



# REMUNERATION REPORT FOR THE GOVERNING BODIES OF KESKO CORPORATION



# INTRODUCTION

This is the remuneration report for governing bodies applied within Kesko Corporation (“Kesko”) which complies with legislation and the Finnish Securities Market Association’s Corporate Governance Code that entered into force on 1 January 2020. This remuneration report concerns the reporting of remuneration of the members of Kesko’s Board of Directors as well as the President and CEO and the Deputy CEO of Kesko in 2022. This remuneration report is based on the remuneration policy for Kesko’s governing bodies reviewed by the Annual General Meeting of 28 April 2020. Said Annual General Meeting resolved in favour of the proposed remuneration policy.

The Remuneration Committee of Kesko’s Board of Directors prepared this remuneration report, and the Board approved it in its meeting on 1 February 2023. Kesko’s auditor, Deloitte Oy, has audited this remuneration report to confirm that it contains the information referred to in the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer (608/2019). This remuneration report will be reviewed by Kesko’s 2023 Annual General Meeting. Kesko’s 2022 Annual General Meeting was held on 7 April 2022 under exceptional arrangements because of the Covid-19 pandemic, in accordance with the temporary legislation (375/2021) approved by the Finnish Parliament. All items on the agenda of the Annual General Meeting were subjected to vote, and around 86.6% of the votes cast were in favour of approving the remuneration report for 2021. No questions concerning the remuneration report were presented to the General Meeting.

This remuneration report is available on Kesko’s website at [www.kesko.fi/en/investor/corporate-governance/](http://www.kesko.fi/en/investor/corporate-governance/)

In accordance with the remuneration policy, the Remuneration Committee of Kesko’s Board of Directors supervises the policy’s implementation and ensures that the remuneration of the Company’s governing bodies takes place within the limits of the policy presented to the General Meeting. In the 2022 financial year, the remuneration of Kesko’s Board members, President and CEO, and Deputy CEO was in line with the remuneration policy approved by the 2020 Annual General Meeting. No fees already paid have been clawed back.

In accordance with what is presented in Kesko’s remuneration policy, the aim of remuneration is to align the objectives of the shareholders and the members of the Company’s Board, the President and CEO, and the Deputy CEO in order to increase the value of the Company and to execute its business strategy in the long term. As a result, remuneration promotes the Company’s long-term financial success.

Kesko’s business has grown steadily over the past five years. The good business performance is also reflected in the remuneration for the President and CEO and the Deputy CEO. Changes to the total remuneration of the President and CEO and the Deputy CEO are mostly due to changes in their realised performance bonuses and share awards.

## Fees paid and operating profit for the past five years

Role	2018	2019	2020	2021	2022
Board Chair	106,500	109,000	118,000	119,900	117,000
Board Deputy Chair	63,000	67,000	70,500	74,900	71,400
Other Board members, average	56,000	56,100	59,300	61,160	59,960
President and CEO, Mikko Helander	2,299,656	2,633,100	2,997,382	4,381,783	4,866,364
Deputy CEO, Jorma Rauhala	959,543	1,088,999	1,269,791	2,123,288	2,345,080
Employee, Finland	39,523	40,578	41,127	42,974	43,236
<b>Operating profit*, € million</b>	<b>332</b>	<b>371</b>	<b>486</b>	<b>698</b>	<b>740</b>

\* Comparable operating profit excluding the impact of IFRS 16

The fees for the Board Chair, Deputy Chair and other members include annual and meeting fees. The remuneration paid to the President and CEO and the Deputy CEO comprises their fixed annual salary, car and mobile phone benefits, and variable components, namely performance bonuses and share awards. The employee salary is the average base annual salary (personnel expenses as presented in the financial statements divided by the number of full-time employees in Finland). All sums are reported on a cash basis.

# BOARD OF DIRECTORS' REMUNERATION

In accordance with Kesko's remuneration policy for governing bodies, the Annual General Meeting of 7 April 2022 made resolutions regarding the Board members' remuneration and the basis for reimbursement of their expenses. Kesko's Shareholders' Nomination Committee had submitted a proposal on the matter to the General Meeting.

The annual and meeting fees determined for the members of the Board of Directors by the General Meeting are presented in the following tables. In accordance with the General Meeting resolution, the annual fees were paid in Kesko Corporation's B shares and cash, with approximately 30% of the fees paid in shares. After the transfer of shares, the remaining fee amount was paid in cash. The Company paid the asset transfer taxes related to the shares. The Company transferred treasury shares held by the Company to the members of the Board of Directors on 2 May 2022. A Board member cannot transfer shares until either three years have passed from the day the member received the shares or their membership on the Board has ended, whichever comes first.

## RESOLUTION OF THE 2022 ANNUAL GENERAL MEETING ON THE ANNUAL AND MEETING FEES OF BOARD MEMBERS

### Annual remuneration to Board members (€)

	2022
Chair	102,000
Deputy Chair	63,000
Member	47,500
Board member who is the Audit Committee Chair	63,000

### Board meeting fees / meeting (€)

	2022
Board meeting	
Chair	1,200
Member	600
Committee meeting	
Committee Chair who is not the Chair or Deputy Chair of the Board	1,200
Member	600

## Annual and meeting fees paid to Board members for Board and Committee work in 2022 (€)

	Annual fee	Meeting fees			Remuneration, total	Number of B shares transferred as annual fees*
		Board of Directors	Audit Committee	Remuneration Committee		
Esa Kiiskinen (Chair)	102,000	13,200		1,800	117,000	1,200
Peter Fagernäs (Deputy Chair)	63,000	6,600		1,800	71,400	741
Jannica Fagerholm	63,000	6,600	6,000		75,600	741
Piia Karhu	47,500	6,600	3,000		57,100	559
Jussi Perälä	47,500	6,600			54,100	559
Toni Pokela	47,500	6,600			54,100	559
Timo Ritakallio	47,500	6,600	3,000	1,800	58,900	559
<b>Total</b>	<b>418,000</b>	<b>52,800</b>	<b>12,000</b>	<b>5,400</b>	<b>488,200</b>	<b>4,918</b>

\* Kesko's treasury shares were transferred on 2 May 2022. The average price on the transfer date was €24.54.

In addition, Kesko's Board members were paid reimbursements for their expenses in accordance with the resolution of the 2022 Annual General Meeting.

There are no share compensation schemes for Board members nor do they participate in Kesko's remuneration schemes or pension plans.

# REMUNERATION FOR THE PRESIDENT AND CEO AND THE DEPUTY CEO

The Company's managing director, referred to as the President and CEO, was Mikko Helander throughout the 2022 financial year. Jorma Rauhala, whose principal position is President of the building and technical trade division, served as Deputy CEO throughout the 2022 financial year.

## Fees paid and falling due

Kesko's Board of Directors has decided on the remuneration for the President and CEO and the Deputy CEO based on a proposal prepared by the Remuneration Committee. The remuneration scheme of the President and CEO and the Deputy CEO has consisted of a fixed monetary salary (a monthly salary), a short-term incentive scheme (a performance bonus) and a long-term commitment and incentive scheme (share award), and other financial benefits such as car and mobile phone benefits and a supplementary pension. A health insurance, life insurance and leisure travel insurance policies have been taken out for the President and CEO. The President and CEO and the Deputy CEO have leisure accident insurance and they are provided with an employer-subsidised benefit for cultural activities and physical exercise.

The remuneration of Kesko's President and CEO and Deputy CEO has been compared with the remuneration levels and practices of similar companies. Based on the comparisons, it was decided that the President and CEO and Deputy CEO will be remunerated for 2022 within the

## Salaries, bonuses, fringe benefits and pension benefits for the President and CEO and Deputy CEO (€)

Description	President and CEO	Deputy CEO
Fixed monetary salary*	962,379	433,861
Performance bonus	787,500	263,953
Share awards**	3,083,684	1,622,986
Car and mobile phone benefits	32,801	24,280
Total	4,866,364	2,345,080
Supplementary pension plan***	1,000,000	-

\* Includes holiday pay and holiday bonus.

\*\* The euro value of the share awards has been calculated using the trade-weighted average share price on the date of assignment, 18 March 2022. The euro amounts of the share awards are gross amounts, from which the applicable taxes have been deducted and the remaining net amount has been paid in shares. The gross number of Kesko B shares transferred to the President and CEO in 2022 was 123,052 shares, and the net amount 61,526 shares. The gross number of Kesko B shares transferred to the Deputy CEO in 2022 was 64,764 shares, and the net amount 32,382 shares.

\*\*\* The Deputy CEO is a member of Kesko Pension Fund and his pension is determined in accordance with the rules of the pension fund. No contributions were made to the Deputy CEO's supplementary pension in 2022.

The performance bonus to be paid to the President and CEO for 2022 will be €787,500, and the performance bonus to be paid to the Deputy CEO €271,250. In accordance with Kesko's performance bonus rules, the performance bonuses will be paid on the final day of April at the latest. Moreover, the President and CEO will be paid share awards totalling 81,638 shares (gross) in spring 2023 based on the 2021 and 2022 performance under the PSP 2021-2024. The Deputy CEO will be paid share awards totalling 41,025 shares (gross) in spring 2023 based on the 2021 and 2022 performance under the PSP 2021-2024.

limits provided for by Kesko's remuneration policy. The base salaries of Kesko's President and CEO and Deputy CEO were not raised in 2022. In 2022, the President and CEO and the Deputy CEO were paid the salaries, bonuses, fringe benefits and retirement benefits presented in the following table.

## Share-based compensation

Share awards to the President and CEO and the Deputy CEO are presented in the table above. Under the Performance Share Plan (PSP) 2020-2023, shares were

transferred in the spring of 2022 based on the performance indicators for 2020 and 2021. Under the Performance Share Plan (PSP) 2021-2024, shares will be transferred in the spring of 2023 based on the performance indicators for 2021 and 2022.

A two-year performance period is followed by a two-year commitment period. During the commitment period, the shares cannot be pledged or transferred, but the other rights attached to the shares remain in force. If a person's

employment or service relationship terminates prior to the expiry of the commitment period, the person must, as a rule, return the shares under transfer restriction to Kesko or its designate for no consideration. In individual cases, the Board may decide that the grantee may keep some or all of the shares under the return obligation. If the grantee retires during the commitment period, the grantee is entitled to keep the shares and other securities already received.

The President and CEO and the Deputy CEO are required to hold a number of Kesko shares equivalent to at least four times their fixed gross annual salary, so as to ensure that the interests of the Company's management and shareholders are aligned. The requirement concerning the shareholding in Kesko is fulfilled by both the President and CEO and the Deputy CEO.

### Relative proportions of fixed and variable remuneration

The President and CEO was paid a total of €3,871,184 in performance bonuses and share awards in 2022, representing 80% of his total remuneration. The Deputy CEO was paid a total of €1,886,939 in performance bonuses and share awards, representing 80% of his total remuneration.

The maximum performance bonus amount for 2022 was 100% of the President and CEO's annual salary and 67% of the Deputy CEO's annual salary. The performance bonus paid to the President and CEO amounted to €787,500, which is equivalent to 87.5% of his annual salary. The performance bonus paid to the Deputy CEO amounted to €263,953, which is equivalent to 62.8% of his annual salary.

### Performance Share Plan (PSP) indicators in 2022

	2022	2021	2020
Absolute total shareholder return (TSR) of a Kesko B share	0%	100%	100%
Kesko's return on capital employed (ROCE)	80%	100%	100%
Kesko's sales development	80%	100%	39.9%
Sustainability*	100%	-	-

The share awards paid in 2022 were earned in 2020 and 2021. The share awards to be paid in 2023 were earned in 2021 and 2022. The criteria for Kesko's Performance Share Plan have been Kesko's return on capital employed (ROCE %), Kesko's sales development, the absolute total shareholder return (TSR, %) of a Kesko B share, and - as of 2022 - sustainability targets.

\* Targets linked to emission reductions and international sustainability indices and assessments

The table below presents information on the share awards granted and paid in the previous financial year as well as on the principal terms and conditions for Kesko's share plans.

### Share award plans for the President and CEO and Deputy CEO

	PSP 2020-2023	PSP 2021-2024
President and CEO, maximum share allocation	136,800 ***	108,850 ***
Deputy CEO, maximum share allocation	72,000 ***	54,700 ***
Actual earnings	89,95 % *	75.00% **
Performance period ends	31.12.2021	31.12.2022
Shares transferred	2022	2023
Commitment period ends	10.2.2024	10.2.2025

\* PSP 2020-2023 was earned in 2020 and 2021, and the shares were paid to the participants' book-entry accounts in spring 2022.

\*\* PSP 2021-2024 was earned in 2021 and 2022, and the shares will be paid to the participants' book-entry accounts in spring 2023.

\*\*\* The stated share number represents the gross amount, from which the applicable taxes are deducted. The remaining net amount is paid to the participants in shares.

The gross share award paid to the President and CEO amounted to €3,083,684, which is equivalent to some 343% of his annual salary. The gross share award paid to the Deputy CEO amounted to €1,622,986, which is equivalent to some 386% of his annual salary.

## Performance bonus targets and levels achieved in 2021 and 2022 by the President and CEO and Deputy CEO

President and CEO		Level achieved in 2022	Level achieved in 2021
Financial performance for Kesko and K Group	Kesko's EBIT	At maximum level	At maximum level
	Kesko's ROCE, %	Above target level	At maximum level
	Kesko's sales development	Above target level	At maximum level
Personal targets	Targets related to strategy execution have been set for the President and CEO, which are taken into account in the total assessment.	Above target level	Above target level
Total assessment on a scale of 0 to 100		87.5	87.5

Deputy CEO		Level achieved in 2022	Level achieved in 2021
Financial performance for Kesko and the building and technical trade division, weight 80%	Kesko's EBIT	At maximum level	At maximum level
	EBIT in building and technical trade	At maximum level	At maximum level
	ROCE % in building and technical trade	At maximum level	At maximum level
	Sales development in building and technical trade	At maximum level	At maximum level
Personal targets, weight 20%	Targets related to strategy execution have been set for the Deputy CEO and President of the building and technical trade division, which are taken into account in the total assessment.	At maximum level	Above target level
Total assessment on a scale of 0 to 100		96.9	93.8

### Application of performance criteria to variable remuneration

The performance bonuses paid in 2022 were earned in 2021, and the performance bonuses to be paid in 2023 were earned in 2022. The key indicators for the President and CEO's performance bonus in 2021 and 2022 were the development of Kesko's shareholder value, Kesko's operating profit, return on capital employed (ROCE, %),

and sales development. The key indicators for the Deputy CEO's performance bonus in 2021 and 2022 were Kesko's operating profit and the operating profit for the building and technical trade division, return on capital employed (ROCE, %), and sales development. The overall performance of the President and CEO and the Deputy CEO was also used as a criterion in determining their remuneration.

The share awards paid in 2022 were earned in 2020 and 2021. The criteria for Kesko's performance-based share award plan were Kesko's return on capital employed (ROCE, %), the development of Kesko's sales, and the total shareholder return of a Kesko B share. The development of these criteria in 2020, 2021 and 2022 is depicted in the table on the previous page. The share awards paid in 2022 were paid based on the average actual indicators for 2020 and 2021, as presented in the table. The share awards to be paid in 2023 will be paid based on the average actual indicators for 2021 and 2022, as presented in the table.

### Supplementary pensions

President and CEO Mikko Helander accrues old-age pension based on a defined benefit plan until 30 June 2023. The amount of his old-age pension is 60% of his pensionable earnings in accordance with the Employees Pensions Act (TyEL) for the ten (10) years preceding his retirement. Supplementary pension based on a defined contribution plan will accumulate for the President and CEO from 1 July 2023 onwards. As stated in the stock exchange release issued on 12 April 2021, Helander will continue as President and CEO until further notice. Based on the previous agreement, he would have retired when turning 63 in June 2023.

Old-age pension for the Deputy CEO begins at the age of 63. The Deputy CEO is a member of the Kesko Pension Fund. The amount of his old-age pension is 66% of his pensionable earnings for the ten (10) years preceding his retirement in accordance with the Employees Pensions Act (TyEL). The pension is based on a defined benefit plan.



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