

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Rapala VMC Corporation has a responsibility to shareholders, employees, business associates and the society as well as all people who use the Rapala Group's products. The Group takes responsibility of its actions and their environmental impact wherever it operates. The Group's operations are continuously developed into an even more sustainable direction to promote a clean environment. The Group always respects local societies, practices and surroundings, and operates according to local legislation. The Group develops its products, manufacturing processes and operating methods in ways that reduce their environmental impact throughout the products' lifecycle.

THE GROUP STRATEGY AND MANAGEMENT APPROACH TO SUSTAINABLE DEVELOPMENT

The Rapala Group's strategic objective is profitable growth that is founded on four strategic cornerstones: brands, innovation, manufacturing and distribution. In 2020 Rapala Group launched a new sustainability strategy aiming to be one of the leading fishing tackle companies in the world in terms of sustainability by 2024. This program will be implemented in all Rapala VMC business units.

The Group's fishing tackle manufacturing and sourcing platform consists of Europe's largest production facilities for lures with specialized factories in Finland, Estonia and Russia, sourcing operations for lures and accessories in China, a treble hook production facility in France, hook manufacturing operations in Indonesia, knife manufacturing operations in Finland and Estonia and carp bait manufacturing in the UK. Manufacturing operations for lures in Batam, Indonesia were also in place until the end of 2020. The Group has a well-established sourcing unit in Taiwan managing the high-quality but low-cost external sourcing of accessory products not considered feasible to manufacture in the Group's own manufacturing units.

The Group's own personnel operate in 42 countries. The Group runs distribution on six continents and works together with other distributors, which makes the products available in almost 50 000 stores in more than 120 countries. In addition to own brands, the Group distributes several third party brands that strengthen the Group's brand and product offering. The Group has been in the lure business, which was the first product category for the Group, for over 80 years. The VMC hook operations acquired in 2000 have over 100 years of experience. Marttiini knife manufacturing, acquired in 2005, has operated for over 90 years. Many products offered by the Group have a lifecycle of decades.

In addition to the new sustainability strategy the Group has a global Code of Conduct and internal control procedures in place which were introduced and implemented during 2015. As an appendix to the Code of Conduct, an Anti-Corruption and Bribery Policy was created and implemented in 2018.

The Rapala Group's operations are continuously developed into an even more sustainable direction to promote a clean environment. Almost all of the Group's products are connected to experiences of nature and the outdoors. This close link to nature through sports and other activities makes a healthy environment integral to our business. The Group manages the impact of its business activities in ways that will allow future generations to enjoy fulfilling nature experiences while using its products.

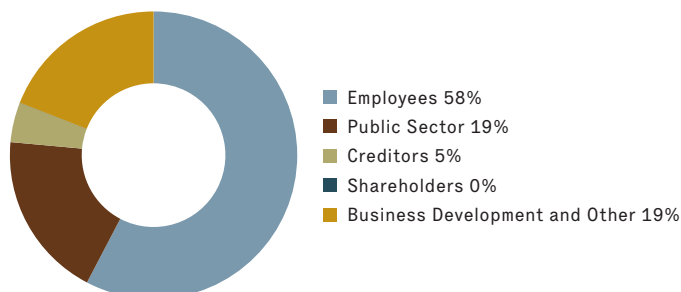
In its operations, the Group takes responsibility of its actions everywhere it operates. The Group always respects local societies, practices and surroundings, and operates according to local legislation.

ECONOMIC RESPONSIBILITY

The Rapala Group's purpose is to create value for its stakeholders including customers, personnel, suppliers and subcontractors as well as shareholders and investors who are interested in the Group's financial performance. The financial success provides the Group companies with the resources and possibilities to develop their operations in a responsible and sustainable way also in the future.

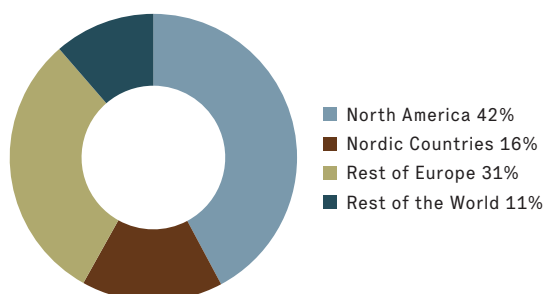
The Group focuses on profitable growth to increase shareholder value. This objective is achieved by providing customers with high-quality products and service, creating long-lasting partnerships with suppliers, subcontractors and customers, and offering employees competitive compensation and good working conditions. With operations in 42 countries worldwide, it also influences and creates well-being for the local societies. The Group's value added is distributed to these different stakeholders as shown in the graph below.

Distribution of value added



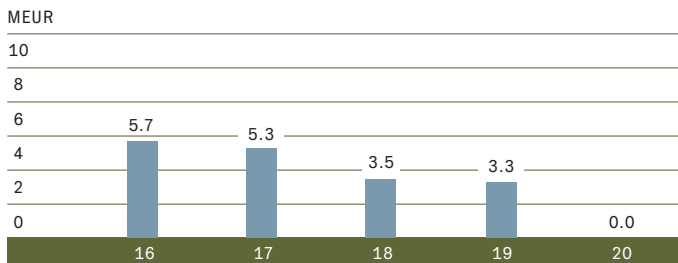
The Group creates value for its customers by offering its products and services worldwide. By unit location, North America contributed 42%, Nordic countries 16%, Rest of Europe 31% and Rest of the World 11% to the Group's total external net sales in 2020. More detailed geographical information is presented in note 2 to the consolidated financial statements.

Net sales by unit location



In 2020, Group companies paid interests and other expenses of EUR 4.3 million to financial institutions and corporate income taxes of EUR 4.3 million to tax authorities worldwide. In 2020 no dividends were paid to the shareholders as presented in the graph below.

Dividends to shareholders



SOCIAL RESPONSIBILITY

Importance of Competent and Motivated Personnel and Human Rights

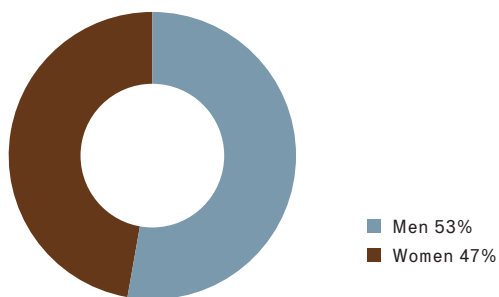
With 1 971 employees in 42 countries worldwide, The Rapala Group recognizes the importance of competent and well-motivated personnel. The Group’s principles regarding social responsibility and respecting human rights have been stated in the Code of Conduct. Operating globally in various different cultural areas creates challenges and risks regarding personnel and their rights and emphasizes the importance of good governance of these issues. Possible risks especially when using external suppliers can include using child or forced labor, following agreed working hours, ensuring safety at work and respecting equality and personal beliefs of employees. The Group requires its suppliers to comply with Group’s Code of Conduct. The Group has no knowledge of material non-compliances regarding personnel or human rights but monitors the realization of these right in its units frequently.

The Group appreciates the continuous development of its employees who have possibilities to both on-the-job learning and special training or education. The Group’s strategy for profitable growth requires that the management systems, the group-wide knowledge sharing and the everyday practices are developed systematically in all Group companies.

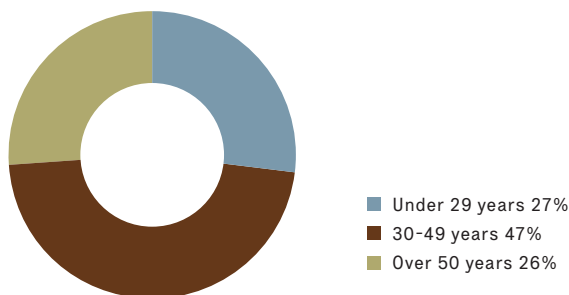
Personnel is treated with respect, and health and safety issues are a priority. Everyone who works for the Group have the possibility to constantly develop in their work and working practices and operations are systematically developed throughout the Group.

One of the Group’s key values in the corporate culture is entrepreneurship. Organization structure of the Group is relatively low and subsidiaries around the world have the liberty and responsibility to plan and execute their business operations adjusting to local circumstances, nevertheless complying with the Group’s regulations and policies. The Group respects diversity and equal opportunities of all employees irrespective of color, nationality, gender, age or religion. The Group employs men and women of all ages. Employees represent tens of different nationalities worldwide. There is no use of child labor in any of the Group’s operations. At the end of 2020, 55% of the employees worked in manufacturing or R&D, 19% in administration and 26% in distribution.

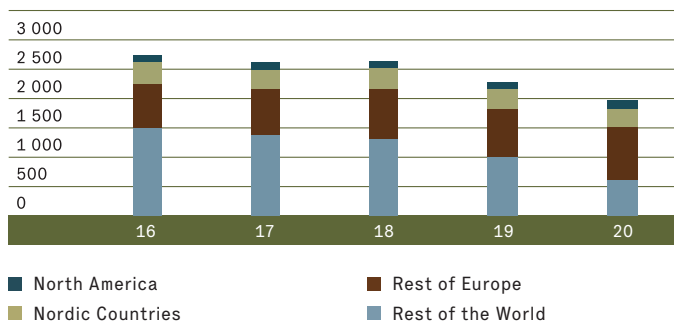
Percentages of men & women



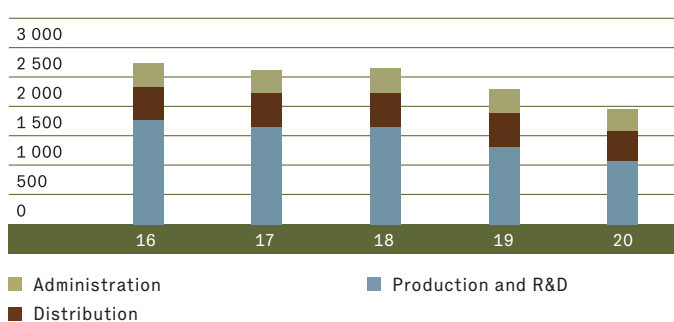
Ages of personnel



Personnel by geographical areas



Personnel by functions



The Group's employee benefit expenses of EUR 69.4 million in 2020 represent 27% of the consolidated net sales. The employee benefits include wages, salaries, pension and other social security costs as well as other performance incentives. The CEO and senior management participate in the Group's senior management bonus scheme encouraging the achievement of the Group's targets and performance improvement. More information on top management remuneration is presented in Corporate Governance Statement and in Remuneration Policy and Remuneration Report.

In order to secure profitability and enhanced efficiencies and quality, the Group occasionally carries out performance improvement initiatives, which may result in personnel reductions. When carrying out such initiatives, the Group strives to act responsibly and in accordance with local legislation and practices as well as good human resources management principles.

Supporting Local Societies

As the Rapala Group operates in 42 countries and is expanding its business into new markets, the Group supports sustainable development of local societies and protection of human rights. The Group or its subsidiaries are internationally, regionally and locally members of several associations and cooperate with various stakeholder organizations. Group companies worldwide contribute to many fundraising campaigns of local societies, and, for example, donate fishing equipment as prizes and encouragement for fishing competitions and environmental cleaning projects organized by non-profit organizations.

Rapala VMC Corporation was a founder member of the European Fishing Tackle Trade Association (EFTTA) which was established in London in 1981, as an international, independent association to serve the European fishing tackle trade by campaigning to promote sport fishing, environmental conservation, fishing legislature and international business. Rapala VMC Corporation has its own representative in EFTTA's Board. EFTTA supports annually several environmental and training projects across Europe.

In Lithuania, the Group's subsidiary is a founding partner in a collaboration between members of the fishing tackle trade, local angler's associations, fisheries biologists and local legislation aiming to ban net fishing in all Lithuanian inland waters. The results can be seen in improved fish populations and better sport fishing opportunities.

In Canada, the Group has participated in a national organization to promote sports participation for underprivileged youth. Also in the USA, the Group has provided products to many different local elementary, middle and high schools for their outdoor curriculums and sponsored tournaments and competitions as well as other organizations focusing on offering fishing experiences for children.

In Sortavala, Russia, the Group supports the local community by providing financial and material support for the communal culture and sports facilities as well as municipal childcare services.

In Finland, the Group supports sport fishing organizations' youth initiatives and school programs that provide children access to fishing. The Rapala Fund also helps various fishing clubs and other grass-roots organizations on their children and youth fishing events.

High-Quality Products and Services

The Rapala Group's distribution network covers six continents and is locally present in 38 different countries. Strong local presence and decision-making makes it easy to adapt to different kinds of business environments and various types of customers. Customers

range from smallest fishing tackle shops to world's largest retailers and local presence leads to close customer relations and market understanding everywhere. Manufacturing and R&D also benefit from insights gathered through the global distribution network, which in turn makes new products instantly available to the mass market globally.

Over the years, the Group has produced many proven classics that fishermen rely on. But the ability to create new products with the potential to become future classics equals consistent success.

As a proof of the quality and continuous development the Group holds the world record of catching world record fish. With Rapala, Storm, Sufix, and VMC products the Group has gained over 1200 International Game Fish Association (IGFA) world records.

The Group's research and development expenses totaled to EUR 1.1 million in 2020 and represent 0.4% of the Group's net sales for the period.

Anti-corruption and bribery

Preventing corruption and bribery is a key element of Rapala Group's corporate responsibility due to the international nature of operations and operating in different cultural areas. Different cultures and practices globally create a risk for corruption and bribery which the Group needs to monitor. To minimize these risks the Group created a new anti-corruption and bribery policy which was implemented in early 2018.

The Group has zero tolerance towards all forms of bribery and corruption. The Group requires that its employees and associates act honestly and with integrity at all times. Rapala VMC Corporation employees do not pay, offer to pay, authorize or accept illegal or improper payments or bribes in order to obtain or maintain business, or for any other reason. All employees are required to safeguard all Group's material, immaterial and human resources for which they are responsible. All claims of bribery and corruption, anonymous or otherwise, will be investigated thoroughly without regard to the suspected person's position, length of service or relationship with the Group. Based on the findings, appropriate corrective measures will be taken which may include further training or disciplinary action.

The policy defines actions constituting corruption and bribery, concerns engagement with third parties, gives information about incident reporting channels and defines the responsibilities of management and employees. The policy will be a part of the Group's Code of Conduct.

The Group has no knowledge of material malpractices but monitors the situation continuously and pays attention to the compliance with the new anti-corruption and bribery policy.

ENVIRONMENTAL RESPONSIBILITY

Approach to Environmental Affairs

Almost all of the Group's products are connected to experiences of nature and the outdoors. This close link to nature through sports and other activities makes a healthy environment integral to our business. We aim to actively recognize and decrease the impact of our business activities to environment so that also future generations are able to enjoy fulfilling nature experiences while using the Rapala Group's products. The Group's general principles and approach to environmental affairs is stated in the Code of Conduct. The Group has also prepared a new sustainability strategy which aims at developing our operations to be more environmentally friendly and through that to diminish our negative impact on biodiversity.

The use of raw materials, airborne emissions through manufacturing and transport of products and waste are the most significant environmental impacts of the Group. This impact can be controlled through selection of used energy form, careful selection of raw materials used, optimization of processes and utilizing recycled raw materials. Most of the Group's products are used for years or even decades. The Group develops its products, manufacturing processes and operating methods in ways that reduce their negative environmental impact throughout the products' lifecycle. Anyhow changes in production volumes and product mix may have greater short-term effects than the development trend as such.

Around half of the products sold by the Group are produced in its own manufacturing facilities. The Group's manufacturing sites develop their environmental operations in accordance with local legislation and regulations. Possible safety risks in manufacturing operations are caused by handling of flammable and toxic raw materials during the production process. The Group's production doesn't consist of materials or processes which would include a risk for major environmental accidents but e.g. wastewater processing may cause environmental risks. The Group takes care of its processes to minimize these risks and no material non-compliance, environmental accidents or hazards occurred in 2020. The Group had to clean and replace some soil at Marttiini factory in Rovaniemi Finland when moving to new facilities. The soil had been contaminated along manufacturing process but the Group took necessary measures to correct the situation and the damage caused to environment has been fixed.

The rest of the Group's sales come from selling and distributing outsourced and third party products. The most significant environmental impacts of these products, while in Group ownership, are related to transportation and storage of goods.

In addition, the Group promotes environmental issues beyond its own operations. Several Group companies are members of local and national environmental organizations. They take part in the funding of these organizations, providing education on clean and healthy waters and other environmental issues and participating in clean-up actions.

The following is a summary of practical actions and measurements the Group is taking to minimize the negative impacts of its business to environment and actions to improve environmental affairs in areas where it operates.

Production Processes

In the Rapala Group's own production, in order to minimize the waste in painting, the lures are electronically engaged for better adherence of the paint. With this advanced painting technique, also usage and waste of lacquer is minimized.

Production waste is separated into energy, plastics, biomaterials, metals, carton, paper waste and hazardous materials to promote and increase recycling. The Group has developed new ways through which waste generated in production processes can be utilized in new products or new processes adding value to these materials. In addition, some of the Group's factories have replaced oil as an energy source with gas, which is more environmentally friendly. The lure manufacturing units in Finland and Estonia have shifted to renewable energy during 2020 decreasing generated CO₂ emissions a lot. The same transformation has been done in Marttiini factories in the beginning of 2021. In the European lure manufacturing units, the Group has invested and will further invest in waste management systems that considerably reduce VOC emissions.

Raw Materials

Hard-body lures manufactured by the Group are made of balsa, apache and various plastics. The wood is sourced from registered farms that respect local law and regulations and sustainable development rules in farming and forestry. For example the balsa used in hard lure bodies is FSC certified. The Rapala Group's R&D department continuously seeks to replace currently used raw materials with more environmentally friendly substances – yet still maintaining the products' functionality. For example, some metal lures contain lead, but to the extent that it's functionally feasible, lead is being replaced with other materials. The Group is also working in cooperation with external suppliers in order to find more environmentally friendly raw materials. Rapala aims all lures to be lead-free by 2023.

Products

Most of the Group's products are long-lasting, kept and used by consumers for years and even decades. All of the wooden parts of the Group's products are biodegradable and most of the metal used in the Group products can be recycled. The biggest environmental challenge has been the plastic products but the Group has successfully progressed in using environmentally friendly plasticizers in the soft plastic products. Even if some of the products may end up in the water or nature during e.g. the sport fishing activities, the important challenge is to get the consumers to make their used or damaged products available for recycling.

Also, increasing emphasis has been given on sustainable packaging. We have given more attention to the materials used in packaging, amount of packaging material used and to efficient packaging altogether. Our goal is to avoid unnecessary packaging, reduce the amount of virgin plastics used in packaging and increase the share of bio-based materials like paperboard in our packaging. This helps in saving energy both in manufacturing the packaging as well as transporting the products and reduces the amount of waste generated. More efficient packaging, for example, reducing the package size, decreasing the count in the inner packs and using recyclable packages saves energy in production and transportation in addition to creating less waste. The Group has replaced a lot of PVC used in packaging with PET and increased the use of post-consumer PET. We have replaced virgin, fossil-based plastics with recycled plastics in our packaging and implemented a plastic recycling process in the production.

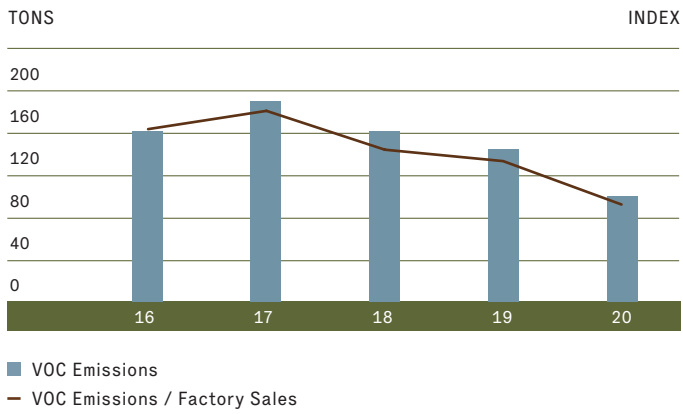
Transportation and Storage of Goods

To reduce the environmental impacts of transportation, the Group aims to maximize sea transportation and minimize air transportation between the continents, from the factories to distribution units. The Group also aims to consolidate the shipments so that small quantities will not be shipped separately. The storage of goods does not have much impact on environment other than use of energy for heating and lighting of the premises. The Group also optimizes its production to minimize the shipping volumes between factories and distribution companies and manages inventories to minimize the volume of goods stored.

Special Issues and Actions in 2020

The Group continuously develops reporting and follow-up of environmental affairs. In 2020 Rapala Group launched a new sustainability strategy aiming to be one of the leading fishing tackle companies in the world in terms of sustainability by 2024.

VOC Emissions



More work is still needed to further develop indicators according to strategy and to standardize the measurement but especially to implement new ways of working to ensure long-term improvement in the underlying environmental effects.

Together with Normark Suomi Oy, Rapala VMC Corporation founded in 2011 Rapala Fund to support locally or regionally important fisheries conservation projects, to help volunteer work-based projects by participating in the material costs, to start off more extensive and long-term projects as well as aid fisheries studies. A new website for the Rapala fund has been launched recently to celebrate its 10 years of active work. The site can be found at rahasto.rapala.fi (only in Finnish). During its lifespan, the fund has supported more than 200 projects. Among the recipients have been foundations working for aquatic restoration and sustainable use, fishery boards, fishing clubs involved in voluntary youth work and researchers and students.

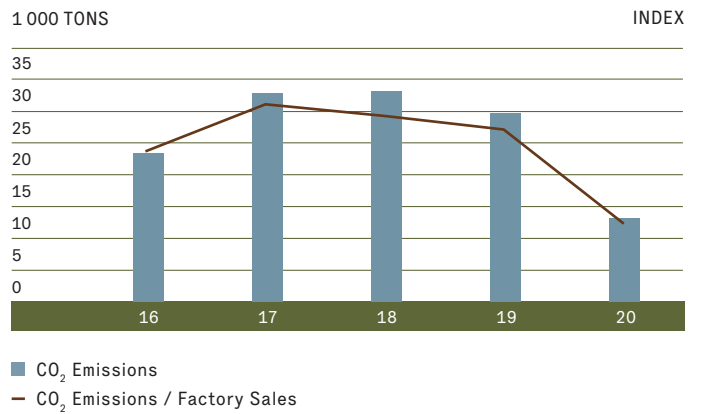
To compensate its annual carbon dioxide emissions Marttiini has started co-operation with a Finnish company Reforest. The plan is to plant 1730 trees in Forssa region in Finland. The trees will be planted to old and currently unused field areas. As the trees grow, they store carbon dioxide and thereby lower the concentration of CO₂ from the atmosphere. The number of trees planted is based on the annual CO₂ emissions of Marttiini. Through shifting to renewable energy and planting trees to compensate emissions, Marttiini aims to be carbon neutral in 2021.

The Group is currently calculating carbon footprint for Rapala lure and Marttiini knife production for the year of 2020. The calculations have been done also for 2015 and 2019. The results will help to identify and determine the most significant contributors for the carbon footprint and help in developing sustainability work further. Carbon footprint will be seen as a Key Performance Indicator (KPI) in the future.

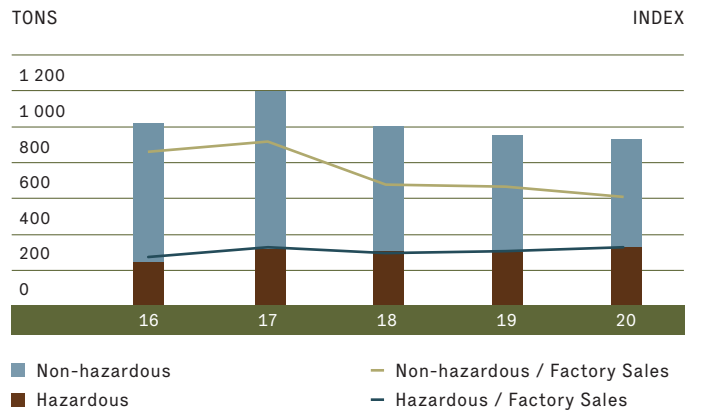
The Group's subsidiary in the USA continued its participation in the American Sportfishing Association. ASA builds and maintains relationships with other conservation agencies to ensure that sportfishing interests are represented when policies are established. The subsidiary also contributed again to the International Game Fish Association. Its mission is the conservation of game fish populations and promoting responsible and ethical angling practices through science, education and rulemaking.

Initiatives to streamline the Group's supply chain continued during 2020, focusing on consolidating logistics processes and consolidating warehousing operations to regional distribution centers in Europe.

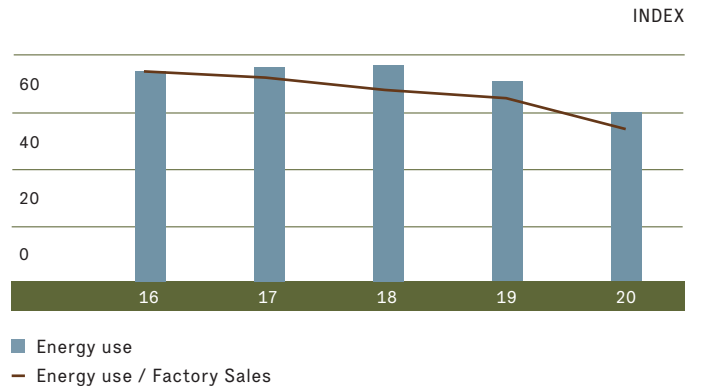
CO₂ Emissions



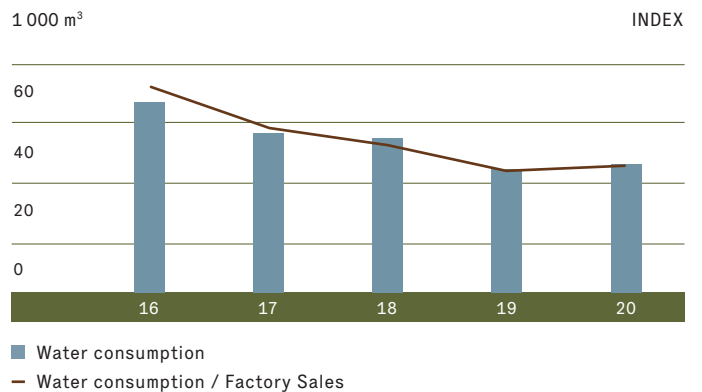
Waste



Energy use



Water consumption



Environmental Performance in 2020

The Group monitors the environmental performance of its own manufacturing operations globally. Depending on the level of use of outsourcing partners in manufacturing the environmental measures of Group's direct manufacturing operations may fluctuate from one year to another as shown in the presented graphs.

The most significant emissions for the Group are the volatile organic compounds (VOC) and carbon dioxide (CO₂). The Group's VOC emissions are calculated based on materials used in production, and CO₂ is calculated based on energy purchased and fuel used. In 2020, Group's VOC emissions were 101 (146) tons and CO₂ emissions 13 (30) thousand tons. VOC emissions originate mainly from different types of solvent used in conjunction with painting operations. Majority of the CO₂ emissions are created indirectly when energy produced elsewhere is purchased and consumed by the Group's factories. The lure manufacturing units in Finland and Estonia shifted to renewable energy during 2020 decreasing generated CO₂ emissions considerably. The Group also specified its calculation principles on CO₂ emissions in 2017 and therefore figures before and after 2017 are not totally comparable.

The Group's operations generate e.g. metal, wood, plastics, cardboard and municipal waste. Significant part of the waste is biodegradable like wood or recyclable like metals. Waste is recycled in compliance with local regulations and practices.

All the waste that can't be recycled can still be utilized and used as energy fraction towards energy production. In 2020, the Rapala Group's manufacturing operations generated 926 tons (953 tons) of waste of which 320 tons (294 tons) were hazardous waste, which is processed by disposal facilities dedicated for hazardous waste.

The Group's manufacturing is not very energy-intensive compared to many other industries but energy consumption is an environmental aspect measured by the Group. The majority of the energy is consumed in the form of electricity, natural gas and district heat. Fuel oil is used in some units for reserve and additional energy. In 2020, the Group's total energy consumption was 59 TJ (71 TJ). Majority of this is electricity. This amount does not include the fuels used in transportation and vehicles.

Manufacturing units do not use much water in their processes. Most of the use is for sanitation and catering purposes. In 2020, the water consumption was 34 000 m³ (32 000 m³).

In 2020, environmental expenses were some EUR 0.5 million (EUR 0.3 million) and environmental investments were some EUR 0.1 million (EUR 0.2 million).