



2022

Verkkokauppa.com Oyj

Remuneration Report 2022

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This Remuneration Report sets out how Verkkokauppa.com Oyj has implemented its Remuneration Policy in the financial year 2022. The Remuneration Report provides information concerning the remuneration of the company's Board of Directors and CEO during 2022. 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 2023.

Introduction

Overview of remuneration in the financial year 2022

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 2022, 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 2022 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 2022 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 operative and financial performance as well as shareholder value creation in the CEO's remuneration. In addition, the long-term incentive plan has promoted the alignment of the CEO's and shareholders' interests.

In 2022, Verkkokauppa.com had long-term and short-term incentive plans in place for the CEO. Under the long-term incentive plans, the Performance Matching Share Plan 2020-2022 decided by the Board on 13 February 2020 was in place in 2022. In the Performance Matching Share Plan, the reward is based on the Company's total shareholder return (TSR), including dividends. 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 features of long-term incentive plans are described in more detail in the section "CEO Remuneration" on page [27](#).

In 2022, the short-term incentive's focus was on improved profitability and growth, and the CEO's performance criteria were set to 25% revenue growth and 75% improvement in profitability. The CEO did not achieve the criteria of the revenue growth and profitability improvement set by the Board. See more detail in the section "CEO Remuneration" on page [26](#).

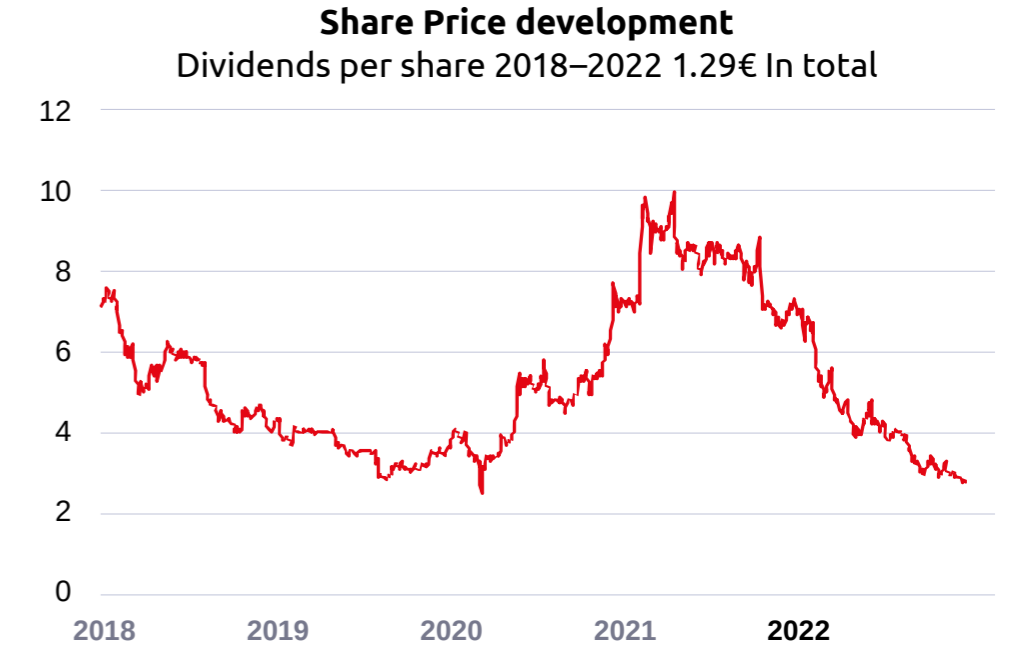
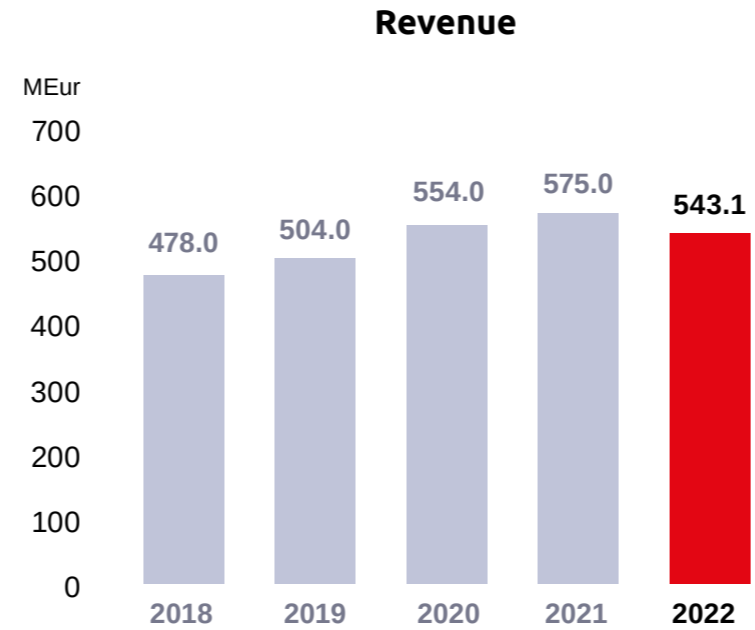
Development of Financial Performance and Remuneration in Verkkokauppa.com

Development of Financial Performance 2018–2022

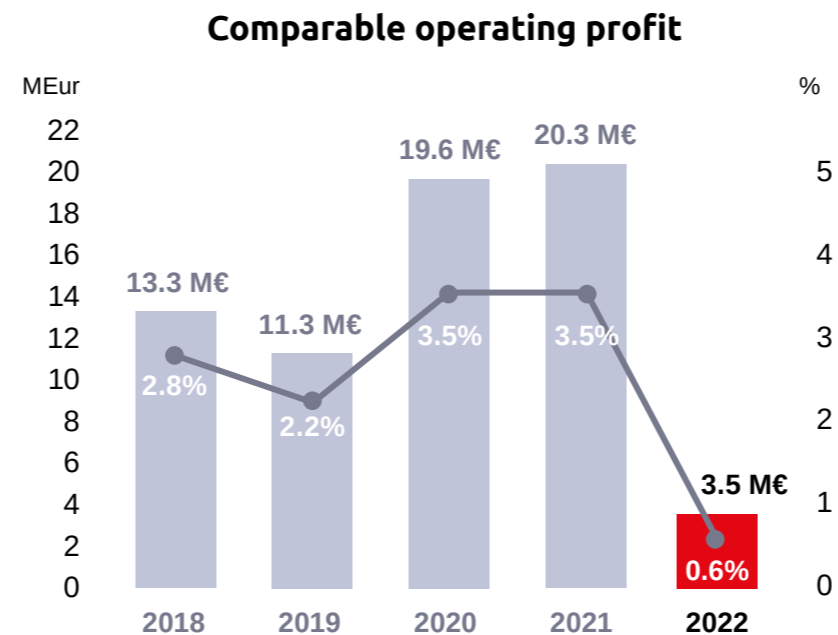
In 2018–2022, Verkkokauppa.com’s revenue has grown; the revenue as a whole has increased by 13.7%, meaning the annual growth has averaged 3.3 percent. Over the same period, the operating profit (EBIT) has sunk by 73.7 percent, or an average of 28.4 percent per year.

As the revenue has grown relatively steadily until 2021, the comparable operating profit (EBIT) has reflected the rigorous competitive environment that prevailed. The operating profit (EBIT) increased significantly in 2020 and 2021, due to strong demand in the online sales channel resulting from the COVID-19 pandemic and a focus on profitability alongside growth. The Ukraine crisis with the resulting inflation and weakening of the purchase power combined with a high inventory and softer than expected demand environment affected the turnover and significantly affected profitability in 2022. The emphasis on profitability is reflected in the CEO’s short-term incentive performance criteria, as described on page 27.

Including dividends, the return generated to shareholders in 2018–2022 totaled -42.3 percent.



Verkkokauppa.com’s share price graph does not reflect the dividends paid in 2018–2022.



Development of Remuneration in 2018–2022

Remuneration paid to the CEO, EUR

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|----------------|----------------|----------------|----------------|----------------|
| Samuli Seppälä (until 22 march 2018) | | | | | |
| Fixed base salary + fringe benefits | 514 | - | - | - | - |
| Short-term incentive | - | - | - | - | - |
| Long-term incentive | - | - | - | - | - |
| Total remuneration | 514 | - | - | - | - |
| Panu Porkka (as of 22 march 2018) | | | | | |
| Fixed base salary + fringe benefits | 317,862 | 419,390 | 454,068 | 441,544 | 409,167 |
| Short-term incentive | 90,000 | 109,320 | 0 | 120,000 | 10,224 |
| Long-term incentive | - | - | 0 | 96,910 | 55,660 |
| Total remuneration | 407,862 | 528,710 | 454,068 | 658,454 | 475,051 |
| Development | | | | | |
| Fixed base salary + benefits | - | 32% | 8% | -3% | -7% |
| Total remuneration | - | 30% | -14% | 45% | -28% |

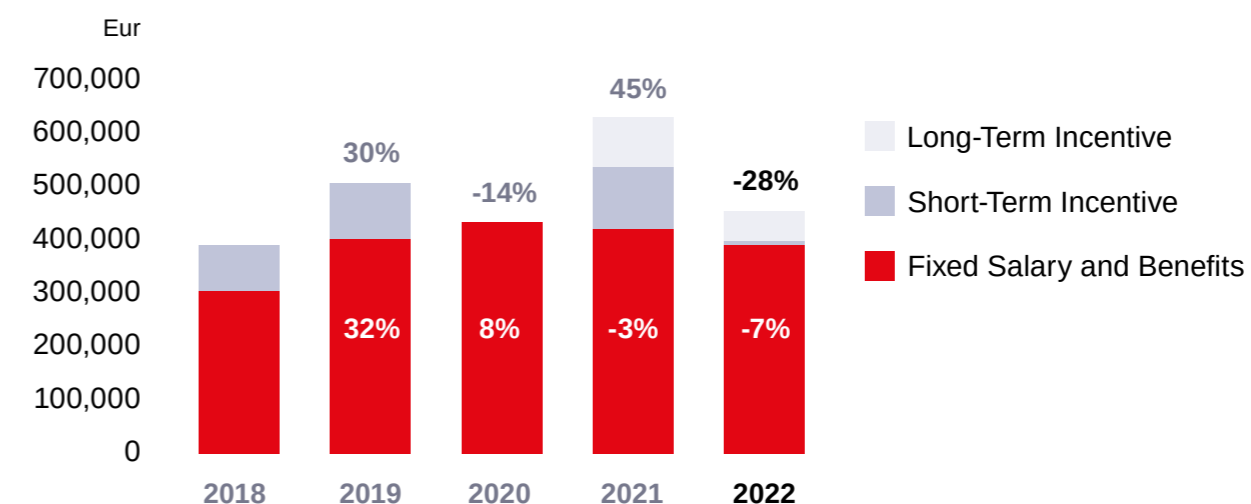
Board annual fees

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------------|--------|--------|--------|--------|---------------|
| Chairperson, EUR | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 |
| Development from previous year | 75% | 0% | 0% | 0% | 0% |
| Vice chairperson (new position 2021) | - | - | - | 55,000 | 55,000 |
| Development from previous year | - | - | - | - | - |
| Member, EUR | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| Development from previous year | 75% | 0% | 0% | 0% | 0% |

Average employee remuneration

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|------|------|------|-------|-------------|
| Average annual salary development | 4.0% | 2.6% | 5.3% | -0.9% | 7.6% |

Remuneration paid to the CEO by elements



Previous CEO **Samuli Seppälä** was not paid a cash salary in 2018.

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 2022

Remuneration paid to Verkkokauppa.com Board Members During 1 January 2022–31 December 2022

(Remuneration Paid During 1 January 2021–31 December 2021 in Brackets)

| 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 | Chairperson of Remuneration Committee since 24 March 2022 Vice Chairperson of Audit Committee | 70,000 (70,000) | 8,490 (3,678) | 18,000 (14,000) | - | 88,000 (84,000) |
| Christoffer Häggblom , Vice Chairperson | Member of Remuneration Committee since 24 March 2022 Member of Audit Committee | 55,000 (55,000) | 6,670 (3,441) | 10,000 (14,000) | - | 65,000 (69,000) |
| Robert Burén (until 25 March 2021) | | - (8,750) | - (453) | - | - | - (8,750) |
| Mikael Hagman (until 4 January 2021) | | - (-) | - (-) | - | - | - (-) |
| Mikko Kärkkäinen (since 25 March 2021) | | 35,000 (26,250) | 4,245 (1,613) | | | 35,000 (26,250) |
| Frida Ridderstolpe (since 25 March 2021) | | 35,000 (26,250) | 4,245 (1,613) | | | 35,000 (26,250) |
| Johan Ryding (since 25 March 2021) | | 35,000 (26,250) | 4,245 (1,637) | 4,000 (-) | | 39,000 (26,250) |
| Kai Seikku | Chairperson of Audit Committee Member of Remuneration Committee | 35,000 (35,000) | 4,245 (2,066) | 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 (0) | - (10,000) | - | 35,000 (45,000) |

In accordance with the decision of the Annual General Meeting held on 24 March 2022, 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 2023 are the following:

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

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 2022

Application of performance criteria and payable rewards

In 2022, 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 2022, the performance criteria for the short-term incentive plan were based on the revenue growth of 25 percent and on the comparable operating profit (comparable EBIT) growth of 75 percent. 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 2022 were not achieved.

Share-Based Incentive Plans in place in 2022

During 2022, the Performance Matching Share Plan 2020–2022 launched by the Board on 13 February 2020 was in place.

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 costs arising from the reward to the participant. No reward will be paid, if the participant's employment or service terminates before the reward payment, unless deemed to be a so-called good leaver.

In the Performance Matching Share Plan 2020–2022, the participant has a possibility to earn 1–3 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.

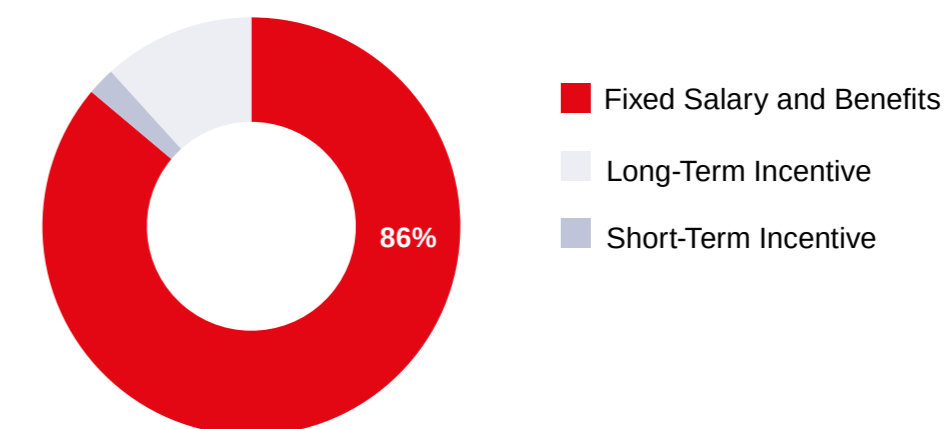
Remuneration paid to CEO in 2022

| Fixed base salary and fringe benefits | Short-term incentive ¹ | Long-term incentive ² | Total remuneration paid 2022 |
|---------------------------------------|-----------------------------------|----------------------------------|------------------------------|
| EUR 409,167 | EUR 10,224 | EUR 55,660 | EUR 475,051 |

¹ Includes short-term incentive based on the financial year 2021 performance, paid in 2022.

² Payment of net 5,000 shares based on the second matching period 2019–2021 in the Matching Share Plan 2018–2020.

Structure of Remuneration Paid to the CEO in 2022



Overview of Share-Based incentive plans in place for the CEO in 2022

| 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 2019–2021 | 21 December 2018 | EUR 4.14 | Personal investment and continuing share ownership | 10,000 | 100% | 10,000 | March 2022 | 5,000 | EUR 5,135 |
| 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 | - | - |

Verkkokauppa.com

empowers its customers to follow their passion by providing a wide product assortment of around 90,000 products. Verkkokauppa.com Oyj serves its retail and corporate customers through its webstore, megastores, 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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