
Verkkokauppa.com Oyj Remuneration Policy

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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 25 March 2021. The Remuneration Policy shall be applied until the Annual General Meeting to be held 2025, 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 an especially strong link between executive remuneration and the Company performance.

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 authorized by the General Meeting, or the General Meeting in accordance with the applicable laws and regulations.

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.

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. The short-term incentive rewards cannot exceed 100% of the CEO's annual fixed salary. 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
Fixed Salary and Benefits	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>
Short-Term Incentive	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> <p>The Board decides the maximum short-term incentive that can be earned. The maximum reward can not exceed 100% of annual fixed salary.</p>
Long-Term Incentive	<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>
Share Ownership Guidelines	<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.

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.