

Kesko
FDR Food & Drug Retailers

Company	
Country	Finland
Number of Employees	26'978
Web	www.kesko.fi

Share	
Market cap (mil)	3'108
Currency	EUR
High 52 week	33.2
Low 52 week	21.1
Last Price	32.3

Key Data	2005	2006E
Sales (mil)	8'322	9'140
EPS	2.12	2.04
P/E Ratio	15.28	15.86

Source: Bloomberg / August 21, 2006

Sales in	
Alcohol	No
Armaments	No
Firearms	No
Tobacco	No
Gambling	No

Source: ISS, SAM Research

Company Description

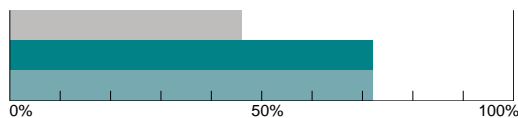
Kesko is a Finnish retailing, importing, distributing, and wholesaling company which operates in Finland, Sweden, Norway, the Baltic countries, and the St. Petersburg area. Its largest division (Kesko Foods, 46% of sales in 2005) includes around 1070 food stores in Finland, operating in a variety of formats, and around 180 joint-venture stores in the Baltic region. Kesko also operates around 750 other retail stores ranging from department stores and home & specialty shops to stores selling hardware, builders' supplies, agriculture goods, and machinery. Kesko is also a wholesaler, owning the export/import firm Kaukomarkkinat, and importing vehicles made by Volkswagen and Audi.

Sustainability Performance

Kesko is the leader in the food retail industry based on its strategic sustainability approach, the broad set of performance indicators, and its continuous performance improvement. The company puts a high emphasis on monitoring the social quality control of its suppliers. It has started a supplier auditing process based on the industry-wide Business Social Compliance Initiative (BSCI) and in the year 2005 Kesko conducted more than 700 initial supplier audits. It has reduced its direct imports from high-risk countries down to 3% of its total purchases. Despite high regulatory employee health and safety standards in Finland and other Scandinavian countries Kesko has implemented a set of performance metrics in the field of employee wellbeing and absenteeism, and it closely monitors employee satisfaction. For the first time, Kesko compiled environmental data of the year 2005 for its subsidiaries outside of Finland. Kesko will use its knowledge and experience in successful environmental management of the Finland operations when implementing environmental management tools in its subsidiaries in the Baltic region.

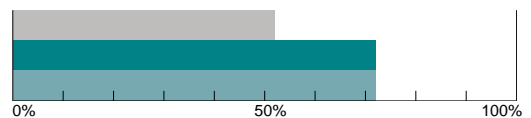
Sustainability Scores

Total Score

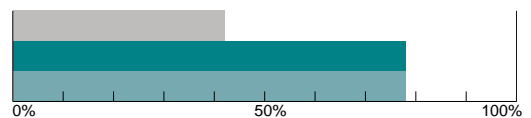


■ DJSI sector average on a global basis
■ Kesko
■ Best company on a global basis within DJSI sector

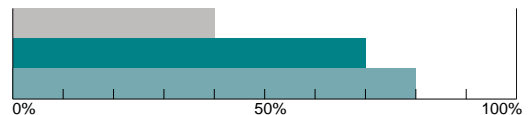
Economic Dimension



Environmental Dimension



Social Dimension



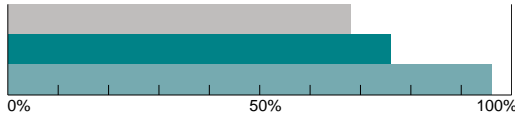
Industry Driving Forces

The food & drug retail sector is characterized by consolidation and a very high competition level which will further drive consumer prices down. The recent success of hard-discounters, which have fully implemented a high volume and low margin business model, has deeply impacted the sector. Successful food retailers develop their own private label product ranges - from traditional to premium products - that lead to better operating margins and a lower dependency from price shifts of food manufacturers. Furthermore, a higher education level and an increased interest in lifestyle and health is influencing purchasing habits and has created new customer needs, offering new market niches for innovative companies, e.g. in the healthy living area. The food retail sector has expanded and internationalized its supply chain over the last years in order to satisfy its customers. As a consequence, food retailers need to establish long-term stable relationships with their suppliers and increase their transparency through reporting along the supply chain.

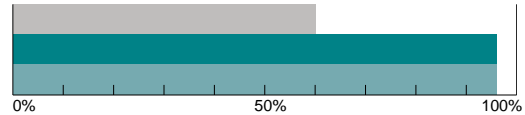
Company Performance for selected Criteria

Economic

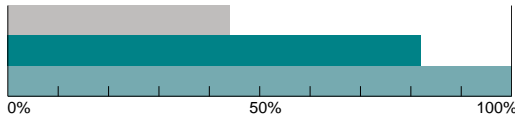
Corporate Governance



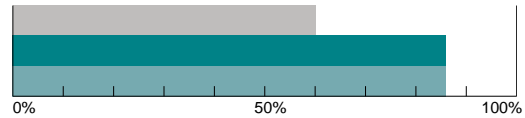
Product Innovation



Strategy for Emerging Markets

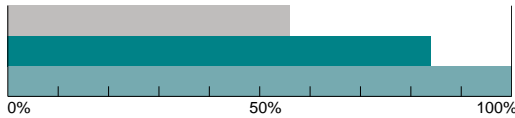


Codes of Conduct/Compliance/Corruption & Bribery

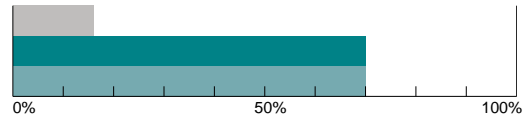


Environmental

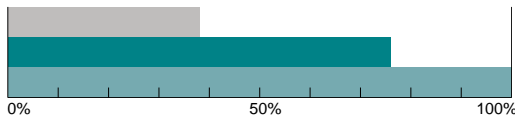
Environmental Policy/Management



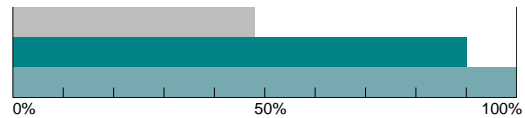
Environmental Performance (Eco-Efficiency)



Raw Material Sourcing

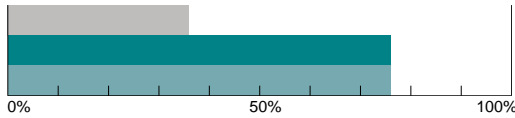


Environmental Reporting

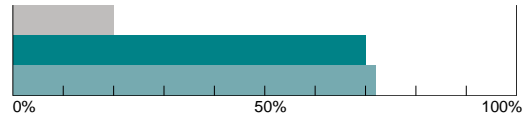


Social

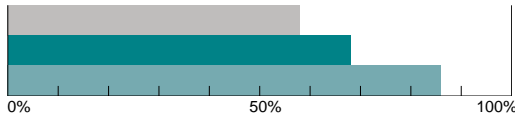
Standards for Suppliers



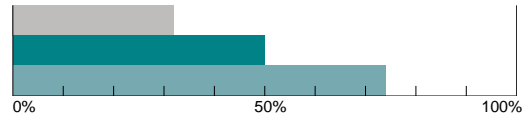
Human Capital Development



Labor Practice Indicators



Talent Attraction & Retention



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For information on assessment criteria, visit www.sustainability-indexes.com

"Corporate Sustainability is a business approach to create long term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments."



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