

KESKO

Corporate responsibility report 2001
Building for a better tomorrow



Contents of the report

During the period 1997-1999 Kesko published separate environmental reports in addition to its normal annual reports. For the year 2000, however, the environmental report was included in a more comprehensive corporate responsibility report, published in May 2001. Its contents and indicators of corporate responsibility were based on the 'Sustainability Reporting Guidelines on Economic, Environmental and Social Performance' published by the Global Reporting Initiative (GRI) in mid-2000. Kesko's Corporate Responsibility Report for 2001 also follows this system. The revisions currently being made by the GRI and due to be published in July 2002 will be taken into account in Kesko's next report.

The contents of Kesko's second corporate responsibility report are comparable with the first. The report begins with a brief description of the Kesko Group and an assessment by top management of the present status and future prospects for corporate responsibility. The strategies, operating policies and management systems related to corporate responsibility and the relevant stakeholders are given a little less space than the year before. The main focus is on the indicators of economic, environmental and social performance - which are now a little more numerous and more specific. A summary table of the key indicators has been drawn up.

At the end of the report, there is an evaluation of how closely the contents of the report and the indicators correspond to the GRI guidelines.

Most indicators apply only to the Finnish operations of the Kesko Group. We aim to present this information by country in the future. This will start, for certain indicators, in the report for 2002.

An electronic version of the printed report is available on Kesko's Internet pages. In certain topics, it contains more detailed information than the printed report. The online report also contains plenty of links to various sources of information and organisations. The additional information and links provided by the Internet pages have been marked in the corresponding parts of the printed report.

This report has not been verified by

an impartial source. As many of the economic and social performance indicators have been taken from audited books and financial statements, and as most of the environmental performance indicators have been produced by an ISO 14001 certified environmental system, the information in the report is reliable in this respect. However, Kesko recognises that impartial verification, extending to the operational and data collection processes, would enable further improvements in performance and reporting. Kesko has therefore decided to initiate the assurance of corporate responsibility data collection and reporting, starting from 2002.



Building for a better tomorrow

When we published our first Corporate Responsibility Report last spring, we hoped for plenty of feedback. These hopes have been more than fulfilled. The positive attention attracted by our report has not been merely because it was published; rather there has been continuous discussion through the year about the content and importance of responsibility both within our Group and in our stakeholder relations. Evidently, there is a need for such reporting.

Much has happened during the past year. Many national and international projects have been initiated jointly or separately by industry, commerce, non-governmental organisations and trade unions to promote corporate responsibility. New forums are continuously being created to exchange experiences and provide training - such as the Kesko-initiated 'Co-operation Network for Responsible Importing', which is now operating under the Central Chamber of Commerce. The existing standards and reporting guidelines are already being revised, and the EU Commission is also formulating its own policy on the matter in order to strengthen the competitiveness of the EU countries.

For trading companies, one of the most challenging areas of corporate responsibility is to monitor the social quality of the product chain. There is basic agreement on the indicators and targets in this area. The standards of work set by the ILO (International Labour Organisation) are suitable as quality standards for any product line in any part of the world. Unfortunately



results are only achieved slowly. Even small steps of progress are useful, however, and Kesko is working persistently for them. Much more would happen, if the world's largest industrial and trading companies would use compliance with the ILO's decisions as a key competitive weapon.

During the past year, we have received many good proposals on how to develop our reporting. And the reporting process itself has helped us identify areas needing improvement in our work and reporting. In all this, information systems are in a key position. Our sta-

tistical data is now more reliable and will be even more so in the future. We hope that our report will trigger much discussion and promote the inter-company benchmarking of responsibility indicators, too.

Matti Honkala
President and CEO
Kesko Corporation

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Basic information about the Kesko Group

Kesko as a company

Kesko is Finland's leading trading sector marketing and logistics company. Its wholly owned subsidiaries - Kesko Food Ltd, Rautakesko Ltd, Kesko Agro Ltd and Keswell Ltd - are responsible for store sites, purchasing, logistics, marketing and chain co-operation with the respective K-retailers. Kesko also has its own retail outlets in speciality goods, hardware and agricultural products, as well as food in the Baltic countries. Of the Group's net sales of EUR 6.2 billion in 2001, 55% came from the food trade and 6.3% from foreign operations (4.5% in 2000).

Kesko works in close co-operation with the K-retailers, who are the largest shareholder and customer group in Kesko. There were 1,460 K-retailers at the end of 2001. The K-Alliance had 1,773 retail stores, and their sales totalled EUR 7 billion.

Kesko's shareholders

Kesko is a listed company, with 25,057 shareholders at the end of 2001. The shares were divided into "A" shares (35.2% of all shares and 84.4% of all votes) and "B" shares (64.8% of all shares and 15.6% of all votes). The K-retailers held 17.0% of the shares (18.7% in 2000) and 35.1% of the votes. Foreigners held 18.1% of all shares.

At the end of 2001, the market capitalisation of "A" shares was EUR 476 million and that of "B" shares EUR 602 million, the total being EUR 1,078 million. This was a decrease of 7.6% from the end of 2000.

Personnel

In 2001, the Kesko Group had 11,544 employees on average. Due to the incorporation of the commercial divisions, only 1.6% of these employees worked for the parent company at the end of the year. 50.2% worked for subsidiaries engaged in retailing in Finland and 48.2% for other subsidiaries. The number of employees increased by 445 or 4% during the year. An average of 1,551 employees worked abroad, an increase of 65% over the previous year.

Real estate

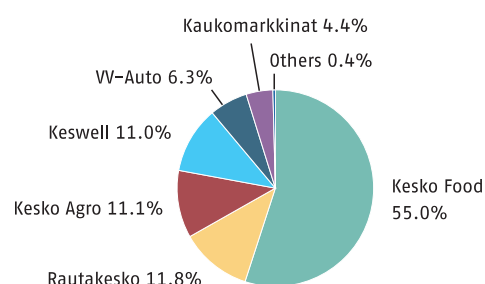
At the end of 2001, the Kesko Group owned 1,130,000 square metres of real estate, of which store premises accounted for 790,000 square metres, offices and warehouses for 258,000 square metres and other premises for 82,000 square metres. The total floor area of premises rented for use by the Group was 1,508,000 square metres, consisting mainly of retail stores. The majority of the store premises owned or rented have been further rented out to the K-retailers.

Suppliers of products and services

In 2001, Kesko bought products and services at a total cost of about EUR 5.4 billion. Finnish suppliers accounted for 81.1% and foreign suppliers for 18.9% of Kesko's purchases. The major importing countries were Germany, Spain, Sweden, Japan and Italy.

Kesko is a member of the following

Breakdown of Kesko's net sales



international purchasing organisations: Associated Marketing Services AMS (groceries), EuroMat (building and interior decoration products), Inter-sport International (sports goods), EP:International (home electronics) and World Wide Retail Exchange (business-to-business Internet marketplace).

Customers

The K-retailers accounted for 51.4% of Kesko's sales. On average, the K-retailers made 86.1% of all purchases and 90.8% of food purchases from Kesko. Other wholesale customers - hotels, restaurants, service stations, kiosks, construction companies, etc. - accounted for 31.3% of Kesko's sales. The remaining 17.3% of Kesko's sales go via its retailing subsidiaries (e.g. Anttila Oy, Citymarket Oy/non-food) directly to consumers.

Key indicators of corporate responsibility for 1999–2001

Indicators of economic responsibility

	1999	2000	2001
Net sales (EUR million)	6,111	6,308	6,214
Profit before extraordinary items (EUR million)	128	126	86
Return on invested capital (%)	8.0	8.5	6.6
Dividends for the financial year (EUR million)	60	135	90
Investments (EUR million)	202	247	206
Equity ratio (%)	56.6	54.7	53.1
Salaries and fees (EUR million)	261	268	267
Income taxes (EUR million)	39	34	30
Number of personnel (average)	10,993	11,099	11,544
Number of suppliers	42,000	42,000	*
Purchases from suppliers (EUR million)	5,318	5,522	5,439
Contribution to local communities etc. (EUR million)	*	2.0	2.4
Households within 1 km of a K-food store (%)	*	47.3	46.4

Indicators of environmental responsibility

Use of electrical energy in real estate (MWh)	380,000 **	736,000	745,000
Use of heat energy in real estate (MWh)	220,000 **	230,000	272,000
Use of water in real estate (m ³)	460,000 **	584,000	574,000
Emissions from the production of electrical and heat energy used			
– change in climate (tn CO ₂ eq)	122,307 **	307,366	323,178
– acidification (tn SO ₂ eq)	384 **	783	821
– ozone in lower atmosphere (tn C ₂ H ₄ eq)	7.2 **	15.4	16.5
Distribution transport			
– loads	105,500	112,300	117,125
– kilometres (1,000 km)	17,505	18,512	17,840
– tons	643,146	646,393	658,552
– use of energy (MWh)	58,271	61,619	59,381
– emissions (tn)			
– carbon dioxide	15,833	16,738	16,130
– carbon monoxide	62	67	64
– hydrocarbons	22	24	23
– nitric oxides	160	170	163
Use of materials/waste			
– materials in imported packaging (tn)	28,271	27,971	25,250
– waste in distribution warehouses (tn)	3,401 ***	9,996	10,066
– radioactive waste from production of electricity purchased (tn)	5.5	0.65	0.64

* information not available or not fully comparable

** monitoring more limited than in the revised system started in 2000

*** corrugated board collected from K-stores was not yet included in the figures

Indicators of social responsibility

	1999	2000	2001
Job satisfaction (scale 1–5)			
– own job	3.66	3.71	3.72
– superior's performance	3.67	3.74	3.78
– unit's operations	3.49	3.63	3.60
– Kesko's operations	3.61	3.61	3.51
– employment as a whole	*	*	3.94
Employee turnover			
– new	*	4,100	3,800
– left	*	3,600	3,500
– vacancies in the internal labour market	*	500	500
– retired	191	198	194
Average age of employees (years)	*	*	36.4
Average duration of employment (years)	*	*	11.8
Absenteeism due to illness (work days per person)	*	7.7 **	7.8
– caused by accidents	*	0.5	0.3
Funds used for health care (per person, EUR)	281	323	328
Funds used for recreation and hobbies (per person, EUR)	46	46	43
Average annual salary (per person, EUR)	23,742	24,109	23,164
Training days per person **	*	2.0	1.7
Investment in training (per person, EUR)	497	570	598
Social quality control of purchases			
– companies that replied to Kesko's questionnaire	*	135	220
– total number of employees in above companies	*	120,000	225,000
– companies with SA 8000 certification	*	1	11
– number of employees in companies with SA 8000 certification	*	*	19,000

* information not available or not fully comparable

** calculations cover only part of the Group personnel

Future of corporate responsibility

At the beginning of 2002, Kesko adopted a new management system that guides long-term planning, annual planning and quality assessments. At the same time, the corporate values were revised, with the previous seven values being reduced to four. The value, “We bear our corporate responsibility”, was put at the base of the value pyramid to indicate its importance to all our activities.

In Kesko’s management system, corporate responsibility has not been separated from other activities, but it is a natural part of everyday work and planning of operations. Even before separate reporting was started, many indicators of corporate responsibility had been in use. The guidelines of the Global Reporting Initiative have further clarified the concept of corporate responsibility and performance measurements.

In March 2001, the Corporate Management Board approved the following vision of the key future factors in corporate responsibility. No changes were made in the review of spring 2002.

Vision of key factors in corporate responsibility

During this decade, globalisation will accelerate the concentration of companies, foreign investment and competition across national borders. Countries will be slow to agree on international trade regulations, increasing pressure for responsible self-regulation

by companies. The interest of investors – and especially of public corporations – in the operating ethics of companies will grow as performance indicators are developed.

As a diversified company that satisfies basic consumer needs, Kesko will experience steady growth in sales, profits, dividends and share value and will maintain good liquidity. This will ensure increased wealth for Kesko’s financial stakeholders and help Kesko to keep its environmental and social per-

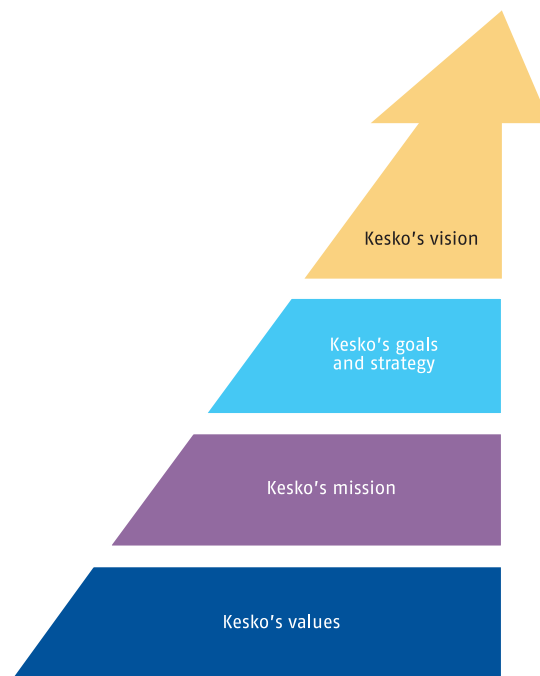
opportunities, although the product range will always be based on the target country’s supply and demand.

Kesko will be largely responsible for the competitiveness of retailing based on private enterprise which, correspondingly, will be a significant factor in Kesko’s success. The store sites, business operating systems, information systems, training and other supporting activities provided by Kesko must give the K-retailers sufficient added value which, along with economi-

cal purchases, will allow them to stand out from competitors while making profit. As internal migration continues, the store and distribution networks must be kept to the right size to serve customers, while maintaining financial efficiency.

As the supply of products and services grows, consumers will have more power. The role of the media in consumer business will grow, too. An increasing number of consumers will want information on the origin, safety and production conditions of merchandise, requiring Kesko to manage all details of the purchasing

chain and communicate openly and actively. Kesko and the K-retailers can affect consumers’ well-being and quality of life by their actions in general, and by their product policies, choices and monitoring. Safety, reliability and



formance at the head of the field internationally.

Kesko will grow mainly by expanding abroad, so that most new jobs will be created outside Finland. For Finnish suppliers, this will provide new export

ethics will gradually rival price as a factor in communications and marketing.

The competition for new employees will intensify as baby boomers approach retirement age. The values and expectations of the new generation will differ from the old. Employees will want to choose their workplace as much as employers will want to choose their employees. The perceived value of the company, as well as its brands and products, will contribute to the interest in the job. In order to succeed, Kesko will offer interesting, challenging jobs and show that it cares for its employees. Performance and job pressures will be prevented by systematic, in-house job rotation and training, and employees will be encouraged to seek a balance between work and leisure.

In order to lead the way and have influence, Kesko will monitor and actively forecast changes in society, and will offer its expertise for the benefit of its business sector and for society as a whole. To do this, Kesko will maintain close contacts with non-governmental organisations, the authorities and other decision-makers, and will actively participate in national and international organisations in its own sector and in business in general.

Strategies

The Group's vision and key strategies have been defined in the management system. In accordance with the values, these strategies also include areas relating to corporate responsibility.

The personnel strategy defines the management methods, systems and tools that will ensure Kesko's success. The personnel's job satisfaction, motivation, continued learning and participation in drawing up common targets will contribute to performance and, in that way, to many sectors of corporate responsibility.

The logistical strategy defines how the flow of merchandise is controlled as efficiently as possible for Kesko, its suppliers and customers.

The real estate strategy allows Kesko to provide good competitive conditions for the K-store chains. The logistical and real estate strategies also guide the development of the nationwide distribution services and store network.

The security strategy aims to ensure undisturbed operations and to safeguard people, property, data and the environment from accidents or intended damage.

The environmental strategy ensures the systematic progress of environmental activities. The environmental strategy relies on and is closely linked to information systems development and **the information management strategy** which significantly affects the measuring and monitoring of results in all areas of corporate responsibility.

Key areas of influence

The following are the areas of corporate responsibility in which Kesko can best achieve results that will benefit society and stakeholders:

Economic performance

- The increased trading of products means more sales for suppliers, new manufacturing and retailing companies, more jobs, salaries and other personnel benefits, more taxes for local and central government, more funds for enhancing social security and developing society.
- New investments and continuous reforms increase demand for construction and other services.
- Increasing share values and yields means that shareholders will benefit from steadily developing, safe investments that yield good dividends.

Environmental performance

- The continuous improvement of Kesko's activities means
 - lower energy consumption in real estate and transport compared with the volume of operations = a relative decrease in CO₂ emissions.
 - a decrease in waste and increase in recovery.
- While better environmental co-operation with suppliers means
 - products are more environmentally sound throughout their life-cycle.
 - relative decrease in the use of packaging material.
 - increase in the recovery of products and packaging.

Social performance

- The provision of good, safe jobs, with care and job satisfaction for employees.
- Gradual improvement of working conditions for suppliers in developing countries - through co-operation.
- Promotion of good working practices in companies in Finland and abroad - through example and initiatives.
- Contribution to activities that prevent social problems.

Development in the trading sector and society

- Contribution of expertise to develop trading sector, business and international trading regulations - through co-operation with organisations and stakeholders.
- Financial and operational support for projects supporting Kesko's values, related to its operations and promoting social and community services and welfare.

Kesko's policies and management systems guiding corporate responsibility

Kesko has long acted according to value, quality and environmental management systems and has defined ethical principles for in-house operations and product purchasing. Kesko's management systems have enabled the systematic development of corporate responsibility. For Kesko's new management system, introduced in February 2002, the values were revised to underline the importance of corporate responsibility. The Quality and Risk Management unit is responsible for management system planning and guidelines.

In autumn 2001 a Senior Advisor responsible for developing and co-ordinating corporate responsibility was appointed in the Corporate Communications unit. The unit's director is a member of the Corporate Management Board and reports to the President and CEO.

Kesko's values

In 1996, Kesko's values were defined after a survey of employees and the K-retailers. As a result of small group discussions held in autumn 2001, the previous seven values were reduced to four and published along with the new management system in February 2002. The President and CEO presented them in dozens of personnel meetings held in spring 2002.

We exceed our customers' expectations

We recognise our customers' needs and expectations. We strive to offer them positive experiences through the continual reform of our operations and emphasis on entrepreneurial activity.

We are the best operator in the trading sector

We offer our customers the best products and services in the market to ensure our competitiveness and success.

We create a good working community

We operate in an open, interactive working community where people are respected and every individual can contribute to the maximum and use initiative.

We bear our corporate responsibility

Our operations are responsible and we follow ethically acceptable principles in all actions within our working community and in relations with our partners.

Our working practices

Based on these values, Kesko's ethical principles were drawn up for in-house use in the form of a guidebook called 'Our Working Practices'. The guide describes how Kesko employees act together and with suppliers, customers and other stakeholders, and encourages the open discussion of values and other work matters. The guide will be revised to correspond with the revised values during 2002 and superiors will present it to their subordinates in all units. The K-Retailers' Association will support the adoption of these values in the K-store management, and the guide-

book will also be adopted in the K-stores. Our Working Practices can also be read on Kesko's Internet pages at www.kesko.fi/inbrief.

Kesko's intranet pages - called Keskonet - provide a feedback channel which the staff can use to send questions and proposals for improvement, either by name or anonymously. There is also a direct line for feedback to the President and CEO.

Quality management

Kesko has used the quality evaluation based on the criteria for the Finnish Quality Prize as a method of self-evaluation for



improving operations since 1996. The Group's internal quality prize competition between units is part of the quality evaluation.

The Product Research unit of Kesko Food Ltd ensures the quality of groceries and some speciality goods. The unit's operations are based on a quality system complying with the ISO 9000 standard and an in-house control sys-

tem approved by the authorities.

Kesko Food's purchasing unit has started building the ISO 9000 quality system. The quality system of its subsidiary Kespro Ltd received the ISO 9000 certificate in December 2000.

Kesko Food participates in the national grocery quality programme, which aims at ensuring the high quality of the food chain at all stages. Kesko Food also has a representative in the food safety working group established by CIES, the global Food Business Forum.

Environmental management

Kesko's existing environmental policy was drawn up in 1996, when Kesko committed itself to the business charter for sustainable development prepared by the International Chamber of Commerce. Kesko aims to update its environmental policy during 2002.

ISO 14001 environmental systems have been introduced in the Group's units that have the biggest impact on the environment. Most of them were certified in 2001. More details about certifications are given in the Environmental Responsibility section, starting on page 23. Kesko's whole environmental policy can be read on Kesko's Internet pages (www.kesko.fi/environment).

Ethical purchasing principles

According to its environmental policy, Kesko bears indirect responsibility for the environmental impact of the products it sells. Likewise, Kesko is indirectly responsible for the working conditions and terms of the employees that manufacture these products. Kesko implements this 'social quality control' in its imports through the international Social Accountability SA 8000 standard, which is based on the UN Declaration of Human Rights and Convention on the Rights of the Child, and on the key conventions of the ILO. Kesko's partner in promoting the introduction of the standard and supplier certification is Bureau Veritas Quality Interna-

tional. For more information on social quality control, see page 38. Kesko's own principles and proposed ethical principles for Finnish imports can be read on our Internet pages (www.kesko.fi/inbrief).

In its quality assurance programme Kesko Food's Product Research unit has given opinions on ethical issues in food production, such as the use of gene technology, protection of animals, use of hormones in meat production, use of azo colours in foodstuffs, etc.

Participation in economic and trading sector development

Active participation in national and international economic and trading sector development is part of corporate responsibility. For decades, Kesko has offered its expertise for this work. In 2001, Kesko had representatives in the following national and international organisations and other working groups:

International organisations

- International Chamber of Commerce, ICC:
 - World Council
 - Working parties (Environment and Sustainable Development, Business in Society, BioSociety)
 - The Finnish Section (Vice Chair); as well as Finnish background groups (data communications and systems, insurance/safety, transport/logistics)
- CIES - The Food Business Forum
 - Food Safety working group
- UNICE (Union of Industrial and Employers' Confederations of Europe)
 - the Council of Presidents

EU organisations

- EuroCommerce, the retail, wholesale and international trade representation to the EU (euro, new methods of payment and electronic commerce committees)
- UGAL, EU organisation of groups of independent retailers (Board and working groups)

Public administration in Finland

- Euro project, companies' working group (Ministry of Finance)
- EU drafting section on consumer affairs (Ministry of Trade and Industry)
- Chain - transport development programme (Ministry of Transport and Communications)
- Data Protection Board (Ministry of Transport and Communications)

Finnish central organisations

- Employers' Confederation of Service Industries in Finland (Chair)
- Finnish Federation of Commerce and Trade (Board and committees, Chairs in the Taxation Committee and the euro working group)
- Central Chamber of Commerce (Board)

Industry and district organisations, etc.

In 2001, Kesko's representative acted as a Chairman in

- Finnish Food Marketing Association, the Board and the Foodstuffs Legislation Group
- ProGresS development programme for environmental affairs in the real estate and construction sector
- Helsinki Chamber of Commerce

Kesko is also active in several industry and recycling organisations. A more detailed list with www links is available on the Internet version of this report (www.kesko.fi/environment).

Key stakeholders

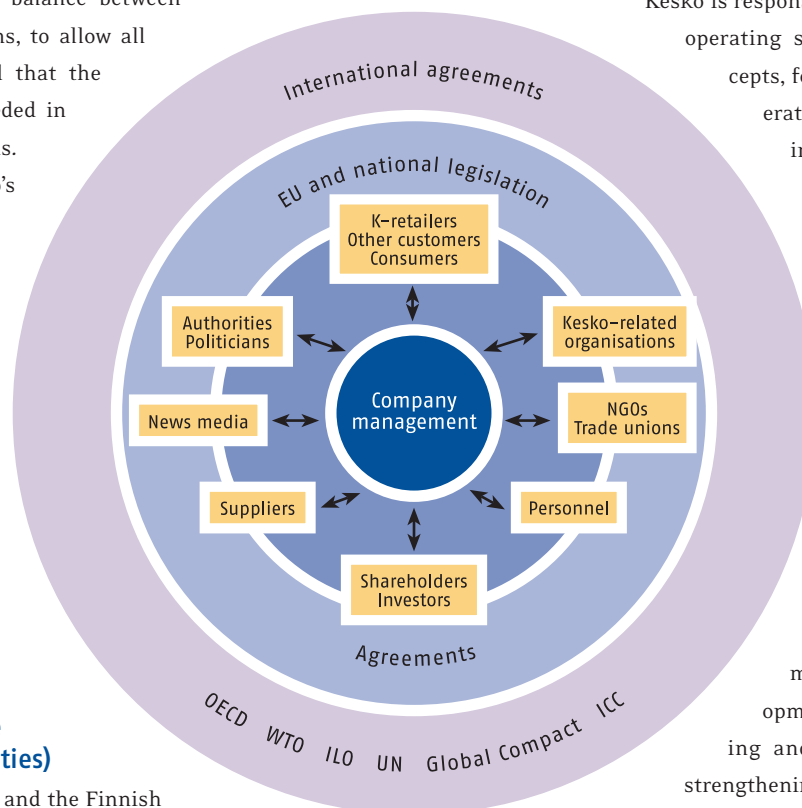
Companies have many stakeholders whose views should be considered when implementing corporate responsibility. In some cases, these views may be contradictory. A responsible company must maintain a suitable balance between different expectations, to allow all stakeholders to feel that the company has succeeded in its corporate relations.

As Kesko Group's operations are very versatile, corporate responsibility involves many stakeholder groups which are not easy - or even necessary - to rank in order of importance. Here are brief descriptions of Kesko's stakeholders:

The authorities (EU, Finnish state and local authorities)

The European Union and the Finnish government use legislation, international agreements and other directives to create the framework for Kesko's operations. Through sector and umbrella organisations, Kesko gives expert views on the development of industrial policy and regulations concerning the trading sector and the economy. Kesko acts in co-operation with local authorities when developing and maintaining its store network. Kesko contributes to the well-being of society by paying direct taxes and social security contributions,

by collecting indirect taxes and by withholding payroll taxes.



Suppliers of products and services

Kesko buys consumer goods from Finnish and foreign agricultural producers, manufacturing industry and importers, and sells and distributes them to the K-retailers and other customers. Kesko builds and maintains the K-store network and acquires the furnishings, equipment, information systems etc. required by the K-retailers for their businesses.

K-retailers and other customers

Together, Kesko and the K-retailers have prepared an operating system based on contractual, vertical co-operation and a clear division of labour. Kesko is responsible for developing the operating system and retail concepts,

for controlling chain operations and for purchasing products. Kesko obtains store sites and information systems for the chains and organises marketing, training and other necessary services. The K-retailers are responsible for the operations and profitability of their stores, for personnel management and development, for local marketing and purchasing and for strengthening customer relations.

Kesko's store site operations help new enterprises to establish and existing retailer entrepreneurs to progress.

Kesko also sells and supplies products to many other customers and, with the help of various surveys, regularly monitors K-retailers' and other customers' views on the services it offers.

Consumers

Kesko's co-operation with the K-retailers and other business customers serving consumers aims at satisfying con-

sumer needs. For this purpose, Kesko plans and builds retail concepts, product selections and marketing campaigns that interest and satisfy consumers, and implements them in co-operation with the K-retailer chains.

Consumer surveys are widely used to establish customer satisfaction and to improve operations. The Pirkka customer magazine is distributed free of charge to all households that have the Plussa customer loyalty card.

Shareholders

Kesko is a listed company whose shares are held by K-retailers, other companies, institutions and private investors. Kesko maintains regular contacts with representatives of the capital market and gives its shareholders plenty of information about company operations on its websites and through other me-

dia. TradeMaker, Kesko's stakeholder magazine, is published four times a year in Finnish and English and sent to all shareholders.

Personnel

Kesko encourages its personnel to participate in the planning and development of operations and focuses on maintaining working capabilities and in-house job rotation. Comprehensive annual surveys are carried out to evaluate job satisfaction and in-house customer satisfaction. Kesko's corporate image and attractiveness as a workplace are assessed on a regular basis.

News media

As a listed company, Kesko gives information on its operations to shareholders and the general public as required by the Securities Markets Act, as well

as other information. There is daily, mutual co-operation with the news media. Kesko regularly surveys the views of financial editors concerning Kesko and its communications.

Non-governmental organisations and trade unions

Kesko maintains regular contacts with consumer, environmental and human rights organisations when preparing its responsibility-related operating policies and guidelines, and presenting the results of its activities. The union with the closest ties to Kesko is the Service Union United, which has a local branch organisation in the company. Kesko gives financial support to the work of many socially important organisations and institutions.

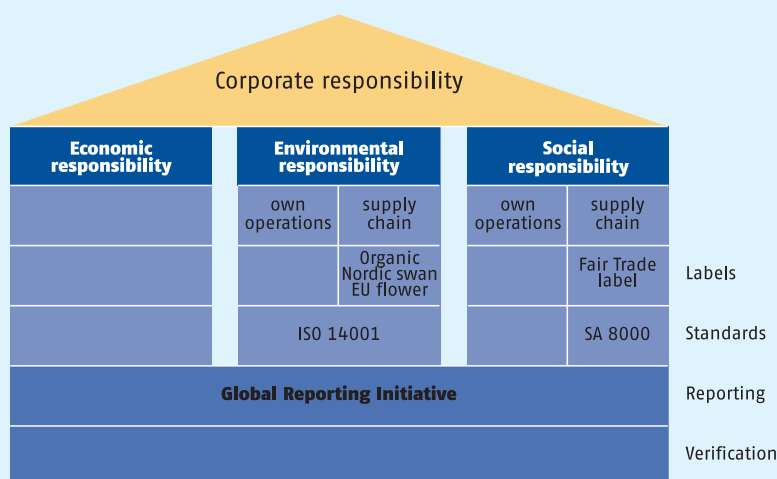


Indicators of corporate responsibility and performance



Key economic performance in 2001

- Profit, return on equity and profitability of work decreased
- Dividend yield of shares remained high
- Market capitalisation decreased
- Investments were the second highest in Kesko's history
- Large stores' share of K-food stores' sales remained unchanged
- Average distance of customers to a K-food store remained short
- Total number of jobs increased due to expansion in the Baltic countries
- Purchases from suppliers of products and services dropped slightly
- An increasing amount of financial support was given to youth organisations, science and education as well as non-governmental and environmental organisations.



In this report Kesko has compiled its key results in different areas of corporate responsibility, mainly following the GRI guidelines. As Kesko has used some of the recommended indicators for a long time, several years of comparable figures are available. Some of the indicators are newer, and in these cases statistics have only been recorded since 2000 or 2001. In some cases the data collection system has been improved and the statistics have become more accurate, so there has been reason to later correct some of the figures published previously.

It is expected that corporate respon-

sibility indicators and the statistics available on them will become established in a few years' time, so there will be a clear picture of the trends in responsibility. The more companies that follow the GRI reporting guidelines the easier it will be to compare them with each other in the future, using the indicators of corporate responsibility.

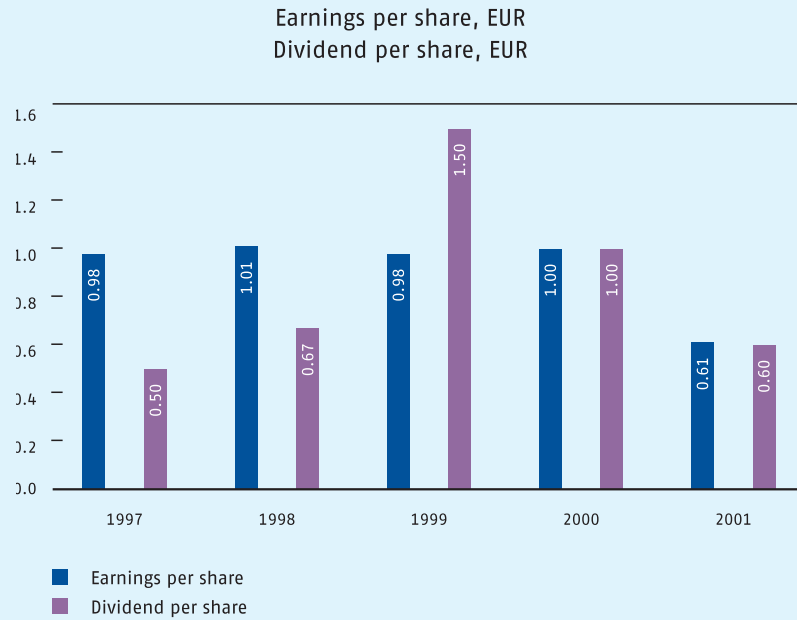
Economic performance

Good economic performance is the basis of responsible operations. It secures the financial well-being of shareholders, employees and the suppliers of products

and services, while also ensuring that the company participates in developing the well-being of society as a whole by, for example, paying taxes. A strong financial position provides opportunities to focus on environmental and social responsibility, which again contribute to economic performance. So, the three pillars of corporate responsibility are interdependent and should be developed side by side in a balanced way.

Kesko's economic performance has been good for many decades. The dividends distributed have well exceeded the listed companies' average, the num-

Profitability of operations	1999	+/- %	2000	+/- %	2001	+/- %
Net sales, EUR million	6,111	+2.0	6,308	+3.2	6,214	-1.5
Gross margin, %	12.3		12.1		12.5	
Profit before extraordinary items, EUR million	128	-3.5	126	-2.1	86	-31.7
Profit before extraordinary items, %	2.1		2.0		1.4	
ROI (return on invested capital), %	8.0		8.5		6.6	



ber of jobs has increased, and supplier invoices and social obligations have been settled on time. The store network has been undergoing reform based on anticipated changes in residential areas and consumption habits, providing services in consumers' immediate urban or rural neighbourhood. Kesko has participated in the activities of non-governmental and non-profit organisations through intellectual and financial contributions.

The following analysis handles Kesko's economic performance from the viewpoint of different stakeholder groups. Other financial indicators and the development of business operations for 2001 can be found in Kesko's Annual Report. The corresponding information is also given on Kesko's Internet pages (www.kesko.fi/investorinformation).

Economic development from the viewpoint of shareholders

Since its establishment in 1940, Kesko has generated profits and distributed dividends every year except 1967. For the last ten years, which include the 1990's recession, the average annual yield (dividend and appreciation) of

Kesko's B shares has been 11.0% and for the last five years, 6.1%. For the last five years, the average effective dividend yield has been 7.1%. According to the dividend policy specified in 1997, Kesko distributes at least a third of its earnings per share as dividends, or half if the equity ratio exceeds 50%. During the last five years, the dividend has been 93% of earnings, on average.

Kesko's share price development has been steady, following the general trend in trading sector prices on the

Helsinki Exchanges. For the last few years, the general index and the weighted portfolio index (Hex 20) have clearly grown faster than Kesko's B shares, due to share price trends in information technology and Nokia, in particular. The situation changed, however, in 2001 when information technology shares took a strong downturn in price.

Kesko's market capitalisation was at its highest in early 1998 and 2000, reaching about EUR 1.4 billion. At the end of 2001, the total market capitalisation of the company was nearly EUR 1.1 billion, which was about 0.4% of the total market value of the Helsinki Exchanges and around one half of the trading sector value. The market capitalisation was 80% of the book value of total assets, which means that Kesko's share price does not seem to include significant growth expectations.

In the early days, Kesko's shareholders were mainly retailers. The stock exchange listing of 1960 and the share issues of the 1970's and 1980's increased and diversified the group of shareholders. The number of shareholders exceeded 40,000 at the beginning of the 1990's. Although this number

Number of shareholders on 31.12.



Investments and assets	1999	2000	2001
Investments, EUR million	202	247	206
Investments, % of net sales	3.3	3.9	3.3
Equity ratio, %	56.6	54.7	53.1
Debt to equity ratio, %	43.4	45.3	46.9
Gearing ratio, %	1.3	16.3	12.7

Number of K-food stores in Finnish municipalities		
K-food stores	No. of municipalities	% of municipalities
10 or more	15	3.3
7-9	13	2.9
5-6	24	5.4
3-4	70	15.6
2	111	24.8
1	165	36.8
none	50	11.2
	448	100.0

dropped in the late 1990's it has risen again during the past two years, reaching 25,057 by the end of 2001.

Private investors accounted for about one third of the share capital at the beginning of the 1990s, and for about one quarter at present. K-retailers and other private enterprises have retained their share of nearly 30%, as have financial and insurance institutions and general government and non-profit institutions retained their share of about one quarter. Sampo, Pohjola and Ilmarinen have long been among Kesko's major shareholders. Major, established Kesko-related shareholders continue to include the Kesko Pension Fund, Vähittäiskaupan Takaus and the K-Retailers' Association. Foreign shareholding in Kesko (nominee registrations included) remained more or less unchanged at 18.1%.

In line with its IR strategy, Kesko continually produces accurate, open and up-to-date information for the markets to serve as a basis for the setting of Kesko's share price. The aim is to make Kesko's activities better known and to increase Kesko's attraction to investors. Kesko publishes its investor in-

formation primarily on its Internet pages in Finnish, Swedish and English. All shareholders are sent the printed Annual Report as well as the financial statements and three interim reports published as part of the TradeMaker stakeholder magazine. Kesko observes a two-week period of silence before publishing information on its results.

Kesko arranges press conferences for analysts and the media when announcing annual and interim results and other significant news, and holds Capital Market Days on various themes once or twice a year. Kesko also participates in investor events throughout Finland, at least once a year in London and in several cities in the United States.

More detailed information about Kesko's shareholders and share trends can be found on the company's Internet pages (www.kesko.fi) "Investor information".

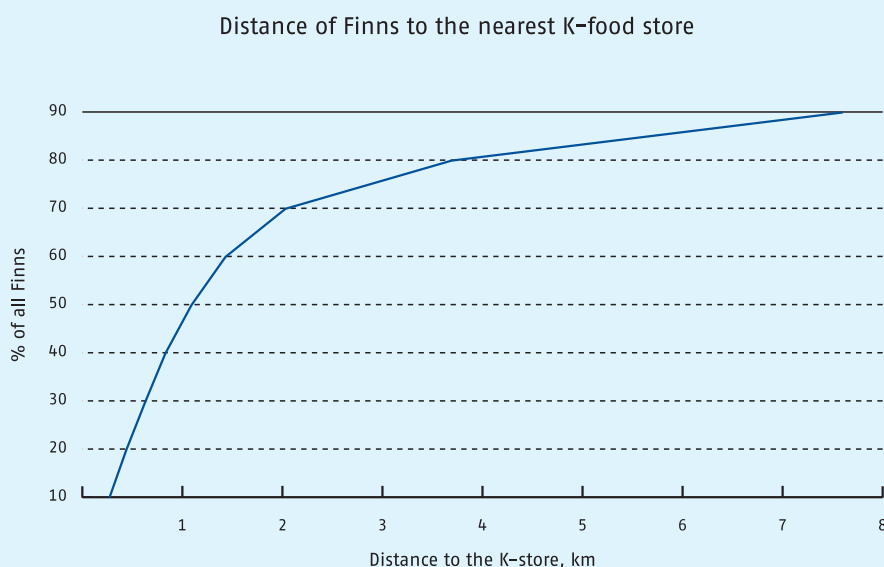
Investments and store network

In 2001, Kesko Group's investments totalled EUR 206 million, 3.3% of net sales. The sum was the second highest ever. Investments in buildings, fixtures and information technology for store sites accounted for the vast majority of this fig-

ure: EUR 160 million. Investments have financially impacted the business operations of construction companies, services companies in the construction sector, suppliers of fixtures, equipment and information systems.

Internal migration continued to be high in Finland. The provinces of Southern Finland, Western Finland and Oulu were the winners, while the provinces of Eastern Finland and Lapland lost population. Consumption habits are also changing. Kesko has to ensure that the K-Alliance store network meets the demand for services as well as possible. This means that Kesko must continuously invest in new store sites and trading centres and build larger stores for home and speciality goods and the hardware trade.

Kesko built 15 new food stores and 10 speciality stores in 2001. The new food stores were mainly K-hypermarkets, K-superstores or small stores in urban centres. The largest outlets (K-hypermarkets) maintained their share of total K-food store sales: 29.6%. The percentage is a little smaller than average for Finnish grocery retailing, and considerably smaller than for most Central European countries.



Number of inhabitants within 1,000 metres of the nearest K-food store by province

	Inhabitants within 1,000 metres		All inhabitants		% of inhabitants within 1,000 metres	
	2000	2001	2000	2001	2000	2001
Southern Finland	1,132,301	1,148,544	2,009,074	2,028,663	56.4	56.6
Åland	12,471	12,532	25,042	25,491	49.8	49.2
Eastern Finland	744,547	710,138	1,803,887	1,810,638	41.3	39.2
Western Finland	259,435	251,658	595,404	588,870	43.6	42.7
Oulu	183,435	177,678	446,700	450,229	41.1	39.5
Lapland	68,692	65,781	196,308	192,482	35.0	34.2
Total	2,400,791	2,366,331	5,076,416	5,096,373	47.3	46.4

Source: Statistics Finland, population square statistics, 31.12.1999
Kesko Corporation, store register, 31.12.2001

Kesko has done its best to safeguard the availability of retail services by offering, in co-operation with K-retailers, a nationwide network of stores with different formats and product selections, complemented by the Anttila mail order business and the NetAnttila online department store.

There were 1,159 K-food stores at the end of 2001, a decrease of 90 from the end of the previous year. Of these, 744 were small K-stores. The stores were located in 398 of Finland's 448 municipalities (see the attached table for specifications).

One indicator that illustrates the service level of the K-food store network is the average distance of Finnish

households to their nearest K-food store. This indicator can be calculated by comparing the data in Kesko's store register with the population squares provided by Statistics Finland. One drawback is, however, that the data of Statistics Finland are slightly older, so the most recent internal migration does not show in the comparison. According to this data, 46.4% of all Finns live at a distance not exceeding one kilometre from a K-food store (and about one half of Finns at a distance not exceeding 1.1 kilometres). This means that the services of the K-Alliance are still, on average, relatively close to customers. The attached table shows average distance to a K-store in each province.

There were 579 K-speciality stores, over 100 Tähti Optikko outlets, and 74 Carrols restaurants. The Carrols chain was sold in February 2002.

Kespro Ltd, Kesko's subsidiary serving restaurants and other catering customers, delivered products to about 6,000 business customers. Therefore Kesko's distribution services cater for nearly 8,000 enterprises, covering practically all Finnish towns and municipalities.

Job development

At the end of 2001, the Group had 14,988 employees, an increase of 1,627 on the previous year. The average total in 2001 was 11,544, representing a growth of 455

Personnel expenses (EUR million)	1999		2000		2001	
Salaries and fees	261	+1.6%	268	+2.7%	267	-0.1 %
– of which profit bonus	5.6		5.4		7.2	
Social security expenses						
– pension expenses	30		22		40	
– other social security expenses	27		26		26	

Productivity (EUR 1,000)	1999	2000	2001
Net sales per employee *	556	568	538
Profit before extraordinary items per employee *	10.5	11.3	7.4

* average number of employees during the year

Taxes (EUR million)	1999	2000	2001
Income taxes to Finland	39	34	30

or 4% on 2000. The average number of personnel is calculated from all employees with permanent or fixed-term contracts, excluding those on long-term leave (e.g. parental leave). Part-time employees are converted into full-time according to their working hours (for instance, an employee working 30 hours per week is equal to 0.8 persons when converted into full-time personnel).

Employee numbers were increased with the expansion of Kesko Food in the Baltic countries and Rautakesko in Estonia and Sweden. The number was decreased by the outsourcing of service and support activities. The majority shareholding (80%) of the Group's IT company, Tietokesko Oy, was sold to TietoEnator Corporation in the spring, which reduced employee numbers by 171. Outsourced activities employed in total about 550 persons. At the end of the year the Group employed 2,188 people abroad, which is 14.6% of all Group employees and 65% more than the previous year.

The Group's structure changed considerably this year, as commercial busi-

ness operations were transferred to the new subsidiaries. Over 3,000 employees were transferred to these companies. The parent company employed 237 people at year-end. When jobs in the Group are roughly divided between wholesale and retail operations, retailing accounts for more than 60%. The retailing business includes the Anttila and Kodin Ykkönen department stores, the non-food trading of K-citymarket hypermarkets, the K-agricultural stores, the Tähti Optikko outlets owned by Kaukomarkkinat Oy and the retail stores of foreign subsidiaries.

12,757 jobs (85.1%) were permanent, while 2,231 jobs (14.9%) were for a fixed term. The 708 people who were absent (on parental leave, military service or other reason) are here included in permanent employees. 26.3% of all Group personnel were part-timers. Nearly all part-time jobs were in retailing companies (42.6% in Citymarket Oy, 39.8% in Anttila Oy), which continually have a great need for both part-time and fixed-term employees.

Kesko has operations in 44 Finnish

localities. Slightly over half of Kesko personnel in Finland work in the greater Helsinki area and the other approximate 6,000 staff in other parts of Finland. K-stores, retailers included, employ about 25,000 people in all and as there are one or more K-stores in nearly every Finnish municipality, the nearly 40,000 jobs offered by the K-Alliance extend well-being throughout Finland.

Salaries, social security expenses and taxes

In 2001, Kesko Group paid salaries totalling EUR 267.4 million, pension expenses of EUR 40.0 million and other social security expenses of EUR 26.2 million.

Theoretical income taxes totalled EUR 30 million, which tax authorities divide into the localities where Kesko Group operates. Kesko paid EUR 2 million in real estate taxes to about 100 municipalities.

In addition to direct taxes, Kesko also has a significant number of indirect taxes and fees, such as value added taxes, car taxes, alcohol taxes, customs duties, employee payroll taxes, pension contri-

butions based on the Employees' Pension Act, social security payments, etc. Although these payments are indirect from Kesko's viewpoint and cannot be included in the sphere of corporate responsibility proper, Kesko has assumed full responsibility for making all payments and fees to society on time and in full.

Employee pension and health insurance systems

The Kesko Sickness Fund is responsible for the statutory sickness insurance of Kesko Group's subsidiaries and Kesko-related units. The Sickness Fund covers over 10,000 employees. In 2001, the sickness insurance contributions paid by the Sickness Fund totalled EUR 5.9 million.

The Kesko Pension Fund is responsible for pension contributions, based on the Employees' Pensions Act, of those employees of Kesko Corporation, division parent companies and some other societies close to Kesko who are members of department B. Varma-Sampo is responsible for the corresponding pension contributions of employees of other subsidiaries. The Pension Fund also has department A (closed on 8 May 1998), which provides extra benefits, including a pension level exceeding the statutory one - a maximum of 66%. Those employ-

ees who are members of department A have some pension types outside the statutory system available to them, such as an early retirement pension, granted for production reasons.

In 2001, the Kesko Pension Fund paid a total of about EUR 40 million in pensions to 2,950 people. The Pension Fund covered nearly 4,000 Kesko Group employees at year-end.

The Kesko Pension Fund has made profitable investments in recent years and pension expenses fall short of the average national level. In 2001, proceeds from investments were lower than in 1999-2000, which raised pension costs back to the level of 1998.

Suppliers of goods and services

In 2001, Kesko's purchases from Finnish suppliers totalled EUR 4,325 million, while purchases from abroad were EUR 1,008 million. The value of purchases from Finland dropped by 8% from last year, while those from abroad increased by 24%. However, these figures do not show the proportion of domestic products sold, as Kesko registers purchases from importers operating in Finland as domestic. Services of mainly Finnish origin totalled EUR 75 million.

The sphere of economic impact also

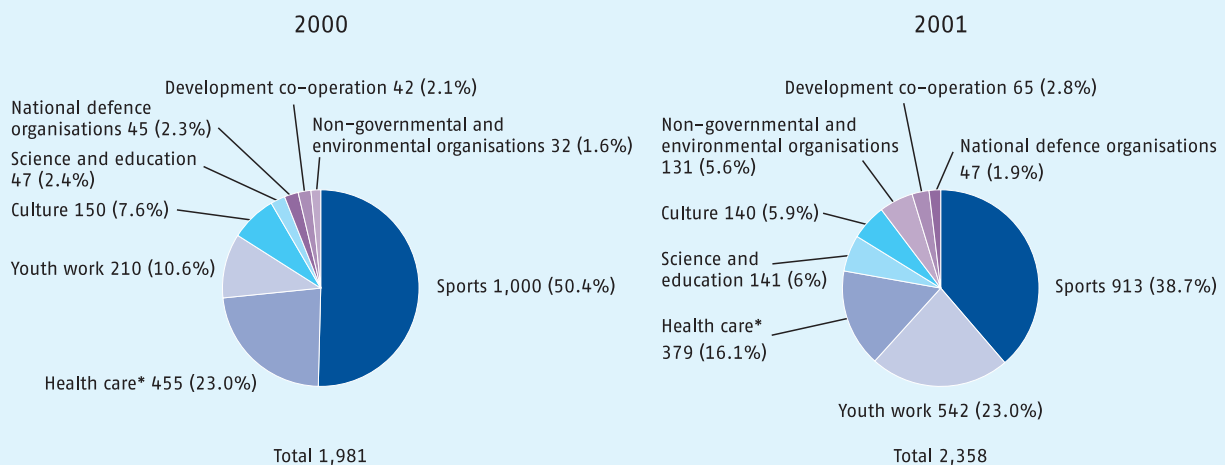
covers investments, which amounted to EUR 206 million. The majority of the invested funds were used for buildings, equipment and information technology.

The economic impact of Kesko's operations on the suppliers of goods and services could be analysed, for instance, by preparing statistics on the development of supplier numbers, by arranging them in size according to Kesko's purchases, by finding out how much of each supplier's sales is Kesko, etc. With the present information system these kinds of specifications have, however, been difficult to do. As Kesko is currently introducing a SAP operations control system that will considerably improve monitoring opportunities, more specific surveys will be started after the system has been completed.

Financial support

Kesko and its subsidiaries have traditionally given support to those mainly nationwide organisations that work for the good of society. In recent years, support has been focused on youth and sports organisations, the promotion of a healthy way of life and children's health care. Major donations have been given to nearly one hundred recipients. In addition to Kesko's contri-

Kesko's support to community projects (EUR 1,000)



* part of funds donated by K-store customers



butions, K-retailers' give significant support to local organisations and sports clubs.

Drawing a line between donations, sponsoring and marketing is often difficult. When pure marketing measures are left out of the calculations, the financial support provided by Kesko Group for community projects in 2001 amounted to nearly EUR 2.4 million, compared with EUR 2 million in 2000. Nearly 40% of this amount was given to sports and physical exercise organisa-

tions (for example the Finnish national alpine skiing teams, the Football Association of Finland and scholarships for young athletes). Nearly one quarter (EUR 540,000) was donated to youth operations - with the Nuori Suomi (Young Finland) organisation being the most important partner - and EUR 380,000 to children's health care (for example, to the godparents operations of the Lastenklintikka children's hospital and to the K9 intensive care unit for children and the young at Helsinki University

Hospital). The proportion of Kesko's support going to youth operations, science and education as well as non-governmental and environmental organisations increased, whereas the proportion going towards sports and children's health care decreased.

Environmental performance



Key environmental performance in 2001

- Certification of the ISO 14001 environmental system progressed significantly
- The calculation model of sustainable logistics was implemented in full
- Pilot projects of eco-efficient business construction were completed
- Monitoring of energy consumption in real estate was expanded and improved
- New energy monitoring revealed that the specific consumption figures previously reported were short of the real ones
- The desired accuracy was not attained in calculating the environmental profile of energy
- Domestic purchasing and trunk transport were included in the calculations
- The total kilometres driven in deliveries decreased and the volumetric efficiency of loads improved
- The relative proportion of packaging of imported volumes continued to decrease slightly
- Sales of organic foods increased strongly
- Kesko was recognised for its work in eco-efficient construction, decreasing waste and reporting about corporate responsibility

As this is Kesko's fifth environmental report, comparative information is now available on key environmental impacts for many years. The indicators have been refined as the environmental management system and environmental calculation model have been introduced in the Group's various units. Energy and waste management statistics, for example, now cover a much larger proportion of Group operations than a few years ago. Thus, although the figures may show in some cases that environmental impacts have increased, the real reason for this growth is usually more accurate calculation.

After many years of work, Kesko's environmental calculation model was implemented in full in 2001. It allows us to set more accurate targets, compare different options and monitor both the costs and the environmental indicators.

The human resources available for environmental operations have been increased. Although all the division parent companies and many other units have appointed one person to be responsible for environmental work, the exact job description differs by company. In most cases, environmental responsibility is linked with development, quality and control. For the Group as a whole - K-retailer chains included - the work is co-ordinated by a joint work group set up by Kesko and the K-Retailers' Association.

More information on Kesko's environmental performance can be found on our Internet pages.

Progress of the environmental system

Those Kesko units with the biggest envi-

ronmental impacts have environmental systems complying with the ISO 14001 standard. In January 2001, the logistics of Kesko Food Ltd, the biggest divisional parent company, and Kespel Ltd, the transport and forwarding company, became the first companies in the Finnish trading sector to obtain ISO 14001 certificates. An environmental system is currently being set up for the purchasing operations of Kesko Food, and should be completed by the end of 2002. ABB Kiinteistöpalvelut Oy, which looks after and maintains Kesko's real estate, also has the ISO 14001 certificate.

In March 2002, Anttila Oy became the first Finnish retail company to be ISO 14001 certified. Certificates were awarded to three Anttila department stores, three Kodin Ykkönen department stores (home goods and interior decoration) and the real estate operations of the Pitäjämäki central unit. Within a few years, all department stores and the central operations of the company will be included in the certified environmental system.

Environmental calculation

The KELO environmental calculation model (KELO is short for sustainable logistics in the Finnish language) of Kesko's logistics chain was introduced in the logistics warehouses of Kesko Food and at Kespel Ltd, and, where suitable, at Rautakesko and Anttila. In addition to the waste management model previously introduced, KELO now includes a transportation model (purchasing and delivery transport, vehicle costs monitoring), a transportation fleet monitoring model, a return logistics model and a packaging

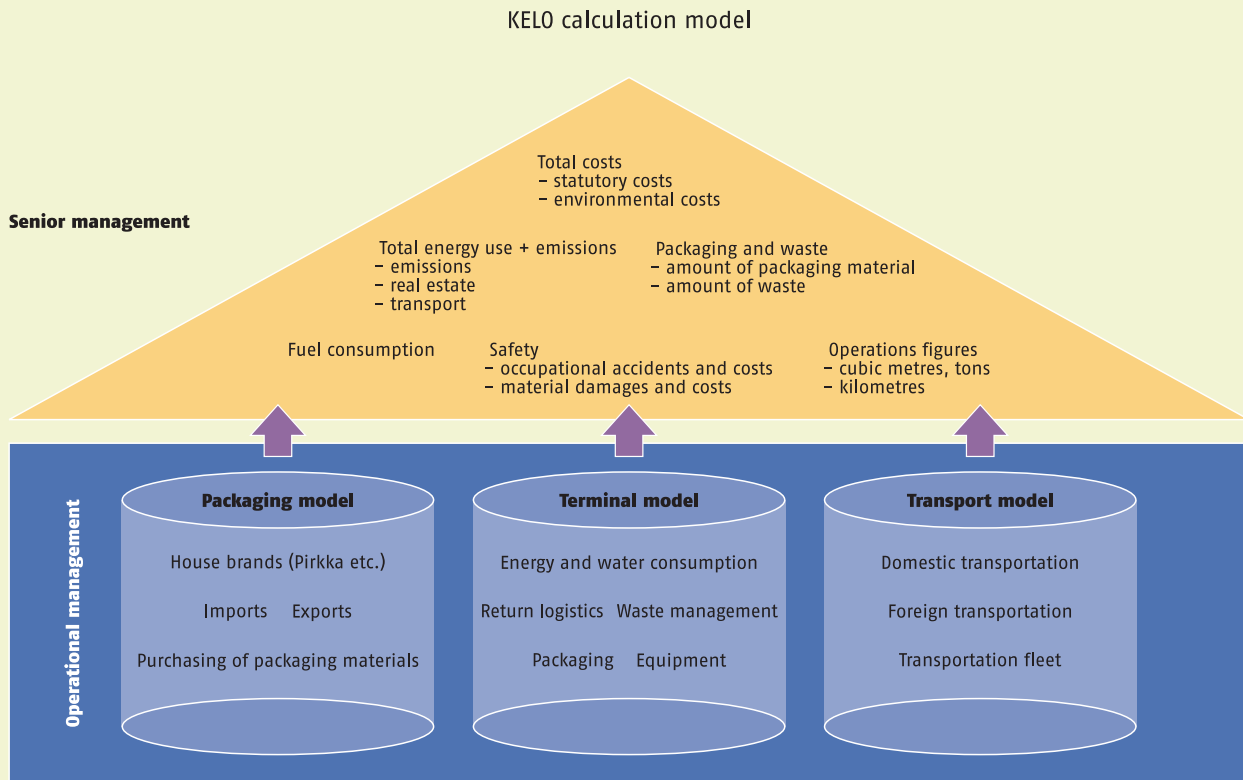
model - all of which were built in co-operation with Kesko, Tietokesko and QPR Software. A patent is being sought for the whole EU area.

In 2001, the waste management model was extended to the Anttila and Kodin Ykkönen department stores using the environmental system. We also intend to introduce it during 2002 in some pilot stores in the K-citymarket and K-superstore chains. The model's automatic data transfer will be developed in co-operation with waste management operators in 2002.

Eco-efficient real estate

Kesko applies the principles of eco-efficient construction in all its major building projects. This means that the entire life cycle of the real estate is taken into account - starting from site acquisition to the supposed demolition of the building. Kesko's 'core and shell' concept divides business buildings into the 'shell' (the real estate itself) and the adaptable 'core' (the business operations), which differ as to their expected life cycles. The key factors are the versatility of the shell and the adaptability of the systems inside. The goal is to minimise energy, alteration and other costs during the building's life cycle for environmental and economic reasons. When energy consumption and premises adaptability are managed and controlled throughout the life cycle, the operating expenses of business premises will remain low and the competitiveness of the tenants will improve.

Planning is the primary tool used when aiming at life cycle efficiency. High-quality planning reduces environ-



mental impacts. Eco-efficient construction requires simplification, keeping to the basics, recognising what is essential, and considering potential alternative uses during the life cycle at the early planning stage. Co-operation with various parties and experts will create business premises with a reasonable investment and lower-than-normal costs throughout the life cycle.

Kesko has developed planning at both the project and implementation stages and participated in research projects on eco-efficient construction that help us promote, measure and verify how well the targets have been reached. These projects include the Technical Research Centre of Finland's EcoProp programme that has defined environmental targets at the project and implementation stages and the REKOS programme that has developed the planning process and environmental labelling for business construction, using the K-citymarket in Forssa as a pilot store. Suitable software for the purpose of life cycle comparisons in business construction is being tested at the K-citymarket in Kivi-

haka in Vaasa, while the real estate and construction sector's ProGresS programme is developing the environmental classification of buildings. Kesko's Senior Vice President for Real Estate was Chairman of the Management Board of the ProGresS programme in 1999-2002.

Energy consumption in real estate

At the beginning of 2001, Kesko outsourced the maintenance of its real estate to ABB Kiinteistöpalvelut Oy, which has brought more environmental expertise to this task and has helped Kesko to strengthen its position as a frontrunner in cutting energy consumption.

The monitoring system for energy consumption was significantly improved during the year.

In measurement, a system of distance reading by hours was adopted in co-operation with Energiakolmio Oy, allowing for fast detection of problems and immediate corrective actions. About 60% of all consumption is now measured, which is sufficiently high to make the consumption calculation for all real estate much more accurate than before. Earlier, envi-

ronmental calculations only included the electricity consumption of those K-retailers operating in Kesko's store premises who purchased their energy through Kesko. Now the electrical energy bought from outside Kesko is also included, which means that the indicators obtained are more comparable with single-owner retail chains.

Because energy monitoring changed so profoundly in 2001, the consumption data for 2000, too, has now been calculated using the new database and method. The new time series - for both total and specific consumption figures - starts from the year 2000. The statistics for earlier years are not comparable with the new ones. So far, only the Finnish operations are included.

At the end of 2001, the total floor area of real estate owned or leased by Kesko - the figure used in environmental calculations - was 2,603,617 m², an increase of 6.4% over the previous year.

The combined energy consumption of Kesko and the K-retailers operating in Kesko's premises in 2001 was 745 GWh, of which Kesko (Kestra) pur-

chased 494 GWh. Kesko's purchases of electricity increased by 10.5%, because the number of premises included grew from 718 to 810. The K-retailers also purchased 251 GWh from other suppliers of electricity. The amount of heat energy used totalled 272 GWh.

Similar calculations changed the total consumption of electricity in 2000 to 736 GWh and the total consumption of heat to 230 GWh. The comparable growth in the consumption of electricity from 2000 to 2001 was 1.2% and that of heat 18.2%.

The combined annual electricity consumption per m² dropped by 6% from 301 kWh to 283 kWh. There are now specific electricity consumption figures available by store type. The electricity consumption per m² of the K-citymarkets is the lowest, being only half that of the K-neighbourhood stores.

The annual heat consumption per m² increased by nearly 10% from 94 kWh to 103 kWh. Because the heating requirement rate increased by 17% in the Helsinki metropolitan area in the same period, the use of heat energy actually became more efficient.

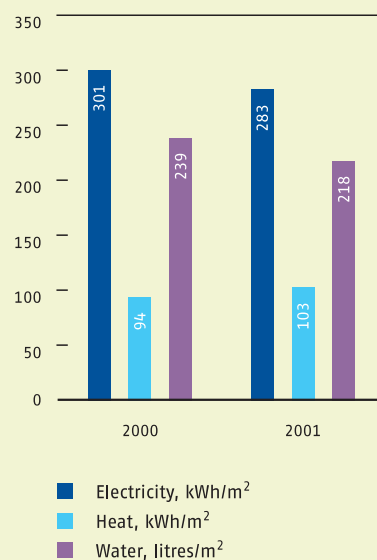
Kesko has adopted the KRESS real estate and construction sector energy saving agreement, which aims to cut the 1998 level of specific heat consumption by 15% by 2010 and to turn the growth in specific electricity consump-

tion into decline by 2005. The preliminary outlook is promising and shows that the investment payback periods are only from 0.5 - 2.0 years.

Environmental profile of energy

In the 1999 and 2000 reports the environmental profile was calculated for electricity purchased by Kesko, on the one hand, and for the consumption of electricity and heat in the premises owned or leased by Kesko (to the extent energy was purchased by Kesko), on the other hand. Now the calculations also include the energy the K-retailers in these premises have purchased from outside Kesko. Though Kesko has been unable to affect all the purchasing decisions described, the inclusion of direct purchases by retailers is here justified to make the indi-

Specific consumption of electricity, heat and water in the real estate owned or leased by Kesko in Finland in 2000–2001



Environmental profile of electricity supplied by Kesko to the K-Alliance real estate in 1999–2001

	Unit	1999	2000	2001
Electricity supplied	GWh	444	447	494
Primary energy	PJ	3.5	3.4	3.8
– non-renewable	PJ	3.0	3.2	3.5
– renewable	PJ	0.5	0.3	0.2
Change in climate	tn CO ₂ eq	73,157	152,398	169,936
Acidification	tn SO ₂ eq	212	364	399
Ozone in lower atmosphere	tn C ₂ H ₄ eq	3.3	6.6	7.5
Radioactive waste	tn	6.5	0.39	0.42

Consumption and environmental profile of heat and electrical energy in the real estate owned or leased by Kesko in Finland in 2000 – 2001

	Unit	2000			2001		
		Heat	Electricity	Total	Heat	Electricity	Total
Volume	GWh	230	737	967	272	745	1,016
Primary energy	PJ	0.9	5.7	6.6	1.1	5.7	6.8
– non-renewable	PJ	0.8	5.3	6.1	0.9	5.3	6.2
– renewable	PJ	0.2	0.4	0.6	0.2	0.4	0.6
Change in climate	tn CO ₂ eq	56,736	250,631	307,366	67,065	256,113	323,178
Acidification	tn SO ₂ eq	185	598	783	219	602	821
Ozone in lower atmosphere	tn C ₂ H ₄ eq	4.5	10.9	15.4	5.3	11.2	16.5
Radioactive waste	tn	–	0.65	0.65	–	0.64	0.64

cators of energy efficiency of the K-Alliance's real estate comparable with other retail trade chains.

As in 2000, JP-Talotekniikka/Environmental services has calculated the environmental profile using the 'benefit sharing method'. The basis of the environmental profile for heat energy has remained the same (The Technical Research Centre of Finland: Average district heating in Finland, 2000). When the profile of electricity was calculated, the two energy plants supplying Kesko (Helsinki Energy 98.8% and ESE 1.2%) had no environmental information calculated on the 'benefit sharing method' available for 2001. So the profile for 2001 has been calculated on the basis of the environmental data for 2000. During 2001, these suppliers gave more specific figures on their electricity purchases in 2000, which have been taken into account in the profile for 2000. No detailed supplier breakdown of electricity purchased by K-retailers from elsewhere has been prepared. For this part, the environmental profiles for both 2000 and 2001 have been calculated on the basis of the average environmental information on Finnish electricity pro-

duction for 2000.

In terms of Kesko's reporting it is deplorable that, when the environmental impacts of heat and electricity production are described, we have to rely on information as old as this. However, as the production structure of energy plants has not varied much in recent years, it can be assumed that the indicators are very much correct. Kesko aims to influence the suppliers of electrical energy to ensure that, instead of historical information, buyers will have as certain information as possible about the environmental properties of the energy offered for a future period, during negotiations.

As to Kesko's purchases of electricity, the environmental profile calculated in this way changed to the same degree as the amount of purchases. The profile of electricity purchased for the K-stores from outside Kesko does not differ much from the profile of Kesko's purchases.

Kesko's own purchases of electricity account for about 0.23% of the total impact on Finnish climate change and about 0.29% of the total consumption of Finland's energy resources.

Transport

With the exception of Anttila, Kesko's subsidiary Kesped Ltd is in charge of all Kesko's distribution deliveries. Kesped owns 35 distribution lorries and also uses 214 contract lorries. In 2001, the company transported nearly 106,000 loads (a decrease of 1%) representing 644,300 tons of goods (a decrease of 2%) to K-stores and other customers. The total distance driven in distribution transportation was 17.3 million km (a decrease of 4%). An average load contained 6,082 kilos and 18.9 m³ of merchandise, and the average driving distance per load was 163 km.

The volumetric efficiency of loads increased in the distribution areas of Helsinki, Tampere and Kuopio and the driving distance per load dropped in all areas except Helsinki. An average of 3,300 customers are served each day.

Kesko Food started co-operation with Valio in the delivery of frozen foods in April 2002. Kesko Food controls the deliveries and is responsible with Kesped for direct deliveries of frozen foods to K-citymarkets and K-superstores from Vantaa. Because Kesko

Volume of imports handled by Kesped Ltd forwarding in 2001 (tons)

Kesko Food	200,000	79.2%
Rautakesko	21,000	8.3%
Kesko Agro	15,500	6.1%
Keswell	16,000	6.4%
Total	252,500	100.0%

Kesped Ltd's distribution figures in 1999-2001

Distribution centre	tons/load				km/load				m ³ /load			
	1999	2000	2001	change 00/01 %	1999	2000	2001	change 00/01 %	1999	2000	2001	change 00/01 %
Helsinki	6.0	5.9	6.0	+1.9	119	124	129	+3.7	18.3	18.2	18.7	+2.7
Tampere	6.5	6.1	6.1	+0.9	197	193	180	-6.9	18.8	17.7	18.3	+3.0
Turku	5.5	5.1	4.9	-4.1	128	125	119	-5.2	16.4	15.1	14.9	-1.4
Kuopio	7.8	7.6	7.6	+0.0	263	262	259	-1.1	24.4	24.3	24.8	+2.2
Oulu	7.7	7.3	6.2	-14.5	285	269	238	-11.8	22.9	21.9	19.6	-10.5
Kesped total	6.4	6.1	6.1	-1.0	169	168	163	-2.7	19.3	18.7	18.9	+0.9

Food and Valio primarily have the same customers, the arrangement will cut delivery costs and the number of lorries driving to stores and thus improve the logistical and environmental efficiency of distribution.

Anttila's delivery transports are handled by 12 companies. 10,200 loads were delivered and 536,400 km were driven, an increase of 3% over the previous year.

So far, there are no corresponding statistics on the purchasing transport of the Kesko Group. Kesped is in charge of an estimated 55% of purchasing transportation, totalling 7.0 million km driven. Trunk transport from the central warehouse to the district centres made up 4.3 million km, so the total number of kilometres driven by Kesped in 2001 was about 28.6 million.

The total volume of imports forwarding for which Kesped Ltd was in charge was 252,500 tons, a decrease of 7.4% on the previous year. Transportation from within Europe was handled by lorries, semi-trailers and containers, and from outside Europe by containers only. Kesko Food accounted for 79% of all imports.

Export deliveries, mainly to Sweden, the Baltic countries and Russia, were handled by lorries. The total volume of exports, grain trade excluded, was 14,100 tons, of which Rautakesko accounted for 75%.

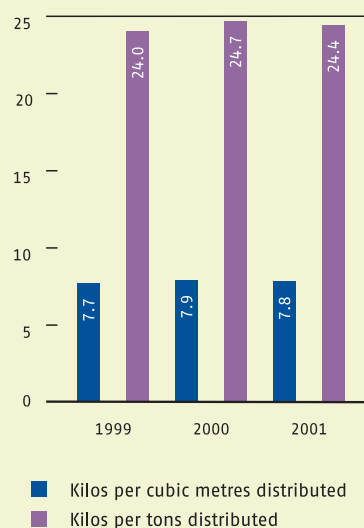
Emissions in transport

No vehicle-specific fuel consumption statistics on Kesped's transportation, or a statistical breakdown between urban areas and the countryside are yet available. Therefore, energy consumption and emissions in domestic deliveries, based on kilometres driven, have been calculated by using the average factors studied by the Technical Research Centre of Finland for road traffic ('LIISA', 1999). Emissions in distribution transportation are presented here separately, because the statistical data concerning distribution is specific and the trends for several years available. Emissions caused by purchasing and trunk transportation have now been calculated for the first time on the basis of estimated kilometres driven. The combined figures for emissions in purchasing, trunk and distribution transportation are not completely accurate, but they give a sufficient idea of the size category of total emissions.

Using this calculation method, emissions in distribution decreased in the same proportion as the kilometres driven that is by 1%. The improvement in volumetric efficiency meant that emissions by both cubic metre and ton decreased.

Improvements in the efficiency of distribution and its environmental impact do not depend on Kesko's or Kesped's activities only. The number of customers to be served, their location

CO₂ emissions of Kesped Ltd distribution per volume unit



and the size of orders significantly affect the final result.

Emissions from the energy used by real estate are discussed on page 25.

Kesko's operations do not cause any significant discharges into waterways.

Carbon dioxide balance of the Group

The carbon dioxide emissions of listed companies in Nordic countries are now monitored by the 'Green Index'. This index includes purchasing and distribution transport, emissions caused by energy production for real estate, the possible

Energy consumption and emissions in domestic distribution transport

	Transport 1,000 km	Energy consumption MWh	Emissions, tons				
			CO ₂	CO	HC	NO _x	Particles
1999							
- Kesped	17,073	56,830	15,485	61	22	157	14
- Anttila	433	1,441	348	1.4	0.5	3	0.3
2000							
- Kesped	17,993	59,891	16,320	65	23	166	15
- Anttila	519	1,728	418	1.6	0.6	4	0.4
2001							
- Kesped	17,303	57,597	15,694	62	22	159	14
- Anttila	536	1,784	486	1.7	0.6	4	0.4

use of fuels (other than transport) and the business trips of personnel by various vehicles. The emissions are compared with the net sales of the company, and a parameter of tons of CO₂ per EUR 1 million in net sales is obtained.

Kesko can calculate the indicators required, with the exception of purchasing transportation from abroad (available in the near future) and trips by personnel in public transportation (airlines, Finnish State Railways, etc. do not provide information on kilometres covered, which is needed for emission calculations).

Kesko's parameter for 2000 was 34 tons of CO₂ emissions per EUR 1 million in net sales. The parameter did not include the electricity purchases of the K-retailers operating in premises owned or leased by Kesko. The more accurate energy figures available for real estate have not been changed in the parameters afterwards, which means that the figure calculated for 2001 is not comparable with the figure for 2000 as far as real estate is concerned.

When the balance for 2001 was calculated, the electrical energy consumption of K-retailers operating in Kesko's store sites was taken into account. For this part, the comparison with net sales is done in such a way that overlapping net sales have been eliminated by deducting the K-retailers' purchases from Kesko from their net sales. The proportion of the K-retailers operating in Kesko's premises is estimated to be around 65% of the total K-store sales.

Calculated like this, the parameter for 2001 in carbon dioxide emissions is 42 tons per EUR 1 million in net sales.

Water consumption

In 2001, the monitoring of water consumption was revised in the same way as monitoring of electricity and heat energy consumption. Both the number of premises included in the calculation and the proportion of measurements increased significantly, and the consumption estimate for all premises is now much more

Kesko's carbon dioxide balance for 2001 (tons of CO₂ emissions per EUR million in net sales)

	tons of CO ₂	tons of CO ₂ per EUR million
Transportation		
- purchasing transport (7.0 million km)	6,300	
- trunk transport (4.3 million km)	3,900	
- delivery transport (17.8 million km)	16,200	
Cars used for business trips (16.6 million km)	3,500	
Total (divided by net sales of EUR 6.2 billion)	29,900	4.8
Heat energy of real estate	67,000	
Electrical energy of real estate	256,000	
Total (divided by net sales of EUR 8.7 billion *)	323,000	37.1
Grand total		41.9

* When the real estate's CO₂ figure of energy consumption in relation to net sales was calculated, Kesko's net sales and the net sales of the K-retailers operating in Kesko's store premises minus their purchases from Kesko were taken into account.

Packaging material used for products imported or packaged by Kesko (tons) and the share of packaging of the total product weight (%).

	1999	2000	2001
Fibre	18,591	18,139	17,226
Plastic	3,540	3,800	3,149
Metal	2,899	2,875	2,333
Glass	1,126	1,248	1,006
Wood	2,114	1,908	1,927
Total	28,271	27,971	25,641
Share, %	10.9	10.3	10.2

accurate than in previous years. The statistics for 2001 have now been complemented with comparable consumption figures calculated for 2000, and the new time series indicating total and specific consumption starts from 2000.

According to the data released in 2001, the total water consumption in 2000 was 525,000 m³, but the recalculation raised the figure to 584,000 m³. In 2001 consumption dropped by 1.8% to 574,000 m³. The specific consumption of the whole real estate decreased by 8.8% from 239 litres to 218 litres per m².

Use of materials

Kesko continues its active work for packaging standardisation, use of envi-

ronmentally sound materials and reduction in the amounts of materials by its active work in Finnish producer institutions and international standardisation organisations.

Evaluations of the packaging data of Kesko's divisions for 2001 are still mainly based on import forwarding statistics. In the future, the packaging model included in the KELO model will help in data collection and target setting. Kesko Food's Purchasing and Logistics units are committed to ensuring that packaging data (on all products imported by Kesko and on all their own products) is included in the data bank during 2002, and to reporting on developments three times a year. They will favour standard

measurements, avoid the use of mixed materials and promote the replacement of disposable packages with reusable ones. In 2002-2003, Kesko intends to optimise the packaging of house brands.

The total amount of materials in packaging imported or packed by Kesko decreased by over 8% from 27,971 tons to 25,641 tons. As the amount of imports decreased by over 7%, the relative proportion of packaging in the total weight of imported volume continued to decrease slightly, dropping to 10.2%.

In Kesko Food, the number of reusable Transbox cases and the times they were used increased considerably. In Rautakesko and Kesko Agro, the use of reusable roll containers, crates and pallets dropped from the previous year. In Keswell, the use of crates, pallets and long furniture pallets increased considerably.

Waste management and recycling

In Kesko Food, the waste management section of the KELO model for environmental calculation has produced statistical data from all distribution centres from the beginning of 2000. During 2001, the accuracy of statistics concerning metal, paper and film plastic improved in all distribution centres. Statistics include all corrugated board sent for reuse from the K-stores.

The Helsinki Metropolitan Area Council Waste Management awarded the 2001 Natural Resource Saver prize to Kesko Food. The prize was given for the work done at the Central Warehouse 2 to reduce the amount of waste and promote recycling. Waste management operations at the Central Warehouse are based on clear guidelines and areas of responsibility and annual targets have been set. All waste components are sorted at the place they are generated and all indicators of waste management are based on weighing data. Achieving the targets will affect quality bonuses. Progress is monitored monthly and discussed at staff meetings. Immediate

Waste management statistics (tons)

	Kesko Food				Keswell			
	1998	1999	2000	2001	1998	1999	2000	2001
Organic waste	450	494	660	791	-	-	3	3
Energy waste	355	318	357	341	249	10	30	-
Wood waste	665	785	589	620	135	191	141	30
Mixed waste	569	637	1,159	997	121	126	150	84
Metal	*	*	43	333**	*	*	20	2
Film plastic	79	75	113	185	36	23	*	*
Corrugated board***	152	175	5,421	5,278	*	*	407	436
Paper	*	*	136	210	*	*	37	39
Total	2,270	2,484	8,478	8,755	541	350	788	594

	Rautakesko + Kesko Agro				Viking Coffee			
	1998	1999	2000	2001	1998	1999	2000	2001
Organic waste	-	-	14	30	79	64	75	64
Energy waste	62	33	129	95	54	51	29	12
Wood waste	103	94	143	159	-	-	-	-
Mixed waste	245	195	211	211	49	49	39	31
Metal	-	-	-	25	-	-	-	-
Film plastic	*	*	17	17	-	-	-	-
Corrugated board	*	12	73	23	-	-	-	-
Paper	*	*	*	50	-	-	-	-
Total	410	334	587	610	182	164	143	107

* information has not been collected or it is inaccurate

** 2001 is the first year when metal was collected on a full scale

*** starting from 2000, figures include corrugated board collected at K-stores

Recoverable packaging sent back in Kesko Food's return logistics (million pcs)

	1997	1998	1999	2000	2001
Aluminium cans	11.0	13.2	12.5	12.7	14.1
Disposable bottles	1.4	1.3	1.5	2.0	2.2

Reusable packaging sent back in Kesko Food's return logistics (1,000 pcs)

	1997	1998	1999	2000	2001
Transbox cases	1,300	3,700	4,200	3,900	4,700
Roll containers	1,400	2,000	2,300	2,400	2,390
Return pallets	264	342	361	387	403
Deposit bottles	*	936	890	1,002	922

* information has not been collected

Reusable packaging sent back to Rautakesko's and Kesko Agro's central warehouse in return logistics (number of re-uses)

	1999	2000	2001
Crates	44,300	50,500	46,100
Roll containers	79,200	78,500	71,700
Return pallets	171,000	171,650	157,000

Reusable packaging sent back to Keswell's central warehouse in return logistics (number of re-uses)

	2000	2001
Crates	94,545	99,273
Borrowed cases	39,000	39,000
Return pallets	222,000	240,000
Cardboard collars	11,865	7,500
Long furniture pallets	13,000	15,600

Trends in the number of K-environmental stores

Chain	1998	1999	2000	2001
K-citymarket	3	33	38	41
K-superstore	9	37	49	51
K-supermarket	11	30	43	50
K-neighbourhood store	8	24	29	18
K-extra	3	7	6	2
Rimi	-	1	1	1
Other food stores	1	2	1	1
K-rauta	-	-	3	11
Rautia	-	-	-	5
Total	35	134	170	180

feedback is given by recipients of reusable materials, if any quality problems arise in sorting. Kesko Food has insisted that subcontractors operating in its premises follow the instructions given on sorting.

The amount of mixed waste generated at Kesko Food's warehouses dropped from 0.45 kilos to 0.42 kilos per m³, a decrease of 7%. 88% of all waste was recovered. At the Anttila central warehouse, the amount of mixed waste dropped by 9% and the recovery rate was 85%. The total amount of waste at the Viking Coffee roastery continued to decrease, but increased slightly in proportion to the amount produced.

Developments in the products trade

For many years, Kesko's division parent companies have co-operated with suppliers to improve the environmental properties of products and packages. As environmental impacts must be assessed for the entire life-cycle, the achievement of visible results has been difficult. In practice, life-cycle assess-

ments are very rare, and so environmental labelling has not gained popularity. Information about environmentally-friendly products can be given to consumers primarily through environmental symbols.

At the end of 2001, Kesko Food had 336 organic products and 221 products with environmental labelling. The house range, Pirkka, had 30 organic products and 10 products with environmental labelling. Additionally, there were 30-40 types of organic fruits and vegetables available depending on the season, and individual K-retailers also sold the organic foods of local producers outside Kesko's range. The strong focus on organic products was seen in the fruits and vegetables category in particular, and sales of organic foods grew by 65%. Organic grain products also sold well.

Several projects related to products, packaging, environmental calculation, recovery and recycling are underway in various sectors. More information about them is available on Kesko's Internet pages at www.kesko.fi/environment.

K-environmental stores

Kesko, the K-Retailers' Association and the Finnish Association for Nature Conservation have developed 'the K-environmental store diploma', which is an environmental management system and a marketing concept created for the K-stores. The system aims to help the stores to improve their management of environmental affairs and to give customers an opportunity for more responsible consumption. All K-food stores operating in chains and the K-rauta and Rautia-stores can apply for the diploma. Getting the diploma requires that the retailer, the hypermarket director, the employees responsible for environmental affairs and the whole personnel be trained, and that an environmental audit is passed. In the audit, made by an independent professional, an estimate is made as to whether the store fulfils the detailed and very strict requirements set for awarding the diploma. More specific information on the diploma's requirements is on Kesko's Internet pages at www.kesko.fi/environment.

The framework of the checklist has

remained the same throughout the diploma's existence (for food stores since 1998), but the emphasis changes from year to year. In 2001, the focal points were environmental training and energy savings. The focus will continue to be on energy savings, because it is at present the key target of environmental protection both nationally and globally. Compared with the previous year, the emphasis was slightly shifted from environmental marketing and internal waste management.

Internal waste management is routine in the K-environmental stores, which sort and recycle everything possible in their municipality. Recycling is being continuously improved together with the municipal waste management authorities and waste management companies. The most difficult waste components include styrofoam boxes and packaging plastic, for which many localities have no recovery system available.

Despite less emphasis on environmental marketing, it has nevertheless been visible and more systematic. The K-citymarket chain, in which all stores are K-environmental stores, reported about its environmental actions and environmentally sound products in each Pirkka magazine issued in 2001. The same programme is planned for the year 2002. The K-superstore chain, in which about half are K-environmental stores, specialises in promoting organic foods. Their efforts were seen, for example, in 'the Organic Store of the Year' competition arranged by Finfood, in which 13 of the 20 finalists were K-stores, while the Seilori K-superstore of Espoo was the winner in the category of medium-sized stores for the second year in succession.

Longer opening hours and the growing need for cold storage increase energy consumption in stores. On the other hand, the more advanced technology of new refrigerating equipment saves energy. Energy has also been saved by adjusting the timing and efficiency of air-conditioning and refrigerated equipment, by storing products in cold rooms

on pallets or in roll containers, to allow cold air to circulate around the products efficiently, and by using lighting and illuminated signs only when really needed. To curb their energy consumption, some K-environmental stores have also reduced their sale of beverages at refrigerated premises.

In 2001, the number of K-environmental stores decreased by three. This was mainly due to the reform in chain operations, which involved more than average retailer changes and store refurbishment. The technical improvements that facilitate receipt of the K-environmental store diploma are usually made in connection with refurbishment. By the end of 2001, there were 20 new applicants for the diploma in the spring of 2002. Further information of K-environmental stores can be found on Kesko's Internet pages (www.kesko.fi/environment).

Stakeholder co-operation and communications

During the year, Kesko continued to maintain close contacts with stakeholder groups related to its environmental activities. Contacts with the Finnish and EU authorities were primarily maintained through the Environmental Committee of the Federation of Finnish Commerce and Trade. There was co-operation with suppliers of organic foods and various recycling systems. Kesko continued as a supporting member of the Finnish Association for Nature Conservation and the main sponsor of the family activity project. Kesko Food and Rautakesko developed the K-environmental store diploma in co-operation with the Association's experts.

During the year, Kesko received and also gave recognition for work done for environmental and corporate responsibility.

The Helsinki Metropolitan Area Council Waste Management awarded the '2001 Natural Resource Saver' prize to Kesko Food. Special recognition was

given to the Central Warehouse for their significant work in decreasing waste and promoting recycling.

In the environmental competition of the real estate and construction sector, Kesko's eco-efficient construction model was given an honorary mention in the 'Environmental Deed of the Year' category. According to the jury, Kesko's operational model is based on several innovative ideas, including a clear vision on how to combine ecologically and financially sustainable business operations.

Kesko was awarded as being the best overall reporter of responsibility in autumn 2001, when 'Elinkaari', the Finnish Forum of Environmental Experts, compared environmental and corporate responsibility reports.

In November, Kesko granted over EUR 42,000 in awards to organisations and individuals who have carried out valuable work for sustainable development. Almost 100 applications were made, and three awards of about EUR 8,400 went to: Dodo - Living Nature for the Future Association of Helsinki, the Eskolanmäki School of Kouvola, and the Metsämörriohjaajat Instructors' Association of Kauniainen. Eight smaller awards were also granted. All awardees are presented on Kesko's Internet pages (www.kesko.fi/environment).

Environmental risks, damage and accidents

The management of environmental risks is a part of Kesko's security plan. The greatest risk to a company operating in the trading sector is fire, and the required instructions and training have been given to the personnel to meet this contingency. The environmental management systems of the Group include a level of preparedness for environmental risk management that is fully compliant with the ISO 14001 standard.

No environmental damage or accidents occurred in the Group in 2001.

Social performance

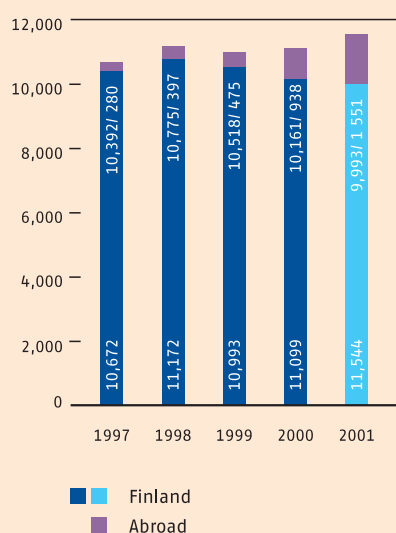
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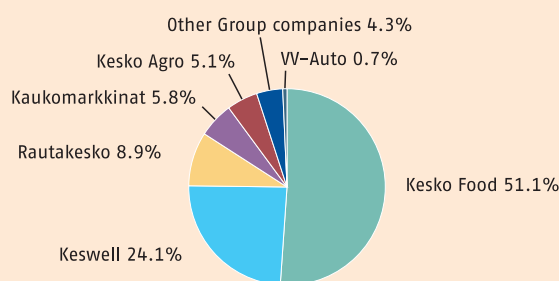
Key social performance in 2001

- Personnel statistics became more accurate and versatile
- Employees' satisfaction in their own job increased
- Employees consider that equality has improved at Kesko year by year.
- The average retirement age is increasing
- Sick leave caused by accidents at work fell to nearly half the level of the previous year
- The number of training days per person decreased, but the amount of money spent on training increased
- K-instituutti trained the personnel of all K-stores in the implementation of the euro
- The social quality control of suppliers is generating results slower than expected
- On Kesko's suggestion a co-operation network for responsible importing was created at the Central Chamber of Commerce

Kesko Group, average number of personnel



Kesko Group personnel by division at 31.12.2001



This social performance report is divided into two parts: the working conditions and terms of the personnel at Kesko Group, and the personnel employed in the supply chain of our products. Now that information systems have been developed, we have more versatile information available on corporate personnel than last year. Data is being collected about the supply chain and will gradually be extended to all suppliers in developing countries. The adoption of the social standard is progressing slower than expected. It seems that the big companies in the food industry are the pioneers, as they have already grown accustomed to using both quality and environmental standards in developing countries.

Employee statistics

The structure of Kesko Group changed considerably during the year. As profit

divisions became Kesko's wholly owned subsidiaries, only 1.6% of all Group employees worked for the parent company by the end of 2001. During the year, the proportion of foreign subsidiaries grew from 8 to 15%.

Number of employees

At the end of 2001, the number of personnel in Kesko Group was 14,988 (compared with 13,361 in 2000). The average number of personnel during the year was 11,544 (for the calculation method, see page 19). Including fixed-term, part-time and summer employees, the Group employed 3,800 new persons, of whom about 2,700 were employed in retailing operations. About 3,500 employees left the Group, of whom about 2,200 had worked in retailing. In 2001, Kesko Group had about 1,100 summer employees, most of whom worked in retailing

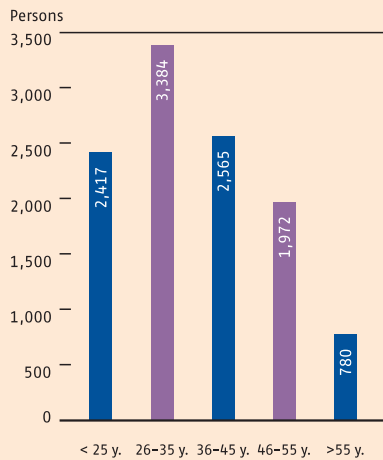
and warehousing. More accurate monitoring of the recruitment and resignation of employees began in June 2001, and the preceding months are included in the figures as an estimate. During the year, there were 500 vacancies at Kesko Group and 194 people retired.

Average age and duration of employment

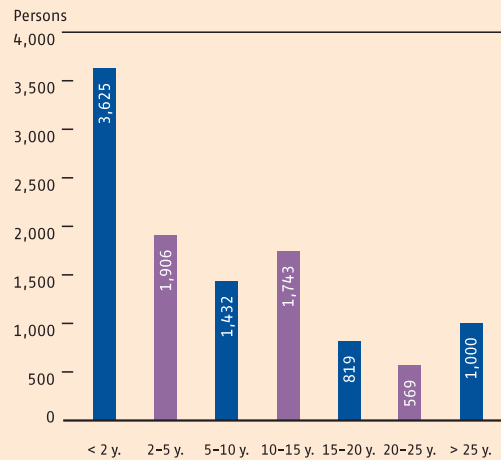
At the end of December 2001, 62.1% of all employees were women and 37.9% men, with the average age of Group personnel being 36.4 years. In subsidiaries engaged in retailing the average age was 34.2 years - nearly 30% of employees were aged under 25. In other subsidiaries the average age was 38.7 years and in the parent company 44.8 years.

The average duration of employment in companies other than retail was 11.8 years. In the Group parent

Kesko Group personnel by age category at 31.12.2001



Employment duration at Kesko Group at 31.12.2001



company, Viking Coffee Ltd, VV-Auto Oy and Rautakesko Ltd, the average duration exceeded 15 years. 9% of all personnel had been employed in the Group for more than 25 years. The turnover of personnel was higher in retailing companies than in other units. Accordingly, 32.7% were employed under two years ago and 17.2% two to five years ago, which means that half of the present Group employees were recruited during the past five years.

Reasons for terminating employment

There is statistical data available on the reasons for terminating employment with the exception of retailing companies. In 43% of all the 1,295 cases where employment was terminated in 2001, the reason given was that people had been hired for a fixed term. In 25% the reason was resignation and in 19% company acquisitions. In 65 cases, 5% of the total number, employment was terminated for production and financial reasons or other reasons based on the Contracts of Employment Act. Retirement accounted for 8% of all terminations.

Kesko's attraction as a workplace

Kesko's attraction as a workplace was studied in several surveys. Among uni-

versity students of technology and business administration (student survey of I.R.O. Research Oy, n=481) Kesko's attraction had grown over the previous year, reaching 6.8 (scale 4-10). The general attraction of the wholesale and retail trade among all respondents was 6.5 and among students of business administration 7.2. The highest ratings, over 8, were given to business service companies, banks and insurance companies, design and research companies and media firms.

Kesko's attraction was considerably higher among polytechnic students (Great employer image survey of Helia, Helsinki Business Polytechnic, 2001, n=1,194). Kesko ranked 8th among the 41 companies and institutions included in the survey. 6.6% of respondents ranked Kesko as their first choice, while 43.9% considered Kesko an interesting employer.

Quality of management

Kesko personnel's job satisfaction is monitored annually through a written job satisfaction survey. The survey is carried out by Gallup SV-Tietopalvelu Oy. Respondents are asked to assess their own jobs (19 statements), their superiors' performance (18 statements), their performance appraisal discussion (2 statements), their unit's operations

(19 statements), Kesko's operations (16 statements) and their overall satisfaction with their employment (1 statement). Personnel also evaluate the management of some affairs related to their employment and employee benefits (the wage level, job safety, staff facilities, health care, staff restaurant, personnel development and training, shopping benefits, operations of the Kesko Staff Club). The outcome of this survey contributes to superiors' profit bonus.

Until 2000, the job satisfaction survey was conducted only among employees working in Kesko's 'basic operations', and Kespro Ltd, VV-Auto Oy and Kaukomarkkinat Oy as well as the retailers Anttila Oy and Citymarket Oy carried out independent surveys not included in the summary reports of the Group. In 2001, an essentially similar survey was extended to these units, so it now covers all corporate operations in Finland.

In 2001, employees' satisfaction with their own jobs and their superiors' performance improved slightly, but the satisfaction ratings of their unit's and Kesko's operations decreased. However, changes in the average values of both categories and separate statements were very small in all directions. Among separate employment-related questions, the best ratings were given to occupational health care, the staff

restaurant and job safety. The overall satisfaction with employment in the whole Group was rated at 3.94 (scale 1 - 5) and in retailing companies at 4.02. In retailing companies, satisfaction with the operations of Kesko, their own subsidiary, unit and performance of superiors exceeded the Group average.

Management quality is evaluated with many surveys on a regular basis. The annual customer satisfaction survey is used to see the development of both external customer relations (such as K-retailers, restaurant and catering customers, construction companies, etc.) and internal customer relations (between different units of the Group). All Group units make annual self-evaluations in teams using the criteria of the Finnish Quality Prize. An in-house quality competition has been linked to this evaluation.

Health and safety

The reporting on absenteeism due to illness for 2001 covers all Finnish operations of the Group. The total number of days employees were absent for was 99,559, 7.8 days per person or 5,661 days per million working hours. In 2000, when the total number was 7.7 days per person, information on retailing companies or Kaukomarkkinat Oy was not included in the figures. The breakdown of total days away from work into paid and unpaid sick days, accidents, care for sick children and occupational diseases is given in the figure below.

Kesko's own occupational health service unit served 6,200 employees of Kesko Group. Occupational health services for the employees of retailing companies are mainly purchased from outside Kesko. Kesko's occupational health service focuses on activities that maintain physical and mental fitness, including well-being at work. In recent years, these activities have accounted for over 40% of the occupational health operations. In 2001, Kesko's occupational health service used EUR 328 per person for the maintenance of physical

Personnel job satisfaction (scale 1-5)

	1997	1998	1999	2000	2001
Own job	3.70	3.68	3.66	3.71	3.72
Superior's performance	3.65	3.64	3.67	3.74	3.78
Unit's operations	3.54	3.52	3.49	3.63	3.60
Kesko's operations	3.82	3.81	3.61	3.61	3.51

and mental fitness and health care.

In the largest division parent companies of Kesko Group, statutory employment accident insurance with a higher excess percentage is applied, as prescribed for big employers. Work safety committees, the occupational health service and accident insurance companies are doing important preventive work, which can be seen in the drop in the number of accidents and insurance premiums. In Kesko Food's logistics, for example, the number of accidents at work in relation to working hours dropped by 30% and the number of sick days by 46% (now 329 days per million working hours) from the previous year. In the whole Group, the number of sick days caused by accidents (commuting included) was 0.3 per employee included in the statistics, totalling 3,408 days (194 days per million working hours).

Salaries and other benefits

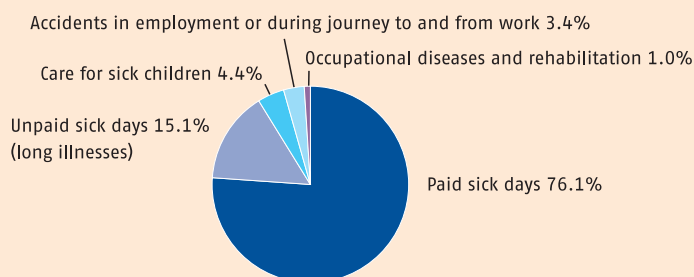
In 2001, the average annual salary of Kesko employees was EUR 23,164 (EUR 24,109 in 2000). The change is due to

the vigorous growth of operations in the Baltic countries where the salary level is lower than in Finland. The amount was calculated using the average number of personnel (for the calculation method, see page 19). Because Kesko Group's operations are very diverse with an estimated 650 different job titles, the average salary is not a very good indicator of salary level and structure. Bonuses paid in March 2001 for the year 2000 under the profit-sharing system accounted for EUR 7.2 million or 2.7% of the total payroll.

In 2001, fringe benefit statistics were extended to cover the whole Group, which explains the high figures in comparison with the previous year. 587 employees had a company car, 640 employees had a company dwelling and 2,216 employees had a company telephone. Seven holiday cottages are rented for employees and their occupancy rate was nearly 100%.

Supporting the Kesko Staff Club, which arranges recreational activities for personnel, promotes well-being in

Absenteeism due to illness in 2001



Statistics cover all domestic operations.
Total number of sick days 99,559.

the working community. The annual budget of the Club was about EUR 0.5 million, which was the same as last year.

Pensions

In 2001, 194 people retired from Kesko Group. Of these, 93 were members of the Kesko Pension Fund and 101 were insured by Varma-Sampo. The latter mainly included employees of retailing subsidiaries. The average age of employees insured by the Kesko Pension Fund is considerably higher than that of those insured by Varma-Sampo.

Membership of department A of the Pension Fund enables early retirement arrangements on certain terms, which affects the average age of retirement. The long-term trend is for the number of pensions granted before old age to reduce. The number of employees retiring on a full disability pension has especially declined, which can be attributed to a great extent to the focus of the occupational health service unit on activities that maintain working capabilities. In 2001, only 14% of decisions made by the Pension Fund applied to disability pensions, compared with 35% in the private sector in Finland overall.

In 2001, the Pension Fund's average retirement age increased to 57.5 years (compared with 56.9 years in 2000). The average age is expected to continue increasing in the near future. The Pension Fund paid an annual average pension of EUR 13,569.

The average retirement age of employees insured by Varma-Sampo was 56.4 years in 2001 (compared with 56.1 years in 2000).

Equality policy

Kesko Corporation and all of its subsidiaries with over 30 employees participate in an equality plan. The plan was prepared in 1996 and its implementation has since been evaluated annually. The complete plan is available in the web version of this report (www.kesko.fi). According to year-end

Men and women by employee category

	Women		Men		Total	
	Number	%	Number	%	Number	%
Top management	5	10.2	44	89.8	49	0.4
Middle management	87	19.1	368	80.9	455	3.9
Superiors, experts	540	55.8	427	44.2	967	8.2
Workers, office workers	6,707	64.8	3,636	35.2	10,338	87.5
Total	7,334	62.1	4,475	37.9	11,809	100.0

statistics, 62.1% of Kesko Group employees were women and 37.9% men. Women accounted for 63% of employees in the parent company, for 79% in subsidiaries engaged in retailing and for 40% in other subsidiaries. In top management, the proportion of women was 10.2%. One of the eight members of the Board of Directors is a woman, and likewise one of the seven Corporate Management Board members.

In addition to top management, the Group has 1,422 directors, managers, superiors and specialists comparable to superiors, of whom 44.1% are women. In subsidiaries engaged in retailing, the share of women in supervisory positions is significant. Statistics show that 79.9% of the department managers in Anttila department stores and 83.8% of the department managers in K-citymarket hypermarkets are women.

The job satisfaction survey examines the views of Kesko employees on the equality between men and women in Kesko. In the 2001 survey, the implementation of equality was ranked at 3.46 (scale 1-5). The mark has improved every year for the past six years. Satisfaction with equality was highest among the personnel of retailing companies: in K-citymarket hypermarkets the figure was 3.66 and in Anttila department stores 3.79.

Training

Statistics on Kesko employees' basic training were completed in 2001, with the exception of retailing companies'

Of the 5,063 persons included in the statistics, 59% had medium-level or lowest high-level vocational training and 15% had higher-level training.

According to the statistics, a total of 19,761 working days, or nearly two days per employee, were spent in training. However, the statistical methods still have shortcomings and the real figure is slightly higher. During the year, a new, more accurate system was created for data collection, but it was not introduced until 2002.

Over 70% of all training was internal, including training at the K-instituutti. As in the previous year, employees in the retailing sector accounted for about half of the total number.

Kesko invested EUR 6.9 million in training, which is the equivalent of EUR 598 per person. The figure was 5% higher than the previous year.

The K-instituutti training centre provided courses for about 9,180 employees of Kesko and the K-stores in 2001. A total of 38 training programmes were provided for sales assistants, retail and Kesko superiors as well as for entrepreneurs. The number of student workdays totalled 22,349. In addition to its regular annual offering, the K-instituutti arranged a separate project offering euro training with nine trainers for K-stores in September-November. There were 6,500 participants in the 250 half-day training events arranged throughout Finland. The participants - K-retailers and check-out personnel - then trained the other K-store employees, about 25,000 in all,



with the help of a training material prepared by the K-instituutti.

569 Kesko employees participated in Master Assistant training arranged by the K-Retailers' Association. The training is mainly organised as distance learning. A total of 9,807 K-Alliance employees participated in this training and 15,000 textbooks were given out as study material.

Unionisation

5,011 (40.5%) of Kesko Group employees are unionised, mainly in the Service Union United. The figure consists of employees whose union membership fee is taken from their salary. Corresponding figures have not yet been collected on employees in foreign subsidiaries.

The shop steward system at Kesko was updated in 2001 along with the establishment of new division parent

companies. An agreement was made with shop stewards to replace the office-specific system with a company-specific system, adopted by all major subsidiaries. However, Kesko Food Ltd continues to have some office-specific shop stewards who also represent the employees of other division parent companies in their operating districts. Kesko Food Ltd has two chief shop stewards, while other companies have one. In work safety organisations employees have elected delegates for each office and store, with some premises also having work safety committees.

In 2001, the lower courts had two (three in 2000) cases concerning employment disputes in the Kesko Group. In addition, the Commercial Employers' Association was a plaintiff in the Labour Court in one case involving Kesko.

Social quality control of suppliers

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Kesko has a responsibility not only for the well-being of its own personnel, but also indirectly for the working conditions and terms of the employees who participate in the manufacture of the products it purchases. Responsibility concerns purchases from developing countries in particular, as national legislation or its supervision is not always sufficient in these countries to ensure that employees have the minimum safety provided by international standards.

Globally, Kesko is too small a buyer to single-handedly produce decisive change in the export industry of developing countries. Kesko has, however, wanted to set an example to promote open discussion on the social quality of products and has developed a code of practice for its own purchasing operations to provide more specified and reliable information about production conditions. The target in the long term is to improve conditions in co-operation with manufacturers and to promote the introduction of corresponding principles of purchasing in other companies both at national and international levels.

Purchasing principles

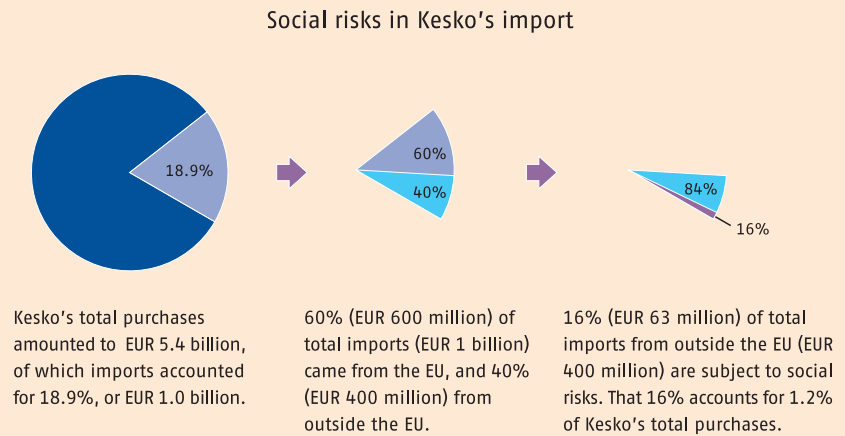
The ethical principles Kesko applies to its imports from developing countries (see www.kesko.fi/inbrief) are based on the United Nations Universal Declaration of Human Rights and Convention on the Rights of the Child and on the International Labour Organisation's key conventions. The international Social Accountability SA 8000 standard (see www.sa-intl.org) is based on these regu-

lations and Kesko's buyers recommend the adoption of this SA 8000 standard to their suppliers. The standard has been developed by Social Accountability International (SAI), a US charitable human rights organisation, in co-operation with representatives from non-governmental organisations, trade unions, business companies, universities and certification institutions.

By complying with the SA 8000 standard, product manufacturers can show customers they fulfil the international minimum standards of working-life. Compliance with the standard is proved by certification, which is granted by an independent, authorised and trained auditor. Although Kesko's buyers have participated in basic training in this standard, an inspection made by them is not sufficient to guarantee the social reliability of production. Auditing based on the social standard necessitates interviewing personnel and reading through labour-related documents, for which it is necessary to speak the local language and know local legislation. The required level of legislation can either exceed or fall short of the requirements of international conventions, and in these cases the standard demands that those most advantageous to the employee are observed.

Supervision in practice

The suppliers themselves make the decision whether to comply with the standard and obtain certification and are therefore responsible for the costs. Kesko's buyers are responsible for making suppliers familiar with Kesko's purchasing principles and the use of SA 8000 as a tool for social quality control, hopefully motivating suppliers to obtain certification. About 100 buyers for imported products have participated in the SA 8000 basic training. In 1999, the training was implemented by Social Accountability International and after that by the SA 8000 unit of the Bureau Veritas group in London. A handbook on so-



cial quality control has been prepared for buyers. This book contains detailed instructions for the co-operation between Kesko and its suppliers to improve working conditions. To promote certification, Kesko has made an international co-operation agreement with Bureau Veritas Quality International (BVQI), which is one of the SA 8000 certification institutions accredited by SAI.

Practical quality control proceeds with a Kesko buyer first asking the supplier to provide basic information about their operations on a questionnaire made for this purpose. The replies show the company's net sales, personnel and subcontractor numbers, working hours, holidays and wage level. There are also questions on child labour, work safety problems and other wrongs. The questionnaire's purpose is not only to collect information but also to make the supplier aware of Kesko's social quality requirements. In spite of signatures, the replies given cannot yet be considered a commitment to act in accordance with the principles presented by Kesko.

The buyer next visits the supplier's company, presenting Kesko's principles and the SA 8000 standard according to the agreed system. Alternatively, the buyer can agree with the supplier that a representative of BVQI comes alone to present the standard or comes to participate in negotiations with the buyer. The target is to make the supplier interested in a pre-audit for the standard, in

which an assessment is made on how well the company would currently fulfil the standard's requirements and what measures would be needed for certification to be granted.

After the standard has been introduced, it is the buyer's duty to keep the issue continuously alive. Kesko records when the pre-audit is implemented, when the company introduces the standard and when it receives the SA 8000 certificate as an assurance that its operations comply with the standard. The certification produces indicators that illustrate the results of social quality control, for example, how large a proportion of all imports in the risk analysis sphere have been certified, and how many employees are working in conditions that are certified as complying with international minimum standards.

Certification includes control inspections every six months and an obligation to renew the certificate after three years.

Performance in 2001

It has always been obvious that progress in social quality control would be slow and it will take several years, perhaps decades, before the final targets are reached. So far, the use of an independent social standard is the only reliable way to supervise working conditions. However, companies operating in developing countries are less familiar with standards as operating practices than companies in

developed countries, and do not usually have the financial potential for large, fast changes. Some of the biggest and most advanced companies have already adopted the ISO 9000 quality system, but the SA 8000 social standard is still something new for most of them, although the issue itself might be familiar.

The adoption of the social standard depends, above all, on the activities of large, world-wide manufacturers of branded goods and on trading companies. Many large buyers in the trading sector say they comply with the same principles as Kesko. However, the majority still rely either on their own personnel or even just on supplier promises. As long as principal customers do not require independent certification, suppliers' motivation for getting certified at the wish of a small customer, such as Kesko, is low, even if their operation might fulfil the requirements of the standard. Kesko's purchases from companies operating in developing countries usually account for 1-2% of their net sales.

By March 2002, the world-wide register kept by SAI (see www.sa-intl.org) included 117 companies with the SA

8000 certificate, representing 25 different sectors in 24 countries. The business sectors with the best representation were toy and clothing industries and the country with the most registrations was China (30 certificates). According to the SAI data, certification is underway in about 1,500 companies.

By March 2002, Kesko's buyers had received a written reply from 220 companies, employing a total of 225,000 people, following their inquiry concerning working conditions. Discussions aimed towards the adoption of the standard had been completed with 65 companies, 10 of which had progressed to the pre-audit stage and 11 had received certificates. Companies with certificates employ a staff of 19,000 in all.

Following the practice of previous years, Kesko has analysed the dimensions of the social risks involved in its direct imports. The value of imports from risk areas as defined by Kesko dropped by over one fifth on the previous year, reaching about EUR 63 million in 2001. The decline was largest in purchases of coffee, but imports of clothing and textiles from India, China

(incl. Hong Kong) and Pakistan also decreased. However, no business relations were terminated because of social wrongs. The number of suppliers has declined primarily because purchases were, in many cases, too small and uneconomical for both parties.

According to a recent estimate, social quality control should now cover some 400-450 companies, with a total of about 350,000 employees. Kesko's suppliers that have so far received the SA 8000 certificate account for over 5% of these employees.

Co-operation between Finnish importers

Work towards the development of working conditions and the use of the social standard accelerates when as many purchasing companies as possible make similar requirements on social quality to manufacturers. Kesko therefore wanted to offer its operating system to other companies both in the Finnish market and with international co-operation.

In spring 2000 Kesko published the ethical principles of its purchasing operations and proposed that Finnish importers draw up common ethical principles for imports. The proposal led to a working group of six companies which prepared the content of the principles and their practical implementation. The results were published in November 2001. Satu Hassi, Minister for Development Co-operation, opened the occasion. Alice Tepper Marlin, Chairman of Social Accountability International, told participants about the past and future of the SA 8000 standard. During her two-day stay in Finland she visited Kesko, as well as some other companies and non-governmental organisations.

The new common principles of the import trade correspond to the principles previously adopted by Kesko, and their use can be audited with the SA 8000 standard. The commitment was signed by 13 companies, including all major food trading groups and many

Kesko's own direct import * from outside the EU in 2000-2001 (imports > EUR 2 million)

Country	Imports (EUR million)	
	2000	2001
China	34	32
Japan	14	13
United States	11	9
Taiwan	7	5
India	9	6
Brazil	11	5
Vietnam	6	5
Thailand	6	4
Turkey	4	4
Philippines	3	2
Hongkong **	3	1
Pakistan	3	1
Colombia	3	1

* does not include merchandise imported to Finland by other than Kesko

** a part of China, but presented separately in import statistics



clothing and shoe manufacturers and importers. Practical co-operation will continue in the 'working group of responsible importers' chaired by Kesko, as part of the operations of the Central Chamber of Commerce (see www.keskuskauppakamari.fi).

Fair Trade products

In 2001, the sales of Fair Trade products developed as expected. The products available were coffee, tea, chocolate, cocoa, honey, sugar, bananas and mangoes. Bananas arriving on the market in spring clearly increased awareness and interest in the whole product group.

Kesko's selections include all Fair Trade products. The coffee, tea and bananas sold by Kesko are also organic. The demand for bananas has several times outstripped their supply, and sales have exceeded the average for organic fruits and vegetables.

According to the spring 2001 survey carried out by Taloustutkimus Oy for the Finnish Fair Trade Association, 51% of Finns recognise the Fair Trade elephant label and 40% of those also said

they had bought Fair Trade products. Over 2/3 of respondents considered the label either very or relatively reliable.

Preventive work with UNICEF

Kesko considers it important for companies not only to develop working conditions but also to participate in the prevention of social wrongs. A sole company has a limited influence, but when resources are directed towards a strictly limited, measurable project, valuable results can be achieved.

Since 2000, Kesko has financed a project implemented by UNICEF India to prevent the use of child labour in the town of Bhiwandi, near Mumbai. Bhiwandi has a strong weaving industry which employs about 25,000 children, mainly boys aged from 7 to 14. According to the project management's annual report, the finance provided by Kesko has so far enabled approximately 1,000 working boys to start attending school on a part-time basis.

Kesko also participates in the 'Global Movement for Children' project organised by UNICEF Finland. The funds

raised in Finland will be used to promote girls' education in Nepal. A coin collection was arranged for the same purpose at K-citymarket checkouts during the transfer to the euro. Proceeds totalled EUR 23,000.

Kesko sent 22,000 UNICEF Christmas cards in 2001, the same number as the year before.

According to UNICEF Finland, Kesko was its biggest Christmas card customer.

Comparison of the report with the GRI guidelines

The GRI guidelines contain a detailed list of affairs to be presented in corporate responsibility reports and indicators of responsibility. In their reporting, companies are expected to observe the order recommended by the GRI so that comparing the performance of different companies is as easy as possible. If all information recommended by the GRI is not given, reasons for these shortcomings should preferably be stated.

The following contains a short assessment of how well Kesko's report follows the GRI's recommendations. It refers to numbers from the GRI guidelines' table of contents. Further information can be found on the Internet pages of the GRI (www.globalreporting.org).

1. CEO Statement

The statement can be found on page 3.

2. Profile of Reporting Organisation

Basic information on Kesko is given on page 5. The report does not give its coverage or the breakdown of sales, costs and key indicators of responsibility by country, as called for in points 2.8-2.10 of the GRI guidelines.

3. Executive Summary and Key Indicators

The summary of key indicators for the past three years is given on pages 6-7.

4. Vision and Strategy

Kesko's management vision for the future of corporate responsibility and supporting strategies is given on pages 8-9.

5. Policies, Organisation, and Management Systems

The operating policies and management systems guiding corporate responsibility and the organisation are presented on pages 10-11. Some of the policies can be found on Kesko's Internet pages. The organisation of environmental responsibility is described on page 23. Kesko's environmental and other policies do not exactly deal with point 5.2 of the GRI guidelines (the precautionary principle). The environmental management system is presented in detail on page 23 of 'Environmental performance' and the social quality control on page 39 of 'Social performance'. The stakeholder analysis is found on pages 12-13.

6. Performance

The GRI guidelines present environmental performance first, followed by reports on economic, social and other performance. Kesko feels that economic performance provides the basis for environmental and social responsibility, so starts logically with economic performance.

Environmental indicators included in the guidelines and missing from our report include staff commutes (6.24), specifications of supplier practices (6.25-6.27), information on land ownership and its impacts (6.32-6.35) and fuel consumption statistics (6.4). Likewise, indicators typical of industrial activities, such as materials use (6.6-6.11, with the exception of packaging materials), and detailed environmental analysis of water use (6.13) are missing.

Economic indicators included in the

guidelines and missing from our report are few. The value of research and development (6.43) has not been given separately, wages and benefits have not been given by country (6.48-6.49) and no value of outsourced goods and services (6.57) has been defined. A supplier analysis from the viewpoint of economic responsibility is also missing (6.54). In addition to the GRI guidelines, Kesko's report addresses the regional coverage of the K-store network and distribution.

Kesko's social performance reporting differs most from the guidelines, due to cultural reasons. Kesko's report contains no information on special programmes for minorities (6.74), nor on the ratio of lowest wage to 'national legal minimum' or cost of living (6.70-6.71). The questions relating to human rights (6.85-6.91), child and forced labour (6.78-6.84) and freedom of association (6.82-6.84) are discussed in connection with the social quality control of suppliers (6.92-6.96), and not in relation to Kesko's own personnel.

In addition to the GRI guidelines, Kesko's report gives information on the age structure of employees, their duration of employment, reasons for terminating employment, average salaries and other benefits.

Terms and calculation of key indicators

The text and graphs contain terms, indicators and abbreviations whose contents are defined below.

Return on invested capital (ROI), % =

$$\frac{\text{profit before extraordinary items + interest and other financial expenses}}{\text{balance sheet total less interest-free debt (average during year)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{shareholders' equity + minority interest}}{\text{balance sheet total less advances received}} \times 100$$

$$\text{Debt to equity ratio, \%} = \frac{\text{liabilities + provisions}}{\text{balance sheet total less advances received}} \times 100$$

Gearing ratio, % =

$$\frac{\text{interest-bearing liabilities less marketable securities less cash in hand and at bank}}{\text{shareholders' equity + minority interest}} \times 100$$

Market capitalisation = share price x number of shares

GWh = gigawatt hour = a million kilowatt hours (kWh)

PJ = petajoule = 1,000,000,000,000 joules

CO₂ = carbon dioxide = affects climate change ('greenhouse effect')

CO₂ = CO₂ eq. = carbon dioxide equivalent, the amount of different gases whose combined impact on the greenhouse effect corresponds to the amount of carbon dioxide mentioned

SO₂ = sulphur dioxide equivalent (affects acidification)

C₂H₄ = ethene (affects the ozone content of the lower atmosphere)

CO = carbon monoxide or coal gas

HC = carbon hydrides

NO_x = nitrogen oxides

Transbox case = reusable transport case made of plastic

Kesko's corporate responsibility report is available in Finnish and English and can be ordered by mail from Kesko Corporation, Corporate Communications, Satamakatu 3, FIN-00016 Kesko, by e-mail from viestinta@kesko.fi or by phone from +358 1053 22404. You can also order and read the report on Kesko's web site at www.kesko.fi.

For further information about the issues covered in the report please contact Jouko Kuisma, Senior Advisor, Corporate Responsibility, Kesko's Corporate Communications unit, tel. +358 1053 23140, e-mail jouko.kuisma@kesko.fi.

The report has been edited by Kesko's Corporate Communications in co-operation with the environmental team of Mainostoimisto Rauta advertising agency (Tapio Heickell and Anne Soikkeli).

Photos: Petri Artturi Asikainen (p. 13, 14, 32 and 37) and Kati Koivikko (p.3)

Printed by: Libris, Helsinki, Finland 2002

Paper: Cyclus (100% recycled paper)

Both the printers and the paper used have been granted the right to use the Nordic Swan environmental label.

