2

In accordance with a new accounting policy, donations are recorded in the income statement as expenses as of 2021.



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Restricted equity	2022	2021
Share capital	197.3	197.3
Share premium	197.5	197.5
Total	394.8	394.8

Non-restricted equity	2022	2021
Contingency fund	243.4	243.4
Reserve of invested non-restricted equity	22.8	22.8
Retained earnings	1,232.4	1,236.0
Total	1,498.5	1,502.2

Calculation of distributable profits	2022	2021
Other reserves	266.2	266.2
Retained earnings	823.5	881.4
Profit for the year	408.9	354.7
Total	1,498.5	1,502.2

On 31 December 2022, Kesko's distributable assets totalled €1,498,545,852.49.

Breakdown of parent company shares	Pcs
A shares	126,948,028
B shares	273,130,980
Total	400,079,008

Votes attached to shares	Number of votes
A share	10
B share	1

Board's authorisations to acquire and issue own shares

Authorised by the General Meeting, the Board acquired a total of 500,000 of the Company's own B shares during the 2018 financial year. The Board also acquired a total of 1,200,000 of the Company's own B shares during the financial years 2011 and 2014. The shares are held by the Company as treasury shares and the Board is entitled to transfer them. The acquisition cost of the B shares held by the Company and acquired during the 2018 financial year was €24.4 million, and the acquisition cost of shares acquired during the 2011 and 2014 financial years was €23.5 million. These costs have been deducted from retained earnings

in equity. The Board has an authorisation, granted by the Annual General Meeting in 2022 and valid until 30 June 2023, to issue a maximum of 33,000,000 B shares at a price of 16,000,000 B shares.

Treasury shares

On 2 May 2022, Kesko Corporation transferred a total of 4,918 of its own B shares (KESKOB) held by the Company as treasury shares to the members of Kesko's Board of Directors. The transfer was based on the resolution made by the Annual General Meeting on 7 April 2022 to pay a portion of the Board members' annual fees in Kesko B shares.

Own B shares held by the Company as at 31 Dec. 2021

Transferred, share-based compensation scheme
Transferred, Board of Directors
Returned during the financial year

Own B shares held by the Company as at 31 Dec. 2022

Note 18. Provisions

€ million	2022
Provisions for leases	1.7
Other provisions	0.5
Total	2.2

Note 19. Non-current liabilities

Kesko has drawn down two bilateral loans, which combined total €30 million. The margin of these loans accounts for Kesko's sustainability targets for its carbon footprint, food waste, and in the value chain, emission reduction targets set by Kesko's division of goods and services.



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Note 20. Current liabilities

€ million	2022	2021
Liabilities to subsidiaries		
Trade payables	6.8	1.7
Other payables	25.1	6.8
Accruals and deferred income	484.9	427.9
Total	516.7	436.4
Liabilities to associates		
Trade payables	0.1	0.0
Accruals and deferred income	0.0	0.0
Other payables	5.5	4.6
Total	5.6	4.7
Accruals and deferred income		
Employee benefit expenses	111.7	110.8
Accruals and deferred income from purchases	25.2	29.2
Taxes	0.8	7.5
Transaction prices	0.0	0.4
Fees for services	17.8	25.4
Others	75.9	65.7
Total	231.4	239.0

Note 21. Non-interest-bearing liabilities

€ million	2022	2021
Current liabilities	1,157.4	1,085.0
Total	1,157.4	1,085.0

Note 22. Guarantees, commitments and contingencies

€ million	2022
Real estate mortgages	
For own debt	159.8
For subsidiaries	0.7
Pledged shares	9.5
Guarantees	
For own debt	0.5
For subsidiaries	70.9
Other liabilities and liability engagements	40.5
Rent liabilities on machinery and fixtures	
Due within a year	6.5
Due later	6.3
Rent liabilities on real estate	
Due within a year	256.2
Due later	1,254.5

Foreign currency risks

The result of the Company's operating activities is affected by the amount of foreign currency financing granted by the Company to its foreign subsidiaries and in part also, by the Group's parent company, the subsidiaries' hedgings against the parent.

The foreign currency exposure is hedged using foreign currency derivatives in connection with the confirmed foreign currency risk policy. The fair value of foreign currency is calculated by measuring them based on quoted market prices at the balance sheet date.

The measurement of derivatives is based on direct market data, in other words classified at level 2. The maximum credit risk of these derivatives corresponds to their value at the balance sheet date.

The results of derivatives are recognised in financial items.



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Company's transaction exposure as at 31 Dec. 2022 € million

	USD	SEK	NOK	PLN
Transaction risk	-5.5	75.2	26.6	10.8
Hedging derivatives	23.4	-56.2	-20.9	-10.7
Exposure	17.9	19.0	5.6	0.1

Company's transaction exposure as at 31 Dec. 2021 € million

	USD	SEK	NOK	PLN
Transaction risk	-15.2	44.0	62.6	26.5
Hedging derivatives	46.8	-41.0	-56.6	-26.1
Exposure	31.6	3.0	6.0	0.4

The sensitivity analysis of transaction exposure shows the profit impact of a +/- 10% exchange rate change on the Company's foreign currency denominated acquisitions and hedging foreign currency derivatives.

Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2022 € million

	USD	SEK	NOK	PLN
Change +10%	-1.6	-1.7	-0.5	0.0
Change -10%	2.0	2.1	0.6	0.0

Sensitivity analysis, impact on pre-tax profit as at 31 Dec. 2021 € million

	USD	SEK	NOK	PLN
Change +10%	-2.9	-0.3	-0.5	0.0
Change -10%	3.5	0.3	0.7	0.0

Derivatives

	31 Dec. 2022 Positive fair value (balance sheet value)	31 Dec. 2022 Negative fair value (balance sheet value)	31 Dec. 2021 Positive fair value (balance sheet value)	31 Dec. 2021 Negative fair value (balance sheet value)
Fair values of derivative contracts € million				
Currency derivatives	2.6	-0.7	1.8	-1.6
Interest rate derivatives	12.2	-0.1	0.1	-2.2

Notional amounts of derivative contracts € million

	31 Dec. 2022 Notional amount	31 Dec. 2021
Currency derivatives	153.3	
Interest rate derivatives	330.0	

All currency derivatives mature in 2023. Interest rate derivatives mature in 2027.

€ million

	2022	Fair value	2021
Liabilities arising from derivative instruments			
Values of underlying instruments as at 31 Dec.			

Interest rate derivatives

Interest rate swaps	330	12.1	420

Foreign currency derivatives

Forward and future contracts	153	1.9	228
Outside the Group	142	1.8	205
Inside the Group	12	0.1	23

Commodity derivatives

Electricity derivatives	139	0.0	70
Outside the Group	70	44.2	35
Inside the Group	70	-44.2	35

Note 23. Cash and cash equivalents within the statement of cash flows

€ million	2022	2021
Financial assets at fair value through profit or loss	0	0.0
Available-for-sale financial assets	17.0	
Cash and cash equivalents	212.9	
Total	229.9	229.9



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In the statement of cash flows, cash and cash equivalents include those recognised in the balance sheet and portions of available-for-sale financial assets with maturities of less than three months from acquisition and also financial assets at fair value through profit and loss.

Note 24. Related parties

Kesko Corporation's related parties include the company's management (the Board of Directors, President and CEO and the Group Management Board) and the companies controlled by them, their family members and companies controlled by the family members, the Group's subsidiaries, associates and joint ventures, and Kesko Pension Fund. The subsidiaries, associates and joint ventures are listed in a separate note (Note 5.1).

Some members of the Kesko Board are K-retailers. Kesko Corporation sells goods and services to companies controlled by them. Goods and services have been sold to related parties on normal market terms and conditions and at market prices.



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SIGNATURES

Signatures for financial statements and report by the Board of Directors

Helsinki, 1 February 2023

Esa Kiiskinen

Peter Fagermäs

Jannica Fagerholm

Piia Karhu

Toni Pokela

Timo Ritakallio

Jussi Perälä

Mikko Helander
President and CEO

The Auditor's note

Our auditor's report has been issued today.

Helsinki, 1 February 2023

Deloitte Oy
Authorised public accountants

Jukka Vattulainen
APA



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AUDITOR'S REPORT

(Translation of the Finnish original)

To the Annual General Meeting of Kesko Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Kesko Oyj (business identity code 0109862-8) for the year ended 31 December, 2022. The financial statements comprise the consolidated income statement, statement of comprehensive income, financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit. We have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014.

The non-audit services that we have provided have been disclosed in note 2.5 of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of particular significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. There was no evidence of whether there was evidence of management bias that represents a material misstatement due to fraud.



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Key audit matter

Revenue recognition

Refer to accounting policies for the consolidated financial statements and note 2.1.

Consolidated Net Sales of Kesko Oyj amounted to EUR 11,809.0 million (EUR 11,300.2 million). Kesko operates in grocery trade, building and technical trade, and car trade through wide sales- and retail network.

Consolidated net sales comprise the sale of goods, services and energy from contracts with customers. The share of the of service and energy sales in total net sales is not significant. The Group sells products to retailers and other retail dealers and engages in own retailing.

Net sales consists of a significant volume of transactions. For this reason, the functionality of information system controls is emphasised in revenue recognition. A significant part of the Kesko Group's net sales is automatically recognised in accounting through IT systems based on the fulfilment of the sales performance obligation.

We have identified the risk of revenue recognition and fraud, especially in exceptional manual revenue recognition.

Revenue recognition due to its significance require specific attention both from the accounting and the auditing perspective.

How our audit addressed the key audit matter

We have evaluated the IT systems related to revenue recognition by testing access and change management controls. We also evaluated process level controls by performing walkthroughs of each significant class of revenue

transactions, assessed the design of key controls and tested the operating effectiveness of those controls.

We have analyzed the revenue transactions recorded to net sales to identify entries originating from automated

processes and entries from manual journals, and to focus our audit procedures to transactions estimated as higher risk transactions.

Our audit procedures to ensure appropriateness of revenue recognition for sales transaction population recorded to net sales have consisted among others, performing comprehensive data analytics based substantive audit procedures together with sample based test of details.

We have made a focused risk assessment for addressing fraud risk relating to revenue recognition, and identified manual journal entries by applying data analytics. Based on the risk assessment for fraud, we have focused our substantive audit procedures for the transactions identified to ensure the appropriateness and accuracy. We have assessed the basis and appropriateness for significant credit entries and the appropriateness of exceptional entries, and assessed the appropriateness of applied management judgment.

Key audit matter

Impairment testing of Goodwill and trademarks

Refer to Note 3.3 in the consolidated financial statements of Kesko Oyj.

Consolidated statement of financial position includes goodwill of EUR 588.9 million (EUR 588.8 million). In addition, consolidated statement of financial position includes EUR 86.8 million (EUR 88.2 million) Trademarks.

Goodwill is subject to management's annual impairment test. As a result of management's goodwill impairment test, no impairment was identified.

Goodwill impairment testing requires substantial management judgment over the projected future business performance, cash flows and applied discount rate.

Note 3.3 in the Consolidated financial statements describes key assumptions used by management and sensitivity analysis for the impairment tests approved by the Board.

We have assessed the key assumptions management in the Goodwill impairment test by:

- comparing the growth and profit to historical performance.
- comparing the estimates with the budgets and strategic plans.
- comparing applied discount rate sources.
- testing the mathematical accuracy of impairment calculations.

We have also assessed the related information.

We have no key audit matters to report with respect to our audit of the parent company's statements. There are no significant risks of material misstatement referred to in Article 10 of Regulation (EU) No 537/2014 with respect to the parent company financial statement



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Responsibilities of the Board of Directors and the President and CEO for the financial statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or such disclosures are inadequate, to modify our opinion. Our conclusions are based on the evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information reported by the parent company or the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit and significant audit findings, including deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all other matters that we believe to be relevant to the audit, the financial statements, or the company's internal control and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine whether there are matters that were of most significance in the audit of the financial statements and are therefore the key audit matters. We describe these key audit matters in our report unless law or regulation precludes public disclosure about the matter or the matter is so significant that it is not possible to describe it in our report.



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Other Statements

We support that the financial statements and consolidated financial statements adopted. The proposal by the Board of Directors regarding the use of profit share balance sheet is in compliance with the Limited Liability Companies Act. We Members of the Board of Directors and the President and CEO of the parent c be discharged from liability from the financial period audited by us.

Helsinki, 1 February 2023

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Kesko's Annual General Meeting on 28th of April 2020, and our appointment represents a total period of uninterrupted engagement of 3 years.

Other information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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INDEPENDENT AUDITOR'S REPORT ON THE ESEF CONSOLIDATED FINANCIAL STATEMENTS OF KESKO OYJ

(Translation of the Finnish original)

To the Board of Directors of Kesko Oyj

We have performed a reasonable assurance engagement on whether the iXBRL tagging of the consolidated financial statements in the ESEF consolidated financial statements (743700OXGH5VMCAHPB95-2022-12-31_FI.zip) of Kesko Oyj (0109862-8) for the financial year 1.1.-31.12.2022 has been prepared in accordance with the requirements of Article 4 of Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the report of the Board of Directors and financial statements (ESEF financial statements) that comply with the requirements of ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in XHTML format in accordance with Article 3 of ESEF RTS
- tagging the consolidated financial statements' primary statements, disclosures and identifying information in the ESEF financial statements with iXBRL tags in accordance with Article 4 of ESEF RTS, and
- ensuring consistency between ESEF financial statements and audited financial statements.

The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance with the requirements of ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Management 1 and, accordingly, the audit firm shall design, implement and maintain a system of quality control including procedures regarding compliance with ethical requirements, professional and applicable legal and regulatory requirements.

Auditor's Responsibilities

In accordance with the engagement letter, we express an opinion on whether the consolidated financial statements in the ESEF financial statements has been prepared in all material respects in accordance with the requirements of Article 4 of ESEF RTS, whether the tagging of the consolidated financial statements' disclosures and identifying information in the ESEF financial statements has been prepared in accordance with the requirements of Article 4 of ESEF RTS, and whether the ESEF financial statements are consistent with the audited financial statements.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the consolidated financial statements' primary statements, disclosures and identifying information in the ESEF financial statements has been prepared in accordance with the requirements of Article 4 of ESEF RTS, and
- whether the ESEF financial statements are consistent with the audited financial statements.

The nature, timing and extent of the procedures selected depend on the auditor's assessment of the risk of material misstatement in the consolidated financial statements, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to support our opinion.



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Opinion

In our opinion, the tagging of the consolidated financial statements in the ESEF financial statements (743700OX6H5VMCAHPB95-2022-12-31_FI.zip) of Kesko Oyj for the financial year 1.1.-31.12.2022 has been prepared in all material respects in accordance with the requirements of Article 4 of ESEF RTS.

Our audit opinion on the consolidated financial statements of Kesko Oyj for the financial year 1.1.-31.12.2022 has been expressed in our auditor's report dated 1.2.2023. In this report, we do not express an audit opinion or any other assurance conclusion on the consolidated financial statements.

Helsinki, 1 February, 2023

Deloitte Oy
Audit Firm

Jukka Vattulainen
APA



CORPORATE GOVERNANCE

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INTRODUCTION

This is the Corporate Governance Statement in accordance with the Finnish Corporate Governance Code issued by the Finnish Securities Market Association, effective on 1 January 2020. Kesko Corporation issues the statement separately from the Report by the Board of Directors. The statement has been reviewed at the meeting of the Audit Committee of Kesko Corporation's Board of Directors on 31 January 2023. This statement and the other information to be disclosed in accordance with the Corporate Governance Code, as well as the Company's financial statements, the Report by the Board of Directors, and the Auditor's Report are available on Kesko's website at kesko.fi/en/investor.

Kesko Corporation ("Kesko" or "the Company") is a Finnish limited liability company in which the duties and responsibilities of management bodies are defined according to the regulations observed in Finland. The parent company Kesko and its subsidiaries form Kesko Group. The Company is domiciled in Helsinki.

In addition to the Corporate Governance Code, Kesko's decision-making and corporate governance comply with e.g. the Finnish Limited Liability Companies Act, other laws and regulations concerning publicly quoted companies in Finland, Kesko's Articles of Association, the charters of Kesko's Board of Directors and its Committees, the Company's policies and other internal guidelines, and the rules and guidelines of the European Securities and Markets Authority, the Finnish Financial Supervisory Authority, and Nasdaq Helsinki Ltd.

Corporate Governance Codes Kesko complies with and departures from them

Corporate Governance Code Kesko commits to complying with	The Corporate Governance Code issued by the Finnish Securities Market Association and effective as of 1 January 2020
Website where the Corporate Governance Code is publicly available	cg.finland.fi/en/corporate-governance-code/
Corporate Governance Code recommendations from which the company departs	Recommendation 6 (Term of Office of the Board of Directors)
- Explanation of and grounds for the departure - Grounds for the departure - Decision-making concerning the departure - When the company plans to adopt the recommendation (in case of temporary departure) - Where applicable, a description of the measure taken instead of compliance and an explanation of how that measure achieves the underlying objective of the specific recommendation or of the code as a whole, or a clarification of how it contributes to good corporate governance of the company	The term of office of Kesko's Board of Directors departs from year term pursuant to Recommendation 6 (Term of Office of Directors) of the Corporate Governance Code. The term of office of the Company's Board of Directors is determined in accordance with the Company's Articles of Association. Amendments to the Association are decided by the General Meeting. According to the Association, the term of office of a Board member is three (3) years, and the term of office of a Board member may be renewed at the close of the General Meeting electing the member and at the close of the third (3rd) Annual General Meeting after the election. Kesko's Board of Directors proposes to the Annual General Meeting on 30 March 2023 that the Company's Articles of Association be amended so that the term of office for a Board member would be one (1) year, the closing of the General Meeting that elects the Board member at the close of the next Annual General Meeting to follow. The Articles of Association would apply from the 2024 Annual General Meeting onwards. The General Meeting will decide on this matter.



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DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

Kesko Group's Corporate Governance system

Kesko uses a so-called one-tier governance model. The highest decision-making power in Kesko is exercised by the Company's shareholders at the Company's General Meeting. At the Annual General Meeting, the Company's shareholders elect the Company's Board of Directors and Auditor. The Shareholders' Nomination Committee submits proposals to the General Meeting regarding the number, election and remuneration of Board members. The Auditor plays an important role as a controlling body elected by the shareholders.

Kesko's Board of Directors is responsible for the Company's administration and its proper organisation. The Board has an Audit Committee and a Remuneration Committee, which prepare matters related to e.g. the Company's financial reporting, control, and remuneration.

The Board of Directors appoints the Company's managing director, who at Kesko is referred to as the President and CEO. Kesko's Group Management Board supports the work of the President and CEO.

Internal audit is responsible for the Company's independent auditing, and reports to both the President and CEO and the Board's Audit Committee.

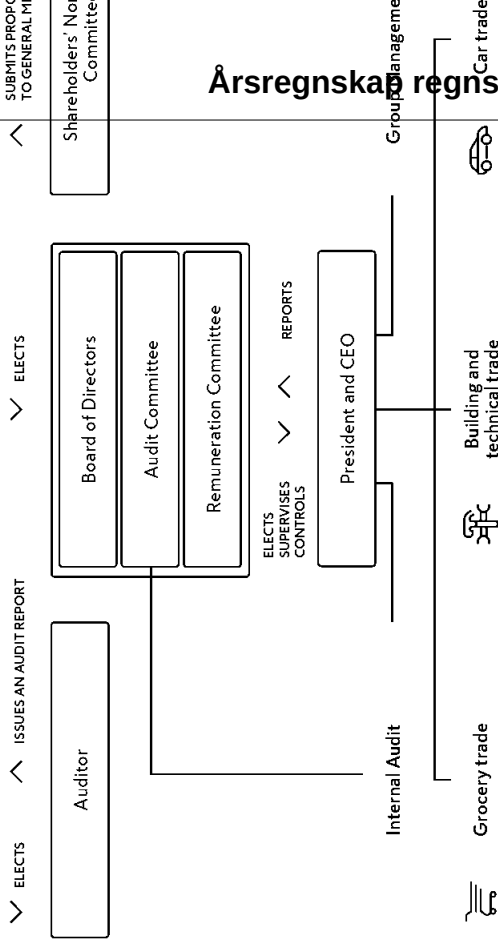
General Meeting

The Annual General Meeting is held annually by the end of June, on a date designated by the Company's Board of Directors. The most significant matters falling within the

Kesko Group's governance model



Kesko Corporation's General Meeting
Shareholders



Arsregnskap regnskapsåret 2022 för 990656616

decision-making power of the Annual General Meeting include the election of the Board members and the Auditor, the adoption of the financial statements, the resolution on discharging the Board members and the Managing Director from liability, and the resolution on the distribution of the Company's assets, such as distribution of profit. An Extraordinary General Meeting shall be convened if the Board of Directors deems it necessary. In addition, Auditor or shareholders holding a total one-third of the shares may demand an Extraordinary General Meeting to be held for a specific matter. Shareholders to attend a General Meeting by a notice of a General Meeting published on the Company's website. A notice of the General Meeting is also published as



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exchange release. The Notice and other General Meeting documents, including the Board of Directors' proposals to the General Meeting, are made available to shareholders no later than three weeks prior to the General Meeting on the Company's website at kesko.fi.

The Company has share series A and B, which differ with respect to the number of votes attached to the shares. An A share carries ten (10) votes and a B share carries one (1) vote at a General Meeting. When votes are taken, the proposal for which more than half of the votes were given will primarily be the resolution of the General Meeting, as prescribed by the Finnish Limited Liability Companies Act. However, pursuant to the Act, certain resolutions – such as resolutions to amend the Company's Articles of Association and resolutions concerning directed share issues – require a qualified majority of two-thirds of the votes cast and shares represented at the meeting. The Limited Liability Companies Act provides that specific shareholders or all shareholders must consent to a resolution limiting the rights arising from shares or increasing the obligations of shareholders.

The Company aims for all members of Kesko's Board of Directors, the President and CEO, and the Auditor to be present at the Annual General Meeting. General Meeting Minutes are made available to shareholders on Kesko's website at kesko.fi within two weeks of the General Meeting. General Meeting resolutions are published without delay after the meeting in a stock exchange release.

The 2022 Annual General Meeting was held with special arrangements in place due to the Covid-19 pandemic. Management was represented in person by Board Chair

Esa Kiiskinen and President and CEO Mikko Helander. Shareholders and their proxy representatives could participate in the General Meeting by voting in advance and by submitting counterproposals and questions in advance.

Shareholders' Nomination Committee

SELECTION PROCESS AND DUTIES OF THE SHAREHOLDERS' NOMINATION COMMITTEE

Kesko's 2020 Annual General Meeting resolved to establish a Shareholders' Nomination Committee for Kesko and confirmed rules of procedure for the Committee. The Nomination Committee is a governing body of Kesko shareholders, and has three members. Two members are appointed by Kesko's biggest shareholders, and the third member is the Chair of Kesko's Board of Directors. The right of nomination of members representing the shareholders belongs to those two shareholders whose share of votes conferred by all shares in Kesko is the largest according to the register of shareholders maintained by Euroclear Finland Ltd on 1 September preceding the Annual General Meeting. The term of office for the members of the Shareholders' Nomination Committee ends when new Committee members are appointed. The Nomination Committee members do not receive fees for their membership. Their travel expenses are reimbursed in accordance with the general travel rules of Kesko.

The main duty of the Nomination Committee is to ensure that the Board of Directors and its members have the expertise, knowhow and experience adequate for Kesko's needs, and to prepare reasoned proposals for this purpose to the General Meeting. In accordance with its rules of procedure, the Nomination Committee's duties are

- to prepare and present a proposal for the election of the members of the Board of Directors to the General Meeting,
- to prepare and present a proposal for the election of members of the Board of Directors to the General Meeting,
- to prepare and present a proposal for members of the Board of Directors to the General Meeting,
- to answer the questions asked by the shareholders at the General Meeting concerning the proposals submitted to the Board of Directors, and
- to look for candidates to replace members of Directors.

The Nomination Committee submits proposals to the Board of Directors on the matters listed as duties of the Committee which, on the ground of the Limited Liability Companies Act and Kesko's Articles of Association, the General Meeting agenda.

The Nomination Committee is established for the period being, until decided otherwise by the General Meeting. The Committee's duties are defined in the Nomination Committee rules of procedure and Kesko's website at kesko.fi/en/investor/corporate-governance/shareholders-nomination-committee/.

COMPOSITION AND ACTIONS OF THE SHAREHOLDERS' NOMINATION COMMITTEE IN 2022

- The members of Kesko's Shareholders' Nomination Committee in the 2022-2023 term of office were:
- Toni Pokela, retailer, appointed by the Kesko Group Association,
- Jouko Pölonen, President and CEO, appointed by Mutual Pension Insurance Company, and
- Esa Kiiskinen, Chair of Kesko's Board of Directors, appointed by Kesko's Board of Directors.



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In its organisational meeting on 15 September 2022, the Committee elected Toni Pokela as its Chair. The Committee members and Chair were the same also in the 2021–2022 term of office.

Details regarding Toni Pokela and Esa Kiiskinen can be found in this CG Statement's section concerning Kesko's Board of Directors. Jouko Pölonen (born 1970, MA (Econ.), eMBA) is the President and CEO of Ilmarinen Mutual Pension Insurance Company.

The Shareholders' Nomination Committee convened twice in 2022, and all members attended all meetings.

The Nomination Committee proposed no changes to the remuneration of Board members to Kesko's 2022 Annual General Meeting. The Nomination Committee did not submit a proposal regarding the number of Board members or Board composition, as the 2021 Annual General Meeting elected Board members for a term of office that ends at the close of the 2024 Annual General Meeting.

The Shareholders' Nomination Committee proposes to Kesko's 2023 Annual General Meeting that the remuneration for Board members remain unchanged. The proposal for the Board and Committee work is as follows:

- Board Chair, an annual fee of €102,000
- Board Deputy Chair, an annual fee of €63,000
- Board member, an annual fee of €47,500
- Board member who is the Audit Committee Chair, an annual fee of €63,000
- A meeting fee of €600/meeting for a Board meeting and its Committee's meeting. The meeting fee for the Board Chair is €1,200/Board meeting. However, a meeting fee of €1,200/Committee meeting is paid to a Committee

Chair who is not the Chair or Deputy Chair of the Board. Meeting fees are paid in cash.

- Daily allowances and the reimbursements of travel expenses are paid to the Board members in accordance with the general travel rules of Kesko.

It is proposed that the payment of the aforementioned annual fees be made in Kesko Corporation's B shares and in cash, with approximately 30% of the fees paid in shares. After the transfer of shares, the remaining amount is to be paid in cash. The Company will acquire the shares or transfer

shares held by the Company as treasury shares in the name and on behalf of the Board members. The Company will be responsible for the costs arising from the acquisition of the shares. The shares will be acquired or transferred to the Board members on the first working day to follow the publication of the interim report for the first quarter of 2023. A Board member cannot transfer shares obtained in this manner until either three years have passed from the day the member has received the shares or their membership on the Board has ended, whichever comes first.

The Nomination Committee proposals were published as stock exchange releases on 31 January 2022 and 1 February 2023.

Board of Directors

THE NUMBER AND TERM OF BOARD MEMBERS

According to the Articles of Association, Kesko's Board of Directors is composed of a minimum of five (5) and a maximum of eight (8) members. The General Meeting decides the number of Board members, elects all Board members, and decides on the Board members' remuneration. The Shareholders' Nomination Committee

submits proposals concerning the above mentioned General Meeting. The Board elects the Chair and Deputy Chair from amongst its members for a term of office of the Board.

According to the Articles of Association in force at the term of office of a Kesko Board member is the term starting at the close of the General Meeting member and expiring at the close of the third General Meeting after the election.

Kesko's Board of Directors proposes to the Meeting on 30 March 2023 that the Company of Association be amended so that the term of Board member would be one (1) year, starting from the General Meeting that elects the Board member ending at the close of the next Annual General Meeting. The amended Articles of Association from the 2024 Annual General Meeting onwards will be decided at the next General Meeting will decide on the matter.

BOARD COMPOSITION IN 2022 AND 2023

In 2022, the Board members were those elected at the Annual General Meeting of 12 April 2021: Esa Kiiskinen (Chair), Peter Fageriä (Deputy Chair), Jarmo Piia Karhu, Jussi Perälä, Toni Pokela and Timo Kuitto. The Board members' remuneration is in accordance with Kesko's Articles of Association. The Board members' remuneration will be decided at the 2024 Annual General Meeting.

The Board's 2022 composition and shareholdings as of 31 December 2022 are depicted in the table below.



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Board composition in 2022 and shareholdings on 31 Dec. 2022

Name	Year of birth	Education	Principal occupation	Board member since	Committee member	Kesko shares held on 31 Dec. 2022	
Esa Kiiskinen (Chair)	1963	Business College Graduate	Food retailer	2009	Remuneration Committee (Chair)	459,200 A shares held by the member 9,380 B shares held by the member	and entities controlled by the member
Peter Fagernäs (Deputy Chair)	1952	Master of Laws	Chairman of the Board, Hermitage & Co Oy	2018	Remuneration Committee (Deputy Chair)	4,000 A shares held by the member 13,805 B shares held by the member	
Jannica Fagerholm	1961	Master of Science (Economics)	Managing Director, Signe and Ane Gyllenberg Foundation	2016	Audit Committee (Chair)	9,805 B shares held by the member	
Piia Karhu	1976	Doctor, Business Administration	President, Metals Business Area, Metso Outotec Corporation	2018	Audit Committee	4,364 B shares held by the member	
Jussi Perälä	1970	Business College Graduate	Building and home improvement retailer	2021		133,000 A shares held by the member 96,751 B shares held by the member	and entities controlled by the member
Toni Pokela	1973	eMBA	Food retailer	2012		757,600 A shares held by the member 5,024 B shares held by the member	and entities controlled by the member
Timo Ritakallio	1962	Doctor of Science (Technology), Master's degree in law (LL.M.), MBA	President and Group CEO, OP Financial Group	2021	Audit Committee (Deputy Chair) Remuneration Committee	2,000 A shares held by the member 1,107 B shares held by the member	



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INDEPENDENCE

The Board evaluates the independence of its members on a regular basis in accordance with Recommendation 10 of the Corporate Governance Code. A Board member is obliged to provide the Board with necessary information for the evaluation of independence. All members of Kesko's Board of Directors are non-executive directors.

The Board carried out independence evaluations at its organisational meeting held after the Annual General Meeting of 12 April 2021 and at its meeting on 28 April 2022. Based on the independence evaluations, the Board considers the majority of Board members to be independent of the Company. Esa Kiiskinen, Jussi Perälä and Toni Pokela are not considered independent of the Company, as they each control a company that has a chain agreement with Kesko.

All Board members apart from Toni Pokela were evaluated to be independent of Kesko's significant shareholders. Pokela is the Chairman of the Board of Kesko's significant shareholder K-Retailers' Association. The Board and Committee compositions meet the independence requirements of the Corporate Governance Code.

The independence of each Board member is presented in the following table.

BOARD MEMBERS' INDEPENDENCE 2022

	Independent of the company	Independent of a significant shareholder
Esa Kiiskinen (Chair)	No*	Yes
Peter Fagerhäls (Deputy Chair)	Yes	Yes
Jannica Fagerholm	Yes	Yes
Piia Karhu	Yes	Yes
Jussi Perälä	No*	Yes
Toni Pokela	No*	No**
Timo Ritakallio	Yes	Yes

*Companies controlled by Kiiskinen, Perälä and Pokela each have a chain agreement with Kesko Corporation.

** Pokela is the Chairman of the Board of Kesko's significant shareholder K-Retailers' Association.

DESCRIPTION OF THE OPERATIONS OF THE BOARD OF DIRECTORS AND THE MAIN CONTENTS OF ITS CHARTER

Kesko's Board of Directors is responsible for the Company's corporate governance and for the proper organisation of its operations. The Board is responsible for the appropriate arrangement of the control of Kesko's accounts and finances. The Board of Directors has confirmed a written charter of the Board of Directors' duties, principles of operation, meeting practices and decision-making procedures.

In accordance with the charter, the Board reviews and makes decisions on matters that are financially, operationally or fundamentally significant to the Group. According to the charter, the Board of Directors' duties include:

Strategic and financial matters

- deciding on the Group strategy and confirming the divisions' strategies
- confirming the Group's budget and forecast update, including a capital expenditure plan

- reviewing the Group's most significant risks and uncertainties
- deciding on strategically or financially significant individual investments, acquisitions, divestments, arrangements, and commitments
- confirming Kesko's values
- approving Group policies, such as the treasury investment policy and risk management policy
- establishing a dividend policy and being responsible for shareholder value performance

Organisation and personnel matters

- appointing and discharging the Company's Board members and CEO, approving their managing director contract, and deciding on their remuneration, financial benefits, and making corresponding arrangements for the Deputy CEO
- deciding on the appointments and dismissals of Board members responsible for lines of business, remuneration and financial benefits
- deciding on the essential structure and organisation of the Group
- ensuring the proper operation and supervision of the management system
- deciding on management authorisation and delegation
- deciding on the principles of Kesko's compensation and incentive schemes, the terms and conditions of share option schemes, and the distribution of shares or options under the schemes
- policy in force, and monitoring the results of the policy

Reporting matters

- reviewing and adopting the Group's financial statements, half-year financial reports, and interim reports
- related stock exchange releases and the Board of Directors
- reviewing Kesko's Annual Report as necessary



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Other duties

- submitting Board proposals to the General Meeting on matters such as dividend distribution, Auditor, and authorisations to issue and acquire shares
- approving the Board's principles concerning diversity
- being responsible for the other statutory duties prescribed to the Board of Directors by the Limited Liability Companies Act or other, and for duties prescribed by the Corporate Governance Code.

Kesko's Board of Directors has a duty to promote the best interest of Kesko and all its shareholders. The Board members do not represent the interests of the parties that have proposed their election as Board members. A Board member is disqualified from participating in the handling of any matter between that person (including entities over which the person exercises control) and the Company. When a vote is taken, the Board's decision will be the opinion of the majority and if a vote results in a tie, the decision will be the opinion supported by the Board Chair. If the votes taken at an election of a person end in a tie, the result will be decided by drawing lots.

BOARD OF DIRECTORS' OPERATIONS IN 2022

In 2022, the Board held 11 meetings. Board meetings regularly discuss the review by the President and CEO on key topical issues, as well as reports by the Chairs of the Board's Audit Committee and Remuneration Committee on Committee meetings preceding the Board meetings. The Auditor presents their findings to the Board once a year in connection with the review of financial statements.

In 2022, the Board focused in particular on general economic developments, the war in Ukraine and geopolitical tensions overall, and evaluated the impact of these factors on the

sales and profit of Kesko and K Group. The Board evaluated their impact also on cyber security and on securing business continuity.

As in previous years, in 2022, the Board reviewed the financial reports and monitored the Group's financial situation, approved the most significant capital expenditure, monitored the progress of Group-level projects, and approved the interim reports, the half-year financial report and the financial statements as well as the Report by the Board of Directors prior to their publication. A positive profit warning was issued on 25 April 2022 to announce the Board's decision to cancel its previous profit guidance and issue a new one.

During the year, the Board confirmed Kesko's sustainability strategy for 2022-2024. The Board made decisions, among other things, on the construction of a new logistics centre for Onninen and K-Auto, on the use of the donation funds approved by the Annual General Meeting, on the establishment of new share plans for compensation

purposes and the principles for performance evaluation in 2023, and on updating the Board's diversity policy and risk management policy.

The operations and working practices of the Board were evaluated by an external party. The evaluation was based on personal interviews of the Board members, the President and CEO, as well as using an external evaluation firm. The evaluation focused, among other things, on work and leadership culture, the operations and committees, Group and division strategies, and crisis management, the Board's general and reporting, and preparations for the future. The results of the evaluation in its entirety were available to the Shareholders' Nomination Committee in December. Each Board member also received a summary of the evaluation results available to the Shareholders' Nomination Committee.

Attendance at meetings by members of the Board and its Committees in 2022

Attendance at meetings by members of the Board and its Committees in 2022		Board of Directors	Committee membership	Audit Committee
Esa Kiiskinen (Chair)	Remuneration Committee (Chair)	11/11	5/5	5/5
Peter Fagerhäs (Deputy Chair)	Remuneration Committee (Deputy Chair)	11/11	5/5	5/5
Jannica Fagerholm	Audit Committee (Chair)	11/11	5/5	5/5
Piia Karhu	Audit Committee	11/11	5/5	5/5
Jussi Perälä	Audit Committee (Deputy Chair)	11/11	5/5	5/5
Toni Pokela	Remuneration Committee	11/11	5/5	5/5
Timo Ritakallio	Remuneration Committee	11/11	5/5	5/5



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BOARD DIVERSITY POLICY

Diversity is an essential component in Kesko's success, the achievement of Kesko's strategic objectives and good governance at Kesko. The principles regarding Board diversity are included in the diversity policy approved by Kesko's Board of Directors. The policy describes the objectives in the achievement of diversity in the operations and composition of the Board of Directors. The Shareholders' Nomination Committee must take the diversity policy into account when preparing the proposal for Board members to the Annual General Meeting. The policy is available on Kesko's website at kesko.fi/en/investor/corporate-governance/board-of-directors/diversity-policy/.

Board size and election of its members

According to the Company's Articles of Association, the term of office of a Board member is three (3) years, starting at the close of the General Meeting electing the member and expiring at the close of the third (3rd) Annual General Meeting after the election. According to the Articles of Association, Kesko's Board of Directors is composed of a minimum of five (5) and a maximum of eight (8) members. A sufficient number of Board members promotes the diversity of Board composition, as the areas of expertise and competence of the Board members are mutually complementary and the Board's independence requirements are satisfied.

The Board members are elected by majority votes at the General Meeting. The Board elects the Chairperson and the Deputy Chairperson from among its members for the whole term of office of the Board. In the preparation of a proposal

for the Board composition, Kesko applies the practice in which a Shareholders' Nomination Committee prepares proposals to the General Meeting concerning Board members' fees and, as necessary, for the number of Board members and for the Board members.

Planning the Board composition

The composition of Kesko's Board of Directors shall support Kesko's current and future business operations. The Board members are appointed on their merits. Essential features in the Board diversified composition are that the Board members' educational and cultural backgrounds, experience and professional competences for example in the social, business and cultural conditions of the markets in which Kesko operates in as well as the nationality, country of origin, age and gender distribution support Kesko's business objectives and enable efficient Board work from Kesko's point of view. The Board members shall also be able to devote a sufficient amount of time to Board work. Board members are recommended to hold Board memberships or high level positions in no more than four other publicly listed companies.

Kesko aims to achieve a balanced gender distribution in the composition of its Board of Directors. The composition of the Board shall reflect experience in both national and international business operations. The educational background of the Board members shall represent multiple disciplines and diversity. In addition, Kesko's Board shall include members with strong experience in the trading sector and in-depth knowledge of the retailer business.

Kesko's Board of Directors proposes to the Meeting on 30 March 2023 that the Company's Articles of Association be amended so that the term of a Board member would be one (1) year, starting at the closing of the General Meeting that elects the member and ending at the close of the next Meeting to follow. The amended Articles of Association would apply from the 2024 Annual General Meeting onwards. If the Annual General Meeting decides otherwise, the Board will update the policy accordingly.

DIVERSITY POLICY IMPLEMENTATION IN 2022

The educational backgrounds and experience of the Board members were reviewed in the 2022 Annual General Meeting. The Board members' professional competencies of the Board members were reviewed in the 2021 Annual General Meeting. Kesko's Board of Directors has elected by the 2021 Annual General Meeting several Board members with multiple disciplines and diversity. Several Board members have experience in the trading sector and the occupation of two of the seven Board members is as a K Group grocery retailer, who one is a building and home improvement retailer. Several Board members also have experience in international operations. Two of the seven Board members are women. In other words, the proportion of the gender representation on the Board is approximately 29%. The composition of the Board members varies from 46 to 70 years of age. Kesko's Board of Directors has a table "Board composition and shareholder data" (personal data).



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BOARD COMMITTEES

Kesko's Board of Directors has established an Audit Committee and a Remuneration Committee to support the Board's work and prepare matters the Board is responsible for. Each Committee is composed of three (3) Board members. At the close of the 2021 Annual General Meeting, which elected the Board members, the Board elected the Committee Chairs, Deputy Chairs, and members from amongst its members.

All members of both Committees are independent of the Company's significant shareholders. All members of the Audit Committee are also independent of the Company. The majority of the members of the Remuneration Committee are independent of the Company. In the election of committee members, the competence requirements for the members of the Committee in question have been taken into account.

The Committees have no independent decision-making power. Instead, the Board makes decisions on matters based on the Committees' preparatory work. The Board has confirmed written charters for the Committees detailing the Committees' duties and operating principles. Each Committee Chair reports on the Committee's work at the Board meeting following a Committee meeting. Minutes of the Committee meetings are submitted for information to the Board members. The actions and working practices of the Committees are assessed annually in conjunction with the Board evaluation.

Audit Committee

The Board's organisational meeting, held after the 2021 Annual General Meeting, elected the following Board members as Audit Committee members:

- Jannica Fagerholm (Chair)
- Timo Ritakallio (Deputy Chair)
- Pia Karhu

In accordance with its charter, the Audit Committee:

- monitors Kesko Group's (Kesko) financial position and funding
- monitors and assesses Kesko's financial reporting system, including the process for financial statements reporting
- monitors and assesses the effectiveness of Kesko's internal control, internal audit, and risk management systems

- approves the operating instructions for the Company's internal audit and annually assesses the need for changes, approves the annual audit plan, budget and resources and related material changes, and reviews reports submitted to the Committee
- monitors the statutory auditing of the Company and the Group
- discusses matters that emerge in connection with auditing and in relation to the Committee's duties with the Company's Auditor when necessary, and otherwise handles contacts with the Auditor

- reviews the Auditor's Report and possible audit minutes and reports presented by the Auditor to the Committee and monitors and evaluates the independence of the Company's Auditor and, in particular, the non-audit services provided to Kesko by the Auditor and its network audit companies

- prepares the election of the Company's s and recommends an Auditor
- monitors and assesses how agreements a acts between the Company and its relate the requirements of ordinary course of b arm's-length terms
- prepares recommendations to the Board review of interim reports, the half-year fi and the financial statements
- reviews the Company's Corporate Gover Statement and non-financial report
- prepares and reviews other tasks given b the Committee

In 2022, the Audit Committee held five mee attendance rate of the Committee members was 100%. The Group's Chief Financial Officer, Controller, the Chief Audit and Risk Officer, Group General Counsel regularly reported d of responsibility to the Committee at the me Auditor is present at the Committee meeting their audit plan and report to the Audit Com

During the year, the Committee reviewed re the Group's financial situation, including the statements release, the half-year financial re the interim reports and updated forecasts, a recommendation to the Board on the review and the financial statements releas. The Co reviewed reports on the Group's internal an audits, risk management, cyber security and the report on related party transac ons, and Governance Statement. The Committee also reports related to the Company's financing,



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requirements of EU taxonomy, and insurances. In terms of risk management, the Audit Committee concentrated in particular on general economic development, the war in Ukraine and cyber security and related business risks by reviewing said risks at each meeting. The Audit Committee approved the 2023 audit plan, personnel resources and budget for the Group's internal audit. The Committee also reviewed the results of goodwill impairment testing. The Committee monitored and assessed the Auditor's independence and the additional services provided by the Auditor and other auditing firms to Kesko. The actions of the Audit Committee were assessed as part of the evaluation of Kesko's Board work.

Remuneration Committee

The Board's organisational meeting, held after the 2021 Annual General Meeting, elected the following Board members as Remuneration Committee members:

- Esa Kiiskinen (Chair)
- Peter Fagernäs (Deputy Chair)
- Timo Ritakallio

In accordance with its charter, the Remuneration Committee:

- prepares the Company's Remuneration Policy and Remuneration Report for Governing Bodies
- presents the remuneration policy and report at the General Meeting and responds to related questions
- monitors the implementation of the remuneration policy presented to the General Meeting and ensures that the remuneration of the Company's governing bodies is conducted within the remuneration policy presented to the General Meeting

- conducts preparatory work for the remuneration and other financial benefits for the Company's President and CEO and Deputy CEO and for their service contracts
- conducts preparatory work for the remuneration and other financial benefits for Group Management Board members responsible for lines of business; decisions on the remuneration and financial benefits for Group Management Board members other than those responsible for lines of business are made by the President and CEO within the limits set by the Remuneration Committee Chair
- conducts preparatory work pertaining to the appointment of a President and CEO, Deputy CEO, and Group Management Board members responsible for lines of business, and to identifying their potential successors

conducts preparatory and development work on matters pertaining to remuneration schemes, including

- evaluating the remuneration for the President and CEO, Deputy CEO, and other management, and ensuring the appropriateness of the Company's remuneration schemes
- preparing potential share or share-based compensation schemes
- preparing the distribution and terms and conditions of shares or options under any share or share-based compensation schemes the General Meeting may have decided on
- preparing the principles for the performance and result criteria of the compensation schemes, and monitoring their implementation and evaluating their impact on Kesko's long-term financial success
- prepares and reviews other tasks given by the Board to the Committee

In 2022, the Remuneration Committee held meetings. The attendance rate of Committee members was 100%. The Committee prepared proposals to the Board for Kesko's Report for the Governing Bodies, Kesko's 2022 share-award plans, the performance criteria values and the target group for share award of Group performance bonuses for 2023, as well as performance bonuses to be paid for 2021 to the President and CEO and Group Management Board members responsible for lines of business. The Committee evaluated the implementation of management remuneration. The actions of the Remuneration Committee were assessed as part of the evaluation of Kesko's Board work.



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Managing Director (President and CEO) and their duties

Kesko has a managing director who is referred to as the President and CEO. Kesko's President and CEO is Mikko Helander, M.Sc. Technology (b. 1960). He became Kesko's President and CEO on 1 January 2015. Helander was also a member of the Group Management Board and Kesko's Executive Vice President during the period between 1 October 2014 and 31 December 2014, and he has been the Chair of the Group Management Board since 1 January 2015.

The President and CEO's duty is to manage Kesko Group's operations in accordance with the instructions and orders issued by the Company's Board of Directors, and to report to the Board the developments in the Company's business

operations and financial situation. The President and CEO is also responsible for organising the Company's day-to-day governance, and for the Company's accounting complying with legislation, and financial matters being organised in a reliable manner. The President and CEO also chairs the Group Management Board.

The President and CEO is appointed by the Board of Directors. The Board has decided the terms and conditions of the President and CEO's service contract. A written managing director's service contract, approved by the Board, has been made between the Company and the President and CEO.

The Deputy CEO is Jorma Rauhala, M.Sc. (Econ.) (b. 1965).

Group Management Board

Kesko Group has a Group Management Board which is Kesko's President and CEO. The Group Management Board does not have any powers under law of Association. The Group Management Board discuss Group-wide development projects and policies and procedures. In addition, the Group Board discusses, among other things, the Group division companies' business plans, profit plans and matters reviewed by Kesko's Board of Directors in preparation of which it also participates in. The Management Board typically meets 14–18 times a year. In 2022, the Group Management Board met 22 times.

Group Management Board 2022

	Group Management Board member since	Area of responsibility	Kesko shares held on 31 Dec. 2022
Mikko Helander, President and CEO	1.10.2014	Kesko's President and CEO	Held 5,000 A shares Held 385,786 B shares
Jorma Rauhala, President, building and technical trade, Deputy CEO	5.2.2013	Building and technical trade	Held 205,178 B shares
Ari Akseli, President, grocery trade division	15.11.2017	Grocery trade	Held 1,824 A shares Held 105,476 B shares
Matti Virtanen, President, K Auto Oy	9.4.2021	Car trade	Held 3,100 B shares
Jukka Erlund, Executive Vice President, Chief Financial Officer	1.11.2011	Finance, IT, risk management and M&A	Held 160,427 B shares
Rikka Joukio, Executive Vice President	12.4.2021	Sustainability and Public Affairs	Held 4,153 B shares
Matti Mettälä, Executive Vice President	1.10.2012	HR	Held 1,000 A shares Held 104,631 B shares
Karolina Partanen, Executive Vice President	1.10.2020	Communications, Branding and Stakeholder Relations	Held 25,182 B shares
Anni Ronkainen, Executive Vice President*	20.4.2015	Chief Digital Officer	

* Anni Ronkainen's Group Management Board membership ended on 30 September 2022.



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DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

Group financial reporting

KESKO'S MANAGEMENT MODEL

Kesko's financial reporting and planning are based on Kesko Group's management model. The financial results of the Group's units are reported and analysed internally within the Group on a monthly basis and disclosed quarterly in interim reports, the half-year financial report, and the financial statements release. Financial forecasts are updated quarterly, in addition to which significant changes are taken into account in the monthly reported performance forecast. The strategies and related long-term financial plans of the Group and its units are updated annually.

ROLES AND RESPONSIBILITIES

Kesko Group's financial reporting and its supervision are organised on three levels. The businesses analyse and report their figures to the divisions, which then report the division-specific figures to Group level. Analysis and control points for ensuring the accuracy of reporting are used on each of the three reporting levels.

PLANNING AND PERFORMANCE REPORTING

The Group's financial development and achievement of financial objectives are monitored by financial reporting covering the entire Group. Monthly performance reporting includes actual Group, division and business specific results,

Kesko Group's management model





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changes compared to the previous year, comparison with forecasts, and forecasts for the ongoing financial year. The Group's short-term financial planning is based on annual budgeting and quarterly updated forecasts extending to the end of the ongoing financial year. The key financial indicators are sales performance for growth, comparable operating profit, comparable operating margin, and comparable return on capital employed for profitability, and free cash flow for cash flow, monitored through monthly internal reporting. Information on the Group's financial situation is provided in interim reports, the half-year financial report, and the financial statements release. The Group's sales figures are published monthly.

PERFORMANCE REPORTING TO GROUP TOP MANAGEMENT

Performance reporting to the Group's top management comprises monthly reports on the Group's divisions', businesses' and subsidiaries' sales, profits, capital employed and cash flows, as well as on the Group's financial items, cash flow, and balance sheet position. Each business is primarily responsible for the financial reporting and the accuracy of the figures. The controlling function of each division analyses the whole division's figures for which the division's financial management is responsible. The Group is responsible for the whole Group's figures. Key income statement, capital employed and balance sheet items are analysed monthly at business, division and Group level, based on an agreed division of duties. This makes real-time information on the financial situation constantly available and enables real-time responses to possible issues.

PUBLIC PERFORMANCE REPORTING

Public performance reporting comprises interim reports, the half-year financial report, the financial statements release, the annual financial statements, and monthly sales reports. The same accounting principles and control methods are applied to public performance reporting as to monthly performance reporting. The Audit Committee reviews the interim report, the half-year financial report, and the financial statements and gives a recommendation on their review to the Board of Directors. The Board approves the interim report, the half-year financial report, and the financial statements before they are published.

KEY ACTIONS IN 2022

Up-to-date forecasts to support management decision-making and the ability to quickly respond to changing situations were emphasized during the year. In 2022, we continued the harmonisation and automation of financial administration processes. The integration of financial administration of acquisitions made in Norway and Sweden continued. The project related to identifying and documenting key controls related to financial processes and financial reporting continued as part of the effort to harmonise of financial administration processes. The finance organisation prepared for the application of new financial reporting requirements concerning EU sustainability reporting.

KEY ACTIONS IN 2023

In 2023, the harmonisation and automation of administration processes and the document controls will continue utilising modern technology. Processes and reporting will be automated at least based on business needs. Preparation for the new EU sustainability reporting requirements come into effect in 2024, will continue in 2023.

ACCOUNTING POLICIES AND FINANCIAL ADMINISTRATION IT SYSTEMS

Kesko Group complies with the International Reporting Standards (IFRS) approved for ad European Union. The accounting policies ad Group have been compiled in an accounting manual is updated as standards and interpretations. The manual contains instructions for Group and for preparing the consolidated financial Kesko Group's financial administration information generated from division and company specific resource planning systems and basic financial the Group's centralised consolidation system. The Group's key financial reports, the key system to generate financial information have been secured with back-up systems, and they are checked regularly to ensure reliability and consistency.



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Internal control

CONTROL ENVIRONMENT

Internal control is an integral part of management, and involves Kesko's Board of Directors, management and personnel. The objective is to ensure Kesko can achieve its targets. Efficient internal control ensures that deviations from objectives can be prevented or detected as early as possible so that corrective measures can be taken. Internal control tools include policies and principles, working instructions, approval authorisations, authorisations for use, device and software controls, manual controls, balancing, monitoring reports, inspections and self-assessments.

The objective of internal control at Kesko Group is to ensure the efficiency, productivity, continuity of operations, compliance with laws, regulations and agreements and Kesko's values and operating principles, the reliability of financial and operational reporting both externally and internally, as well as the safeguarding of assets, information and expertise.

RISK ASSESSMENT AND CONTROL ACTIVITIES

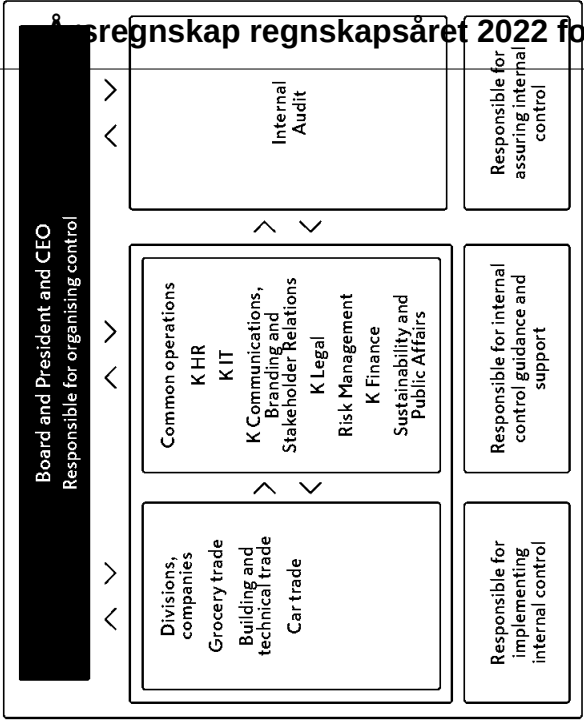
The objective of Kesko's control measures is to ensure, among other things, the efficiency, continuity and legality of operations, the reliability of financial reporting, and the safeguarding of assets and information. Internal control is efficient when it is continuous, integrated as part of operations, and ensures sufficiently that business targets are met. For internal control to remain efficient, it is important that management identifies the risks related to achieving targets and that control activities are targeted based on risk. The objective of control measures is to

COMMUNICATION

achieve an acceptable level for identified risks. Kesko's risk assessment process is described in more detail in the section on risk management.

Kesko's Board has approved Kesko's internal control policy, which is based on internationally widely accepted good control principles (COSO) and Kesko's document management model, which comprises policies, principles and instructions that must be complied with throughout Kesko Group.

Roles and responsibilities in Kesko Group's internal control



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MONITORING

The Board of Directors and the President and CEO are responsible for organising internal control. The management of each division, company and unit is responsible for developing, implementing and maintaining an efficient and functional internal control system in their respective area of responsibility. The management is responsible for extending control also to outsourced services. The objective of monitoring is also to identify potential changes in the operating environment and processes, seen to impact control measures required.

Kesko's common operations guide and support the divisions, companies and units with Group-level policies, principles and instructions pertaining to their respective areas of responsibility. Kesko Group's internal audit function assesses and verifies the effectiveness and efficiency of Kesko's internal control, reports on it to the President and CEO and the Audit Committee of Kesko Corporations' Board of Directors, and assists management and Kesko's units in the development of the internal control system.

REPORTING SUSPECTED BREACHES

Everyone working at Kesko is obliged to comply with the K Code of Conduct and Kesko's policies, principles and work-related instructions, and to report any issues they identify to their manager. People can also use the SpeakUp channel to inform the Company of suspected breaches of law or internal misconduct. The head of Kesko Group's Compliance & Ethics function and the Compliance & Ethics Officer working in the function review reports received via the SpeakUp channel when they are to be investigated by Kesko. Some investigations may necessitate the contribution of Group internal audit, other experts, or the authorities.

Risk management

Kesko's risk management is proactive and part of day-to-day management. The objective of risk management is to support the implementation of Kesko's strategy. Risk management in Kesko Group is guided by the risk management policy approved by Kesko's Board of Directors. The policy defines the goals and principles, organisation, responsibilities and practices of risk management in Kesko Group. In the management of financial risks, the Group's treasury policy, confirmed by Kesko's Board of Directors, is observed.

RISK MANAGEMENT STEERING MODEL AND RESPONSIBILITIES

Kesko's business divisions are responsible for risk management in their respective areas of responsibility for identifying, assessing, handling and managing risks related to their operations, and they report management responses and the results of their management to their management and the Group risk management function. Common operations are responsible for Group-level policies, principles and instructions.

Risk management steering model

Board of Directors



President and CEO



Group Management Board

Common operations,
HR, IT, Communications, Legal, Finance,
Sustainability & Public Affairs

Risk Management Steering Group
CFO

Risk Management CARO



Grocery trade

- President
- VP, Finance



Building and technical trade

- President
- VP, Finance



Car trade

- President
- VP, Finance



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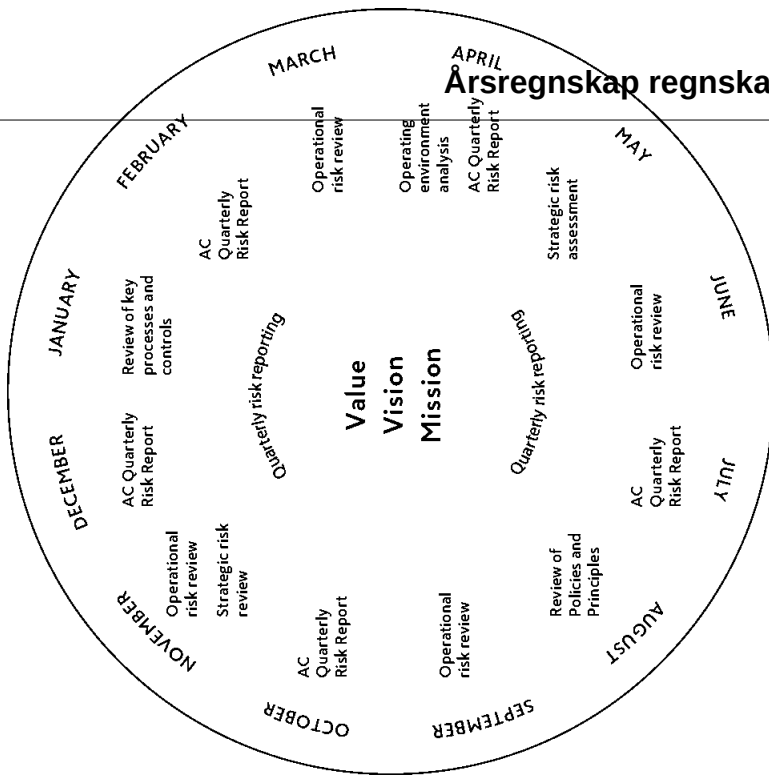
implementing risk management in their respective areas of responsibility. Members of the Group Management Board are responsible for the effective and efficient implementation of internal control and risk management in their respective areas of responsibility. A risk management function independent of businesses is responsible for providing a framework and guidance for internal control and risk management and supports, coordinates and supervises risk management implementation in Kesko Group. The Risk Management Steering Group headed by the Chief Financial Officer is responsible for establishing the Group's overview of the risk situation and for presenting it to the President and CEO. The President and CEO is responsible for the effectiveness and efficiency of the Group's risk management, and approves Group risk reports before they are reviewed by the Board of Directors. Kesko's Board of Directors monitors and assesses the effectiveness of risk management and supervises the assessment of risks related to the Company's strategy and operations and their management, supported by the Audit Committee.

RISK MANAGEMENT PROCESS

Kesko's risk management process is based on the Group's management model and follows the schedule for financial reporting. Kesko employs uniform risk assessment and reporting models. Risk identification is based on business objectives and opportunities and the defined risk appetite. Risks are prioritised by assessing their impacts in euros in case of realisation, and by the likelihood of their realisation. When assessing the impact of a risk, the impacts on e.g. reputation, the wellbeing of people, and the environment are taken into account in addition to the impacts in euros.

Risk identification and assessment play a key role in Kesko's strategy work and operational planning. In addition, risk

Risk management annual cycle



assessments are made on significant projects related to investments, business arrangements, or changes in operations. The risk assessments of business divisions and common operations including a risk map, risk management responses, key risk indicators, responsible persons, and schedules are reviewed regularly by the management and respective business divisions or common opportunities is part of Kesko's strategy process.



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is based on the assessment of changes in the operating environment and risks related to strategic business objectives. The impact and likelihood of strategic risks and the effectiveness of risk management responses and controls are assessed not only for the strategy period but also in the medium term (3-5 years), and in the long term (over 5 years) for emerging risks. The assessment of strategic and emerging risks is carried out annually in April-May and updated in October-November.

The assessment of operational and financial risks is based on systematic and continuous assessment of risks in the divisions and common operations. The impact of new and already identified operational and financial risks and their likelihood and the effectiveness of risk management responses and controls are assessed in the short term (1-2 years). The assessment of operational and financial risks is carried out quarterly.

Risks and risk management responses are reported in accordance with Kesko's reporting responsibilities. The business divisions and common operations report on risks and changes in them to Group risk management. The risks are reviewed, and significant risks are consolidated by the Risk Management Steering Group in a Group risk report, which is reviewed and approved by the President and CEO.

The Group's most significant risks and uncertainties, as well as material changes in and management responses to them, including key risk indicators, are reported to Kesko Board's Audit Committee quarterly in connection with the review of interim reports, the half-year financial report, and the financial statements. The Audit Committee Chair reports on risk management to the Board as part of Audit Committee reporting. The most significant risks and uncertainties and

emerging risks are reported to the market by the Board in the Report by the Board of Directors, and any material changes in them in the interim reports and the half-year financial report.

A review regarding the need to amend risk management key processes and controls and policies and principles is conducted annually in accordance with the annual risk management schedule. Amendments to the risk management policy are approved by Kesko's Board of Directors before they take effect.

RISK MANAGEMENT IMPLEMENTATION IN 2022

Risk management emphasised risks and uncertainties related to global product availability, the war in Ukraine, rising inflation, the availability of energy, and cybersecurity. A Group-level crisis management team was established to monitor developments in the war in Ukraine, to assess its impacts and to ensure the necessary risk management responses. As the risks related to the price and availability of energy increased, a separate crisis management team was established to coordinate measures related to energy savings and energy availability and potential power outages.

In the grocery trade division, a scenario-based assessment of risks and opportunities related to climate change was conducted on the basis of TCFD recommendations. The most significant risks and opportunities for the division in case of different climate scenarios were identified based on the risk assessment.

Kesko's risk management framework and risk management process were updated to meet the requirements of integrated risk management. With the update, more detailed definitions and descriptions were drawn of how

Kesko's risk appetite is divided into categories according to the nature of the risk, and a separate assessment maturity level of risk management response was added to the risk assessment. Changes to the risk reporting for the Board's Audit Committee with the updated process, with topical information to the report on phenomena related to different cyber security, and business continuity management.

FOCUS AREAS FOR RISK MANAGEMENT

Risk management will continue to monitor the impact of the war in Ukraine and the energy crisis, and coordinate risk management responses. As a result, in risk assessment will be on estimating the impact of a weakening economy on the operating environment, business operations, and costs. Processes aimed at the assessment and reporting of strategic risks will be developed further, and the assessment of the likelihood and financial impact of risks related to climate change in grocery trade and other divisions. In risk management, focus areas will be retailing Group requirements, further improving cyber security contingency with IT service providers, preparing for disruptions in energy availability, and continuing testing and practise.



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OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

Internal audit

Kesko's internal audit is responsible for the Group's independent evaluation and assurance function required of a listed company, which systematically examines and verifies the efficiency of risk management, management, control and governance. The Audit Committee of Kesko's Board of Directors has confirmed the operating instructions for Kesko's internal audit function.

The internal audit function operates administratively under the President and CEO and functionally under the Audit Committee, and it reports on its findings and recommendations to the Audit Committee, the President and CEO, the management of the audited operation, and the external auditor. Internal audit covers all Kesko's divisions, companies and functions. Auditing is based on risk assessments, as well as risk management and control discussions conducted with the management of the Group and the divisions. Regular meetings are arranged with the external auditor to ensure sufficient audit coverage and to eliminate overlapping operations.

A risk-based internal audit plan is prepared annually, and reviewed and approved by the President and CEO and the Audit Committee. If needed, the audit plan is modified on a risk basis. If necessary, the internal audit function utilises external services for additional resources or for conducting audit operations requiring particular expertise. Internal audit can also make use of the expertise and work contribution of Kesko Group's other specialists.

INTERNAL AUDIT IN 2022

In 2022, key focus areas for internal audit were cyber security, IT and business projects, sustainability, process controls and process efficiency, business continuity, and vendor audits. In addition, a quality assessment was conducted for internal audit in 2022 by an external service provider.

FOCUS AREAS FOR INTERNAL AUDIT IN 2023

The main focus areas for internal audit in 2023 will be data and cyber security, IT supply chain, inventory and credit management, indirect purchasing, customer and vendor bonuses, and BSC and Treasury operations.

Related party transactions

In accordance with the Corporate Governance Code, Kesko's Board of Directors has determined the principles for monitoring and evaluating related party transactions complied within the Group. The principles determine Kesko's related parties, and a list of related parties is maintained. The principles identify business operations that are part of ordinary course of business and implemented under arms-length terms. These include chain agreements in the K-chain operations used to join retailers to Kesko's retail chains, such as the K-Citymarket, K-Supermarket, K-Market and K-Rauta chains, and the terms and conditions of sales for K-chain commerce and services. Kesko has made chain agreements also with companies controlled by Board members engaged in retailer operations. Like other chain agreements, these are part of Kesko's ordinary

course of business. The agreements are made at the same organisational level following the same principles as similar chain agreements. The Board makes decisions on agreements and other legal acts that are in Kesko's ordinary course of business or are in line with arms-length terms. The matter and related making are prepared with care utilising, for example, external evaluations. Decision-making complies with the conflict of interest provisions of the Finnish Liability Companies Act. Related party transactions are reported to Kesko's Audit Committee and the supervision of related party transactions of Kesko Group's internal control system. Kesko Group's related party transactions as part of its financial and publishes related party transactions in a manner determined by regulations. Kesko Group's related party transactions are reported in note 22 to the financial statements.

Insider administration

INSIDER REGULATIONS

Kesko complies with the EU and Finnish insider trading regulations and the insider guidelines of Nasdaq Helsinki Ltd. Kesko's internal control system confirms the complementary insider instructions.



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MANAGERS AND MANAGEMENT TRANSACTIONS

Kesko has determined that 'managers' (persons discharging managerial responsibilities) in Kesko, as referred to in the EU Market Abuse Regulation (MAR), comprise the members of Kesko Corporation's Board of Directors, and the President and CEO and other members of the Group Management Board. The managers and their related parties are obliged to inform Kesko and the Finnish Financial Supervisory Authority of transactions they make with Kesko's financial instruments, such as shares. Transactions by the managers and their related parties are disclosed in accordance with MAR.

CLOSED PERIOD

A closed period of 30 calendar days before the publication of interim reports, the half-year financial report, and the financial statements release is applied to persons discharging managerial responsibilities at Kesko. The Company has imposed a corresponding 30-day closed period also on persons involved in the preparation of Kesko's interim reports, the half-year financial report, and the financial statements. During the closed period, the persons are prohibited from trading on Kesko's shares and other financial instruments.

INSIDER PROJECTS

A project-specific insider list of persons involved is established for projects involving insider information. Persons on the list cannot trade in financial instruments in Kesko during the project.

REPORTING BREACHES

Kesko has a confidential channel for reporting suspected violations of securities markets regulations. The channel is maintained by an external company independent

of Kesko Group. Within Kesko Group, the Compliance & Ethics function is responsible for the channel, for conducting investigations, and for taking further action.

DUTIES

Insider management at Kesko is concentrated in Legal Affairs. Kesko's Legal Affairs

- provides information, instructions, training and advice on insider matters internally,
- develops insider administration,
- monitors regulatory changes concerning insider matters,
- is responsible for insider lists, the list of persons discharging managerial responsibilities and related parties, and other insider administration-related procedures,
- participates in internal investigation of concerns and suspected breaches related to insider matters, and
- monitors compliance with insider guidelines together with Kesko's internal audit.

Auditing

According to Kesko's Articles of Association, Kesko's Auditor shall be an Authorised Public Accountants Organisation which shall designate an Authorised Public Accountant as the auditor with principal responsibility. The Audit Committee

Auditors' fees in 2021–2022 (€1,000)

	2022			2021		
	Kesko Corporation	Other Group Companies	Total	Kesko Corporation	Other Group Companies	Total
Auditing	399	782	1,181	377	635	1,012
Tax consultation	0	6	6	0	3	3
IFRS consultation	0	0	0	0	0	0
Other services	130	0	130	111	0	111
Total	529	788	1,317	488	638	1,126



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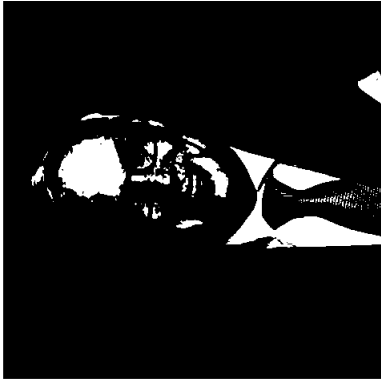
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BOARD OF DIRECTORS



Esa Kiiskinen

Chair, Chair of the Remuneration Committee
b. 1963,
Kauppaneuvos (an honorary title granted by the President of the Republic of Finland), Business College Graduate



Peter Fageriäs

Deputy Chair, Deputy Chair of the Remuneration Committee
b. 1952, Master of Laws

Independence: He is considered not to be independent of the Company (entity controlled by him has a chain agreement with a Kesko Group company) but to be independent of its significant shareholders.

Domicile: Helsinki, Finland.

Principal occupation: Food retailer.

Main employment history: K-food retailer since 1990.

Main positions of trust: Taaleri Plc: member of the Board 2014–2019; Confederation of Finnish Industries EK; Chair of the Delegation for Entrepreneurs 2012–2014; Confederation of Finnish Industries EK: Vice-Chair of the Board 2012–2014; Finnish Family Firms Association: member of the Board 2011–2012;

The Foundation for Vocational Training in the Retail Trade: Chair of the Board 2008–2012; Saisija ja Esa Kiiskinen Oy: Chair of the Board 1995–; Finnish Commerce Federation: member of the Board 2008–2012; K-Retailers' Association: Chair of the Board 2008–2012; Vähittäiskaupan Tilipaivelu VTP Oy: member of the Board 2008–2012.

Board member since: 30 March 2009.

Kesko shares held:

- 31 December 2021: 8,180 B shares held by him and 459,200 A shares held by him and entities controlled by him.
- 31 December 2022: 9,380 B shares held by him and 459,200 A shares held by him and entities controlled by him.

Independence: He is considered to be independent of the Company and of its significant shareholders.

Domicile: Helsinki, Finland.

Principal occupation: Chairman of the Board.

Main employment history: Hermitage & Co Oy: Chairman of the Board 2003–, Pohjola Group Plc: Chairman of the Board 2001–2003, Conventum Ltd: CEO 1996–1999 and Chairman of the Board 1999–2002, Merita Bank Ltd: member of management board 1995–1996, Prospectus Ltd: CEO 1993–1995, Kansallis-Osake-Pankki: 1977–1993.

Main positions of trust: Hermitage & Co Oy: Chairman of the Board 2003–, Taaleri Plc: Chairman of the Board 2007–2022, Amanda Capital Plc: member of the Board 2007–2011, Wipac Ltd: member of the Board 2006–2011, Fortum Corporation: Chairman of the Board 2004–2006.

Board member since: 11 April 2018.

Kesko shares held:

- 31 December 2021: 13,300 A shares and 4,000 B shares held by him.
- 31 December 2022: 13,300 B shares and 4,000 A shares held by him.



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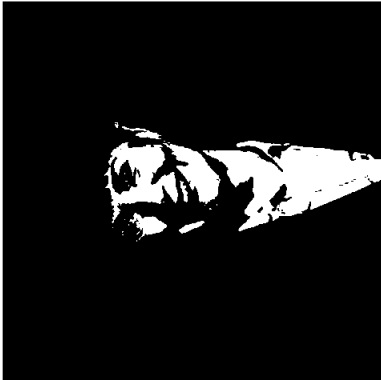
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Jannica Fagerholm

- Chair of the Audit Committee
- b. 1961, Master of Science (Economics)



Piiia Karhu

- Member of the Audit Committee
- b. 1976, Doctor, Business Administration

Independence: She is considered to be independent of the Company and of its significant shareholders.

Domicile: Helsinki, Finland.

Principal occupation: Managing Director.

Main employment history: Signe and Ane Gyllenberg Foundation: Managing Director 2010–; SEB Gyllenberg Private Bank: Managing Director 1999–2010; Handelsbanken Liv Finland: Country Director 1998–1999.

Main positions of trust: Sampo plc: member of the Board 2013–; Solidium Oy, member of the Board 2019–; Kelonia Ab, member of the Board 2010–; The Society of Swedish Literature in Finland, member of

the Board 2015–, member of the Financial Board 2001–2015; Föreningen Stiftelser och Fonder (Säätiöt Järjestöt ry): Chair of the Board 2022–, Eira Hospital Ltd: member of the Board 2010–; Veritas Pension Insurance, member of the Supervisory Board 2010–2022; Hanken School of Economics: member of the Board 2008–2021, Chair of the Board 2019–2021; Telete Corporation: member of the Board 2013–2020; Aktia Abp: member of the Board 2012–2013; Partiosäätiö foundation: member of the Board 1997–2013.

Board member since: 4 April 2016.

Kesko shares held:

- 31 December 2021: 9,064 B shares held by her.
- 31 December 2022: 9,805 B shares held by her.

Independence: She is considered to be independent of the Company and of its significant shareholders.

Domicile: Kauniainen, Finland.

Principal occupation: President.

Main employment history: Metso Outotec: President, Metals business area 2022–, SVP Business Development 2020–2022; Finnair Plc: Senior Vice President, Customer Experience and member of the Executive Board 2016–2020. Various leadership positions at Finnair Plc since 2013. Previously worked as a management consultant for 12 years at Ernst & Young and Capgemini.

Main positions of trust:

Board member since: 11 April 2018.

Kesko shares held:

- 31 December 2021: 3,103 B shares
- 31 December 2022: 4,104 B shares



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Jussi Perälä

b. 1970, retailer,
Business College
Graduate

Independence: He is considered not to be independent of the Company (entity controlled by Perälä has a chain agreement with a Kesko Group company), but to be independent of its significant shareholders.

Domicile: Helsinki, Finland.

Principal occupation: Retailer, J & M Perälä Oy.

Main employment history: Retailer: K-Rauta Oulunkylä 2014– and K-Rauta Procenter Pasila 2020–, K-Rauta Palokka Jyväskylä 2010–2014, Rautia-maatalous Vasarakatu Jyväskylä 2003–2010, K-Rauta Kangasniemi 1998–2008, K-Rauta Laukaa 1997–2013, Rautia Joutsa 1997–2012, K-Rauta Toivakka 1997–2005.

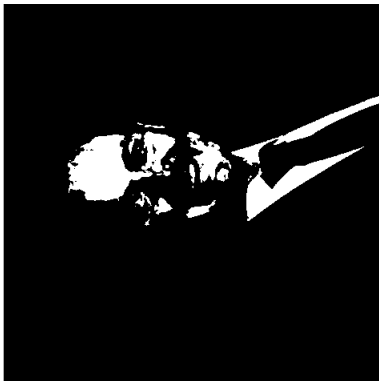
Main positions of trust:

K-Retailers' Association: Vice Chairman of the Board 2016–, Board member 2009–2014, K-rautakauppiasyhdistys: Board member 2008, Vice Chairman of the Board 2009–2014, Vähittäiskaupan Takaus Oy: Board member 2018–, Vähittäiskaupan Tilipalvelu Oy: Board member 2017–, Finnish Hardware Association: Board member 2009–2011 and 2016–, Rautia Chain Board: Chairman 2008, member 2001–2007, K-Rauta planning group: 2011–2014.

Board member since: 12 April 2021.

Kesko shares held:

- 31 December 2021: held by him and entities controlled by him 133,000 A shares and 96,192 B shares.
- 31 December 2022: held by him and entities controlled by him 133,000 A shares and 96,751 B shares.



Toni Pokela

b. 1973, Retailer,
eMBA

Independence: He is considered not to be independent of the Company (entity controlled by him has a chain agreement with a Kesko Group company) and of significant shareholders (Chair of the Board of a significant Company shareholder, the K-Retailers' Association).

Domicile: Helsinki, Finland.

Principal occupations: Food retailer.

Main employment history: K-food retailer since 1997.

Main positions of trust: Uudenmaan Osuuspankki: member of the Supervisory Board 2022–, Chamber of Commerce: member of the Board 2021–; Finnish Commerce Federation: member of the Board 2017–; Finnish Tennis Federation: Chair of the Board 2017–, member of the Board 2014–2016; K-Retailers' Association: Chair of the Board 2016–, member of the Board 2008–2012; Pokela Oy Iso Omena: Chair of the Board and Managing Director

1998–; Iso Omena Yrittäjien Yhteistyöryhmä: Chair of the Board 2003–; Foundation Vocational Training in the Retail Trade: Chair of the Board 2016–; Confederation of Finnish Industries EK: member of the Skilled Workforce Committee 2014–2017–; K-instituutti Oy: Deputy Chair of the Board 2010–2012; Vähittäiskaupan Takaus Oy: member of the Board 2010–2012; K-Food Retailers' Club: Chair of the Board 2010–2012; Deputy Chair of the Board 2008–2010; Finnish Grocery Trade Association: member of the Board 2010–2011.

Board member since: 16 April 2012.

Kesko shares held:

- 31 December 2021: 4,460 B shares held by him and 757,600 A shares held by entities controlled by him.
- 31 December 2022: 5,002 B shares held by him and 757,600 A shares held by entities controlled by him.



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Timo Ritakallio

Deputy Chair of the Audit Committee, Member of the Remuneration Committee

b. 1962, Doctor of Science (Technology), Master's degree in law (LL.M.), MBA

Independence: He is considered to be independent of the Company and of its significant shareholders.

Domicile: Helsinki, Finland.

Main occupation: President and Group Chief Executive Officer.

Career: OP Financial Group: President and Group Chief Executive Officer 2018–, Ilmarinen Mutual Pension Insurance Company: President and CEO 2015–2018, Deputy Chief Executive Officer 2008–2015, Pohjola Bank Group: Deputy Executive Officer and Vice Chairman of the Executive Committee 2006–2008, OKO Bank: Deputy Chief Executive Officer and Member of the Executive Board 2001–2005, OKO Bank: Executive Vice President and Member of the Executive Board 1997–2001, Opstock Securities Ltd: Managing Director 1993–1997, Uudenkaupungin Seudun Osuuspankki: Managing Director 1991–1993.

Key positions of trust: Finance Finland, FFI: Chairman of the Board of Directors 2020–2021, Deputy Chairman of the Board

of Directors 2022–, Member of the Board of Directors 2017–2019, Confederation of Finnish Industries EK: Member of the Board of Directors 2020–2021, Finnish Chamber of Commerce: Member of the Board of Directors 2019–, Chairman of the Board 2022–, OP Corporate Bank plc: Chairman of the Board of Directors 2018–, Pohjola Insurance Ltd: Chairman of the Board of Directors 2018–, The Finnish Olympic Committee: Chairman of the Board of Directors 2016–2020, Outotec Oyj: Vice Chairman of the Board of Directors 2013–2019, Technopolis Oyj: Member of the Board of Directors 2008–2015, Nasdaq OMX Nordic Inc: Member of the Board of Directors 2003–2011, SSH Communication Security Oyj: Member of the Board of Directors 2003–2009.

Board member since: 12 April 2021.

Kesko shares held:

- 31 December 2021: 2,000 A shares and 548 B shares held by him.
- 31 December 2022: 2,000 A shares and 1,107 B shares held by him.



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GROUP MANAGEMENT BOARD



Mikko Helander

President and CEO of Kesko Corporation and Chairman of the Group Management Board

b. 1960, Vuorineuvos (an honorary title granted by the President of the Republic of Finland), Master of Science (Technology), Doctor honoris causa (Dr. h. c.), Economic Sciences



Jorma Rauhala

President, building and technical trade, Deputy CEO of Kesko Corporation
b. 1965, Master of Science (Economics)

Other major duties: Confederation of Finnish Industries EK: member of the Board 2016–, Deputy Chair of the Board 2016, 2019–2021; Finnish Commerce Federation: member of the Board 2015–, Chair of the Board 2018–2019, Deputy Chair of the Board 2015, 2021–; China Office of Finnish Industries Oy: member of the Board and working committee 2022–; Ilmarinen Mutual Pension Insurance Company: member of the Board 2015 and Chair of the Board 2016–2019; Stora Enso Oyj: member of the Board 2019–2022; Finland Chamber of Commerce: member of the Board 2016–2020; Finnish Business and Policy Forum EVA: member 2015–; Rajamme Vartiain Säätiö: member of the Board 2019–2021, Chair of the Board 2020–2021.

Employment history: employed by Kesko Corporation since 2014, Kesko Corporation's Managing Director and Kesko Group's

President and CEO since 1 January 2015. Kesko Corporation's Executive Vice President 2014, Metsä Board Corporation: Chief Executive Officer 2006–2014; Metsä Tissue Corporation: Chief Executive Officer 2003–2006; Various management positions at Valmet Corporation between 1985–1990 and 1993–2003; Managing Director of Kasten Hövik 1990–1993.

Member of the Group Management Board since: 1 October 2014.

- Kesko shares held:**
 - 31 December 2021: 5,000 A shares, 324,260 B shares.
 - 31 December 2022: 5,000 A shares, 385,786 B shares.

Other major duties: European DIY Retail Association (EDRA): Member of the Board 2019–; Haaga-Helia University of Applied Sciences Ltd: Chair of the Board 2021–; The Finnish Grocery Trade Association: Chair of the Board 2017 (until 20.11.2017) and 2013–2014; member of the Board 2013–2016; the Association of Finnish Advertisers: member of the Board 2014–2017 (until 24.11.2017).

Employment history: employed by Kesko Corporation since 1992. President of Kesko's building and technical trade since 15 November 2017. Senior Vice President, grocery trade division 2015–2017. President of Kesko Food Ltd 2013–2017. Vice President for the K-citymarket chain's food trade 2012–2013; Managing Director of Kespro Ltd 2007–2012; Purchasing Director of Kespro Ltd 2003–2007.



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Ari Akseli

President, grocery trade
b. 1972, Master of Science (Economics)



Matti Virtanen

President, car trade
b. 1958, Master of Science (Tech.)

Other major duties: The Finnish Grocery Trade Association: Member of the Board 2019–, Chair of the Board 2021–2022 and 2017–2018; Varma Mutual Pension Insurance Company: member of the Supervisory Board 2021–; AMS Advisor Board: member 2013–2019; IGS Advisor Board: member 2016–; Ruokatalo: Vice Chairman of the Board 2016–2019, member of the Board 2013–2015; Association for Finnish Work: member of the Executive Committee 2014–2019.

Employment history: Employed by Kesko Corporation since 1995, President of Kesko's grocery trade division since 15 November 2017, Vice President for Commerce, Kesko's grocery trade 2013–2017; President, Anttila Oy 2010–2013; President, K-citymarket Oy 2008–2013.

Member of the Group Management
Board since: 15 November 2017.

Kesko shares held:

- 31 December 2021: 324 A shares, 79,570 B shares.
- 31 December 2022: 1,824 A shares, 105,476 B shares.

Other major duties: Roima Intelligence Oy; Chair of the Board 2019–, HopLop Holding Oy; Chair of the Board 2018–2021, Kamux Corporation; Chair of the Board 2016–2020.

Employment history: employed by Kesko Corporation and President of car trade division since 9 April 2021, CEO of Norpe Oy 2010–2016, CEO of Perlos Oy 2006–2008, Vice President of Solectron Corporation and CEO of Solectron EMEA area 2004–2005, Vice President of Hewlett-Packard & Compaq Computer 1990–2003, CEO and Managing Partner of Virtanen Consulting GmbH 2003–, Executive positions with Nokia 1984–1990.

Member of the Group Management
Board since: 9 April 2022

Kesko shares held:

- 31 December 2021: 1,000 B shares
- 31 December 2022: 3,100 B shares



Executive Vice
President, CFO

b. 1974, Master of Science (Economics), eMBA

Other major duties: Ilmarinen Mutual Pension Insurance Company; member of the Board 3/2021–; Finnair Plc; member of the Board 2019–; Finnish Commerce Federation; Chair of the Tax and Economic Policy Committee 2011–; Confederation of Finnish Industries Etk; member of the Economy and Tax Committee 2012–; Suomen Luotto-osuuskunta; member of the Board 2012–.

Employment history: employed by Kesko Corporation since 2004, Senior Vice President, CFO since 1 November 2011. Kesko Food Ltd's Vice President for Finance 2010–2011; Kesko Corporation's Vice President, Corporate Controller 2007–2010; Kesko Corporation's Corporate Business Controller 2004–2007.

Member of the Group Management
Board since: 1 November 2011

Kesko shares held:

- 31 December 2021: 137,156 B shares.
- 31 December 2022: 160,427 B shares.

Other major duties: PEFC International: Board Vice Chair, Board member 2014–2022; Keskuskauppakamari: Elinkeino- ja Keskuskauppaliiton johtokunta 2022, Climate Leadership Coalition (CLC): Deputy Member of the Board 9/2021–, Encore Ympäristöpalvelut Oy: Board member 2018–2021; Puunjalostusliiton johtokunta 2014–2021; Puunjalostusliiton johtokunta 2014–2021; Forest Products Engineers: Board Chair, advisory board member 2014–2021; UNA Europa: advisory board member 2020–.

Employment history: Employed by Kesko Corporation since 12 April 2021, Metsä Group: SVP, Climate and Circular Economy 2020–2021; Metsä Tissue: SVP, Greaseproof papers and Consumer Nordics 2018–2019; Metsä Group: SVP, Sustainability and Corporate Affairs 2010–2018; Metsä Board: Consumer Packaging; VP, Marketing

2004–2010; M-real Consumer Pack-
Assistant VP, technical sales and mar-
1999–2004; several technical positio-
Metsä-Serla 1998–1999.

Member of the Group Management
Board since: 12 April 2021

Kesko shares held:

- 31 December 2021: 330 B shares.
- 31 December 2022: 416 B shares.

Riikka Joukio

Executive Vice President,
Sustainability and
Public Affairs

b. 1965, Master of Science
(Technology), eMBA

2004–2010; M-real Consumer Pack-
Assistant VP, technical sales and mar-
1999–2004; several technical positio-
Metsä-Serla 1998–1999.

Member of the Group Management
Board since: 12 April 2021

Kesko shares held:

- 31 December 2021: 330 B shares.
- 31 December 2022: 416 B shares.



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Matti Mettälä

Executive Vice President, Human Resources.
b. 1963, Master of Laws



Karoliina Partanen

Executive Vice President, Communications
b. 1977, Master of Political Science

Other major duties: Employment Fund: member of the Supervisory Board 2018–; Foundation for Vocational Training in the Retail Trade: member of the Board 2005–.

Employment history: employed by Kesko Corporation 1990–2005 and since 2012.
Executive Vice President, Human Resources 12 April 2021–, Executive Vice President, Human Resources, Corporate Responsibility and Regional Relations 2018–2021, Senior Vice President, Human Resources 2015–2017, Senior Vice President, Human Resources and Stakeholder Relations 2012–2014, K-retailers' Association: Managing Director 2005–2012; Kesko Hardware and Builders' Supplies: Vice President for Finance 2002–2005; Rautakesko Ltd: Development Director 2001–2002; Builders' and Agricultural Supplies Division: Project Manager 1999–2000; Kesko

Hardware and Builders' Supplies: Vice President for the Rautia chain 1998–1999; Builders' and Agricultural Supplies Division: Retail Services Manager 1996–1998; Vähittäiskaupan Takaus Oy: Retail Services Manager 1994–1996; Kesko Ltd's Credit Department: Credit Manager 1991–1992; Kesko Ltd's Credit Department: Legal Counsel 1990–1991.

Member of the Group Management
Board since: 1 October 2012.

Kesko shares held:
• 31 December 2021: 88,440 B shares.
• 31 December 2022: 1,000 A shares, 104,631 B shares.

Areas of responsibility: Communications, Brand and Stakeholder Relations.

Employment history: employed by Kesko Corporation since 2015, Kesko Corporation's Executive Vice President, Communications 2017–, Kesko grocery trade, Vice President, Communications 2015–2017, Metso Corporation: Vice President, Global Brand and Marketing 2013–2015; Vice President, Marketing and Communications 2009–2013; Communications Manager 2005–2009. Pohjoisranta Burson-Marsteller Oy: Communications Consultant 2000–2005.

Member of the Group Management
Board since: 1 October 2020.

Kesko shares held:
• 31 December 2021: 16,444 B shares.
• 31 December 2022: 2,382 B shares.



REMUNERATION REPORT FOR THE GOVERNING BODIES OF KESKO CORPORATION





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INTRODUCTION

This is the remuneration report for governing bodies applied within Kesko Corporation ("Kesko") which complies with legislation and the Finnish Securities Market Association's Corporate Governance Code that entered into force on 1 January 2020. This remuneration report concerns the reporting of remuneration of the members of Kesko's Board of Directors as well as the President and CEO and the Deputy CEO of Kesko in 2022. This remuneration report is based on the remuneration policy for Kesko's governing bodies reviewed by the Annual General Meeting of 28 April 2020. Said Annual General Meeting resolved in favour of the proposed remuneration policy.

The Remuneration Committee of Kesko's Board of Directors prepared this remuneration report, and the Board approved it in its meeting on 1 February 2023. Kesko's auditor, Deloitte Oy, has audited this remuneration report to confirm that it contains the information referred to in the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer (608/2019). This remuneration report will be reviewed by Kesko's 2023 Annual General Meeting. Kesko's 2022 Annual General Meeting was held on 7 April 2022 under exceptional arrangements because of the Covid-19 pandemic, in accordance with the temporary legislation (375/2021) approved by the Finnish Parliament. All items on the agenda of the Annual General Meeting were subjected to vote, and around 86.6% of the votes cast were in favour of approving the remuneration report for 2021. No questions concerning the remuneration report were presented to the General Meeting.

This remuneration report is available on Kesko's website at www.kesko.fi/en/investor/corporate-governance/

In accordance with the remuneration policy, the Remuneration Committee of Kesko's Board of Directors supervises the policy's implementation and ensures that the remuneration of the Company's governing bodies takes place within the limits of the policy presented to the General Meeting. In the 2022 financial year, the remuneration of Kesko's Board members, President and CEO, and Deputy CEO was in line with the remuneration policy approved by the 2020 Annual General Meeting. No fees already paid have been clawed back.

In accordance with what is presented in Kesko's remuneration policy, the aim of remuneration is to align the interests of the shareholders and the members of the Board, the President and CEO, and the Deputy CEO to increase the value of the Company and to promote the Company's long-term financial performance. Kesko's business has grown steadily over the past five years. The good business performance is also reflected in the remuneration for the President and CEO and Deputy CEO. Changes to the total remuneration of the President and CEO and the Deputy CEO are mostly due to their realised performance bonuses and shares.

Fees paid and operating profit for the past five years

Role	2018	2019	2020	2021	2022
Board Chair	106,500	109,000	118,000	119,900	119,900
Board Deputy Chair	63,000	67,000	70,500	74,900	74,900
Other Board members, average	56,000	56,100	59,300	61,160	61,160
President and CEO, Mikko Helander	2,299,656	2,633,100	2,997,382	3,381,780	3,381,780
Deputy CEO, Jorma Rauhala	959,543	1,088,999	1,269,791	1,253,288	1,253,288
Employee, Finland	39,523	40,578	41,127	42,970	42,970
Operating profit*, € million	332	371	486	693	693

* Comparable operating profit excluding the impact of IFRS 16

The fees for the Board Chair, Deputy Chair and other members include annual and meeting fees. The remuneration paid to the President and Deputy CEO comprises their fixed annual salary, car and mobile phone benefits, and variable components, namely performance bonuses and shares. The average base annual salary (personnel expenses as presented in the financial statements divided by the number of full-time employees in Finland). All sums are reported on a cash basis.



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BOARD OF DIRECTORS' REMUNERATION

In accordance with Kesko's remuneration policy for governing bodies, the Annual General Meeting of 7 April 2022 made resolutions regarding the Board members' remuneration and the basis for reimbursement of their expenses. Kesko's Shareholders' Nomination Committee had submitted a proposal on the matter to the General Meeting.

The annual and meeting fees determined for the members of the Board of Directors by the General Meeting are presented in the following tables. In accordance with the General Meeting resolution, the annual fees were paid in Kesko Corporation's B shares and cash, with approximately 30% of the fees paid in shares. After the transfer of shares, the remaining fee amount was paid in cash. The Company paid the asset transfer taxes related to the shares. The Company transferred treasury shares held by the Company to the members of the Board of Directors on 2 May 2022. A Board member cannot transfer shares until either three years have passed from the day the member received the shares or their membership on the Board has ended, whichever comes first.

RESOLUTION OF THE 2022 ANNUAL GENERAL MEETING ON THE ANNUAL AND MEETING FEES OF BOARD MEMBERS

Annual remuneration to Board members (€)

Chair
Deputy Chair
Member
Board member who is the Audit Committee Chair

Board meeting fees / meeting (€)

Board meeting
Chair
Member
Committee meeting
Committee Chair: who is not the Chair or Deputy Chair of the Board
Member



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Annual and meeting fees paid to Board members for Board and Committee work in 2022 (€)

	Meeting fees				Remuneration, total
	Annual fee	Board of Directors	Audit Committee	Remuneration Committee	
Esa Kiiskinen (Chair)	102,000	13,200		1,800	117,000
Peter Fagernäs (Deputy Chair)	63,000	6,600		1,800	71,400
Jannica Fagerholm	63,000	6,600	6,000		75,600
Piia Karhu	47,500	6,600	3,000		57,100
Jussi Perälä	47,500	6,600			54,100
Toni Pokela	47,500	6,600			54,100
Timo Ritakallio	47,500	6,600	3,000	1,800	58,900
Total	418,000	52,800	12,000	5,400	488,200

* Kesko's treasury shares were transferred on 2 May 2022. The average price on the transfer date was €21.54.

In addition, Kesko's Board members were paid reimbursements for their expenses in accordance with the resolution of the 2022 Annual General Meeting.

There are no share compensation schemes for Board members nor do they participate in Kesko's remuneration schemes or pension plans.



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employment or service relationship terminates prior to the expiry of the commitment period, the person must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration. In individual cases, the Board may decide that the grantee may keep some or all of the shares under the return obligation. If the grantee retires during the commitment period, the grantee is entitled to keep the shares and other securities already received.

The President and CEO and the Deputy CEO are required to hold a number of Kesko shares equivalent to at least four times their fixed gross annual salary, so as to ensure that the interests of the Company's management and shareholders are aligned. The requirement concerning the shareholding in Kesko is fulfilled by both the President and CEO and the Deputy CEO.

Relative proportions of fixed and variable remuneration

The President and CEO was paid a total of €3,871,184 in performance bonuses and share awards in 2022, representing 80% of his total remuneration. The Deputy CEO was paid a total of €1,886,939 in performance bonuses and share awards, representing 80% of his total remuneration.

The maximum performance bonus amount for 2022 was 100% of the President and CEO's annual salary and 67% of the Deputy CEO's annual salary. The performance bonus paid to the President and CEO amounted to €787,500, which is equivalent to 87.5% of his annual salary. The performance bonus paid to the Deputy CEO amounted to €263,953, which is equivalent to 62.8% of his annual salary.

Performance Share Plan (PSP) indicators in 2022

	2022	2021
Absolute total shareholder return (TSR) of a Kesko B share	0%	100%
Kesko's return on capital employed (ROCE)	80%	100%
Kesko's sales development	80%	100%
Sustainability*	100%	-

The share awards paid in 2022 were earned in 2020 and 2021. The share awards to be paid in 2023 were earned in 2021 and 2022. The criteria for the Performance Share Plan have been Kesko's return on capital employed (ROCE %), Kesko's sales development, the absolute total shareholder return (TSR) of a Kesko B share, and - as of 2022 - sustainability targets.

* Targets linked to emission reductions and international sustainability indices and assessments

The table below presents information on the share awards granted and paid in the previous financial year as well as the principal terms and conditions for Kesko's share plans.

Share award plans for the President and CEO and Deputy CEO

	PSP 2020-2023
President and CEO, maximum share allocation	136,800 ***
Deputy CEO, maximum share allocation	72,000 ***
Actual earnings	89.9% *
Performance period ends	31.12.2021
Shares transferred	31,12,822
Commitment period ends	10.2.2024

* PSP 2020-2023 was earned in 2020 and 2021, and the shares were paid to the participants' book-entry accounts in spring 2022.

** PSP 2021-2024 was earned in 2021 and 2022, and the shares will be paid to the participants' book-entry accounts in spring 2025.

*** The stated share number represents the gross amount, from which the applicable taxes are deducted. The remaining net amount is paid to the participants in shares.

The gross share award paid to the President and CEO amounted to €3,083,684, which is equivalent to some 343% of his annual salary. The gross share award paid to the Deputy CEO amounted to €1,622,986, which is equivalent to some 386% of his annual salary.



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Performance bonus targets and levels achieved in 2021 and 2022 by the President and CEO and Deputy CEO

President and CEO		Level achieved in 2022	Level achieved in 2021
Financial performance for Kesko and K Group	Kesko's EBIT	At maximum level	At maximum level
	Kesko's ROCE, %	Above target level	At maximum level
	Kesko's sales development	Above target level	At maximum level
Personal targets	Targets related to strategy execution have been set for the President and CEO, which are taken into account in the total assessment.	Above target level	Above target level
	Total assessment on a scale of 0 to 100	87.5	87.5

Deputy CEO		Level achieved in 2022	Level achieved in 2021
Financial performance for Kesko and the building and technical trade division, weight 80%	Kesko's EBIT	At maximum level	At maximum level
	EBIT in building and technical trade	At maximum level	At maximum level
	ROCE % in building and technical trade	At maximum level	At maximum level
Personal targets, weight 20%	Sales development in building and technical trade	At maximum level	At maximum level
	Targets related to strategy execution have been set for the Deputy CEO and President of the building and technical trade division, which are taken into account in the total assessment.	At maximum level	Above target level
	Total assessment on a scale of 0 to 100	96.9	93.8

Application of performance criteria to variable remuneration

The performance bonuses paid in 2022 were earned in 2021, and the performance bonuses to be paid in 2023 were earned in 2022. The key indicators for the President and CEO's performance bonus in 2021 and 2022 were the development of Kesko's shareholder value, Kesko's operating profit, return on capital employed (ROCE, %), and sales development.

The key indicators for the Deputy CEO began to be used in 2021 and 2022 were Kesko's operating profit and the operating profit for the building and technical trade division, return on capital employed (ROCE, %), and sales development. The overall performance of the President and CEO and the Deputy CEO was also used as a criterion in determining their remuneration.

The share awards paid in 2022 were earned in 2021. The criteria for Kesko's performance-based award plan were Kesko's return on capital employed (ROCE, %), the development of Kesko's sales, shareholder return of a Kesko B share. The criteria of these criteria in 2020, 2021 and 2022 is detailed in the previous page. The share awards were paid based on the average actual indicators in 2020, 2021 and 2022, as presented in the table. The share awards will be paid based on the average actual indicators for 2021 and 2022, as presented in the table.

Supplementary pensions

President and CEO Mikko Helander accrues pension based on a defined benefit plan until 2023. The amount of his old-age pension is pensionable earnings in accordance with the Pensions Act (TyEL) for the ten (10) years prior to retirement. Supplementary pension based on contribution plan will accumulate for the President from 1 July 2023 onwards. As stated in the release issued on 12 April 2021, Helander will, as President and CEO until further notice, B as previous agreement, he would have retired in June 2023.

Old-age pension for the Deputy CEO begins in 2023. The Deputy CEO is a member of the Kesko Fund. The amount of his old-age pension is pensionable earnings for the ten (10) years prior to retirement in accordance with the Pensions Act (TyEL). The pension is based on a defined benefit plan.



DATA BALANCE SHEET

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has digitalised its entire value chain_____305

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World's most data-responsible

trading sector operator_____311

WHAT IS A DATA BALANCE SHEET REPORT AND WHY HAS KESKO PUBLISHED ONE?

Kesko's data balance sheet report describes the business driven and responsible use of data for the benefit of customers and business operations. Data plays a key role in building customer experience, managing online and physical commerce and the supply chain, and improving efficiency.

In addition to offering benefits for business and customer data also involves threats and risks, which Kesko actively manages. Robust data protection, cyber security and modern, continuously evolving technological infrastructure form a strong foundation for everything else.

Kesko's sustainability work is globally recognised. Transparent communication about data management and utilisation and sustainable data-driven value creation is part of our evolving sustainability communication and in line with the European data economy, which values the rights of the individual. The data balance sheet is a voluntary report that complements Kesko's financial and sustainability reporting.



DATA STRATEGY



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KESKO USES DATA TO CREATE SUSTAINABLE COMPETITIVE ADVANTAGE

The core elements of Kesko's strategy are sustainability, continuous improvement of customer experiences and being a forerunner in digital services. The goal of our investments in data and digitalisation is to provide the best possible customer experience and to improve the efficiency of all our operations. Digitalisation in particular enables us to react quickly to the sudden changes in our operating environment in 2022. Data and digitalisation have a crucial impact on our operating result and the increase in shareholder value.

Kesko is rightly considered a forerunner in digitalisation in the trading sector. Our investments in technology have increased in recent years, and totalled some €42 million in 2022. Our focus on digital services, infrastructure updates, analytics and AI capabilities, automation and robotics increase our competitiveness and operating efficiency as well as our digital security.

High-quality data and the digital services and processes that use the data create value for our customers, retailers, partners and business operations as a whole. The impact of data is comparable to that of our financial and human capital. Data allows us to create the best selections, experiences and wellbeing for our customers and helps our retailers to succeed every day. Our first-class online services are also based on high-quality data and its use.

As a data-driven operator in the trading sector, we have accumulated world-class data capital, which gives us almost unlimited opportunities. In a landscape of stiff competition and a changing operating environment,

new ways of collecting, enhancing and utilising data are constantly needed to create the best customer experience and provide new services.

The unused and unfolding potential of data inspires us to proceed fast. We estimated in 2021 that we were using around 25% of our data capital. Our realistic goal is to double the utilisation rate by 2025. Combined with our growing data capital, this provides Kesko with significant opportunities for value creation.

For us, data sustainability means that we are seeking to create sustainable value from data for our business operations, our stakeholders and the world around us – sustainably, securely and transparently. We utilise data and technology in ways that proactively meet our stakeholders' expectations and regulatory requirements. We manage data and technology risks proactively and have robust protection in place for personal data. We observe ethical principles in our utilisation of data and artificial intelligence.



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STRATEGIC POLICIES

Kesko's goal is to be a forerunner in data utilisation. The utilisation of data and analytics in Kesko's ecosystem generates value for customers, retailers, partners and suppliers. The upgrade of the Plussa customer data system completed in 2022 opens up new opportunities for us in consumer trade.

Kesko has extensive experience in using customer data, product data and operational data, as well as in data-driven management. Applications based on data sciences and business and data analytics have been in use for a long time, and the rapid development of technology will offer entirely new opportunities in the coming years. These new opportunities also involve risks and new requirements which we seek to identify and manage as part of our development and risk management processes.

A strong data foundation ensures efficiency and competitiveness

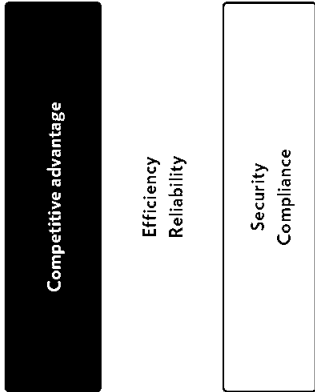
Kesko gains significant competitive advantage from the ambitious utilisation of its data foundation which it has accumulated over a long period and which is continuously growing. The most valuable benefits are realised when we use our ever-growing data capital actively to meet the expectations of individual customers, making us stand out from the competition in a meaningful way.

Kesko carried out a significant update of its data foundation in 2022 when the long-serving Plussa customer data system was upgraded. The technology upgrade improves the quality, security and efficiency of processes. Naturally, it

also opens up entirely new possibilities for the management and utilisation of data with the latest analytical applications, software robotics and automation, including data storage and processing tools.

Data plays an important role in improving the efficiency, cost-effectiveness and reliability of business operations. Everything is based on strong operating models

Three levels of data management at Kesko



for information security, data protection and management. Our management and use of customer data comply with EU-level regulatory requirements.

Analytical applications are essential

The value of Kesko's data capital as a source of competitive advantage and efficiency is based on utilisation rate, which we seek to constantly

Sustainable use of data in business operations

Efficiency
Reliability

Security
Compliance



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This is where analytical applications play a key role. Data has no intrinsic value in and of itself, its value stems from the business benefits it can produce.

Kesko uses analytics to process data for different uses. Smart automation and AI applications create new types of value while increasing the company's capacity to develop new services and respond to changes in the operating environment. Kesko has an AI competence centre that helps the application owners and developers of each business function in utilising analytics.

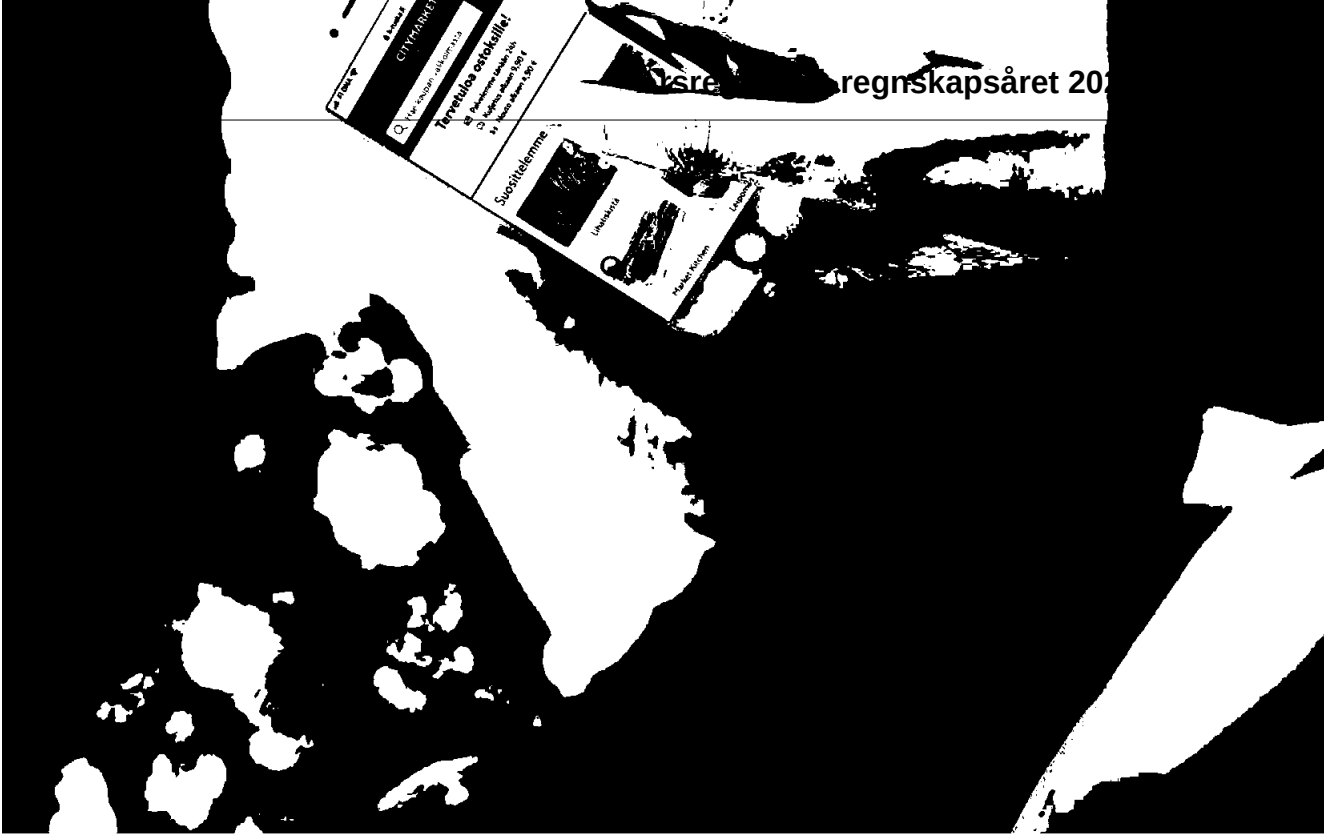
Overall architecture supports an increased data utilisation rate

Kesko is committed to raising the data utilisation rate in all its operations. Our goal is to raise the utilisation rate of our data capital from 25% in 2021 to 50% by 2025. Raising the utilisation rate also means that Kesko's customers and partners will use Kesko's digital services more and more.

Kesko is conducting a thorough upgrade of its overall architecture to create new opportunities for using data more diversely and increasingly in real time. Ecosystems and partnerships are also emphasised. For example, the new K Data platform, with its applications and interfaces, provides new value creation opportunities not only for Kesko but also for its partners.

x 2

Our goal is to double our data utilisation rate by 2025





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Case

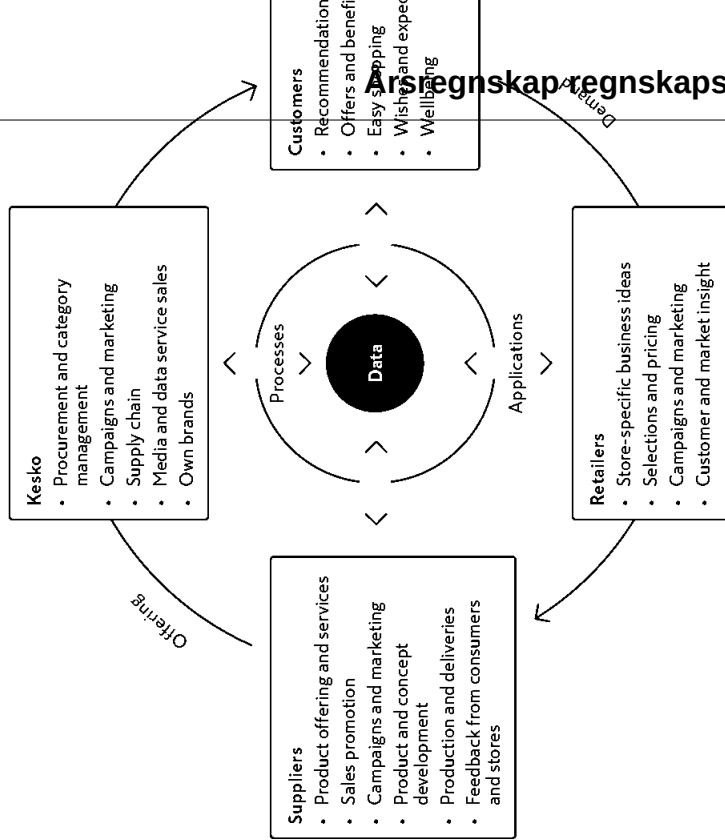
Kesko utilises and upgrades the digital ecosystem of its grocery trade division

Kesko is upgrading the data-driven value creation model of the grocery trade division and the supporting digital architecture. In the new, modernised model, value creation is based on Kesko's data foundation which is used to generate value for stakeholders through analytics and application environments. The stakeholders in this value creation are Kesko, K-retailers, the producers of goods, providers of services and Kesko's partners.

The value creation model is also based on value exchange, which means that value is created for both the data producing and data utilising parties. The model brings to a single business platform all background technologies, data and applications that are associated with the supply and demand of commercial products and services and that serve different stakeholder groups. The construction of the model progressed as planned in 2022 and will continue in 2023.

Kesko is actively developing a digital K business platform designed to significantly raise the utilisation of data and analytics. The new platform will bring together the technologies and data capital behind services offered to customers, K-retailers, partners and suppliers, and will also enable new business models in the network.

Digital business platform for Kesko's grocery trade





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DATA CAPABILITIES

Kesko is actively developing its data capabilities. A significant part of architecture development involves being able to serve all Kesko divisions and operating countries and being able to rapidly share the best models and applications internally.

K-Data platform brings benefits and synergies

Kesko aims to considerably scale up data storage, management, utilisation and distribution capabilities within its digital business architecture. The creation of new earnings models requires an open and flexible architecture and compatibility between current and future technologies.

K-Data is Kesko's new modular cloud-based data and technology platform that will be deployed in stages. A significant leap forward was taken in 2022 with the upgrade of the Plussa customer data system and the reform of the K-Data data storage and analytics platform. New business use cases were deployed in all Kesko divisions. Migration to the new platform will be prioritised using a 'business first' approach based on business needs.

This approach ensures that all solutions and decisions associated with data and technology create strategic value in Kesko's divisions. When data and its utilisation are placed at the core of business operations, this will also strengthen Kesko's data culture and strategic competencies significantly. Kesko has a centralised data team that manages the development of the K-Data platform.

The objective is to create a real-time environment for data and applications that is as flexible as possible and serves the business operations as they develop the existing processes and operating models as well as entirely new innovative use cases.

Pooling databanks, data products, business applications and business processes into a centralised but modular platform brings many benefits. Ensuring data flow, provision of data

in real-time and strengthening of control are the development of a modern data platform of the platform also enables development to agile and decentralised.

Upgrading our data governance

The usability and potential of data, its value on its overall quality. Kesko approaches the from the perspective of usability, availability

Kesko's new K-Data platform



Real-time data flows
Data flows combining business applications and processes

Data s and in Using bus



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and freshness. Our data governance practices ensure that personal data are processed carefully, securely and always in line with applicable data protection legislation.

In 2022, Kesko continued to develop its data governance by shifting the focus to larger and more significant data entities and by strengthening business-driven and efficient operations. Ownership of individual registers and data assets was replaced with responsibilities for larger data entities. This shift strengthens the strategic management of data capital, since an increasing number of applications integrate several data sources in order to create value.

Data cataloguing, metadata management and a data management model, i.e. more extensive ownerships, responsibilities and roles associated with different data resources are now defined more accurately.

Analytics and AI as part of everyday operations

Artificial intelligence and other analytical capabilities have quickly become commonplace. AI applications almost always play a central role in the development of new use cases. This has an essential impact on value creation given the scale of Kesko's operations. The utilisation of AI is governed by our public ethical principles.

Centralised AI and analytics functions collaborate closely with teams in each business area. This combination of centralised and business-specific resources ensures that the approach remains very business-driven but also agile enough to allow rapid development and launch of new applications and features for customers.

Kesko's data science and analytics capabilities support in particular the creation of customer experience and customer insight, implementation of store-specific business ideas, forecasting, pricing, optimisation of goods flows, and market analysis.

Utilising process automation

Multi-sector trading operators such as Kesko can leverage major synergies through economies of scale. However, this requires significant automation of repetitive processes and the utilisation of smart software robotics.

Kesko is benefiting from process redesign in its enterprise resource planning (ERP) system and is strongly increasing its use of software robotics. Among the processes automated in Kesko in 2022 were background processes in customer service as part of a larger reshaping of the operating model for customer service. By the end of 2022, Kesko had more than 200 automated processes in production, increasing the efficiency of operations.

Compliance and regulations

Models of data administration and management that cover the entire lifespan of data are critical for the usability of data at Kesko. Kesko takes a proactive stand when securing the rights of its customers and stays true to its strong values.

 [Read more about Kesko's ethical principles on using AI](#)



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Compliance with data regulations is monitored with a structure and steering model that ensures that Kesko processes and utilises data responsibly and in compliance with regulations throughout the company. The most significant regulatory entity for Kesko is the EU General Data Protection Regulation (GDPR).

Kesko takes a proactive stand when securing the rights of its customers and stays true to its strong values.

Kesko's compliance with the GDPR is described in more detail in the data protection section of this data balance sheet report.

The European regulatory environment on data is undergoing a process of considerable change. Kesko is proactively analysing and forecasting the preparation and entry into force of new regulations. We exert our influence on the data regulations that apply to the trading sector through pan-European organisations, especially EuroCommerce.

New regulations on data, digital services, digital markets, data governance and AI have a major impact on how data is utilised, distributed and disclosed. Based on our current updated knowledge, we do not expect new regulations to have a material impact on Kesko's principles on data.

Case

Technology raises energy efficiency to a new level

Kesko has, for a long time, managed energy efficiency successfully, taking into account both financial and climate perspectives. In autumn 2022, Kesko started preparing for a potential electricity shortage and reviewed various possibilities for saving energy and optimising its use.

Early in the autumn, Kesko began extensive measures to save energy, covering more than 1,300 stores and various offices and storage facilities. The first actions taken were adjustments to heating, optimisation of refrigeration equipment settings, and reduction of lighting at stores and offices.

"The measures enabled us to reduce our electricity consumption by 8% year-on-year in December 2022 in an already energy efficient network of stores," says **Antti Kokkonen**, Building Services Manager at Kesko.

In addition to active measures to reduce consumption, Kesko is continuously improving the energy efficiency of stores and properties. An example of an energy efficient grocery store is the K-Citymarket Tammi in the Helsinki region. The store already has a solar power panel on the roof, and it is now experimenting with a new solution and an automation system a

"The connected IoT devices and building systems provide us with real-time information on energy consumption conditions. They also enable automation for us to use AI-based optimisation for the production and procurement of energy. We keep on adopting the latest technology for efficiency renovations and in our new projects," says Kokkonen.

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KESKO'S DATA BALANCE SHEET

Kesko's data balance sheet describes the data capital and data assets of Kesko and its divisions. Data assets are data products, data services and data processes that convert data capital into value for Kesko, the customers and the stakeholders.

Kesko's data balance sheet

Data in itself has no value for Kesko. Its value is based on the benefits for business. The data balance sheet is used for managing data capital and its utilisation in business operations in a balanced way that increases the value on both sides of the balance sheet.

The data balance sheet combines the management of data usability (fit for use), quality and life cycle in terms of data capital with the use of data to create value in terms of data assets. Value is created through Kesko's data and analytics platform services and the digital services, products and processes that Kesko produces for its own operations and for its customers and stakeholders.

Data governance is the key process for managing data capital. Data governance focuses on processes related to data life cycle, quality, storage, usability and risk management. This ensures the highest possible quality, availability and reliability of data assets (digital services and data-driven decision-making) from the perspective of business operations, customers, K-retailers, partners and suppliers.

Kesko's data capital concerning grocery trade customers is in a class of its own in Finland and even internationally,

Strategy and value-creation model

Architecture management

Data governance

Capabilities and competence

Risk management and compliance with regulations

Data assets

Data and analytics platform

Services, products and processes produced using data capital

Value drivers:

Direct or indirect benefits created by data assets for the company and its stakeholders

Data capital

=

In-house and external data that can be used by operations

Value drivers: Data quality, availability and usability of data assets in the data asset

A årsregnskap Regnskapsåret 2022 for 980656616

in proportion to the population and sales. The data capital is significant in terms of both temporal coverage and data quantity. Our K-Plus customer loyalty programme was

launched in November 1997 and today near Finnish households have joined



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We have huge amounts of usable data

Some key figures of data-driven management in our grocery trade operations in Finland in 2022.



Over **3.3 million**
Plussa loyalty customers



Over **300,000**
product items
in grocery trade



Nearly **2.3 million**
instances of customer feedback



Over **3 million**
visits in digital channels per
(K-Ruoka and Plussa, 12)



1,200
K Group grocery stores



Some **1.6 million**
daily customer encounters in
physical and online stores



Over **3,000**
K-partners
(suppliers of goods)



Nearly **14,000**
customers involved in development
(K-Kylä customer comm



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Kesko's limited data balance sheet for 2022

DATA ASSETS		DATA CAPITAL
Definition	Value-creating digital services, products and processes produced using data capital	Available in-house and external data
Purpose	Managing the business value and the benefits for customers and stakeholders of data	Managing data quality, quantity, usability and risk management
Operating models	Customer and business processes Analysis, decision-making and risk management processes Data protection and information security operating models	Data quality management and correction process Data governance
For consumers	- K-Ruoka (app and mobile) - K-Rauta online store - K-Ostokset - K-Kuikit	In-house data capital (examples) - Consumer customer data (including Plussa data, customer feedback, K-kylä research data) - Receipt data (retail sales from physical stores, online stores, express deliveries and wholesalers) - B2B customer data - Wholesale - Selection and pricing data - Enriched product data
For B2B customers	- Online stores (Kespro, K-Rauta, Onninen) - Interface and EDI services	External data capital (examples) - Digital and Population Data Services Agency (e.g. address data) - Carbon footprint and other sustainability data - Product information: grocery trade (Synkka) - Product information: building and technical trade - Statistics Finland - Market data, external studies - Data on the use and conditions of store and logistics properties
Examples of services	For K-retailers - K-Välikoima - K-Kampanja - K-Markkinointi - K-Tuote - K-Työvuorot For partners and suppliers - K-Toimittaja (including information-sharing services) - K-Mediaratkaisut Kesko's internal services - Forecasting and reporting - Network planning - Risk management	- Procurement data - Logistics data (warehousing, transport operations, product replenishments and store logistics traceability) - Web browsing data (sites, app, online stores) - Store site and retailer data - Campaign and media data - Operational ERP data - HR data

The report and its data balance sheet model are based on the Balanced Data Insight concept of the Finnish Functos Oy.



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CYBERSECURITY

The changed security situation in Europe and other rising cyberthreats and data security threats were reflected in Kesko's digital security preparations in 2022. In particular, the ability to detect cyberthreats and cyberattacks has become increasingly important.

Kesko offers various digital services aimed at different user groups which might be targeted by a wide range of information security threats and cyberthreats. In addition to services, Kesko's networked infrastructure comprises data repositories, cash register systems, ERP systems, money and transaction data traffic, and building technology systems. As an international company, Kesko is regularly exposed to different types of disruptions and attacks in the digital environment.

Managing digital security

Kesko is proactively developing its capacity to respond to information security threats and cyberthreats and is investing in its ability to ensure the continuity of its operations in various fault situations. A multi-tier approach is used to protect Kesko, customer and stakeholder data and to plan and implement actions to ensure operational continuity.

Kesko has a robust, multi-layered information security architecture. The systems and network connections are classified in accordance with their importance. The systems have recovery plans that are tested and rehearsed regularly. Cybersecurity technology used by Kesko utilises automation

and machine learning, which enables us to detect and respond to threats extremely quickly.

Kesko's information security team, which has been reinforced in recent years, serves as the in-house competence and service centre. The unit is responsible for system-level information security architecture and operating models, and it provides training and services to the Group's other units in information security matters.

The detection of and response to threats is managed using a centralised information security control room. The response to information security threats and cyberattacks follows a response and continuity plan that ensures the security and continuity of business operations.

Information security management and steering model

Kesko has an information security policy approved by its Board of Directors. The policy defines basic requirements for information security and ensures that conditions exist for implementing the policy in practice. The information security steering model is part of Kesko's risk management steering model. Responsibilities for the management of

information security are defined throughout management up to the level of the Board of

Kesko's information security policy is available on the website at www.kesko.fi/en/company/policies/principles/information-security-policy/

Continuous ensuring of information security

Information security is audited regularly both internally and externally. The information security unit offers its expertise for the Group's internal and external diligence investigations in M&A situations.

Kesko's comprehensive risk management and well-taught and rehearsed operating models ensure the company's preparedness and capacity to respond to information security threats at regular intervals, as part of the development of new services and systems and with other significant changes. Contractual deployment of new services and systems must commit to maintaining an information security that meets Kesko's information security requirements and compliance with this may be required if necessary.



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The status of information security is reported in connection with normal internal control, as well as internal and external audits. Technical information security is assessed continuously, and separate information security audits are conducted in the most significant environments.

Communication and training on information security issues

Kesko has various regularly implemented measures in place to improve employee awareness of information security issues. These include online training, phishing message simulations, and internal communication about significant topical information security matters.

Training remained active in 2022. Mandatory basic information security training for all employees was provided online, as was training tailored for cashiers and customer service personnel. In addition, the information security team actively trained personnel according to the requirements of their respective roles.

Exercises are organised actively and routinely. In 2022, these were related to identifying and preventing phishing. Kesko's team also participated in the national 'Tieto 22' exercise, rehearsing how to recover from a cyberattack affecting society as a whole. In addition, Kesko carried out several exercises with its IT service partners, testing the ability to detect attacks and respond to external disruptions.



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DATA PROTECTION

Kesko protects the data of its customers, personnel and stakeholders and ensures that the data protection rights of individuals are fulfilled when data is processed. Kesko's data protection instructions and methods are based on the data protection policy confirmed by Kesko's Board of Directors.

Kesko plans personal data processing in advance and ensures that the processing is lawful, reasonable and transparent, and that personal data is processed for a specific purpose in accordance with a legal basis laid down by law. Personal data is processed only to the extent that it is necessary for the purpose of use, and only for as long as it is necessary and justified for the purpose of use.

Personal data protection also refers to everyone's right to have access to the data collected about them, as well as the right to have any inaccurate personal data rectified and any unnecessary data erased.

Kesko's complete data protection policy is available on its website at www.kesko.fi/en/company/policies-and-principles/data-protection-policy/

Management model

Data protection work at Kesko is managed by implementing the K Compliance operating model approved by Kesko's Board of Directors on 17 December 2020, and the Data Protection K Compliance programme confirmed by Kesko's President and CEO. Progress is reported to the Audit Committee of Kesko's Board of Directors twice a year. The data protection management model consists of Kesko's

Data Protection Officer, Corporate Counsel specialising in data protection legislation, and two members of the Legal Affairs' Compliance & Ethics function who specialise in data protection matters and requests.

Each business unit or data controller evaluates and monitors the implementation of data protection in their operations. All personal data registers in all businesses have designated owners. The daily implementation of data protection and risk management in the businesses is supported by trained Data Protection Champions. Requests submitted by data subjects are processed by the business operation that owns the personal data register in question. The Group-level data protection organisation provides support as necessary.

Ensuring data protection in operations

Kesko's data protection programme ensures that data security competencies and awareness of data security guidelines remain high. It supports the identification and management of data protection risks in Kesko's units as part of Kesko's careful compliance with regulations.

The guidelines consist of a Group-level data protection manual and supplementary country-specific instructions. Kesko's data protection guidelines concern all employees

and include key rules, operating instructions for implementing data protection and identifying processing incidents and risks. The data protection policy was updated in 2022.

Regular data protection risk assessment programme for the annual data protection plan and data protection programme. The assessment is carried out in accordance with Kesko's risk management organisation updated four times in 2022 in accordance with the management process. Kesko carries out internal and external data protection audits and necessary measures when changes take place in business operations.

Training and communication

Active communications, information bulletins and training ensure that Kesko's staff are highly competent in data protection. All up-to-date instructions concerning data protection are easily available to all employees.

All new Kesko employees are required to complete a data protection course as part of their induction. The training must be repeated every two years. In addition, experts and representatives of business units must complete the data protection and information



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security training required for their duties. An online training environment ensures that the data protection training is widely accessible and that the employees' competence level can be verified and documented. Data protection training is also available to the staff of retailers on K Group's shared K Academy training platform.

In 2022, a total of 9,759 K Group employees across our operating countries completed an eLearning course on data protection. These were new employees or employees otherwise interested in the topic, as mandatory revision courses were last conducted in 2021. Moreover, K Group retailers were offered both general data protection training as well as training on camera surveillance via webinars, with 456 live participants. Recordings of the training sessions were made available to all retailers.

Data Protection Interest Groups focusing on various themes are organised four times a year to key members in managing Kesko Group's personal registers. They discuss current data protection application practices, instructions issued by the authorities, amendments to legislation and best practices in accordance with what is relevant to each of the six subgroups. There were 592 participants in total.

Regular training and activities are supplemented by targeted need-based data protection training events for various units.

Kesko has a dedicated data protection portal for customers, employees, K-retailers and partners, through which data

subjects can exercise their rights under the General Data Protection Regulation. Requests can also be submitted through other channels.

Monitoring and addressing issues

Kesko ensures the implementation of data subjects' rights under the EU General Data Protection Regulation by informing them about data processing and by responding to data subjects' requests based on the rights of a data subject. The Data Protection Officer plays a key role in monitoring and steering and in providing advice and managing incidents.

Kesko documents all information security breaches and reports them to the data protection authorities if the controller is of the opinion that the event poses a risk to the data subject. Kesko also immediately informs the affected persons about the information security breach in situations involving a high risk of abuse or damage in accordance with the GDPR.

Suspected abuse associated with data protection can be reported anonymously in Kesko's SpeakUp whistleblowing channel. Data subjects can contact Kesko's Data Protection Officer in all data protection matters at tietosuojavastaava@kesko.fi.

Data protection requests and incidents

In 2022, Kesko processed 1,308 requests (2021: 1,101) submitted through its data protection portal. Requests were also processed in other channels. Replies to requests for checking Plussa data are automated and the data subject will receive the requested information in 15 minutes at a minimum. On average, information requests are resolved in less than 10 days.



[Read more about Kesko's data protection portal \(in Finnish\)](#)

Kesko detected and investigated a total of 4 security breaches in its operations in Finland (2021: 497). Of these, 50 (2021: 79) were reported to the Data Protection Ombudsman. Individual cases reported to the affected data subject.

The number of data protection requests was linked to the volume of customer communications. In 2022, Kesko also informed customers of data protection notices, which prompted customers to report their data. Most data protection requests concerned reviewing and correcting a data subjects' personal data. A large number of requests were received via free e-mail service adopted a paid subscription service. The customers who switched to another e-mail service caused the customers to switch to another e-mail service, which meant that they had to update their contact information. Erasure requests are typically related to situations where the customer feels that the customer relationship has ended or otherwise wishes to prevent the collection or use of personal data.

Distribution of requests in 2022:



- Reviewing data
- Rectifying data
- Erasing data
- Objecting data
- Transmitting data
- Restricting data



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SUSTAINABLE VALUE FOR CUSTOMERS AND KESKO

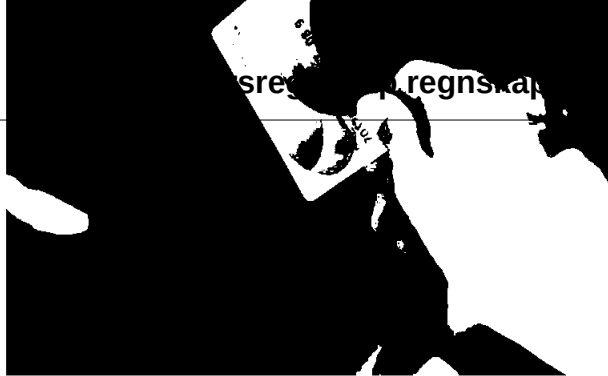
The utilisation of data and technology play a key role in the growth strategies of all three of Kesko's business divisions. Data is the precondition for a good customer experience and profitable business, and it is also a significant source of new value. Kesko is actively strengthening the data capability synergies between its divisions

K-Tunnus identity and access management service is an integral part of K Group's online services. It enables customers to sign in securely to multiple digital services provided by K Group, connects users to their Plussa membership, and enables personalised benefits and services. In 2022, we updated the K-Tunnus service, enabling customers even easier access to K Group services (e.g. Plussa.fi, K-Ruoka, K-Lataus and K-Rauta) with one user ID.

Kesko is rightly considered a forerunner in digitalisation in the trading sector. Due to significant goods flows and customer volumes, Kesko's grocery trade division and building and technical trade division in particular have been trailblazers in digitalisation in the trading sector in this century. Digitalisation in car trade is rapidly gaining ground as a response to the changing expectations of the market and customers.

In a landscape of stiff competition and a changing operating environment, new ways of collecting, enhancing and utilising data are constantly needed in order to create the best customer experience and provide new services. Financial investments and investments in data quality and use are at the core of our development work.

The best customer experience is largely based on our extensive customer insight, which we gain from data from e.g. the Plussa customer loyalty programme, customer feedback, surveys, product data and digital services. The





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GROCERY TRADE DIVISION STRIVES TO CREATE THE BEST CUSTOMER EXPERIENCE

Key areas in which data is utilised in Kesko's grocery trade include store-specific business ideas, selection management, digital services for customers, data-driven decision-making, and efficient automated processes. In the rapidly changing operating environment of 2022, data helped us respond to the changed expectations of consumers and foodservice customers.

Data and analytics help us deliver on our brand promise: "For shopping to be fun". Data on customers and products and from many other sources is used in the creation of customer experience for both consumers and Kespro's wholesale customers. We also use our data to help our suppliers and partners succeed.

A data-driven store is able to react quickly in an inflation-driven market

In 2022, high inflation increased prices and reduced purchasing power, which prompted consumers and professional kitchens to change their purchasing behaviour. In the grocery trade division, data helped K-retailers and Kespro take quick action and offer their customers attractive products and campaigns at all price points appreciated by the customers.

Data analytics and automation provided novel types of support for selection management, pricing and campaigns and the ability to offer personal Pluska benefits to consumers. The data-driven store-specific business ideas

also helped us meet customers' expectations and adjust operations even in rapidly changing circumstances.

Data helps in implementing store-specific business ideas

A data-driven store-specific business idea means that every K-store has an individual character depending on its location and customer base and the changing trends the store responds to. Kesko's growing broad-based data capital and analytics play a key role in enabling store-specific business ideas and in their continuous upkeep. Reporting services help retailers and Kesko monitor and document the performance of store-specific business ideas and carry out any necessary changes quickly.

Pricing that is always up-to-date thanks to electronic shelf labels and in-store communication on benefits and special offers are features of a data-driven store. Already around 500 K Group stores have electronic shelf labels that are connected directly into the checkout system.

Store-specific business ideas helped retailers create combinations of affordability, benefits and ease of use for their customers even though the operating environment in 2022 was characterised by inflation. The tool allows stores to customise their selection to the latest data. Analytics is used to suggest new offers, differentiation, and are sustainable and store's local customer base.

The almost real-time reporting of sales, high volume of customer and market data and identifying upselling potential enable the continuous development of the store-specific business ideas and the management of campaigns. The campaign management tool was developed further to be smarter, to offer information, and to predict demand for campaigns and ensure their in-store availability.

Continuously evolving understanding of how store selections are in terms of turnover rate



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margin structure brings financial value to retailers. In addition, the environment benefits from less food waste.

K-Ruoka at the forefront of customer experience

Kesko aims to offer a supremely useful customer experience, making everyday life easier, supporting each customer's goals, and promoting sustainable choices. By logging into the K-Ruoka service, customers can access personal offers, recommendations and content. K-Ruoka also enables online grocery shopping, offers recipes, and allows the customer to examine their consumption patterns and set sustainability goals for their shopping basket.

Both the background systems and customer experience of the K-Ruoka mobile app were developed further in 2022. The result was an even more comprehensive and easy-to-use service.

Personalised customer benefits and other benefits based on customer profile and purchasing history were made more easily accessible, and electronic receipts and key Plussa membership functionalities were added to the service. At the beginning of the year, Kesko also launched the 'Your Year in Food' (Ruokavuotesi) feature that presents the consumer's purchasing patterns in a visually interesting way. Our goal is to make K-Ruoka the most comprehensive and useful grocery app for customers.

Case

Shared customer insight puts us ahead of the competition

The best customer insight is gained by using a wide range of different but complementary survey and analysis methods. The collaboration between Kesko's Stakeholder Insight and data and analytics functions generates unique insight and perspectives which help our decision-making both on a strategic and day-to-day level.

"Data helps us understand the present day and forecast the future. Strategic customer surveys, foresight and market surveys help us and our partners predict phenomena and trends.

By making observations and combining both qualitative and quantitative research, we can achieve a tremendously rich understanding of our customers and the world around us," says

Heidi Jungar, who heads Kesko's Stakeholder Insight function.

Understanding how our customers think and act is at the core of our operations. Our combination of people and data-driven methods enables us to look deep into human behaviour and thinking. This helps Kesko develop its concepts, products and services proactively.

Information that is refined into insight is procured from a multitude of sources. Our in-house team collects data from customer satisfaction surveys,

customer feedback and the K-Kylä community, but also from database research organisations. We also e with observations gained from sal customer loyalty data and by anal activities. Data collection is always customer's consent.

Kesko also shares its insights and retailers, suppliers and partners. S mutual discussion benefit all parti

"Having a shared insight into our the operating environment benefit its partners. In addition to retailer representatives, we also share our our partners. Together we are wiser more than 300 participants from companies studied the results of c

K Food Trends study in early 2022 provide information to schools to and engage in projects with highe institutes," says Jungar.

Kesko produces hundreds of resear services for grocery trade, building trade and car trade. Many of these offered to Kesko's partners and sup general or tailored forms



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Kesko's most popular digital services for consumers in January 2023

1.	K-Ruoka.fi	8.9 million visits
2.	K-Ruoka mobile service	4.4 million visits
3.	K-Rauta	2.2 million visits
4.	Intersport	1.8 million visits
5.	Plussa.fi	0.3 million visits

All digital services are designed to be reliable and easy to use. Accessibility and data protection design are part of the development and maintenance of each service.

Kesko is a strong operator in online consumer and foodservice sales

Online grocery sales took a leap in Finland during the pandemic, and sales have now settled clearly above pre-pandemic levels. In B2C online grocery, 619 K Group grocery stores offered online sales services at the end of 2022. Online accounted for some 3% of B2C grocery sales in 2022. Professionals are served by the online stores of Kespro's 14 local cash-and-carry outlets and central warehouse. In sales to professionals, more than 70% of Kespro's sales come from direct EDI order systems and online stores.

The strengths of Kesko's online food sales to consumers include a comprehensive customer loyalty programme, unique product selections enabled by store-specific business ideas, a concept combining the strengths of online and physical stores, a selection of up to 40,000 products,

THE K-RUOKA SERVICE IS FULL OF FEATURES

Your store, your benefits and your content

- The main digital channel for purchases and content for consumers
- Online grocery sales, including smart shopping lists and high-quality product information
- Product, recipe and store searches
- Personalised customer-specific content and product recommendations and offers
- Interaction with local K-retailer(s)
- Personalised benefits based on membership level

Personal purchasing trends

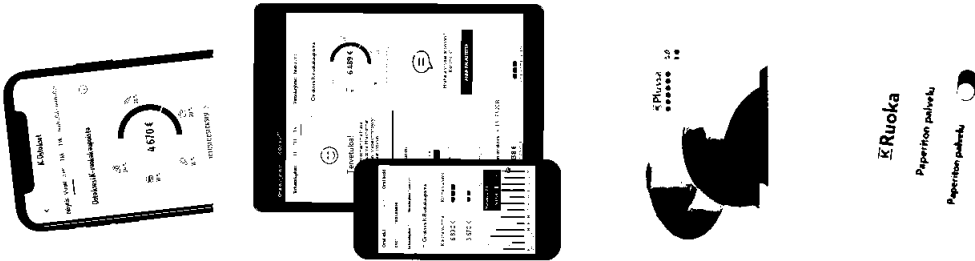
- Helps customers track and adjust their purchase behaviour in terms of spend, health aspects, carbon footprint, and level of Finnish products bought.
- Customers can track how many products of Finnish origin they are buying and set goals to increase it. Customers will then be provided with recommendations on Finnish products.
- Customers can monitor the climate impacts of their grocery shopping with relevant indicators. Customers can set goals to reduce the carbon footprint of their grocery purchases, after which they will be provided with practical advice on how to reduce the climate load of their purchases.
- Customers can monitor their consumption of sugar, salt, vegetables, red meat and fish. They can compare their data with national nutrition recommendations. Customers can set goals related to consumption, after which they will be provided with practical advice on how to achieve their goals.

Plussa customer service

- Plussa benefits, Plussa money and events
- Personal customer data, consent approval and interests
- Personal and parallel loyalty cards
- Management of the K-Tunnus user ID

Paperless service

- Real-time and archived receipts
- Online order history
- Warranty certificates
- Available directly or through the K-Ruoka service





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and flexible delivery options. The NPS for Kesko's B2C grocery sales was 80 at the end of 2022.

Key drivers for the development of our online sales operations include the continuous improvement of selections and price competitiveness, utilising the full potential of the store-specific business ideas, and offering a wider range of delivery options and times.

Together with Wolt, Kesko has created an efficient express delivery concept for groceries in Finland. By the end of 2022, nearly 180 K-Market stores around Finland offered express deliveries. Demand for these deliveries has been strong and they play a major role in the growth of online grocery sales and the sales development of the K-Market chain.

Finland's first in-store automation-assisted collection system for online grocery orders began operations in K-Citymarket Ruoholahti in Helsinki in 2022. The concept enables faster deliveries, greater volumes, and a better customer experience.

Kespro's online store has more than 50,000 products and contains smart features that meet the needs of professionals. In 2022, Kespro's online store helped its customers find the best products and inspiration especially with smart features associated with price points, product alternatives and tips for use. The NPS of Kespro's online store varied between 50–53 in 2022.

Case

Kespro enables customer success

Restaurants and professional kitchens have faced challenging market conditions in recent years. The rapidly growing popularity of remote and hybrid work and restrictions on restaurants and travel imposed during the pandemic have changed the way people eat outside their homes.

Kespro has helped its customers adjust their operations and business ideas to meet the needs of the changing world and trends. The cornerstone of this is the unique analytical data and insights that only Kespro, as Finland's leading foodservice operator, can offer its customer and suppliers.

Customer-specific solutions are tailored in cooperation with the customer and are based on in-depth understanding of the market, operating models and customer concepts. Kespro's digital operating model brings together customers, partners and suppliers. Digital services are used to manage the efficient and profitable provision of customer-specific foodservice solutions.

Versatile digital wholesale services and logistics and distribution services ensure that the solutions are implemented efficiently. In addition to wholesale services, Kespro's customers have the opportunity to procure financial services, HR services and QA services from Kespro's national partners.



Kespro and Kespro.com operate to serve foodservice professionals not only Finland's largest selection also customer-specific ideas, inspiring advice. Detailed product information planning and offer useful information products, their use and sustainability.

The best customer experience is a service that is supported by digital for the salesperson, e-mail reports new reporting services that will be Customer insight, management of relationship and interaction through customer journey are based on ver data. The reporting services help manage their business data based



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BUILDING AND TECHNICAL TRADE DIVISION HAS DIGITALISED ITS ENTIRE VALUE CHAIN

Kesko's building and technical trade plays a key role in its value chain. Data is used to guide the provision of products and services and the creation of customer experience. The significance of technology and digitalisation in the customer journey and marketing keeps on growing. In 2022, we launched several new digital services.

Our aim is to utilise the growing potential of data better and better and to offer the best customer experience in the business for our three different customer segments: consumers, professional builders, and technical wholesale customers.

driven, and a personalised customer experience strengthens the leading position of the Onninen, K-Rauta, K-Bygg and Byggmakker brands in their respective operating countries. Analytics are used in commercial management and process optimisation, which improves the productivity of investments and also customer satisfaction.

Comprehensive customer insight guides business decisions and the creation of customer experience.

The differences between the customer segments are taken into account in the development and production of our digital services and their background processes. Digital business architecture supports data-driven business operations throughout the value chain. Data and automation are utilised in increasingly smart ways in the management of customer, sales, store and logistics processes.

The division is characterised by high-volume flows of goods, ensuring good availability and deliveries of materials and supplies to customers, construction sites and maintenance sites. The order-delivery process is already digitalised everywhere in the division. On the whole, the division is making investments in smart, predictive logistics, focusing first on improving Onninen's logistic capabilities.

Comprehensive customer insight guides business decisions and the creation of customer experience. The division's marketing for the segments, sales and campaign operations are strongly data-

Case

Product information helps the customer and accelerates sales

While the needs of B2B and B2C customers differ to access comprehensive and high-quality product information, enriching product data is a continuous process that offers a significant competitive advantage.

Product information provides comprehensive support on the product, including, but not limited to, technical product codes, measurements, weight, colours, images, up-to-date documentation and certification. It offers installation instructions, videos and information on products and spare parts needed in the installation process, enabling customers to select and buy the right product.

When it comes to the sustainability of building materials, products, customer expectations are growing. With the demand for more information on the environmental aspects and level of Finnish origin of the products, our customers make more sustainable choices.



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Case

Onninen's digital services allow customers to focus on what is essential

Onninen's two new digital services in Finland, OnnSale and OnniApp, have been developed to support customers in the selection, purchase and use of the right products. The services built on Onninen's large product offering and the ability to manage product and customer data help customers in their day-to-day work.

OnniApp is a mechanic's best friend

Onninen's mobile app, OnniApp, allows customers to pick products at Onninen Express stores or from their own self-service warehouse. The application allows the customer to examine comprehensive product data, verify the prices and availability of products in the store, and pay at check-out. The detailed invoicing and target data entered into the application ensure data is recorded correctly on invoices.

In addition to the stores, OnniApp can also be used in Onninen self-service warehouses, which are tailored for each customer and located near their worksites. The self-service warehouses can also be mobile and located in a van, for example. The customer uses the mobile app to scan the barcodes of the products, and product

consumption rates serve as the basis for weekly automatic re-stocking.

A new feature introduced in the app is the possibility to collect products into several shopping carts in one go, for example, for different construction sites or installation sites. OnniApp is available in Finnish, Swedish and English.

The app is rapidly gaining popularity. In 2022, the number of store visitors who used the app grew by more than 40% in Finland on the previous year. Approximately 20% of customers select products using the mobile app.

OnnSale allows experts to focus on selling

OnnSale is a digital desktop for Onninen's salespersons that helps them offer the best customer experience in the business. Our goal has been to create a service that eliminates time spent accessing background systems, which allows the salesperson to spend time interacting with the customers instead and provide them with service and help.

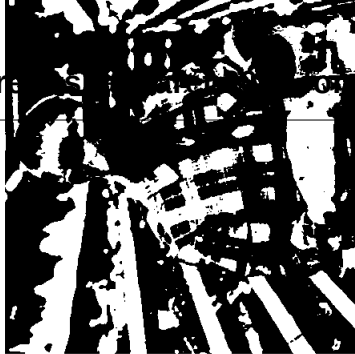
All essential features of OnnSale are accessed in the user-friendly main view. Customer data and Onninen's large product offering with its comprehensive product data are crucial. As all the information is clearly displayed, entering the customer's orders and forming an offer is easy, streamlined and centralised. Data from the customer's previous orders, tracking of offers and deliveries, and other customer-specific data provide a good overall view of the customer's situation.

At best
40%

of customers in an Onninen Express store select products for their shopping basket using OnniApp.

OnnSale taps into a uniquely comprehensive information database that contains an enormous amount of enriching information on each product. With OnnSale the salesperson can tell the customer about the supplies and tools needed for in product, read the documentation and help with purchase associated products. Soon salespersons also be able to use OnnSale to inform customers about the sustainability of the product. Customer data based on comprehensive data, which improves the experience, saves the customer's time, and

Analytics connected to OnnSale improve sales capital and help us gain deeper customer insight. We use the collected customer data to develop the development of its processes and product sales and marketing.



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Technical wholesale is integrated in the customer's processes

The customers of technical wholesale include HVAC and electrical contractors, industrial companies, infrastructure operators and retailers of various sizes. Technical wholesale is based on large sales volumes in which data and digital solutions are used to improve procurement, logistics, purchasing and product use. Personal service provided by experts is also extremely important.

Around 30% of Onninen's sales already take place in digital channels. The post-purchase NPS score is very high in the Onninen.fi online store in Finland.

Purchases are made directly in Onninen's online store, via the OnniApp application or, for larger volumes, by sending an EDI message. Onninen also offers customer-specific digital solutions and integrations that are implemented to meet the customer's needs and procurement process. For salespersons, Onninen has introduced a digital desktop that helps them serve their customers efficiently.

Products are delivered to the work site at the right time, or they can be collected quickly from an Onninen Express store or a customer-specific automated service warehouse.

Digital services produced on a robust data foundation are designed to be efficient and useful. The customer has access to the best technical product specifications,

Onninen.fi online store in Finland

NPS 70

making product selection, comparison, installation and maintenance highly efficient.

The digital customer process has been modelled end-to-end, enabling us to forecast which steps along the customer journey bring value to the customer, and manage these steps with data. Browsing and purchasing has been made as easy as possible and the customer can select a range of additional services associated with reporting, logistics and deliveries. Automation is becoming increasingly common, improving operational efficiency and benefitting both the customer and Onninen.

K-Rauta helps builders and renovators succeed

The digital operating model allows us to combine the strengths of the K-Rauta online store with the strengths of the physical stores. The online store is critically important as a provider of product information, inspiration and instructions, as more than 80% of customer journeys are estimated to start from the online store. K-Rauta's 122 physical stores in Finland allow the customers to see, test, touch and compare the products. Skilled salespeople help both professionals and consumers select the right products and use them successfully.

K-Rauta serves consumers and professional builders by combining the best features of online and physical stores. The online store and its comprehensive product information in particular enable customers to examine the products in detail and utilise the self-service features. K-Rauta offers comprehensive delivery options: in-store, pick-up point, home delivery, or delivery to a worksite.

K-Rauta stores are developed and managed utilising various data sources. Each K-Rauta store analyses the

NPS 66

K-Rauta.fi online store NPS in 2022 was at an excellent level in 2022

demographic, purchase and customer data of the area and customers and uses the results to guide operations. This is particularly significant for the experience, as the retailers use the data to improve store-specific business idea and marketing.

Data-driven management enables all stores to make the selections and services that meet the needs and its customer base. Group-level synergies are achieved by utilising the common Plussa customer data. K-Rauta platform opens up entirely new possibilities for utilising our shared data foundation and analysing customer data.

In 2022, K-Rauta launched the new K-Rauta RDI package for home renovators, based on identifying the customer, and in larger projects, on personal service. The development started with an extensive comprehensive multi-stage customer survey that revealed a detailed idea of the needs and changes of customer behaviour. The project or carry-out maintenance home or yard. The outcome was a service package for K-Rauta and its retailers offer help and benefit of the project. We provide many additional services, a digital archive of purchases, recycling of DIY products, rapid collection of purchases from the online store and conditions for returns, and many other services from store to store.

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K-Rauta Sweden named online store of the year in 2022

The building and home improvement market is a challenging one with specialised products, where stores often serve customers with demanding and unique needs. Finding the right products and methods of applications is essential for both the customer and the salesperson.

K-Rauta Sweden's online store did extremely well in PriceRunner's online store comparison, and was named the best online store in the building and home improvement category in 2022. An important part of the online shopping experience is smooth customer service and a range of delivery options.

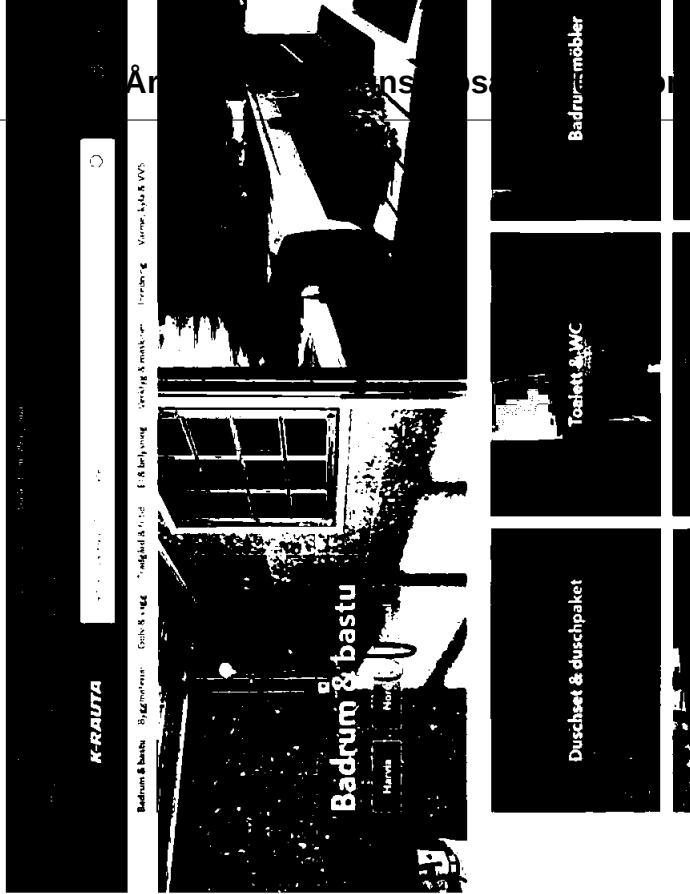
"First place shows that our efforts to improve customer experience have been successful. The product range, product information and comprehensive delivery services are essential factors in the customer experience," says Daniel Ahlqvist, COO of K-Rauta Sweden.

"We have also increased the role and expertise of customer service, which enables us to guide and help customers in the right direction in all stages," he continues.

PriceRunner uses mystery shoppers to assess how well an online store performs throughout the purchasing journey, from the selection of a correct product to its delivery and customer service. The selection also consists of a customer rating session in which K-Rauta.se gained an excellent score.

Synergies between the operating countries are used actively. The online stores in Finland, Sweden and Norway use the same platform, and are developed by a joint international development team, while the content, product range, pricing and logistics depend on the customer needs of each individual country.

This was the 18th time online stores in Sweden were ranked, with leading online stores in the categories competing for first place in twenty different groups and categories. The candidates were selected on the basis of customer recommendations.





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CAR TRADE DIVISION IS A HERALD OF THE FUTURE

Digitalisation in car trade has taken a large leap forward in recent years. K-Auto aims to be the leader in digital car trade and car-related services. In 2022, K-Auto invested especially in the development of a digital customer management model and increasing the use of AI.

As the Finnish vehicle stock becomes more modern, networked cars will use new types of charging and maintenance services, and they will also offer services that support driving. K-Auto is a forerunner in the rapidly electrifying world of car purchasing, use and maintenance.

In car trade, the best customer experience, sales growth and operational efficiency are achieved utilising data and automation in a multitude of ways. In 2022, K-Auto continued to automate processes, build online sales capabilities, and make AI applications a part of day-to-day operations. K-Auto also increased its utilisation of Kesko's shared customer data.

70,000
instances of customer feedback
analysed to develop our operations.

As with owning a car, managing customer relationships in car trade is a long-term commitment. Customer relationship management is based on data, enabling K-Auto to provide timely service for the situations and needs associated with vehicle ownership and use. Customer care models consist of services and customer interaction, from the buying of a car to selling or replacing it. Customer care models and customer satisfaction are improved by using data analytics and customer feedback.

The targeting accuracy of marketing has been improved by increasing the level of automation and adding new channels. Marketing is targeted according to customer behaviour, customer profile and the phase of the customer relationship lifecycle. The targeting and a special modelling feature that measures the desire to buy a new car utilise the customer data and customer behaviour data collected by K-Auto. The upgraded online sales features provide customers excellent opportunities to familiarise themselves with the cars, ask for further information from the salespersons, or even purchase a car completely online from the comfort of their home.

Basic car trade processes have already been a large extent, which improves efficiency and internal sales tools and agreement and order electronic and for the most part automated. of selling a car is electronic from configuration delivery and handover. The customer is provided electronic services that are easy, useful and

As digital self-service gains ground, the role competence requirements of sales personnel. When customers go online to view cars, compare plan their dream cars, salespersons need to be capable of providing solutions for the highly needs and wishes of the customer. These needs may relate to the technical characteristics of motive power, operating and maintenance or insurance.



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Case

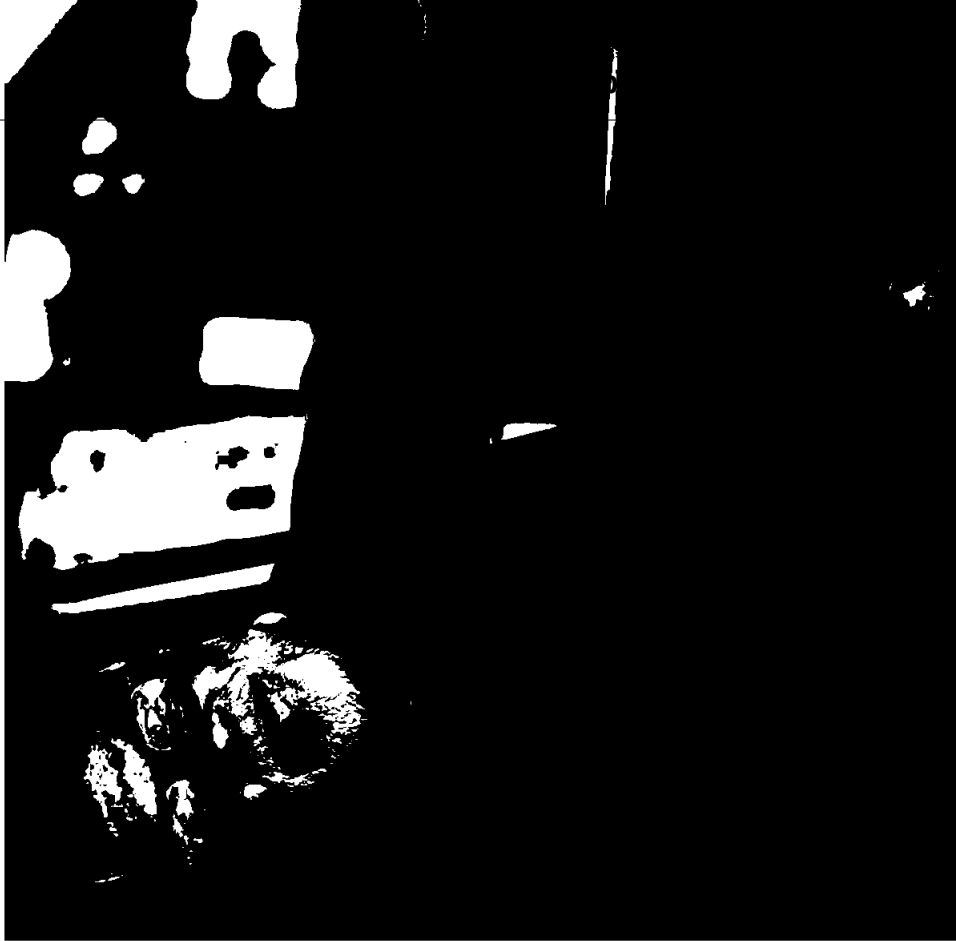
Smart pricing for used cars

K-Auto uses analytics to support the pricing of used cars.

Kesko developed and launched an AI-based pricing tool for used cars in 2022. By using up-to-date and regional data on the demand, completed transactions and other trends associated with used cars, K-Auto can price and market the cars effectively.

The tool helps establish a sales price for each car that is as attractive as possible for the buyer and also at the right level from the perspective of K-Auto's business. The pricing tool makes the pricing of cars dynamic, which guarantees that the price is always up-to-date. In many cases, AI-assisted pricing has been able to evaluate the correct price better than a human.

"The pricing tool also gives us significant economies of scale. More than one-fifth of the sales in the car trade division come from used cars, and our selection has an average of 2,000 cars at all times," says **Ilkka Virtanen**, Vice President of the used cars business at K-Auto.





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WORLD'S MOST DATA-RESPONSIBLE TRADING SECTOR OPERATOR

At Kesko, sustainability and corporate responsibility are a strategic choice integrated into day-to-day work. The responsible use of data means transparency, a high level of data protection, and creating common sustainable

Responsible human-centred data use

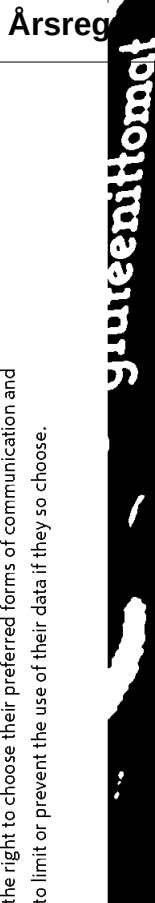
The use of data and artificial intelligence are based on responsibility and ethical principles. Customer data is used for the benefit of the customer: for example, special offers, product recommendations and targeted communications are always based on the customer's preferences. The customer has the right to choose their preferred forms of communication and to limit or prevent the use of their data if they so choose.

Customer data is protected by Kesko. We process personal data carefully, securely and in compliance with the applicable rules and regulations. Comprehensive information about data use and life-cycle management is provided in the relevant register description. Data protection requests are fulfilled comprehensively.

Data enables positive impact

Kesko helps its customers in sustainable consumption and in understanding and improving the climate impacts and healthiness of their purchases, as well as offering information on how much of the products are produced locally. We support customer wellbeing by providing information on the nutritional properties of food products. An understanding of the sustainability aspects and broader impacts of their purchasing behaviour helps customers make more sustainable choices in their daily lives.

Data-based forecasting and continuous selection optimisation help K-retailers significantly reduce food waste. Kesko's store properties and store fixtures and furniture allow us to continuously improve energy efficiency without degrading the conditions.



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K Group's key data responsibility perspectives:

IMPACT	EXPLANATION
Climate and the environment	- Understanding the carbon intensity of personal consumption in the K-Ostokset service - Carbon footprint of products (currently at the product category level) - Other indicators and certificates for the environmental responsibility of individual food products (e.g. organic production, water footprint)
Supply chain	- Tracking how many personal purchases are Finnish products in the K-Ostokset service - Finnish origin of individual food products - Other social responsibility certification (e.g. Fair Trade) for individual food products
Suppliers	- Data offered by Kesko helps suppliers improve their own operations and security of supply and develop the product selection and new products. - Data connects local demand to local producers and their supply.
Wellbeing, health and safety	- Understanding the health and wellbeing profile of personal purchases in the K-Ostokset service - Comprehensive product information - Opportunities to include recommendations that increase personal wellbeing in the K-Ruoka/K-Ostokset services (e.g. smart shopping lists, recipes, products based on personal goals, product recommendations, inspiration)
Ethical AI	Solid ethical principles and practices for using artificial intelligence, customer data and analytics (profiling, automatic decision-making, transparency)
Resource and material efficiency	- Continuous optimisation of energy efficiency based on condition and equipment data in properties and store fixtures and furniture - Optimisation of goods flows and logistics and delivery routes - Minimising waste by means of predictive analytics and selection planning



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