

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.

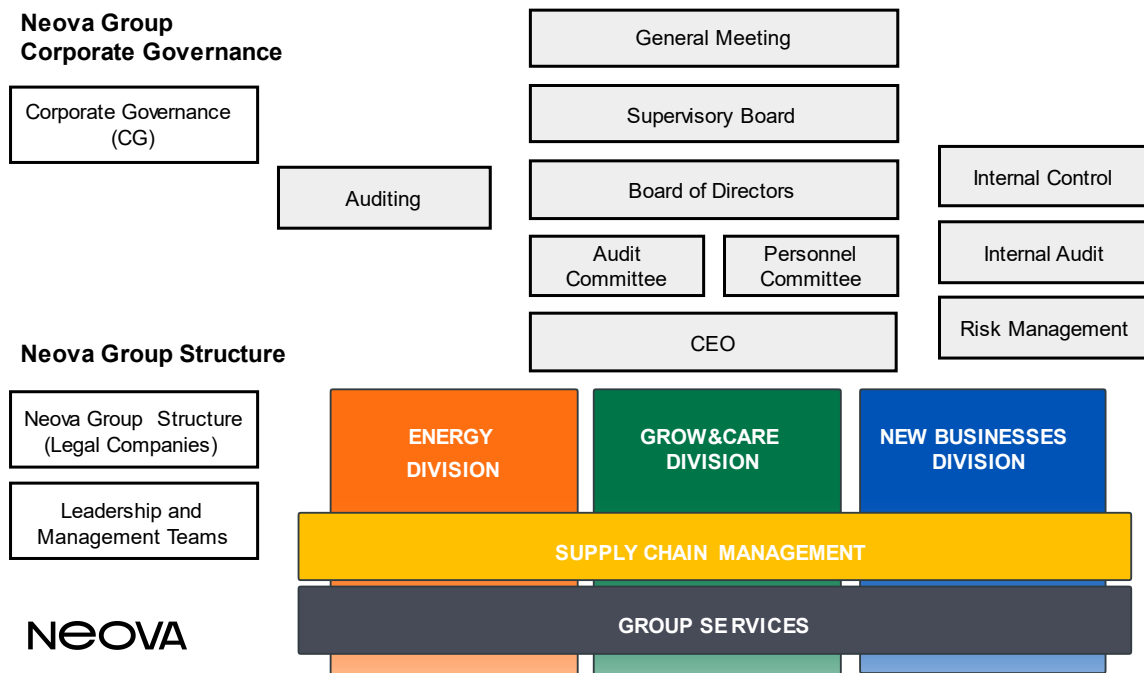
The company publishes this Corporate Governance Statement annually together with the annual report and management report.

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 operations 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 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 Hyyryläinen, Vesa Hätilä, Jan Lång, Kirsi Puntila, 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](#).

| 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 2017- Vice Chairman | 16/16 | Member 5/5 | |
| Stefan Damlin Born 1968 M.Sc. (Econ.) Managing Director, Vaasan Sähkö Oy | 2020- Member | 16/16 | Member 3/3 | Member 3/3 |
| Tuomas Hyyryläinen Born 1977 M.Sc. (Econ.) Chief Growth Officer, Fiskars Oyj | 2016- Member | 16&16 | Member 5/5 | |
| Vesa Hätilä Born 1969 M.Sc. (Eng.), MBA, CBM Managing Director, Seinäjoen Energia Oy | 2020- Member | 16/16 | | Member 6/6 |
| Kirsi Puntila Born 1970 M.Sc. (Econ.) Senior Vice President, Marketing, Altia Oyj | 2018- Member | 16/16 | | Member 6/6 |
| Panu Routila Born 1964 M.Sc. (Econ) Professional Board Member | 7/2021- Member | 8/8 | Member 2/2 | |
| Minna Smedsten Born 1976 M.Sc. (Econ.) Group CFO, Taaleri Oyj | 2016 – 3/2021 Member | 4/4 | Chairman 2/2 | |
| Maija Strandberg Born 1969 M.Sc. (Econ.) Senior Financial Councillor Prime Minister's Office | 2019- Member | 16/16 | Chairman 2/2 | Member 3/3 |

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 independent 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 Directors 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.

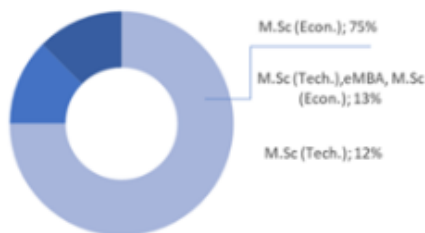
Board diversity assessment

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.

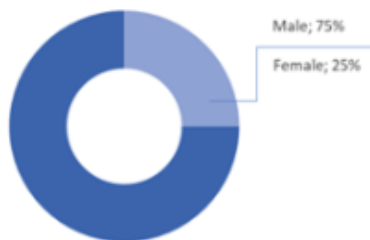
All Neova Board members have a Master's degree in Economics or in Technology, some having several degrees. Professional experience of Board members is diverse having background both from listed and non-listed companies in various industries. Many have experience from international growth companies and 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.

Board diversity - Education



Board diversity - Gender



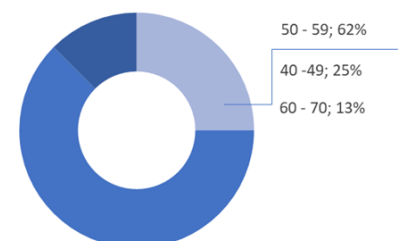
Board diversity - Tenure



Board diversity - Nationality



Board diversity - Age



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 Executive 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 managed 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](#)