

NEOVA GROUP

2022

GROUP AND BUSINESS OPERATIONS
FINANCIAL STATEMENTS AND
BOARD OF DIRECTORS REPORT
SUSTAINABILITY REPORT





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WE ARE CREATING GREEN GROWTH

Neova is an international company operating in the global market. 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



Owners: The State of Finland 50.1%, Suomen Energiavarat Oy 49.9%

The most significant group companies: Neova Oy, Kekkilä-BVB Oy, Kekkilä Oy, Kekkilä-BVB De Lier B.V., Kekkilä-BVB Grubbenvorst B.V., Kekkilä-Brill Substrates GmbH, Hasselfors Garden AB, Kekkilä-BVB Eesti, Vapo Terra Oy, Neova AB, AS Tootsi Turvas

Financial year
1 January–
31 December 2022

Consolidated
turnover

544.9
EUR million

Consolidated
operating profit

20.5
EUR million

Balance
sheet total

810.3
EUR million

Equity
ratio

38.7
%

Average number
of employees

958
people

CEO'S REVIEW: A YEAR OF UNEXPECTED CHANGES

The year 2022 will be remembered as a period of many completely unexpected changes. The changed security situation in Europe and across the world, the return to a world of real interest rates, a genuine energy crisis and the consequent rise in inflation significantly changed the operating environment for Neova and many other companies.

For Neova, the changes had different impacts on different businesses. Kekkilä-BVB, which operates in the international growing media market, had budgeted for rising volumes and a relatively favourable operating environment in both the consumer segment and the professional grower segment. Rising energy and fuel prices and the increase in the general price level reduced the purchasing power of both professional growers and consumers.

We sought to respond to the changes in the market situation and demand through active pricing but, as volumes declined, we were unable to pass all of the

increased cost items on to the prices of our end products. Kekkilä-BVB's turnover increased by over 10 per cent, but our delivery volumes were still substantially below the previous year's level. This led to a decline in profitability. We have already commenced measures to improve profitability with the aim of returning to a strong profitable path of growth within this year and next.

In 2022, Neova acquired a 30 per cent minority interest in Kekkilä-BVB, successfully integrated Brill Substrates – which was acquired in 2021 and operates in Germany – into the Group's professional growing media business, and acquired Algomin AB, a Swedish company

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Sustainability is a central component of Neova Group's strategy, and 2022 was a successful year in that respect.





that specialises in fertilisers. All of these actions strengthened Kekkilä-BVB's position as Europe's leading growing media company.

In the fuel market, the energy crisis led to an unexpected spike in the demand for energy chips, pellets and energy peat. In the Fuels&Real Estate Development division, turnover and profitability were improved by the increased demand for fuels, the realisation of old fuel reserves and the higher prices. The improved profitability of fuel sales was sufficient to elevate Neova Group's overall profitability to the same level as in the previous year.

With regard to the result of the fuel business, it should be noted that, effective from July, Neova's fuel wood businesses were merged with Lassila & Tikanoja's fuel wood business and renamed as Laania Oy. Neova Group owns 45 per cent of Laania Oy.

In new businesses, the performance of property development was in line with expectations during the early part of the year but, as interest rates rose, the realisation of land assets became substantially more difficult. Project development to convert old peat production areas into wind and solar farms is currently the subject of very significant interest.

Sustainability is a central component of Neova Group's strategy, and 2022 was a successful year in that respect. Sustainability is strongly integrated into the management and continuous development of our business operations, in accordance with the changes in our business environment and the expectations of our stakeholders. 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, and sustainability was incorporated into the incentive system for all of Neova Group's personnel in 2022.

Our focus areas in environmental responsibility are greenhouse gas emissions, biodiversity, the circular economy and water. With regard to greenhouse gas emissions, we are three years ahead of our target of halving the CO₂ emissions of our own operations by 2025, compared to 2018.

With regard to social responsibility, our key priorities include promoting occupational safety, creating an excellent workplace, looking after employee well-being and ensuring the sustainability of sourcing. Improving occupational safety in all of our operating countries is our highest priority, and our systematic efforts are producing results. In 2022, we did not have any lost-time accidents in Finland or Estonia, and accidents in the Netherlands decreased by 40 per cent. In order to promote our occupational safety culture and practices, the scope of the international ISO 45001 occupational health and safety certification was expanded to cover the entire Group.

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. During 2022, the importance of our social responsibility was emphasised following the onset of the war in Ukraine. We discontinued all of our operations related to Russia, reversed our decision to discontinue energy peat pro-

duction in Finland and ensured our ability to use energy peat as a fuel to ensure the security of supply.

A challenging year ahead

We proceeded as planned with regard to new businesses. The warranty repair of Novactor's activated carbon plant in Ilomantsi was carried out both on schedule and financially according to plan. The trial operation of the plant began in January 2023 and it is scheduled to be in full production in the second quarter of the year.

In the new year, we will focus particularly on improving Kekkilä-BVB's profitability. When the entire industry is in a downturn, we need to align our cost structure and product portfolio with the prevailing market situation.

Peat will continue to be an important raw material for us, but we have launched a multi-year project at Kekkilä-BVB to accelerate the growth of recyclable and renewable raw materials in our products. The share of renewable raw materials is currently 27 per cent, and our aim is to double the volume of renewable and recyclable raw materials by 2027.

In terms of financial performance, 2023 is not going to be an easy year. The European growing media market will contract and, in the fuel business, much depends on the coming summer. We have already started taking measures to improve profitability, and our aim is to produce energy peat next summer within the limits created by the weather conditions. ●

VESA TEMPAKKA
CEO

GROUP STRATEGY

Neova is a multi-national company that operates in the global markets, providing products aimed at ensuring the basic conditions of life for everyone: clean food, clean air and clean water.

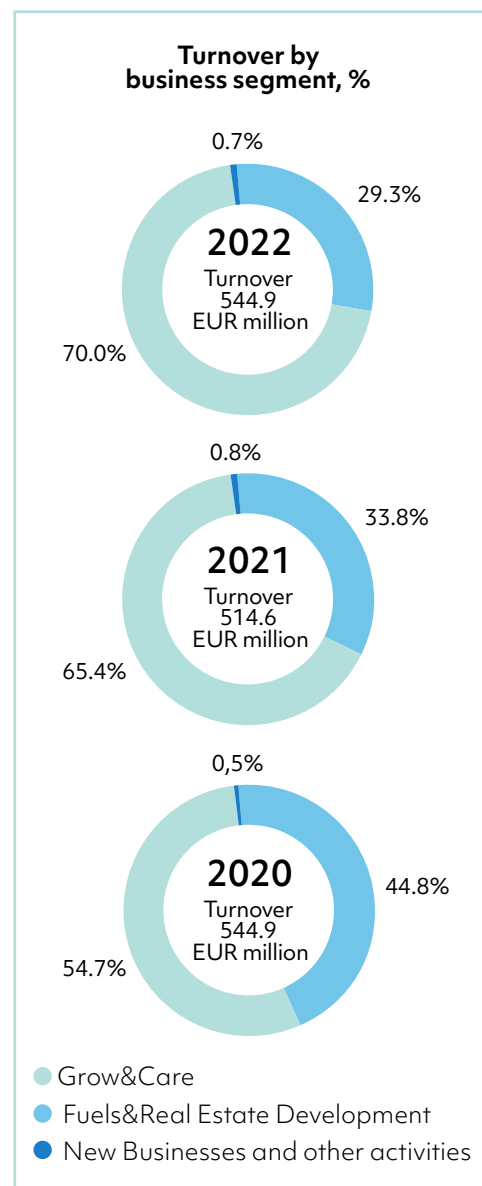
Neova Group has executed its current strategy since spring 2018. The main target of the strategy published in 2018 was to become a significant player in the international growing media market. We are now the leading European company in our field and also among the leaders globally. The most significant milestones achieved in 2022 in the pursuit of that target included the integration of the Brill companies – which were acquired near the end of the previous year – into Kek-

kilä-BVB, the acquisition of a 30 per cent minority interest in Kekkilä-BVB, and the acquisition of Algomin AB, a Swedish company that specialises in organic fertilisers.

In 2018, we were a significant energy company. Since then, we have purposefully withdrawn from our energy-related businesses. In 2021, we sold Nevel Oy, which specialises in the production of heating and electricity. In 2022, we joined forces with the Lassila & Tikanoja-owned Biowatti in the fuel wood business. The

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We are now the leading European company in our field and also among the leaders globally.





merger between our fuel wood business and Biowatti led to the creation of the joint venture Laania Oy, in which we hold a 45 per cent stake.

Right at the end of 2021, we decided to discontinue to production of milled energy peat in Finland. At the time, we could not predict what would happen only a few months later. Russia's invasion of Ukraine has shocked Europe and the energy markets in particular. To help Finland manage the process of breaking away from energy imports from Russia, we decided in March 2022 to resume the production of milled energy peat. This decision was motivated by the need to protect the security of supply and delivery reliability of Finland and Finnish energy companies. Partly as a consequence of that decision, we concentrated Neova Oy's land assets, land-related real estate development and the sale of energy peat to the National Emergency Supply Agency and large energy customers in Vapo Terra Oy, a newly established wholly-owned subsidiary of Neova Oy. This decision clarifies our Group's strategy and the management of the various businesses.

In addition to having a strong focus on growing media, our strategy places

significant emphasis on the development of new high-value-added products from peat and other natural materials. Examples of this include the production plant completed in Ilomantsi to produce activated carbon from peat, and a project aimed at launching the production of peat-based biostimulants, replacing artificial fertilisers, in Finland in the near future.

Everything we do is driven by the world's three most significant megatrends: climate change, the digital transformation and urbanisation. All of our operations are guided by sustainability with the aim of satisfying people's basic needs and creating green growth. As part of our strategy of green growth, we launched one of our largest research and development projects in 2022. Our target is to double the use of renewable raw materials in our growing media over the course of a few years.

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, which 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. ●

OPERATING ENVIRONMENT

Predicting the changes in the operating environment in 2022 in advance was an impossible task. The budgets made at the end of 2021, the forecasts of interest rates and inflation, as well as the whole view of the democratic world order, became irrelevant after Russia's invasion of Ukraine.

The war and the ensuing sanctions and embargoes significantly changed the entire European energy system. The exit and withdrawal of Russian energy from the European energy market had a huge impact on the economy. This was most clearly reflected in the rise in the prices of transport fuels and freight, rising gas and oil prices and even the scarcity of gas and oil, and, above all, the significant rise in the price of electricity and increasing price volatility.

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In the big picture, Russia's invasion of Ukraine turned the long-running economic growth in Europe into a recession.

In the big picture, Russia's invasion of Ukraine turned the long-running economic growth in Europe into a recession, raised the level of market interest rates by more than three percentage points, and triggered almost flat inflation to rise to nearly 10 per cent a year.

Having already risen sharply in 2021, the Group's freight costs increased further by approximately EUR 25 million in 2022. The prices of raw materials, such as fertilisers and packaging plastics, which are particularly affected by the rise

in energy prices, also rose by up to several dozen per cent.

In spite of the price of emission allowances remaining at a record level of up to EUR 90 per tonne of carbon, the demand for all fuels available increased. The prices of chips, pellets and milled peat increased significantly, as demand on the fuel market exceeded supply when imports from Russia ceased.

The demand for growing media started to decline. This was due to the fact that after the end of the pandemic, consumers were able to travel again and amateur gardening returned to pre-pandemic levels. During the year, consumers' purchasing power weakened significantly due to, among other things, higher interest rates, higher energy prices and general price development caused by





inflation. Among professional farmers in Europe, purchasing power declined mainly due to energy prices and higher fertiliser prices.

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 on the market if they burn non-renewable fuels. During 2022, the prices of emissions allowances were nearly EUR 100 per tonne of carbon in August, and they remained clearly

higher than in previous years throughout the year.

The war in Ukraine as a whole, and in particular the explosion of the Nord Stream gas pipeline in September, gave rise to fears of a shortage of natural gas in Europe. This was directly reflected in the price of natural gas and, consequently, in the prices of electricity and electricity futures.

During the year, electricity prices in Central Europe and the Nordic countries rose to record-high levels, and the fluctuation of electricity prices has been exceptionally strong. On windy days, the price has even been negative, but on windless days, the price of electricity has been many times higher than the record levels seen in previous years.

In the Nordic countries, the price of electricity has also been affected by the delayed commissioning of the new reactor at the Olkiluoto nuclear power plant, disruptions at nuclear power plants in Finland, and the poor hydrological conditions in Norway and Sweden. However, the most significant reason was the end of electricity imports from Russia to Finland and the Baltic countries. In addition, transmission lines opened from Nor-

way to Central Europe and the UK have increased the price of electricity in the Nordic countries.

Shipping and raw material costs increased

The cost of road shipping increased by about 15 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 2022. This turned out to be highly advantageous, as the sea shipping volumes of horticultural peat to Europe grew considerably.

The prices of packaging materials have also continued to rise; for example, the prices of packaging plastics as much as doubled in 2021 and continued to increase in 2022. The higher costs of shipping and raw materials, with the combined increase exceeding EUR 60 million, could not yet be fully passed on 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 taxonomy were expected during 2022, but little progress was made with the drafting of the delegated regulation 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.

Unfortunately, several financial institutions have started to anticipate the treatment of peat in the taxonomy and have tightened or stopped lending to peat companies based on the ongoing reform of the finance taxonomy. ●



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BUSINESS OPERATIONS

Our business operations are divided into the Grow&Care, Fuels&Real Estate Development 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 Services 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.

Fuels&Real Estate Development

The Fuels & Real Estate Development division is a partner to our customers in the transformation of the energy market. The division includes the fuel businesses of Neova Oy, Neova AB and AS Tootsi Turvas, as well as Vapo Terra Oy, which is responsible for energy peat sales, energy pellet production and sales, wind and solar power projects, and real estate development.

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.

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 unwanted chemicals, metals, odours and other impurities, for example.

GROW&CARE

In 2021 and 2022, the COVID-19 pandemic had a significant impact on consumer behaviour in categories related to spending time at home. This was reflected in substantial growth in sales for Kekkilä-BVB, which is part of Neova Group's Grow&Care division. The sales of growing media products aimed at both consumers and professional growers reached unprecedented levels.

In 2022, people began spending less time at home and travel increased, which had a clear effect on the sales of consumer products. In the professional grower segment, the rising costs of raw materials and energy, driven by the war in Ukraine, had a significant impact on cost increases and the behaviour of growers, and increased uncertainty in the market. Logistics costs remained at the elevated level they had reached during the pandemic.

Net sales were slightly below the target, as was the sales margin. The operating margin (EBITDA) was well short of the target. This was significantly influ-

enced by the costs of outbound logistics, which could not be compensated for by price increases.

In spite of the challenges, Kekkilä-BVB significantly increased its net sales compared to 2021. In the second half, savings in fixed expenses were also achieved when it became clear that the market situation was becoming increasingly challenging.

Developments by business area

In the professional growing media business, net sales increased by nearly EUR 40 million in spite of the challenging market situation. Growth in the United States, Latin America, China, Germany, France and Italy was in line with plans. The largest growth markets were the United States and Latin America. The integration of Brill also progressed according to plan.

Among the product categories, the highest growth was achieved in berries and leafy vegetables. Sales development efforts included a training programme,





the enhanced use of data and the deployment of digital tools. The launch of a digital growing media adviser enabled a transition to increasingly result-driven sales, which was also supported by the fact that Kekkilä Professional's digital portal was used by 90 per cent of retailers by the end of 2022.

In the consumer business, profitability challenges were created by the significant decline in volumes (~17%) and higher costs. Sales volumes were still higher than the pre-pandemic level. This was due to the stronger market position achieved through new product launches and new customers. For example, the sustainable Kestävä+ concept was very well received by customers in both Finland and Sweden, and the Algomin AB acquisition in Sweden added significant fertiliser-related expertise to Kekkilä-BVB's portfolio in Sweden, where the aim is to become country's leading gardening brand.

Positive development was seen in the landscaping segment in Finland and Sweden in spite of the relatively short construction season and the slump in the construction industry. In Belgium, the Netherlands and Luxembourg,

increased costs and the small number of large projects – as well as suspensions of projects – had a stronger impact on development. Smaller operators competed for volume with growing intensity, avoiding price increases. New concepts related to the nutrient content and biodiversity impacts of growing media, for example, were successfully developed across national borders. The entire industry will be influenced by the continuously growing importance of sustainability. This favours Kekkilä-BVB, as sustainability is an integral part of its business strategy.

The integration of the Papenburg port's functions into Kekkilä-BVB and the new German customers brought in as part of the integration of Brill had a favourable impact on the raw material business. Efficient internal planning emerged as a key issue, as did the timing of purchases and the importance of anticipating needs. Logistics remained the most significant challenge, particularly with regard to the availability of ships. Customer turnover developed favourably, particularly outside Europe. The company was able to respond to this development effectively and deliver raw materials on schedule.



In the animal bedding business, the market share increased and price increases were successfully carried out in response to the higher costs.

New opportunities

To enable the growth of our businesses, we also pursued development in other operations. In production, the emphasis was on responding to customer needs as well as cost control. Many lessons were learned and will be utilised in the coming years. Examples of these include data-driven planning, more efficient operating models and systems, and increasing capacity. The improvement of safety and significant increases in efficiency (EUR 2.2 million) were particular areas of success.

With regard to sustainability, the year 2022 was characterised by increasing insight into customers' sustainability-related needs, increasing the understanding of policy-makers concerning the significance of growing media and horticultural peat in particular, making Neova Group's sustainability impacts visible through the LCA tool, for example, and focusing on the use of local and rapidly renewable raw materials. Sustaina-

bility-related successes in 2022 included EU discussions on the importance of horticultural peat, the agreement reached in the Netherlands between the industry and the national government regarding the development of growing media, the development of the Future Fit Framework sustainability tool, successful research on rapidly renewable raw materials, and a Gold rating awarded by EcoVadis. In the next few years, the key drivers of sustainability will include cost efficiency, resource efficiency, sustainability investments – which will be significantly influenced by the EU taxonomy – as well as the companies' reputational aspirations and a genuine desire to make the world a greener and better place to live.

In strategic development, attention has been paid particularly to the development of ICT systems, customer data and product data, digitalisation, the launch of new raw materials, integration projects, and competence development. Of the projects launched in 2021, 97 per cent had been completed by the end of 2022. The development of operating practices has led to profitability improvements and enhanced information security, among other things.

All of these developments are enabled by the company's employees. With that in mind, we were pleased that Kekkilä-BVB was awarded the Great Place to Work certificate in Finland, Sweden, the Netherlands and Estonia. The overall employee satisfaction rate was 69 per cent, which is a good result in such challenging times. In 2022, we focused particularly on bilateral communication, team spirit, highlighting successes, and sustainability. We created our first social responsibility strategy and action plan, with particular emphasis on diversity, equality and inclusion (DEI).

In 2023, Kekkilä-BVB will execute its updated strategy, which is focused on four development areas: managing profitability and growth, excellence in new raw materials, an industry-leading supply chain, and strengthening future operating practices. Kekkilä-BVB's new strategy is a growth strategy. In 2025, Kekkilä-BVB aims to be a company with a turnover of EUR 500 million and a profit margin of 12 per cent. ●



FUELS & REAL ESTATE DEVELOPMENT

Russia's invasion of Ukraine in spring 2022 led to turmoil in the Finnish fuel market. In recent years, very large quantities of wood chips and pellets have been imported to Finland from Russia. The sudden disappearance of Russian imports from the market very quickly generated additional demand for energy peat as well as a sharp uptick in the demand for pellets.

In November 2021, Neova had decided to discontinue the production of energy peat from summer 2022 onwards, but that decision had to quickly be reversed in spring 2022. However, the peat production volume in summer 2022 was substantially lower than the reset production target due to the weak weather conditions.

In spring 2022, energy peat stockpiles were very large due to the previously intensified decline in the demand for energy peat. It was largely due to the excessive stockpiles of energy peat that the gap left by the abrupt end to Russian imports was mostly filled.

In the new circumstances, energy peat delivery agreements have been signed with multiple customers for several years ahead. In the coming years, energy peat stockpiles will be at record-low levels after the heating season, and energy peat sales will be limited by the production potential.

Neova Oy discontinued the fuel wood business within its own organisation in July 2022. The fuel wood business was merged with Biowatti Oy, owned by Lassila & Tikanoja plc, to establish Laania Oy. Neova owns 45 per cent of Laania Oy.

In land sales, the targeted levels were not achieved in 2022. Land sales were restricted in a controlled manner due to a number of land area assessments and reservations for the Group's other land uses. In spite of this, the Group's overall progress in land sales is ahead of the long-term targets set in 2017. Going forward, the amount of land to be sold, and the locations of land, will be assessed even more carefully in light of the Group's other land use needs.

Wind power project development is progressing according to plan. There are

a number of projects in the zoning process. Another opportunity that is being explored is off-grid wind power projects, in which electricity produced by wind power is used locally – for example, to produce hydrogen and other synthetic fuels – without the need to connect the facility to the power grid.

Good progress has been made with solar power development. The development work, which began in 2021, has led to the identification of a number of promising sites, and the project planning concerning these sites has progressed quickly. The decisions on project construction or sale will be made for the first projects in 2023. Neova Group will develop solar power partly in the same locations as wind power, but also as separate developments.

In wind and solar power development, the Group will later decide whether to sell the projects to third parties, complete with permits and ready for construction, or whether Neova Group will become actively involved in their construction. ●



NEW BUSINESSES

Neova Innovation's aim is to refine organic wetland biomass and other organic renewable natural materials into high-added-value products for the international markets. We work 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.

In 2022, we accelerated the development of sustainable raw materials through our strategic Green Growth Raw Materials development programme. The programme is focused on Kekkilä-BVB's growing media business, where our target is to double the use of recyclable raw materials by 2027. In 2022, we started several new development projects focused on raw material for growing media.

In Neova Innovation's product development efforts, the most progress has been made in the area of biostimulants isolated from organic wetland biomass.

They are used in greenhouse and outdoor cultivation to enhance the efficiency of food production and improve plants' nutrient absorption. Biostimulants also help plants adapt to changing conditions related to climate change.

In 2022, we successfully manufactured humus biostimulant products on a pilot scale, agreed on the industrial production of the first product with our partner Lapuan Peruna, and prepared detailed plans to complement the production plant. We also expanded our biostimulant-related product development efforts to cover new plant-based raw materials. 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. For example, a by-product of the humus biostimulant is suitable for both biocoal production and soil conditioning. ●



NOVACTOR AIMS TO BECOME A LEADING PLAYER IN THE EUROPEAN ACTIVATED CARBON MARKET

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 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 and logistics functions, as well as the development and implementation of the Group's sustainability strategy, including 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 focus of Peat Operations is on ensuring the availability of peat in the changed global situation

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. During the past 3–4 years, the Peat Operations organisation has focused particularly on reducing fixed costs due to the declining demand outlook for energy peat. The outbreak of war in Ukraine in February 2022 significantly changed our plans regarding peat production, forcing us to reverse the decision we had made in late 2021 to discontinue the production of milled fuel peat. During spring 2022, as a result of a great deal of effort, we were able to ensure an adequate number of peat production entrepreneurs for production in summer 2022. However, due to the poor weather conditions, the production of energy peat and horticultural peat in Finland came to only 66 per cent of the target. Production in Sweden and Estonia exceeded the targets. Fixed expenses in Peat Operations developed favourably, and progress was made in line with targets with regard to the closure





of unnecessary energy peat production sites and the dismantling of the production structures. In the management of raw material assets, the focus was on assessing the needs of growing business operations and the development of quality, and an assessment of reed canary grass production opportunities. In sustainability, the focus was on increasing responsible peat production (RPP) certification to support the export of horticultural peat, transitioning old peat production areas to subsequent land uses, as well as the restoration of selected sites through wetland development and reforestation.

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. The impacts of the pandemic and the war in Ukraine were reflected in the availability of vehicles and a sharp increase in transport costs, which was particularly due to higher fuel prices. In spite of these challenges, customer service and logistics operated at a level that was satisfactory to customers in 2022. Efforts to increase the efficiency of peat logistics continued through the use of larger loads. The

steep increase in the cost of international sea shipping required continuous cooperation with the logistics organisation, factories and the sales function in 2022. Nearly all of the Group's transport agreements were renegotiated in late 2022. The reporting of logistics emissions was developed further as part of the Group's sustainability programme.

Cost pressure on the Group's purchasing activities

We manage and develop Neova Group's purchasing activities with a comprehensive approach, which plays a significant role improving cost efficiency. Our success in contract negotiations in 2022 was satisfactory in spite of the tremendous cost pressures in all purchasing categories caused by the changed global situation. The use of the strategic purchasing system was expanded and a Group-wide sustainable purchasing programme was initiated.

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 operate. In 2022, 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

By taking a customer-driven approach and using a management system that complies with the ISO 9001 quality management, ISO 14001 environmental management and ISO 45001 occupational health and safety standards, we 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 work-

place safety and developing a proactive and caring safety culture. We continued to systematically improve our occupational safety culture in 2022 through training, campaigns and risk analyses. We achieved a very significant improvement in lost-time accidents compared to 2021. In 2022, we did not have any lost-time accidents in Finland or Estonia, and accidents in the Netherlands decreased by 40 per cent. We continued to develop our ISO certification by expanding the scope of ISO 14001 and ISO 45001 certification throughout the Group.

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 have been engaged in sustainability efforts by incorporating sustainability targets into the remuneration system.

During 2022, we implemented comprehensive and systematic measures to promote the medium-term (2025) and long-term (2030) targets of our revised sustainability strategy in the areas of both environmental and social responsibility. ●



GROUP SERVICES



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.



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 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.



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

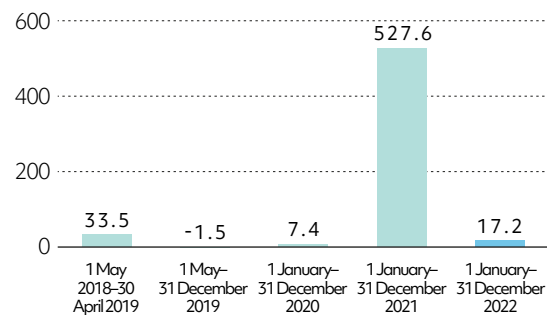
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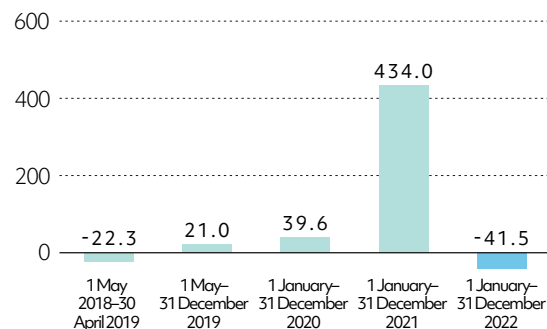
FINANCIAL STATEMENTS 1.1.-31.12.2022

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 the Grow&Care division and the Fuels&Real Estate Development division is significantly influenced by weather conditions and the success of the previous summer's peat production. The demand for Kekkilä-BVB's products declined from the previous year, and inflationary increases in shipping and material costs had a negative effect on relative profitability. In the energy fuels business, the demand for biofuels developed very favourably, and the demand for energy peat also recovered to the previous year's level, having declined by 20 per cent annually in the preceding years. The operating profit for the financial year was EUR 17.2 million (EUR 527.6 million). The operating profit for the comparison period was significantly influenced by divestments.

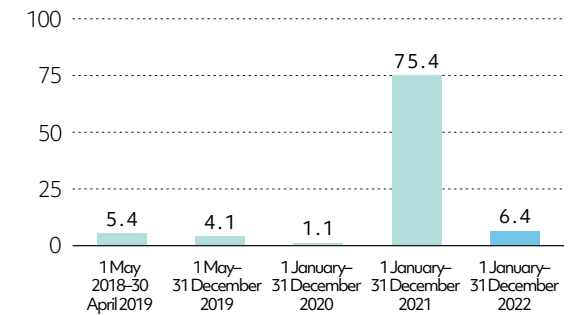
Free cash flow before taxes, EUR million



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 2022 amounted to EUR -41.5 million (EUR 434.0 million in January-December 2021). Gross investments for the financial year amounted to EUR 167.5 million (EUR 84.6 million in January-December 2021). Net investments (gross investments – asset purchases/sales) totalled EUR 136.7 million (EUR 77.7 million).

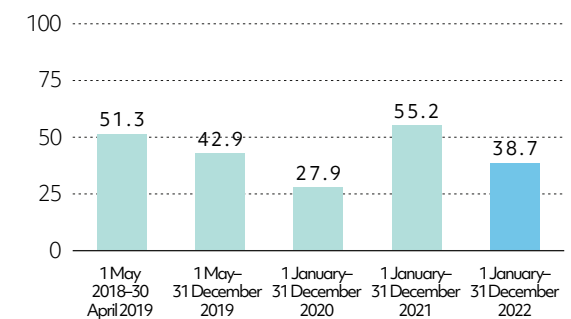
Return on invested capital (ROIC) is the main indicator of profitability in Neova's capital-intensive industries as it takes invested capital into account in addition to operating profit. ROIC reflects the company's ability to create shareholder value, meaning that it should be higher than the weighted average cost of capital (WACC). At the end of the financial year, Neova's return on invested capital before impairment was 6.4 (72.8) 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 company's equity ratio stood at 38.7 (55.2) per cent. The equity ratio decreased due to significant investments.

Equity ratio %



BOARD OF DIRECTORS OF NEOVA OY

Chairman of the Board of Directors

Panu Routila

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

Relevant concurrent positions of trust:

Chairman of the Board:

Patria Oyj,
Oriola Oyj,
Fortaco Oy,
Fifax Oy.

Member of the Board:

Ambientia Oy,
Conficap Oy,
Ensto Oy,
Famifarm Oy.

Relevant work experience:

Konecranes Oyj, President
and CEO 2015–2019.
Ahlström Capital Oy,
CEO 2008–2015.

Kuusakoski Alteams,
CEO 2002–2007.
Outokumpu, Divisional
Director 1995–2002.

At Neova:

Chairman of the Board of
Directors 2022–
Member of the Board of
Directors 2021–

Vice Chairman of the Board of Directors

Markus Tykkyläinen

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

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

Relevant concurrent positions of trust:

Chairman of the Board:

Lumme Energia Oy,
Elvera Oy.

Member of the Board:

Ravera Oy,
Etelä-Savon Kauppakamari,
KymppiVoima Tuotanto Oy,
KymppiVoima Hankinta Oy,
The Finnish Energy Industries.

Relevant work experience:

Lumme Energia Oy,
Managing Director 08/2017–
04/2018, 02/2022–11/2022,
Joutsan Lämpö Oy, Managing
Director 6/2020–3/2022.

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/Grangine
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. 1968, M.Sc. (Econ.)

Managing Director, Vaasan
Sähkö Oy 17 September 2018–

Relevant concurrent positions of trust:

Member of the Board:

EPV Energia,
Power-Deriva Oy,
Ravera Oy,
Woima Corporation.

Deputy member of the Board:

Pohjolan Voima

Member of the Advisory Committee:

Fingrid

Relevant work experience:

Wärtsilä Finland Oy, Managing
Director 2012–2018.

Wärtsilä Corporation, Vice
President, Business Development
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. 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–
9/2016.

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–

Jari-Pekka Punkari

b. 1965, M.Sc. (Econ.)

Ministerial Adviser,
Prime Minister's Office

Relevant concurrent positions of trust:

Member of the Board:
Leijona Catering Oy

Relevant work experience:

Skaala IFN Oy, Managing
Director, 2019–2020.
Talokeskus Yhtiöt Oy,
Managing Director 2016–
2019.

Skaala Oy, Managing
Director 2011–2016.
GS-Hydro Oy, Chief Financial
Officer 2008–2011.

Kone Corporation, Vice
President 2006–2008.
Kone Corporation, various
managerial positions
1991–2006.

At Neova:

Member of the Board of
Directors 2022–

Kirsi Puntila

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

Senior Vice President, Spirits
and International Business,
Anora Group Oyj

Relevant work experience:

Altia Oyj, Senior Vice
President, Marketing
2014–2021.

Altia Oyj, Spirits Category
Director 2015–2016.

Marketing Director, own
brands, Altia Oyj 2014–2015.

Global Marketing Manager,
The Absolut Company/
Pernod Ricard 2010–2014.

Global Senior Brand
Manager, Chivas Brothers/
Pernod Ricard 2006–2010.
Member of Marketing
Executives Group Inc (MJR)
2016–.

At Neova:

Member of the Board of
Directors 2018–

Eeva-Liisa Virkkunen

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

Relevant concurrent positions of trust:

Chairman of the Board of
Directors and member of the
Audit Committee:

Sotkamo Silver AB

Deputy Chairman of the
Board of Directors and
Chairman of the Audit
Committee:

Turun Tunnin Juna Oy

Member of the Board of
Directors and the Audit
Committee:

Robit Oyj

Relevant work experience:

Metso Oyj, SVP, Group
Finance and Control
2014–2020.

Metso Minerals Oy, SVP,
Finance and Administration
2007–2014.

Metso Automation Oy, SVP,
Finance and Administration
2002–2007.

Rettig Group, CFO
1999–2002.

Sandvik Mining and
Construction, VP, Finance
1995–1999.

Huhtamäki Oyj, Leaf, CFO
1992–1995.

Huhtamäki Oyj, Controller,
Germany, UK and Switzerland
1984–1992.

At Neova:

Member of the Board of
Directors 2022–
Chairman of the Audit
Committee 2022–

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

CORPORATE GOVERNANCE STATEMENT 2022

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 Grow&Care division, the Fuels&Real Estate Development division, the New Businesses division, the Supply Chain Management function and the Group Services function. The Grow&Care division specializes in growing media, recycling, the wholesale of peat raw material and the production and sale of bedding peat. The Fuels&Real Estate Development division specializes in the production of solid fuels as well as developing of land owned by Neova for subsequent land uses such as wind and solar power. The New Businesses division consists of Neova Innovation that focuses on the development of new products from peat and other natural materials and Novactor, which is a forerunner in the activated carbon market.

The Supply Chain Management function is responsible for Group wide peat asset management and peat production and supply, strategic and tactical management of sourcing & logistics and Group wide sustainability management and development including occupational

Neova Group Corporate Governance

Corporate Governance (CG)

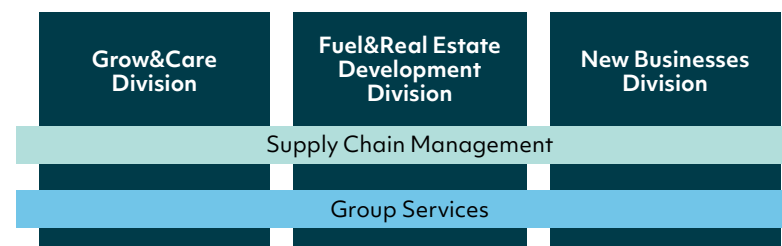
Auditing



Neova Group Structure

Neova Group Structure (Legal Companies)

Leadership and Management Teams



safety, environment and quality management for each of the Group's divisions and sustainability reporting. 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 shall be 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.

FY2022 Neova Oy's Annual General Meeting was held in Helsinki on 29 March 2022. The Annual General Meeting resolves on e.g. the adoption of the financial statements, distribution of dividends, remuneration and election of Supervisory Board members, Board members and the auditor as well as granting of discharge from liability to the Supervisory Board members,

Board members and the CEO. All shares and votes were represented at the General Meeting. In addition one Extraordinary General Meetings was held on 14 March to resolve on a EUR 50,000 donation to the humanitarian crisis in Ukraine.

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.

| Name | Attendance in the meetings 2022 |
|---|---------------------------------|
| Juha Sipilä (b. 1961) Chairman, Member of Parliament 01/2020- | 3/3 |
| Heikki Miilumäki (b. 1946) Vice Chairman D.Sc. (Tech.)(h.c.) 9/2009- | 3/3 |
| Harri Hietala (b. 1958) Member, Master of Laws 3/2022- | 2/2 |
| Antti Häkkänen (b. 1985) Member, Member of Parliament 10/2019- | 3/3 |
| Eero Kubin (b. 1948) Member, Professor 9/2009- | 0/3 |
| Esko Kurvinen (b. 1952) Member, Engineer 9/2009- | 3/3 |
| Tommi Lunttila (b. 1976) Member, agricultural and forestry entrepreneur 8/2014-3/2022 | 1/1 |
| Mauri Peltokangas (b. 1966) Member, Member of Parliament 10/2019- | 3/3 |
| Jenni Pitko (b. 1986) Member, Member of Parliament 10/2019- | 3/3 |
| Piritta Rantanen (b. 1962) Member, Member of Parliament 10/2019- | 3/3 |
| Tiina Snicker (b. 1966) Member, Financial Manager 8/2014-3/2022 | 1/1 |
| Mikael Venäläinen (b. 1971) Member, M.Sc. (econ.) 3/2022- | 2/2 |

FY 2022 Neova Oy's Annual General Meeting held on 29 March 2022 appointed the following as members of the Supervisory Board: Harri Hietala, Antti Häkkänen,



Heikki Miilumäki, Eero Kubin, Esko Kurvinen, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen, Juha Sipilä and Mikael Venäläinen. Juha Sipilä was appointed as Chairman and Heikki Miilumäki as Vice Chairman. The Supervisory Board convened three times during the financial year 2022. The members' attendance in the meetings of the Supervisory Board is shown in the table below. Key themes and issues dealt with by the Supervisory Board included security of supply related matters.

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](#).

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 realization of diversity issued

| Name | Member of the Board of Directors | Attendance in the meetings FY2022 | Member in Committees and attendance in the meetings FY2022 | |
|--|-----------------------------------|-----------------------------------|--|-----------------------------------|
| | | | Audit Committee | Personnel Committee |
| Panu Routila, b. 1964, M.Sc. (Econ), Professional Board Member | 7/2021–Member 2022–Chairman | 16/16 | Member 7/7 | Chairman 3/2022–5/5 Member 2/2 |
| Jan Lång, b.1957, M.Sc. (Econ.), Professional Board Member | 2015–3/2022 Chairman | 4/4 | | Chairman –3/2022 2/2 |
| Markus Tykkyläinen, b. 1973, M.Sc. (Eng.), M.Sc. (Econ.), eMBA, Managing Director, Suur-Savon Sähkö Oy | 2016–Member 2017–Vice Chairman | 16/16 | Member 7/7 | |
| Stefan Damlin, b. 1968, M.Sc. (Econ.), Managing Director, Vaasan Sähkö Oy | 2020–Member | 16/16 | | Member 7/7 |
| Tuomas Hyyryläinen, b. 1977, M.Sc. (Econ.), Executive Vice President, Fiskars Oyj | 2016–Member | 16/16 | Member 7/7 | |
| Vesa Hätilä, b. 1969, M.Sc. (Eng.), MBA, CBM, Managing Director, Seinäjoen Energia Oy | 2020–3/2022 Member | 4/4 | | Member –3/2022 2/2 |
| Jari-Pekka Punkari, b.1965, M.Sc (Econ.), Negotiating Officer Prime Minister's Office | 3/2022–Member | 12/12 | | Member 3/2022–5/5 |
| Kirsi Puntila, b. 1970, M.Sc. (Econ.), Senior Vice President, Anora Group Oyj | 2018–Member | 16/16 | | Member 7/7 |
| Maija Strandberg, b. 1969, M.Sc. (Econ.) Senior Financial Councillor Prime Minister's Office | 2019–3/2022 Member | 4/4 | Chairman –3/2022 2/2 | |
| Eeva-Liisa Virkkunen b. 1957, M.SC (Econ.), Professional Board Member | 3/2022–Member | 12/12 | Chairman 3/2022–5/5 | |

by the Ownership Steering Department of the Finnish Prime Minister's Office and the General Meeting has appointed a Shareholders' Nomination Board to prepare matters pertaining to the appointment and remuneration of the Board of Directors.

Neova Oy's Board of Directors sees to the administration of the company and the

appropriate organization 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 Asso-

ciation, 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 organizes 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 2022 At Neova Oy's Annual General Meeting held on 29 March 2022, Stefan Damlin, Tuomas Hyyryläinen, Jari-Pekka Punkari, Kirsi Punttila, Panu Routila, Markus Tykkyläinen and Eeva-Liisa Virkkunen, were appointed to the Board of Directors. Panu Routila was appointed as Chairman and Markus Tykkyläinen as Vice Chairman.

The Board of Directors convened 16 times during the financial year 2022. 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 impact of the war in Ukraine on the company's business and profitability as well as the market, enterprise risk management, fuel peat demand and availability, security of supply, 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, changes in the Group structure, changing the financial reporting to quarters, accounting policies, sustainability, reviewing the 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 and Jari-Pekka Punkari are not independent of major shareholders as they are 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](#).

Shareholders' Nomination Board

The Annual General Meeting held on 29 March 2022 resolved to establish a Shareholders' Nomination Board and approved its charter. The main task of the Shareholders' Nomination Board is to prepare a proposal for the composition, election and remuneration of the Board of Directors of the Company.

FY2022 The Annual General Meeting held on 29 March 2022 resolved to elect Pekka Hurtola as Chairman and Rami Vuola as member of the Shareholders' Nomination Board and that no remuneration will be paid to the members of the Shareholders' Nomination Board.

The Shareholders' Nomination Board convened four times during the financial year 2022. All members attended all meetings.

In its meetings, the Shareholders' Nomination Board dealt with Board member selection and preparing the Board composition and Board remuneration proposals for the Annual General Meeting.

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 2022 The Audit Committee convened seven times during the financial year 2022. 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 the EU Finance Taxonomy proposal, changes to the Group structure, 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 Remuneration Policy is subject to advisory vote by the Annual General Meeting.

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 2022 The Personnel Committee convened six times during the financial year 2022. 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 and personnel survey results.

Principles regarding the diversity of the Board of Directors

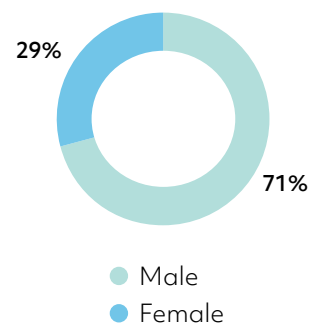
In accordance with the Government Resolution on State Ownership Policy, the key criteria in proposing candidates for Board membership include experience and expertise, assurance of the capacity for cooperation and diversity of competence as well as compliance with the gender equality objectives established by the Government. The State ensures that both genders are adequately represented on the boards of directors of companies.

Board diversity assessment

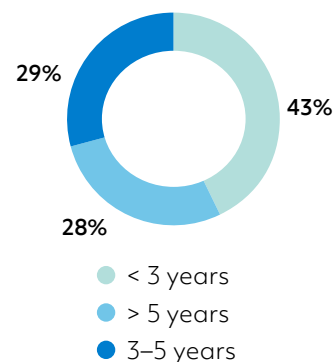
The Board seeks to ensure that it maintains an appropriate balance of independence of judgment and diversity, including gender, to promote effective dialogue and challenge, and objective decision making. The Board also pays

Board diversity

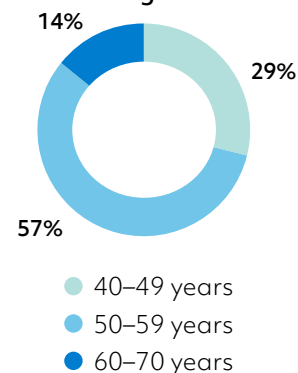
Gender



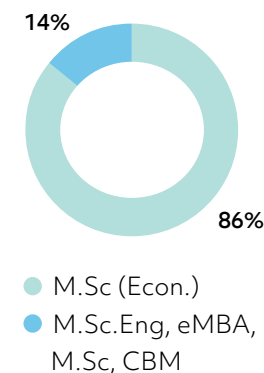
Tenure



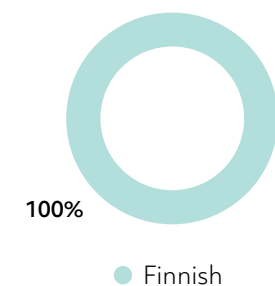
Age



Education



Nationality





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 seven 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 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 2022 During the financial year 2022, the members of the Group Management Team – in addition to the CEO as Chairman – were the following: Jukka Holm (Chief Information Officer, CIO), Petri Järvinen (Chief Supply Chain and Sustainability Officer, SCM), Pasi Koivisto (Director, Fuels), Peter Jan Kuiper (COO Grow&Care, as of 18 February 2022), Jaakko Myllymäki (Business Area Director, Novactor), Ahti Martikainen (Director, Communications and Public Affairs), Juha Mäkinen (Director, Grow&Care Division, until 18 February 2022), 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 11 times during the financial year 2022.

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.

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 organization of internal control.

Internal control applies to the entire organization 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 realization 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 organization and is conducted on all organizational 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 authorizations, 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 centers and business functions. The implementation of control is the responsibility of business controllers assigned to business areas and profit centers 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 organizing 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 organization from the perspective of business targets and identified material business risks.
- Supports the organization 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 organization's internal instructions.
- Prevents risks of misconduct.

The aforementioned is implemented by providing assessment and assurance services independent of the business organizations' 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 organization 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 organize 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 organized so that the parent company's responsible auditor appointed by the Annual General Meeting carries out its auditing through its own international organization or network throughout Neova Group and is responsible for auditing throughout the Group.

Since 30 March 2021, Neova's auditor has been PricewaterhouseCoopers Oy, Authorized 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 2022 amounted to EUR 439 thousand (EUR 539 thousand in 2021 including EUR 34 thousand invoiced in 2022) and consulting fees totalled EUR 350 thousand (EUR 255 thousand in 2021).

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 2022 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

Europe's energy crisis, accelerating inflation and rising interest rates significantly changed the operating environment and profitability of different businesses.

The increase in energy, fertiliser, interest and logistics costs, as well as the return of demand to pre-COVID19 levels, clearly weakened the demand for the Grow&Care division's products and overall profitability. Correspondingly, increased demand through the security of energy supply for fuels significantly improved the profitability of the Fuels&Real Estate Development division.

In Kekkila-BVB's operating environment, the most significant change was the decrease in demand in the entire gardening market. Demand for consumer goods started to decline in all European markets. The reasons for this included the return of the additional demand brought by the pandemic to pre-pandemic levels, when consumers were able to travel again in their leisure time. At the same time,

accelerated inflation, rising interest rates and energy costs cut consumers' purchasing power. In an increasingly competitive environment, the consumer side was not able to pass on all of the increased costs to the prices of end products quickly enough, which reduced the profitability of the business.

In professional growing media, Kekkila-BVB's customers have suffered significantly from rising energy costs. The most significant cost items in greenhouses are heating, fertilising and lighting. Many garden entrepreneurs decided that at this cost level, in the coldest and darkest months, they would either not cultivate at all or slow down growth with less heat and light. This is directly reflected in the fall in demand for growing media in the professional growing media sector.

We were able to react quite well to the increased costs in professional growing media products, but we were not able to fully pass on all additional costs to customer prices, which reduced our relative profitability. However, a more significant reason for the decrease in profitability was that we were prepared for higher demand than actually materialised. In order to improve

our profitability, we need to accept that the market is currently in decline and we need to adjust our operations.

Even though the volumes we delivered were clearly lower than in the previous year, active pricing allowed us to increase our turnover by 13% compared to the previous year. However, the lower volumes led to an increase in the unit cost of production and a decrease in profitability. Restoring profitability to a much higher level is one of the main targets for 2023, in addition to the development of new sustainable raw materials.

Horticultural peat production was successful in the summer of 2022, especially in Sweden and Estonia, and we managed to raise enough raw material for our own plants in addition to expanding the sustainable raw material base.

Position as Europe's leading company strengthened

Already when established in 2018, Kekkila-BVB was the leading company in the European growing media market. During the COVID-19 pandemic, consumers across Europe, in particular, bought more and more products related to home cul-

tivation and gardening year by year. The pandemic also taught us that locally produced fresh food plays a very important role, which also increased professional farmers' purchases from Kekkila-BVB.

Kekkila-BVB implemented its growth strategy in 2022 by completing three separate projects. During the year, Neova acquired a 30 per cent minority shareholding in Kekkila-BVB, and now Kekkila-BVB Oy is a wholly-owned subsidiary of Neova Oy.

During the year, Kekkila-BVB integrated into its business the Brill companies acquired from Germany at the beginning of the year, including a growing media factory, its own port and a sales company in France. The integration has now been completed, and the Brill entity increased Kekkila-BVB's turnover by approximately EUR 26 million and improved the company's competitiveness in both supply and sales capacity in the important Central European markets. The third project was the acquisition of Algomin AB in Sweden in the autumn of 2022. The transaction provided significant new market share in Sweden in the field of garden fertilisers for consumers.



The energy crisis pushes up fuel prices and demand

Russia's invasion of Ukraine in February 2022 had a significant impact on the Neova Group. As a result of the war, energy imports from Russia to Finland nearly ceased in spring 2022. This was immediately reflected in significant price increases in the electricity and fuel markets. Despite record-high prices for emission allowances, Neova's energy peat stockpiles from previous years were now more in demand than supply. The cessation of imports of energy chips, pellets and sawdust into Finland and the Baltic countries increased the demand for all fuel wood and caused an outright shortage of wood pellets on the market.

In the new situation created by the war, Neova reversed its decision made the previous autumn to discontinue the production of energy milling peat in Finland in March. In the summer of 2022, due to bad weather conditions and the late start of production, energy peat production was only slightly more than a million cubic metres, but with the help of the old stockpiles, Neova was able to meet the needs of its large customers during the current heating season and also deliver energy peat to security of supply stockpiles.

In 2022, Neova completed a transaction in which its fuel wood business and Biowatti Oy, owned by Lassila & Tikanoja, merged to form Laania Oy, of which Neova owns 45 per cent.

The changes seen in the energy market led to clearly better-than-expected results in the Neova Group's fuel businesses, outperforming the previous year. However, the improvement in sales and financial performance was based on old stockpiles, so we do not see similar energy fuel volumes in the current and future years.

Neova plans to produce energy peat next summer as well, but this does not mean a change in the long-term strategy. We will produce energy peat for our customers and security of supply stockpiles against pre-orders. We will continue to do this for as long as it is necessary for the functioning of our energy customers. Our view is that the change in the energy market caused by the war extended the role of energy peat as part of Finland's energy mix for a few years, but by 2030, the use of energy peat in Finland will be very limited.

Neova's strategic priorities are the profitable growth of Kekkilä-BVB in the international growing media market and the development and production of new high added-value products from peat and other natural materials. A good example of this is Novactor's activated carbon production plant.

In order to enable Neova to operate efficiently and reliably in different markets and in different roles, the company reorganised its business operations at the end of the year. Vapo Terra Oy was

established, and sales of energy peat, all commitments and agreements related to Finland's security of supply, the operation of energy pellet plants and sales of energy pellets were transferred at the end of the year. Vapo Terra will continue real estate development activities, in which key actions include increasing the value of land assets by developing, alone and with partners, wind and solar power projects, among others, as well as the realisation of land assets that the Group does not need.

New business activities

The Group proceeded as planned with regard to new businesses. The warranty repair of Novactor's activated carbon plant in Ilomantsi was carried out both on schedule and financially according to plan. The trial operation of the plant began in January 2023 and it is scheduled to be in full production in the second quarter of the year.

Good progress has been made in the development of growth promoters, that is, biostimulants. The results of cultivation experiments in Finland, Europe and Africa have been encouraging. It will be decided this year whether we will invest in a new production plant and start the industrial production of biostimulants.

The rise in interest rates was already clearly visible in the real estate market in autumn 2022. The realisation of land assets will decrease, and the focus will be

on our own real estate development projects. We believe that licensing wind and solar power to areas taken out of peat production will be the best way to increase the value of our land assets in the future.

Sustainability as a priority now and in the future

Neova Group's aim is to create net positive green growth through its products and services. In practice, this means that the added value created by our products and services for our customers and society as a whole always outweighs the environmental impact of their production.

Sustainability is strongly integrated into the management and continuous development of our business operations, in accordance with the changes in our business environment and the expectations of our stakeholders. 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, and sustainability is part of the incentive system for all of the Group's personnel.

During 2022, we implemented comprehensive and systematic measures to promote the medium-term (2025) and long-term (2030) targets of our revised sustainability strategy in the areas of both environmental and social responsibility.

Our environmental responsibility targets are focused on greenhouse gas emis-



sions, biodiversity, the circular economy and water. With regard to greenhouse gas emissions, we are three years ahead of our target of halving the CO₂ emissions of our own operations by 2025 (compared to the baseline in 2018). 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 transferring peat production areas taken out of production to subsequent land use and by taking restoration measures through wetlands and reforestation at select sites. During 2022, we launched a strategically important and extensive programme to increase the volume of recyclable raw materials, especially in our Kekkilä-BVB product portfolio.

With regard to social responsibility, our key priorities include promoting occupational safety, creating an excellent workplace, looking after employee well-being and ensuring the sustainability of sourcing. We are very serious about improving occupational safety in all of our operating countries, and our systematic work is yielding results. During 2022, we did not have any lost-time accidents in Finland or Estonia, and accidents in the Netherlands decreased by 40 per cent. In order to promote AN occupational safety culture and practices, the scope of ISO 45001 Occu-

pational Health and Safety Certification was expanded throughout the Group. Our work to create an excellent employee experience and build a trust-based corporate culture and a good workplace continued. We organised, for example, a significant amount of training related to the development of leadership, diversity, equality and inclusion. Neova has received the Great Place to Work® certification in four of our operating countries (Finland, Sweden, Estonia and the Netherlands) as proof of our comprehensive development of 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. During 2022, the importance of our social responsibility was emphasised following the onset of the war in Ukraine. We discontinued all of our operations related to Russia, reversed our decision to discontinue energy peat production in Finland and ensured our ability to use energy peat as a fuel to ensure the security of supply.

It is necessary to adapt to changes in the operating environment

This year's focus is especially on improving Kekkilä-BVB's profitability. When the entire industry is in a downturn, we need

to align our cost structure and product portfolio with the prevailing market situation.

Peat will continue to be an important raw material for us, but we have launched a multi-year project at Kekkilä-BVB to accelerate the growth of recyclable and renewable raw materials in our products. Currently, the share of renewable and recyclable raw materials is 27 per cent, and the aim is to double the volume of renewable raw materials by 2027.

In fuels, we will produce pellets to the extent that we can get raw material from the market. There have been and will be challenges here, as there is clear over-demand for wood, sawdust and cutter chips on the market. According to a study published in February 2023 (Afrý), the demand for solid fuels in Finland will exceed the supply in the next few years. There is a risk of wood ending up being incinerated. For this reason, we produce as much milled energy peat as weather conditions and the production area of approximately 20,000 hectares in Finland allow.

In real estate development, the focus is no longer on the realisation of land assets, but on projects aimed at increasing the value of land. Such examples include the licensing or leasing of areas for wind and solar farms, the growing of renewable growing media materials in old production areas, and planting of commercial or

carbon sequestration forests. In the field of new products, decisions will be made this year on possible additional investments in the production of activated carbon and biostimulants.

This year, the planning of operations will be under pressure from high inflation and interest rates, which anticipate at least some kind of recession in Europe, as well as increasing regulation and uncertainty in the ongoing legislative projects concerning peat in the EU. The most important thing to keep an eye on in 2023 is the sphere of the finance taxonomy and the EU's Fit for 55 legislative reform package. Even though the EU Sustainable Finance Taxonomy Regulation has hardly progressed at all yet, and peat is not classified as non-harmful or harmful, there are signs in the financial sector that it is becoming more difficult to finance companies that use peat.

Despite the challenges of the operating environment, we want to continue to play a role in enabling the production of healthy local food, especially in the growing European markets, and to be a company that contributes to ensuring the security of supply and delivery reliability of the Finnish energy sector.



BOARD OF DIRECTORS' REPORT 1 JANUARY-31 DECEMBER 2022

Operating environment

Predicting the changes in the operating environment in 2022 in advance was an impossible task. The budgets made at the end of the previous year, the forecasts of interest rates and inflation, as well as the whole view of the democratic world order, became irrelevant after Russia's invasion of Ukraine.

The war and the ensuing sanctions and embargoes significantly changed the entire European energy system. The exit and withdrawal of Russian energy from the European energy market had a huge impact on the economy. This was most clearly reflected in the rise in the prices of transport fuels and freight, rising gas and oil prices and even the scarcity of gas and oil, and, above all, the significant rise in the price of electricity and increasing price volatility.

In the big picture, Russia's invasion of Ukraine turned the long-running economic growth in Europe into a recession, raised the level of market interest rates by more than three percentage points, and triggered almost flat inflation to rise to nearly 10 per cent a year.

The Group's freight costs increased significantly already in 2021, and in 2022 by an additional EUR 25 million. The prices

of raw materials, such as fertilisers and packaging plastics, which are particularly affected by the rise in energy prices, also rose by up to several dozen per cent.

In spite of the price of emission allowances remaining at a record level of up to EUR 90 per tonne of carbon, the demand for all fuels available increased. The prices of chips, pellets and milled peat increased significantly, as demand on the fuel market exceeded supply when imports from Russia ceased.

The demand for growing media started to decline. This was due to the fact that after the end of the pandemic, consumers were able to travel again and amateur gardening returned to pre-pandemic levels. During the year, consumers' purchasing power weakened significantly due to, among other things, higher interest rates, higher energy prices and general price development caused by inflation. Among professional farmers in Europe, purchasing power declined mainly due to energy prices and higher fertiliser prices. The pandemic of the previous years substantially increased the demand for products aimed at amateur gardeners. In the course of 2022, this demand decreased almost to pre-pandemic levels.

Prices of emissions allowances and electricity at 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 on the market if they burn non-renewable fuels. During 2022, the prices of emissions allowances were nearly EUR 100 per tonne of carbon in August, and they remained clearly higher than in previous years throughout the year.

The war in Ukraine as a whole, and in particular the explosion of the Nord Stream gas pipeline in September, gave rise to fears of a shortage of natural gas in Europe. This was directly reflected in the price of natural gas and, as a consequence, in the price of electricity and electricity futures.

During the year, electricity prices in Central Europe and the Nordic countries rose to record-high levels, and the fluctuation of electricity prices has been exceptionally strong. On windy days, the price has even been negative, but on windless days, electricity has cost many times more than the record levels of previous years.

In the Nordic countries, the price of electricity has also been affected by the delay in the start-up of the Olkiluoto nuclear

power plant. In addition, there have been failures in Swedish nuclear power plants and the water situation in Norway and Sweden was poor. However, the most significant reason was the end of electricity imports from Russia to Finland and the Baltic countries. 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

The cost of road shipping increased by nearly 30 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 2022. This turned out to be highly advantageous, as the sea shipping volumes of horticultural peat to Europe grew considerably.

The prices of packaging materials continued to rise; for example, the prices of packaging plastics as much as doubled in 2021 and continued to rise in 2022. The higher costs of shipping and raw materials, with the combined increase exceeding EUR 60 million, could not 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 the extension of the taxonomy were expected during 2022, but the preparation of this delegated regulation made little progress during 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.

Unfortunately, several financial institutions have started to anticipate the treatment of peat in the taxonomy and have tightened or stopped lending to peat companies based on the ongoing reform of the finance taxonomy.

Neova Group

The Group's profit for the financial year 1 January–31 December 2022 weakened clearly year-on-year and amounted to

EUR 18.6 million (EUR 501.5 million). The profit for the comparison period was improved by a significant non-recurring gain of approximately EUR 507 million from the sale of Nevel.

The Group's reported turnover grew by approximately six per cent year-on-year and amounted to EUR 544.9 million (EUR 514.6 million). The increase in turnover was mainly due to inflationary price increases related to the Grow&Care division and acquisitions. Turnover growth in the Grow&Care division was approximately 13 per cent.

The Group's operating result was EUR 29.2 million. The comparable result decreased from the previous year's level to EUR 20.5 million (EUR 22.8 million). The development of the comparable result was influenced by the strong demand for energy fuel products and the continued efficiency improvement measures taken throughout the Group. The result was negatively impacted by the decrease in the demand for Kekkila-BVB products and the increased freight transport and material costs.

Operating cash flow (free cash flow before financial items and taxes) amounted to EUR -41.5 million (EUR 434.0 million) for the financial year. The cash flow was significantly affected by the redemption of minority interests in Kekkila-BVB and investments in Finland, Germany and Sweden. The Group's equity ratio stood at 38.7 per cent (55.2 per cent) at the end

of the financial year, while the ratio of net debt to operating margin was 3.0 (6.1).

As the demand for energy peat increased, Neova re-measured the energy peat fixed assets, the positive impact of which, EUR 12.1 million, is presented in the reported operating result for the financial year 2022 as a positive item affecting comparability.

Neova Group's Grow&Care division had a strong year in terms of sales. The division's turnover totalled EUR 382 million, representing year-on-year growth of 13 per cent. The majority of organic volume growth came from professional growing media products outside Europe.

The division's operating margin decreased from the previous year, as did its relative profitability. As a result of the decrease in demand, unit production costs increased and not all of the higher production and logistics costs could be fully passed on to end product prices, in spite of price increases.

Right at the beginning of 2022, Kekkila-BVB acquired the German companies Brill-Substrate and Brill Logistics. The acquisition strengthened Kekkila-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 Kekkila-BVB's position

as a leading player in its industry in Europe.

Neova announced another strategic transaction in December 2021, 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 were transferred to the company from Neova. Neova owns 45 per cent of the new company, with Lassila & Tikanoja owning 55 per cent. The transaction was subject to approval by the competition authorities, and the transaction was completed on 1 July 2022.

In the new businesses, Novactor's activated carbon production plant was completed in Ilomantsi during 2021–2022 and industrial operations will start in early 2023. There is still 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 improve plant growth and plant resilience in outdoor cultivation and make arable crops more resilient against drought, for example. Neova's biostimulants have been tested at experimental plantations in Finland and Italy. The aim is to make a decision on the industrial production of biostimulants by the end of 2023.



Developments by business segment

Neova's segment structure changed on 1 January 2022. The Group changed the composition of its reporting segments by transferring the business activities of Nevel, which was sold in January 2021, to the other activities segment on 1 January 2022, and by forming a new reporting segment that comprises the Group's fuel businesses, the management and optimisation of the Group's land and real estate assets, and the business functions responsible for wind and solar power projects.

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

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 the domestic

markets but also the global markets with exports to more than 100 countries.

Turnover in the final third of the financial year was EUR 88.7 million (EUR 86.2 million). The operating margin was EUR -1.9 million (EUR 3.8 million) and the operating profit was EUR -10.9 million (EUR -3.8 million). Gross investments were EUR 29.1 million (EUR 20.0 million).

Turnover for the full financial year was EUR 381.2 million (EUR 338.6 million). The operating margin was EUR 26.6 million (EUR 32.2 million) and the operating profit was EUR 2.6 million (EUR 11.0 million). The operating result included non-recurring items in the amount of EUR -1.2 million (EUR -0.9 million). Gross investments were EUR 65.6 million (EUR 37.5 million).

The Grow&Care division implemented its growth strategy by completing two significant acquisitions in 2022: Brill Substrate and Brill Papenburg Logistics in the early part of the year and Algomin in the late part of the year. The division's turnover continued to grow year-on-year, but the division's business as a whole did not meet expectations in 2022, as its volumes began to decrease.

In 2022, demand for growing media products for professional farmers and consumers returned to pre-pandemic levels. Over the past two years, many raw material costs and, above all, logistics costs have risen by several dozen per cent. Russia's invasion of Ukraine significantly raised the price of energy throughout

Europe, which contributed to the rise in inflation. All these factors have affected the costs for professional farmers and have weakened the purchasing power of consumers in all of Kekkila-BVB's European markets. Kekkila-BVB increased product prices during 2021 and 2022, which partly compensated for the increase in logistics costs and raw material prices. The sufficiency of the division's horticultural peat has been secured as horticultural peat production has succeeded well, especially in Sweden and Estonia.

Fuels&Real Estate Development

The Fuels&Real Estate Development 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. In addition to operating in the fuel business, the division develops land owned by Neova for subsequent land uses, such as wind and solar power.

The Fuels&Real Estate Development division's current business units correspond to different types of fuel: pellet, energy peat and wind and solar power. Slightly under one half of the division's turnover was derived from renewable biofuels in 2022.

Turnover in the final third of the financial year (September–December) was EUR 62.9 million (EUR 58.6 million). The operating margin for the reporting period was EUR 14.2 million (EUR 10.2 million) and the operating profit was EUR 24.9 million

Grow&Care

| | 9-12/ 2022 | 9-12/ 2021 | Change | 1/2022- 12/2022 | 1/2021- 12/2021 | Change | 1/2020- 12/2020 |
|--------------------------------|---------------|---------------|---------|--------------------|--------------------|--------|--------------------|
| Turnover (EUR million) | 89.2 | 86.2 | 3.5% | 381.2 | 338.9 | 12.5% | 299.9 |
| Operating margin (EUR million) | -1.9 | 3.8 | 604.3% | 26.6 | 32.2 | -17.4% | 32.3 |
| Operating profit (EUR million) | -10.9 | -3.8 | -197.2% | 2.6 | 11.0 | -76.3% | 14.0 |
| Investments (EUR million) | 29.1 | 20.0 | 45.5% | 65.6 | 37.5 | 75.0% | 25.4 |
| Personnel | 641 | 565 | 13.5% | 646 | 569 | 13.5% | 545 |



Fuels&Real Estate Development

| | 9-12/ 2022 | 9-12/ 2021 | Change | 1/2022- 12/2022 | 1/2021- 12/2021 | Change | 1/2020- 12/2020 |
|---------------------------------|---------------|---------------|---------|--------------------|--------------------|----------|--------------------|
| Turnover (EUR million) | 62.9 | 58.6 | 7.3% | 162.3 | 161.6 | 0.4% | 245.9 |
| Operating margin (EUR million) | 14.2 | 10.2 | 39.2% | 37.6 | 10.6 | 254.9% | 35.1 |
| Operating profit (EUR million) | 24.9 | -9.4 | 364.9% | 43.7 | 2.0 | 2,085.3% | -90.6 |
| Investments (EUR million) | -14.5 | -5.1 | -184.0% | 3.0 | -1.0 | 420.2% | 7.9 |
| Personnel | 189 | 225 | -15.9% | 215 | 234 | -8.1% | 246 |
| Energy sales, peat (GWh) | 3,346 | 1,872 | 78.7% | 9,708 | 5,515 | 76.0% | 6,992 |
| Energy sales, other fuels (GWh) | 277 | 1,417 | -80.5% | 3,691 | 3,606 | 2.4% | 3,161 |

(EUR -9.4 million). Gross investments were EUR -14.5 million (EUR -5.1 million).

Turnover for the full financial year was EUR 162.3 million (EUR 161.6 million). The operating margin for the full financial year was EUR 37.6 million (EUR 10.6 million) and the operating result was EUR 43.7 million (EUR 2.0 million). The operating result included non-recurring items in the amount of EUR +15.0 million (EUR -17.8 million). The significant non-recurring items mainly consisted of cancellations of value impairments of energy peat production areas due to the continuation of energy peat production. Gross investments were EUR 3.0 million (EUR -1.0 million).

The operating margin of the division's Fuels&Real Estate Development businesses for the final third of the financial year improved year-on-year. Occasion-

ally high electricity prices and the previously made derivative price hedging improved profitability. The high price of emissions allowances reduced the demand for energy peat. The importation of wood chips from Russia became subject to sanctions after Russia attacked Ukraine, which increased the significance of the security of supply and the use of domestic fuels in the production of heating energy and electricity, which partially mitigated the decline in the demand for energy peat. Customers replaced wood with energy peat due to the disruptions in the availability of imported wood fuels.

The poor peat production summer in Finland, cost increases caused by rapidly rising inflation both in raw material sourcing and in the production and supply chain weakened profitability. Due to the increased

demand for energy peat in the second and third thirds of the year, total comparable full-year fuel deliveries (including the wood fuels transferred to Laania Oy until 30 June 2022) grew by three per cent year-on-year. In real estate development, the development of decommissioned peat production sites into wind and solar farms progressed according to the project plans.

The energy peat business in Finland was transferred to a separate subsidiary, Vapo Oy, in early 2022. The divestment of the holding in Scandbio AB, a joint venture owned by the pellet business in Sweden, was completed during the financial year. The wood fuel businesses in Finland and Estonia were merged with L&T Biowatti Oy to establish the joint venture Laania Oy, which began its operations on 1 July 2022. At the beginning of 2023, the Fuels&Real Estate Development businesses in Finland were transferred to Vapo Terra Oy, a subsidiary owned by Neova Oy.

New Businesses

| | 9-12/ 2022 | 9-12/ 2021 | Change | 1/2022- 12/2022 | 1/2021- 12/2021 | Change | 1/2020- 12/2020 |
|--------------------------------|---------------|---------------|----------|--------------------|--------------------|--------|--------------------|
| Turnover (EUR million) | 1.6 | 1.1 | 46.1% | 5.0 | 3.0 | 64.3% | 2.4 |
| Operating margin (EUR million) | -2.0 | -1.5 | -31.5% | -4.1 | -4.5 | 8.6% | -2.9 |
| Operating profit (EUR million) | -2.4 | -1.7 | -35.2% | -5.1 | -5.1 | 0.2% | -3.3 |
| Investments (EUR million) | 21.4 | 1.2 | 1,714.6% | 25.0 | 10.4 | 140.8% | 28.0 |
| Personnel | 30 | 29 | 4.4% | 30 | 28 | 8.0% | 26 |

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. These 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 Carbons business, construction began in spring 2019 on a strategically significant production facility in Ilomantsi to process activated carbon. After the new activated carbon production facility was completed in 2021, defects were detected in the masonry structures, which made it necessary to rebuild the activation furnace. The demolition work was started at the beginning of 2022 and the reconstruction started in June 2022; the cold testing phase of the commissioning began at the beginning of September. Commercial production is expected to start in spring 2023. Production output from the first commissioning phase has been successfully delivered to end customers, and customer feedback on product quality has been very positive. The employment effect of the construction stage has exceeded 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 carbons are sold under the Novactor brand.

The operating loss for the final third of the financial year was EUR -2.4 million (EUR -1.7 million). Gross investments were EUR 21.4 million (EUR 1.2 million). The operating loss for the full financial year was EUR -5.1 million (EUR -5.1 million). The operating result for the financial year includes non-recurring items of EUR 0.0 million (EUR -0.1 million). Gross investments were EUR 25.0 million (EUR 10.4 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.

Other

| | 9-12/ 2022 | 9-12/ 2021 | Muutos | 1/2022- 12/2022 | 1/2021- 12/2021 | Muutos | 1/2020- 12/2020 |
|--------------------------------|---------------|---------------|---------|--------------------|--------------------|---------|--------------------|
| Turnover (EUR million) | -0.1 | 0.0 | -865.0% | 0.2 | 15.9 | -98.7% | 93.8 |
| Operating profit (EUR million) | -7.5 | -1.5 | -398.3% | -12.1 | 503.0 | -102.4% | 8.3 |
| Investments (EUR million) | 1.4 | 1.6 | -11.5% | 74.7 | 39.0 | 91.5% | 18.8 |
| Personnel | 66 | 77 | -13.6% | 68 | 91 | -25.3% | 214 |

The other activities segment's effect on the operating result for the final third of the financial year (September–December) was EUR -7.5 million (EUR -1.5 million). The other activities segment's effect on the operating result for the full financial year was EUR -12.1 million (EUR 501.6 million). The segment's operating result included non-recurring items, mainly restructuring costs, totalling EUR -5.0 million (EUR +507.9 million). The figures for the comparison year were significantly affected by the non-recurring recognition of income related to the sale of the subsidiary Nevel. Most of the costs associated with the transaction were presented in the financial statements for the final third of 2021.

Cash flow, investments and financing

The Group's free cash flow before taxes in the financial year 1 January–31 December 2022 amounted to EUR -41.5 million (EUR 434.0 million). The comparison year was affected by the sale of Nevel Oy's shares in early 2021, which had a significant positive effect on the Group's cash flow. The change in working capital affected cash flow by EUR 17.9 million (EUR -50.2 million).

Gross investments in the financial year were EUR 167.5 million (EUR 84.6 million), or 830.7 per cent (239.9 per cent) of the amount of depreciation. The most significant investments during the financial period concerned the Activated Carbons business. Investments were also made in

Kekkilä-BVB's capacity expansion and security investments, as well as environmental protection and field maintenance in peat production. Net investments (gross investments – asset sales) totalled EUR 136.7 million (EUR 77.7 million).

The Group's liquidity was 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 2022, the Group's liquidity reserves consisted of cash assets, short-term investments in fixed income funds and commercial papers totalling EUR 215 million. Of the EUR 50 million revolving credit facility (in force until 2025), EUR 20 million was drawn down by the turn of the year.

The Group's refinancing risk is managed by spreading the maturities of the loans sufficiently over the coming years. Long-term interest-bearing loans maturing over the next 12 months amounted to EUR 12 million, with lease liabilities representing EUR 8.5 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 140.0 million (EUR 11.2 million). The ratio of interest-bearing net debt to operating



margin (net debt/EBITDA) on 31 December 2022 was 3.0 (0.0). Short-term interest-bearing debt amounted to EUR 93.2 million (EUR 19.4 million). The equity ratio at the end of the financial year was 38.7 per cent (55.2%). At the balance sheet 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 3.0 per cent (2.6%), excluding lease liabilities recognised in the balance sheet.

The consolidated balance sheet total was EUR 810.3 million (EUR 780.9 million). The Group's net financing items were EUR -10.6 million (EUR -7.2 million), or -1.9 (-1.4) per cent of turnover. Net gearing was 45.0 (2.6) per cent.

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 business is cyclical to a significant extent also due to seasonal variation in the demand for heating. During the financial year under review, tempera-

tures were relatively cold during the cold months, which had a substantial positive effect on fuel sales both in the early part of the year and late in the year. 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 horticultural peat

With respect to horticultural 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 in growing media, 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 2023 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 happened already in 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 87 million in 2022. After three consecutive years of decline of about -20 per cent, the war in Ukraine caused a correction of about +10 per cent in 2022, which is an increase from the previous year. Energy peat has been primarily replaced by wood. 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 production facility in Ilomantsi in early 2023. This involves a mechanical functional risk as well as an 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 production plant 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 potential expansion of the situation in Ukraine would have impacts in the form of not only higher energy prices and the availability of energy but also the availability 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.



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 the weather concern the production volumes and quality of wood fuels and environmental products.

In summer 2022, peat production went as planned in Sweden and Estonia. Correspondingly, Finland fell slightly short of the production targets set.

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 2022 amounted to EUR 9.4 million (EUR 16.3 million), which corresponds to 1.7 per cent of turnover (3.2%). 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 envi-

ronments 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 oper-

ate. During 2022, we implemented comprehensive and systematic measures to promote the medium-term (2025) and long-term (2030) targets of Neova Group's revised sustainability strategy in the areas of both environmental 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 started the implementation of the Green Factory concept in our growing media, peat, moss, pellet, wood and activated carbon businesses. In 2022, we focused on external and internal communications concerning our environmental actions, reducing emissions into waterways and the climate, especially by transferring old peat production areas to subsequent land uses, restoration measures promoting biodiversity through wetlands and reforestation at select sites. In addition, we continued our work to increase the recyclability of packaging materials and reduce waste load and wastage.

Responsibly Produced Peat (RPP) certification was expanded in Neova Group (Finland, Sweden, Estonia) from 4,195 hectares (areas covered by environmental permits) to 5,600 hectares in response to the needs of Kekkila-BVB's customers.

Neova Group's active peat production areas (Finland, Sweden, Estonia) in summer 2022 totalled approximately 24,420 (21,162) hectares, with Finland accounting



for 17,596 (14,654) hectares of the total, including stacking areas. A total of 44 (296) hectares of new peatlands became ready for production in Finland, and 221 (4,696) hectares were released from production by the end of the financial year. A total of 125 (9) hectares were released from production in Sweden and 57 (1,284) hectares in Estonia.

With the onset of the war in Ukraine, we cancelled the decision to discontinue energy peat production in Finland and ensured sufficient peat production capacity. At the same time, we continued to adapt energy peat production capacity in Finland, and the closure of production areas was one of the key projects in the Group's peat operations in 2022. 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. At the end of the financial year, a total of 120 peat production areas were in the post-production aftercare stage. 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 Centres) conducted altogether 125 on-site inspections at Neova's peat production areas in 2022. Of these, 43 were

decommissioning inspections, 70 were regular inspections in accordance with the monitoring plan and 12 were other inspections.

A total of 3,149 (4,185) hectares of areas owned by the company were transferred to other land use methods from peat production operations in Finland during the financial year. A total of 2,906 (3,559) hectares were assigned for reforestation and 243 (626) 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 1,355 (2,062) 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.

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 2022 amounted to EUR 0.4 million (EUR 0.9 million) and were primarily related to improving and building water treatment structures at peat production sites. Excluding input from the company's own personnel, environmental protection costs for the financial year amounted to EUR 10.8 million (EUR 14.3 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 29 March 2022. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 January 2021–31 December 2021 and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved to pay a dividend of EUR 2,000 per share for the financial year that ended on 31 December 2021, corresponding to a total of EUR 60,000,000.

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, Mauri Peltokangas, Jenni Pitko and Piritta Rantanen were re-elected as members. Harri Hietala and Mika Venäläinen were elected as new members of the Supervisory Board.

The AGM approved the re-election of Stefan Damlin, Tuomas Hyyryläinen, Kirsi Punttila, Panu Routila and Markus Tykkyläinen as members of the Board of Directors. Eeva-Liisa Virkkunen and Jari-Pekka Punkari were elected as new members of the Board of Directors. Panu Routila was the Chairman of the Board of Directors, with Markus Tykkyläinen as Vice Chairman.

The audit firm PricewaterhouseCoopers Oy was elected as auditor, with Panu Vänskä, Authorised Public Accountant, appointed as the principal auditor.

The AGM resolved to establish a Nomination Committee of the Board of Directors, with Pekka Hurtola and Rami Vuola appointed as members.

Personnel

The Group employed an average of 927 (896) persons in the final third of the financial year. The average number of employees for the full financial year was 958 (922).

The codetermination committees of Neova Oy and Kekkila 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/ 2022 | 1-12/ 2021 |
|----------------------------------|---------------|---------------|
| Grow&Care | 646 | 569 |
| Fuels&Real Estate Development | 215 | 234 |
| New Businesses | 31 | 28 |
| Other activities | 68 | 91 |
| Total | 958 | 922 |



Occupational safety

Neova Group's safety team manages and develops our "safety first!" culture to prevent safety deviations and accidents through effective risk assessment, training of the personnel and provision of support to the business functions. In 2022, we carried out approximately 200 different risk assessments, safety inspections and walks.

In 2022, the Group's accident frequency (LTA1f: lost-time accidents per million working hours) decreased considerably compared to the previous year and was 4.5 (7.2).

We achieved our zero accidents target for all of our operations in Finland for the second time. In Estonian operations, the year 2022 was also accident-free. Kekkila-BVB implemented a comprehensive six-point action plan to improve safety. Particularly for Dutch operations, the effect was significant, decreasing the LTA1f frequency by 10.6 (18.7).

Most of our accidents – and serious accidents in particular – took place in production operations. During the past three years, 12 per cent of the incidents were classified as serious accidents or serious near misses: 9 incidents out of 75. However, none of these came close to being a fatal accident, and 57 per cent (54%) of the total number of accidents did not lead to lost time.

To improve and harmonise our safety culture, we started ISO 45001 Occupational Health and Safety certification

audits in 2022 in all our operations, focusing on our plants. We conducted a safety pulse survey on the level of our safety culture on a scale of 1 to 12, with a relatively good result of 9.2. In the same survey, we surveyed the training needs of our personnel relating to safety and well-being at work.

We paid special attention to fire and personal safety. We conducted a total of 48 (72) fire and chemical risk assessments at peat production areas. The number of fires in peat production decreased by 44 per cent compared to the previous year.

We also monitored accidents involving contractors in our operations and conducted accident investigations in cooperation with them. Due to the travel restrictions and restrictions of visits to our plants introduced in response to the COVID-19 pandemic, the number of safety observations decreased by 11 per cent from the previous year. The number of safety observations made totalled 2,585 (2,963).

Neova Group has zero tolerance for inappropriate conduct and discrimination, and all six incidents reported during the year were reviewed without delay. Local zero-tolerance training was held for both staff and supervisors in all of our operating countries, with a total of 165 participants. As part of our social responsibility strategy, we have decided on measures that will sharpen our approach with regard to diversity, equity and inclusion, and the way we talk about these topics. Our key

message is that we aim to operate in a more proactive manner, and we actively seek ways to increase diversity, equity and inclusion (DEI) in our operations.

Neova Group participated in the Great Place to Work personnel survey for the fourth time in 2022. The results indicate that our journey towards being a better place of work has still continued well. The management team has reviewed the results of the survey and open answers and has selected corresponding new common development goals. Teams also come up with development measures together. According to the survey, our employee experience improved by one percentage point in a year as our Trust Index measuring the employee experience was 71 per cent; in 2021 it was 70 per cent. Based on the results of the survey, Neova Group was awarded the Great Place to Work certificate in four countries: Finland, the Netherlands, Sweden and Estonia.

Changes in organisational structure

On 3 January 2022, Kekkila-BVB completed the acquisition of the German companies Brill Substrate and Brill Papenburg Logistics. The acquisition strengthened Kekkila-BVB's market position in the major European markets of Germany, Italy and France. The turnover of the acquired businesses was approximately EUR 25 million. The acquisition included a company-owned port and terminal area in Papenburg, Ger-

many. The strategically significant acquisition strengthened Kekkila-BVB's position as a leading player in its industry in Europe.

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 held a 50% stake. The buyer was the Swedish company Lantmännen ek. The transaction was finalised on 1 April 2022 after approval by the relevant authorities. The transaction has not had a material impact on Neova Group's result for the year.

On 21 February 2022, Neova Oy announced it had signed an agreement on acquiring a 30% minority interest in Kekkila-BVB Oy from Nielson Belegging en Beheer B.V. In connection with the transaction, Juha Mäkinen, CEO of Kekkila-BVB and a member of Neova's Management Team, left the company. Vesa Tempakka, CEO of Neova and Chairman of Kekkila-BVB's Board of Directors, was appointed as Kekkila-BVB's new CEO. At the same time, the company announced that Peter Jan Kuiper, COO of Kekkila-BVB, was appointed as a member of the Neova Group's Management Team. The changes took effect immediately. The transaction was completed on 1 July 2022 after the necessary approvals from the competition authorities were obtained.

On 1 July 2022, Neova Oy merged its fuel wood business with Lassila & Tikanoja Biowatti Oy to establish the joint venture



Laania Oy, which will continue the business. Neova Oy owns 45 per cent of the joint venture, with Lassila & Tikanoja owning 55 per cent. Laania Oy is a major bioenergy service company with a nationwide sales and procurement network. Its turnover amounts to approximately EUR 110 million, and it has about 120 employees in Finland and Estonia. Approximately 50 employees were transferred to Laania from Neova's fuel wood business in Finland, and approximately 10 employees in Estonia.

On 4 October 2022, Neova Oy announced that its Finnish business operations related to the security of supply and real estate development will be centralised in a newly established company named Vapo Terra Oy, which started its operations on 1 January 2023.

Neova Group's subsidiary Hasselfors Garden AB completed the transaction related to the acquisition of the Swedish Algomin AB and Algomin AS Norge on 10 November 2022. The acquisition will complement its product portfolio and strengthen its market position as the number one gardening brand in Sweden. Algomin's turnover is slightly over EUR 5 million, and it employs fewer than 10 people.

Board of Directors' proposal for the distribution of profits

In line with its dividend policy, Neova distributes dividends amounting to an average of 50% of the comparable profit

for the year. On 31 December 2022, the parent company's distributable funds amounted to EUR 226,532,826.17. There have been no substantial changes in the company's financial position after the end of the financial year. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 300.00 (EUR 2,000.00) per share be paid on the basis of the adopted balance sheet for 2022, making a total of EUR 9.0 million (EUR 60.0 million). The rest of the distributable assets shall be carried forward in retained earnings.

Events after the review period

On 8 February 2023, Neova announced that it would commence efficiency measures at Kekkila-BVB. The aim is to achieve approximately EUR 10 million in efficiency improvement measures over the next year.

On 9 February 2023, Neova announced the signing of the business of the Italian company Dueemme Marketing Spa. The entire business of the company will be transferred to the new company Kekkila-BVB Italy Srl.

Future outlook

Neova Group is one of the world's largest producers of growing media. Nevertheless, political decisions have a material impact on the profitability of nearly all of the company's businesses and therefore affect the company's ability to invest

in higher-added-value production. 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 Kekkila-BVB and a facilitator of cleaner water and air through the Novactor activated carbon business.

In the new financial year, the Kekkila-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 in spite of the temporary rise caused by the war in Ukraine, while the demand for bioenergy is expected to see strong growth.

Neova will continue the commercialisation of new business operations in the Activated Carbons business, as well as

researching further new business initiatives in the Innovation business. 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 during the first half of 2023. Innovation 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 and solar power projects. Further progress will be made in 2023 on selected projects.

As of the beginning of the financial year 2023, Neova will move to quarterly interim reports, which will be published as follows: Q1 2023 on 30 May 2023, Q2 2023 on 31 August 2023, Q3 2023 on 30 November 2023 and Q4 2023 during the ninth week of 2024.



Consolidated key figures

| MEUR | 9-12/2022 | 9-12/2021 | 1-12/2022 | 1-12/2021 |
|--|-----------|-----------|-----------|-----------|
| Turnover | 153.4 | 144.6 | 544.9 | 514.6 |
| Operating profit (EBIT) | 1.1 | -16.5 | 29.2 | 511.2 |
| % of turnover | 0.7 | -11.4 | 5.4 | 99.3 |
| Operating profit (EBIT) before impairment | -11.0 | -0.1 | 17.2 | 527.6 |
| % of turnover | -7.1 | -0.1 | 3.2 | 102.5 |
| Profit/loss for the period | 7.8 | -21.0 | 18.6 | 501.5 |
| Operating margin (EBITDA) | -1.7 | 11.6 | 46.8 | 562.8 |
| +/- Change in working capital | 30.8 | 0.4 | 48.4 | -51.1 |
| - Net investments | -41.2 | -16.2 | -136.7 | -77.7 |
| Free cash flow before taxes | -12.2 | -4.2 | -41.5 | 434.0 |
| Gross investments | 51.5 | 18.9 | -167.5 | -84.6 |
| Return on invested capital % * | | | 6.4 | 73.1 |
| Return on invested capital % before impairment * | | | 3.8 | 75.4 |
| Return on equity % * | | | 5.1 | 98.7 |
| Balance sheet total | | | 810.3 | 780.9 |
| Shareholders' equity | | | 311.2 | 427.9 |
| Interest-bearing net debt | | | 140.0 | 11.2 |
| Equity ratio %** | | | 38.7 | 55.2 |
| Interest-bearing net debt/operating margin | | | 3.0 | 0.0 |
| Gearing % | | | 45.0 | 2.6 |
| Average number of employees | | | 958 | 922 |

* 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 | 1-12/2022 | 1-12/2021 |
|--|-----------|-----------|
| Turnover | 145.1 | 181.6 |
| Operating profit (EBIT) | -12.3 | -17.7 |
| % of turnover | -8.5 | -9.7 |
| Operating profit (EBIT) before impairment | -24.4 | -2.5 |
| % of turnover | -16.8 | -1.4 |
| Profit/loss for the period | 6.1 | 514.8 |
| Operating margin (EBITDA) | -17.0 | 5.5 |
| Return on invested capital % * | -3.0 | -6.6 |
| Return on invested capital % before impairment * | -2.2 | -2.7 |
| Return on equity % * | 1.4 | 429.6 |
| Balance sheet total | 784.2 | 659.1 |
| Shareholders' equity | 309.5 | 363.6 |
| Equity ratio % | 39.6 | 55.6 |

* Previous 12 months



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

Vantaa, 2 March 2023
Board of Directors of Neova Oy

Panu Routila
Chairman of the
Board of Directors

Markus Tykkyläinen
Vice Chairman of the
Board of Directors

Stefan Damlin

Tuomas Hyyryläinen

Jari-Pekka Punkari

Kirsi Puntila

Eeva-Liisa Virkkunen

Vesa Tempakka
CEO

Auditor's note

A report on the audit has been issued today.
Helsinki, 7 March 2023
PricewaterhouseCoopers Oy
Authorised Public Accountants

Panu Vänskä
Authorised Public Accountant (KHT)



CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Consolidated statement of comprehensive income

| MEUR | Note | 1-12/2022 | 1-12/2021 |
|--|------|--------------|--------------|
| TURNOVER | 4 | 544.9 | 514.6 |
| Change in inventories of finished goods and work in progress | | -12.9 | -23.6 |
| Production for own use | | 0.1 | 0.1 |
| Other operating income | 5 | 10.3 | 521.3 |
| Share of results of companies consolidated using the equity method | | 2.6 | 0 |
| Materials and services | 6 | -355.9 | -320.8 |
| Expenses arising from staff benefits | 7 | -67.3 | -64.9 |
| Depreciation | 8 | -32.3 | -35.3 |
| Impairment | 8 | 12.1 | -16.1 |
| Impairment of goodwill | 8 | 0 | -0.3 |
| Other operating expenses | 9 | -72.3 | -63.9 |
| OPERATING PROFIT/LOSS | | 29.2 | 511.2 |
| Financial income | 10 | 8.7 | 5.3 |
| Financial expenses | 10 | -19.3 | -12.5 |
| PROFIT/LOSS BEFORE TAXES | | 18.7 | 504.0 |
| Income taxes | 11 | 0.0 | -2.5 |
| PROFIT/LOSS FOR THE PERIOD | | 18.6 | 501.5 |

| MEUR | Note | 1-12/2022 | 1-12/2021 |
|--|------|-------------|--------------|
| OTHER COMPREHENSIVE INCOME ITEMS | | | |
| Items that may not be reclassified subsequently to profit or loss: | | | |
| Remeasurement of defined benefit plans | | 0.8 | 0.1 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Translation differences from foreign units | | -1.6 | -0.5 |
| Other comprehensive income items, after taxes | | -0.8 | -0.4 |
| TOTAL COMPREHENSIVE INCOME | | 17.9 | 501.1 |
| PROFIT/LOSS FOR THE PERIOD | | | |
| Distribution of profit for the period: | | | |
| To parent company shareholders | | 14.6 | 499.1 |
| To non-controlling shareholders | | 4.0 | 2.4 |
| | | 18.6 | 501.5 |
| Distribution of comprehensive income for the period: | | | |
| To parent company shareholders | | 13.8 | 498.8 |
| To non-controlling shareholders | | 4.0 | 2.3 |
| | | 17.9 | 501.1 |
| Earnings per share calculated from profits due to parent company shareholders | | | |
| Earnings/share, EUR | 12 | 487 | 16,638 |
| Average number of shares | | 30,000 | 30,000 |



Consolidated balance sheet

| MEUR | Note | 31.12.2022 | 31.12.2021 |
|---|----------|--------------|--------------|
| ASSETS | | | |
| Long-term assets | | | |
| Intangible assets | 13 | 38.0 | 32.3 |
| Goodwill | 13 | 31.4 | 24.0 |
| Land and water areas | 14 | 33.5 | 33.6 |
| Buildings and structures | 14 | 49.7 | 39.4 |
| Machinery and equipment | 14 | 56.1 | 50.9 |
| Other tangible assets | 14 | 60.1 | 51.6 |
| Prepayments and assets under construction | 14 | 56.4 | 52.4 |
| Shares in entities consolidated using the equity method | 15 | 19.9 | -0.1 |
| Other long-term financial assets | 16 | 167.5 | 0.6 |
| Long-term sales and other receivables | 17 | 0.0 | 3.2 |
| Deferred tax assets | 18 | 3.7 | 2.6 |
| Total non-current assets | | 516.2 | 290.4 |
| Current assets | | | |
| Inventories | 19 | 145.2 | 171.5 |
| Sales and other receivables | 20 | 98.5 | 80.3 |
| Income tax receivables | | 2.6 | 2.0 |
| Other current financial assets | 27 | 0.0 | 188.9 |
| Cash and cash equivalents | 21 | 47.7 | 30.4 |
| Total current assets | | 294.1 | 473.0 |
| Assets held for sale | 3 | 0.0 | 17.5 |
| TOTAL ASSETS | | 810.3 | 780.9 |

| MEUR | Note | 31.12.2022 | 31.12.2021 |
|---|-----------|--------------|--------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | | 50.5 | 50.5 |
| Fair value fund and other funds | | 30.5 | 30.5 |
| Translation differences | | -5.5 | -4.0 |
| Retained earnings | | 235.5 | 307.4 |
| Parent company shareholders' share of shareholders' equity | | 310.9 | 384.4 |
| Non-controlling interests | | 0.3 | 43.5 |
| Total equity | 22 | 311.2 | 427.9 |
| Non-current liabilities | | | |
| Deferred tax liability | 18 | 14.0 | 10.6 |
| Non-current interest-bearing liabilities | 23 | 264.7 | 214.6 |
| Non-current non-interest-bearing liabilities | 24 | 0.0 | 0.0 |
| Non-current provisions | 25 | 12.0 | 11.6 |
| Pension liabilities | 26 | 4.2 | 5.3 |
| Total non-current liabilities | | 294.9 | 242.1 |
| Current liabilities | | | |
| Current interest-bearing liabilities | 23 | 93.2 | 19.4 |
| Current non-interest-bearing liabilities | 27 | 111.3 | 90.8 |
| Current provisions | | -0.4 | 0.8 |
| Total current liabilities | | 204.2 | 110.9 |
| Liabilities held for sale | 3 | 0.0 | 0.0 |
| TOTAL EQUITY AND LIABILITIES | | 810.3 | 780.9 |



Consolidated cash flow statement

| MEUR | 1-12/2022 | 1-12/2021 |
|---|-------------|---------------|
| Cash flow from operating activities | | |
| Profit/loss for the period | 18.6 | 501.5 |
| Adjustments to the result for the period | | |
| Depreciation and impairment | 20.2 | 51.6 |
| Share of results of entities consolidated using the equity method | -2.6 | -0.0 |
| Financial income and expenses | 8.9 | 7.5 |
| Income taxes | 0.0 | 2.5 |
| Other adjustments | -10.0 | -515.9 |
| Adjustments to the profit/loss for the period total | 16.5 | -454.3 |
| Change in working capital | | |
| Increase/decrease in inventories | 5.5 | 16.3 |
| Increase/decrease in sales receivables and other receivables | -1.1 | -12.4 |
| Increase/decrease in accounts payable and other debts | 14.1 | -54.6 |
| Change in provisions | -0.6 | 0.5 |
| Change in working capital total | 17.9 | -50.2 |
| Interest paid | -10.8 | -9.7 |
| Interest received | 1.6 | -0.1 |
| Other financial items | 2.6 | 0.4 |
| Taxes paid | -3.3 | -4.6 |
| CASH FLOW FROM OPERATING ACTIVITIES | 43.1 | -17.1 |

| MEUR | 1-12/2022 | 1-12/2021 |
|---|--------------|---------------|
| Cash flow from investment activities | | |
| Investments in tangible and intangible assets | -39.8 | -45.5 |
| Proceeds from disposal of tangible and intangible assets | 13.4 | 16.4 |
| Acquisition of subsidiaries, net of cash | -20.3 | 0.0 |
| Disposal of subsidiaries, net of cash | 0.0 | 644.1 |
| Proceeds from equity accounted investments | 16.6 | 0.0 |
| Other investments | 0.0 | -224.9 |
| Proceeds from disposal of other investments | 21.3 | 0.0 |
| Repayment of loan receivables | 10.1 | 0.0 |
| Cash flow from investment activities | 1.4 | 390.1 |
| Cash flow from financing activities | | |
| Increase (+)/decrease (-) in short-term loans | 70.8 | -46.1 |
| Proceeds from long-term loans | 49.2 | 5.6 |
| Repayment of long-term loans | -5.5 | -38.8 |
| Repayments of lease liabilities | -8.8 | -10.3 |
| Transactions with non-controlling interests | -72.0 | 0.0 |
| Dividends paid | -60.9 | -250.0 |
| Repayments of hybrid bond | 0.0 | -29.9 |
| Cash flow from financing activities | -27.2 | -369.5 |
| Change in cash and cash equivalents | 17.3 | 3.5 |
| Cash and cash equivalents opening balance | 30.4 | 27.0 |
| Change in cash and cash equivalents | 17.3 | 3.5 |
| Cash and cash equivalents at end of period | 47.7 | 30.4 |
| Cash and cash equivalents related to mergers, acquisitions and divestments/assets held for sale | 0.0 | 0.0 |



Consolidated statement of changes in shareholders' equity

| MEUR | Share capital | Other funds | Translation differences | Retained earnings | Hybrid bond | Total | Non-controlling interests | Total |
|---|---------------|-------------|-------------------------|-------------------|-------------|--------------|---------------------------|--------------|
| Total equity 1 January 2022 | 50.5 | 30.5 | -4.0 | 307.4 | | 384.4 | 43.5 | 427.9 |
| Changes in shareholders' equity | | | | | | | | |
| Dividend distribution | | | | -60.0 | | -60.0 | -0.8 | -60.8 |
| Distribution of funds | | | | | | | | |
| Profit for period | | | | 14.6 | | 14.6 | 4.0 | 18.6 |
| Translation differences | | | -1.6 | | | -1.6 | | -1.6 |
| Actuarial gains/losses | | | | 0.8 | | 0.8 | | 0.8 |
| Total comprehensive income for period | | | -1.6 | 15.5 | | 13.8 | 4.0 | 17.9 |
| Other changes | | | | | | | | |
| Other changes | | | 0.0 | -1.7 | | -1.7 | -0.3 | -1.9 |
| Transactions with non-controlling interests | | | | -25.9 | | -25.9 | -46.2 | -72.0 |
| Total equity, 31 December 2022 | 50.5 | 30.5 | -5.5 | 235.5 | | 310.9 | 0.3 | 311.2 |

| MEUR | Share capital | Other funds | Translation differences | Retained earnings | Hybrid bond | Total | Non-controlling interests | Total |
|--|---------------|-------------|-------------------------|-------------------|-------------|--------------|---------------------------|--------------|
| Total equity 1 January 2021 | 50.5 | 30.5 | -3.4 | 58.1 | 29.9 | 165.4 | 41.9 | 207.3 |
| Changes in shareholders' equity | | | | | | | | |
| Dividend distribution | | | | -250.0 | | -250.0 | 0 | -250.0 |
| Distribution of funds | | | | | | | -1.0 | -1.0 |
| Profit for period | | | | 499.1 | | 499.1 | 2.4 | 501.5 |
| Translation differences | | | -0.5 | | | -0.5 | -0.0 | -0.5 |
| Actuarial gains/losses | | | | 0.1 | | 0.1 | | 0.1 |
| Total comprehensive income for period | | | -0.5 | 499.3 | | 498.8 | 2.3 | 501.1 |
| Other changes | | | | | | | | |
| Other changes | | | 0.0 | 0.0 | -29.9 | -29.9 | 0.3 | -29.6 |
| Total equity, 31 December 2021 | 50.5 | 30.5 | -4.0 | 307.4 | 0.0 | 384.4 | 43.5 | 427.9 |



GROUP KEY FIGURES 2019-2022

| MEUR | 04/2019 | 5-12/2019 | 12/2020 | 12/2021 | 12/2022 |
|---|---------|-----------|---------|---------|---------|
| Turnover | 419.8 | 297.7 | 544.9 | 514.6 | 544.9 |
| Growth % | 7.1 | 32.4 | 2.1 | -5.6 | 5.9 |
| Operating margin EBITDA | 61.1 | 37.0 | 53.8 | 562.8 | 46.8 |
| % of turnover | 14.5 | 12.4 | 9.9 | 109.4 | 8.6 |
| Depreciation | -35.7 | -38.5 | -47.2 | -35.3 | -32.3 |
| Impairment | -0.9 | -38.9 | -102.8 | -16.3 | 12.1 |
| Operating profit (EBIT) | 26.3 | -40.4 | -95.3 | 511.2 | 29.2 |
| % of turnover | 6.3 | -13.6 | -17.5 | 99.3 | 5.4 |
| Operating profit before impairment | 27.2 | -1.5 | 7.4 | 527.6 | 17.2 |
| % of turnover | 6.5 | -0.5 | 1.4 | 102.5 | 3.2 |
| Net financial items | -6.0 | -7.8 | -12.5 | -7.2 | -10.6 |
| Profit/loss before taxes | 20.3 | -48.2 | -107.8 | 504.0 | 18.7 |
| Taxes | -2.7 | 8.0 | -0.3 | -2.5 | 0.0 |
| Profit/loss for the period | 17.6 | -40.2 | -108.1 | 501.5 | 18.6 |
| Return on invested capital % | 4.3 | -1.7 | -14.0 | 73.1 | 6.4 |
| Return on invested capital before impairment % | 5.4 | 4.1 | 1.1 | 75.4 | 3.8 |
| Restricted capital on average | 613.2 | 676.4 | 680.9 | 699.4 | 454.9 |
| Turnover of restricted capital (turnover/restricted capital on average) | 0.7 | 0.8 | 0.8 | 0.7 | 1.2 |
| Average working capital | 112.6 | 144.8 | 125.5 | 172.8 | 138.5 |
| Average working capital % of turnover | 26.8 | 48.6 | 23.0 | 33.6 | 25.4 |
| Restricted capital at the end of the year | 691.8 | 680.1 | 704.4 | 451.3 | 461.2 |
| Working capital at the end of the year | 133.7 | 141.4 | 96.5 | 147.6 | 114.0 |

| MEUR | 04/2019 | 5-12/2019 | 12/2020 | 12/2021 | 12/2022 |
|--|---------|-----------|---------|---------|---------|
| Gross investments | 31.3 | 42.8 | 76.6 | 84.6 | 167.5 |
| % of turnover | 7.5 | 14.4 | 14.1 | 16.4 | 30.7 |
| Gross investments/depreciation | 0.9 | 1.1 | 1.6 | 2.4 | 5.2 |
| Operating margin | 61.1 | 37.0 | 53.8 | 562.8 | 46.8 |
| +/- Change in working capital | 37.6 | 10.3 | 44.8 | -51.1 | 48.4 |
| - Net investments | -25.0 | -26.3 | -59.1 | -77.7 | -136.7 |
| Free cash flow before taxes | 73.6 | 21.0 | 39.6 | 434.0 | -41.5 |
| Balance sheet total | 697.5 | 829.4 | 758.5 | 780.9 | 810.3 |
| Shareholders' equity | 347.9 | 337.5 | 207.4 | 427.9 | 311.2 |
| Shareholders' equity (average) | 341.8 | 372.1 | 309.7 | 508.2 | 368.5 |
| Interest-bearing debt | 242.6 | 324.9 | 344.4 | 233.9 | 357.9 |
| Interest-bearing net debt | 206.2 | 315.1 | 327.7 | 11.2 | 140.0 |
| Equity ratio % | 51.2 | 41.5 | 27.9 | 55.2 | 38.7 |
| Gearing % | 59.3 | -93.4 | 158.0 | 2.6 | 45.0 |
| Interest-bearing net debt/operating margin | 3.4 | 4.0 | 6.1 | 0.0 | 3.0 |
| Liquidity | 2.8 | 2.3 | 1.8 | 3.1 | 2.6 |
| Return on equity % | 5.2 | -5.2 | -34.9 | 98.7 | 5.1 |
| Dividend distribution | 7.3 | 12.3 | 4.0 | 250.0 | 60.8 |
| Dividend % of profit * | 41.1 | -30.6 | -3.7 | 49.8 | 326.2 |
| Average number of employees | 869 | 1,050 | 1 031 | 922 | 958 |
| Key figures per share | | | | | |
| Number of shares | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Earnings/share, EUR * | 840 | -1,320 | -3,712 | 16,638 | 487 |
| Shareholders' equity/share, EUR | 12,208 | 9,894 | 5,517 | 12,812 | 10,338 |
| Dividend/share, EUR | 408 | 410 | 133 | 8,333 | 2,026 |

* = 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 | $\frac{\text{Turnover rolling 12 months}}{\text{Restricted capital (on average) *}}$ | |
| Return on invested capital % (ROIC) | $\frac{\text{Operating profit rolling 12 months}}{\text{Restricted capital (on average) *}} \times 100$ | |
| Balance sheet total | $\frac{\text{Profit before taxes rolling 12 months - income tax}}{\text{(Shareholders' equity + minority interest) on average *}} \times 100$ | |
| Liquidity | $\frac{\text{Short-term non-interest-bearing receivables}}{\text{Short-term non-interest-bearing liabilities}}$ | |
| Equity ratio % | $\frac{\text{Shareholders' equity + minority interest + capital loan}}{\text{Balance sheet total - advances received}} \times 100$ | |
| Interest-bearing net debt | Interest-bearing debt - Interest-bearing loans receivable - Cash and cash equivalents | |
| Gearing % | $\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity + minority interest}} \times 100$ | |
| 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 2022, 31 August 2022, 30 April 2022 and 31 December 2022.



NEOVA GROUP SUSTAINABILITY REPORT

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SUSTAINABILITY HIGHLIGHTS 2022

We developed in consultation with external stakeholders a ground breaking **sustainability framework** to assess the sustainability of raw materials and products. We call it **Future Fit framework**.



In 2022 we launched **Helping Hands** programme to engage our employees in **volunteering work** on environmental and social topics in local communities.



We made **UN Global Compact** commitment and published for the first time **TCFD** (climate related financial disclosure) and submitted **CDP report** (Carbon Disclosure report).

The **wind power zoning processes** that Neova has launched so far in Finland contain about

800 MW

of nominal power. This corresponds to an annual electricity production of approximately **2.5 TWh**.



We have created during 2021–2022

126

hectares new wetlands, which are a part of our goal to restore **2,000** hectares of production areas in 2021–2025.

We reached **zero accidents** goal (without absence) in **Finland** and **Estonia** and reduced lost time accident frequency in the whole Neova Group by almost **-40%** (from 7.2 in 2021 to 4.5).



We achieved **Great Place to Work** certification in **FOUR** of our countries: **Finland, Sweden, the Netherlands** and **Estonia**. Our trust index was **71%**.



78%

of our employees responded in the **Great Place to Work** survey that **sustainability is at a good level** in our operations.

Soil CO₂ emissions from our peat production areas have reduced by

-31%

from 2018 level



We completed the audits to extend **ISO 14001** environmental management and **ISO 45001** occupational health and safety management certification in all countries, focusing on factory operations.



We have converted in 2022 more than

6,500

hectares to next land use in Finland and cumulative more than **15,500** hectares since 2019.

We established new **Green Growth Raw Materials**

development program to **double the absolute volume of circular raw materials** by 2027.



Kekkilä-BVB was awarded a **EcoVadis Gold Medal** for our sustainability achievements as part of a supplier assessment.



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TURBULENT TIMES CONFIRM THAT SUSTAINABILITY IS KEY TO THE LONG-TERM SUCCESS OF THE NEOVA GROUP

The year 2022 has been a test for sustainability in many aspects. The start of the Ukraine war in February 2022 raised the importance of the security of supply. Energy prices and overall inflation soared and impacted us, our suppliers, and our customers. This change in the business environment has impacted our sustainability work during 2022.

Nevertheless, we have been successful in being consistent in executing our comprehensive sustainability strategy. We recognize that today sustainability is an essential part of any successful business even during turbulent times and thus we have ensured that our sustainability activities have taken us forward during 2022 to meet the 2025 mid-term targets and 2030 long-term targets.

”

For us, sustainability is about concrete actions that have a positive impact.”

Sustainability – it is all about teamwork

Sustainability management is very much about teamwork and this we have certainly proved during 2022. We launched a responsible sourcing program and started to engage our key strategic suppliers in our sustainability work. We initiated a Helping Hands program to engage all teams in volunteering work and thereby improving team spirit and doing good for the local communities.

We engaged key stakeholders (incl. NGOs, universities, and customer representatives) in a development of a groundbreaking framework to assess the sustainability of raw materials and products. We worked together with our peat contracting partners to accelerate the closure of peat bogs and to move unneeded peat harvesting areas





to the next land use and thereby both reducing CO₂ emissions and improving biodiversity.

We had several restoration activities and involved local environmental groups and national organisations and participated into an EU-wide restoration program. We started a Green Factory program to engage factory personnel in environmental sustainability work. And most importantly sustainability is well integrated into our business strategies. This is visible in how our cross-functional teams have developed products and services that will have a positive sustainability impact.

Concrete actions lead to concrete results – enjoy reading about our sustainability journey

For us, sustainability is about concrete actions that have a positive impact. We made a step change in safety performance, which is a result of consistent work to improve our Safety First! culture and practices. We are making good progress towards our 50% reduction of CO₂ emissions in our own operations (scopes 1 and 2). Our Great Place to Work results continued to improve and we received a Great Place to Work certification in the Netherlands, Sweden, Estonia and Finland. Almost 80% of our employees believe that sustainability is at a good level in our operations. We also received external recognition by being awarded a Gold EcoVadis Medal as part of a supplier assessment. Concrete actions, employee involvement, and wide external and internal communication pay off!

We are proud of the progress we continue to make 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. We are committed to working on sustainability activities in an open and transparent way through active internal and external engagement, communication, and dialogue. So enjoy reading this 2022 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

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

During autumn 2021 we conducted a comprehensive review of our sustainability strategy based on external materiality assessment (see the table on [page 62](#) for a summary), external benchmarking and extensive internal work (incl. several working groups on environmental and social sustainability and comprehensive internal sustainability survey for whole personnel). This 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 sustainability KPIs, annual

targets and activities, mid-term goals by 2025 and long-term goals by 2030 are defined for the three areas of sustainability (environmental, social and economic sustainability) with selected and clear themes.

| Sustainability area | Themes |
|---|---|
| We do our business in balance with nature. | <ul style="list-style-type: none">• Greenhouse gas emissions• Biodiversity• Circularity• Water |
| We support the growth of our people and partners. | <ul style="list-style-type: none">• Safety first!• Great workplace• Responsible partners |
| We ensure profitability in a sustainable way. | |

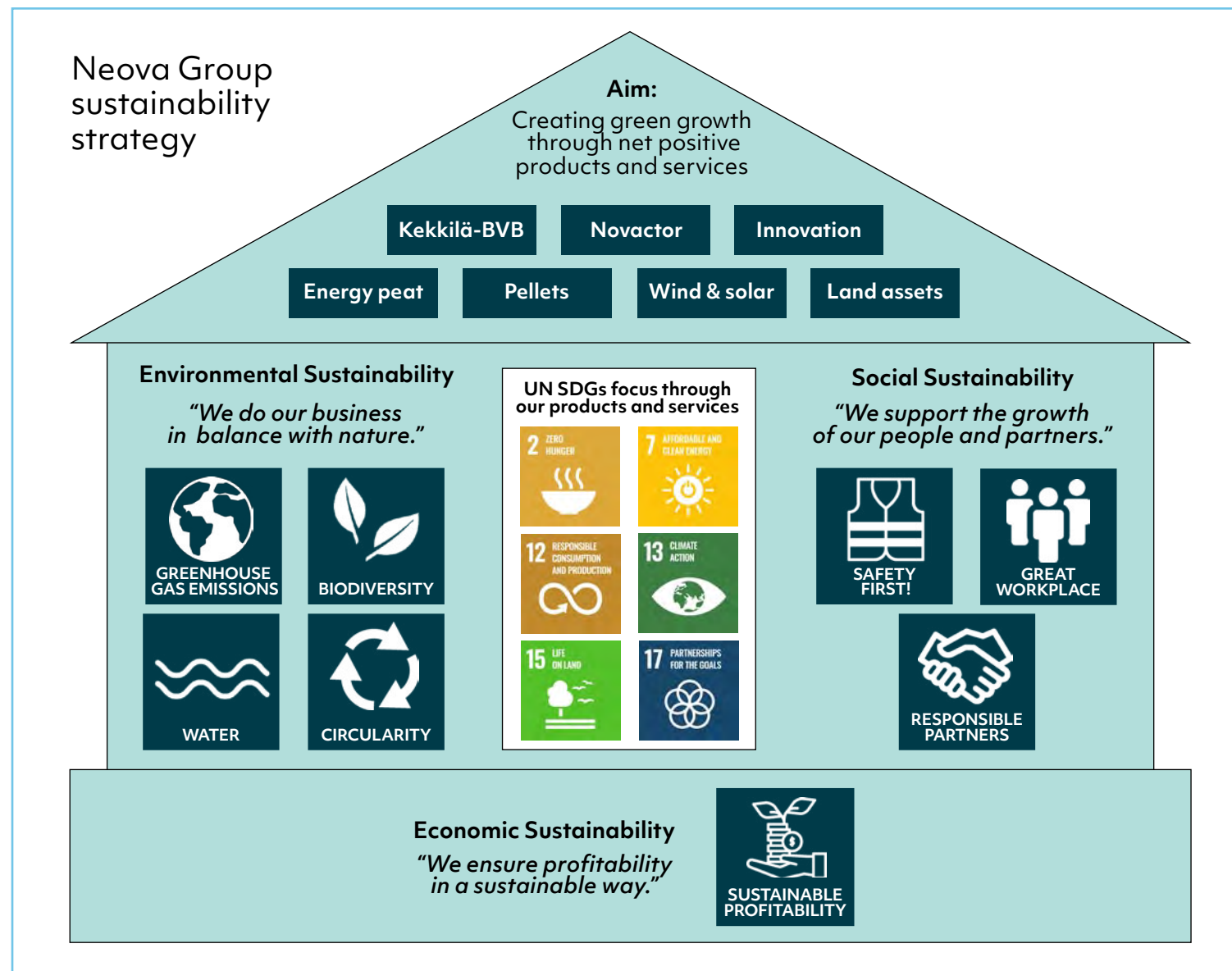


Sustainability strategy is in line with our stakeholder expectations

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 structure of our reporting. We review, follow-up and ensure alignment with sustainability related regulatory requirements and developments (e.g. EU Corporate Sustainability Reporting Directive). We as well regularly benchmark leading companies and peer companies on their sustainability approach.

Sustainability tightly governed within Neova Group

Sustainability at Neova Group and the sustainability strategy development and co-ordination of the execution is led at the Group Management Team level by the Chief Supply Chain and Sustainability Officer. 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 Chief Supply Chain and Sustainability Officer is responsible for areas related to environmental sustainability, occupational safety and sustainability reporting and the Group Chief HR Officer is responsible for areas related to employee wellbeing and occupational health.

Sustainability implementation is regularly followed-up by internal sustainability steering group, the Group Management Team and Neova Board Audit Committee. Sustainability report is reviewed and approved by Neova Group's Board of Directors and the Audit Committee and informed to Neova Group's Supervisory Board.

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

- 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).

We use a clear set of external sustainability references (frameworks/commitments/certificates/memberships) to guide Neova Group's sustainability strategy development and execution. **UN Sustainable Development Goals** are used as our key external sustainability framework to align our activities on the most impactful areas and to be clear on what SDGs our products and services contribute the most. 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. GRI framework is the basis for our annual sustainability report.

Evaluation and disclosure of climate related financial risks is done through **TCFD** report. **GHG** emissions are reported according to global standards (GHG protocol for scope 1,2 and 3 emissions and **GLEC framework** for logistics emissions) and external disclosure is made through **CDP** (Carbon Disclosure Report) submission.

Our most recent and still valid materiality assessment (conducted during July–November 2021) and benchmarking indicated that we need to continue / improve our focus on following topics:

- **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 circular 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).

sion. Overall Neova Group management system is developed with comprehensive **ISO system** covering quality management (ISO 9001), environmental management

(ISO 14001) and occupational health and safety management (ISO 45001).

Our Corporate Responsibility policy describes our operating principles in

Active engagement and communication in EU regulatory initiatives

Neova engaged and communicated actively and openly with EU stakeholders in the LULUCF revision and in the Second Delegated Act preparation work concerning taxonomy of sustainable financing with following main arguments in both cases:

- The net-benefits of horticultural peat outweigh the emissions of producing it
- Horticultural peat enables locally and sustainably produced safe food production while ensuring that we have plants and trees as carbon sinks.
- Peat production in Europe is conducted responsibly. Restoration is essential when using peat and biodiversity loss must not happen. Horticultural peat production does not destroy pristine mires, since only already developed areas are used for production.
- Restoration of wetlands applied for horticultural peat production sites enables effective carbon sequestration, and the peat industry's expertise in this should be taken into account.

LULUCF

Neova Group welcomed the proposed revision of LULUCF. Neova saw from the beginning that the regulation should take into account the role of industry expertise when deciding the final restoration targets and the means of achieving these goals. Neova

argued that the role of horticultural peat should be understood from a holistic perspective and regulation should not be overly burdensome. The net benefits of horticultural peat outweigh the emissions borne from its production and the coming regulation should reflect this.

Neova participated to open LULUCF consultation in November 2021 and co-operated with other companies within horticulture industry to inform openly the pros and cons of peat harvesting and usage of peat in the horticulture industry.

Our voice and concerns were heard in EU capitals and Brussels and revised LULUCF-legislation gives a solid ground for industry to continue responsible peat production and usage of peat as one material for growing media products in coming years.

Taxonomy

In August 2021, the commission's expert group on sustainable finance, Platform on Sustainable Finance, published a draft report on recommendations as criteria for the taxonomy's four environmental goals. The final recommendations of this expert group will be used by the Commission when preparing the final actual delegated act.

In the expert group's report, Neova identified worrying entries that, if implemented, could lead to problematic results for the environment and the EU's own goals. In the

report, the following entry appeared in four different categories: "No use of peat – e.g. as growing medium, fertilizer, animal bedding, etc." In Neova's opinion, entries like this in the criteria could cause significant problems with regard to growth and bedding peat in obtaining funding and its costs.

Neova's position is that products containing peat should be defined as sustainable in cases where the net benefit outweighs the disadvantages, or when there is no viable alternative to the use of peat. Under no circumstances should this kind of peat utilization be included in the Do No Significant Harm categories.

Regarding growing mediums, currently around 90% of the growing mediums used in the EU contain peat, and the demand for growing mediums will increase in the future. Currently, around 30 Mm³ of growth platforms are used in the EU region, and the amount is estimated to grow to around 50 Mm³ by 2050.

The industry is constantly looking for complementary materials alongside hortipeat, but at the moment they can mostly compensate for the growing demand. In such a situation, leaving hortipeat outside the taxonomy, even without a comprehensive impact assessment, is unreasonable considering the overall situation and would have negative effects on many of the EU's own goals.

Neova has actively communicated its positions both in EU capitals and by organizing



meetings in Brussels and also organizing information events for members of the European Parliament, Commission employees and other key stakeholders. The work on drafting the taxonomy regulations has not taken place in the original schedule. According to current information, the Commission will publish a proposal for expanding the taxonomy during the first half of 2023.



health & safety, environment and quality matters. Annual sustainability activities and targets for Neova Group and its businesses and functions are defined and incentivised as part of Neova Group's annual planning and target setting.

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 2022 stakeholder engagement work has especially focused on EU taxonomy and related discussion 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, parliament representatives in our key markets in EU and industry associations. During 2022 we engaged as well on the LULUCF regulation development dialogue.

Internally we aim to instil a purpose driven culture to inspire and engage our personnel. We ensure wide involvement of our personnel in sustainability strategy development, target setting and execution. Effective sustainability communication and dialogue plays a key role in progressing our sustainability work. 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 2022

2022 has been a year of execution of our sustainability plans with continuation of 2021 activities and start of several new initiatives such as Responsible Sourcing program, Green Factory concept implementation, group wide Helping Hands volunteering program and development of comprehensive sustainability framework to assess the sustainability of raw materials and products. Strategically the most important business risk mitigation and sustainability related new activity was the kick-off of a multiyear Green Growth Raw Materials program with an aim to mitigate peat related risk and to increase the absolute volume of circular and complimentary raw materials in our product portfolio.

We continued the use of effective engagement tool from 2021 and further improved how sustainability activities and targets were cascaded as part of the short-term incentive target for all employees in 2022. Relevant sustainability activities and targets were selected for each business, function and team. The same approach will be used for 2023 activity planning and target setting.

We communicated the progress in our sustainability activities extensively both

internally and externally. 161 external articles were published about us and we ourselves created 199 sustainability posts in our social media channels as well as 12 blogs and 126 articles in our Neova Group intranet site and conducted several internal sustainability related info sessions for our employees.

In the Great Place to Work survey conducted in October 2022 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." This is 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.

The use of external sustainability references is important part in the credibility of our sustainability work both internally and externally (see more detail in [Appendix 2](#)). During 2022 we expanded the use of external references by making the UN Global Compact Commitment, publishing TCFD report (Task Force for climate related financial disclosure), submitting CDP report (Carbon Disclosure report) and expanding our ISO system with ISO 14001 and 45001 certification. ●

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

* References which were 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 45001*
OCCUPATIONAL HEALTH AND SAFETY

Non-competitive collaboration forums



Financials materiality frameworks



TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES*

WE DO OUR BUSINESS IN BALANCE WITH NATURE



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

In 2022 we continued the implementation of our environmental sustainability activities covering greenhouse gas emissions, biodiversity, circularity and water. Overall we made good progress in all these areas towards our midterm 2025 and long term 2030 goals.

During 2022 we invested in extensive external and internal communication regarding our environmental actions such as reducing water and climate emissions.

By turning old peat production areas into wetlands and forests we have enhanced biodiversity at selected sites.

In Kekkilä-BVB, we launched a major program to increase the use of circular raw materials and continued our work to increase the use of recycled packaging materials.

Neova Group environmental sustainability KPIs and targets

| Key Indicator | Definition | Actual in 2022 (2021) | Target by 2025 |
|---|--|--|---------------------|
| Carbon footprint: CO₂ emissions from our own operations (scope 1+2) | Neova Group level: Reduction from 2018 level (= 889 ktCO ₂ -eqv.)* | -30% (-19.6%) | -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€) | -11% (-13%) | -40% |
| Conversion of closed energy peat bogs to next land use | Closed energy peat production areas (hectares) from 2019 | 15,676 ha (9,000 ha) | 20,000 ha |
| Biodiversity of old peat areas (re-wetting/afforestation) | Restored area in collaboration with stakeholders (hectares) | 128 ha (86 ha) | 2,000 ha |
| Circularity of raw materials | Volume of circular raw materials (= renewable and compost)** | 1.0 Mm ³ (1.0 Mm ³) | 1.4 Mm ³ |
| Circularity of packaging materials | Use of recycled materials in packaging | 31% (29%) | 50% |
| Impact on watercourses from peat production: Finland | Suspended solids reduction from 2008 | -84% (-78%) | -75% |
| | Nitrogen reduction from 2008 | -77% (-68%) | -75% |
| | Phosphorus reduction from 2008 | -81% (-75%) | -75% |
| Zero waste in our own operations | Recovery rate | 81% (89%) | 95% |
| | Recycling rate (excluding energy waste) *** | 54% (37%) | 90% |
| Responsibly produced peat | Kekkilä-BVB RPP peat use (own operations / products) | 57% (48%) | 80% |

* 2018 baseline recalculated to exclude CO₂ emissions of the divested Nevel business

** 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 in recycling rate.

We continued the Green Factory concept implementation in all our operative units i.e. Kekkilä-BVB factories, pellet factories, activated carbon factory and peat & sphagnum operations. This Green Factory concept is an effective way to engage factory management and personnel in concrete activities related to greenhouse gas emissions, biodiversity, circulatory and water. We use our management system and ISO certification, covering both ISO 9001 quality, ISO 14001 environment and ISO 45001 occupational health and safety, to coordinate and direct our activities to meet customer and regulatory requirements and focus on continuously improving our operations, effectiveness, and efficiency.

During 2022 we extended further our ISO 14001 and ISO 45001 certification to cover all our factory operations in Finland, Sweden, Estonia and Netherlands. In addition, our sustainability concept of peat is especially aimed for our customers and other stakeholders to increase understanding how we manage our peat operations in Finland, Sweden and Estonia in a sustainable way.

Greenhouse gas emissions

KEY TARGETS



We reduce CO₂ eq. emissions in our own operations by

50%

by the end of 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 the end of 2030 from 2020.

Neova Group has a significant carbon footprint and therefore we first set an ambitious target at the beginning of 2019 to reduce CO₂ emissions in our own operations (scope 1+2) by 50 % by 2025 (from 2018). Based on the materiality analysis (conducted end of 2021) we extended this ambition to cover our full value chain (scope 1+2+3) with an aim

to reduce our carbon intensity by 50% by end of 2030 (from 2020). Neova Group greenhouse gas emissions are counted according to GHG protocol and our GHG calculation method and coverage have been validated by external party in 2020. The carbon footprint calculation includes Neova Group and all its subsidiaries. Summer 2022 we submitted for the first time our CO₂ emissions in Carbon Disclosure Project (CDP) and plan to improve our submission in 2023. During 2023 we will also investigate the possibilities for setting science Based Targets (SBTi).

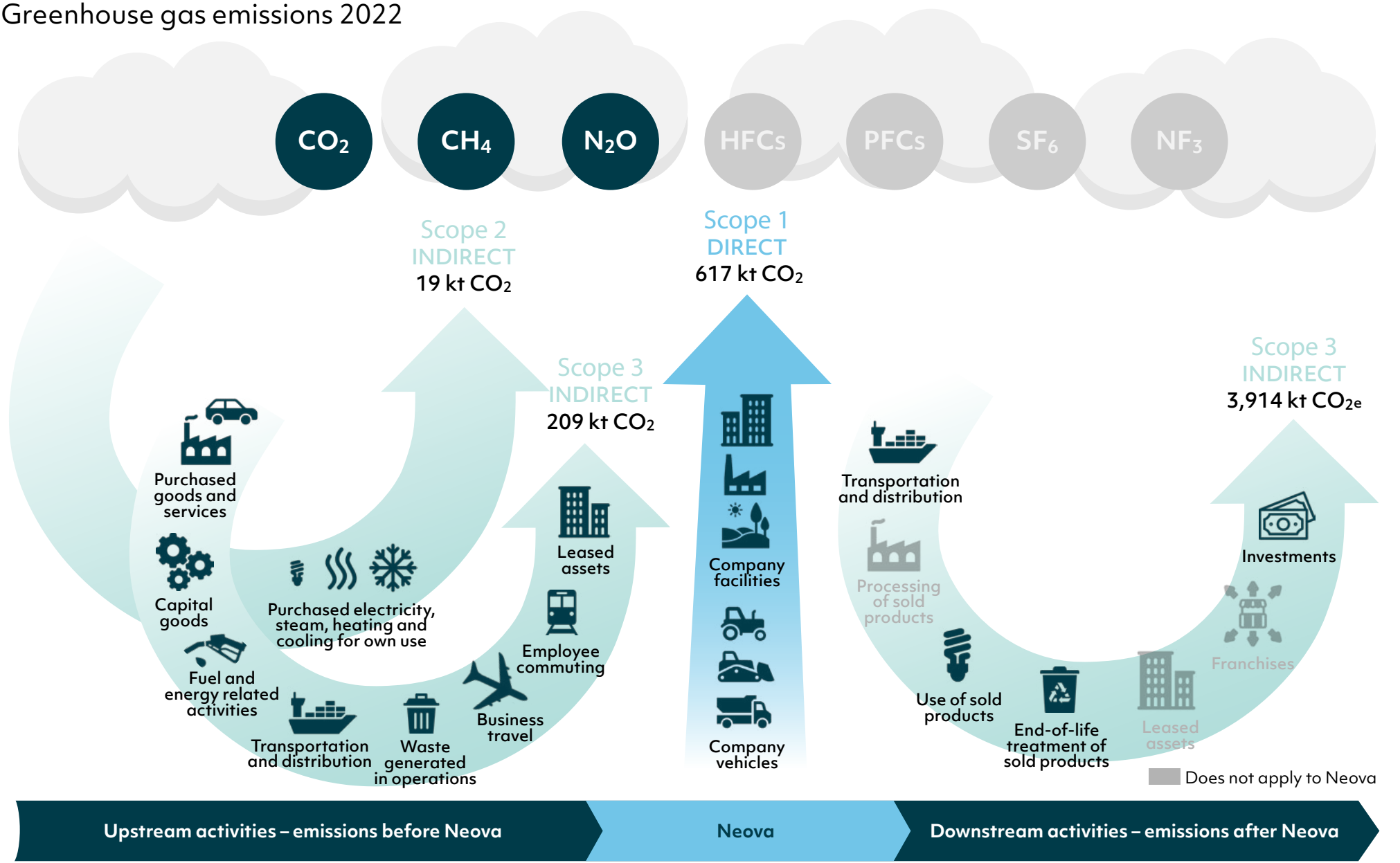
In 2022 our scope 1+2+3 CO₂ emissions were 4,760 kt CO₂-eq (4,282 kt CO₂-eq in 2021). The largest share of scope 1+2+3 CO₂ emissions (82% of the total footprint) is caused by the use and end-of-life of products sold by Neova Group. The use of energy peat accounts for 72% (2021: 59%) of scope 3 emissions. Out of our scope 1 direct emissions, peat land soil emissions cause 87%. In Finland, peat land soil emissions account for 83% of Neova Group's scope 1+2 emissions.

The greenhouse gas emissions from our own operations (scope 1+2) reduced by -11 % in 2022 and were 637 kilo tonnes

CO₂-eq (2021: 714 kilo tonnes CO₂-eq). Overall, we have achieved -30% reduction in CO₂ emissions in our own operations from 2018 level. This reduction and comparison to 2018 baseline is now based on the recalculated CO₂ emissions i.e. the significant emissions of the divested Nevel business are excluded.

Our main efforts in reducing emissions in our own operations is focused in converting closed peat production areas to next land use. The closure of peatlands means that peat production in the area will stop and the life cycle of the production area will move on to the aftercare phase and the process of terminating the environmental permit. During 2022 there was a total of 150 peat production areas in the aftercare phase after production in Finland. We adjusted the production capacity of energy peat and converted in total more than 6,500 hectares to next land use in 2022. From the peat production areas owned by Neova Group in Finland, 3,149 hectares turned into next land use (2,906 hectares into afforestation and 243 hectares into wetlands). We returned 1,355 hectares to landowners who has the right to decide on the next land use in their areas. We as well

Greenhouse gas emissions 2022



sold significant amount of old peat production areas. Since 2018 we have now reduced peat land soil emissions by -31% (- 251 ktons).

We will continue to evaluate options to increase carbons sinks utilising our land assets, as well as continue piloting alternative horticultural peat harvesting techniques such as using peat mass transfer method where preserve the surface of the vegetation in the peat fields to reduce CO₂ emissions.

Our main goals in reducing CO₂ emissions in factory operations are increasing energy efficiency and reducing use of fossil fuels. In Kekkilä-BVB operations 31% of our CO₂ emissions are caused by the use of electricity. In the Netherlands we already produce 20 % of our electricity consumption through solar panels. During 2022 we extended renewable electricity contracts in Kekkilä-BVB and as a result achieved 100% renewable electricity usage in our Kekkilä-BVB factories in Finland, Sweden and Estonia. In Kekkilä-BVB, our aim is to move towards fossil free electricity (incl. use of renewable electricity) totally by 2025.

We have implemented CO₂ emission reporting in our Group logistics and

Green Factory strategy steers towards reduction of GHG emissions

Our Green Factory concept covers clear targets and actions for greenhouse gas emissions, biodiversity, circularity and water in our factory operations. Regarding green gas emissions we have set ambition in Kekkilä-BVB business to move towards fossil free electricity (incl. use of renewable electricity) totally by 2025. We made steady progress in 2022 by expanding renewable electricity contracts in Finland, Sweden and Estonia for Kekkilä-BVB factories. However, the Dutch factories are still in transition.

Energy markets remain in turmoil in 2022 due to the ongoing Russia-Ukraine war, with short-term price fluctuation as result of rapid changing circumstances. In the Netherlands 50% of the national electricity production relates directly to gas combustion. Due to the price increase the main electricity suppliers had to shift to coal as their energy source. In our value chain many stakeholders are affected by the broken gas supply lines.

Our professional substrate clients are also impacted because they apply gas for their co-generation of heat/CO₂ and sell the electricity. And also, the inland vessels, before transporting peat, are now char-



tered for the distribution of coal which leads to price increase of the bulk transport of raw materials.

The strong upwards trends in prices and rising insecurity in the market had made 2022 unattractive to renegotiate the existing electricity contracts to buy renewable electricity from their electricity supplier. In 2022 about 20% of the consumed energy

has been generated by the solar panels on the Dutch factory's roofs. In the next years, the solar systems will be expanded when the grid network allows extra capacity to be installed.

The transition to fossil free electricity on all the KBVB sites will be completed in by a mixture of both additional solar and contracted fossil free electricity.

based on that data created an action plan for logistics CO₂ reduction. reporting cycle of emissions is July-June annually. Overall, our logistics CO₂ emissions are 1.1% of our total scope 1+2+3 emis-

sions and 1.3% of our total scope 3 emissions. We achieved -3,7% relative logistics CO₂ reduction (kg CO₂/delivered tonnes) between 7/2021 and 6/2022. Main emissions reduction actions related

to increase of payload and newer fleet in peat and wood bulk road logistics, increased share of shortsea container deliveries and newer and more efficient vessel fleet in bulk sea logistics.

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.

Neova Group is committed to enhancing biodiversity and have set ambitious targets to convert closed energy peat production to next land use and to implement restoration measures through wetlands and afforestation at selected sites.

During 2022 we continued major activi-

ties to close unneeded peat production areas and converted in total more than 6,500 hectares to next land use in Finland. We have now converted cumulatively 15,676 hectares into next land use between 2020–2022 and are rapidly reaching our 2025 target. From the peat production areas owned by Neova Group in Finland, 3,149 hectares were turned into next land use (2,906 hectares into afforestation and 243 hectares into wetlands). We returned 1,355 hectares to landowners who has the right to decide on the next land use in their areas. We as well sold significant amount of old peat production areas.

We have established a Neova Group biodiversity program aiming to increase biodiversity by restoring (rewetting or afforestation) 2,000 hectares (during 2021–2025) in collaboration with local stakeholders. By the end of 2022 we have completed the restoration of 128 hectares and have so far identified ca. 1,000 hectares of potential restoration sites for years 2023–2025. We didn't manage to reach fully our restoration target for year 2022 as we needed to focus our resources to meet the unexpected demand of energy peat due to Ukraine war.

In 2022 restoration planning continued in Lavassaare area in Estonia with



A new biodiversity wetland established in Satamakeidas, Honkajoki

Honkajoki is known for the fact that there are no lakes in the area. When we considered where the biodiversity wetland should be located, the peat production area in Satamakeidas, Honkajoki was the best of the different options. In addition, the accessibility of the area, the birdwatching tower and being part of UNESCO Global Geopark sites contributed to the decision.

In August 2022 we had wetland opening event in Satamakeidas and 100 guests visited there, to see the new 38-hectare biodiversity wetland. The wetland consists of bird nesting islands and waters of varying depths. The decomposing plant material and the growth of primary production create the conditions for the increase of aquatic invertebrates, which benefits many wetland animals (such as birds, amphibians and mammals)

The Satakunta Environmental Association (YSY) has completed 15 different birdhouses and nest structures and installed in the Satamakeidas wetland. The selection included a variety of small bird nests as well as large-sized common merganser and golden eye, as well as pipe nests and nest boxes for ducks.

Wetlands increase diversity, providing shelters and nesting sites for birds. In addition to birds, they are home to a wide variety of animals, plants and insects. Increasing the number of bird nests is part of the biodiversity programme, with the aim of increasing cooperation with local stakeholders to improve biodiversity. The existing vegetation provided an excellent start for the primary production and biodiversity increase of the new wetland ecosystem.

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.

During 2022, the actions under the biodiversity programme were finalised with the following sites:

- Norrbomuren wetland construction (4 hectares)
- Ekebymossen and Norrbomuren sphagnum farming projects ended in Sweden
- Willow planting in Karhunsuo (20 hectares)
- Wetland live camera installed in Aitoneva's 9 hectares wetland
- Adding bird nests in Satamakeidas, Aitoneva, Sompanevea and Norrbomuren

We have carefully selected specific peat production areas, where we want to show how to increase biodiversity by wetland creation. Regarding closed peat production areas, the topography, hydrology, and rocks/stones have an impact on what the best next land use option is. Water treatment structures enhance biodiversity by providing diverse

A large wetland of more than 70 hectares will be established in the vicinity of Leivonmäki National Park in the former peat production area

Neova Oy and the Central Finland ELY Centre agreed on co-operation in the construction of a large wetland area that will increase biodiversity in the northern part of the former peat production area in Leivonmäki, Joutsa.

The plan for the wetland and nesting islands to be formed for birds has been prepared by the Central Finland ELY Centre as part of the Freshabit LIFE project. The planning area covers a total of about 107 hectares and includes about 73 hectares of wetland.

Construction work started spring 2022, with the Central Finland ELY Centre carrying out the construction of bird nesting islands as excavator work. During 2022, Neova built a dam to the northern part of the area and implemented arrangements related to the discharge channel. The development of the wetland and its immediate surroundings will continue after 2022. The aim is to create a diverse wetland and to support the development of bird population in the area. After the construction work, the area will be allowed to develop naturally.

The final watering of the wetland will be established after a final permit solution has been obtained from the environmental after care management plan of the Haapasuo peat production area and the conditions mentioned in its permit conditions have been met.



As the holder of the environmental permit for peat production, Neova is responsible for the measures related to the aftercare of the area. The wetland under development is the next land use in the area to be decided by the landowner. The planned wetland is owned by Neova.

Petri Järvinen, Neova Group's Chief, Supply Chain and Sustainability officer, states that the Haapasuo Wetland Project is a project in line with Neova Group's renewed sustainability strategy and biodiversity program. "Our biodiversity program aims to increase biodiversity by restoring 2,000

hectares of production areas in 2021–2025 in collaboration with local stakeholders. Securing biodiversity is important to us as a company, and the Haapasuo wetland project is a great part of this goal and objective," Järvinen continues.

Peat production in Haapasuo began in the 1970s and the production area has reached its largest area of about 300 hectares. In previous years, the most common form of land use in former peat-producing areas has been forestry and agriculture. In recent years, various wetlands have increased their share.

habitats for many wetland species during peat production. Biodiversity can further be increased by creating small wetlands, and building nesting or shelter areas.

We increased our biodiversity in 2022 by acquiring four beehives on the roof of the company's office in Vantaa. A suitable and easy to maintain place was found next to the green roof on our own office. The number of pollinator insects in the world has decreased alarmingly. The disappearance of pollinators is a matter of fate not only for nature, but also for humans, since 80% of crops need insect pollination. The reason for this situation is the disappearance of insect habitats, insecticides, alien species and climate change. Acquiring beehives is a concrete way to support biodiversity.

In Kekkilä-BVB business, we are committed to improve biodiversity and use Responsible Produced Peat (RPP) certification scheme as one of the tools to demonstrate our commitment. Neova Group peat production areas, the Responsibly Produced Peat (RPP) certifications coverage by end of 2022 reached 5,600 permit hectares (2021: 4,195 hectares). Kekkilä-BVB own products 57% of the peat used in 2022 was RPP certified (2021: 48%).

The first experiment in farming sphagnum moss was started

In autumn 2022, a sphagnum moss farming area of over eight hectares was established in Neova's former peat production area in Haukineva, Peräseinäjoki. The main criteria for the farming test area were the flatness of the area, a suitable thickness of the remaining peat layer and the farming material available nearby.

On the edge of the adjacent production area, a suitable area was found for the

collection of sphagnum moss material to be farmed. Sphagnum moss usually grows in a layer of about 30 centimeters on the surface of the peatland and it begins to regrow immediately after collection.

From this surface layer, a layer of sphagnum moss about ten centimeters thick was collected as material for the farming experiment. The collection of sphagnum moss is an activity subject to a permit. A

collection plan was first drawn up for it, on the basis of which the ELY Centre granted a collection permit.

In the autumn, the sphagnum moss was farmed on an area of about six hectares with a regular spreading trolley, which is used in agriculture. In order for the sphagnum moss to receive the best possible growing conditions and for it to start growing and multiplying, the cultivated area must be protected with straw, for example. Straw reduces sun-induced scorching and drying and protects against the cold. Alternative methods of protection and farming, as well as farming without protection, will also be tested in the experimental area to obtain information on which of the alternatives is the best way to establish a farm for sphagnum moss.

A water level of a suitable height is important for the growth of sphagnum moss. In order to create the desired water level, adjustable pipe dams were installed in the ditch that were ready in the farming area. The expectation is that it would be possible to collect sphagnum moss from the area as growing media material in about ten years.

A measuring well was also installed in the farming area for water sampling. Later in the future, when a layer of sphagnum moss grows in the area, it can be monitored whether the sphagnum moss farming area would also serve as a water treatment system for peat production.



Circularity

KEY TARGETS



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

90%

by the end of 2025.

We increase the use of circular raw materials

year on year.

We have

zero waste

in our own operations by the end of 2030.

Our target is to reach our zero-waste by 2030 goal by increasing material efficiency, utilising recycled materials in our operations, and implementing efficient recycling of waste streams.

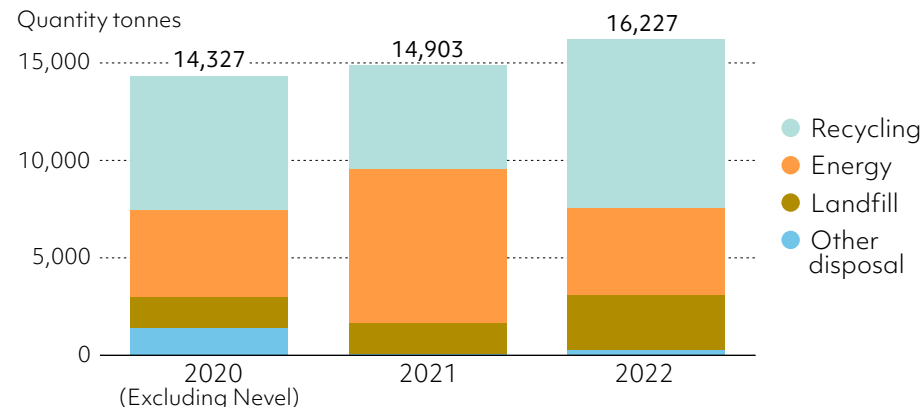
We focus on the main waste streams of our operations including recycling ash

from our pellet and activated carbons operations as fertiliser or landscaping material and reducing peat stockpile plastics. In Kekkila-BVB the focus is on improving circularity by increasing the use of recycled packaging materials in our Kekkila-BVB factories to 50 % by 2025 and increasing the use of circular raw materials in our products.

In 2022, the total waste volume in Neova Group was 16,228 tonnes. Our recycling rate (excluding the waste fractions used as energy) for all of our operations improved in 2022 to 54% (2021: 37%). However, the recovery rate of material and energy recovery decreased to 81 % (2021: 89 %). Increased share of waste delivered to disposal is mainly due to heavy masses of soil construction of closed peat production areas and ash from energy production which decreased the recovery rate. The share of waste from soil construction work and ash corresponds to one third of the Group's total waste volume.

Currently our biggest waste fraction in terms of volume is old peat stock pile plastics. During 2022 we reused a total of 3,928 tonnes (2021: 7,934 tonnes) of old stockpile plastic in Finland, Sweden, and Estonia: 7% as recycled material and

Quantity of waste by years



93% as energy. We will continue piloting new ways to reduce the use of plastic in peat and sphagnum operations as well as packing materials in all our product lines. In 2022 we tested permanent coverings in sphagnum stockpiles. Two new stockpiles has been covered in Aitoneva: one with paper cover and one with tarpaulin. Our aim is to change from disposable plastic to permanent coverings or other material (decrease amount of plastic). In 2022 the share of recycled packaging materials in Kekkila-BVB increased to 31% (2021: 29%), with progress especially in the Dutch retail market.

Strategically our most important circularity activity is to increase the volume

of circular raw materials in Kekkila-BVB-business. To accelerate this we launched a major Green Growth raw Materials program (see the case) and set an ambitious target to double the usage of circular raw materials by year 2027 in Kekkila-BVB business.

Circularity is a key principle in designing when developing new products in the businesses, examples can be found in the Business sections of this report. 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.

Green Growth Raw Materials Development Program for Growing Media

Together with our customers and partners, we are systematically looking for new sustainable, and safe growing media solutions in addition to existing ones. It is expected that growers will both favour to both favour the use of peat for its good properties and to increase the share of other raw materials to meet growing volumes and sustainability requirements.

Neova Group is strongly accelerating

the development of many complementary raw materials through the Green Growth Raw Materials development program. We aim to extend our raw material basis in a more renewable, more recyclable and more sustainable direction. The focus of the program is Kekkilä-BVB, where our target is to double the usage of circular raw materials by year 2027. This is a huge and very important target for whole Neova Group.

Circular raw materials are organic raw materials that are from a renewable source; or reused or recycled raw materials that are given a second life after their first use, like compost from garden waste. For growing media, relevant examples are:

- Reused raw material: reusing substrate material for another purpose without processing.
- Recycled raw material: recycling green waste to use for potting soil (recycling can include a processing step such as composting).
- Renewable raw material: organic materials that are naturally replenished like wood and bark.

The strategic development program activities include evaluating potential new material streams, technologies, the sustainability of raw materials, customer and market needs, value chain position and product development needs. During 2022, we have established several projects focusing on specific potential new raw materials e.g. reed canary grass and roadside grasses to conduct research and then to ramp up the needed end-to-end value chain in operative mode, aiming to secure the increasing demand for raw materials volumes. Decades of long-term development and collaboration with our customers give us a solid foundation to meet new requirements for the benefit of our customers.



Water

KEY TARGETS



We reduce suspended solids, nitrogen and phosphorous emissions by

75%

in peat production areas in Finland by the end of 2025 compared to 2008 levels.

Our main target is to reduce suspended solids, nitrogen and phosphorous effluents of peat production by 75% in Finland by the end of 2025 (in comparison to 2008 levels). We have already made significant progress and 2022 already reached the target for all of the three water emissions. Especially the reduction of suspended solids have been impressive, -84% versus 2008 level.

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 all are depended on our pure water resources. ●

WE SUPPORT THE GROWTH OF OUR PEOPLE AND PARTNERS



Health and safety is our first priority. Our common Neova Group sustainability strategy includes our goals for social sustainability, covering Safety First!, Great Workplace and Responsible Partners.

New, wider approach extends social sustainability from previous targets relating to Safety First! and zero tolerance for inappropriate behaviour towards an active approach in developing diversity, equity and inclusion (DEI) in our company.

In the new social sustainability strategy improving safety performance and developing our safety practices and culture remain the no 1 priority and this systematic way of working continued effectively during 2022. We completed as well the audits to extend the ISO 45001 occupational health and safety

certification to cover all countries and divisions except for peat production during 2022.

Great Workplace actions aimed at creating a solid foundation to the active DEI approach through renewal of relevant company policies, building DEI awareness within the company and through many actions relating to Leadership development and employee well-being. In the area of Responsible partners, we launched Responsible Sourcing programme on Neova Group level to ensure and improve environmental and social sustainability of our strategic partners.

Neova Group social sustainability KPIs and targets

| Key indicator | Definition | Actual in 2022 (2021) | Target by 2025 |
|---|---|--------------------------|-----------------|
| Accident frequency: LTA1 (resulting in absence) | Group: year-on-year reduction by -20% | 4.5 (7.2) | < 3 |
| Accident frequency: MTR (all accidents, incl. commute) | Group: year-on-year reduction by -20% | 11.3 (15.7) | < 6 |
| Reported inappropriate behaviour case | Group: zero tolerance; all reported cases investigated and followed up | 6 (13) cases, all closed | 0 cases |
| Great Place to Work Trust Index | Group: increase by +2% points per year | 71% (70%) | 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 | 59% (57%) | 65% |
| GPTW Learning together index | Group increase by +2% points per year | 61% (59%) | 67% |
| Responsible sourcing: Code of Conduct | % of contract suppliers signed Supplier Code of Conducts | 66% (NA) | 100% |
| Responsible sourcing: Audit coverage of strategic suppliers | Number of audited strategic suppliers | 15 (NA) | All prioritised |
| Responsible sourcing: joined sustainability development process and plans | Number of prioritised suppliers with joint sustainability action plan and targets | 16 (NA) | All prioritised |

After the pandemic we will continue in the hybrid model in all our operating countries. Our key safety highlight from 2022 was that Finland and Estonia operations achieved the zero accidents goal.

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 2022 Neova Group accident frequency rate (lost time accidents, including commute, over million working hours) was 4.5, a significant decrease from 2021 (7.2). The accident frequency for Kekkilä-BVB operations improved from 12.2 in 2021 to 7.1 in 2022.

Most of our accidents, and especially serious accidents, occur in production operations. Looking at the past three years, 12% of all the accidents requiring medical treatment are categorised as a serious accident (9 out of 75). All accidents are investigated, with root cause analysis, corrective actions and the learnings are shared in 5 languages to all personnel. In 2022, 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 2022 in all businesses. In 2022 we held 48 fire and chemical safety inspections in peat operations. The number of peat area fires was 18, a reduction of 44% from last year (corresponding figure in 2021: 41).

During the year 2022 the factories within Kekkilä-BVB focused on 6 common safety topics with the purpose of improving the safety in the workplace as well as the safety culture. The activities included making risk assessments with the purpose to find the risk and take actions to prevent them. Examples of the activities include preventing risks related

Hybrid model well received

In office work hybrid model, working both remote and in the office, improved and worked out well for 82 % in Pulse survey in February and in May for 85% for office workers.

Open responses showed that employees value the flexibility of the hybrid model. It brings more freedom to choose where and when to work, making it easier to combine work and free time. It also saves time spent travelling and reduces CO₂ emissions. In addition, performance improves when you are able to concentrate well on your work. On the other hand, remote workers want better ergonomics and miss seeing their colleagues face-to-face.

The hybrid model is a permanent change in working life and is possible for all of our employees whose jobs allow it. In order to increase the team spirit, face-to-face encounters are seen also very invaluable. Both in office and production we organized breakfast, lunch or afternoon coffee events during summer season to organize opportunities to discuss with colleagues and thank employees for their good work during the first half of the year.



to using machines and equipment, how to ensure traffic safety in our areas and minimize the risks for head injuries during work.

Safety observations made in 2022 by own personnel reduced by 11% from 2021 (2021: 8% reduction). Results from both 2021 and 2022 can mostly be

explained by restrictions to site visits due to COVID-19. Total number of observations was 2651 (2021: 2965).

We also track our contractors' accidents in our operations and conduct an accident investigation together with them. In 2022 our contractors reported a total of 4 accidents requiring medical treatment (2021: 8) and 3 accidents leading to absence (2021: 2). Out of the safety observations made in 2022, 16% were made by our contractors (2021: 10%).

Another Safety pulse survey was conducted for all our personnel in November 2022, which asked about the level of our safety culture on a self-assessment scale of 1–12. The result 9.2 was good. With the survey, we also wanted to find out how we could further improve our safety culture and what kind of training related to safety and occupational well-being our personnel would like.

The three most important cultural improvement measures were involvement of personnel in safety work, improving the condition of machines and equipment and increasing safety training. The educations most asked for by the employees were occupational well-being, risk assessments and First Aid.

Great workplace

KEY TARGETS



We improve GPTW Trust Index by 2% points per year to reach 78% by 2025.

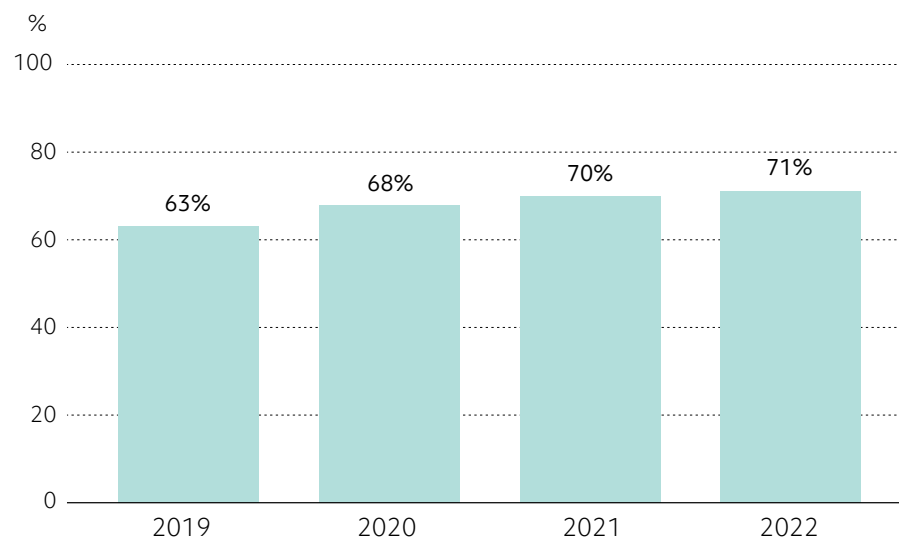
We increase diversity and inclusiveness in our workplace by improving wellbeing and engagement index by 2% points per year to reach 82% by 2025.

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.

Neova Group Trust Index



Engagement and wellbeing of our employees

Our Trust Index, which measures employee experience, is 71% in year 2022, up from 70% previous year 2021. With an increase of one percentage point, we continue our steady journey to become one of the best workplaces in Europe by 2030. Since we started the Great Place to Work surveys in our company three years ago, we have already improved by eight percentage points, which shows we have already come a long way from where we started.

As a result of this autumn's survey, Neova Group has achieved Great Place to Work certification in four of its countries: Finland, Sweden, the Netherlands and Estonia.

Development measures will build a corporate culture based on open communication, celebrating success, cohesive team spirit and sustainability.

Competence development

English language trainings were provided to all employees. In total 157 employees

participated to these courses. Businesses and functions had their own competence development emphasis also in year 2022. One of the most significant competence development investments was Commercial Excellence program for Kekkila-BVB sales organizations.

Our Group has four mandatory eLearning courses that every employee should complete every two years. The purpose of the courses is to ensure that the right practices are adopted throughout the organization. "GDPR – Data Protection in Neova Group" and "Information Security Awareness" eLearning courses were the courses to be taken during the year 2022.

In 2022 there was a strong emphasis in increasing awareness of diversity, equity and inclusion (DEI) within the company, and create solid basis for doing that through updating relevant company policies and guidelines towards taking an active approach in DEI. Topic was communicated actively throughout the year, two key note speaker sessions were held regarding the DEI theme in general, and regarding unconscious biases. Above mentioned support for consistent line manager work was significant part of this



Great Place to Work certification granted to four countries

The Great Place to Work organisation grants companies a recognition for good employee experience when a country-specific Trust Index limit is exceeded. The certified companies are entitled to use the globally recognised certification logo in its internal and external communications, such as job advertisements.

As a result of 2022 survey, Neova Group has achieved Great Place to Work certification in four of its countries: Finland, Sweden, the Netherlands and Estonia. In the other countries, our group does not currently have enough personnel or the Trust Index is not high enough to obtain the certification.

Especially in Estonia, the employee experience improved considerably, being already at the target level (79%→87%). A great leap for the better was also seen in Sweden (72%→76%). In the Netherlands, a decisive step up to the certificate level was made

(69%→70%), while in Finland the Trust Index remained at last year's level (69%→69%).

The Group's management team identified Group's common development areas and actions. The development actions fall in to four focus areas and both group level actions and also into each teams' actions.

Credibility consists 2-way communication: from having regular one to one discussions up to Group Management teams hybrid visits on sites keeping personnel informed and requesting all line managers to develop meeting practices and sharing company information in team meetings. Teams should describe their way to execute open and respectful discussions within and across teams.

Respect and fairness shows itself in noticing good. Group actions supporting involve-

ment and appreciation should notice and acknowledge good performance and completed projects. Teams agree of the ways of recognizing and celebrating individual and team accomplishments.

Camaderie as sense of community requests teams to decide the ways to improve time management and to create team spirit. Meaningful, efficient and also fun use of time means especially in the office developing further the hybrid working model with more balanced calendars.

Pride shows in our purpose driven and sustainable culture. Each team has the opportunity to participate in volunteer work of their choice using one day per employee per year. It is called Helping Hands program.

plan. Wellbeing annual plan and newly established Helping Hands volunteer programs were also part of the Social sustainability plan.

In 2023 emphasis in development and support for consistent line manager work continues with themes started earlier aiming to ensure consistency at all levels of the organization. DEI awareness development will continue through Wellbeing annual cycle with DEI pulse survey, and also with further renewal of HR guidelines and development of DEI related analytics. Helping Hands volunteer program will also be continued.

Leadership development

In 2022 one of the Human Resources' focus areas was 'Support for consistent line manager work'. Altogether 39 line manager trainings were supported, with total of 670 participants, this means 5-6 trainings per line manager, although not distributing evenly.

License to Lead program for new line managers was continued, as well as the regular annual cycle related trainings e.g. How to lead Great Place to Work result and action planning discussions

Helping Hands programme inspired to help nature and people through volunteering

One of the most inspiring social sustainability measures was the Helping Hands volunteer programme launched during 2022 at the Neova Group. Teams could spend one day of their annual working time doing voluntary work. Employees were given a free hand to come up with ideas on how they can help nature or people through volunteering.

In total, our employees carried out more than 40 volunteer activities and more than 300 employees, the third of the staff, participated in them. Since the teams themselves came up with their own ideas, a big amount of different volunteer days were implemented during the year, each one richer in ideas than the other.

People were delighted by, among other things, planting flowers and vegetable gardens for refugees, seniors, children and sick people. The Ukrainians were supplied with all the necessary goods, such as clothes, chairs, household items and dozens of the group's decommissioned computers. Nature was protected, for example, by cleaning up the environment, preventing the spread of harmful plants and animals, as well as by building birdhouses, bug hotels and houses for homeless dogs.

The volunteer programme proved to be an excellent way to implement concrete sustainability actions at all levels of the organisation, so it was decided to continue



the programme in 2023. In addition, the volunteer days of the teams became an excellent way to increase the sense of com-

munity. When the teams were able to spend a fun day doing good, it also had an immediate positive effect on wellbeing at work.



or trainings related to Target setting and evaluation.

New topic specific training modules were provided to all line managers. Some of the new modules were companywide supporting line managers to lead in matrix organization or how to address and lead performance problems or to succeed in recruitments.

There were also various trainings provided on a country level, e.g., Zero tolerance for inappropriate behavior, new time management tool and working time, wellbeing and early intervention related. Also change management training for some projects. Leadership as a Service nomination based training was run for the second time, this time with emphasis in developing process understanding and process capabilities through project work.

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.

Spring 2022 we started the development and implementation of Responsible Sourcing programme within Neova Group. Responsible Sourcing programme includes actions to ensure and improve environmental and social sustainability with our suppliers. This means such activities as increasing of Supplier CoC coverage for contract suppliers, follow-up by controlled supplier audit programme as well as joint action planning, joint targets,

and supplier relationship management with strategic suppliers.

Implementation of Neova Group's new sourcing and supplier management system supports the Responsible Sourcing programme progress, including online visibility to Supplier CoC coverage, development actions and audits. New more advanced supplier management functionalities will be implemented in the system during 2023.

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 2022 we have implemented Supplier CoC systematically to all new purchasing agreements and also took actions to implement agreements and Supplier CoC to all suppliers with annual spend >EUR 100,000. By end of 2022 we reached a 66% Supplier CoC coverage and target to cover all contract suppliers with Supplier Code of Conduct by end of 2025.

We conducted 15 audits to our strategic suppliers and in total 23 supplier audits including also other important suppliers to monitor fulfilment of Supplier CoC requirements and supplier performance. In Kekkila-BVB, we conducted 10 audits for strategic suppliers and 14 supplier

audits in total. During 2022 we agreed joint sustainability improvement actions and targets with 16 strategic suppliers in total and we are systematically working in collaboration with suppliers to finish those actions by defined schedules and targets.

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 production peak season of 2023 in Finland alone we plan to have approximately 125 main contractors with roughly 800 people (including their employees or sub-contractors), and ~100 peat transportation contractors plus ~100 contractors in other operations. In Sweden we have ~50 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.

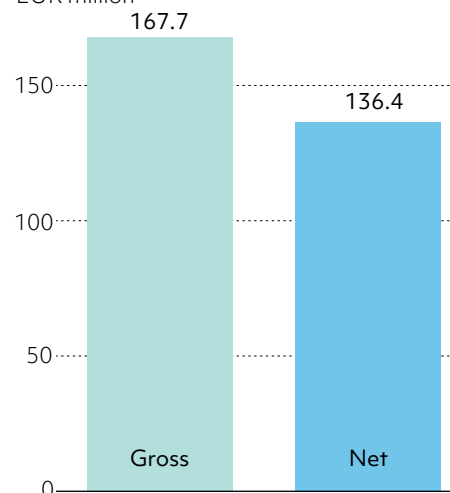
Year 2022 has been an exceptional year in many ways with geopolitical tensions and uncertainty in the business environment. Despite a disruptive, high inflation, and challenging market environment with relative high interest rates Neova

Group's comparable EBITDA remained quite close to previous year level, which can be seen to be a good performance in the current market situation. The spill over effects of the war in Ukraine on energy prices and logistics costs, for example, have had a rather exceptional impact on the Group's divisions.

The Grow&Care division suffered from significantly higher logistics costs, which the division has not been able to fully pass on to prices. In the Fuels&Real Estate Development division, sales and profitability improved significantly due to higher energy fuel sales where the business were able to respond to the security of supply needs, and well proceeded land sales.

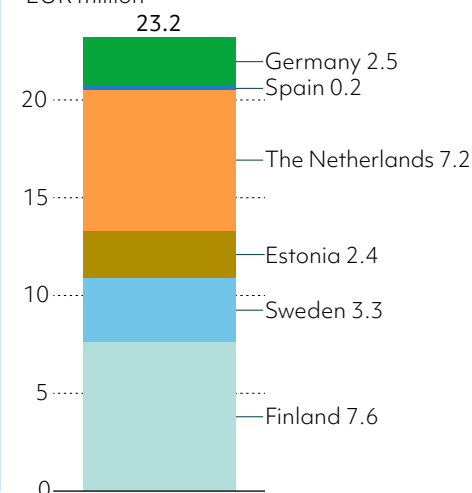
Investments in 2022 (IFRS)

EUR million



Paid taxes 2022

EUR million





Neova complies with the applicable local legislation in paying, collecting, remitting, and reporting on taxes and fees

Neova Group has a significant economic and employment impact in several locations as an employer, taxpayer and buyer of products and services. Neova is committed to responsible tax management acting in line with the purpose of rules and regulation - our approach to tax matters is to support responsible business performance in a sustainable way. Neova pays taxes according to existing local tax legislation in its operating countries on time without delay. The main operating countries are Finland, Sweden, Estonia, Netherlands and Germany.

Delivering strategic roadmap and capital expenditure

Neova Group completed significant strategic projects during 2022, announcing acquisition of Brill, sale of Scandbio shares, acquisition of non-controlling interest in Kekkilä-BVB, joint venture arrangement in Wood Business, and acquisition of Algomin.

Neova Group's total gross investments excluding business acquisitions were EUR

70 million in calendar year 2022 (EUR 83 million in 2021). Capital expenditure related to intangible assets and property, plant and equipment were allocated to capacity expansion, energy efficiency investments, environmental protection and field maintenance in the peat production business of which the majority were related to capacity expansion in the Grow&Care division, mostly in Kekkilä-BVB. Investments in the activated carbon production facility in Ilomantsi, Finland was the single largest investment during the fiscal year.

Net investments (gross investments – asset sales) totalled MEUR 136,7 in 2022 (2021: MEUR 78), being 424% of depreciation and amortisation for the same time period (2021: 220%).

Financial implications and climate change risks

The use of peat for energy production has decreased significantly in Finland in recent years as the price of emission rights has continued to increase and energy peat use in Finland has become financially non-profitable. Therefore in November 2021, also Neova Group decided to discontinue the production

of energy peat in Finland. The company had to change this decision in March 2022 when emergency stockpiling of fuel peat was again commenced and became apparent that the additional production of energy peat would be necessary to secure supply in Finland.

As part of our Enterprise Risk Management process we prepared group's first ever Task Force on Climate-related Financial Disclosures (TCFD) for Neova Group during calendar year 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 businesses, Kekkilä-BVB is 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. [On 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 into three focus areas, taking both the environmental,

social, and business aspects of sustainability into account. The roadmap 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 the 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, logis-

tics, operations, HR, sales, marketing or another department we make it happen. Kekkilä-BVB's Sustainability Manager makes sure that sustainability ambitions fit with market needs and developments and manages progress on our targets.

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 for 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

Growing together for a better future

We do this by

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





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. In 2022 we have developed our Future Fit Framework to assess and compare raw materials and products on a wide range of relevant environmental, social, and business aspects within the value chain. In the case study on [page 85](#) you can read all about it.

Professional Growing

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 the 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.

This year we have worked on 96 trials with our professional customers, of which many are still ongoing. Most of the trials focus on increasing the use of circular raw materials in the recipes or finding new ways to give a second life to spent substrates. This refers for instance to our efforts to reuse spent strawberry substrate for other high quality horticulture purposes, to find on-site treatment options to reuse vegetable substrates for the same purpose and to evaluate circular raw materials for mushroom casing soil.

Retail

For retail, we offer solutions, products and customised mixtures based on responsibly sourced raw materials and evaluated through our standardized quality management process. 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.

This year a lot of effort has been put in developing the Sustainable+ Concept for gardeners in the Nordics. The Sustainable+ retail product series are developed

Kekkilä-BVB sustainability KPIs and targets

| Focus area | Key indicator | 2022 (2021) | Target 2025 |
|--|--|--|---------------------|
| We make the world greener and healthier through our products and services | # green city projects | 8 (-) | 4 |
| | # collaboration projects with growers for more sustainable growing practices | 96 (-) | 20 |
| | # new sustainable consumer product and service concepts | 1 (-) | 3 |
| | # of community projects (e.g. grow the joy) | 24 (-) | 30 |
| We support the growth of our people and partners | Safety first! Accident frequency: LTA1 (resulting in absence) | 7.1 (11.2) | < 5 |
| | Great workplace Great Place to Work Trust Index | 69% (68%) | 78% |
| | % of contract suppliers signed Supplier Code of Conducts | 59% (43%) | 100% |
| | Responsible partners Number of audited strategic suppliers | 10 (-) | 8 |
| | Number of prioritised suppliers with joint sustainability action plan and targets | 14 (-) | 4 |
| We do our business in balance with nature | Greenhouse gas emissions Reduction of CO ₂ footprint of operations (scope 1+2) (ktCO ₂ -eqv.) baseline 9.8 in 2020 | -17% (+8%) | -50% |
| | Reduction of carbon intensity (scope 1+2+3) (ktCO ₂ / M€) baseline 2.9 in 2020 | -30% (-5%) | -25% |
| We do our business in balance with nature | Circularity Volume of circular raw materials* | 1.0 Mm ³ (1.0 Mm ³) | 1.4 Mm ³ |
| | Use of recycled materials in packaging | 31% (29%) | 50% |
| | Recycling rate of waste in own operations | 85% (66%) | 90% |
| | Biodiversity % of certified responsibly produced peat in own products | 57% (48%) | 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.

Growing together for a better future with the Future Fit Framework

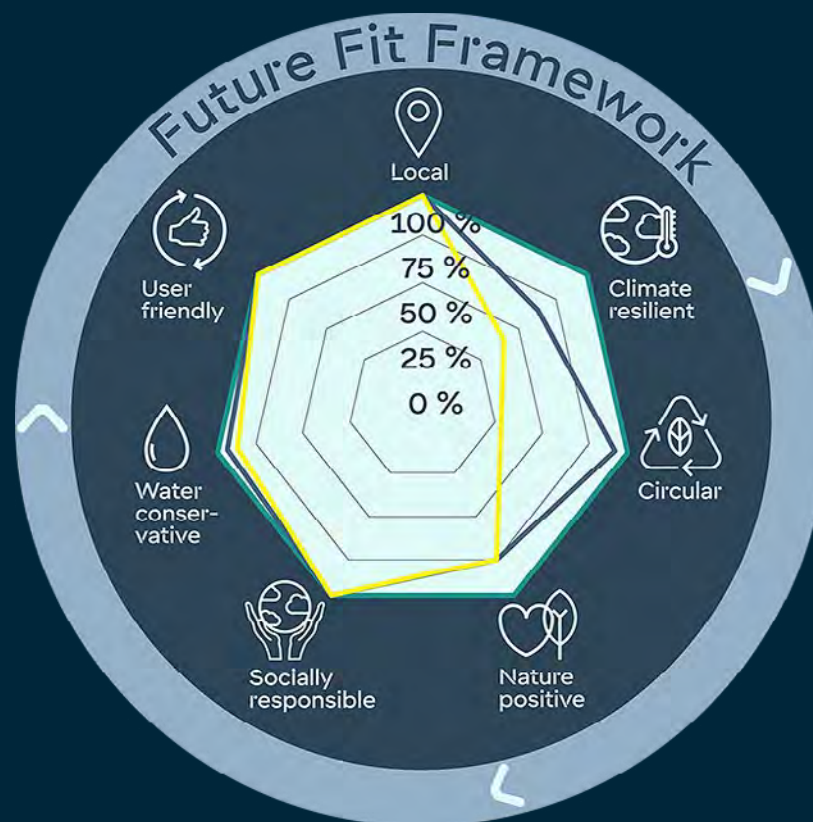
More and more customers ask us whether or not certain products are sustainable. Most of the time the focus is on certain raw materials (e.g. peat) or certain topics (e.g. carbon footprint) that have gotten attention in the media. To be able to answer those questions in a more consistent way and compare different products and raw materials we have developed the Future Fit Framework. Through an iterative process, involving internal stakeholders and external consultants and stakeholders we have made sure the framework includes a wide range of relevant environmental, social, and business aspects within the value chain.

In the current world, we have to deal with many challenges such as climate destabilization, resource scarcity, urbanization, ecosystem decline, inequality, and a food crisis. The impact of these challenges differs per country and our sector has a key role to play in dealing with them:

- Growing media are needed to safely and efficiently feed the world by increasing the yield per area, reducing water and fertilizer use, enabling production close to urban areas, ensuring food safety and hygiene, and enabling better working conditions.
- Nature-based solutions create healthy, biodiverse and climate-proof urban areas by functioning as water buffers, cooling the city, purifying the air, facilitating social cohesion, and allowing local flora and fauna to thrive.

- Gardening reduces stress and increases well-being by inviting mindful activities with healthy and beautiful flowers, shrubs, and trees.

Unsurprisingly, global demand for growing media is multiplying and the overall sustainability of materials needs to be understood.



Therefore, we have developed the Future Fit Framework, a framework to assess the sustainability of our raw materials and products. Starting from being fit for purpose we need to consider many different aspects on whether or not a (new) raw material or product is sustainable. In an ideal case, the final solution is a local, climate resilient, circular, nature positive and water conservative substrate that adds to the health and wellbeing of a fair society.

The Future Fit Framework can play a significant role in decision making from multiple departments. For our procurement department the Future Fit Framework shows the risks and opportunities of each raw material that Kekkilä-BVB procures. When we are developing new products, the framework can be used to find optimal performance (fit for purpose) of our substrates with the best possible sustainability score. The framework can also be used by the R&D department to quickly assess new raw materials to understand to what extent they are future fit.

Finally the framework provides all the relevant product and raw material information needed to engage in sustainability discussions. There are already many questions in the market about the sustainability of growing media in general and regarding specific raw materials. The Future Fit Framework and the related documentation can show for each product and each raw material what the sustainability pains and gains are and how we can grow together for a better future.

for responsible gardeners that want to make sustainability part of their everyday life. These products are made from sustainable raw materials with the aim of good plant growth. Read more about this concept in the case study on [page 74](#).

On top of that we had another successful year full of 'Grow the Joy' projects where we donated our products to public benefit projects related to growing plants. In total we enabled 24 projects in Finland and Sweden that promoted the power of growth and the joy that comes from it and working together in green space.

We wanted to support green projects that do good for everyone – even those who don't know how or aren't able to do gardening themselves. Creating a sense of togetherness and community is what we hoped to achieve with these green projects. Our work with the S.O.S. children's village is a great example of a community project as explained on [page 89](#).

Landscaping

Our expertise in landscaping leads to green roofs, facades and outside areas. Using the local situation as starting point

we try to reuse as much of the existing landscape elements and materials as possible. Together with our customers we will find climate-smart solutions, that help neighbourhoods become more biodiverse, healthier and more attractive to live in.

This year we created the Green City Concept which aim is to offer solutions for building more healthy and green urban areas, contribute to a biodiverse environment under and on ground and holistic wellbeing for people, plants and animals. Solutions and products are local and based on needs of specific market areas. In 2022 eight projects were selected as Green City projects based on their innovative value, community impact and scalability. Examples are research into water purifying substrates in the Netherlands, carbon storage in biochar for landscaping substrates in Sweden and designing green roofs for waste sheds for the 'Keto' project in Finland.

We support the growth of our people and partners

At Kekkila-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 Kekkila-BVB performance is shown.

Safety first!



At our production facilities, safety is a top priority for our 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. 1,308 observations were made in 2022 which decreased by 16% compared to previous year (2021: 1,554). These observations lead to documented actions to mitigate safety risks. The lower number of safety observations is in line with the target set for this year. As we create more and more awareness about safety, the quality of the observations gets higher, while the quantity decreases.

To improve and harmonise our safety culture, we continued to focus on safety training and risk assessments in 2022 divided in six key tasks : 1. site manag-

Future fit gardening with the Sustainability+ concept

The Sustainable+ retail product series are developed for responsible gardeners that want to make sustainability part of their everyday life. These products are made from sustainable raw materials with the aim of good plant growth.

By utilizing side streams, recycled materials, and energy-saving manufacturing methods, we reduce waste and use natural resources wisely. In addition, the packaging is 100% recyclable and made from recycled plastic.

- At least 50% of the raw materials of the Sustainable+ garden soils are recycled and rapidly renewable materials, such as green compost, bark compost, wood fiber, and growing moss.
- Sustainable+ fertilisers are produced from various side streams of the circular economy using energy-saving manufacturing methods. The products do not contain harmful substances and are effective and safe to use.
- Sustainable+ garden products are made from recycled plastic and help in making sustainability part of everyday life. For example, by composting, biowaste is recycled into nutrient-rich soil for your own backyard.



Supporting Urban Biodiversity: Alusta-pavilion in the heart of Helsinki

Alusta-pavilion (Alusta-paviljonki) is a meeting place for the public and pollinators in the very heart of Helsinki, in the courtyard of Architecture and Design Museum. Construction of the pavilion started in May 2022, and the place will be open to the public from June 2022 until October 2023. We are supporting the project by providing composters and potting soil for the pollinator-friendly plantings.

The pavilion is designed to use the most ecological means possible, using clay and wood as materials and providing living space for people, plants, and insects. The vegetation shapes the space and meets

the needs of the pollinator insects for food and shelter. Additionally, fungi participate in maintaining the natural cycle (by decomposing organic materials) and help create homes and food for insects. In cooperation with ecology researchers from the University of Helsinki, the project aims to increase natural diversity in the urban environment and to highlight the essential importance of the soil and its organisms for the well-being of the ecosystem.

The Alusta Pavillion will host several workshops and events for the citizens during this and next year.

ers lead by example, 2. safety onboarding within 2 weeks, 3. focussed traffic risk assessment, 4. engage employees in onsite traffic safety rules, 5. conduct technical risk assessment in the site for machinery and equipment and 6. head injury risk assessments part of maintenance plan. All these key tasks were completed in the factories located in Finland, Sweden, Estonia and Netherlands and as well audits conducted to extend ISO 45001 occupational health and safety certification to these sites. Special safety activity took place in the acquired operations in Germany to ensure full integration on expected safety practices and culture.

Overall, our efforts resulted in fewer accidents and we are back at the level of 2020. The accident frequency (resulting in time away from work) for Kekkilä-BVB in 2022 was 7.1 (2021: 11.2) and decreased especially in the Netherlands, as well as Sweden. On the other hand, both Finland and Estonia reached our zero accidents goal (without absence), just like in 2021. Most of our accidents, and especially serious accidents, occur in production operations. When we evaluated the incidents of 2022, we found that

they were mainly caused by a) wanting to do something quickly, or b) not performing a last minute risk assessment.

Great workplace



We have the ambition to be amongst the best employers in Europe. In 2022, we slightly improved our Great Place to Work (GPTW) score from 68% to 69%, which shows we have a lot of work to do until we are in the top quartile of European employers. The good news is that the Netherlands is now also GPTW certified on top of Sweden, Finland and Estonia who were already certified last year.

Although we have many initiatives to create a community feeling with our colleagues, we would like to highlight two initiatives that really show our colleagues commitment to 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 the Helping Hands initiative. This volunteer programme was launched to enable teams to spend one day of their annual work on volunteering. The objective is not

pre-determined, but teams were free to come up with ideas on how they could help nature or people with their volunteer work. Many great initiatives were executed: from creating vegetable patches and collecting plastic to renewing old computers and doing activities to cheer up children and the elderly. This will definitely be repeated 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 for large extent were rolled-out during 2022. The Commercial Excellence (ComEx) programme started in February 2022 and was 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 was also rolled out during 2022.

New this year, as part of our strategy for Social Sustainability, we have agreed on actions to sharpen our approach and

wording regarding diversity, equity and inclusion (DEI). The key message is: We will take a more proactive approach and actively seek ways to improve diversity, equity and inclusion. As a company, we are committed to the fair treatment of our personnel. We want everyone to feel fully part of our work community and respected as they are. We promote equity in our organization, by providing equal opportunities for everyone to develop themselves. We believe that by increasing diversity, equity and inclusion (DEI), we can support the international growth of our company and gain new ideas, skills and perspective to achieve our targets. Motivated, skilled and engaged employees are the key to this journey – we want to ensure that people feel they belong in the workplace, can participate and reach their potential.

As part of the DEI program we have updated several policies, like our Code of Conduct and Corporate Responsibility Policy. We have also updated recruitment guidelines and organized several trainings on cultural awareness and unconscious biases. In the coming year we will continue with creating awareness and understanding around this topic and

perform a survey to better understand how DEI is perceived within the organization.

Responsible partners



Together with our partners we work in collaboration to improve sustainability in our supply chain.

Three years ago we started discussing and implementing our Supplier Code of Conduct and related sustainability values we expect our suppliers to put in practice. In 2020 81% of our largest suppliers (annual spend > EUR 300,000) had signed the Code of Conduct.

For 2022 we extended the scope further to suppliers with annual spend > EUR 100,000. At the end of 2022, 59% of those suppliers had signed the Supplier CoC. Even though the share has lowered due to the extended scope, the number of signatories has increased from 101 in 2020 to 183 in 2022. By the end of 2023 we target to increase the coverage with the new scope significantly up to 85%.

During 2022 we conducted 10 audits for strategic suppliers and 14 supplier audits in total in Kekkilä-BVB. We agreed joint sustainability improvement actions

Kekkilä-BVB has been awarded a Gold EcoVadis Medal

Thanks to a joint effort of many colleagues in Kekkilä-BVB and Neova Group we've been awarded the Ecovadis Gold medal for our sustainability achievements as part of a supplier assessment done for Lidl Germany. Ecovadis is a global organization who have evaluated the sustainability performance of over 100,000 companies in more than 175 countries.

During the assessment, scores are awarded for a wide range of sustainability topics; environment, ethics, labor & human rights, and sustainable procurement. For each of these topics, a lot of detailed questions are asked (about 200 in total) and at the end, Ecovadis provides a scorecard that shows our strengths and improvement points. The overall evaluation of Ecovadis was as follows:

"Your company has obtained a score higher than 67/100 and, for this achievement, has been awarded a Gold EcoVadis Medal. This result places your company among the top 5 percent of companies assessed by EcoVadis. Congratulations!"

The miracle of growth for SOS children's villages and foster families

The natural way for us to do good is to enable the feeling of well-being that growing plants and gardening gives. Kekkilä supports the activities of SOS Children's Villages, which is a non-profit national child welfare organization, both financially and also by donating products for their use.

The main theme of co-operation is the miracle of growth and the joy of growing. Concrete actions included Growing bags, fertilizer buckets and seeds that were sent to SOS Children's Villages locations in spring 2022. Increasing children's partici-

pation is one of the most important goals of SOS Children's Villages, and growing plants in a balcony or garden is perfect project for this.

Planting and growing plants provide not only concrete things to do for children, but also the joy of succeeding. Following plant growth throughout the summer and enjoying self-grown crop is a new experience for many children. As part of our company's volunteer program, we also renovated the vegetable garden and growing boxes in Kaarina's SOS Children's Village.



and targets with several strategic suppliers, especially covering key raw material and packaging material supply, and we will be systematically working in collaboration with these suppliers during 2023 towards our common sustainability targets.

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 2022 we extended the ISO 14001 to cover all Kekkilä-BVB sites, the audits have been performed and we expect to be officially certified in the beginning of 2023.

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 we assess our carbon footprint of the whole supply chain (scope 1+2 validated by external party and scope 3) according to GHG Protocol. In 2022 the emissions for Kekkilä-BVB own operations were 8.1 kilo tonnes CO₂-eq (2021: 10.6 kilo tonnes CO₂-eq). The largest share of these emissions (31% of the total footprint) is caused by the use of electricity. Of our scope 3 emissions, the use and end-of life for our own products accounts for 499 kilo tonnes CO₂-eq, driven by the emissions from horticulture peat (2021: 569 kilo tonnes CO₂-eq).

Kekkilä-BVBs ambition is to move towards fossil free electricity (incl. use of renewable electricity) totally by 2025, which will reduce our own footprint significantly. Our focus will be producing renewable electricity ourselves, rather than buying offsets, because we think



this has a more positive impact overall. During 2022 we have conducted several evaluations for replacing oil heating with ground source heat or geothermal heat in Finland and Estonia factories, which unfortunately turned out to be infeasible. We are also aiming to use more and more renewable fuels in our operations, but for this the business case is less attractive. This also means that 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.

As mentioned above the carbon emissions related to peat use are much talked about in our sector. Because peat is such an excellent and widely available material it is very difficult to replace it. Especially because, besides the carbon footprint, the value chain is one of the most environmentally and socially responsible. However we do see that we should use the vital raw material as effectively as possible and that's why we've joined the European discussions on increasing the share of local and circular raw materials in growing media.

Especially in the Netherlands we've really had a breakthrough. After a year of

hard work, the Dutch government, industry, knowledge institutes, and an NGO signed a sector agreement at Kekkilä-BVB's office in De Lier on the 18th of November on the approach to making substrates even more sustainable. The 15 parties involved have managed to make a good agreement on both the ambition level and the preconditions to increase the share of circular raw materials in substrates. We are happy to see in this covenant the commitment of the government to our sector. It also contains a joint understanding of the requirements that are essential for securing the transition to more sustainable horticulture, including funding, availability of raw materials, and support for research.

Circularity



Strategically our most important circularity activity is to increase the volume of circular raw materials in Kekkilä-BVB business. To accelerate this we launched a major Green Growth Raw Materials program (see the case) and set an ambitious target to double the usage of circular raw materials by year 2027 in Kekkilä-BVB business. During 2022 we

were able to slightly increase the amount of circular materials in our growing media despite several challenges such as raw material price and logistics cost increases and competition from the energy market on renewable materials (e.g. wood fiber and bark). Due to the raw material price increases customers asked us to find a cheaper alternative, which in many cases was the versatile, yet non-circular peat. Going forward, we are committed and are already working with several concrete activities to increase the use of circular raw materials. The speed will depend on the availability, sustainability and quality of these materials.

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 our-

selves 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. In 2022 we've had good discussion with our waste processors and they told us that even dirtier plastic will be recycled, as long as demand is high. So we are dependent on the market on how much of plastic is actually recycled.

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 31% (2021: 29%). A great achievement in a year where it was sometimes hard to source plastic materials at all. Our suppliers did warn us for the coming year. Because of high demand the quality of recycled plastics is going down and they advise us to therefore use plastic with lower recycled content. As long as chemical recycling is not

widely available, this quality versus quantity will remain a challenge.

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. We also sell composters made of 100% recycled plastic and we can offer our products in bulk for Professional and Landscaping customers so we don't need any packaging.

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. 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.

Our Innovation Team has for instance done a lot of research and testing to create a high quality constituent from fermented roadside grass. This renewable

raw material is widely available wherever roads are and the whole process also creates biogas that can be used as an energy source. As the case study on this page describes, the reuse of spent strawberry substrate is another interesting raw material to further develop. And in the European BIOSCHAMP project multiple raw materials are researched as well as biostimulants as the case study on [page 92](#) lays out.

This year circularity has also improved through our Landscaping teams. The share of circular raw materials increased from 43% to 47% for Finland, from 37% to 44% in Sweden and in the Netherlands the share of circular raw materials increased from 34% to 38%. One of the most important ways to reuse soil is by adding our customized nutrition mix to local soils, which in some cases means 70% of the local soil can be reused. But also using new waste streams from other industries, like e-bottom ash, are solutions that our landscaping teams are scouting for continuously. For our landscaping projects we usually need large volumes of materials, so whenever there's a good quality local material available that will be beneficial for both us and the customer.



Second life for spent strawberry substrate

With a growing demand for substrate and a need to become as sustainable as possible, we are always looking at new locally available, and circular materials. One of the side streams that we increasingly want to reuse is spent substrates from professional growers. Preliminary research has shown that the spent strawberry substrate is suitable to be reused in both professional and retail products.

There are several ways to provide a 2nd life to the spent strawberry substrate. It could be reused at the strawberry grower, but here the benefits of a lower environmental impact do not yet outweigh the phytosanitary risks. Reusing strawberry

substrate in landscaping and consumer soils seems more feasible. However, it is important that the used substrate is first hygienised (almost free of pathogens) before it is reused. By law, it must be composted first and any residues of crop protection products should be below the maximum threshold. In a first estimate, it seems best that strawberry growers are in the vicinity of our production locations within a radius of 150 to 200 kilometers.

In 2023 we will continue our research and hopefully develop new products with this '2nd life' raw material as an ingredient. Our customers and local composters have already shown their interest.

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. Projects like Wonder Woods, the use of CityKross in urban environments or the meadow soils that were developed last year. Whether it's supporting consumers with soils for their gardens or providing tree nurseries with professional substrates, all of these activities contribute to a greener and more biodiverse world. We've also seen during the Helping Hands activities how much joy this can give to our colleagues and the communities that we helped.

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 developed 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. Therefore in Kekkilä-BVB business, we are committed to improving biodiversity and use the Responsibly Produced Peat (RPP) certification scheme as one of the tools to demonstrate our commitment. For our Neova Group peat production areas, the Responsibly Produced Peat (RPP) certifications coverage by end of 2022 reached 5,600 permit hectares (2021: 4,195 hectares). For Kekkilä-BVB own products, 57% of the peat used in 2022 was RPP certified (2021: 48%). ●

Creating sustainable casing soil

Sustainable casing soil is first and foremost a casing soil that ensures effective and disease-free growing of mushrooms, with sufficient space for the grower to control and in line with the grower's processes. It often takes time to optimally match the casing soil and the growing process, which is what makes growing media effective. Casing soil in which the mushrooms grow poorly is not a sustainable growing medium.

Peat has been the basic raw material for casing soil because of its many good properties and unfortunately despite extensive research, no raw material has yet been found that has the same versatility as peat. There are other materials that (combined with peat) also produce high-quality substrates, but these materials also have their own advantages and disadvantages and cannot be used for every crop.

Depending on only one raw material that is depletable and grows back very slowly is not a good thing in the long run. The more efficiently we can use the excellent properties of peat and combine it with local circular materials, the better it is. So this is why we joined BIOSCHAMP. To find local circular raw materials that are available or can be grown in sufficient quantities, that are suitable for use in casing soil. Recent research has shown that both in yield and disease pressure similar results can be achieved in combinations of circular raw materials with and without peat, as compared to peat-based casing soil.

This research is now done at a lab scale, so scaling up to the commercial level will be the next step in the BIOSCHAMP project. In addition, BIOSCHAMP research done on biostimulants can accelerate the uptake of circular raw materials in the near future.



GROW&CARE DIVISION

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

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

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 and Ireland. We also serve our local customers in Estonia, Finland, and Sweden with vast volume.

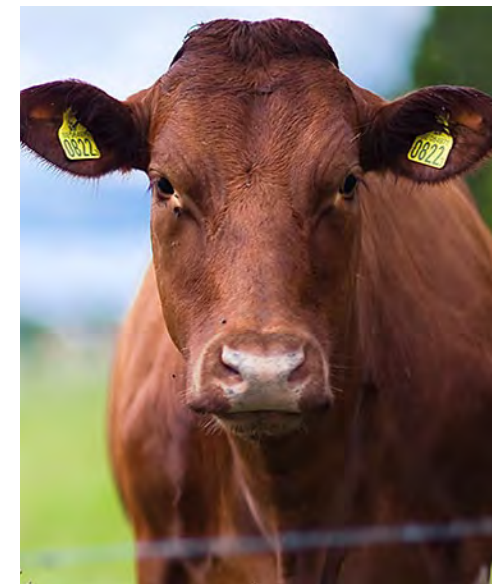
The export of horticultural peat has grown rapidly in a few past years. There

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. Our horticultural peat is of very stable quality and very suitable and safe humus raw material for both hobby and professional substrates. 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 produc-

tion. 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. ●



FUELS&REAL ESTATE DEVELOPMENT DIVISION

PROVIDING SOLUTIONS FOR RENEWABLE LOCAL ENERGY

Ensuring security of supply, developing wind and solar projects.

For the Fuels & Real Estate Development division, 2022 included the exit from forest energy in line with the long-term strategy, the return of energy peat as a security of supply fuel in Finland and the incorporation of operations into Vapo Terra Oy, owned by Neova Oy.

In 2021, Neova Oy and Lassila & Tikanoja Oy launched a project with the aim to create a joint venture by combining the energy wood businesses of both companies into one company. The project was completed in early 2022 and Laania Oy started its operations on 1.7.2022. Neova owns 45% of the company.

By joining forces, the aim was to create a wood supply and customer service net-

work covering the whole of Finland, as well as to improve the efficiency of operations. The experiences of the first six months have been encouraging and Laania Oy has strengthened its position in a highly competitive market. The company's net sales for the first six months amounted to just over EUR 50 million. and its operational performance was clearly positive. Laania Oy employs about 100 people.

Peat returned as a security of supply fuel

Russia's invasion of Ukraine in February 2022 almost immediately halted the import of material wood, energy chips, pellets and sawdust from Russia to Finland and the Baltic countries. This immediately caused an over-demand situation

for solid fuels in Finland. In recent years, about 4 TWh of energy wood had been imported from Russia, as well as about 0.2 TWh of pellets and sawdust directly and via the Baltics.

The demand increase in the wood energy market is immediately reflected in demand increase in the energy peat market. Despite the fact that the price of emission allowances was very high throughout the year, the use of Finland's energy peat remained at the previous year's level in 2022, i.e. around 10 TWh.

A very significant change in the market was that the Finnish National Emergency Supply Agency included energy peat as part of its portfolio of security of supply fuels. Neova also resumed the production of energy milling peat in Finland. Thanks

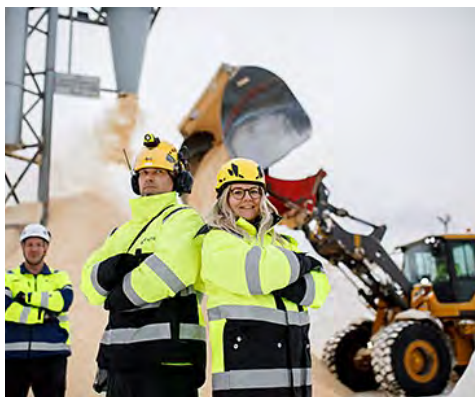
Providing solutions for renewable local energy

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.





to the stocks of previous years and the production of energy milling peat in the summer of 2022, Neova was able to meet the needs of both its own large customers critical to our energy supply and the National Emergency Supply Agency. The uncertainty in the energy market can continue and lead to a significant scarcity of solid fuels in Finland in the next heating season.

Shortage of pellets and pellet raw material

Wood pellets often replace natural gas in energy plants. When the import of natural gas and pellets ceased from Russia, it was immediately reflected in Finland as a shortage of pellets. Despite the fact that Vapo Terra has produced as much pellets as it has received raw material and what drying capacity it has had, there has not been enough pellets for all customers.

Green Factory concept implementation guiding environmental sustainability work in pellet factories

The Green Factory concept is now guiding the environmental sustainability of pellet operations in all six factories. With it, we have taken measures to be even more environmentally sustainable and

further reduce harmful environmental emissions in pellet operations. The concept has a total of 5 environmental goals aimed at reducing carbon dioxide emissions, increasing the circular economy and safeguarding biodiversity. The focus has been on increasing the utilisation of ash and energy efficiency in terms of the energy used per tonne of pellets produced. In addition, during 2022, we have implemented an SBP certification process for pellets, (Sustainable Biomass Program) is a certification system through which we want to demonstrate the economy, ecology and social sustainability of the origin and sourcing of wood-based biomass.

Vapo Terra Oy is responsible for fuel sales, pellet plant operations and real estate asset development

Beginning of 2023, the Neova Group carried out an arrangement to establish Vapo Terra Oy with the responsibility for all fuel sales, pellet plant operations and real estate development projects. Neova Oy wholly owns Vapo Terra Oy. In this arrangement Neova's approximately 60,000 hectares of land in Finland were transferred to the established

Vapo Terra Oy. In the same arrangement Neova Group's six pellet plants were split so that four of these are owned by Vapo Terra Oy and the two pellet plants needed for activated carbon production are owned by Neova Oy. Vapo Terra Oy operates all of the Group's pellet mills.

During the past four years, the sales of land assets has played a very significant role in real estate development, but from now on, the licensing of land owned by Vapo Terra into wind farms and combined solar and wind farms will play a much more significant role than at present. The aim is to have the first energy parks licensed during 2023.

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

In 2022, several EIA and zoning processes for wind power projects were launched. A total of five Neova's wind projects have so far achieved zoning phase, which means that the target set for 2022 was well obtained. One of the projects is a co-development project with Metsähallitus, but all the others are fully owned by Neova. Many of these projects are also hybrid projects containing both wind

and solar power, as it is practical in many areas to utilize the old peat production field for solar power construction. These five projects have approximately a total 800 MW of wind power and 450 MW of solar power.

The tendering and selection of consultants for zoning and EIA processes was finalized in early 2022. Comprehensive nature surveys were launched during spring. Nature surveys have been completed for all of these five projects within year 2022, so the EIA and zoning processes can proceed without delays.

Neova launched the first solar power project development during 2022. Initially, six potential project sites were selected for development, including a total of approximately 300 MW of rated power. However, there are plenty of additional land areas in reserve waiting for a possible later start of project development.

The wind and solar power team also continued to grow. At the end of the year, the team consisted of a total of eight people, located in Vantaa, Jyväskylä and Lappeenranta offices.

The sudden changes in the European energy market during 2022 have also brought additional demand for wind and

Konnunsuo wind farm – An extensive co-development with Metsähallitus

Metsähallitus and Neova started an unique cooperation by joining forces in wind power project development with Konnunsuo project in Pyhäntä in 2021. The co-development combines vast land areas owned by Metsähallitus and Neova's peat bogs where the peat production is now nearing its end. Private land owners have also leased land areas for the project. The initial project area reaches around 5,500 hectares and based on preliminary studies the area looks very promising for wind power production. The estimated project size is 28–34 wind power plants with 168–340 MW of total output.

The municipality of Pyhäntä has welcomed the Konnunsuo project initiative and has had a very positive attitude towards the wind farm plan. The zoning process with Pyhäntä started in 2021 and the Environmental Impact Assessment (EIA) process started in 2022. Also an open dialogue with the local residents and land users has been recognized as an important part of the wind power development process. Open public events have already been organized and the aim is to continue the dialogue throughout the entire project development process.

During the EIA process the impacts of the possible wind farm are extensively evaluated on the entire life cycle of the project including the building phase, energy production and the deconstruction of the wind power plants. As a part of the EIA process extensive nature studies were carried out at the project area during the spring, summer and autumn of

2022. Based on the findings a more detailed wind power plant layout will be drafted to minimize the overall impacts of the project. The zoning and EIA processes will continue during the year 2023 after which it is possible to apply for the building permits for the wind power plants.

To evaluate the economics of the project and to get detailed information of the wind conditions at the area an extensive wind measurement campaign is executed. The campaign started with SODAR measure-

ment in 2021 which is complemented with mast measurement that begun in 2022.

If the permitting process proceeds as planned it is estimated to be finished by 2025. The energy production could begin in 2027.

Metsähallitus is a state owned enterprise that manages one third of Finland's land and water areas. Metsähallitus has long experience in wind power project development and is a natural partner for Neova in the Konnunsuo project.





Torvmossen solar power plant is one of our leading projects

Neova started to study the solar power potential in Neova's land areas in 2021. In these studies the Torvmossen peat production area in Kotka Finland was recognized to have a great potential for solar power production. The entire planning area is owned by Neova and it has been used for peat production during 2010–2021. The planning of Torvmossen solar park is based on optimizing the land usage for renewable energy. The current plan for the solar park consists of tens of thousands of solar panels, with the total capacity of 35 MW.

Neova has had active discussions with several interest groups from the start of the projects such as the city of Kotka, ELY Centre of Southeast Finland and the nearby Kymi Airfield. The attitudes towards the project

have been positive. At the moment, there is no standard way to handle the permitting process of a solar power plants in Finland. The Kotka city authorities have given the guidelines for completing the permitting process for the project. Neova has been preparing for the permitting process during 2022 and the required process will be started during the first half of 2023.

During the last quarter of 2022, Neova has done initial studies to gain better understanding of the area's current state and nature. Although Torvmossen solar park does not require formal Environmental Impact Assessment (EIA), the environmental aspects have to be considered thoroughly for the permitting. To evaluate the economy of the project solar radiation measurements might not be

required and the amount of solar radiation can be evaluated by statistical methods.

The required permitting process is estimated to be finished during the year 2023. During the first half of the year geotechnical studies will be conducted to gain information and to optimize the size of the solar park. After the geotechnical studies unsuitable areas for building foundations can be crossed out and a final draft of the solar park and technical planning can be made. If everything goes as planned the construction of Torvmossen solar park could begin in 2024 and the plant could be connected to grid by the end of year 2024. The solar park is estimated to produce enough electricity to cover the electricity consumption of 2,000 electrically heated detached houses.

solar power, which are currently the cheapest and also the fastest ways to obtain new low-emission electricity production.

During 2023, the EIA processes for wind power projects are to be completed and zoning processes to be taken forward. A few wind measurement campaigns will also be launched during 2023. The permit processes for the first solar power projects are expected to be completed in 2023, after which decisions can be made on project sales and possible constructions.

Land assets – Providing solutions for sustainable use of land resources

During 2018–2022 we have sold approximately 46,000 hectares out the land owned by Neova Group in Finland. Former peat production areas have been sold for afforestation and more and more for wetlands and carbon sequestration.

In 2022, about 2,900 hectares of the former peat production areas were afforested or covered by plants. 15% were turned into wetlands. In 2022 we sold 211 hectares to the 4H Foundation for carbon sequestration. Moving forward, we will continue to put focus on evaluating options to increase carbon sinks utilising our land assets. ●



NEW BUSINESSES DIVISION

NOVACTOR - PROVIDING SOLUTIONS FOR PURIFYING THE ENVIRONMENT

Clean 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 Iloantsi, 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 Iloantsi. We use best available tech-

nology (BAT) in flue gas treatment to ensure low emission levels.

Green factory concept implementation and ISO certification guiding environmental and social sustainability and quality management work in Novactor

At the heart of Novactor's Green Factory concept is the circular economy and increasing use of renewable raw materials in the production of activated carbon. In the coming years, the aim is to achieve the full utilisation of the side streams of activated carbon production in accordance with the principles of the circular economy. In 2022, during the plant's renovation

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.



phase, special emphasis was placed on the efficient recycling of demolition and construction site waste and on research into alternative renewable raw materials. The planning of the next activated carbon production line is underway and we aim to utilize the waste heat generated in the process as efficiently as possible, for example, in district heat production.

In 2021, Novactor was granted the ISO 9001 and ISO 14001 certificates. In 2022 Novactor was also granted the ISO 45001 occupational health and safety certificate. 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.

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. ●

The refractory bricks of the activation furnace at Ilomantsi production facility were recycled

In September 2021, the activation furnace in Novactor's Ilomantsi production facility sustained significant damage due to the collapse of the furnace's refractory structure. The collapse was caused by faulty refractory bricks used in constructing the furnace.

Due to the damage, the entire refractory structure inside the furnace needed to be demolished and rebuilt using new, higher quality refractory bricks. As a result of the demolition, hundreds of tons of refractory material waste was created.

According to Neova Group's principles and our commitment to promoting circular economy, it was important to find a way to re-use the refractory waste and to avoid it

ending up as landfill.

We managed to find suitable partners who were able to use the refractory waste as raw material in their own products. Most of the material was received by a company producing castable refractory materials for the steel industry. We also supplied some material to a company using it in the production process of renewable fuels.

We are very pleased that 100% of the refractory waste from the furnace was re-used as raw material for new products. We were able to minimize the environmental impact of the generated waste and to offer raw material to the companies in question, further reducing their use of virgin raw materials.



Managing project in a safe way

When leading a construction project, you must be able to react to situations on a fast schedule and be prepared to act immediately, but that should be the last resort. It is important to foresee and mitigate most of the challenges, risks and even potential show-stoppers before they are realized. This involves careful planning, risk assessments, daily follow-up, communication, gathering and sharing information.

One of the most important tasks of a project manager is to enable and lead this work. Well scheduled project together with the proactive management helps to avoid delays and rushing which bring risks in safety. Project manager's task is also to ensure that the project has the best experts, enough resources and sufficient use of time for project personnel to keep the most important aspect of the project, safety, always at the top of the agenda.

It is important that each project member leads the project for their part, raises their observations and ensures that the necessary things are done. The team members need to have a clear picture of their own role and what is expected of them. However, a clear division of roles does not mean that people act in project focusing solely and exclusively on their own field. Sometimes a colleague with fresh eyes notices a risk that the expert themselves has not noticed. Therefore, the clarity of the project status and the overall picture for the team members is essential.



Refractory demolition was a challenging phase

Remo AC1 project included an unique high risk work phase, demolition of partially collapsed 15-storey, 30-meter-high furnace refractory. Quantity of over 140,000

pieces of refractory bricks were dismantled, one by one, by the masonry workers. The demolition work was carefully planned and several experts from different disciplines were involved in the planning. Special risk assessments, just focusing on the refractory

dismantling, were made. Structures, piping and equipment above the furnace were dismantled and structures below the furnace were reinforced heavily as a safety measure. Work methods were planned and evacuation plans were made with safety at the forefront. Demolition was the most challenging phase of the project, and it was completed safely without incidents.

After all the careful planning and risk assessment work, delays in material deliveries compromised the project schedule. And as previously said, delays and rushing can lead to safety risks. Thankfully, together with the project team we managed to find a way around the obstacles. Mechanical completion of the project was reached slightly ahead of schedule, below the budget and most importantly, the goal of zero accidents was reached. A big thanks goes to the project team and the great drive of working together!

Safety in numbers, Remo AC1 Project

- 700 hours of Safety Coordinator work
- 263 safety orientations
- 49 weekly TR safety walks with 97% average score (target 94%)
- 9 project risk workshops
- 3 positive observations in external audit, including site safety and risk management
- 0 accidents.

NEW BUSINESSES DIVISION

NEOVA INNOVATION – INNOVATING FOR SUSTAINABLE FOOD PRODUCTION

Neova Innovation 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.

Sustainable biostimulants production together with partner

Neova's biostimulant development and commercialization proceeded in 2022

with agreeing upon the manufacturing of the first biostimulant product together with a partner. The partner is Lapuan Peruna, which has partly the needed technology and experience in similar industrial manufacturing processes.

The first biostimulant to be commercialized will be a peat-based humic biostimulant. With humic biostimulants, it is possible to improve crop yields in an environmentally friendly way, thus promoting sustainable agriculture. Growth trials done with Neova's humic biostimulant show promising results especially in improving phosphorous uptake, and increasing water holding capacity and soil health. Due to improved nutrient use efficiency, chemical fertilizing can

be reduced and nutrients leaching into waterways can be prevented.

Lapuan Peruna is a producer of potato starch, which is further refined on the same industrial plot by Chemigate to cardboard and paper industry raw materials. As a byproduct of the starching process, potato feed for cattle is produced and by evaporation, concentrated potato cell fluid, which is used as a liquid fertilizer.

Due to the seasonal nature of the starching process, Lapuan Peruna's evaporation services, equipment and factory infrastructure can be used for manufacturing Neova's humic biostimulant, without disrupting Lapuan Peruna's own operations.

Innovating
for sustainable
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.





In 2022, humic biostimulant products were manufactured successfully in pilot scale together with Lapuan Peruna. In order to manufacture the biostimulants in continuous mode, the existing factory needs to be complemented with additional process technology. The detailed engineering for complementing the factory was completed in 2022.

The manufacturing of humic biostimulants at Lapuan Peruna requires, in addition, an update of the environmental permit. Therefore, the environmental permit of Lapuan Peruna has been updated and re-applied in 2022. The new permit is expected to be received from the environmental authorities in spring 2023. Neova will make the final investment decision into the peat-based biostimulant business and manufacturing at Lapuan Peruna, as the environmental permit is received.

Combining and building Neova's biostimulant manufacturing process in connection to Lapuan Peruna's existing factory and utilizing their excess production capacity, is both cost-efficient and sustainable. The manufacturing process of the humic biostimulant is very efficient, requiring only moderate amounts of peat

raw material, which will be delivered to Lapua from near-by peat production fields, minimizing logistics. In addition, the solid humin- and potassium-rich fraction from the biostimulant process, can be utilized for improving the soil quality of nearby potato fields. The same fields that grow potato for Lapuan Peruna's starch factory.

Refinery product development program targets into product innovations

Within the framework of the Neova Refinery product development program, new biomass-based products with a high degree of refinement are being developed for the international markets. The work is funded by Business Finland during 2020-2023, and the total budget is nearly 5 million euros. Research is carried out in close cooperation with Finnish SMEs and research institutes, from which the necessary services are procured. A significant part of the R&D work is also done in Neova's Innovation Laboratory located in connection with the University of Jyväskylä.

Within the program, the properties and processing of peat and possible

other biomasses for various commercial applications have been studied and evaluated. The first product to be commercialized is a biostimulant made from peat. The unique humus substances contained in peat have been commercialized into a biostimulant product that improves plant growth via multiple mechanisms.

Peat-based product replaces the products on the market that are derived from fossil raw materials (lignite or Leonardite) that are millions of years old and, as such unsustainable. Peat is a slowly renewing raw material. According to a preliminary carbon balance, up to 70% of the original carbon in peat is transferred into humate and biochar products. Thus, most of the original carbon in the peat is returned to the soil with the products. Humic substances can also be expected to be relatively stable in soil. Biostimulants reduce the need for chemical fertilizers increasing the sustainability of agricultural practices.

In the Neova Refinery concepts, the raw material is used holistically in an effort also to find commercial applications for the side fractions generated in the manufacturing process. For example,

the solid side fraction of humus production is suitable for producing biochar or for use as a soil amendment. New use forms are constantly searched.

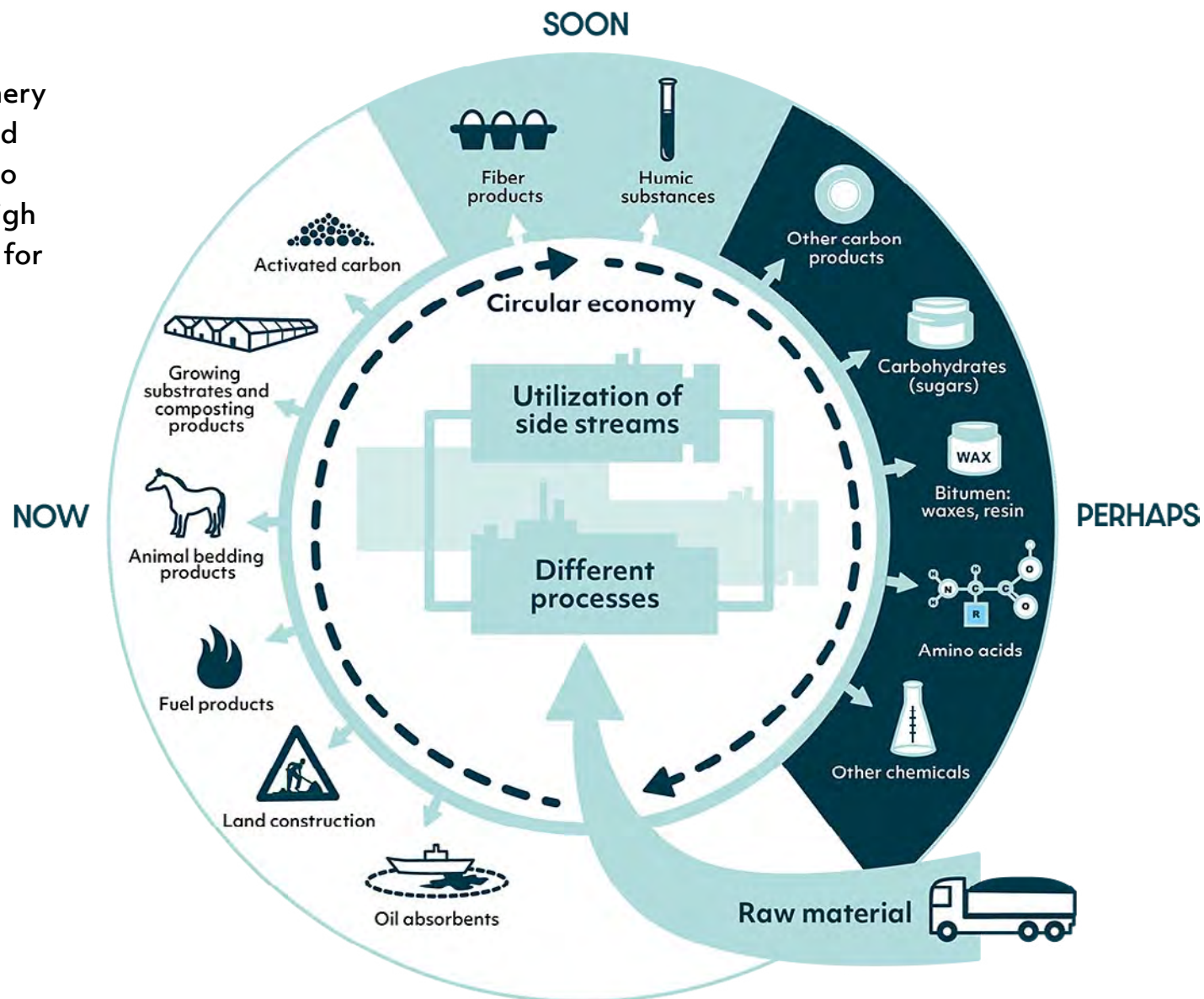
Products based on peat or other wetland biomass also provide customer value in other commercial applications. Within the program's framework, various products have also been developed for use in animal feed applications. By improving animal welfare, these peatland-based products could offer an environmentally friendly option to replace medicinal products in animal diets.

In 2022, the research carried out within the framework of the product development program was increasingly expanded towards rapidly renewing raw materials in accordance with Neova's strategy. The goal is to expand the company's biostimulant portfolio to cover new plant-based raw materials or side streams from which different types of biostimulant products can be commercialized. Domestic sources of raw materials have still been very little studied for biostimulant use, and it can be assumed that they contain interesting functionalities when processed, which could be utilized in plant cultivation. ●



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.





GRI INDEX

| Organisational profile | Page | Comments |
|---|---|--|
| 102-1 Name of the organisation | Front cover | |
| 102-2 Activities, brands, products, and services | 81–102, Annual Report, Neova Group | |
| 102-3 Location of headquarters | GRI Index | Jyväskylä, Finland |
| 102-4 Location of operations | About us | |
| 102-5 Ownership and legal form | GRI Index | The state of Finland has a holding of 50.1% in the parent company Neova, while Suomen Energiavarat Oy holds 49.9%. |
| 102-6 Markets served | 81–102, Annual Report, About us | |
| 102-7 Scale of the organisation | About us , Annual Report, Financial Statements and Board of Directors' Report | |
| 102-8 Information on employees and other workers | 75–80, 86–88, Appendix 5. | |
| 102-9 Supply chain | 80, Annual Report | |
| 102-10 Significant changes to the organisation and its supply chain | 58–59, 81–82, Annual Report, Financial Statements and Board of Directors' Report | |
| 102-11 Precautionary Principle or approach | 58–59, 81–82, Corporate Governance | |
| 102-12 External initiatives | 62–65, Appendices 2. and 6. Certificates , External sustainability references | UN Sustainable Development Goals, UN Global Compact, certificates on quality, environmental and sustainability management. |
| 102-13 Membership of associations | 58–59, 64 Memberships | |
| Strategy | Page | Comments |
| 102-14 Statement from senior decision-maker | Annual Report | |
| 102-15 Key impacts, risks, and opportunities | 56, 58–59, 66–74, 81–82, 83–103, Annual Report, Financial Statements and Board of Directors' Report | |



| Ethics and integrity | Page | Comments |
|--|---|--|
| 102-16 Values, principles, standards, and norms of behavior | 58–59, Values , Code of Conduct | |
| 102-17 Mechanisms for advice and concerns about ethics | 75, 80, Whistleblowing | |
| Governance | Page | Comments |
| 102-18 Governance structure | 61–62, Corporate Governance | |
| 102-20 Executive-level responsibility for economic, environmental, and social topics | 61–62 | |
| 102-21 Consulting stakeholders on economic, environmental and social topics | 64 | |
| 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 | 58–59, 62–64 | |
| 102-32 Highest governance body's role in sustainability reporting | 62 | |
| Stakeholder engagement | Page | Comments |
| 102-40 List of stakeholder groups | 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 | Apendix 5, GRI Index | Percentage of personnel covered by collective bargaining agreements: Spain 100%, Sweden 96%, Finland 35%, The Netherlands 8%, Estonia 0%, Germany 0% . |
| 102-42 Identifying and selecting stakeholders | 58–59, 61, 64 | |
| 102-43 Approach to stakeholder engagement | 58–59, 61, 64 | |
| 102-44 Key topics and concerns raised | 58–59, 61, 64 | |



| 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 | 58–59, 64, 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 | 56, 58–59 | |
| 102-48 Restatements of information | GRI Index | No restatements of information. |
| 102-49 Changes in reporting | GRI Index, 66, 84, 115 | 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 2021 has been reviewed and updated. CO ₂ Scope 1 and Scope 2 emission base year (2018) was recalculated to exclude CO ₂ emissions of the divested Nevel business. |
| 102-50 Reporting period | GRI Index | The reporting period is 1 January–31 December 2022. |
| 102-51 Date of most recent report | GRI Index | Neova Group's previous sustainability report was published in March 2022. |
| 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: Teija Hartikka, Senior Manager, Environment & Quality, 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 2022 has been done with the same bases as in 2020 and 2021. |



| Management and economic performance | Page | Comments |
|---|--|---|
| 103-1 Explanation of the material topic and its Boundary | 60–61, Appendix 1 | |
| 103-2 The management approach and its components | 60–61, Appendix 1, Corporate Governance | |
| 103-3 Evaluation of the management approach | Appendix 1, Corporate Governance | |
| Economic performance | Page | Comments |
| 201-1 Direct economic value generated and distributed | 81–82, Appendix 6, Financial Statements and Board of Directors' Report | |
| 201-2 Financial implications and other risks and opportunities due to climate change | 82 | |
| 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 | 66, 73, 74, 84, 86, 90 | Reported partly. |
| Energy | Page | Comments |
| 302-1 Energy consumption within the organisation | 118 | 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 2022 is 0,6 kWh/€ (2021: 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 | 74, 117–118 | 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 | 113, 125, 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 | 66, 70–72 | 2.700 hectares of wetlands to protect biodiversity |
| Own indicators – Reforestation and wetland development | 66, 70–72 | |
| Emissions | Page | Comments |
| 305-1 Direct (scope 1) GHG emissions | 66–68, 84, 115 | 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: Reported fuel use at Kekkilä-BVB site was revised after the 2021 report was published. Corrected readings in table on page 115. |
| 305-2 Energy indirect (scope 2) GHG emissions | 66–68, 84, 89, 115 | 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. |
| 305-3 Other indirect (scope 3) GHG emissions | 66–68, 84, 89, 115–116 | 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 | 66–67, 84, GRI Index | The emissions intensity is calculated in relation to the Group revenue, † CO ₂ /M€.† |



| Effluents and waste | Page | Comments |
|---|---|--|
| 306-1 Water discharge by quality and destination | 74, 117–118, 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 | 66, 73, 84, 90, 99, 117 | Reported for all Neova Group operations. Waste: Reported waste volume has been revised after the 2021 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 26 occasions to prevent damage to water protection structures, for an average of 32 days per incident. The number of diversion incidents increased by 30% compared to 2021. 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 2022 total of 66% of suppliers with over 100 k€ spend has signed Supplier Code of Conduct. |
| Employment | Page | Comments |
| 401-1 New employee hires and employee turnover | GRI Index | Reported partly. Employee turnover (outgoing): 112 cases of employment termination (11,5%). The number includes all causes of employment termination. Regional division: Region/country: FI 47, EE 2, SWE 9, NL 49, GER 5 Gender division: 26 female (23%), 86 male (77%) Age division: under 30: 14 (13 %), 30-50 years: 55 (49 %), over 50: 43 (38 %) |



| Occupational health and safety | Page | Comments |
|---|------------------------------|--|
| 403-2 Hazard identification, risk assessment, and incident investigation | 56, 76–77, 86–87, Appendix 5 | |
| 403-5 Worker training on occupational health and safety | 76–77 | |
| 403-9 Work related injuries | 56, 76–77, 86–87, Appendix 5 | |
| G4-EU18 Health and safety training for suppliers | 80 | |
| Training and education | Page | Comments |
| 404-2 Programs for upgrading employee skills and transition assistance programs | 77–80 | 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: 7 members total: 2 women (29%) and 5 men (71%). Under 30 yrs: 0, 30–50 yrs: 2 (29%), over 50 yrs: 5 (71%). 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 | 75, 80, GRI Index | 6 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 |
| Our management approach and purpose | Pages 56, 58–59, 67–69, 89–90, Appendix 4. | Pages 56, 58–59, 70–72, 92. | Pages 56, 58–59, 73–74, 90–91, Appendix 4. | Pages 74, Appendix 4. | Pages 56, 58–59, 75–77, 86–87, Appendix 5. | Pages 56, 58–59, 77–78, 87–88. | Pages 58–59, 64, 75, 88–89. | Pages 75, 80. | Pages 81–82. | Page 82. |
| 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 prepared the Task Force on Climate-related Financial Disclosures (TCFD) in May 2022. | |
| Goals and targets | These are presented on page 60–65 (“Sustainability at Neova Group”) and in the indicator tables on pages 66, 75, 81, 84. | | | | | | | | | |
| Responsibilities and resources | These are presented on page 61–62 (“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 Great Place to Worksurvey, 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. 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 which were implemented during 2022.



APPENDIX 3: THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT ADRESSED 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, Fuels&Real Estate Development, 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 2020–2022, kt CO₂e

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Neova Group | | |
|-------------------------|------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------|----------|------------|-------------|------------|------------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Peat operations | 607 | 525 | 438 | 61 | 61 | 60 | 54 | 65 | 61 | | | | 723 | 651 | 559 |
| Kekkilä-BVB operations | 3 | 4 | 3.4 | 1 | 1 | 0.1 | 2 | 1 | 0.5 | 5 | 4 | 3.7 | 10 | 11 | 8 |
| Pellet operations | 22 | 33 | 37 | | | | | | | | | | 22 | 33 | 37 |
| Power plant (Ilomantsi) | 20 | 20 | 33 | | | | | | | | | | 20 | 20 | 33 |
| Novactor/New Businesses | - | 0.5 | 0 | | | | | | | | | | n/a | 0.5 | 0 |
| Shared/Group | 0.1 | 0.1 | 0.1 | | | | | | | | | | 0.1 | 0.1 | 0.1 |
| Total | 652 | 583 | 511 | 62 | 62 | 61 | 56 | 66 | 61 | 5 | 4 | 3.7 | 774 | 715 | 637 |

Neova Group's emissions consists of direct and indirect energy consumption on production sites, fuel use of on-site vehicles, soil and stockpile emissions of peat production areas. 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 and 2022 have been calculated according to the same principles.

Greenhouse gas emissions 2020–2022, kt CO₂e

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Neova Group | | | Description |
|---|--------------|--------------|--------------|------------|------------|------------|------------|------------|------------|-----------------|------------|------------|--------------|--------------|--------------|---|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | |
| SCOPE 1 soil emission | 598 | 514 | 429 | 59 | 59 | 58 | 53 | 63 | 52 | | | | 709 | 636 | 539 | Emissions from land areas reserved for peat production. Emission from peat stockpiles. |
| SCOPE 1 other fossil emission | 40 | 50 | 65 | 2 | 3 | 3 | 2 | 3 | 9 | 2 | 2 | 1.6 | 27 | 57 | 79 | Fuel use in own facilities and production in CO ₂ . Fuels consumption of on-site vehicles. |
| SCOPE 1 biogenic emission | n/a | 7 | 22 | | | | | | | | | | n/a | 7 | 22 | 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 | 14 | 17 | 17 | 0.2 | 0.1 | 0.1 | 1 | 1 | 0.2 | 3 | 2 | 2 | 18 | 21 | 19 | Purchased electricity emission as market-based and district heating. Company target setting is based on market based calculation. |
| SCOPE 2 location based electricity emission | 10 | 13 | 11 | 0.1 | 0.1 | 0.1 | 1 | 1 | 1 | 2 | 2 | 2 | 14 | 15 | 15 | Purchased electricity emission as location-based and district heating. |
| SCOPE 3 total | 2 638 | 2 354 | 3 084 | 447 | 459 | 329 | 284 | 309 | 352 | 485 | 445 | 359 | 3 855 | 3 568 | 4 123 | See separate table for detailed breakdown. |
| Total emissions | 3 290 | 2 937 | 3 595 | 508 | 521 | 390 | 340 | 376 | 413 | 490 | 449 | 362 | 4 628 | 4 282 | 4 760 | Including + SCOPE 1 soil + other fossil emissions + SCOPE 2 market based emissions |



Greenhouse gas scope 3 emissions 2020–2022, kt CO₂e

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Neova Group | | | Description |
|---|--|--------------|--------------|------------|------------|------------|------------|------------|------------|-----------------|------------|------------|--------------|--------------|--------------|---|
| Categories | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | |
| 1. Purchased goods and services | 57 | 47 | 37 | 14 | 16 | 9 | 8 | 12 | 6 | 129 | 104 | 108 | 208 | 179 | 159 | 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. The main emission source here is purchased horticultural peat. |
| 2. Capital goods | 9 | 1 | 3 | 1 | 1 | 0.2 | 0.1 | 3 | 1 | 0 | 2 | 3 | 10 | 8 | 8 | Capital investments in, e.g. construction and investment projects. |
| 3. Fuel and energy related activities | 5 | 7 | 16 | 1 | 2 | 0.2 | 1 | 1 | 1 | 1 | 1 | 1 | 8 | 11 | 18 | Extraction, production, and transportation of fuels and energy purchased or acquired. Calculated based on scope 1 and 2. |
| 4. Transportation and distribution | 18 | 18 | 17 | 1 | 2 | 1 | 20 | 19 | 19 | 6 | 6 | 4 | 45 | 45 | 41 | Transportation and distribution paid by the company. |
| 5. Waste generated in operations | 1 | 1 | 2 | 0.03 | 0.05 | 0.1 | 0.03 | 1 | 0.1 | 0.1 | 0.1 | 0.1 | 1 | 2 | 3 | Waste and waste water generated by the company. |
| 6. Business travel | 1 | 0.5 | 1 | 0.2 | 0.1 | 0.1 | 0.02 | 0.02 | 0.04 | 0.1 | 0.1 | 0.1 | 1 | 1 | 1 | Emissions from flights and other business travel as well as hotel stays. |
| 7. Employee commuting | 0.4 | 0.4 | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.4 | 0.6 | 1 | 1 | 1 | Daily commuting of employees to workplace. |
| 8. Upstream leased assets | 1 | 1 | 0.6 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.002 | 0.1 | 0.2 | 1 | 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 | 0.6 | 5 | 5 | 1 | 0.1 | 0.2 | 5 | 3 | 4 | 0.6 | 2 | 2 | 8 | 10 | 11 | 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 | 2 546 | 2 546 | 3 002 | 428 | 438 | 317 | 251 | 269 | 321 | 349 | 329 | 262 | 3 573 | 3 310 | 3 903 | 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 Group has no joint ventures or operations of investments in the reporting year that is not included in scope 1 or scope 2. | | | | | | | | | | | | | | | |
| Total | 2 638 | 2 354 | 3 084 | 447 | 459 | 329 | 284 | 309 | 352 | 485 | 445 | 359 | 3 855 | 3 568 | 4 123 | |



Waste volume

| | 2020 | 2021 | 2022 |
|-------------------------|---------------|---------------|---------------|
| Recovery, tonnes | 26 479 | 13 256 | 13 143 |
| Energy, tonnes | 4 632 | 7 897 | 4 442 |
| Recycling, tonnes | 21 847 | 5 359 | 8 701 |
| Disposal, tonnes | 3 591 | 1 648 | 3 084 |
| Landfill, tonnes | 2 222 | 1 604 | 2 828 |
| Other disposal, tonnes | 1 369 | 44 | 256 |
| Total, tonnes | 30 070 | 14 903 | 16 227 |
| Recycling rate, % | 73 | 36 | 54 |
| Recovery rate, % | 88 | 89 | 81 |

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

| | 2020 | 2021 | 2022 |
|--|---------------|------------|--------------|
| Landfill disposal, % | 4 | 43 | 0 |
| Soil construction, % | 66 | 10 | 100 |
| Forest fertiliser, % | 4 | 0 | 0 |
| Intermediate storage / Future utilisation, % | 26 | 47 | 0 |
| Total, tonnes | 15 309 | 703 | 2 315 |

Number of environmental observations 2022 (2021)

| | Finland | Sweden | Estonia | The Netherlands |
|-------------------------------|------------------|-----------------|----------------|-----------------|
| Fuels&Real Estate Development | 27 (64) | | | |
| Kekkilä-BVB | 48 (33) | 18 (74) | 5 (11) | 49 (34) |
| New Businesses | 7 (16) | | | |
| SCM | 293 (149) | 55 (177) | 27 (19) | |
| Group Services | 22 (7) | 2 (1) | 2 (0) | 0 (0) |
| Total | 397 (269) | 75 (252) | 34 (30) | 49 (34) |

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.

Water effluent monitoring in Neova's peat production

| | 2020 | 2021 | 2022 |
|----------|--------|---------|--------|
| Samples | 12 913 | 10 973* | 9 325 |
| Analyses | 79 619 | 80 366 | 70 017 |

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.

*2021 number of samples and analyses updated after the launch of new reporting system.

Neova's monitoring of receiving water bodies

| | 2020 | 2021 | 2022 |
|----------|--------|--------|--------|
| Samples | 2 146 | 2 235* | 2 405 |
| Analyses | 25 943 | 25 595 | 27 623 |

Samples taken to measure water quality in receiving water bodies.

Reported data from Neova's peat production operations in Finland.

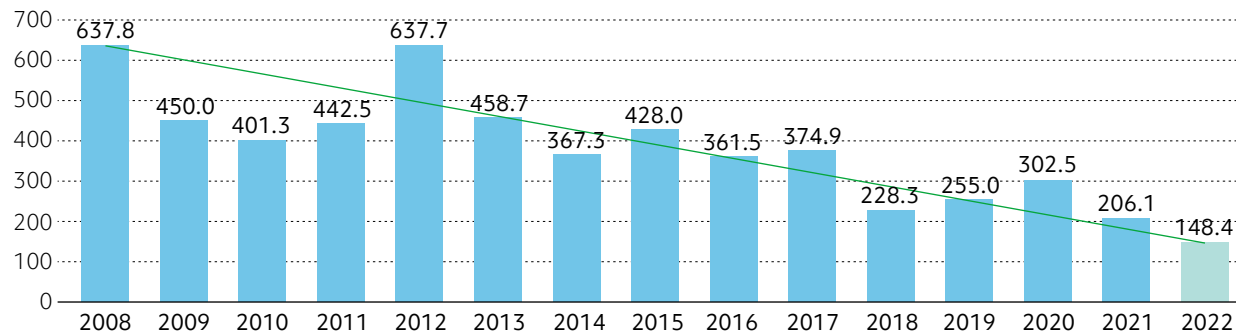
*2021 number of samples and analyses updated after the launch of new reporting system.



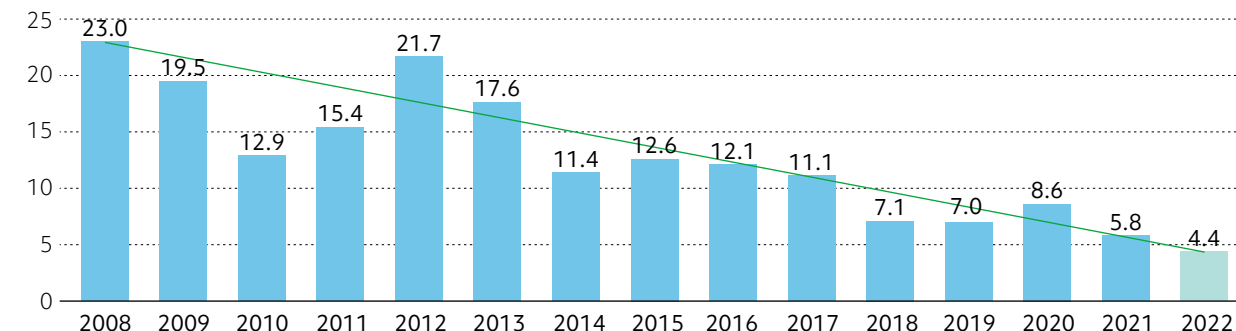
Energy consumption, MWh

| | 2020 | 2021 | 2022 |
|------------------------------------|---------------|----------------|----------------|
| Kekkilä-BVB | | | |
| Total energy consumption | 33 104 | 37 384 | 39 752 |
| Direct energy consumption | 17 363 | 21 755 | 24 842 |
| Non-renewable | 17 363 | 6 573 | 7 303 |
| Other renewables | - | 1 131 | 1 313 |
| On-site vehicles | N/A | 14 051 | 16 226 |
| Indirect energy consumption | 16 242 | 16 334 | 15 346 |
| Electricity | 13 597 | 14 703 | 14 703 |
| Solar panels | 1 084 | 961 | 697 |
| Heating | 1 561 | 670 | 670 |
| Energy sold | 501 | 705 | 436 |
| Pellet | | | |
| Total energy consumption | 90 111 | 122 503 | 172 321 |
| Direct energy consumption | 41 556 | 70 740 | 112 116 |
| Non-renewable | 33 137 | 53 463 | 59 054 |
| Renewable | 8 010 | 16 470 | 52 008 |
| On-site vehicles | 409 | 808 | 1 054 |
| Indirect energy consumption | 64 616 | 88 672 | 95 373 |
| Electricity | 17 777 | 29 018 | 30 092 |
| Heating | 32 215 | 40 400 | 45 316 |
| Steam | 14 624 | 19 254 | 19 965 |
| Total energy sold | 16 061 | 36 909 | 35 168 |
| Ilomantsi power plant | | | |
| Total energy consumption | N/A | 21 108 | 26 733 |
| Direct energy consumption | N/A | 50 892 | 82 549 |
| Non-renewable | N/A | 50 892 | 82 151 |
| Renewable | N/A | 0 | 398 |
| Total energy sold | N/A | 29 784 | 55 816 |
| Novactor | | | |
| Total energy consumption | N/A | 1 940 | 0 |
| Direct energy consumption | N/A | 1 940 | 0 |
| Non-renewable | N/A | 1 940 | 0 |
| Peat production | | | |
| Total energy consumption | 64 952 | 63 057 | 61 180 |
| Direct energy consumption | 34 437 | 47 018 | 53 027 |
| On-site vehicles | 34 437 | 47 018 | 53 027 |
| Indirect energy consumption | 30 515 | 16 039 | 8 152 |
| Electricity | 30 515 | 16 039 | 8 152 |

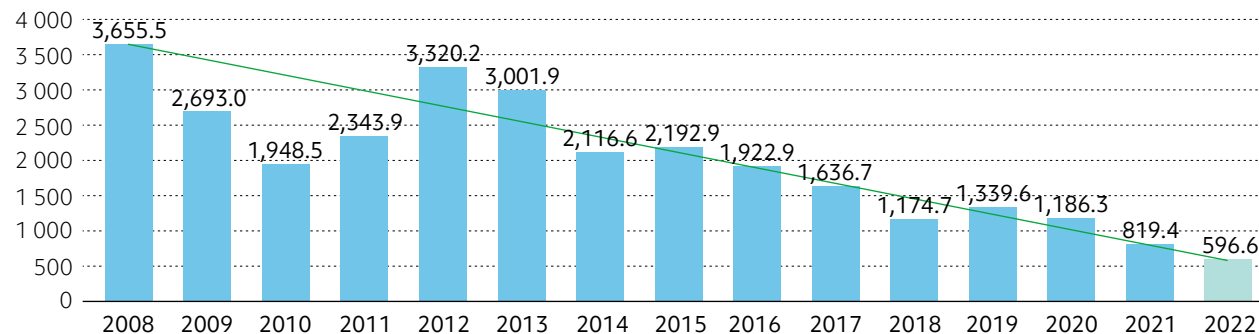
Water effluent in peat harvesting (Finland): nitrogen, tonnes



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, 31.12.2022

| | Finland | Sweden | Estonia | The Netherlands | Spain | Germany | France | China | USA |
|-------------------------------|------------|------------|-----------|-----------------|----------|-----------|----------|----------|----------|
| Fuels&Real Estate Development | 67 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kekkila-BVB | 138 | 81 | 20 | 312 | 6 | 63 | 4 | 2 | 1 |
| New Businesses | 26 | 0 | 0 | 8 | 0 | 0 | 0 | 0 | 0 |
| SCM | 99 | 20 | 14 | 7 | 0 | 0 | 0 | 0 | 0 |
| Group Services | 99 | 20 | 14 | 7 | 0 | 0 | 0 | 0 | 0 |
| Total | 382 | 121 | 44 | 346 | 6 | 70 | 4 | 2 | 1 |

Total number of personnel in all countries 976

Personnel covered by by collective bargaining agreements

| | Number of personnel | | | Personnel covered by CBAs, % | | | Number of CBAs | | |
|-----------------|---------------------|------|------|------------------------------|------|------|----------------|------|------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Finland | 527 | 426 | 382 | 48 | 36 | 35 | 6 | 4 | 3 |
| Sweden | 160 | 118 | 121 | 100 | 100 | 96 | 2 | 2 | 2 |
| Estonia | 57 | 54 | 44 | 0 | 0 | 0 | 0 | 0 | 0 |
| The Netherlands | 302 | 333 | 346 | 8 | 8 | 8 | 1 | 1 | 1 |
| Spain | 5 | 5 | 6 | 100 | 100 | 100 | 1 | 1 | 1 |
| Germany | 9 | 9 | 70 | 0 | 0 | 0 | 0 | 0 | 0 |
| France | | | 4 | | | 0 | | | 0 |
| China | | | 2 | | | 0 | | | 0 |
| USA | | | 1 | | | 0 | | | 0 |

Gender distribution

| | 2020 | 2021 | 2022 |
|--------------|--------------|------------|------------|
| Women | 291 (27%) | 289 (31%) | 303 (31%) |
| Men | 769 (73%) | 656 (69%) | 673 (69%) |
| Total | 1 060 | 945 | 976 |

Duration of employment

| | 2020 | 2021 | 2022 |
|---------------|------|------|------|
| Under 5 years | 45% | 49% | 46% |
| 5-10 years | 17% | 15% | 22% |
| 10-20 years | 21% | 21% | 17% |
| over 20 years | 17% | 15% | 15% |

Type of employment

| | 2020 | 2021 | 2022 |
|-------------------|------------|------------|-------------|
| Permanent | 939 | 814 | 883* |
| Female | 253 (27%) | 245 (30%) | 277 (31%) |
| Male | 686 (73%) | 569 (70%) | 606 (69%) |
| Fixed term | 121 | 131 | 93** |
| Female | 31 (27%) | 44 (34%) | 26 (28%) |
| Male | 87 (74%) | 87 (66%) | 67 (72%) |

*Region: EST 44, FI 372, GER 69, SPAIN 6, SWE 109, NL 276, FR 4, CH 2, US 1 **Region: FI 10, GER 1, SWE 12, NL 70

Type of employment

| | 2020 | 2021 | 2022 |
|------------------|------------|------------|--------------|
| Full time | 955 | 838 | 859* |
| Female | 233 (24%) | 225 (27%) | 233 (27%) |
| Male | 722 (76%) | 613 (73%) | 626 (73%) |
| Part time | 105 | 107 | 117** |
| Female | 58 (55%) | 64 (60%) | 70 (60%) |
| Male | 47 (45%) | 43 (40%) | 47(49%) |

*Region: EST 44, FI 373, GER 64, SPAIN 5, SWE 113, NL 253, FR 4, CH 2, US 1 **Region: FI 9, GER 6, SPAIN 1, SWE 8, NL 93

Employee turnover

| | 2020 | 2021 | 2022 |
|-------------------------------|------------|-------------|-------------|
| Employee turnover (outgoing)* | 10.2% (96) | 11.8% (112) | 11.5% (112) |

* Includes all causes of employment termination.



Number of all accidents 2020–2022 (MTR*)

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Spain | | | Germany | | | Total | | |
|-------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------------|------|------|-------|------|------|---------|------|------|-----------|-----------|-----------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Nevel | 6 | N/A | N/A | 0 | N/A | N/A | 0 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 6 | N/A | N/A |
| Fuels&Real Estate Development | 3 | 1 | 1 | N/A | N/A | N/A | 0 | 0 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 3 | 1 | 1 |
| Fuels Wood | | | 1 | | | | | | | | | | | | | | | | | | 1 |
| Kekkilä-BVB | 2 | 3 | 4 | 2 | 6 | 3 | 0 | 0 | 1 | 8 | 10 | 7 | 0 | 0 | 0 | 0 | 0 | 1 | 12 | 19 | 16 |
| New Businesses | 0 | 2 | | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 0 | 2 | 0 |
| SCM | 5 | 2 | 1 | 0 | 0 | | 0 | 0 | | 0 | 0 | | N/A | N/A | | N/A | N/A | | 5 | 2 | 1 |
| Group Services | 3 | 1 | 1 | 0 | 0 | | 0 | 1 | | 0 | 0 | | N/A | N/A | | N/A | N/A | | 3 | 2 | 1 |
| Total | | | | | | | | | | | | | | | | | | | 29 | 26 | 20 |

* 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 2018–2022.

Number of accidents that lead to absence from work 2020–2022 (LTA1*)

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Spain | | | Germany | | | Total | | |
|-------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------------|------|------|-------|------|------|---------|------|------|-----------|-----------|----------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Nevel | 3 | N/A | N/A | 0 | N/A | N/A | 0 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 3 | N/A | |
| Fuels&Real Estate Development | 1 | 0 | 0 | N/A | N/A | | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | N/A | N/A | | 1 | 0 | 0 |
| Fuels Wood | | | 0 | | | | | | | | | | | | | | | | | | 0 |
| Kekkilä-BVB | 0 | 0 | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 5 | 10 | 6 | 0 | 0 | 0 | 0 | 0 | 1 | 6 | 11 | 8 |
| New Businesses | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 0 | 0 | 0 |
| SCM | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | 2 | 0 | 0 |
| Group Services | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | 1 | 1 | 0 |
| Total | | | | | | | | | | | | | | | | | | | 13 | 12 | 8 |

* 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 2020–2022 (MTRf*)

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Spain | | | Germany | | | Total | | |
|-------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------------|------|------|-------|------|------|---------|------|------|-------|------|------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Nevel | 36.8 | N/A | N/A | 0 | N/A | N/A | 0 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 25.2 | N/A | |
| Fuels&Real Estate Development | 20.2 | 5.9 | 9.0 | N/A | N/A | | 0 | 0 | | N/A | N/A | | N/A | N/A | | N/A | N/A | N/A | 18.8 | 5 | 9.0 |
| Fuels Wood | | | 11.2 | | | | | | | | | | | | | | | | | | 11.2 |
| Kekkila-BVB | 8.7 | 11.3 | 14.4 | 15.1 | 40 | 23.4 | 0 | 0 | 26.9 | 16.5 | 19 | 12.4 | 0 | 0 | | 0 | 0 | 8.6 | 13.4 | 19.4 | 14.2 |
| New Businesses | 0 | 46.3 | | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | N/A | 0 | 46.3 | 0 |
| SCM | 19.2 | 8.5 | 4.8 | 0 | 0 | | 0 | 0 | | 0 | 0 | | N/A | N/A | | N/A | N/A | N/A | 15.3 | 6.8 | 3.8 |
| Group Services | 30.4 | 10.9 | 11.1 | 0 | 0 | | 0 | 80.2 | | 0 | 0 | | N/A | N/A | | N/A | N/A | N/A | 21.9 | 14.4 | 7.4 |
| Total | | | | | | | | | | | | | | | | | | | 16.1 | 15.7 | 11.3 |

* 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 2020–2022 (LTA1f*)

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Spain | | | Germany | | | Total | | |
|-------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------------|------|------|-------|------|------|---------|------|------|-------|------|------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Nevel | 18.4 | N/A | N/A | 0 | N/A | N/A | 0 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 12.6 | N/A | |
| Fuels&Real Estate Development | 6.7 | 0 | 0 | N/A | N/A | | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | N/A | N/A | | 6.3 | 0 | 0 |
| Fuels Wood | | | | | | | | | | | | | | | | | | | | | 0 |
| Kekkila-BVB | 0 | 0 | 0 | 7.5 | 6.7 | 7.8 | 0 | 0 | 0 | 10.3 | 19 | 10.6 | 0 | 0 | 0 | | 0 | 8,6 | 6.7 | 11.2 | 7.1 |
| New Businesses | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 0 | 0 | 0 |
| SCM | 7.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | 6.1 | 0 | 0 |
| Group Services | 10.1 | 0 | 0 | 0 | 0 | 0 | 0 | 80.2 | 0 | 0 | 0 | 0 | N/A | N/A | | N/A | N/A | | 7.3 | 7.2 | 0 |
| Total | | | | | | | | | | | | | | | | | | | 7.2 | 7.2 | 4.5 |

* 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 2020–2022

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Spain | | | Germany | | | Total | | |
|-------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------------|-------|------|-------|------|------|---------|------|------|--------------|--------------|--------------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | *2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Nevel site | 520 | N/A | N/A | 163 | N/A | N/A | 11 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 694 | N/A | 0 |
| Fuels&Real Estate Development | 386 | 505 | 345 | N/A | N/A | | 2 | 1 | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 388 | 506 | 345 |
| Fuels Wood | | | 39 | | | | | | | | | | | | | | | | | | 39 |
| Kekkilä-BVB | 516 | 391 | 364 | 343 | 402 | 257 | 75 | 78 | 50 | 407 | 685 | 638 | 0 | 0 | | 0 | 0 | 1 | 1 341 | 1 556 | 1 310 |
| New Businesses | 34 | 63 | 48 | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 34 | 63 | 48 |
| SCM Sites | 969 | 448 | 582 | 134 | 204 | 100 | 19 | 22 | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 1 122 | 674 | 682 |
| Office sites | 248 | 118 | 136 | 24 | 17 | 13 | 9 | 3 | 23 | 1 | 20 | 19 | 0 | 0 | | 0 | 0 | | 282 | 158 | 191 |
| Other | 35 | 8 | 28 | 0 | 0 | | 0 | 0 | 8 | 0 | 0 | | 0 | 0 | | 0 | 0 | | 35 | 8 | 36 |
| Total | | | | | | | | | | | | | | | | | | | 3 986 | 2 965 | 2 651 |

Safety observations are done by all own personnel as well as by our contractors working in our production/ operations sites.

Main types of workplace injuries 2020–2022, %

| | 2020 | 2021 | 2022 |
|---|------|------|------|
| Fall, slip, trip (impact with fixed object) | 43 | 42 | 35 |
| Collision, hit, pressure (impact with moving object) | 18 | 27 | 22 |
| Crush, compression, contusion (caused by object) | 18 | 0 | 17 |
| Cut, stab, sting (caused by object) | 7 | 23 | 11 |
| Shock, burn, poisoning, pressure (impact of electrical voltage, temperature, noise, hazardous substances) | 3 | 4 | 1 |
| Other | 11 | 4 | 14 |

Statistics also include injuries from accidents during commute (between the home and workplace). Statistics include Nevel operations for 2020.



Contractors – Number of all accidents 2020–2022 (MTR*)

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Total | | |
|-------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------------|------|------|-----------|----------|----------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Nevel | 0 | N/A | N/A | 2 | N/A | N/A | 0 | N/A | N/A | N/A | N/A | N/A | 2 | N/A | 0 |
| Fuels&Real Estate Development | 1 | 1 | | N/A | N/A | | 0 | 0 | | N/A | N/A | | 1 | 1 | 0 |
| Fuels Wood | | | 1 | | | | | | | | | | | | 1 |
| Kekkilä-BVB | 1 | 1 | 1 | 0 | 1 | | 0 | 0 | | 2 | 3 | 1 | 3 | 5 | 2 |
| New Businesses | 1 | 0 | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 1 | 0 | 0 |
| SCM | 5 | 1 | 1 | 1 | 1 | | 0 | 0 | | N/A | N/A | | 6 | 2 | 1 |
| Group Services | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 0 | 0 | 0 |
| Total | | | | | | | | | | | | | 13 | 8 | 4 |

* 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 2020–2022 (LTA1*)

| | Finland | | | Sweden | | | Estonia | | | The Netherlands | | | Total | | |
|-------------------------------|---------|------|------|--------|------|------|---------|------|------|-----------------|------|------|----------|----------|----------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Nevel | 0 | | N/A | 1 | N/A | N/A | 0 | N/A | N/A | N/A | N/A | N/A | 1 | N/A | 0 |
| Fuels&Real Estate Development | 1 | 0 | | N/A | N/A | | 0 | 0 | | N/A | N/A | | 1 | 0 | 0 |
| Fuels Wood | | | | | | | | | | | | | | | 0 |
| Kekkilä-BVB | 1 | 1 | | 0 | 0 | | 0 | 0 | | 1 | 1 | 1 | 2 | 2 | 1 |
| New Businesses | 1 | 0 | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 1 | 0 | 0 |
| SCM | 4 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | | N/A | N/A | | 4 | 0 | 2 |
| Group Services | N/A | N/A | | N/A | N/A | | N/A | N/A | | N/A | N/A | | 0 | 0 | 0 |
| Total | | | | | | | | | | | | | 9 | 2 | 3 |

* 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 2020–2022, MEUR

| | Gross investments | | | Asset sales | | | Net investments | | |
|-----------------|-------------------|-------------|--------------|-------------|------------|-------------|-----------------|-------------|--------------|
| | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 | 2020 | 2021 | 2022 |
| Finland | 46.5 | 62.2 | 109.3 | 15.0 | 6.2 | 12.3 | 31.5 | 56.0 | 97.2 |
| Sweden | 12.1 | 9.6 | 15.7 | 0.1 | 0.5 | 15.8 | 11.9 | 9.2 | 0 |
| Estonia | 12.0 | 3.3 | 3.6 | 0.3 | 0.1 | 1.9 | 11.7 | 3.2 | 1.8 |
| The Netherlands | 6.0 | 9.4 | 22.3 | 2.1 | 0.2 | 1.3 | 3.9 | 9.3 | 21.1 |
| France | | | 0 | | | 0 | 0 | 0 | 0 |
| Spain | | | 0 | | | 0 | 0 | 0 | 0 |
| Germany | 0.1 | 0.1 | 16.6 | | | 0 | 0.1 | 0.1 | 16.6 |
| Total | 76.7 | 84.6 | 167.5 | 17.5 | 7.0 | 31.3 | 59.1 | 77.8 | 136.7 |

Wages paid by Neova Group, MEUR

| | 2020* | 2021** | 2022*** |
|-----------------|-------------|-------------|-------------|
| Finland | 31.8 | 27.4 | 26.0 |
| Sweden | 8.0 | 4.6 | 4.9 |
| Estonia | 1.4 | 1.7 | 1.5 |
| The Netherlands | 18.9 | 19.5 | 20.2 |
| Total | 60.1 | 53.2 | 52.6 |

*1 SEK=0,10 € (8.3.2021)

**1 SEK = 0,09 € (17.1.2022)

***1 SEK = 0.089 € (10.01.2023)

Nevel Oy or Nevel Ab not in the figures for 2021 and 2022.

Algomim Ab is not included in salary data 2022.

Neova Group's tax footprint 2022, total MEUR 31.0

| | Finland | Sweden | Estonia | The Netherlands | Spain | Germany |
|--|------------|------------|------------|-----------------|------------|------------|
| Direct taxes payable for the financial year, MEUR | | | | | | |
| Income taxes | 1.6 | 0.6 | 0.0 | | 0.1 | 0.4 |
| Employer contributions | 0.3 | 1.7 | 0.0 | 2.7 | 0.1 | 0.6 |
| Property taxes | 0.2 | 0.0 | 0.0 | | | 0.1 |
| Other taxes | 1.2 | | | | | |
| Indirect taxes payable for the financial year, MEUR | | | | | | |
| Excise taxes | 0.5 | 0.0 | 0.8 | | | |
| Taxes remitted for the financial year, MEUR | | | | | | |
| Payroll taxes | 6.5 | 2.6 | 0.5 | 2.2 | | 0.7 |
| Value added tax. sales | 73.7 | 12.4 | 7.5 | 16.1 | | 4.3 |
| Value added tax. purchases | -76.4 | -14.1 | -6.5 | -14.3 | | -3.9 |
| Other taxes | | | 0.0 | 0.4 | 0.0 | 0.3 |
| Total | 7.6 | 3.3 | 2.4 | 7.2 | 0.2 | 2.5 |



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 | | x | | | | |
| Kekkilä Oy | x | x | x | | | x | x | | | |
| Neova Oy: Novactor business | x | x | x | | | | | | | |
| Sweden | | | | | | | | | | |
| Neova AB | | x | | | | x | | | | |
| Hasselfors Garden AB | x | x | x | | | | x | | x | |
| Estonia | | | | | | | | | | |
| AS Tootsi Turvas | | x | | | x | x | x | | | |
| Kekkilä Eesti OÜ | x | x | x | | | | x | | | |
| The Netherlands | | | | | | | | | | |
| de Lier | x | x | x | | | x | | x | | |
| Grubbenvorst | x | x | x | | | x | | x | | |
| Drachten | x | x | x | | | | | x | | |
| Hardenberg | x | x | x | | | | | x | | |
| Nijmegen | x | x | x | | | x*** | | | | x**** |
| Germany | | | | | | | | | | |
| Brill | | x | | | | | | | | |

* For specific Neova Group peat production areas

** Peat operations not included

*** Cocos operations

**** Landscaping operations

Blue X = DNV audits completed during 2022 and official certification to be received during Q1 2023.



NEOVA GROUP

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