



# REMUNERATION REPORT

2023



# 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 on remuneration of the members of Kesko’s Board of Directors as well as the President and CEO and the Deputy CEO of Kesko in 2023. The 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 29 January 2024. 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 2024 Annual General Meeting. Kesko’s Annual General Meeting on 30 March 2023 approved the Remuneration Report for Governing Bodies for 2022. The General Meeting resolution concerning the Remuneration Report is advisory in nature. 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/)

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

| Role  | 2019          | 2020          | 2021          | 2022          | 2023          |
|---|---------------|---------------|---------------|---------------|---------------|
| Board Chair   | 109,000       | 118,000       | 119,900       | 117,000       | 114,600       |
| Board Deputy Chair  | 67,000        | 70,500        | 74,900        | 71,400        | 70,200        |
| Other Board members, average                                | 56,100        | 59,300        | 61,160        | 59,960        | 58,760        |
| President and CEO Mikko Helander                            | 2,633,100     | 2,997,382     | 4,381,783     | 4,866,364     | 3,370,070     |
| Deputy CEO Jorma Rauhala                                    | 1,088,999     | 1,269,791     | 2,123,288     | 2,345,080     | 1,539,455     |
| Employee, Finland   | 40,578        | 41,127        | 42,974        | 43,236        | 43,697        |
| <b>Net sales, € million</b>                                 | <b>10,720</b> | <b>10,669</b> | <b>11,300</b> | <b>11,809</b> | <b>11,784</b> |
| <b>Operating profit, comparable, € million</b>              | <b>461</b>    | <b>568</b>    | <b>776</b>    | <b>815</b>    | <b>712</b>    |
| <b>Return on capital employed, comparable, %</b>            | <b>9.6</b>    | <b>12.0</b>   | <b>17.2</b>   | <b>16.9</b>   | <b>13.4</b>   |
| <b>Total shareholder return (TSR, %) of a Kesko B share</b> | <b>38.74</b>  | <b>37.36</b>  | <b>43.08</b>  | <b>-26.05</b> | <b>-7.77</b>  |

The remuneration for the Board Chair, Deputy Chair and other members includes annual and meeting fees. The remuneration for 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 annual salary and fees (personnel expenses as presented in the financial statements divided by the number of full-time employees in Finland). The figures in the above table are presented as payment-based. Remunerations to be paid in the later years are not included in the figures.

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 2023 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 line 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 and profitability are also reflected in the remuneration for the President and CEO and the Deputy CEO. Changes to their total remuneration are mostly due to changes in their realised performance bonuses and share awards.

# BOARD OF DIRECTORS' REMUNERATION

In accordance with Kesko's remuneration policy for governing bodies, the Annual General Meeting of 30 March 2023 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 by the General Meeting for the members of the Board of Directors 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 transferred treasury shares held by the Company to the Board members on 2 May 2023. 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 2023 ANNUAL GENERAL MEETING ON THE ANNUAL AND MEETING FEES OF BOARD MEMBERS

### Annual fees to Board members (€)

|   | 2023    |
|---|---------|
| Chair   | 102,000 |
| Deputy Chair                                  | 63,000  |
| Member  | 47,500  |
| Board member who is the Audit Committee Chair | 63,000  |

### Board meeting fees / meeting (€)

|   | 2023  |
|---|-------|
| 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 2023 (€)

|                               | 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    | 10,800             |                 | 1,800                  | 114,600             | 1,464  |
| Peter Fagernäs (Deputy Chair) | 63,000     | 5,400              |                 | 1,800                  | 70,200              | 904  |
| Jannica Fagerholm             | 63,000     | 5,400              | 6,000           |                        | 74,400              | 904  |
| Piia Karhu                    | 47,500     | 5,400              | 3,000           |                        | 55,900              | 682  |
| Jussi Perälä                  | 47,500     | 5,400              |                 |                        | 52,900              | 682  |
| Toni Pokela                   | 47,500     | 5,400              |                 |                        | 52,900              | 682  |
| Timo Ritakallio               | 47,500     | 5,400              | 3,000           | 1,800                  | 57,700              | 682  |
| Total                         | 418,000    | 43,200             | 12,000          | 5,400                  | 478,600             | 6,000  |

\* Kesko's treasury shares were transferred on 2 May 2023. The average share price on the transfer date was €18.59.

In addition, Kesko's Board members were paid reimbursements for their expenses in accordance with the resolution of the 2023 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 2023 financial year. Jorma Rauhala, whose principal position is President of the building and technical trade division, served as Deputy CEO throughout the 2023 financial year.

Kesko's Board of Directors decided on the remuneration for the President and CEO and the Deputy CEO based on a proposal prepared by the Remuneration Committee. The remuneration for 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 for 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 2023 within the limits provided for by Kesko's remuneration policy. 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*        | 945,000           | 433,571    |
| Performance bonus             | 787,500           | 271,250    |
| Share awards**                | 1,611,564         | 809,854    |
| Car and mobile phone benefits | 26,006            | 24,780     |
| Total                         | 3,370,070         | 1,539,455  |
| Supplementary pension plan*** | 749,889           | ***        |

\* 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, 15 March 2023. The euro amounts of the share awards are gross amounts, from which the applicable withholding and asset transfer 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 2023 was 81,638 shares, and the net amount 40,819 shares. The gross number of Kesko B shares transferred to the Deputy CEO in 2023 was 41,025 shares, and the net amount 20,513 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 2023.

base salaries of Kesko's President and CEO and Deputy CEO were not raised in 2023.

### Fees paid and falling due

In 2023, the President and CEO and the Deputy CEO were paid the salaries, bonuses, fringe benefits and retirement benefits presented in the table.

The performance bonus to be paid to the President and CEO for 2023 will be €525,000, and the performance bonus

to be paid to the Deputy CEO €78,120. 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 37,143 shares (gross) in spring 2024 based on the 2022 and 2023 performance under the PSP 2022–2025. The Deputy CEO will be paid share awards totalling 18,675 shares (gross) in spring 2024 based on the 2022 and 2023 performance under the PSP 2022–2025.

### Relative proportions of fixed and variable remuneration

The President and CEO was paid a total of €2,399,064 in performance bonuses and share awards in 2023, representing 71% of his total remuneration. The Deputy CEO was paid a total of €1,081,104 in performance bonuses and share awards, representing 70% of his total remuneration.

The maximum performance bonus amount for 2022 and 2023 was 100% of the President and CEO's annual salary and 67% of the Deputy CEO's annual salary. In 2023, the performance bonus paid to the President and CEO for 2022 amounted to €787,500, which is equivalent to 87.5% of his annual salary. The performance bonus paid to the Deputy CEO amounted to €271,250, which is equivalent to 64.6% of his annual salary.

The gross share award paid to the President and CEO amounted to €1,611,564, which is equivalent to some 179% of his annual salary. The gross share award paid to the Deputy CEO amounted to €809,854, which is equivalent to some 193% of his annual salary.

### Share awards

Share awards to the President and CEO and the Deputy CEO are presented in the following table. Under the Performance Share Plan (PSP) 2021–2024, shares were transferred in the spring of 2023 based on the performance indicators for 2021 and 2022. Under the Performance Share Plan (PSP) 2022–2025, shares will be transferred in the spring of 2024 based on the performance indicators for 2022 and 2023.

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 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 met by both the President and CEO and the Deputy CEO.

Information on the actual share awards granted is presented in the following table.

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

|   | PSP 2022–2025 | PSP 2021–2024 |
|---|---------------|---------------|
| Performance period  | 2022–2023     | 2021–2022     |
| Actual earnings, performance period average                                   | 41.50%        | 75.00%        |
| Performance period end date   | 31.12.2023    | 31.12.2022    |
| Year the shares are transferred   | 2024          | 2023          |
| Share price on the date of assignment, €                                      | *             | 19.74         |
| Commitment period end date  | 10.2.2026     | 10.2.2025     |
| President and CEO, maximum share allocation**                                 | 89,500        | 108,850       |
| President and CEO, value of maximum share allocation at the grant date, € *** | 2,467,515     | 2,345,718     |
| President and CEO, actual number shares**                                     | 37,143        | 81,638        |
| President and CEO, total value of share award, €                              | *             | 1,611,564     |
| Deputy CEO, maximum share allocation**  | 45,000        | 54,700        |
| Deputy CEO, value of maximum share allocation at the grant date, € ***        | 1,240,650     | 1,178,785     |
| Deputy CEO, actual number shares**  | 18,675        | 41,025        |
| Deputy CEO, total value of share award, €                                     | *             | 809,854       |

\* The share price and total value of share award to be confirmed on the date of assignment in spring 2024.

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

\*\*\* In January 2021, the average share price was €21.55. In January 2022, the average share price was €27.57.

The criteria for Kesko's performance-based share award plan were Kesko's return on capital employed (ROCE, %), Kesko's sales development, the total shareholder return of a Kesko B share, and the sustainability target. The following table depicts changes in these in 2021, 2022 and 2023.

The share award paid in 2023 was paid based on the actual average of the indicators presented in the table for 2021 and 2022. The share award to be paid in 2024 will be paid based on the actual average of the indicators presented in the table for 2022 and 2023.

### Performance Share Plan (PSP) indicators and levels achieved

|  | 2023   |                | 2022   |                | 2021   |                |
|--|--------|----------------|--------|----------------|--------|----------------|
|  | Weight | Level achieved | Weight | Level achieved | Weight | Level achieved |
| Absolute total shareholder return (TSR) of a Kesko B share | 40%    | 20%            | 40%    | 0%             | 40%    | 100%           |
| Kesko's return on capital employed (ROCE)                  | 40%    | 30%            | 40%    | 80%            | 40%    | 100%           |
| Kesko's sales development                                  | 10%    | 30%            | 10%    | 80%            | 20%    | 100%           |
| Sustainability target*                                     | 10%    | 100%           | 10%    | 100%           |        | -              |
| Total level achieved                                       |        | 33%            |        | 50%            |        | 100%           |

\* The sustainability target has been a criterion for Kesko's PSP since 2022. It comprises emission reductions and targets linked to international sustainability indices and assessments. (In addition to the share award plan, in 2023 the members of the divisional management teams and the persons reporting to them had the target of the corporate sustainability strategy as one of the performance bonus criteria. Sustainability targets have also been set for a large number of key persons covered by the performance bonus scheme, based on their role).

### Performance bonuses

The performance bonuses paid in 2023 were earned in 2022, and the performance bonuses to be paid in 2024 were earned in 2023. The key performance bonus indicators for the President and CEO in 2022 and 2023 were Kesko's total shareholder return (TSR, %) operating profit (EBIT), return on capital employed (ROCE %), and sales development. The key performance bonus indicators for the Deputy CEO in 2022 and 2023 were the operating profit (EBIT) for Kesko, and the EBIT, return on capital employed (ROCE %), and sales development for the building and technical trade division. Remuneration for the President and CEO and the Deputy CEO was also based on their overall performance. The indicators and levels achieved by the President and CEO and the Deputy CEO are presented in the table on the following page.

### Supplementary pensions

President and CEO Mikko Helander accrued 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 accumulated for the President and CEO from 1 July 2023 onwards. As stated in a stock exchange release issued on 8 December 2023, Helander will retire from the Company in 2024.

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.

## Performance bonus targets and levels achieved in 2022 and 2023 by the President and CEO and Deputy CEO

| President and CEO | Targets   | Level achieved  | Total assessment on a scale of 0 to 100 | Payment year                            |  |
|-------------------|---|---|---|---|--|
| STI 2022          | Financial targets for Kesko and K Group                                       | Targets related to the Company's financial performance: <ul style="list-style-type: none"> <li>• Kesko's EBIT</li> <li>• Kesko's ROCE %</li> <li>• Sales development</li> </ul>   | 87.5                                    | 2023                                    |  |
|                   | Personal targets  | Targets related to strategy execution have been set for the President and CEO. The targets comprise 11 areas, which the Board has taken into account in the total assessment of the President and CEO.                                |   |   |  |
| STI 2023          | Financial targets for Kesko and K Group                                       | Targets related to the Company's financial performance: <ul style="list-style-type: none"> <li>• Kesko's EBIT</li> <li>• Kesko's ROCE, %</li> <li>• TSR</li> <li>• Sales development</li> </ul>                                       | 58.3                                    | 2024                                    |  |
|                   | Personal targets  | Targets related to strategy execution have been set for the President and CEO. The targets comprise 13 areas, which the Board has taken into account in the total assessment of the President and CEO.                                |   |   |  |
| Deputy CEO        | Targets   | Weight  | Level achieved                          | Total assessment on a scale of 0 to 100 | Payment year   |
| STI 2022          | Financial performance for Kesko and the building and technical trade division | Financial targets for Kesko and the building and technical trade division: <ul style="list-style-type: none"> <li>• Kesko's EBIT</li> <li>• Division EBIT</li> <li>• Division ROCE %</li> <li>• Division sales development</li> </ul> | 20%<br>30%<br>15%<br>15%                | 96.9                                    | 2023   |
|                   | Personal targets  | 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.  | 20%                                     |   |  |
| STI 2023          | Financial performance for Kesko and the building and technical trade division | Financial targets for Kesko and the building and technical trade division: <ul style="list-style-type: none"> <li>• Kesko's EBIT</li> <li>• Division EBIT</li> <li>• Division ROCE %</li> <li>• Division sales development</li> </ul> | 20%<br>30%<br>15%<br>15%                | 18.6                                    | 2024   |
|                   | Personal targets  | 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.  | 20%                                     |   |  |
|                   |   |   |   |   | The Group's operating profit was at the maximum level of the target table and the return on capital and sales development were above the target level. In the Board's assessment, the overall performance of the President and CEO was very good in relation to the objectives set for him with regard to strategy execution, and the objectives were achieved above the target level.   |
|                   |   |   |   |   | The Group's operating profit, return on capital and sales development were below the target level. Despite the weakened market situation, the Group's result was at a good level. Cash flow from operating activities strengthened thanks to improved working capital management. According to the Board's assessment, the President and CEO's overall performance was good in terms of key operational objectives, including the successful execution of the growth strategy, development of the business portfolio and business growth through acquisitions and organically, growth in digital trading, development of the corporate and employer image, and development of sustainability work and success in key sustainability indices.   |
|                   |   |   |   |   | The Group's operating profit, operating profit by division, return on capital and sales performance were at the maximum level. According to the Board's assessment, the overall performance of the Deputy CEO was at the maximum level.  |
|                   |   |   |   |   | The Group's operating profit was below the target level. The division's operating profit, return on capital and sales performance were below the minimum level of the target table. Despite the sharp downturn in the construction market, the division achieved a good operating profit of over 5% and gained market share in its main business areas. According to the Board's assessment, the Deputy CEO's overall performance was very good in terms of key operational objectives, including the implementation of the division's growth strategy and market share growth, both organically and through acquisitions, the successful integration of acquired businesses, growing digital commerce and e-commerce, and implementing the sustainability strategy in all countries and businesses. |





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