Kesko Corporation's

Corporate Governance Statement 2010

This Corporate Governance Statement has been handled at the meeting of the Audit Committee of Kesko Corporation's Board of Directors on 2 February 2011.

Contents

This is the separate corporate governance statement referred to in recommendation 54 of the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010. This statement and the other information required by the Corporate Governance Code, the company's financial statements, the report by the Board of Directors and the auditor's report are available on Kesko's website at *www.kesko.fi/investors.*

KESKO CORPORATION'S CORPORATE GOVERNANCE STATEMENT

1 The rules and the Corporate Governance Code observed by Kesko

Kesko Corporation (Kesko or the company) is a Finnish public limited company in which the duties and responsibilities of the executive bodies are defined according to the Finnish law. The international Kesko Group comprises the parent company, Kesko, and its subsidiaries. The company is domiciled in Helsinki, Finland.

Kesko’s decision-making and administration comply with the Finnish Limited Liability Companies Act, the regulations concerning publicly quoted companies, Kesko Corporation’s Articles of Association, and the rules and guidelines of NASDAQ OMX Helsinki Ltd. The company complies with the Finnish Corporate Governance Code for listed companies (“Corporate Governance Code”) issued by the Securities Market Association on 15 June 2010. The Corporate Governance Code is available in full at *www.cgfinland.fi*. As provided by the Comply or Explain principle of the Corporate Governance Code, the company departs from the Corporate Governance Code’s recommendation concerning the terms of office of Board members as specified hereafter.

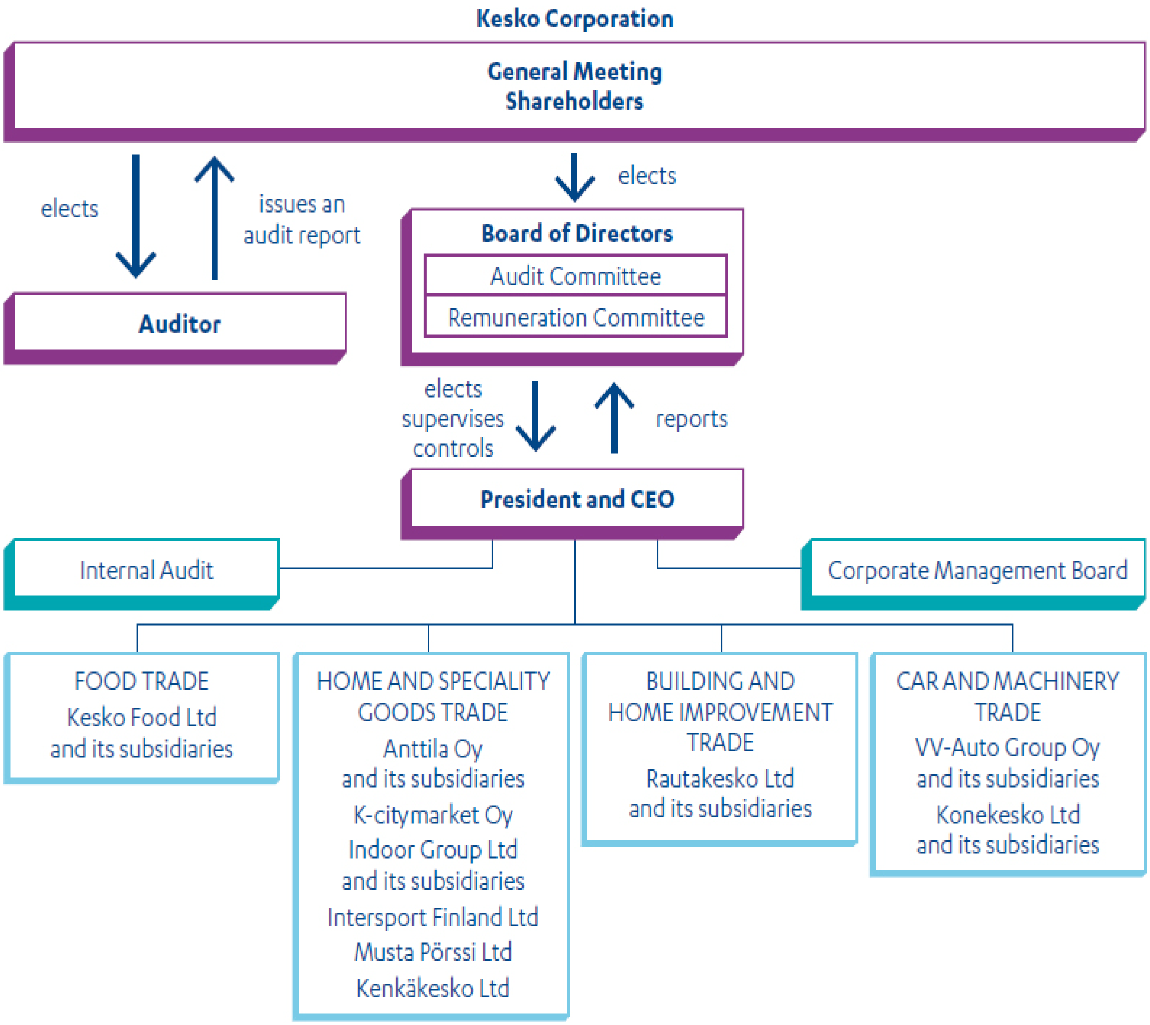
2 Departure from Corporate Governance Code recommendation and explanation for the departures

The terms of the members of Kesko’s Board of Directors depart from the term of one year given in Recommendation 10 of the Corporate Governance Code. The term of the company’s Board is defined in the company’s Articles of Association. The General Meeting makes decisions on amendments to the Articles of Association. According to the company’s Articles of Association, the term of office of each Board member is three (3) years with the term starting at the close of the General Meeting electing the member and expiring at the close of the third (3rd) Annual General Meeting after the election.

A shareholder which, together with related entities, holds over 10% of all votes carried by the Kesko shares, has informed the company’s Board of Directors that it considers the term of three (3) years good for the company’s long-term development and sees no need to shorten the term of office stated in the Articles of Association.

3 Kesko Group's corporate governance structure

The highest decision-making power in Kesko is exercised by the company’s shareholders at a General Meeting. The company’s shareholders elect the company’s Board of Directors and auditor at a General Meeting. The Kesko Group is managed by the Board of Directors and a Managing Director, who is the President and CEO. The company uses a single-tier governance model



Kesko Group's Corporate Governance structure

4 Board of Directors

4.1 Term, composition and independence

Term

According to the Articles of Association, the term of office of each Board member is three (3) years with the term starting at the close of the General Meeting electing the member and expiring at the close of the third (3rd) Annual General Meeting after the election. Consequently, the term of the present Board members elected by the Annual General

Meeting on 30 March 2009 will expire at the close of the 2012 Annual General Meeting in accordance with the Articles of Association.

According to the Articles of Association, the Board of Directors is formed of at least five (5) but no more than eight (8) members. There are no special procedures concerning the nomination of candidates or their election. The number of Board members is resolved and the Board members are elected by majority votes at the General Meeting based on shareholders' proposals.

Composition

The Board of Directors elected by Kesko's Annual General meeting of 30 March 2009 consists of seven (7) members:

Heikki Takamäki, b. 1947
Chair of the Board, Chair of the Remuneration Committee
Retailer, K-rauta Rauta-Otra Nekala, Tampere
Board member since 1 January 2001.

Seppo Paatelainen, b. 1944, Master of Science in Agriculture and Forestry
Deputy Chair of the Board, member of the Audit Committee and the Remuneration Committee
Board member since 27 March 2006.

Esa Kiiskinen, b. 1963, Business College Graduate
Retailer, K-supermarket Kontumarket, Helsinki
Board member since 30 March 2009.

Ilpo Kokkila, b. 1947, Master of Science in Technology
Member of the Remuneration Committee
SRV Yhtiöt Oyj: Chair of the Board of Directors.
Board member since 27 March 2006.

Mikko Kosonen, b. 1957, Doctor of Science in Economics and Business Administration
Member of the Audit Committee
President of Finnish Innovation Fund Sitra
Board member since 30 March 2009.

Maarit Näkyvä, b. 1953, Master of Science in Economics and Business Administration
Chair of the Audit Committee
Board member since 1 January 2001.

Rauno Törrönen, b. 1958
Retailer, K-citymarket Kauppakatu, Joensuu
Board member since 30 March 2009.

Independence

All of Kesko's Board members are non-executive directors.

The Board of Directors evaluates the independence of its members annually on a regular basis in accordance with recommendation 15 of the Corporate Governance Code. In the latest evaluation carried out on 22 September 2010, the Board found all members independent of the company's significant shareholders, and the majority of the members also independent of the company

INDEPENDENCE OF THE BOARD MEMBERS IN 2010*	Independence of the company	Independence of a significant shareholder
Heikki Takamäki (Ch.)	No**	Yes
Esa Kiiskinen	No**	Yes
Ilpo Kokkila	Yes	Yes
Mikko Kosonen	Yes	Yes
Maarit Näkyvä	Yes	Yes
Seppo Paatelainen (Deputy Ch.)	Yes	Yes
Rauno Törrönen	No**	Yes

** Based on independence evaluation of 22 Sept. 2010.*
*** Entities controlled by each of Kiiskinen, Takamäki and Törrönen have a chain agreement with a Kesko Group company.*

A Board member is obliged to provide the Board with sufficient information to allow the Board to evaluate his or her independence, and to notify any changes in the information.

4.2 Principal functions

Kesko's Board of Directors ensures that the company's administration, operations and accounting as well as financial management controls are in place. The Board has confirmed the written charter for its duties, matters to be considered, meeting practice and the decision-making process. The Board considers and decides on all matters that are financially, commercially or fundamentally significant for the Group.

The Board of Directors' principal functions include:

- making decisions on the Group's strategy and confirming strategies for the divisions
- confirming the Group's rolling plan, which includes the capital expenditure plan
- approving the Group's financial and capital expenditure policy
- confirming the Group's risk management policy and considering the Group's most significant risks and uncertainties
- confirming the Group's insurance policy
- reviewing and adopting the consolidated financial statements, interim reports and related stock exchange releases and the report by the Board of Directors
- making decisions on strategically or financially important individual capital expenditures, acquisitions, disposals or other arrangements, and contingent liabilities
- making decisions on management authorisation rules
- making decisions on the essential Group structure and organisation
- appointing and dismissing the company's President and CEO, approving his or her managing director's service contract and making decisions on his or her compensation and other financial benefits
- making decisions on the nomination, compensation and financial benefits of the Corporate Management Board members responsible for business divisions
- making decisions on Kesko's remuneration plans and monitoring the implementation of the plans
- preparing possible proposals to the General Meeting for share and share-based remuneration plans, and making decisions on granting shares or option rights under possible share and share-based remuneration schemes, and on the terms and conditions for granting them
- establishing a dividend policy and being responsible for the development of shareholder value
- confirming the company's values
- reviewing the Corporate Responsibility Report
- being responsible for other statutory duties prescribed to the Board of Directors by the Limited Liability Companies' Act or some other, and for duties prescribed by the Finnish Corporate Governance Code.

4.3 Decision-making, operations and meetings

The duty of Kesko's Board is to promote the best interests of Kesko and all of its shareholders. The Board members do not represent the interests of the parties who have proposed their election as Board members. A Board member is disqualified from participating in the handling of any matter between him or her and the company. When a vote is taken, the Board of Directors' decision will be the opinion of the majority. If the vote results in a tie, the decision will be the opinion supported by the Chair. If the votes cast at an election of a person end in a tie, the results will be decided by drawing lots.

The Board met 10 times in 2010, and the average attendance at meetings was 100%.

In strategy work, one of its key areas of emphasis, the Board of Directors has especially considered electronic operating models and services during the year. As in the previous years, the Board has reviewed the financial reports and actively monitored the Group's financial situation, approved the most significant capital expenditures, such as those made on store sites, monitored the progress of Group-level projects, and reviewed and approved interim reports and the financial statements based on the Audit Committee's recommendation prior to their disclosure.

The Board meetings regularly include a review by the President and CEO on topical and important issues concerning Kesko, as well as reports by the Chairs of the Board's Audit Committee and Remuneration Committee on preparatory committee meetings preceding the Board meeting. The auditor presents his findings to the Board once a year.

The Board of Directors regularly assesses its operations and working practices and carries out a related self-assessment once a year. Most recently the Board made a self-assessment of its operations and working practices in December 2010. This was based on a questionnaire, followed by the Board's discussion on the results and further actions. On the basis of the assessment, the Board decided to continue to focus especially on strategy work.

ATTENDANCE AT MEETINGS BY THE MEMBERS OF KESKO'S BOARD AND ITS COMMITTEES IN 2010

		Attendance		
	Committee	Board	Audit Committee	Remuneration Committee
Heikki Takamäki (Ch.)	Remuneration Committee (Ch.)	10/10	-	4/4
Esa Kiiskinen		10/10	-	-
Ilpo Kokkila	Remuneration Committee	10/10	-	4/4
Mikko Kosonen	Audit Committee	10/10	5/5	-
Maarit Näkyvä	Audit Committee (Ch.)	10/10	5/5	-
Seppo Paatelainen (Dep. Ch.)	Audit Committee (Deputy Ch.) Remuneration Committee (Deputy Ch.)	10/10	5/5	4/4
Rauno Törrönen		10/10	-	-

5 Board committees

Kesko has a Board's Audit Committee and a Remuneration Committee, both of which consist of three Board members. At the close of the Annual General meeting, the Board elects the Chairs, Deputy Chairs and the members of the Committees from among its members for one year at a time. All members of the Audit Committee are independent of the company and its significant shareholders. In the election of the Audit Committee members, the relevant qualification requirements have been taken into account. All members of the Remuneration Committee are independent of the company's significant shareholders and the majority of them are also independent of the company. In the election of the Remuneration Committee members, the relevant qualification requirements have been taken into account. The Committees regularly evaluate their operations and working practices and carry out a related self-evaluation once a year. The Board of Directors has confirmed written charters for the Committees that lay down their key duties and operating principles.

The Committees have no independent decision-making power. Instead, the Board makes decisions based on the preparation by the Committees. The Chair of the Committee reports on the work of the Committee at the Board meeting following the Committee meeting. The minutes of Committee meetings are delivered to the Board members for information.

Kesko's Board of Directors has not established any other committees in addition to the Audit and Remuneration Committees. Nor has the General Meeting established any committees or commissions.

5.1 Audit Committee and its operations

The Audit Committee members are:

- Maarit Näkyvä (Ch.)
- Seppo Paatelainen (Deputy ch.)
- Mikko Kosonen.

According to its charter, the functions of the Audit Committee are:

- monitoring the financial and funding situation of the Kesko Group
- monitoring the reporting process of the company's financial statements
- supervising the company's financial reporting process
- monitoring the efficiency of the company's internal control, internal audit and risk management systems
- reviewing the plans and reports of the company's internal audit function
- reviewing the Corporate Governance Statement submitted by the company
- monitoring the statutory audit of the financial statements and the consolidated financial statements
- evaluating the independence of the company's audit firm
- evaluating the non-audit services provided to Kesko by the company's audit firm and audit companies belonging to the same chain
- preparing the draft resolution concerning the election of the company's auditor

- taking care of contacts with the company's auditor and reviewing the reports submitted by the auditors to the Audit Committee
- other functions assigned to the Committee by the Board

The Audit Committee met five (5) times in 2010, and its members' attendance at meetings was 100%. At the Committee meetings, the Group's CFO, the Corporate Controller, the Chief Audit Executive and the General Counsel regularly report on their areas of responsibility to the Committee. The Committee also receives reports on the Kesko Group's funding situation, risk management and insurances. The auditor is present at the Committee meetings and presents his audit plan and report to the Audit Committee.

During the year, the Committee reviewed reports on the Group's financial position, including the financial statements release and interim reports before they were released, and made a recommendation to the Board of Directors on the interim reports and the financial statements release. It reviewed the Group's external and internal audit and risk management reports, and approved the internal audit function's plan for 2011. In addition, it evaluated the auditor's independence and the offering of non-audit services to the Group, and made a proposal to the Annual General meeting on the auditor to be elected for Kesko.

5.2 Remuneration Committee and its operations

The Remuneration Committee members are

- Heikki Takamäki (Ch.)
- Seppo Paatelainen (Deputy ch.)
- Ilpo Kokkila.

According to its charter, the functions of the Remuneration Committee are:

- preparing matters pertaining to the compensation and other financial benefits of the company's President and CEO, as well as the managing director's service contract for the company's Board of Director
- preparing matters pertaining to the compensation and other financial benefits of the Corporate Management Board members responsible for business divisions
- preparing matters pertaining to the appointment of the President and CEO and the Corporate Management Board members responsible for business divisions, and identification of their possible successors
- developing and preparing remuneration schemes for the company's Board of Directors, including:
    - evaluating the remuneration of the President and CEO and other executives, and taking care of the appropriateness of the company's remunerations schemes
    - preparing possible share or share-based remuneration schemes
    - preparing the granting of shares or option rights under share or share-based remuneration schemes, and preparing their terms and conditions
    - reviewing the remuneration statement in connection with the financial statements

- o answering questions concerning the remuneration statement at the General Meeting. Questions are primarily answered by the Committee Chair
- o preparing the principles for the performance and result criteria of the remuneration schemes, and monitoring their implementation and evaluating their impact on Kesko's long-term success
- o other functions assigned to the Committee by the Board.

The Remuneration Committee met four (4) times in 2010, and the members' attendance at meetings was 100%. The committee prepared a proposal to the Board of Directors for a new longer term incentive plan targeted to the Group's management and other key personnel, and the principles of the management's performance bonus scheme. It also monitored the development of Kesko's management resources among other things.

6 President and CEO

Kesko's President and CEO (Managing Director) is Matti Halmesmäki, b. 1952, M.Sc. (Econ.), LL.M. He has been Kesko's President and CEO since 1 March 2005.

Matti Halmesmäki, b. 1952, Master of Science in Economics and Business Administration, Master of Laws
President and CEO since 1 March 2005
Member of the Corporate Management Board since 1 January 2001.

The President and CEO is responsible for the management of the company in accordance with the instructions and orders issued by the company Board, and for informing the Board about the developments in the company's business operations and financial situation. He is also responsible for the company's day-to-day management and that the financial matters are handled in a reliable manner. The President and CEO also chairs the Corporate Management Board and the Boards of the Group's major subsidiaries, such as Kesko Food and Rautakesko.

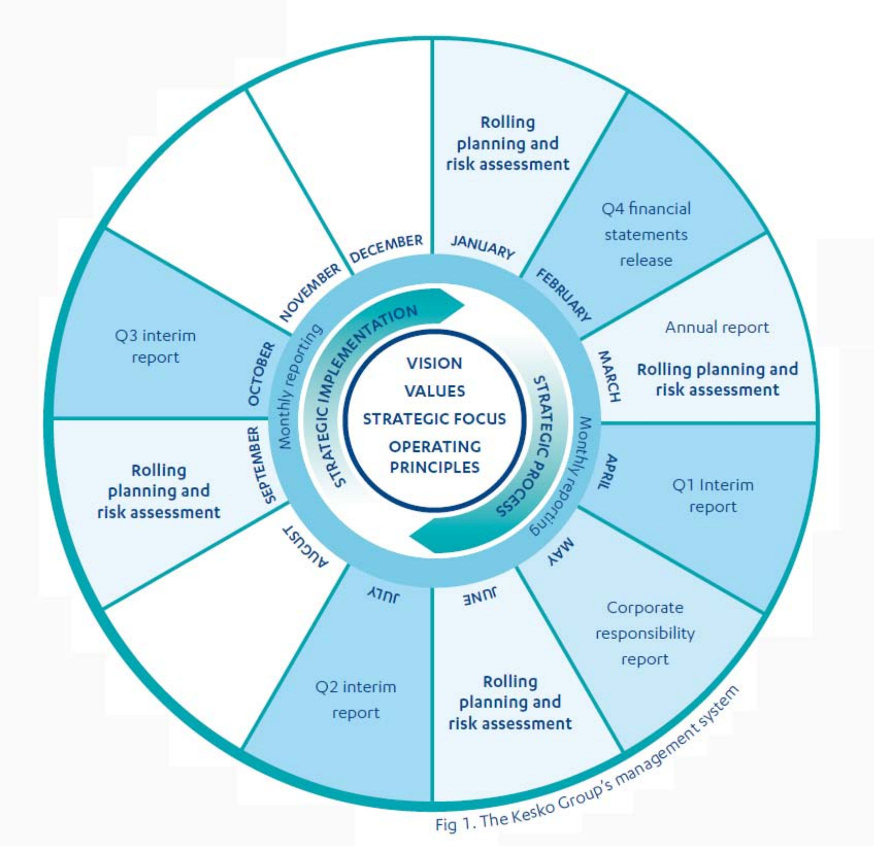
The President and CEO is elected by the Board of Directors, which also decides on the terms of the President and CEO's service contract. A written managing director's service contract, approved by the Board, has been made between the company and the President and CEO.

7 Description of the main features of the internal control and risk management systems pertaining to the Group's financial reporting process

7.1 Group's financial reporting and its internal control

Kesko's management system

Kesko's financial reporting and planning are based on the Kesko Group's management system. The Group units' financial results are reported and analysed inside the Group on a monthly basis, and disclosed in interim reports released quarterly. Financial plans are prepared for quarterly periods, in addition to which significant changes are taken into account in the monthly performance forecasts. The Group's and its units' strategies and related long-term financial plans are updated annually.



Kesko Group's management system

Roles and responsibilities

The Kesko Group's financial reporting and its control is divided between three organisational levels. The subsidiaries analyse and report their figures to the respective divisions, which then report the division-specific figures to Corporate Accounting. Analyses and controls for ensuring the correctness of reporting are used at each level.

The correctness of reporting is ensured by using different automated and manual controls at every reporting level. In addition, the income statement and balance sheet are analysed by controllers at subsidiary, division and Group level every month. The implementation of analyses and controls is supervised on a monthly basis at company, division and Group level.

A subsidiary is responsible for the accuracy of its financial reporting and compliance with the Group's accounting policies and local legislation. Each subsidiary reports its planning and actual figures to the respective business division.

A business division is primarily responsible for the accuracy of its financial reporting and the application of the Group's accounting policies by the division's subsidiaries. In addition, the division is responsible for the implementation of planning and reporting principles in its subsidiaries and for arranging the division's business controlling functions.

Corporate Accounting is responsible for the accuracy of the Group's reportable financial information as a whole. In addition, Corporate Accounting is responsible for the Group's adoption of appropriate accounting policies and for up-to-date guidelines. Corporate Accounting is also responsible for taking care that the Group has appropriate and sufficient planning and reporting systems.

Planning and performance reporting

The Group’s financial performance and the achievement of financial objectives are monitored via Group-wide financial reporting. Monthly performance reporting includes Group, division and subsidiary specific actual results, changes from the previous year, comparisons with financial plans, and forecasts for the next 12 months. The Group’s short-term financial planning is based on plans drawn up by the quarter, extending for 15 months. The key financial performance indicator for growth is sales performance, while those for profitability are operating profit excluding non-recurring items and the accumulation of economic value added, monitored via monthly internal reporting. In the calculation of economic value added, the requirements concerning return on capital are determined annually based on market terms, and the return requirements take account of risk-related division and country specific differences. Information about the Group’s financial situation is given in interim reports and the financial statements release. The Group’s sales figures are published in a stock exchange release each month.

Financial planning takes place at the subsidiary, division and the Group level as rolling plans, each for a 15-month period. The plans are updated quarterly, and any significant changes are taken into account in the performance forecasts reported monthly. Any deviations between the plan and the actual result are analysed by the company, division and Corporate Accounting, and the reasons are reported to the division and Corporate Accounting every month.

The Group’s top management performance reporting consists of monthly information on the subsidiaries’, divisions’ and the consolidated income statements and balance sheets. Each subsidiary is primarily responsible for the financial reporting and the accuracy of its figures. The controlling function of each division analyses the whole division’s figures, for which the financial management of the division is responsible. The Group is responsible for the whole Group's figures. The income statement and the balance sheet are analysed monthly at the company, division and Group level, based on the documented division of duties and specified reports. This enables a real-time knowledge of the financial situation, as well as real-time response to possible defects. The performance reports provided for the top management also include Group level monitoring of sales on a weekly, monthly and quarterly basis.

Public performance reporting comprises interim reports, the financial statements release, annual financial report and monthly sales reports. The same principles and control methods are applied to the public performance reporting as to the monthly performance reporting. The Audit Committee reviews the interim report and the financial statements and gives a recommendation on their approval to the Board of Directors. The Board of Directors approves each interim report and the financial statements before they are released.

Key procedures in 2010

In early 2010, the Kesko Group launched a project for harmonising the financial management information systems, which serves both the Group companies and the K-Group's retailers. The resulting financial management system will be part of the Group's financial reporting system. In addition, the K-Group's financial management processes and the control environment will become uniform.

During the year, the chip & pin card payment project was continued in order to introduce new payment terminals in all K-Group stores within 2010 and 2011. A centralised card payment solution is reliable, secure and meets the requirements of standards related to card payment.

The adoption of a shared planning system, which was begun last year, was continued. The project will harmonise the Group companies' planning systems and integrates them in the Group's reporting system.

Procedures in 2011

In 2011, the financial management function will concentrate on the development of the operations of the Kesko Group's Shared Services Centre, the information system project serving the K-Group and the adoption of the system. In addition, the chip & pin card payment project will be continued, as well as the adoption of an electronic invoicing system and planning system.

Accounting policies and financial management IT systems

The Kesko Group has adopted the International Financial Reporting Standards (IFRSs) endorsed by the European Union. The accounting policies adopted by the Group are included in the accounting manual, updated as the standards are amended. The manual contains guidelines for stand-alone companies, the parent company, and instructions for the preparation of consolidated financial statements.

The Kesko Group's financial management information is generated by division-specific enterprise resource planning systems, via a centralised and controlled common interface, into the Group's centralised consolidation system, to produce the Group's main financial reports. The key systems used in the production of financial information are certified and secured by back-up systems, and they are controlled and checked regularly to ensure reliability and continuity.

Internal control

Internal control is an active part of Kesko's management, administration and day-to-day operations. The President and CEO and the Board of Directors are ultimately responsible for the organisation of internal control. The Audit Committee of Kesko's Board of Directors has confirmed Kesko's internal control policies, which are based on good control principles, widely accepted internationally (COSO).

Internal control refers to all proactive operations, daily and subsequent control, aimed to ensure the achievement of business objectives. Kesko's values, operating principles and the company strategy and objectives form the basis of internal control as a whole. Kesko's operating principles have been communicated to the Kesko employees in the guide 'Our Responsible Working Principles'. Daily controls include working instructions and system controls, as well as the definition and differentiation of responsibilities and powers, job specifications, approval authorisations and substitute procedures and financial reporting. Internal audit and auditor are part of subsequent control.

The objective of internal control is to ensure profitable and effective operations, reliable financial and operational reporting, compliance with laws, regulations and agreements, and security of assets and information.

Risk management

Kesko's risk management is proactive and an integral part of management and day-to-day activities. The objective of Kesko's risk management is to ensure the implementation of the Group strategy, the delivery of customer promises, shareholder value, and the continuity of business. The risk management policy confirmed by the Board of Directors guides risk management in the Kesko Group. The policy defines the objectives, principles, responsibilities and key practices of risk management. The management of financial risks is based on the Group's finance policy, confirmed by Kesko's Board of Directors. The business division and Group unit managements are responsible for risk management implementation. Each division has appointed a management board member, usually the finance director, to be responsible for coordinating risk management and providing guidelines for each respective division, and reporting on risk management responses.

The Kesko Group applies a business-oriented and comprehensive approach to risk assessment and management. This means that key risks are systematically identified, assessed, managed, monitored and reported as part of business operations at the Group, division, company and unit levels in all of Kesko's operating countries.

Kesko has a uniform risk assessment and reporting system. Risks are identified and prioritised by assessing the impact and probability of their materialisation, and the level of management. Risk responses, schedules and responsible persons are determined in order to manage the risks. The risks classified as critical and responses to them are quarterly considered by the management boards. The development of a risk situation is assessed on the basis of the progress made through these actions and changes in external factors. In addition, risk assessments are made of significant projects related to capital expenditures or changes in operations, such as the risk assessment of the harmonisation project of financial management information systems.

The business divisions prepare risk assessments and update them according to the schedules of the strategy process and rolling planning system. The division parent companies' risks and their management responses are regularly reviewed by the managements of the division parent companies and the Group. In their respective responsibility areas, the Group units also assess the risks threatening the Group's objectives and the management of such risks. On the basis of the divisions' and the Group units' risk analyses, the Group's risk management function prepares a map of major risks and their management on a quarterly basis.

The Group's risk map, the most significant risks and uncertainties, as well as changes in and responses to them are reported to the Kesko Board's Audit Committee in connection with the interim reports and the financial statements. The Chair of the Audit Committee reports to the Board on risk management. Kesko's Board considers the most significant risks and the responses required to manage them, and assesses the efficiency of risk management. The most significant risks and uncertainties are reported to the market by the Board of Directors in the financial statements, and changes in them in interim reports.

Risk management responses in 2010

The Group's risk management function and internal audit function have been cooperating increasingly, which improves the risk orientation of the internal audit function. The risk assessment of the strategy process has been developed to include missed business opportunities in risks. A more concrete approach has been adopted in risk reporting.

In autumn 2010, the Group's risk management function held training sessions on Kesko's responsible operating principles which took place in foreign subsidiaries. The main themes included the accuracy of financial reporting and its role as part of a listed company's reporting.

Focal areas of risk management in 2011

The risk management function will continue working in close cooperation with other Group units, especially with the internal audit, legal affairs, accounting, treasury and IT functions in order to ensure the adoption of, for example, responsible operating practices, to prevent malpractice, and to develop risk management related to information security, data protection and continuity. Training sessions on responsible operating principles will be arranged in Finnish companies in 2011.

Internal audit

The internal audit function is responsible for Kesko's independent evaluation and assurance function the purpose of which is to support the President and CEO and the Board in their controlling functions. The Audit Committee of Kesko's Board of Directors has approved the internal audit function's operating instructions.

The internal audit function is organised under Kesko's President and CEO and the Audit Committee, and it reports on its findings and recommendations to the Audit Committee, the President and CEO, the management of the audited operation, and the auditor. The function covers all of Kesko's divisions, companies and functions.

Auditing is based on risk analyses and control discussions with the Group's and divisions' managements. An internal audit plan, subject to approval by the President and CEO and the Audit Committee, is prepared annually. The annual plan is modified on a risk basis, if necessary. The internal audit function can also conduct special audits during the year. The internal audit functions purchases external services to perform assessments requiring special expertise, as necessary. The Group's own specialists are also used in audit-specific additional resourcing.

The internal audit function cooperates with the Group's risk management functions and participates in the work of the Risk Management Steering Group. The internal audit function assesses the efficiency of Kesko's risk management system annually.

Internal audit operations in 2010

In 2010, the areas of emphasis of the internal audit function included foreign operations and information system audits. The audits of foreign operations concentrated on the implementation of changes in business operations, stocks and selections management, and basic controls. In information system audits, special attention was paid to new systems projects, continuity and information security. Compliance with Kesko's accounting policies and reporting guidelines was verified and assessed in audits conducted in Finland and abroad. The audits increasingly leveraged data extraction and analysing software. Especially in information system audits, the focus was increasingly placed on service providers.

Focal areas of internal audit in 2011

The emphasis in the audit operations of the internal audit function in 2011 will be placed on changes in business operations, purchasing controls, malpractice risks, new information systems, information security and continuity, as well as the adoption of electronic processes. The verification of compliance with Kesko's accounting policies and reporting guidelines will continue in audits to be conducted in Finland and abroad.

8 Audit

According to the Articles of Association, Kesko has one auditor, which shall be an audit firm authorised by the Central Chamber of Commerce. The Audit Committee prepares a proposal for the company's auditor to the General Meeting. The Audit Committee also evaluates the auditors' operations and services annually. The term of an auditor is the company's financial period and an auditor's duties terminate at the close of the Annual General Meeting following the election. As a rule, a network firm of the audit firm represented by the auditor elected by Kesko's General Meeting acts as the auditor of the Group's foreign subsidiaries.

The auditor presents the audit report required by law to Kesko's shareholders in connection with the company's financial statements and regularly reports its findings to the Audit Committee of Kesko's Board of Directors.

The 2010 General Meeting elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor, with APA Johan Kronberg as the auditor with principal responsibility. The General Meeting resolved that the auditor's fee is paid and expenses are reimbursed according to invoice approved by the company.

Johan Kronberg
APA
PricewaterhouseCoopers Oy
The auditor with principal responsibility for Kesko since 31 March 2008.

According to the applicable law, a person can act as the auditor with principal responsibility for a maximum of seven (7) successive years. The law does not limit the term of an auditing firm.