KESKO CORPORATION'S

REMUNERATION POLICY

2020

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CONTENTS

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1. Introduction

This is the Remuneration Policy for Governing Bodies that is applied within Kesko Corporation ("Kesko") and that complies with legislation and the Securities Market Association's Corporate Governance Code that entered into force on 1 January 2020. The remuneration policy concerns the remuneration of the members of Kesko's Board of Directors, the President and CEO, and Deputy CEO, as well as the key terms and conditions of the service contracts of the President and CEO and the Deputy CEO.

Kesko's Board has approved the remuneration policy and it shall be reviewed at Kesko's General Meeting on 30 March 2020. This remuneration policy shall be applied until Kesko's Annual General Meeting to be held in 2024, unless it is replaced with another remuneration policy before that.

2. Decision-making process for the remuneration policy

Kesko's remuneration policy shall be drafted by the Remuneration Committee of Kesko's Board of Directors and it shall be approved by the Board. In the drafting phase, the policy can be discussed with the largest shareholders. Once approved by the Board, the remuneration policy shall be presented to the General Meeting of shareholders, which shall decide whether it supports the policy. The General Meeting's resolution is advisory. Shareholders cannot propose changes to the remuneration policy before or during the meeting.

The Remuneration Committee of Kesko's Board shall assess the need to make changes to the remuneration policy. In its assessment, the Remuneration Committee shall consider the General Meeting's resolution regarding the remuneration policy and any shareholder statements presented at the General Meeting when discussing remuneration reports disclosed after the adoption of the remuneration policy. If Kesko's General Meeting has not supported the presented remuneration policy, an amended remuneration policy shall be presented no later than at the next Annual General Meeting. Otherwise the policy shall be presented to the General Meeting at least every four years and whenever material changes are made to the policy.

Kesko can make changes to this remuneration policy that are not deemed material without having to present the policy to the General Meeting. Such changes include, for example, technical changes to the decision-making process for remuneration or to the terminology concerning remuneration. Kesko can also make changes required by a change in legislation to the extent that such changes are not deemed material.

The Remuneration Committee supervises the implementation of the remuneration policy presented to the General Meeting and ensures that the company's governing bodies are remunerated in accordance with the remuneration policy presented to the General Meeting. A remuneration report concerning the actualised remuneration shall be presented to the General Meeting every year.

3. The decision-making process for remuneration

The Annual General Meeting annually decides on the fees and other financial benefits for the members of Kesko's Board of Directors and its committees, as well as the grounds for determining them. Significant shareholders submit a proposal to the General Meeting, or if Kesko has a Shareholders' Nomination Committee, said Committee shall submit the proposal.

Kesko's Board annually decides, based on a proposal prepared by the Remuneration Committee, on the remuneration of the President and CEO and the Deputy CEO within the limits of the remuneration policy presented to the General Meeting. The Board decides on the principles of Kesko's compensation schemes and monitors and assesses the implementation of the compensation schemes for the President and CEO and the Deputy CEO.

The General Meeting, or the Board pursuant to an authorisation from the General Meeting, shall decide on the distribution of Kesko's shares, options, and other special rights entitling to shares potentially used for remuneration. The Remuneration Committee shall prepare and the Board shall submit a proposal on the matter to the General Meeting. Within the framework of the authorisation from the General Meeting, the Board shall decide on the terms and conditions of the distribution of share or share-based compensation schemes and on the distribution of the shares.

If the Board or its Remuneration Committee uses an external advisor in the preparation of decisions or decision proposals, it shall ensure that the advisor in question is not also an advisor to Kesko's operative management in a manner that would result in a conflict of interests. Based on the principles of the decision-making process for remuneration at Kesko, no governing body or person can participate in making remuneration decisions concerning themselves. The principle ensures that remuneration decisions are made in a way that avoids conflicts of interests.

4. General principles of remuneration

The purpose of Kesko's remuneration policy and the remuneration components specified in this policy is to unify the goals of the shareholders and the members of the Board, the President and CEO, and the Deputy CEO to increase the value of the company and to implement its business strategy in the long term.

The various remuneration components of the President and CEO and the Deputy CEO (such as monetary salary, short-term and long-term incentive schemes, and other benefits such as pension schemes) are designed to be competitive and to provide incentives, as well as to commit the President and CEO and the Deputy CEO to the company. Performance criteria shall be specified separately for all variable and performance-based pay components and, when these criteria are met, the President and CEO and the Deputy CEO shall be rewarded for the realisation of Kesko's strategic objectives and for promoting its long-term financial success.

Also in the remuneration of Kesko's personnel, the principle is to apply uniform and competitive remuneration that is based on the company's strategic objectives. Remuneration is made up of various components. In addition to a monetary salary that is paid to all employees, individual employees can be included in Kesko's short-term incentive scheme or various sales incentive and performance bonus schemes. As they are based on performance, the variable remuneration components do not contain a minimum remuneration. Group management and other key persons may be included in the company's long-term commitment and incentive schemes. The starting point is that the variable remuneration components constitute a greater share of the person's total remuneration the higher in the Group's organisational hierarchy they work. The personnel also have various benefits, such as company car and mobile phone benefits, and exercise and culture benefits.

The competitiveness and components of the total remuneration of Kesko's President and CEO and Deputy CEO are assessed every year and compared to market practices in other companies for similar tasks. The remuneration components are compared to the practices of peer companies, which ensures the competitiveness and appropriateness of total remuneration. In addition to the President and CEO and the Deputy CEO, the remuneration of Kesko's personnel is also assessed every year by comparing the remuneration level and components to the general market practices in peer companies.

5. Remuneration of the Board of Directors

The remuneration of Kesko's Board members should be sufficiently competitive to attract Board members with a high level of competence to handle the Board's tasks.

The General Meeting shall decide on the principles and procedures of remuneration of the Board. The fees of the members of Kesko's Board and its committees, which are decided by the General Meeting, can be based, for example, on annual and meeting fees and they can be paid, for example, in cash and/or shares. If a fee is paid in shares in the company, the General Meeting can decide on any restrictions or recommendations concerning the transfer of the shares. It is also possible to pay to Board members, for example, a daily allowance and compensation for expenses related to the management of their duties, such as travel expenses. If the President and CEO or the Deputy CEO is a member of the Board, they are paid a salary and fees based on their main occupation, and the General Meeting shall decide on any separate fee paid for their Board membership.

6. Remuneration of the President and CEO and the Deputy CEO

Kesko has a managing director, who is referred to as the President and CEO. The deputy managing director is referred to as the Deputy CEO.

6.1 Remuneration components and their proportional shares of total remuneration

The remuneration scheme of the President and CEO and the Deputy CEO can consist of a fixed monetary salary (a monthly salary), variable remuneration components, i.e. a short-term incentive scheme (such as a performance bonus) and a long-term commitment and incentive scheme (such as a share compensation plan), and other financial benefits (such as a company car, mobile phone, and other fringe benefits and a pension scheme). The President and CEO and the Deputy CEO can also have other benefits approved by the Board and related to their service contract (such as health insurance) and other benefits that are available to the company's personnel.

The purpose of the fixed annual salary and other financial benefits is to achieve a competitive basic level of remuneration. The purpose of the short-term incentive scheme is to provide an incentive to achieve the company's key financial and other key performance objectives that support the strategy on an annual level by providing a reward for the achievement of these objectives. The purpose of the long-term commitment and incentive scheme is to provide an incentive to achieve the company's key financial and other key performance objectives that support the strategy over the long term by providing a reward for the achievement of these objectives, and to increase the employees' commitment to the company. The purpose of the scheme is, in addition to and in accordance with the above, to unify the interests of the President CEO and the Deputy CEO with those of the company's shareholders in order to increase shareholder value in the long term.

The components of the total remuneration of the President and CEO and the Deputy CEO in relation to the fixed annual salary are specified below. Annual salary refers to 12 times the monetary salary paid for December (the monthly salary) excluding fringe benefits.

- The fee paid based on the short-term incentive scheme can be at most 80% - 120% of the annual salary for the President and CEO and at most 40% - 80% of the annual salary for the Deputy CEO.
- The fee paid based on the long-term commitment and incentive scheme can be at most 300% - 400% of the annual salary for the President and CEO and the Deputy CEO.
- The President and CEO and the Deputy CEO can have either a defined contribution or a defined benefit supplementary pension.
  - The defined contribution supplementary pension can be at most 20% - 40% of the annual salary.
  - The defined benefit supplementary pension can be at most 50% - 60% of the pensionable salary or, in the case of the members of Kesko Pension Fund, at most 66%.
- Other benefits approved by the Board and related to the service contract must be minor in value in relation to the other components of remuneration.

6.2 Grounds for determining any variable remuneration and performance period and commitment periods

The Board shall decide on the criteria, indicators, and target levels of variable remuneration components. Indicators describing the implementation of Kesko's strategy, such as growth, profitability, development of shareholder value, responsibility, quality, and customer orientation, shall, together with the overall performance of the individual, be used as the criteria for the variable remuneration components. The criteria encourage and direct the President and CEO and the Deputy CEO to implement Kesko's business strategy in order to ensure long-term financial success.

The Board sets numerical indicators and target levels for all remuneration criteria in advance. A minimum level shall be set for the indicators, after which the remuneration starts to accumulate, and a maximum level, after which the remuneration shall no longer accumulate. The Board shall confirm the realisation of the criteria after the performance period.

In the short-term incentive scheme, the performance period is at most one year. In the long-term commitment and incentive scheme, the performance period is at least two years and the commitment period is at most two years. If company shares are used in the remuneration, the terms and conditions of the scheme, for example, may set obligations, restrictions, or recommendations for the ownership of the shares.

6.3 Terms and conditions for deferral and possible clawback of remuneration

Remuneration in accordance with the short-term or long-term incentive scheme is not usually paid if the service contract of the President and CEO or the Deputy CEO ends before the remuneration payment date specified in the rules of the incentive scheme in question. If remuneration has already been paid in accordance with the scheme but the commitment period has not yet finished, the person is generally obliged to pay back the remuneration received. Kesko's Board can, at its discretion, decide otherwise.

The Board can, at its discretion, decide not to pay remuneration in accordance with the short-term and/or long-term incentive scheme or to claw back remuneration already paid if the recipient has been found guilty, or there is a strong reason to believe that the recipient is guilty, of such malpractice or violation of Kesko's ethical or sustainability principles or instructions that cannot be deemed minor when assessed as a whole.

6.4 Other key terms and conditions applied to the service contract

In principle, non-fixed term service contracts shall be made with the President and CEO and the Deputy CEO.

The notice period applied to the service contract of the President and CEO and the Deputy CEO shall be at most 6 – 12 months when the company terminates the Managing Director's contract, and at least 6 – 10 months when the President and CEO or the Deputy CEO terminates the service contract. If the company terminates the contract for any other reason than a material breach of the contract and the person is not retiring on an old-age or some other type of pension, a compensation corresponding, in total, to at most 6 - 12 months' monetary salary and fringe benefits may be paid in addition to the salary for the notice period.

7. Requirements for deviation from the remuneration policy

In case of the President and CEO and the Deputy CEO, this remuneration policy can be deviated from temporarily, if such a deviation is to ensure Kesko's long-term interests and complying with the policy is no longer suitable under changed circumstances. Aspects that can be taken into account in the assessment include long-term financial success, competitiveness, and the development of shareholder value. A temporary deviation is possible in the following situations: when the President and CEO changes, when the Deputy CEO changes, when there is a significant change in Kesko's strategy, in order to ensure undisrupted business operations, in connection with a significant corporate arrangement, such as a merger or in connection with a public takeover bid, due to some other significant change in the group or business structure or a significant change affecting the business or competitive environment, and when required by legislation, other regulation, taxation, or official practices or in order to adjust to changes caused by the above.

Any deviations from the remuneration policy shall be prepared by the Board's Remuneration Committee and the related decisions shall be made by the Board. If there are grounds for a temporary deviation, the deviation can concern any component or means of remuneration for the President and CEO or the Deputy CEO.

A temporary deviation shall be reported in the next remuneration report to be presented to the Annual General Meeting.