

## Corporate Governance Statement 2023

### 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.

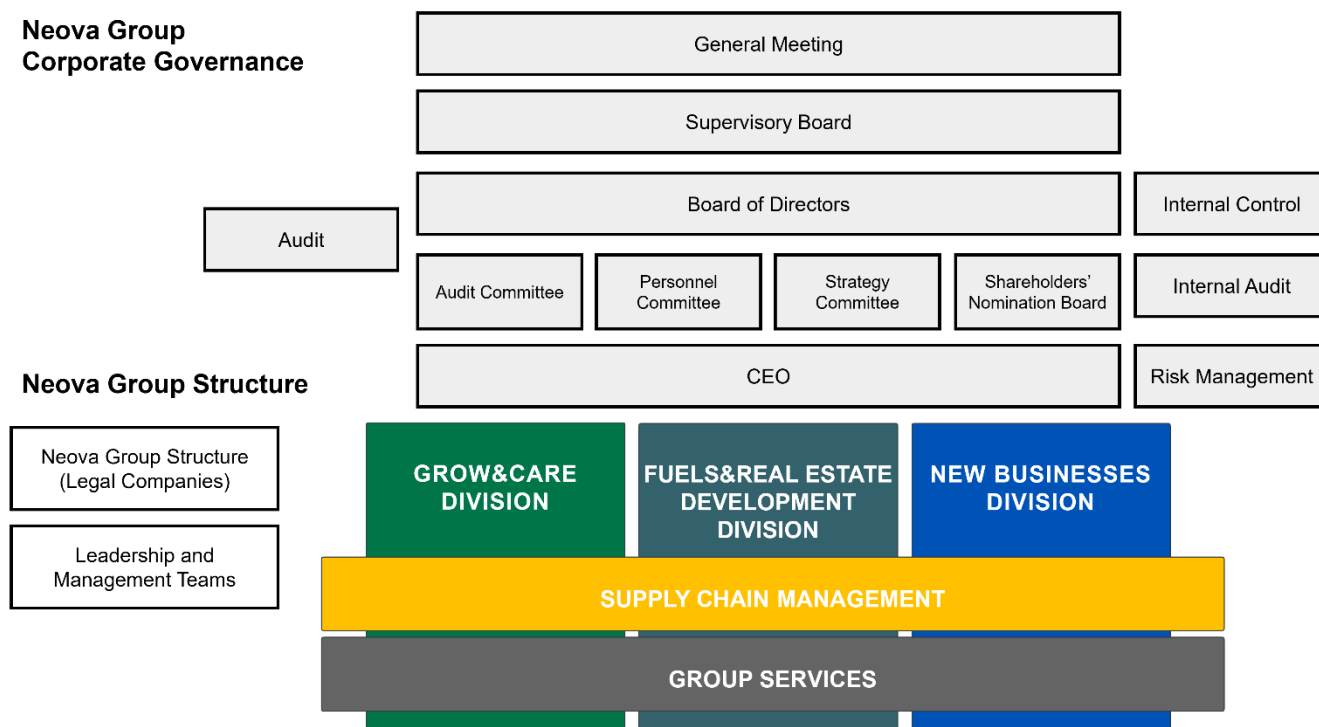
The company publishes this Corporate Governance Statement annually together with the annual report and management report.

### 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 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 authority 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 General Meeting further appoints the members of the Shareholders' Nomination Board.

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.

**FY 2023** Neova Oy's Annual General Meeting was held in Helsinki on 29 March 2023. The Annual General Meeting resolved on e.g. the adoption of the financial statements, distribution of dividends, remuneration and election of Supervisory Board members, Board members, members of the Shareholders' Nomination Board and the auditor as well as granting of discharge from liability to the Supervisory Board members, Board members and the CEO. The Annual General Meeting further dealt with remuneration and ESG matters.

All shares and votes were represented at the General Meeting. In addition, two Extraordinary General Meetings were held during the year. On 15 August the shareholders appointed a new Supervisory Board and on 12 December the shareholders resolved on the Board composition.

## Supervisory Board

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

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

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

**FY 2023** Neova Oy's Annual General Meeting held on 29 March 2023 appointed the following as members of the Supervisory Board: Harri Hietala, Antti Häkkänen, Janne Laine, Heikki Miilumäki, Eero Kubin, Esko Kurvinen, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen and Juha Sipilä. Juha Sipilä was appointed as Chairman and Heikki Miilumäki as Vice Chairman.

On 15 August 2023 the shareholders appointed the following as members of the Supervisory Board: Harri Hietala, Janne Jukkola, Antti Kangas, Jari Koskela, Eero Kubin, Esko Kurvinen, Janne Laine, Heikki Miilumäki, Piritta Rantanen and Eerikki Viljanen. Antti Kangas was elected as Chairman and Heikki Miilumäki as Vice Chairman

The Supervisory Board convened twice during the financial year 2023. 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 and sustainability. 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.

<b>Name</b>	<b>Attendance in the meetings 2023</b>
Antti Kangas (b.1987) Chairman, Member of Parliament 8/2023-	1/1
Juha Sipilä (b. 1961) Chairman, Member of Parliament 1/2020-8/2023	1/1
Heikki Miilumäki (b. 1946) Vice Chairman D.Sc. (Tech.)(h.c.) 9/2009-	2/2
Harri Hietala (b. 1958) Member, Master of Laws 3/2022-	2/2
Antti Häkkänen (b. 1985) Member, Member of Parliament 10/2019-8/2023	1/1
Janne Jukkola (b.1977) Member, Member of Parliament 8/2023-	1/1
Jari Koskela (b.1956) Member, Member of Parliament 8/2023-	1/1
Eero Kubin (b. 1948) Member, Professor 9/2009-	2/2
Esko Kurvinen (b. 1952) Member, Engineer 9/2009-	2/2
Janne Laine (b.1969) Mayor of the City of Savonlinna 8/2023-	1/1
Mauri Peltokangas (b. 1966) Member, Member of Parliament 10/2019-8/2023	1/1
Jenni Pitko (b. 1986) Member, Member of Parliament 10/2019-8/2023	1/1
Piritta Rantanen (b. 1962) Member, Member of Parliament 10/2019-	2/2
Mikael Venäläinen (b. 1971) Member, M.Sc. (econ.) 3/2022-8/2023	1/1
Eerikki Viljanen (b.1975) Member, Member of Parliament 8/2023-	1/1

## 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 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 Association, the Board's charter and the shareholders' instructions in such a way that the decisions are in the company's interest and support the growth of the company's value.

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

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

The Board 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 2023** At Neova Oy's Annual General Meeting held on 29 March 2023, Tuomas Hyyryläinen, Jari-Pekka Punkari, Kirsi Puntila, Panu Routila, Markus Tykkyläinen and Eeva-Liisa Virkkunen, were appointed to the Board of Directors. Panu Routila was appointed as Chairman and Tuomas Hyyryläinen as Vice Chairman.

Markus Tykkyläinen resigned from the Board of Directors of Neova Oy and its Audit Committee on 23 December 2023.

On 19 December 2023 the shareholders' meeting of Neova Oy appointed Stefan Damlin as Board members as from 1 January 2024.

The Board of Directors convened 21 times during the financial year 2023. 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, restructuring of business operations, operational efficiency initiatives as well as the general market, enterprise risk management, energy peat demand and availability, security of supply, EU legislation processes in relation to the use of peat as raw material, the start-up of the Activated Carbon production plant in Ilomantsi, changes in the Group structure, sustainability and reviewing the strategy.

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, Jari-Pekka Punkari is not independent of major shareholders as he is employed by the State owner. All other Board members are independent of major shareholders.

The remuneration of the Board of Directors is described in more detail in the section Remuneration Report.

Name	Member of the Board of Directors	Attendance in the meetings FY2023	Member in Committees and attendance in the meetings FY2023		
			Audit Committee	Personnel Committee	Strategy Committee
Panu Routila Born 1964 M.Sc. (Econ.) Professional Board Member	7/2021-Member  3/2022-Chairman	21/21	Member 1/1	Chairman 10/10	Chairman 12/12
Tuomas Hyyryläinen Born 1977 M.Sc. (Econ.) CEO, Pihlajalinna Oyj	2016-Member  3/2023-Vice Chairman	21/21	Member 1/1	Member 6/7	Member 12/12
Markus Tykkyläinen Born 1973 M.Sc. (Eng.), M.Sc. (Econ.), eMBA Managing Director, Suur-Savon Sähkö Oy	2016-12/2023 Member  2017-3/2023 Vice Chairman	20/21	Member 11/11		
Stefan Damlin Born 1968 M.Sc. (Econ.) Managing Director, Vaasan Sähkö Oy	2020-3/2023 Member	3/4		Member 3/3	
Jari-Pekka Punkari Born 1965 M.Sc. (Econ.) Negotiating Officer Prime Minister's Office	3/2022-member	21/21	10/10		Member 12/12
Kirsi Puntila Born 1970 M.Sc. (Econ.) Senior Vice President, Anora Group Oyj	2018-Member	20/21		Member 9/10	
Eeva-Liisa Virkkunen Born 1957 M.Sc. (Econ.) Professional Board Member	3/2022-member	21/21	Chairman 11/11		

## Shareholders' Nomination Board

The Shareholders' Nomination Board is comprised of a Chairman and one member appointed annually by the Annual General Meeting. According to the Committee's charters, the Chairman shall be the representative of the State owner.

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. The Committee is not vested with independent decision-making powers, but it prepares proposals to the Annual General Meeting.

**FY2023** The Annual General Meeting held on 29 March 2023 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 five times during the financial year 2023. 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, a Personnel Committee and a Strategy 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 two members appointed annually by the Board of Directors from among its members. The Committee as a whole shall have appropriate expertise pertaining to accounting and financial reporting. 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 four times per year led by the Chairman of the Committee. The Committee's charter is attached ([Appendix 3](#)).

**FY 2023** The Audit Committee convened 11 times during the financial year 2023. 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 EU legislation initiatives affecting the use of peat as raw material, restructuring of business operations, operational efficiency initiatives, changes to the Group structure, sustainability, ESG and CSRD reporting and planning, ERP updates, 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 two 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 2023** The Personnel Committee convened 10 times during the financial year 2023. 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 restructuring of the business units, plans relating to development of leadership and personnel, leadership model renewal and personnel survey results.

## Strategy Committee

The task of the Strategy Committee is to prepare, monitor and evaluate matters pertaining to strategy and its implementation as well as investments. The Committee is not vested with independent decision-making powers, but it prepares proposals to the Board of Directors.

The Strategy Committee is comprised of a Chairman and two members appointed annually by the Board of Directors from among its members. The Strategy 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 2023** The Strategy Committee convened 12 times during the financial year 2023. The members' attendance in the committee meetings is shown in the table listing the members of the Board of Directors.

In its meetings, the Strategy Committee dealt with the strategy definition, operational efficiency initiatives and organizational change.

## Principles regarding the diversity of the Board of Directors

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

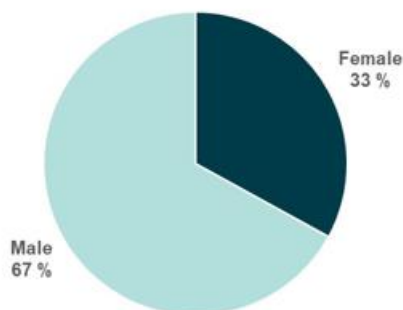
## Board diversity assessment

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

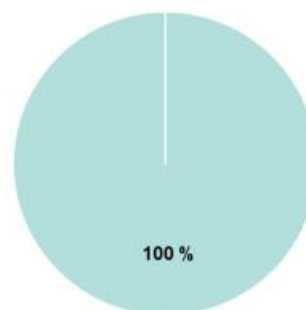
All Neova Board members have a Master's degree in Economics or in Technology, some having several degrees. Professional experience of Board members is diverse having background both from listed and non-listed companies in various industries. Many have experience from international growth companies and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

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

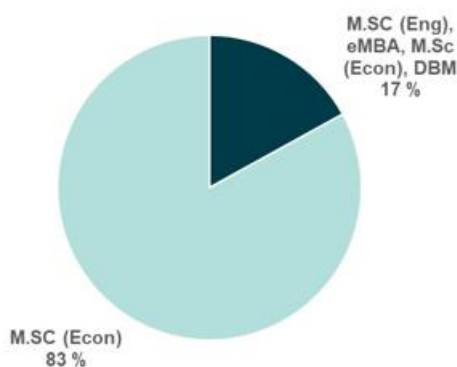
**Board diversity - Gender**



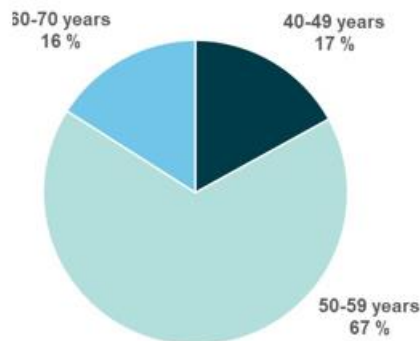
**Board diversity - Nationality**



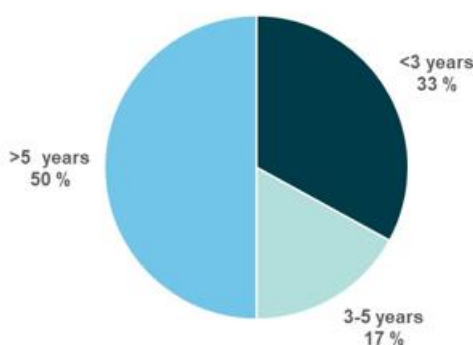
**Board diversity - Education**



**Board diversity - Age**



**Board diversity - Tenure**



## 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](#)".

On 30 November 2023 the Board resolved to appoint Pekka Tennilä M.Sc. (Econ.) born 1969, to the position as Chief Executive Officer of Neova Oy as from 4 December 2023. Simultaneously the Board resolved to relieve Vesa Tempakka, M.Sc. (Econ.), born 1963, from the position of Chief Executive Officer of Neova Oy, a position he had since 29 May 2017.

On 30 November 2023 the Board further resolved to appoint Markus Tykkyläinen, born 1973 M.Sc. (Eng.), M.Sc. (Econ.), eMBA, as deputy Chief Executive Officer of Neova Oy. He will start in his position on 1 March 2024.

The Chief Executive Officer and deputy Chief Executive Office do 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.
6. Ensuring that the company operates in accordance with its ethical principles and carries out corporate responsibility reporting where applicable.

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

**FY 2023** During the financial year 2023, 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), Jaakko Myllymäki (Business Area Director, Novactor), Ahti Martikainen (Director, Communications and Public Affairs), Jenni Nevasalo (Chief HR Officer) Jarmo Santala (Chief Financial Officer, CFO) and Mia Suominen (Chief Innovation Officer, Neova Innovation). 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 2023.

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 2023 amounted to EUR 851 thousand (EUR 439 thousand in 2022) and consulting fees totalled EUR 477 thousand (EUR 350 thousand in 2022).

## 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 2023 in the notes to the company's consolidated financial statements.

Appendices can be found at <https://www.neova-group.com/about-us/corporate-governance/appendixes/#3f07ef0c>

[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](#)

[Appendix 5: The charter of the Shareholders' Nomination Board](#)

[Appendix 6: Board diversity policy](#)