

**RAPALA VMC CORPORATION**  
**CORPORATE GOVERNANCE**  
**STATEMENT**

**DECEMBER 31, 2009**

## **CORPORATE GOVERNANCE STATEMENT**

Rapala's Corporate Governance is based on Finnish Companies Act, other regulations concerning publicly listed companies, Rapala's articles of association and the rules and instructions concerning listed companies of the NASDAQ OMX Helsinki. Rapala adheres to the Finnish Corporate Governance Code, which is publicly available e.g. on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi). The full version of Rapala's Corporate Governance document, as well as this Corporate Governance Statement, is available at the website [www.rapala.com](http://www.rapala.com). This Corporate Governance Statement is presented separately from the Review of the Board of Directors (Board).

### **General Meeting**

The General Meeting is the highest decision-making body of a limited company where the shareholders participate in the supervision and management of the company. The Annual General Meeting (AGM) decides on the matters stipulated in the Companies Act and Rapala's Articles of Association.

The Group President, the Chairman of the Board and a sufficient number of Directors shall attend the General Meeting. A person nominated for the first time to be elected as a member of the Board shall participate in the General Meeting where the election takes place unless there are well founded reasons for the absence.

The AGM of the Company is held once a year. According to the Articles of Association, the AGM shall be held before the end of June. An extraordinary General Meeting is to be convened when necessary. The shareholders exercise their rights of vote and action at the General Meeting. Each share is entitled to one vote in the AGM.

Under the Articles of Association the shareholders of the Company are invited to the General Meeting by publishing the invitation and the agenda in a widely circulated daily paper and on the Company website as decided by the Board. The invitation to the Annual General Meeting shall state the matters to be handled at the General Meeting. The minutes of the AGM are published on Rapala's website at [www.rapala.com](http://www.rapala.com).

More information on the AGM is found on the Company website.

### **Board of Directors**

The members of the Board are elected by the AGM. The term of a member of the Board lasts until the next AGM. The Board elects the Chairman to serve until the next AGM.

The duties and responsibilities of the Board are principally based on the Finnish Companies Act and the Company's Articles of Association. All significant issues concerning the Company are decided by the Board. These include, but are not limited to, appointing and removing the CEO, approving strategic guidelines, financial statements, interim reports, business plans, annual budgets, stock exchange releases and considerable investments or divestments.

The Articles of Association provide that the Board consists of no fewer than five and no more than ten members. A person elected as a member of the Board shall have the qualifications required to perform the Directors' duties and the possibility to devote sufficient time to the work. The current Board comprises seven members: the Group President & CEO, the Head of Rapala's Chinese Manufacturing Operations and Hong Kong Office, and five non-executive members: Mr. Emmanuel Viellard,

Mr. Eero Makkonen, Mr. Jan-Henrik Schauman, Mr. Marc Speeckaert and Mr. Christophe Viellard. In addition, all members of the Board, other than Mr. Emmanuel Viellard, Mr. Christophe Viellard and Marc Speeckaert, are independent of significant shareholders of the Company. Rapala does not follow the Corporate Governance recommendation for the independency of Board members to the extent that the Group President & CEO as well as Head of Group Chinese Manufacturing Operations and Hong Kong Office are members of the Board in addition to their executive positions. Their membership in the Board is based on their significant shareholding in the Company as well as a broad know-how and long-term experience in fishing tackle industry. The Board does not have deputy members.

During the financial year 2009, the Board met 14 times. The average attendance rate at these meetings was 93.9%.

The current members of the Board are:

**Emmanuel Viellard**

Chairman

Chairman of the Rapala Board since 2005

B.A., CPA

President of Viellard Migeon & Cie

Vice Chairman and Executive Vice President of Lisi Industries

Year of birth: 1963

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 100 000

Options\*: 10 000

**Jorma Kasslin**

President and Chief Executive Officer

Rapala Board member since 1998

M.Sc. (Eng.)

Year of birth: 1953

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 680 000

Options\*: 57 000

**Eero Makkonen**

Rapala Board member since 1998

Chairman of the Rapala Board 1999-2005

B.Sc. (Eng.)

Year of birth: 1946

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 100 000

Options\*: 10 000

**Jan-Henrik Schauman**

Rapala Board member since 1999

M.Sc. (Econ.), MBA

Year of birth: 1945

Shareholding\*: -

Options\*: 10 000

**Christophe Viellard**

Rapala Board member since 2000

Chairman of Viellard Migeon & Cie

Diploma ESCP

Year of birth: 1942

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 100 000

Options\*: 10 000

**King Ming (William) Ng**

Head of Rapala's Chinese Manufacturing Operations and Hong Kong Office

Rapala Board member since 2001

B.Sc. (Eng.)

Year of birth: 1962

Shareholding\*: 1 770 843

Options\*: 15 000

**Marc Speeckaert**

Rapala Board member since 2005

MBA

Year of birth: 1951

General Manager of Sofina

Shareholding and options\*: -

\*Shareholdings and options on December 31, 2009. Options also include synthetic options.

**Board Committees in 2009**

In 2009, the Board had only one Board committee, the Remuneration Committee. The Remuneration Committee operates under its charter and its main responsibility is to prepare the decisions of the Board relating to the remuneration of key employees of the Group. The Committee's other tasks include reviewing and making recommendations with respect to the terms of employment of the CEO and reviewing the remuneration packages of the Executive Committee members and some other senior managers.

The Remuneration Committee is chaired by the Chairman of the Board, Emmanuel Viellard. Its members are drawn from the Company's non-executive and independent Directors and currently consist of Eero Makkonen and Jan-Henrik Schauman. Committee members' appointments run concurrently with a Director's term as a member of the Board. In 2009, the Committee met two times. The attendance rate at these meetings was 100%.

Since the Company does not have a separate Audit Committee, the entire Board is responsible for the tasks of an Audit Committee. These include the control of the financial reporting, external accounting, internal control and risk management issues. Of the seven Board members, at least three have the necessary financial expertise to assume these duties. The Board is regularly in contact with the auditors of the Company.

The Board has not appointed a Nomination Committee due to the size of the Group and the significant shareholding represented by the current members of the Board. Nomination issues are managed by the Board.

## **President and CEO**

The CEO is appointed by the Board. Since 1998, Mr. Jorma Kasslin has acted as the CEO and as a member of the Board.

The CEO also acts as the Group's President. The duties and responsibilities of the President are set forth in the Finnish Companies Act. The President & CEO is responsible for the day-to-day management of the Group in accordance with the instructions and rules given by the Board. Unless separately authorized by the Board, the CEO shall not take actions, which may be considered unusual or far-reaching in view of the scope and nature of the Company's business. The CEO is entitled to represent the Company in any matter within his/her authority. The CEO chairs the Executive Committee. The CEO's service terms and conditions have been specified in writing in a service agreement approved by the Board.

## **Executive Committee**

The Executive Committee assists the CEO in planning and managing the operations of the Group. The members of the Executive Committee report to the CEO. The Executive Committee convenes under the leadership of the CEO and is composed of different Executive Committee members depending on the matters at hand.

The current members of the Executive Committee are:

### **Jorma Kasslin**

President and Chief Executive Officer (CEO)  
Rapala Executive Committee member since 1998  
See information in section "Board of Directors"

### **Jouni Grönroos**

Chief Financial Officer (CFO)  
Rapala Executive Committee member since 2005  
Shareholding\*: 19 001  
Indirect shareholding through a controlled corporation\*: 30 000  
Options\*: 33 250

### **King Ming (William) Ng**

Head of Chinese Manufacturing Operations and Hong Kong Office  
Rapala Executive Committee member since 2001  
See information in section "Board of Directors"

### **Olli Aho**

Company Counsel, Secretary of the Board and Investor Relations  
Rapala Executive Committee member since 1998  
Shareholding\*: -  
Indirect shareholding through a controlled corporation\*: 70 000  
Options\*: 32 000

**Juhani Pehkonen**

Head of Lure Business

Rapala Executive Committee member since 1998

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 30 000

Options\*: 32 000

**Stanislas de Castelnau**

Head of Fishing Hook Business

Rapala Executive Committee member since 2002

Shareholding\*: -

Indirect shareholding through a controlled corporation\*: 10 000

Options\*: 29 500

**Tom Mackin**

President of Rapala USA

Rapala Executive Committee member since 2007

Shareholding\*: 3 000

Indirect shareholding through a controlled corporation\*: 10 000

Options\*: 32 000

**Lars Ollberg**

Head of Fishing Line and Accessory Business

Rapala Executive Committee member since 2008

Shareholding\*: 2 475

Indirect shareholding through a controlled corporation\*: 30 000

Options\*: 20 500

\*Shareholdings and options on December 31, 2009. Options also include synthetic options.

**Business Organization and Responsibilities**

The Group comprises the parent company and the manufacturing and distribution subsidiaries. The head offices of the Group are located in Helsinki and Brussels. The share of the Company is quoted on the NASDAQ OMX Helsinki.

Responsibility for the management of these subsidiaries rests with each company's Board, which typically comprises, the Group President, the Group Chief Financial Officer, the Company Counsel and the subsidiary's President. In addition, the Group companies have their own management teams. The Group's business organization consists of three operating segments: Group Fishing Products, Other Group Products and Third Party Products.

**Remuneration**

In 2009, the annual fee to the Chairman of the Board was EUR 60 000 and the fee to other Board members was EUR 30 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board are paid a daily travel allowance and reimbursed for travel expenses corresponding to the Company's traveling compensation principles.

The monthly salary of the CEO is EUR 23.542. The CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued for 2009 totaled

EUR 109.400. In addition to the mandatory pension insurance, the CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. The retirement age and pension of CEO are determined in accordance with the legislation in force. The Company shall give notice at any time or using 24 months notice period and the CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the Company without a cause, the CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

The CEO and senior management of the Group participate in the Group's senior management bonus scheme. Every year, a profit bonus scheme is established for the following year. The amount and payment of the bonus requires that EBITDA and cash flow targets set by the Board are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board. Bonuses awarded under the scheme are paid in two installments, the first when the audited results for the relevant financial year are known and the second after a predetermined vesting period of few months, to encourage retention of senior management.

For compensation of the Board, the CEO and the Executive Committee, see note 28 in the consolidated financial statements.

### **Risk Management, Internal Control and Internal Audit**

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. This is done by monitoring and mitigating the related threats and risks while simultaneously identifying and managing opportunities. The Board evaluates the Group's financial, operational and strategic risk position on a regular basis and establishes related policies and instructions to be implemented and coordinated by Group management. The Board monitors the business activities of the Company and is responsible for ensuring that accounting, reporting and asset management are organized appropriately.

The CEO and Group Risk Management continuously monitor changes in business environment and coordinate the management of the Group's strategic, operational and financial risks. Group Risk Management consists of Group CFO, Group Treasurer and Group Risk Manager and convenes on a regular basis. The daily risk management activity is primarily allocated to the management of the business units, who are responsible for managing the local strategic, operational and financial risks.

All Group companies report their financial performance and position at least once a month to the Group Finance, which prepares management analyses and reports for the Board and the Executive Committee. Business performance and internal control issues are reviewed also in global and regional management meetings a few times each year. In addition, Group Finance performs business unit reviews and visits during the year.

The Group does not have a separate Internal Audit organization due to the size of the Group's operations. The Group Finance, lead by the CFO, is responsible for regular reviews of financial performance and internal control procedures at Group companies and reporting significant findings to the CEO and the Board. From time to time, management conducts or buys external services, if needed, to conduct specific and limited internal audits. In 2009, one such internal audit was performed. The absence of an in-house internal audit organization is also taken into account in the external audit.

The President and Controller of each subsidiary meet annually with the local auditor to discuss internal control and statutory compliance issues. The auditors of each subsidiary provide an audit opinion to the

auditors of the Company at the conclusion of each annual audit. Each annual audit may also give rise to the preparation of a management letter to the Company outlining their audit findings in greater detail and recommending any improvements in internal controls. In addition, the auditors of the Company meet regularly the Group Management representatives of the Company to discuss and review the business and related financial, accounting, internal control and risk management issues.

### **Insider Administration**

The Group's guidelines on insider administration follow the Guidelines for Insiders issued by the NASDAQ OMX Helsinki. Under the Group's guidelines on insider administration, both permanent and project specific insiders are subject to trading restrictions regarding the Company's securities. The permanent insiders as well as persons under their custody and the corporations controlled by them are prohibited from trading with the securities three weeks prior to the publication of an annual or quarterly report of the Company. The project specific insiders are prohibited from trading with the securities during their project participation. The Company arranges internal communication, training and supervision of insider issues.

Information on persons included in the public insider register can be found on the Company's website.

### **Audit**

Ernst & Young is responsible for the audit of the majority of Group companies globally. The auditors of the parent company, Ernst & Young Oy, are responsible for instructing and coordinating the audit in all Group companies. The auditor in charge is Mikko Järventausta, CPA. The fact that the Group has no separate internal audit organization of its own is reflected in the scope and content of the audit.