



KESKO CORPORATION'S REMUNERATION STATEMENT

2013

This remuneration statement has been discussed at the meeting of the Remuneration Committee of Kesko Corporation's Board of Directors on 3 February 2014

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SISÄLTÖ

1 REMUNERATION PLANS	3
1.1 REMUNERATION OF THE BOARD AND ITS COMMITTEES	3
1.2 REMUNERATION OF THE PRESIDENT AND CEO AND OTHER MANAGEMENT	3
2 SALARIES, FEES AND OTHER FINANCIAL BENEFITS	5
2.1 FEES AND OTHER FINANCIAL BENEFITS OF THE MEMBERS OF THE BOARD AND ITS COMMITTEES	5
2.2 PRESIDENT AND CEO'S SALARY, FEES AND OTHER FINANCIAL BENEFITS	6
2.3 CORPORATE MANAGEMENT BOARD MEMBERS' SALARIES, FEES AND OTHER FINANCIAL BENEFITS	7
3 SHARE-BASED COMPENSATION PLANS.....	9
3.1 SHARE-BASED COMPENSATION PLAN 2011–2013	9
3.2 SHARE-OPTION SCHEME 2007	10

REMUNERATION STATEMENT FOR 2013**1 Remuneration plans****1.1 Remuneration of the Board and its Committees**

The Annual General meeting adopts resolutions on the fees and other financial benefits of the members of the Kesko Corporation ("Kesko") Board and the Board's Committees annually. The fees of the members of the Board and its Committees are paid in cash. The Board members have no share or share-based compensation plans. Nor are they included in the company's other remuneration or pension plans.

1.2 Remuneration of the President and CEO and other management***Principles of remuneration and the decision-making process***

The remuneration plan of the President and CEO and the other members of the Group Management Board consists of a non-variable monetary salary (monthly salary), fringe benefits (free car and mobile phone benefit), a performance bonus based on criteria set annually (short-term remuneration plan), share-based compensation (long-term remuneration plans) and management's retirement benefits. In addition, the company has the 2007 share option scheme, based on which share options have not been granted after 2010.

Based on the Remuneration Committee's preparatory work, Kesko's Board makes decisions on the personal compensation, other financial benefits, the performance bonus system criteria and the performance bonuses paid to the President and CEO and the Group Management Board members responsible for lines of business. For the other Group Management Board members, Kesko's Board makes decisions on the performance bonus principles. The Board also monitors the implementation of the remuneration plan.

The President and CEO makes decisions on the compensation and other financial benefits of Group Management Board members other than those responsible for lines of business within the limits set by the Chair of the Board's Remuneration Committee.

Performance bonus scheme (short-term remuneration plan)

Kesko operates a management's performance bonus scheme. In addition to the Group Management Board, the scheme covers about 90 people in Kesko Group's management. The performance bonuses determined annually are paid after the completion of the annual financial statements by the end of April following the year of determination. Kesko's Board makes decisions on the management's performance bonus criteria annually. Generally speaking, the criteria are the Group's profit before non-recurring items and tax (weighting 20-40%), the return on capital employed (%) of the director's personal responsibility area, operating profit excluding non-recurring items and net sales performance, customer and personnel indicators (weighting 20-40%), attainment of personal targets, and a component based on the superior's overall evaluation (30-40%). The performance bonus criteria and their weightings vary depending on duties.

The maximum performance bonus of Kesko's President and CEO corresponds to his eight months' monetary salary excluding fringe benefits, and that of the other Group Management Board members, the monetary salary of 4-5 months, depending on the profit impact of each position. The performance bonus of a Group Management Board member is de-

terminated based on the monetary salary of the last month of the calendar year the performance of which is the basis of the bonus.

The fulfilment of performance and profit criteria and their impact on long-term financial success are monitored and evaluated by Kesko's Board and the Remuneration Committee.

According to the rules of the performance bonus scheme, the period of service or comparable activity in a Group company must have lasted continuously for at least six (6) calendar months during the calendar year for which the bonus is paid. A performance bonus is not paid to a person whose employment terminates before the date of payment.

Share-based compensation plans (long-term remuneration plans)

In addition to the performance bonus scheme, Kesko operates the 2011-2013 share-based compensation plan and the 2007 share option plan designed for the Group's management and certain other key personnel.

The purpose of the share-based compensation plans is to promote Kesko's business and increase the company's value by combining the objectives of the shareholders and management personnel. The plan also aims to commit the grantees to Kesko Group and give them the opportunity to receive company shares upon fulfilling the objectives set in the share-based compensation plan.

The share-based compensation plan includes three vesting periods: calendar years 2011, 2012 and 2013. Kesko's Board determines the target group and vesting criteria separately for each vesting period based on the Remuneration Committee's proposal, and the compensation possibly paid after each vesting period is based on the fulfilment of the vesting criteria determined for the vesting period by the Board. The criteria for the 2013 vesting period were, as were the criteria for the 2012 vesting period, the growth percentage of Kesko Group's sales exclusive of tax, Kesko's basic earnings per share (EPS) excluding nonrecurring items and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI index.

The compensation possibly paid for a vesting period is paid in Kesko B shares. In addition, a cash component is paid to cover the taxes and tax-like charges incurred by the award. A commitment period of three calendar years following each vesting period is attached to the shares issued in compensation, during which shares must not be transferred. If a person's employment or service relationship terminates prior to the end of the commitment period, he/she must, as a rule, return the shares subject to transfer restriction to Kesko or its designate without consideration. However, the Board may, in individual cases, decide that the grantee is entitled to keep some or all of the shares that are subject to a return obligation. The plan allows a total maximum of 600,000 own B shares held by the company to be issued over the three-year period.

The plan does not contain terms or conditions that would limit the recipients' income from the shares.

Share option scheme 2007

In addition to the share-based compensation plan, Kesko operates an option scheme resolved by the 2007 Annual General Meeting. A total maximum of 3,000,000 options could be granted under the scheme. The scheme includes an obligation placed by Kesko's Board on option recipients to use 25% of the proceeds from their options to buy company shares

for permanent ownership. Kesko's Board made decisions on the granting of options on the basis of the Remuneration Committee's proposal and within the terms and conditions of the option scheme resolved by the company's General Meeting. No options have been granted since 2010.

The plan does not contain terms or conditions that would limit the recipients' income from the options.

Period of notice and termination benefit

If given notice by the company, the President and CEO and the other Group Management Board members are entitled to a monetary salary for the period of notice, fringe benefits and a separate lump sum termination benefit determined on the basis of the executive's monetary salary and fringe benefits for the month of notice. The termination benefit as well as granted options or shares, or income from them are not part of the executive's salary and they are not included in the determination of the salary for the period of notice, termination benefit or, in case of retirement, pensionable salary. If an executive resigns, he/she is only entitled to a salary for the period of notice and fringe benefits. When a service relationship terminates due to retirement, the executive is paid a pension based on his/her service contract without other benefits.

Retirement benefits

The statutory pension security of the President and CEO and the other Group Management Board members is organised through a pension insurance company. In addition, the President and CEO and the other Group Management Board members except for two (2), belong to the Kesko Pension Fund's department A which was closed in 1998, and their supplementary retirement benefits are determined based on its rules and their personal service contracts. Their supplementary retirement benefits are based on defined benefit plans. Two of the members have joined Kesko after 1998, and their pensions are determined based on the Employees' Pensions Act (TyEL) applied in Finland. The defined benefit IFRS pension obligation arising from the President and CEO's supplementary pension benefit is €5.5 million. The obligation is fully covered. During the financial year 2013, the supplementary pension plan did not incur cash flow contributions. The IFRS pension cost calculated on an accrual basis was positive by €0.1 million due to surplus. The pension cost incurred by the President and CEO's statutory pension security was €0.2 million.

Kesko has not paid pension insurance contributions incurred on executives' memberships of Kesko Pension Fund's department A for several years nor in 2013 when the department's investment earnings covered the payable supplementary retirement pensions and changes in the pension liability.

2 Salaries, fees and other financial benefits

2.1 Fees and other financial benefits of the members of the Board and its Committees

The Annual General meeting adopts resolutions on the fees and other financial benefits of the members of the Kesko's Board and its Committees annually. The fees of the members of the Board and its Committees are paid in cash. The Board members have no share or share-based compensation plans. Nor are they included in the company's other remuneration or pension plans.

The Annual General Meeting of 8 April 2013 resolved to leave the Kesko Board members' fees unchanged, and in 2013 they were as follows:

Annual fees:

- Board Chair €80,000
- Board Deputy Chair €50,000 and
- Board member €37,000.

In addition, a meeting fee of €500 per meeting is paid for a Board meeting and its Committee's meeting, with the exception that the Chair of a Committee who is not the Chair or the Deputy Chair of the Board is paid €1,000 per Committee meeting.

Daily allowances are paid and travel expenses are reimbursed to Board and Committee members in accordance with the general travel rules of Kesko.

2.2 President and CEO's salary, fees and other financial benefits

President and CEO Matti Halmesmäki's personal compensation, other financial benefits, performance bonus system criteria and performance bonuses are decided by Kesko's Board, based on the Remuneration Committee's preparatory work. A written managing director's service contract, approved by the Board, has been made between the company and the President and CEO.

The salaries, fringe benefits and performance bonuses paid by the company to the President and CEO and his other financial benefits in 2011-2013 are presented in the following table.

PRESIDENT AND CEO MATTI HALMESMÄKI

Salaries, performance bonuses and fringe benefits in 2011–2013 (€)

	2013	2012	2011
Non-variable monetary salary	909,840	865,300	642,900
Performance bonuses	350,000*	309,000*	339,500*
Fringe benefits	22,740	22,023	19,980
Total	1,282,580	1,196,323	1,002,380

* Paid based on previous year's performance.

PERIOD OF NOTICE AND TERMINATION BENEFIT

If the President and COE's service contract is terminated by the company, he is paid a 12-months' salary for the period of notice and a separate lump sum termination benefit which corresponds to his 12-months' monetary salary and fringe benefits (a total of 24 x termination month's monetary salary + fringe benefits). If the President and CEO resigns, he is entitled to a 6-months' salary for the period of notice.

SHARE-BASED PAYMENTS

Share-based compensation plan

Share award (pcs)	2013	2012	2011
Maximum	21,000	21,000	18,000
Granted	4,200*	5,607	7,794
Commitment period (until)	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014

* Board's decision in February 2014. The number of shares granted for the 2013 vesting period will be paid in April 2014 in accordance with the terms of the plan.

The share award is based on the fulfilment of the vesting criteria set by the Board for each vesting period. The Board annually decides on the vesting criteria and the maximum share amounts at the beginning of the vesting period. At the beginning of the year following the vesting period, the Board decides the final amounts of Kesko B shares to be granted based on the fulfilment of the vesting criteria. The vesting criteria with equal weightings for the 2011, 2012 and 2013 vesting periods are Kesko's basic earnings per share (EPS) excl. non-recurring items, the performance of Kesko Group's sales exclusive of tax for the vesting period, and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI Index.

In addition, a cash component is paid to cover the taxes and tax-like charges incurred by the award.

COMMITMENT PERIOD OF SHARE-BASED PAYMENTS

The share award in Kesko B shares involves a commitment period of three calendar years, following each vesting period, during which the shares may not be assigned.

The commitment period for shares awarded for the 2011 vesting period ends on 31 December 2014, the commitment period for shares awarded for the 2012 vesting period ends on 31 December 2015, and the commitment period for shares awarded for the 2013 vesting period ends on 31 December 2016.

SHARE OPTIONS

As at 31 December 2013, the President and CEO did not hold any share options. The 2007A-2007C share options carry an obligation set by Kesko's Board to option recipients to use 25% of the proceeds from their share options to buy company shares for permanent ownership.

RETIREMENT BENEFITS

The President and CEO's statutory pension security is organised through a pension insurance company. In addition, he is a member of Kesko Pension Fund's department A that was closed in 1998, and his supplementary retirement benefit is based on its rules and his managing director's service contract. His supplementary retirement benefit is based on a defined benefit plan. In 2011, the President and CEO's term of office, based on his managing director's service contract, was extended until his retirement on old age pension at the age of 63. At retirement, his pension will be 66% of his pensionable salary, which is determined based on his non-variable monetary salary, performance bonuses and fringe benefits for the last 10 years. The IFRS pension obligation based on a defined benefit plan that arises from the President and CEO's supplementary retirement benefit is €5.5 million. The pension obligation is fully covered. During the financial year 2013, the supplementary retirement benefit did not incur cash flow contributions. The IFRS pension cost calculated on an accrual basis was positive by €0.1 million due to surplus. The pension cost incurred by the President and CEO's statutory pension cover was €0.2 million.

2.3 Corporate Management Board members' salaries, fees and other financial benefits

Based on the Remuneration Committee's preparatory work, Kesko's Board makes decisions on the personal compensation, other financial benefits, the performance bonus system criteria and the performance bonuses paid to the President and CEO and the Group Management Board members responsible for lines of business. For the other Group Management Board members, Kesko's Board makes decisions on the performance bonus principles. The President and CEO makes decisions on the compensation and other financial benefits of Group Management Board members other than those responsible for lines of business within the limits set by the Chair of the Board's Remuneration Committee.

GROUP MANAGEMENT BOARD MEMBERS AND RESPONSIBILITY AREAS IN 2013

	Since	Responsibility area (at 31 Dec. 2013)
Matti Halmesmäki, Ch.	1 Jan. 2001	Kesko's President and CEO
Jorma Rauhala, President of Kesko Food Ltd	5 Feb. 2013	Food trade and Kesko's store site operations in Russia
Minna Kurunsaari, Senior Vice President, home and speciality goods trade*	1 Dec. 2011	Home and speciality goods trade
Terho Kalliokoski, President of Rautakesko Ltd**	17 Mar. 2005	Building and home improvement trade
Pekka Lahti, President of VV-Auto Group Oy	1 Mar. 2005	Car and machinery trade
Arja Talma, Senior Vice President***	17 Mar. 2005	Store sites and investments
Jukka Erlund, Senior Vice President, CFO of Kesko	1 Nov. 2011	Finance and accounting, IT management, financial services
Matti Mettälä, Senior Vice President	1 Oct. 2012	Human resources and stakeholder relations

* Kurunsaari's responsibility area has been home and speciality goods trade since 20 Dec. 2013. Her previous responsibility area was home and speciality goods trade and customer information and e-commerce projects. Since 20 Dec. 2013, each division parent company is responsible for customer information and e-commerce projects.

** Kalliokoski was appointed President of Rautakesko Ltd starting on 5 Feb. 2013. Previously, he was President of Kesko Food Ltd.

*** Talma was appointed Senior Vice President responsible for the store sites and investments of Kesko Group starting on 5 Feb. 2013. Previously, she was President of Rautakesko Ltd.

The salaries, fringe benefits and performance bonuses paid by the company to the Group Management Board members and their other financial benefits in 2012-2013 are presented in the following tables.

SALARIES, PERFORMANCE BONUSES AND FRINGE BENEFITS OF GROUP MANAGEMENT BOARD MEMBERS IN 2012-2013 (€)

	Non-variable monetary salary		Performance bonuses		Fringe benefits		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Matti Halmesmäki, Ch.	909,840	865,300	350,000	309,000	22,740	22,023	1,282,580	1,196,323
Group Management Board*	1,671,384	1,491,291	323,550	327,950	118,896	108,944	2,113,830	1,928,185
Total	2,581,224	2,356,591	673,550	636,950	141,636	130,968	3,396,410	3,124,508

* Excluding President and CEO Halmesmäki.

Salaries, performance bonuses and fringe benefits are reported on cash basis. The 2012 accrual is calculated by adding the amount of performance bonus paid in 2013 to the salaries and fringe benefits in 2012. The performance bonus accrued for 2013 will be decided in spring 2014.

SHARE-BASED PAYMENTS TO GROUP MANAGEMENT BOARD MEMBERS

	2013		2012		2011	
	Maximum	To be granted**	Maximum	Granted	Maximum	Granted
Matti Halmesmäki, Ch.	21,000	4,200	21,000	5,607	18,000	7,794
Group Management Board*	46,500	9,300	35,600	9,506	33,300	14,420
Total	67,500	13,500	56,600	15,113	51,300	22,214

* Excluding President and CEO Halmesmäki. The amounts reported for the Group Management Board reflect the situation in February following each vesting period.

** The Board's decision in February 2014. The shares to be granted for the 2013 vesting period will be granted by the end of April 2014 in accordance with the terms of the plan.

The share award is based on the fulfilment of the vesting criteria set by the Board for each vesting period. The Board annually decides on the vesting criteria and the maximum share amounts at the beginning of the vesting period. At the beginning of the year following the vesting period, the Board decides the final amounts of Kesko B shares to be granted based on the fulfilment of the vesting criteria. The vesting criteria with equal weightings for the 2011-2013 vesting periods are Kesko's basic earnings per share (EPS) excl. non-recurring items, the performance of Kesko Group's sales exclusive of tax for the vesting period, and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI Index. In addition, a cash component is paid to cover the taxes and tax-like charges incurred by the award.

COMMITMENT PERIOD OF SHARE-BASED PAYMENTS

The share award in Kesko B shares involves a commitment period of three calendar years, following each vesting period, during which the shares may not be assigned. The commitment period for shares awarded for the 2011 vesting period ends on 31 December 2014, the commitment period for shares awarded for the 2012 vesting period ends on 31 December 2015, and the commitment period for shares awarded for the 2013 vesting period ends on 31 December 2016. If a person's employment in or service relationship to a Kesko Group company ends before the compensation is paid due to company reorganisation or business transfer or because the recipient retires or dies, the Board will decide at its discretion whether the recipient or his/her beneficiary has a right to the compensation.

SHARE OPTIONS

As at 31 Dec. 2012, Group Management Board members, excluding President and CEO Halmesmäki, held a total of 17,000 2007B and 65,500 2007C share options. As at 31 Dec. 2013, Group Management Board members held no share options. The 2007A-2007C share options carry an obligation set by Kesko's Board to option recipients to use 25% of the proceeds from their share options to buy company shares for permanent ownership.

RETIREMENT BENEFITS, PERIODS OF NOTICE AND TERMINATION BENEFITS OF GROUP MANAGEMENT BOARD MEMBERS

	Old age pension age (yrs)	Pension as percentage of pensionable salary (%)	Period of notice	Termination benefit
Matti Halmesmäki, Ch.	63	66	6*/12 mo	12 mo salary
Jorma Rauhala	62	66	6 mo	6 mo salary
Minna Kurunsaari	62	66	6 mo	6 mo salary
Terho Kalliokoski	62	66	6 mo	12 mo salary
Pekka Lahti	62	66	6 mo	18 mo salary
Arja Talma	based on TyEL**	based on TyEL**	6 mo	12 mo salary
Jukka Erlund	based on TyEL**	based on TyEL**	6 mo	6 mo salary
Matti Mettälä	62	66	6 mo	12 mo salary

If the company terminates the service contract of a Group Management Board member, he/she is paid a 6–12-months' salary for the period of notice and a separate lump sum termination benefit which corresponds to his/her 6–18-months' non-variable monetary salary and fringe benefits (a total of 12–24 x termination month's monetary salary + fringe benefits). If the executive resigns, he/she is entitled to a salary for the period of notice.

The statutory pension security of Group Management Board members is organised through a pension insurance company. Except for two (2) members (Erlund and Talma), the Group Management Board members are members of the Kesko Pension Fund's department A that was closed in 1998, and their supplementary retirement benefits are based on its rules and each of their service contracts. Their retirement benefits are based on defined benefit plans. The IFRS pension obligation based on a defined benefit plan that arises from the Group Management Board members' (excluding Halmesmäki, Erlund and Talma) supplementary retirement benefit is €3.2 million. The pension obligation is fully covered. During the financial year 2013, the supplementary retirement benefit did not incur cash flow contributions. The IFRS pension cost calculated on an accrual basis was positive by €0.1 million due to surplus.

* If the President and CEO resigns, he is entitled to a 6-months' salary for the period of notice.

** TyEL = the Employees' Pensions Act

3 Share-based compensation plans

3.1 Share-based compensation plan 2011–2013

Kesko operates the 2011-2013 share-based compensation plan designed for the Group's management and certain other key personnel. The plan allows a total maximum of 600,000 own B shares held by the company to be issued over the three-year period.

The share-based compensation plan includes three vesting periods: calendar years 2011, 2012 and 2013. Kesko's Board determines the target group and vesting criteria separately for each vesting period based on the Remuneration Committee's proposal, and the compensation possibly paid after each vesting period is based on the fulfilment of the vesting criteria determined for the vesting period by the Board. The criteria for the 2013 vesting period were, as were the criteria for the 2012 vesting period, the growth percentage of Kesko Group's sales exclusive of tax, Kesko's basic earnings per share (EPS) excluding non-recurring items and the percentage by which the total shareholder return of a Kesko B share exceeds the OMX Helsinki Benchmark Cap GI index.

The compensation possibly paid for a vesting period is paid in Kesko B shares. In addition, a cash component is paid to cover the taxes and tax-like charges incurred by the award.

A commitment period of three calendar years following each vesting period is attached to the shares issued in compensation, during which shares must not be pledged or transferred but during which the person's other rights related to the shares remain in place. If a person's employment or service relationship terminates prior to the end of the commitment period, he/she must, as a rule, return the shares subject to transfer restriction to Kesko or

its designate without consideration. However, the Board may, in individual cases, decide that the grantee is entitled to keep some or all of the shares that are subject to a return obligation.

3.2 Share-option scheme 2007

On 26 March 2007, the Annual General Meeting decided to grant a total of 3,000,000 options for no consideration to the management of Kesko Group, other key personnel, and a subsidiary wholly owned by Kesko Corporation. The terms and conditions of the 2007 option scheme were published on 26 March 2007.

Each option entitles its holder to subscribe for one new Kesko Corporation B share. The options are marked with symbols

- 2007A (KESBVEW107, ISIN code: FI0009637201),
- 2007B (KESBVEW207, ISIN code: FI0009637219), and
- 2007C (KESBVEW307, ISIN code: FI0009637227)

in units of 1,000,000 options each.

The exercise periods of options are:

- 2007A: 1 April 2010–30 April 2012 (expired),
- 2007B: 1 April 2011–30 April 2013 (expired) and
- 2007C: 1 April 2012–30 April 2014.

The original share subscription price for option 2007B between 1 April and 30 April 2008 was €26.57 and for option 2007C between 1 April and 30 April 2009 it was €16.84. The subscription prices of shares subscribed for with exercisable options are reduced by the amount of dividend and other distributions decided after the beginning of the period for the determination of the subscription price and before the subscription at the record date for each distribution. After the 2012 dividend distribution, the subscription price of a B share subscribed for with option 2007B was €20.97 (subscription period expired on 30 April 2013) and with option 2007C it was €12.24.

The company has not issued other options or other special rights entitling to company shares.

Options based on the share option scheme 2007 have not been granted after 2010.