

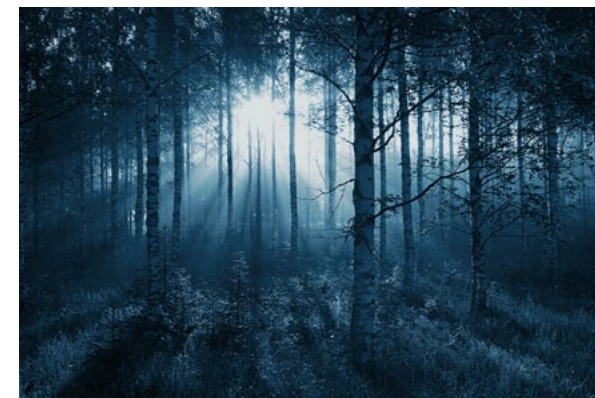
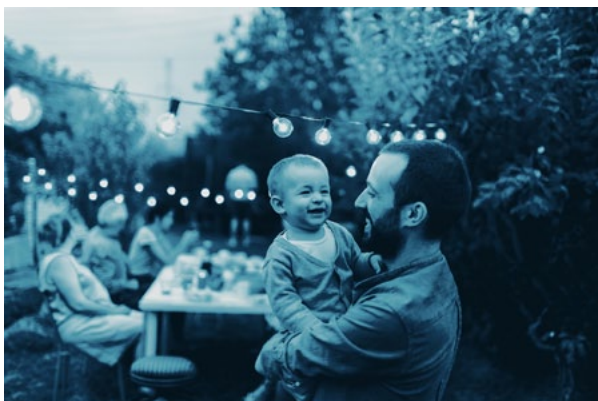
NEOVA^{GROUP}

CREATING GREEN GROWTH

2021 Group
Business operations
Financial statements
and board of directors report
Sustainability report



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NEOVA GROUP

Neova is a international company whose aim is
to ensure the basic conditions of life for everyone:
clean food, clean air and clean water.

WE ARE CREATING GREEN GROWTH

Neova is a Finnish company operating in international markets. Our business operations promote professional growing and home gardening, the construction of attractive and pleasant living environments and the well-being of animals. We provide corporate and consumer customers local fuels and develop products for air and water purification.

OUR VALUES

- Focus on customer success
- Achieving together
- Trust through respect
- Courage to renew

OUR STRATEGY

- We boost healthy local food production
- We offer local fuels
- We are part of the solution for the world's freshwater problem
- We provide new solutions to purify polluted environments
- We create well-being

FINANCIALS

- We aim for sustainably profitable business growth based on global megatrends such as urbanization, climate change and digitalization.





NEOVA GROUP

Financial year 1 January–31 December 2021

Consolidated
turnover

502.6
EUR million

Consolidated
operating profit

22.8
EUR million

Balance sheet
total

780.9
EUR million

Equity
ratio

55.2
%

Average number
of employees

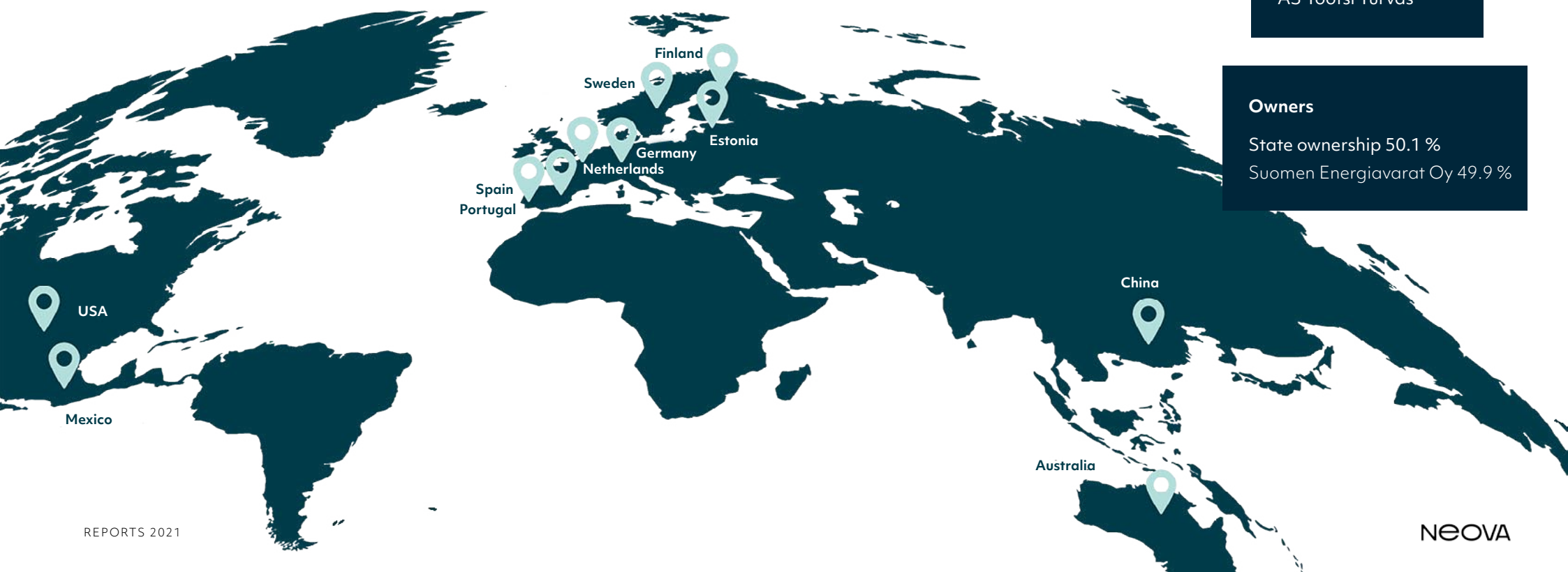
922
people

Neova-ä

Neova Oy
Kekkilä-BVB Oy
Kekkilä Oy
BVB Substrates B.V.
G&C Materials Oy
Hasselfors Garden AB
Kekkilä -BVB Iberia
Kekkilä-BVB Eesti
Neova AB
AS Tootsi Turvas

Owners

State ownership 50.1 %
Suomen Energiavarat Oy 49.9 %





CEO'S REVIEW

THE REVISED STRATEGY WORKS

Three years ago, Vapo was an energy company that derived most of its turnover and profit from fuels and the production of heat and electricity. At the time, the Group's future strategic focus areas were defined as seeking growth in the international growing media market and the development and marketing of new, high added-value products based on natural materials.

The new strategy announced in 2018 has proved to be highly effective in the rapidly changing operating environment. Very good progress was made in the execution of the strategy in 2021. At the beginning of 2021, we sold Nevel Oy, which specialises in the production of heat and electricity, started the commissioning of our first activated carbon production facility, and our subsidiary Kekkilä-BVB continued to outgrow the market in our main business segments, namely products and services targeted at professional growers, home gardeners and landscapers.

The change has been very rapid. Kekkilä Group's turnover has grown from just over EUR 100 million in 2018 to nearly EUR 340 million in 2021. The rate of organic growth in 2021 exceeded 10 per cent, although

part of it was attributable to higher costs that led to price increases. Kekkilä-BVB is a leading European player in its field with a market share of roughly 10 per cent in Europe. The company's market is not limited to Europe, however. Its products are exported to, and used in, about 130 countries around the world. We established subsidiaries in China and the United States in 2021 and, right at the end of the year, we strengthened our position through acquisitions for example in Germany and Italy. We now operate in 12 countries.

The share of the energy business in our Group will continue to decrease, as we made the decision in the autumn to phase out the production of milled energy peat. In December 2021, we announced a transaction that will see us consolidate our fuel wood business with Biowatti Oy, a company owned by Lassila & Tikanoja.

We will own 45 per cent of the joint venture. The transaction is pending approval by the competition authorities.

In May 2021, we changed the company name to Neova Oy. Approximately two-thirds of the Group's turnover comes from the international growing media company Kekkilä-BVB. In addition, we are building business around activated carbon, which is used for the purification of air and water, for example. The company's previous name was closely associated with our history as a Finnish energy company. For this reason, we decided to redesign our company image and we have been known as Neova Oy since 6 May 2021. Vapo is still used by the Group as a brand for selling biofuels, amongst other things.

Sustainability is a high priority

Sustainability is an integral part of our business and it develops in response to changes in our business environment and stakeholder expectations. Last year, we updated our sustainability strategy and sharpened our

Our goal is to create sustainable green growth in all of our business areas.

sustainability themes and medium-term (2025) and long-term (2030) sustainability targets. Our goal is to create sustainable green growth in all of our business areas. In practice, this means that the added value created by our products and services for our customers and society always outweighs the environmental impact of their production. We call this net positivity. We want to give more to the world than we take.

Environmental responsibility is a key consideration for us. Our target is to halve the CO₂ emissions of our own operations by 2025, and we are on schedule to achieve this goal. Sustainable peat production is a precondition for our operations. We only establish peat production sites at previously ditched peatlands. We comply with the requirements of the RPP (Responsibly Produced Peat) standard in all of our production countries and we promote biodiversity by restoring our production sites after use or by planting trees to create forests that sequester carbon.

The demand for growing media is growing rapidly in the global market. There is still a need for horticultural peat, both now and in the future, but new materials that supplement horticultural peat in growing media will increase in importance. Going forward, this will be one of Neova Group's most important areas of product development.

As regards social responsibility, our key priorities include promoting occupational safety, creating an excellent workplace, looking after employee well-being and ensuring the sustainability of sourcing.

From the perspective of personnel, a significant step was Neova being awarded Great Place to Work® certification in three of our operating countries in recognition of our excellent employee experience, trust-based corporate culture and commitment to creating a good workplace. In Finland, the Great Place to Work® certificate is awarded to companies whose Trust Index is at least 65 per cent. In addition to Finland, Neova has been awarded the certificate in Sweden and Estonia.

We are very serious about improving occupational safety in all of our operating countries. We have made good progress, and we had no accidents last year in Finland and Sweden, for example. We still have room for improvement at the Group level, as even one accident is too many.

Sustainability is part of our day-to-day work and we want it to be reflected in all of our teams and in everything we do. Engaging the commitment and participation of employees is vital. With this in mind, we have incorporated sustainability into the incentive system for all of the Group's personnel.

The third pillar of our sustainability strategy is economic responsibility. Our goal is to be a profitable company and to bear our economic responsibility as a successful company and a good corporate citizen.

A financially satisfactory year

A gain of approximately half a billion euros was recognised in the Group's result from the sale of Nevel Oy. We used the proceeds from the sale to distribute a dividend

of EUR 250 million to our owners and we also reduced our net debt. We are now practically free of net debt.

Operationally, the year can be characterised as unpredictable. The Grow&Care division had strong sales across all of its business units. However, the costs of shipping and packaging materials, for example, increased very rapidly starting from the spring, and we were not able to pass these cost increases to customer prices quickly enough, which had a negative effect on our relative profitability. In absolute terms, the division's operating margin and operating margin were on a par with the previous year.

The demand for energy peat continued to decline at a rate of over 20 per cent but, at the same time, income from wood pellets and energy chips developed favourably. Income from land sales also increased. The results of our projects aimed at improving operational efficiency and streamline costs exceeded our expectations and had a positive effect on the Group's operating profit.

Focus on growth, development, costs and Brussels

In the new year, the focus areas of product development include increasing the value of land assets by developing more wind power and solar power farms on land owned by the Group. We announced two projects in 2021 and the future looks bright in this area.

In product development, priority will be given to projects that support the Grow&Care division. The development of biostimulants produced from organic wetland

biomass continued in 2021. Cultivation tests in Finland, the Netherlands and Italy have produced promising results and, next summer, cultivation tests will be expanded to regions such as the Middle East and Africa. In open field cultivation, biostimulants promote plant well-being and, for example, increase their drought tolerance without the use of artificial fertilisers.

Rising inflation and increasing regulation create pressure on operational planning in the new year. The Group has prepared for inflation by, for example, building stockpiles of critical raw materials and by focusing on pricing and the monitoring of costs. The most important thing to keep an eye on in 2022 is to advocate for the interests of our industry in the sphere of the finance taxonomy and the EU's Fit for 55 legislative reform package.

We want to continue to play a role in enabling the production of healthy local food, especially in the growing European markets. ■

VESA TEMPAKKA

CEO

GROUP STRATEGY

Neova is an international company whose aim is to ensure the basic conditions of life for everyone: clean food, clean air and clean water.

Neova Group published its revised strategy in spring 2018. The strategy had three objectives. Growth in the international growing media market was highlighted as the primary objective. The second objective was to improve the profitability of the heat and power business through digitalisation. As the third growth area, the strategy highlighted the development of new high value-added products from peat and other natural materials.

The strategy was based on three megatrends: climate change, the digital transformation and urbanisation. Sustainability was defined as the objective of the Group's products and services with the aim of satisfying people's basic needs and creating green growth.

At the time, it was expected that the demand for energy peat would halve in Finland in just over a decade. In reality, however, the demand for energy peat has already halved and its significance as an energy source will be marginal in the next five years. For this reason, Neova revised its strategy in 2020 and decided to divest the heat and power business, which had been incorporated as Nevel Oy. The funds obtained from the transaction enabled the Group to strengthen its balance sheet, increase its growth targets in the international

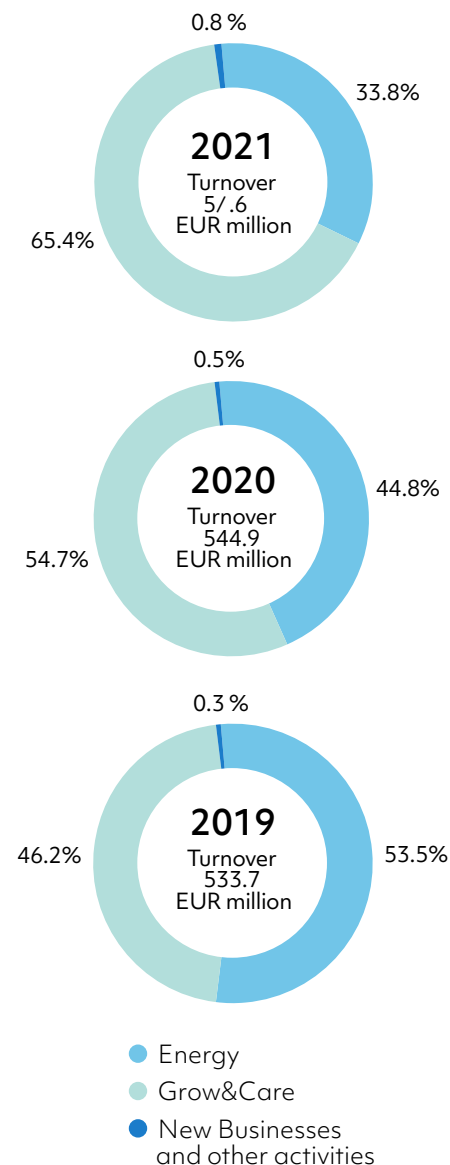
growing media market and boost its product development investments to bring new high value-added products to the market.

We are now an international company whose aim is to ensure the basic conditions of life for everyone: clean food, clean air and clean water. Our business operations support professional growing and gardening, the construction of attractive living environments and animal welfare. We provide local fuels to our customers and produce activated carbon for the purification of air and water.

Our objective is to create added value for our owners and make Neova Group one of the best places to work in Europe. Sustainability is a guiding principle in everything we do. Our sustainability target is to become a net positive company. Net positivity means giving more to the world than we take. Continuous renewal is our strength. We are committed to continuously improving our operations and developing our environmental efforts.

We do not view sustainability as a competition. We are happy to share our expertise related to green growth and collaborate with research institutes and leading companies in our industry around the world. Saving the world is a team sport. It needs to be accomplished one goal at a time. ■

Turnover by business segment, %



OPERATING ENVIRONMENT

Predicting the changes in the operating environment in 2021 was challenging. A number of cost items that influence the Group's operations increased to an exceptional degree

Group's shipping costs alone increased by approximately EUR 15 million. This was particularly due to container freight costs rising to a level that was many times higher than in the previous year. At the same time, the prices of many raw materials, especially packaging plastic, increased by several tens of per cent compared to the previous year.

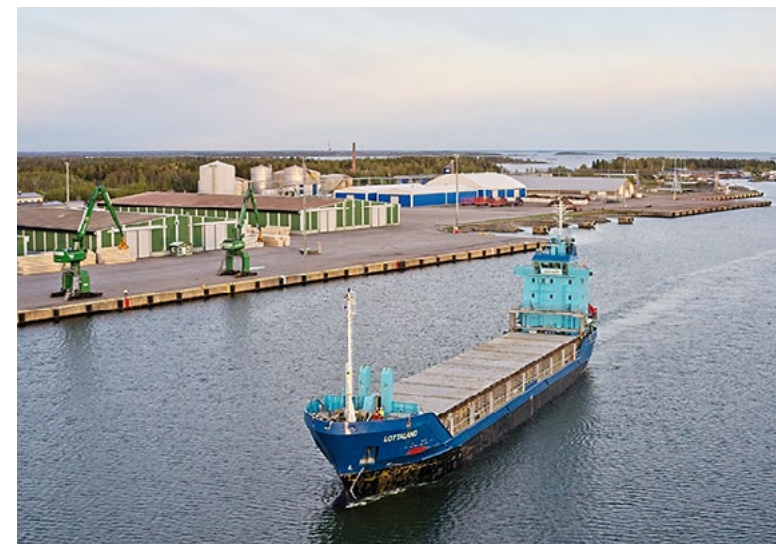
The price of emission rights increased by nearly 200 per cent in 2021, which contributed to the price of electricity on the electricity exchange rising to levels that rivalled those seen a decade ago. The increased price of emission rights drastically reduced the demand for milled fuel peat used in heating. Neova's sales of milled fuel peat declined by approximately a quarter compared to the previous year. The steep increase in natural gas and coal prices towards the end of the year improved the market competitiveness of pellets.

The global demand for growing media among professional growers continued to see strong growth during the year. In addition, Ireland did not produce any horticultural peat for the export market in 2021. This enabled a higher volume of horticultural peat exports from Finland.

COVID-19

The impacts of the COVID-19 pandemic on Neova Group's operations were restricted successfully in 2021. The Group used a safety-oriented work model throughout the year. Visits to production plants by outside parties were minimised and remote work and hybrid work models were successfully implemented for those jobs that allowed it. These measures made it possible to maintain normal production operations at all of the Group's factories and production plants throughout the year. There were 103 COVID-19 infections in the Group during the year.

The pandemic that began in 2020 substantially increased the demand for products aimed at amateur gardeners. This demand remained almost at the previous year's level in 2021. COVID-19 has also increased the demand for locally produced food, which was reflected in higher demand for products aimed at professional growers in all markets. At the same time, however, many



growth projects in the professional grower segment were postponed until the situation becomes more stable.

The prices of emission rights and electricity reached record-high levels

Emissions trading is aimed at shifting energy production from fossil fuels to renewables. In district heating production, all heating plants in excess of 20 MW have to buy emission rights in the market if they burn non-renewable fuels. In 2021, the prices of emission rights increased from EUR 30 per tonne of carbon to as high as EUR 90 in December. In district heating production this meant that, at the end of the year, for each MWh produced from energy peat, a company producing district heat from energy peat had to pay EUR 6 in energy tax and approximately EUR 30 in emission rights in addition to the cost of the fuel. District heat produced from wood chips is not subject to energy tax or emission rights charges. For these reasons, the competitiveness of wood chips and commercial timber improved significantly compared to energy peat during the year. Energy wood prices only increased by approximately five per cent during the year. The decline of the demand for energy peat accelerated further and, in autumn 2021, Neova decided to discontinue the production of energy peat in Finland.

Electricity prices in Central Europe and the Nordic region rose to record-high levels during the year. In Finland, the price of electricity on the electricity exchange exceeded EUR 1,000/MWh in December. There are several reasons for the increase in electricity prices. The price of natural gas has risen sharply due to reduced deliveries

from Russia to Central Europe. Gas inventories were low as autumn arrived, and LNG deliveries were directed more to Asia instead of Europe compared to previous years. At the end of the year, the price of natural gas was many times higher than at the start of the year. The shortage of gas has shifted demand in European condensing power production towards coal, which has led to higher demand and increased prices for emission rights.

The price of electricity in the Nordic countries has also been influenced by the exceptionally poor hydrological conditions in Norway and Sweden and the fact that transmission lines between Finland and Sweden as well as between Finland and Russia were at full capacity on occasion. In addition, transmission lines opened from Norway to Central Europe and the UK have increased the price of electricity in the Nordic countries.

The drastic increase in the costs of shipping and raw materials came as a surprise

The cost of road shipping increased by nearly 10 per cent during the year, mainly due to higher fuel prices. Neova had hedged the prices of bulk sea shipping by means of annual agreements, which kept prices stable in 2021. This turned out to be highly advantageous, as the sea shipping volumes of horticultural peat to Europe grew considerably.

The year was very challenging with regard to container cargo. Container shipping rates in North America and South America increased from USD 2,000 in the previous year to levels as high as over USD 10,000, while in Asia and Australia, prices rose from USD 1,000

to approximately USD 2,500. Neova's overall sea shipping costs doubled. Neova Group's increase in shipping costs alone came to approximately EUR 15 million.

The prices of packaging materials have also increased significantly. The price of packaging plastic, for example, doubled during the year in certain cases. Based on a cautious estimate, this created EUR 5 million in additional costs compared to the previous year. The higher costs of shipping and raw materials, with the combined increase exceeding EUR 20 million, could not yet be fully passed to the customer prices of products during the year under review.

Finance taxonomy

In August 2021, the EU started a project on expanding the finance taxonomy to potentially apply to peat production and the use of peat for purposes such as growing media and animal bedding. If all uses of peat were to be classified as non-sustainable, it would complicate the availability of financing for the industry as a whole and lead to higher financing costs.

Decisions on expanding the scope of the taxonomy are expected in 2022. Neova Group is making every effort to inform the parliaments of various EU countries and EU officials with the aim of having the future of peat as growing media, animal bedding and as raw material for new high value-added products classified as sustainable going forward. The justification for this view is that the advantages of peat – in enabling food production, for example – are significantly greater than its disadvantages. ■



BUSINESS OPERATIONS

Our business is divided into three divisions,
Grow&Care, Energy and New Businesses.
All businesses are served by a common Supply Chain
Management function and Group Services.

BUSINESS OPERATIONS

Our business operations are divided into the Grow&Care, Energy and New Businesses divisions. The Supply Chain Management function used by all three business divisions manages, for example, peat production, logistics services and procurement in various countries. It also coordinates the Group's sustainability, quality and occupational safety. The Group services shared by all business operations are managed by the Group Service function.

Grow&Care

Kekkilä-BVB is Europe's leading and most versatile growing media operator in the professional grower, landscaping and consumer segments. Kekkilä Garden and Hasselfors Garden are well-known brands for home gardeners and landscapers in Finland, Sweden and Estonia. In the Central European market, the consumer product range includes the Jardino and Florentus brands as well as private label products. In the professional growing media business, the BVB Substrates and Kekkilä Professional brands are exported to more than 100 countries. Kekkilä-BVB is committed to developing sustainable solutions to increase people's well-being as well as promoting green lifestyles, the circular economy and biodiversity.

Energy

The Energy division is a partner for our customers in a changing energy market. We provide local fuel solutions to our customers. The division includes the fuel businesses of Neova Oy, Neova AB and AS Tootsi Turvas. Neova has initiated the charting of suitable sites for wind and solar power production in land areas owned by the company. The aim is for ten of the sites with the highest potential to proceed into concrete projects in 2022 and the first solar power projects are started. The Energy division is responsible for optimising the Group's land and real estate assets.

Novactor

Neova is a forerunner in the growing market for activated carbon. The first production plant of the activated carbon producer Novactor is located in Ilomantsi, North Karelia. Activated carbon is used in many air and water purification applications. It is also needed in industrial processes and food production to adsorb chemicals, metals and odours.

New Businesses

The New Businesses division works together with customers and ecosystems to develop solutions to global challenges that secure the world's food production, promote healthy living environments and promote the purification of air and water. The aim is to refine organic wetland biomass and other organic natural materials into high-added-value products for the international markets.

GROW&CARE

Kekkilä-BVB updated its strategy in late 2020 to respond to the changes in the operating environment caused by COVID-19. In spite of the preparatory measures taken, the costs of logistics and raw materials increased at an unprecedented rate, which had a direct effect on profitability. Increases to selling prices were not sufficient to cover the difference in costs, which led to profitability being lower than budgeted.

The professional grower and consumer businesses reached their sales targets, but the targets for profitability were not achieved. We were able to improve the profitability of the landscaping business, which is based on local raw materials. Turnover also developed favourably in the Netherlands, in particular, where the year-on-year growth was 37 per cent. In BU Materials, which focuses on raw material sales, the sales targets for bedding peat and raw materials were achieved.

In the latter part of the year, the hard work done by the sales teams in relation to the price increases restored profitability to the planned level. Sales plans in the United States, China and Latin America suffered especially from the high shipping costs, but sales budgets were also met in these export markets in the latter part of the year.

We continued to strengthen Kekkilä-BVB's brand awareness in 2021. The virtual GROW event we organ-

The demand for our products remained good throughout the year and we continued to operate in accordance with our revised strategy.

ised in February was a success in terms of both content and visibility. We successfully reached a wide range of industry participants and engaged them in dialogue with us. We also worked on building a common understanding of the role of horticultural peat through our extensive connections at the national and EU levels. We will continue our communications efforts on this topic in 2022 in cooperation with the industry organisation Growing Media Europe.

A year of investments and development projects

In spite of the cost pressures, the demand for our products remained good throughout the year and we contin-





ued to operate in accordance with our revised strategy. At the end of November 2021, Kekkilä-BVB's strategic action plan (PMO) had 57 projects under way.

We made significant investments in our production plants in 2021, and this will be a permanent trend going forward due to the need to respond to demand. We made significant changes and improvements to production, which make us better prepared for the new season than ever before. We focused on our selected markets and continued to harmonise our reporting and processes.

The launch of a common ERP system was a key milestone during the year. OneSystem Business Central was deployed throughout the organisation and we successfully moved on to the development phase. We also take significant steps forward with our digital services, enabling an even more flexible service experience for

In spite of the intense pressure, we performed particularly well in the procurement of raw materials, packaging materials and containers.

our customers. We also launched a common reporting system during the year.

In spite of the intense pressure, we performed particularly well in the procurement of raw materials, packaging materials and containers. We also made significant investments in new raw materials that will take us towards a more sustainable future. This is an area we will invest in considerably in the coming years, as materials that supplement peat will be needed from the demand perspective as well as the perspective of promoting the circular economy. During the past few years, we have added new (recycled) raw materials and organic fertilisers to our recipes. To compare the performance of these growing media with more conventional growing media, we established a new laboratory in Venlo in the Netherlands.

The development of our sustainability programme and its integration into all of our operations and businesses continued at a good level. The market expects increasingly sustainable solutions from us, and we are working systematically to respond to these expectations and the demands of our customers. We also started measures related to leadership development and will continue these in the new year. Our goal is for our employees to enjoy their work and for everyone to have the opportunity to do their best.

Growth through an acquisition

Late in the year, we signed an agreement to acquire the German companies Brill Substrate and Brill Papenburg

Logistics. The acquired business comprises a growing media factory located in Germany that produces various growing media for the cultivation of seedlings for the Central European market, as well as a company-owned port and terminal area in Papenburg, Germany. Brill Substrate also owns 50% of a growing media factory in Italy and has its own sales company in France. The combined turnover of Brill Substrate and Brill Logistics is over EUR 25 million and the companies employ over 60 people, excluding the turnover and personnel of the Italian unit.

Brill Substrate's strong position, especially as a supplier of growing media for young vegetable plants and seedlings, is a good complement to the product range of Kekkilä-BVB's twelve growing media factories. Having our own port and terminal area will enhance Kekkilä-BVB's operational efficiency with regard to raw materials for its production units and partners in Central Europe. We believe that combining our strengths in production, distribution and sales will enable us to boost our sales throughout Central Europe. The Brill and Terra-BRILL brands are added to Kekkilä-BVB's brand portfolio as a result of the acquisition.

Towards the growing media of the future

In terms of sustainability, 2021 was an exceptional year. Our Great Place to Work score improved, we developed the Green Factory concept and spent a lot of time on researching even more sustainable growing media. In September, we started the Grow Together programme,

which focuses on cooperation projects related to future solutions for sustainable growing. Cooperation with research institutes and other companies is important for finding future solutions.

2021 was also a year that saw peat become a hot topic to an extent never seen before. Even the European Union began to address peat in its decision-making. Unfortunately, the prevailing attitudes are negative towards the use of peat. However, there are signs of a change in these attitudes throughout Europe, thanks to our efforts and the efforts of industry organisations.

Peat is a vital material for growing media. Nevertheless, the share of peat in our growing media will gradually decrease in the coming years, as long as the substitute materials are equally safe and effective while also being more sustainable overall. The search for sustainable local recycled materials will be a focus area of our sustainability actions next year.

Researching, testing and using raw materials that supplement peat in a manner that does not compromise on cultivation outcomes or sustainability criteria will play an important role. We also want to give a new lease of life to used growing media or other growing media waste. Assessing the sustainability of our raw materials and products is another key topic. While our existing LCA tool and value chain insight enable us to carry out such assessments, we are still seeking new ways to communicate the sustainability of our products in a simple manner to all of our stakeholders. ■



ENERGY

The accelerating decline in the demand for energy peat was very significantly reflected in the Energy division's operations. The most significant reasons for the decline in demand have been the exceptionally rapid increase in the price of emission rights as well as energy tax policy that steers energy customers towards renewable fuels. Nevertheless, in the energy peat business, it has been possible to sign significant long-term agreements with key customers until they cease to use peat.

The sharp decline in the demand for energy peat also led to substantial write-downs. The write-downs exceeded EUR 10 million and were mostly allocated to production areas to be decommissioned.

The focus has been shifted significantly towards renewable wood fuels. The pellet business had a very good year in 2021.

The focus has been shifted significantly towards renewable wood fuels. The pellet business had a very good year in 2021. The price of natural gas and emission rights saw large customers switch to pellets. The demand for energy chips continues to see strong growth. The effects of the operating model implemented in 2020 have begun to show, and we have signed a significant number of wood fuel partnership agreements.

The project to sell land areas owned by the Group has progressed according to plan for three years now: the sale of more than 39,000 hectares of land has had a significant impact on the result and cash flow of the division and the Group as a whole.

Wind power project development is progressing according to plan. The assessment of high-potential projects continued in 2021 and the first projects progressed to the zoning and permit process stage during the year. The Group also began solar power development in 2021. Solar power will be developed partly in the same locations as wind power but also as separate developments.

Due to the large amount of Neova's land assets, the Group is in an excellent position to emerge as a very significant solar power developer in Finland. In both wind power and solar power development, Neova will later decide whether to sell the projects to third parties or become actively involved in their construction. ■



NEW BUSINESSES

Neova Ventures works together with customers and ecosystems to develop solutions to global challenges that secure the world's food production, promote healthy and comfortable living environments and promote the purification of air and water. The aim is to refine organic wetland biomass and other organic natural materials into high-added-value products for the international markets.

The area in which the most progress has been made consists of biostimulants isolated from organic wetland biomass. They are used in greenhouse and outdoor cultivation to improve plants' nutrient absorption and the efficiency of nutrient use. Biostimulants also help plants adapt to changing conditions related to climate change. In accordance with the Neova Refinery concept, raw materials and side stream products are comprehensively utilised in adherence to the circular economy principle while minimising energy consumption and emissions.

Novactor aims to be the leading operator in the European market for activated carbons

The global market for activated carbons is growing rapidly and Novactor aims to be the leading European operator in the field. Set to be completed soon in Ilomantsi, the plant is the first activated carbon production facility in the Nordic region and the most modern of its kind in

The aim is to refine organic wetland biomass and other organic natural materials into high-added-value products for the international markets.

Europe. Steam is used as an activator in the activated carbon production process. Novactor's production plant produces more energy than it requires. The surplus heat is used to generate district heating for the urban part of Ilomantsi. The plant does not emit wastewater that requires special purification. The carbon footprint of the activated carbon produced by the plant is substantially lower than the coal-based activated carbon products that currently dominate the market. Local construction operators and subcontractors were used to the greatest possible extent in the construction of the Ilomantsi production plant. The employment effect of the plant is about 50 person-years. The plant uses local biomass as its raw material. ■



SUPPLY CHAIN MANAGEMENT

The Supply Chain Management function is responsible for the comprehensive management and development of Neova Group's supply chain, from raw material sources all the way to customers. The function is in charge of managing the Group's peat production, sourcing, procurement, logistics, quality and safety issues as well as environmental management and the coordination of corporate responsibility. The Supply Chain Management (SCM) function primarily creates customer-oriented added value by maintaining a strong delivery reliability and improving the efficiency of our operations. Our aim is to optimise the use of capital, reduce the environmental impacts of our operations, improve quality and, above all, promote occupational safety.

The main focus of peat operations is on reducing fixed costs

The Peat Operations organisation under the SCM function is responsible for managing Neova Group's peat production areas as well as the production and delivery of peat products to customers in Finland, Sweden and Estonia. In 2021, the adjustment of energy peat production in Finland accelerated further due to the weakened demand outlook for energy peat. The decision was made to discontinue the production of milled

energy peat and a considerable amount of energy peat production sites were closed.

The export of horticultural peat was increased substantially. In the management of peat assets, the focus was on assessing the needs of growing business operations and the development of quality. In sustainability, the focus was on increasing responsible peat production (RPP) certification to support the export of horticultural peat as well as increasing the recycling of stack plastic.

Aiming for flexible and efficient logistics solutions

Neova and its subsidiaries are known for their delivery reliability with regard to the delivery logistics of bulk products as well as packaged products. Although the pandemic created challenges in the availability of transport vehicles during the year, customer service and logistics operated at a good level of customer satisfaction on the whole. Efforts to increase the efficiency of logistics continued through the use of larger loads. The strong business growth of Kekkila-BVB's business was supported through the flexible and efficient management of truck and container transport as well as bulk shipping in cooperation with logistics companies.

The steep increase in the cost of international sea shipping required continuous cooperation with the



logistics organisation, factories and the sales function in 2021. The reporting of logistics emissions was developed as part of the Group's sustainability programme.

Taking advantage of economies of scale in the Group's purchasing

We manage and develop Neova Group's purchasing activities with a comprehensive approach, which plays a significant role improving cost efficiency. Significant cost reductions were achieved in 2021 through contract negotiations in several purchasing categories. A new system was deployed to support strategic purchasing. It will enhance supplier selection and evaluation processes, contract management and cooperation with suppliers.

Sustainability is at the heart of environmental management

Neova is committed to the development of environmental responsibility. We want to be recognised as an environmentally responsible company wherever we

We want to be recognised as an environmentally responsible company wherever we operate.

operate. In 2021, we took systematic action in relation to the long-term sustainability targets outlined in Neova Group's environmental strategy and business-specific environmental programmes.

We focused on external and internal communications concerning our environmental actions, reducing emissions into waterways and the climate, actions to promote biodiversity at cutaway peatlands, increasing the recyclability of packaging materials and reducing waste.

Prioritising safety and quality in continuous improvement

Our customer-driven approach and ISO 9001 and ISO 14001 compliant management system ensure that our products and operations meet stakeholder needs. Quality control is an integral aspect of management and the day-to-day operating culture of our company. Internal and external audits and inspections are important aspects of our quality-related efforts. They establish a concrete foundation for our culture of continuous improvement.

Neova Group has a strong continuous focus on occupational safety and well-being and the starting point for all of our operations is workplace safety and developing a proactive and caring safety culture. We continued to systematically improve our occupational safety culture in 2021 through training, campaigns and risk analyses. We had no accidents leading to lost time in Finland in 2021. In our operations in the Netherlands, however, the

number of accidents rose to the same level as in 2019. ISO certification was developed by transitioning to consistent ISO certification that covers the entire Group and by certifying the remaining Kekkilä-BVB factories in the Netherlands and Sweden as well as the operations of the new activated carbon business and production plant.

Corporate responsibility and sustainability are integrated into business operations

Neova Group's objective is to create net positive green growth through its products and services. Sustainability is closely integrated into business management and development. All of the Group's employees were engaged in sustainability efforts by making sustainability one of the targets included in the remuneration system.

We conducted a comprehensive materiality analysis with our stakeholders in the autumn, assessed best practices related to sustainability and, based on these efforts, updated our sustainability strategy and set new targets for 2022–2025 with regard to environmental responsibility and social responsibility. ■

GROUP SERVICES

The Group services shared by all business operations are managed by the Group Service function.

Finance & Business Control

Finance and Business Control is responsible for the financial reporting of the Group and the group companies, Group finance, insurance and risk management as well as correspondence with financial institutions, the auditors and owners. Internally, the function's responsibilities include controller services for various businesses as well as functions and processes related to areas such as accounting, invoicing and credit monitoring. ■

Group Communications and Public Affairs

Group Communications and Public Affairs is in charge of the Group's internal and external communications as well as lobbying. In internal communications, the focus is on developing, maintaining and producing content for the Group's intranet as well as organising various face-to-face and online communication events. ■

ICT

ICT is responsible for developing information systems that support the Group's businesses and service functions, the digital transformation of operations and the production of IT services in all of the Group's operating countries. Its duties include the Group's ICT strategy, project management, project planning, IT architecture, software licences, hardware, software and service purchases as well as data security. ■

HR

HR is responsible for the implementation of Group-wide HR policies and the creation of consistent operating cultures and business practices and the harmonisation of HR practices. The main focus of operations is on supporting changes in business operations through management and competence development practices as well as the development of operating methods. Promoting well-being and an equal and non-discriminatory operating culture are particular focus areas in HR. ■

Group Legal Services and Internal Audit

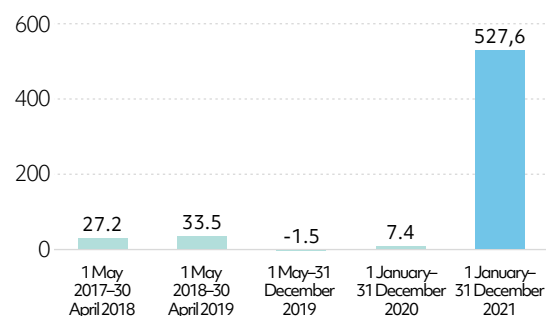
Group Legal Services and Internal Audit is responsible for the Group's legal affairs and the coordination of the use of external legal services. The function is responsible for risk management related to agreements signed by the Group and it also ensures that the Group's interests are appropriately represented in legal proceedings and other situations pertaining to contracts and agreements. The function is also responsible for ensuring that the Group's governance model and related policies and guidelines are always up to date. ■



FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

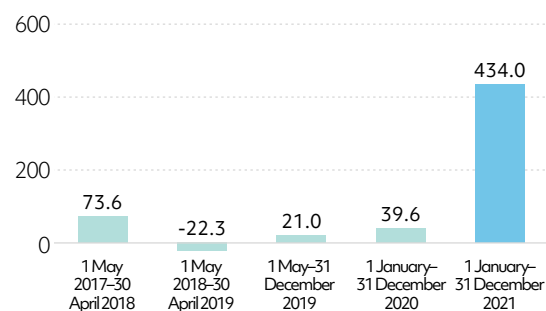
FINANCIAL STATEMENTS 1.1.-31.12.2021

Operating profit before impairments, EUR million



Operating profit shows the profitability of business operations and largely determines the return on invested capital, among other things. For Neova, the operating profit of both divisions is significantly influenced by weather conditions and the success of the previous summer's peat production. While the demand for Kekkila-BVB's products remained very strong, inflationary increases in shipping and material costs had a negative effect on relative profitability. In the energy business, the development of biofuels was very favourable, but the demand for energy peat continued to decline at an annual rate of 20 per cent for the third consecutive year. Largely due to the sale of the heat and power business (Nevel Oy), the Group's operating profit before impairment improved significantly compared to the reference period in the previous year (January-December 2020) and amounted to EUR 527.6 million (EUR 7.4 million).

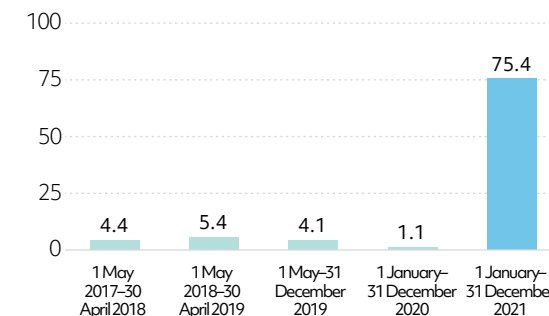
Free cash flow before taxes, EUR million



Free cash flow before taxes and financial items takes into account the operating margin as well as factors such as changes in capital tied up in businesses, the impacts of sales of assets, and investments made. The Group's free cash flow before taxes in the financial period January-December 2021 amounted to EUR 434.0 million (EUR 39.6 million in January-December 2020). Gross investments for the financial year amounted to EUR 84.6 million (EUR 76.6 million). Net investments (gross investments – asset purchases/sales) totalled EUR 77.7 million (EUR 59.1 million).

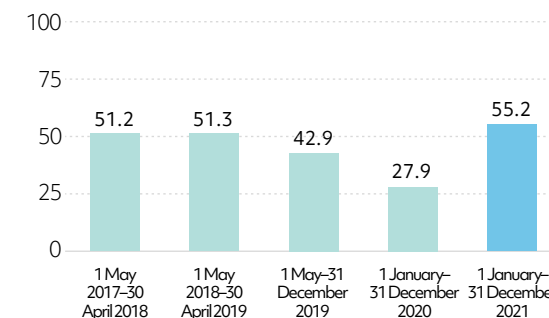
Return on invested capital (ROIC) is the main indicator of profitability in Neova's capital-intensive industries as it takes invested capital into account in addition to operating profit. ROIC reflects the company's ability to create shareholder value, meaning that it should be higher than the weighted average cost of capital (WACC). At the end of the financial year, Neova's return on invested capital before impairment was 75.4 (1.1) per cent.

Return on invested capital before impairments %



The equity ratio measures the company's solvency and indicates the extent to which the company's assets are financed by equity. The improved profitability of operations, the expansion of profitable businesses, the divestment of loss-making operations and asset sales are reflected in the equity ratio improving in recent years. At the end of the financial year, the equity ratio stood at 55.2 (27.9) per cent, which represents a significant improvement that was mainly attributable to the gain recognised on the sale of the heat and power business.

Equity ratio %





BOARD OF DIRECTORS OF NEOVA OY

Chairman of the Board of Directors

Jan Lång

b. 2 February 1957,
M.Sc. (Econ.)

Relevant concurrent positions of trust:

Chairman of the Board:
Unisport Oy 2018–,
Molok Oy 2016–
Member of the Board:
Infinited Fiber Company Oy
2018–,
Flexound Oy 2019–

Relevant work experience:

Huhtamäki Oy, several
positions 1982–2003.
Uponor Oyj, CEO 2003–2008.
Ahlström Oyj, CEO
2009–2014.

At NeoVa:

Chairman of the Board of
Directors 2015–
Chairman of the Personnel
Committee 2015–

Vice Chairman of the Board of Directors

Markus Tykkyläinen

b. 28 October 1973,
M.Sc. (Energy Technology),
eMBA, M.Sc. (Econ.), CBM,
CBM Chairman

Managing Director,
Suur-Savon Sähkö Oy
1 September 2016–

Relevant concurrent positions of trust:

Chairman of the Board:
Lumme Energia Oy,
KymppiVoima Tuotanto Oy,
KymppiVoima Hankinta Oy.
Member of the Board:
Elvera Oy, Ravera Oy,
Etelä-Savon Kauppakamari,
Itä-Savon Vesi Oy,
Solarigo Systems Oy.

Relevant work experience:

Joutsen Lämpö Oy,
Managing Director 6/2020–.
Rovaniemen Energia Oy/
Napapiirin Energia ja Vesi Oy,
Managing Director
2011–2016.
Ranuan Bioenergia Oy,
Managing Director
2015–2016.
Vakka-Suomen Voima Oy,
Development Director
2010–2011.
Kainuun Sähkö Oy/Grange
Kainuu Oy/Kainuun Energia
Oy/E.ON Kainuu Oy,
Design Engineer, Quality
Manager, Environmental
Director, Risk Manager,
Development Manager
1998–2010.

At NeoVa:

Member of the Board of
Directors 2016–
Vice Chairman of the Board of
Directors 2017–
Member of the Audit
Committee 2016–

Members

Stefan Damlin

b. 2 May 1968,
M.Sc. (Econ.)

Managing Director,
Vaasan Sähkö Oy
17 September 2018–

Relevant concurrent positions of trust:

Member of the Board:
EPV Voima
Pohjolan Voima
(Deputy member),
Power-Deriva Oy,
Ravera Oy,
Voima Corporation,
Ampner Oy.
Member of the Advisory
Committee: Fingrid 2022–

Relevant work experience:

Wärtsilä Finland Oy,
Managing Director
2012–2018.
Wärtsilä Corporation, Vice
President, Business Develop-
ment Centre, Global Industrial
Operations 2011–2012.
Wärtsilä Corporation, Vice
President, Business & Finance
Centre, Global Engine Division
2005–2010.
Finn-Power, Group Business
Controller 2004–2005.
Member of the Board:
Aktia Bank plc 2016–2020,
Wärtsilä Yuchai Engine
Company (China) 2015–2018,
Wärtsilä Transmashholding
(Russia) 2012–2014,
DTS (the Netherlands)
2008–2011,
Ostrobothnia Chamber of
Commerce 2012–2015.

At NeoVa:

Member of the Board of
Directors 2020–
Member of the Audit
Committee 2020–2021
Member of the Personnel
Committee 2021–

Tuomas Hyryläinen

b. 1 December 1977,
M.Sc. (Econ.)

Executive Vice President,
Fiskars Oyj 1 September 2018–

Relevant work experience:

Neste Corporation, Senior
Vice President, Emerging
Businesses 9/2016–8/2018.
Neste Corporation, Senior
Vice President, Strategy and
New Ventures 6/2014–/2016.
Neste Corporation, Senior
Vice President, Strategy
6/2012–6/2014.
F-Secure, Vice President,
Strategy and M&A
6/2010–6/2012.
Nokia Corporation, several
different positions 2004–2010.

At NeoVa:

Member of the Board of
Directors 2016–
Member of the Personnel
Committee 2016–2020
Member of the Audit
Committee 2021–

Vesa Hätilä

b. 22 December 1969,
M.Sc. (Eng.), MBA, CBM

Managing Director,
Seinäjoen Energia Oy and
Seiverkot Oy 1 October 2017–

Relevant concurrent positions of trust:

Chairman of the Board:
Voimajunkkarit Oy
Member of the Board:
EPV Energia Oy,
Seinäjoen Voima Oy,
Vaskiluodon Voima Oy,
Finnish Energy,
Local Power

Relevant work experience:

Koillis-Satakunnan Sähkö Oy,
Managing Director 2014–2017.
Sähkö-Virkeät Oy, Managing
Director 2014–2017.
Killin Voima Oy, Managing
Director 2014–2017.
Empower Oy, Sales Manager
2002–2014.
Football Association of
Finland, referee 2000–2014.
ABB Oy, Enermet Oy and
Oras Oy in the 1990s.

At NeoVa:

Member of the Board of
Directors 2020–
Member of the Personnel
Committee 2020–

Kirsi Puntila

b. 1 November 1970,
M.Sc. (Econ.)

Executive Vice President,
International Business,
Anora Group Oyj

Relevant work experience:

Altia Oyj, Senior Vice
President, Marketing,
2014–2021.
Altia Oyj, Spirits Category
Director 2015–2016.
Altia Oyj, Marketing Director,
own brands 2014–2015.
The Absolut Company/Pernod
Ricard, Global Marketing
Manager 2010–2014.
Chivas Brothers/Pernod
Ricard, Global Senior Brand
Manager 2006–2010.
Member of Marketing
Executives Group Inc (MJR)
2016–

At NeoVa:

Member of the Board of
Directors 2018–

Panu Routila

b. 11 June 1964,
M.Sc. (Econ.)

Chairman of the Board:
Patria Oyj,
Oriola Oyj,
Fortaco Oy,
Fifax Oy

Relevant concurrent positions of trust:

Member of the Board:
Ambientia Oy,
Conficap Oy,
Ensto Oy,
Famifarm Oy

Relevant work experience:

Konecranes Oyj, President
and CEO 2015–2019.
Ahström Capital Oy,
CEO 2008–2015.
Kuusakoski Alteams,
CEO 2002–2007.
Outokumpu, Divisional
Director 1995–2002.

At NeoVa:

Member of the Board of
Directors 2021–

Maija Strandberg

b. 20 April 1969,
M.Sc. (Econ.)

Senior Financial Specialist,
Prime Minister's Office,
Government Ownership
Steering Department 6/2019–

Relevant concurrent positions of trust:

Member of the Board and
Chairman of the Personnel
Committee: Finnair Plc 5/2020–
Member of the Board:
SSAB 10/2021–

Relevant work experience:

Uponor Oyj, CFO
3/2017–3/2019.
Valmet, CFO, Pulp and Energy
Business Line 10/2015–3/2017.
Valmet, CFO, Paper Business
Line 1/2013–10/2015.
ALSO Nordic Holding
Oy, Managing Director
5/2008–6/2012.
ALSO Nordic Holding Oy,
CFO 3/2007–5/2008.
Timberjack/John Deere C&F
Europe, various positions in
financial and operational
management 6/1995–2/2007.
Huhtamäki Oy Leaf,
various positions in financial
management 5/1993–5/1995.

At NeoVa:

Member of the Board of
Directors 2019–
Member of the Personnel
Committee 2019–2021
Chairman of the Audit
Committee 2021–

The members of the Board of Directors do not own shares in NeoVa Oy.

CORPORATE GOVERNANCE STATEMENT 2021

Applicable rules and regulations

Neova Oy is a Finnish non-listed limited liability company whose decision-making and management comply with the applicable legislation, such as the Finnish Limited Liability Companies Act, the Finnish Accounting Act and the company's Articles of Association (Appendix 1) as well as the Shareholders' Agreement between the company's owners. In addition, Neova Oy complies with the Government Resolution on the handling of Corporate Governance matters in publicly owned and affiliated companies issued by the Ownership Steering Department of the Prime Minister's Office ("Government Resolution on the State Ownership Policy, available at <https://vnk.fi/en/government-ownership-steering/ownership-policy/data-bank>) and, where applicable, the Securities Market Association's Finnish Corporate Governance Code, which took effect on 1 January 2020 ("Corporate Governance Code", available at <https://cgfinland.fi/en/corporate-governance-code/>).

The company's Articles of Association (Appendix 1) include a redemption clause. Pursuant to the redemption clause, if a share is transferred to an outside party, other than one that exercises control over a shareholder of the company, the other shareholders shall have the right to redeem the transferred shares.

The company publishes this Corporate Governance Statement annually together with the annual report and management report.

Divisions and business functions

Neova Group's operations consist of the Energy division, Grow&Care division, New Businesses division, the Supply Chain Management function and the Group Services function. The Energy division specialises in the production of solid fuels. The Grow&Care division specialises in growing media, recycling, the wholesale of peat raw material and the production and sale of bedding peat. The New Businesses division focuses on the development of new products from peat and other natural materials. The Supply Chain Management function is responsible for peat asset management and peat production and supply, strategic and tactical management of sourcing & logistics and group wide sustainability management and development including occupational safety, environment and quality management for each of the Group's divisions. The Group Services function consists of HR, Finance & Business Control, ICT, Communications & Public Affairs and Legal Services & Internal Audit for the entire Group. Each division and function is responsible for its opera-

Neova Group Corporate Governance

Corporate Governance (CG)

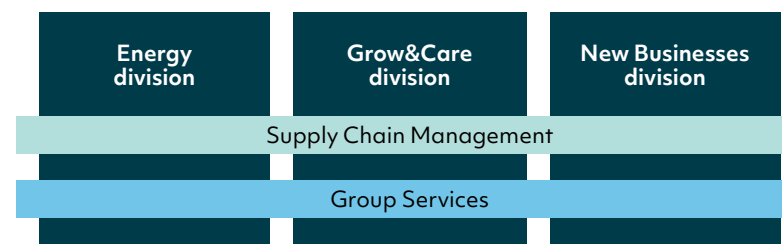
Auditing



Neova Group Structure

Neova Group Structure (Legal Companies)

Leadership and Management Teams



tions throughout Neova Group's operating countries and subsidiaries.

Neova's governing bodies

The highest decision-making power in Neova is exercised by the shareholders at the General Meeting. The management of the Group is the responsibility of the Board of Directors appointed by the General Meeting and the CEO appointed by the Board of Directors. The work of the Board of Directors and CEO is supervised by the Supervisory Board appointed by the General Meeting. The Group Management Team and other senior management assist

the CEO in his duties. The Board of Directors decides on the Group's governance systems and ensures that the company observes good corporate governance.

General Meeting

The Annual General Meeting shall be held annually in either Jyväskylä or Helsinki on a date determined by the Board of Directors, within six months after the end of the financial year.

An Extraordinary General Meeting may be held if the Board of Directors deems it necessary or there are legal grounds for doing so.

Pursuant to the Articles of Association (Appendix 1), the General Meeting shall be convened by registered letter to each shareholder sent to the address in the share register or sent electronically to the email address given by the shareholder no later than eight days before the meeting.

All shareholders have the right to participate in General Meetings by following the instructions provided in the notice of the General Meeting. Shareholders can participate in the General Meeting themselves or by a proxy representative. Each share confers one vote at the General Meeting.

The General Meeting decides on matters within its purview pursuant to the Limited Liability Companies Act, such as confirming the financial statements, the distribution of profit, discharging the members of the Supervisory Board, the Board of Directors and the CEO from liability and any amendments to the Articles of Association. The General Meeting also appoints the members of the Board of Directors, the members of the Supervisory Board and the company's auditors and decides on their remuneration.

The appointment of members to the Board of Directors and the Supervisory Board is also subject to the provisions of the Shareholders' Agreement between the company's owners. The Shareholders' Agreement also includes more detailed provisions regarding the decision-making procedure concerning certain decisions.

Due to Neova Oy being a privately held

company owned by two shareholders, the company does not publish the minutes of the General Meeting, proposals for resolutions or other meeting documents on its website. In accordance with the instructions of the owners, at least the Chairman of the Board of Directors, the CEO and the auditor are present at the Annual General Meeting. Also, persons nominated for appointment to the Board of Directors for the first time may not be present at the General Meeting deciding on their appointment.

A separate press release shall be published regarding appointments and other key decisions. The financial statements and the notes to the financial statements as well as the management report are published on Neova's website.

FY 2021 Neova Oy's Annual General Meeting was held in Helsinki on 30 March 2021. All shares and votes were represented at the General Meeting. In addition two Extraordinary General Meetings were held, one on 29 April to resolve to change of company name from Vapo Oy to Neova Oy and one on 30 June to resolve on the adoption of financial statements for the period 1 January–30 April 2021 and distribution of dividend based on these financial statements as well as the election of Panu Routila as eighth member of the Board.

Supervisory Board

The Annual General Meeting of Neova Oy annually appoints a Supervisory

Board consisting of a minimum of 8 and a maximum of 10 members elected by the Annual General Meeting for a term of one year in the manner specified in the Shareholders' Agreement between the company's owners. The meetings of the Supervisory Board are also attended by three employee representatives elected by the personnel for a term of two years at a time.

The Supervisory Board operates according to the Limited Liability Companies Act and the Articles of Association, and is tasked with the following:

1. Supervise the administration of the company managed by the Board of Directors and the CEO.
2. Issue a statement to the Annual General Meeting on the financial statements and the auditor's report.
3. Issue instructions and directions to the Board of Directors on far-reaching, essential and significant matters.
4. Issue a statement to the General Meeting on issues that require a statement by the Supervisory Board as per the Limited Liability Companies Act.

FY 2021 Neova Oy's Annual General Meeting held on 30 March 2021 appointed the following as members of the Supervisory Board: Antti Häkkänen, Heikki Miilumäki, Eero Kubin, Esko Kurvinen, Tommi Lunttila, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen, Juha Sipilä and Tiina Snicker. Juha Sipilä was

appointed as Chairman and Heikki Miilumäki as Vice Chairman. The Supervisory Board convened three times during the financial year 2021. The members' attendance in the meetings of the Supervisory Board is shown in the table below.

The members of the Supervisory Board do not hold any shares in Neova Oy or its subsidiaries and they are independent of the company and its major shareholders.

Information on the compensation of the members of the Supervisory Board is provided in the section [Report](#).

Name	Attendance in the meetings 2021
Juha Sipilä (b. 1961) Chairman, Member of Parliament	3/3
Heikki Miilumäki (b. 1946) Vice Chairman D.Sc (Tech.)(h.c.)	2/3
Antti Häkkänen (b. 1985) Member, Member of Parliament	3/3
Eero Kubin (b. 1948) Member, Professor	3/3
Esko Kurvinen (b. 1952) Member, Engineer	3/3
Tommi Lunttila (b. 1976) Member, agricultural and forestry entrepreneur	3/3
Mauri Peltokangas (b. 1966) Member, Member of Parliament	2/3
Jenni Pitko (b. 1986) Member, Member of Parliament	3/3
Piritta Rantanen (b. 1962) Member, Member of Parliament	3/3
Tiina Snicker (b. 1966) Member, Financial Manager	3/3

Board of Directors

The Annual General Meeting of Neova Oy annually appoints a minimum of 4 and a maximum of 8 members to the company's Board of Directors in the manner specified in the Shareholders' Agreement between the company's owners. The chairman and vice chairman are appointed in the manner stipulated by the Shareholders' Agreement. The company does not deem it necessary to provide information on candidates for Board of Directors membership because the company only has two shareholders that participate in the selection process. The appointment of the Board members complies with the guidelines concerning the realisation of diversity issued by the Ownership Steering Department of the Finnish Prime Minister's Office.

Neova Oy's Board of Directors sees to the administration of the company and the appropriate organisation of its operations. The Board of Directors is also responsible for the appropriate arrangement of the control of the company accounts and finances. Neova Oy's Board of Directors is responsible for managing and supervising Neova in accordance with the Limited Liability Companies Act, the Articles of Association, the Board's charter and the shareholders' instructions in such a way that the decisions are in the company's interest and support the growth of the company's value.

The Board members shall have the necessary skills and competencies required

Name	Member of the Board of Directors	Attendance in the meetings FY2021	Member in Committees and attendance in the meetings FY2021 (1.1.–31.12.2021)	
			Audit Committee	Personnel Committee
Jan Lång, born 1957, M.Sc. (Econ.) Professional Board Member	2015– Chairman	16/16		Chairman 6/6
Markus Tykkyläinen, born 1973, M.Sc. (Eng.), M.Sc. (Econ.), eMBA Managing Director, Suur-Savon Sähkö Oy	2016– Member	16/16	Member 5/5	
Stefan Damlin, born 1968, M.Sc. (Econ.) Managing Director, Vaasan Sähkö Oy	2017– Vice Chairman	16/16	Member 3/3	Member 3/3
Tuomas Hyryläinen, born 1977, M.Sc. (Econ.), Chief Growth Officer, Fiskars Oyj	2020– Member	16/16	Member 5/5	
Vesa Hätilä, born 1969, M.Sc. (Eng.), MBA, CBM Managing Director, Seinäjoen Energia Oy	2016– Member	16/16		Member 6/6
Kirsi Punttila, s. 1970, KTM, Senior Vice President, Marketing, Altia Oyj	2020– Member	16/16		Member 6/6
Panu Routila, born 1964, M.Sc. (Econ.), Professional Board Member	2018– Member	8/8	Member 2/2	
Minna Smedsten, born 1976, M.Sc. (Econ.), Group CFO, Taaleri Oyj	7/2021– Member	4/4	Chairman 2/2	
Maija Strandberg, born 1969, M.Sc. (Econ.), Senior Financial Councillor, Prime Minister's Office	2016 – 3/2021 Member	16/16	Chairman 2/2	Member 3/3

for the Board work and shall have sufficient time to devote to the task. The Board must ensure that it has adequate information at its disposal to attend to its duties. The Board must ensure that the Group operates in accordance with approved business principles and sets targets in an ethical manner.

The Board appoints and discharges the CEO, supervises the CEO's work and decides on the CEO's remuneration and other terms of employment. The Board

also appoints and discharges the CEO's direct subordinates and decides on their remuneration. In addition, the Board decides on the mission, strategy and values of the Company and monitors the realization thereof and approves the company's operating policies.

The Board organises the internal audit and prepares the audit plan in collaboration with the CEO. The Board monitors and assesses its working methods with annual internal assessments.

The Board also decides on significant expansions and contractions of operations as well as material investments, other long-term expenditure, assignments of property and financing arrangements as well as impairments of assets. Board meetings are attended by the CEO as a presenter and the company's Chief Financial Officer. Other members of the Group Management Team and senior management attend the meetings when necessary.

The Chief Legal Officer acts as the Secretary of the Board of Directors.

The main tasks of the Board of Directors are specified in the Board's charter (Appendix 2).

For members of the Board of Directors appointed on proposal by the State, the preferred duration of the term is 5–7 years pursuant to the Government Resolution on State Ownership Policy.

FY 2021 At Neova Oy's Annual General Meeting held on 30 March 2021, Stefan Damlin, Tuomas Hyryläinen, Vesa Hätilä, Jan Lång, Kirsi Punttila, Maija Strandberg and Markus Tykkyläinen, were appointed to the Board of Directors. Jan Lång was appointed as Chairman and Markus Tykkyläinen as Vice Chairman. The Extraordinary General meeting held on 30 June 2021 appointed Panu Routila the eighth member of the Board.

The Board of Directors convened 16 times during the financial year 2021. The members' attendance in the meetings of the Board of Directors is shown in the table below. Key themes and issues dealt with by the Board of Directors included safety, the brand name change, declining fuel peat demand, the EU Finance Taxonomy proposal and its relation to the use of peat as raw material, financing arrangements, the damage to the Activated Carbon production plant in Ilomantsi and the rebuild thereof, sustainability, reviewing

the Portfolio Strategy and the valuation of peat assets.

The members of the Board of Directors do not hold any shares in Neova Oy or its subsidiaries and they are independent of the company. According to the Board's assessment, Maija Strandberg is not independent of major shareholders as she is employed by the State owner. All other Board members are independent of major shareholders.

The remuneration of the Board of Directors is described in more detail in the section [Remuneration Report](#).

Board committees

The Board of Directors appoints an Audit Committee and Personnel Committee from among its members. The Committees of the Board assist it by preparing matters for the Board. The Committees report regularly to the Board of Directors. The Board of Directors has approved charters for the committees to follow.

Audit Committee

The task of the Audit Committee is to prepare, direct and evaluate financial reporting as well as auditing, internal audits, risk management, judicial risks and internal auditing systems. The Audit Committee assesses the independence of the auditor and prepares the proposal of the Board of Directors to the Annual General Meeting regarding the appointment of the auditors. The Committee is not vested with independ-

ent decision-making powers, but it prepares proposals to the Board of Directors.

The Audit Committee is comprised of a Chairman and three members appointed annually by the Board of Directors from among its members. The members shall have appropriate expertise pertaining to accounting and financial statements. The members of the Audit Committee shall be independent of the company and at least one member shall be independent of the company's significant shareholders. The Audit Committee meets whenever necessary but at least three times per year led by the Chairman of the Committee. The Committee's charter is attached (Appendix 3).

FY 2021 The Audit Committee convened five times during the financial year 2021. The members' attendance in the committee meetings is shown in the table listing the members of the Board of Directors.

In its meetings, the Audit Committee dealt with its regular topics as well as audit tendering, the EU Finance Taxonomy proposal, declining fuel peat demand, sustainability and corporate responsibility, valuation of peat assets, impairment tests and internal audit reports. The Audit Committee also dealt with the company's financing strategy, risk management, investments and operational efficiency.

Personnel Committee

The task of the Personnel Committee is to prepare proposals to the Board of Direc-

tors regarding the remuneration and appointment of the CEO and rest of the Group Management Team as well as the company's remuneration principles. The Personnel Committee also prepares the Remuneration Policy and Remuneration Report for the company's governing bodies.

The Personnel Committee is comprised of a Chairman and three members appointed annually by the Board of Directors from among its members. The members shall have appropriate experience pertaining to the terms of employment and compensation systems of senior management. The majority of the members of the Personnel Committee shall be independent of the company. The CEO or management team members shall not be appointed to the Personnel Committee. The Personnel Committee meets when necessary. The Committee's charter is attached (Appendix 4).

FY 2021 The Personnel Committee convened six times during the financial year 2021. The members' attendance in the committee meetings is shown in the table listing the members of the Board of Directors.

In its meetings, the Personnel Committee dealt with the management's long-term and short-term remuneration as well as the individuals included in the management remuneration system and the general compensation of employees. The

Personnel Committee further dealt with plans relating to development of leadership and personnel, more specifically e.g. competence development plans, leadership model renewal, personnel survey results and the impact of COVID-19 on the personnel as well as collective bargaining agreement status,

Nomination Committee

Establishing a Nomination Committee as referred to in the Corporate Governance Code is not necessary due to the company's ownership structure.

Principles regarding the diversity of the Board of Directors

In accordance with the Government Resolution on State Ownership Policy, the key criteria in proposing candidates for

Board membership include experience and expertise, assurance of the capacity for cooperation and diversity of competence as well as compliance with the gender equality objectives established by the Government. The State ensures that both genders are adequately represented on the boards of directors of companies.

Board diversity assessment

The Board seeks to ensure that it maintains an appropriate balance of independence of judgment and diversity, including gender, to promote effective dialogue and challenge, and objective decision making. The Board also pays due regard to applicable regulatory requirements concerning diversity.

All Neova Board members have a Master's degree in Economics or in Technol-

ogy, some having several degrees. Professional experience of Board members is diverse having background both from listed and non-listed companies in various industries. Many have experience from international growth companies and transformations. Board members represent different expertise areas and have extensive leadership experience.

Both genders are represented on the Board. All Board members are Finnish. Tenure in the Board varies from less than a year to over six years.

Management

Chief Executive Officer

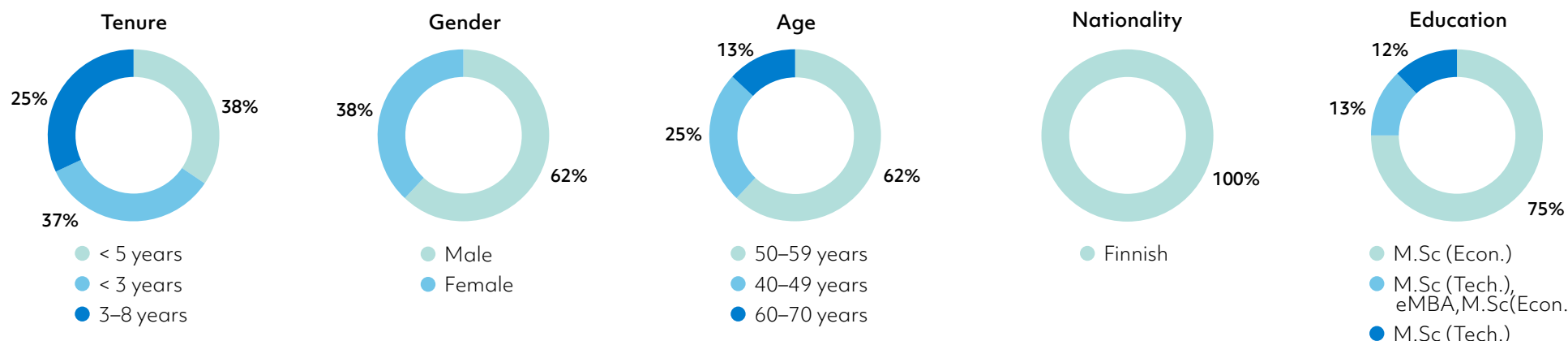
The Board of Directors appoints and discharges the CEO and decides on the CEO's remuneration and other terms of employment.

1. The CEO sees to the daily administration of the company in accordance with the instructions and orders given by the Board of Directors. The CEO is responsible for the day-to-day management of the company and Group as well as drawing up and presenting the Group's strategy and business plans to the Board of Directors for approval. The CEO reports to the Board of Directors and the Supervisory Board.
2. The CEO also presents matters to be decided on by the Board of Directors.

The division of tasks between the CEO and the Board of Directors is described in more detail in the Board's charter.

Information on the remuneration and terms of employment of the Chief Execu-

Board diversity



tive Officer is provided in the section "Remuneration Report".

Vesa Tempakka, M.Sc. (Econ.), born 1963, has been the Chief Executive Officer of Neova Oy since 29 May 2017.

The Chief Executive Officer does not hold any shares in Neova Oy or its subsidiaries.

Group Management Team

Neova Group has a Group Management Team appointed by Neova Oy's Board of Directors, supporting the CEO in his work. The CEO acts as the Chairman of the Group Management Team and appoints its Secretary. The Group Management Team is responsible for:

1. Supporting the CEO in investment decisions and procurement, taking the Board-approved authorisations into consideration.
2. Ensuring that the decisions made by the governing bodies are implemented in an appropriate manner in the organisation.
3. Assisting Neova Oy's CEO in preparing for Neova Oy's Board meetings and investigating all matters which the CEO has ordered them to investigate.
4. Actively promoting cooperation between the Business Areas and agreeing on joint principles and development measures in Group management.
5. Organising and developing occupational safety.

The Group Management Team convenes on a regular basis. The Group Management Team convenes at least ten times a year.

FY 2021 During the financial year 2021, the members of the Group Management Team — in addition to the CEO as Chairman — were the following: Markus Hassinen (Director, Heat & Power, until 28 January 2021), Jukka Holm (Chief Information Officer, CIO), Petri Järvinen (Chief Supply Chain and Sustainability Officer, SCM), Pasi Koivisto (Director, Fuels), Jaakko Myllymäki (Business Area Director, Neova Carbons), Ahti Martikainen (Director, Communications and Public Affairs), Juha Mäkinen (Director, Grow & Care Division), Jenni Nevasalo (Chief HR Officer) Jarmo Santala (Chief Financial Officer, CFO) and Mia Suominen (Business Area Director, New Businesses Division). The Secretary of the Group Management Team was Johan Nybergh (Chief Legal Officer, CLO).

The Group Management Team convened 13 times during the financial year 2021.

The key focus areas of the Group Management Team's work were monitoring strategic targets and the execution of the Group's strategy.

The members of the Group Management Team do not hold any shares in Neova Oy or its subsidiaries.

Subsidiaries

Neova Group is managed by the General Meeting of Neova Oy, the Supervisory Board, the Board of Directors, the Chief Executive Officer and the directors of its divisions and business functions. Neova Oy's Board of Directors appoints the members of the Boards of Directors of its main subsidiaries, ensuring that the work of the statutory executive bodies supports the operative business.

The operational management of Neova Group's divisions and functions is the responsibility of the director of each division and function. The directors report to Neova Oy's CEO. The management of subsidiaries also takes place through Neova Group's divisions and business functions.

Apart from the Neova Group subsidiaries in which Neova Oy's CEO is Chairman of the Board (or Board member), the Chairman of the Board of Directors is, where possible, the Business Area Director for the Neova Group division or function to whose business the company's operations are most closely associated.

The Chairman of the senior governing body of the Group's subsidiaries and the managing director of the company in question are responsible for ensuring that the subsidiary's Board of Directors confirms the decisions of the company's management team to implement the decisions made by Neova Oy's Board of Directors, Neova Oy's CEO and Neova Oy's director for the division or function in question,

or by the Board of the parent company of the company concerned to the extent that the applicable legislation requires a decision by a senior governing body. The decisions made by the governing bodies are recorded in the minutes.

The Boards of Directors and Managing Directors of Neova Group's subsidiaries are tasked with:

- Ensuring that the Group management has enough information at its disposal to carry out its tasks.
- Ensuring that the company operates in accordance with approved business principles and set targets.
- Ensuring that the company complies with the Articles of Association and any possible instructions given in company-specific Corporate Governance policies and by Group management.
- Ensuring that the company complies with local laws and regulations applicable to its business.
- Monitoring legislation and informing Group management, Neova Oy's CEO and/or the responsible business area or function director of relevant changes to legislation.
- Ensuring that all decisions by Neova Oy's Board of Directors and CEO are implemented.
- Ensuring that the company operates in accordance with its ethical principles and carries out corporate responsibility reporting where applicable.

Companies with minority shareholders external to the Group comply, for the most part, with the procedures described above, nevertheless taking into account the rights of the minority shareholders, and the rules detailed in the Articles of Association and any possible shareholders' agreement.

Internal control

The Board of Directors is responsible for ensuring that the Group's internal control and risk management are sufficient relative to the scope of the Group's business and that their supervision is appropriate.

The Board of Directors supervises that the CEO manages the company's operative business and administration in accordance with the instructions and orders issued by the Board of Directors. The Board of Directors assesses the Group's financial reports, division-specific reviews and material changes in business operations to ensure that risk management is sufficient. In addition, the Board's Audit Committee evaluates the sufficiency and effectiveness of internal control and risk management.

The Board of Directors' Audit Committee is tasked with monitoring the effectiveness of Neova's internal control, internal auditing and the company's risk management systems. Neova has defined operating principles for internal control and the key controls of processes. The CEO and CFO are responsible for the practical organisation of internal control.

Internal control applies to the entire organisation and its management. Effective internal control supports the achievement of strategic objectives and improves the steering of business operations. The aim of internal control is to give the Board of Directors and acting management adequate assurance of the realisation of the following objectives:

- the effectiveness and appropriateness of operations;
- the achievement of targets and profitability;
- the reliability and completeness of financial reporting and other reporting;
- the safeguarding of assets;
- compliance with operating principles, plans, guidelines, laws and regulations to prevent errors and misconduct, for example.

Internal control constitutes an essential part of the Group's operations on all levels of the organisation and is conducted on all organisational levels and in all operations. The methods of internal control include internal guidelines, reporting, various ICT systems and standard practices pertaining to the Group's business functions. These help to ensure that the management's instructions are followed and that any risks to the achievement of the Group's objectives are responded to in the appropriate manner. Regular control activities include management audits

and audits concerning the measurement of operations, the performance of measurements suitable for each sector, physical control, monitoring compliance with agreed approval limits and operational principles and any deviations therefrom, a system of approvals and authorisations, as well as various assurance and integration arrangements.

Operations are managed and monitored on a monthly basis, primarily by business area. Reviewing the current financial period and rolling monthly forecasts is an essential component of the control and monitoring process.

Control activities are led at the Group level by the Group Management Team and at the business level by the management of divisions, profit centres and business functions. The implementation of control is the responsibility of business controllers assigned to business areas and profit centres operating under the CFO who, together with the managing directors and operational management, see to business transactions being entered in the systems in a timely manner and reported appropriately and efficiently, complying with the separately issued Group guidelines on the content of internal control and reporting.

Internal audit

The Board of Directors is responsible for organising internal audit activities and preparing audit plans together with

the CEO. The internal audit supports Neova Oy's Board of Directors, the CEO and other senior management in carrying out their supervisory tasks. Internal audit services are purchased from an external service provider in the manner approved by the Board of Directors. Neova Group's Chief Legal Officer controls and supervises the implementation of these services and is responsible for communicating with the Board of Directors, its Audit Committee and the senior management in matters related to the internal audit.

The internal audit:

- Assesses the adequacy and efficiency of the control and supervision measures required to manage the organisation from the perspective of business targets and identified material business risks.
- Supports the organisation in its efforts to maintain effective supervision and control measures.
- Carries out audits that assess the reliability and integrity of business-critical financial and operational information, the effectiveness and efficiency of operations, safeguarding of assets and compliance with legislation, regulations, agreements and the organisation's internal instructions.
- Prevents risks of misconduct.

The aforementioned is implemented by providing assessment and assurance services independent of the business organisation's management and by way of consulting in a manner that does not compromise independence.

The Chief Legal Officer and the external auditor performing the internal audit report to the Board of Directors, the Audit Committee and the senior management, in addition to preparing analyses, assessments and development recommendations on the operations of the Group and the Group companies.

Risk management

Risk management is an integral part of the management of business operations at Neova Group. Comprehensive risk management supports the achievement of Neova's strategic and business goals and ensures the continuity of business operations under changing circumstances.

Successful and long-range business requires the proactive identification of business-related risks, managed risk-taking, the active monitoring of risk development and correct measures undertaken at the right time. The members of the Group Management Team are each responsible for managing various aspects of the risk survey.

The risk management that implements the aforementioned targets also constitutes a part of the job description of every Neova employee. Risks are man-

aged at different levels of the organisation depending on where they can be influenced. The implementation and effectiveness of risk management is the responsibility of the directors in charge of the business areas. They organise risk management activities in their respective business areas and report the most significant risks and their management methods to their administrative bodies and Neova Oy's Board of Directors at agreed intervals.

The main risks threatening the Group's diverse operations and the ways to prepare for these risks are reported in the annual reports published by the Group companies.

Auditing

Neova shall have one auditor, which shall be an auditing company approved by the Central Chamber of Commerce of Finland. The auditor is appointed at the Annual General Meeting for a term ending at the conclusion of the next Annual General Meeting.

Auditing consists of auditing the Group's accounting, financial statements and governance for each financial year. The auditor reports regularly to the Audit Committee and issues an auditor's report to the Annual General Meeting. The auditor's report includes a statement on whether the financial statements provide accurate and sufficient information on the result of the Group's operations and its financial

position in accordance with the applicable financial statements standards and whether the information provided in the Report of the Board of Directors is consistent with the financial statements. The auditor's report also includes a statement on key issues pertaining to the audit. The auditor's fees are paid in accordance with the decision of the Annual General Meeting.

The Group's auditing is organised so that the parent company's responsible auditor appointed by the Annual General Meeting carries out its auditing through its own international organisation or network throughout Neova Group and is responsible for auditing throughout the Group.

Since 30 March 2021, Neova's auditor has been PricewaterhouseCoopers Oy, Authorised Public Auditors, with APA Panu Vänskä as the auditor in charge from the same date.

Neova's auditing fees for the financial year 1 January–31 December 2021 amounted to EUR 505 thousand (EUR 390 thousand in 2020) and consulting fees totalled EUR 255 thousand (EUR 531 thousand in 2020).

Related Party Transactions

Transactions carried out with related parties shall relate to the company's normal business operations and shall be in line with the purpose of the company and executed on market or market equivalent

terms and practices generally observed and accepted within the industry in question.

If a contemplated transaction should deviate from the company's normal business operations or would not be executed on market or market equivalent terms, the transaction shall be either cancelled or submitted for the Board of Directors' approval.

Information on material transactions concluded between the company and its related parties is available in the Annual Report 2021 in the notes to the company's consolidated financial statements.

Appendices

Appendix 1:

[Articles of Association](#)

Appendix 2:

[The charter of the Board of Directors](#)

Appendix 3:

[The charter of the Audit Committee](#)

Appendix 4:

[The charter of the Personnel Committee](#)

VESA TEMPAKKA

CEO'S REVIEW

The revised strategy works

Three years ago, Vapo was an energy company that derived most of its turnover and profit from fuels and the production of heat and electricity. At the time, the Group's future strategic focus areas were defined as seeking growth in the international growing media market and the development and marketing of new, high added-value products based on natural materials.

The new strategy announced in 2018 has proved to be highly effective in the rapidly changing operating environment. Very good progress was made in the execution of the strategy in 2021. At the beginning of 2021, we sold Nevel Oy, which specialises in the production of heat and electricity, started the commissioning of our first activated carbon production facility, and our subsidiary Kekkilä-BVB continued to outgrow the market in our main business segments, namely products and services targeted at professional growers, home gardeners and landscapers.

The change has been very rapid. Kekkilä Group's turnover has grown from just

over EUR 100 million in 2018 to nearly EUR 340 million in 2021. The rate of organic growth in 2021 exceeded 10 per cent, although part of it was attributable to higher costs that led to price increases. Kekkilä-BVB is a leading European player in its field with a market share of roughly 10 per cent in Europe. The company's market is not limited to Europe, however. Its products are exported to, and used in, about 130 countries around the world. We established subsidiaries in China and the United States in 2021 and, right at the end of the year, we strengthened our position through acquisitions in Germany and Italy. We now operate in 12 countries.

The share of the energy business in our Group will continue to decrease, as we made the decision in the autumn to phase out the production of milled energy peat. In December 2021, we announced a transaction that will see us consolidate our fuel wood business with Biowatti Oy, a company owned by Lassila & Tikanoja. We will own 45 per cent of the joint venture. The transaction is pending approval by the competition authorities.

In May 2021, we changed the com-

pany name to Neova Oy. Approximately two-thirds of the Group's turnover comes from the international growing media company Kekkilä-BVB. In addition, we are building business around activated carbon, which is used for the purification of air and water, for example. The company's previous name was closely associated with our history as a Finnish energy company. For this reason, we decided to redesign our company image and we have been known as Neova Oy since 6 May 2021. Vapo is still used by the Group as a brand for selling biofuels, amongst other things.

Sustainability is a high priority

Sustainability is an integral part of our business and it develops in response to changes in our business environment and stakeholder expectations. Last year, we updated our sustainability strategy and sharpened our sustainability themes and medium-term (2025) and long-term (2030) sustainability targets. Our goal is to create sustainable green growth in all of our business areas. In practice, this means that the added value created by our prod-

ucts and services for our customers and society as a whole always outweighs the environmental impact of their production. We call this net positivity. We want to give more to the world than we take.

Environmental responsibility is a key consideration for us. Our target is to halve the CO₂ emissions of our own operations by 2025, and we are on schedule to achieve this goal. Sustainable peat production is a precondition for our operations. We only establish peat production sites at previously ditched peatlands. We comply with the requirements of the RPP (Responsibly Produced Peat) standard in all of our production countries and we promote biodiversity by restoring our production sites after use or by planting trees to create forests that sequester carbon.

The demand for growing media is growing rapidly in the global market. There is still a need for horticultural peat, both now and in the future, but new materials that supplement horticultural peat in growing media will increase in importance. Going forward, this will be one of Neova Group's most important areas of product development.

As regards social responsibility, our key priorities include promoting occupational safety, creating an excellent workplace, looking after employee well-being and ensuring the sustainability of sourcing.

From the perspective of personnel, a significant step was Neova being awarded Great Place to Work® certification in three of our operating countries in recognition of our excellent employee experience, trust-based corporate culture and commitment to creating a good workplace. In Finland, the Great Place to Work® certificate is awarded to companies whose Trust Index is at least 65 per cent. In addition to Finland, Neova has been awarded the certificate in Sweden and Estonia.

We are very serious about improving occupational safety in all of our operating countries. We have made good progress, and we had no accidents last year in Finland and Estonia, for example. We still have room for improvement at the Group level, as even one accident is too many.

Sustainability is part of our day-to-day work and we want it to be reflected in all of our teams and in everything we do. Engaging the commitment and participation of employees is vital. With this in mind, we have incorporated sustainability into the incentive system for all of Neova Group's personnel.

The third pillar of our sustainability strategy is economic responsibility. Our

goal is to be a profitable company and to bear our economic responsibility as a successful company and a good corporate citizen.

Good financial results in a challenging operating environment

A gain of approximately half a billion euros was recognised in the Group's result from the sale of Nevel Oy. We used the proceeds from the sale to distribute a dividend of EUR 250 million to our owners and we also reduced our net debt. We are now practically free of net debt.

Operationally, the year can be characterised as unpredictable. The Grow&Care division had strong sales across all of its business units. However, the costs of shipping and packaging materials, for example, increased very rapidly starting from the spring, and we were not able to pass these cost increases to customer prices quickly enough, which had a negative effect on our relative profitability. In absolute terms, the division's operating margin and operating margin were on a par with the previous year.

The demand for energy peat continued to decline at a rate of over 20 per cent but, at the same time, income from wood pellets and energy chips developed favourably. Income from land sales also increased. The results of our projects aimed at improving operational effi-

ciency and streamline costs exceeded our expectations and had a positive effect on the Group's operating profit.

Focus on growth, development, costs and Brussels

In the new year, the focus areas of product development include increasing the value of land assets by developing more wind power and solar power farms on land owned by the Group. We announced two projects in 2021 and the future looks bright in this area.

In product development, priority will be given to projects that support the Grow&Care division. The development of biostimulants produced from organic wetland biomass continued in 2021. Cultivation tests in Central Europe have produced promising results and, next summer, cultivation tests will be continued and expanded. In greenhouse cultivation and open field cultivation, biostimulants promote plant well-being and increase their drought tolerance, for example.

Rising inflation and increasing regulation create pressure on operational planning in the new year. The Group has prepared for inflation by, for example, building stockpiles of critical raw materials and by focusing on pricing and the monitoring of costs. The most important thing to keep an eye on in 2022 is to advocate for the interests of our industry in the sphere of the finance taxonomy

and the EU's Fit for 55 legislative reform package.

We want to continue to play a role in enabling the production of healthy local food, especially in the growing European markets.

BOARD OF DIRECTORS' REPORT 1 JANUARY-31 DECEMBER 2021

Operating environment

Predicting the changes in the operating environment in 2021 was challenging. A number of cost items that influence the Group's operations increased to an exceptional degree. The Group's shipping costs increased by approximately EUR 15 million. This was particularly due to container freight costs rising to a level that was many times higher than in the previous year. At the same time, the prices of many raw materials, especially packaging plastic, increased by as much as tens of per cent compared to the previous year.

The price of emission rights increased by nearly 300 per cent in 2021, which contributed to the price of electricity on the electricity exchange rising to a record-high level. The increased price of emission rights drastically reduced the demand for milled fuel peat used in heating. Neova's sales of milled fuel peat declined by approximately a quarter compared to the previous year. The steep increase in natural gas and coal prices towards the end of the year improved the market competitiveness of pellets.

Ireland did not produce any horticultural peat for the export market in 2021. This enabled a higher volume of horticultural peat exports from Finland.

COVID-19

The impacts of the COVID-19 pandemic on Neova Group's operations were restricted successfully in 2021. The Group used a safety-oriented work model throughout the year. Visits to production plants by outside parties were minimised and remote work and hybrid work models were successfully implemented for those jobs that allowed it. These measures made it possible to maintain normal production operations at all of the Group's production plants throughout the year.

The pandemic that began in 2020 substantially increased the demand for products aimed at amateur gardeners. This demand remained at the previous year's level in 2021. COVID-19 has increased the demand for locally produced food, which was reflected in higher demand for products aimed at professional growers in several markets. At the same time, the pandemic has delayed a large number of new professional cultivation projects, creating growth challenges particularly in export markets.

The prices of emission rights and electricity reached record-high levels

Emissions trading is aimed at shifting energy production from fossil fuels to renewables. In district heating production,

all heating plants in excess of 20 MW have to buy emission rights in the market if they burn non-renewable fuels. In 2021, the prices of emission rights increased from EUR 30 per tonne of carbon to as high as EUR 90 in December. In district heating production this meant that, at the end of the year, for each MWh produced from energy peat, a company producing district heat from energy peat had to pay EUR 6 in energy tax and approximately EUR 30 in emission rights in addition to the cost of the fuel. District heat produced from wood chips is not subject to energy tax or emission rights charges. For these reasons, the competitiveness of wood chips and commercial timber improved significantly compared to energy peat during the year. Energy wood prices only increased by approximately five per cent during the year. The decline of the demand for energy peat accelerated further and, in autumn 2021, Neova decided to discontinue the production of energy peat.

Electricity prices in Central Europe and the Nordic region rose to record-high levels during the year. In Finland, the price of electricity on the electricity exchange exceeded EUR 1,000/MWh in December. There are several reasons for the increase in electricity prices. The price of natural gas has risen sharply due to reduced deliv-

eries from Russia to Central Europe. Gas inventories were low as autumn arrived, and LNG deliveries were directed more to Asia instead of Europe compared to previous years. At the end of the year, the price of natural gas was many times higher than at the start of the year. The shortage of gas has shifted demand in European condensing power production towards coal, which has led to higher demand and increased prices for emission rights.

The price of electricity in the Nordic countries has also been influenced by the exceptionally poor hydrological conditions in Norway and Sweden and the fact that transmission lines between Finland and Sweden as well as between Finland and Russia were at full capacity on occasion. In addition, transmission lines opened from Norway to Central Europe and the UK have increased the price of electricity in the Nordic countries.

Shipping and raw material costs increased sharply

The cost of road shipping increased by nearly 10 per cent during the year, mainly due to higher fuel prices. Neova had hedged the prices of bulk sea shipping by means of annual agreements, which kept prices stable in 2021. This turned out to be highly advantageous, as the sea shipping

volumes of horticultural peat to Europe grew considerably.

The year was very challenging with regard to container cargo. Container shipping rates in North America and South America increased from USD 2,000 in the previous year to levels as high as over USD 10,000, while in Asia and Australia, prices rose from USD 1,000 to approximately USD 2,500. Neova's overall sea shipping costs doubled. Shipping costs increased by approximately EUR 15 million for Neova Group as a whole.

The prices of packaging materials have also increased significantly. The price of packaging plastic, for example, doubled during the year in certain cases. Based on a cautious estimate, this created EUR 5 million in additional costs compared to the previous year. The higher costs of shipping and raw materials, with the combined increase exceeding EUR 20 million, could not yet be fully passed to the prices of products.

Finance taxonomy

In August 2021, the EU started a project on expanding the finance taxonomy to potentially apply to peat production and the use of peat for purposes such as growing media and animal bedding. If all uses of peat were to be classified as non-sustainable, it would complicate the availability of financing for the industry as a whole and lead to higher financing costs. Decisions on expanding the scope of the

taxonomy are expected in 2022. Neova Group is making every effort to inform the parliaments of various EU countries and EU officials with the aim of having the future of peat as growing media, animal bedding and as raw material for new high value-added products classified as sustainable going forward. The justification for this view is that the advantages of peat – in enabling food production, for example – are significantly greater than its disadvantages.

Neova Group

The Group's profit for the financial year 1 January–31 December 2021 improved substantially year-on-year and amounted to EUR 501.5 million. The profit for the financial year was significantly improved by a non-recurring gain of approximately EUR 507 million from the sale of Nevel. At the same time, the profit for the financial year was weakened by write-downs of fixed assets amounting to approximately EUR -18 million, mainly in relation to the discontinuation of energy peat production in Finland.

The Group's reported turnover decreased by approximately six per cent year-on-year and amounted to EUR 514.6 million (EUR 544.9 million). The decrease in turnover was attributable to the divestment of the heat and power business in January 2021, as all of the Group's continuing operations, except the energy peat business, grew compared to the previous year. The strong-

est growth was seen in the Grow&Care division at approximately 13 per cent.

The Group's operating result was EUR 511.2 million. The comparable operating result, however, remained almost on a par with the previous year at EUR 22.8 million. The previous year's comparable operating result, excluding the heat and power business and non-recurring items, was EUR 20.9 million. The comparable result remaining on a par with the previous year was attributable to the strong demand for Kekkila-BVB products and the continued efficiency improvement measures taken throughout the Group. Factors that had a negative effect on the result included the higher costs of shipping and materials as well as the continued sharp decline in the demand for energy peat, which led to the decision to discontinue Neova's production of milled energy peat in Finland.

Operating cash flow (free cash flow before financial items and taxes) amounted to EUR 434.0 million (EUR 39.6 million) for the financial year. Cash flow was significantly affected by the sale of the heat and power business as well as investments in the activated carbon production plant in Ilomantsi and the expansion of Kekkila-BVB's production.

The Group's equity ratio stood at 55.2 per cent (27.9%) at the end of the financial year, while the ratio of net debt to operating margin was 0.0 (6.1).

The COVID-19 pandemic affected the Group's divisions in very different ways. The

pandemic had barely any direct effects on the Energy division. It merely delayed pending or planned new customer projects due to visits to Vapo's own plants and customer plants being restricted.

In the Grow&Care division, the pandemic delayed new professional grower projects in several countries and the availability of sea shipping. At the same time, the pandemic continued to have a favourable effect on the amateur gardener segment, as recreational gardening activity remained high due to people working remotely.

The pandemic delayed and, to some degree, complicated the supervision and construction of the activated carbon production facility in Ilomantsi. A large number of workers from different countries worked construction and installation jobs at the site. Preventing infections required various special arrangements and the precautionary quarantine measures delayed construction to some extent. In addition, our main equipment supplier has had significant delays in deliveries, which have delayed the schedule of the project as a whole. In our product development activities, the most significant negative impact of the pandemic was having slow down the operations of our product development laboratories in Central Europe when the pandemic was at its worst.

In response to the uncontrollable decline in the demand for energy peat, Neova continued the cost saving pro-

gramme announced a year ago for the period 2021–2022 and successfully implemented efficiency improvement measures amounting to approximately EUR 25 million in 2021. The Group also recognised write-downs of approximately EUR 16 million on the remaining energy peat assets in Finland.

The rapid decline in the demand for energy peat also forced Neova to assess its business strategy in light of the changed circumstances. To ensure its ability to respond to the balance sheet challenges created by write-downs and continue to execute its chosen growth strategy in the international growing media markets and new businesses, Vapo Group sold Nevel – a subsidiary that focuses mainly on energy infrastructure and operates in Finland, Sweden and Estonia – to Ardian in January 2021. The sale of the heat and power business enabled the Group to pay dividends totalling EUR 250 million to its owners in June 2021. After the dividend payment and loan repayments, the Group is nearly free of net debt and its equity ratio exceeded 50 per cent at the end of the year.

The decline in the demand for energy peat continued in 2021, with energy peat sales decreasing by over one-fifth from the previous year. Consequently, Neova announced in autumn 2021 that it would no longer produce energy peat going forward.

Neova Group's Grow&Care division had

a strong year in terms of sales. The division's turnover totalled EUR 339 million, representing year-on-year growth of 13 per cent. Most of the growth was derived from products aimed at professional growers and the sale of horticultural peat in the European market.

While the division's operating margin improved, its relative profitability decreased year-on-year. The costs of sea shipping and packaging plastic doubled from the previous year. In spite of price increases, these higher costs could not be fully passed on to end product prices.

Right at the end of the year, Kekkilä-BVB acquired the German companies Brill Substrate and Brill Papenburg Logistics. The acquisition strengthens Kekkilä-BVB's market position in the major European markets of Germany, Italy and France. The turnover of the acquired businesses is approximately EUR 25 million. The acquisition included a company-owned port and terminal area in Papenburg, Germany. The strategically significant acquisition strengthens Kekkilä-BVB's position as a leading player in its industry in Europe.

In December 2021, Neova announced another strategic transaction, which will see its fuel wood business consolidated with Lassila & Tikanoja's Biowatti Oy. The new company's turnover will be approximately EUR 100 million. Approximately EUR 50 million in turnover and about 40 people will be transferred to the com-

pany from Neova. Neova will own 45 per cent of the new company, with Lassila & Tikanoja owning 55 per cent. The transaction is subject to approval by the competition authorities. The transaction is expected to be completed in 2022.

In new businesses, 2021 was supposed to be the start of a new era. Novactor's activated carbon production plant was completed in Ilomantsi and test production began in June. However, during test production, damage was detected in the structures of the activation furnace that forced a shutdown of the plant. In practice, the blast furnace at the plant needs to be rebuilt, which means that the start of industrial production will be delayed until early 2023. This is very unfortunate, as there is strong demand in the market for activated carbon, and customer feedback indicated that the activated carbon produced by the plant was of good quality.

In addition to activated carbon, Neova has researched the production of biostimulants from peat for several years now. Biostimulants enhance the nutrient absorption of plants grown in greenhouses and fields. They also help plants adapt to changing conditions related to climate change. Neova's biostimulants have been tested in cultivation tests in Central Europe, and testing activities will continue next summer. The aim is to make a decision on the industrial production of biostimulants by the end of 2022.

Developments by business segment

The reporting segments comprise the Group's divisions in accordance with Neova's management model. Neova Group's reporting segments are Energy, Grow&Care, New Businesses and other activities.

Energy

The Energy division is responsible for the energy and fuel solutions provided by Neova Group in Finland, Sweden and Estonia. The division provides energy producers with peat, wood and pellet fuels. The division serves pellet customers through its own sales service as well as an online store. Approximately half of the division's turnover is derived from renewable biofuels. The Energy division's current business units correspond to three types of fuel: Pellets, Wood and Energy peat.

The sale of the Group's heat and power businesses organised under the subsidiary Nevel to Ardian was completed in the first third of the financial year, in January 2021. Nevel is consolidated into the Energy division's figures until January 2021 when control was transferred to the new owner. Nevel's turnover for the corresponding period in the comparison year was EUR 42.1 and its operating result was EUR 9 million. Turnover in 2020 totalled EUR 93.3 million and the operating result was EUR 18.4 million.

Turnover in the final third of the financial year (September–December) was EUR

58.6 million (EUR 85.6 million). The operating margin for the reporting period was EUR 10.2 million (EUR 28.0 million) and the operating profit was EUR -9.4 million (EUR -103.1 million). Gross investments were EUR -5.1 million (EUR 8.0 million).

Turnover for the full financial year was EUR 174.9 million (EUR 245.9 million). The operating margin for the full financial year was EUR 31.5 million (EUR 35.1 million) and the operating profit was EUR 3.5 million (EUR -90.6 million). The operating result includes non-recurring items in the amount of EUR -17.8 million (EUR -111.9 million). The significant non-recurring items mainly consisted of write-downs of energy peat production areas and expenses recognised in relation to the continued environmental obligations associated with those areas.

The profitability of the division's fuel business decreased year-on-year due to a significant decline in the demand for energy peat. The high price of emission rights and tax increases have contributed to lower demand for energy peat and, in spite of growth in the sales of biofuels, overall fuel deliveries were 16 per cent lower than in the corresponding period last year.

On 26 November 2021, Neova announced the discontinuation of energy peat production in Finland a write-down of EUR 16.2 million on balance sheet items related to energy peat production. In December, Neova announced it will consolidate its wood fuel business in Finland

with Biowatti Oy, a subsidiary of Lassila & Tikanoja plc. The business combination is expected to be completed in 2022.

Grow&Care

The Grow&Care division's Kekkila-BVB is Europe's leading and most versatile growing media operator in the professional grower, landscaping and consumer segments. Kekkila-BVB specialises in the sustainable development, production and marketing of high-quality growing media, mulches and fertilisers for landscapers, professional growers, distributors and home gardeners. Peat is also supplied as bedding peat to horse farms, cattle farms, pig farms and poultry producers and for use as raw material in further processing.

The division's well-known brands, Kekkila Garden and Hasselfors Garden, offer products to home gardeners and landscapers in the Nordic countries and the Baltic countries. In Central European markets, our business includes private label products as well as the Jardino and Florentus brands, for example. In the professional growing media business, the BVB Substrates and Kekkila Professional brands serve not only on the home markets but also the global markets with exports to more than 100 countries.

Turnover in the final third of the financial year (September–December) was EUR 86.2 million (EUR 77.0 million). The operating margin was EUR 3.8 million (EUR 1.9 million) and the operating profit

Energy

	9-12/ 2021	9-12/ 2020	Change	1/2021- 12/2021	1/2020- 12/2020	Change	1/2019- 12/2019
Turnover (EUR million)	58.6	85.6	-31.5%	174.9	245.9	-28.9%	289.5
Operating margin (EUR million)	10.2	28.0	-63.5%	31.5	35.1	-10.2%	60.1
Operating profit (EUR million)	-9.4	-103.1	90.9%	3.5	-90.6	103.9%	-12.0
Investments (EUR million)	-5.1	8.0	-163.8%	30.9	21.1	46.4%	56.8
Number of employees	225	362	-37.8%	244	371	-34.2%	364
Energy sales, peat (GWh)	1,872	2,170	-13.7%	5,515	6,992	-21.1%	9,058
Energy sales, other fuels (GWh)	1,417	1,200	18.1%	3,606	3,161	14.3%	3,600

Grow&Care

	9-12/ 2021	9-12/ 2020	Change	1/2021- 12/2021	1/2020- 12/2020	Change	1/2019- 12/2019
Turnover (EUR million)	86.2	77.0	11.9%	338.9	299.9	13.0%	250.2
Operating margin (EUR million)	3.8	1.9	96.9%	32.2	32.3	-0.1%	22.4
Operating profit (EUR million)	-3.8	-6.0	36.2%	11.0	14.0	-21.6%	7.0
Investments (EUR million)	20.0	10.8	85.0%	37.5	25.4	47.6%	14.0
Number of employees	565	540	4.7%	569	545	4.2%	559

was EUR -3.8 million (EUR -6.0 million). Gross investments were EUR 20.0 million (EUR 10.8 million).

Turnover for the full financial year was EUR 338.9 million (EUR 299.9 million). The operating margin was EUR 32.2 million (EUR 32.3 million) and the operating profit was EUR 11.0 million (EUR 14.0 million). The operating result includes non-recurring items in the amount of EUR -0.9 mil-

lion (EUR -1.6 million). Gross investments were EUR 37.5 million (EUR 25.4 million).

The Grow&Care division's full-year turnover increased from the previous year. In particular, the professional grower business and the sales of peat raw material used in growing media grew faster than expected. The exceptional demand in the consumer business, which was initially caused by the COVID-19 pandemic in

2020, continued in the financial year 2021. The exceptional circumstances have continued, forcing people to stay home, giving them more time and opportunities to focus on gardening. The year-on-year decline in the division's relative profitability is partly due to a substantial increase in material and logistics costs. The increased demand for materials has increased prices and reduced availability while, at the same time, the global imbalance in shipping containers has resulted in longer delivery times and pushed shipping costs to an exceptionally high level. Measures to pass the higher costs to customer prices began during the financial year 2021.

The outlook for 2022 is positive in spite of the higher costs. The timing of the peak sales season in the consumer business depends on the weather. This can cause significant fluctuations between the different thirds of the year, but the effect balances out over the full year. The long-term growth trend in the professional grower business is expected to continue. We have ensured adequate inventories of horticultural peat in the division before the new production season, although there are indications of low supply in the raw material market before the upcoming peat production season, as was the case last year.

Brill Substrate and Brill Papenburg Logistics, which were acquired after the end of the financial year, will be fully consolidated into the Grow&Care division's figures for the financial year 2022.

New Businesses

The New Businesses division works together with customers and ecosystems to develop solutions to global challenges that secure the world's food production, promote healthy living environments and promote the purification of air and water. The aim is to refine organic wetland biomass and other organic natural materials into high-added-value products for the international markets.

The area in which the most progress has been made consists of biostimulants isolated from organic wetland biomass. They are used in greenhouse and outdoor cultivation to improve plants' nutrient absorption and the efficiency of nutrient use. Biostimulants also help plants adapt to changing conditions related to climate change. In accordance with the Neova Refinery concept, raw materials and side stream products are comprehensively utilised in adherence to the circular economy principle while minimising energy consumption and emissions.

In the Activated Carbon business, construction began in spring 2019 on a strategically significant production facility in Ilomantsi to process activated carbon. The production facility was mechanically completed in May 2021. However, test production in autumn 2021 revealed mechanical issues with construction materials, resulting in the need to rebuild the blast furnace. This is expected to take until the latter part of 2022. Production output

New Businesses

	9-12/ 2021	9-12/ 2020	Change	1/2021- 12/2021	1/2020- 12/2020	Change	1/2019- 12/2019
Turnover (EUR million)	1.1	0.8	30.1%	3.0	2.4	24.5%	1.8
Operating margin (EUR million)	-1.5	-1.2	-20.7%	-4.5	-2.9	-55.5%	-1.9
Operating profit (EUR million)	-1.7	-1.6	-10.1%	-5.1	-3.3	-53.5%	-2.0
Investments (EUR million)	1.2	14.4	-91.8%	10.4	28.0	-62.9%	9.4
Number of employees	29	29	-1.7%	28	26	11.5%	18

Other activities

	9-12/ 2021	9-12/ 2020	Change	1/2021- 12/2021	1/2020- 12/2020	Change	1/2019- 12/2019
Turnover (EUR million)	0.0	0.0	-32.3%	1.1	0.1	1,071.1%	0.1
Operating profit (EUR million)	-1.5	-10.9	86.2%	501.6	-15.0	3,433.6%	-12.1
Number of employees	77	87	-11.7%	81	90	-7.1%	113

during the deployment phase has been delivered to end customers and the feed-back has been very positive. The employment effect of the construction stage is more than 100 person-years and the constant employment effect of the first stage of the facility, including the supply and production chain, is roughly 50 persons. Neova's activated carbon products will be sold under the Novactor brand.

The operating loss for the final third of the financial year (September–December) was EUR -1.7 million (EUR -1.6 million). Gross investments were EUR 1.2 million (EUR 14.4 million). The operating loss for the full financial year was EUR -5.1 million

(EUR -3.3 million). The result for the financial year includes non-recurring items of EUR -0.1 million (EUR 0.0 million). Gross investments were EUR 10.4 million (EUR 28.0 million). Until the sales of the Ilomantsi plant's own production output begin, the turnover of the New Businesses division consists mainly of the sale of activated carbon raw material in the value chain.

Other activities

The Other activities segment consists of costs that are not allocated to the Neova Group's business units. These costs are related to the Group's administrative and strategic activities as well as support functions.

The other activities segment's effect on the operating profit for the final third of the financial year (September–December) was EUR -1.5 million (EUR -10.9 million). The other activities segment's effect on the operating result for the full financial year was EUR 501.6 million (EUR -15.0 million). The figure for the reporting period is significantly affected by the non-recurring recognition of income related to the sale of the subsidiary Nevel, which had an effect of EUR +507.9 million. Most of the costs associated with the transaction were presented in the financial statements for the final third of 2020.

Cash flow, investments and financing

The Group's free cash flow before taxes for the period 1 January–31 December 2021 amounted to EUR 434.0 million (EUR 39.6 million). The sale of Nevel Oy's shares in early 2021 had a significant positive effect on the Group's cash flow. The change in working capital affected cash flow by EUR -50.2 million (EUR 46.3 million).

Gross investments in the financial year were EUR 84.6 million (EUR 76.6 million), or 239.9 per cent of the amount of depreciation (162.3%). The most significant investments during the financial year were allocated to the start-up of the Activated Carbons business. Investments were also allocated to Kekkilä-BVB's capacity expansion and energy efficiency investments, as well as environmen-

tal protection and field maintenance in peat production. Net investments (gross investments – asset sales) totalled EUR 77.7 million (EUR 59.1 million).

The Group's liquidity is strong. The aim of liquidity management is to maintain the Group's liquidity so that the Group can finance its normal business operations while taking into account maturing debt and other short-term payment and financing obligations (<12 months). Liquidity risk is managed by maintaining sufficient cash assets, short-term investments and available credit commitments. At the end of 2021, the Group's liquidity reserves consisted of cash assets, short-term investments in fixed income funds and commercial papers totalling EUR 219 million as well as a revolving credit facility of EUR 50 million, which is currently fully unused and will mature in late 2022.

To manage refinancing risk, the Group diversifies the maturity of long-term loans to a sufficient degree over the years to come. Long-term interest-bearing loans maturing over the next 12 months amount to EUR 14.1 million, with lease liabilities representing EUR 8.6 million of that total. Thereafter, the next significant loans will fall due in 2024 (EUR 110 million).

Interest-bearing net debt at the end of the financial year amounted to EUR 11.2 million (EUR 327.7 million). The ratio of interest-bearing net debt to operating margin (net debt/EBITDA) on 31 December 2021 was 0.0 (6.1).

Short-term interest-bearing debt amounted to EUR 19.4 million (EUR 58.1 million). The equity ratio at the end of the financial year was 55.2 per cent (27.9%). On the financial statements date, Neova met the covenants and other terms and conditions related to its financing agreements. The average interest rate of interest-bearing long-term loans was 2.6 per cent (2.5%), excluding lease liabilities recognised in the balance sheet.

The consolidated balance sheet total was EUR 780.9 million (EUR 758.5 million). The Group's net financing items were EUR -7.2 million (EUR -12.5 million). Net financing items were -1.4 (-2.3) per cent of turnover. Net gearing was 2.6% (158.0%).

Natural seasonal fluctuation in activities

The Grow&Care division's growing media business is also sensitive to seasonal fluctuations, with demand peaking at the start of the cultivation season, from late spring to early summer. In September–December, sales are mostly focused on year-round sales to professional growers, while the retail channels play a larger role in the spring and summer season. Growing media raw material sales are more stable throughout the year.

The Group's Energy division is cyclical to a significant extent due to seasonal variation in the demand for heating. During the financial year under review, temperatures were relatively cold during the cold

months, which had a substantial positive effect on fuel sales in the early part of the year and especially in December. The final third of the year, from September to December, is usually a significant heating season in our operating countries.

Notable risks and uncertainty factors

Risks related to agricultural peat

With respect to agricultural peat, there are signs of political moves in Europe towards tighter regulation. The most significant threats to the agricultural peat business include restrictions on the use of peat, unexpected changes in legislation concerning peat and more negative attitudes towards the use of peat in the retail sector.

To manage these risks, it is essential to provide transparent information on the environmental impacts of the use of peat and for the industry to actively produce and share objective information and emphasise peat's role in greenhouse farming and global food production. The active promotion of recycling solutions and responsible peat production methods as well as the restoration of peat production areas play a very important role in the general acceptability of the use of peat.

The most important thing to keep an eye on in 2022 is to advocate for the interests of our industry in the sphere of the finance taxonomy and the EU's Fit for 55 legislative reform package.

Regulation

The total consumption of energy peat in Finland amounted to 15,640 TWh in 2019. The Government Programme sets out a goal of halving the use of energy peat by 2030. Based on a demand forecast collected by Neova Oy from its customers, this halving will happen as soon as 2022. In 2025, energy peat consumption is estimated to be only 4.0 TWh, which would put peat consumption at only about 25 per cent of the volume seen in 2019.

Neova's energy peat sales totalled approximately EUR 70 million in 2021. The year-on-year decline was approximately 20 per cent for the third consecutive year. The most significant reason behind this decline is the nearly threefold increase in the price of emission rights, which reached approximately EUR 90 per tonne of carbon at the end of the year.

Energy peat has been primarily replaced by wood. Unfortunately, the wood it has been replaced by is increasingly imported wood chips, which are transported to Finland from Russia and on ships from further away. At the current tax levels and prevailing prices of emission rights, energy peat is a substantially more expensive fuel for customers than wood chips, pulp wood and roundwood.

Risks in the activated carbon business

The most significant risk related to the activated carbon business concerns the successful commissioning of the first pro-

duction facility in Ilomantsi by the end of the year. This involves a mechanical functional risk as well as end product quality risk. The functional risk was partially realised in autumn 2021, as quality defects were detected in the construction materials, making it necessary to practically rebuild the furnace in 2022.

Neova's peat-based raw material for activated carbon, sold under the Novactor brand, also involves an approval risk related to the non-fossil requirement. However, the production facility in Ilomantsi is designed to have the capacity to use other raw materials for the production of activated carbon, if necessary.

Market risks

Neova's businesses are subject to significant market risks related to end product demand as well as the prices and availability of raw materials.

The demand for wood-based raw materials has grown significantly in the international markets as customers seek environmentally friendly alternatives. Imports of wood-based raw materials from outside of Europe have also increased. As the market grows, the availability of appropriately priced raw material in relation to the price of the end product plays a key role in ensuring competitiveness. The escalation of the situation in Ukraine have impacts in the form of not only higher energy prices and the availability of energy but also the availa-

bility of wood-based and peat-based raw materials. The crisis could also have a significant impact on sea shipping in terms of both availability and cost. International trade sanctions will have an impact and possible impact of the new international trade sanctions will be monitored as part of risk management process.

Weather risks

Weather is a risk that has extensive effects on Neova's business. In winter, the temperature affects the customers' fuel requirements. In spring, the weather conditions also determine the timing of the peak season in the gardening trade, which affects the profit performance for the full year. During summer, the effects of weather concern the production volumes and quality of wood fuels and environmental products.

In summer 2021, peat production went as planned in Finland, Sweden and Estonia.

Damage risks

Damage risks include occupational safety risk, property risk, interruption risk and environmental risk. Vapo aims to prevent damage risks through proactive risk management measures and by reacting quickly to any observed hazards. Risks that cannot be managed by the company's own actions are insured where possible. The goal is to continuously promote a positive culture of occupational

safety and asset protection throughout the organisation. Extensive investments in changing the organisation's safety culture are already being reflected in a reduced number of accidents and lower accident frequency as well as an increase in safety observations and related improvement measures throughout Neova Group.

Financing and commodity risks

The company manages its financing risk and maintains liquidity by balancing the proportional share of short-term and long-term loans and the repayment schedules of long-term loans. In addition, the risk related to the availability and price of financing is managed by diversifying fundraising between different banks and financial instruments.

The company's main financial risks are currency risk, interest rate risk and liquidity risk. The Group treasury, guided by the financial policy ratified by the Board of Directors, is responsible for identifying and managing financial risks. The Group's risk management tools include currency derivatives, currency swaps, foreign currency loans and commodity derivatives.

Research and development

The Group's research and development investments during the financial year 1 January–31 December 2021 amounted to EUR 16.3 million (EUR 27.2 million), which corresponds to 3.2 per cent of turnover (5.0%). Research and development

activities were focused on supporting the company's strategic renewal in all of the Neova Group companies.

New Businesses – The New Businesses division works together with customers and ecosystems to develop solutions to global challenges that secure the world's food production, promote healthy living environments and promote the purification of air and water. The aim is to refine organic wetland biomass and other organic natural materials into high-added-value products for the international markets.

Under the Neova Refinery concept, raw materials and side streams are comprehensively utilised in accordance with the circular economy principle. High value-added products made of biomass and side streams carry enormous future potential because of the worldwide need for new ways to promote sustainable food production and water and air purification as well as to replace harmful chemicals, oil-based products and plastics.

The Group's innovation and IPR strategy is geared towards the Group's goal of developing its existing businesses and creating new business. The strategy also governs the management and protection of tangible and intellectual property developed by the Group. The key measures include developing the competence of the personnel, fostering a culture of innovation and taking proactive measures to protect intellectual property.

Environmental responsibility

Neova Group is committed to continuously improving its operations and developing its environmental efforts. We want to be recognised as a responsible and sustainable company wherever we operate. We updated our sustainability strategy and set new targets for 2022–2025 with regard to environmental responsibility and social responsibility.

Our environmental targets are focused on greenhouse gas emissions, biodiversity, the circular economy and water. As part of our efforts in this area, we have also created the **Green Factory concept** and defined our 2025 targets and performance indicators for our growing media, peat, moss, pellet, wood and activated carbon businesses. Each function has an environmental responsibility programme for 2022, setting out the most significant annual improvement targets on the path towards the Green Factory concept. We also started the specification of our **Green Office concept** and will continue setting concrete targets related to it.

In 2021, we focused on external and internal communications concerning our environmental actions, reducing emissions into waterways and the climate, actions to promote biodiversity at cutaway peatlands, increasing the recyclability of packaging materials and reducing waste.

Responsibly Produced Peat (RPP) certification was expanded in Neova Group (Finland, Sweden, Estonia) from 1,078

hectares (areas covered by environmental permits) to 4,195 hectares in response to the needs of Kekkila-BVB's customers.

Neova Group's **active peat production areas** (Finland, Sweden, Estonia) in summer 2021 totalled approximately 21,162 (29,200) hectares, with Finland accounting for 14,654 (20,550) hectares of the total, including stacking areas. A total of 296 (374) hectares of new peatlands became ready for production in Finland and 4,696 (6,240) hectares were released from production by the end of the financial year. A total of 9 (204) hectares were released from production in Sweden and 1,284 (170) hectares in Estonia.

We continued to adapt energy peat production capacity in Finland, and the closure of production areas at peatlands was one of the key projects in the Group's peat operations in 2021. The closure of peatlands means ending peat production at the area in question and transitioning to the aftercare stage of the production area's life-cycle and the process of voiding the environmental permit. During the financial year, **the post-production aftercare stage** began at approximately 50 peat production areas in Finland. Environmental permits for peat production include aftercare obligations, which is why it is important for aftercare to be carried out responsibly and in line with the provisions of the environmental permit. Centres for Economic Development, Transport and the Environment (ELY Cen-

tres) conducted altogether 140 on-site inspections at Neova's peat production areas in 2021. Of these, 41 were decommissioning inspections, 93 were regular inspections in accordance with the monitoring plan and six were other inspections.

A total of 4,185 (1,156) hectares of areas owned by Vapo Group were transferred to **other land use methods** from peat production operations in Finland during the financial year. A total of 3,559 (754) hectares were assigned for forestation and 626 (402) hectares for building wetlands. In addition, a significant amount of land was sold, with the new owner deciding on the subsequent use. A total of 2,062 (3,836) hectares of land was returned to land owners. The company prepares for the subsequent maintenance of cutaway areas by means of an environmental provision that covers the costs associated with post-production obligations. Neova returned approximately 3,105 hectares of peatlands in various regions of Finland to Metsähallitus, consisting mostly of virgin natural mires. The areas had been previously leased for peat production purposes but they had not yet been commissioned for peat production.

In accordance with its environmental permit application principles, the Group only applies for new production permits for ditched peatlands. Neova Group's (Finland, Sweden, Estonia) environmental investments in peat production areas in 2021 amounted to EUR 0.9 mil-

lion (EUR 0.3 million) and were primarily related to improving and building water treatment structures at peat production sites. Excluding Neova's own personnel's input, environmental protection costs for the financial year amounted to EUR 14.3 million (EUR 14.4 million). The costs primarily consisted of the maintenance of water treatment structures in peat production and impact monitoring.

General Meetings

The Annual General Meeting of Neova Oy was held on 30 March 2021. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 January 2020–31 December 2020 and discharged the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved not to pay a dividend for the financial year that ended on 31 December 2020.

The AGM confirmed the number of members of the Supervisory Board as ten. Juha Sipilä was re-elected as Chairman, with Heikki Miilumäki as Vice Chairman. Antti Häkkinen, Eero Kubin, Esko Kurvinen, Tommi Lunttila, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen and Tiina Snicker were re-elected as members.

The AGM confirmed the number of members of the Board of Directors as seven. Jan Lång continues as Chairman, with Markus Tykkyläinen as Vice Chairman. Stefan Damlin, Tuomas Hyyryläinen, Vesa Hätilä, Kirsi Punttila

and Maija Strandberg were re-elected to the Board of Directors.

The audit firm PricewaterhouseCoopers Oy was elected as auditor, with APA Panu Vänskä as its principal auditor.

Neova Oy's Extraordinary General Meeting held on 29 April 2021 resolved to amend the Articles of Association, according to which the new name of the company is Neova Oy and its domicile is the City of Jyväskylä. The amendment took effect on 6 May 2021 when it was entered in the Trade Register.

The Extraordinary General Meeting of Neova Oy held on 30 June 2021 approved the financial statements for the interim financial period 1 January–30 April 2021 and decided that a dividend of EUR 8,333.33 per share, corresponding to a total of EUR 250 million, be distributed for the interim financial period. The General Meeting further decided that the number of members of Neova Oy's Board of Directors is eight and elected Panu Routila as a new member of the Board.

Number of employees

The Group employed an average of 896 (1,018) persons in the final third of the

The codetermination committees of Neova Oy and Kekkilä Oy met twice, as planned, during the financial year to discuss current topics. Employees are also represented on Neova's Supervisory Board. The Supervisory Board met three times during the financial year.

Employees by segment, average

	1–12/ 2021	1–12/ 2020
Energy	244	371
Grow&Care	569	545
New Businesses	28	26
Other activities	81	90
Total	922	1,031

Occupational safety

Neova Group's safety team manages and develops our "safety first!" culture to prevent safety deviations and accidents through effective risk reduction, training and the provision of support to the business functions.

In 2021, the Group's accident frequency (LTA1f: lost-time accidents per million working hours) increased slightly compared to the previous year and was 7.2 (7.2 and 6.4 excluding Nevel). We achieved our zero accidents target for all of our operations in Finland. Accident frequency increased particularly in Kekkilä-BVB's operations in the Netherlands, where the accident frequency was on a par with 2019. Most of our accidents – and serious accidents in particular – took place in production operations. During the past three years, 14 per cent of the incidents were classified as serious accidents or serious near misses: 12 incidents out of 87. However, none of these came

close to a fatal accident, and 54 per cent (54%) of the total number of accidents did not lead to lost time.

To improve and harmonise our safety culture, we focused on safety training in 2021, especially in the Netherlands, where approximately 150 production employees participated in safety training. In addition, the personnel of the maintenance unit completed a VCA certificate (occupational safety, occupational health and the environment in the construction industry). We paid special attention to fire and chemical safety in 2021. We conducted a total of 72 fire and chemical risk assessments at peat production areas. The number of fires in peat production decreased by 49 per cent compared to the previous year.

We also monitor accidents involving contractors in our operations and conduct accident investigations in cooperation with them. Due to the travel restrictions introduced in response to the COVID-19 pandemic, the number of safety observations decreased by 8 per cent from the previous year. The number of safety observations was 2,963 (3,986, or 3,363 excluding Nevel).

Neova Group has zero tolerance for inappropriate conduct and discrimination, and all 13 incidents reported during the year were reviewed without delay. During the COVID-19 pandemic, a total of 103 infections have been reported in Neova Group: 83 in 2021 and 20 in 2020.

Neova Group participated in the Great Place to Work personnel survey for the third time in 2021. The results indicate that our journey towards being a better place of work has continued well. The management team has reviewed the results of the survey and open answers and selected corresponding new common development goals. Teams also come up with development measures on their own. According to the survey, our employee experience improved by two percentage points as our Trust Index measuring the employee experience this year was 70 per cent, compared to 68 per cent last year. Based on the results of the survey, Neova Group was awarded the Great Place to Work certificate in three countries: Finland, Sweden and Estonia.

Changes in organisational structure

Nevel Oy, including its subsidiaries and associates, was sold on 28 January 2021.

Kekkilä-BVB Germany GmbH was acquired on 19 November 2021. During 2021, Kekkilä Oy established subsidiaries to China and the United States.

Board of Directors' proposal for the distribution of profits

In line with its dividend policy, Neova Oy distributes as dividends, on average, 50 per cent of the annual profit shown in the financial statements. The Board of

Directors proposes to the General Meeting to be convened on 29 March 2022 that the result for the financial year, EUR 514,829,390, be entered as a change in retained earnings, after which the distributable funds available to the General Meeting amount to EUR 280,568,189.

The Extraordinary General Meeting held on 30 June 2021 distributed dividends totalling EUR 250 million for the interim financial period 1 January–30 April 2021. There have been no substantial changes in the company's financial position after the end of the financial year on 31 December 2021. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 2,000 per share, totalling EUR 60 million, be distributed for the financial year 1 January–31 December 2021.

Events after the review period

On 3 January 2022, Kekkilä-BVB completed the acquisition of the German companies Brill Substrate and Brill Papenburg Logistics.

On 10 February 2022, Neova announced it had signed an agreement concerning the sale of its associated company Scandbio AB. Scandbio AB is a Swedish pellet producer in which Neova holds a 50 per cent stake. The buyer is the Swedish company Lantmännen ek.

On 21 February 2022, Neova announced it had signed an agreement concerning

the acquisition of 30 per cent minority stake in Kekkilä-BVB Oy from Nielson Belegging en Beheer B.V. The transaction requires the approval of the competition authorities. As a result of the change, Chief Executive Officer of Kekkilä-BVB and a member of Neova Group's Management team Juha Mäkinen decided to leave the company. Kekkilä-BVB appointed Vesa Tempakka, Chief Executive Officer of Neova Group and a chairman of Kekkilä-BVB as Chief Executive Officer of Kekkilä-BVB. At the same time, Peter Jan Kuiper, COO of Kekkilä-BVB has appointed as a member of the Neova Groups' Management Team. All appointments took effect immediately.

Future outlook

Neova Group is one of the world's largest producers of peat for growing media. The funds obtained from the sale of the heat and power company Nevel give Neova the opportunity to continue its strong transformation from a former conglomerate and energy company into Europe's leading producer of growing media through Kekkilä-BVB and a facilitator of cleaner water and air through the Novacor activated carbon business.

In the new financial year, the Kekkilä-BVB subgroup will again invest in developing its product selection and the profitable growth of its international sales in the professional, consumer grower and landscaping businesses. The Group intends

to expand its distribution network into new markets in line with its strategy while increasing its cooperation with its existing comprehensive network of customers in its home markets in Europe.

Neova will continue to implement measures in line with its strategy to increase the competence of its personnel and achieve market-leading customer service. At the same time, the company will continue to increase the efficiency of its business processes in order to improve profitability. The demand for energy peat as a fuel is expected to continue to decline, while the demand for bioenergy is expected to see strong growth.

Neova will continue the commercialisation of new business operations in the Activated Carbon business as well as the researching of further new business initiatives in Ventures. Work on rebuilding the furnace at Activated Carbons' first production facility for manufacturing technical carbons is progressing as planned in Ilomantsi and the facility is expected to become operational by the end of 2022. Ventures has a strong focus on cooperation with other industry participants to promote its project as effectively as possible in collaboration with interested partners.

During the past two financial years, Neova has also been successful in the development of its own wind power projects. Further progress will be made in 2022 on selected projects.

Consolidated key figures

MEUR	9-12/2021	9-12/2020	1-12/2021	1-12/2020
Turnover	144.6	162.1	514.6	544.9
Operating profit (EBIT)	-16.5	-121.4	511.2	-95.3
% of turnover	-11.4	-74.9	99.3	-17.5
Operating profit (EBIT) before impairment	-0.1	-18.6	527.6	7.4
% of turnover	-0.1	-11.5	102.5	1.4
Profit/loss for the period	-21.0	-121.5	501.5	-108.1
Operating margin (EBITDA)	11.6	-4.5	562.8	53.8
+/- Change in working capital	0.4	21.2	-51.1	44.8
- Net investments	-16.2	-26.3	-77.7	-59.1
Free cash flow before taxes	-4.2	-9.7	434.0	39.6
Gross investments	-18.9	-33.2	-84.6	-76.6
Return on invested capital % *			73.1	-14.0
Return on invested capital % before impairment*			75.4	1.1
Return on equity % *			98.7	-34.9
Balance sheet total			780.9	758.5
Shareholders' equity			427.9	207.3
Interest-bearing net debt			11.2	327.7
Equity ratio %**			55.2	27.9
Interest-bearing net debt/operating margin			0.0	6.1
Gearing %			2.6	158.0
Average number of employees			922	1,031

* Previous 12 months

** In calculating the equity ratio, the capital loan on the balance sheet was calculated as shareholders' equity

Key figures for parent company Neova Oy

MEUR	1-12/2021	1-12/2020
Turnover	181.6	175.3
Operating profit (EBIT)	-17.7	-120.0
% of turnover	-9.7 %	-68.4 %
Operating profit (EBIT) before impairment	-2.5	-20.3
% of turnover	-1.4 %	-11.6 %
Profit/loss for the period	514.8	-124.1
Operating margin (EBITDA)	5.5	-5.2
Return on invested capital % *	-6.6 %	-22.7 %
Return on invested capital % before impairment*	-2.7 %	-3.8 %
Return on equity % *	429.6 %	-64.8 %
Balance sheet total	659.1	556.6
Shareholders' equity	363.6	98.9
Equity ratio %	55.6 %	18.3 %

* Previous 12 months

SIGNATURES TO THE FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

Vantaa, 3 March 2022
Board of Directors of Neova Oy

Jan Lång

Chairman of the Board

Markus Tykkyläinen

Vice Chairman of the Board

Stefan Damlin

Tuomas Hyyryläinen

Vesa Hätilä

Kirsi Puntila

Panu Routila

Maija Strandberg

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, 4 March 2022

PricewaterhouseCoopers Oy

Authorised Public Accountants

Panu Vänskä

APA

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Consolidated statement of comprehensive income

EUR 1,000	Note	1-12/2021	1-12/2020
TURNOVER	4	514,613	544,913
Change in inventories of finished goods and work in progress		-23,634	1,336
Production for own use		143	202
Other operating income	5	521,307	10,126
Share of results of companies consolidated using the equity method	6		800
Materials and services	6	-241,731	-268,849
Expenses arising from staff benefits	7	-64,851	-72,091
Depreciation	8	-35,264	-47,179
Impairment	8	-16,052	-102,798
Impairment of goodwill	8	-276	0
Other operating expenses	9	-143,032	-161,810
OPERATING PROFIT/LOSS		511,230	-95,348
Financial income	10	5,286	5,497
Financial expenses	10	-12,494	-17,979
PROFIT/LOSS BEFORE TAXES		504,023	-107,830
Income taxes	11	-2,509	-261
PROFIT/LOSS FOR THE PERIOD		501,514	-108,091

EUR 1,000	Note	1-12/2021	1-12/2020
OTHER COMPREHENSIVE INCOME ITEMS			
(items that may not be reclassified subsequently to profit or loss):			
Remeasurement of defined benefit plans		123	389
Items that may be reclassified subsequently to profit or loss:			
Translation differences from foreign units		-505	882
Other comprehensive income items, after taxes		-382	1,271
TOTAL COMPREHENSIVE INCOME		501,132	-106,820
PROFIT/LOSS FOR THE PERIOD			
Distribution of profit for the period:			
To parent company shareholders		499,146	-111,358
To non-controlling shareholders		2,368	3,266
		501,514	-108,091
Distribution of comprehensive income for the period:			
To parent company shareholders		498,814	-110,180
To non-controlling shareholders		2,318	3,360
		501,132	-106,820
Earnings per share calculated from profits due to parent company shareholders			
Earnings/share, EUR	12	16,638	-3,712
Average number of shares		30,000	30,000

Consolidated balance sheet

EUR 1,000	Note	31.12.2021	31.12.2020
ASSETS			
Long-term assets			
Intangible assets	13	32,254	31,914
Goodwill	13	23,995	24,306
Land and water areas	14	33,581	38,624
Buildings and structures	14	39,397	40,650
Machinery and equipment	14	50,864	46,001
Other tangible assets	14	51,564	65,095
Prepayments and unfinished acquisitions	14	52,400	44,132
Shares in entities consolidated using the equity method	15	-60	
Other long-term financial assets	16	585	585
Long-term sales and other receivables	17	3,238	3,235
Deferred tax asset	18	2,571	2,433
Long-term assets total		290,390	296,975
Current assets			
Inventories	19	171,460	187,905
Sales and other receivables	20	80,278	66,885
Income tax receivables		1,991	2,173
Other current financial assets	29	188,890	0
Cash and cash equivalents	21	30,406	13,366
Current assets total		473,025	270,329
Available-for-sale assets	3	17,516	191,161
ASSETS TOTAL		780,931	758,465

EUR 1,000	Note	31.12.2021	31.12.2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		50,456	50,456
Fair value fund and other funds		30,454	30,454
Translation differences		-3,977	-3,433
Retained earnings		307,434	58,068
Hybrid bond	23	0	29,880
Parent company shareholders' share of shareholders' equity		384,367	165,425
Non-controlling shareholders		43,505	41,879
Shareholders' equity total	22	427,872	207,304
Long-term liabilities			
Deferred tax liability	18	10,635	10,791
Long-term interest-bearing liabilities	23	214,569	257,810
Long-term non-interest-bearing liabilities	24	0	1,938
Long-term provisions	25	11,632	11,099
Pension liabilities	26	5,278	4,885
Long-term liabilities total		242,113	286,523
Current liabilities			
Current interest-bearing liabilities	23	19,357	58,098
Current non-interest-bearing liabilities	27	90,754	147,578
Current provisions		835	2,669
Current liabilities total		110,946	208,345
Liabilities related to assets held for sale	3	0	56,292
SHAREHOLDERS' EQUITY AND LIABILITIES		780,931	758,465

The Group has made the following restatements to the comparison year's figures:
Intangible assets -495, machinery and equipment -95, other tangible assets -493, deferred tax assets 1,033, retained earnings -72, deferred tax liabilities 22.

Consolidated cash flow statement

EUR 1,000	1-12/2021	1-12/2020
Cash flow from operating activities		
Profit/loss for the period	501,514	-108,091
Adjustments to the result for the period		
Depreciation and impairment	51,592	149,976
Share of results of entities consolidated using the equity method	-6	-800
Financial income and expenses	7,510	12,621
Income taxes	2,509	261
Other adjustments	-515,903	-6,367
Adjustments to the profit/loss for the period total	-454,299	155,691
Change in working capital		
Increase/decrease in inventories	16,334	-1,284
Increase/decrease in trade receivables and other receivables	-12,449	3,955
Increase/decrease in accounts payable and other debts	-54,563	40,408
Change in provisions	478	3,221
Change in working capital total	-50,200	46,300
Interest paid	-9,749	-8,951
Interest received	-86	300
Other financial items	375	-4,652
Taxes paid	-4,637	240
Cash flow from operating activities	-17,082	80,837

EUR 1,000	1-12/2021	1-12/2020
Cash flow from financing activities		
Increase (+)/decrease (-) in short-term loans	-45,512	-68,192
Proceeds from long-term loans	16,369	23,428
Repayment of long-term loans		-184
Repayments of lease liabilities	-224,908	711
Dividends paid	644,066	
Dividends paid/hybrid bond	30	25
Repayments of hybrid bond	45	1
Cash flow from financing activities	390,090	-44,212
Cash flow from financing activities		
Increase (+)/decrease (-) in short-term loans	-46,097	35,176
Proceeds from long-term loans	5,625	14,753
Repayment of long-term loans	-38,826	-24,233
Repayments of lease liabilities	-10,321	-14,790
Dividends paid	-250,020	-3,990
Dividends paid/hybrid bond		-2,785
Repayments of hybrid bond	-29,880	-20,120
Cash flow from financing activities	-369,518	-15,990
Change in cash and cash equivalents	3,490	20,635
Cash and cash equivalents opening balance	26,961	6,326
Change in cash and cash equivalents	3,490	20,635
Effect of changes in exchange rates	-45	
Cash and cash equivalents at end of period	30,406	26,961
Cash and cash equivalents related to mergers, acquisitions and divestments/assets held for sale	0	13,595

Consolidated statement of changes in shareholders' equity

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
Shareholders' equity total, 1 January 2021	50,456	30,454	-3,433	58,068	29 880	165,425	41,879	207,304
Changes in shareholders' equity								
Dividend distribution				-250 000		-250,000	-20	-250,020
Distribution of funds							-970	-970
Transfers between items								
Total comprehensive income			-505	499 319		498,814	2,318	501,132
Other changes								
Other changes			-40	48	-29 880	-29,872	298	-29,574
Shareholders' equity total, 31 December 2021	50,456	30,454	-3,977	307,434		384,367	43,505	427,872

EUR 1,000	Share capital	Other funds	Translation differences	Retained earnings	Hybrid bond	Total	Non-controlling shareholders	Total
Shareholders' equity total, 1 January 2020	50,456	30,657	-4,215	175,893	50,000	302,791	40,640	343,431
Changes in shareholders' equity								
Dividend distribution				-6,775		-6,775	-78	-6,853
Distribution of funds							-303	-303
Transfers between items				100		100	156	256
Total comprehensive income			882	-111,062		-110,180	3,360	-106,820
Other changes						0		
Other changes		-204	-99	-88	-20,120	-20,511	-1,899	-22,410
Changes in holdings in subsidiaries							3	3
Shareholders' equity total, 31 December 2020	50,456	30,454	-3,433	58,068	29,880	165,425	41,879	207,304

A restatement amounting to EUR 0.072 million has been made regarding the comparison figure for retained earnings.

GROUP KEY FIGURES 2018-2021

EUR million	04/2018	04/2019	5-12/2019	12/2020	12/2021
Turnover	419.8	419.8	297.7	544.9	514.6
Growth %	7.1	7.1	32.4	2.1	126.7
Operating margin (EBITDA)	61.1	61.1	37.0	53.8	562.8
% of turnover	14.5	14.5	12.4	9.9	109.4
Depreciation	-35.7	-35.7	-38.5	-47.2	-35.3
Impairment	-0.9	-0.9	-38.9	-102.8	-16.3
Operating profit (EBIT)	26.3	26.3	-40.4	-95.3	511.2
% of turnover	6.3	6.3	-13.6	-17.5	99.3
Operating profit before impairment	27.2	27.2	-1.5	7.4	527.6
% of turnover	6.5	6.5	-0.5	1.4	102.5
Net financial items	-6.0	-6.0	-7.8	-12.5	-7.2
Profit/loss before taxes	20.3	20.3	-48.2	-107.8	504.0
Taxes	-2.7	-2.7	8.0	-0.3	-2.5
Profit/loss for the period	17.6	17.6	-40.2	-108.1	501.5
Return on invested capital %	4.3	4.3	-1.7	-14.0	73.1
Return on invested capital before impairment %	4.4	5.4	4.1	1.1	75.4
Restricted capital on average	613.2	613.2	676.4	680.9	699.4
Turnover of restricted capital (turnover/restricted capital on average)	0.7	0.7	0.8	0.8	0.7
Average working capital	112.6	112.6	144.8	125.5	172.8
Average working capital % of turnover	26.8	26.8	48.6	23.0	33.6
Restricted capital at the end of the year	578.9	691.8	680.1	704.4	451.3
Working capital at the end of the year	88.0	133.7	141.4	96.5	147.6

EUR million	04/2018	04/2019	5-12/2019	12/2020	12/2021
Gross investments	31.3	31.3	42.8	76.6	84.6
% of turnover	7.5	7.5	14.4	14.1	16.4
Gross investments/depreciation	0.9	0.9	1.1	1.6	2.4
Operating margin	61.1	61.1	37.0	53.8	562.8
+/- Change in working capital	37.6	37.6	10.3	44.8	-51.1
- Net investments	-25.0	-25.0	-26.3	-59.1	-77.7
Free cash flow before taxes	73.6	73.6	21.0	39.6	434.0
Balance sheet total	697.5	697.5	829.4	758.5	780.9
Shareholders' equity	347.9	347.9	337.5	207.4	427.9
Shareholders' equity (average)	341.8	341.8	372.1	309.7	508.2
Interest-bearing debt	242.6	242.6	324.9	344.4	233.9
Interest-bearing net debt	206.2	206.2	315.1	327.7	11.2
Equity ratio %	51.2	51.2	41.5	27.9	55.2
Gearing %	59.3	59.3	-93.4	158.0	2.6
Interest-bearing net debt/operating margin	3.4	3.4	4.0	6.1	0.0
Liquidity	2.8	2.8	2.3	1.8	3.1
Return on equity %	5.2	5.2	-5.2	-34.9	98.7
Dividend distribution	7.3	7.3	12.3	4.0	250.0
Dividend % of profit *	41.1	41.1	-30.6	-3.7	49.8
Average number of employees	758	869	1,050	1,031	922
Key figures per share					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings/share, EUR *	586	840	-1,320	-3,712	16,638
Shareholders' equity/share, EUR	11,583	12,208	9,894	5,517	12,812
Dividend/share, EUR	242	408	410	133	8,333

* = profit attributable to owners of the parent company

PRINCIPLES FOR CALCULATING KEY FIGURES

EBITDA	Operating profit + Depreciations and impairment +/- Shares of associates' results
Working capital	Inventories + Non-interest-bearing receivables of businesses – Non-interest-bearing debt
Restricted capital	Fixed assets of businesses + Working capital
Turnover of restricted capital	Turnover rolling 12 months Restricted capital (on average) *
Return on invested capital % (ROIC)	$\frac{\text{Operating profit rolling 12 months}}{\text{Restricted capital (on average) *}} \times 100$
Return on equity %	$\frac{\text{Profit before taxes rolling 12 months – income tax}}{(\text{Shareholders' equity} + \text{minority interest}) \text{ on average} *} \times 100$
Liquidity	$\frac{\text{Short-term on-interest bearing receivables}}{\text{Short-term non-interest-bearing liabilities}} \times 100$
Equity ratio %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{capital loan} \times 100}{\text{Balance sheet total} - \text{advances received}} \times 100$
Interest-bearing net debt	Interest-bearing debt - Interest-bearing loans receivable – Cash and cash equivalents
Gearing %	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$
Free cash flow before taxes	EBITDA +/- Change in working capital – net investments
Earnings/share	Profit attributable to owners of the parent company/Number of shares
Shareholders' equity/share	Parent company's shareholders' equity/Number of shares
Dividend/share	Distribution of dividend for the financial period/Number of shares
Dividend/profit %	100 * dividend/share / earnings/share

* The calculations are based on averages on 31 December 2021, 31 August 2021, 30 April 2021 and 31 December 2020.



NEOVA GROUP SUSTAINABILITY REPORT 2021

Creating green growth through
net positive products and services

SUSTAINABILITY HIGHLIGHTS 2021

In occupational safety of our operations, **Finland** and **Estonia** reached our **zero accidents** goal in 2021.



The solid by-product of peat based Neova Ventures **biostimulant production** was approved for a list of biochar feedstocks by **European Biochar Certification** system.

Soil CO₂ emissions from our peat production areas have reduced by

18%

from 2018 level.



Our **Green Factory** concepts include clear environmental sustainability **goals and actions** for all our operations.

Neova Group launched **three wind power projects** in **Finland** to utilize former peat production areas in green energy production.



We have increased the share of recycled plastic in Kekkila-BVB packaging materials by

50%

i.e. from share of 19% (2020) to 29% (2021)



81%

of our employees who responded to our internal Sustainability Survey confirmed "**they are motivated** to advance sustainability in their everyday work"

Already

50%

of the peat used by Kekkila-BVB had **Responsibly Produced Peat (RPP)** certification (2020 **20.5%**).



Neova Group restores

1,000

hectares of old peat production area in Estonia as part of the **EU WaterLANDS** project.



We have converted

9,000

hectares of closed energy peat production areas **to next land use** since 2019.

Sustainability is part of our

short-term incentive

target of every permanent employee in our organisation in all countries.



Neova Group received

Great Place to Work

goal certification in **Finland, Sweden and Estonia**.

Our Trust Index was 70%.

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SUSTAINABILITY IS KEY TO THE LONG-TERM SUCCESS OF NEOVA GROUP



Today sustainability is essential part of any successful business. The key is to understand the continuously evolving stakeholder expectations on sustainability topics, anticipate the changes in your business environment from sustainability perspective and make sustainability a competitive advantage for your business.

In Neova Group, we have consistently developed our sustainability strategy with clear and ambitious target setting and ensured that our sustainability activities are integrated into our business strategies, business development plans and functional plans. During 2021 we did a major review of our sustainability strategy and this 2021 Sustainability Report reflects the renewed sustainability aim, themes, mid-term and long-term goals for Neova Group.

Sustainability – taking concrete actions through teamwork

Sustainability management is about taking concrete actions that have an impact. In this 2021 Sustainability Report you will find how we have successfully executed a comprehensive activity plan on environmental and social sustainability areas and how we are making steady progress in reaching our ambitious sustainability targets.

Sustainability management is very much about teamwork. We will not reach the targets and will not embed a purpose driven culture without inspiring and engaging our whole personnel in sustainability work, engaging our value chain partners i.e., suppliers and customers and establishing new coalitions and collaborations with NGOs, peer companies and industry associations. We have taken great steps in these engagement activities, but we can do even more. And that is what we are committed to do in an open and transparent way through active internal and external communication and dialogue.

Enjoy reading about our sustainability journey

We are proud of the progress we are making and the sustainability journey we are on. Sustainability is and will be at the heart of Neova Group's strategy and purpose – Creating Green Growth. Enjoy reading this 2021 Sustainability Report and see the progress in our sustainability strategy execution together with some exciting sustainability cases!

PETRI JÄRVINEN

Chief Supply Chain and Sustainability Officer

SUSTAINABILITY AT NEOVA GROUP

Renewed sustainability strategy with clear aim, themes, mid-term and long-term goals guiding the work in Neova Group.

During Autumn 2021 we conducted a comprehensive review of our sustainability strategy. We engaged several internal working groups in the areas of environmental and social sustainability and conducted a materiality assessment by interviewing our key stakeholders covering representatives from owners, Board of Directors, Supervisory Board, EU parliament, NGOs, Kekkilä-BVB customers (professional growers, retailers), Carbons customers and R&D key stakeholders.

We listened to our employees through a sustainability survey to understand what aspects of sustainability are important, where have we succeeded and what could we improve in our sustainability work. We conducted a thorough evaluation of using additional new external sustainability references (frameworks/commitments/certificates/memberships) to guide Neova Group's and its businesses sustainability work going forward. Benchmarking of leading companies in sustainability provided us an outside in view for renewal of our sustainability strategy.

As a result, we now have a fully aligned and renewed Neova Group sustainability strategy for 2022–2025:

- Our sustainability aim has been updated and aligned with Neova Group purpose: Creating green growth through net positive products and services.
- The key [UN Sustainable Development Goals \(SDGs\)](#) that our products and services contribute the most have been clarified.
- Simplified themes have been selected for environmental and social sustainability.
- Mid-term goals by 2025 have been renewed and updated.
- Sustainability KPIs have been extended with clear target setting from 2022 onwards at Neova Group level.
- Additional external sustainability references (frameworks/commitments/certificates/memberships) have been chosen to guide Neova Group's sustainability work going forward.
- Key sustainability activities for 2022 have been defined for Neova Group and its businesses and functions and incentivised as part of annual planning and target setting.



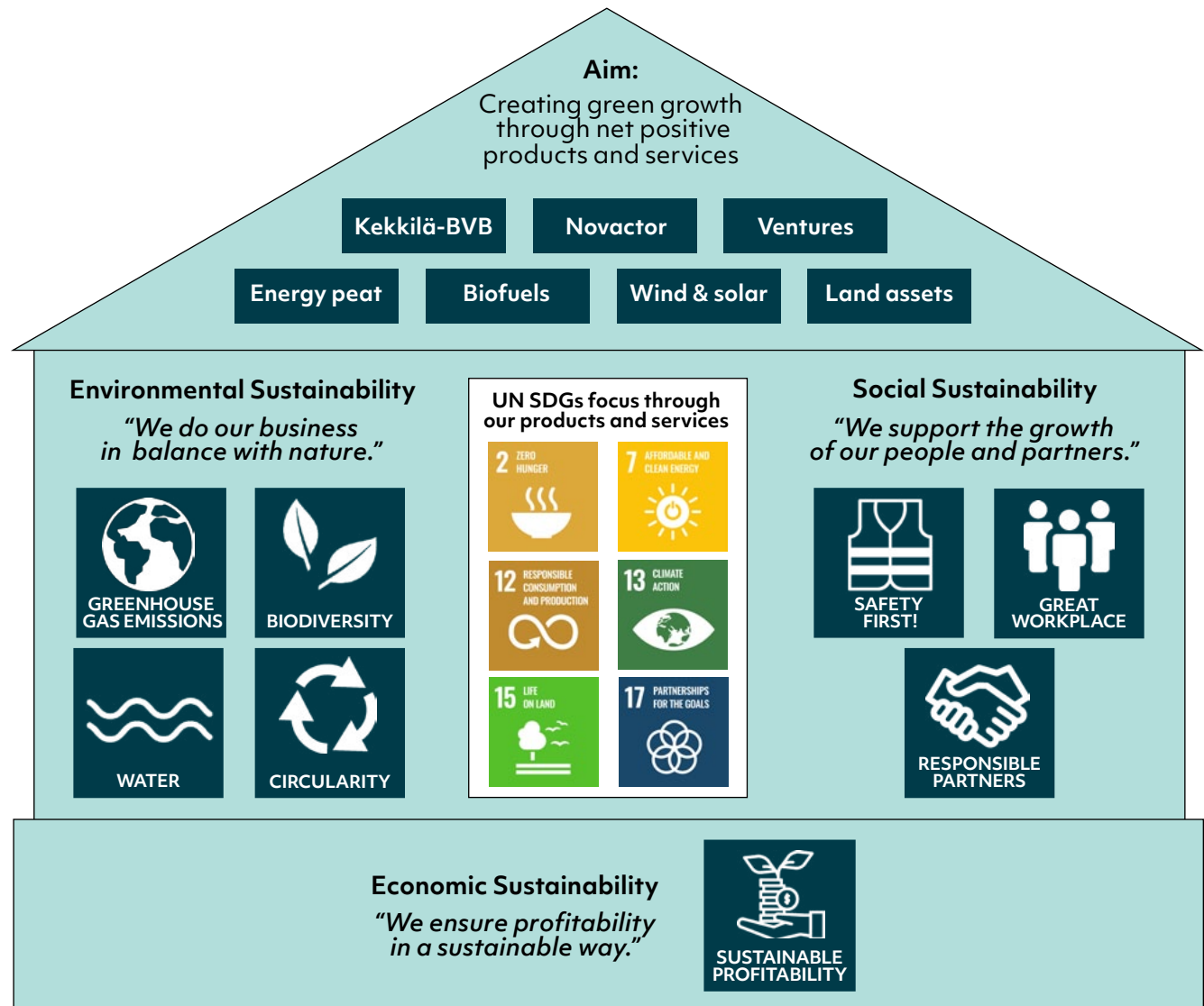
The renewed sustainability strategy ensures that sustainability is in the core of Neova Group's strategy and purpose – Creating Green Growth. Our sustainability aim is to create green growth through net positive products and services by considering the impact on environment, health, society, and knowledge. Our mid-term and long-term goals have been defined for the three areas of sustainability (environmental, social and financial sustainability) with selected themes:

- We do our business in balance with nature.
Themes: Greenhouse gas emissions, Biodiversity, Circularity and Water.
- We support the growth of our people and partners.
Themes: Safety first!, Great workplace, Responsible partners.
- We ensure profitability in a sustainable way.

UN Sustainable Development Goals are used as our key external sustainability framework to align our activities on the most impactful areas. We as Neova Group are committed to making the UN Global Compact and its principles on human rights, labour, environment, and anti-corruption part of the strategy, culture and day-to-day operations of our company.

We respect and observe international human and labour rights and are committed to UN Guiding Principles on Business and Human Rights and the Fundamental Conventions of the International Labour Organization. Our [Corporate Responsibility policy](#) describes our

Neova Group sustainability strategy



operating principles in health & safety, environment and quality matters.

Sustainability strategy is in line with our stakeholder expectations

We regularly conduct materiality assessment to ensure that the insights from the materiality analysis strongly influence our approach to managing our impacts, our target setting and activities and the content and struc-

ture of our reporting. We as well regularly benchmark leading companies and peer companies on their sustainability approach and review regulatory requirements and developments.

Sustainability tightly governed within Neova Group

Sustainability at Neova Group and the sustainability strategy are led at the Group Management Team

level by the Chief Supply Chain and Sustainability Officer, with the Director, Group Operational Excellence and Sustainability in charge of coordinating the implementation. Business management is in charge of the planning and implementation of the business specific sustainability roadmaps. The Group Chief Financial Officer is responsible for reporting on economic responsibility.

The Director, Group Operational Excellence and Sustainability is responsible for areas related to environmental sustainability and occupational safety and the Group Chief HR Officer is responsible for areas related to employee wellbeing and occupational health. Sustainability implementation is regularly followed-up by the Audit Committee. Sustainability report is reviewed and approved by Neova Group's Board of Directors and the Audit Committee.

We use following processes to ensure effective governance on sustainability topics:

Our recent materiality assessment (conducted during July-November 2021) and benchmarking indicates that we need to continue / improve our focus on:

- **Ensuring holistic management** of all aspects of sustainability (environmental, social and economic).
- **Reducing GHG emissions in the end-to-end value chain** i.e., extending the focus from scope 1 and 2 emissions (own operations and purchased energy) to scope 3 emissions (suppliers and product end use).
- **Enhancing biodiversity.**
- **Improving circularity** within our end-to-end value chain including the circularity of the raw materials and packaging materials we use and products we sell.
- **Increasing the use of sustainable raw materials.**
- **Having good standards on social sustainability topics** such as effective health and safety management, employees are cared for, work councils are respected, ethical statements are made by the business, no corruption, diversity and local community work etc.
- **Establishing transparency** of environmental and social sustainability performance and practices in the end-to-end value chain (especially raw material sourcing).
- **Stepping up communications effort** to get through the growing media and active carbon net positive story with facts – both to decision makers and public opinion.
- **Reviewing use of land assets** as a business opportunity to mitigate climate change and enhance biodiversity.
- **Making an impact through collaboration** within the ecosystem / industry and with local producers and communities.
- **Following up, taking actions and influencing on EU regulation and development** related to sustainability such as EU Fit for 55 objectives, EU taxonomy criteria, LULUCF regulation and EU Corporate Sustainability Reporting Directive (CSRD).

- Board of Directors and Group Management Team guidance and involvement.
- Code of Conduct and other Group Policies (including mandatory e-learning).
- Risk management (including assessment of sustainability risks).
- Sustainability related incentives for management and whole personnel.
- Sustainability KPIs and reporting (disclosure and transparency).



Stakeholder engagement and effective internal and external communication are vital

Neova Group's stakeholder engagement starts at the local level and extends all the way to international activities across national boundaries.

Continuous dialogue, feedback and on-going cooperation are the key methods for promoting mutual understanding between stakeholders and Neova Group. We aim to build networks with important parties as well as regularly collect and share information that is

relevant to the Group's business and customers. Feedback from stakeholders is one of the inputs considered in the development of products and services, and it also influences how the company operates. We also monitor and evaluate public discussion.

The significance of international cooperation is constantly growing in response to the internationalisation of markets, research, and regulation. Neova Group companies in various countries are active members of local and international associations (e.g., [Growing Media Europe](#)). International advocacy work is focused on EU bodies in Brussels.

During 2021 stakeholder engagement work has especially focused on the acceptability of peat for growing media and alternative uses of peat. This has required and will continue to require meaningful dialogue with decision and policy makers in EU and parliament representatives in our key markets in EU.

Internally we aim to instil a purpose driven culture to inspire and engage our personnel. Effective sustainability communication and dialogue plays a key role in this. As well engaging our partners in value chain and establishing coalitions and collaborations are important ways to progress our sustainability work.

Key updates to our management approach during 2021

2021 has been a year of execution of our sustainability plans and communicating the progress in our sustainability activities extensively both internally and externally.

Last year, we paid special focus in sustainability communication: 116 external articles were published about us and we ourselves created 158 sustainability posts in our social media channels as well as 100 articles in our Neova Group intranet site, and conducted several internal sustainability information sessions for our employees.

In the [Great Place to Work](#) survey conducted in October 2021 we got an excellent score of 78% (% of replies for 'often true' or 'almost always true') on our sustainability work to the statement "Sustainability (corporate responsibility) is on good level in our company's operations." In addition, 81% of our employees who responded to our internal Sustainability Survey confirmed "they are motivated to advance sustainability in their everyday work". These are a recognition that our employees are engaged in sustainability work and that they are proud of the direction we have set for our sustainability work.

To further engage our personnel we included sustainability in the short-term incentive target for all employees in 2021. Relevant sustainability targets were selected for each business, function and team. The same approach will be used for 2022 target setting.

The use of external sustainability references is important part in the credibility of our sustainability work both internally and externally. During 2021 we conducted a major review of what references we use today and evaluated what new references would be useful in guiding our sustainability work. As a result we concluded that we will expand the use of external sustainability references in 2022 (see more detail in [Appendix 2](#)). ■

External sustainability references guiding Neova Group's and its businesses' sustainability work

* References to be implemented during 2022.

Impact materiality frameworks



UPRIGHT PROJECT

Methodology frameworks for emission calculations



Sustainability commitments



Product / site driven sustainability certifications



Management system certifications



ISO 9001:2015

Quality management systems

ISO 14001:2015

Environmental management systems

ISO 45000 FAMILY *

OCCUPATIONAL HEALTH AND SAFETY

Non-competitive collaboration forums



Financials materiality frameworks



WE DO OUR BUSINESS IN BALANCE WITH NATURE



We are committed to minimise the harmful environmental impacts of our operations.

In 2021 we updated a common Neova Group sustainability strategy including our goals for environmental sustainability covering greenhouse gas emissions, biodiversity, circularity and water. As part of this work, we also defined a Green Factory concept with 2025 goals & key performance indicators for Kekkila-BVB, Peat & Sphagnum, Pellet, Wood & Activated Carbons operations. For 2022 each of our businesses has an environmental sustainability programme which specifies the most significant annual improvement targets to move towards our Green Factory concept. We also started to define our Green Office concept, and will continue to set concrete goals and actions for that.

Overall, management system certification, covering both ISO 9001 quality and ISO 14001 environment, helps coordinate and direct our activities to meet customer and regulatory requirements and focus on continuously improving our operations, effectiveness, and efficiency. In addition, our sustainability concept

Neova Group environmental sustainability KPIs and targets

Key indicator	Definition	Actual in 2021 (2020)	Target by 2025
Carbon footprint: CO₂ emissions from our own operations (scope 1+2)	Neova Group level: Reduction from 2018 level (= 1.27 million tCO ₂ -eqv.)	-44% (-19%)	-50%
Carbon intensity in our value chain (scope 1+2+3)	Reduction of carbon intensity (tCO ₂ / M€ revenue) from 2020 level (=9,813 tCO ₂ / M€)	-13% 8,518 tCO ₂ /M€ (9,813 tCO ₂ /M€)	-40%
Conversion of closed energy peat bogs to next land use	Closed energy peat production areas (hectares) from 2019	9,000 ha (2,873 ha)	20,000 ha
Biodiversity of old peat areas (re-wetting/afforestation)	Restored area in collaboration with stakeholders (hectares)	86 ha	2,000 ha
Circularity of raw materials	% of circular raw materials*	Kekkila-BVB -18% (-15%)	increase
Circularity of packaging materials	Use of recycled materials in packaging	Kekkila-BVB 29% (-19%)	-50%
Impact on watercourses from peat production: Finland	Solid matter reduction from 2008	-78% (-68%)	-75%
	Nitrogen reduction from 2008	-68% (-53%)	-75%
	Phosphorus reduction from 2008	-75% (-63%)	-75%
Zero waste in our own operations	Recovery rate	89% (88%)	95%
	Recycling rate (excluding energy waste) **	37% (73%)	90%
Responsibly produced peat	Kekkila-BVB RPP peat use (own operations / products)	50% (20.5%)	80%

* Circular raw materials definition: Organic raw materials that are from a renewable source or are given a second life after their first use, like compost from garden waste.

** 2021: Total waste volume in Neova Group halved after Nevel is sold. This has a major effect to recycling rate.

for peat in Finland, Sweden, and Estonia, is especially aimed for our customers and stakeholders relating to new businesses.

In 2021 we implemented a change in our ISO certification model and received a Neova Group level multi-site certification covering all our businesses. We also extended our ISO 9001 and ISO 14001 certification to our Novactor activated carbons operations, as well as ISO 9001 to cover all remaining Kekkila-BVB sites. Moving on, we will also extend the 14001 to the Netherlands sites.

Greenhouse gas emissions

KEY TARGETS

We reduce CO₂ eq. emissions in our own operations by

50%

by end 2025 from 2018 level (scope 1 & 2 without compensation actions).

We reduce carbon intensity in our value chain (scope 1 & 2 & 3) by

50%

by end 2030 from 2020.



Neova Group greenhouse gas emissions are counted according to [GHG Protocol](#) and validated by external party (for scope 1+2 2020). The carbon footprint cal-

culation includes Neova Group and all its subsidiaries. In 2021 the emissions were 4.28 million tonnes CO₂-eq (corresponding figure in 2020, without Nevel: 4.61 million tonnes CO₂-eq). The largest share of emissions (77% of the total footprint) is caused by the use and end-of-life of products sold by Neova Group. Looking at scope 3 in more detail, the use of energy peat accounts for 59% (2020: 72%) of these emissions. Out of our scope 1 direct emissions, peat land emissions cause 89%.

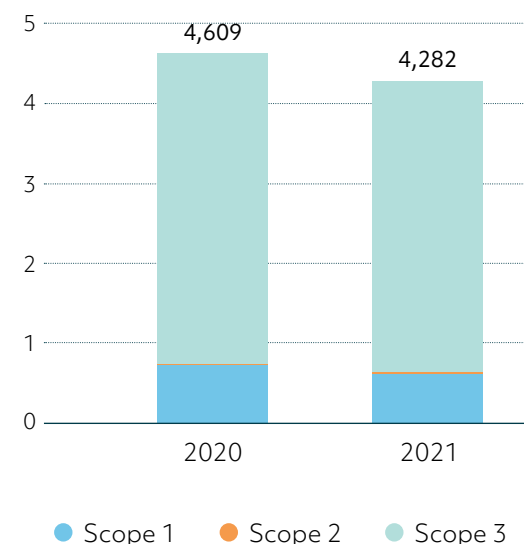
The greenhouse gas emissions from our own operations (scope 1+2) for 2021 were 714 kilo tonnes CO₂-eq (2020: 1,023 kilo tonnes CO₂-eq). Excluding Nevel operations account for 269 kilo tonnes CO₂-eq of this reduction, and the emissions from our peat production have reduced by 72 kilo tonnes CO₂-eq which is -10% year-on-year. Currently 91% of Neova Group's emissions in Finland are soil emissions. Our main efforts for reducing emissions from our own operation focus in implementing effective next land use for closed peat production areas. Overall, we have achieved -44% reduction of our own operations' emissions from 2018 level.

Moving forward, we will evaluate options to increase carbons sinks utilising our land assets, as well as pilot alternative horticultural peat harvesting techniques such as using peat mass transfer method to reduce CO₂ emissions (read more in the [Hietasalonneva case](#)).

In our factory operations our main efforts for reducing emissions are increasing energy efficiency and reducing fossil fuel use in our sites. In Kekkila-BVB oper-

Neova Group greenhouse gas emissions in our value chain 2020 and 2021

Million tonnes CO₂-eq



GHG emissions in our value chain have reduced by 7% from 2020 (without Nevel).

ations 44% of our CO₂ emissions are caused by use of electricity. In the Netherlands we already produce 25% of our electricity consumption through solar panels on our own roofs. Our aim is to move towards renewable electricity totally by 2025.

During 2021 we implemented CO₂ emission reporting for our Group logistics and based on that data created action plan for logistics CO₂ reduction in 2022. Reporting cycle for logistics emissions is July-June annually. Overall, our logistics CO₂ emissions are 1.3% of our total scope 3. We target to ~4% relative logis-

tics CO₂ reduction (kg CO₂ / delivered tonne) between 7/2021 and 6/2022. In 2022 we will start to request regular logistics CO₂ reporting from our logistics providers in new agreements.

Moving forward, we will focus on greenhouse gas emissions in our value chain covering scope 1+2+3, and aim to reduce our carbon intensity by 50% by end of 2030 (from 2020). In addition, we will publish our CO₂ emissions in [Carbon Disclosure Project \(CDP\)](#) in 2022, and evaluate the options for setting [Science Based Targets \(SBTi\)](#).



Sustainable horticultural peat harvesting technique was studied in Hietasalonneva

During the 2021 peat production season in the Hietasalonneva production area in Virrat, Finland, we studied how horticultural peat can be produced sustainably with less carbon emissions. In the autumn of 2020, a so-called "mass transfer of peat" was done in an area of about 4 hectares, to preserve the surface vegetation in the peat fields. In this way, carbon sequestration will continue during peat production in part of the area.

In a conventional peat production area, carbon sequestration from the air is reduced due to the removal of vegetation. In addition, as a result of the drainage, the water level lowers, the peat layer oxidizes and begins to release stored carbon as carbon dioxide.

In the research project, in the intermediate fields that remain plant-covered, the plant cover was moved aside for a while with an excavator, the peat layer suitable for horticul-

tural peat was transferred to the adjacent fields and the plant cover was returned to the same location. In this way, every third field was left with the original bog vegetation on the surface, so that the carbon dioxide sequestration continues. Natural swamp vegetation does not pose a weed risk to peat production.

In the summer of 2021, the drying process and amount of peat produced from the mass transfer area was compared to that produced from conventional fields. The seasonal yield per hectare in the mass transfer area (total vegetation and drying plots) was the same as in the area of conventional production, although the drying area was one third less.

The 10 centimetre surface layer of the mass transfer drying field was clearly drier than that of the conventionally prepared reference field. This was also reflected in faster drying speed. The moisture content of the dried peat ridges in the

mass transfer area was on average 6.6 weight % drier than in the control field. The production work steps were performed simultaneously in both fields. Despite the dry and hot summer, the bog vegetation survived. Monitoring will continue next summer.

Thanks to the positive results, the next test area in Finland is planned for the Vehkaojansuo peat area in Kouvola, where the transfer of thicker layers of peat suitable for horticultural peat can be studied. In this case, the surface of the vegetation fields can be lowered closer to the level of the bog water, which in turn slows down the decomposition of peat and reduces carbon dioxide emissions. Also, similar pilot areas are planned in our Grimsåsmossen and Göklundsmossen peat areas in Sweden and potentially in Kasesoo peat area in Estonia.

Neova Sweden works closely together with peatland researchers from the Swedish University of Agricultural Sciences (SLU) in Sphagnum growing projects

In Sweden, Neova Group has two ongoing projects where the revegetation of terminated extracted peatlands through Sphagnum (peat moss) growing has started in Ekebymossen (next to Kekkilä-BVB growing media factory in Mosås) in 2018 and in Norrbomuren (outside Gävle) in 2021. The plan is that the projects will run to the end of 2023.

Researchers from the Swedish University of Agricultural Sciences (SLU) are conducting field preparation, Sphagnum establishment, monitoring of vegetation growth and greenhouse gas (GHG) measurements.

Besides a climate-smart peatland restoration, an industrial Sphagnum farming for the long-term to meet the demand for growing media is the main objective of the projects. The pro-

jects are part of Neova Group's biodiversity programme and two student theses have been conducted until now.

The sprinkled peat mosses in 2018 are growing very nicely sheltered by pioneer plants such as Carex and Eriophorum. In the beginning, the Sphagnum stand is not a pure stand. This will change when the peat mosses have outcompeted other plants and taken over the ecosystem by lowering the pH value of the ecosystem.

In spring 2021, 10 m³ of Sphagnum for cultivation at Ekebymossen was brought out. Here we will monitor during future projects that how fast the dense packed Sphagnum site will cover the water surface. This will also give us a comparison if compacted Sphagnum mats are growing faster than "loosely"

spread Sphagnum.

In addition to the Sphagnum farming projects, we work together with SLU in Toftmossen, a peat extraction area located in Surahammar, Västerås, which was terminated in 2007. The after-use plan aimed for an area mixed with open water, wetlands and forest. SLU became interested in the area in 2009.

Since 2010, the scientists have followed the area's overgrowth from open water and bare peat areas to new peat-forming vegetation. The first Sphagnum patches occurred in 2012 and were growing exponentially over the years with a small decline in 2019 and 2020 due to the very dry summer in 2018. A stable water supply is thus a very important factor for a successful Sphagnum establishment with farming as a goal.

Neova Group restores 1,000 hectares of old peat production area in Estonia

Neova Group participates in the [WaterLANDS project](#) in Estonia, together with the University of Tartu, Estonian Fund of Nature (ELF) and State Forest Management Centre (RMK). WaterLANDS is a new European Green Deal project aimed at large-scale restoration of Europe's wetlands.

Neova Group's part of the project covers approximately 1,000 hectares of our peat production area in Lavassaare during the next 10 years. The main goal of the project is to increase the area's biodiversity. During the project, wetlands for birds and insects will be created and rehabilitated, and higher areas will be reforested. The goal is that in the next 5 years, about half of the area will be restored.

Biodiversity pilot in Lavassaare is a part of Neova Group's biodiversity programme to increase biodiversity in our own industrial areas through concrete actions. In Estonia we have approximately 3,700 hectares in active horticultural peat production. The Lavassaare area is our largest peat production area in Estonia. Overall in Estonia, 358,923 hectares are defined as active peat resources (i.e. not under protection or unsuitable for production in other reasons), and only 6% of active peat resources are used for peat harvesting.

Europe has already lost up to 90% of its original wetlands, resulting in massive biodiversity loss, water and food shortages, devastating floods and fires, coastal subsidence and

erosion. Wetlands are home to 40% of the world's species. They also store and capture carbon, remove environmental pollutants, and protect communities from flooding. Wetlands are particularly vulnerable to damage from human activities.

The five-year WaterLANDS project is led by University College Dublin (UCD), Ireland and brings together 31 other organisations from research, industry, government and non-profit sectors in 14 European countries. Funding for the project is part of the European Commission's Green Agreement's goal of making Europe the first climate-neutral continent by 2050. The WaterLANDS project was officially launched in December 2021.

Biodiversity

KEY TARGETS

We convert all the closed energy peat production areas,

ca. 20,000 hectares

to next land use by 2025 and thereby reduce greenhouse gas emissions and enhance biodiversity.

We increase biodiversity by restoring (re-wetting or afforestation)

2,000 hectares

during 2021–2025 in collaboration with local stakeholders.



We are committed to responsible peat production. Since 2012 Neova Group has released 5,140 hectares of mires with significant nature value to be managed by Metsähallitus, a Finnish state-owned enterprise. In addition, Neova Group returned a total of 3,105 hectares of pristine natural bogs to Metsähallitus in 2021.

During 2021, from the peat production areas owned by Neova Group in Finland, we moved 4,185 hectares to next land use (corresponding figure in 2020: 1,156 hectares): 3,559 hectares to afforestation (2020: 754) and 626 hectares to wetlands (2020: 402). We returned 2,062 hectares to landowners (2020: 3,836), in addition to sell-

ing significant areas for which the next land use is determined by the new landowner. To cover the costs of post-production obligations in old peat areas, a financial provision for environmental work is made during production.

We have established a Neova Group biodiversity programme aiming to increase biodiversity by restoring (re-wetting or afforestation) 2,000 hectares (during 2021–2025) in collaboration with local stakeholders. In 2021 restoration planning was started for example in Lavasaares area in Estonia with the EU WaterLANDS project; in Norrbomuren area in Sweden with the Swedish University of Agricultural Sciences; as well as in Komppasuo area in Finland with [the EU MERLIN project](#).

This focuses on specific peat production areas, where we want to showcase how to increase biodiversity in habitats by wetland creation, as well as mosaic-like variation. Regarding closed peat production areas, the topography, hydrology, and rocks/stones influence what the best next land use option is. Also, during peat production, a diverse wetland species is formed in water treatment structures, and biodiversity can further be increased by creating small wetlands, and building nesting or shelter areas.

Regarding sustainability certifications for our Neova Group peat production areas, [the Responsibly Produced Peat \(RPP\)](#) certifications coverage by end of 2021 has reached 4,195 permit hectares (2020: 1,078 hectares). Our target coverage by end of 2022 is 6,376 hectares. For Kekkilä-BVB own products, 50% of the peat used in 2021 was RPP certified (2020: 20.5%).



Circularity

KEY TARGETS

We increase the recycling rate for our waste in our own operations to

90%

by end 2025.

We increase the use of circular raw materials

year on year.

We have

zero waste

in our own operations by end 2030.



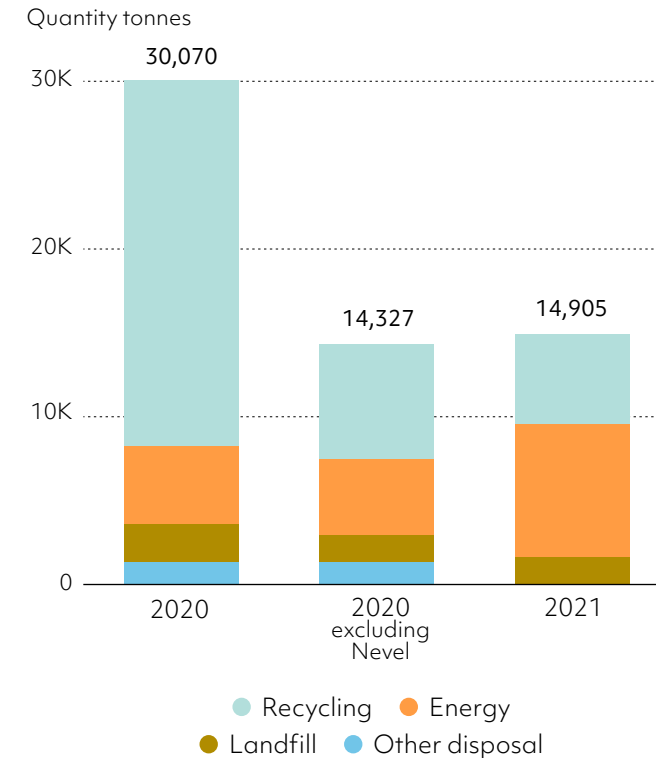
Our target is to progress towards our zero-waste by 2030 goal by increasing material efficiency, utilising recycled materials in our operations, and implementing efficient recycling of our waste streams. We are currently focusing on our main waste streams from our own operations including recycling ash from our pellet and activated carbons operations as fertiliser or landscaping material as well as increasing the use of recycled packaging materials to 50% by 2025. In 2021 the share of recycled packaging materials in Kekkilä-BVB reached 29% (2020: 19%), with progress especially in the Dutch retail market. Overall, our recycling rate

(excluding the waste fractions used as energy) for all of our operations reached 37% (2020: 73%). In 2021, the total waste volume in Neova Group halved after Nevel was sold. This had a major effect to the recycling rate.

Currently our biggest waste fraction in terms of volume is old peat stock pile plastics. During 2021 we disposed for reuse a total of 7,934 tonnes (2020: 8,844 tonnes) of old stockpile plastic in Finland, Sweden, and Estonia: 25% as recycled material and 75% as energy. By end of 2022 we aim to complete the removal of all old stockpile plastics in our peat areas, and after this our recycling rate will clearly be improved. Moving forward, we will continue to pilot new ways to reduce the use of plastic in peat and Sphagnum operations as well as packing materials in all our product lines.

Circularity is a key design principle when developing new products in the businesses, examples of these are described in the business sections of this report. Regarding circularity of the raw material used in our products, Neova Group is interested in organic natural materials and by-products from which valuable materials can be isolated and all fractions can be utilised as raw materials for other products, such as growing media, in accordance with the principles of the circular economy.

Quantity of waste by years



2021: Total waste volume in Neova Group halved after Nevel was sold. This has a major effect to recycling rate.

“Circularity is a key design principle when developing new products in the businesses.”



Internal innovations challenge in Kekkilä-BVB: Zero Waste

In autumn 2021 Kekkilä-BVB invited its own personnel to take part in the Internal Innovation Challenge for Zero Waste. Individually or in groups, personnel could put forward any ideas they had that can help us get closer to our zero-waste target. We got plenty of great ideas to accomplish the goal. Here are the top five:

- Recycling unit for grow bags.
- Potassium and nitrogen from coir wastewater.
- Cardboard packaging for consumer products.
- Find better ways to deal with our waste pallets.
- Turn waste pallets into wood chips for mulch.

We selected these ideas, because they potentially offer great business opportunities, reduce our environmental impact and help in obtaining zero waste in the value chain. We also received several suggestions on how to improve our waste separation in the offices. After the challenge, all ideas are linked to the right employees within Kekkilä-BVB who can take these ideas further, for example in our Green Office Concept implementation. So no idea is lost in the drive towards Zero Waste!

Water

KEY TARGETS

We reduce solid matter, nitrogen and phosphorous emissions by

75%

in peat production areas in Finland by end 2025 from 2008 levels.



WATER

Our main target is to reduce solid matter, nitrogen and phosphorous effluents in peat harvesting by 75% in Finland by 2025 (from 2008 levels). We have already made significant progress and in 2021 already reached the target for solid matter and phosphorous effluents. For all effluents, the reduction was over 30% compared to 2020. The water treatment systems in Neova Group peat production in all countries are well managed and based on best available techniques (BAT), which will help us to continuously improve our performance to protect the water sources we and the society rely on.

In our factory operations our main efforts for improving water efficiency focus in reducing water and chemical consumption in our coir production in Kekkilä-BVB in the Netherlands. as well as improving the efficiency of the wastewater treatment processes in our composting sites. ■



WE SUPPORT THE GROWTH OF OUR PEOPLE AND PARTNERS



Health and safety is our first priority.

In 2021 we updated a common Neova Group sustainability strategy including our goals for social sustainability, covering safety, the workplace and our partners. Moving forward, we aim to implement the ISO 45001 occupational health and safety certification to all countries and businesses during 2022.

In 2021 the COVID-19 pandemic continued to have a major impact to our people and partners. With active preventive actions of our personnel and suppliers we managed to protect the continuity of business in all our sites during the second pandemic year. Total number of COVID-19 cases in Neova Group companies has been 103 cases: 83 in 2021 and 20 in 2020.

In April, we organised a Wellbeing pulse survey for the third time to survey employees' wellbeing at work during the pandemic and 59% of all employees responded. Compared to the two previous surveys, more people (37%) felt that their wellbeing is no more than moderate and nearly as many (36%) felt that their workload is too heavy. The responses came from both office and production workers. As actions for these

Neova Group social sustainability KPIs and targets

Key indicator	Definition	Actual in 2021 (2020)	Target by 2025
Accident frequency: LTA1 (resulting in absence)	Group: year-on-year reduction by - 20% (*without Nevel)	7.2 (7.2 / *6.4)	< 3
Accident frequency: MTR (all accidents, incl. commute)	Group: year-on-year reduction by - 20% (*without Nevel)	15.7 (16.2 / *14.7)	< 6
Reported inappropriate behaviour case	Group: zero tolerance; all reported cases investigated and followed up	13 (9) cases all closed	0 cases
Great Place to Work Trust Index	Group: increase by + 2% points per year	70% (68%)	78%
GPTW Wellbeing and engagement index	Group: increase by + 2% points per year	74% (74%)	82%
GPTW Leadership index	Group: increase by + 2% points per year	57% (55%)	65%
GPTW Learning together index	Group increase by + 2% points per year	59% (56%)	67%
Responsible sourcing: Code of Conduct	% of contract suppliers signed Supplier Code of Conducts	-	100%
Responsible sourcing: Audit coverage of strategic suppliers	Number of audited strategic suppliers	-	All strategic
Responsible sourcing: joined sustainability development process and plans	Number of prioritised suppliers with joint sustainability action plan and targets	-	All prioritized

results, line managers were reminded to contact team members on a regular basis paying attention to prioritisation of work, to discuss how team members were feeling and if they needed more support.

Those working remotely during the pandemic, were also asked, where they would prefer to work after the pandemic is over. Based on the Wellbeing survey feedback, a hybrid model was introduced for organising office work after the COVID-19 pandemic. In the survey, many office workers stated that they would like to continue to work from home for the most part, but many also wished to return to the office environment. The hybrid model was launched in 1st of October.

Each team has created business driven rules which gives frames to everyone to decide which location is best for performing their tasks and find the good balance with the remote and office work. According to the Wellbeing survey, there was a clear decline in results regarding sense of community, compared to our previous survey. Face-to-face interactions are the key in creating a sense of community at work.

“After the pandemic we will continue in the hybrid model in all our operating countries.”

Safety first!

KEY TARGETS

We reduce accident frequency by **20%** year on year towards the zero accidents goal.

We have **zero** accidents by 2030.



Group Safety team leads and develops our Safety First! culture to prevent safety incidents and accidents through effective risk mitigation, training and supporting business divisions and functions. In 2021 Neova Group accident frequency rate (lost time accidents, including commute, over million working hours) was 7.2, with some increase from 2020 (corresponding figure in 2020: 7.2 and 6.4 excluding Nevel). The accident frequency for Kekkila-BVB operations increased the most from 2020, being 11.2 (2020: 6.7) and especially in the Netherlands and Sweden, returning to 2019 level.

Most of our accidents, and especially serious accidents, occur in production operations. Looking at the past three years, 14% of all the accidents requiring medical treatment are categorised as a serious accident (12 out of 87). All accidents are investigated, with root

“Our key safety highlight from 2021 was that Finland and Estonia operations achieved the zero accidents goal.”

cause analysis, corrective actions and the learnings are shared in 5 languages to all personnel. In 2021, we also published on average two safety campaigns monthly in five languages, with key focus on fire safety.

To improve and harmonise our safety culture, we continued to focus on safety training and risk assessments in 2021 in all businesses. In 2021 we held 72 fire and chemical safety inspections in peat operations. The number of peat area fires was 41, a reduction of 49% from last year (corresponding figure in 2020: 80).

Safety observations made in 2021 by own personnel reduced by 8% from 2020 (2020: 9% reduction). Results from both 2020 and 2021 can mostly be explained by restrictions to site visits due to COVID-19. Total number of observations raised was 2,963 (2020: 3,363).

We also track our contractors' accidents in our operations, and conduct an accident investigation together with them. In 2021 our contractors reported a total of 8 accidents requiring medical treatment (2020: 11). Out of the safety observations made in 2021, 10% were made by our contractors (2020: 12%).

Great workplace

KEY TARGETS

We improve GPTW Trust Index by 2% points per year to reach

78%

by 2025.

We increase diversity and inclusiveness in our workplace by improving wellbeing and engagement index by 2% points per year to reach

82%

by 2025.

We have engaging leaders and resilient employees by improving leadership index by 2% points to reach

65%

by 2025 and **learning together index by 2% points per year to reach**

67%

by 2025.

We are among the most

**inspiring/
attractive**

workplaces (GPTW top quartile in Europe) by 2030.



Engagement and wellbeing of our employees

Neova Group participated in [the Great Place to Work](#) personnel survey for the third time in 2021. According to the survey, our employee experience improved by two percentage points as our Trust Index measuring the employee experience this year was 70% (2020: 68%). 80% of the employees responded to the survey, a one percent better response rate than in the previous two years.

We aim for a result oriented, purpose-driven, and learning corporate culture. The development goals based on the survey results are common to all teams. They are related to finding ways to involve people into planning matters impacting their work, and ways for noticing good - appreciating work well done or projects completed. Purpose-driven and sustainable activities relate to active communication of renewed sustainability strategy. There is high interest regarding sustainability matters and actions relating to them among employ-

ees. Also, as part of this action plan, and also contributing to new social sustainability strategy, Neova Group will establish a volunteer programme during 2022. Programme gives all teams a possibility to participate into volunteer activity for one day each year. Programme concept will be communicated and launched during the spring 2022. Teams will create their own action plans based on common themes.

Neova Group has had an active team focusing on wellbeing at work during the year 2021. The wellbeing team has launched campaigns addressing stress management, acknowledging one's colleagues, nature observation and cycling challenge.

Zero tolerance for inappropriate behaviour -trainings were also continued during 2021, in the Netherlands for the first time and in other countries as refresher trainings. Employees have learned to utilise reporting channels in case they observe or experience inappropriate

Great Place to Work certification

As a result of this autumn's survey, Neova Group has achieved Great Place to Work certification in three of its countries: Finland, Sweden and Estonia. The certification limit varies from country to country. In Finland, the limit has recently been lowered to 65% (our Trust Index is 69%), in Sweden it is 70% (72%) and in Estonia 65% (79%). In the Netherlands the limit is 70% and we were still slightly below (69%). In the other countries our group does not currently have enough personnel or responses to obtain the certification.



ate behaviour. Primary reporting channel is through line manager or HR, also anonymous whistleblowing channel can be used. All reported cases have been handled.

Competence development

During 2021 many of the activities started in 2020 to establish the common practices into our businesses organisation continued. License to Lead programme for new line managers, providing a full view for people processes and principles, was offered to 29 line managers from all countries.

Mandatory e-learnings, safety, Code of Conduct and information security were modified for factory workers into classroom trainings, which were held during autumn 2021.

Competence development plans were again in 2021 made in all Divisions/ Functions on BU/function level, also on team level in many teams. Focus on these plans was in 70-20-10 planning, acknowledging that majority of learning happens through on-the-job learning.

Employees expressed their wishes for better access to information and more communication in one's own language through our Wellbeing survey. Online English language courses were launched in December for all our operating countries with great number of attendees applying for basic or advanced groups.

Leadership development

Leadership as a Service, a nomination-based development programme was launched for the first time in

autumn 2021. Aim for the programme was to increase understanding of and contribute to Neova Group strategy, create a forum for Neova Group top management and nominated participants for active dialogue of topical strategic themes. And to support individual growth through mentoring and co-creation.

In 2022 Great Workplace focus will be in continuing our leadership development added by some new modules for all line managers, reviewing Group HR policies and guidelines to ensure diversity, inclusiveness and equality are clearly enough taken into account in all our people processes and leadership practices. We will continue to focus on wellbeing of our employees through working conditions, volunteering program, and increasing cultural awareness.

Leadership as a Service -training program launched in 2021

Leadership as a Service programme was launched in autumn 2021 for 37 nominated professionals from different parts of Neova Group. Kekkilä-BVB strategy and Mergers & Acquisitions (M&A) process was selected focus in this first Leadership as a Service programme. M&A project assignment was also linking the programme to one of the critical competence development themes, International expansion efficiency. Nominated participants were selected to both support and benefit from the selected focus.

Programme is planned to be annual, each year having its specific focus based on business priorities, with project assignment built to support the theme 2022 theme, or participants has not been selected, yet.

Aim for the programme was to create an internal forum for senior leadership and participants to have active dialogue of topical themes relating to business transformation and strategy. An important aspect was also to share knowledge and professional expertise through mentoring programme and project assignment work.

Topical themes covered were Neova Group portfolio strategy, Kekkilä-BVB strategy and the growing media business, ICT environment transformation and Sustainability strategy.

M&A project assignment was planned and executed in collaboration with external consultants and the Kekkilä-BVB programme management office. Project was based on a real-life case example. Participants were introduced to the end-to-

end M&A process, and were given an assignment to build integration plans for Day 1 and short, mid and longer term plans for an acquisition. As an outcome there will be an integration playbook, which can be used in generic trainings and also in planning the future integration cases.

Feedback from participants has been positive. Participants have felt that senior leadership has become more familiar to the participants, and many have been positively surprised how well online workshoping can actually work.

And why the name of the programme? We see that leadership is being of service to others while working towards shared goals, it is about helping others to succeed – achieving together.

Responsible partners

KEY TARGETS

We have

100%

coverage of signed **Supplier Code of Conducts** with our contract suppliers by 2025.

We have audited all strategic suppliers periodically by 2025.

We have joined sustainability action plan and targets with prioritised suppliers by 2025.



RESPONSIBLE
PARTNERS

During 2022 we will implement [the Responsible Sourcing programme](#) on Neova Group level. The Responsible Sourcing programme includes actions to ensure and improve environmental and social responsibility with our suppliers. This includes e.g., increasing of Supplier CoC coverage for contract suppliers as well as joint action planning, joint targets and supplier relationship management with strategic suppliers to improve social and environmental responsibility, including follow-up by controlled supplier audit programme. Ongoing implementation of Neova Group new sourcing and supplier management system will support the Responsible Sourcing programme progress, including online visibility to Supplier CoC coverage, development actions and audits.

Supplier Code of Conduct (CoC) is an important part of our sustainability, and we need to ensure that our suppliers share and respect our values. During 2021 we have implemented Supplier CoC systematically to all new purchasing agreements. In total, we have conducted 29 supplier audits and 27 supplier self-evaluations to our strategic and tactical suppliers to monitor fulfilment of Supplier CoC requirements. In Kekkila-BVB, we conducted 8 audits and 24 supplier self-evaluations. By end of 2025 we target to cover all contract suppliers with Supplier Code of Conduct.

We encourage our operational contractors to make safety, environment and quality observations regularly and we make corrective actions based on the feedback. We also conduct an accident investigation for each reported accident by our contractors, and the key contractors take part of the safety walks done in our production sites.

Overall, in peat and wood production peak seasons of 2022 in Finland alone we have approximately 100 main contractors with roughly 700 people (including their employees or sub-contractors), and ~150 peat and wood transportation contractors plus ~100 contractors in other operations. In Sweden we have ~60 and in Estonia ~10 main contractors in peat production.

In Kekkila-BVB operations, we have several loader and maintenance contractors working at our production sites. We also use several professional contractors at our sites for installation work in Kekkila-BVB and New Businesses investment projects. ■



WE ENSURE PROFITABILITY IN A SUSTAINABLE WAY



Neova Group has a significant economic and employment impact in several locations.

KEY TARGETS

We will improve
EBITDA
as % of netsales

year on year.



Despite a very challenging market conditions Neova Group's comparable EBITDA remained very close to previous year level which can be considered to be satisfactory performance in the last year market turbulence boosted by continued pandemic and inflationary pressures through raw materials and freights.

Neova Group companies comply to all statutory taxes, based on their own business operations, to the country in which they operate. None of Neova Group companies have overdue taxes. Neova Group administration is responsible for the implementation of the

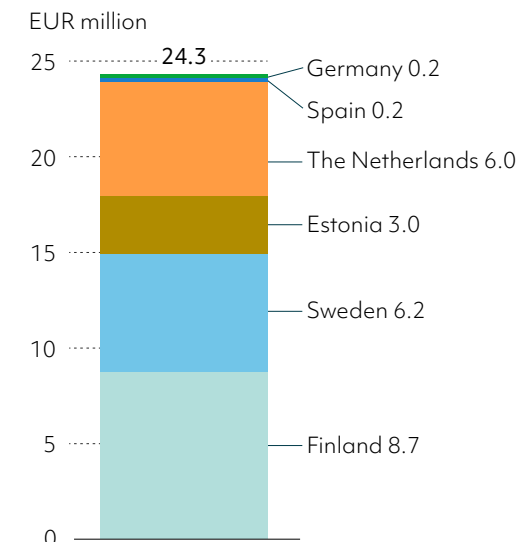
tax strategy and compliance with country-specific tax regulations.

Neova Group's local impact as an employer, taxpayer and buyer of products and services is significant, particularly in Neova Group's main operating countries of Finland, Sweden, Estonia, and the Netherlands. Neova Group's total gross investments in 2021 were EUR 83 million (corresponding figure in 2020: EUR 77 million).

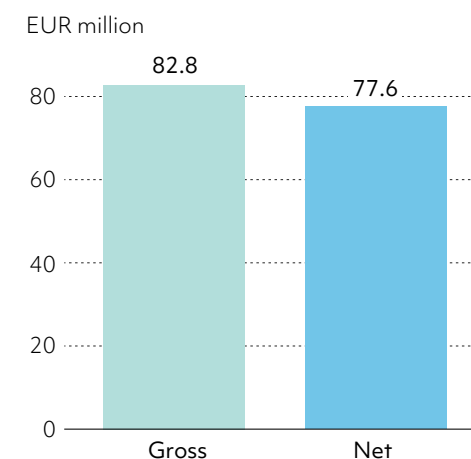
Investments in the activated carbon production facility in Ilomantsi, Finland was the single largest investment during the financial year. Investments were also allocated to capacity expansion, energy efficiency investments and environmental protection and field maintenance in the peat production business. Net investments (gross investments – asset sales) totalled EUR 78 million in 2021 (2020: EUR 59 million). In other words, investments made during 2021 represented 239% of depreciations for the same time period (2020: 162%).

Majority of the investments in 2021 related to capacity expansion and energy efficiency were in Grow&Care division, mostly in Kekkilä-BVB. Large numbers of pro-

Paid taxes 2021



Investments in 2021 (IFRS)



Horticulture peat helps EU to reach its reforestation targets

In November 2021, Neova Group made a historic decision when it announced that it will stop the harvesting of milled energy peat. The company began large-scale energy peat production in the early 1970s, 50 years ago.

However, Neova Group is not giving up peat production. Already in the summer of 2021, the majority of the peat produced by the company ended up as growing media, bedding peat and raw material for activated carbon. Peat is currently by far the most used material in various growing media products in Europe. Peat accounts for about 75% of the European growing medium market of about 30 million cubic meters. Only 10% of the growing media used in professional crowing do not contain peat at all. The explanation is simple. Peat has innumerable superior properties as a growing medium. It saves water, reduces the need for fertilisation, is clean of weeds, toxins and pathogens. And above all, it creates ideal growing conditions for plants. After use, it is fully recyclable.

In Finland alone, about 150 million tree plants are nurtured annually in horticulture peat. These tree seedlings are planted annually to either reforest or create additional forest. Horticulture peat decomposes and releases carbon dioxide into the air, but as a gift to nature, it can sequester huge amounts of carbon into regenerated forests.

In one cubic meter of horticulture peat, it is possible to grow about 8,000 tree seedlings to be planted. The cultivation of one hundred and fifty million tree seedlings therefore requires less than 20,000 cubic meters of horticulture peat. When that peat decomposes in a few years, it will release less than 4,000 tonnes CO₂ (calculated by the emission factor 0.193 tonnes CO₂/m³, black peat) into the atmosphere. The production of that amount of horticulture



peat requires about 50 hectares of production area with annual soil emissions of about 550 tonnes of carbon dioxide (11.4 tonnes CO₂/hectare).

One hundred and fifty million tree seedlings will be able to plant 75,000 hectares of new forest. The forest growing in Finland sequesters about 3 tonnes of carbon per hectare per year. In other words, up to 200 tonnes of carbon are sequestered in the new forest per hectare during its life cycle. In other words, emissions of horticulture peat from seedling cultivation are already compensated for in forest areas of less than 20 hectares. The rest is left to increase the carbon sink. This is the net positivity of horticulture peat. And this is exactly what Neova Group wants to make clear in the EU's debate concerning expansion of sustainable financing taxonomy, which assesses whether or not the use of horticulture peat is sustainable.

duction facilities in different locations raised also the total investment amounts needed. Investments were also done for Biofuels but no longer for energy peat.

Financial implications and climate change risks related to peat

According to the consumption forecasts of Neova Group's fuel customers, the demand for energy peat will fall to half of the current level by 2023. The reasons for this are the price of emissions allowances and the current energy tax of EUR 3/MWh applied to peat (in heating), due to climate change risks. Considering this assessment, we decided to discontinue energy peat production in Finland from 2022 onwards in November 2021. This also meant a write-down of approximately EUR 16 million on our remaining peat assets.

Although the need for peat will increase for other businesses than in energy use, we believe we can reduce significantly the land reserved for peat production over the next years. This will directly reduce our greenhouse gas emissions.

Moving on, as part of our Enterprise Risk Management process we will prepare [the Task Force on Climate-related Financial Disclosures \(TCFD\)](#) for Neova Group during 2022. The TCFD is a framework to incorporate evaluation of climate-related risks and opportunities into companies risk management and strategic planning processes. This disclosure will also cover our mitigating actions, as well as the related targets and key performance indicators. ■

GROW&CARE DIVISION

KEKKILÄ-BVB - GROWING TOGETHER FOR A BETTER FUTURE

Creating innovative solutions for growing food, gardening and greener cities through collaboration and education.

Like all other business we are impacted by global developments that influence market demands, government regulations and stakeholder actions. For us the key developments are urbanisation, climate destabilisation, ecosystem decline, food crisis, inequality and resource scarcity. These developments create challenges and opportunities for our company. In our [web page](#) we explain how these developments have an effect on our business.

Aligned with Neova Group Sustainability strategy, we have divided our sustainability roadmap in three focus areas, taking both the environmental, social, and business aspects of sustainability into account. The overview shows our ambitions and targets related to these focus areas.

Kekkilä-BVB's sustainability work is led by a lean governance structure with joint roles and responsibilities with Neova Group sustainability team. Kekkilä-BVB Leadership Team is responsible for the successful execution of Kekkilä-BVB's sustainability roadmap. This ensures that sustainability is integrated within the business and that ambitions are carried by the different business units and functions we have in the organisation.

Through the involvement of all our colleagues whether in procurement, operations, HR, sales or another department we make it happen. Kekkilä-BVB Sustainability Director and Sustainability Manager make sure that sustainability ambitions fit with market needs and developments and manage progress on our targets.

Growing together for a better future

We do this by

- Creating innovative solutions for growing food, gardening and greener cities through collaboration and education.



We make the world greener and healthier through our products and services

Our products and services always start from the same principle: fit for purpose. It is very important that the chosen recipe of growing media materials fits the purpose of the user, otherwise all the resources, energy and manpower to create the substrate are wasted. At the same time we aim to be as sustainable as possible throughout the value chain through collaboration and innovation. Our roadmap guides us in being a net positive company, a company that contributes more to the world than it takes from it. The best way for us to do so is by providing safe, socially responsible, environmentally friendly and effective growing solutions.

For professional growers we offer continuous quality monitoring of our substrates as well as onsite support. We have tooling in place that can optimise both the effectiveness as well as sustainability of our substrate recipes. After the first use of our substrate materials we offer circular solutions to optimise the after use. This is continuous research that we perform together with our customers, knowledge institutes and other sector organisations.

For retail we offer customised mixtures as sustainable as possible. We supply our products in packaging that both contains recycled content and is recyclable as well. Besides that we help consumers to optimally use our products and create healthy and green communities.

Kekkilä-BVB sustainability KPIs and targets

Focus area	Key indicator		2021 (2020)	Target 2025
We make the world greener and healthier through our products and services	# green city projects		New	4
	# collaboration projects with growers for more sustainable growing practices		New	20
	# new sustainable consumer product and service concepts		New	3
	# of community projects (e.g. grow the joy)		New	30
We support the growth of our people and partners	Safety first!	Accident frequency: LTA1 (resulting in absence)	11.2 (6.7)	20% yoy decrease
	Great workplace	Great Place to Work Trust Index	72% (68%)	78%
	Responsible partners	% of contract suppliers signed Supplier Code of Conducts	55% (81%)	100%
		Number of audited strategic suppliers	New	All strategic
		Number of prioritised suppliers with joint sustainability action plan and targets	New	All prioritised
		Greenhouse gas emissions	CO ₂ footprint of operations (scope 1+2)	9.7 kilo tonnes (9.8 kilo tonnes)
We do our business in balance with nature	Greenhouse gas emissions	Carbon intensity in our value chain (scope 1+2+3) (tCO ₂ / M€)	New	-25%
		% of circular raw materials*	18% (15%)	Increase
	Circularity	Use of recycled materials in packaging	29% (19%)	50%
		Recycling rate of waste in own operations	66% (59%)	90%
	Biodiversity	% of certified responsibly produced peat in own products	50% (20.5%)	80%

* Circular raw materials definition: Organic raw materials that are from a renewable source or are given a second life after their first use, like compost from garden waste.

Our expertise in landscaping creates green roofs, facades and outside areas. Using the local situation as starting point we try to reuse as much of the existing landscape elements as possible. Together we will find climate smart solutions, that help neighbourhoods become more biodiverse, healthier and more attractive to live in.

And only through collaboration in the value chain we are able to stay successful in and become a sustainable forerunner. Below you find a selection of our projects and products that with help of our partners will hopefully result in solutions that add social, environmental and business value.



Selection of Kekkila-BVB sustainable solutions

Professional

BIO-premix

BIO-premix is an important ingredient of our Skal or Fibl certified BIO-substrates. The BIO-premix provides a pH buffer and contains sufficient nitrifying bacteria that cause a quick and constant release of nitrogen.

PrimeFLOW

The only fine mixture for the production of young plants on the market containing renewable wood fiber. Compared to other fine mixtures it has the advantage of reduced shrinkage, more easily available water, optimum level of porosity, faster water uptake and it is good for all irrigation systems.

Retail

Kekkila Ecological Garden Soil

The garden soil uses only raw materials that are suitable for organic farming to create a high quality ready to use soil. It consists of local natural materials, compost and organic fertiliser for organic growing.

Kekkila Green Compost

Kekkila Green Compost is a high-quality, ready-to-use universal soil made from environmentally friendly raw materials for all yard plants. Green compost is made from safe and researched, completely natural, recycled and renewable raw materials.

Hasselfors Universal Plant Nutrition

The Universal Plant Nutrition, for instance, is a versatile fertiliser that quickly dissolves in water. One gram of fertiliser provides one liter of nutrition for flowering houseplants, green plants and everything edible you can think of growing indoors, on the balcony or outside.

Landscaping

Meadow Soils

Urban meadows play an important role as a new habitat for traditional biotope species. In addition to the range of growing media for dry meadows and keto areas, growing media for moist meadows and flooded meadows were developed.

Garden Soil E Biocharboost 10

This product is a garden soil with a lot of plant power. This variant of Garden Soil E has extra natural fertilizer for better nutrient supply, biochar to increase the porosity and nutritional ability and compost to increase the microbiological diversity into the soil.

We support the growth of our people and partners

At Kekkilä-BVB we work together with our colleagues and with our suppliers throughout the value chain to ensure good working conditions, safe working environments and engaged employees that are happy to work for and with us. In the sections below specific Kekkilä-BVB performance is shown.

Safety first!



At our production facilities safety has top priority for our own employees and visitors. Our operations start their meetings with a safety update to remind them of the importance of safe working. They are also asked to keep an eye out for risky or unsafe situations and register these in our online safety register. 1,556 observations were made in 2021 which increased by 17% compared to previous year (2020: 1,330). These observations lead to documented actions to mitigate safety risks.

To improve and harmonise our safety culture, we continued to focus on safety training and risk assessments in 2021. In Kekkilä-BVB we organised face-to-face safety training to ~150 people in operations in the Netherlands. In addition, as risks in maintenance operations is greater, the Dutch technical team also completed a formal test to receive a VCA -certification for safety, health and environment for contractors.

Overall, our efforts unfortunately have not resulted in fewer accidents and we are back at the level of 2019.

The accident frequency (resulting in time away from work) for Kekkilä-BVB in 2021 was 11.2 (2020: 6.7) and increased especially in the Netherlands, as well as Sweden. On the other hand, both Finland and Estonia reached our zero accidents goal in 2021 (without absence).

Most of our accidents, and especially serious accidents, occur in production operations. When we evaluated the incidents of 2021, we found that they can be split quite evenly to three categories: a) collision, hit (impact with a moving object); b) fall, slip, trip (impact with a fixed object); and c) cut stab, sting (caused by an object).

Moving forward, the key safety actions in 2022 focus on safety during high season, improving traffic safety inside each site, mitigating risks to head injury and conducting additional technical risk assessments around our production lines.

Great workplace



We have the ambition to be amongst the best employers in Europe. In 2021, we improved our Great Place to Work (GPTW) score from 65% to 70%, which makes us proud, but also shows we have a lot of work to do until we are in the top quartile of European employers.

Although we have many initiatives to create a community feeling with our colleagues, swamp football being one of them, we would like to highlight two initiatives that really show our colleagues commitment to



Let's give away: a ton of joy!

At Kekkilä-BVB, we believe in the power of plants. Not only for the beauty of the plants, but also for the joy of growing. That's why we give our garden products for free to projects in Finland and Sweden that bring joy to plants for others as well - especially for those who might not yet know or might not even be able to. For our 'Grow the joy' programme in 2021 we received a large number of applications from which we selected more than 20 projects.

Early summer of 2021 we sent our products to these projects and we've received many enthusiastic messages and pictures. Please visit our [webpage](#) to get an impression. We have also had the pleasure of participating in a number of projects where, for example, elderly people with memory issues have experienced the healing properties of plants in their own community garden. But also, we've seen children connect with nature and experience the creative impact of gardening.

This annual programme will continue in 2022 and we're looking forward to bring more joy to people and communities.

growing a better future. The first one is 'Grow the Joy' which is a long running initiative where we sponsor gardening initiatives in Sweden and Finland. The other initiative is Kekkilä-BVB's first innovation challenge focusing on Zero Waste. Many great ideas passed by, from better waste separation in the office to providing a second life to substrates after use by our professional customers. The winning idea related to making optimum use of unrepairable pallets. If the testing is successful, you'll find the solution on the market next year.

As part of Kekkilä-BVB strategy roll-out, critical competences were identified to support the growth strategy. These three were Customer Value Creation, Establishing new operations sites and International expansion efficiency. Development plans were created for all of them, turning them into development projects/programmes which will be to large extent be rolled-out during 2022: International expansion efficiency competence development was built into 2021 Leadership as a Service programme's project assignment, focusing on mergers and acquisitions, and more specifically in planning and execution of integration through a case example. Outcome of this project assignment is an integration playbook, created by programme participants. Commercial Excellence (ComEx) programme starting in February 2022 will be targeted for sales organisations with a theme: from good to great. Operations' competence development programme, with focus on attracting, retaining and developing competences in Operations will be also rolled out during 2022.

Responsible partners



Together with our partners we are able to create a responsible supply chain. Two years ago we started discussing our Supplier Code of Conduct and related sustainability values we expect our suppliers to put in practice. Last year 81% of our largest suppliers signed the Supplier Code of Conduct. This year we extended the scope of suppliers to increase our coverage. Unfortunately this resulted in a lower share of signed SCoCs (55%), even though we had new supplier signing. The focus of our procurement team was fully on obtaining enough resources and organising logistics, both of which were suffering from extreme price increases and lack of availability. During 2022 we target to cover 80% of all our contracted suppliers with the Code of Conduct and reach the suppliers we couldn't reach this year.

Going forward we will keep our Supplier Code of Conduct as the basis of our discussions and negotiations and in addition find even better ways to improve together. In the coming year we will make assessments to our strategic suppliers to understand where we can add most value in strengthening our partnerships. In the past year it has been hard to physically meet our partners due to COVID-19 travel restrictions. Especially reaching our suppliers of coconut based constituents was hard, while we know they are facing stricter regulations on dust prevention, soil pollution and wastewater recycling. Supporting our partners on these sustainability issues with joint action plans and targets will be one of our focus areas for next year.

We do our business in balance with nature

At Kekkilä-BVB we do our business in balance with nature. We find this not an easy task, because we need land, materials, water and energy for almost everything we do. But every year we get a step closer to reduce our greenhouse gas emissions, increase circularity and enhance biodiversity. Within our own operations these focus areas are addressed through the implementation of our Green Factory concept. Overall, the ISO 9001 and ISO 14001 certifications are the basis on which we continue to improve the quality and environmental performance of our operations. During 2021 we extended the ISO 9001 to cover all remaining Kekkilä-BVB sites. Moving on, we will continue to implement the 14001 to the Netherlands sites. In the sections below more is explained about Kekkilä-BVB specific ambitions, challenges and achievements related to our focus areas.

Greenhouse gas emissions



When we talk about our carbon footprint, we have to take the whole value chain into account. That's why this year we have assessed our carbon footprint of the whole supply chain (scope 1+2 validated by external party and scope 3) according to GHG Protocol, covering the last two years. In 2021 the emissions for Kekkilä-BVB own operations were 9.7 kilo tonnes CO₂-eq (comparable figure in 2020: 9.8 kilo tonnes CO₂-eq). The largest share of emissions (44% of the total footprint) is caused by the use of electricity. Of our indirect emissions, the



Upgrading local soils with our nutrition mixes

Our Landscaping colleagues are always looking for ways to optimize the use of local, renewable and recycled materials to be as circular as possible. Another way we are contributing to circular material use is by preventing the use of new materials. For landscaping this has resulted in the development of our 'Nutrition Mix'.

This is a service for upgrading local soil instead of replacing it with new soil materials from elsewhere. Through location research and chemical and physical lab tests we can determine what is needed to upgrade the local soil. With this information we create a customized nourishment mix that replace only part of the soil (e.g. 30%) and hereby lowers waste, transport movements and pollution.

use and end-of life for our own products accounts for 569 kilo tonnes CO₂-eq, driven by the emissions from horticulture peat (2020: 568 kilo tonnes CO₂-eq).

With this solid basis for calculating our performance, we have set forth in developing our strategy to reduce our emissions in the value chain, starting with those activities we have most influence on. As part of our Green Factory concept we have decided to move towards renewable electricity for all our operations in 2025, which will reduce our own footprint significantly. During 2022 we are conducting several evaluations for replacing oil heating with ground source heat or geothermal heat in Finland and Estonia factories. We are also aiming to use more and more renewable fuels in our operations, but for this the business case is less attractive. Therefore, if we want to improve our logistical emissions for now it is best to focus on local sourcing of materials and setting minimum thresholds on amounts to be shipped.

Another topic much talked about by us and the whole sector are emissions from peat extraction, which has the biggest impact on our overall greenhouse gas emissions. Therefore, we challenge suppliers to look for ways to reduce the emissions during excavation and after use; for example using a mass transfer method in peat harvesting as explained in this [report](#). Peat is currently a vital material for the growing media industry and is the most safe, versatile, effective and clean material for growing. And if not for its carbon footprint it would be the most environmentally friendly too.

In our discussion about the carbon footprint it is important to look at the positive net impact we have with our growing media solutions. Especially when it comes to gardening and landscaping, the carbon footprint of the growing media itself is negligible compared to the plants, shrubs and trees that are grown in it. For instance, one cubic meter of growing media can be used to nurture 8,000 saplings and when these are mature trees, they annually store about 1,000 times more CO₂ than was emitted during the lifecycle of the growing media.

And if we look at professional growing, in protected environments yields can be up to 10 times higher than in open field growing, meaning land can be made available for growing trees for carbon storage. Also it is possible to reduce the use of fertilisers with 60% as well as the related CO₂ emissions. And through protected growing, extreme weather, soil pollution or other events can't cause crop losses, which would be a waste of energy, water, fertilisers and labour. That's also why in our search for the most sustainable growing media we take the impact of the whole value chain into account, otherwise we will end up with suboptimal solutions.

Circularity



In our own operations we are aiming for zero waste by 2030. Our raw material waste is already below 1% and close to non-existent at many sites. That's why we are looking into other waste streams, like packaging and mixed waste, to find out how we can further reduce

them together with our suppliers and waste processors. It turned out that this is actually quite hard to improve at our sites. Our two biggest streams of waste are pallets and used plastic packaging. The pallets we already reuse and repair as much as possible, either ourselves or through our suppliers. What cannot be repaired is usually recycled and becomes chipboard or something similar. Pallets of insufficient quality are used as fuel in biomass installations and this is hard to prevent. For our used plastic packaging waste we can only have clean packaging recycled, but this is impossible without washing the plastic and for this we have no room at our facilities. So it's challenging to improve, but also in 2022 we will discuss with our waste processor to find solutions for these two large waste streams.

For our packaging we have been increasing our recycled plastic content for both professional and retail products. We've managed to increase the overall share of recycled packaging to 29% (2020: 19%). A great achievement in a year where it was sometimes hard to source plastic materials at all. Sometimes our products themselves are made from recycled plastic, like our composter we sell in Sweden and Finland is made from 100% recycled plastic. Besides that we are also looking at other ways to optimise our packaging. We offer for instance smaller sized potting soil and mulches that better fit with smaller household needs. We have also introduced a pump bottle for liquid fertilisers that makes dosing much easier and keeps plants in good shape.

When it comes to our growing media solutions we have continued with our sourcing and innovation programmes to find new circular raw materials, i.e. organic raw materials that are from a renewable source or are given a second life after their first use, like compost from garden waste. Most of the work we do is in collaboration with our customers, because new raw materials need to be tested in practice to determine whether they are fit for purpose. An example of this in the past has been our collaboration with [Hoogstraten](#) on the use of Accretio (Sphagnum moss), which showed so many positive results that now the demand for it is higher than what is available. But besides developing our sourcing strategy for Accretio (e.g. in collaboration with the Swedish University of Agricultural Sciences) we are also working on many other projects.

In the [Bioschamps](#) project we are for instance looking for new raw materials (and combinations thereof) that we can use for mushroom growing. We have been testing materials like leave compost, reused mushroom substrate and non-wood biomass as complementary materials to peat, but also testing use of biostimulants to reduce the need for fertilisers and pesticides.

In another project in Finland, [the John Nurminen's Foundation Coastal Reed Project](#), we are collaborating to test the use of coastal reed for growing media. This causes a win-win situation, because mowing coastal reeds can prevent nature loss, removing nutrients that cause eutrophication of the Baltic Sea and produce climate-friendly raw materials for garden soil products.



Biochamp collaboration for more sustainable mushroom cultivation

Kekkilä-BVB is taking part in the EU funded project BIOSCHAMP. The BIOSCHAMP project aims to develop an integrated approach to tackle the mushroom cultivation challenges: an alternative and sustainable biostimulant casing for the mushroom industry, reducing the dependency on and need for pesticides and contributing to improve the productivity, the sustainability, and the profitability of the European mushroom sector.

The project started on October 2020, it will last 3.5 years and gathers 12 partners from 6 different countries. This project has received funding from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No. 101000651.

We also continued working with our professional customers to provide their used substrates a second life. In Finland we have our own recycling site in [Teuva](#), in other countries we collaborate with external partners to make a second life possible. Already we are able to reuse substrates for our landscaping projects, as a soil improver and for consumer potting soil and we are now also looking into onsite reuse at the grower. We do have to be careful when reusing substrates, because there's always a risk of contamination, no matter how careful we and our customers are. That's why we have inhouse laboratories to test this.

A clear example of how contamination can harm our business is how we had to deal with a clopyralid contamination in one of our organic fertiliser products. Clopyralid is the common name for a long-lived herbicide used primarily on agricultural land to kill broad-leaf weeds such as clover, dandelion and thistle. The clopyralid had ended up in our organic fertiliser, through the manure from chicken that either had clopyralid containing feed or bedding. And since clopyralid breaks down slowly, it was still detected in the fertiliser. All of the products where this could potentially lead to problems for growing were recalled. We have updated our equipment in the lab so that we can now detect lower levels of clopyralid in our products so we can prevent this from happening in the future. This example also shows why we have to be careful when introducing circular raw materials to our growing media recipes. Since we are not the only company that has to deal with these chal-

lenges it has become one of the topics that Growing Media Europe, our European sector organisation, will take forward.

Despite these challenges we've been able to increase the amount of circular materials in our growing media from 15% to 18%. This is a rather slow process, because every new material has first to be tested to make sure it's predictable, consistent and stable. After that it has to be tested at the grower, to make sure it is suitable for the specific crop that it is used for as a growing medium. The coming years we will continue to increase the use of circular raw materials, but exactly how much and how fast we can do so really depends on the availability, sustainability and quality of these materials.

Biodiversity



Biodiversity plays an important role in our business, from micro- to macro level. At the smallest level we talk about the importance of micro life in our growing media which can be bacteria, fungi or protozoa. Through strict quality control of the whole supply chain we try to keep the negative species out and keep the positive species in our growing media. Within our research department we are continuously looking at new biostimulants (of which mycorrhizae are one of the best known) that can contribute to increasing plant resilience.

At a larger level we have an important role to play to ensure our growing media can support native flora.

For example, this year a specific [meadow soil](#) was developed. In general our landscaping solutions make it possible to grow plants, shrubs and trees at locations, such as rooftops, facades and parking lots where it would otherwise not be possible. We are now also looking at the neighbourhoods of our own production sites to increase biodiversity and support the local flora and fauna to flourish. Plans will be developed next year as part of the Green Factory Concept. This includes further research into using the wastewater at our composting sites for fertilising the surrounding landscapes.

Taking care of nature is also an important parameter in selecting suppliers. Here we've prioritised the sourcing of peat, since this is the most important material for growing media in terms of properties and volume. We only source from suppliers that harvest peat from already degraded peatlands, follow the strictest regulations and restore the peatlands after use. This way we know that biodiversity is higher when our suppliers leave than before they came. We are now also asking from our suppliers to become RPP certified (Responsibly Produced Peat) so we have external validation of the efforts undertaken. Although we would love to have a 100% RPP certified peat as soon as possible, we noticed that travelling restrictions and the lack of auditors at RPP have slowed this process down. Nevertheless more and more of the peat areas at our suppliers are ready to be RPP certified. Our current performance is 50%, by 2025 we aim to increase this to 80%. ■

GROW&CARE DIVISION

G&C MATERIALS - PROVIDING HIGHLY VALUABLE BEDDING PEAT FOR ANIMALS

G&C Materials Oy sells animal bedding materials in Finland and in Sweden and Neova Group's horticultural peat for domestic and export markets in over a dozen countries.

We can guarantee a constant supply through seasons to our domestic and export customers as we operate in three countries, Estonia, Finland, and Sweden. At the moment we are able to load in about 10 ports in the Baltic Sea region, and some of them are ice-free all year. Our export customers are mainly located in Europe, e.g. Germany, the Netherlands, Belgium, France, Spain, Ireland, and Ireland. We also serve our local customers in Estonia, Finland, and Sweden with vast volume.

The export of horticultural peat has grown rapidly in a few past years. There are several reasons for this. The horticultural peat demand for growing media has increased

significantly as home gardening and professional growing demand for substrates keeps rising. The other issue is the availability of horticultural peat in the traditional peat harvesting countries, e.g. Germany and Ireland.

As animal bedding, peat is safe for both the animals and their breeders. Animal bedding peat is used by cattle and dairy farms, horse stables (riding and racing horses), as well as poultry and pig production. As an antiseptic, acidic and mold free product, peat prevents the spread of bacteria in animal shelters. It keeps platforms dry, soft and warm and animals clean. Antiseptic bedding peat reduces mastitis in cows on dairy farms, hoof and respiratory diseases in horse stables, and it reduces significantly foot diseases in broiler houses.



Among animal breeders bedding peat is highly valued because of its special properties. Peat absorbs the smell of urine based ammonia efficiently and keeps the air mould free. Bedding peat is fully recyclable and it can be used as a fertilizer in home gardens and when composted as a raw material for substrates. ■

ENERGY DIVISION

PROVIDING SOLUTIONS FOR RENEWABLE LOCAL ENERGY

Energy division transition from energy peat to biofuels and renewables.

Energy division supports customers' transformation from fossil fuels towards biofuels, while ensuring availability and security of supply, when energy peat use is in strong decline. Thus, Energy division has a social impact by providing fuels reliably, and at a competitive price, to enable sustainable district heating for households and real estate. It also supports the transformation towards a carbon neutral society.

Our target is to grow in biofuels, such as wood chips and pellets, as well as supplying energy peat as a transition fuel. Growth in the biofuels business is supported by changes in operating model, as well as by focusing on building long-term partnerships with customers. An essential part of the new operating model is growing our own wood sourcing directly from the forest owners and creating a close cooperation with contractors.

As part of the renewable energy development, we

are developing opportunities in wind and solar power. This is linked with Neova Group's current land ownership of 60,000 hectares in Finland.

Energy peat – Delivering energy peat as a transition fuel towards fossil free energy production

According to the consumption forecasts of Neova Group's fuel customers in Finland, the demand for energy peat will decline to 20% of the 2021 level by 2025. The drivers are the increase in the price of emission rights of twelve times in four years, and the decision to double the tax on energy peat, the negative public opinion against energy peat and the political pressure to end the energy peat usage.

These drivers resulted in an unparalleled decline in energy peat sales in 2020 and 2021 in Finland. In November Neova Group announced the discontinu-

Providing solutions for renewable local energy

We do this by

- Supporting our customers' transformation from fossil fuels towards biofuels, while ensuring availability and security of supply.
- Developing solutions for renewable energy (wind and solar) based on own land resources.



ation of milled fuel peat production in Finland and a write down of 16.2 M€ concerning the remaining fuel peat production assets. Neova Group has stockpiled energy peat in quantities we believe will meet the needs of important customers for years to come.

Although the need for peat will increase for other businesses than in energy use, we believe we can reduce significantly the land reserved for peat production over the next years. This will directly reduce our emissions to air.

Wood fuels and pellets – Providing solutions for renewable local energy

The demand for energy wood is growing fast as energy companies are rapidly transferring to sustainable biofuels and abandoning fossil fuels like coal, natural gas and peat. Neova Group grows our wood fuel business and service by successfully entering into long-term wood supply partnerships with large customers. In 2021, we also continued to develop the wood fuels operating model and further developed our focus on our own wood sourcing

directly from the forest owners and by creating a close co-operation with trusted contractors. At the same time, we strengthened our wood import capabilities, and Neova Group is the largest importer of energy wood to Finland to open market. To further enforce the position on the market and to be able to serve the customers better we announced in December a merger of Neova Group's and Lassila & Tikanoja's wood businesses to a joint venture.

Neova Group has six pellet production plants in Finland. The total capacity of the Finnish production plants

The environmental permit study for Finnish wood terminals was one of the key projects for environmental responsibility

In 2021, we carried out an environmental permit study for wood fuel terminals, the purpose of which was to clarify the laws and regulations concerning wood terminals and to ensure the permit conditions and possible permit needs for Neova Group's existing wood terminals. An essential part of the study was to export the agreements and permit documents for the wood terminals to our internal permit and monitoring management Luuta-system and to develop an operating model that will ensure environmentally responsible wood operations in the future as well.

The study was one of the top 10 key projects for environmental responsibility in 2021. The goal was to ensure that the environmental permit documents for all wood terminals in Finland are in order, up to date, and can be found in the permit management system with obligations and responsible persons.

The project was divided into three parts: In Step 1, we

ensured the environmental permit status of the existing terminals and exported existing documents to the Luuta-system.

In Step 2, we approached the authorities by requesting the necessary assessments and opinions on the need for permits. In the case of new wood fuel terminals, requesting an opinion is already included when considering the acquisition of a new terminal.

In the last Step, the aim was to prepare and submit needed permit applications to the municipal authorities and the regional government agency. For these, the permitting process will continue during 2022.

In the project, we went through the permit documents for almost a hundred terminals operated by Neova Group. Based on them, we defined the measures, schedules and persons responsible for the operation of the permit management system. This way, we will continue to ensure that wood fuel terminals operate in an environmentally responsible manner.





is approximately 320,000 tonnes per year. The factories produce wood and peat pellets for energy, animal bedding and as a raw material for activated carbon. As a Finnish fuel, the advantage of pellets is that the entire production and supply chain employs Finns and its use improves Finland's trade balance. At the same time, it helps energy customers reduce their CO₂ emissions.

The largest of Neova Group's pellet plants is the Vilppula unit, which has a capacity of approximately 90,000 tonnes per year. The site's raw material comes from the nearby Metsä Group's sawmill. In 2021, the Vilppula plant reached 1 million tonnes of produced pellets, loaded and delivered to heat the Helsinki metropolitan area. The majority of Finland's pellet production is used in large and medium-sized heating plants.

Our key safety highlight from 2021 was that Pellet operations achieved the zero accidents goal (without absence, including all operations). To further improve, we focused on fire safety risk assessments in all our production plants.

When it comes to improving the environmental sustainability of our wood and pellet operations, we have defined our goals and annual actions through our Green Factory concept. Neova Group's wood and pellet business has a valid [PEFC certificate](#), which covers the sourcing and sale of wood and forest industry by-products, as well as the marketing, production and sale of pellets. The PEFC certification promotes ecologically, socially and economically sustainable forestry.

Moving forward, we will implement [the Sustainable](#)

[Biomass Program \(SBP\)](#) certification for pellet operations during 2022, to provide further assurance that our woody biomass is sourced from legal and sustainable source.

Wind and solar power – Developing solutions for renewable energy based on own land resources

In year 2021, most of the time was spent to ensure the necessary land administration for the wind and solar power projects. Although the projects are based on Neova Group's own properties, it is also essential to utilise the neighbouring areas as well, as wind farms need a lot of space. Land lease negotiations may take a long time if there are a large number of landowning parties.

The wind and solar power development team was also strengthened with several new recruitments. At the end of the year, the team had a total of six persons. Team members are located in different parts of Finland, which is only seen as an advantage, as the project locations are quite decentralised.

During 2021, three wind power projects advanced to zoning phase, meaning that the municipalities had made a decision to approve our zoning application. The next step is to carry out the master plan and [Environmental Impact Assessment \(EIA\)](#) processes, which typically take about two years. The goal is to have at least five wind power projects moving forward in zoning phase during 2022. This would mean a total of about 100 wind turbines, which corresponds to an installed capacity of about 700–900 MW.

In addition to wind power, industrial-scale solar power projects were also studied in more detail. Interest in solar energy has accelerated a lot in Finland during 2021. This can also be seen as a large opportunity for Neova Group, as we have already identified over 10,000 hectares of preliminarily potential solar project areas from our own properties. The aim is to get the first solar energy pilot projects into project development during 2022. Many of our wind power projects are also hybrid projects, meaning that there is a plan to produce both wind and solar energy in the same area. These dif-

ferent forms of production support each other very well, as wind power generates the most electricity during the winter and night, while solar energy is generated most during the summer and daytime.

Land assets – Providing solutions for sustainable use of land resources

During 2018-2021 we have sold approximately 40,000 hectares out the land owned by Neova Group in Finland. In addition, we returned a total of 3,105 hectares of pristine natural bogs to Metsähallitus in 2021. Former peat

production areas have been sold for afforestation and more and more for wetlands and carbon sequestration.

In 2021, 85% of the former peat production areas were afforested and 15% were turned into wetlands. We sold 305 hectares to the 4H Foundation for carbon sequestration alone, and an additional 25 hectares were sold to AKK Sport, which offsets the CO₂ emissions caused by the organisation of the Jyväskylä Rally over a three-year period. Moving forward, we will continue to put focus on evaluating options to increase carbon sinks utilising our land assets. ■



Kairinneva hybrid project was the first own project progressing to zoning phase

The Kairinneva peat production area in Halsua, Finland was recognized as a promising area for wind power in a survey done in 2020. The area has been used for peat productions since 1970's and the production is now nearing its end. Neova Group was able to reserve the area for wind power development due to vast land area owned by the company. Private landowners have also already joined the project initiative in both Halsua and Kokkola municipalities.

Halsua and Kokkola municipalities have had a positive attitude towards the project and during 2021 Neova Group started the land use process with them. Relevant authorities were also contacted in 2021 as one of the key factors for using the area for wind power was to gain an obstacle permit due to the proximity of Kokkola-Pietarsaari airport. The permit was granted by Traficom, the Finnish transport authority, in September.

The current plan for Kairinneva wind farm consists of around 20 wind turbines, with the total capacity of 140-180 MW. With the advancing technology in solar power, we have

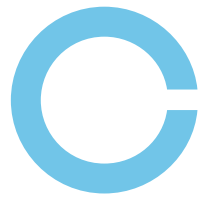
now also started to investigate the possibility of building a hybrid project in Kairinneva. The advantage with wind and solar hybrid parks is the steadier power production.

During 2022 Neova will continue to work on the land use planning with a specialised consultant and the municipalities. As part of the process, extensive nature studies for the statutory Environmental Impact Assessment (EIA) will be carried out. The effects of the possible wind farm on nature, plants and animals, including on migrating birds will be evaluated. During these processes the local residents and other stakeholders will be heard. To ensure the profitability of the wind park an extensive wind measurement study has been planned to start during 2022.

There are several risks that need to be addressed before the building of the wind park and electricity production can start. If all goes as planned the land use planning should be finished by 2024 and the park connected to newly built Fingrid main grid in 2027.

NEW BUSINESSES DIVISION

NOVACTOR – PROVIDING SOLUTIONS FOR PURIFYING THE ENVIRONMENT



lean air and water are essential to all life on our planet. Activated carbon is an important material in fighting the ever-increasing pollution in our living environments. The use of activated carbon in air and water purification is growing at a fast pace and it is also widely used in other critical end uses such as food and pharmaceutical production.

With modern technology to lowest emissions

Novactor activated carbon factory in Ilomantsi, Finland is the most modern and environmentally friendly production facility in the world. We are replacing Chinese and North American coal-based import of activated carbon with our offering and significantly reducing the carbon footprint of our European customers. European manufacturing also significantly reduces the logistic costs and emissions of the activated carbon used in Europe.

Reducing the carbon footprint of manufacturing has been very high in the agenda of the Novactor Team. In addition to this, we want to make sure that we use our raw materials as effectively as possible and use an advanced heat recovery system to utilise excess energy from our process. This enables us to provide a vast majority of the district heating energy needed in the local municipality of Ilomantsi. We use best available technology (BAT) in flue gas treatment to ensure low emission levels.

In 2021, Novactor was granted ISO 9001 and ISO 14001 certificates. We have paid extra attention on developing our production and quality control processes in order to ensure safety and to improve our production efficiency, while minimising the waste of raw material. Our modern flue gas treatment system ensures our compliance with the strict environmental permits in place for our production unit.

Providing solutions for purifying the environment

We do this by

- Supporting customers in responsible production through our solutions for air, water and living environment purification.
- Using modern production technologies targeting low energy usage and emissions, recycling and reducing waste.
- Effective use of raw material and side streams.



Activated carbon manufactured from renewable biomasses

Novactor's target is to become a leading supplier of activated carbon manufactured from renewable raw materials. Adsorption characteristics of the activated carbon product are very strongly linked to the raw material used. Finnish natural biomasses offer Novactor a very good base for a wide portfolio of high-quality activated carbon products.

Hard and softwood side streams from Finnish wood industry have been tested in our R&D laboratory and production process. Test results have been promising and we will introduce a portfolio of wood-based products soon after the start of the first production facility. This will also enable us to produce a larger variety of products for different end uses and applications.

The latest addition to our research and development pipeline is willow. Willow, as a fast-growing biomass has been extensively studied in Finland for energy use as well as for afforestation of waste land, such as old peat production areas.

As a raw material of activated carbon willow is an interesting addition that we are looking into with great interest. Our R&D tests have revealed great potential and unique characteristics in the product, but also an opportunity to create a truly "green activated carbon" product with even a negative CO₂ footprint. There will be a market for such offering in future, we believe. ■



Experiment of growing willow as a raw material for activated carbon

Neova Group's target is to increase the use of renewable raw materials and, at the same time, promote biodiversity and carbon sequestration. The combination of these three targets will be tested during the next few years at Karhunsuo in Kouvola, Finland, where almost 20 hectares of willow cuttings have been planted.

Neova Group has tested willow as a raw material for activated carbon, and the initial experiments show that high quality activated carbon can be harvested from willow. The target at the Karhunsuo test site is to test the cultivation, harvesting and carbon sequestration of willow and, at the same time, speed up the recovery of biodiversity.

The special feature of willow is how fast it grows. Already during the first year, willow grows tens of centimetres. At its fastest, willow can produce 8–10 tonnes of biomass per

hectare in a year in a mineral soil field. Two thirds of this is on the surface and one third is in the root systems. Once a willow field has been planted, it produces harvestable crop every 3–5 years for an estimated 20–25 years, after which the vitality of the populations starts to decline.

Willow absorbs carbon dioxide from the air and binds it into its growth and root system. If the speed of growth is ideal, willow binds 10 tonnes of carbon per year. Willow growth is also an effective water evaporator.

The idea is to utilise willow as raw material in industrial processes. Willow can be used as raw material for activated carbon and biocoal, among other things. In the future, the goal is to examine the possible valuable materials that willow contains and how to utilise them.

NEW BUSINESSES DIVISION

NEOVA VENTURES - INNOVATING FOR SUSTAINABLE FOOD PRODUCTION

Neova Ventures develops solutions to global challenges in collaboration with customers and other ecosystems to secure global food production, to promote healthy and comfortable living environments, and to develop means to purify air and water. Our aim is to refine peat based biomass and other organic natural materials into new high value-added products to international markets.

Focusing on the sustainability of our new biostimulant products

During 2021 Neova Ventures has successfully researched and developed peat-based biostimulants to be used in rapidly growing international agricultural and horticultural markets. We aim to start commercial production in 2024. Biostimulants increase the efficiency of plant nutrient uptake, stress tolerance and both qualitative and quantitative properties of plants through a variety of mechanisms of action. Studies have shown the

superior customer value of our products. Peat-based humate products have, on average, performed better than products that have been on the markets for a long time and are manufactured from fossil carbon-based raw materials. We are also investigating plant-based biostimulants from Sphagnum moss and other natural raw materials to create added value for our customers through strong biostimulant product portfolio in the future.

Product development has included the management of the environmental impacts of production as part of the selection of processes, products and the location of a potential production plant. For this reason, the life cycle environmental impacts of humic products have been modelled using a screening level life cycle analysis (LCA). The examination was extended from cradle to grave, i.e., it included all stages of the life cycle. In addition, the carbon balance of production was examined, i.e., how much of the carbon from the original peat ends

Innovating
for sustain-
able food
production

We do this by

- Effective use of natural raw materials and side streams to produce high value-added products for sustainable food production.
- Building Refinery concepts based on circular economy.
- Creating sustainable innovations with the ecosystem.



“Up to 70% carbon from the original peat used for biostimulant humate and biochar may end up in the products and return to the soil for a period of 100 years.”

up in the products and how much carbon is lost in the processes.

In terms of climate impact, the processing of peat into humate biostimulants is a better option than, for example, energy use, in which the carbon contained in the peat is released immediately into the atmosphere during combustion. In one of the refinery concepts developed by Neova Ventures, humic substances are extracted from dark peat into biostimulants and the solid by-product is utilised as a raw material for biochar. Other utilisation possibilities of this by-product are also being studied, such as a direct use as a soil improver.

According to a preliminary carbon balance, up to 70% of the original carbon in peat is transferred into humate and biochar products. Thus, the most of the original carbon in the peat is returned to the soil with the

products. In addition, it has been studied that Neova Ventures' biochar is suitable for agricultural use and is permanent in the soil for a period of 100 years. Humic substances can also be expected to be relatively stable in soil, although research data on this is still limited.

The European Biochar Certificate (EBC) is an European certification system for a biochar and only a product derived from raw materials listed by that system can be certified. The solid by-product of peat-based humic production was approved for a list of approved biochar feedstocks maintained by the EBC last fall. This is a very positive thing for the commercialisation of product, as it will make it possible to apply for a certificate in the future if the concept ends up producing biochar.

The life cycle analysis of humate products was, to our knowledge, the first of its kind. Based on this, the climate and other environmental impacts of the peat-based humate products are reasonable. It is possible to manage them e.g., optimising product form and composition, production methods and factory location. The environmental impact of the manufacture of a dry granular product is clearly higher than the impact of a liquid product due to energy needed in drying process, although some of the differences in production are offset by the transport of the products to the target market in Southern Europe.

The preliminary LCA work, and the carbon balance review are intended for internal product development and customer negotiations and will for a basis for the full scale LCA work. The modelling is updated as the



planning of the production progresses. The goal is a peer reviewed LCA that can also be utilised in public communication.

We develop sustainable Neova Refinery concepts, where all raw-materials and side-streams are utilised according to principles of circular economy

In 2021 we studied integration benefits of different existing and future products of Neova Group. Haukineva (Seinäjäki, Finland) has potential to be developed to a Circular Economy Biorefinery Park where several products based on Neova Group knowhow would be produced. Haukineva Master Plan study was completed in October 2021, and it serves as a roadmap for Haukineva site development until 2030. At present there are wood pellet and growing media production at the site. No investment decisions have been made yet, but the future production at Haukineva is planned to consist of activated carbon, biostimulant, feed/energy pellet and large growing media production unit with several product lines. In the beginning the main raw material will be peat, but the proportion of other raw materials like wood, moss and new sustainable raw materials will gradually increase by 2030.

The integrated production of different products at the same site enables significant cost savings and additional revenue when the side streams from one process can be recycled to other processes. Activated carbon production can supply its excess energy to heat the

demanding processes. Different raw material fractions can be effectively used on-site, and it will be possible to minimise commodity consumption and environmental emissions. There are synergies also in product logistics, operation, maintenance, laboratory activities etc.

Neova and the University of Jyväskylä signed a cooperation agreement to promote a circular economy

For decades, Neova Group and the University of Jyväskylä, Finland have had research and development cooperation, which has intensified in recent years. Neova Ventures' product development laboratory was established in connection with the University of Jyväskylä in 2018. In the Neova Refinery product development programme funded by Business Finland, the University of Jyväskylä produces high-quality scientific research at the interface of research and development and thus helps meet our product development needs.

Moving forward, Neova Group is interested in organic natural materials and by-products from which valuable materials can be isolated and all fractions can be utilised as raw materials for other products, such as growing media, in accordance with the principles of the circular economy. Research and development will focus on particular on the development of biostimulants.

The University of Jyväskylä has internationally high-level research in the field of analytical chemistry, which creates a strong foundation for methodological develop-

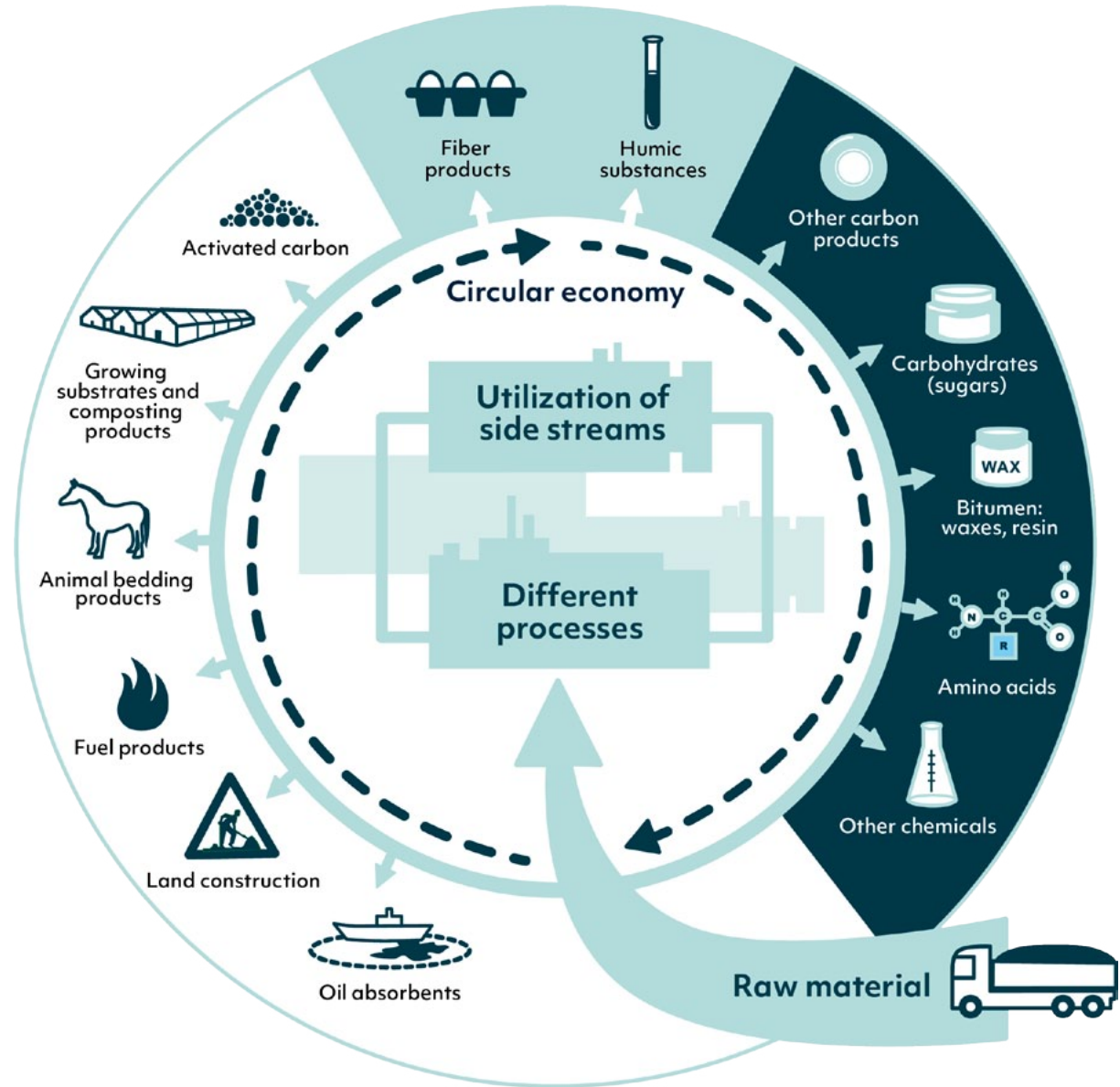
“Haukineva Master Plan indicated significant integration synergies and environmental benefits of different existing and future products of Neova Group. Haukineva has potential to be developed to a Circular Economy Biorefinery Park in the future.”

ment and applications in the circular economy. Research has already produced new innovations for the recovery of valuable substances from industrial by-products and wastewater.

The Group's research and development investments during 2021 amounted to EUR 16.3 million (EUR 27.2 million), which corresponds to 3.2 per cent of turnover (5.0%). Research and development activities were focused on supporting the company's strategic renewal in all of the Neova Group companies. ■

Neova Refinery concept

We develop sustainable Neova Refinery concepts, where all raw materials and side-streams are utilized according to principles of circular economy and high value-added products are produced for international markets.



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102-15 Key impacts, risks, and opportunities	54, 57-59, 62-68, 74-75, 76-94, Annual Report, Financial Statements and Board of Directors' Report	

Ethics and integrity		Page	Comments
102-16	Values, principles, standards, and norms of behavior	58, 69, 73, Values	
102-17	Mechanisms for advice and concerns about ethics	71-72, Whistleblowing	
Governance		Page	Comments
102-18	Governance structure	59, Corporate Governance	
102-20	Executive-level responsibility for economic, environmental, and social topics	59	
102-21	Consulting stakeholders on economic, environmental and social topics	57-59	
102-23	Chair of the highest governance body	Corporate Governance	
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance	
102-29	Identifying and managing economic, environmental, and social impacts	57-59	
102-32	Highest governance body's role in sustainability reporting	59	
Stakeholder engagement		Page	Comments
102-40	List of stakeholder groups	57-59, GRI Index	Personnel, customers, owners, public authorities, peatland lessors and landowners, scientists, researchers, research institutes, schools and students, non-governmental organisations, HR partners and external stakeholders, suppliers, service providers, contractors, political decisionmakers, citizens, media, labour market organisations.
102-41	Collective bargaining agreements	109, GRI Index	Percentage of personnel covered by collective bargaining agreements: Spain 100%, Sweden 100%, Finland 36%, The Netherlands 8%, Estonia 0%, Germany 0% .
102-42	Identifying and selecting stakeholders	57-59	
102-43	Approach to stakeholder engagement	57-59	
102-44	Key topics and concerns raised	57-59	

Reporting practice	Page	Comments
102-45 Entities included in the consolidated financial statements	Financial Statements and Board of Directors' Report	
102-46 Defining report content and topic boundaries	57-59, GRI Index	The reporting is based on a materiality analysis that was used to determine the views of Neova Group's stakeholders and the company itself regarding the most material corporate sustainability topics related to the company's operations. The sustainability report covers the entire Neova Group. The calculation principles and boundaries of environmental figures are primarily reported in the context of the relevant charts and tables.
102-47 List of material topics	57-59	
102-48 Restatements of information	GRI Index	No restatements of information.
102-49 Changes in reporting	GRI Index, 54, 62, 66	The figures presented in the sustainability report represent the entire Neova Group to the extent that the data was available. Any changes to previous reports are included in the topic-specific disclosures. The share of RPP certified peat of all peat used in 2020 has been reviewed and updated.
102-50 Reporting period	GRI Index	The reporting period is 1 January – 31 December 2021.
102-51 Date of most recent report	GRI Index	Neova Group's previous sustainability report was published in March 2021.
102-52 Reporting cycle	GRI Index	Neova Group reports on its sustainability annually since 2018.
102-53 Contact point for questions regarding the report	GRI Index	Sustainability and the sustainability strategy and targets: Petri Järvinen, Chief Supply Chain and Sustainability Officer, Environmental responsibility: Päivi Martikainen, Director, Group Operational Excellence & Sustainability Economic responsibility: Jarmo Santala, CFO Social responsibility: Jenni Nevasalo, Chief HR Officer
102-54 Claims of reporting in accordance with the GRI Standards	GRI Index	Neova Group reports on the economic, environmental and social impacts of its operations in accordance with the GRI Standards core scope.
102-55 GRI content index	GRI Index	
102-56 External assurance	GRI Index	This report has not been externally assured. Emission calculation logic and emission factors used in Neova Group's 2020 Scope 1 & 2 emission calculation have been checked by Gaia consulting Oy. The emission calculation for 2021 has been done with the same bases as in 2020, taking into account the recommendations received from the review to supplement Scope 2 location-based emission calculation with market-based calculation. Emission calculation for scope 3 has been done by third party Gaia Consulting Oy.

Management and economic performance	Page	Comments
103-1 Explanation of the material topic and its Boundary	62-68, 102	
103-2 The management approach and its components	59, 102, Corporate Governance	
103-3 Evaluation of the management approach	102, Corporate Governance	
Economic performance	Page	Comments
201-1 Direct economic value generated and distributed	74-75, 114, Financial Statements and Board of Directors' Report	
201-2 Financial implications and other risks and opportunities due to climate change	75	
Anti-corruption	Page	Comments
205-3 Confirmed incidents of corruption and actions taken	GRI Index	No reported incidents.
Anti-competitive behavior	Page	Comments
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	GRI Index	No reported incidents.
Materials	Page	Comments
301-2 Recycled input materials used	77, 83	Reported partly.
Energy	Page	Comments
302-1 Energy consumption within the organisation	108	Total energy consumption includes the fuel consumption of the company's production facilities and work machines, as well as the consumption of electricity, heat and steam.
302-3 Energy intensity	GRI Index	The energy intensity in 2021 is 0,5 kWh/€. The energy intensity is calculated in relation to the Group revenue. In the intensity ratio is included the fuel consumption in production and on-site machinery as well as consumption of electricity, heating and steam.

Water and effluents	Page	Comments
303-1 Interactions with water as a shared resource	68, 107-108	Reported partly. For emissions into waterways, report nitrogen, phosphorus and solid matter emissions from Finnish peat operations where environmental permits include the obligation to calculate the annual load. The calculations are based on samples.
303-2 Management of water discharge-related impacts	GRI Index Sustainability Concept for Peat	Environmental permit is required for peat production. At peat production areas, the best available techniques (BAT) are defined on a case-by-case basis taking into account the particular conditions at each production area and the remaining operational time. The profile of the receiving waterbody is considered in permit processes.
Biodiversity	Page	Comments
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	115, GRI Index Certificates	Reported partly. All peat production areas in Neova Group operate under environmental permits. Risks of peat production to nature are always assessed beforehand and the permits are not applied for areas classified in high natural state.
304-3 Habitats protected or restored	62, 66	Active Conservation Exchanges For Valuable Bogs
Own indicators - Reforestation and wetland development	62, 66	
Emissions	Page	Comments
305-1 Direct (scope 1) GHG emissions	62-64, 105	Direct fossil CO ₂ (scope 1) is calculated based on fuel usage and area reserved for peat production under company's control. GRI disclosure 305-1 soil emissions are reported as equivalents. Fuel use emission is reported as CO ₂ only. Emission factors used in the calculation are based on publicly-accessible material. Changes: Soil emission calculation was supplemented retrospectively by adding the calculated emission of peat stockpiles.
305-2 Energy indirect (scope 2) GHG emissions	62-64, 105	Indirect CO ₂ emissions from electricity usage (scope 2) are calculated with both market and location-based approach. In case the market-based data is not available, residual mix is used. Emission factors used in the calculation are based on publicly-accessible material. GRI 305-2 market based emissions are reported as equivalents. Changes: In 2020 report energy consumption at one site was incorrectly reported as a double. Error is fixed.
305-3 Other indirect (scope 3) GHG emissions	62, 106	Scope 3 indirect CO ₂ emissions are calculated based on data availability. In section 305-3, emissions are reported in CO ₂ equivalents.
305-4 GHG emissions intensity	62-64, GRI Index	The emissions intensity is calculated in relation to the Group revenue, t CO ₂ /M €.



Effluents and waste	Page	Comments
306-1 Water discharge by quality and destination	67, 107-108 Monitoring reports	Reported partly. For peat production the volume of planned and unplanned water discharges are reported in emission and water monitoring reports, together with standards, methodologies, and assumptions used. Information is reported for Finnish operations.
306-2 Waste by type and disposal method	62, 67, 107	Reported for all Neova Group operations. Waste: Reported waste volume has been revised after the 2020 report was published. Corrected readings and recovery information can be found in the waste table.
306-3 Significant spills (if none, just in index)	GRI Index	Drainage waters from peat production had to be rerouted to diversion culverts and dams on 20 occasions to prevent damage to water protection structures, for an average of nine days per incident. The number of diversion incidents decreased by 50 % compared to 2020. Exceptions in water management have been notified to the supervisory authority in accordance with the permit conditions. The reasons for the exceptional situations are investigated and the necessary measures are taken to rectify the situation.
Environmental compliance	Page	Comments
307-1 Non-compliance with environmental laws and regulations	GRI Index	No reported incidents of non-compliance.
Supplier environmental assessment	Page	Comments
308-1 New suppliers that were screened using environmental criteria	GRI Index Code of Conduct	In 2021 were performed 29 supplier audits, 3 internal supplier audits and 27 supplier self-assessments.
Employment	Page	Comments
401-1 New employee hires and employee turnover	GRI Index	Reported partly. Employee turnover (outgoing): 112 cases of employment termination (11,8%). The number includes all causes of employment termination. Regional division: 54 FI, 4 EE, 28 SWE, 23 NL, 1 GER, 2 ES Gender division: 27 female (24%), 85 male (76%) Age division: 7 under 30 (6%), 61 30-50 years (54%), 44 over 50 (40%)



Occupational health and safety	Page	Comments
403-2 Hazard identification, risk assessment, and incident investigation	54, 69-70, 110-113	
403-5 Worker training on occupational health and safety	69-70	
403-9 Work related injuries	54, 69-70, 110-113	
G4-EU18 Health and safety training for suppliers	70	
Training and education	Page	Comments
404-2 Programs for upgrading employee skills and transition assistance programs	71	Reported partly. Programmes pertaining to retirement and the termination of employment have not been reported.
Diversity and equal opportunity	Page	Comments
405-1 Diversity of governance bodies and employees	GRI Index	Board of Directors: 8 members total: 2 women (25%) and 6 men (75%). Under 30 yrs: 0, 30-50 yrs: 2 (25%), over 50 yrs: 6 (75%). Group Management Team: 11 members, 2 women (18%) and 9 men (82%), under 30 yrs: 0, 30-50 yrs: 2 (18%), over 50 yrs: 9 (82%).
Non-discrimination	Page	Comments
406-1 Incidents of discrimination and corrective actions taken	71-72, GRI Index	13 reported cases and corrective actions taken (including follow up).
Public policy	Page	Comments
415-1 Political contributions	Gri Index	Neova does not support any political parties.
Marketing and labeling	Page	Comments
417-3 Incidents of non-compliance concerning marketing communications	GRI Index	No incidents of non-compliance.
Socioeconomic compliance	Page	Comments
419-1 Non-compliance with laws and regulations in the social and economic area	GRI Index	No incidents of non-compliance.

APPENDIX 1: DISCLOSURES ON MANAGEMENT APPROACH

	We do our business in balance with nature				We support the growth of our people and partners				We ensure profitability in a sustainable way	
Neova Group material topics	Greenhouse gas emissions	Biodiversity	Circularity	Water	Safety first!	Great workplace	Responsible partners	Discrimination and inappropriate behaviour	Economic and local employment impact	Financial implications and climate risks
	Pages 54, 58–59, 62–64, 77	Pages 54, 58–59, 62, 65–66, 77, 83	Pages 54, 58–59, 62, 67, 77, 81–82, 91, 93–94	Pages 58, 62, 68	Pages 54, 58–59, 69, 70, 73, 77, 79, 87	Pages 54, 58–59, 60, 71–72, 77, 79–80	Pages 58–59, 73, 80	Pages 69, 71	Pages 74–75	Page 75
Policies and commitments	Neova Group Sustainability strategy (updated 12/2021). Overall we apply the following policies to manage our approach for the material topics: Group corporate governance statement, Code of Conduct, Supplier Code of Conduct, Corporate responsibility policy incl. SEQ, Internal audit charter, Sourcing and procurement policy. Topic specific policies are mentioned below. We are committed to UN Global Compact and UN Guiding Principles on Business and Human Rights and the Fundamental Conventions of the International Labour Organization. In addition, we communicate our approach to the United Nations Sustainable Development Goals throughout this report, and are committed to making them part of the strategy, culture and day-to-day operations of our company.									
	Environmental sustainability strategy 2022–2025				Information security policy, Data privacy policy, Personnel policy, Compensation policy, Language policy.				Disclosure policy, Innovation and IPR policy, Risk management policy, Financial policies. As part of our Enterprise Risk Management process we will prepare the Task Force on Climate-related Financial Disclosures (TCFD) during 2022.	
Goals and targets	These are presented on page 57–58 (“Sustainability at Neova Group”) and in the indicator tables on pages 62, 69, 74, 77.									
Responsibilities and resources	These are presented on page 59 (“Sustainability tightly governed within Neova Group”)									
Grievance mechanisms	Environment observations recording tool. Environmental feedback and irregularities are handled by the business area in question and reported to the Board of Directors. Environmental permitting process is public and includes open grievance mechanisms. Responsibly Produced Peat (RPP) certification process includes open grievance mechanisms.				Safety observations recording tool, accident investigations, mandatory safety trainings	Annual employee satisfaction survey Great Place to Work, pulse surveys	Responsible Sourcing programme (incl. observations and audits)	Reporting and follow-up of incidents, Whistle-blowing channel		
Assessment of management approach	We measure our impacts and our progress towards the targets annually and evaluate our management approach based on our performance, including stakeholder and customer feedback. For example, increasing levels of reporting safety, environmental, quality and success observations give us a positive signal, that awareness is increasing and there is a proactive management of issues. We carry out regular internal and external audits as well as conduct management reviews to assess our progress and the effectiveness of our management approach.									

APPENDIX 2: EXTERNAL SUSTAINABILITY REFERENCES

Sustainability frameworks

- **UN Sustainable Development Goals (SDGs)** – UN SDGs are 17 sustainability goals with 169 targets that all UN Member States have agreed to work towards achieving by the year 2030. For businesses it is as a universal framework for businesses to communicate performance, set targets and actions, engage with various stakeholders, including investors and gain access to new market opportunities. The framework fosters collaboration to solve the world's most challenging tasks in sustainability.
- **Global Reporting Initiative (GRI) framework** – a sustainability reporting framework that helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social wellbeing.
- **Upright Project net impact assessment methodology** – a model to quantify in automated way the net impact of companies on people, planet, society and knowledge. Upright enables smarter decision-making for investors, companies and governments by quantifying the net impact of companies.
- **NEW – Taskforce on Climate Related Financial Disclosures (TCFD)** – a framework to incorporate evaluation of climate-related risks and opportunities into companies risk management and strategic planning processes.
- **NEW – Carbon Disclosure Project (CDP)** – a not for profit charity that runs the global disclosure system for *investors, companies, cities, states and regions* to manage their environmental impacts.
- **NEW – Greenhouse Gas Protocol (GHG)** – a comprehensive global standardized framework to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.
- **NEW – Global Logistics Emissions Council (GLEC) framework** – global method for calculating and reporting logistics emissions.

Sustainability commitments

- **NEW – UN Global Compact** – a framework for voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.
- **NEW – UN Guiding Principles on Business and Human Rights** – the global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity, and they provide the internationally-accepted framework for enhancing standards and practices with regard to business and human rights.

Product specific sustainability certificates

- **RPP (Responsibly Produced Peat)** – certificate system for growing media applications. Goal is to ensure that peat used as a constituent for growing media can be guaranteed from responsible resources.
- **PEFC** – Certification system to ensure that wood products come from sustainable forest management.
- **FSC (Forest Stewardship Council)** – Certification system to ensure that wood products come from forest that is being managed in a way that preserves biological diversity and benefits the lives of local people and workers, while ensuring it sustains economic viability.
- **RHP (certified for horticulture)** – The RHP quality mark gives a thorough quality judgement on the certified substrates. Substrates, soil supply and soil improving materials with the RHP quality mark are stable and guarantee an optimal nutrient medium.
- **QMGS – Quality Mark Good Soil (QMGS)** is intended for companies that supply and / or sell potting soils is the ground covers and soil improvers within the hobby sector. QMGS is the quality mark, which guarantees the safety, quality, composition, purity and usability of the product.

- **NEW – Sustainable biomass program (SBP)** – a certification system designed for woody biomass, mostly in the form of wood pellets and woodchips, used in industrial, large-scale energy production to provide assurance that woody biomass is sourced from legal and sustainable sources.

Management systems certifications

- **ISO 9001 Quality Management System** – an international standard that helps organizations ensure they meet customer and other stakeholder needs within statutory and regulatory requirements related to a product or service.
- **ISO 14001 Environmental Management System** – an international standard that enables organizations to improve their environmental performance.
- **NEW – ISO 45001 Occupational Health & Safety System** – an international standard for occupational health and safety, issued to protect employees and visitors from work-related accidents and diseases.

Non-competitive collaboration forums (through memberships)

- **FIBS** – a community for Finnish companies to share best practices and insights on corporate responsibility topics.

NEW refers to references to be implemented during 2022.

APPENDIX 3: THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT ADDRESSED IN THIS REPORT

Human rights	Chapter	Subchapter
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Sustainability at Neova Group	
Principle 2: make sure that they are not complicit in human rights abuses	Sustainability at Neova Group	
Labour	Chapter	Subchapter
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Sustainability at Neova Group, We support the growth of our people and partners, Appendix	
Principle 4: the elimination of all forms of forced and compulsory labour	Sustainability at Neova Group, We support the growth of our people and partners	
Principle 5: the effective abolition of child labour; and	Sustainability at Neova Group, We support the growth of our people and partners, GRI Index	
Principle 6: the elimination of discrimination in respect of employment and occupation	Sustainability at Neova Group, We support the growth of our people and partners, GRI Index	
Environment	Chapter	Subchapter
Principle 7: Businesses should support a precautionary approach to environmental challenges;		
Principle 8: undertake initiatives to promote greater environmental responsibility; and	Common targets and initiatives through our own operations: We do our business in balance with nature, Appendix	Business specific objectives through products and services: Grow&Care, Energy, New Businesses divisions
Principle 9: encourage the development and diffusion of environmentally friendly technologies		
Anti-Corruption	Chapter	Subchapter
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	We ensure profitability in a sustainable way, GRI Index	

APPENDIX 4: WE DO OUR BUSINESS IN BALANCE WITH NATURE

CO₂ emissions (scope 1+2) from Neova Group's own operations 2021 (2020 with Nevel)

	Finland	Sweden	Estonia	The Netherlands	Neova Group
	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e
Peat operations	525 (607)	61 (61)	65 (54)		651 (723)
Kekkilä-BVB operations	4 (3)	1 (1)	1 (2)	4 (5)	10 (10)
Pellet operations	33 (22)				33 (22)
Nevel*	- (234)	- (4)	- (11)		- (249)
Power plant (Ilomantsi)	20 (20)				20 (20)
Novactor/New Businesses	0.5 (-)				0.5 (-)
Shared/Group	0.1 (0.1)				0.1 (0.1)
Total	582 (886)	62 (65)	66 (67)	4 (5)	714 (1 023)

Neova Group's emissions consist of direct and indirect energy consumption on production sites, fuel use of on-site vehicles, soil and stockpile emissions of peat production areas (note: stockpile emissions have been updated also to 2020 emissions after 2020 GRI Reporting). The emission factors used to calculate soil emissions of peat production are based on national greenhouse gas inventories. Emissions for direct energy consumption is calculated based on actual fuel consumption figures and fuel-specific emission factor. Direct energy consumption of pellet and power plant operations in Finland includes only fossil fuels. For indirect energy consumption country is used market-based emission factors. Emissions from on-site vehicles are calculated based on fuel use. Emission of peat production machines is estimated based on the total production volume and average fuel consumption in peat production.

Scope 1 and 2 emissions calculation for 2020 has been reviewed and validated externally by Gaia Consulting. Emissions for 2021 have been calculated according to the same principles.

*2020 including Nevel

Greenhouse gas emissions 2021 (2020 without Nevel)

	Finland	Sweden	Estonia	The Netherlands	Neova Group	Description
	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	
SCOPE 1 soil emission	514 (598)	59 (59)	63 (53)		636 (709)	Emissions from land areas reserved for peat production. Emission from peat stockpiles.
SCOPE 1 other fossil emission	50 (40)	3 (2)	3 (2)	2 (2)	57 (27)	Fuel use in own facilities and production in CO ₂ . Fuels consumption of on-site vehicles.
SCOPE 1 biogenic emission	7 (-)				7 (-)	Fuel use in own facilities and production in CO ₂ . Not included in total emissions. Added to report from 2021.
SCOPE 2 market based electricity emission	12 (14)	0.1 (0.2)	1 (1)	2 (3)	15 (18)	Purchased electricity emission as market-based and district heating. Company target setting is based on market based calculation.
SCOPE 2 location based electricity emission	7 (10)	0.1 (0.1)	1 (1)	2 (2)	9 (14)	Purchased electricity emission as location-based and district heating.
SCOPE 3 total	2 354 (2638)	459 (447)	309 (284)	445 (485)	3 568 (3 855)	See separate table for detailed breakdown.
Total emissions	2 936 (3 291)	521 (508)	376 (340)	449 (490)	4 282 (4 609)	Including + SCOPE 1 soil + other fossil emissions + SCOPE 2 market based emissions

Greenhouse gas scope 3 emissions 2021 (2020 without Nevel)

	Finland	Sweden	Estonia	The Netherlands	Neova Group	
Categories	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	kt CO ₂ e	Description
1. Purchased goods and services	47 (57)	16 (14)	12 (8)	104 (129)	179 (208)	Purchased goods and services in the reporting year based on data in amount of materials and when not available, calculation was done based on spend.
2. Capital goods	1 (9)	1 (1)	3 (0.1)	2 (0)	8 (10)	Capital investments in, e.g. construction projects.
3. Fuel and energy related activities	7 (5)	2 (1)	1 (1)	1 (1)	11 (8)	Extraction, production, and transportation of fuels and energy purchased or acquired. Calculated based on scope 1 and 2.
4. Transportation and distribution	18 (18)	2 (2)	19 (19)	6 (6)	45 (45)	Transportation and distribution paid by the company.
5. Waste generated in operations	1 (1)	0.05 (0.03)	1 (0.03)	0.1 (0.1)	2 (1)	Waste and waste water generated by the company.
6. Business travel	0.5 (1)	0.1 (0.2)	0.02 (0.02)	0.1 (0.1)	1 (1)	Emissions from flights and other travels as well as hotel stays.
7. Employee commuting	0.4 (0.4)	0.1 (0.1)	0.1 (0.1)	0.4 (0.4)	1 (1)	Daily commuting of employees to workplace.
8. Upstream leased assets	1 (1)	0.1 (0.1)	0.1 (0.1)	0.1 (0.002)	1 (1)	Leased assets not already included in scope 1 or scope 2 inventories and fuel consumption of leased vehicles that was not included in the scope 1 calculation.
9. Downstream transportation and distribution	5 (0.6)	0.1 (1)	3 (5)	2 (0.6)	10 (7)	Transportation and distribution of sold products not paid by the company (and vehicles and facilities not owned or controlled by the reporting company).
10. Processing of sold products	Neova Group companies does not sell intermediate products which would require processing.					
11. Use and 12. End-of-life of sold products	2 274 (2 546)	438 (428)	269 (251)	329 (349)	3 310 (3 573)	The use and the total expected end-of-life emissions from all products sold in the year. Categories 11 and 12 were combined, as the emissions for horticultural peat were given as one value and could not be separated. The main emission source here is the use of energy peat.
13. Downstream leased assets	Neova Group companies do not have assets leased to others.					
14. Franchises	Neova Group companies do not have franchising business.					
15. Investments	Neova Oy owns 51% of a Swedish pellet company Scandbio. Scandbio has done an LCA but not calculated organizational level carbon footprint. As the standard behind the calculation is different, these were not mixed.					
Total	2 354 (2 638)	459 (447)	309 (284)	445 (485)	3 568 (3 855)	

Waste volume

	2019	2020	2021
Recovery, tonnes	21 265	26 479	13 256
Energy, tonnes	3 379	4 632	7 897
Recycling, tonnes	17 886	21 847	5 359
Disposal, tonnes	2 594	3 591	1 650
Landfill, tonnes	1 176	2 222	1 606
Other disposal, tonnes	1 418	1 369	44
Total, tonnes	23 859	30 070	14 905
Recycling rate, %	75	73	37
Recovery rate, %	89	88	89

2019: Excluding data from Kekkila BVB the Netherlands.

2020: After the GRI reporting in 2020, the waste volume data has been updated due to additional information received after the reporting.

2021: Total waste volume in Neova Group halved after Nevel is sold. This has a major effect to recycling rate.

Use of ash generated in Neova Group's facilities

	2019	2020	2021
Landfill disposal, %	4	4	43
Soil construction, %	71	66	10
Forest fertiliser, %	12	4	0
Intermediate storage / Future utilisation, %	13	26	47
Total, tonnes	19 113	15 309	703

Number of environmental observations 2021 (2020)

	Finland	Sweden	Estonia	The Netherlands
Nevel	- (90)	- (68)	- (3)	
Energy	64 (38)			
Kekkila-BVB	33 (75)	74 (46)	11 (5)	34 (21)
New Businesses	16 (3)			
SCM	149 (273)	177 (88)	19 (8)	
Group Services	7 (17)	1 (8)	0 (3)	0 (0)
Total	269 (496)	252 (210)	30 (19)	34 (21)

Observation tool for logging environmental observations combines the reporting of various observations, inspections and audits as well as related management and documentation tasks. People outside the organisation can also be authorised to record observations on the system. Deviations to environmental permits are always reported to environmental authority in accordance with the environmental permits, but also in the observation system. The causes of deviations are investigated, and the necessary measures are taken to rectify the situation. Environmental feedback and irregularities are processed by the business area in question and reported to the Board of Directors.

2021: Nevel is not included in figures.

Water effluent monitoring in Neova's peat production

	2019	2020	2021
Samples	1 4626	1 2913	1 0616
Analyses	9 1454	7 9619	7 7373

Water effluent monitoring samples are taken to calculate the water load from peat production areas.

Reported data from Neova's peat production operations in Finland.

Neova's monitoring of receiving water bodies

	2019	2020	2021
Samples	2 066	2 146	2 212
Analyses	24 944	25 943	24 204

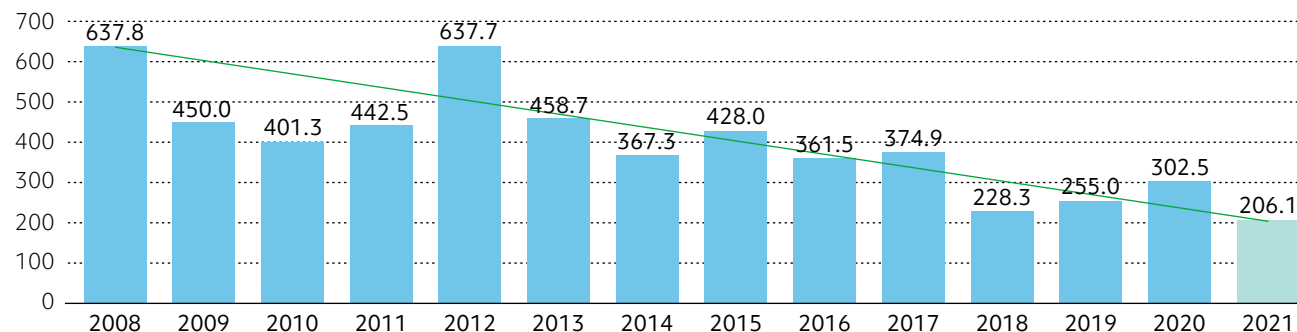
Samples taken to measure water quality in receiving water bodies.

Reported data from Neova's peat production operations in Finland.

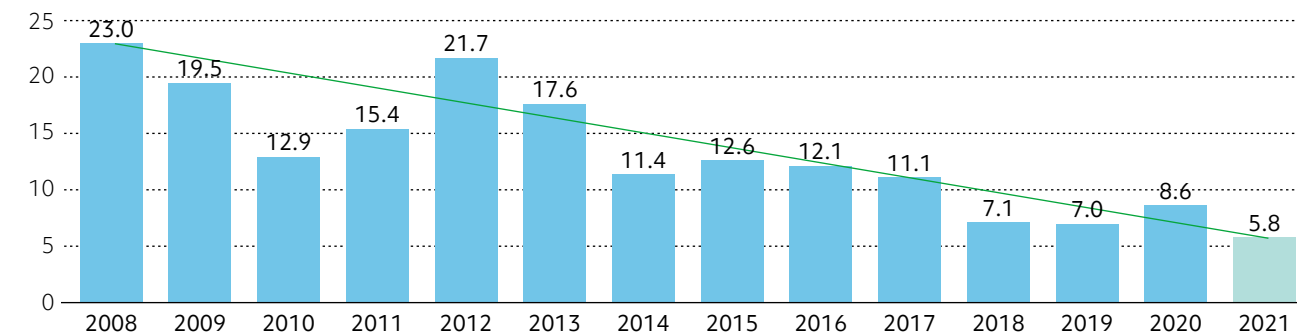
Energy consumption 2021

Kekkilä-BVB	MWh
Total energy consumption	37 384
Direct energy consumption	22 716
Non-renewable	6 573
Solar energy	961
Other renewables	1 131
On-site vehicles	14 051
Indirect energy consumption	15 373
Electricity	14 703
Heating	670
Energy sold	705
Pellet	MWh
Total energy consumption	122 503
Direct energy consumption	111 141
Non-renewable	53 463
Renewable	16 470
On-site vehicles	808
Indirect energy consumption	48 272
Electricity	29 018
Heating	40 400
Steam	19 254
Total energy sold	36 909
Ilomantsi power plant	MWh
Total energy consumption	21 108
Direct energy consumption	50 892
Non-renewable	50 892
Total energy sold	29 784
Novactor	MWh
Total energy consumption	1 940
Direct energy consumption	1 940
Non-renewable	1 940
Peat production	MWh
Total energy consumption	63 057
Direct energy consumption	47 018
On-site vehicles	47 018
Indirect energy consumption	16 039
Electricity	16 039

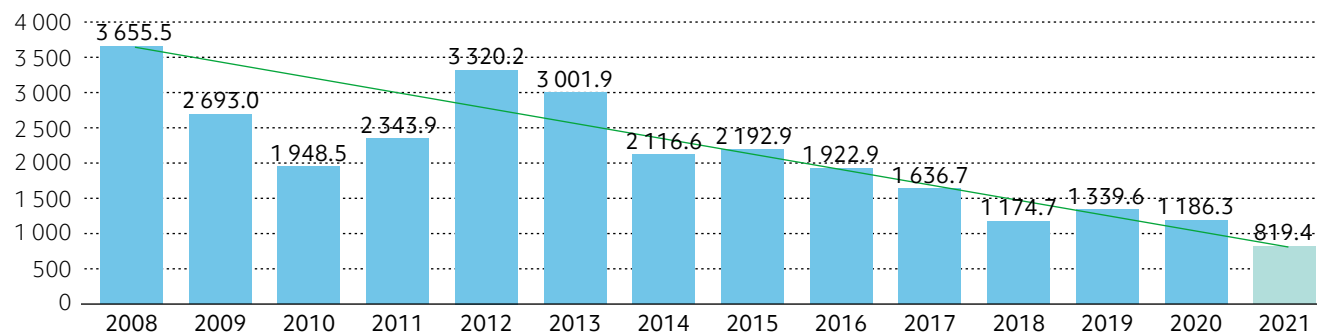
Water effluent in peat harvesting (Finland): nitrogen, tonnes



Water effluent in peat harvesting (Finland): phosphorus, tonnes



Water effluent in peat harvesting (Finland): suspended solids, tonnes



APPENDIX 5: WE SUPPORT THE GROWTH OF OUR PEOPLE AND PARTNERS

Share of personnel, 31.12.2021

	Finland	Sweden	Estonia	The Netherlands	Spain	Germany
Energy	99	0	14	0	0	0
Kekkilä-BVB	148	75	19	314	5	6
New Businesses	22	0	0	0	0	0
SCM	106	23	13	2	0	0
Group Services	51	20	8	17	0	3
Total	426	118	54	333	5	9

Total number of personnel in all countries 945

Personnel covered by collective bargaining agreements

	Number of personnel			Personnel covered by CBAs, %			Number of CBAs		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Finland	524	527	426	45	48	36	7	6	4
Sweden	142	160	118	100	100	100	2	2	2
Estonia	56	57	54	0	0	0	0	0	0
The Netherlands	291	302	333	8	8	8	1	1	1
Spain	4	5	5	100	100	100	1	1	1
Germany	15	9	9	0	0	0	0	0	0

Gender distribution

	2019	2020	2021
Women	277	291	289
Men	755	769	656
Total	1 032	1 060	945

Duration of employment

	2019	2020	2021
Under 5 years	41%	45%	49%
5–10 years	20%	17%	15%
10–20 years	22%	21%	21%
over 20 years	17%	17%	15%

Type of employment

	2019	2020	2021
Permanent	914	939	814*
Female	246 (27%)	253 (27%)	245 (30%)
Male	668 (73%)	686 (73%)	569 (70%)
Fixed term	118	121	131**
Female	31 (26%)	31 (27%)	44 (34%)
Male	87 (74%)	87 (74%)	87 (66%)

*Region: EST 54, FI 399, GER 8, SPAIN 4, SWE 102, NL 247

**Region: EST 0, FI 27, GER 1, SPAIN 1, SWE 16, NL 86

Type of employment

	2019	2020	2021
Permanent	946	955	838*
Female	253 (27%)	233 (24%)	225 (27%)
Male	639 (73%)	722 (76%)	613 (73%)
Fixed term	86	105	107**
Female	24 (28%)	58 (55%)	64 (60%)
Male	62 (72%)	47 (45%)	43 (40%)

*Region: EST 54, FI 414, GER 4, SPAIN 4, SWE 109, NL 253

**Region: EST 0, FI 12, GER 5, SPAIN 1, SWE 9, NL 80

Employee turnover

	2019	2020	2021
Employee turnover (outgoing)*	11.6% (106)	10.2% (96)	11.8% (112)

* Includes all causes of employment termination.

Number of all accidents 2019–2021 (MTR*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Nevel	7	6		0	0		1	0											8	6	N/A
Energy	2	3	1				0	0	0										2	3	1
Kekkilä-BVB	4	2	3	2	2	6	0	0	0	12	8	10	0	0	0	0	0	0	18	12	19
New Businesses	0	0	2																0	0	2
SCM	4	5	2	0	0	0	0	0	0	0	0	0							4	5	2
Group Services	0	3	1	0	0	0	0	0	1	0	0	0							0	3	2
Total																			32	29	26

* MTR count includes all workplace accidents, including those that did not lead to absence from work. It also includes accidents during commute (between the home and workplace).

Note: No fatalities during 2018–2021.

Number of accidents that lead to absence from work 2019–2021 (LTA1*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Nevel	0	3		0	0		1	0											1	3	N/A
Energy	0	1	0				0	0	0										0	1	0
Kekkilä-BVB	0	0	0	1	1	1	0	0	0	9	5	10	0	0	0	0	0	0	10	6	11
New Businesses	0	0	0																0	0	0
SCM	1	2	0	0	0	0	0	0	0	0	0	0							1	2	0
Group Services	0	1	0	0	0	0	0	0	1	0	0	0							0	1	1
Total																			12	13	12

* LTA1 count includes those workplace accidents that lead to a minimum of one day of absence from work. It also includes accidents during commute (between the home and workplace).

Accident frequency over 1 million working hours 2019–2021 (MTRf*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Nevel	46.2	36.8		0	0		122.1	0											35	25.2	N/A
Energy	17	20.2	5.9				0	0	0										15.7	18.8	5
Kekkilä-BVB	18.6	8.7	11.3	16.3	15.1	40	0	0	0	24.5	16.5	19	0	0	0	0	0	0	20.6	13.4	19.4
New Businesses	0	0	46.3																0	0	46.3
SCM	12.3	19.2	8.5	0	0	0	0	0	0	0	0	0							10.3	15.3	6.8
Group Services	0	30.4	10.9	0	0	0	0	0	80.2	0	0	0							0	21.9	14.4
Total																			18	16.1	15.7

* MTRf accident frequency reflects count of workplace accidents over million working hours. It includes all workplace accidents including those that did not lead to absence from work.

Accident frequency over 1 million working hours 2019–2021 (LTA1f*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Nevel	0	18.4		0	0		122.1	0											4.4	12.6	N/A
Energy	0	6.7	0				0	0	0										0	6.3	0
Kekkilä-BVB	0	0	0	8.2	7.5	6.7	0	0	0	18.4	10.3	19	0	0	0	0	0	0	11.5	6.7	11.2
New Businesses	3.1	0	0																0	0	0
SCM	3.1	7.7	0	0	0	0	0	0	0	0	0	0							2.6	6.1	0
Group Services	0	10.1	0	0	0	0	0	0	80.2	0	0	0							0	7.3	7.2
Total																			6.7	7.2	7.2

* LTA1f accident frequency reflects count of workplace accidents over million working hours. It includes those workplace accidents that lead to a minimum of one day of absence from work.

Number of recorded safety observations 2019–2021

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019*	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Nevel site	603	520		62	163		9	11											674	694	
Energy	514	386	505				2	2	1										516	388	506
Kekkilä-BVB	756	516	391	262	343	402	170	75	78	196	407	685	0	0	0	0	0	0	1 385	1 341	1 556
New Businesses	7	34	63																7	34	63
SCM Sites	1 447	969	448	97	134	204	22	19	22										1 566	1 122	674
Office sites	404	248	118	53	24	17	1	9	3	0	1	20	0	0	0	0	0	0	458	282	158
Other	57	35	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	57	35	8
Total																			4 709	3 986	2 965

Safety observations are done by all own personnel as well as by our contractors working in our production/ operations sites.

* Statistics includes BVB Substrates safety observations from June 2019 onwards.

Main types of workplace injuries 2019–2021, %

	2019	2020	2021
Fall, slip, trip (impact with fixed object)	33	43	42
Collision, hit, pressure (impact with moving object)	26	18	27
Crush, compression, contusion (caused by object)	19	18	0
Cut, stab, sting (caused by object)	13	7	23
Shock, burn, poisoning, pressure (impact of electrical voltage, temperature, noise, hazardous substances)	3	3	4
Other	6	11	4

Statistics also include injuries from accidents during commute (between the home and workplace). Statistics include Nevel operations for 2019-2020.

Contractors – Number of all accidents 2020–2021 (MTR*)

	Finland		Sweden		Estonia		The Netherlands		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Nevel	0		2		0				2	
Energy	1	1			0	0			1	1
Kekkilä-BVB	1	1	0	1	0	0	2	3	3	5
New Businesses	1	0							1	0
SCM	5	1	1	1	0	0			6	2
Group Services									0	0
Total									13	8

* MTR count includes all workplace accidents that have been reported to us, including those that did not lead to absence from work. Statistics for 2020 have been updated since 2020 GRI Reporting.

Contractors – Number of accidents that lead to absence from work 2020–2021 (LTA1*)

	Finland		Sweden		Estonia		The Netherlands		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Nevel	0		1		0				1	
Energy	1	0			0	0			1	0
Kekkilä-BVB	1	1	0	0	0	0	1	1	2	2
New Businesses	1	0							1	0
SCM	4	0	0	0	0	0			4	0
Group Services									0	0
Total									9	2

* LTA1 count includes those workplace accidents that lead to a minimum of one day of absence from work that have been reported to us. Statistics for 2020 have been updated since 2020 GRI Reporting.

APPENDIX 6: WE ENSURE PROFITABILITY IN A SUSTAINABLE WAY

Neova Group's investments kEUR 2019–2021

	Gross investments			Asset sales			Net investments		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Finland	59 123	46 446	62 182	19 796	14 976	6 152	39 327	31 470	56 030
Sweden	5 635	12 059	9 635	153	128	458	5 483	11 931	9 177
Estonia	3 831	12 019	3 277	998	334	109	2 833	11 685	3 168
The Netherlands	9 463	5 953	9 409	31	2 061	158	9 432	3 892	9 251
Denmark								0	0
Spain								0	0
Germany	44	111	90				44	111	90
Total	78 096	76 588	84 593	20 977	17 499	6 877	57 119	59 089	77 716

Wages paid by Neova Group, EUR

	2019*	2020**	2021***
Finland	31 474 800	31 795 056	27 441 557
Sweden	7 525 431	7 954 409	4 569 712
Estonia	1 401 817	1 437 818	1 706 221
The Netherlands	14 948 391	18 880 905	19 543 542
Total	55 350 439	60 068 188	53 261 032

*1 SEK=0.09 € (26.5.2020)

**1 SEK=0.10 € (8.3.2021)

***1 SEK = 0.09 € (17.1.2022)

*** Nevel Oy or Nevel Ab not in the figures for 2021.

Nova Group's tax footprint 2021, total EUR 24.30 million

	Finland	Sweden	Estonia	The Netherlands	Spain	Germany
Direct taxes payable for the financial year, EUR million						
Income taxes	1.6	0.0	0.0	1.0	0.1	0.2
Employer contributions	0.4	2.0	0.4	2.2	0.1	
Property taxes	0.2	0.0	0.0			
Other taxes		0.2	0.0			
Indirect taxes payable for the financial year, EUR million						
Excise taxes	0.5		0.4			
Taxes remitted for the financial year, EUR million						
Payroll taxes	7.1	2.1	0.1		0.1	
Value added tax. sales	58.0	16.6	6.7	17.5		
Value added tax. purchases	-60.2	-14.7	-4.7	-14.8	0.0	
Other taxes	1.0	0.0				
Total	8.7	6.2	3.0	6.0	0.2	0.2

Neova Group's certificates

	ISO 9001	ISO 14001	ISO 45001	PEFC	FSC	RHP*	RPP*	Good Soil	KRAV	BRL 9335 -4/9341
Finland										
Neova Oy	x	x		x		x				
Kekkilä Oy	x	x				x	x			
Neova Oy: Novactor business	x	x								
Sweden										
Neova AB		x				x				
Hasselfors Garden AB	x	x					x		x	
Estonia										
AS Tootsi Turvas					x	x	x			
Kekkilä Eesti OÜ	x	x	x				x			
The Netherlands										
Bas van Buuren (de Lier)	x					x		x		
Euroveen (Grubbenvorst)	x					x		x		
Veenbaas (Drachten)	x							x		
Bogro (Hardenberg)	x							x		
Landscaping (Nijmegen)	x					x**				x***

* For specific Neova Group peat production areas

** Cocos operations

*** Landscaping operations



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