

## Neova Group Remuneration Report 2021

Neova's principles for the remuneration of the company's governing bodies, i.e. the Supervisory Board, the Board of Directors, and the CEO, are defined in the remuneration policy for governing bodies (the "Remuneration Policy"). This report presents the remuneration of the Supervisory Board, the Board of Directors, and the CEO. In addition, this report presents remuneration terms of other management. This report has been prepared based on the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Markets Association and, the Prime Minister's office's guidelines for state owned companies.

### Overview of five-year development

2017-2021

The most significant change in the operational environment of the Neova Group during the last five years has been the sharp decline of the energy peat sales. Energy peat sales has been the most profitable business of the group. In 2017 Neova Group sold more than 10 TWh energy peat compared to appr. 5 TWh in 2020. Neova Group renewed it's strategy in 2018. To compensate for the effects of declining revenues coming from energy peat, the Group decided to grow in international growing media market and invest more in R&D and in to new high-value added products based on peat and other natural based materials. Since 2017 Group has invested more than 150 million euro to businesses outside the energy peat industry. The biggest investments have been targeted to the international substrate business and to activated carbon production. Biggest investments being BVB Substrates and Novactor-plant in Ilomantsi. At the same time the group has improved its operational efficiency by renewing its organization and by many operational efficiency programs. In addition, it has got significant revenues (more than 40 million euro) from land sales. Due to the sharp decline of energy peat demand the group was forced to do significant write-offs (altogether more than 155 million euro) in its energy assets in 2019, 2020 and 2021. The very significant change in the Neova Group's businesses was the sale of Nevel Oy in January 2021. The enterprise value of the Nevel transaction was EUR 656 million and the Group recognized a profit of approximately EUR 500 million on the sale. Neova Group's divisions sales have changed radically during last five years. In 2017 Kekkilä Group's share of Neova Group's consolidated sales was appr. 20 % and in 2022 Crow&Care Division covered 2/3 of Group sales. Total sales have stayed on same appr. EUR 500 million level. Due the profit's gained from Nevel sales, company is now almost without any net debt .

2021

The most significant change in the Neova Group's businesses was the sale of Nevel Oy in January 2021. Sharp decline of energy peat sales continued also in 2021. Sales dropped more than 20 % from previous year for the third year in a row. In November Neova

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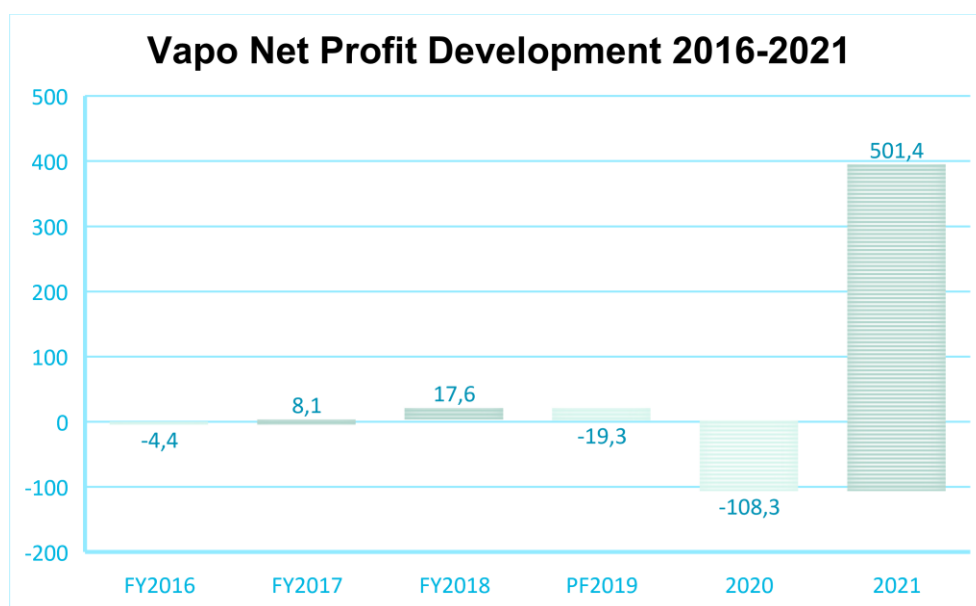
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announced that it will stop the harvesting of milled energy peat from 2022 onwards and made more than EUR 16 million write-offs for its remaining energy peat assets.

The Group's comparable turnover in 2021 was 502,6 million euro (451,7 million euros in 2020). Sales growth was 11,3 %. Main factors behind this development were strong sales growth in Kekkilä-BVB, G&C Materials and in the sales of biofuels . The Group's comparable operating margin (EBITDA) was EUR 52,0 million (EUR 52,7 million). The comparable operating result was EUR 22,8 million (EUR 20,9 million). Reasons behind weakened relative profitability were increased raw material and transportation costs and declined energy peat sales. These negative factors were mostly compensated by operational efficiency programs and increased revenues.

Gross investments totalled EUR 84,6 million (EUR 76.6 million). The biggest investments have been targeted to the international substrate business and to activated carbon production in Ilomantsi factory.



Remuneration of the Board of Directors has remained on the same level during the past five years. Variance in annual remuneration level is based on the number of Board of Directors' meetings or committee meetings during each year.

CEO's remuneration consists of fixed annual salary including fringe benefits, short term and long-term incentive programs (STI and LTI) and pension plan. Fixed annual salary was increased in 2019. Annual variance in remuneration is mainly due to outcome of short, or long-term incentive programs.

Development of remuneration of Neova Group personnel over the past five years has been counted as average headcounts and salaries of all operating countries. Salary market development is annually benchmarked in all countries. Overall development of basic salary

mainly follows the development of country level market salaries and is compliant with Neova Group Compensation Policy and existing collective bargaining agreements, which are applied within Neova Group. Part of the variance in development between years comes from changes in the company structure and variable pay, such as short term and long-term incentives.

<b>Fiscal year*</b>	<b>FY2021</b>	<b>FY2020</b>	<b>FY2019 (5- 12/2019)</b>	<b>FY2019 (5/2018- 4/2019/2019 )</b>	<b>FY2018</b>	<b>FY2017</b>
<b>Board of Directors, t€</b>	246,25	278,04	163,2	250,76	250,9	223,02
<b>Group CEO, t€</b>	519,69	498,56	394,43	414,15	306,42	407,58
	Vesa Tempakk a	Vesa Tempakk a	Vesa Tempakk a	Vesa Tempakka	Vesa Tempakk a	Tomi Yli-Kyyny
<b>Calendar Year**</b>	FY2021	FY2020	FY2019		FY2018	FY2017
<b>Employees (average***), t€</b>	57,3	56,75	56,05		55,01	48,95

\*) Between 2016-2019 fiscal year was 1.5-30.04., after which FY2019 was only 8 months (1.5.-31.12.2019)

due to change to caldenra year as of 2020

\*\*)employees remuneration is presented in calendar years

\*\*\*)Average remuneration of employees is calculated by dividing annual total remuneration with amount of personnel that year

### **Decision-making procedure concerning remuneration**

Neova Oy's Annual General Meeting appoints the members of the Supervisory Board and the Board of Directors and their compensation annually.

Neova's Board of Directors decides on the basic salary and other benefits of the CEO, which shall be in line with the Remuneration Policy of the company.

Neova's Board of Directors also decides on the basic salary and other benefits of the Group Management Team as well as their short-term and long-term incentive schemes based on a proposal issued by the Board's Personnel Committee.

Neova's Board of Directors approves the Remuneration Policy that defines key remuneration principles, among other things. The Remuneration Policy is subject to advisory vote by the Annual General Meeting.

## Key remuneration principles and fees paid to the members of the Supervisory Board and Board of Directors

### The Supervisory Board, Members and fees paid in 2021

The fees paid to the members of the Supervisory Board are paid entirely in cash. The term of the members ends at the conclusion of the next Annual General Meeting. The members of Neova's Supervisory Board are not included in share-based incentive schemes and they are not in an employment relationship with Neova.

The Chairman of the Supervisory Board is paid a meeting fee of EUR 800, the Vice Chairman EUR 600, and the other members EUR 500 per meeting. No changes to the fees have been made during 2021.

#### Total fees paid to the members, Supervisory Board 2020-2021

	FY2021 (1.1.-31.12.)		FY2020 (1.1.-31.12.)	
	Total amount of fees (€)	Meeting (attendance/total)	Total amount of fees (€)	Meeting (attendance/total)
Sipilä Juha	2 400,00	3/3	2 400,00	3/3
Ojala-Niemelä Johanna	-	0/0	-	0/0
Miilumäki Heikki	1 200,00	2/3	1 800,00	3/3
Eestilä Markku	-	0/0	-	0/0
Halmeenpää Hanna	-	0/0	-	0/0
Hoskonen Hannu	-	0/0	-	0/0
Häkkänen Antti	1 500,00	3/3	1 500,00	3/3
Kubin Eero	1 500,00	3/3	1 500,00	3/3
Kurvinen Esko	1 500,00	3/3	1 000,00	2/3
Lunttila Tommi	1 500,00	3/3	1 500,00	3/3
Mäkipää Lea	-	0/0	-	0/0
Peltokangas Mauri	1000,00	2/3	1 500,00	3/3
Pitko Jenni	1500,00	3/3	1 500,00	3/3
Rantanen Piritta	1500,00	3/3	1 500,00	3/3
Snicker Tiina	1500,00	3/3	1 500,00	3/3
<b>Total</b>	<b>15 100,00</b>		<b>15 700,00</b>	

### The Board of Directors, Members and fees paid in 2021

The fees paid to the members of the Board of Directors are paid entirely in cash. The term of the members ends at the conclusion of the next Annual General Meeting. The members of Neova's Board of Directors are not included in any share-based incentive schemes and they are not in an employment relationship with Neova.

The Chairman of the Board of Directors is paid EUR 2,750, the Vice Chairman EUR 1,900, and the other members EUR 1,550 per month. A meeting fee of EUR 500 is paid for both Board and Board committee meetings. No changes to the fees have been made during 2021. Members of the board of directors of the subsidiaries employed by Neova are not paid separately for their membership.

**Total fees paid to the members, of the Board of Directors, EUR**

	FY2021 (1.1.-31.12.)			FY2020 (1.1.-31.12.)		
	Total amount of fees (€)	Board of Directors' meetings (attendance/total)	Committee Meetings (attendance/total)	Total amount of fees (€)	Board of Directors' meetings (attendance/total)	Committee Meetings (attendance/total)
Lång Jan	44 000,00	16/16	6/6	47 000,00	20/21	8/8
Tykkyläinen Markus	33 300,00	16/16	5/5	36 800,00	21/21	7/7
Damlin Stefan (3/2020-)	28 100,00	16/16	6/6	26 084,09	18/21	5/5
Hyyryläinen Tuomas	29 100,00	16/16	5/5	31 600,00	21/21	8/8
Hättilä Vesa (3/2020-)	29 600,00	16/16	6/6	26 084,09	18/21	5/5
Järvelä Juhani (-3/2020)		0/0	0/0	6 586,36	3/3	2/2
Kantola Risto (-3/2020)		0/0	0/0	5 586,36	1/3	2/2
Puntila Kirsi	29 600,00	16/16	6/6	32 600,00	21/21	7/7
Routila Panu	14 300,00	8/8	2/5	-	0/0	0/0
Smedsten Minna	7 650,00	4/4	2/5	32 600,00	21/21	7/7
Strandberg Maija	30 600,00	16/16	5/6	33 100,00	21/21	8/8
<b>Total</b>	<b>246 250,00</b>			<b>278 040,90</b>		

**Key remuneration principles of CEO and other management**

In accordance with the Remuneration Policy approved by the Board of Directors dealt with at the Annual General Meeting, the fixed salary of the CEO and the members of other management is defined as a total monthly salary that includes fringe benefits. They are also included in short-term and long-term incentive programs.

A fixed monthly salary refers to an individual's total monthly salary determined based on the level of competence required for the position as well as the individual's experience and performance.

The Group CEO and other management may be eligible for a car benefit, mobile phone benefit and medical insurance as part of their total remuneration.

Neova's Board of Directors decides annually or within any other timeline as may be the case for any given program on the performance indicators and targets for the short-term and long-term incentive schemes of the CEO, other management and any other individual or unit as may be relevant. They are aimed at supporting the achievement of the company's strategic targets, including sustainability.

The incentive bonuses are paid in cash in accordance with the payment schedule of the incentive program in question. The bonuses paid under the various incentive schemes cannot under any circumstances exceed 80% of the fixed annual salary. Based on a proposal by the CEO, the Board of Directors decides on the achievement of the targets set relative to the performance indicators and the amount of remuneration.

**Short-term variable pay**

The CEO's and other management's short-term variable pay is based on the possibility of earning an annual incentive bonus. The amount of incentive pay depends on the

achievement of the financial and operational targets set at the beginning of the financial year. Neova Group's senior management is divided into two incentive pay groups that determine the maximum incentive pay percentage for each individual. The incentive pay group is determined based on the competence requirements of the position and its impact on the Group's business.

At least 70% of the incentive pay is based on financial targets and the remainder on operational targets and sustainability. The payment of incentive bonuses is also subject to the achievement of a certain minimum level in terms of the financial targets.

The maximum incentive pay corresponds to 40% of the annual salary for the CEO of Neova Group and the director of the Grow&Care division and 30% of the annual salary for the other members of other management.

#### Long-term variable pay

The CEO's and other management's long-term incentive scheme currently in force is a five-year plan 2019-2023, which consists of four two-year earnings periods (2019-2020, 2020-2021, 2021-2022, 2022-2023) The incentive scheme provides the participants with the opportunity to earn a monetary bonus for achieving earning criteria set separately for each earning period by the Board of Directors. The Board decides on the earning criteria and targets for each earning period. Targets consist of financial and other strategic targets, which includes sustainability target. The Board sets a starting level, target level and maximum level for the target for each earning criteria.

The maximum incentive pay corresponds to 40% of the annual salary for the CEO of Neova Group and the director of the Grow&Care division and 30% of the annual salary for the other members of other management.

#### Pension plans

The Group CEO and the other management are covered by a pension scheme pursuant to the Employees' Pensions Act. In addition, those members of other management whose managerial employment agreement entered into effect before 23 November 2017 are entitled to a defined contribution collective supplementary pension insurance to which the employer contributes an amount equivalent to 10% of their total annual salary (12 x monthly salary), excluding bonuses, every year. The company has an agreement with a pension insurance company on said supplementary pension rights. The supplementary pension program for senior management was closed on 23 November 2017. Members of other management appointed after the aforementioned date will no longer have the right to a supplementary pension as part of their contract terms.

#### Terms and compensation for termination of employment

The contractual period of notice of the Group's CEO is six months. In the event that the contract is terminated by the company, the CEO shall have the right to a lump sum compensation for termination, corresponding to the CEO's total salary for six months. If the CEO resigns, the period of notice is six months. Irrespective of the aforementioned provisions, the CEO's contract shall be terminated without separate notice at the end of the month in which the CEO reaches the lower limit for old-age pension stipulated by the Employees' Pensions Act. The current lower limit is 65 years. The period of notice for the

other members of the Group Management Team is three months. In the event that their contract is terminated by the company, the members of the Group Management Team shall have the right to a lump sum compensation for termination, corresponding to their total salary for three months. For contracts that entered into effect before 2013, the compensation for termination of members of the Group Management Team corresponds to nine months' total salary.

#### Options and other share-based incentive schemes

The company does not have option plans or other share-based incentive schemes.

#### **Compensation of CEO in 2021**

The CEO's fixed monthly salary including fringe benefits is EUR 30,000

The contract includes a short term incentive bonus, which may not exceed 40% of the annual salary, linked to annual targets set by the Board of Directors. In 2021 CEO received short term incentive payment equaling to 27% of full year's fixed annual salary based on the previous financial year's achievement.

The CEO may furthermore receive an incentive bonus for reaching long-term targets. The bonus is based on a five-year plan for the years 2019-2023, which consists of four (4) two-year earnings periods. The Board of Directors decides on the earnings criteria and targets for each earnings period. In 2021 CEO received long term incentive payment from the 2019-2020 earnings period equaling to 17,6% payout of the fixed annual salary to CEO.

The CEO is entitled to statutory pension benefits as well as a defined contribution group pension scheme for senior management. The amount paid into the CEO's defined contribution pension plan corresponds to 10% of total pay (12 x monthly salary) excluding bonuses.

#### **CEO salary and payments 2020-2021**

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	<b>FY2021 (1.1.-31.12.)</b>	<b>FY2020 (1.1.-31.12.)</b>
Monetary salary	340 675,42	340 623,60
Fringe benefits	19 804,58	20 576,40
Total fixed salary	360 480,00	361 200,00
One-off bonus	-	-
Short-term incentive (STI)	95 760,00	82 080,00
Long-term incentive (LTI)	63 450,00	55 275,00
<b>Total</b>	<b>519 690,00</b>	<b>498 555,00</b>

\*\*\*Compensation of other management is presented in Neova Group internet pages.