

20
24
27

REMUNERATION
POLICY

Rapala[®]
VMC

CONTENTS

- REMUNERATION POLICY 3**
- 1. INTRODUCTION 3
- 2. DESCRIPTION OF THE DECISION-MAKING PROCESS 3
- 2.2. FOLLOW-UP 3
- 2.3. IMPLEMENTATION 3
- 3. DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS 3
- 4. DESCRIPTION OF THE REMUNERATION OF THE PRESIDENT AND CEO 4
- 4.1. THE COMPONENTS OF REMUNERATION USED
IN THE REMUNERATION AND THEIR RELATIVE PROPORTIONS 4
- 4.2. COMPONENTS OF POSSIBLE VARIABLE REMUNERATION AND THEIR BASIS 4
- 4.3. OTHER KEY TERMS APPLICABLE TO THE CONTRACT OF SERVICE 4
- 4.4. TERMS AND CONDITIONS FOR DEFERRAL AND POSSIBLE RECOVERY OF REMUNERATION 4
- 5. DEVIATION FROM THE REMUNERATION POLICY
AND MODIFICATION OF THE REMUNERATION POLICY 4
- 6. OTHER ISSUES 5

REMUNERATION POLICY 2024-2027

1. INTRODUCTION

This remuneration policy for the governing bodies sets the framework for the remuneration of the Board of Directors and the President and CEO of Rapala VMC Corporation (the "Company"). This remuneration policy has been prepared in accordance with the amended EU Shareholders' Rights Directive (EU) 2017/828, which has been implemented in Finland mainly into the Finnish Companies Act (624/2006, as amended), the Finnish Securities Markets Act (746/2012, as amended), the Government Decree 608/2019, and the Finnish Corporate Governance Code 2020 for listed companies.

This remuneration policy has been approved by the Board of Directors. It will be presented to the AGM in the spring 2024 and includes changes to the Policy presented to the AGM on March 26, 2020. The remuneration policy's key amendments relate to the remuneration framework, highlighting the performance-based remuneration. The phrasing of the principles concerning the President and CEO's variable remuneration was revised to allow greater flexibility concerning the structures of long-term incentive schemes. Additionally, the principles concerning the President and CEO's service contract were refined. The changes made to the remuneration policy reflect the statements of the shareholders concerning the remuneration policy and remuneration report of the Company.

The aim of the remuneration scheme of the Board of Directors and the President and CEO is to contribute to positive development of the shareholder value, enhance the competitiveness of the Company, long-term financial success, and the fulfillment of the strategy and goals set by the Company.

The key principle of the remuneration policy is that remuneration of the Board of Directors and the President and CEO shall contribute to the achievement of the abovementioned goals, as well as to serve – both as regards the level and structure – a fair, committing and competitive wholeness, which is in line with market practice.

The aim of all remuneration throughout Rapala VMC Group is to promote good performance and to motivate personnel to long-term efforts so as to reach the goals of the Company. Remuneration is one factor through which the Company pursues to ensure availability of skilled and motivated persons to all tasks in all levels of the Company's organization. These principles apply also to the remuneration of the members of the Board of Directors, and the President and CEO.

The decision-making regarding the remuneration has been described below separately as regards the Board members, and the President and CEO. The disqualification provisions of the Finnish Companies Act regarding the Board members and the President and CEO shall be complied with in the decision-making.

On its website, the Company will present information on the principles of remuneration for the Board of Directors, the President and CEO, and the Executive Committee, and currently existing remuneration schemes, and information on the remuneration of the Executive Committee on an overall level.

2. DESCRIPTION OF THE DECISION-MAKING PROCESS

2.1. PREPARATION AND APPROVAL

The remuneration policy, and possible material amendments thereto, will be prepared by the Remuneration Committee of the Board of Directors, or similar corporate body to which the preparation of remuneration has been assigned to. The Board of Directors will handle, approve and present the remuneration policy and material amendments thereto to the General Meeting. The General Meeting makes a consultative decision as

to whether it adopts the remuneration policy that has been presented to the General Meeting. The shareholders may not propose changes to the remuneration policy that has been presented to it. If the majority of the General Meeting does not decide to adopt the presented policy, a revised remuneration policy will be presented to the following Annual General Meeting at the latest.

In such a case, the decision on the remuneration of the Board of Directors and the President and CEO shall be based on the remuneration policy that has been presented earlier to the General Meeting, until the revised remuneration policy has been handled at the General Meeting.

2.2. FOLLOW-UP

The Remuneration Committee of the Board of Directors will observe the implementation of the remuneration policy annually, and when necessary, presents to the Board of Directors its proposals for actions in order to ensure proper fulfilment of the remuneration policy. The Board of Directors will present the remuneration policy to the General Meeting within, at least, intervals of four (4) years and always when material amendments have been made to the policy.

The Board of Directors will also annually present a remuneration report to the Annual General Meeting, thus allowing the shareholders to evaluate the fulfilment of the remuneration policy in the Company. The General Meeting will decide on the approval of the remuneration report. The decision of the General Meeting on the remuneration report is of consultative nature.

2.3. IMPLEMENTATION

The General Meeting of Rapala VMC Corporation will annually decide on the remuneration of the members of the Board of Directors based on the proposal of the Board of Directors or the Remuneration Committee of the Board or similar corporate body to which the preparation of remuneration has been assigned to. The decision on the remuneration of the Board of Directors will be based on the remuneration policy that has been presented to the General Meeting.

The Board of Directors of the Company will decide on the remuneration of the President and CEO in accordance with the remuneration policy. The Remuneration Committee will prepare matters pertaining to the remuneration, utilizing assistance of independent external experts when necessary.

In share-based incentive schemes, the issuance of shares, options or special rights entitling to shares is based on a resolution of the General Meeting or a resolution of the Board of Directors of the Company authorized by the General Meeting.

3. DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

The General Meeting decides annually on the remuneration to be paid to the Board members for their Board and Committee work. If a member of the Board of Directors has an employment or service relationship with the Company, he/she will be paid a normal salary based on the employment or service relationship.

The remuneration of the Board of Directors may consist of one or more components. Members of the Board of Directors may, for example, be paid an annual or monthly fee and attendance fees for meetings of the

¹ Should the General Meeting decide to establish a Shareholders' Nomination Board, such preparation duties of proposals regarding the Board that will fall upon the Nomination Board, shall be determined by the rules of procedure of the Nomination Board approved by the General Meeting.

Board of Directors, its committees or other bodies. Fees may be paid in cash and/or in part or in full in shares or other financial instruments. Remuneration paid in shares or other financial instruments may include an earning and engagement period of several years in total as well as restrictions related to lock-up periods concerning time or board membership, or recommendations relating to holding of the Company's shares. The object of long-term incentives to be paid as shares and other financial instruments is to encourage the Company's long-term financial success and contribute to favourable development of shareholder value.

4. DESCRIPTION OF THE REMUNERATION OF THE PRESIDENT AND CEO

The Board of Directors decides annually on the remuneration of the President and CEO and his/her financial benefits. Prior to the decision-making of the Board of Directors, the matter is prepared by the Remuneration Committee of the Board of Directors. The President and CEO is not a member of the Remuneration Committee and is not involved in the decision-making process regarding his/her remuneration.

4.1. THE COMPONENTS OF REMUNERATION USED IN THE REMUNERATION AND THEIR RELATIVE PROPORTIONS

The remuneration of the President and CEO consists of a fixed monthly salary with benefits in kind and variable remuneration components that will be decided each year, which may include, for example, a short-term performance-based incentive scheme and a long-term share-based incentive scheme or other long-term incentive scheme. The President and CEO may also be entitled to a defined contribution supplementary pension as part of his/her overall salary. The relative proportions of the components of remuneration may vary according to the objectives set by the Board of Directors and their achievement. The relative proportion of variable remuneration in the total remuneration should be substantial to ensure that the remuneration is sufficiently performance-based.

4.2. COMPONENTS OF POSSIBLE VARIABLE REMUNERATION AND THEIR BASIS

The variable remuneration components may be based on targets set by the Board of Directors. The targets are set in such a way that they support the realization of the Company's strategy and long-term and short-term financial success. In addition to economic criteria, targets may also include other criteria.

SHORT-TERM INCENTIVE SCHEME

Any short-term incentive payable to the President and CEO may be based on the result of the Group or other criteria decided by the Board of Directors. Normally short-term incentive targets are set and assessed on an annual basis. The payment is subject to the President and CEO's service being in effect at the time of payment, unless otherwise decided by the Board of Directors case-by-case.

LONG-TERM INCENTIVE SCHEME

A long-term incentive for the President and CEO may be a share-based incentive scheme or other similar arrangement. The objective of long-term incentives is to encourage the President and CEO to manage the Company over a long period of time in order to achieve the targets and strategy set by the Company, promoting the Company's long-term financial success and competitiveness.

The Board of Directors of the Company decides on long-term incentive schemes, which may be, for example, performance share schemes, schemes requiring the President and CEO's own investment or other long-term incentive scheme. The total duration of the long-term incentive schemes are generally several calendar years long, with a minimum of

three (3) years. The Board of Directors will decide on the possible earnings criteria for the earning period and the maximum amount of the share bonus on the proposal of the Remuneration Committee. The reward may be paid partly in shares and partly in cash or entirely in cash.

Payment of the reward is conditional on the President and CEO's service being in effect at the time of payment, unless otherwise decided by the Board of Directors in an individual case. Shares earned on the basis of the incentive scheme may be subject to transfer restrictions or an obligation to return the payment in circumstances specifically determined by the Board of Directors. In addition, the President and CEO may be subject to a requirement to hold a certain number of shares during his/her service.

4.3. OTHER KEY TERMS APPLICABLE TO THE CONTRACT OF SERVICE

The terms and conditions applicable to the service of the President and CEO are set out in his/her contract of service approved by the Board of Directors. The general rule is that the terms and conditions of the service contract are in line with market practise. The President and CEO's notice period may be up to maximum six months for both parties. The President and CEO may be entitled to a severance pay corresponding to a maximum six months' salary, if so separately agreed. The main terms of the service contract are described on the Company's website.

In the determination of the terms of service of the President and CEO the underlying principle is that the terms and conditions provide the President and CEO with a remuneration that is, as a whole and both from the level and structure viewpoint, competitive and in line with market practice.

4.4. TERMS AND CONDITIONS FOR DEFERRAL AND POSSIBLE RECOVERY OF REMUNERATION

The Company's possibilities to defer the remuneration, and to claim variable compensation already paid, are determined by the terms of the incentive schemes and the applicable Finnish legislation. Any possible deferral and/or recovery will be prepared by the Remuneration Committee and decided upon by the Board of Directors.

5. DEVIATION FROM THE REMUNERATION POLICY AND MODIFICATION OF THE REMUNERATION POLICY

The Company may temporarily deviate from the remuneration policy presented to the General Meeting if such deviation is necessary to ensure the long-term interests of the Company and the current remuneration policy would no longer be appropriate in the changed circumstances. Such situations include, for example, change of the President and CEO, major changes in the Company's strategy, changes in the Company's remuneration decision-making process, corporate restructurings, such as mergers and acquisitions or public takeover, or changes in tax or other regulations or legal praxis. The deviation may apply to all aspects of the remuneration. The Board of Directors shall decide on the deviation in respect of the President and CEO. Temporary deviations shall be reported in the annual remuneration report.

Material changes to the remuneration policy are prepared and presented to the General Meeting in accordance with the decision-making process described in section 2. In addition, the Company may make non-material changes to the remuneration policy without presenting the amended policy to the General Meeting. Such permissible non-material changes include, for example, technical changes to the remuneration decision-making process or reward terminology. Changes in legislation may also justify non-material changes to the remuneration policy of the corporate bodies.

The Board of Directors assesses the need for changes in the remunera-

tion policy. The Company will consider, in which respect and to which extent, the decision of the General Meeting on the previous remuneration policy, or statements on the remuneration reports that are published after the adoption of the previous remuneration policy, are relevant in the preparation of a new remuneration policy.

When amending the remuneration policy, the introduction of the remuneration policy shall explain:

- significant changes to existing remuneration policy;
- how the new remuneration policy reflects the decision of the Annual General Meeting on the previous remuneration policy; and
- how the new remuneration policy reflects the shareholders' statements that have been presented at the General Meetings in connection with the handling of the remuneration reports published after the adoption of the previous remuneration policy.

6. OTHER ISSUES

What is stated about the President and CEO in this remuneration policy will also extend to a potential deputy CEO registered in the Finnish Trade Register, where applicable. However, with respect to the level and structure of the remuneration, the Board of Directors is not bound by the remuneration of the President and CEO when deciding on the remuneration of the deputy CEO.

Rapala[®]
VME