



## THE BOARD OF DIRECTORS' PROPOSAL FOR ESTABLISHING A SHAREHOLDERS' NOMINATION COMMITTEE

The Board of Directors of Kesko Corporation proposes to the Annual General Meeting to be held on 30 March 2020 that it resolves to establish a Shareholders' Nomination Committee, the duty of which would be to prepare proposals related to the number, election and remuneration of board members to the Annual General Meeting and, when necessary, to an Extraordinary General Meeting. According to the Board of Directors' proposal, the Shareholders' Nomination Committee would be established for the time being, until decided otherwise by the General Meeting. The Board of Directors proposes the confirmation of the rules of procedure of the Shareholders' Nomination Committee appended.

Helsinki, 4 February 2020

KESKO CORPORATION  
Board of Directors

Appendix to Kesko Corporation's Board of Directors' proposal for establishing a Shareholders' Nomination Committee

## **RULES OF PROCEDURE OF THE SHAREHOLDERS' NOMINATION COMMITTEE OF KESKO CORPORATION**

### **1. Purpose of the Nomination Committee**

The Shareholders' Nomination Committee ("Nomination Committee") of Kesko Corporation ("Kesko") is a body of Kesko shareholders the purpose of which is to prepare proposals related to the number, election and remuneration of board members to the Annual General Meeting and, when necessary, to an Extraordinary General Meeting. 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.

The Nomination Committee observes legislation in force and other applicable provisions in its operations, such as the rules of the stock exchange and the Finnish Corporate Governance Code.

### **2. Composition of the Nomination Committee and nomination of the members**

The Nomination Committee consists of three members. Two members are nominated by the largest shareholders of Kesko. The third member of the Nomination Committee is Kesko's Chairman of the Board.

The right of nomination of members representing the shareholders shall belong to those two shareholders whose share of votes conferred by all shares of Kesko is the largest according to the register of shareholders maintained by Euroclear Finland Ltd on 1 September preceding the Annual General Meeting. The Chairman of the Board asks each of the two largest shareholders as determined above by their shareholding to nominate one member to the Nomination Committee. If two shareholders have the same number of votes, and it is not possible to nominate a member nominated by both of the shareholders, the matter shall be decided by lot. If a shareholder does not want to exercise their right of nomination, the right shall be transferred to the next largest shareholder, who otherwise would not have the right of nomination.

If a shareholder who has diversified their holding, for example, in several funds, and who pursuant to the Securities Markets Act has the obligation to take these holdings into account when reporting changes in the share of ownership, presents a request in writing concerning the matter to Kesko's Chairman of the Board no later than on 31 August preceding the Annual General Meeting, the holdings registered in various funds or registers of this kind of shareholder shall be added together when calculating the share of votes decisive for the right of nomination.

If the shareholders of nominee-registered shares want to exercise their right of nomination, they must present a written notice of this to the Chairman of Kesko's Board on 31 August preceding the Annual General Meeting at the latest, as well as a reliable report on the number of shares held by them on 1 September preceding the Annual General Meeting. This report shall be submitted to the Chairman of the Board no later than on the fourth working day in September.

Each term, the Chairman of the Board shall convene the first meeting of the Nomination Committee. The person elected as Chairman of the Nomination Committee shall be the representative of the largest shareholder, unless specifically otherwise decided by the Nomination Committee. The Chairman of the Board cannot act as the Chairman of the Nomination Committee. After the first meeting, the Nomination Committee will gather for a meeting convened by the Chairman of the Nomination Committee.

As soon as the Nomination Committee has been formed, Kesko will communicate its composition in a stock exchange release.

A shareholder has the right to replace a member nominated by that shareholder during the term by notifying the Chairman of the Nomination Committee of this. A member nominated by a shareholder must resign from the Nomination Committee if the shareholder in question is no longer among the ten largest shareholders of Kesko, unless the other members of the Nomination Committee unanimously decide otherwise. The Nomination Committee may nominate a new member to fill a position that has become free prematurely. If the number of members of the Nomination Committee falls below two during the term of the members, the Nomination Committee must ask for the nomination of new members. The Nomination Committee must offer the positions to be filled in the order of magnitude of the share of votes to those shareholders of Kesko who have not nominated a member to the Nomination Committee. The order of magnitude of the share of votes shall be determined on the basis of the ownership information in Kesko's register of shareholders the day before the nomination request is presented.

The Nomination Committee is established to act for the time being, until decided otherwise by the General Meeting. The term of the members of the Nomination Committee shall end upon the nomination of a new Nomination Committee.

No fee shall be paid to the members of the Nomination Committee for membership of the Nomination Committee. The travel expenses of the members shall be compensated for in accordance with the general travel rules of Kesko.

### **3. Decision-making**

The Nomination Committee reaches a quorum when more than half of the nominated members are present. The Nomination Committee shall not be eligible to make decisions if all of the members have not been given the opportunity to participate in handling the matter and in the meeting.

The decisions of the Nomination Committee must be unanimous. If unanimity is not reached, the committee must notify the Company's Board of Directors that it is not going to make a proposal to the General Meeting.

Minutes shall be kept of all the meetings of the Nomination Committee. The minutes shall be dated, numbered and stored in a reliable manner. The minutes shall be signed by the Chairman and at least one member of the Nomination Committee.

### **4. Duties of the Nomination Committee**

The duties of the Nomination Committee are to:

- prepare and present a proposal for the remuneration of the members of the Board of Directors to the General Meeting;
- prepare and present a proposal for the number of members of the Board of Directors to the General Meeting;
- prepare and present a proposal for the members of the Board of Directors to the General Meeting;
- answer the questions asked by the shareholders in the General Meeting concerning the proposal made by the Nomination Committee, and
- look for new candidates to replace the members of the Board of Directors.

The Nomination Committee shall make a proposal to the General Meeting on those matters listed as duties of the Nomination Committee that on the grounds of the Limited Liability Companies Act and Kesko's Articles of Association are on the agenda of the General Meeting.

## **5. Duties of the Chairman of the Nomination Committee**

The Chairman of the Nomination Committee shall direct the work of the Nomination Committee so that the Nomination Committee reaches the goals set for it and so that it takes into account the shareholders' expectations and the interest of Kesko.

The Chairman of the Nomination Committee shall:

- convene the meetings of the Nomination Committee, prepare the agenda and material for the meetings and chair the meetings;
- ensure that the meetings planned for the Nomination Committee take place according to schedule, and
- convene extra meetings when necessary and in any case within 14 days of a request presented by a member of the Nomination Committee.

## **6. Preparing a proposal concerning the composition of the Board of Directors**

### **6.1. General matters concerning the preparation of a proposal**

The Nomination Committee prepares a proposal for the composition of the Board of Directors to Kesko's Annual General Meeting and, when necessary, to an Extraordinary General Meeting.

In the preparation of the proposal concerning the composition of the Board of Directors, the Nomination Committee shall take into account the legislation and the requirements of the Corporate Governance Code concerning Kesko. The Nomination Committee shall also duly take into account the results of the performance assessment of the Board of Directors performed annually. In addition, in the preparation of the proposal, Kesko's diversity principles must be considered, meaning, for example, that the educational background, experience, professional expertise, and age and gender distribution of the board members support Kesko's business goals, enable effective operation of the Board of Directors from Kesko's point of view and that the board members have enough time to concentrate on the work of the Board of Directors. The Nomination Committee may use external experts at costs approved by Kesko to find and evaluate suitable candidates.

## 6.2 Competence of the members of the Board of Directors

Kesko's Board of Directors must possess adequate expertise, knowhow and experience concerning matters related to Kesko's industry and business. As a collective, the Board of Directors must possess adequate expertise and competence especially in:

- matters related to Kesko's industry and business;
- management of a publicly quoted company equal in size;
- corporate and financial administration;
- strategy, mergers and acquisitions;
- internal control and risk management; and
- good Corporate Governance.

## 7. Proposals to the General Meeting

The Nomination Committee shall submit its proposal to Kesko's Board of Directors no later than on 31 January preceding the Annual General Meeting. Kesko will communicate the proposals made by the Nomination Committee in a stock exchange release and include the proposals in the notice of the General Meeting.

The Nomination Committee shall present and justify its proposal and submit a report on its activities to the Annual General Meeting. The report on the activities of the Nomination Committee shall be published on the Company's website.

If a matter subject to preparation by the Nomination Committee is to be decided in an Extraordinary General Meeting, the Nomination Committee shall make an attempt to submit its proposal to Kesko's Board of Directors in good time so that it is possible to have it included in the notice of the General Meeting.

Irrespective of the proposals made by the Nomination Committee, each Kesko shareholder may, pursuant to the Limited Liability Companies Act, submit their own proposal to the General Meeting.

## 8. Confidentiality

The members of the Nomination Committee and the shareholders they represent must keep confidential the information concerning the proposals to be made to the General Meeting until the Nomination Committee has made its final proposals and Kesko has communicated them. The secrecy obligation of the members of the Nomination Committee and the shareholders they represent shall also cover other confidential information obtained in the operation of the Nomination Committee and shall remain valid regarding each piece of information until Kesko has published it. The Chairman of the Nomination Committee may, at his or her discretion, propose to Kesko's Board of Directors that Kesko conclude non-disclosure agreements with the shareholders or persons they have nominated to represent them. Provisions of the Securities Markets Act shall be applied to insider information, if any.

## **9. Amendments to these rules of procedure and authorisation**

The Nomination Committee shall review the content of the rules of procedure annually and make potential proposals for changes to the Annual General Meeting. Amendments to the number of members in the Nomination Committee or their selection criteria shall always be decided in the General Meeting. The Nomination Committee is authorised to make changes to the rules of procedure that are technical updates and modifications in nature.

The rules of procedure have been drafted both in Finnish and in English. In the event of potentially conflicting information, the Finnish version shall prevail.

