

KESKO SUSTAINABILITY HOUR 29.8.2022

AGENDA

13:00-13:45 PRESENTATIONS

Riikka Joukio, EVP, Sustainability and Public Affairs

Ari Akseli, President, Grocery trade division

Jorma Rauhala, President, Building and technical trade division

Matti Virtanen, President, Car trade division

13:45 Q&A

Presenters and **CFO Jukka Erlund**

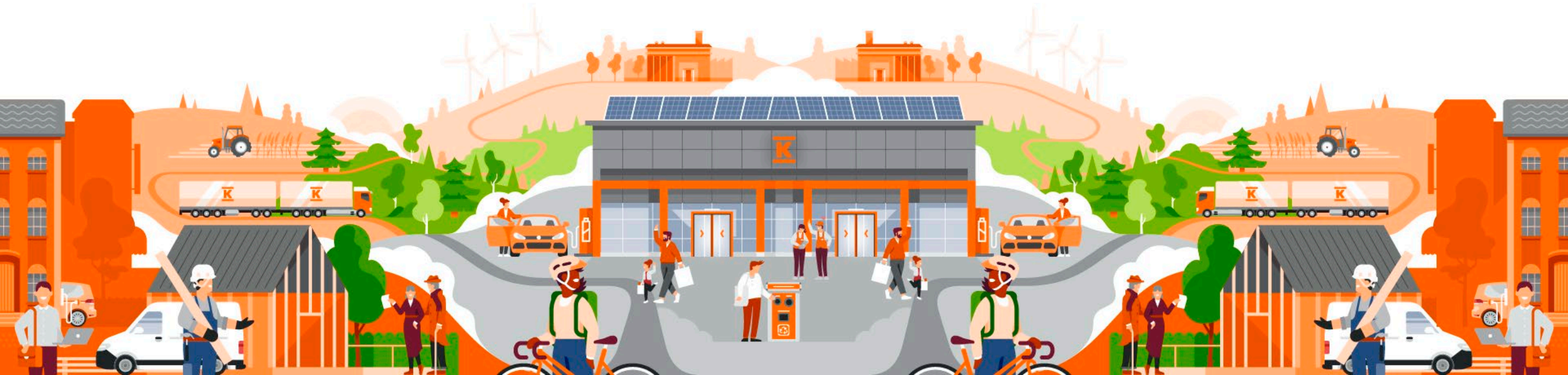


Kesko
SUSTAINABILITY
Hour



SUSTAINABILITY IN ACTION

K SUSTAINABILITY STRATEGY



MEGATRENDS AND CURRENT CRISES



- Climate change
- Nature loss
- Urbanisation
- Globalisation

- War in Ukraine
- Covid-19 pandemic
- Energy prices and shortages
- Availability issues in supply chains
- Inflation and rising consumer prices

SUSTAINABILITY IS SIMPLY GOOD FOR BUSINESS

CREATES REVENUES

DIFFERENTIATION

NEW MARKET OFFERINGS

MARKET ACCESS

MITIGATES RISKS

LEGAL

SOCIAL / REPUTATIONAL

FINANCIAL

SAVES COSTS

RESOURCE EFFICIENCY

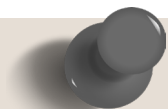
WASTE AS INPUT

LABOUR PRODUCTIVITY

SUSTAINABILITY AT THE CORE OF OUR GROWTH STRATEGY



SUSTAINABILITY EMBEDDED IN EVERYTHING WE DO



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 IN DIVISIONS

- GROCERY TRADE
 - BUILDING AND TECHNICAL TRADE
 - CAR TRADE
-

INDICES/RATINGS FOR MEASURING PROGRESS

Dow Jones Sustainability Indices, MSCI ESG, Sustainalytics, CDP



EMISSIONS
FROM THE PRODUCTION
OF PRODUCTS SOLD
5,600,000 tCO₂e

The biggest impacts
in our value chain are
caused by the production
and use of the products
we sell.

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

K GROUP'S ROLE AND SUSTAINABILITY VISION

EMISSIONS FROM
KESKO'S OWN OPERATIONS
94,000 tCO₂e

EMISSIONS
FROM THE USE
AND END-OF-LIFE
TREATMENT OF
PRODUCTS SOLD
1,900,000 tCO₂e



1 MINIMISING IMPACT ON CLIMATE AND NATURE

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

2 CHALLENGING SUPPLIERS AND ENCOURAGING CUSTOMERS

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



SUSTAINABILITY IN ACTION

Sustainability is embedded in the K Group strategy. The effects of what we do spread far and wide through society.

3 SUPPORTING THE WELLBEING AND SUCCESS OF OUR PEOPLE

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

4 ENSURING GOOD AND TRANSPARENT GOVERNANCE

We create long-term value by embedding sustainability in everything we do.



FOCUS AREAS AND KEY OBJECTIVES

WE ENABLE SUSTAINABLE CHOICES FOR OUR CUSTOMERS AND DRIVE CHANGE THROUGHOUT THE VALUE CHAIN



CLIMATE AND NATURE

Achieving carbon neutral K Group

- Carbon neutrality by 2025 and zero emissions by 2030 in our own operations and transports
- Challenging our suppliers to set their CO₂ reduction targets
- Reducing emissions from the use of sold products

Promoting biodiversity

- Continuing our biodiversity work by creating a biodiversity programme and setting goals for our biodiversity impacts

Enhancing circular economy

- Sustainable packaging for all of our own brand products by 2025
- Reducing food waste by half by 2030



VALUE CHAIN

Ensuring sustainability in the supply chain

- 100% of suppliers from high-risk countries audited for social responsibility
- Extending audits to take climate and environmental aspects into account

Enabling sustainable choices for our customers

- Increasing the share of sustainable products of net sales
- Making sustainable choices attractive through selections, data-based tools and communications

Creating value for society through sustainable value chains

- Strengthening the Finnish food chain and security of supply



OUR PEOPLE

Increasing the safety and wellbeing of our employees

- Supporting people's health, wellbeing and success
- Ultimate target zero injuries

Fostering diversity, inclusion and equal opportunities for our current and future employees

- Diversity and inclusion programme
- Equal pay
- Gender equality on all levels of the organisation



GOOD GOVERNANCE

Committing to K Code of Conduct

Remunerating based on sustainability performance

Strengthening sustainability competencies

Using data in a responsible and ethical way that creates value

KEY PERFORMANCE INDICATORS



CLIMATE

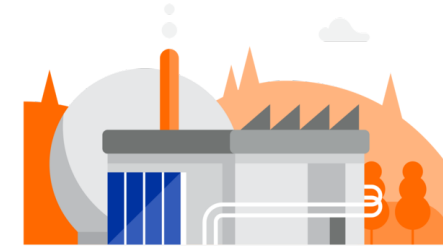
Target: Achieve carbon neutrality by 2025 and make our own operations and transportation emissions-free by 2030

KPI: Carbon dioxide emissions in tCO₂e



Target: Require 67% of our suppliers by spend to have science-based emission reduction targets by 2026

KPI: % of suppliers (CDP)



SUPPLY CHAIN

Target: Ensure social responsibility in the production of directly imported goods from high-risk countries by assuring them 100% with appropriate audits

KPI: % of audits



SUSTAINABLE PRODUCTS

Target: Increase the share of sustainable products of our net sales

KPI: % of sustainable products of net sales

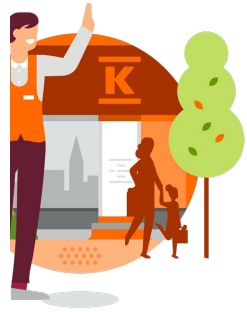


PEOPLE

Target: Conduct actions to support the health, wellbeing and success of our people

KPI: Wellbeing index

SUSTAINABILITY FOCUS DIFFERS IN OUR 3 DIVISIONS



GROCERY TRADE

Central role as part of the Finnish food chain and in ensuring security of supply

Active role in promoting wellbeing and nutrition



BUILDING AND TECHNICAL TRADE

Significant role in driving forward green transition

Differences between the operating countries – country-specific approach crucial

CAR TRADE

Significant role in reducing traffic emissions



WE ARE WELL ON OUR WAY IN THIS JOURNEY..

... but plenty still remains to be done. Every step we take benefits all of us, from customers and shareholders to employees, and the planet.
We ask everyone to join us on this journey.







GROCERY TRADE

GROCERY TRADE



~1,200 grocery stores,
of which more than 500 offer
online grocery services



1.2 million
customers every day



Stores offer both premium
and bargains



38% market share
in 2021*

*grocery stores, online sales, foodservice



Finland's leading foodservice
wholesale provider

K CITYMARKET **K Supermarket** **K Market** **NESTE K**

| | Q2/2022* | 2021 | 2020 |
|---------------------|----------------|----------------|----------------|
| Net sales | €6,005 million | €5,909 million | €5,732 million |
| Operating profit | €457.4 million | €442,9 million | €375,2 million |
| Operating margin | 7.6% | 7.5% | 6.5% |
| Capital expenditure | €232.1 million | €122.8 million | €125.4 million |

Comparable figures

* Rolling 12 months



FOCUS AREAS



The most customer-driven and profitable Finnish grocery retailer



Store-specific business ideas clearly visible to customers



The best multi-channel customer experience



Leading assortment image and differentiation



Improving price competitiveness and price image



Data-driven decision-making with customer focus



Helping customers make more sustainable choices



The best assortment and service in the foodservice market



The most desirable partner and business platform

OUR STRATEGY RESPONDS TO THE CHANGES IN OUR OPERATING ENVIRONMENT



Polarisation continues: urbanisation, population ageing, and single households on the rise



Continued rise in hybrid consumption and individualism



Blurring the line between grocery stores and restaurants; increasing popularity of eating out and take away



Competitors challenging K Group with both price and quality



Strengthening position of online sales, data and AI accelerating development



Consumers expect a seamless customer experience in all channels, compare to international operators



New operators bringing new concepts and services to online sales



Customers and other stakeholders expect responsible operations

INFLATION-DRIVEN MARKET CHALLENGES THE WHOLE GROCERY TRADE SECTOR



Food prices a daily
topic of conversation



Ongoing changes in
purchasing behaviour



Important to maintain
customer trust

KEY SUSTAINABILITY OBJECTIVES IN THE GROCERY TRADE DIVISION

CLIMATE

- Deploying our 'Carbon Neutral grocery Store' concept in 2023
- Shifting to renewable diesel by 2025, increasing the use of electricity for transports

BIODIVERSITY

- Acknowledging biodiversity in purchasing chains and store site and logistics centre projects
- Increasing the sales of organic and MS fish products by 10% by 2024

CIRCULAR ECONOMY

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

SUPPLY CHAIN

- Setting product category-specific targets for sustainable selection
- Strengthening our Fairtrade collaboration
- Visible commercial sustainability actions with a partnership programme

CUSTOMER CHOICES

- Helping our customers make sustainable choices based on product and purchasing data: making sustainable selections visible in our digital services by 2024
- Making healthy choices easier for our customers by e.g. adding the "Heart Symbol" to 200 of our own brand products by 2024
- Elaborating on the 'Sustainable Choice' concept by 2024

FINNISH FOOD

- Strengthening the Finnish food chain and security of supply
- Increasing the sales of our 'Thank the Producer' products: targeting €13 million cumulatively by 2024
- Strengthening our image as Finland's biggest seller of locally produced food

SUSTAINABILITY ACTIONS ALSO HELP TO SIGNIFICANTLY IMPROVE COST-EFFICIENCY

FOOD WASTE

- Objective: to reduce food waste by 25% by the end of 2025
- Will also bring savings of millions of euros

ENERGY EFFICIENCY

- All electricity bought by Kesko in Finland from renewable sources since 2017
- Energy efficiency targets achieved ahead of schedule
- Energy saved since 2017 80 GWh – significant as prices rise!
- In-store heat recycling system significantly reduces their consumption of district heating

CIRCULAR ECONOMY

- Recyclable packaging reduces recycling fees by up to 75%
→ Significant savings with Kesko's packaging and plastics policy
- Better sorting can cut the waste costs of an individual store by up to 20%

LOGISTICS

- Transport optimisation reduces emissions
- Also reduces logistics costs: annual savings of €25 million by combining and optimising distribution, procurement and return transports

SUSTAINABILITY IN OUR GROCERY STORES



Our grocery stores provide an easy and convenient recycling system for beverage packaging







BUILDING AND TECHNICAL TRADE

BUILDING AND TECHNICAL TRADE DIVISION

Leading operator in building and technical trade in Northern Europe



Building and home improvement and technical trade products, and building, renovation and building engineering services



Comprehensive digital services



B2B trade accounts for nearly 80% of sales
Renovation represents more than 50% of sales

Serving three customer segments:
technical professionals,
professional builders, and **consumers**

| | Q2/2022* | 2021 | 2020 |
|---------------------|-----------------------|-----------------------|-----------------------|
| Net sales | €4,694 million | €4,388 million | €3,640 million |
| Operating profit | €349.3 million | €318.0 million | €187.7 million |
| Operating margin | 7.4 % | 7.2% | 5.2% |
| Capital expenditure | €27 million | €43.1 million | €186.3 million |

Comparable figures

*rolling 12 months

FOCUS AREAS



Strong country-specific focus



Proactive sales
and
sales management



Improving
digital
customer
experiences



Synergies
within and between
operating countries



Organic growth and
profitability
improvement



Targeted
acquisitions



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

WE OPERATE IN A STRONG FUTURE GROWTH BUSINESS – PLENTY OF POTENTIAL FOR GROWTH AND PROFIT



Market consolidation continues



Urbanisation



Repair and investment debt



Green transition, incl. emission targets and energy efficiency requirements



New solutions for producing and storing energy



Growing importance of technology and digitalisation

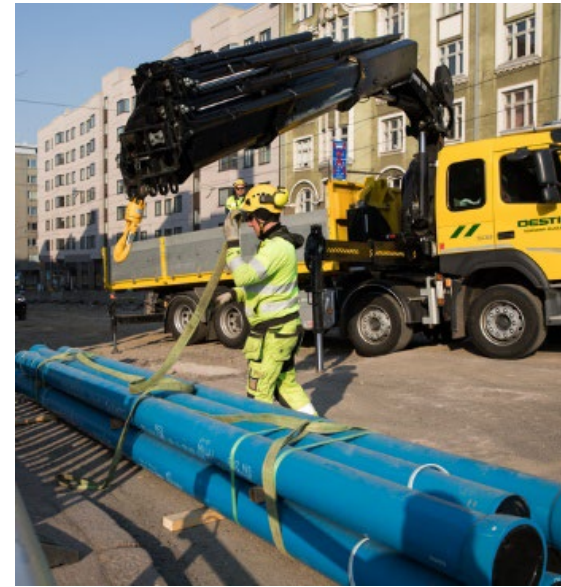
WE SUPPORT THE GREEN TRANSITION AND BUILD WELL-FUNCTIONING SOCIETIES



Solar panels for emission-reducing energy renovation projects



Air-water heating systems and heat pumps for energy-efficiency improving heating renovation projects



Products for infrastructure projects to enforce the security of supply



Wide selections for EV charging

PROMOTING GREEN TRANSITION OFFERS SIGNIFICANT GROWTH POTENTIAL



Solar panels



Ground
source and
air source
heat pumps



EV charging



Wind power and
infrastructure
construction



Ventilation



Insulation



Water-saving
products



Energy
efficient
lighting



KEY ACTIONS IN BUILDING AND TECHNICAL TRADE

CLIMATE

- Achieve carbon neutrality in 2025 by emission reductions and offsets
- Significantly reduce scope 1 and 2 GHG emissions by 2030
- Make most relevant suppliers commit to SBTs by 2026 (CDP)

BIODIVERSITY

- Create and implement chemical policy by 2024
- Cause no net biodiversity loss through our own operations from 2025 onwards

CIRCULAR ECONOMY

- Make all own brand packaging 100% sustainable by the end of 2025
- Develop circular economy business models and services
- Increase recycling rates in all locations

SUPPLY CHAIN

- Create supplier policy for environmental protection by 2023
- Cover 100% of direct import suppliers in high-risk countries with responsibility audits by 2024

CUSTOMER CHOICES

- Create an operating model and support for sustainable products by 2024 (FI)
- Make sustainable product range visible in eCom by 2025 (FI)

SOCIETAL AND LOCAL IMPACT

- Create and implement guidelines for local responsibility work in each business unit by 2024





CAR TRADE

CAR TRADE IN BRIEF



Operating the Volkswagen Group's business in Finland as well as used car and service sales



Digitalisation has become a necessity



200

K Charge stations across Finland by the end of 2022



KAuto

Market leader: market share in new car sales in Finland 17.0% (2021)

K-Auto offers the most extensive selection of electric cars in Finland

| | Q2/2022* | 2021 | 2020 |
|---------------------|---------------|----------------|---------------|
| Net sales | €917 million | €1,028 million | €893 million |
| Operating profit | €49.6 million | €52.2 million | €23.4 million |
| Operating margin | 5.4% | 5.1% | 5.2% |
| Capital expenditure | €44.2 million | €71.2 million | €64.7 million |

Comparable figures

*rolling 12 months



STRATEGY FOCUS AREAS



K-Auto is the leading car trade operator and mobility service provider in Finland



The best customer experience



Making car trade digital



Close collaboration with the Volkswagen Group



More efficient cost structure



Meeting ambitious sustainability goals



Growing used car sales

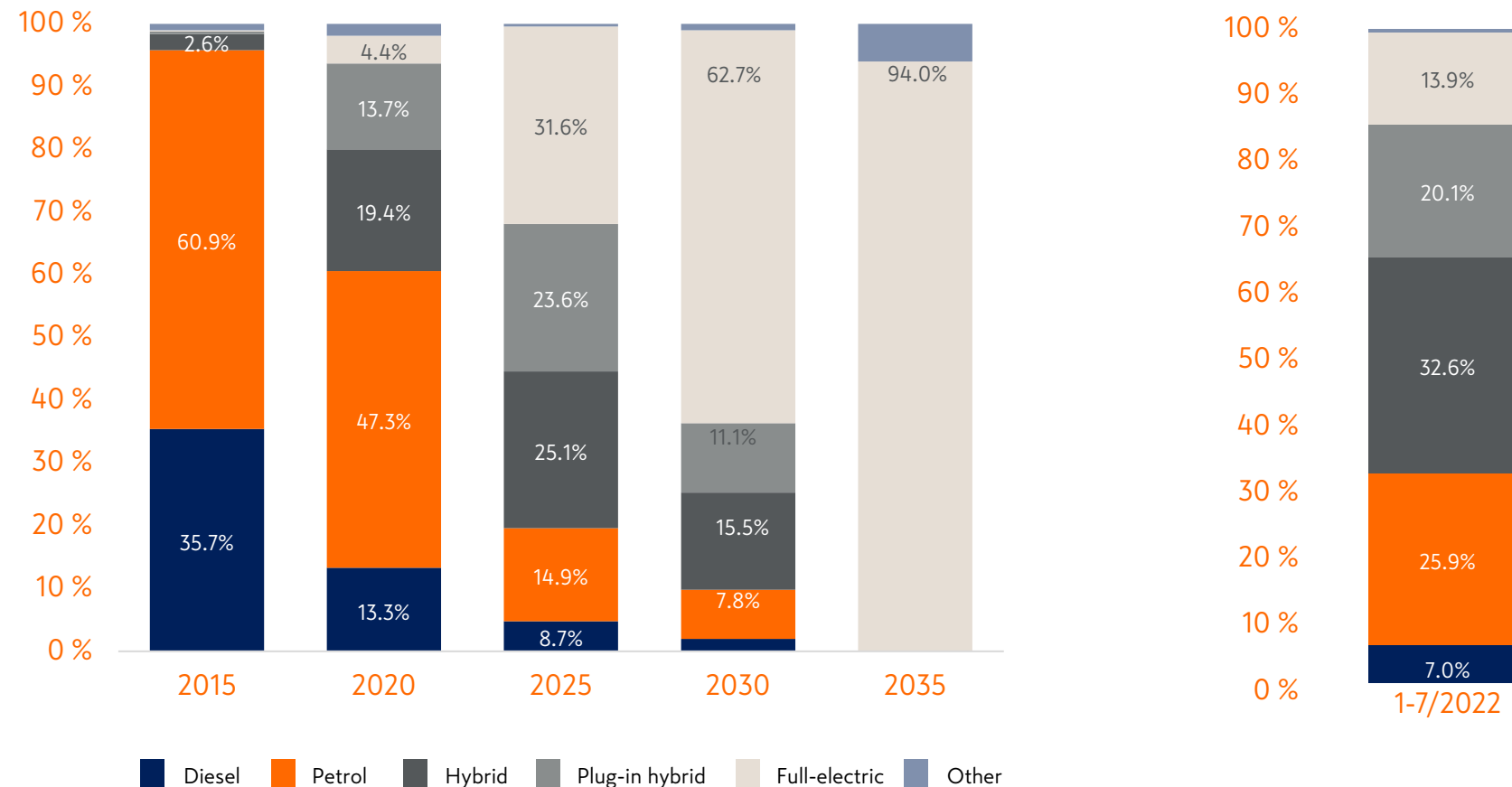
KAuto

Making K-Auto the leading brand in the business



RAPID TRANSITION IN FINLAND

ESTIMATED SHARE OF FUEL TYPES IN NEW PASSENGER CARS REGISTRATIONS IN FINLAND



SUSTAINABILITY FOCUS AREAS: CLIMATE CHANGE & TRAFFIC SAFETY



CLIMATE

- Reduce scope 3 emissions from the use of sold products (-17% by the end of 2025 at group level)
- **Maintain leadership in electric vehicles** by being the market leader in EV import and sales

BIODIVERSITY

- Create a biodiversity programme, conduct actions accordingly and set goals for decreasing biodiversity impacts

CIRCULAR ECONOMY

- Develop circular economy business models and services, especially with HV batteries
- Continue increasing recycling rates in all locations by 2025

SUPPLY CHAIN

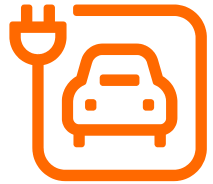
- Review and include sustainability issues in all supplier co-operation

CUSTOMER CHOICES

- Increase the share of sustainable products of net sales
- Lower CO2 emission levels in Finnish traffic by **updating the vehicle stock** by selling cars with lower average CO2 emissions than the market average

SOCIETAL AND LOCAL IMPACT

- Create a concrete roadmap and start executing it to **increase traffic safety** in Finland
- Enable sustainable mobility by investing in **our K Charge EV charging network**



CASE: CUSTOMERS WANT ELECTRIC CARS

- Volkswagen has been the most registered EV brand in Finland this year, and was the most registered EV brand in 2021
- EV sales is a strategic focus area in both new and used car sales
- EV sales already account for over 30% of our new car sales



CASE: K CHARGE OFFERS OVER 500 CHARGING POINTS

- K Charge is a nationwide charging network for electric vehicles, found at over 115 K Group store locations
- The K Charge network will double in size in 2022, with some 100 new charging stations established across Finland
- K Charge network is growing, charging has more than doubled in a year
- The electricity is 100% Finnish wind power



