

Second-Party Opinion

Kesko Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Kesko Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green and Energy-Efficient Buildings, Renewable Energy and Clean Transportation – are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.



PROJECT EVALUATION AND SELECTION Kesko's Green Finance Committee will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The Committee consists of the CFO, Head of Sustainability and Group Treasurer. Kesko has a process in place to address environmental and social risks associated with the projects financed. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS The Green Finance Committee will also oversee the management and allocation of net proceeds and will track the proceeds using a Green Register. Kesko intends to have green project allocation that exceeds the balance of net proceeds from outstanding green debt, and in other cases, Kesko intends to allocate proceeds within 24 months of the respective issuance date. Pending full allocation, net proceeds will be temporarily held in Kesko's general liquidity reserve and managed in accordance with the Company's financial policy. Sustainalytics further notes that the temporary use of proceeds will be in line with the Framework's exclusion criteria. This is in line with market practice.



REPORTING Kesko commits to report on the allocation and impacts of proceeds via a Green Bond Report on an annual basis until full allocation. Reporting will be made available to investors. In addition, Kesko intends to report on relevant impact metrics. Sustainalytics views Kesko's reporting commitments to be aligned with market practice.

Second-Party Opinion

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Evaluation date May 10, 2024

Issuer Location Helsinki, Finland

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Introduction

Kesko Corporation ("Kesko" or the "Company") is a trading sector operator, with grocery trade, building and technical trade, and car trade as core business areas. Headquartered in Helsinki, Finland, the Company had approximately 1,800 stores under its operation in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland and Denmark and 45,000 employees as of 2023.¹

Kesko has developed the Kesko Green Finance Framework dated May 2024 (the "Framework"), under which the Company its subsidiaries, associates and joint ventures² intend to issue green bonds and obtain green loans, including, but not limited to revolving credit facilities, guarantee lines, letters of credit and term loans,³ and use the proceeds to finance or refinance, in whole or in part, existing and future projects that are expected to improve the environmental footprint of its operations. The Framework defines eligibility criteria in three areas:

1. Green and Energy-Efficient Buildings
2. Renewable Energy
3. Clean Transportation

Kesko engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)⁴ and Green Loan Principles 2023 (GLP).⁵ The Framework has been published in a separate document.⁶

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁷ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.16, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Kesko's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Kesko representatives have confirmed that: (1) they understand it is the sole responsibility of Kesko to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

¹ Kesko, "Kesko in Brief", (2024), at: <https://www.kesko.fi/en/company/kesko-in-brief/>

² For issuances or borrowing through subsidiaries, associates or joint ventures, Kesko has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of each issuance with the criteria defined in the Framework. Specifically, in the case of joint ownership (i.e. associates and joint ventures), Sustainalytics notes that Kesko will only finance its share of the asset value and account for the related impact.

³ Sustainalytics has reviewed just those loan instruments that are specified in the Framework.

⁴ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁵ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁶ The Kesko Green Finance Framework is available at: <https://www.kesko.fi/en/investor/>

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Kesko.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Kesko has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Kesko Green Finance Framework

Sustainalytics is of the opinion that the Kesko Green Finance Framework is credible, impactful and aligned with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green and Energy-Efficient Buildings, Renewable Energy and Clean Transportation – are aligned with those recognized by the GBP and GLP.
 - Kesko has established a look-back period of three years for refinancing operating expenditures, which Sustainalytics considers to be in line with market practice.
 - Under the Green and Energy-Efficient Buildings category, Kesko may finance or refinance the development, construction, modernization, operation and installation of buildings with the following criteria:
 - New buildings, where the building application was filed on or after 1 January 2021, that have or will achieve a net primary energy demand (PED) at least 10% lower than the PED resulting from the local nearly zero-energy buildings requirements.⁸
 - Existing buildings, where the building application was filed on or before 31 December 2020, that: i) have received an energy performance certificate (EPC) rating of A; or ii) belong to the top 15% of energy-efficient buildings in the national building stock, expressed as PED and demonstrated by adequate evidence, such as through a specialist study.
 - Major renovations with one of the following criteria:
 - Comply with the requirements applied to major renovations.⁹ Kesko has confirmed that the energy performance of the building or the renovation will meet the cost-optimal minimum energy performance requirements in accordance with the Energy Performance of Buildings Directive (EPBD).¹⁰ Sustainalytics notes that the EU Taxonomy¹¹ requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, which vary among EU Member States. Sustainalytics therefore encourages Kesko to report on the actual improvement on PED or energy

⁸ Sustainalytics notes that for buildings larger than 5,000 m², upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity, and the life cycle GWP of the building resulting from the construction has been calculated for each stage.

⁹ Kesko has confirmed that major renovations follow EU Directive 2010/31/EU definition for major renovations in the relevant jurisdiction.

¹⁰ European Commission, "Energy Performance of Buildings Directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

¹¹ European Commission, "Annex to the Commission Delegated Regulation", (2021), at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

- savings achieved in comparison with the existing building stock in the area or region.
 - Lead to a total reduction in PED by at least 30% compared to the PED per square metre and year (kWh/m²/year) prior to the renovation.
- For major renovations, Kesko has confirmed to Sustainalytics that only expenditures related to the renovations will be financed and not the entire asset value of the building.
- Installation, maintenance and repair of energy-efficient technologies or other energy-saving measures during the construction, maintenance and service phase of a building, including energy-efficient refrigeration display cases or cold rooms, energy management systems, AI and data solutions, energy-efficient and low-U-value windows, energy-efficient lighting, heat exchanges and ventilation, extended or improved thermal insulation, and electric heat pumps.
 - Sustainalytics notes that the refrigerants used for heat pumps will have a global warming potential (GWP) that does not exceed 675. Kesko has confirmed that most of the heat pumps will have a refrigerant management system in place. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends Kesko to exclude financing of heat pumps with high-GWP refrigerants and promote robust refrigerant leak control, detection and monitoring, and ensure the recovery, reclamation, recycling or destruction of refrigerants at end-of-life.
 - For all expenditures, Kesko has confirmed to Sustainalytics that equipment and technologies designed or intended for processes that are inherently carbon-intensive or primarily driven or powered by fossil fuels will be excluded from financing under the Framework.
- Sustainalytics views investments under this category to be aligned with market practice.
- Under the Renewable Energy category, Kesko may finance or refinance solar and wind power projects in accordance with the following criteria:
 - Photovoltaics (PV) and related infrastructure.
 - Expenditures related to long-term project-tied power purchase agreements (PPAs) with a term of at least five years at signing. Kesko has communicated to Sustainalytics that PPAs will include project-tied wind power PPAs.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, Kesko may finance or refinance low-carbon transportation and electric vehicle (EV) charging infrastructure with the following criteria:
 - Purchase and lease of passenger cars and vans with zero emissions and emissions below the threshold of 50 gCO₂/km. Sustainalytics notes that vehicles with specific emissions below the threshold of 50 gCO₂/km will be eligible until 31 December 2025. Kesko has communicated that, after 31 December 2025, only vehicles with zero direct emissions will be eligible. Kesko has further confirmed to Sustainalytics that the financing of leases will include only capital leases.
 - Installation, maintenance and repair of charging stations for EVs installed in buildings and parking spaces attached to buildings.¹² Kesko has confirmed to Sustainalytics that the expenditures will be limited to the electric charging stations and that parking spaces will not be financed under the Framework.
 - Sustainalytics considers investments under the category to be aligned with market practice.
- Sustainalytics notes that Kesko excludes financing of fossil fuel-powered facilities and equipment.
- Project Evaluation and Selection:

¹² Projects include charging stations for Kesko's K-Lataus EV charging in Finland and charging stations installed at store sites in Kesko's other operating countries. Regarding K-Lataus stations, all electricity at the stations is generated from Finnish wind power.
 Kesko, "Kesko's EV charging network to add 100 new stations and more than double the number of HPC points as demand for high-power charging surges", (2023), at: <https://www.kesko.fi/en/media/news-and-releases/news/2023/k-lataus-network-adds-100-new-charging-stations/>

- Kesko's Green Finance Committee (the "Committee") will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The Committee consists of the CFO, Head of Sustainability and Group Treasurer.
- The Company has a process in place to address environmental and social risks associated with the projects financed. Sustainalytics notes that projects are subject to the same standard due diligence procedure utilized for managing overall environmental, social, corporate governance and financial risks. For additional details, refer to Section 2.
- Based on the established process for project evaluation and selection, and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - The Committee will also oversee the management and allocation of net proceeds and will track the proceeds using a Green Register. Each member of the Committee is given veto power, and a consensus decision is required in the allocation process.
 - Kesko intends to have green project allocation that exceeds the balance of net proceeds from outstanding green debt, and in other cases, Kesko intends to allocate proceeds within 24 months of the respective issuance date. Pending full allocation, net proceeds will be temporarily held in Kesko's general liquidity reserve and managed in accordance with the Company's financial policy. Sustainalytics further notes that the temporary use of proceeds will be in line with the Framework's exclusion criteria.
 - Sustainalytics notes that instruments issued under the Framework may include multi-tranche loan facilities. Kesko has confirmed to Sustainalytics that it intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
 - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Kesko commits to report on the allocation and impacts of proceeds via a Green Bond Report on an annual basis until full allocation. Kesko has confirmed to Sustainalytics that for bonds issued under the Framework, the Company will publicly report on its website via the Green Bond Report and post-issuance review. For other outstanding non-public instruments, Kesko has confirmed to Sustainalytics that it may report directly to the lenders or counterparties or will report publicly on these instruments.
 - Allocation reporting will include the nominal amount of outstanding green bonds, aggregate size of green projects that have been funded by the green bonds and split between each project category, distribution between new financing and refinancing, amount of unallocated proceeds, if any, and share of the EU Taxonomy alignment of the projects financed.
 - Sustainalytics notes that Kesko may issue revolving credit facilities. The Company has confirmed to Sustainalytics that it commits to reporting until loan maturity for such facilities.
 - Impact reporting may include: i) annual energy use avoided (in kWh/m²); ii) annual GHG emissions reduced or avoided (in tonnes of CO₂e emissions); iii) energy use reduction compared with pre-investment situation (in kWh/m² or percentage); iv) installed capacity (in MW); v) annual generation (in MWh); vi) number of vehicles purchased or leased; and vii) number of charging points installed.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with the Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Kesko Green Finance Framework aligns with the four core components of the GBP and GLP.

Section 2: Sustainability Strategy of Kesko

Contribution to Kesko's sustainability strategy

In 2020, Kesko underwent a materiality assessment that identified climate change, responsible supply chain, sustainable products and biodiversity as material topics.¹³ As such, the Company launched its updated sustainability strategy in 2022.¹⁴ Kesko focuses on the following areas in its updated sustainability strategy: i) climate and nature; ii) value chain; iii) people; and iv) good governance.¹⁵ Sustainalytics has focused below on the areas that are most relevant to the Framework.

Regarding climate and nature, Kesko has targets to achieve carbon neutrality by 2025 and zero emissions in its own operations and transports by 2030.¹⁶ To achieve this target, Kesko aims to reduce absolute scope 1 and 2 GHG emissions in its own operations by 90% from a 2020 baseline.¹⁷ By 2050, the Company targets net zero emissions across its value chain by 2050.¹⁸ The Company is implementing measures to achieve its targets, including increasing the amount of zero-emission energy, increasing the purchase of zero-emission electricity, reducing the use of oil and natural gas, improving energy efficiency, utilizing waste heat, increasing the number of EVs in its fleet for its logistics and updating refrigeration systems to those that use natural refrigerants. Kesko also encourages suppliers to set targets to reduce their own emissions and reports on the number of suppliers by spend that have science-based emissions targets. As of 2023, the Company's emissions from its own operations have increased by 10.8% compared with the 2020 baseline,¹⁹ but Kesko reported that this was a result of expanding its operations in other countries through acquisitions. Furthermore, Kesko's value chain emissions also increased in 2023 to 19.7% above the 2020 baseline; however, the number of suppliers with science-based targets in place increased from 27.7% in 2022 to 32% in 2023.²⁰ To support its goals, Kesko has also invested in water use reduction programmes and circular economy solutions, such as recycling textiles, reducing plastics in packaging and increasing the amount of packaging that can be recycled.²¹

Sustainalytics is of the opinion that the Kesko Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and biodiversity, emissions and waste management associated with large-scale development, stakeholder relations, occupational health and safety, and human and labour rights.

Sustainalytics is of the opinion that Kesko is able to manage or mitigate potential risks through implementation of the following:

- To mitigate risks related to land use, biodiversity, emissions and waste, Kesko follows two codes of conducts, to which the Company and its business partners must commit to minimize negative impacts and maximize positive impacts on the climate and nature in their own operations and value chain.^{22,23} Under its code of conduct for sustainable business practices, Kesko has established commitments for its own operations related to reducing emissions, operating for the benefit of biodiversity, preventing loss of nature and promoting the sustainable use of natural resources through circular economy and waste minimization.²⁴ Under its code of conduct for business partners, the Company encourages them to consider their impacts on the climate, biodiversity, circular economy, water and deforestation. Furthermore, under the code for business partners, Kesko

¹³ Kesko, "Materiality Assessment", (2023), at: <https://www.kesko.fi/en/sustainability/sustainable-kesko/materiality-assessment/>

¹⁴ Ibid.

¹⁵ Kesko, "Sustainability Strategy", (2024), at: <https://www.kesko.fi/en/sustainability/sustainable-kesko/sustainability-strategy/>

¹⁶ Ibid.

¹⁷ Kesko, "Kesko Annual Report: Sustainability Report", (2023), at: https://www.kesko.fi/492905/globalassets/03-sijoittaja/raporttikeskus/2024/q1/vuosiraportti-2023/kesko_annual_report_2023.pdf

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Kesko, "K Code of Conduct for Business Partners", (2024), at: <https://www.kesko.fi/492908/globalassets/pdf-tiedostot/k-code-of-conduct-2024/k-code-of-conduct-supplier-en--2024-03-01.pdf>

²³ Kesko, "K Code of Conduct: K Group's Guide to Sustainable Business Practices", (2024), at: <https://www.kesko.fi/493660/globalassets/pdf-tiedostot/k-code-of-conduct-2024/k-code-of-conduct-personnel-en--2024-02-29.pdf>

²⁴ Ibid.

requires all business partners to comply with all applicable environmental laws, regulations, environmental permits, licences and registrations relevant for their operations. Kesko has also conducted environmental assessments of its suppliers, aligned with the CDP Supply Chain programme, to monitor progress towards achieving indirect scope 3 emissions reduction targets.^{25,26}

- To specifically address risks related to land use and biodiversity, Kesko has formally established a set of key principles that defines how the Company should operate with regard to biodiversity conservation and the sustainable use of land and seas. The primary principles include promoting sustainable use of natural resources in the Company's operations and across its value chain, building its selection of products to promote biodiversity throughout the life cycle and abiding by the Company's sustainability policies.²⁷
- To address risks associated with stakeholder relations, Kesko relies upon its code of conduct, which states that Kesko and its business partners should engage with stakeholders, such as local communities and organizations, to understand their concerns and expectations.²⁸ It also states that partners should engage in transparent reporting and information sharing.²⁹ Furthermore, Sustainalytics notes that projects financed under the Framework may take place in Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Poland and Denmark, all of which are recognized as Designated Countries under the Equator Principles. This indicates the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities, including continuous stakeholder engagement. The principles require clients to demonstrate effective stakeholder management as an ongoing process in a structured and culturally appropriate manner with affected communities, workers and other relevant stakeholders for new projects.³⁰
- To mitigate risks associated with occupational health and safety, Kesko has established an Occupational Health and Safety Policy, which outlines preventative measures and practices, such as offering occupational health services and devising solutions for people with partial working capacity, to ensure a safe working environment for employees.³¹
- Kesko has established a statement of commitment on human rights, outlining its commitment to develop procedures and practices that respect human rights. The commitment further outlines the procedures for purchasing from countries with a high risk of human and labour rights violations, identifying salient human rights impacts and assessing related risks, monitoring and taking corrective measures. The Company also has policies to ensure human rights are upheld throughout its value chain and to protect against forced labour.³²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Kesko has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

²⁵ Kesko, "Environmental Assessments", (2023), at: <https://www.kesko.fi/en/sustainability/value-chain/sustainable-sourcing/environmental-assessments/>

²⁶ Kesko, "K Code of Conduct: K Group's Guide to Sustainable Business Practices", (2024), at: <https://www.kesko.fi/493660/globalassets/pdf-tiedostot/k-code-of-conduct-2024/k-code-of-conduct-personnel-en--2024-02-29.pdf>

²⁷ Kesko, "We operate in a sustainable way promoting biodiversity", (2023), at: <https://www.kesko.fi/en/sustainability/climate-and-nature/biodiversity/>

²⁸ Kesko, "K Code of Conduct for Business Partners", (2024), at: <https://www.kesko.fi/492908/globalassets/pdf-tiedostot/k-code-of-conduct-2024/k-code-of-conduct-supplier-en--2024-03-01.pdf>

²⁹ Ibid.

³⁰ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

³¹ Kesko, "Well-being and Occupational Safety", (2024), at: <https://www.kesko.fi/en/sustainability/our-people/well-being-and-occupational-safety/>

³² Kesko, "Statement of Commitment on Human Rights and Impact Assessment", (2022), at: <https://www.kesko.fi/en/sustainability/value-chain/statement-of-commitment-on-human-rights-and-impact-assessment/>

Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of green and energy-efficient buildings in Finland

Buildings and construction accounted for one-third of Finland's total GHG emissions as of 2022, while energy consumption of buildings itself accounted for 30% of emissions.^{33,34} In addition, approximately 40% of Finland's end-use energy is consumed by buildings.³⁵ Nearly 80% of Finland's buildings were built before 2000 and lack heat recovery systems and have poorly insulated facades.³⁶ Space heating alone was the second-largest consumer of energy in Finland in 2022.³⁷ According to the Finnish government, improving the energy efficiency of the existing building stock is imperative for decarbonizing the buildings sector,³⁸ with key measures including improving thermal transmittance and the building envelope.³⁹ Moreover, construction materials accounted for 15% of the built environment and construction industry's carbon footprint.⁴⁰ In new construction, large amounts of non-renewable raw materials are utilized in the short term, while the production of such materials and the construction process consume large amounts of energy.⁴¹ In this context, the planning, procurement and construction phases of a building's life cycle also play a key role in reducing the energy usage and emissions from the sector.⁴²

Finland's Ministry of Economic Affairs and Employment has established a EUR 24 billion long-term renovation strategy in 2020 to increase the renovation rate of buildings and retrofits, and reduce CO₂ emissions from buildings by 90% between 2020 and 2050.^{43,44} Regarding new constructions, buildings in Finland are required to be nearly zero energy in line with the EPBD.⁴⁵ In March 2023, Finland adopted the new Building Act, which will be enforced in January 2025, aimed at reducing emissions in construction throughout the life cycle of the building.⁴⁶ Additionally, Finland is committed to achieving carbon neutrality by 2035 and aims to increase legislative efforts for low-carbon construction as a part of its national climate and energy strategy.⁴⁷

Based on the above, Sustainalytics is of the opinion that Kesko's financing of green and energy-efficient buildings in Finland will contribute towards reducing GHG emissions and improving the energy efficiency of Finland's built environment and support the country's decarbonization efforts.

³³ Finland Ministry of Economic Affairs and Employment, "Carbon neutral Finland 2035 – national climate and energy strategy", (2022), at: https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164323/TEM_2022_55.pdf?sequence=4&isAllowed=y

³⁴ Motiva, "Rakentaminen ja rakennukset", (2022), at:

https://www.motiva.fi/julkinen_sektori/kestavat_julkiset_hankinnat/tietopankki/rakentaminen_ja_rakennukset

³⁵ Ibid.

³⁶ Hirvonen, J. et al. (2021), "Emissions and power demand in optimal energy retrofit scenarios of the Finnish buildings stock by 2050", Sustainable Cities and Society, at: <https://www.sciencedirect.com/science/article/pii/S221067021001840>

³⁷ Motiva, "Final Consumption of Energy", (2022), at: https://www.motiva.fi/en/solutions/energy_use_in_finland/final_consumption_of_energy

³⁸ Finland Ministry of Economic Affairs and Employment, "Carbon neutral Finland 2035 – national climate and energy strategy", (2022), at:

https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164323/TEM_2022_55.pdf?sequence=4&isAllowed=y

³⁹ Arapi, P. (2021), "Optimal Energy-retrofit strategies for existing buildings in Finland, now and in the future", Tampere University, at:

<https://trepo.tuni.fi/bitstream/handle/10024/133882/ArapiPrimesa.pdf;jsessionid=626DCA87007DA7C1F2CBE255F1B6536?sequence=7>

⁴⁰ Confederation of Finnish Industries – Climate Roadmaps 2035, "Low-carbon roadmap for the Finnish construction industry", (2021), at:

<https://www.climate2035.fi/roadmaps/construction-industry/>

⁴¹ Motiva, "Rakentaminen ja rakennukset", (2022), at:

https://www.motiva.fi/julkinen_sektori/kestavat_julkiset_hankinnat/tietopankki/rakentaminen_ja_rakennukset

⁴² Ibid.

⁴³ Finland Ministry of Economic Affairs and Employment, "Long-term renovation strategy 2020-2050: Finland", (2020), at:

https://energy.ec.europa.eu/document/download/58721db6-4127-4a14-9d59-b6ea055a58db_en?filename=fi_2020_ltrs_en.pdf

⁴⁴ World Economic Forum, "Finland is on track to meet some of the world's most ambitious carbon neutrality targets. This is how it has done it", (2023), at: <https://www.weforum.org/agenda/2023/06/finland-carbon-neutral-2035-goals/>

⁴⁵ Finland Ministry of the Environment, "Medium-term Climate Change Policy Plan", (2022), at:

https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164274/YM_2022_20.pdf?sequence=1&isAllowed=y

⁴⁶ Finland Ministry of the Environment, "Parliament adopted acts that will reduce emissions from building and promote digitalisation", (2023), at:

<https://valtioneuvosto.fi/en/-/1410903/parliament-adopted-acts-that-will-reduce-emissions-from-building-and-promote-digitalisation>

⁴⁷ Finland Ministry of Economic Affairs and Employment, "Carbon neutral Finland 2035 – national climate and energy strategy", (2022), at:

https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164323/TEM_2022_55.pdf?sequence=4&isAllowed=y

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Green Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green and Energy Efficient Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable cities and communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy	7. Affordable and Clean Energy	7.2 Increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Conclusion

Kesko has developed the Kesko Green Finance Framework, under which it may issue green bonds and obtain green loans and use the proceeds to finance green and energy-efficient building, renewable energy and clean transportation projects. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Kesko Green Finance Framework outlines a process for the tracking, allocation and management of proceeds and makes commitments for reporting on the allocation and impacts. Sustainalytics considers that the Framework is aligned with the overall sustainability strategy of Kesko and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that Kesko has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Kesko Corporation is well positioned to issue green bonds and obtain green loans and that the Kesko Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

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