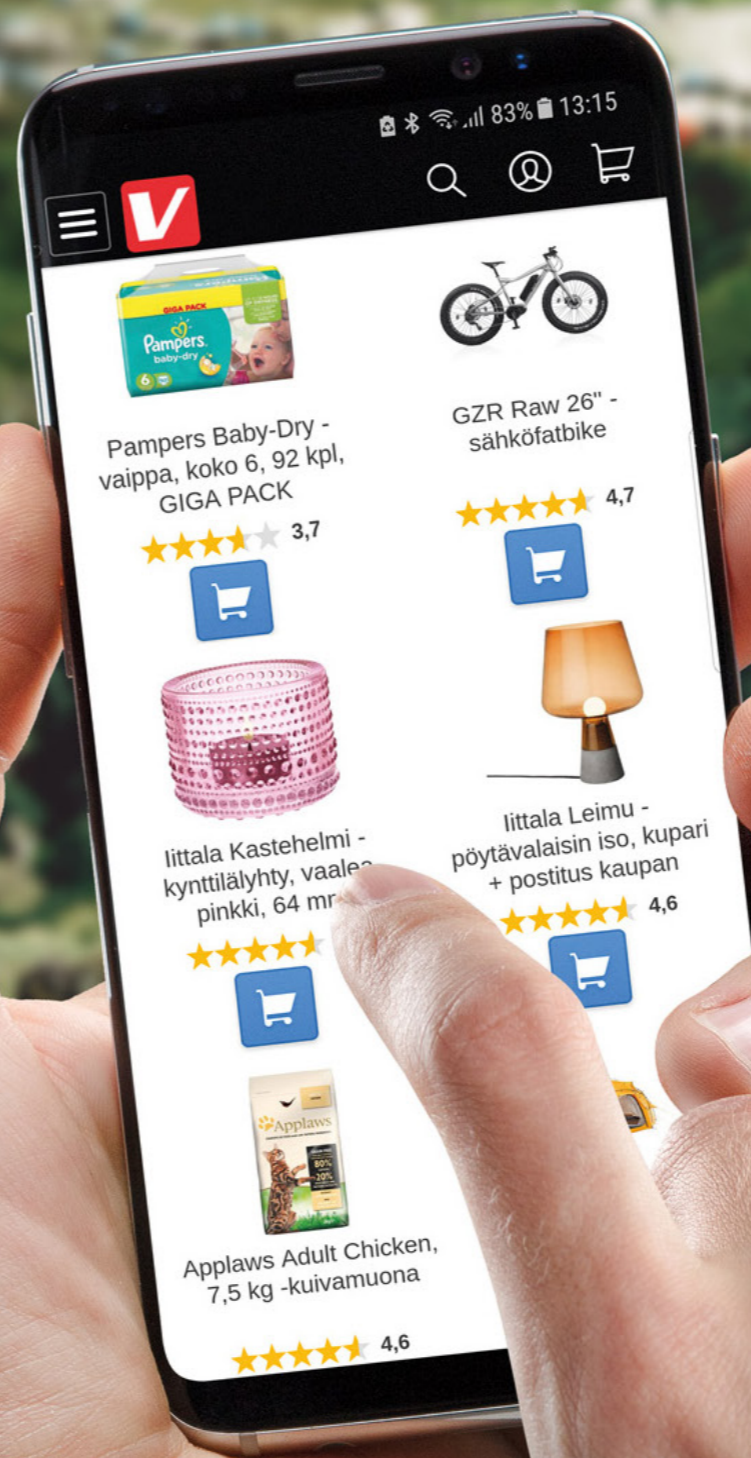




Verkkokauppa.com Oyj

Remuneration Report 2021



Verkkokauppa.com Oyj Remuneration Report 2021

This Remuneration Report sets out how Verkkokauppa.com Oyj has implemented its Remuneration Policy in the financial year 2021. The Remuneration Report provides information concerning the remuneration of the company's Board of Directors and CEO during 2021. The Remuneration Report has been prepared in accordance with the requirements of the Second Shareholders' Rights Directive (EU 2017/828). In Finland, the requirements of the directive have mainly been implemented in the Limited Liability Companies Act (624/2006, as amended), the Securities Markets Act (746/2012, as amended), the Decree of the Ministry of Finance (608/2019) and the Finnish Corporate Governance Code 2020.

The Board's Remuneration committee has prepared the Remuneration Report for review by the Board, and the Board has approved it for submission to the General Meeting. The shareholders will make an advisory decision on the approval of the Remuneration Report at the Annual General Meeting 2022.

Introduction

Overview of remuneration in the financial year 2021

The remuneration of Verkkokauppa.com's governing bodies is based on the company's remuneration policy that was presented for an advisory decision at the Annual General Meeting held on 25 March 2021. In 2021, the company's remuneration decision-making process as defined in the Remuneration Policy has been followed in the decision-making related to Verkkokauppa.com's remuneration. The Board has not applied the possibility to deviate from the remuneration policy temporarily during 2021 and the Board has not identified a need to apply any clawback provisions to variable remuneration paid.

The remuneration applied in accordance with the current remuneration policy in 2021 has supported the company's long-term financial success and shareholder value creation. The CEO's overall earning opportunity has been set as competitive, and the performance-based short-term and long-term incentive plans have emphasized the importance of strong operative and financial performance as well as shareholder value creation in the CEO's remuneration. In addition, the long-term incentive plan has strongly promoted the alignment of the CEO's and shareholders' interests.

In 2021, Verkkokauppa.com had long-term and short-term incentive plans in place for the CEO. Under the long-term Incentive plan, the matching period 2019–2021 of the Matching Share Plan 2018–2020 as well as the new Performance Matching Share Plan 2020–2022 decided by the Board on 13 February 2020 were in place in 2021. In the new Performance Matching Share Plan, the reward is based on the Company's total shareholder return (TSR), including dividends. Both Matching Share Plans are based on the participants' own investment in the Verkkokauppa.com share and on matching shares earnable against the own investment. The features of long-term incentive plans are described in more detail in the section "CEO Remuneration" on page [6](#).

In 2021, the short-term incentive's focus was on improved profitability and growth, and the CEO's performance criteria were set to 25 percent revenue growth and 75 percent improvement in profitability. The CEO partly achieved the criteria of the revenue growth set by the Board and did not achieve the criteria for the profitability improvement, and thus earned a portion of the 25 percent of the maximum reward equivalent to six (6) months' fixed salary. Application of the performance criteria and rewards payable for the reportable financial year are described in more detail in the section "CEO Remuneration" on page [6](#).

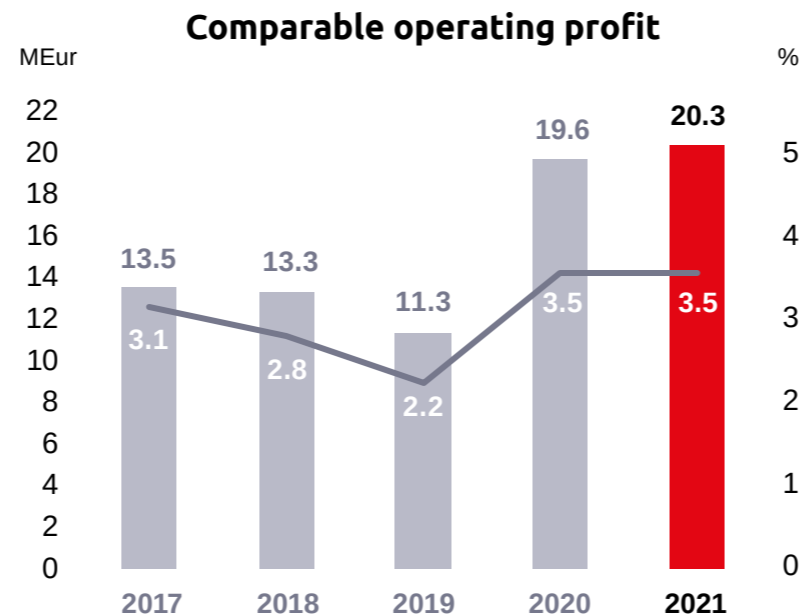
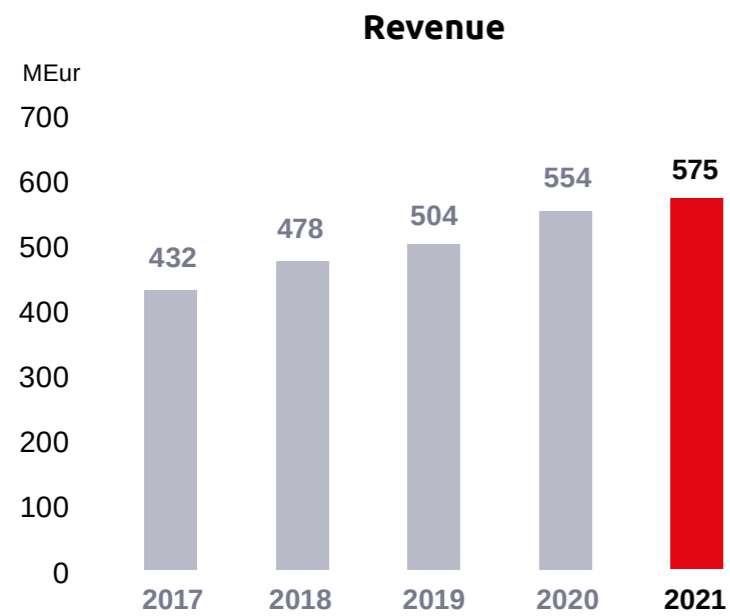
Development of Financial Performance and Remuneration in Verkkokauppa.com

Financial Performance 2017–2021

In 2017–2021, Verkkokauppa.com's revenue has grown considerably; the revenue as a whole has increased by more than 33 percent, meaning the annual growth has averaged 7.4 percent. Over the same period, the operating profit (EBIT) has grown as a whole by more than 50 percent, or an average of 10.7 percent.

As the revenue has grown relatively steadily, the operating profit (EBIT) has reflected the rigorous competitive environment that prevailed. The operating profit (EBIT) increased significantly in 2020, in part due to strong demand in the online sales channel resulting from the COVID-19 pandemic and a focus on profitability alongside growth. This trend continued in 2021. The emphasis on profitability is also reflected in the CEO's short-term incentive performance criteria, as described on page 6.

Including dividends, the return generated to shareholders in 2017–2021 has totaled approximately 14 percent.



The IFRS figures for 2017 are unaudited.

Development of Remuneration in 2017–2021

Remuneration paid to the CEO, EUR

	2017	2018	2019	2020	2021
Samuli Seppälä (until 22 march 2018)					
Fixed base salary + fringe benefits	2,270	514	-	-	-
Short-term incentive	-	-	-	-	-
Long-term incentive	-	-	-	-	-
Total remuneration	2,270	514	-	-	-
Panu Porkka (as of 22 march 2018)					
Fixed base salary + fringe benefits	-	317,348	419,390	454,068	441,544
Short-term incentive	-	90,000	109,320	0	120,000
Long-term incentive	-	-	-	-	96,910
Total remuneration	-	407,348	528,710	454,068	658,454
Development					
Fixed base salary + benefits	-	13,903 %	32%	8 %	-3%
Total remuneration	-	17,867%	30%	-14%	45%

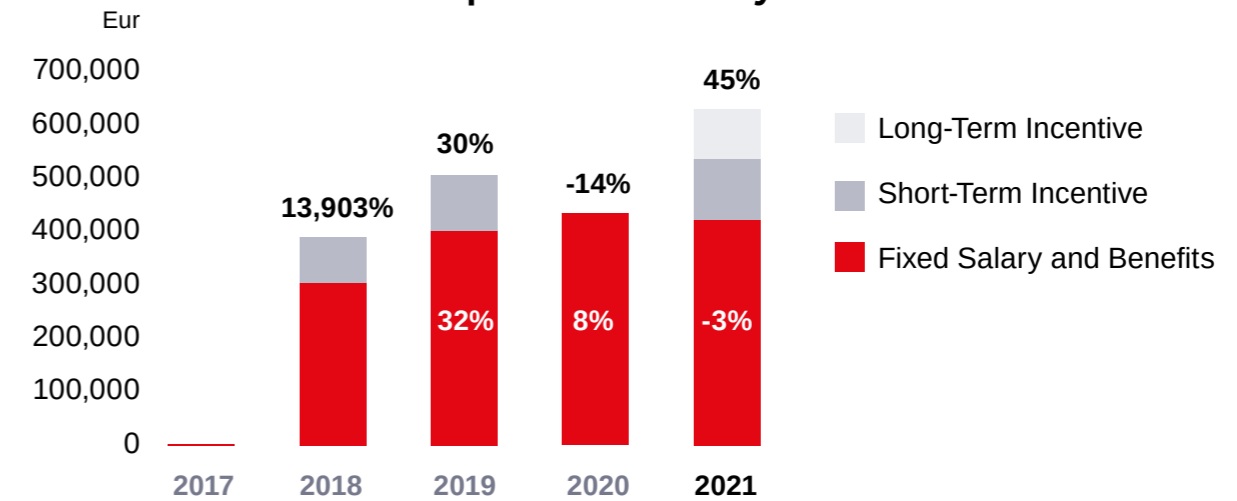
Board annual fees

	2017	2018	2019	2020	2021
Chairperson, EUR	40,000	70,000	70,000	70,000	70,000
Development from previous year	-	75%	0%	0%	0%
Vice chairperson (new position 2021)	-	-	-	-	55,000
Development from previous year	-	-	-	-	-
Member, EUR	20,000	35,000	35,000	35,000	35,000
Development from previous year	-	75%	0%	0%	0%

Average employee remuneration

	2017	2018	2019	2020	2021
Average annual salary development	-	4.0%	2.6%	5.3%	-0.9%

Remuneration paid to the CEO by elements



CEO **Samuli Seppälä** waived his cash salary from 1 January 2017 to 31 December 2017. The portion of cash salary for the period from 1 January 2017 to 30 September 2017 was distributed to the Company's employees.

Average employee remuneration is calculated based on the average number of employees as part of the salaries recorded in the income statement. Commercial sector's collective agreement is applied to e.g. employees working in stores and logistics operations.

Board remuneration in 2021

Remuneration paid to Verkkokauppa.com Board Members During 1 January 2021 – 31 December 2021

(1 January 2020 – 31 December 2020)

Member	Committee Membership	Board Annual Fee in Total, EUR	Portion of annual fee paid in shares (Number of shares)	Committee fee, EUR	Other fees, EUR	Total, EUR
Arja Talma , Chairperson	Vice Chairperson of Audit Committee Member of Remuneration Committee since 25 March 2021	70,000 (35,000)	3,678 (4,012)	14,000 (10,000)	-	84,000 (45,000)
Christoffer Häggblom , Vice Chairperson	Chairperson of Remuneration Committee Member of Audit Committee	55,000 (70,000)	3,441 (8,024)	14,000 (14,000)	-	69,000 (84,000)
Robert Burén (until 25 March 2021)		8,750 (35,000)	453 (4,012)	-	-	35,000 (35,000)
Mikael Hagman (until 4 January 2021)		- (35,000)	- (4,012)	-	-	35,000 (35,000)
Mikko Kärkkäinen (since 25 March 2021)		26,250 (-)	1,613 (-)	-	-	26,250 (-)
Frida Ridderstolpe (since 25 March 2021)		26,250 (-)	1,613 (-)	-	-	26,250 (-)
Johan Ryding (since 25 March 2021)		26,250 (-)	1,637 (-)	-	-	26,250 (-)
Kai Seikku	Chairperson of Audit Committee Member of Remuneration Committee	35,000 (35,000)	2,066 (4,012)	16,000 (16,000)	-	51,000 (51,000)
Samuli Seppälä	Member of Audit Committee Member of Remuneration Committee, both until 25 March 2021	35,000 (35,000)	0 (1,246)	10,000 (10,000)	-	45,000 (45,000)

In accordance with the decision of the Annual General Meeting held on 25 March 2021, the remuneration payable to Verkkokauppa.com Board members is the following:

- Chairperson, annual fee, EUR 70,000
- Vice Chairperson, annual fee, EUR 55,000
- Member, annual fee, EUR 35,000

Half of the annual fees of the Board members is intended to be paid in the company's shares after each quarterly release and the remaining part of the annual fee is paid in cash, which is used to cover taxes arising from the fees. The shares delivered as remuneration to the Board members are not subject to any ownership or transfer restrictions.

Annual fees for the members of the Board Committees for the term ending at the close of the Annual General Meeting 2022 are the following:

- Chairperson of Audit Committee, 12,000 euros
- Vice Chairperson of Audit Committee, 10,000 euros
- Each member of Audit Committee, 6,000 euros
- Chairperson of Remuneration Committee, 8,000 euros
- Each member of Remuneration Committee, 4,000 euros

Committee fees are paid in cash. In addition, reasonable accrued travel and lodging expenses as well as other potential costs related to Board and Committee work are compensated.

CEO remuneration in 2021

Application of performance criteria and payable rewards

In 2021, the CEO of Verkkokauppa.com had a performance-based short-term incentive and a long-term performance matching share plan 2020–2022 launched on 13 February 2020 in place. The aim of the short-term incentive is to guide towards achieving short-term financial and operative targets and to award for the achievements in accordance with the Company's business strategy. The aim of the long-term incentive plan is to award for the achievement of strategic and financial targets and for the long-term shareholder value creation, to align the interests of the CEO and the Company's shareholders as well as to accumulate the CEO's ownership in the Company in accordance with the share ownership guidance.

In 2021, the performance criteria for the short-term incentive plan were based on the revenue growth of 25% and on the comparable operating profit (comparable EBIT) growth of 75%. The maximum CEO remuneration under the short-term incentive plan in the financial year 2021 was equivalent to six months' fixed salary. The targets set by the Board for the financial year 2021 were achieved at circa six percent, and the reward earned by the CEO for the financial year was 10,900 euros. The reward will be paid in spring 2022.

On 13 February 2020, the Board launched a new share-based long-term incentive plan, the Performance Matching Share Plan 2020–2022. The Performance Matching Share Plan is based on the participants' own investment in the Verkkokauppa.com share and on matching shares earnable against the own investment. The number of matching share earnable based on this plan is based on the Company's total shareholder return (TSR) in 2020–2022. The reward earned based on this plan will be confirmed and paid in spring 2023.

Share-Based Incentive Plans in place in 2021

During 2021, the matching period 2019-2021 of the Matching Share Plan 2018-2020 launched by the Board on 16 May 2018, as well as the Performance Matching Share Plan 2020–2022 launched by the Board on 13 February 2020, were in place.

Under the Matching Share Plan 2018-2020, a certain number of matching shares are delivered to the participant against their own investment in Verkkokauppa.com shares. This plan consists of 3 matching periods, calendar years 2018–2020, 2019–2021 and 2020–2022. On 13 February 2020, the Board decided that the plan's last matching period does not begin but is replaced by the new Performance Matching Share Plan 2020–2022.

In the Matching Share Plan 2018–2020, the prerequisite for receiving reward is that a person participating in the plan allocates freely transferable Company's shares they own to the plan or acquires the Company's shares up to the number confirmed by the Board. In addition, the reward payment is based on the participant's valid employment or service at the time of the reward payment. The rewards are paid partly in the Company's shares and partly in cash. The cash portion is intended to cover taxes and tax-related cost arising from the reward to the participant. As a rule, no reward will be paid, if the participant's employment or service terminates before the reward payment.

For the second matching period that began in 2019, the participant receives 1 free matching share for each share allocated to the plan after a three-year matching period, provided that the conditions defined in the terms and conditions of the plan for the receipt of the matching share are met at that time. The CEO fulfilled the set conditions at 100% during the matching period, and a gross reward worth 10,000 Company shares, including the cash portion, will be paid to the CEO in spring 2022.

In the Performance Matching Share Plan 2020–2022, the prerequisite for participating and receiving reward is that a person participating in the plan allocates freely transferable Company's shares they own to the plan or acquires the Company's shares up to the number confirmed by the Board. In addition, the reward payment is based on the participant's valid employment or service at the time of the reward payment. The rewards are paid partly in the Company's shares and partly in cash. The cash portion is intended to cover taxes and tax-related cost arising from the reward to the participant. As a rule, no reward will be paid, if the participant's employment or service terminates before the reward payment.

In the Performance Matching Share Plan 2020–2022, the participant has a possibility to earn 0-3 matching shares for each share allocated to the plan up to a certain number of shares after a three-year matching period. The number of earnable matching shares is based on the Company's total shareholder return (TSR) in 2020–2022.

Overview of Share-Based incentive plans in place for the CEO in 2021

Plan	Board decision on the plan	Share price on the decision date	Performance criteria	Maximum reward as a number of gross shares	Reward outcome, % of maximum level	Reward earned, as a number of gross shares	Reward payment date	Net shares paid	Share price on the payment date
Matching Share Plan 2018–2020	16 May 2018	EUR 5.98	Personal investment and continuing share ownership	40,000	100%	40,000	March 2021	5,000	EUR 9.394
Matching Share Plan 2019–2021	21 December 2018	EUR 4.14	Personal investment and continuing share ownership	10,000	To be confirmed in spring 2022	To be confirmed in spring 2022	Spring 2022	-	-
Performance Matching Share Plan 2020–2022	13 February 2020	EUR 4.064	Personal investment, continuing share ownership and TSR	120,000	To be confirmed in spring 2023	To be confirmed in spring 2023	Spring 2023	-	-

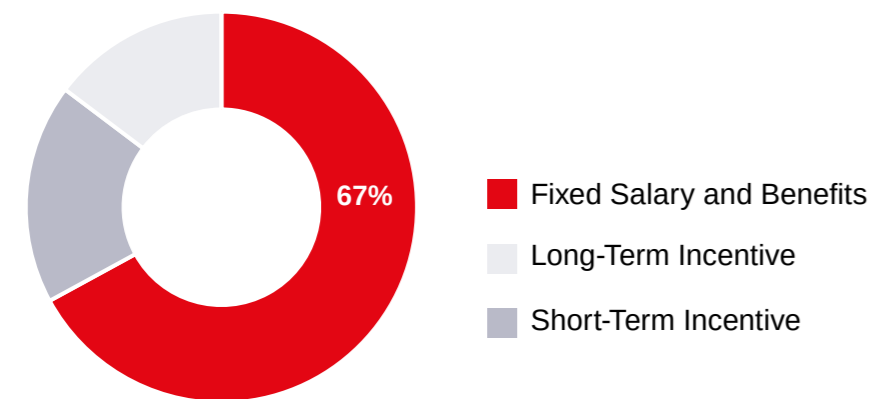
Remuneration paid to CEO in 2021

Short-term incentive	Short-term incentive ¹	Long-term incentive ²	Total remuneration paid 2021
EUR 441,5448	EUR 120,000	EUR 96,910	EUR 658,454

¹ Includes short-term incentive based on the financial year 2020 performance, paid in 2021.

² Payment of net 5,000 shares based on matching period 2018-2020 in the Matching Share Plan 2018-2020.

Structure of Remuneration Paid to the CEO in 2021



Verkkokauppa.com

empowers its customers to follow their passion by providing a wide product assortment of around 80,000 products. Verkkokauppa.com Oyj serves its retail and corporate customers through its webstore, megastores, 24h kiosk and network of collection points as well as fast deliveries and various services. As Finland's most popular and most visited domestic online retailer, its deliveries cover around 75 percent of the Finnish population within the next day. The Company has four megastores: in Oulu, Pirkkala, Raisio, and Helsinki, where its headquarters is also located. Verkkokauppa.com employs more than 750 people and its shares are listed on the Nasdaq Helsinki stock exchange with the ticker VERK.



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