

## **PROPOSAL OF THE BOARD OF DIRECTORS' NOMINATION AND REMUNERATION COMMITTEE VERKKOKAUPPA.COM OYJ TO THE ANNUAL GENERAL MEETING 31 MARCH 2020**

### **Advisory resolution on the approval of the remuneration policy**

(Agenda item 10)

The Board of Director's Nomination and Remuneration Committee proposes that the General Meeting approves the Company's remuneration policy. The remuneration policy is available on the company's website at <https://investors.verkkokauppa.com/en> and has been published by way of a company release on 4 March 2020.

### **Resolution on the remuneration of the members of the Board of Directors**

(Agenda item 11)

The Board of Directors' Nomination and Remuneration Committee proposes that the annual fees payable to the members of the Board of Directors elected at the same meeting for a term until the close of the Annual General Meeting of Shareholders in 2021 are the following:

- EUR 70,000 for the Chairman of the Board of Directors
- EUR 35,000 for each member of the Board of Directors

The Nomination and Remuneration Committee proposes that 50 per cent of the annual fee of the Chairman and the members of the Board of Directors be paid in Verkkokauppa.com shares either purchased from the market or alternatively by using treasury shares held by the company. The purchase of shares or transfer of treasury shares shall be carried out in four equal instalments, each instalment being purchased or transferred within the two-week period beginning on the date following the announcement of each of the company's interim reports and the Company's financial statements bulletin for 2020. The company will pay the transaction costs and transfer tax in connection with the purchase or transfer of remuneration shares. The rest of the annual fee would be paid in cash, which is used to cover taxes arising from the fees.

If the shares due in any such instalment cannot be purchased or transferred within the time period indicated above due to legal or other regulatory restrictions or due to reasons related to a Board member, the amount of annual remuneration due for payment in such instalment will be paid fully in cash.

The Nomination and Remuneration Committee proposes that the annual fees payable to the members of the committees of the Board of Directors for the term until the close of the Annual General Meeting of Shareholders in 2021 are the following:

- EUR 12,000 for the Chairman of the Audit Committee
- EUR 10,000 for the Vice Chairman of the Audit Committee
- EUR 6,000 for each member of the Audit Committee
- EUR 8,000 for the Chairman of the Remuneration Committee
- EUR 4,000 for each member of the Remuneration Committee.

The fees of the committees would be paid in cash.

The Nomination and Remuneration Committee proposes that the members of the Board of Directors shall be compensated for reasonable accrued travel and lodging expenses as well as other potential costs related to Board and Committee work.

### **Resolution on the number of members of the Board of Directors**

(Agenda item 12)

The Board of Directors' Nomination and Remuneration Committee proposes that the number of members of the Board of Directors be six (6) and that no deputy members be elected.

## **Election of members of the Board of Directors**

(Agenda item 13)

The Board of Directors' Nomination and Remuneration Committee proposes that the following persons be re-elected members of the Board of Directors for the term until the close of the next Annual General Meeting: Christoffer Häggblom, Robert Burén, Mikael Hagman, Kai Seikku, Samuli Seppälä and Arja Talma. The nominees' biographical details are available on the company's website at <https://investors.verkkokauppa.com/en>.

Helsinki, 4 March 2020

VERKKOKAUPPA.COM OYJ

The Board of Directors' Nomination and Remuneration Committee

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# Verkkokauppa.com Oyj Remuneration Policy

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<b>1. INTRODUCTION</b>	2
1.1. Background and Guiding Principles	2
<b>2. DECISION-MAKING PROCESS</b>	2
2.1. Decision-Making on the Remuneration Policy	2
2.2. Decision-Making on the Remuneration of the Board of Directors	3
2.3. Decision-Making on the Remuneration of the CEO	3
<b>3. PRINCIPLES FOR REMUNERATION OF THE BOARD OF DIRECTORS</b>	3
<b>4. PRINCIPLES FOR REMUNERATION OF THE CEO</b>	4
4.1. Guidelines on the CEO's Annual Total Remuneration Structure	4
4.2. Guidelines on the CEO Remuneration Time Span	4
4.3. Guidelines on the CEO's Performance Metrics and Target Setting	4
4.4. Main Components of the CEO's Remuneration	5
4.5. Malus and Clawback	6
4.6. Term of Notice and Severance Pay	6
<b>5. EXCEPTIONAL CIRCUMSTANCES</b>	6

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## 1. INTRODUCTION

The Remuneration Policy defines the framework and principles for the remuneration of the Board of Directors (the “**Board**”) and the Chief Executive Officer (the “**CEO**”) of Verkkokauppa.com Oyj (“**Verkkokauppa.com**”, or the “**Company**”). What is stated about the CEO, shall also apply to a potential Deputy CEO.

The Remuneration Policy is presented for an advisory decision by the Annual General Meeting to be held on 31 March 2020. The Remuneration Policy shall be applied until the Annual General Meeting to be held 2024, unless the Board decides to bring it for an advisory decision by the General Meeting earlier. Advisory decision is always required in case essential changes are made to the Remuneration Policy.

### 1.1. Background and Guiding Principles

The Remuneration Policy supports Verkkokauppa.com’s long-term success by determining a remuneration framework that ensures the alignment of pay and performance and incentivizes the CEO to pursue strong financial performance and shareholder value creation in the long term. Another important goal of the Remuneration Policy is to enable Verkkokauppa.com to attract and retain competent management and members of the Board in the Company.

The Remuneration Policy is based on the following guiding principles:

- Total remuneration opportunity shall be sufficiently competitive in relation to typical market level in relevant peer companies.
- Performance-based remuneration emphasizes long-term performance and shareholder value creation, as well as operational and financial performance over short and long term.
- Requirements for share ownership and clawback provisions are set for the CEO to promote optimal risk taking and shareholder alignment in the long term.

The Remuneration Policy follows the principles applied to the remuneration of all Verkkokauppa.com employees. Remuneration shall always be transparent, fair and in relation to the complexity of an employee’s role and experience. However, a significant portion of the CEO’s remuneration shall consist of performance-based incentives, as the Company aims to have a strong link between executive remuneration and the Company performance.

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## 2. DECISION-MAKING PROCESS

### 2.1. Decision-Making on the Remuneration Policy

The Board’s Remuneration Committee (the “**Remuneration Committee**”) prepares the Remuneration Policy and the Board approves the Remuneration Policy to be presented for an advisory decision by the Verkkokauppa.com shareholders in the General Meeting.

In the preparation of the Remuneration Policy, the Remuneration Committee has considered the recommendations on the Finnish Corporate Governance Code 2020 as well as the latest provisions to the Finnish Securities Market Act and Limited Liability Companies Act.

The Remuneration Committee monitors and evaluates the Remuneration Policy continuously in order to ensure alignment with the Company’s business strategy and pay-for-performance philosophy. In addition, the Remuneration Committee takes into account the advisory decisions of the General Meeting and comments by shareholders regarding the Remuneration Policy.

## 2.2. Decision-Making on the Remuneration of the Board of Directors

The General Meeting decides on the remuneration payable to the members of the Board. The Shareholders' Nomination Board prepares the proposal to the General Meeting relating to the remuneration of Board members.

Verkkokauppa.com shareholders decide on the Board's remuneration as a separate item at the General Meeting.

## 2.3. Decision-Making on the Remuneration of the CEO

The Board decides on the framework for the remuneration and other benefits of the CEO. The Remuneration Committee prepares matters connected with the CEO's remuneration and other benefits. The CEO is not a member of the Board or the Remuneration Committee and is not in any way involved in the decision-making process regarding his or her remuneration.

The Remuneration Committee continuously evaluates the appropriateness of the CEO's remuneration in order to ensure alignment with the Company's strategy, business needs and shareholder interests.

In order to promote alignment of interests with shareholders, and alignment of pay and performance, a part of the CEO's total compensation may be paid out in Verkkokauppa.com shares or share-linked instruments. The Board decides on such payouts. The issue of shares, stock options or other special rights entitling to shares is decided by the Board based on authorization by the General Meeting, or the General Meeting in accordance with the applicable laws and regulations.

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## 3. PRINCIPLES FOR REMUNERATION OF THE BOARD OF DIRECTORS

The General Meeting determines the remuneration of the Board. The Shareholders' Nomination Board prepares the proposal for the General Meeting. The basis for determination of the Board remuneration is to ensure that remuneration reflects the competencies and efforts required from the members of the Board in order to fulfill their duties.

The Board members are recommended to accumulate share ownership in Verkkokauppa.com that corresponds at least to the value of Board member's annual Board remuneration. In order to promote the Board's shareholding in the Company, the General Meeting may decide to pay a part of the Board remuneration in Company shares.

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## 4. PRINCIPLES FOR REMUNERATION OF THE CEO

### 4.1. Guidelines on the CEO's Annual Total Remuneration Structure

The CEO's remuneration consists of fixed base salary (including fringe benefits), variable remuneration, and potential other components, in line with the Remuneration Policy. Variable remuneration may include one or several share-based or cash-based incentive plans with a short-term and/or a long-term focus.

Variable remuneration shall form a substantial portion of the annual target total remuneration opportunity provided to the CEO. The exact proportion of fixed remuneration in relation to variable remuneration, as well as the exact proportion of short-term remuneration in relation to long-term remuneration is set depending on the business stage and strategic goals of the Company at each time upon a remuneration decision, ensuring that the remuneration mix stays optimal. The Board carefully considers Verkkokauppa.com strategy and long-term targets as well as typical market practices when defining the remuneration components and their weightings and performance targets. Typically, the long-term incentives shall form a higher proportion of total compensation, compared to short-term incentives. In order to ensure strong alignment with shareholders' long-term interests, a significant part of the earned remuneration shall depend on Verkkokauppa.com shareholder value development in a period that exceeds one year.

The Board shall set a target and a maximum level for both the short-term and long-term remuneration, as an amount of cash or a number of shares. In calculation of the value of remuneration opportunity in share-based plans, the prevailing Verkkokauppa.com share price at the commencement of the performance period shall be applied.

### 4.2. Guidelines on the CEO Remuneration Time Span

In order to promote the alignment of remuneration with Verkkokauppa.com strategy and shareholder value in the long term, the total time span of long-term remuneration is minimum three years. There may be one or several measurement periods of one to three years in an incentive plan, depending on what the Board sees appropriate in the respective strategic phase.

As a main rule, any Verkkokauppa.com shares earned based on the long-term incentive plan are freely transferable after the reward payment or after a potential restriction period. However, the CEO is expected to accumulate a shareholding in Verkkokauppa.com that corresponds at least to the value of the CEO's annual fixed salary. The Board may set transfer restrictions to rewarded shares as it sees appropriate in pursuit of this objective.

### 4.3. Guidelines on the CEO's Performance Metrics and Target Setting

The Board shall select optimal performance metrics for each incentive plan. Variable remuneration is used to reward for contributing to both the Company's financial success and shareholder value creation. Variable remuneration performance targets and measurement principles for each performance metric shall be clearly defined by the Board when the targets are set.

Performance targets shall be based on one or several of the following metric groups:

- Total Shareholder Return – focus on long-term shareholder value creation
- Financial and operative metrics – focus on profitable growth, operative efficiency, and the Company's development
- Strategic metrics – focus on strategic development and renewal, and corporate responsibility

#### 4.4. Main Components of the CEO's Remuneration

COMPONENT	PURPOSE AND LINK TO STRATEGY	DESCRIPTION
<b>Fixed Salary and Benefits</b>	To provide fixed remuneration that is sufficiently competitive with the external market and reflects Verkkokauppa.com business scale and complexity.	<p>Fixed salary includes also taxable fringe benefits.</p> <p>Fixed salary is set based on the market level, the individual's skills and experience, and other relevant factors.</p> <p>Fixed salary is reviewed annually.</p>
<b>Short-Term Incentive</b>	To steer towards and reward for the achievement of short-term financial and operational targets in line with Verkkokauppa.com strategy.	<p>Performance is measured for one year and the reward is paid after the year end, based on achieved performance. There shall be no payout based on a metric, if the threshold for the metric in question is not reached.</p>
<b>Long-Term Incentive</b>	<p>To reward for achievement of strategic and financial targets and long-term shareholder value creation.</p> <p>To align the CEO's interests with the interests of Verkkokauppa.com shareholders.</p> <p>To accumulate the CEO's share ownership in Verkkokauppa.com, according to the share ownership guidelines.</p>	<p>The CEO may have share-based incentive plans, which reward for the Company's performance, and/or are used in order to encourage to invest in Verkkokauppa.com shares and/or for retention purposes.</p> <p>Payment of the reward is dependent on the achievement of performance targets set by the Board and/or continued service.</p> <p>The Board decides the maximum number of shares that can be earned.</p>
<b>Share Ownership Guidelines</b>	<p>To promote share ownership.</p> <p>To align the CEO's interests with the interests of Verkkokauppa.com shareholders.</p>	<p>The aim is that over time the CEO's shareholding in Verkkokauppa.com accumulates to a value corresponding to at least the value of the CEO's annual fixed salary. The Board may set transfer restrictions to shares paid as reward, as it sees appropriate.</p>

#### 4.5. Malus and Clawback

The Board has the right to reduce incentive plan rewards or defer payments to a time that is more favorable to the Company, if e.g. changes in circumstances beyond the Company's control or other circumstances would result in materially adverse or unacceptable result for the Company or for the CEO.

The Board shall have the right to cancel remuneration or recover already paid rewards from the CEO, in whole or in part, if it deems necessary to amend the financial statements of the Company and such amendments affect or would have affected the amount of the remuneration. Furthermore, the Board has the right to cancel the remuneration if the CEO has acted in violation of law or the Company's ethical guidelines or otherwise unethically, as decided by the Board in each case.

#### 4.6. Term of Notice and Severance Pay

In the event of a termination of service, any payable compensation is determined in line with local legislation, contractual obligations and the rules of the applicable incentive plans.

Either party may terminate the director contract made with the CEO with the notice period of twelve months. A twelve-month non-compete and non-recruiting obligation is applied to the CEO.

The Board may exercise its discretion in leaver situations, as to whether granted short-term and/ or long-term incentive rewards shall be paid (in full or partly) during the year of departure or later. In addition, the Board may set conditions for reward payout.

The CEO's retirement age follows the Finnish Employee's Pension Act. No supplementary pension arrangements shall be used for remuneration purposes.

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## 5. EXCEPTIONAL CIRCUMSTANCES

It is beneficial for Verkkokauppa.com and its shareholders that the Board is able to react to an unforeseen situation by temporarily deviating from certain principles defined in the Remuneration Policy. Thus, the Board may, after a careful consideration, deviate from the Remuneration Policy in the following situations:

- Recruitment of a new CEO
- Significant merger, acquisition, demerger or another corporate restructuring event
- Significant change in Verkkokauppa.com's strategy
- Immediate retention needs arising from external factors
- Changes in legislation, regulation, taxation or equivalent

Changes may apply to remuneration components, key terms applicable to the director contract and incentive plan structures, instruments and mechanisms, as well as incentive plan time spans, metrics and earning opportunities, as seen compulsory in order to ensure the development of Verkkokauppa.com's long-term shareholder value.

Any temporary deviation from the Remuneration Policy must be communicated transparently to shareholders at the latest in the Remuneration Report of the year in which the deviation need occurred. If deviating from the Remuneration Policy is assessed to have continued to the point that it cannot be deemed temporary, an updated Remuneration Policy shall be presented for an advisory decision by the General Meeting.