



**REMUNERATION
STATEMENT 2015**

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Remuneration schemes	2
Salaries, remuneration and other financial benefits	5

REMUNERATION STATEMENT 2015

Kesko complies with the Corporate Governance Code for Listed Companies in force at any given time. This statement has been prepared in compliance with the Finnish Corporate Governance Code 2010 (“Corporate Governance Code”). The Corporate Governance Code 2010 can be read in full at www.cgfinland.fi/files/2012/01/suomen-listayhtioiden-hallinnointikoodi-cg2010.pdf.

In autumn 2015, the Securities Market Association published the new Finnish Corporate Governance Code for listed companies, which Kesko adopted as of 1 January 2016. A Remuneration Statement in compliance with the new Code will be published in spring 2017. The new Corporate Governance Code can be read at <http://cgfinland.fi/en/>.

Principles of remuneration and the decision-making procedure

The Annual General Meeting decides on the remuneration and other financial benefits of the members of Kesko Corporation's (“Kesko”) Board of Directors and its Committees' members annually. The remuneration of the members of the Board and its Committees is paid in cash. The Board members do not have share compensation or share-based compensation schemes. Nor do they participate in the other remuneration schemes or pension plans of the Company.

Based on the Remuneration Committee's preparatory work, Kesko's Board of Directors

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. As for the other Group Management Board members, Kesko's Board of Directors makes decisions on the performance bonus principles.

The President and CEO makes decisions on the compensation and other financial benefits of the 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.

The remuneration scheme 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 decided annually (short-term remuneration scheme), a share-based compensation (long-term remuneration scheme) and management's retirement benefits.

The Board of Directors monitors the implementation of the remuneration schemes of the President and CEO and the other Group Management Board members.

REMUNERATION SCHEMES

Performance bonus scheme (short-term remuneration scheme) in 2015

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 management's performance bonus criteria annually.

The criteria have been the Group's, or each respective division's operating profit excluding non-recurring items, the operating profit before non-recurring items of the executive's area of responsibility, sales and market share indicators and the achievement of personal targets. The performance bonus criteria and their weightings vary depending on the duties of the position.

The maximum performance bonus of Kesko's President and CEO corresponds to his 8 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 their respective positions. The performance bonus of a Group Management Board member is determined 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 the performance and profit criteria and their impact on long-term financial success are monitored and evaluated by Kesko's Board and the Remuneration Committee.

If exceptional events and events with significant impacts on operations take place during the financial year, or if the market situation or the Company's productivity trend so requires, the application, target setting and payment rules of the performance bonus scheme can be changed by a decision of Kesko Corporation's Board also in individual cases.

At its discretion, the Board may decide not to pay a share award, or decide to recover an award that has already been paid, if the award recipient has been found guilty of malpractice or an action in breach of Kesko's ethical or responsibility principles or guidance that, as a whole, cannot be considered insignificant, or if there are weighty reasons for assuming that he/she is guilty of such acts.

Share-based compensation plan 2014—2016 (long-term remuneration scheme)

In addition to the performance bonus scheme, Kesko operates the 2014–2016 share-based compensation plan decided by the Company's Board and intended for the Group's management and certain other key persons.

The purpose of the share-based compensation plan 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

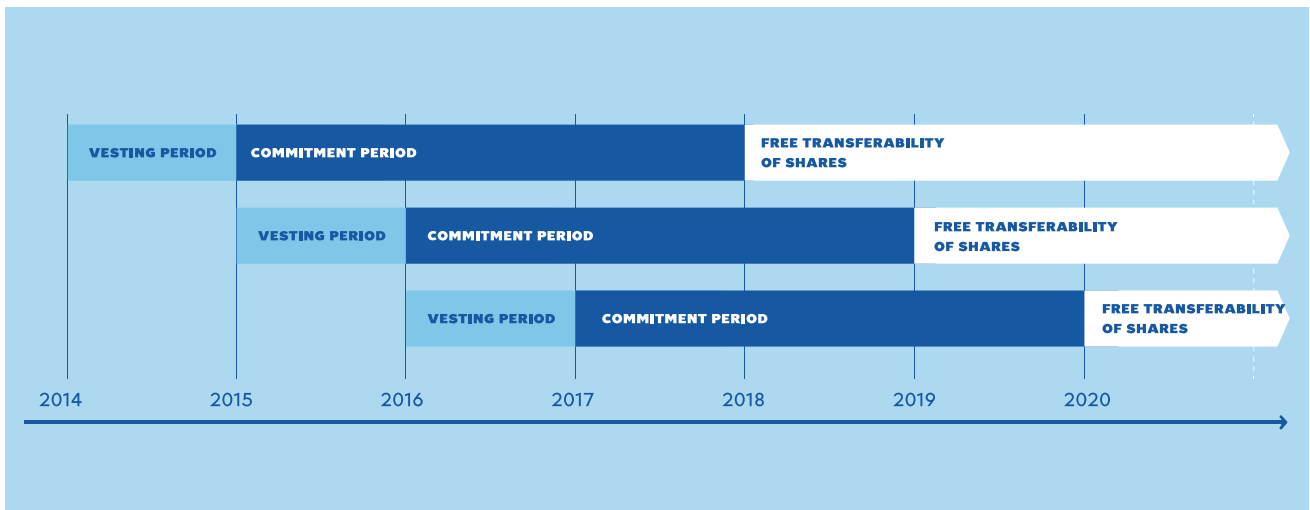
Group and give them the opportunity to receive Company shares upon fulfilling the objectives set in the share-based compensation plan.

The share-based compensation plan has three vesting periods: the calendar years 2014, 2015 and 2016. Kesko's Board decides the vesting criteria, the target group and the maximum amounts of the share award separately for each vesting period based on the Remuneration Committee's proposal. The final amounts of Kesko B shares to be granted based on the fulfilment of the vesting criteria are decided by the Board at the beginning of the year following the vesting period. The criteria for the 2015 vesting period were, with equal weightings, 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. Under the share-based compensation plan, a total maximum of 600,000 own B shares held by the Company as treasury shares can be granted.

The award possibly paid for a vesting period is paid in Kesko B shares. In addition, a cash component at maximum equalling the value of the shares is paid to cover the taxes and tax-like charges incurred under the award. A commitment period of three calendar years following each vesting period is attached to the shares granted, during which the shares must not be pledged or transferred, but the other rights attached to the shares remain in force. The commitment period of the 2015 vesting period will end on 31 December 2018. If a person's employment or service relationship terminates prior to the expiry of a commitment period, he or she 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 can keep the shares under return obligation, or some of them. If the grantee retires during the commitment period, he/she is entitled to keep the shares and other securities already received.

Even if the criteria are met, the Board always has discretion over whether to pay a share award to any given recipient in full, in part or not at all.

KESKO'S SHARE-BASED COMPENSATION PLAN 2014–2016



At its discretion, the Board may decide not to pay a share award, or decide to recover an award that has already been paid, if the award recipient has been found guilty of malpractice or an action in breach of Kesko's ethical or responsibility principles or guidance that, as a whole, cannot be considered

insignificant, or if there are weighty reasons for assuming that he/she is guilty of such acts.

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

SALARIES, REMUNERATION AND OTHER FINANCIAL BENEFITS

Remuneration and other financial benefits of the members of the Board and its Committees

The Annual General Meeting of 13 April 2015 resolved to leave the Kesko Board members' fees unchanged and in 2015, they were as follows:

Annual fees:

- Chair of the Board €80,000,
- Deputy Chair of the Board €50,000 and
- member of the Board €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 the Board and Committee members in accordance with the general travel rules of Kesko.

Annual and meeting fees paid to Board members for Board and Committee work in 2015 (€)*

	Annual fees	Meeting fees			Total
		Board	Audit Committee	Remuneration Committee	
Esa Kiiskinen (Ch.)	80,000	6,500		1,500	88,000
Mikael Aro (Dep. Ch.)***	37,500	4,500	1,500		43,500
Tomi Korpisaari	37,000	6,500			43,500
Matti Kyytsönen***	27,750	4,500	1,500		33,750
Anu Nissinen***	27,750	4,500			32,250
Toni Pokela	37,000	6,500			43,500
Kaarina Ståhlberg***	27,750	4,500	3,000		35,250
Ilpo Kokkila**	9,333	2,000		1,000	12,333
Maarit Näkyvä**	9,250	2,000	2,000		13,250
Seppo Paatelainen**	12,500	2,000	1,000	1,500	17,000
Virpi Tuunainen**	10,333	1,500	500		12,333
Total	316,166	45,000	9,500	4,000	374,666

* Reported on a cash basis

** Board member until 13 April 2015

*** Board member as of 13 April 2015

The table includes all members of Kesko's Board of Directors in 2015. The new Board members elected by the General Meeting held on 13 April 2015 are Mikael Aro, Matti Kyytsönen, Anu Nissinen and Kaarina Ståhlberg. At the same General Meeting, the terms of office of Board members Seppo Paatelainen, Ilpo Kokkila, Maarit Näkyvä and Virpi Tuunainen ended.

President and CEO Mikko Helander's salary, remuneration and other financial benefits in 2015

President and CEO Mikko Helander's personal compensation, other financial benefits, performance bonus scheme criteria and performance bonuses paid are decided by Kesko's Board of Directors based on the Remuneration

Committee's preparatory work. A written managing director's service contract, approved by the Board, is in force between the Company and the President and CEO. Helander has been the Company's President and CEO and the Chair of the Group Management Board since 1 January 2015.

On 16 December 2014, Kesko Corporation's Board of Directors decided to transfer 8,791 own B shares held by the Company as treasury shares to Mikko Helander, who took office as the Company's President and CEO on 1 January 2015. The share transfer was based on the managing director's service contract signed with Mikko Helander and the transferred shares are part of the agreed total compensation. The Kesko B shares granted to Helander carry a commitment period until 1

October 2016, during which the shares are not allowed to be transferred.

The salaries, fringe benefits and performance bonuses paid to Helander and his other financial

benefits in 2014—2015 are presented in the following tables.

Salaries, performance bonuses and fringe benefits in 2014–2015 (€)

	2015	2014
Non-variable monetary salary	856,800	210,000*
Performance bonuses*	140,000**	
Fringe benefits	21,725	5,265*
Total	1,018,525	215,265*

* Employment began on 1 October 2014.

** Performance bonus paid based on the previous year's profit.

Share-based compensation plan 2014–2016

Share award (pcs)	2015	2014
Maximum	21,000	-
Granted	11,214*	-
Commitment period (expiry date)	31 Dec. 2018	-

* The Board's decision in February 2016. Shares granted for the vesting period 2015 will be paid in April 2016 in accordance with the terms and conditions of the plan.

Retirement benefits

President and CEO Mikko Helander's old-age pension age is 63 and the amount of his old-age pension is 60% of his pensionable earnings in accordance with the Employees' Pensions Act (TyEL). The pensionable salary is determined based on his non-variable monetary salary, performance bonuses and fringe benefits for the last ten (10) years. The supplementary pension is based on a defined benefit plan. The cost of the supplementary pension for the period, calculated on an accrual basis, was €0.8 million and the pension liability was €0.9 million as at 31 December 2015. The pension cost of the President

and CEO's statutory pension provision was €0.1 million.

Health and life insurance

A health insurance and a life insurance have been taken out for Helander.

Period of notice and termination benefit

Helander's period of notice is twelve (12) months if the managing director's service contract is terminated by the Company and six (6) months if Helander resigns. If the Company terminates the contract for a reason other than a material breach of contract by the managing director, and the managing director does not retire on an old-age pension or some other pension, the managing

director is paid, in addition to the salary for the period of notice, a compensation corresponding to

the combined amount of 12 months' monetary salary and fringe benefits.

Group Management Board's salaries, remuneration and other financial benefits

Group Management Board members' salaries, performance bonuses and fringe benefits in 2014–2015 (€)*

	Non-variable monetary salary		Performance bonuses		Fringe benefits		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Mikko Helander, Ch.	856,800	210,000	140,000	0	21,725	5,265	1,018,525	215,265
Group Mmanagement Board**	1,777,640	1,843,260	371,750	286,500	126,478	121,649	2,275,868	2,251,409
Total	2,634,440	2,053,260	511,750	286,500	148,203	126,914	3,294,393	2,466,674

* Salaries, performance bonuses and fringe benefits are reported on a cash basis. The 2014 earnings on accrual basis are calculated by adding the amount of performance bonus paid in 2015 to the salaries and fringe benefits for 2014. The performance bonus for 2015 will be decided and paid in spring 2016.

** Excluding President and CEO Helander. Some of the current Group Management Board members took up their posts in 2015.

Share-based payments to Group Management Board members in 2013–2015 (pcs)

	2015		2014		2013	
	Maximum	To be granted**	Maximum	Granted	Maximum	Granted
Mikko Helander, Ch.	21,000	11,214	-	-	-	-
Group Management Board*	53,000	28,302	48,000	16,812	46,500	9,300
Total	74,000	39,516	48,000	16,812	46,500	9,300

* Excluding President and CEO Helander. Some of the current Group Management Board members took up their posts in 2015.

** The Board's decision in February 2016. The shares to be granted for the 2015 vesting period will be paid in March–April 2016 in accordance with the terms and conditions of the plan.

On 16 December 2014, Kesko Corporation's Board of Directors decided to transfer 8,791 own B shares held by the Company as treasury shares to Mikko Helander, who took office as the Company's President and CEO on 1 January 2015. The share transfer was based on the managing director's service contract signed with Mikko Helander and the transferred shares are part of the agreed total

compensation. The Kesko B shares granted to Helander carry a commitment period until 1 October 2016, during which the shares are not allowed to be transferred.

Retirement benefits in 2015

The statutory pension provision of the members of the Group Management Board is provided through

a pension insurance company. In 2015, four Group Management Board members were members of Kesko Pension Fund and their supplementary pensions are determined based on its rules and their personal service contracts. Their retirement benefits are based on a defined benefit plan. The retirement benefits of the other Group Management Board members are determined based on the general provisions applicable to employees' pensions in Finland (TyEL, the

Employees' Pensions Act). The retirement benefits of President and CEO Helander are reported in more detail in the section concerning him.

Kesko has not paid pension insurance contributions incurred on executives' memberships of Kesko Pension Fund's department A for several years, nor in 2015, as the department's investment earnings covered the payable supplementary pensions and changes in the pension liability.

Group Management Board members' retirement benefits, periods of notice and termination benefits in 2015*

	Old-age pension age (years)	Pension as percentage of pensionable salary (%)	Period of notice	Termination benefit**
Mikko Helander	63	60	6/12 mo***	12-mo salary
Jorma Rauhala	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
Jukka Erlund	in accordance with TyEL****	in accordance with TyEL****	6 mo	6-mo salary
Matti Mettälä	62	66	6 mo	12-mo salary
Anne Leppälä-Nilsson	in accordance with TyEL****	in accordance with TyEL****	6 mo	18-mo salary
Lauri Peltola	in accordance with TyEL****	in accordance with TyEL****	6 mo	6-mo salary
Anni Ronkainen	in accordance with TyEL****	in accordance with TyEL****	6 mo	6-mo salary

* As at 31 December 2015

** If given notice by the employer. Termination benefit includes monetary salary and fringe benefits.

*** The period of notice is twelve (12) months if the managing director's service contract is terminated by the Company and six (6) months if the President and CEO resigns.

**** TyEL = the Employees' Pensions Act