

# Corporate governance statement

Verkkokauppa.com Oyj (hereinafter, the “**Company**” or “**Verkkokauppa.com**”) is a public Finnish limited liability company. The shares of the Company are traded on the First North Helsinki market place of Nasdaq Helsinki Ltd. (“**First North**”).

The Company’s governance is subject to the Finnish Companies Act, the Securities Market Act, the Accounting Act, the rules of First North Finland as well as the Company’s Articles of Association.

As the Company’s shares are not listed on the main list of Nasdaq Helsinki Ltd. the Company is not subject to the Finnish Corporate Governance Code (the “**CG Code**”). However, to the extent practicable, the Company seeks to comply with the CG Code as applicable. Compliance with the CG Code is based on a comply-or-explain principle, whereby departures from the CG Code shall be explained and disclosed. The CG Code is available at the website of the Securities Market Association [www.cgfinland.fi/en](http://www.cgfinland.fi/en).

The Board of Directors of the Company has for the corporate governance statement for the financial period ended December 31, 2015 resolved to apply the reporting principles set out in the new CG Code to the extent practicable. The Company establishes principles concerning the diversity of the Board of Directors in accordance with recommendation 9 of the new CG Code during the financial period ending December 31, 2016.

The Company’s Corporate Governance Statement is available on the Company’s website [www.verkkokauppa.com/fi/investors/hallinnointi](http://www.verkkokauppa.com/fi/investors/hallinnointi).

## Group structure

The parent company of the group is Verkkokauppa.com Oyj. The domicile of the Company is Helsinki, Finland. The parent company is the main operating company of the Verkkokauppa.com group of companies. The Company has a subsidiary, Archtecho OÜ located in Estonia. The subsidiary is dormant and has been dormant for the past five (5) years.

The Company’s governance is organised through the General Meeting, the Board of Directors and the Chief Executive officer. Further, the Company has a management group led by the Chief Executive Officer.

## General Meeting

The highest decision-making power in Verkkokauppa.com is exercised by the Company’s shareholders at General Meetings, in which the shareholders may exercise their right to speak, ask questions and vote. The Annual General Meeting is held by the end of June each year and it handles the matters that fall under its authority according to the Articles of Association as well as any matters proposed to a General Meeting.

Extraordinary General Meetings are convened by the Board of Directors if needed to handle specific matters proposed to a General Meeting. Shareholders holding a minimum of 10% of all shares and the Company’s auditor may request the handling of a specified matter at a General Meeting, which the Board of Directors shall then convene.

Usually General Meetings handle the matters placed on its agenda by the Board of Directors. According to the Finnish Companies Act, shareholders may also request the Company’s Board of Directors to place a matter on the agenda of the next General Meeting. The Company states well in advance on its website the date by which a shareholder must declare his or her demands for matters to be dealt with at the Annual General Meeting. The demand is deemed to have arrived in sufficient time, if the Board of Directors has been notified of the demand four (4) weeks before the delivery of the notice of the General Meeting at the latest. The Board of Directors prepares the proposals to the General Meeting relating to the composition of the Board of Directors and the remuneration of the Board of Directors.

### Major matters subject to the decision-making power of a General Meeting include:

- amendments to the Articles of Association;
- increases or decreases in share capital;
- issuance of shares;
- decisions on the number, election and remuneration of members of the Board of Directors;
- adoption of the financial statements; and

- distribution of profits / allocation of losses.

### **Notice to the General Meeting**

The shareholders of the Company are summoned to the General Meeting by publishing the notice on the Company's website. The notice shall be published not earlier than three (3) months before and not later than nine (9) days prior to the General Meeting record date. In addition, the Board of Directors may publish a summary notice of the General Meeting in one (1) or more national daily newspapers. The notice shall state the matters to be handled at the General Meeting and other information required in Finnish Companies Act and CG Code.

The notice and the proposals of the Board of Directors to the General Meeting are also published by means of a company announcement.

The notice to the General Meeting and the following information are made available on the Company's website at least three (3) weeks before the General Meeting:

- The proposals and, if the General Meeting is to deal with the financial statements, the financial statements, the annual report and the auditor's report. At a minimum, this information shall further be kept available at the venue of the General Meeting;
- The documents to be submitted to the General Meeting; and
- Draft resolutions to the General Meeting.

If a decision pertains to a share issue, the issue of option rights or other special rights entitling to shares, the increase of the share capital from reserves, the payment of dividend, the distribution of reserves of unrestricted equity, the decrease of the share capital, the acquisition or redemption of own shares, or the Company going into liquidation, and the financial statements are not to be dealt with at the meeting, the following information shall be made available on the Company's website at least one (1) week before the General Meeting:

- The latest financial statements, annual report and auditor's report;
- The possible decisions on the distribution of assets, made after the end of the preceding financial period;
- Any interim reports prepared as of a date after the end of the preceding financial period; and
- A statement by the Board of Directors on the events occurring after the latest financial statements or interim report and having an essential effect on the state of the Company

### **Attendance**

Shareholders registered in the Company's shareholders register kept by Euroclear Finland Ltd on the record date of the General Meeting have the right to attend the General Meeting and exercise their voting rights. Shareholders may exercise their rights at the General Meeting either in person or through an authorized proxy representative.

The minutes of the General Meeting including the voting results and any appendices that are part of a decision made by the General Meeting shall be posted on the Company website within two (2) weeks after the General Meeting. The decisions of the General Meeting are also published by means of a company announcement immediately after the General Meeting. The documents related to the General Meeting shall be available on the Company's website at least for five (5) years after the General Meeting.

### **Attendance of the members of the Board of Directors and the Chief Executive Officer**

The Chief Executive Officer, the chairperson and the members of the Board of Directors shall attend the General Meeting. In addition, the auditor shall be present at the Annual General Meeting. A candidate proposed to be elected to the Board of Directors shall participate in the General Meeting that decides on his or her election.

### **Decision-making**

The Company has one (1) series of shares, which entitle its holders to one (1) vote per share owned at the General Meeting. Most resolutions by the General Meeting require a simple majority of the votes cast at the meeting. In an election, the person receiving the highest number of votes shall be deemed elected. The General Meeting may, however, prior to an election, decide that to be elected, a person shall receive more than half of the votes cast. However, there are several matters, such as directed share issues, which according to the Finnish Companies Act require a 2/3 majority of the votes cast and of the shares represented at the meeting.

The Articles of Association of Verkkokauppa.com include no redemption clauses or voting limitations.

## **Board of Directors**

### **Composition and term**

Under the Articles of Association, the Board of Directors consists of at least four (4) and at most eight (8) members. The members

of the Board of Directors are elected by the Annual General Meeting of the shareholders and the term of office of the members of the Board of Directors expires at the end of the Annual General Meeting following their election.

The Articles of Association set no limitations regarding the number of terms that Directors may serve, nor do they restrict in any other way the decision-making power of the General Meeting in electing members of the Board of Directors. However, the General Meeting may take into account all recommendations stipulated by the CG Code regarding the composition of the Board of Directors, especially with regards to meeting the independence and other requirements applicable to publicly or multilaterally listed companies in Finland. The Board of Directors elects one of its members as the chairperson of the Board of Directors and may elect a deputy chairperson.

The Board of Directors have drawn up a written charter for its work. The essential contents of it are included in the following.

### **Current composition of the Board of Directors**

The Board of Directors consists of the following seven (7) members: Christoffer Häggblom, Mikael Hagman, Minna Kurunsaari, Kai Seikku, Samuli Seppälä, Antti Tiitola and Henrik Weckström.

At the Extraordinary General Meeting on August 19, 2015, Minna Kurunsaari was elected as a member of the Board of Directors, in addition to the members Christoffer Häggblom, Mikael Hagman, Kai Seikku, Samuli Seppälä, Antti Tiitola and Henrik Weckström elected at the Annual General Meeting on March 18, 2015 for a term that expires at the end of the next Annual General Meeting. Member of the Board of Directors Peter Lindell had prior to the Company's Annual General Meeting held on March 18, 2015 informed the Board of Directors that he would no longer be available for the Board of Directors of Verkkokauppa.com Oyj after the 2015 Annual General Meeting.

At the organization meeting of the new Board of Directors, which first convened after the Annual General Meeting, Christoffer Häggblom was elected as the Chairman of the Board of Directors.

Based on the evaluation of independence, the Board of Directors concluded that Christoffer Häggblom, Minna Kurunsaari, Kai Seikku and Antti Tiitola are independent of the Company, and that Mikael Hagman, Minna Kurunsaari, Kai Seikku and Antti Tiitola are independent of the Company's significant shareholders. Samuli Seppälä and Henrik Weckström are part of the Company's management group.

Information reported on the members of the Board of Directors are found in the section "Members of the Board of Directors during 2015"

### **Duties of the Board of Directors**

The duties of the Company's Board of Directors are set forth in the Companies Act and other applicable legislation. The Board of Directors is responsible for the management of the Company. Its responsibilities include, inter alia, to:

- deliberate and decide on the Company's strategy;
- confirm the business plan and budget as well as financing transactions (as far as not falling into the responsibility of the shareholders);
- deliberate on and approve interim reports and/or interim management statements, the annual accounts and the reports by the Board of Directors;
- confirm internal control and risk management systems and reporting procedures;
- decide on possible bonus and incentive schemes for the management and possible general or special pension schemes, profit sharing schemes or bonus schemes for employees of the Company;
- decide on any contracts which, given the scope and nature of activities of the Company, are of unusual nature, or significant importance such as long-term lease contracts ;
- decide on related party transactions; and
- appoint or dismiss the CEO. Other employees belonging to the management team of the Company are appointed by the CEO and approved by the Board of Directors.

As the Company does not have a separate audit committee, the Board of Directors in its entirety is also responsible for the duties of the audit committee. These include the following:

- Monitor and supervise the reporting process of the Company's financial statements (such as annual financial statements, interim reports and annual, half-yearly and quarterly earnings releases);
- Monitor and supervise the Company's financial reporting;
- Monitor and regularly evaluate the efficiency of the Company's internal control and risk management systems and its internal audit function, and any descriptions of these systems and functions in the Company's disclosures;
- Monitor the statutory audit of the financial statements and consolidated financial statements;
- Evaluate the performance and independence of the external auditor;
- Approve the external auditor's annual audit fees under the guidance given by the shareholders at the Annual General Meeting;
- and

- Prepare the decision concerning the election of the auditor;

The Board of Directors held 12 meetings during 2015. The average ratio of attendance at the meetings was 98 percent. Verkkokauppa.com does not have a supervisory board.

Name	Participation in board meetings	Attendance percentage
Christoffer Häggblom	12	100 %
Mikael Hagman	12	100 %
Minna Kurunsaari <sup>1)</sup>	4	100 %
Peter Lindell <sup>2)</sup>	2	100 %
Kai Seikku	10	83 %
Samuli Seppälä	12	100 %
Antti Tiitola	12	100 %
Henrik Weckström	12	100 %

<sup>1)</sup> Member of the Board of Directors from August 19, 2015

<sup>2)</sup> Member of the Board of Directors until March 18, 2015

### Decision-making

Meetings of the Board of Directors are convened by its chairperson. The Board of Directors constitutes a quorum when more than half of the members appointed by the General Meeting are present at the meeting. When votes are cast, the majority opinion will be the Board of Directors' decision and, in the case of a tie, the chairperson will have the casting vote.

The Board of Directors is always obliged to act in the Company's interests and in such a way that its acts or measures are not likely to produce unjustified benefit to any shareholder or other third party at the cost of the Company or another shareholder.

A member of the Board of Directors is disqualified from participating in the handling of a matter pertaining to a contract or other transaction between the member of the Board of Directors and the Company or of such matter where the member is to derive an essential benefit and that benefit may be contrary to the interests of the Company. In principle, a member of the Board of Directors may not participate in the handling of a matter if the member of the Board of Directors is involved in the matter under assessment in another capacity.

### Meeting practice

The Board of Directors shall convene as frequently as necessary to discharge its responsibilities. The Chief Executive Officer ensures that the Board of Directors is provided with sufficient information to assess the operations and financial situation of the group.

The secretary of the Board of Directors is Jussi Tallgren.

The Board of Directors conducts annual performance self-evaluations.

### Board Committees

The Company's Board of Directors has not set up committees and, therefore, in its entirety conducts the tasks appointed to different committees in the CG Code. According to the Company's Board of Directors, functioning without board committees best corresponds to the Company's current business needs and best enables the Company's Board of Directors to act in compliance with the relevant laws and fulfil the other requirements set out in the CG Code.

## Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Group in accordance with the instructions and guidance given by the Board of Directors and ensuring that the accounting practices of the Group comply with the law and that the financial management of the group has been arranged in a reliable manner.

The Chief Executive Officer primarily presents the matters handled in meetings of the Board of Directors and is responsible for preparing draft resolutions. The Board of Directors elects the Chief Executive Officer and decides on the remuneration of the Chief Executive Officer and on other terms of the Chief Executive Officer contract. The Chief Executive Officer may not be elected chairperson of the Board of Directors.

The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). In 2015, the total annual salary with fringe benefits of the CEO amounted to EUR 13 thousand. The CEO forewent his salary for the period of January 1 – December 31, 2015, and the sum corresponding to the CEO's salary from said period was distributed to the personnel in equal amounts.

The CEO has not received any shares or share-based rights as remuneration during 2015. The statutory pension age is applied to the CEO. The CEO does not have an additional pension agreement with the Company. The period of notice for the CEO is twelve (12) months. If the Company dismisses the CEO, the CEO will receive compensation equally the salary of twelve (12) months in certain cases.

The terms of duty of the Chief Executive Officer have been agreed on in writing. The Chief Executive Officer is elected for a term continuing until further notice.

The current Chief Executive Officer is Samuli Seppälä. The biographical details of Samuli Seppälä can be found from page [•].

## Management team

The Company has a management team consisting of Samuli Seppälä, Jussi Tallgren, Henrik Weckström, Esa Hjerpe, Timo Halonen, Markus Pätilä, Miika Heinonen and Matti Harjunen.

The management team members handle the issues that concern managing of the group in their respective areas and on the basis of the guidance provided by the Board of Directors. The management team assists the Chief Executive Officer in running the Company. The management team members prepare matters that are to be put before the Board of Directors for decision-making, e.g. the Company's strategies, budgets and policies as well as significant acquisitions and divestments. In addition, the management team handles matters pertaining to reporting, internal and external communication, personnel development, hiring of employees and their terms of employment as well as investor relations. The management team has no formal status under company law.

Information reported on the members of the management team are found in the section "Management team members during 2015"

## Remuneration

The Board of Directors resolves on the remuneration and other benefits of the Company's CEO and the chairperson of the Board of Directors approves the remuneration and other benefits of the management team operating under the CEO. When elaborating on the remuneration, bonus and incentive schemes, the Board of Directors also takes into account aligning of the interests between shareholders and directors. The remuneration of the CEO comprises a fixed basic salary and fringe benefits (such as rights for company car and phone). The remuneration of the management team (excluding the CEO) comprises hourly wage. The management team is entitled to additional pay in accordance with the collective agreement for commercial sector (*FIN: kaupan alan työehtosopimus*) for work outside normal working hours. If the employment relationship of a member of the management team is terminated for a reason not attributable to the Company, a non-compete period of six (6) months is observed. The member of the management team is entitled to a monthly compensation for such period, corresponding to the average monthly salary paid for normal working hours.

The Company does not have any equity-based remuneration schemes and other than as set out above, the salaries of the management team are not divided into non-variable and variable components. The remuneration of the management team is not dependent on performance and result criteria.

The Company does not apply long-term remuneration and no specific earning and restriction periods are applied in the remuneration.

The General Meeting decides on the remuneration payable for Board of Directors as well as the basis for its determination.

The Company annually makes available a Remuneration Statement on its website in accordance with the CG Code.

### **Annual General Meeting (March 18, 2015)**

On March 18, 2015, the Company's Annual General Meeting resolved that the remuneration payable to the members of the Board of Directors is as follows: the annual remuneration of EUR 40,000 for the chairman and EUR 20,000 for each member. No annual remuneration shall be paid to a member of the Board of Directors belonging to the executive management of the Company. In addition, reasonable travelling expenses of the members of the Board of Directors are reimbursed against invoices.

### **Internal control in Verkkokauppa.com**

Internal control is under the responsibility of the Board of Directors, and its function is, among other things, to ensure the efficiency and profitability of operations, the reliability of information, and the adherence to rules and regulations. Internal control is a part of day-to-day management and company administration.

Internal audits are an integral part of internal control. The Board of Directors is responsible for organising the internal audit, and the internal audit services are purchased from an external service provider. The internal audit reports its observations to the Board of Directors. The internal audit supports the management in directing operations by inspecting and evaluating the efficiency of business operations, risk management and internal control, and by producing information and recommendations to enhance efficiency. The internal audit also inspects the processes of business operations and financial reporting. The operations of the internal audit are based on a risk-focused approach and the focus areas of the business operations and its development.

### **Risk management**

The Company's Board of Directors approved on January 16, 2014 a risk management operating model for the Company. According to the Company's risk management operating model, the objective of risk management is to raise risk awareness and enhance proactive risk management in the organisation, increase the competitiveness of the organisation by reducing negative risks and increasing positive risks, ensure a sufficient level of risk management for the whole organisation, manage risks as part of business activities and define responsibilities of risk management in the organisation. The Board of Directors decides on the Company's risk management policy and defines the framework for the level of risk management in the Company. The Company's operative management is responsible for actual measures related to risk management in accordance with the Company's risk management policy.

### **Main features of the internal control and risk management systems pertaining to the financial reporting process**

The Board of Directors of Verkkokauppa.com is responsible for the implementation of internal control with regard to financial reporting. The Company's Chief Financial Officer and the Finance and Control Department are responsible for the financial reporting. The reporting is based on information from commercial and administrative processes and data produced by the financial management systems. The Company's Finance and Control Department determines the control measures applied to the financial reporting process, which include various guidelines, process descriptions, reconciliations, and analyses used for ensuring the validity of the information used in the reporting and the validity of the reporting itself.

The financial reporting results are monitored and any anomalies in relation to forecasts or in comparison with the previous year's figures are analysed on a regular basis. Such analyses are used to detect any reporting errors and to produce materially accurate information on the Company's finances.

The Company's Finance and Control Department is responsible for the effectiveness of internal control. The Finance and Control Department is responsible for assessments of the reporting processes. The risks pertaining to financial reporting and the related management measures are determined as part of the risk management process.

### **Disclosure**

The guiding principle of the communications of the Company is to continuously provide the market with consistent, correct, relevant, and reliable information on the Company to ensure that capital market participants have as transparent and clear a picture of the Company as possible on the basis of which they can assess the value of the Company's securities. In its communication the Company adheres to the principles of the Finnish Companies Act and Securities Market Act of equal and simultaneous access to information and strives to make disclosures without undue delay.

According to the rules of First North, companies, the shares of which are subject to multilateral trading on the First North marketplace of Nasdaq Helsinki, shall have entered into an agreement with a certified advisor. The certified adviser of Verkkokauppa.com is Nordea Pankki Suomi Oyj (the "Certified Adviser").

The Company's official reporting languages are Finnish and English. All published releases, annual reports, details of the current Board of Directors and management team and the name of the Certified Adviser is kept available on the Company's

website [www.verkkokauppa.com](http://www.verkkokauppa.com).

The Board of Directors has adopted a disclosure policy in accordance which governs the disclosures of Verkkokauppa.com.

## Insider Administration

The Company's insider rules observe the insider guidelines issued by Nasdaq Helsinki Ltd. and which are applicable to Companies, the shares of which are traded on First North. Verkkokauppa.com's insider rules are regularly updated and compliance therewith monitored on an ongoing basis. The Company has appointed Jussi Tallgren, CFO, as the insider officer.

The Company's insider rules stipulate that all members of the Board of Directors, the Chief Executive Officer, all the members of the management team, certain other key employees as defined by the Company and the Group auditors are considered to be public insiders. All other key employees of the Company who regularly receive insider information are registered as permanent company-specific insiders within the Company.

Trading in any kind of securities or derivatives related to the Company is limited for all permanent insiders of Verkkokauppa.com. The principal rule governing trading by the permanent insiders is that trading is always prohibited during a 21-day period preceding the release of the annual results and interim reports, and on the date of publication itself (the "**Closed Window**"). In addition, specific trading restrictions apply to project specific insiders.

The Company's insider administration is included in the SIRE-system of Euroclear Finland Ltd. Information on shareholding data of public insiders is available on Verkkokauppa.com's website [www.verkkokauppa.com/fi/investors](http://www.verkkokauppa.com/fi/investors) and accessible via Euroclear Finland Ltd, address Urho Kekkosen katu 5 C, 00100 Helsinki, Finland, tel. +358 20 770 6000.

## Audit

The main function of the statutory auditing is to verify that the financial statements provide true, accurate and sufficient information on the Company's performance and financial position for the financial year. The Company's financial year is calendar year.

The auditor's responsibility is to audit the correctness of the Company's accounting in the respective financial year and to provide an auditors' report to the General Meeting. In addition, Finnish law requires that the auditor also monitors the lawfulness of the Company's administration. The auditor reports to the Board of Directors at least once a year. The fees received by the auditor shall be reported to the shareholders of the Company.

According to the Articles of Association, Verkkokauppa.com shall have one (1) auditor which shall be a firm authorised by the Finnish Chamber of Commerce. The Annual General Meeting elects the auditor and the term of an auditor terminates at the end of the Annual General Meeting following the election. The proposal for the auditor by the Board of Directors shall be included in the notice of the General Meeting. The auditor's fees in 2015 were approximately EUR 86,000 and fees paid to the auditor for non-audit services in 2015 were approximately EUR 13,000.

KPMG Oy Ab, a firm of Authorised Public Accountants, was re-elected as auditor of the Company on March 18, 2015 with Mauri Eskelinen, Authorised Public Accountant, being the principal auditor.

Mauri Eskelinen has been the auditor of the Company since 2005.

## Shareholders' Agreements

The Company is not aware of any shareholders' agreements regarding the shares of the Company.