

## Neova Group Remuneration Report 2022

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.

---

**NEOVA OY**  
Yrjönkatu 42, PL 22  
40100 Jyväskylä

neova-group.com

Vaihde 020 790 4000  
etunimi.sukunimi@neova-group.com  
Kotipaikka Jyväskylä  
Y-tunnus 0174817-6

**NEOVA OY**  
Yrjönkatu 42, P.O. Box 22  
FI-40100 Jyväskylä

neova-group.com

Phone +358 20 790 4000  
firstname.lastname@neova-group.com  
Reg. Dom. Jyväskylä  
VAT FI01748176

### An overview of the five-year development

The most significant change in Neova Group's operating environment during the past five years is the sharp decline in sales of energy peat mainly due to the increase in the price of emission rights. The sale of energy peat has been the most profitable business of the group. In 2018, the Neova Group sold more than 10 TWh of energy peat and both in 2021 and 2022 approximately 5 TWh. Russia's attack on Ukraine caused a shortage of solid fuels in Finland, which led to a halt in the decline in demand for energy peat.

The Neova group renewed its strategy in 2018. To compensate for the decrease in energy peat sales, the group decided to grow in the international growing media market and increase investments in research and product development to develop products with a high degree of processing from peat and other natural materials. After 2018, the company has invested more than EUR 200 million in businesses outside the energy peat business. The largest investments have been focused on the international growing media industry and the production of activated carbon. The investment in BVB Substrates, Novactor's activated carbon production plant in Ilomantsi and the expansion of the growing media business in Germany have been the most significant investments.

At the same time, the group has improved its efficiency with organizational reforms and various operational efficiency programs. In addition, significant income has been obtained from the sale of land (nearly EUR 50 million). Due to the sharp drop in demand for energy peat, the group had to make write-downs of more than EUR 155 million in balance sheet items related to energy peat in 2019, 2020 and 2021. Approximately EUR 15 million of these write-downs were reversed in 2022. A very significant change in Neova Group's business was the sale of Heat & Power business (Nevel Oy) in January 2021. The value of the business arrangement was EUR 656 million, from which the Neova Group received a capital gain of approximately EUR 500 million. In 2022, Neova and Lassila & Tikanoja combined their energy wood business into Laania Oy. Neova owns 45% of Laania.

The turnover of the group's divisions has changed radically over the past five years. In 2018, the share of Grow&Care business in the consolidated turnover of the Neova group was about 20%, and in 2022 the Grow&Care division covered more than 2/3 of the group's turnover.

### 2022

The most significant changes in Neova Group's business operations in 2022 are the purchase of the remaining 30 percent of the shares in Kekkilä-BVB and the combination of Neova's energy wood businesses with Lassila&Tikanoja's energy wood business, and the transfer of Neova Oy's land assets and energy businesses to the established Vapo Terra Oy. Kekkilä-BVB Oy is now a fully owned subsidiary of Neova Oy.

During 2022, a large repair investment was carried out at Novactor's activated carbon production plant in Ilomantsi. Damage caused by material defects interrupted the plant's operation in the fall of 2021, and a large portion of the plant had to be rebuilt. Trial operation of the repaired plant started at the end of December 2022. The plant is expected to be in full production in the second quarter of 2023.

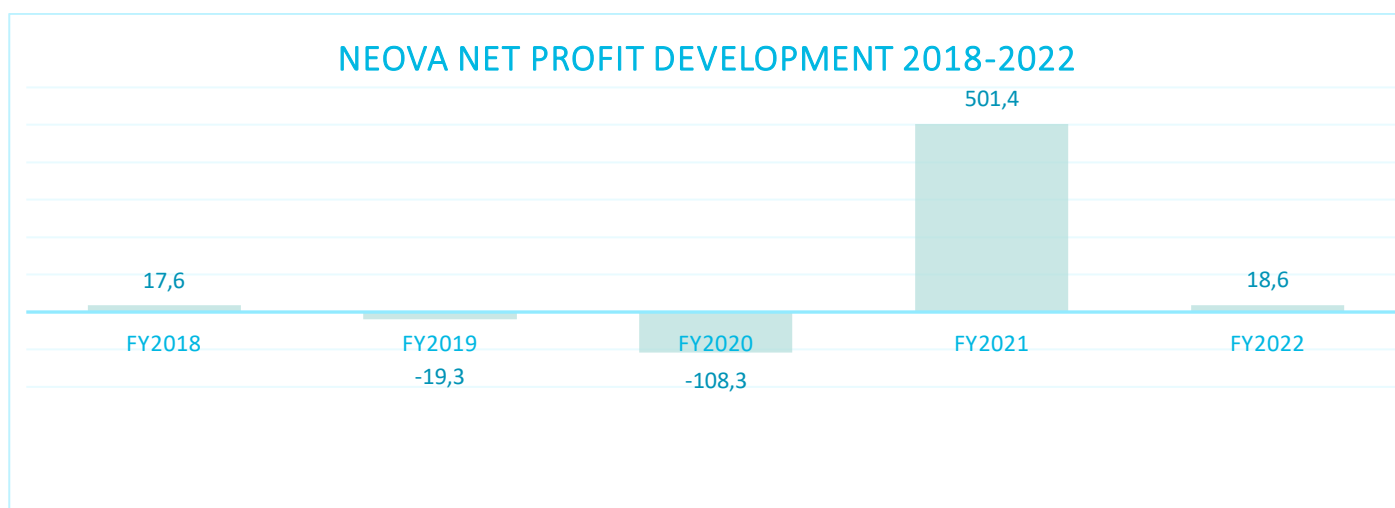
Neova Oy concentrated the business activities related to security of supply and land development in Finland to a new subsidiary Vapo Terra Oy from 1 January 2023. Vapo Terra Oy's mission is to maximize the value of land assets by, among other things, developing and licensing wind and solar power projects and developing a business that supports carbon sequestration in the long term. In the coming years, the main part of the company's turnover will consist of the sale of energy peat, pellets and soil, as well as wind and solar power development projects.

Russia's attack on Ukraine immediately caused significant changes in the European energy markets. Neova had made a decision at the end of 2021 to give up the production of milled fuel peat, but canceled the decision in March 2022, because the fuel supply of customers was threatened. The demand for energy peat, wood chips and energy pellets increased significantly during the year. In its energy business, Neova made a clearly higher than expected turnover and a better than expected operational result. The increased interest rate at the end of the year clearly decreased the volumes of the real estate business.

The rise in electricity and natural gas prices, the end of the Covid pandemic, and especially the increase in logistics costs clearly weakened Grow&Care division's business environment. The division's volumes clearly decreased and the increased costs could not be fully transferred to the product prices, which caused a clear decrease in the company's overall profitability in addition to a decrease in relative profitability.

In 2022, the group's turnover was EUR 544.9 million (EUR 514.6 million in 2021). The increase in turnover was 6%. The group's comparable EBITDA was EUR 52.1 million (EUR 52.0 million). The comparable operating profit was EUR 20.6 million (EUR 22.8 million).

Gross investments totaled EUR 167.5 million (EUR 84.6 million). The largest investments have been targeted at the international growing media business and the activated carbon business at the 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 2022. 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.

Fiscal year *	FY 2022	FY 2021	FY 2020	FY 2019 (5-12/2019)	FY 2019 (5/2018- 4/2019)	FY 2018
Board of Directors, t€	247.45	246.25	278.04	163.2	250.76	250.9
Group CEO, t€	523.38	519.69	498.56	394.43	414.15	306.42
Group CEO	Vesa Tempakka	Vesa Tempakka	Vesa Tempakka	Vesa Tempakka	Vesa Tempakka	Vesa Tempakka
Calendar Year **	2022	2021	2020	2019		2018
Employees (average***), t€	57.9	57.3	56.75	56.05		55.01

\*) Between 2018-2019 fiscal year was 1.5-30.04., after which FY2019 was only 8 months (1.5.-31.12.2019) due to change to calendar year as of 1 January 2020

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

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

### Decision-making procedure concerning remuneration

Neova Oy's Annual General Meeting appoints the members of the Supervisory Board and resolves on their compensation annually. The Annual General meeting also appoints the members of the Board of Directors and resolves on their compensation annually based on the recommendation of the Shareholders' Nomination Board.

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 for the Supervisory Board, Board of Directors and the CEO, 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 2022

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 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 2022.

Total Fees paid to the member, Supervisory Board 2021-2022

	FY 2022 (1.1.–31.12.)	FY 2021 (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
Miilumäki Heikki	1 800.00	3/3	1 200.00	2/3
Hietala Harri	1 000.00	2/2	-	0/0
Häkkänen Antti	1 500.00	3/3	1 500.00	3/3
Kubin Eero	-	0/3	1 500.00	3/3
Kurvinen Esko	1 500.00	3/3	1 500.00	3/3
Lunttila Tommi	500.00	1/1	1 500.00	3/3
Peltokangas Mauri	1 500.00	3/3	1 000.00	2/3
Pitko Jenni	1 500.00	3/3	1 500.00	3/3
Rantanen Piritta	1 500.00	3/3	1 500.00	3/3
Snicker Tiina	500.00	1/1	1 500.00	3/3
Venäläinen Mikael	1 000.00	2/2	-	0/0
<b>Yhteensä</b>	<b>14 700.00</b>		<b>15 100.00</b>	

The Board of Directors, Members and fees paid in 2022

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 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 2022. Members of the board of directors of the subsidiaries employed by Neova are not paid separately for their membership.

	FY2022 (1.1.-31.12.)				FY2021 (1.1.-31.12.)		
	Total amount of fees (€)	Board of Directors' meetings	Committee Meetings	The Board's Strategy Committee meetings	Total amount of fees (€)	Board of Directors' meetings	Committee Meetings
		(attendance/total)	(attendance/total)	(attendance/total)		(attendance/total)	(attendance/total)
Routila Panu	46 400.00	16/16	7/7 ja 7/7	5/5	14 300.00	8/8	2/2
Lång Jan (-3/2022)	11 250.00	4/4	2/2		44 000.00	16/16	6/6
Tykkyläinen Markus	34 300.00	16/16	7/7		33 300.00	16/16	5/5
Damlin Stefan	30 100.00	16/16	7/7		28 100.00	16/16	6/6
Hyyryläinen Tuomas	32 600.00	16/16	7/7	5/5	29 100.00	16/16	5/5
Hättilä Vesa	7 650.00	4/4	2/2		29 600.00	16/16	6/6
Punkari Jari-Pekka (3/2022-)	24 950.00	12/12	5/5	5/5	-	0/0	-
Punttila Kirsi	30 100.00	16/16	7/7		29 600.00	16/16	6/6
Strandberg Maija (-3/2022)	7 650.00	4/4	2/2		30 600.00	16/16	5/6
Virkkunen Eeva-Liisa (3/2022-)	22 450.00	12/12	5/5		-	0/0	-
Smedsten Minna (-3/2021)	-	0/0	-		7 650.00	4/4	2/2
<b>Total</b>	<b>247 450.00</b>				<b>246 250.00</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 30% of the annual salary for the 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 30% of the annual salary for the members of other management.

#### Pension plans

The Group CEO and the other management are, depending on the country the respective person works in, covered by a pension scheme pursuant to the Employees' Pensions Act in Finland and Pensioenfonds in Kring DC bij Centraal Beheer APF insurance plan offered to all Dutch employees in the Netherlands. In addition, those members of other management whose managerial employment agreement entered into effect with Neova Oy 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 or in the Netherlands according to local legislation, equalling to four 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 or four months in Netherlands. For contracts that entered into effect in Neova Oy 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 2022

The CEO's fixed monthly salary including fringe benefits is EUR 33,000.

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 2022 CEO received short term incentive payment equalling to 31,8% 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 2022 CEO received long term incentive payment from the 2020-2021 earnings period equalling to 5,2% payout of the fixed annual salary to CEO.

In addition to normal short term and long term incentive plans, in FY2022 Neova Board of Directors decided to establish a supplementary short term incentive target for the CEO due to unpredictable business situation in energy fuel business due to the sanctions against Russia relating to the war in Ukraine. For this supplementary incentive the target level was 10% and maximum level 20% of annual salary. Board noted, however, that the total outcome of all incentive plans cannot exceed 80%. Outcome of the additional incentive was 20%. Earnings of this will be reported in 2023 Remuneration report in 2024.

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 2021-2022

	<b>FY2022 (1.1.-31.12.)</b>	<b>FY2021 (1.1.-31.12.)</b>
Monetary salary	370 868.68	340 675.42
Fringe benefits	19 131.32	19 804.58
Total fixed salary	390 000.00	360 480.00
One-off bonus	-	-
Short-term incentive (STI)	114 480.00	95 760.00
Long-term incentive (LTI)	18 900.00	63 450.00
<b>Total</b>	<b>523 380.00</b>	<b>519 690.00</b>

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