



2022

Verkkokauppa.com Oyj

Sustainability at Verkkokauppa.com

Statement of non-financial information 2022



Verkkokauppa
TODENNÄKÖISESTI AINA HALVEMPI **.com**

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Verkkokauppa.com's Annual reporting 2022

Verkkokauppa.com has published four separate reports, which together form the company's Annual reporting for 2022. The reports are available in Finnish and English, and the reporting components are the Company brochure, Report of the Board of Directors and the Financial Statements, Statement of non-financial information, and Corporate Governance statement including the Remuneration report. The Statement of non-financial information is about company's sustainability work and its progress during 2022. Reports can be read and downloaded on the [Verkkokauppa.com website](https://www.verkkokauppa.com) as separate pdf files.



Sustainability at Verkkokauppa.com

Statement of non-financial information 2022

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Reporting principles

This review describes Verkkokauppa.com’s sustainability work in 2022 in compliance with the requirements of the EU Directive on the disclosure of non-financial information and the Finnish Accounting Act. The information in the report has not been verified by a third party. The financial figures presented in the financial statement and repeated here have been audited. The material references General disclosures and topic specific disclosure from *Global Reporting Initiative (GRI) Standards 2016–2021*. The previous 2021 report was published in March 2022. Compared to the previous reporting period, the corporate structure is as of April 2022 a group structure as a result of a completed corporate acquisition. The group consists of the parent company and its wholly owned subsidiaries. This review mainly covers the activities of Verkkokauppa.com during 2022, excluding the

acquisition made during the year. The acquired business is planned to be reported as part of Verkkokauppa.com’s sustainability reporting from the beginning of 2023, but its activities are already presented in this sustainability report in the section Operating model and value creation.

Events after the reporting period

On 16 January 2023, Verkkokauppa.com announced that it would launch a profit improvement program to secure profitability, and in this context the company announced that it would commence change negotiations covering Verkkokauppa.com’s entire personnel, approximately 770 employees. Possible redundancies, part-time shifts and essential changes to employment contracts will apply up to a maximum of 110 people.



This Sustainability review includes some complementary content to the Statement of non-financial information, part of Verkkokauppa.com’s Board report, to provide supplementary information to the reader. These sections are separated by a red background and marking **i**



Sustainability highlights 2022

We set

the direction for our climate work by mapping emissions across our value chain

We managed

to reduce the return rate of our products to 0.7%

We started

selling refurbished computers

We introduced

even stricter requirements for our suppliers

We significantly expanded

our maintenance services for our private label brands

We introduced

a packaging machine with cardboard boxes made from 100% recycled material

We invested in

our corporate and learning culture, coaching, wellbeing and occupational safety



Operating model and value creation

Verkkokauppa.com is Finland's best-known and most visited online retailer, dedicated to providing the best possible customer experience. Verkkokauppa.com's success in the e-commerce arena stems from its local warehouses, fast deliveries, optimized assortment and ever-evolving multi-channel business model. The company's own warehouse in Helsinki and a service warehouse in Vantaa allow for wide in-store availability and fast deliveries.

The company

- Turnover EUR 543.1 million (574.5), net profit EUR 0.3 million (15.1)
- Personnel at the end of the year: 821 employees (825)
- Headquarters in Helsinki, Finland
- The company's shares are listed on Nasdaq Helsinki under the symbol VERK

Products and area of activity

- Offering: around 90 000 products in 24 product areas
- Core categories: computers and peripherals, TV and video, mobile devices, household appliances
- Private label brands total of 1,700 products
- Services: installation, maintenance and recycling services, visibility services, financial services
- E-commerce business mainly in Finland, wholesale in the EU and EEA countries
- Stores in Helsinki, Pirkkala, Raisio and Oulu in Finland
- Warehouses in Helsinki and Vantaa, Finland

Subsidiary E-ville.com

The first acquisition in Verkkokauppa.com's history, the acquisition of the Finnish online store E-ville.com, was completed in April 2022. E-ville.com serves customers in Finland and the Nordic countries. Its main product categories are cycling, mobile phones and camping. E-ville has a store, warehouse and service team in Mäntsälä, Finland, and a sourcing organisation in Shenzhen and Hong Kong, China. E-ville's sourcing has been integrated into Verkkokauppa.com's sourcing team. At the end of 2022, E-ville employed approximately 30 people, while some of its employees were transferred to Verkkokauppa.com during the reporting year. E-ville.com is a wholly owned subsidiary of Verkkokauppa.com. This report only covers the activities of E-ville.com to the extent that it was consolidated into Verkkokauppa.com during 2022, as explained in 'Reporting principles'.





The address of all passions

Resources and enablers:



Professionals of Verkkokauppa.com

- Company employed an average of 773 persons in 2022

Omnichannel marketplace

- The most popular webstore in Finland*
- Four megastores
- Maintenance and value-added services



Enablers of business

- Supply chain and supplier relations (approx. 800 suppliers)
- Local warehouses
- Fast and versatile deliveries
- Company's own and continuously evolving ERP system and webstore platform



Intellectual capital

- Brand image and brand awareness
- Concept of omnichannel customer experience
- Product knowhow and category management
- Customer and transaction data
- Product information and reviews



Financial Resources

- Balance sheet total EUR 172.1 million
- Cash and cash equivalents EUR 21.2 million



Owners

- 20,963 shareholders (31.12.2022)



The address of all passions

Excellent customer experience and strong brand

Efficient order-to-delivery process

Unparalleled technical back-end system

Broad assortment of products

Competitive cost structure

Added value and its effects:



Personnel

- Career paths and developing competence
- Community and employee engagement
- Wages and salaries EUR 32.0 million



Customers

- More than 90,000 products
- Probably always cheaper
- Easy and fast shopping on all devices
- Personalized customer experience for consumer, corporate and wholesale customers
- Tailored services for businesses of all sizes
- 62,000 active business customers
- Customer satisfaction



Suppliers

- A modern distribution channel to reach consumer and corporate customers
- Purchases over EUR 429 million



Shareholders

- Operating profit for the financial year EUR 0.3 million
- Dividends paid in 2022 EUR 11.1 million



Society

- Taxes and tax-like payments EUR 35.0 million



Environment

- All electricity 100% renewable
- Greenhouse gas emissions from own operations 52 tCO₂e
- Waste recovery rate 100%, recycling rate 83%
- Recycled e-waste 271 tons

Our values

Courage



Transparency



Agility



Community

* Source: Postin suuri verkkokauppatutkimus 2021

Sustainability as part of Verkkokauppa.com's strategy

Responsible business is a key part of Verkkokauppa.com's operations. Verkkokauppa.com aims to remain a pioneer in e-commerce, and responsible business is seen as one of the prerequisites to maintain that position. Responsibility work is divided into four themes, which are linked to the company's strategy. High-quality and safe products and selling products that customers actually need are at the heart in terms of effectiveness, not to forget lifecycle services to extend the lifetime of products. These value-added services, products and functionalities that promote sustainable consumption and circular economy are viewed through the theme 'At the customer's service and on their side', and their implementation takes place in cooperation with the entire value chain. Minimizing environmental impacts and waste as well as investing in own personnel are important topics in own operations. Profitable business operations and good governance form the basis for sustainability work.



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Selling products that customers actually need

At the core of our responsibility work at Verkkokauppa.com is to be at the customer's service and on their side, selling products that customers actually need while minimizing customer returns and wastage. This is achieved by providing quality, long-lasting products that meet the customers' needs and transparent information to support their purchasing decisions, including the most detailed product information possible, product-specific service and return rates, and uncensored customer reviews. Customer service representatives help customers honestly and professionally, and the sales concept does not include commission or pushiness. Success is measured by the return rate, which decreased from the previous year to 0.7% (1.1). Product waste from returns is minimized by selling the returned products at in-store outlets and online outlet.

Products and services that support sustainable consumption and the circular economy

Verkkokauppa.com supports its customers in making responsible choices and enables new ways of owning and using consumer goods through circular economy, new services, e-commerce functionalities and products. A business model and plan for the commercialization of lifecycle services promoting the circular economy was developed during the reporting year and refurbished computers were added to the product range. After-sales marketing to extend the lifetime of products was launched by providing customers with information on how to service the products they purchase. The coverage of product information was improved, including energy consumption and energy efficiency data, and purchasing guides were produced on choosing energy efficient products, among other things.

Extending the life cycle of products sold is an important part of Verkkokauppa.com's work to reduce its environmental impact. The lifetime of products is extended by providing easily accessible maintenance services. Products are covered by an extensive exchange, return and warranty policy, including an extended three-year warranty for computers, televisions, cameras and tablets. Depending on the product, customers are directed either to brand-specific after-sales services or to the company's own maintenance services, which are constantly being developed. Service and return data is closely monitored and is used in the purchasing organization's decision making.

The range of maintenance services for private label products was significantly expanded during the reporting year: the company launched a service process for private label mobile phones and electric kickboards, and expanded the availability of various spare parts. At the end of the year, the company also started piloting the installation service of protective covers to extend the life of mobile phones and tablets, made available for online purchases as well.

Customers are encouraged to recycle products that have reached the end of their life cycle. Communication on the recycling of e-waste (or waste electrical and electronic equipment, WEEE) and hazardous waste was developed in stores and on the website during the reporting year. All Verkkokauppa.com stores accept e-waste and batteries in line with and beyond the producer responsibility, offering the possibility to recycle even large household appliances without obligation to buy. Recycling services are also offered in connection with transport services.



The company's way of working

Verkkokauppa.com wants to operate in an open and responsible manner. Commitment to responsible business is an integral part of the company's culture, success and values. Responsibility and confidentiality are also key in the relationship between Verkkokauppa.com Oyj and its stakeholders. The company's operations are based on policies, good governance and careful adherence to up-to-date requirements. Verkkokauppa.com complies with applicable laws, rules and regulations. Taxes and other charges are paid in accordance with local legislation.

Managing Corporate Sustainability

The company's Board of Directors defines and approves the objectives of the corporate responsibility work and the content related to their disclosure. The Audit Committee of the Board of Directors acts as a preparatory and monitoring group to which the progress and monitoring of the company's corporate responsibility work is reported twice a year. The Board of Directors approves the company's Code of Conduct, the sustainability focus areas selected through materiality analysis and the sustainability program, as well as the statement of non-financial information required by the Accounting Act, which is published in the annual reporting as part of the Board of Directors' report. The Board monitors activities from an environmental and social responsibility perspective, including climate risks and opportunities, which are assessed as part of the company's risk management and materiality process.

Materiality assessment

Sustainability work is viewed broadly at Verkkokauppa.com. The work focuses on topics identified through materiality analysis and in consultation with stakeholders, which have then been formulated into themes and priorities for sustainability work. The 2020–2021 materiality analysis took into account the following:

- Environmental, social and economic impacts of the company's activities
- Expectations of key stakeholders
- The company's values and strategic priorities
- Specific features of the business and operating environment
- Global trends
- Key international agreements
- Key legislation under preparation

The company monitors developments in EU corporate responsibility regulation and is preparing to carry out a double materiality analysis, which will assess the financial impact of sustainability issues on the company's operations, in addition to the impact of the company's activities.



Refurbished computers were taken into selection in 2022



The monitoring of the company's corporate responsibility work follows a defined annual calendar and process. The Steering Group for Corporate Responsibility acts as a preparatory and follow-up body within the company. In 2022, the Steering Group met four times and its members included the CEO, the Marketing and Communications Director, the CFO, the Commercial Director, the HR Director, the Head of Investor Relations and Corporate Communications, the Sustainability Manager, and, as needed, persons in expert roles. The Steering Group was chaired by the Chief Marketing and Communications Officer, who is a member of the Management Team and responsible for the company's sustainability work. The Sustainability Unit under her is responsible for coordinating and reporting on corporate responsibility work together

with the members of the Sustainability Steering Group, and for preparing materials for the Board and the Audit Committee. Operational responsibility for the implementation of the sustainability program is shared throughout the organization. Sustainability issues are also regularly discussed at meetings of the Management team, which decides on measures and monitors their implementation in accordance with the normal annual cycle.

Stakeholder surveys on sustainability topics

In 2020, a sustainability themed stakeholder survey was conducted to identify stakeholder expectations for the materiality analysis, which collected 2,600 responses from the company's key stakeholders. In addition, the analysis

used, among other things, the results of employee surveys and the terms and conditions of supply of corporate customers. Materiality assessment and stakeholder dialogue are ongoing activities. In 2022, the company targeted its customers with a consumer electronics and e-commerce sustainability survey, to which more than 18,000 customers responded. The results of the survey will be used to develop services and sustainability work. The voice of employees will be heard in a number of ways, including through the Syke employee survey three times in 2022, and the company will assess the topics relevant for reporting on an annual basis.

Verkkokauppa.com's Code of Conduct



On our customers' side and at their service



Our brand is bold, and we communicate actively



We build our story together



We work with reputable partners



We are incorruptible and do what's right



We respect human rights and labor rights



We secure our information



We care about the environment



We comply with laws and regulations



Concerns can be brought forward

Code of Conduct and policies

The Code of Conduct and values of Verkkokauppa.com define the way the company operates and apply to all employees and management. The Code of Conduct is public and available on the company's website, and the company expects its partners to adhere to it. At the heart of the Code is the company's desire to act openly and responsibly. The Code of Conduct covers the company's policies and practices on customer focus, communications, marketing, disclosure of information, personnel and company culture, cooperation with partners, anti-corruption and anti-bribery, human and labor rights, information security and data protection, environment, legal compliance, and reporting channel. The Code of Conduct is supplemented and refined by other company policies, the most important of which are the Anti-Corruption and Anti-Bribery Policy, the Personnel Policy, the Supplier Compliance Policy, the Disclosure Policy, the Risk Management Policy, the Data Security Policy and the Insider Policy. The company also has various other internal policies and guidelines. The Code of Conduct and the policies have been approved by the Company's Board of Directors. The company complies with the law on the prevention of money laundering and terrorist financing. The company complies with applicable sanctions legislation and in the reporting year, in line with the changing sanctions regime, the company developed specific guidelines to ensure proper wholesale and travel sales.

Respect for human rights

Verkkokauppa.com respects and promotes internationally recognized human rights from the perspective of customers, the supply chain and the work community. Respect for human rights is included in the company's Code of Conduct. In addition, the requirement to respect human and labor rights is specified in the Supplier Code of Conduct, taking into account cooperation with partners in countries where human and labor rights are not sufficiently protected by law. In addition, Verkkokauppa.com's activities are guided by international declarations, conventions and recommendations, such as the UN Universal Declaration of Human Rights and the Convention on the

Rights of the Child, the ILO Convention on Fundamental Labor Rights, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights. The company's due diligence practices for its procurement activities are described in the section 'Procurement Practices' and human rights risks in the section 'Sustainability-related Risk Management'.

Anti-corruption and anti-bribery

The company has a zero-tolerance policy, meaning that it does not tolerate any form of bribery, corruption or other unethical influence in any form in its business. The Company's principles on anti-corruption and anti-bribery are stated in the Company's Code of Conduct and further elaborated in the Company's Anti-Corruption and Anti-Bribery Policy. The policy is designed to help identify and prevent situations where there is a risk of unethical influence. The policy provides guidance on how employees and management are permitted to accept or give gifts, hospitality, product giveaways or discounts, participate in trips or sales competitions, and defines the company's approval process for these. It also sets out principles for avoiding conflicts of interest, dealing with public authorities, sponsorship, charity and donations. The policy is available to employees on the company intranet and is discussed in the annual online training session on the policy. In addition, corruption risks are assessed annually on a departmental basis as part of the risk management process.

In 2022, the Company was not aware of any corruption-related cases, lawsuits, or investigations against the Company for 2022. The allegations of personnel misconduct reported during the year were not related to corruption. In 2022, there were no legal actions or judgments relating to antitrust infringements, cartels, or abuse of dominant position.

Reporting channel for suspected violations

The company has a reporting channel through which employees and other stakeholders can report concerns about misconduct or violation of the Code of Conduct. The channel can be used anonymously if necessary and all reports made through the reporting channel will be subject to internal investigation and will be investigated in accordance with the reporting procedure. In 2022, no reports were made through the reporting channel (2021: one).

Safety

The company's safety work aims to create a safe working and customer environment for all Verkkokauppa.com stakeholders, both on the premises and online. The safety work covers occupational safety, physical safety, personal safety, product safety, information security and data protection. Security is maintained through technical solutions, processes, training, and monitoring. Any detected deviations are reported and addressed with stakeholders as appropriate. The responsibility for maintaining overall safety lies with all personnel. In addition, the company has defined task and responsibility-specific safety roles. Occupational safety is dealt with in the section 'Well-being and safety at work, job satisfaction'.

Product safety

Together with its suppliers, Verkkokauppa.com is responsible to the final users of its products for ensuring that the products comply with Finnish and EU legislation, are safe to use and meet the specified quality standards. Quality and product safety control is carried out by testing samples and through quality assessments at suppliers' factories. Labeling complies with the requirements of the legislation and the recommendations of the authorities. Verkkokauppa.com reports recalls for its private label brands and imports. In 2022, there were no product recalls concerning the Company's private label products or own imports (2021: none).

Data security and privacy

Data security and confidentiality are critical success factors for Verkkokauppa.com in providing high-quality and reliable online services. The operating models and principles for ensuring the security of information and information systems are laid down in the company's information security policy. The development of security practices is an ongoing effort. Information security risks are regularly considered as part of risk management, business process development and planning. The development of security and data protection management systems has been implemented in line with the action plan and strategy, and the roles and responsibilities of the security organization are continuously strengthened. Security and data protection training is updated and delivered annually to all personnel through online training. By the end of the year, 92% (74) of personnel had completed the latest training. There were no significant data security or data protection breaches at Verkkokauppa.com during the year. All incidents and events were resolved in accordance with the process and did not cause any significant disruption or interruption to the business. The company receives between ten and twenty enquiries per month regarding the processing of personal data, all of which are answered as quickly as possible. The total number remained the same as in the previous year. There were no significant customer privacy incidents during the reporting year.



Marketing communications

In accordance with the Company's Code of Conduct, the Company's marketing may be bold and thought-provoking, while ensuring that all communications are truthful and in accordance with good practice. In 2022, the company received no comments from the Advertising Ethics Council, which issues statements in Finland on the conformity of advertising with good practice, applying the International Chamber of Commerce (ICC) marketing rules.

Procurement practices

Verkkokauppa.com carefully selects its suppliers according to its procurement process and aims for long-term partnerships. This approach is based on fairness and transparency. With the acquisition of E-ville.com in early 2022, the number of suppliers increased to around 800 international and domestic suppliers. Verkkokauppa.com is a member of the amfori BSCI program for sustainable trade since 2021 and is committed to the BSCI principles and continuous improvement model. Verkkokauppa.com requires all its suppliers to comply with the company’s Code of Conduct and to commit to the Supplier Code of Conduct, which incorporates the amfori BSCI Code of Conduct and is part of the contract terms. Verkkokauppa.com does not have any production facilities of its own. The company complies with all applicable trade sanctions and customs import and export regulations.

Responsibility requirements are defined in the Supplier Code of Conduct, which was revised in 2022 to include the amfori BSCI principles and to cover more broadly issues such as human rights, social and environmental responsibility and risk materials. In terms of social responsibility, the topics covered, in line with the amfori BSCI Code of Conduct, are social management system and cascade effect, worker involvement and protection, the rights of freedom of association and collective bargaining, prohibition of discrimination, violence and harassment, fair remuneration, decent working hours, occupational health and safety, prohibition of child labor, special protection for young workers, prohibition of precarious employment, prohibition of bonded, forced labor and human trafficking, protection of the environment and ethical business behavior. Environmental requirements for suppliers were also extended in the reporting year. In terms of environmental responsibility, the topics covered are environmental management system, energy and climate, waste, chemicals and hazardous substances, water and effluents, emissions to air, circular economy and life-cycle perspective, sustainable packaging materials and biodiversity. Suppliers will also be required to integrate environmental

considerations into their supply chain. In addition, the Procurement function was currently working on the harmonization and integration of the procurement practices of E-ville.com, a subsidiary acquired during the reporting year, which will continue in 2023.

Private label brands and supplier audits

In line with its sustainability program, Verkkokauppa.com aims to promote responsible working conditions and environmental practices in its supply chain, with a particular focus on its private label brands and its own imports, where it has the most influence. Sustainability issues are part of contract negotiations. The vast majority of private label brand products were produced in so-called high-risk countries, where the risk of human and labor rights violations is the highest, based on the amfori BSCI risk country ratings and the World Bank’s Worldwide Governance Indicators.

Verkkokauppa.com requires suppliers of its private label products in high-risk countries to provide evidence of or agree to an amfori BSCI audit or other social responsibility audit by a trusted third party before placing an order. Environmental practices are also covered by BSCI audits in a limited way. Suppliers are required to develop a corrective action plan for any significant findings from audits and in the case of a rejected audit, new orders can only be placed once the critical deficiencies that led to the rejection have been corrected.

Anton Oliver.

FUJITECH

ergowork

PROCASTER

GZR

OPTICAM

BLACKSTORM

STRÖME



Private label brand indicators 2022

- More than 1,700 products on sale under 43 brands
- Major product groups: cycling, televisions, small appliances, peripherals and ergonomics products
- Suppliers:
 - 153 (61) contracted suppliers, of which the 10 largest account for 61% (68) of production
 - Manufacturing countries: China and Taiwan: 59%, Turkey 15%, total for risk countries 74%. The remainder was sourced through suppliers in EU countries.
 - Audits: 98 (82) % of tier 1 suppliers in high-risk countries had an approved social responsibility audit up to 24 months old (BSCI 85%, SMETA 9%, an audit commissioned by Verkkokauppa.com and carried out by SGS research company in-line with SA 8000 audit 5%, ICTI (for toys) 1%). Audit figures do not include products sourced through suppliers in EU countries. Almost all BSCI audits were graded C, acceptable. There were no zero tolerance findings in the audits. None of the private label audits received an E, unacceptable. The main weaknesses were found in relation to excessive overtime and management practices.

Shares calculated in terms of purchase prices

Stakeholder dialogue

Verkkokauppa.com engages in an active and ongoing dialogue with its stakeholders to strengthen relationships and understand their expectations and aspirations for the company. The company's key stakeholders include employees, customers, partners and owners.

 Interaction with stakeholders			
Key stakeholder groups	Interaction and cooperation	Key stakeholder concerns and interests 2022	Meeting stakeholders' expectations and developments 2022
Customers	Daily customer encounters in stores and corporate sales and through customer service channels, social media interactions, surveys, customer panels, newsletters, customer satisfaction surveys	<ul style="list-style-type: none"> • Customer service contact reasons: enquiries regarding service and warranty, order, delivery time and availability, product information • Consumer customers: energy efficiency, survival products • Corporate customers: ensuring the absence of Russian connections, procurement conditions and policies, sustainability requirements, Ecovadis sustainability assessment, buy-back services and procurement of used products 	<ul style="list-style-type: none"> • Customer service: 360,000 customers served, development of the service towards automation, self-service and chat, implementation of the encounters concept and launch of the Voice of Customer project to improve customer service. • Stores: customer satisfaction increased with the introduction of the in-store encounter concept, launch of a pick-up box to ease congestion at the Helsinki pick-up point • Corporate customers: the launch of buy back service as well as refurbished computers for corporate and consumer customers, participation in the Ecovadis Sustainability Assessment.
Personnel	Daily interaction, personnel survey and other questionnaires and participation, target and development discussions, weekly newsletters, informative interaction, workplace communication and discussion channels, supervisor coaching, training, personnel briefings, idea box for personnel ideas, reporting channel, task force	Charity to help Ukrainians, sanctions compliance, developing diversity and equality in the company, developing and better communicating opportunities for professional growth and development, developing a culture of feedback, smoke-free workplace, financial situation, market situation	Investments in corporate and learning culture, coaching, wellbeing and safety, language allowances, fundraising and other support to support the Ukraine crisis, launch of diversity work, more systematic management and communication in the area of growth and development, updating the target and development discussion process, including to support a feedback culture.
Suppliers and other partners	Partner meetings and regular interaction. With suppliers also trade fairs, supplier code of conduct, audits, surveys, reporting channel	Supplier codes of conduct, sustainability audits, emissions accounting	Implementation of Amfori BSCI sustainability practices and 100% audit requirement to improve working conditions in private label brand supply chains
Owners and the capital market	Active dialogue with shareholders, Annual General Meeting, interim reports, pre-silent discussions, investor and analyst reports, annual reporting, investor website, newsletters, investor and analyst meetings and visits to our offices, participation in retail investor events such as investor fairs and stock exchange open houses, responding to surveys and evaluations	Acquisition and integration, product availability, corporate customer sales trends, the impact of inflation on the cost structure, consumer confidence in the economy and its impact on business, end-of-season success, inventory levels, margin development and price competition	Active dialogue, events and visits to see the new warehouse automation, international roadshow

Sustainability-related risk management

Sustainability-related risks are identified, assessed, evaluated and managed as part of the company’s overall risk management activities. Sustainability is integrated into the risk management principles, process description and guidelines. Risk management is part of the company’s management system, which is managed in accordance with an annual plan. Sustainability topics, including from a risk perspective, are regularly discussed in the Management Team meetings and are also part of the reporting received by the Board. The Audit Committee supports the Board of Directors by preparing the monitoring and control tasks that fall within the Board’s remit, such as the effectiveness of risk management systems. The company’s risk management is based on the ISO 31000 standard and other well-known good practices, such as the Ministry of Finance guidelines on

digital security, VAHTI. Risk management is carried out in accordance with the company’s risk management policy. The risk management policy approved by the Board of Directors describes the company’s risk management principles, responsibilities and practices. In line with the policy, the aim is also to proactively prepare for sustainability-related uncertainties or deviations.

The identification and management of sustainability-related risks includes the assessment of potentially harmful social, human rights and environmental impacts in the company’s own operations and at different stages of the value chain, including risks related to climate change. The main sustainability-related risks and uncertainties concern weaknesses in the management of social or environmental responsibility at different stages of the long and complex value

chains of the products sold, including risks related to raw materials, in particular the so-called conflict minerals used especially in the manufacture of electronic products. Other identified sustainability-related risks include anti-corruption and anti-bribery risks in supplier cooperation, risks related to product safety, information security, personnel health and safety, bribery and corruption, as well as climate change. The above, if materialized, may lead to human rights violations, environmental damage, additional costs, financial loss, loss of stakeholder confidence, and hamper the company’s sustainability work. If a risk is assessed to be significant, management procedures are put in place and monitored.

Risks and opportunities related to climate change

<p>Transition risks and opportunities</p>	<p>Increasing regulation requires changes to business operations, partner relationships and reporting and will result in additional costs and may affect the company’s operational or financial costs in the short, medium and long term.</p> <p>In the short, medium and long term, changing consumer behavior towards sustainable consumption, such as declining consumption, interest in second-hand products and product repair, renting, peer-to-peer trading, or some other disruption in consumer behavior may require changes in business models to meet the expectations of customers and other stakeholders, while also providing opportunities, for example in the form of value-added services promoting sustainable consumption and circular economy, new products and e-commerce functionalities.</p>
<p>Physical risks</p>	<p>The effects of climate change, such as an increase in extreme weather events can affect the availability of products or cause disruptions in the logistics chain in the short, medium and long term. The company’s broad product range and supplier pool diversify the risk.</p>
<p>Climate impact of activities</p>	<p>The company’s climate impacts are mainly indirect: the impact of products and services sold throughout their life cycle, and the greenhouse gas emissions caused by energy choices and consumption throughout the value chain.</p>

Sustainability program

The targets of Verkkokauppa.com's sustainability work have been compiled into a sustainability program based on the themes and focus areas selected in the materiality assessment. The program sets the objectives for the company's sustainability work for the 2021-2025 strategy period and serves as an internal management tool, where a responsible person and a sponsor are appointed for each objective, and progress is monitored quarterly by the Sustainability Steering Group. The program covers a wide range of sustainability issues and requires cooperation between different parts of the organization.





At the customer's service and on their side

Sustainability program

- Target achieved ●
- On the way to the goal ●
- Progress slower than planned ●

Focus area	Target	Indicator (KPI)	KPI 2025	Status and development in 2022	
We sell products that customers actually need: our products are safe and of high quality, and product information and communications are transparent	We minimize customer returns	Product return rate	1.0%	0.7% (1.1) We improved the quality and handling of product information as well as the discoverability of products to minimize returns. The return rate including service cases was 1.0% (1.3%)	●
	We support our customers in making responsible choices	New services, functionalities and products	New launches	We took refurbished computers and tablets into selection. We improved product information on energy consumption and power and produced purchase guides for choosing energy-efficient products. We launched after sales marketing to extend the lifetime of products.	●
We offer services supporting sustainable consumption	We extend the life cycle of private label products	Private label products for which maintenance services or spare parts are provided	Growth	We launched a service process for mobile phones and electric kickboards. We expanded the availability of spare parts.	●
	We offer services that support circular economy	New services	New launches	We developed a business model and a plan to commercialize lifecycle services promoting circular economy. We piloted a service to install protective covers to extend the life of mobile phones and tablets.	●
We promote responsible working conditions and environmental practices throughout the supply chain	We promote responsible working conditions and human rights in our private label supply chains	Percentage of tier 1 suppliers in high-risk countries with a valid social responsibility audit	100%	98% (82) We implemented the amfori BSCI Code of Conduct and the revised Supplier Code of Conduct. We harmonized our procurement practices after the acquisition.	●
	We promote responsible environmental practices in our private label supply chains	Identification, piloting and expansion of an appropriate environmental liability scheme or process	Process in action	We extended the environmental requirements in our Supplier Code of Conduct.	●
	We set sustainability requirements for our suppliers	Established suppliers who have signed the Supplier Compliance Policy, %	100%	We introduced the revised Supplier Code of Conduct in July 2022 and will be communicating the topics in supplier meetings from the beginning of 2023.	●



Smaller environmental impact

Sustainability program

- Target achieved ●
- On the way to the goal ●
- Progress slower than planned ●

Focus area	Target	Indicator (KPI)	KPI 2025	Status and development in 2022	
We minimize our impact on climate	Zero greenhouse gas emissions from our own operations (scope 1 & 2)	Greenhouse gas emissions, tons CO ₂ e Emissions intensity: tons CO ₂ e/revenue (MEUR)	0	52 (319) tons of CO ₂ e - 84% of the previous year. 0.10 (0.56) tons CO ₂ e/MEUR	●
	We reduce the indirect climate impacts of our activities (scope 3)	Greenhouse gas emissions, tons of CO ₂ e	To be established later	We carried out the company's first emissions calculation covering the entire value chain for 2021. We started working on an emissions reduction plan.	●
We promote the use of responsibly sourced materials and material efficiency	We minimize the environmental impact of our own packaging materials	Share of recycled material in postal packaging	Increase	We introduced cardboard boxes made from 100% recycled material with the launch of a packaging machine.	●
		Plastic shopping bags: unit / purchase	Decrease	The price of plastic bags was increased and the benefits of bags made of renewable materials were promoted to encourage their use.	●
	We improve the material efficiency and recyclability of private label packaging	Number of products screened, units	No numerical target	We incorporated aspects of sustainable packaging into Supplier Code of Conduct and made it an integral part of private label contract negotiations.	●
We promote the circulation of materials	Further developing the collection of electrical and electronic waste (WEEE) from our customers	Percentage of our customers who know how to sort WEEE waste	Increasing the share	85 %*	●
		WEEE sent for recycling, tons, and development in relation to revenue	Stays at least on the same level while the revenue grows	271 (351) tons. Change in tons -23% and relative to turnover -18%. We developed in-store and online communication to improve sorting awareness and accuracy, trained personnel on battery safety and WEEE waste recycling.	●
	We improve the waste recycling rate	Recycling rate (incl. pallets), %	Improvement	83% (81) We carried out a waste audit and improved sorting, for example by adding more containers for film and shrink plastic.	●
	We look for new use for end-of-sale and decommissioned products	Products donated or otherwise found a new use	No numerical target	We established the practice of donating end-of-sale and end-of-life products to charity.	●

*15% of respondents to the Electronics Sustainability Barometer customer survey said that they were not sure what is WEEE waste or where it could be taken for recycling.



Verkkokauppa.com as a Community

Sustainability program

- Target achieved ●
- On the way to the goal ●
- Progress slower than planned ●

Focus area	Target	Indicator (KPI)	KPI 2025	Status and development in 2022	
We invest in leadership and culture	We foster a sense of community	Engagement	8.2	7.7 * We launched a new Syke personnel survey, a cultural handbook and tribal rules, and renewed our induction policies.	●
	We develop the work of supervisors	Leadership Trainings organized	7.8 No numerical target	7.5 * We renewed the cornerstones of leadership, piloted the SOIHTU leadership program, and added inclusiveness to the monthly supervisor meetings.	●
We promote well-being and support professional development	We invest in employee well-being, safety and coping with work	Willingness to recommend employer (eNPS) Ability to work	8.5	8.4 * We started training on harassment and inappropriate behavior, offered mental wellbeing services, invested in wellbeing communication and personnel support, built a culture of safety at work, provided wellbeing training for supervisors and training for personnel on work-life balance.	●
	We strengthen our skills and create a growth environment for our top performers	Experience of development and growth	7.5	5.8 * We revamped the target and development discussion model, held workshops on personal skills and growth paths and on supporting women's careers, launched a mentoring program, trained supervisors on developing team members' skills and communicated career stories.	●
With us, you can be as you are	We value different backgrounds and discriminate against no-one	Experience of being valued regardless of one's background	8.5	8.0 * We organized a workshop on equality and community. We convened a Diversity Working Group, which will start its work in 2023.	●
	We act on equal terms	Women as a percentage of supervisors Women as a percentage of managers and deputy managers	Over the proportion of women in the entire personnel: > 28% (27)	30 % (2021: 32, 2020: 37) 22 % (2021: 22, 2020: 21)	●

* according to the March 2022 measurement



Profitable business and good governance

Sustainability program

- Target achieved ●
- On the way to the goal ●
- Progress slower than planned ●

Focus area	Target	Indicator (KPI)	KPI 2025	Status and development in 2022	
We run profitable business operations	We run profitable business operations	Operating profit (EBIT), %	5.0%	0.4% (3.5)	●
	We are a responsible taxpayer	Taxes paid (income tax, VAT, transfer tax and social security contributions)	Tax footprint reporting	Taxes and tax-like payments in total 35.0 MEUR, of which income tax 3.0 MEUR; VAT 31,5 MEUR; transfer tax 0.8 MEUR and social security contributions 0.5 MEUR	●
We adhere to good governance principles and manage risks	We train our personnel on the Verkkokauppa.com Code of Conduct	Annual Code of Conduct training completed, %	100%	92% (82) We implemented the training on the online training portal, which was launched in the reporting year	●
	We comply with the Securities Market Association's Corporate Governance Code	Possible deviations from the Corporate Governance code	No deviations	No deviations	●
	We communicate with stakeholders on our key sustainability topics	Sustainability reporting under the evolving legislation	Yes	We published the taxonomy reporting in line with the updated requirements	●
	We implement systematic risk management	Number of critical sustainability-related risks Management team members trained in risk management	0 100%	0 (0) 100% (100)	●
We ensure strong information security	We train our personnel on the company's information security and privacy policies	Annual data security and privacy training completed, %	100%	92% (74) We implemented the training on the online training portal, which was launched in the reporting year. We improved the availability of information security materials in the context of the renewal of the intranet.	●
	We protect customer privacy	Number of significant data protection breaches, units	0	0 (0)	●
	We ensure the information security of our online store	Number of significant information security breaches, units	0	0 (0)	●

Environment

The main principles of Verkkokauppa.com’s environmental work are stated in the company’s Code of Conduct. Verkkokauppa.com monitors its environmental impact and aims to improve its environmental performance by minimizing negative environmental impacts and promoting positive impacts. In terms of the direct environmental impacts of the Company’s activities, material issues include responsible selling, offering services supporting sustainable consumption, energy choices and energy efficiency at its premises, packaging material choices and material efficiency, minimizing product waste, reducing waste and directing material for reuse. Indirect impacts relate to the manufacture, transport, use and disposal of the products sold. The company exercises due diligence by using well-known partners, either directly or through a network, and ensures that they have the necessary certifications for their activities. Suppliers are required to take environmental considerations into account in accordance with the company’s Supplier Code of Conduct.

Minimizing climate impacts

In 2022, Verkkokauppa.com carried out its first carbon footprint calculation covering the entire value chain, including the material direct and indirect greenhouse gas emissions of its operations. The calculation covered the year 2021 and was published in the company’s half-yearly report and on the company’s website. The calculation for 2022 is published in this report and will continue to be published in sustainability reporting, as part of the annual reporting. The emissions calculation has been carried out in accordance with the GHG Protocol. With the emissions calculation, Verkkokauppa.com has started to identify emission reduction targets and to develop a plan to reduce emissions. In line with its sustainability program, Verkkokauppa.com aims to achieve zero greenhouse gas emissions from its own operations (scope 1 and 2) and to reduce the indirect climate impact of its operations (scope 3).

Most of the climate impact of Verkkokauppa.com was generated by indirect emissions in the value chain, which is typical in the retail sector (scope 3): 99.9% in 2022. The most significant sources of emissions were the manufacture and use of the products sold (Categories 1 and 11). From an impact perspective, collaboration with suppliers and partners is essential to reduce the indirect emissions and climate issues will be included in supplier meetings from 2023 onwards. Improvements in emissions calculation are also needed to be able to demonstrate emissions reductions, as the current emissions calculation is based on product category-specific estimates rather than emissions calculated by suppliers.

Energy choices and efficiency

Verkkokauppa.com purchases electricity produced from renewable energy. Verkkokauppa.com is constantly looking for ways to improve energy efficiency and thus reduce emissions.



Charging points for electric cars were installed in the parking carage of the Helsinki store in 2022



Energy choices and efficiency

In 2022, the electricity procured by the company itself was EPD-certified renewable energy with an environmental label. In the Oulu and Raisio stores, part of the electricity is produced by solar power plants on the store roofs. The owner of the Pirkkala store property is also planning to install solar power. Verkkokauppa.com is committed to buying solar power in the stores where it is introduced.

Renewable district heating was introduced in Helsinki in July 2021, resulting in a significant reduction in heating and cooling emissions. The Pirkkala store property has been using geothermal heating as part of its heating system since 2019. For the rest of the sites, district heating is used for heating and the possibilities to source renewable heat energy are being actively explored. In the Helsinki store, cooling is provided by environmentally friendly district cooling.

The switch to energy-efficient LED technology has been implemented in Helsinki, Pirkkala and Raisio. Thanks to the LED investments, energy consumption in 2022 was reduced by 13% compared to the previous year and by 20% compared to the situation before the LED switch (2020).

	2022	2021	2020	Further information
Energy consumption, MWh	4,093	4,722	5,140	Consumption reduced by replacing lighting with energy-efficient LED technology.



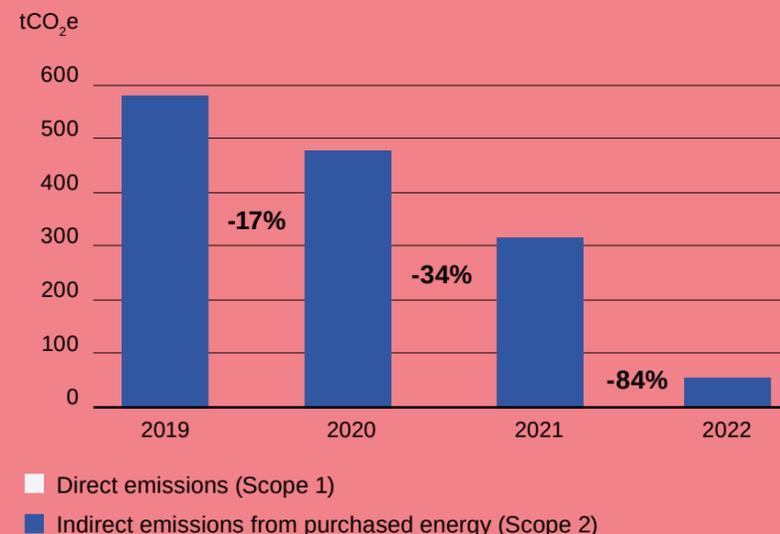
Actions to reduce emissions

Verkkokauppa.com wants to support its customers in making responsible choices also from a climate impact perspective. In the reporting year, the coverage of product information was improved, e.g. in terms of energy consumption and energy efficiency data, and by producing shopping guides, on how to choose energy-efficient products, among other things. The company's intention is to make the emissions from the manufacture of products visible in product information, which will require better access to product-specific emissions data. Circular economy measures to extend product life cycles also have an impact on the company's indirect emissions.

Opportunities to reduce emissions will also be explored for other indirect emissions, such as logistics. Sales products from outside Europe are generally transported to the company's warehouses by sea freight, with the exception of small urgent shipments, which are brought in by air freight. From within Europe, products are transported by truck and sea.

Emissions from own activities (Scope 1 and 2) accounted for only 0,1% of the total carbon footprint. Verkkokauppa.com's target is to achieve zero greenhouse gas emissions from its own operations by 2025. This will be achieved by actively promoting renewable energy sources and investing in energy efficiency.

Development of emissions 2019–2022



Emissions calculation

	2022 tCO ₂ e	2021 tCO ₂ e	2020 tCO ₂ e	2019 tCO ₂ e	Change in 2021–2022	Further information
Direct emissions (scope 1)	1	1	0	0	-	
Solid combustion	1	1	0	0	-	Fuel refills for backup generators and sprinkler pumps
Indirect emissions from purchased electricity and heat (scope 2)	51	318	481	581	-84%	Emissions from electricity, heating and cooling purchased for stores, offices and own storage facilities
Purchased electricity (market-based)	0	0	65	87	-	Produced with 100% renewable energy
Purchased electricity (location-based)	246	430	370	531	-43%	Calculated using the average emission factor for electricity produced in Finland (Fingrid), which decreased significantly from 2021 to 2022
Heating and cooling	51	318	416	494	-84%	Emission factors for heating have decreased in all locations. Renewable heat acquired in Helsinki
Total Scope 1 and 2 emissions	52	319	481	581	-84%	Calculated according to market-based scope 2 emissions

	2022 tCO ₂ e	2021 tCO ₂ e	Further information
Scope 3: Value chain emissions			
Category 1: Purchased goods and services	186,001	203,834	The number of units sold decreased
Category 2: Capital goods and services	n/a	287	Investment data for 2022 was not available, but was less than in 2021
Category 3: Fuel and energy-related activities	277	332	The consumption of purchased electricity and heat decreased
Category 4: Upstream transportation and distribution	870	1,029	Calculated based on the date of shipment
Category 5: Waste generated in operations	29	31	
Category 6: Business travel	56	17	Business travel recovered after the covid19 pandemic
Category 7: Employee commuting	334	374	Changes in driving force
Category 9: Downstream transportation and distribution	1,837	121	Distribution partner Posti stopped offsetting its emissions in 2022
Category 11: Use of sold products	43,633	73,745	The emission factor of electricity consumed in Finland decreased
Category 12: End-of-life treatment of sold products	524	746	The number of units sold decreased and the product mix changed
Other downstream: shopping commutes by customers	16,946	21,124	
In total	250,507	301,641	Change: -17%

	2022 ktCO ₂ e	2021 ktCO ₂ e
Total carbon footprint (scope 1,2,3)	251	302

The calculation is based on the widely used GHG Protocol standard. The calculation covers all categories defined as material. The 2021 calculation has been corrected by updating emission factors.

Material choices and efficiency

Verkkokauppa.com strives to select the best packaging materials for the environment and use them efficiently. The company monitors developments in the industry and tests new packaging products. Whenever possible, the product's own packaging is being used and unnecessary additional packaging avoided. Packaging uses recyclable fibre materials, i.e. cardboard bags, boxes and fillings, and avoids plastic. The aim is to increase the share of recycled materials in packaging materials, and the boxes selected for the automatic packaging machine, which was introduced at the end of the year, are 100% recycled material.

Waste, circulation of materials and waste prevention

Verkkokauppa.com's waste management policy is based on order of priority, where the primary aim is to avoid waste and then to promote reuse and recycling of materials. When a product sold reaches the end of its life cycle, customers are helped to recycle it properly, especially for waste electrical and electronic equipment (WEEE) and batteries, to recover valuable materials and to dispose of hazardous waste safely. All Verkkokauppa.com stores accept WEEE waste and batteries in accordance and beyond the producer responsibility, offering the possibility to recycle even large household appliances with no obligation to buy. Verkkokauppa.com aims to further improve the recycling rate of waste. During the reporting year, a waste audit was carried out and sorting was improved.

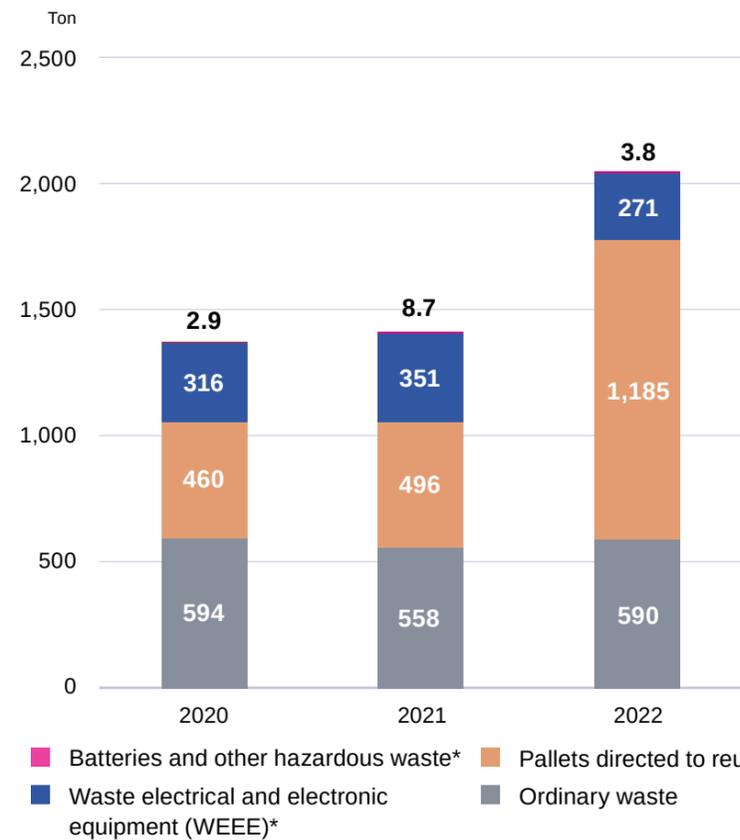
Other environmental impacts

The company's own operations have not been identified to have specific impacts on biodiversity, nature loss, air pollution, land use or water systems. The water consumption of Verkkokauppa.com's own operations is very low and there is no shortage of water in the areas of operation. Indirect environmental impacts, for example on biodiversity, water systems and land use, can arise in supply chains, use and disposal of the products sold, as well as during transport. Impacts are considered as part of the materiality assessment and risk management.

Recycling and recovery of waste

	2022	2021	2020	Further information
Recycling rate including pallets	83%	81%	78%	Recycling rate includes pallets diverted for re-use
Recycling rate without pallets	53%	65%	61%	Only broken pallets are considered as waste and pallets diverted for re-use are excluded
Waste recovery rate	100%	100%	100%	All waste is utilized: 65% was reused, 19% was recycled as material and 16% was recovered for energy production. No waste was diverted to landfill.

Waste and recycling



* Includes waste collected from customers and waste generated in own operations
In 2022, the waste calculation was expanded to cover pallets in all locations.



Verkkokauppa.com strives to reduce the use of plastic bags in its stores. The range of shopping bags includes reusable bags made from renewable Paptic material, basic size plastic bags made from 80% recycled material and reusable bags. The possibility of switching to a more environmentally friendly materials is examined in the context of procurement and tendering. Paper with PEFC or FSC certification for sustainable forest management is preferred in the Verkkokauppa.com advertising leaflet. Paper use has been systematically reduced since 2018 by reducing regular circulation, the number of distribution weeks, the thickness of the paper and the size of the advertising leaflet.

Sorting was improved by increasing the number of plastic film and shrink plastic collection bins, by purchasing baling presses for plastic waste in Helsinki and Raisio sites and by letting go of personal waste bins in offices.

Water consumption is monitored and minimized. The establishments are located in urban areas zoned for commercial activities. Verkkokauppa.com's four stores are located within easy reach of public transport in major urban centers, and accessibility by public transport has been part of the overall consideration when deciding on the location of the sites.

Personnel

In Verkkokauppa.com’s strategy, the personnel play a key role in achieving the company’s business objectives. In line with the values defined together with the personnel, the company wants to foster a bold, agile and transparent organizational culture and invest in the sense of community. The personnel policy complements and refines Verkkokauppa.com’s Code of Conduct. The role of the personnel policy is to ensure that the company has the human resources and practices in place to achieve its objectives. The personnel policy is available on the company’s website and covers the following topics: values, culture, respect for diversity, equality and fairness, non- discrimination and non-harassment, recruitment practices, leadership, internal communication, occupational safety, well-being at work, job satisfaction, skills development, remuneration, rewards and benefits, and cooperation. The annually updated internal personnel development plan describes, among other things, the goals and measures to develop and maintain the competence of the personnel and to promote well-being at work. Other guidelines for all personnel include cultural handbook and tribal rules, drawn up during the reporting year.

Employment

	2022	2021	2020
Personnel on average	773	773	730
Personnel at the end of the year	821	825	818
Full-time / part-time (%)	72/28	74/26	74/26
Permanent / fixed-term (%)	83/17	81/19	81/19
Workers hired by agency on average	33	35	35
Workers hired by agency on average at the end of the year	42	38	60
Summer workers	44	66	50
Seasonal workers for the end-of-year season	84	102	115
Average age (years)	33.2	32.4	31.9

Employment

The number of personnel fluctuate throughout the year, at was at its highest during the high season at the end of the year. Verkkokauppa.com strives to hire personnel under permanent employment contracts, using fixed-term contracts only for justified reasons. The majority of the jobs are full-time, but due to the nature of the work, some are part-time. The company does not have zero-hours contracts, where working hours are not defined. Agency-hired workers are used for sudden or short-term needs, mainly in logistics department. The use of self-employed or freelance workers is limited to individual cases in expert positions.

Diversity, equality and equity

Verkkokauppa.com wants to foster its community culture and promote fairness, equality, diversity, inclusiveness and appreciation of different backgrounds. Gender, age, world-view or family matters must not create inequalities between people in terms of company pay, remuneration, organizational changes, training or recruitment. Diversity

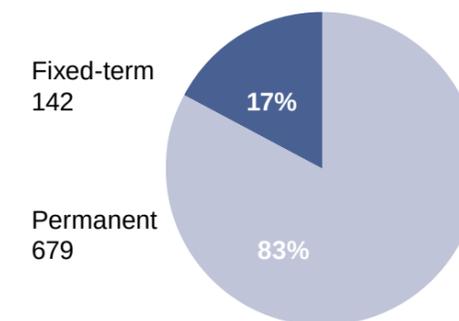
Volatility

	2022	2021	2020	Further information
Total turnover rate %	10,4	10,3	12,1	Does not include seasonal workers
New employees	226	284	261	Including seasonal workers
Terminated employments	238	268	226	Including seasonal workers
Internal transfers	33	24	56	Moving to a more demanding role

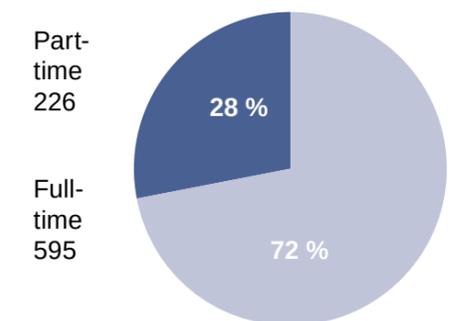
and gender mainstreaming will be considered in the development of activities, including by drawing attention to and dismantling potential gender biased practices and improving inclusiveness, for example in recruitment practices and personnel surveys. The experience of being valued regardless of background is one of the indicators monitored in the Syke personnel survey launched in the reporting year and is also part of the Sustainability program. During the reporting year, an Equality and Community workshop was organized and participants were invited to the Diversity Working Group, which will start its work in 2023.

The proportion of men and women in supervising positions and as Heads of Department and Deputy Heads of Department is monitored, the aim of ensuring equal opportunities to progress to supervising and managerial positions regardless of gender. The company uses gender-neutral job titles to reflect the accessibility of jobs for all, regardless of gender or other personal characteristics. Equal pay is promoted, for example through pay scales, and progress is monitored as part of the personnel development plan.

Permanent and fixed-term 2022



Full-time and part-time 2022



Situation at the end of the year if not stated otherwise



Board and management diversity

The members of the Board of Directors of Verkkokauppa.com Oyj shall represent a diverse range of skills and professional backgrounds so that work and international experience, age and gender support and complement each other for the benefit of the company’s business and to increase shareholder value. When preparing the proposal for the composition of the Board of Directors, the Shareholders’ Nomination Board takes into account not only the requirements of the company’s strategy, operations and stage of development, but also the need for sufficient diversity on the Board. In addition to the qualifications required for the post, the person elected to the Board must have the opportunity to devote sufficient time to the task. The Board members had a diverse and multidisciplinary range of experience and educational backgrounds, and several of them also had experience in international business. The principle of diversity also applies to the Verkkokauppa.com Management Team. The company recognizes that in the year under review the EU adopted a directive that is binding on Member States and aims to improve the gender balance of the under-represented gender on the boards of listed companies. The Company contributes to the implementation of the objectives of the Directive as part of the work of the Shareholders’ Nomination Committee and the Remuneration Committee of the Board of Directors.

Non-discrimination

Any form of harassment, bullying or discrimination is strictly prohibited, as defined in the Code of Conduct and the Personnel Policy. The intervention model on harassment and inappropriate treatment was revised and implemented during the reporting year. Personnel are instructed to raise potential incidents by contacting, for example, supervisor, a shop steward, the Human Resources Department, or management. In addition, personnel have the possibility to report incidents through the reporting channel. Cases are dealt with as soon as they arise, and confidential hearings are held to clarify the situation. In 2022, some complaints of harassing speech were dealt with, and the incidents were addressed as soon as they arose. In 2022, there were no known cases of discrimination on the grounds of the Equality Act.

Diversity of personnel and governing bodies

By gender	2022		2021	
	Men	Women	Men	Women
All personnel	72	28	72	28
Top management	67	33	89*	11*
Heads and Deputy Heads of department	78	22	77	23
Supervisors	70	30	68	32
Board of Directors	71	29	71	29

*Data corrected after 2021 reporting

By age group	Under 30 years		30–50 years		over 50 years	
	%	persons	%	persons	%	persons
All personnel	35%	288	63%	513	2%	20

Situation at the end of the year

Sickness absence and accidents

	2022	2021	2020	Calculation principle
Sickness absence rate	5.2	4.3	5	Theoretical regular working time
Accident frequency	10.2	7.3	3.8	Accidents at work per million hours worked, calculated on actual hours worked. Does not cover workers hired by agency.*
Accidents at work (units)	11	8	4	*
Accidents on the way to work (units)	11	10	6	*
Occupational disease suspicions (units)	0	0	0	
Transfers to invalidity pension (units)	0	1	1	

* Excluding minor accidents, i.e. accidents resulting in an absence of less than three days.

Well-being and safety at work, Job satisfaction

Occupational safety and well-being are monitored and developed in cooperation with HR, the Health and Safety Committee and occupational health care. The Health and Safety Committee, which meets on average four times a year, defines an occupational health and safety action plan, which is approved by the company's Management Team. Ensuring a safe working environment means preventing accidents and identifying and avoiding hazards and near misses in a spirit of shared responsibility. To prevent incidents, personnel are trained in safety at work and safety risks are regularly reviewed, for example through safety walks. An annual occupational health action plan guides the development of well-being at work and focuses on an increasingly preventive approach. The work community is supported by an early intervention model that takes a holistic view of the employee's well-being, taking into account not only health and fitness challenges but also any other performance challenges. Well-being indicators and workplace accident statistics are regularly monitored by the Management Team. The various aspects of well-being are developed and supported holistically throughout the lifecycle of the employment relationship.

Skills development

The skills of all personnel are developed extensively through induction, training, and by making use of job rotation and internal career paths. The e-learning platform launched in the reporting year will improve the coverage and customization of trainings and the transparency of performance status. As part of the company's strategy, supervising was systematically developed through coaching sessions, monthly supervisor breakfasts and a management development program. The cornerstones of the company's management style and expectations towards supervisors were revised during the year under review. The professional skills of shop personnel are maintained through regular training provided by manufacturers, as well as internal trainings using peer training and own experts. In the year under review, competencies were strengthened by launching a mentoring programme, training supervisors on developing the competencies of their team members, workshops on skills and growth paths and career support for women, the renewal of the Kipinä development discussion model, and communication of career stories. The company also offers the opportunity to obtain qualifications through apprenticeships. In 2022, more than 50 employees were enrolled in degree programs.

Employee-employer relations

The company complies with the legislation and agreements on collective bargaining and maintains an active and transparent dialogue with its employees and their representatives, with the aim of achieving good cooperation to achieve common objectives. Informative collective bargaining is used extensively and purposefully. The Chief Shop Steward, the CEO, the HR Director and the CFO meet quarterly, and during the year there are also collective bargaining meetings on the topics of seasonal opening hours and opening hours in general, smoke-free workplace, organizational changes and the timing of the adjustment period. Verkkokauppa.com is a member of the trade association, the Finnish Commerce Federation.



Measures taken during the reporting year included supporting mental wellbeing, renewing the content of the wellbeing and safety website, first aid and forklift safety trainings, renewing the intervention model for harassment and inappropriate treatment model and the related trainings, lifting and ergonomics training, battery safety training, closer cooperation with occupational health care, communications on safety topics, accident investigation, renewing sickness absence reporting and focusing on preventive measures to address potential work capacity challenges.

Personnel wellbeing and engagement were studied and their voices heard through a number of surveys and in connection with projects throughout the year. In March, a new Syke survey was launched to measure personnel well-being, engagement and willingness to recommend, which showed that personnel well-being had improved since the previous survey, engagement was good to average, willingness to recommend was high and good colleagues and community were perceived as strengths. In addition, two smaller Syke pulse surveys were carried out during the year.

Remuneration and benefits

Good performance is rewarded in line with the company's reward and benefits policy, with the aim of inspiring and encouraging success, taking initiative and responsibility. Rewards included sales competitions, Employee of the Month, Employee of the Year and Supervisor of the Year awards, as well as rewarding new ideas through the Idea Box scheme, and low-threshold Nopsa awards to celebrate everyday successes. No commission was paid.

Verkkokauppa.com invests in comprehensive employee benefits for all employees, which in 2022 included the Metropolitan Area flat-rate salary in all locations in accordance with the collective agreement (TES), added with the company's own 6.67% extra on top of hourly salary, occupational health care, personnel discount, break room service, and Christmas and summer gifts. Benefits subject to a minimum length of service included a sports and culture benefit, a commuting allowance, an internet connection benefit and a lunch benefit depending on the job. There were no benefits that required continuous employment. Long-serving employees are rewarded annually with a celebration and a cash bonus.



Information on the taxonomy of sustainable finance

The EU taxonomy is a sustainable finance rating system designed to channel capital flows towards sustainable investments and contribute to achieving a climate-neutral European Union by 2050. The EU has enacted Regulation (EU) 2020/852, which has been incorporated into the Finnish Accounting Act as part of the Statement of Non-financial Information. The EU taxonomy defines six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

At this stage, the classification system covers only those economic activities that have the greatest need and potential to significantly influence climate change mitigation and adaptation. These activities include forestry, environmental protection and restoration, manufacturing, energy, water supply, transport, construction and real estate, information and communication, and professional, scientific and technical activities. By contrast, activities specific to the distributive trades sector are currently not explicitly mentioned in the taxonomy. In 2022, Verkkokauppa.com' business consisted of retail trade and the sale of services that support it. The company has reviewed its operations in order to identify activities in its business that would be eligible and aligned with taxonomy. The company's interpretation is that most of its business is not covered by the

taxonomy. Verkkokauppa.com has not identified taxonomy eligible revenue, capital expenditures, or operating expenses in 2022. The performance indicators required in the Taxonomy Regulation regarding turnover, capital expenditures (CapEx) and operating expenditures (OpEx) are reported in separate tables, as required by the regulation. The indicators are reported as non-eligible. Operating expenses covering total operating expenses (OpEx) include corresponding direct non-capitalized costs related to the company's business and operations.



Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute turnover MEUR	Proportion of turnover %	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022	Taxonomy-aligned proportion of turnover, year 2021	Category (enabling activity)	Category '(transitional activity)'		
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems							
A. TAXONOMY-ELIGIBLE ACTIVITES %																						
A.1. Environmentally sustainable activities (Taxonomy aligned)																						
Turnover of environmentally sustainable activities (Taxonomy Aligned (A.1))																						
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
Turnover of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)																						
Total (A.1 + A.2)		0	0%																			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
Turnover of Taxonomy-non-eligible activities (B)		543.1	100%																			
Total (A + B)		543.1	100%																			

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Economic activities (1)	Code(s)	Absolute CapEx MEUR	Proportion of CapEx %	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards	Taxonomy-aligned proportion of CapEx, year 2022	Taxonomy-aligned proportion of CapEx, year 2021	Category (enabling activity)	Category '(transitional activity)'		
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems							
A. TAXONOMY-ELIGIBLE ACTIVITES %																						
A.1. Environmentally sustainable activities (Taxonomy aligned)																						
CapEx of environmentally sustainable activities (Taxonomy Aligned (A.1))																						
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																						
CapEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)																						
Total (A.1 + A.2)		0	0%																			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
CapEx of Taxonomy-non-eligible activities (B)		9.8	100%																			
Total (A + B)		9.8	100%																			

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute OpEx MEUR	Proportion of OpEx %	Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum safeguards	Taxonomy-aligned proportion of OpEx, year 2022 %	Taxonomy-aligned proportion of OpEx, year 2021 %	Category (enabling activity) E	Category ('transitional activity') T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES %																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
OpEx of environmentally sustainable activities (Taxonomy Aligned (A.1))																				
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)(A.2)																				
Total (A.1 + A.2)		0	0%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		73.6	100 %																	
Total (A + B)		73.6	100 %																	

Contact point for sustainability reporting:

Johanna Stenbäck, Sustainability manager
vastuullisuus@verkkokauppa.com

More information:

www.verkkokauppa.com/en/sustainability

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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