

RAPALA[®]
VMC



SUSTAINABILITY REPORT **2022**

CONTENTS

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT	3
The Group Strategy, Business Model and Management Approach to Sustainable Development	3
EU taxonomy reporting	3
ECONOMIC RESPONSIBILITY	8
SOCIAL RESPONSIBILITY	9
Importance of Competent and Motivated Personnel and Human Rights	9
Supporting Local Societies	10
High-Quality Products and Services	10
ANTI-CORRUPTION AND BRIBERY	11
TAX STRATEGY AND RESPONSIBILITY	11
ENVIRONMENTAL RESPONSIBILITY	12
Approach to Environmental Affairs	12
Production Processes	12
Raw Materials	12
Products	12
Transportation and Storage of Goods	13
Special Issues and Actions in 2022	13
Environmental Performance in 2022	13

CORPORATE RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Rapala VMC Corporation has a responsibility to shareholders, customers, employees, business associates and the society as well as all people who use the 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, BUSINESS MODEL AND MANAGEMENT APPROACH TO SUSTAINABLE DEVELOPMENT

The Group's strategic objective is profitable growth that is founded on four strategic cornerstones: brands, innovation, manufacturing and distribution. In 2020 the 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 is being implemented in all Rapala VMC business units. In 2021 sustainability was raised as one of Group's core objectives.

Rapala VMC's business model builds upon the brand portfolio, manufacturing and sourcing platform, research and development knowledge, as well as broad sales network and strong local presence around the world. Group Fishing products are manufactured or subcontracted by the Group and sold under the Group's brands. These products include lures, hooks, baits, lines and accessories for sport and recreational fishing. The Group also produces and distributes winter sport and outdoor products. The Group's fishing tackle manufacturing and sourcing platform consists of Europe's largest production facilities for lures with specialized factories in Finland and Estonia, sourcing operations for lures and accessories in China, a treble hook production facility in France, hook manufacturing operations in Indonesia, knife manufac-

turing operations in Finland and Estonia and carp bait manufacturing in the UK. 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.

Main markets are located in North America and Europe. To ensure extensive regional product relevance, Rapala VMC's product and innovation team collaborates strongly with sales and marketing departments and product development and expertise in manufacturing also go hand in hand. As a result, the brand and product portfolio of the Group meets the needs of all kinds of fishermen.

The Group's own personnel operate in more than 40 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 supplier Code of Conduct was updated in 2021, and the implementation started in 2022.

The 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.

EU TAXONOMY REPORTING

The EU taxonomy is EU's judicial classification system established to meet EU's climate and energy targets and to reach the objectives set for the European Green Deal. EU taxonomy provides a harmonized framework for defining economic activities that have the most significant impact on EU's measures to prevent climate change and other actions related to environmental protection as well as the achievement of the set goals. EU taxonomy was published and entered into force in 2020. In the reporting for financial year 2021, published in March 2022, Rapala VMC as a stock exchange listed company was obliged to report the share of taxonomy eligible activities in its operations.

The current taxonomy includes six environmental objectives. To be eligible for the taxonomy, certain activity must meet the description of an economic activity included in the taxonomy classification. To be aligned with the taxonomy, a certain activity must be classified as having a substantial contribution to at least one of the six environmental objectives without harming the others. Environmental objectives according to the taxonomy are:

- Climate change mitigation
- Climate change adaptation
- Protection and restoration of biodiversity and ecosystems
- Prevention and reduction of environmental pollution
- Transition to a circular economy
- Sustainable use and protection of water and marine resources

In the first phase, the EU taxonomy classification system and eligibility covers the sectors with the highest potential to reach the EU-level goals set for climate change mitigation and adaptation (cutting net carbon dioxide emissions by 55% from the 1990 level by 2030 and achieving carbon neutrality by 2050). Based on this starting point, EU Taxonomy includes the sectors that have the highest total carbon dioxide emissions (roughly 40% of listed companies, in sectors which are responsible for almost 80% of direct greenhouse gas emissions in Europe) and, according to research evidence, have the highest probability to avoid and reduce carbon dioxide emissions, remove carbon dioxide emissions or store them for long periods, or enable such activities in the context of other operations. Besides classifying the sectors fulfilling the criteria described above (eligibility), EU taxonomy regulation determines how these activities can be sustainable if they substantially promote one or more of the environmental goals and do not cause significant harm to any other goals and in addition meet the minimum social safeguard criteria (alignment). The regulation lays down science-based technical screening criteria which determines when certain activities can be considered sustainable.

In reporting for financial year 2022, published in March 2023, Rapala VMC is obliged to report also the share of taxonomy alignment in its operations according to requirements for stock exchange listed companies. Taxonomy aligned activity needs to be carried out in compliance with the minimum social safeguards and do no significant harm -criteria determined in the EU taxonomy regulation. Therefore, taxonomy aligned economic activities meet certain minimum governance standards and do not harm social norms such as human and labor rights.

Rapala VMC has conducted an analysis regarding the EU taxonomy based on existing information. As the outcome of the analysis, it was

found that none of the Group's business activities fall within the sectors specified by the EU taxonomy as having a key role in achieving the climate-related and environmental objectives of EU. Rapala VMC values highly and is committed to these objectives and considers environmental factors alongside financial perspectives in its operations but as Group's activities cover manufacturing and distributing of fishing tackle equipment and outdoor and winter sports equipment to consumers, Rapala VMC does not represent any of the sectors or activities with the highest potential to reach the EU-level goals for climate change mitigation as currently specified in the taxonomy. Therefore, none of the current operations can be determined as taxonomy eligible. Production and distribution of consumer goods does not yet have technical screening criteria, but Rapala VMC sees that its economic activities may be able to make substantial contribution to the upcoming objectives, for which technical screening criteria have not yet been developed.

Even though Rapala VMC's activities aren't taxonomy eligible as such, the Group made some investments during 2022 which are taxonomy eligible CapEx and therefore reported according to taxonomy requirements later in this section. The Group has invested into solar panels which fall under the economic activity 7.6. *Installation, maintenance and repair of renewable energy technologies*. This CapEx purchase is related to output from taxonomy eligible economic activities and using these installed solar panels in Group's operations will contribute to greenhouse gas reduction.

As part of Group's own sustainability targets, Rapala VMC explores and utilizes possibilities of circular economy in raw materials and manufacturing processes and utilizes production side streams whenever possible. The Group also aims at reducing its greenhouse gas emissions by, e.g., changing to renewable energy in its manufacturing sites

and prevents environmental pollution in operations when feasible but creating technologies for these solutions is not part of Group's operations. Healthy ecosystems and waters are key for successful current and future business for Rapala VMC but impacting these comes mostly from Group's voluntary restoration projects and designing own products to be as sustainable and harmless to environment as possible instead of developing solutions in ways described in the taxonomy. Rapala VMC conducts risk assessment work to be better prepared to climate change mitigation and adaptation and will assess its operations against the taxonomy continuously in the future. The Group's sustainability work in these areas is described in more detail in other sections of this responsibility report.

TABLE 1: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN 2022 (MEUR)

Economic activities (1)	Code(s) (2)	Absolute turnover (3) EUR	Proportion of turnover (4) %	Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)						Minimum safeguards (17) Y/N	Taxonomy-aligned proportion of turnover, year 2022 Percent	Category (enabling activity or) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N				

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%									0.0%	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustain- able activities (not Taxonomy-aligned activities) (A.2)		0.0	0.0%																
Total (A.1 + A.2)		0.0	0.0%															0.0%	

**B. TAXONOMY-NON-ELIGIBLE
ACTIVITIES**

Turnover of Taxonomy-non-eligible activities (B)		274.4	%
Total (A + B)		274.4	%

TABLE 2: PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN 2022 (MEUR)

Economic activities (1)	Code(s) (2)	Absolute CapEx (3) EUR	Proportion of CapEx (4) %	Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)						Taxonomy-aligned proportion of CapEx, year 2022 (18) Percent	Category (enabling activity) or (20) E	Category ‘transitional activity’ (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N			

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1. Environmentally sustainable activities (Taxonomy aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.0	0.0%	0%	0%	0%	0%	0%	0%										0.0%
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Installation, maintenance and repair of renewable energy technologies	7.6.	0.27	2.35%																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.27	2.35%																
Total (A.1 + A.2)		0.27	2.35%																2.35%

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)		11.2	97.65%
Total (A + B)		11.5	100.00%

TABLE 3: PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN 2022 (MEUR)

Economic activities (1)	Code(s) (2)	Absolute OpEx (3) EUR	Proportion of OpEx (4) %	Substantial contribution criteria						DNSH criteria (‘Does Not Significantly Harm’)							Taxonomy-aligned proportion of OpEx, year 2022 (18) Percent	Category (enabling activity or) (20) E	Category (transitional activity) (21) T
				Climate change mitigation (5) %	Climate change adaptation (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Climate change mitigation (11) Y/N	Climate change adaptation (12) Y/N	Water and marine resources (13) Y/N	Circular economy (14) Y/N	Pollution (15) Y/N	Biodiversity and ecosystems (16) Y/N	Minimum safeguards (17) Y/N			
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%									0.0%	
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)		0.0	0.0%																
Total (A.1 + A.2)		0.0	0.0%														0.0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		7.5	100.0%																
Total (A + B)		7.5	100.0%																

ECONOMIC RESPONSIBILITY

Rapala VMC'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 more than 40 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

- Employees 59%
- Public Sector 21%
- Creditors 4%
- Shareholders 6%
- Business Development and Other 10%

The Group creates value for its customers by offering its products and services worldwide. By unit location, North America contributed 48%, Nordic countries 14%, Rest of Europe 26% and Rest of the World 12% to the Group's total external net sales in 2022. More detailed geographical information is presented in note 2 to the consolidated financial statements.

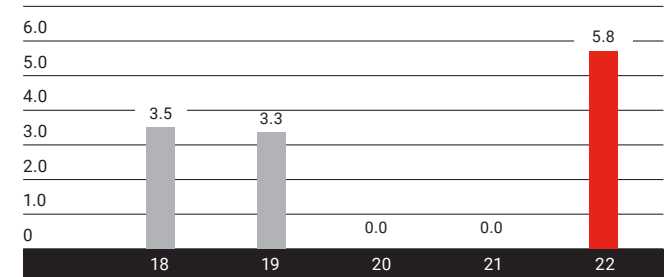


SALES BY GEOGRAPHICAL AREA

- North America 48%
- Nordic Countries 14%
- Rest of Europe 26%
- Rest of the World 12%

In 2022, Group companies paid interests and other expenses of EUR 3.9 million to financial institutions and corporate income taxes of EUR 6.2 million to tax authorities worldwide. In 2022 EUR 5.8 million of dividends were paid to the shareholders. The graph below presents dividends paid in last five years.

DIVIDENDS PAID



SOCIAL RESPONSIBILITY

IMPORTANCE OF COMPETENT AND MOTIVATED PERSONNEL AND HUMAN RIGHTS

With 1 543 employees in more than 40 countries worldwide, Rapala VMC 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 rights 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.

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 2022, 53% of the employees worked in manufacturing, innovations and PD, 17% in supply chain, 17% in sales and marketing and 13% in administration.

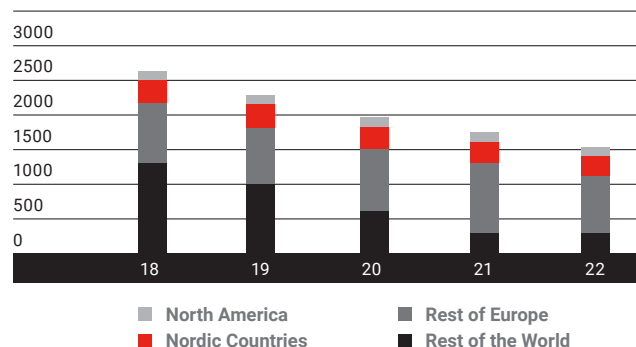
PERCENTAGES OF MEN & WOMEN

	2020	2021	2022
Men 54%	53%	49%	54%
Women 46%	47%	51%	46%
Total	100%	100%	100%

AGES OF PERSONNEL

	2020	2021	2022
Under 29 years 15%	27%	17%	15%
30-49 years 53%	47%	52%	53%
Over 50 years 32%	26%	31%	32%
Total	100%	100%	100%

PERSONNEL BY GEOGRAPHICAL AREAS



PERSONNEL BY FUNCTIONS

- Sales and marketing 17%
- Manufacturing, innovations and PD 53%
- Supply chain 17%
- Administration 13%

The Group's employee benefit expenses of EUR 71.5 million in 2022 represent 26% of the consolidated net sales. The employee benefits include wages, salaries, pension and other social security costs as well as other performance incentives. More information on top management's remuneration is presented in Remuneration Policy, Remuneration Report and on corporate website.

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 Group operates in more than 40 countries and expands 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 stakeholders. 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 participate in environmental cleaning projects organized by non-profit organizations.

Rapala VMC Corporation is a founding 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.

The Group's subsidiary in the USA continued its participation in the American Sportfishing Association (ASA), which 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 (IGFA). IGFA's mission is the conservation of game fish populations and promoting responsible and ethical angling practices through science, education and rulemaking.

In Canada, the Group has participated in a national organization which promotes sports participation for underprivileged youth and is also an active member of local sports fishing associations. Also in the USA, the

Group has provided products to many local schools for their outdoor curriculums and sponsored tournaments and competitions as well as other organizations focusing on offering fishing experiences for children.

In Poland, Rapala VMC arranged 'I'm eco with Rapala' campaign with an aim to clean the Polish waterways. About 2 800 people attended to the campaign, and the volunteers were able to pick up approximately 200 tons of garbage.

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. The co-operation with Keep the Archipelago Tidy Association and Finnish Freshwater Foundation supports the Group's target to provide clean fishing waters also for future generations. In addition, the co-operation with Finnish Federation for Recreational Fishing (FFRF) and the Finnish 4H Federation to support young anglers with the lure recycling campaign launched originally in 2021.

HIGH-QUALITY PRODUCTS AND SERVICES

Rapala VMC's distribution network covers six continents and is locally present in around 40 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 IGFA world records.

The Group's research and development expenses totaled to EUR 1.3 million in 2022 and represent 0.5% of the Group's net sales for the period.

ANTI-CORRUPTION AND BRIBERY

Preventing corruption and bribery is a key element of Rapala VMC'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 an anti-corruption and bribery policy which was implemented in 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 regardless of 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 is a part of the Group's Code of Conduct.

Rapala VMC Corporation provides an open whistleblowing channel, managed by a third-party WhistleB. The whistleblowing channel ensures the confidentiality of the so-called whistleblower and can be used to alert the company about suspicions of misconduct in a confidential way. The channel is available at Rapala VMC Corporation's corporate website.

The Group has no knowledge of material malpractices but monitors the situation continuously, e.g., through the whistleblowing channel and pays attention to the compliance with the anti-corruption and bribery policy.

TAX STRATEGY AND RESPONSIBILITY

Rapala VMC Group's tax strategy is based on the strategic aims of our business, our Code of Conduct and sustainability strategy, as well as on the Group's tax policy.

Rapala VMC tax function, which is part of the finance function and reports to CFO, works together with the business operations and aims to continuously protect shareholder value by supporting the business activities with tax efficient approach.

A key principle is to pay statutory taxes in the correct amount and on time, respecting applicable local tax laws, rules and regulations, EU directives and regulations, OECD transfer pricing guidelines and all other laws, rules and regulations which may be applied to our operations in various countries around the world. We also continuously follow changes in these laws, rules, and regulations.

Solid commercial rationale is the basis for all our business planning. In our intra-group transactions, we apply arm's length transfer prices. We engage with tax authorities with respect and based on co-operation.

In order to monitor and mitigate tax risks of Rapala VMC Group, we have set up controls and processes. The Group's tax position is reported to the shareholders as part of our financial reporting.

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 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 sustainability strategy in 2020, 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 2022.

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. The Group updated its supplier Code of Conduct in 2021 and has started its implementation in 2022. This aims at better control of the ESG aspects of also sourced products. Later, the Group plans to undergo a project to standardize and further enhance auditing processes for our suppliers. In 2022, the Group also launched a social audit project, in which third party actors will examine some of Group's manufacturing sites in 2023.

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 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 shifted to renewable energy in 2020 decreasing generated CO2 emissions considerably. The same transformation was done in Marttiini factories in 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 mainly FSC-certified. The 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. Almost 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. In addition, the Group develops the recycling of its products.

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. In 2021, Marttiini introduced a plastic-free packaging for some of its products. The first-ever plastic-free packaging for Rapala hard bait was introduced in 2022.

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 2022

The Group continuously develops reporting and follow-up of environmental affairs. Rapala VMC is also preparing for the upcoming EU re-

porting requirements and has started the implementation of Tofuture system for environmental and social responsibility data collection. In addition, we have taken the new requirements into consideration by conducting a double materiality ESG analysis together with our key stakeholders and by conducting internal analysis on sustainability-related business risks in our industry.

The Group's year in sustainability was successful as we advanced our sustainability work significantly on many fronts. More ecological packaging is at the core of our sustainability work, and we were able to make considerable progress on the topic by multiple brands. In the beginning of the year, Rapala introduced the first plastic-free packaging for a hard bait by launching Flash-X Dart and Flash-X Skitter lures. Our brand, Dynamite Baits has successfully transferred to recyclable packaging for its products. In addition, VMC has introduced more ecological packaging that utilizes recycled plastic and more cardboard instead of plastic. Our products are also a vital part of our sustainability work. In the beginning of November, together with WWF Finland, Marttiini launched a knife that utilizes plastic sidestreams obtained from lure production and a completely bio-based biocomposite material procured from an external manufacturer. In the beginning of the year, the carbon footprint analysis conducted for different types of lures supports our product development in designing more ecological lures in the future.

To extend our sustainability work also to our supply chain, in 2021 we updated our Supplier Code of Conduct (sCoC) to better reflect with our current sustainability targets. The implementation of the new sCoC has continued throughout 2022 according to the original plan. This is an important part of our target to extend our sustainability actions also to our supply chain

Marttiini knife production and Rapala lure manufacturing aim to reduce their carbon footprint during the upcoming years, and to achieve this target we made a significant investment by purchasing solar panels. Dynamite Baits factory invested in solar panels in the beginning of the year to cover about 50 % of their electricity consumption. However, the

unit decided to make an additional investment on the second half of the year so that the energy produced by the panels would fully cover their electricity use.

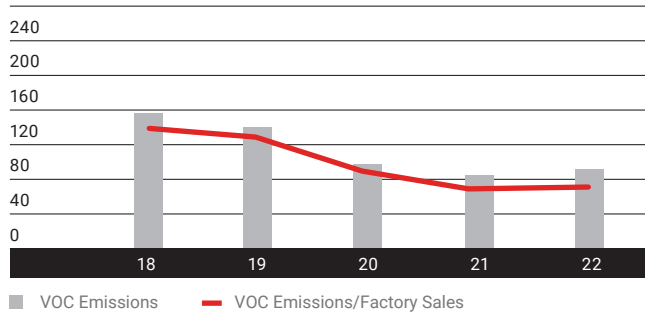
During 2022, the Group continued risk management work started in 2021 with an ESG risk group to assess and identify ESG-related risks that could have an effect on Group's business and operations. This group will meet repeatedly and continue the assessment work also in 2023.

ENVIRONMENTAL PERFORMANCE IN 2022

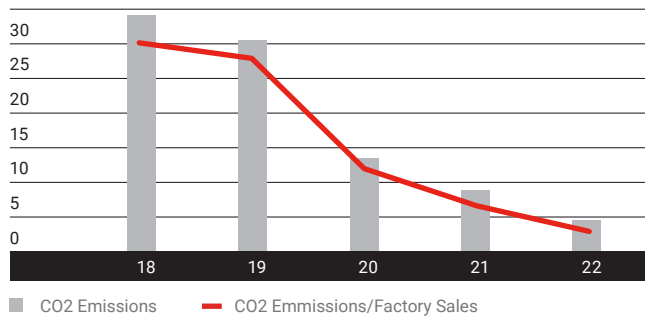
The Group monitors the environmental performance of its own manufacturing operations globally. Depending on the level of use of outsourcing partners in manufacturing the environmental measures of Group's direct manufacturing operations may fluctuate from one year to another as shown in the presented graphs. The Group will monitor the carbon dioxide emissions in a more detailed manner in the future as outlined in the sustainability strategy.

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 2022, Group's VOC emissions were 96 (89) tons and CO₂ emissions 5 (9) thousand tons. VOC emissions originate mainly from different types of solvent used in conjunction with painting operations. In 2022 the Group invested into a machine which is meant to neutralize Pärnu factory's VOC emissions in the future. 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 and the same shift was done in Marttiini manufacturing in 2021. This decreased generated CO₂ emissions considerably. Closure of Batam lure manufacturing unit in Indonesia also decreased generated CO₂ emissions.

VOC EMISSIONS, tons



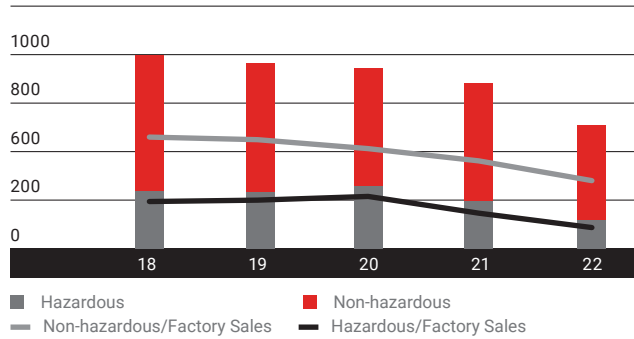
CO₂ EMISSIONS, 1 000 tons



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.

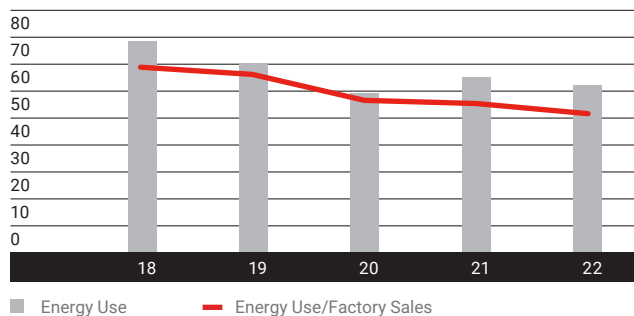
All the waste that can't be recycled can still be utilized and used as energy fraction towards energy production. In 2022, the Group's manufacturing operations generated 635 tons (851 tons) of waste of which 148 tons (245 tons) were hazardous waste, which is processed by disposal facilities dedicated for hazardous waste.

WASTE, tons



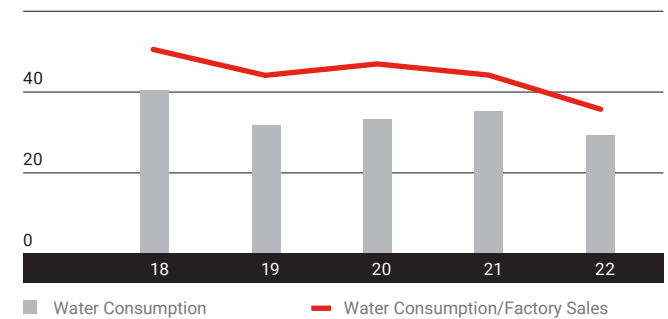
The Group's manufacturing is not very energy-intensive compared to many other industries but energy consumption is an environmental aspect measured by the Group. The majority of the energy is consumed in the form of electricity, natural gas and district heat. Fuel oil is used in some units for reserve and additional energy. In 2022, the Group's total energy consumption was 64 TJ (66 TJ). Majority of this is electricity. This amount does not include the fuels used in transportation and vehicles.

ENERGY USE, tj



Manufacturing units do not use much water in their processes. Most of the use is for sanitation and catering purposes. In 2022, the water consumption was 29 000 m³ (36 000 m³).

WATER CONSUMPTION, 1 000 m³



In 2022, environmental expenses were some EUR 0.3 million (EUR 0.3 million) and environmental investments were some EUR 0.7 million (EUR 0.0 million). These figures are calculated according to Group's own classification and not based fully on EU taxonomy. Environmental investments in 2022 include e.g. solar panels to factories and a machine to neutralize created VOC-emissions in Pärnu factory.



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