

**NEOVA** GROUP

## ANNUAL REPORT 2023

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



GROWTH GREEN  
GREEN GROWTH



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**Cover image:** A reed canary grass established in the old peat production area in Näätäneva Kurikka in the summer 2023. Reed canary grass is one of the renewable growing medium raw materials, the use of which Kekkilä-BVB is increasing.



# GROUP

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Kekkilä celebrated its centenary on November 22, 2023 at the Design Museum. Aarno Kasvi, Johanna Vireaho and Markku Wilenius discussed the garden industry and its future in a panel led by presenter Peter Nyman.



# WE ARE CREATING GREEN GROWTH



Neova is an international company whose aim is to ensure the basic conditions of life for everyone: clean food, clean air and clean water. Our business operations support professional farming and gardening, the construction of attractive living environments and the welfare of animals. We provide local fuels to our customers and produce activated carbon for the purification of air and water.

Neova's most recent business operations are natural growth stimulants, or biostimulants, made from peatland biomass, as well as solar and wind farm projects, which the company mainly develops on old peat production sites it owns.



## 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

**Financial year**  
**1 January–**  
**31 December**  
**2023**

Consolidated  
turnover  
**495.9**  
EUR million

Consolidated  
operating profit  
**16.5**  
EUR million

Balance  
sheet total  
**737.3**  
EUR million

Equity  
ratio  
**40.1**  
%

Average number  
of employees  
**936**  
people



## 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-BVB Gardening B.V., BVB Gardening GmbH, Kekkilä-Brill Substrates GmbH, Hasselfors Garden AB, Kekkilä-BVB Eesti, Vapo Oy, Vapo Terra Oy, Neova AB, AS Tootsi Turvas

# CEO'S REVIEW: GETTING COMPETITIVE

For Neova Group, 2023 was a challenging and unpredictable year in many respects. Inflation, higher interest rates and higher energy prices reduced the purchasing power of Grow&Care customers, while Fuels&Real Estate Development benefited from the increased demand for fuels. Even before the Russian invasion of Ukraine, energy prices started to rise sharply. The general increase in energy prices also increased freight costs on both on land and sea. Many of the greenhouses owned by our large customer companies in Central Europe are heated with natural gas. Due to high gas prices, many customers left their green-

”  
*Over the last two years, we have made several investments to strengthen our market position in the international growing media market.*

houses empty during the coldest winter months. Combined with high transit stocks, this translated into a fall in demand for growing media, especially in professional farming, in 2023.

Over the last two years, we have therefore made several investments to strengthen our market position in the international growing media market. We have bought Kekkilä-BVB in its entirety, acquired Brill companies (a fertiliser plant) and the Papenburg port company in Germany, and have acquired Algomin, a leading fertiliser company, in Sweden and a growing media distribution company in Italy. We are now the European leader in our field by all indicators.

**2023 was a financially challenging year** for Kekkilä-BVB. The growing media market continued to decline in 2023, and our 2023 sales volumes remained below the pre-COVID-19 levels, which had a negative impact on the result. We therefore had to launch an extensive efficiency programme at the beginning of 2023 in both Finland and our other main market areas. The change negotiations were completed by the end of 2023, and the new, leaner and more cost-effective organisation was introduced at the beginning of 2024.



Pekka Tennilä





We are now closer to our customers and financially stronger to face the challenges of the coming year in the highly competitive market. In the new operating model, Kekkilä-BVB's business has been divided into accountable business areas according to geographical markets so that we can respond better and faster to the changing market and customer needs. Kekkilä-BVB's new accountable business areas are Central Europe, Nordics, Global and Materials. Our aim is to significantly improve our profitability in Kekkilä-BVB during 2024.

**Neova's subsidiary Vapo Terra** is responsible for the Group's fuel business and real estate development. The fuel business in particular performed better than expected due to the effects of the Russian invasion of Ukraine on the fuel market. Although the sales volumes of energy peat per cubic metre remain far from the peaks of past decades, both our energy peat and pellet business performed well thanks to higher fuel prices. Vapo Terra has sold energy peat to security of supply stockpiles and is responsible for the ongoing maintenance of the stockpiles.

In the wood business, our associated company Laania has performed extremely well due to synergies and the strong demand for energy wood. Laania is an entity into which we combined the energy wood businesses of Vapo and Lassila & Tikanoja, of which we own 45%.

At the beginning of 2023, we concentrated all land owned by Neova into Vapo Terra. Vapo Terra's task is developing the value of the land through various projects. The most visible new business in this field is the development of former peat production sites into wind

and solar farms. Dozens of projects are underway, and the first solar power projects have already progressed from planning almost to the construction stage.

The second major new business in 2023 was the return of reed canary grass cultivation, but as a raw material for growing media instead of an energy plant. We are already growing more than 1,000 hectares of reed canary grass, which will be mixed with other growing media raw materials as a new renewable component. Vapo Terra sold land that was redundant in previous years. Active land sales have now been discontinued, and the main focus is on using the land to benefit the company and increase the value of the land.

**The Ilomantsi activated carbon facility** manufactures activated carbon from Finnish peat to be used in water and air purification, for example. The facility's quality level has been stabilised at the target level, and market demand for high-quality European activated carbon continues to grow.

We are also exploring many other possibilities of bringing new high value-added products to the market. Peat has been found to be an excellent raw material for organic biostimulants that are used in agriculture instead of fertilisers, especially in southern Europe. Peat also has many positive properties as an additive to animal feed. In 2024, we will continue to develop these two new product areas in particular.

**I started as the CEO of Neova** in December 2023. I would like to thank my predecessor and all the employ-

ees of Neova Group for the valuable work they did for the company in 2023. We have taken important decisions to improve our competitiveness, which I believe will bear fruit in 2024. Even in the midst of all these changes, sustainable business continues to be at the core of our strategy and our business.

**Pekka Tennilä**

CEO

Neova Oy

# GROUP STRATEGY

A multinational company that operates in the global markets, Neova offers products that aim to ensure the basic conditions of life for everyone: clean food, clean air, and clean water, heat and energy.

**Neova Group** has implemented its current strategy since spring 2018. Published at that time, the main target of the strategy was to become a significant player in the international growing media market. Fully owned by Neova, Kekkila-BVB is now Europe's leading company in its field and is also at the top of the global rankings.

We were still a major energy company in 2018 but have determinedly broken away from our energy business operations. In early 2021, we sold Nevel Oy, which specialised in the production of heat and electricity. In 2022, we joined forces with the Lassila & Tikanoja-owned Biowatti in the energy wood business. We own 45% of Laania Oy, a company created as a result of a merger. Energy is still part of our portfolio. The focus now lies on the conversion of old peat production areas into solar and wind energy farms.

At the very end of 2021, we decided to discontinue the production of milled energy peat in Finland being unable to predict what would happen only a few months later. Russia's invasion of Ukraine had a shocking impact on Europe and the energy market in particular. To help Finland manage without energy imports from Russia, we

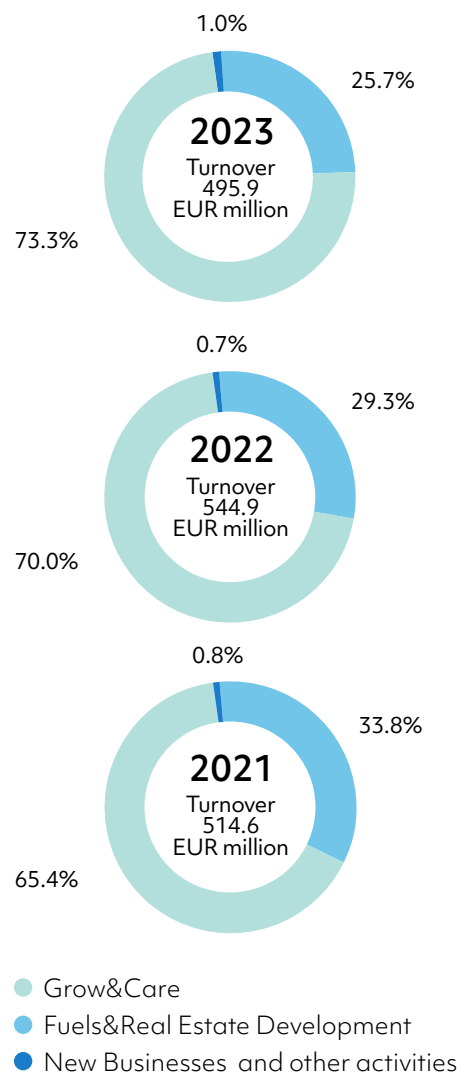
**Neova's Sphagnum moss cultivation area in Haukineva, Peräseinäjoki. The Sphagnum moss cultivation experiments are part of Neova's large-scale research and development project, the goal of which is to double the use of renewable raw materials in growing media in a few years.**







### TURNOVER BY BUSINESS SEGMENT, %



decided to resume the production of milled energy peat in March 2022. 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 result of this decision, we established the subsidiary Vapo Terra Oy, in which we concentrated Neova's land holdings, land-related real estate development and the sales of energy peat to the National Emergency Supply Agency and large energy customers. This solution clarifies the Group's strategy and the management of our various businesses.

In addition to growing media, our strategy covers the development of new high value-added products from peat and other natural materials. A facility that manufactures active carbon from peat in Ilomantsi is an example. We also have major research projects underway to start the production of peat-based biostimulants and animal feed components to replace artificial fertilisers in Finland in the near future.

Everything we do is based on the three global megatrends: climate change, digitalisation and urbanisation. We are guided by a sustainable approach to meeting people's basic needs and creating green growth. As part of our green growth strategy, 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. We started the first moss cultivation areas and sowed almost a thousand hectares of reed canary grass in old peat production areas in 2023. Growing quickly and binding carbon well, reed canary grass is an excellent raw material for many types of growing media.

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. Net positivity means giving more to the world than we take. Continuous renewal is our strength. We are committed to the continuous improvement of our operations and the development of our environmental efforts.

# OPERATING ENVIRONMENT

The changes in the operating environment in 2023 were extremely challenging. The global economic transformation that started in 2022 continued throughout 2023. The rising interest rates, higher-than-usual inflation rate and energy prices that rose to new levels as a result of Russia's invasion of Ukraine had a significant impact on our customers' purchasing power and, in turn, on our business. On the other hand, the rising energy and fuel prices and the new-found appreciation of security of supply and reliability offered us advanced new business opportunities.

**The war in Ukraine** and the resulting sanctions and embargoes significantly changed the entire European energy system. The exit and withdrawal of Russian energy from the European energy market has extensively influenced the economy since 2022. This was most clearly reflected in rising prices of transport fuels and freight, rising gas and oil prices – even the scarcity of gas and oil – and, above all, the significant rise in the price of electricity and increased price volatility. The biggest spike in energy costs was seen in 2022. The rising energy prices and interest rates led to a slowdown in economic growth in 2023 and lower demand for Kekkilä-BVB's products because of consumers' reduced purchasing power.

Even though the price of emission allowances remained at a record level of up to EUR 90 per tonne of carbon, demand for all available fuels remained high throughout 2023. The prices of wood chips, pellets and energy peat significantly increased as demand on the fuel market exceeded supply when imports from Russia ceased. For Vapo Terra, the filling and maintenance of government-owned security of supply stockpiles offered

**The rise in interest rates was one of the factors that affected Neova's business. Between July 2022 and September 2023, the European Central Bank raised interest rates 10 times and, for example, the interest rate for basic financing operations rose from 0 percent to 4.5 percent during that period. ECB President Christine Lagarde (in the middle) and Deputy President Luis de Guindos (left) announced the latest interest rate hike on September 14, 2023. (Picture: European Central Bank)**







entirely new business for the next few years.

The decline in demand for growing media that started in 2022 continued in 2023. During the year, consumers' purchasing power experienced a significant decline due to issues such as higher interest rates, higher energy prices and the general price development caused by inflation. Among professional farmers in Europe, purchasing power declined mainly due to the increased heating and lighting costs and increased fertiliser prices. It now seems that the professional farming market in Europe will return to its long-term growth trajectory over the next few years. Demand for growing media products also continues to grow in the US, South America and Asia.

### Prices of emission allowances high throughout the year

Emissions trading is aimed at shifting energy production from fossil fuels to renewables. In district heating production, all heating plants with a capacity of more than 20 MW are obliged to buy emission allowances on the market if they combust non-renewable fuels. In 2023, emission allowance prices peaked in February, when the price exceeded EUR 96 per tonne. Prices remained high throughout the year, with the average emission allowance price in 2023 over EUR 83 per tonne.

The war in Ukraine as a whole, and the Nord Stream gas pipeline explosion in September 2022 in particular, gave rise to fears of a shortage of natural gas in Europe. This was directly reflected in the price of natural gas, electricity and electricity futures. Energy prices were high in 2023, but the increased electricity supply

prevented peak electricity prices as in the previous year, except for a few days.

### Road transport became more expensive, maritime transport cheaper

The cost of road transport increased by nearly 10% during the year, mainly due to higher fuel prices. The price of maritime transport started to fall, which was good news for hauliers, but was unfortunately also a sign of weakening demand and an economic downturn.

The huge increases in packaging material prices of previous years were no longer seen. The price of plastics, fertilisers and coconut fibre, among others, actually decreased, but all prices still remain significantly higher than before the pandemic. The lower sales volumes were due to the fall in demand, and in this situation, price increases cannot adequately compensate for the fall in volumes. Under the circumstances, Kekkilä-BVB was one of the companies that had to close its production facilities and reduce its staff to reduce fixed costs and improve its future competitiveness.

### Finance taxonomy and Nature Restoration Law

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 expansion of the taxonomy were expected in 2022, but little progress was made with the drafting of the delegated regulation, even in 2023. 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 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.

The Commission adopted a proposal for the Nature Restoration Law on 22 June 2022. The Nature Restoration Law aims to contribute to the halting of biodiversity loss. An agreement on the content of the law was made in tripartite negotiations between the Council of the European Union, the European Parliament and the European Commission in November 2023. The law will now go through the official decision-making process of the European Parliament and the Council.

The overall objective with the Nature Restoration Law is to promote the long-term and sustainable recovery of biodiversity in terrestrial and marine areas. The proposal sets binding targets and obligations to improve the status of nature in different habitats. The measures should cover at least 20% of the EU's land and marine areas by 2030, and all ecosystems in need of restoration by 2050. The Nature Restoration Law would cover areas such as bogs, wetlands, grasslands, meadows, bodies of water, woodlands and agricultural environments – as well as urban areas.

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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.

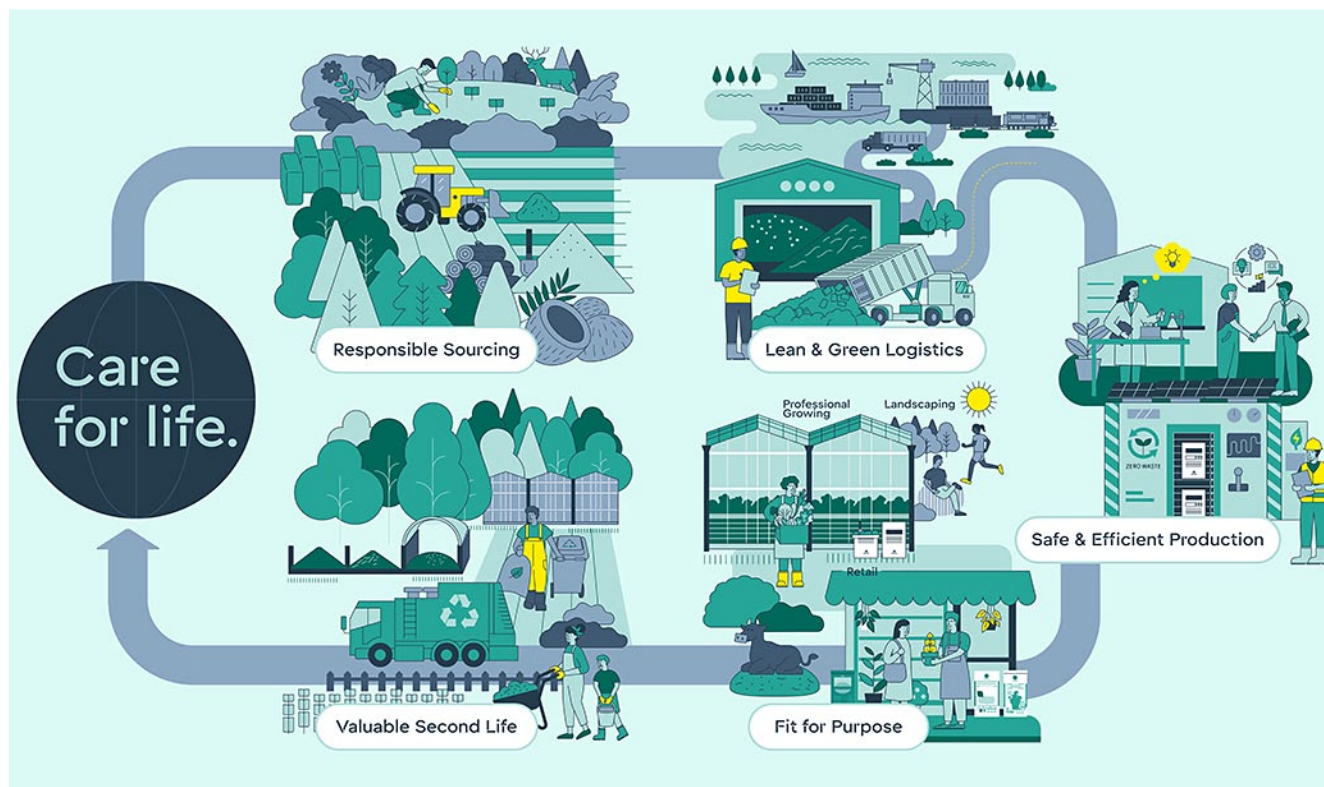


# GROW&CARE

## FUTURE FIT STRATEGY TAKES KEKKILÄ-BVB TO THE FUTURE

**Kekkilä-BVB is implementing** its Future Fit strategy, which covers four key development areas. We have set ambitious targets for profitability and the success of our customers. To achieve these targets, we have agreed to strive for excellence in operational efficiency and the use of renewable raw materials. Tangible results can already be seen in the form of cost savings and production efficiency, as well as in research and development, which has resulted in four new raw materials being currently in the testing phase. New forward-looking ways of working have been investigated in management training, for example. Sustainability and responsible choices remained at the core of our strategy and therefore at the heart of everything we do. With the Future Fit strategy, Kekkilä-BVB is aiming for an even stronger position in the global horticultural industry.

Despite the delayed spring in 2023 and the weaker purchasing power of consumers, demand for fertilisers and landscaping were good in the company's most recent acquisition, the Swedish Algomin. Global events such as the economic downturn, inflation, the rising interest rates and the energy crisis somewhat slowed down the markets for our other businesses (10–20%). The longer summer season did not reduce the deficit, and the early winter yet



We continuously collaborate with industry players throughout the value chain to build common understanding and encourage ecosystem thinking. Our innovations promote responsible solutions for food production, gardening, and landscaping.



again slowed down our business in both the consumer sector and landscaping.

In August, Neova and Kekkila-BVB initiated additional efficiency measures in eight operating countries with the aim of improving the company's profitability by EUR 30 million in 2023 and 2024. Of this amount, some EUR 10 million was to be achieved by cutting personnel costs, and EUR 20 million through other efficiency measures. We expect to see most of the programme's effects already in 2024. The efficiency measures include the introduction of a new organisational structure from 1 January 2024. Preparations for the new structure and new targets were started in 2023 with the closure of one factory in both Finland and Sweden, by reducing the number of employees in Finland, Sweden and the Netherlands, and by starting the building of a new streamlined organisation with new responsibilities and functions. The new CEO took office at the beginning of December.

The second major development effort, which started in the autumn and will continue until the end of 2025, is a reform of our ERP system, which is expected to be rolled out in Finland and the Netherlands from the beginning of 2025. In addition to the ERP project, all our business processes will be reviewed and streamlined.

## Development by business area

### Professional farming business expected to grow in 2024

The challenging market situation in professional farming continued throughout 2023. With the market slow-



**The products of Kekkila-BVB's professional growing are trusted all over the world. Family Farms' bush blueberry plantation in Peru is one of the customers.**

ing down by 10–15%, we also saw a slight decline in both sales and volume compared to 2022. During the year, we were pleased to see both new and returning customers, especially thanks to our solutions for a more sustainable world. The opening of our new mushroom growing media production facility in Wanssum in the Netherlands ensures our market leadership in this segment.

The development of our digital tools such as our Digital Substrate Advisor service and our retailer por-

tal ensures they have the right information at their disposal at the right time. By sharing our expertise through partnerships and our training programme, we make knowledge available and aim to strengthen the horticulture industry globally. The major innovations and the biggest steps have been taken with our partners and customers. The markets seemed to level off towards the end of the year, and a small increase is expected in 2024.

### Short season influenced retail trade

In retail, consumers have been more cautious in their purchases due to the economic downturn and inflation, which has caused demand in all our active retail markets to fall by 10–20%. The start of the gardening season was delayed by the late spring. In addition, our customers have put strong pressure on us to reduce prices. Sales volumes continued to fall but remained above the pre-pandemic levels. We believe the market decline has come to a halt and expect consumption to grow slightly in 2024 and 2025. Despite the economic pressure, we have promised not to compromise on the quality of our products.

Our most recent product family, the Kestävä+ concept, was very well received by our customers in Finland



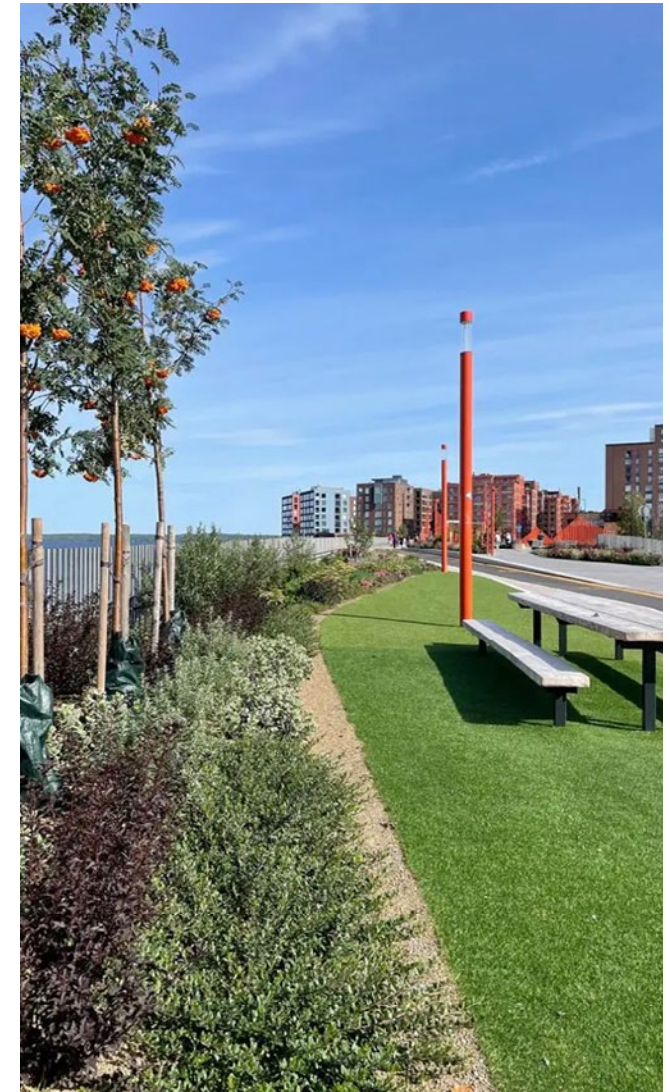
The new Kekkila Kestävä+ products are made from the most sustainable raw materials with the aim of good plant growth. Their packaging is 100% recyclable and made from recycled plastic. The new product line has been well received in Finland and Sweden.

and Sweden, and Algomin fertilisers are a great addition to our product range. In the summer, we introduced a new product to amateur gardeners in Central Europe: Circulera, a product that contains strawberry growing media recycled from professional farming. By using side streams, recycled materials and energy-saving manufacturing methods, we can reduce waste and use natural resources wisely.

### Positive developments in landscaping

Positive developments were seen in the landscaping business of all our active market areas. The year was better than expected, especially for municipal and infrastructure projects.

We were the first to introduce the Green City concept in Sweden. The concept received extremely positive feedback from cities and municipalities and attracted interest because of its sustainable calculations and lower carbon emissions into the soil. In the Netherlands, we have been involved in large and innovative landscaping projects such as the Wonderwoods Towers Garden in Utrecht. There has been a lot of interest in growing media and nutrient solutions for special trees. In the Netherlands, we started a production partnership with Donker Groen, which allowed us to expand our operations and availability to a wider area in the country, while ensuring the high quality of our growing medium. In Finland, there was special interest in garden soil and special soils in particular, and we were involved in many ambitious landscaping projects with our recycled solutions.



The Näsi's park bridge in Tampere is one of the green building projects that Kekkila-BVB has participated in. In February 2024, this new landmark of Tampere was chosen as the winner of the Environmental Structure of the Year 2023 competition.



We expect the difficult situation in the construction sector to affect us more in 2025. On the other hand, we are seeking longer-term cooperation with cities and municipalities that have ambitious sustainable development targets to meet, and we believe that municipal infrastructure projects will continue. In our recycling business, we are seeking new streams of recycled raw materials, and biogas stations are also taking in more and more side streams. The fruitful cooperation with them will continue.

### **Bedding peat provides growth to Materials business**

For the Materials business, 2023 was somewhat dichotomous, both by country and product group. Our domestic sales in Finland increased by 16% in all product groups, with animal bedding sales accounting for the bulk of the growth. Domestic sales in Estonia and Sweden were slightly higher than in the previous year. The European export market was very challenging this year, with a rapid and somewhat unpredictable decline in the growing media market after the huge growth during the pandemic. Delivery volumes from Estonia and Sweden increased slightly, but exports from Finland did not reach the 2022 levels. We are pleased to report that our trading with all our major long-term customers continues.

### **Sustainable innovations takes us towards the future**

One of Kekkilä-BVB's main goals is to thrive with the aid of new green growth raw materials. Our Innova-

**Sales of animal bedding increased in Finland in 2023.**



tion team has been working with customers, suppliers, the scientific community and other partners to identify and test renewable raw materials based on the circular economy, with an increased focus on the sustainability of growing media. Reed canary grass is one of the cultivated fibres for which we have already seen promising research results this year. Moss has been used in professional farming since 2019, and it is now being added to selected consumer products.

The goal of adding supplementary raw materials to growing media is to achieve an optimal balance between performance and sustainability. We work with farmers to develop the optimal growing medium for

each purpose. These tools, which provide a holistic view of sustainable development, help both our customers and us make better choices for the future. To verify the quality of our business, we received several certifications in 2023. We also continued to encourage our partners to make sustainable choices and committed them to our ethical guidelines. Almost 90% of our suppliers comply with our Code of Conduct.

Our business is strongly based on relationships and collaboration with our long-term customers and partners. To promote the global horticulture business, we invested heavily in 2023 in collaboration projects and the communities in which we are involved.



# 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 increase in the demand for pellets. This situation remained unchanged in 2023.

Due to the higher than expected demand for energy peat, the production target for summer 2023 was increased. However, the peat production volume in the summer of 2023 was around a fifth lower than the set production target due to the poor weather conditions.

In the spring of 2024, energy peat stocks will be at a record low level. This will put pressure on production in the summer of 2024. In the coming years, Neova will also only produce energy peat in line with its anticipated demand. If the demand for energy peat increases after the production season, we cannot meet it until the next production season.

In real estate development, the focus clearly shifted in 2023 from the sale of land to its development for new land use needs within and outside the Group. If we cannot use land ourselves, the aim is to lease it to external operators rather than to sell it.

Wind power project development is progressing according to plan. A number of projects are undergoing

**In December 2023, Neova organized an exercise together with Huoltovarmuuskeskus (National Emergency Supply Agency), which tested how energy peat is transferred from security of supply stockpile to customers.**



the land use planning process. Off-grid wind power projects, in which electricity produced by wind power is used locally to produce hydrogen and other synthetic fuels, for example, without the need to connect the facility to the power grid are also being investigated.

Good progress has been made with solar power. The development work, which began in 2021, has led to the identification of several promising sites, and the project planning concerning these sites has progressed quickly. For the first projects, the project construction or sale decisions will be made in early 2024. Neova Group develops solar power partly in the same locations as wind power, but also on separate sites.

In wind and solar power, cooperation with an advisor on the commercialisation of projects was started with the aim of finding the optimal and economically most viable operating models and partners for the projects.

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

**The wind measurement mast will be erected in Kairineva, Halsua, on the former peat production area of Neova in May 2023. The mast is 175 meters high. With measurements that last at least a year, the wind data of the area is measured in different seasons in order to make sure that the area is suitable for wind power production.**



# NEW BUSINESSES / NEOVA INNOVATIONS

**Neova Innovation** aims to refine organic peatland biomass and other organic renewable natural materials into new high added-value products for the international markets. We work with customers and ecosystems to develop solutions to global challenges to secure the world's food production, promote healthy and comfortable living environments, and develop means for the purification of air and water.

The most advanced of Neova Innovation's product development efforts are biostimulants, which are used in greenhouse and outdoor cultivation to improve plant growth and yields, thereby increasing the efficiency of food production. Biostimulants also help plants adapt to the changing conditions caused by climate change. The biostimulant market is growing at an annual rate of around 10%.

The first liquid biostimulant based on humic substances was launched in 2023 for use in arable crops, golf courses, greenhouses and gardens. The product's yield increase has averaged 10% in more than 50 trials across Europe and Latin America. The product has outperformed the competition in more than 70% of cases. The main advantages include the purity of the raw material, high bioactivity, natural phytohormone-type effects, as well as environmental friendliness: the required dosage is only half the amount of the standard product. In 2023, we invested in sales and marketing in Spain, the largest

**Biostimulants are the furthest point in Neova Innovation's product development, and the first biostimulant product was introduced to the market during 2023. Its marketing and sales were especially invested in Spain, which is the leading country in Europe in the use of biostimulants.**



market for biostimulants in Europe, where we hired a technical agronomist.

We are currently expanding our product portfolio, and several biostimulants will be launched in the coming years. Containing micro-organisms, biostimulants have great potential in agriculture and horticulture, and active exploration of their commercial potential was therefore started in 2023. Microbes are known to interact with plants in many different ways, and their benefits have been scientifically proven. The Finnish

Research Impact Foundation granted two-year funding for a joint research project of Neova and the University of Helsinki. The funding will be used to develop microbial biostimulants that promote plant growth and prevent the spread of plant diseases in agriculture and greenhouses.

A product made from peatland biomass to be used in animal feed is also being currently developed. The aim is to improve animal welfare and possibly reduce the use of medicinal substances in animal husbandry.



# NOVACTOR AIMS TO BECOME LEADER IN THE EUROPEAN ACTIVATED CARBON MARKET

**The global market** for activated carbon is growing rapidly, and Novactor aims to be the leading European operator in the field. The first activated carbon production facility in the Nordic countries and the most modern of its kind in Europe will soon be completed in Ilomantsi in Finland.

Steam will be used as an activator in the activated carbon production process. Novactor's production facility will produce more energy than it requires. The surplus heat will be used to generate district heat for the urban area of Ilomantsi. The facility will not emit any wastewater that would require special purification.

The carbon footprint of the activated carbon produced by the facility will be substantially lower than that of the coal-based activated carbon products that currently dominate the market. Local construction operators and subcontractors have been used to the greatest possible extent in the construction of the Ilomantsi production facility. The employment effect of the facility is around 50 person-years. The facility uses local biomass as its raw material.

Activated carbon is going out into the world from Novactor's Ilomantsi factory.



# SUPPLY CHAIN MANAGEMENT

The Supply Chain Management function (SCM) is responsible for the comprehensive management and development of Neova Group's supply chain, from raw material sources all the way to customers. SCM is in charge of managing the Group's peat production, procurement and logistics functions, as well as the development and implementation of the Group's sustainability strategy, including quality and safety matters, environmental management and the coordination of corporate responsibility.

SCM primarily creates customer-oriented added value by maintaining strong delivery reliability and improving the efficiency of our operations. We aim to optimise the use of capital, reduce the environmental impact of our operations, improve quality and above all promote occupational health and safety.

## Peat Operations focuses on ensuring availability of peat in the challenging operating environment

Operating under SCM, Peat Operations is responsible for the management of Neova Group's peat production areas and the production and delivery of peat products to customers in Finland, Sweden and Estonia. In the last five years, Peat Operations has focused particularly on reducing fixed costs due to the declining demand outlook for energy peat.

In 2023, Neova paid special attention to occupational safety. The top management set foot in different parts of the group to carry out Safety Walks emphasizing the importance of occupational safety. Picture from the Ilo-mantsi activated carbon factory.





The start of the war in Ukraine in February 2022 significantly changed our peat production plans and for this reason, the milled fuel peat production capacity has been restored to ensure security of supply. Peat production in 2023 was very challenging due to the unfavourable weather conditions. As a result, the production volume of energy and horticultural peat in Finland was only 80% of the target level. Production in Sweden and Estonia also remained slightly below the target level.

Fixed expenses in Peat Operations developed favourably, and progress was made according to plan regarding the closure of unnecessary energy peat production sites and the dismantling of production structures. In the management of raw material assets, the focus was on determining the need for horticultural peat, the improvement of quality and the start of reed canary grass cultivation in Finland. In sustainability, the focus was on increasing the certification of responsibly produced peat (RPP) to support the export of horticultural peat. Old peat production areas will be converted to the next land use, mainly through reforestation or restoration as wetlands.

### Aiming for flexible and efficient logistics solutions

Neova and its subsidiaries are known for their delivery reliability regarding the delivery logistics of bulk and packaged products. Delivery reliability and fleet availability were well managed throughout the year to customers' satisfaction. Peat logistics in Finland was further developed by introducing a general contractor model.

In export logistics, especially international maritime transport, full advantage was taken of the market developments, and freight rates fell by several tens of percents during the year. Road transport was subject to strong upward cost pressure, but Kekkila-BVB succeeded in minimising the cost increases in peat transport during the year, and transport agreement negotiations resulted in a significant cost reduction in the company's Northern European road transport and a minimisation of cost increases in Central European road transport according to plan.

### Group procurement subject to cost pressure

We manage and develop Neova Group's procurement using a comprehensive approach, which plays a significant role in the improvement of cost-effectiveness. Our success in agreement negotiations in 2023 was satisfactory despite the tremendous cost pressures in all procurement categories. The control of indirect purchases was tightened, resulting in significant savings during the latter part of the year. The use of the strategic procurement system was expanded, and a Group-wide responsible procurement programme was implemented according to plan.

### Sustainability at the core 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 international sea transportation, Neova's strength is its two own ports. The picture shows the port of Wanssum in the Netherlands. Another port is located in Papenburg, Germany.



In 2023, 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 efforts, the reduction of emissions into bodies of water and the air, measures to promote biodiversity in discontinued peat production areas, an increase in the use of recycled packaging materials, and a reduction of the waste load and wastage.

### Safety and quality first, 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 our products and operations meet stakeholder needs. Quality control is an integral aspect of management and the day-to-day operating culture of the company. Internal and external audits and inspections are an important part of our quality efforts. They establish a concrete foundation for our culture of continuous improvement. Neova Group has a strong continuous focus on OHS and wellbeing, and the starting point for all of our activities is workplace safety and the development of a proactive and caring safety culture.

We continued to systematically improve our OHS culture in 2023 through training, campaigns and risk analyses. Our accident frequency improved compared to 2022. The Group underwent a large number of compre-

**One part of Neova's responsible operations is increasing the use of recyclable packaging materials. The picture is from Hasselforss Garden's Mosås factory in Sweden.**



hensive ISO certification (9001, 14001, 45001) audits, in which no serious non-conformities were found. The processing of OHS, environmental and quality observations was significantly improved.

### Corporate responsibility and responsible operations integrated into the business

Neova Group's objective is to create net positive green growth through its products and services. Sustainabil-

ity is closely integrated into business management and development. All employees of the Group have been committed to the sustainability efforts by incorporating sustainability targets into the remuneration system.

During 2023, 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



Group Services is responsible for services shared by all the functions.

## Finance & Business Control

Finance and Business Control is responsible for the financial reporting of the Group and the group companies, financing of the Group, insurance and risk management, as well as communication with financial institutions, the auditors and owners. Internally, the function's responsibilities include controller services for the various businesses, as well as functions and processes related to areas such as accounting, invoicing and credit monitoring.

## ICT

ICT is responsible for the development of IT systems that support the Group's businesses and service functions, the digitalisation of operations, and the production of IT services in all the Group's operating countries. Its duties include the Group's ICT strategy, project management, project planning, the IT architecture, software licences, hardware, software and service purchases, as well as information security.

## HR

HR is responsible for the implementation of the Group-wide HR policy, the creation of consistent operating cultures and business practices, and the harmonisation of HR practices. The main focus is on supporting changes in business operations through management and competence development practices, and the development of operating methods. The promotion of wellbeing 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 the supervision of the Group's interests. In internal communications, the focus is on the development and maintenance of the intranet and the production of content for the intranet, as well as the organisation of various face-to-face and online press conferences.

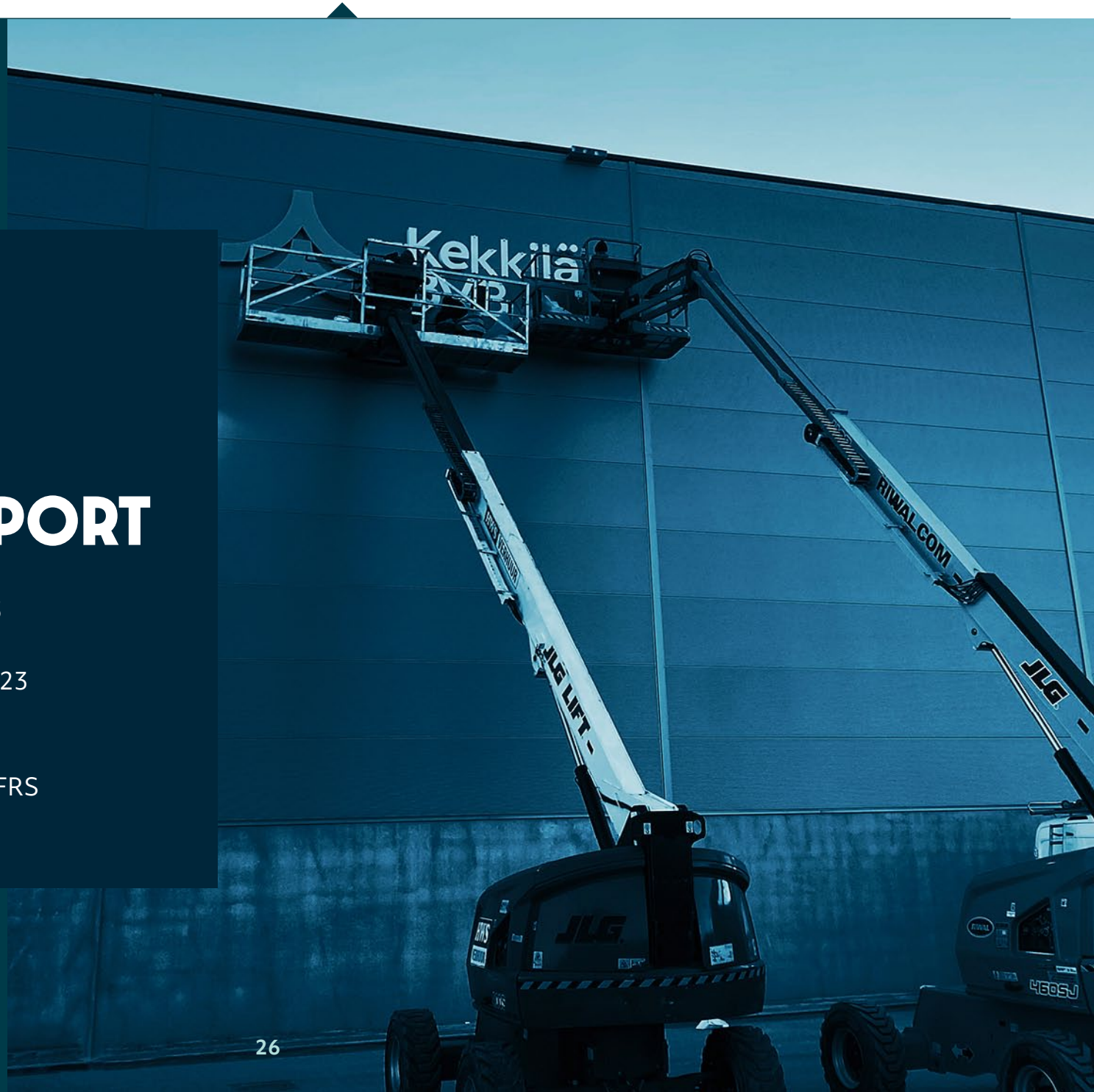
## Group Legal Services and Internal Audit

Group Legal Services and Internal Audit is responsible for the Group's legal affairs and coordinates the use of external legal services. The function is responsible for risk management related to agreements signed by the Group and ensures that the Group's interests are appropriately represented in legal proceedings and other situations pertaining to agreements. The function is also responsible for ensuring that the company's governance model and related policies and guidelines are always up to date. The coordination of internal audits is also the responsibility of this function.

# FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

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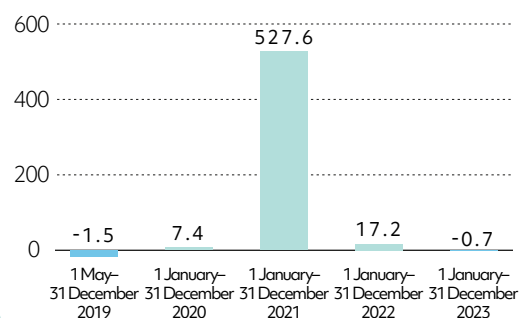
Finishing work is underway at the Kekkilä-BVB's new factory in Wanssum in the Netherlands. The factory was put into production in 2023.





# FINANCIAL STATEMENTS 1 JANUARY TO 31 DECEMBER 2023

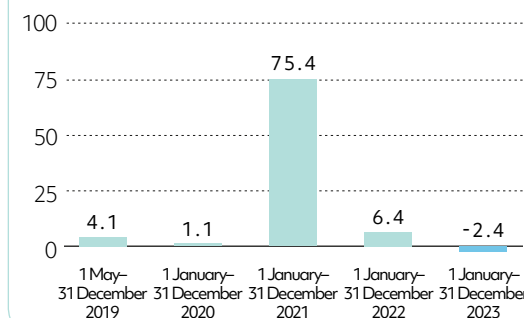
## OPERATING RESULT BEFORE IMPAIRMENTS, EUR MILLION



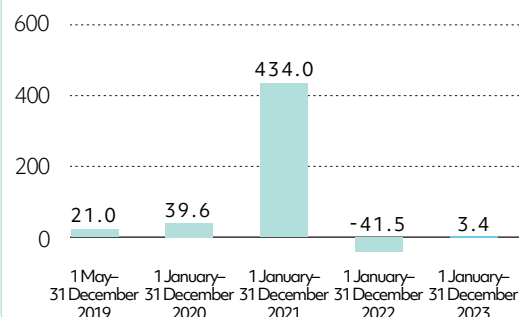
**The operating result** describes the profitability of the operational business and largely determines, among other things, the return on invested capital. In Neova's operations, the operating result is significantly affected by the change in the weather and the success of the previous summer's peat production for the Grow&Care and Fuels&Real Estate Development divisions. The development of the operating result was positively affected by the strong demand for energy fuel products and negatively by the decrease in demand for Kekkilä-BVB products and the increased costs of freight transport and materials. The reported operating result was negatively affected by significant one-time costs, especially related to the efficiency of Kekkilä-BVB's operations. The group's operating profit for the financial period was EUR -5.3 (29.2) million, and before impairment losses EUR -0.7 (17.2) million. The operating result includes non-recurring items of EUR -21.8 (8.8) million, which consisted of restructuring costs related to the efficiency of operations. Positive non-recurring items in the comparison period mainly related to the revaluation of previously written down energy peat resources.

**Return on invested capital (ROIC)** is the most important ratio measuring profitability in Neova's capital-intensive industries, because it takes into account not only operating profit but also committed capital. ROIC describes the company's ability to create value for its owners, i.e. it should be higher than the cost of capital (WACC). At the end of the financial year, Neova's return on invested capital before impairments was -1.3 (6.4) percent.

## RETURN ON INVESTED CAPITAL BEFORE IMPAIRMENTS %



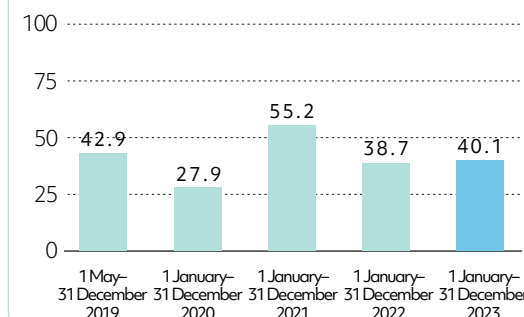
## FREE CASH FLOW BEFORE TAXES, EUR MILLION



In addition to EBITDA, **free cash flow** before taxes and financial items takes into account, among other things, changes in working capital committed to business operations, the effects of asset sales and investments made. The group's free cash flow before taxes in the fiscal year January–December 2023 was EUR 3.4 (-41.5) million. The gross investments of the ended financial period were EUR 40.2 (167.5) million, and the net investments (gross investments - sales of assets) were EUR 31.2 (136.7) million.

**The equity ratio**, which measures the company's solvency, tells how much of the company's assets have been financed with equity. The improvement in the profitability of operational activities, the expansion of profitable business activities, the pruning of loss-making activities, the sale of assets can be seen as a strengthening of self-sufficiency in recent years. The group's equity developed favorably and was 40.1 (38.7) percent at the end of the financial year.

## 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,  
Fortaco Oyj,  
Fifax Oyj,  
Havator Oyj.  
**Member of the Board:**  
Ambientia Oy,  
Ensto Oy,  
Famifarm Oy,  
Veritas Oy.

#### Relevant work experience:

Konecranes Oyj, President  
and CEO 2015–2019.  
Ahlström Capital Oy,  
CEO 2008–2015.  
Kuusakoski Alteams,  
CEO 2002–2007.  
Outokumpu 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 Tech-  
nology), eMBA, M.Sc. (Econ.),  
CBM, CBM Chairman

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

#### Relevant concurrent positions of trust:

**Chairman of the Board:**

Lumme Energia Oy,  
Elvera Oy, Evision Oy,  
Lempeä Lämpö Oy.  
**Member of the Board:**  
Etelä-Savo Chamber of  
Commerce,  
Kymppivoima Tuotanto Oy,  
Kymppivoima,  
the Finnish Energy Industries.

#### Relevant work experience:

Järvi-Suomen Valokuitu Oy,  
Managing Director 2/2023–,  
Lumme Energia Oy, Managing  
Director 8/2017–4/2018,  
2/2022–11/2022.  
Joutsan Lämpö Oy, Managing  
Director 6/2020–3/2022.  
Rovaniemen Energia Oy/  
Napapiirin Energia ja Vesi Oy,  
Managing Director 4/2011–  
7/2016.  
Ranuan Bioenergia Oy,  
Managing Director 2015–2016.  
Vakka-Suomen Voima Oy,  
Development Director  
7/2010–3/2011.  
Kainuun Sähkö Oy/Graining  
Kainuu Oy/Kainuun Energia  
Oy/E.ON Kainuu Oy, Design  
Engineer, Quality Manager,  
Environmental Director, Risk  
Manager, Development  
Manager 9/1998–6/2010.

#### At Neova:

Member of the Board  
of Directors 2016–2023  
Vice Chairman of the Board  
of Directors 2017–2022  
Member of the Audit  
Committee 2016–2023

## 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,  
Voima Corporation.  
**Deputy member of the Board:**  
Pohjolan Voima.  
**Chairman of the Advisory  
Committee:** Finngrid

#### 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 Pankki 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 2020–2023, 2024–  
Member of the Audit  
Committee 2020–2021  
Member of the Personnel  
Committee 2021–2023

### Tuomas Hyyryläinen

b. 1977, M.Sc. (Econ.)

CEO, Pihlajalinna Oyj  
1.9.2023–

#### Relevant work experience:

Fiskars Group Oyj, Executive  
Vice President, Business Area  
Crea 11/2019–8/2023.  
Fiskars Group Oyj, Executive  
Vice President, CGO 9/2018–  
10/2019.  
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–  
Vice Chairman of the Board  
of Directors 2023–  
Member of the Personnel  
Committee 2016–2020, 2023–  
Member of the Audit  
Committee 2021–2023

### Jari-Pekka Punkari

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

Ministerial Adviser,  
Prime Minister's Office

#### Relevant concurrent positions of trust:

**Member of the Board:**  
Gasum 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.  
Altia Oyj, Marketing Director,  
own brands 2014–2015.  
The Absolut Company/Pernod  
Ricard, Global Marketing  
Manager 2010–2014.  
Chivas Brothers/Pernod  
Ricard, Global Senior Brand  
Manager 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 Chairman 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, the Audit  
Committee and  
the Personnel Committee:**  
Rohit 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 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

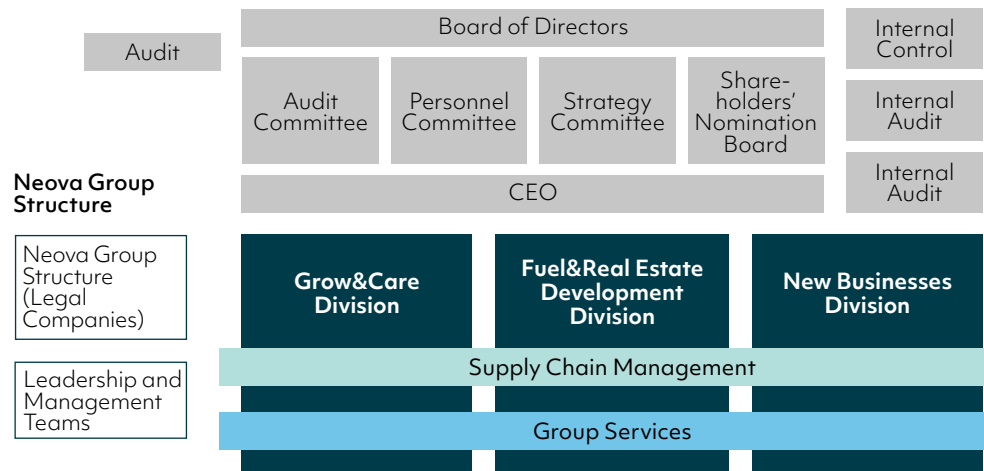
shareholders shall have the right to redeem the transferred shares.

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

### Neova Group Corporate Governance



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 man-





agement 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

Name	Attendance in the meetings 2023
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 Häkkinen (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



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 Häkkinen, 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](#).

## 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.



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 Hyryläinen, 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	Member 10/10		Member 12/12
Kirsi Punttila, 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		

**FY 2023** At Neova Oy's Annual General Meeting held on 29 March 2023, Tuomas Hyryläinen, 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 Tuomas Hyryläinen 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 legis-

lation 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](#).

## 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.

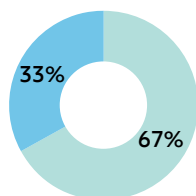
The Strategy Committee is comprised of a Chairman and two members appointed annually by the Board of Directors from among its members. The Strategy Committee meets whenever necessary but at least three times per year led by the Chairman of the Committee. The Committee's charter is attached (Appendix 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



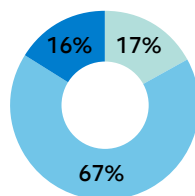
## BOARD DIVERSITY

### Gender



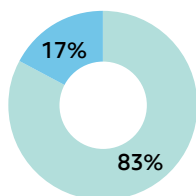
● Male  
● Female

### Age



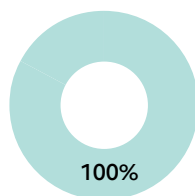
● 40-49 years  
● 50-59 years  
● 60-70 years

### Education



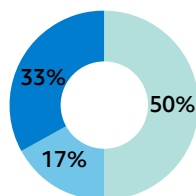
● KTM  
● DI, eMBA, KTM, HHJ

### Nationality



● Finnish

### Tenure



● >5 years  
● 3-5 years  
● <3 years

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 co-operation 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.

## 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.

- 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.
- 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 Mar-

tikainen (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 opera-





tions 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/appendices/#3f07ef0c>

## 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
- Appendix 5: The charter of the Shareholders' Nomination Board
- Appendix 6: Board diversity policy



## PEKKA TENNILÄ CEO'S REVIEW

**For Neova Group**, 2023 was a challenging and unpredictable year in many respects. Russia's invasion of Ukraine in the previous year affected our customers more than we had anticipated. Inflation, higher interest rates and higher energy prices reduced the purchasing power of Grow&Care customers, while Fuels&Real Estate Development benefited from the increased demand for fuels.

**Kekkilä-BVB** was able to maintain a reasonable level of profitability in 2023, mainly thanks to realised price increases and various internal efficiency measures. However, the growing media market continued to decline during the year, and our sales volumes fell to almost the pre-pandemic levels. For these reasons, we launched an extensive efficiency programme at the beginning of 2023, both in Finland and in our other main markets. The cooperation negotiations were completed by the end of 2023, and the new, leaner and more cost-effective organisation was introduced at the beginning of 2024. We are now better equipped, closer to our customers and financially stronger to face the challenges of the coming year in the highly competitive market. In the new operating model, Kekkilä-BVB's busi-

ness has been divided into accountable business areas according to geographical markets so that we can respond better and faster to the changing market and customer needs. Kekkilä-BVB's new accountable business areas are Central Europe, Global, Nordics and Materials. 2023 was financially disappointing for Kekkilä-BVB. In addition to the decline in sales, the deterioration in profit was due to front-loaded non-recurring costs related to various efficiency measures. However, as a result of these efficiency measures, we believe we will significantly improve our profitability during 2024.

**Neova's subsidiary Vapo Terra** is responsible for the Group's fuel business and real estate development. The fuel business in particular performed better than expected due to the effects of the Russian invasion of Ukraine on the fuel market even though the sales volumes of energy peat per cubic metre remain far from the peaks of past decades. Both our energy peat and pellet business performed financially well thanks to the higher fuel prices. The cooperation with the National Emergency Supply Agency, which started during the crisis, has also gone well and has brought entirely new business to Vapo Terra. Vapo

Terra has sold energy peat to security of supply stockpiles and is responsible for the ongoing maintenance of the stockpiles.

We concentrated all the land owned by Neova Group in Finland into Vapo Terra, which was tasked with developing the value of the land through various projects. The most visible new business in this field is the development of former peat production sites into wind and solar farms. Dozens of projects are underway, and the first solar power projects have already progressed from planning almost to the construction stage. The second major new business in 2023 was the start of reed canary grass cultivation as a sustainable raw material for growing media. We are now growing more than 1,000 hectares of reed canary grass, which will be mixed with other growing media raw materials as a new renewable component.

Previously, Vapo Terra focused on selling land that was no longer needed for peat production. Land sales have now been discontinued, and the main focus is on using the land to benefit the company and increase the value of the land.

**The Ilomantsi activated carbon facility** manufactures activated carbon from Finnish peat to be used in water and air

purification, for example. The facility's quality level has been stabilised at the target level, and market demand for high-quality European activated carbon continues to be strong. We are also exploring other possibilities of bringing new high value-added products to the market. Peat has been found to be an excellent raw material for organic biostimulants that are used in outdoor cultivation instead of fertilisers, especially in southern Europe. Peat also has many positive properties as an additive to animal feed. In 2024, we will continue to develop these two new product areas in particular.

**I started as the CEO of Neova** in December 2023. I would like to take this opportunity to thank my predecessor and all the employees of Neova Group for the valuable work they have done for the company. We will continue to serve our customers based on the selected strategy. Despite the turmoil in the world, one thing remains unchanged. Sustainable business will continue to be at the core of our strategy and our business.



# BOARD OF DIRECTORS' REPORT 1 JANUARY TO 31 DECEMBER 2023

## Operating environment

Predicting the changes in the operating environment in 2023 was an extremely difficult task. The budgets made at the end of the previous year, forecasts on interest rates and inflation, as well as the whole view of the democratic world order were difficult to predict as Russia's war-fare in Ukraine continued.

The war and the ensuing sanctions and embargoes have significantly changed the entire European energy system. The exit and withdrawal of Russian energy from the European energy market has a huge impact on the European economy. This was most clearly reflected in the rise of the prices of transport fuels and freight, rising gas and oil prices and even the scarcity of gas and oil early in the year, and, above all, the significant rise in the price of electricity and increasing price volatility. As the war in Ukraine continued, the long-standing economic growth in Europe took a downturn, market interest rates rose significantly and inflation, which had been near zero, rose to almost 10%.

The Group's shipping costs had already experienced a significant increase in 2021 and 2022. The shipping costs remained at that high level for a long time also in 2023. Furthermore, the prices of raw materials that are particularly susceptible to the rise in energy prices, such as fertilisers and

packaging plastics, have also remained at a high level.

Despite the price of emission allowances remaining at a high level, the demand for all available fuels increased. The prices of chips, pellets and milled peat increased to some extent, as demand on the fuel market exceeded supply when imports from Russia ceased.

The demand for growing media started to decline. 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.

## Prices of emission 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 allowances from the market if they combust non-renewable fuels. Emission allowance prices per tonne of carbon remained at a high level in 2023.

Electricity prices in Central Europe and the Nordic countries fluctuated strongly during the year. 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.

## Shipping and raw material costs increased sharply

Road transport prices increased by almost 30% in the previous year, mainly due to fuel price increases, and the prices remained high during the peak season in 2023.

Packaging material prices rose in previous years and remained at a high level in 2023. The higher costs of shipping and raw materials 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 in 2022 or even in 2023. 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 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.

## Neova Group

The Group's result for the financial year 1 January to 31 December 2023 declined substantially year-on-year to EUR -8.2 million (18.6).

The Group's reported net sales decreased by approximately 9% year-on-year to EUR 495.9 million (544.9). Most of the decrease in net sales was due to the transfer of the energy wood business to the associate Laania Ltd (-EUR 27 million) and a decline in the Grow&Care division market. In the Grow&Care division, net sales decreased by approximately 5%, or by EUR 18 million.

The Group's operating result was EUR -5.3 million (29.2). The comparable operating profit remained at the previous year's level, totalling EUR 16.5 million (20.5). The development of the comparable operating profit was positively influenced by the strong demand for energy fuel products and negatively influenced by the lower demand for Kekkila-BVB's



products and the higher freight and material costs. The reported operating result was negatively influenced by significant non-recurring costs related in particular to improvements of the efficiency of Kekkilä-BVB's operations.

Operating cash flow for the financial year (free cash flow before financial items and taxes) amounted to EUR 3.4 million (-41.5). The positive cash flow development was mainly driven by lower investments and efficiency measures involving the working capital. The Group's equity ratio developed favourably and was 40.1% (38.7) at the end of the financial year. The ratio of net debt to EBITDA developed negatively and stood at 4.9 (3.0) at the end of the period, mainly due to lower reported EBITDA.

Neova Group's Grow&Care division had a challenging year in terms of sales due to the decreased market volumes. The division's net sales were EUR 364.0 (381.7) million, showing a decrease of 5% from the previous year including the price increases, i.e. the decrease in volume was clearly higher. The most challenging market conditions were experienced in the European markets.

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. In addition, non-recur-

ring costs related to the improvements of operational efficiency had a negative impact on profitability in 2023.

In the new businesses, Novactor's activated carbon production plant was completed in Ilomantsi during 2023 and industrial operations will start in early 2024. There is still strong demand in the market for activated carbon produced in Europe, 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 already been tested at experimental plantations in several countries, and the plan is to sell the first production batches in 2024.

### Cash flow, investments and financing

The Group's free cash flow before taxes for the financial year 1 January to 31 December 2023 amounted to EUR 3.4 million (-41.5). The change in working capital affected the cash flow by EUR 5.4 million (48.4).

Gross investments in the financial year were EUR 40.2 million (167.5), or 122.1% (518.6) of the amount of depreciations. The most significant investments concerned the Activated Carbons business. Investments

were also made in Kekkilä-BVB's capacity expansion and security investments, as well as in environmental protection and field maintenance in peat production. Net investments (gross investments – asset sales) totalled EUR 31.2 million (136.7).

The Group's liquidity was strong at the end of the year. 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). The liquidity risk is managed by maintaining sufficient cash assets, short-term investments and available credit commitments. At the end of 2023, the Group's liquidity reserves consisted of cash assets, short-term investments in fixed-income funds and commercial papers totalling EUR 157 million. Of the EUR 50 million revolving credit facility (valid until 2025), no funds had been drawn at the turn of the year.

The Group's financial risk is managed by diversifying the maturities of the loans to a sufficient extent over the coming years. Long-term interest-bearing loans maturing over the next 12 months amount to EUR 120 million, with a bond maturing in October representing EUR 100 million of that sum. The next large loan will mature in 2025 (EUR 50 million).

Interest-bearing net debt amounted to EUR 144.4 million (140.0) at the end of the financial year. The ratio of interest-

bearing net debt to operating margin (net debt/EBITDA) was 4.9 (3.0) on 31 September 2023. Short-term interest-bearing liabilities amounted to EUR 154.7 million (93.2). The equity ratio was 40.1% (38.7) at the end of the financial year. 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 3.3% (3.0), excluding lease liabilities recognised in the balance sheet.

The consolidated total assets were EUR 737.3 million (810.3). The Group's net financing items were EUR -6.6 million (-10.6). Net financing items were -1.3% (-1.9) of net sales. Net gearing was 49.3% (45.0).

### Number of employees

The Group employed an average of 897 (927) persons during the final quarter of the year. The average number of employees in 2023 was 936 (958).

#### EMPLOYEES BY SEGMENT, AVERAGE

	2023	2022
Grow&Care	637	646
Fuels&Real Estate Development	178	215
New Businesses	46	31
Other	75	68
<b>Total</b>	<b>936</b>	<b>958</b>



Collaboration discussions between Neova Oy and Kekkilä-BVB Oy were held twice during the financial year according to plan. Current company issues were discussed at the meetings. Employees are also represented on Neova's Supervisory Board. The Supervisory Board met three times during the financial year.

### Cooperation negotiations

On 24 October 2023, Neova announced that it had completed the cooperation negotiations and similar processes in eight of its operating countries, resulting in the reduction of 85 positions globally and causing significant changes in the duties of 70 employees. The company seeks to improve its operational efficiency by roughly EUR 30 million during 2023 and 2024. On 15 August 2023, Neova announced that it would initiate cooperation negotiations and similar processes to improve its profitability and modernise Kekkilä-BVB's operating model in eight of the company's operating countries: Finland, the Netherlands, Sweden, Estonia, Germany, Italy, France and Spain. The negotiations also covered part of Neova Oy's Group Services and Supply Chain Management organisations.

During the cooperation negotiations and similar processes, the modernisation of the operating model and organisation of Kekkilä-BVB, a company wholly owned by Neova Oy, to improve the company's efficiency was processed. In the new operating model, Kekkilä-BVB's operations are di-

vided into four business areas: Central Europe, which covers operations in Central Europe; Nordics, which covers the Nordic and Baltic markets; Global, which covers global operations; and Materials, which covers the wholesale of horticultural peat and sales of bedding materials. The new model slims down the organisation, accelerates decision making, and better addresses customer needs in different markets. The new organisation and operating model entered into force on 1 January 2024.

The cooperation negotiations and similar local processes targeted a total of 720 of the Group's approximately 1,000 employees. According to initial estimates, the planned measures to improve profitability could have led to the reduction of roughly 100 positions in different countries. The final figure was 85, of which 46 were permanent positions, and 39 resulted from voluntary resignations, the end of fixed-term employment contracts and similar measures.

### Sustainability

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 2023, 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 emissions, biodiversity, the circular economy and water. In terms of greenhouse gas emissions, we continued to reduce soil emissions from peat operations (-36% compared to the 2018 baseline) by closing peat production areas, thus contributing to our target of halving CO<sub>2</sub> emissions from our own operations by 2025. 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. In 2023,

we continued the strategically important and extensive programme to increase the volume of recyclable raw materials, especially in our Kekkilä-BVB product portfolio. The start of reed canary grass cultivation on 830 hectares in Finland was a major step forward in 2023.

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. We have reduced the accident frequency by more than 50% across all of Neova Group's operations since 2019 and, most significantly, we did not have any lost time accidents in Finland or Estonia in 2022 and 2023. Our work to create an excellent employee experience, a corporate culture based on trust and a good workplace continued, with a particular focus on the training of supervisors due to the organisational restructuring and the related cooperation negotiations that took place in 2023. As proof of the comprehensive development of our personnel, Neova's Great Place to Work® certification was retained in two of our operating countries (Sweden and Estonia), and the entire Group's Great Place to Work confidence index was at a high level.

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.

### 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 personnel and provision of support to the business functions. In 2023, we continued our systematic work on occupational health and safety by conducting a significant number of risk assessments, safety inspections and safety walks, and by ensuring that all Group employees completed an online OHS course.

In 2023, the Group's accident frequency (LTA1f: lost-time accidents per million working hours) decreased considerably compared to the previous year to 3.5 (4.5). We have now reduced the accident frequency by more than 50% across the Group's operations since 2019. Most significantly, we achieved our zero accident target for all operations in Finland and Estonia for the second time. A comprehensive six-point action plan to improve safety was realised in Kekkilä-BVB, leading to further improved accident frequency (LTA1f) of 5.6 (7.1).

Most accidents – serious ones in particular – usually take place in production operations. In 2023, there were no incidents classified as serious accidents or serious near misses involving our own staff. Tak-

ing all accidents into account, 50% of the accidents did not result in any lost working hours.

We paid special attention to fire and personal safety. We carried out fire and chemical risk assessments in peat production areas and, as in the previous year, the number of fires in peat production remained low (22 in total). We also monitored accidents involving contractors in our operations and conducted accident investigations in cooperation with them. We made 1,729 (2,651) safety observations. Instead of increasing the number of observations, we focused on processing them more efficiently.

Neova Group has zero tolerance for inappropriate conduct and discrimination, and all nine incidents reported in 2023 were reviewed without delay. 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.

In 2023, Neova Group participated in the Great Place to Work survey for the fifth time. The survey coincided with the Group's organisational restructuring and cooperation negotiations. According to the survey, our employee experience decreased by 6% in a year: our Trust Index, which measures the employee experience, was 65%,

compared to 71% in 2022. Based on the survey results, Neova Group was awarded the Great Place to Work certificate in two countries: Sweden and Estonia.

### Developments by business segment

Neova's reporting segments comprise the Group's divisions: Grow&Care, Fuels&Real Estate Development, New Businesses, and other activities.

#### Grow&Care

The Grow&Care division's Kekkilä-BVB is Europe's leading and most versatile growing media operator in the professional grower, landscaping and consumer segments. The Neova Grow&Care division includes the Kekkilä-BVB business and the Materials business. Kekkilä-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, cattle and pig farms and poultry producers, as well as for use as raw material in further processing.

The division's well-known brands, Kekkilä Garden and Hasselfors Garden, offer products to home gardeners and landscapers in the Nordic countries and the Baltic countries. In the Central European markets, our business includes private label products as well as brands such as Jardino and Florentus. In the professional growing media business, the BVB Substrates and Kekkilä Professional brands serve not only the domestic markets but also the global markets with exports to more than 100 countries.

Net sales for the last quarter decreased by 3.3% to EUR 65.3 million (67.5). The comparable operating margin was EUR 3.5 million (11.4), or 5.4% (16.9) of net

#### GROW&CARE

	10-12/ 2023	10-12/ 2022	Change	1-12/ 2023	1-12/ 2022	Change
Net sales (EUR million)	65.3	67.5	-3.3 %	364.0	381.7	-4.6 %
Operating margin (EUR million)	-7.6	0.3	-2504.3 %	15.4	26.9	-42.7 %
Operating profit (EUR million)	-14.5	-8.1	-80.1 %	-12.2	2.6	-570.3 %
Investments (EUR million)	8.3	24.4	-66.0 %	24.8	65.6	-62.1 %
Number of employees	602	643	-6.4 %	637	646	-1.3 %



sales. The reported operating margin was EUR -7.6 million (0.3), and the operating loss was EUR -14.5 million (-8.1). Gross investments totalled EUR 8.3 million (24.4). The operating result included non-recurring items mainly related to the improvement of operational efficiency amounting to EUR -8.3 (-0.5) million.

Net sales for the full financial year were EUR 364.0 million (381.7). The comparable operating margin was EUR 27.7 million (28.1), or 7.6% (7.4) of net sales. The reported operating margin was EUR 15.4 million (26.9), and the operating profit (EBIT) was EUR -12.2 million (2.6). Gross investments totalled EUR 24.8 million (65.6). The operating result includes non-recurring items mainly related to the improvement of operational efficiency amounting to EUR -16.5 (-1.2) million.

As a result of the late spring, demand for the Grow&Care division's consumer and landscaping businesses did not start until the second quarter of 2023. Demand and sales volumes for the whole year remained lower than in 2022. Consumers' weakened purchasing power and higher costs for professional farmers had a negative impact on demand. Kekkila-BVB compensated the impact of the rising raw material prices and other costs on profitability with more effective pricing. In 2023, Neova and Kekkila-BVB initiated additional efficiency measures in eight operating countries with the goal of improving the company's profitability by EUR 30 million in 2023 and 2024.

### 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 next land use 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.

Net sales for the last quarter were EUR 56.6 million (56.2). Operating margin for the reporting period was EUR 13.6 million (14.5), and the operating profit (EBIT) was EUR 13.6 million (25.6). Gross investments totalled EUR 8.0 million (-14.7). The operating result includes -0.1 (12.1) of non-recurring items, mainly related to the revaluation of energy peat assets during the reference period.

### FUELS&REAL ESTATE DEVELOPMENT

	10-12/ 2023	10-12/ 2022	Change	1-12/ 2023	1-12/ 2022	Change
Net sales (EUR million)	56.6	56.2	0.6 %	129.2	162.3	-20.4 %
Operating margin (EUR million)	13.6	14.5	-6.2 %	28.1	34.4	-18.4 %
Operating profit (EUR million)	13.6	25.6	-46.7 %	23.7	43.7	-45.7 %
Investments (EUR million)	8.0	-14.7	154.3 %	12.6	3.0	316.7 %
Number of employees	171	188	-9.2 %	178	215	-17.0 %

Net sales for the full financial year were EUR 129.2 million (162.3). A significant change (-EUR 27 million) relates to the transfer of the energy wood business to the associate Laania Oy as of 1 July 2022. The division's operating margin was EUR 28.1 million (34.4), and the operating result was EUR 23.7 million (43.7). The operating result includes EUR -0.3 million (15.0) of non-recurring items.

The operating margin for the last quarter of the division's Fuels&Real Estate Development businesses was lower than the previous year. The colder-than-normal quarter increased demand for fuels compared to the previous year. The change in sales prices compensates for the cost increases in the production and supply chain. The importance of security of supply and the use of domestic fuels in the production of heating energy and electricity increased, mitigating the fall in demand for energy peat. Due to the scarcity of wood fuels, customers replaced wood with energy peat.

Cost increases in raw material sourcing and in the production and supply chain due to inflation weakened profitability. Comparable fuel deliveries decreased by 28% from the previous year, taking into account the transfer of the wood business to the joint venture Laania. In real estate development, the development of decommissioned peat production sites into wind and solar farms progressed according to the project plans.

At the beginning of the financial period, Neova Oy's fuel solutions and real estate development businesses in Finland were incorporated into a subsidiary named Vapo Terra Oy. At the end of the financial period, there was a business transaction where Vapo Terra sold the Turenki pellet factory to Versowood Oy as of 1 January 2024.

### New Businesses

The New Businesses division works together with customers and ecosystems to develop solutions for global challenges that secure the world's food production, and promote healthy living environments and 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

## NEW BUSINESSES

	10-12/ 2023	10-12/ 2022	Change	10-12/ 2023	10-12/ 2022	Change
Net sales (EUR million)	0.9	1.4	-32.6 %	5.4	5.0	7.6 %
Operating margin (EUR million)	-3.4	-1.5	-123.2 %	-8.6	-4.1	-110.0 %
Operating profit (EUR million)	-3.5	-1.7	-111.4 %	-9.3	-5.1	-82.5 %
Investments (EUR million)	3.0	20.6	-85.3 %	6.4	25.0	-74.5 %
Number of employees	46	29	58.0 %	46	31	50.3 %

adapt to changing conditions related to climate change. Neova has developed biostimulants for the rapidly growing open field cultivation market. The first humate-based biostimulant is now available and in the go-to-market phase. The development of next-generation biostimulant products is continuing in the innovation team and Neova's in-house product development laboratory. In accordance with the Neova Refinery concept, raw materials and side stream products are comprehensively utilised in adherence to the circular economy principle, while minimizing energy consumption and emissions.

In addition, wetland biomass is being developed into new types of animal feed products to support animal welfare and improve the profitability of livestock production. Neova's wetland biomass-based feeds aim to replace the currently used environmentally harmful substances that cause antimicrobial resistance. The new,

innovative wetland biomass feeds have been proven to have significant positive combined effects on the intestinal health of animals. Neova's feed products are being developed in close cooperation with the best research institutes in the industry and strategic partners. The development of feed products is at the product and process testing phase, during which compliance with the quality objectives, added value to customers and a high level of processing hygiene are ensured.

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. Demolition was started at the beginning of 2022 and reconstruction in June 2022. The cold testing phase for

commissioning was started at the beginning of September 2022, and the hot testing phase at the beginning of 2023. The facility was at the test run phase in 2023. The facility will undergo final adjustments before final approval, which will take place in the spring of 2024. Some products were delivered to customers during the testing phase. The customer feedback was positive and market demand high. Supply agreements have been signed with customers to cover the 2024 production volumes. New and further processed products are simultaneously being tested.

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.

Operating loss for the final quarter of the financial year (October to December) was EUR -3.5 million (-1.7). Gross investments totalled EUR 3.0 million (20.6).

Operating loss for the full financial year was EUR -9.3 million (-5.1). The operating result for the financial year included non-recurring items of EUR -3.3 million (0.0). Gross investments totalled EUR 6.4 million (25.0). Until sales of the Ilomantsi plant's own production output begin, net sales of the New Businesses division will consist mainly of the sales of the activated carbon raw material in the value chain.

## Other activities

The Other activities segment consists of Neova Group's administration, strategy and support functions.

The other activities segment's effect on the operating result for the final quarter of the financial year (October to December) was EUR -1.7 million (-5.4).

The other activities segment's effect on the operating result for the full financial year was EUR -6.8 million (-12.1). The segment's operating result included non-recurring items, mainly restructuring costs, totalling EUR -1.8 million (-5.1).

## OTHER ACTIVITIES

	10-12/ 2023	10-12/ 2022	Change	10-12/ 2023	10-12/ 2022	Change
Net sales (EUR million)	0.0	0.0	-13.3 %	0.0	0.2	-119.9 %
Operating profit (EUR million)	-1.7	-5.4	68.2 %	-6.8	-12.1	43.5 %
Investments (EUR million)	9.9	0.2	4983.7 %	10.9	74.7	-85.4 %
Number of employees	78	67	16.5 %	75	68	11.2 %





## Notable risks and uncertainty factors

Neova is exposed, both directly and indirectly through its subsidiaries and associates, to a number of financial, operational, strategic, security and liability risks that may affect the company's growth and financial performance, reputation and ability to meet its sustainability objectives.

### 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 monitored issue in 2024 is the monitoring of the industry's interests in the field of finance taxonomy and the EU's FIT for 55 legislative reform pack-

age, which focuses on reducing greenhouse gas emissions at the EU level by 2030.

### Risks in the activated carbon business

The most significant risk related to the activated carbon business concerns the steady operation of the first production facility in Ilomantsi in 2024. This involves mechanical, functional and end product quality risks.

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.

The increase in material costs will affect Neova Group's profitability in the short term, as a significant proportion of our customer agreements are long-term, which means that increases in material costs will be reflected in customer prices with a delay.

The increase in logistics expenses has a significant impact on Neova Group's competitiveness and profitability, as we transport our products over long distances in our global business. Rising logistics expenses will also have a significant effect on fuel deliveries over short distances.

The use of energy peat is no longer commercially profitable but, due to the lack of available alternatives, the decline in demand has slowed down. In the longer term, the demand for energy peat will continue to weaken. The development of the prices of emission allowances and energy peat taxation have a highly significant impact on the demand for energy peat used in heat production. The high emission allowance prices in recent years and the taxation of energy peat have led to a situation where not only energy wood but also pulpwood is replacing energy peat in energy production.

The declining demand for peat also affects the measurement of Neova's peat

assets on the balance sheet. The value is assessed regularly by means of impairment testing and, in line with its strategy, the Group seeks to create higher value-added uses for its peat assets. Examples of higher value-added uses of peat include activated carbon, growing media and stimulant-based products.

### 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.

Of the Group's operating countries, peat production was reasonably successful in Estonia, Finland and Sweden in the summer of 2023.

### 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 pro-



mote 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.

### Political and geopolitical risks

The continuation of the war in Ukraine has increased geopolitical risks, which may have an impact on the Group's operating environment. Potential restrictions on international trade may restrict our operating conditions in various regions. If this risk were to materialise, it would have a significant impact on Kekkilä-BVB's business in particular. Neova complies with the sanctions imposed against Russia and, accordingly, sales to Russia and Belarus, and raw material purchases from Russia and Belarus, have been discontinued. Neova does not have any industrial operations of its own in the Russian or Ukrainian markets.

### Financing and commodity risks

The company's main financial risks are currency risk, interest rate risk and liquidity risk. Neova has cash flows and assets denominated in currencies other than the euro, which exposes the Group to exchange rate fluctuations. The currency risk arises mainly from the Group's internal lending and commercial transactions

in currencies other than the Group's home currencies. The most significant currency risk is related to the exchange rate between the euro and the Swedish krona due to Neova having extensive operations in Sweden. The Group actively hedges against currency risks. The Group does not apply hedge accounting to currency derivatives. Finnish companies use hedging against the electricity price risk using electricity derivatives, to which cash flow hedges have been applied from 1 January 2023. The higher interest rates have a clear impact on the cost of refinancing.

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 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.

### Natural seasonal fluctuation in operations

The Grow&Care division's business is sensitive to seasonal fluctuations, with demand peaking in spring and early summer. Demand in the professional grower

segment remains more stable, continuing into the autumn. Growing media raw material sales are more stable throughout the year. The success of the peat production season in summer plays a central role with regard to Kekkilä-BVB's raw material reserves for the next year.

Demand for energy fuel fluctuates significantly during the year. The peat production season falling almost entirely in the second and third quarters of the year also introduces significant cyclicity to the fuel business. The Fuels business is cyclical to a significant extent also due to seasonal variation in the demand for heating. During the financial year under review, temperatures were relatively cold during the winter 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 quarter of the year, from October to December, is usually a significant heating season in our operating countries.

### Research and development

The Group's research and development investments during the financial year 1 January to 31 December 2023 amounted to EUR 9.8 million (9.4), which corresponds to 2.0% (1.7) of net sales. Research and development activities were focused on supporting the company's strategic renewal in all of the Neova Group companies.

The New Businesses division works together with customers and ecosystems to

develop solutions for global challenges that secure the world's food production, and promote healthy living environments and 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 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 sustain-



able company wherever we operate. During 2023, 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 continued with the implementation of the Green Factory concept in our growing media, peat, moss, pellet, wood and activated carbon businesses. In 2023, 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 5,600 hectares (areas covered by environmental permits) to 7,300 hectares in response to the needs of Kekkilä-BVB's customers.

Neova Group's active peat production areas (Finland, Sweden, Estonia) in the summer of 2023 totalled approximately 27,500 (24,420) hectares, with Finland accounting for 20,271 (17,596) hectares

of the total, including stacking areas. Due to the impact of the war in Ukraine, the area under production to ensure sufficient peat production capacity was slightly increased compared to the previous year. At the same time, the adaptation of energy peat production capacity and the closure of production areas in Finland was one of the key projects in peat operations in 2023.

The closure of peatlands means ending peat production in the area in question and transitioning to the aftercare stage in the production area's lifecycle and the process of voiding the environmental permit. At the end of the financial year, a total of 42 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 a total of 121 on-site inspections at Neova's peat production areas in 2023. Of these, 28 were decommissioning inspections, 77 regular inspections in accordance with the monitoring plan and 15 other inspections.

A total of 1,337 (3,149) hectares of land owned by the company was transferred to next land use in the Finnish peat production operations during the financial year. A total of 180 (2,906) hectares were as-

signed for reforestation and 400 (243) hectares for building wetlands. A total of 3,561 (1,355) hectares were returned to landowners, of which 1,495 hectares were never used for peat production. The company prepares for the subsequent maintenance of areas released from production 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 2023 amounted to EUR 1.0 million (0.4) and were primarily related to the improvement and the building of 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 (10.8). They primarily consisted of the maintenance of water treatment structures in peat production and impact monitoring.

### Significant events during the reporting period

Neova Oy focused its security of supply and land asset development operations in Finland to the new subsidiary Vapo Terra Oy as of 1 January 2023. Vapo Terra Oy is tasked with maximising the value of the land assets by measures such as the development and licensing of wind and

solar power projects and the development of business activities that support carbon sequestration in the long term. In the coming years, the bulk of the company's net sales will come from the sales of energy peat, pellets and land, as well as wind and solar power development projects.

On 8 February 2023, Neova announced that Kekkilä-BVB would commence an efficiency improvement programme targeted at cost savings of EUR 10) over the next year. As part of the efficiency programme, Kekkilä-BVB launched a study of measures concerning all the Group's production facilities in Finland, the Netherlands, Estonia, Germany and Sweden. The company began cooperation negotiations concerning the shutdown of production at the Haukineva plant in Finland and the Bredaryd plant in Sweden. On 30 March 2023, the company announced it had completed the cooperation negotiations concerning the improvement of the efficiency of Kekkilä-BVB's operations, and that it would close down the Haukineva and Bredaryd plants by the end of June. As announced previously, production at the Haukineva and Bredaryd growing media production plants was discontinued at the end of 2023.

An acquisition of the operations of Italian Dueemme Marketing was completed on 3 April 2023. The transaction strengthens Kekkilä-BVB's position in the professional growing media market in Italy.





On 6 April 2023, Neova announced that it would join the new circular economy competence hub in Jyväskylä. Its goal is to recover valuable materials from industrial side streams and manufacture end products with a high processing value.

On 27 April 2023, Neova announced it would incorporate the Heinola and Kotka solar power projects as separate limited liability companies. Incorporation makes it possible to find the best operating conditions and implementing parties for the projects so that the local needs and special characteristics of each project can be taken into consideration. The aim is for the implementation of the projects to begin in 2024 and for the solar farms to feed electricity into the network in 2025. Neova Solar Laviassuo Oy in Heinola and Neova Solar Torvmossen Oy in Kotka are entirely located in former peat production areas owned by Neova Oy's subsidiary Vapo Terra Oy.

On 15 August 2023, Neova and Kekkila-BVB announced that they would initiate cooperation negotiations and similar processes to improve their profitability and modernise their operating model in all eight of their significant operating countries. The cooperation negotiations and similar processes carried out in other countries were based on changes in the operating environment that have reduced Neova Group's competitiveness. The Group's goal is to improve profitability by continuing the efficiency programme started in February

2023. Its aim is to assess various efficiency measures that serve to achieve cost savings and increase net sales. On 24 October 2023, Neova announced that it had completed the cooperation negotiations and similar processes in eight of its operating countries, resulting in the reduction of 85 positions globally and causing significant changes in the tasks of 70 employees. The company seeks to improve its operational efficiency by roughly EUR 30 million during 2023 and 2024. During the cooperation negotiations and similar processes, the modernisation of Kekkila-BVB's operating model and organisation, which aims to improve its efficiency was processed. In the new operating model, Kekkila-BVB's operations are divided into four business areas: Central Europe, which covers operations in Central Europe; Nordics, which covers the Nordic and Baltic markets; Global, which covers global operations; and Materials, which covers the wholesale of horticultural peat and sales of bedding materials. The new model slims down the organisation, accelerates decision-making, and better addresses customer needs in different markets. The new organisation and operating model entered into force on 1 January 2024.

### Changes in Group Management Team

On 24 November 2023, Neova announced that Hannu Nyman had been named as Neova Oy's CFO, and that he would re-

port to the CEO of Neova Oy on his areas of responsibility. Neova Oy's current CFO Jarmo Santala has been responsible for the Central European business of Neova's subsidiary Kekkila-BVB from the beginning of 2024. Santala is also Neova Oy's CFO until Nyman starts in his new position.

On 4 December 2023, Neova announced that Neova's Board of Directors had agreed with Vesa Tempakka, the company's CEO, that he would step down as CEO at the end of 2023, and the Board had appointed Pekka Tennilä as Neova's new CEO as of 4 December 2023. It was stated that he would focus in particular on the management and development of Kekkila-BVB's business. He was also appointed as the CEO of Neova Oy's subsidiary Kekkila-BVB.

On 4 December 2023, Neova announced that Markus Tykkyläinen had been appointed the company's Deputy CEO and a member of Neova Oy's Management Team. The position is new and Tykkyläinen will join the company by 1 June 2024. Tykkyläinen will be responsible for the management and development of Neova Group's other businesses. He will report to Neova's Board of Directors on matters relating to the Neova Terra segment in accordance with the new organisational structure that entered into force on 1 January 2024.

On 31 December 2023, Neova's Management Team consisted of Pekka Tennilä, CEO; Jukka Holm, CIO; Petri Järvinen, Chief Supply Chain and Sus-

tainability Officer; Pasi Koivisto, Director, Fuels&Real Estate Development; Peter Jan Kuiper, COO; Ahti Martikainen, Group Services Director, Communications and Public Affairs; Jaakko Myllymäki, Business Area Director; Jenni Nevasalo, Chief HR Officer; Johan Nybergh, Chief Legal Officer; Jarmo Santala, CFO; and Mia Suominen, Chief Innovation Officer.

### General Meetings

The Annual General Meeting of Neova Oy was held on 29 March 2023. The AGM adopted the financial statements and consolidated financial statements for the financial year 1 January to 31 December 2022 and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability. The AGM resolved to distribute a dividend amounting to EUR 300 per share, or EUR 9 million in total, for the financial year that ended 31 December 2022.

The AGM resolved that Tuomas Hyryläinen, Jari-Pekka Punkari, Kirsi Punttila, Panu Routila, Markus Tykkyläinen and Eeva-Liisa Virkkunen will continue as members of the Board of Directors of Neova Oy. Panu Routila will serve as the Chairman of the Board of Directors, with Tuomas Hyryläinen as Vice Chairman.

The AGM decided that Harri Hietala, Antti Häkkinen, Eero Kubin, Esko Kurvinen, Heikki Miilumäki, Mauri Peltokangas, Jenni Pitko, Piritta Rantanen and Juha Sipilä will continue as members of



the Supervisory Board. Janne Laine was elected as a new member of the Supervisory Board. Juha Sipilä will continue as the Chairman of the Supervisory Board and Heikki Miilumäki 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 elect Pekka Hurtola (Chairman) and Rami Vuola as members of the Shareholders' Nomination Board.

At the extraordinary general meeting held on 15 August 2023, Neova Oy's shareholders – the Government of Finland and Suomen Energiavarat Oy – selected new members for the company's Supervisory Board until the next AGM. Harri Hietala, Janne Jukkola, Antti Kangas, Jari Koskela, Eero Kubin, Esko Kurvinen, Janne Laine, Heikki Miilumäki, Piritta Rantanen and Eerikki Viljanen were selected as members of the Supervisory Board. Antti Kangas was elected as its Chairman, and Heikki Miilumäki as Vice Chairman.

At an Extraordinary General Meeting on 20 December 2023, the shareholders of Neova Oy, the State of Finland and Suomen Energiavarat Oy, appointed Stefan Damlin to the Board of Neova Oy as of 1 January 2024. Damlin's membership in the Board of Directors will be valid until the next AGM. Damlin replaced Markus Tykkyläinen, who announced his resignation from the Board of Neova Oy after being appointed Neova Oy's Deputy CEO.

### 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 profit for the year. On 31 December 2023, the parent company's distributable assets amounted to EUR 258.4 million. 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 134 (300) per share be paid on the basis of the adopted balance sheet for 2023, amounting to a total of EUR 4.02 million (9.0). The rest of the distributable assets shall be carried forward in retained earnings.

### Events after the review period

At the end of December, Neova announced that Neova Oy's subsidiary Vapo Terra Oy and Versowood Oy had agreed on an acquisition where Vapo Terra would sell its Turenki pellet factory to Versowood Oy. The transaction was completed on 1 January 2024. The eight employees of the Turenki pellet factory were transferred to the new owner as old employees. The parties have agreed that the transaction price will not be made public. The parties have also tentatively negotiated a deal whereby Vapo Terra would sell the Vilppula pellet plant's production machinery to Versowood in 2025, should the plant run out of raw materials and drying energy.

On 2 February 2024, Neova announced that the company has decided to change its reported segment information to reflect the new organisational structure. The reportable segments under the new organisational structure effective from the beginning of the financial year 2024 are Kekkilä-BVB and Neova Terra. Due to the change in segments, the company will publish comparable data in compliance with the new reporting structure for the financial year 2023 on a quarterly basis in connection with the publication of the financial statements.

### 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 company will continue its strong transformation from a former conglomerate and energy company into Europe's leading producer of growing media through Kekkilä-BVB and a facilitator of cleaner water and air through the Novactor activated carbon business.

During the current financial period, the Kekkilä-BVB subgroup will invest in more efficient operations, an increase of its product portfolio and a profitable increase of its international sales in the professional, consumer 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. The operation of Activated Carbons' first production plant suitable for the production of technical carbon products started at the beginning of 2024. 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 three financial years, Neova has also been successful in the development of its own wind and solar power projects. Further progress will be made in 2024 on selected projects.

## CONSOLIDATED KEY FIGURES

EUR million	10-12/2023	10-12/2022	1-12/2023	1-12/2022
Net sales	122.4	123.6	495.9	544.9
Operating profit (EBIT)	-5.8	10.6	-5.3	29.2
% of net sales	-4.7	8.5	-1.1	5.4
Operating profit (EBIT) before impairment	-4.7	-1.5	-0.7	17.2
% of net sales	-3.9	-1.2	-0.1	3.2
Profit/loss for the period	-4.9	16.0	-8.2	18.6
Operating margin (EBITDA)	1.5	8.5	29.2	46.8
+/- Change in working capital	-4.8	15.7	5.4	48.4
- Net investments	9.0	21.8	31.2	136.7
Free cash flow before taxes	-12.2	-0.2	3.4	-41.5
Gross investments	15.1	31.1	40.2	167.5
Return on invested capital % *	-8.3	6.4	-1.3	6.4
Return on invested capital % before impairment *	-11.4	3.8	-2.4	3.8
Return on equity % *	0.0	5.1	-2.7	5.1
Total assets			737.3	810.3
Shareholders' equity			293.1	311.2
Interest-bearing net debt			144.4	140.0
Equity-to-assets ratio %*			40.1	38.7
Interest-bearing net debt/EBITDA			4.9	3.0
Gearing %			49.3	45.0
Average number of employees			936	958

\* Last 12 months.

## KEY FIGURES FOR PARENT COMPANY NEOVA OY

EUR million	1-12/2023	1-12/2022
Net sales	93.2	145.1
Operating profit (EBIT)	-35.3	-12.3
% of net sales	-37.9	-8.5
Operating profit (EBIT) before impairment	-35.2	-24.4
% of net sales	-37.8	-16.8
Profit/loss for the period	5.0	6.1
Operating margin (EBITDA)	-26.3	-17.0
Return on invested capital % *	-12.8	-3.0
Return on invested capital % before impairment *	-12.9	-2.2
Return on equity % *	1.7	1.4
Total assets	713.6	790.3
Shareholders' equity	309.7	314.4
Equity-to-assets ratio %*	43.4	40.0

\* Last 12 months.



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

Vantaa, 29 February 2024,  
Board of Directors of Neova Oy

**Panu Routila**  
Chairman

**Tuomas Hyyryläinen**  
Vice Chairman

**Stefan Damlin**

**Jari-Pekka Punkari**

**Kirsi Puntila**

**Eeva-Liisa Virkkunen**

**Pekka Tennilä**  
CEO

## **Auditor's note**

A report on the audit has been issued today.

Helsinki, 7 March 2024

PricewaterhouseCoopers Oy

Authorised Public Accountants

**Panu Vänskä**  
Authorised Public Accountant, KHT

# CONSOLIDATED FINANCIAL STATEMENTS, IFRS

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	1-12/2023	1-12/2022
<b>NET SALES</b>	2.1	<b>495.9</b>	<b>544.9</b>
Change in inventories of finished goods and work in progress		-2.6	-12.9
Production for own use		0.1	0.1
Other income	2.3	2.6	10.3
Share of profit (loss) of associates and joint ventures		3.0	2.6
Materials and services	2.4	-326.8	-355.9
Expenses arising from staff benefits	2.5	-68.9	-67.3
Depreciation and amortisation	3.5	-32.9	-32.3
Impairments	3.5	-4.6	12.1
Other operating expenses	2.3	-71.1	-72.3
<b>OPERATING PROFIT/LOSS</b>		<b>-5.3</b>	<b>29.2</b>
Financial income	5.1	11.4	8.7
Financial expenses	5.1	-18.0	-19.3
<b>PROFIT/LOSS BEFORE INCOME TAXES</b>		<b>-12.0</b>	<b>18.7</b>
Income tax expense	2.7	3.8	0.0
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>-8.2</b>	<b>18.6</b>

EUR million	Note	1-12/2023	1-12/2022
<b>OTHER COMPREHENSIVE INCOME ITEMS</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements on defined benefit plans		-0.1	0.8
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Cash flow hedges		-0.6	0.0
Translation differences		-0.4	-1.6
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>-9.3</b>	<b>17.9</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>			
<b>Profit/loss attributable to:</b>			
Owners of the parent		-8.2	14.6
Non-controlling interests		-0.1	4.0
		-8.2	18.6
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		-9.3	13.8
Non-controlling interests		-0.1	4.0
		-9.3	17.9
<b>Earnings per share from result attributable to the owners of the parent (in euro per share)</b>			
Earnings per share, EUR		-272	487
No. of shares		30,000	30,000



## CONSOLIDATED BALANCE SHEET

EUR million	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	3.1	31.6	31.4
Intangible assets	3.2	37.9	38.0
Property, plant and equipment	3.3	206.5	213.6
Right-of-use assets	3.4	37.9	42.0
Shares in associates and joint ventures	6.3	22.9	19.9
Deferred tax assets	4.5	2.2	3.7
Other financial assets	5.2	0.5	167.5
Other financial assets	4.6	3.2	0.0
<b>Total non-current assets</b>		<b>342.8</b>	<b>516.2</b>
<b>Current assets</b>			
Inventories	4.1	127.4	145.2
Trade receivables and other receivables	4.2	105.1	98.5
Income tax receivables		4.8	2.6
Other financial assets	5.2	151.7	0.0
Cash and cash equivalents	5.3	5.5	47.7
<b>Total current assets</b>		<b>394.5</b>	<b>294.1</b>
<b>TOTAL ASSETS</b>		<b>737.3</b>	<b>810.3</b>

EUR million	Note	31 December 2023	31 December 2022
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		50.5	50.5
Fair value fund and other funds		29.8	30.5
Translation differences		-6.8	-5.5
Retained earnings		219.4	235.5
<b>Equity attributable to equity owners of the parent company</b>		<b>292.8</b>	<b>310.9</b>
Attributable to non-controlling interests		0.3	0.3
<b>Oma pääoma yhteensä</b>	5.5	<b>293.1</b>	<b>311.2</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	5.2	150.1	264.7
Deferred tax liabilities	4.5	8.6	14.0
Pension liabilities	4.7	4.2	4.2
Provisions	4.4	13.5	12.0
Other non-interest-bearing liabilities	5.2	0.3	0.0
<b>Total non-current liabilities</b>		<b>176.7</b>	<b>294.9</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	5.2	154.7	93.2
Trade payables and other payables	4.3	111.6	111.3
Income tax liabilities		1.1	0.0
Provisions		0.0	-0.4
<b>Total current liabilities</b>		<b>267.5</b>	<b>204.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>737.3</b>	<b>810.3</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2023	2022
<b>Cash flows from operating activities</b>		
Profit/loss for the period	-8.2	18.6
Adjustments to the result for the period		
Depreciation and amortisation	37.6	20.2
Gains and losses from non-current assets	-0.8	-6.4
Financial income and expenses	12.6	8.9
Income tax expense	-2.9	0.0
Other adjustments	1.4	-7.9
<b>Total adjustments to the result for the period</b>	<b>47.7</b>	<b>16.5</b>
Change in working capital		
Increase/decrease in inventories	17.2	5.5
Increase/decrease in trade receivables and other receivables	-14.5	-1.1
Increase/decrease in trade payables and other debts	0.9	14.1
Change in provisions	1.4	-0.6
<b>Total change in working capital</b>	<b>4.9</b>	<b>17.9</b>
Interest paid	-11.0	-10.8
Interest received	0.4	1.6
Other financial items	4.0	2.6
Taxes paid	-0.8	-3.3
<b>Cash flows from operating activities</b>	<b>37.3</b>	<b>43.1</b>

EUR million	2023	2022
<b>Cash flows from investing activities</b>		
Investments in tangible and intangible assets	-39.6	-39.8
Proceeds from disposal of tangible and intangible assets	11.2	13.4
Acquisition of subsidiaries, net of cash	-0.3	-20.3
Other investments	-9.2	0.0
Proceeds from disposal of investments consolidated using the equity method	0.0	16.6
Proceeds from disposal of other investments	19.8	21.3
Changes in loans receivable	-2.8	10.1
Dividends received	0.0	0.0
<b>Cash flows from investing activities</b>	<b>-20.9</b>	<b>1.4</b>
<b>Cash flows from financing activities</b>		
Change in short-term loans	61.9	70.8
Proceeds from long-term loans	0.0	49.2
Repayment of long-term loans	-111.3	-5.5
Repayments of lease liabilities	0.0	-8.8
Transactions with non-controlling interests	0.0	-72.0
Dividends paid	-9.0	-60.9
<b>Cash flows from financing activities</b>	<b>-58.5</b>	<b>-27.2</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>	<b>-42.1</b>	<b>17.3</b>
Cash and cash equivalents at the beginning of the period	47.7	30.4
Net increase (+) / decrease (-) in cash and cash equivalents	-42.1	17.3
Cash and cash equivalents at the end of the period	5.5	47.7

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Other funds	Translation differences	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity 1 January 2023</b>	50.5	30.5	-5.5	235.5	310.9	0.3	311.2
<b>Changes in equity</b>							
Dividends paid				-9.0	-9.0		-9.0
Distribution of funds					0.0		0.0
Profit/loss for the period				-8.2	-8.2	0.1	-8.2
Translation differences			-0.4		-0.4		-0.4
Actuarial gains/losses				-0.1	-0.1		-0.1
Other comprehensive income items		-0.6			-0.6		-0.6
Total comprehensive income	0.0	-0.6	-0.4	-8.3	-9.3	0.1	-9.3
<b>Other changes</b>							
Other changes		-0.1	-0.9	1.3	0.3		0.3
<b>Total equity 31 December 2023</b>	<b>50.5</b>	<b>29.8</b>	<b>-6.8</b>	<b>219.4</b>	<b>292.8</b>	<b>0.3</b>	<b>293.1</b>

EUR million	Share capital	Other funds	Translation differences	Retained earnings	Total	Non-controlling interests	Total
<b>Shareholders' equity 1 January 2022</b>	50.5	30.5	-4.0	307.4	384.4	43.5	427.9
<b>Changes in equity</b>							0.0
Dividends paid				-60.0	-60.0	-0.8	-60.8
Transfers between items							0.0
Profit/loss for the 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	0.0	0.0	-1.6	15.5	13.8	4.0	17.9
<b>Other changes</b>							0.0
Other changes				-1.7	-1.7	-0.3	-1.9
Transactions with non-controlling interests				-25.9	-25.9	-46.2	-72.0
<b>Total equity 31 December 2022</b>	<b>50.5</b>	<b>30.5</b>	<b>-5.5</b>	<b>235.5</b>	<b>310.9</b>	<b>0.3</b>	<b>311.2</b>

## GROUP KEY FIGURES 2019-2023

EUR million	5-12/2019	12/2020	12/2021	12/2022	12/2023
Net sales	297.7	544.9	514.6	544.9	495.9
Growth %	32.4	2.1	-5.6	5.9	-9.0
Operating margin (EBITDA)	37.0	53.8	562.8	46.8	29.2
% of net sales	12.4	9.9	109.4	8.6	5.9
Depreciation and amortisation	-38.5	-47.2	-35.3	-32.3	-32.9
Impairments	-38.9	-102.8	-16.3	12.1	-4.6
Operating profit (EBIT)	-40.4	-95.3	511.2	29.2	-5.3
% of net sales	-13.6	-17.5	99.3	5.4	-1.1
Operating profit (EBIT) before impairments	-1.5	7.4	527.6	17.2	-0.7
% of net sales	-0.5	1.4	102.5	3.2	-0.1
Net financial items	-7.8	-12.5	-7.2	-10.6	-6.6
Profit/loss before taxes	-48.2	-107.8	504.0	18.7	-12.0
Taxes	8.0	-0.3	-2.5	0.0	3.8
Profit/loss for the period	-40.2	-108.1	501.5	18.6	-8.2
Return on invested capital %	-1.7	-14.0	73.1	6.4	-1.3
Return on invested capital before impairments %	4.1	1.1	75.4	3.8	-2.4
Restricted capital on average	676.4	680.9	699.4	454.9	411.3
Turnover of restricted capital (net sales / restricted capital on average)	0.8	0.8	0.7	1.2	1.2
Average working capital	144.8	125.5	172.8	138.5	112.3
Average working capital % of net sales	48.6	23.0	33.6	25.4	22.6
Restricted capital at the end of the year	680.1	704.4	451.3	461.2	407.5
Working capital at the end of the year	141.4	96.5	147.6	114.0	108.6

EUR million	5-12/2019	12/2020	12/2021	12/2022	12/2023
Gross investments	42.8	76.6	84.6	167.5	40.2
% of net sales	14.4	14.1	16.4	30.7	8.1
Gross investments/depreciation and amortisation	1.1	1.6	2.4	5.2	1.2
Operating margin	37.0	53.8	562.8	46.8	29.2
+/- Change in working capital	10.3	44.8	-51.1	48.4	5.4
- Net investments	26.3	59.1	77.7	136.7	31.2
Free cash flow before taxes	21.0	39.6	434.0	-41.5	3.4
Total assets	829.4	758.5	780.9	810.3	737.3
Shareholders' equity	337.5	207.4	427.9	311.2	293.1
Shareholders' equity (average)	372.1	309.7	508.2	368.5	297.1
Interest-bearing liabilities	324.9	344.4	233.9	357.9	304.8
Interest-bearing net debt	315.1	327.7	11.2	140.0	144.4
Equity ratio, %	41.5	27.9	55.2	38.7	40.1
Gearing %	-93.4	158.0	2.6	45.0	49.3
Interest-bearing net debt/ operating margin	4.0	6.1	0.0	3.0	4.9
Liquidity	2.3	1.8	3.1	2.6	2.1
Return on equity %	-5.2	-34.9	98.7	5.1	-2.7
Dividends paid	12.3	4.0	250.0	60.8	9.0
Dividend % of profit *	-30.6	-3.7	49.8	326.2	-110.3
Average number of employees	1,050	1,031	922	958	936
<b>Key figures per share</b>					
Number of shares	30,000	30,000	30,000	30,000	30,000
Earnings per share, EUR *	-1 320	-3 712	16 638	487	-272
Shareholders' equity per share, EUR	9,894	5,517	12,812	10,338	9,759
Dividend per share, EUR	410	133	8,333	2 026	300

\* = Profit attributable to owners of the parent company



## PRINCIPLES FOR CALCULATING KEY FIGURES

<b>EBITDA</b>	Operating profit + Depreciations and impairment +/- Shares of associates' results	
<b>Working capital</b>	Inventories + Non-interest-bearing receivables of businesses - Non-interest-bearing debt	
<b>Restricted capital</b>	Fixed assets of businesses + Working capital	
<b>Turnover of restricted capital</b>	$\frac{\text{Turnover rolling 12 months}}{\text{Restricted capital (on average)}^*}$	
<b>Return on invested capital % (ROIC)</b>	$\frac{\text{Operating profit rolling 12 months}}{\text{Restricted capital (on average)}^*} \times 100$	
<b>Balance sheet total</b>	$\frac{\text{Profit before taxes rolling 12 months - income tax}}{(\text{Shareholders' equity} + \text{minority interest}) \text{ on average }^*} \times 100$	
<b>Liquidity</b>	$\frac{\text{Short-term non-interest-bearing receivables}}{\text{Short-term non-interest-bearing liabilities}}$	
<b>Equity ratio %</b>	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{capital loan}}{\text{Balance sheet total} - \text{advances received}} \times 100$	
<b>Interest-bearing net debt</b>	Interest-bearing debt - Interest-bearing loans receivable - Cash and cash equivalents	
<b>Gearing %</b>	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$	
<b>Free cash flow before taxes</b>	EBITDA +/- Change in working capital - net investments	
<b>Earnings/share</b>	Profit attributable to owners of the parent company/Number of shares	
<b>Shareholders' equity/share</b>	Parent company's shareholders' equity/Number of shares	
<b>Dividend/share</b>	Distribution of dividend for the financial period/Number of shares	
<b>Dividend/profit %</b>	100 * dividend/share / earnings/share	

\* The calculations are based on averages on 31 March 2023, 30 June 2023, 30 September 2023 and 31 December 2023.



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In Kekkilä-BVB, we established the use of **the Sustainability Compass and LCA tools** for effective customer communication on the sustainability of our products.



We started commercial production of **activated carbon** at the Ilomantsi factory, which is **the most modern and environmentally friendly** in the world. The waste heat now produced by the factory is now used to **heat the municipality** of Ilomantsi.



In 2023 we continued **Helping Hands** programme to engage our employees in **volunteering work** on environmental and social topics in local communities and conducted several **employee wellbeing** related activities.



We moved **4,100** hectares to next land use in 2023 and cumulatively **19,800** hectares since 2019 and will meet a year early the 2025 target of 20,000 hectares.

We have now **reduced** accident frequency (both LTA and MTR) by more than **50%** in Neova Group since 2019. Especially in Finland and Estonia our current safety performance level is world class: **0 LTA accidents in 2022 and 2023.**



We have increased **Supplier Code of Conduct** coverage to **87%** (2022: 66%).

**Sustainability has been a part of short term incentive**

target of every permanent employee in 2022 and 2023.



We developed capability to use **reed canary grass** as a **circular raw material** for growing media by sowing 830 hectares in Finland and completed successful product tests in 2023.



We signed cooperation agreement with UPM to increase availability of **wood fibre** as **circular raw material** for growing media.



We achieved **Great Place to Work** certification in **TWO** of our countries: **Sweden, and Estonia.** Our trust index was **65%.**

## SUSTAINABILITY HIGHLIGHTS 2023

We signed cooperation agreement with the National Emergency Supply Agency on the storage of energy peat as **security of supply fuel.**



We extended **Our ISO system** further by getting ISO 9001, 14001, 45001 certification for wind and solar project development and ISO 14001 certification for all remaining Kekkilä-BVB factories.



We have created **262** hectares of wetlands during 2021–2023 as part of the 2025 biodiversity program. In 2023, we opened one of **Finland's biggest wetlands** in old peat bog area in **Haapasuo**, next to Leivonmäki National Park.

**Green factory concept**

implementation embedded in all factory operations to improve environmental sustainability.



We have in progress **a large portfolio of wind and solar projects** across Finland, including 1,6 GW of mid-stage projects and about 500 MW of early-stage projects.

Share of **recycled plastic** in Kekkilä-BVB packaging materials is now

**37%** (2022: 31%).



**Soil CO<sub>2</sub> emissions** from our peat production areas have reduced by **-36%** (2022: -31%) from 2018 level.



We launched first **Biostimulant Product** to the market for the needs of **sustainable agriculture.**



**64%** (2022: 57%) of the peat used by Kekkilä-BVB has now **Responsibly Produced Peat (RPP)** certification.

**RPP**



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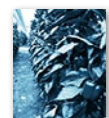
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**Cover image** shows a pepper plantation in Almeria. Spain is the largest user of biostimulants in Europe. In 2023 Neova's first biostimulant product was launched for the needs of sustainable agriculture, horticulture and sports & golf.

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# CONSISTENT IMPLEMENTATION IN A CHALLENGING FINANCIAL ENVIRONMENT CONFIRMS THAT SUSTAINABILITY IS KEY TO THE LONG-TERM SUCCESS OF THE NEOVA GROUP

The year 2023 has been financially a challenging year with high inflation and increasing costs. This has required execution of significant cost saving activities within Neova Group, which has impacted our sustainability work during 2023. 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 financially challeng-

”

Sustainability is and will be at the heart of Neova Group's strategy and purpose – Creating Green Growth.

ing times and thus we have ensured that our sustainability activities have taken us forward during 2023 to meet the 2025 mid-term targets and 2030 long-term targets.

## Sustainability – it is all about teamwork and stakeholder engagement

Sustainability management is very much about teamwork and this we have certainly proved during 2023. We continued our responsible sourcing program and engaged our key strategic suppliers in our sustainability work.

We conducted a Helping Hands program to engage all teams in volunteering work and thereby improving team spirit and doing good for the local communities. We made good progress in our green factory program in all operations to engage factory personnel in environmental sustainability work. 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 CO<sub>2</sub> emissions and improving biodiversity. We had several



Petri Järvinen



restoration activities and involved local environmental groups and national organisations and participated into an EU-wide restoration program.

Most importantly sustainability is well integrated into our business strategies. This has been especially visible in our strategically important business development activities i.e. wind and solar project development in old peat bog areas, biostimulant product development project and Green Growth Raw Materials program development to increase the absolute volume of circular and complimentary raw materials in our product portfolio. As well our energy peat sales have played a key role in security of supply during 2023 in Finland. Many of our business development activities have required close collaboration internally with cross-functional teams and externally with several external partners to ensure that we develop products and services that will have a positive sustainability impact.

During 2023 we have been very active in stakeholder engagement work. Key highlight relate to discussion within EU on the acceptability of peat for growing media and alternative uses of peat and creation of common policy paper on the topic with Peat Alliance countries. As well being part of development of Responsible Produced Coir certification scheme is an excellent example of effective stakeholder engagement and dialogue.

### 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 continued to make improvements

in safety performance, which is a result of consistent work to improve our Safety First! culture and practices. We are on track to reach our 50% reduction of CO<sub>2</sub> emissions in our own operations (scopes 1 and 2). We have now moved 19,800 hectares to next land use since 2019 and will meet the 2025 target of 20,000 hectares one year early. Our Great Place to Work results were at good level despite the restructuring activities during the second half of year 2023. 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 2023 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 summary [page 9](#)), 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 financial sustainability) with selected and clear themes:

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



We have continued our work to increase the use of recycled packaging materials. The share of recycled plastic in Kekkilä-BVB's packaging materials is now 37%.





## 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, EU Sustainable finance action plan and EU taxonomy, EU Corporate Sustainability Due Diligence 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 has been 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

## NEOVA GROUP SUSTAINABILITY STRATEGY







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 opera-

tions 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 financials 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. 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 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 2023 stakeholder engagement work has continued to be 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 2023 we worked together with key representatives in the peat industry and as a result Peat Alliance countries signed in September 2023 a common policy paper concerning horticulture peat and bedding peat.



## Key updates to our management approach during 2023

2023 has been a year of consistent execution of our sustainability plans with continuation of 2021–2022 activities. 2023 highlights include moving of old peat bog areas to next land use, successful implementation of responsible sourcing program and green factory concept in all operations, group wide Helping Hands volunteering program and further improvement of safety performance. Strategically the most important sustainability related business development activities have been wind and solar project development in old peat bog areas and Green Growth Raw Materials program development with an aim to mitigate peat related risk and to increase the absolute volume of circular and

complimentary raw materials in our product portfolio. In Finland Neova Group has played a key role during 2023 in ensuring security of supply of energy peat.

We continued the use of effective engagement tool from 2022 and further improved how sustainability activities and targets were cascaded as part of the short-term incentive target for all employees in 2023. Relevant sustainability activities and targets were selected for each business, function and team.

We communicated the progress in our sustainability activities extensively both internally and externally. 117 external articles were published about us and we ourselves created 175 sustainability posts in our social media channels as well as 6 blogs and 117 articles in our Neova Group intranet site and conducted several

internal sustainability related info sessions for our employees.

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 1](#)). During 2023 we carried out extensive audits without any major deviations to cover our comprehensive ISO certification (incl. ISO 9001 quality management, ISO 14001 Environmental management and ISO 45001 Occupational Health and Safety Management). During second half of 2023 we started a project to evaluate our readiness and plan to be compliant with the upcoming EU Corporate Sustainability Reporting Directive (as a non listed company we will need to prepare the EU CSRD aligned sustainability report in 2026 with 2025 data).

## 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 sustainable 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).

## EXTERNAL SUSTAINABILITY REFERENCES GUIDING NEOVA GROUP'S AND ITS BUSINESSES' SUSTAINABILITY WORK

### Impact materiality frameworks



### 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 2023 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.

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, circularity and water. 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 CO<sub>2</sub> emissions and improving biodiversity. We had several restoration activities in Finland, Sweden and Estonia and involved local environmental groups and national organisations and participated into an EU-wide restoration program. In Kekkilä-BVB, we continued

## NEOVA GROUP ENVIRONMENTAL SUSTAINABILITY KPIS AND TARGETS

Key Indicator	Definition	Actual in 2023 (2022)	Target by 2025
<b>Carbon footprint: CO<sub>2</sub> emissions from our own operations (scope 1+2)</b>	Neova Group level: Reduction from 2018 level (= 889 ktCO <sub>2</sub> -eqv.)*	-34% (-30%)	-50%
<b>Carbon intensity in our value chain (scope 1+2+3)</b>	Reduction of carbon intensity (tCO <sub>2</sub> / M€ revenue) from 2020 level (=9,813 tCO <sub>2</sub> / M€)	-22% (-11%)	-40%
<b>Conversion of closed energy peat bogs to next land use</b>	Closed energy peat production areas (hectares) from 2019	19,805 ha (15,676 ha)	>20,000 ha
<b>Biodiversity of old peat areas (re-wetting/afforestation)</b>	Restored area in collaboration with stakeholders (hectares)	263 ha (128 ha)	2,000 ha
<b>Circularity of raw materials</b>	Volume of circular raw materials (= renewable and compost)**	1.4 Mm <sup>3</sup> (1.4 Mm <sup>3</sup> )***	1.7 Mm <sup>3</sup>
<b>Circularity of packaging materials</b>	Use of recycled materials in packaging	37% (31%)	50%
<b>Impact on watercourses from peat production: Finland</b>	Suspended solids reduction from 2008	-75% (-84%)	-75%
	Nitrogen reduction from 2008	-66% (-77%)	-75%
	Phosphorus reduction from 2008	-71% (-81%)	-75%
<b>Zero waste in our own operations</b>	Recovery rate	96% (81%)	95%
	Recycling rate (excluding energy waste)	52% (54%)	90%
<b>Responsibly produced peat</b>	Kekkilä-BVB RPP peat use (own operations / products)	64% (57%)	80%

\* 2018 baseline recalculated to exclude CO<sub>2</sub> 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.

\*\*\* Historical performance and the base year performance have been corrected due to improved data quality and extending the scope with our Germany activities.





the major program to develop new circular raw materials and increase the overall use of circular raw materials and continued our work to increase the use of recycled packaging materials.

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 2023 we carried out extensive ISO certification related audits without any major deviations.

## Greenhouse gas emissions



### KEY TARGETS

**We reduce CO<sub>2</sub> 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 CO<sub>2</sub> 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. Since 2022 we have submitted our CO<sub>2</sub> emissions in Carbon Disclosure Project (CDP).

In 2023 our scope 1+2+3 CO<sub>2</sub> emissions were 3,803 kt CO<sub>2</sub>-eq (4,760 kt CO<sub>2</sub>-eq in 2022). The largest share of scope 1+2+3 CO<sub>2</sub> emissions (79% 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 63% of scope 3 emissions. Out of our scope 1 direct emissions, peat land soil emissions cause 88%. 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 -8 % in and were 588 kilotonnes CO<sub>2</sub>-eq. Overall, we have achieved -34% reduction in CO<sub>2</sub> emissions in our own operations from 2018 level (note: CO<sub>2</sub> emissions have been recalculated due to divestment of Nevel business at the beginning of 2020).

Our main efforts in reducing emissions in our own operations is focused in converting closed peat pro-

duction 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 2023 there was a total of 42 (2022: 150) peat production areas in the aftercare phase after production in Finland.

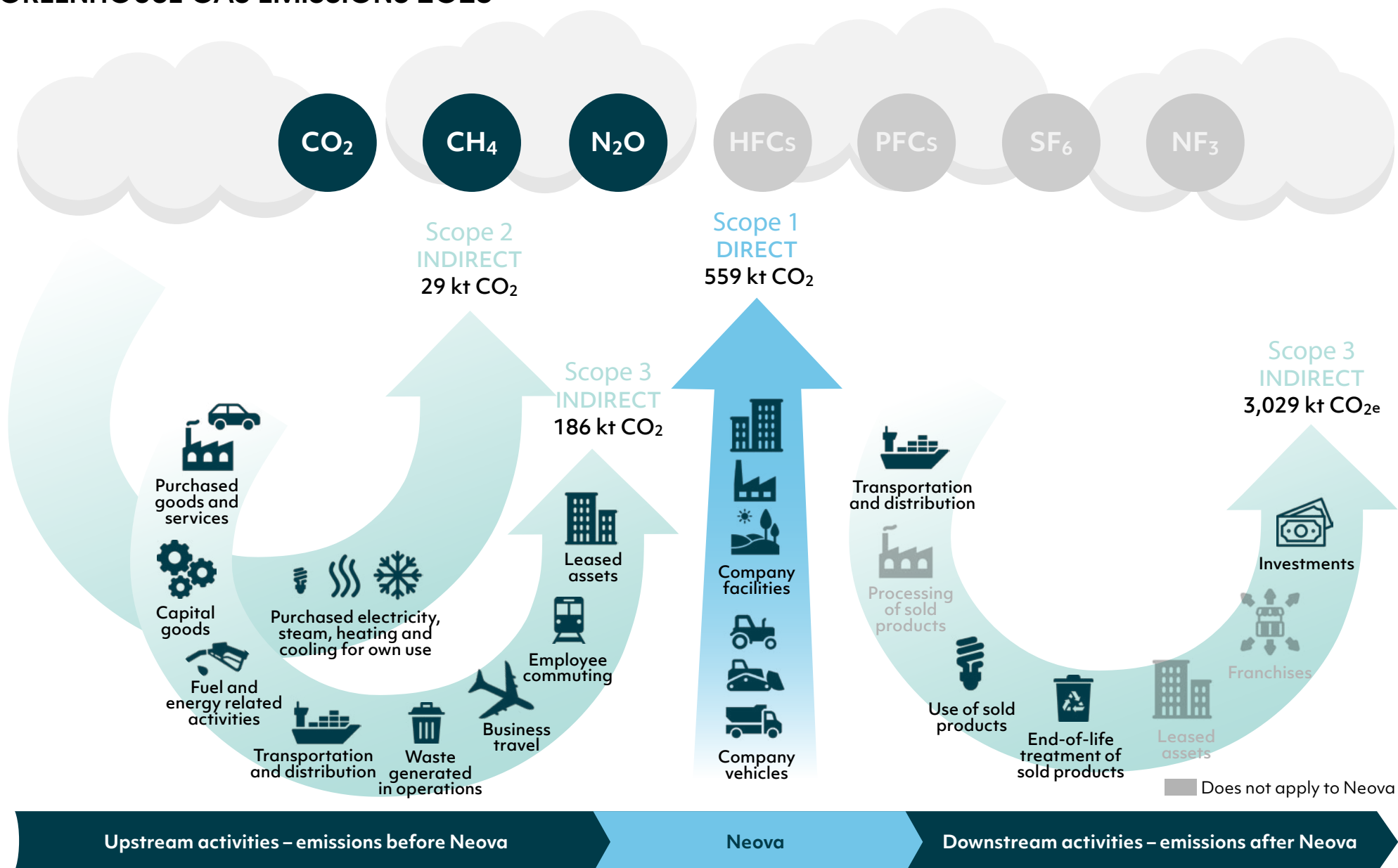
We continued to adjust the production capacity of energy peat and converted in total more than 4,129 hectares to next land use in 2023. From the peat production areas owned by Neova Group in Finland, 1,337 hectares turned into next land use (180 hectares into afforestation and 400 hectares into wetlands). We returned 3,561 hectares to landowners who have the right to decide on the next land use in their areas. Since 2018 we have now reduced peat land soil emissions by -36%, -279 ktons.

Our main goals in reducing CO<sub>2</sub> emissions in factory operations are increasing energy efficiency and reducing use of fossil fuels. In Kekkila-BVB operations 52% (2022: 31%) of our CO<sub>2</sub> emissions are caused by the use of electricity and we aim to move towards fossil free electricity (incl. use of renewable electricity) totally by 2025. In the Netherlands we already produce 22% (2022: 20%) of our electricity consumption through solar panels. In Sweden, Estonia and Germany our factory operations are covered 100% with green electricity contracts.

We implemented in 2021 an annual process for CO<sub>2</sub> emission reporting with July-June cycle for our Group logistics activities and based on that data create annually an action plan for logistics CO<sub>2</sub> reduction. Overall, our logistics CO<sub>2</sub> emissions are 1.0% (1.1%) of our total



## GREENHOUSE GAS EMISSIONS 2023





scope 1+2+3 emissions and 1.2% (1.3%) of our total scope 3 emissions. During July 2022 – June 2023 our relative logistics CO<sub>2</sub> was 8,4kg CO<sub>2</sub> / delivered tonnes. Our relative logistics CO<sub>2</sub> emissions didn't improve and

were at the same level as in previous cycle mainly due to longer distances in bulk peat transport and lower transport volumes in bulk peat vessel chartering. Going forward we will continue to work on emissions reduction

actions such as increasing payloads and newer fleet in peat and wood bulk road logistics, increasing share of shortsea container deliveries and newer and more efficient vessel fleet in bulk sea logistics.



The water area of the Haapasuo's biodiversity area's wetland is approximately 70 hectares. The opening ceremony of the biodiversity area was held on September 7, 2023.

## HAAPASUO'S BIODIVERSITY AREA WAS OPENED TO THE PUBLIC

Neova established a 111-hectare biodiversity area on the former Haapasuo peat production area located in Leivonmäki, Joutsa. The water area of the biodiversity area's wetland is approximately 70 hectares. It's one of the largest wetland areas built on former peat production areas in Finland, even on a national scale. The biodiversity area is equivalent to approximately 155 football fields in size.

The opening ceremony of the biodiversity area was held on September 7, 2023, and an estimated 150 guests attended the event. During the opening ceremony, it was also reported that the wetland was connected to the SOTKA resting area network. Waterfowl are not hunted in the Haapasuo wetland, but are allowed to prepare for the stresses of autumn migration in peace.

The goal at Haapasuo biodiversity area is to support the development of the area's biodiversity in collaboration with stakeholders. The ELY-Centre of Central Finland, the Ornithological Society of Central Finland, the Friends of Leivonmäki National Park, the Päijänne Natural Heritage Foundation PLUPS, and the Finnish Hunters' Association have all been involved in the collaboration. Neova and the ELY-Centre of Central Finland jointly developed a plan for the construction of the wetland area and bird nesting sites. The planning of the nesting sites and their construction by the ELY-centre was funded by the Freshabit LIFE project. With the help

of project funding, Haapasuo has improved the habitat of water and shorebirds by building small islands from rocks and mineral soil, which support the nesting sites of larger islands. In addition, the area has been made more open by removing trees. The water level in the area was raised by building a dam at the upper end of the stream flowing into Lake Rutajärvi. Neova was responsible for the design and construction of the dam. After the construction work, the wetland area is allowed to develop naturally. During the year 2023, birdhouses, duck nesting tubes and boxes made by young scouts of Siilinjärvi were installed. The Ornithological Society of Central Finland conducted bird monitoring. The bird tower which was built in 2005 in anticipation of the future wetland, was renovated.

According to bird monitoring, black-headed and little gulls settled in the area to breed almost immediately after the flooding. In the summer of 2023, broods of mallards, teals, and wigeons were already observed in the area, as well as tufted ducks and shovelers, which hold territories. The bird population is expected to diversify and increase rapidly in terms of both breeding and migratory birds. The Haapasuo biodiversity area will gradually become a large-scale carbon sequestering wetland ecosystem and recreational area supporting biodiversity. The importance of the area is emphasized by the location of Haapasuo in the immediate vicinity of Leivonmäki National Park.



## 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 has set ambitious targets to convert closed energy peat production areas to next land use and to implement restoration measures through wetlands and afforestation at selected sites.

During 2023 we continued major activities to close unneeded peat production areas and converted in total more than 4,129 hectares to next land use in Finland. We have now converted cumulatively 19,805 hectares into next land use between 2020–2023 and we will reach a year early our 2025 target. From the peat production

areas owned by Neova Group in Finland, 1,337 (2022: 3,149) hectares were turned into next land use (180 hectares into afforestation and 400 hectares into wetlands). We returned 3,561 (2022: 1,355) hectares to landowners who has the right to decide on the next land use in their 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 2023 we have now completed the restoration of 263 (2022: 128) hectares since 2021 and have so far identified ca. 1,000 hectares of potential restoration sites for years 2024–2025.

In 2023 we continued our biodiversity programme and finalized restoration with the following sites:

- Haapasuo wetland area construction in Leivonmäki made by co-operation with the ELY-center of Central Finland part of Freshabit LIFE project funded by EU
- The Haukineva sphagnum farming area in Seinäjoki has been finalized, covering a total of 8.5 hectares.
- Storsjömuren wetland construction (17 ha) in Gävle.

In 2023 restoration planning and activities continued in Lavassaare area in Estonia with the EU WaterLANDS project; in Norrbomuren area in Sweden with the Swedish University of Agricultural Sciences; as well as in Kompasuo area in Finland with the EU MERLIN project.

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 2023 reached 7,326 (2022: 5,600) permit hectares. Kekkilä-BVB own products 64% of the peat used in Kekkilä-BVB's own products were RPP certified in 2023 (2022: 57%).

## Circularity



### KEY TARGETS

**We increase the recycling rate** for 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.



## THE NEW LIFE OF THE PEAT BOG: CULTIVATION OF REED CANARY GRASS

Green Growth Raw Materials program was launched for the need to find complement alternatives for peat use in substrates. New solutions and raw materials are needed to strengthen position in substrate markets.

One of the key projects was to develop the concept of cultivated fibers. This was seen a good opportunity for the re-use of former peat production areas and growing the future substrate raw materials in a sustainable way.

Reed Canary Grass (RCG) was selected for its good characteristics. RCG is very resilient for growing on the peat land and can be harvested for 10–12 years within one sowing cycle. Reed Canary Grass roots are dense and represent a great share of the plant biomass suggesting RCG's potential to carbon sequestration to soil and makes the raw material a low carbon.

With these specifications RCG offers the competitive advantage for the Neova and Kekkilä-BVB as the control of the cultivation stays in our own hands and we know the origin of the raw material.

In the beginning of the 2023 we selected all together 15 former peat production areas (1,000 ha) suitable for the cultivation. Locations were divided into two bigger operational areas, one in the Northern-Ostrobothnia and the other in Southern-Ostrobothnia. Designated Operational managers were named for every site, to lead and follow the progress of the field preparation. The most essential first steps in the process were to ensure the availability of the seeds and fertilizers and the capacity of the contractors for the spring 2023. Neova has currently a good network of contractors available, so we were able to secure to work resources for the coming years.

Field establishment started in early spring 2023 and sowing of the first areas were ready in the midsummer. Total of approximately 800 hectares were sown in summer 2023 and

Reed canary grass sown in summer 2023 at Näätäneva in August 2023. The picture shows how reed canary grass thrives even in wet conditions.



remaining parts of the prepared areas will be finalized in the spring 2024.

During the year, teams inside Kekkilä-BVB were doing the product development and wide range of growing tests to find best applications for the RCG raw material. Total of 13 different growing tests took place in Finland, Netherlands and Germany. Test results from the tested substrate mixes were positive and we are confident that reed canary grass can be considerable addition to growing media portfolio as one of the future raw materials.

Year 2024 will be fast paced for the RCG project. First proof-of-concept customer growing tests will be started in the beginning of 2024, with minimum viable products. Aim is to launch of first commercial product in the beginning of 2025. Validation for the next possible 1,000 hectares cultivation areas are commenced and work continues on spring 2024.

Every team has successfully been working towards the solutions, which are beneficial in the aspect of the future growing media. This project is an good and example of team work over the organization borders.



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 Kekkilä-BVB strategically the most important circularity activity is to increase the volume of circular raw materials. To accelerate this a major Green Growth Raw Materials program was launched in 2022 and an ambitious target was set to double the usage of circular raw materials by year 2027 in Kekkilä-BVB business. Additionally Kekkilä-BVB aims to improve circularity by increasing the use of recycled packaging materials in Kekkilä-BVB factories to 50 % by 2025.

In 2023, the total waste volume in Neova Group was 8,300 tonnes. Our recycling rate (excluding the waste fractions used as energy) for all of our operations slightly decreased in 2023 to 52% (2022: 54%). How-

ever, the recovery rate of material and energy recovery increased to 96% (2022: 81%). During 2022 there were remediation work of contaminated soils in closed peat bogs which increased the waste volume. In 2023 there was less remediation and construction work and it has a direct effect to waste volume as well recovery rate.

Currently our biggest waste fraction in terms of volume is old peat stock pile plastics. During 2023 we reused a total of 3,327 (2022: 3,928) tonnes of old stockpile plastic in Finland, Sweden, and Estonia of which 23% as recycled material and 77% as energy. We will continue piloting new ways to reduce the use of plastic in packing materials in all our product lines. In 2023, we have tested recycled packaging materials in pellet packages in Turenki factory. Based on the tests, we can only use 30% recycled materials in pellet packaging.

We finalized sphagnum moss stockpile cover tests, which were done with paper cover and tarpaulin. Covers were removed and data analyzed over the past year (2023). Tarpaulin got broken during cleaning process and remains of paper cover was sent to test composting, but it wasn't usable for that purpose. Due to high costs and disposable nature of tested materials, they are not recommended to be used as stockpile covers. The test was important and during it, we identified minor areas for improvement to reduce the amount of plastic.

In 2023 the share of recycled packaging materials in Kekkilä-BVB increased to 37% (2022: 31%), with progress in the Dutch, Swedish and Finnish retail markets.

Circularity is a key principle when developing new products in the businesses and examples can be found in the Business sections of this report. Neova Group is inter-

ested 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.

## Water



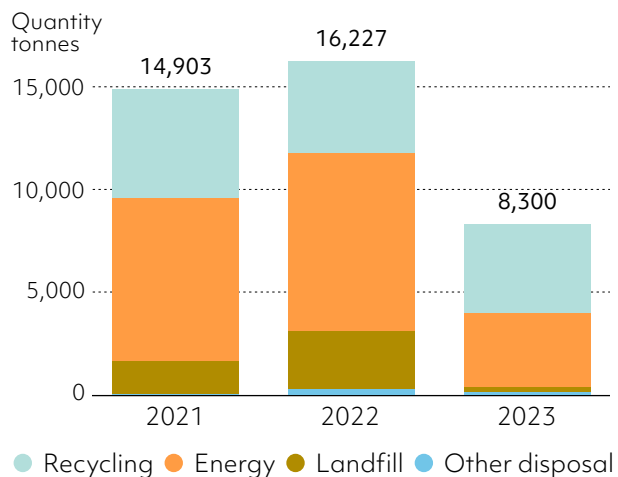
### KEY TARGETS

**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.**

### QUANTITY OF WASTE BY YEARS



We have already made significant progress in reducing our water emissions in the 2020s, and we are working towards our 75% reduction target. Our water emissions increased in 2023 compared to the previous year because the annual rainfall was significantly higher than usual in most parts of the country. However, in terms of total emissions, the overall reduction in water emissions was more than 65% compared to 2008.

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.

**Improving safety performance** and developing our safety practices and culture and having zero tolerance for inappropriate behaviour remain as key priorities in our social sustainability plan and this systematic way of working continued effectively during 2023. Since 2022 we have extended our approach in social sustainability plan towards an active approach in developing diversity, equity and inclusion (DEI) in our company. In the area of Responsible partners, we continued our Responsible Sourcing programme on Neova Group level to ensure and improve environmental and social sustainability of our strategic partners.

## Great Workplace and efficiency program

Plan for 2023 Great Workplace activities was to continue the emphasis on ensuring consistent line manager work throughout the company and the volunteer program Helping Hands, while further developing analysis and activities to support active DEI approach. During the first quarter the company announced significant savings

## NEOVA GROUP SOCIAL SUSTAINABILITY KPIS AND TARGETS

Key indicator	Definition	Actual in 2023 (2022)	Target by 2025
<b>Accident frequency: LTA1 (resulting in absence)</b>	Group: year-on-year reduction by -20%	3.7 (4.5)	< 3
<b>Accident frequency: MTR (all accidents, incl. commute)</b>	Group: year-on-year reduction by -20%	7.3 (11.3)	< 6
<b>Reported inappropriate behaviour case</b>	Group: zero tolerance; all reported cases investigated and followed up	9 (6) cases, all closed	0 cases
<b>Great Place to Work Trust Index (GPTW)</b>	Group: increase by +2% points per year	65% (71%)	78%
<b>GPTW Wellbeing and engagement index</b>	Group: increase by +2% points per year	68% (74%)	82%
<b>GPTW Leadership index</b>	Group: increase by +2% points per year	52% (59%)	65%
<b>GPTW Learning together index</b>	Group increase by +2% points per year	54% (61%)	67%
<b>Responsible sourcing: Code of Conduct</b>	% of contract suppliers signed Supplier Code of Conducts	87% (66%)	100%
<b>Responsible sourcing: Audit coverage of strategic suppliers</b>	Number of audited strategic suppliers	11 (15)	All prioritised
<b>Responsible sourcing: joined sustainability development process and plans</b>	Number of prioritised suppliers with joint sustainability action plan and targets	12 (16)	All prioritised

Our key safety highlight from 2023 was that Finland and Estonia operations achieved the zero accidents goal.



targets due to changes in the global operating environment which weakened Neova Group's competitiveness. As part of these savings measures change negotiations were held in Finland and Sweden regarding the plans of closing two Kekkilä-BVB substrate factories. These plans were implemented mainly during the second and third quarter of the year. Additionally, company announced in mid-August a need for further savings measures to reduce fixed cost for 2023 and 2024, part of which were anticipated to have personnel implications through re-organizing the structure of Kekkilä-BVB and supporting functions, and through personnel reductions. Company initiated change negotiations and respective consultation processes in its main operating countries with approximately 700 employees in scope of the planned changes.

These restructuring activities led into re-prioritizing of human resource activities and changed focus of social sustainability plan implementation. With this revised priority, main focus in Group HR and also in social sustainability, was to ensure the restructuring process was planned and implemented in such way that human, organizational and legal aspects were taken into account throughout the process, while ensuring full support for business needs. Emphasis of the Social sustainability plan's goal for consistent line manager work was re-focused for training and supporting line managers in how to communicate and support their teams and individuals during the restructuring and in establishing the new teams. This was supported by monthly and weekly communication on different levels of the organization.

## Safety first!



### KEY TARGETS

We reduce accident frequency by **20%** year on year towards the zero accidents goal.

We have **zero** accidents by 2030.

The Group Safety team leads and develops Safety first! culture to prevent safety deviations and accidents through effective risk reduction, training and supporting business areas and functions. In 2023, Neova Group accident frequency rate (incidents leading to absence, including commuting, in relation to million hours worked) was 3.7, which is lower than in 2022 (4.5). The accident frequency of Kekkilä-BVB's operations improved from 7.1 in 2022 to 5.6 in 2023. As a result of the systematic and comprehensive safety work we have now reduced accident frequency (both LTA and MTR) more than 50% in Neova Group since 2019. Especially in Finland and Estonia our current safety performance level is world class. (0 LTA in 2022 and 2023).

Most of our accidents occur in production operations. The consequences of accidents have clearly decreased, and in 2023 there have not been any accidents classified as serious. All accidents are investigated, root cause analyses, corrective measures and lessons learned are distrib-

uted in 5 languages to all personnel. In 2023, we published an average of two safety campaigns per month in five languages, one on general safety and one on fire safety.

In order to improve and unify our safety culture, we continued to invest in safety training and risk assessment in 2023 in all businesses. We performed more than 50 different risk assessments and more than 30 internal audits in 2023. In addition, we published a safety e-learning course for the entire staff. The completion rate of the course was 99%.

The number of fires in peat production areas was 22, which is almost same than last year (corresponding number in 2023: 23).

During 2023, Kekkilä-BVB factories focused on six common safety themes, the goal of which is to improve workplace safety and safety culture. The activities included, for example, emergency drills, improving fire safety and improving forklift and wheel loader safety.

The safety observations made by our own personnel in 2023 decreased by 35% from 2022. There were 1,729 observations in total (2022: 2,651). Instead of the number of observations, this year the focus was more on the fast and high-quality processing of findings. The decrease in the number of observations was also influenced by the sale of the wood fuel business.

We also monitor contractors' accidents in our operations and conduct an accident investigation together with them. In 2023, our contractors reported a total of 1 accident requiring medical treatment (2022: 4) and 7 accidents resulting in absence (2022: 3). Of the safety observations made in 2023, 14% were made by contractors (2022: 16%).





## 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.**

### Helping Hands

Helping Hands is a programme to engage our employees in volunteering work on environmental and social topics in local communities. This volunteer program was decided to be continue also during 2023 despite of the wide efficiency program. Total of 212 colleagues out of approximately 900 employees (24%) participated in volunteer work during 2023. Those who participated in the 22 different volunteer activities, estimated that the Helping Hands programme has had a very positive impact on the sense of community and well-being at work.

### Engagement and wellbeing of our employees

Our Trust Index, which measures employee experience, is 65% in year 2023 (declined from 70% in 2022).

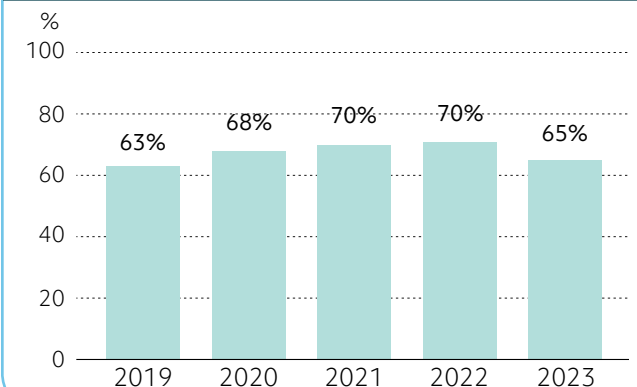
The Great Place to Work (GPTW) employee engagement survey is at Neova Group annually conducted at the sametime, from end of September to early October. In 2023 decision was made to continue with same timing despite of, and even more so because of, the ongoing restructuring program. Change negotiations and respective consultation processes regarding the re-organizing and planned personnel reductions impacting majority of Neova Group employees were ongoing during the time of the survey. It was considered important to receive personnel's feedback also in the most difficult time. Additional open question was added to survey, to get feedback of how employees felt being supported by their colleagues and line managers during the change process. Results have been utilized to further develop change communication towards the organization. The GPTW survey results reflect the demanding

circumstances. We can be proud of the response rate, 80% being the highest in our history showing that our personnel trusts to be heard and wanted to give their views.

Overall outcome was quite diverse due to varying business situations within Neova Group. In a big picture there was declining results in those parts of organization, which were within the scope of restructuring, while in more stable parts of the organization there was less fluctuation of results, and some teams are already in par with our long term GPTW goal, among the top quartile of the most inspiring/attractive workplaces in Europe. In this benchmark group the overall trust index is above 85%. Neova Group long term goal is to reach this level by 2030. Despite of the decline in results in 2023, we continue to work towards this long term goal.

As a result of this autumn's survey, Neova Group has remained GPTW certification in two of its countries: Sweden, and Estonia.

### NEOVA GROUP TRUST INDEX



### Competence development

Neova 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. "Safety First" and "Code of Conduct" eLearning courses were the courses to be taken during the year 2023.

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.

English language trainings continued during 2023. In total 104 employees participated to these courses. Businesses and functions had their own competence development emphasis also in year 2023.

### Leadership development and change support

Major learning journey for the line managers has been the restructuring process when finding the ways to communicate and support their teams and individual team members in different phases of the change process. Line manager info sessions and trainings were provided in different phases of the process.

In 2024 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 while company continues with efficiency program started in 2023. DEI awareness development will continue through Wellbeing annual cycle with Wellbeing pulse survey, and also with further renewal of HR guidelines and development of DEI related analytics. Helping Hands volunteer program will also be continued.

## RENEWING THE INTRANET INCREASED INCLUSION, EQUITY AND SAFETY

At the beginning of June 2023, Neova Group employees were directed to a renewed intranet. The intranet renewal aimed to increase the accessibility of the intranet by making it possible to read news and participate in internal discussions via mobile phone. Around a third of the company's employees work in production and, unlike office workers, they do not have personal computers and thus they could not have been included among the regular users of the intranet. 74% of those who responded to the post-renewal intranet survey find it useful that anyone can now access the intranet via a mobile application.

Another new feature was the introduction of automatic translations of intranet content, which increased the equity of employees from different countries and language backgrounds. English is the company language of the Neova Group, but its approximately 900 employees work in more than a dozen countries, none of which have English as an official language. 88% of intranet users find automatic translations to be a useful new feature – even though machine translations are not always perfect.

Thirdly, the new intranet and especially its mobile application increased the company's safety by providing employees with quick and easy access to safety instructions and making safety observations.

One of the new features is the Yammer social networking tool, which is now available to all employees. The goal of 2024 is therefore to increase equity and inclusion by encouraging employees to post their local news and feelings on Yammer.

Overall, 92% of intranet users consider the new intranet to be at least as good or better than the old intranet. The



Overall, 92% of Neova's intranet users consider the new intranet to be at least as good or better than the old intranet.

Intranet's user data shows that after the renewal, the number of unique users has increased, use has been more evenly distributed between different countries and the intranet is used more and more via the mobile application.

## 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.

In 2023 we continued implementation of Responsible Sourcing programme introduced in 2022 within Neova Group to achieve targets set for 2025. 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.

New more advanced system based supplier management functionalities were implemented during 2023 to

## RESPONSIBLY PRODUCED COIR: A KEY MATERIAL FOR GROWING MEDIA

In our search for renewable raw materials in growing media, we often encounter the suggestion to simply switch to coir (also known as coco). While this seems straightforward, our exploration using the [Sustainability Compass](#) reveals that coir, as a material, next to being a renewable and good alternative, it also presents its own set of challenges. The social responsibility of the harvest and the processing of coir requires attention, as well as the water conservation and transportation aspects.

### Social Responsibility

We've partnered with a select group of coir companies that share our commitment to sustainability. To us, sustainable business means fair treatment of workers, along with their [health and safety](#). Our coir suppliers are required to adhere to our Code of Conduct and obtain SEDEX or SA8000 certification. We also make site visits to verify that our high standards are being met in practice.

### Water Conservation

Coir is known for its excellent structure, stability, and re-wetting capacity, contributing positively to a good air/water ratio in growing processes. However, post-harvest, significant water is needed for cleaning and buffering coconut fibers to make it suitable as a growing medium. This is a critical step to remove contaminants and reduce salt levels. The water-intensive nature of this process is a concern, especially in regions where [clean freshwater is scarce](#). We work with our suppliers on effluent water treatment plants to increase the availability of freshwater.



We make site visits to verify that our high standards are being met in practice. In autumn 2023, we visited the sites of our Indian partners.

### Responsibly Produced Coir (RPC)

Similar to the RPP certificate for [Responsibly Produced Peat](#), we're collaborating with the same foundation and other companies to establish a standard for Responsibly Produced Coir. This initiative underscores our dedication to environmentally conscious practices that balance substrate quality with planetary well-being.



support Responsible programme progress by maintaining and reporting progress in a systematic way.

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 2023 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 2023 we made a step change and reached 87% Supplier CoC coverage (2022: 66%) and target to cover all contract suppliers with Supplier Code of Conduct by end of 2025.

We conducted 11 audits to our strategic suppliers and in total 13 supplier audits including also other important suppliers to monitor fulfilment of Supplier CoC requirements and supplier performance. In Kekkilä-BVB, we conducted 9 audits for strategic suppliers and 11 supplier audits in total. To support the audit process we improved our common audit template and ensured that audit and related actions were recorded in common system (GURU).

During 2023 we had joint sustainability actions proceeding by targets with 11 strategic suppliers in total and we are systematically working in collaboration with suppliers to finish those actions by defined schedules and targets. The key highlight in 2023 was the improvement in the sustainability of our coir supply through selection and working together with coir suppliers having the best approach on social (working conditions) and environmental (effluent treatment plant) aspects.

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 had approximately 120 main contractors with roughly 600 people (including their employees or sub-contractors), and ~90 peat transportation contractors plus ~100 contractors in other operations. In Sweden we have ~50 and in Estonia ~10 main contractors in peat production.

In Kekkilä-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 Kekkilä-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 net sales  
**year on year.**

**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 operate. Our objective is to secure financial performance and create long-term value for our shareholders and society at large.

There were year 2022 was an exceptional year in many ways with geopolitical tensions and uncertainty in the business environment, the year 2023 remained difficult due to the market environment. Demand for growing media fell from previous year and there were no signs of a market recovery during the year. The cost savings achieved during the first part of the year served to slightly offset the decreased sales volume, while

prices could not be increased to any significant extent in the declining market. During the year Neova initiated change negotiations and consultation processes aimed at improving profitability and renewing its wholly owned subsidiary Kekkilä-BVB's operating model. Kekkilä-BVB closed its growing media production sites in Haukineva, in Finland, and Bredaryd in Sweden. The company's goal is to improve the efficiency of its operations during 2023–2024 by approximately EUR 30 million.

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. Despite a weakened competitiveness of Kekkilä-BVB due to high inflation and challenging market environment with increased interest rates, inflation, and customers' behavior changes Neova Group's comparable EBITDA development compared to the previous year can be seen as a moderate performance in the current challenging market situation.

In the Fuels&Real Estate Development division fuel deliveries and sales decreased from prior year, but the business were able to respond to the security of supply

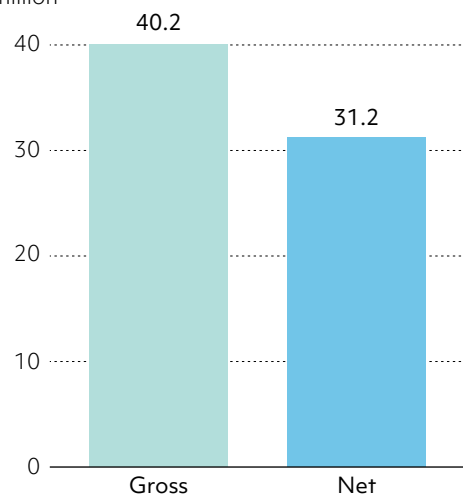


During the year 2023 Neova initiated change negotiations and consultation processes aimed at improving profitability and renewing its wholly owned subsidiary Kekkilä-BVB's operating model. Photo in front of Kekkilä-BVB's Wanssum factory, which was commissioned in 2023.



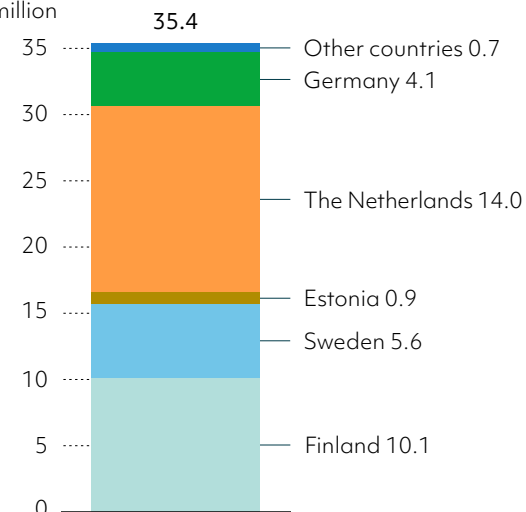
## INVESTMENTS IN 2023 (IFRS)

EUR million



## PAID TAXES 2023

EUR million



needs to cover the scarcity of wood fuels in the market with energy peat.

The New Businesses division works together with customers and ecosystems to develop solutions for global challenges that secure the world's food production, and promote healthy living environments and the purification of air and water. In the Activated Carbons business, construction began in spring 2019 on a strategically significant production facility in Ilomantsi to process activated carbon, which operations are ongoing steadily and final approval including acceptance testing is expected during the first half of 2024. 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.

## 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 Group's main operating countries are Finland, Sweden, Estonia, Netherlands and Germany.

## Capital expenditure

Neova Group's total gross investments excluding business acquisitions were EUR 40.2 million in fiscal year 2023 (EUR 70 million in 2022). 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, and the activated carbon production facility in Ilomantsi, Finland.

Net investments (gross investments – asset sales) totaled EUR 31,2 million in fiscal year 2023 (2022: EUR 136,7 million), being 95% of depreciation and amortisation for the period (2022: 424%).

## Financial implications and climate change risks

The effects of climate change are wide-ranging and bring considerable social uncertainty. To identify and control environmental and climate-related risks and opportunities for our business, we evaluate them as part of our annual risk assessment process. Since 2022, as part of our Enterprise Risk Management process Neova has been developing its climate-related financial disclosures and implementing the Task Force on Climate-related Financial Disclosures (TCFD) reporting recommendations to increase reporting of climate-related financial information. 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**, we are affected 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 [webpage](#), we explain further how these developments influence our business.

Aligned with the Neova Group Sustainability strategy, we have divided our [sustainability roadmap](#) into three focus areas, taking the environmental, social, and business aspects of sustainability into account. The roadmap shows our ambitions and targets in each of 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.

Our Kekkilä-BVB Leadership Team handles the suc-

cessful execution of Kekkilä-BVB's sustainability roadmap. This ensures that sustainability is an integrated part of our business and that all the different departments and functions in the organisation carry our ambitions forward.

Through the involvement of all colleagues, whether in procurement, logistics, operations, HR, sales, marketing or any other department, we make it happen. Kekkilä-BVB's Director of Sustainability ensures that the 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 man-

### Growing together for a better future

#### We do this by

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





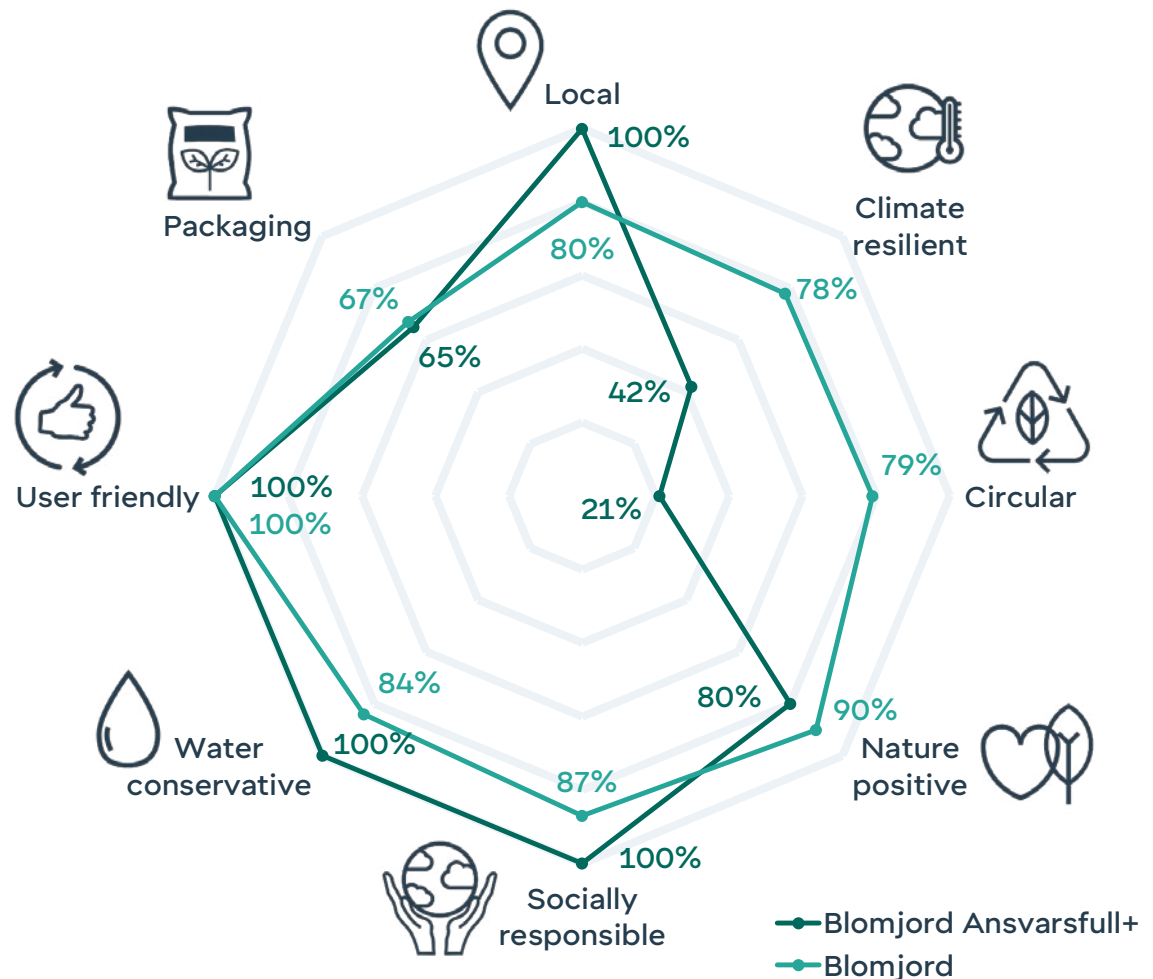
## SUSTAINABILITY COMPASS

Through our [Sustainability Compass](#), our products are analysed and rated based on several sustainability aspects. The higher the rating a product receives, the more sustainable it is. In the example below, we compare two of our products: Standard potting soil and Sustainable+ potting soil.

If we had only focused on one sustainability aspect, e.g. "Local", the sustainability result would have been higher for standard potting soil ("Blomjord"). On the other hand, when we look at all aspects of the Sustainability Compass, we get an average score that better reflects the sustainability of the products. According to this, Sustainable+ potting soil ("Blomjord Ansvarsfull+") is rated as more sustainable.

This framework allows us to look at sustainability in a broader perspective to ensure that we look at the big picture when it comes to sustainability instead of just one aspect of it.

## Sustainability Compass evaluation







power to create the substrate are wasted. At the same 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 supplying safe, socially responsible, environmentally friendly, and effective growing solutions. In 2023 we have accelerated our efforts in growing renewable raw materials for substrates. The case study about quickly renewable raw materials on [page 33](#) is a great example of this.

### Professional Growing

For professional growers, we offer continuous quality monitoring of our substrates as well as onsite support. We have tooling in place to 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. We research and improve these solutions together with our customers, knowledge institutes, and other sector organisations.

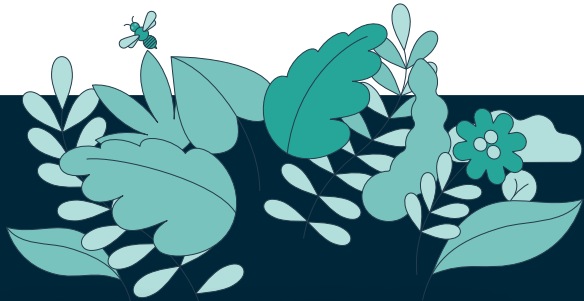
This year we have worked on dozens of trials with our professional customers, of which many are still ongoing. Most of the trials focus on increasing the use of circular raw materials in the recipes or finding new ways to give a second life to spent substrates. This refers for instance to our efforts 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.

### KEKKILÄ-BVB SUSTAINABILITY KPIS AND TARGETS

Focus area	Key indicator	2023 (2022)	Target 2025
<b>We make the world greener and healthier through our products and services</b>	# green city projects (ongoing)	14 (8)	4
	# collaboration projects with growers for more sustainable growing practices (ongoing)	>25 (>25)	20
	# new sustainable consumer product and service concepts (cumulative)	2 (1)	3
	# community projects (ongoing)	2 (24)	30
<b>We support the growth of our people and partners</b>	Safety first! Accident frequency: LTA1 (resulting in absence)	5.7 (7.1)	0
	Great workplace Great Place to Work Trust Index	61% (69%)	78%
	% of contract suppliers signed Supplier Code of Conducts	86% (59%)	100%
	Responsible partners Number of audited strategic suppliers	9 (10)	8
	Number of prioritised suppliers with joint sustainability action plan and targets	12 (14)	4
<b>We do our business in balance with nature</b>	Greenhouse gas emissions Reduction of CO <sub>2</sub> footprint of operations (scope 1+2) (ktCO <sub>2</sub> -eqv.) baseline 10.3 in 2020	-4% (-17%)	-50%
	Reduction of carbon intensity (scope 1+2+3) (ktCO <sub>2</sub> / M€) baseline 3.0** in 2020	-31% (-25%)**	-50%
	Volume of circular raw materials (Mm <sup>3</sup> )*	1.4 (1.4)**	1.7
	Circularity Use of recycled materials in packaging	37% (31%)	50%
	Recycling rate of waste in own operations	64% (85%)	90%
	Biodiversity % of certified responsibly produced peat in own products	64% (57%)	80%

\* Circular raw materials definition: Raw materials that are from a renewable source or are given a second life after their first use, like compost from garden waste.

\*\* This year we have started to include our activities in Germany in our sustainability performance. Historical performance and the base year performance have also been corrected.



## CHELSEA FLOWER SHOW

In May this year, the internationally acclaimed horticultural event, the Chelsea Flower Show, was held. The event is clearly considered one of the highlights of the year among landscape designers and green industry professionals. Finnish landscape designer Taina Suonio, winner of Chelsea Flower Show 2019, participated in the spring event, this time together with British landscape designer Anne Hamilton. Taina and Anne's garden concept focused on raising awareness of the disease cavernous angioma. The garden contained plants, shrubs and trees specially selected to fit the concept. We at Kekkilä-BVB supplied the garden with soil improvement material, green compost and substrate for stormwater management.

During the creation of the garden there was a desire to utilize the existing soil to save on environmental and transport costs, we supplied raw materials for soil improvement to improve the existing quality and compact soil on site, making it more suitable for plants and trees. In addition to improving the existing soil, the garden aimed to incorporate recycled materials. Therefore, we provided green compost to increase the nutrients in the soil. Among other things, green compost improves soil structure, provides valuable nutrients to plants and trees and improves water-holding capacity in the soil. The garden was also provided with macadam which is used in storm water management substrate. Stormwater management is truly one of the most important aspects of landscape design in urban areas.

### 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 rolling out the Sustainable+ Concept for gardeners in the Nordics. The Sustainable+ retail product series are developed for gardeners who want to make sustainability part of their everyday life. These products are made from sustainable raw materials, combined with the aim of good plant growth. Read more about the sustainability of this concept in the case study on [page 27](#).

### 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 deepened the Green City Concept which aims 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 2023 fourteen 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 bio-char for landscaping substrates in Sweden and developing green roofs in Helsinki and Pasila in Finland. A special highlight for this year was our contribution to the Chelsea Garden Show in London, of which you can read more in the case study on [this page](#).

### We support the growth of our people and partners

At Kekkilä-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 Kekkilä-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. In 2023 a total of 1,451 safety, environmental and quality observations were made. That's 14% lower compared to previous year (2022: 1,693). 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 2023. Every employee had to (re)do the Safety First e-learning and for new employees a classroom training was organised. Risk assessments were performed for loading and unloading as well as fire safety. And in each country accident and emergency practicing plans were developed and practice events organised. Thanks to our safety efforts we were awarded the ISO45001 certification for our production sites.

Overall, our efforts resulted in fewer accidents. The accident frequency (resulting in time away from work) for Kekkilä-BVB in 2023 was 5.6 (2022: 7.1) and decreased especially in the Netherlands, as well as Sweden. Especially encouraging was that both Finland and Estonia reached our zero accidents goal (without absence), already starting in 2019. Most of our accidents occur in production operations. All accidents were minor, and no serious accidents occurred. When we evaluated the incidents of 2023, we found that they were mainly caused by wanting to do something quickly or not performing a last-minute risk assessment.

### Great workplace



We have the ambition to be amongst the best employers in Europe. This year we did not succeed in improving our Great Place to Work (GPTW) score. It was lowered from 69% in 2022 to 61% in 2023, mainly caused by the ongoing reorganization and closing of two factories that affected our colleagues in Finland, the Netherlands, Sweden, Estonia, Germany, Italy, France and Spain. The reason for the change negotiations is the weakened competitiveness of Kekkilä-BVB. The weakened competitiveness has mainly been caused by a drop in demand in the international growing media market. The decline in demand is mainly due to factors that have reduced customers' ability to pay, i.e. higher interest rates, inflation and increased logistics costs.

The change negotiations and respective consultation processes concerned a total of approximately 720 of Neova's approximately 1,000 employees. It was preliminarily estimated that the measures planned to improve profitability could lead to a reduction of approximately one hundred positions in different countries. The final number of reduced positions is 85, of which 46 are permanent positions, and 39 positions are due to voluntary resignations and the termination of fixed-term employment contracts and similar measures. In addition, there will be significant changes to the duties of approximately 70 people. These changes mainly involve Kekkilä-BVB employees.

On a positive note, annual initiatives like 'Helping Hands', 'the Nature challenge' and 'Let's start moving

challenge' continued from last year and provided much needed distraction from the turmoil caused by the reorganisation. For Sweden and Estonia we were even still able to obtain the GPTW certifications. However, being among the best European workplaces in all countries will require an organisation wide effort, supported by both Kekkilä-BVB and Neova Group management.

### Responsible partners



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

In 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. In 2023 we increased this share to 86% for Kekkilä-BVB suppliers, above our target for this year. During 2023 we conducted 9 (2022: 10) audits for strategic suppliers and 11 supplier audits in total in Kekkilä-BVB. We agreed joint sustainability improvement actions 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 2024 towards our common sustainability targets.

Recently we have joined the sector initiative led by RHP related to responsibly produced coir (RPC). After



peat coir is the second most used raw material for growing media. Coir is obtained by processing of the husk of coconuts. Those husks are an industrial side stream of coconut processing for food. It is a renewable raw material, with good physical properties for growing. Because coconut husks contain a lot of salts, washing is needed to prevent release of phytotoxic levels of salts. This is a water and chemical intensive process and needs to be managed well from an environment and community perspective. It is also important to ensure good working conditions during husk and coir processing. Since (part of) these activities take place in countries with higher social risks.

The RPC initiative aims to develop a worldwide standard for the responsible production of coir, also highlighted in the case study on [page 22](#). At the same time we are already collaborating with our main suppliers to ensure proper social certification like SA8000 and installation of effluent water treatment plants.

Being part of Growing Media Europe helps us in managing the different European regulations and initiatives relevant for our sector. For instance, the Nature Restoration Law is relevant for the size of opportunities to grow our own low carbon biomass, while the EU taxonomy will influence the accessibility of finance for our operations. Moreover, the Green Claims Directives supports our ambitions to be transparent about sustainability and the Corporate Sustainability Reporting Directive ensures sustainability becomes fully embedded in the execution of our business. We are in a privileged position as a sector, since we are already contributing to healthy

food, green living and flourishing gardens through our products and services. With the help of local and circular raw materials we will also be able to do this in a climate resilient manner.

### We do our business in balance with nature

At Kekkilä-BVB we do our business in balance with nature. A sophisticated balance in which we use a mix of soils, energy, nutrients and water to create the best substrate for healthy plant growth. 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 2023 we extended the ISO 14001 certification to cover all Kekkilä-BVB sites. 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 must 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 2023 the emissions for Kekkilä-BVB

own operations were 9.8 kilo tonnes CO<sub>2</sub>-eq (2022: 8.5 kilo tonnes CO<sub>2</sub>-eq). The largest share of these emissions (51% of the total footprint) is caused using electricity. Of our scope 3 emissions, the use and end-of life for our own products accounts for 498 kilo tonnes CO<sub>2</sub>-eq, driven by the emissions from horticulture peat (2022: 540 kilo tonnes CO<sub>2</sub>-eq).

Kekkilä-BVB's 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. At the same time the focus of our Green Factory program this year was the efficiency improvement plan, tailored for our operational staff and site managers.

By monthly monitoring of electricity and fuel consumption, we now can have a digital representation of consumption patterns, a base from which we can start learning and measuring impact of further improvements. To reduce product movements, and increase efficiency, logistics has implemented a first set of optimizations. Fuel consumption also decreased due to additional training of our loader and forklift drivers. Furthermore the team discussed opportunities to reduce distances between stock piles of raw materials in the existing site layout, but also possible adjustment to optimize even further.

In several buildings we are now running on electric heating or integrated ground heating. To save costs we have also started with changes in behaviour, like adjust-





ing the air conditioning and factory temperature. To support the effect of these changes, we have added PVC strip curtains in open doorways and mixed room air distribution units to enable a better temperature control.

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.

## Circularity

### Raw materials



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 last year and set an ambitious target to double the usage of circular raw materials by year 2027 in Kekkila-BVB business. During 2023 the share of circular raw materials increased slightly in our growing media despite to several challenges such as overall decline of our raw material volume, as well as raw material price and logistics cost increases and competition from the energy market on renewable materials (e.g. wood fibre and bark). Due to

## UPM WOODFIBER

Kekkila-BVB and UPM have signed a letter of intent on the basis of which UPM would deliver wood fibre to Kekkila-BVB. Wood fibre can be used in growing media suitable for professional growing and home gardening. The co-operation is an important step towards increasing the proportion of renewable raw materials in our growing media products.

Kekkila-BVB consumes approx. 6 million cubic metres of various materials for growing media annually. In 2022, the proportion of circular and renewable raw materials was approx. 1 million cubic metres. Kekkila-BVB aims to double the volume of circular and renewable raw materials by 2027.

"The wood fibre procured from UPM will be used as a raw material for the growing media suitable for mainly professional growing manufactured in Kekkila-BVB's factories in Finland, Estonia and Sweden. The products are mainly exported to different parts of the world. The goal is to expand the use of Finnish clean wood fibre also to Kekkila-BVB's factories in Central Europe and to the export markets of these factories", says Päivi Martikainen, Chief Innovation Officer at Kekkila-BVB.

UPM's and Kekkila-BVB's letter of intent encompasses approx. 50,000 cubic metres of wood fibre annually. Globally, the volume of wood fibre as a growing medium is expected to increase from the current volume of three million cubic metres to 30 million cubic metres.

"Wood is a versatile and renewable material for which we envisage an almost unlimited number of end uses that are compatible with sustainable development", says Mikko Lassila, Business Development Director at UPM Technology.

"The cooperation now launched is of a small-scale but is important, because it bears witness to yet another successful innovation and cooperation. We regard it as especially important that we can offer a safe raw material as a grow-

ing medium for food production", says Lassila.

"Both for us and for UPM, responsibility is at the core of our strategy. Thus, we are very pleased to have found a local partner, who aims to utilise wood fibre as sustainably as possible, and thereby to respond to the expectations of consumers but also those of the legislation," says Martikainen.



Wood fibre can improve the performance of substrates, for example, in blueberry cultivation.



In Haukineva nine hectares of rewetted peatland is used for sphagnum farming.

## TESTING QUICKLY RENEWABLE RAW MATERIALS

In recent years a lot of research has been performed on growing biomass on rewetted peatlands. When peatlands are prepared for agriculture, forestry or harvesting ditches are dug to lower the water level. While this improves accessibility and crop production (many conventional crops don't like wet feet) it has a negative effect on the peatlayer. When peat is in contact with air it starts to slowly degrade and emit CO<sub>2</sub>. Growing biomass on wet peatlands, so called paludiculture, could prevent this degradation while still being productive.

Whilst research is done on numerous types of plants, our focus is on miscanthus, reed canary grass and sphagnum moss. The latter already is a successful component of our substrate mixtures, being a renewable raw material with similar buffer properties as peat. In Haukineva we currently have 9 hectares of rewetted peatland that is used for sphagnum farming. Although it's challenging to grow, we will dou-

ble the field year 2024 to prepare for large scale farming.

Miscanthus and reed canary grass are also plants that can thrive on wetter soils. The grasses we use are currently not from rewetted peatlands, but research has shown this is a possibility for the future. In the Netherlands we are working together with Compas Agro to develop a business case for the use of Miscanthus in substrates. Different tests showed promising results for use in strawberry, lavender, hydrangia and conifer substrates. For reed canary grass good results were achieved as well for use in substrates. The renewable and clean raw material has good drainage properties and improves air content in substrate mixtures.

In the coming years we will continue our research into (the farming of) these renewable raw materials and continue developing fit for purpose substrates together with our customers.

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, performance and quality of these materials.

The focus of our Green Growth Raw Materials program is on raw materials that are from a quickly renewable source like grasses or are given a second life after their first use, like reuse of spent strawberry substrate. 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. Examples of our research into quickly renewable resources can be found in the case study on [this page](#).

This year our Landscaping teams had different results in improving the circularity of raw materials. This year our Landscaping teams had different results in improving the circularity of raw materials. The share of circular raw materials decreased from 47% to 37% in Finland, due to less availability of recycled minerals. For Sweden the share of circular raw materials increased from 44% to 48% and in the Netherlands the share of circular raw materials increased from 42% to 58%, mainly due to reuse of local soils.

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



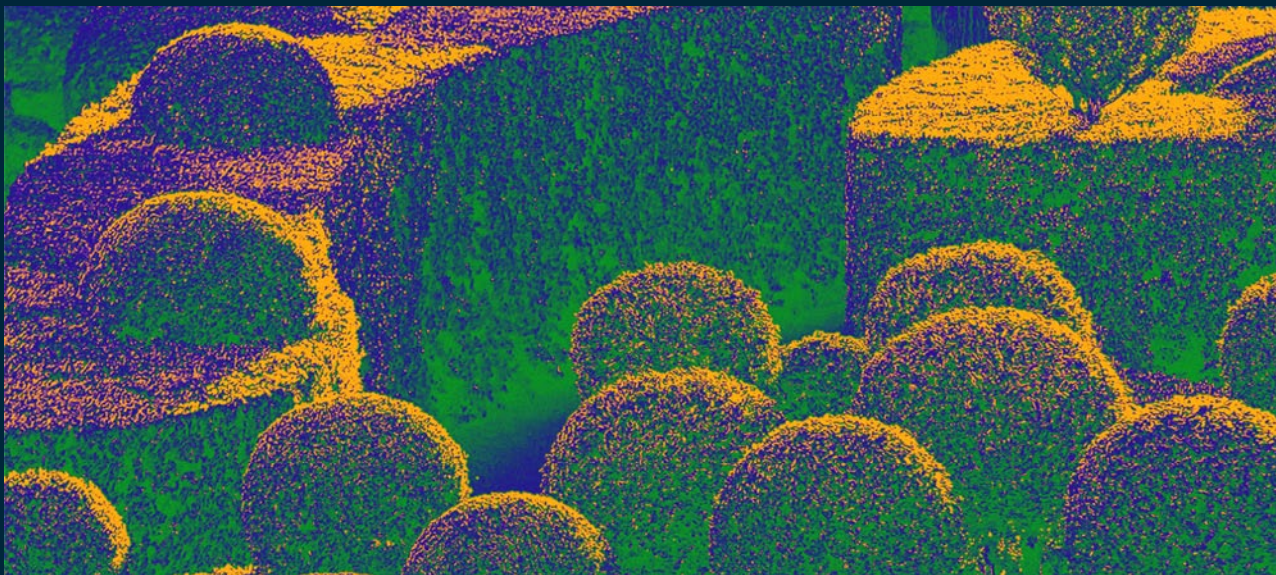
teams are scouting for continuously. For our landscaping projects we usually need large volumes of materials, so whenever there's a good quality local material available that will be beneficial for both us and the customer.

### ***Waste reduction and recycled packaging***

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 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 ourselves 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.

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 37% (2022: 31%). A great achievement in a year where it was sometimes hard to source plastic materials at all. Our suppliers did warn us



The Garden Futures exhibition shows that even a private garden is connected to the surrounding society in many ways. The collaboration in the exhibition is part of Kekkilä's 100th anniversary. (Picture: ©Vitra Design Museum. Illustration Lorenz Klingebiel and Dominik Krauss. The photo used as the basis of the illustration: Les Jardins de Marqueyssac, Dordogne, France, © Laugery.)

## **GARDEN FUTURES EXHIBITION**

Kekkilä is involved in supporting the Garden Futures – Design with Nature exhibition organised by the Museum of Finnish Architecture and Design Museum, which opened November 10, 2023 in Helsinki. The exhibition features garden-related design and landscape architecture, as well as works of art about the garden. The collaboration in the exhibition is part of Kekkilä's upcoming 100th anniversary and it will be open until the end of March 2024. Design with Nature is a travelling exhibition of the Vitra Design Museum, the Wüstenrot Foundation and the Nieuwe Instituut, and Helsinki is its first touring destination.

The Garden Futures exhibition shows that even a private

garden is connected to the surrounding society in many ways. The ongoing transition makes us look at the garden from a different perspective: instead of a romantic escape, gardens are now viewed through, for example, activism, social justice and biodiversity. For example, what comes to the fore is how many of the basic plants in Western gardens we know have deep roots in colonialism.

The exhibition shows not only garden-related design and landscape architecture, but also works of art dealing with the garden. The international perspective of the touring exhibition is supported by local examples and projects.

<https://www.mfa.fi/en/exhibitions/garden-futures/>



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. If 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.

### 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 Innovation function we are looking at new bio stimulants (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. Landscaping projects focussing on green roofs, permaculture, climate adaptation and parks filled with

local flora contributed to biodiversity this year too. And whether it's supporting consumers with soils for their gardens or providing tree nurseries with professional substrates, all 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. Additionally, all factory employees got offered complementary soil bags to enhance their home gardens' biodiversity.

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 2023 reached about 7,300 (2022: 5,600) permit hectares. For Kekkilä-BVB own products, 64% of the peat used in 2023 was RPP certified (2022: 57%).



# 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. The other factor impacting the demand is the availability of horticultural peat in the traditional peat harvesting countries, e.g. Germany and Ireland.

From sustainability point of view our horticultural peat

is of very stable quality and very suitable and safe humus raw material for both hobby and professional substrates.

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 production. As an antiseptic, acidic and mold free product, peat is too acidic for bacteria to live and multiply 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 fresh. 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.



As animal bedding, peat is safe for both the animals and their breeders.

# FUELS&REAL ESTATE DEVELOPMENT DIVISION

## PROVIDING SOLUTIONS FOR RENEWABLE LOCAL ENERGY

For the Fuels & Real Estate Development division the years 2022 and 2023 included the return of energy peat as a security of supply fuel in Finland and instead of selling of our lands, we focus on raising the value of land assets by applying permits to transfer old peat production areas to solar and wind power parks.

### 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 there was lack of energy peat on the market and price of emission allowances was very high throughout the year, the use of Fin-

land's energy peat decreased only by some 25% from previous year's level in 2023 and was around 7 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. Peat production season 2023 was not favorable, but thanks to the stocks of previous years Neova was able to meet the needs of both its own large customers critical to our energy supply and the National Emergency Supply Agency. Price of the energy peat rose significantly from previous year's level and that with new income based on co-operation with Finnish National Emergency Supply Agency made it possible that Vapo Terra's operative result was much higher than budgeted.

### 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.





### Shortage of pellets and pellet raw material

Wood pellets often replace natural gas in energy plants. When the price of natural gas increases or there is disturbances in pellet import, it has always immediately reflect in Finland pellets market. 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. Also the price level of pellets was high throughout the year 2023.

### Woodchips sales now part of a joint venture

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 July 1, 2022. Neova owns 45% of the company.

By joining forces, the aim was to create a wood supply and customer service network covering the whole of Finland, as well as to improve the efficiency of operations. The experiences of the first eighteen months have been encouraging and Laania Oy has strengthened its position in a highly competitive market. The company's net sales in 2023 amounted to near EUR 150 million and its operational performance was stronger than expected. Laania Oy employs about 100 people.

### Green Factory concept implementation guiding environmental sustainability work in pellet factories

The Green Factory concept is now guiding the environ-

mental 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 ton of pellets produced. In 2022 we implemented an SBP (Sustainable Biomass Program) certification process for pellets through which we want to demonstrate the economy, ecology and social sustainability of the origin and sourcing of wood-based biomass. Safety improvement has been a key focus area in pellet operations for several years and as a result of this systematic work there has been no LTA accidents for 3 years.

### 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. At the end of the year 2023 Vapo Terra sold Turenki pellet factory to Versowood Oy.

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 parks and combined solar and wind power parks will play a much more significant role than years past. Vapo Terra has more than ten wind or/and solar power park projects in licensing phase and the aim is to have the first energy parks to construction phase during 2024.

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

One of the biggest topic for 2023 was taking forward the EIA processes of five wind power projects, four of which are hybrid projects consisting also solar power. This has included complementary nature and environmental studies and preparing impact assessments for EIA reports together with consultants.

The original schedule target was to finish EIA reports for wind and solar power projects already during 2023. However, this objective has not quite been achieved. The main factors contributing to the delays were the need for further environmental studies in many projects and challenges on the consulting side. Wind power EIA and zoning consultants have been well employed during 2023 due to the very active market, which has caused resource



problems for the consultants and led to schedule delays. However, project impact assessments should be done in a very high-quality and comprehensive manner, and haste should not be a priority in any case.

Wind measurement campaigns were launched at two project sites in spring 2023. Wind measurement masts with 175 meters height were erected in Kairineva and Palloneva projects, in order to measure windiness from several different heights. These wind measurements last at least a year and provide comprehensive information of the accurate wind conditions at the sites. Measurement data is important in order to obtain the most accurate electricity production forecasts.

On the solar power development side, nature surveys, technical planning and permit processes for many projects were taken forward in 2023. However, the timetable targets set at the beginning of the year were not fully achieved. The most significant reasons for the delays were project-specific needs for additional environmental studies, prolonged land lease negotiations and the development team's still quite minor human resources for solar development. In addition, comprehensive soil surveys were carried out on a few solar power project sites in order to obtain more detailed information on the soil conditions and to be able to select the most suitable construction techniques.

Planning work for a strategic development partnership was also launched in 2023. The aim is to find the most suitable operating models and partners for the wind and solar projects. The goal is to complete the partnership planning in 2024.

## RANUA NÄÄTÄAAPA WIND POWER AND E-METHANOL PROJECT

Neova has partnered with Irish based ETFuels to develop projects combining green e-methanol and renewable energy. Demand of the e-methanol will increase in the future rapidly driven by the shipping industry. ETFuels has invented innovative "off-grid" method to produce e-methanol using the electricity from renewable sources without grid connection and large transmission lines.

ETFuels is responsible on the matters related to e-methanol plant and Neova's role is to obtain all necessary permits for the wind farm. ETFuels will be operating the plant after completing the construction. Plant's yearly e-methanol production capacity is 100 kilotons which will require 150 kilotons of CO<sub>2</sub> for the methanol synthesis. Second raw material needed for the process is water which will be split into hydrogen and (H<sub>2</sub>) oxygen (O) in the electrolyzer.

Wind power has been very controversial topic in the municipality of Ranua but having a green e-methanol plant next to the wind turbines which provides approximately 60 jobs has brought more acceptance towards the project.

Area of Näätäaapa is very promising site for e-methanol plant and wind turbines based on Neova's preliminary studies. The estimated number of wind turbines is 37–52 with 300–430 MW of total output. Neova owns ca. 700 hectares of land in the project area and the rest 7,500 hectares is owned mainly by private land owners.

One of the major stakeholders in the project area are the reindeer herders. Reindeers use the area for calving and grazing during summer. Neova and ETFuels have recognized that especially wind turbines will have impacts on reindeer herding and aim is to negotiate with local coop-

eratives to find solutions how the reindeer herding and the project can coexist.

In 2024 aim is to launch Environmental Impact Assessment (EIA) and land use planning (LUP). EIA will be completed by the end of the year 2025 when the impacts of the wind turbines and e-methanol plant can be taken into consideration and mitigated. Besides EIA and LUP the e-methanol plant will require additional environmental, chemical and water permits. Without any delays in the development phase plant will be operational in 2029.

*ETFuels was established in Ireland 2022 and their target is to be largest e-methanol producer in Europe by 2030. ETFuels have ongoing development projects in Finland, Spain and US.*



## ISO 9001, 14001 AND 45001 CERTIFICATES FOR NEOVA'S WIND AND SOLAR POWER DEVELOPMENT

In 2023, Neova's wind and solar development business was granted certificates ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 in accordance with management system standards. The audit focused especially on wind and solar power development management, planning and permit processes, project management practices, safety and quality issues, and sustainability. The audit was carried out by DNV.

The certificates can be used to demonstrate that wind and solar power project development is done with high quality and meets the requirements of the standards. The numerous stakeholders involved in the projects can also trust that we are a reliable partner and that we take different stakeholders comprehensively into account in our operations.

Project development processes and operating methods have been comprehensively considered and planned from the very beginning of the business operations in 2020, and therefore the main topics of the management system have been in order for a long time. Project development of wind and solar power is such a competitive field in Finland that it is difficult to achieve results without a high-quality process.

Risk management is particularly emphasised in wind power development, as wind power projects are subject to a wide range of risks. Most of the risks are related to nature and the environment, but risks related to for example municipal decision-making and the combined effects of nearby other projects are also quite relevant. A comprehensive and high-quality risk assessment already at the preliminary study phase is particularly important so that only feasible projects will advance to the actual permitting process.

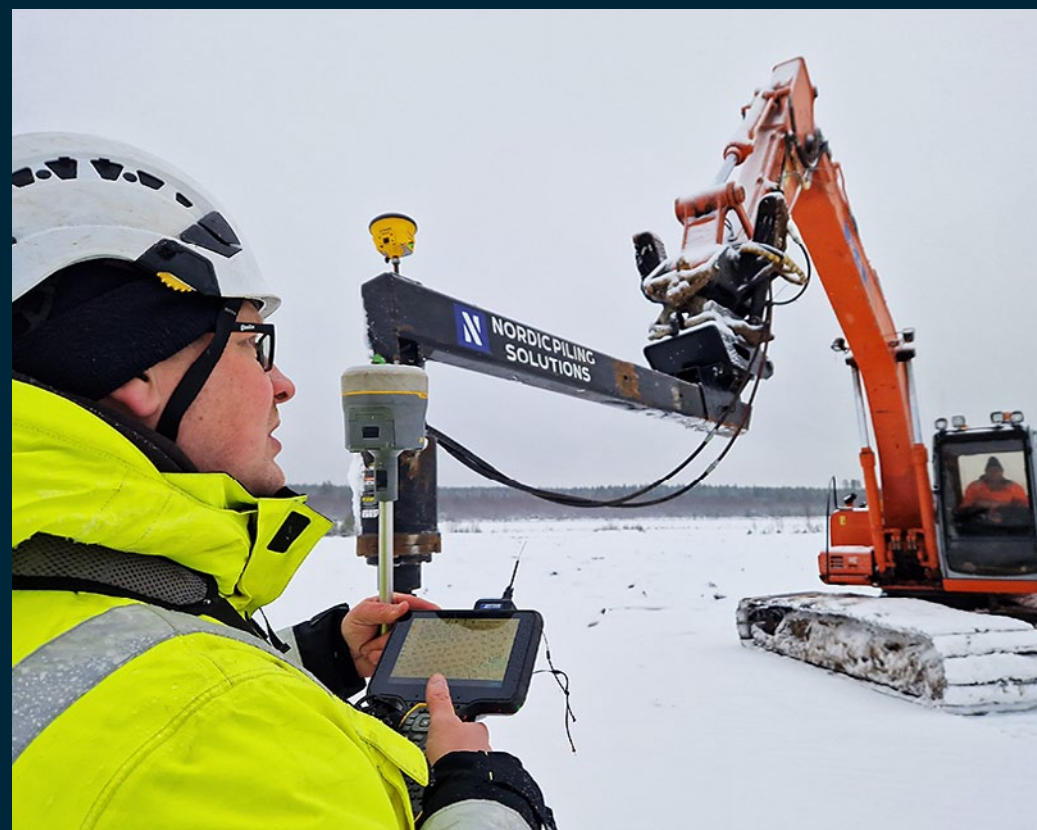
A previous audit conducted during 2022 identified a few areas for development, which have since received special attention among the team. For example, Neova's own internal

At the end of 2023, Neova started soil surveys in two solar power project areas, Pihlassuo in Joutsa and Kurkisuo in Suonenjoki. Soil surveys are carried out in order to obtain researched information on the soil conditions in the project area for the placement and construction of solar panels.

audit had not yet been carried out on wind and solar power. The internal audit was done in spring 2023, so this deficiency was also corrected.

Particular positive attention was given to the compre-

hensive communication plan. The importance of communication is very much emphasised in the development of wind and solar power projects, which is why there has also been a desire to invest a lot in this area.





# 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 Ilomantsi, 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 Ilomantsi. We use best available technology (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 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

### 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.



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.

In the beginning of 2023 the Ilomantsi Activated Carbon plant was fully commissioned and 2023 was our first year of full commercial production. We are producing high quality Activated Carbon products to our customers, delivering mainly to the Central European market. The energy needed for local district heating and the Ilomantsi pellet plant is fully derived from the waste heat generated in activated carbon production. Our power plant in Ilomantsi is no longer in use and has been disconnected from the district heating network, significantly reducing the total emissions at our Ilomantsi site. The start of the activated carbon factory made it possible to invest especially in risk assessment and safety management and during this first year of operation there has been no LTA accidents and one minor MTR accident in the factory.

### Activated carbon manufactured from renewable biomasses

Novactor's target is to become a leading supplier of activated carbon manufactured from renewable raw mate-

rials. 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 CO<sub>2</sub> footprint. There will be a market for such offering in future, we believe.



Automatic wrapping machine in operation at the Ilomantsi Activated Carbon plant.



# 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. Neova Innovation creates high value added products from local organic raw materials from the Nordics using modern and sustainable production technologies.

### Biostimulants enable more sustainable agriculture

The global environment is constantly changing and extreme weather conditions caused by global warming are challenging food production worldwide. Stress caused by extreme events, such as drought, weakens plant growth and crop formation. At the same time, excessive use of inorganic fertilizers and pesticides has adversely affected the agricultural ecosystem and human health. In order to solve these problems, the European Union has introduced the ambitious goals of the Farm-to-Fork strategy, which aim to significantly reduce the use of inorganic fertilizers and chemical pesticides in the EU.

Biostimulants are biological substances that have a growing role in ensuring increasingly sustainable agricultural production. Biostimulants contain bioactive compounds or microorganisms whose task is to stimulate the plant's natural processes to improve nutrient uptake, stress tolerance, and yield quantity and quality. The use of biostimulants has become more common in agriculture and horticulture, because they can be used to reduce the use of fertilizers and to better respond to extreme weather phenomena caused by a changing climate.

In 2023 our first biostimulant product was launched for the needs of sustainable agriculture, horticulture and sports & golf. It is a powerful biostimulant produced from pure, carefully selected organic peat raw material. It contains very bioactive humic and fulvic acids and other active molecules like amino acids and micronutrients naturally. It has shown very high hormone-like activity and it is stimulating plant growth, development and yield with low dosing. It enhances crop quality, nutrient uptake and tolerance to abiotic stress. It also improves soil fertility by increasing microbial activity, water holding capacity, soil texture and cation exchange capacity.

### Providing solutions for purifying the environment

#### 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.





The yield increase of the product has been an average of 10% in more than 50 growth tests carried out in different parts of Europe and Latin America. The product has a win rate of 70% in a trial period of 3 years compared to the competing product.

In 2023, we focused on sales and marketing especially in Spain, which is Europe's largest biostimulant market and where our new technical agronomist started. The product portfolio is currently being expanded and more new biostimulants will be introduced to the market in the next few years.

Products from wetland biomass are also currently under development for use in animal feed as well. Aim is to improve animal welfare and possibly reduce the use of pharmaceuticals in animal breeding.

## SPAIN - THE FORERUNNER IN THE USE OF BIOSTIMULANTS FOR SUSTAINABLE AGRICULTURE

Spain is one of Europe's largest producer of vegetables, fruits and soft fruits. The reason for this is the climate conditions, which until recent years have been optimal for growing. Soils are on the other hand generally poor in Spain. 3,5% organic matter (OM) content is the limit value for good soil quality. 1,6% OM is the limit value where normal plant-soil system functioning starts to be compromised. Large areas in Spain are around or below 2% OM.

Poor soils, in addition to the increasing high weather temperatures and droughts, has made Spain the largest user of biostimulants in Europe. Biostimulants are a sustainable way to decrease the risk of yield losses and improve the agricultural productivity. Biostimulants improve soil quality, increase nutrient use efficiency and tolerance to drought. Spain acts as a role model for many countries, where the use of biostimulants is growing.

The use of biostimulants in Spain are concentrated to four major regions growing high-value crops: Almeria (35.000 ha greenhouses: peppers, watermelon, tomato and cucumber), Murcia (Almonds), Valencia (citrus, olives, almonds) and Huelva (strawberries, blueberries, raspberries).

The new peat-based biostimulant developed and commercialized by Neova is suitable product for markets like Spain. The biostimulant contains very bioactive humic and fulvic acids, due to their origin. In addition, the biostimulant contains other active molecules like amino acids and micronutrients naturally. The biostimulant has shown very high plant hormone-like activity. The biostimulant has both soil conditioning effect and direct plant effect, resulting in stimulating plant growth and yield, in addition to resistance to drought.

In 2023 Neova started the market development for the biostimulant in Spain and in addition to initiating grower



Spain is the largest user of biostimulants in Europe. The photo shows a pepper plantation in Almeria.

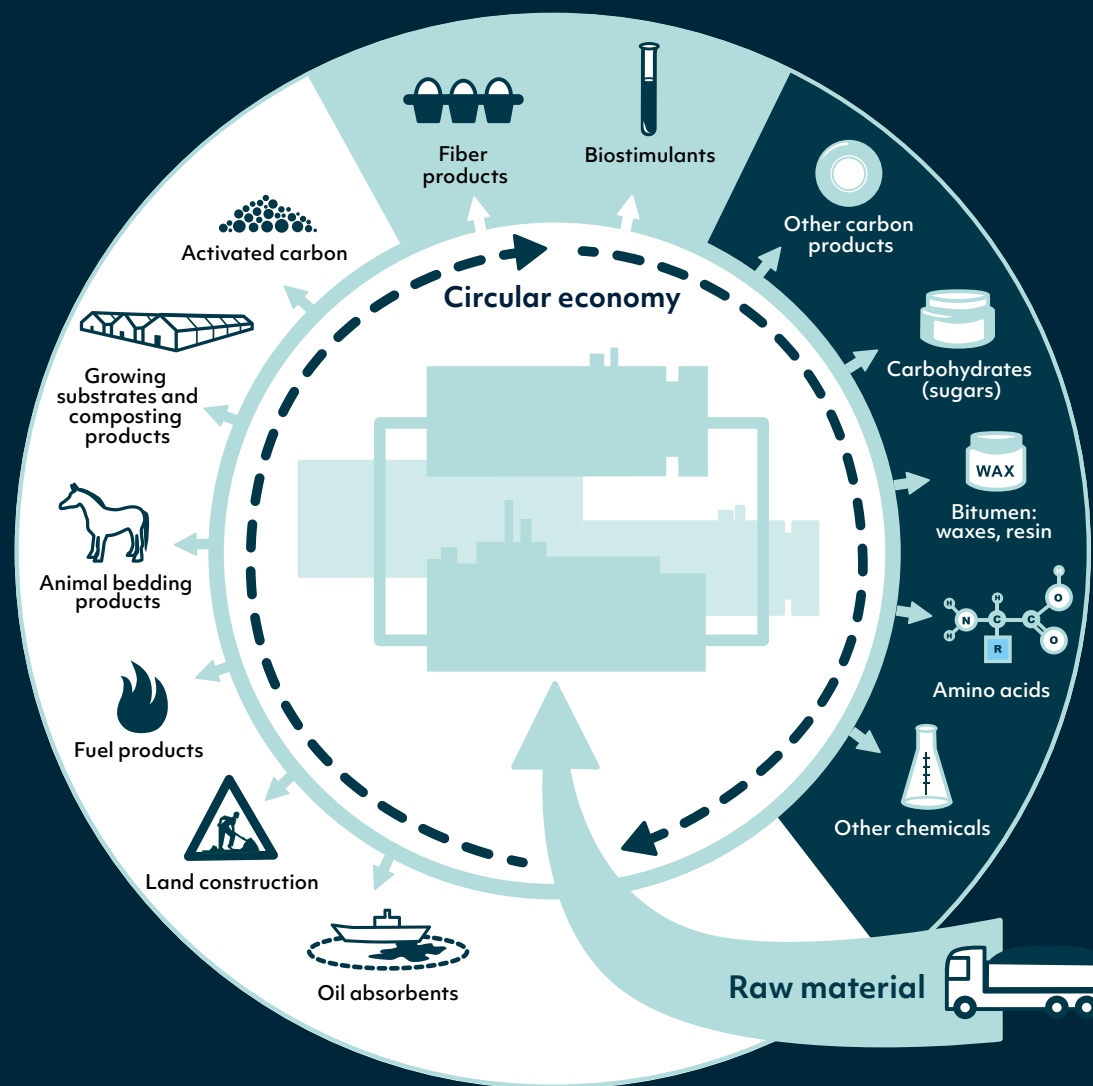
demonstration trials of the product, the first commercial delivery was made to the first Spanish customer. The Neova biostimulant helps enabling sustainable agriculture in Spain.



## NEOVA REFINERY CONCEPT AIMS SUSTAINABLE USAGE OF RAW MATERIALS

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. 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 the peat-based biostimulant production is suitable for producing biochar or for use as a soil amendment. Peat and other biomass based products replaces the products on the market that are derived from fossil raw materials that are millions of years old and, as such unsustainable. Usage of Biostimulants also reduces the need for chemical fertilizers increasing the sustainability of agricultural practices.





# REPORTING PRINCIPLES

## Reporting principles in accordance with the GRI standards

Since 2017, Neova Group has annually reported on its sustainability actions in accordance with the Global Reporting Initiative (GRI) guidelines for sustainability reporting. The Sustainability report is prepared in accordance with the GRI Standards and it covers the key areas of economic, social and environmental responsibility.

For the first time, we report in accordance with the Universal Standards GRI 1, GRI 2 and GRI 3, in effect at the beginning of 2023. For each reported standard, the GRI index refers to the year of the version used.

Topic-specific Disclosures are reported with respect to the material topics for Neova. A comparison of the contents of the report and the GRI standards is given in the GRI index. The report is published in Finnish and in English. The report is published online in PDF format. The sustainability report has not been externally assured.

## Global Compact reporting

The report describes Neova's progress on the 10 principles of the Global Compact initiative. The GRI index shows which General Disclosures and Topic-specific Disclosures have been used for evaluating performance in fulfilling human rights, labour rights, environment principles and anticorruption principles.

## Reporting period

This report describes the progress and results of sustainability work in 2023. The report for 2022 was published in March 2023. The report for 2024 will be published in the spring of 2025.



# GRI INDEX

GRI Content	Locations	Omissions and further information	Global Compact
<b>GRI 2 GENERAL DISCLOSURES 2021</b>			
<b>Organization and reporting practices</b>			
2-1 Organizational details	Annual Report, <a href="#">About us</a>		
2-2 Entities included in the organization's sustainability reporting <sup>1</sup>		Neova Oy (Finland) and its companies located in Sweden, Estonia, the Netherlands and Germany.	
2-3 Reporting period, frequency and contact point		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	
2-4 Restatements of information		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.	
2-5 External assurance		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. Scope 3 emission calculation 2020 and 2021 has been done by third party, Gaia Consulting Oy. The emission calculation for 2023 has been done with the same bases as previous years.	
<b>Activities and employees</b>			
2-6 Activities, value chain and other business relationships	Annual Report		X
2-7 Employees	Annual Report		X
2-8 Workers who are not employees	76, 79, Appendix 4		





GRI Content	Locations	Omissions and further information	Global Compact
<b>Governance</b>			
2-9 Governance structure and composition	Corporate Governance		
2-10 Nomination and selection of the highest governance body	Corporate Governance		
2-11 Chair of the highest governance body	Corporate Governance		
2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance		
2-13 Delegation of responsibility for managing impacts	Chief Supply Chain and Sustainability Officer	The Chief Supply Chain and Sustainability Officer is a member of the Group Management Team.	
2-14 Role of the highest governance body in sustainability reporting		The Board of Directors approves the sustainability report.	
2-15 Conflicts of interest	Internal Audit		
2-16 Communication of critical concerns	Internal control		
2-17 Collective knowledge of the highest governance body		Responsibility is incorporated into CEO's reporting to the Board of Directors. Separate training has not been organised because the Board of Directors' level of knowledge has been sufficient for decision-making.	
2-18 Evaluation of the performance of the highest governance body	Financial Statements and Board of Directors' Report		
2-19 Remuneration policies	Remuneration		
2-20 Process to determine remuneration	Remuneration		
2-21 Ratio of highest annual remuneration to average remuneration			



GRI Content	Locations	Omissions and further information	Global Compact
<b>Strategy, policies and practices</b>			
2-22 Statement on sustainable development strategy	<a href="#">Sustainability management</a>		
2-23 Policy commitments	<a href="#">Sustainability management</a>		
2-24 Embedding policy commitments	<a href="#">Sustainability management</a>		
2-25 Processes to remediate negative impacts	<a href="#">Sustainability management</a>		
2-26 Mechanisms for seeking advice and raising concerns	<a href="#">Whistleblowing</a>		X
2-27 Compliance with laws and regulations		No incidents of non-compliance.	
2-28 Membership associations	<a href="#">Memberships</a>		
2-29 Approach to stakeholder engagement	62, 64-65		
2-30 Collective bargaining agreements	Appendix 4		X
<b>GRI 3 MATERIAL TOPICS 2021</b>			
3-1 Process to determine material topics	65–66		
3-2 List of material topics	59, 66		
3-3 Management of material topics	62–66		



GRI Content	Locations	Omissions and further information	Global Compact
<b>TOPIC-SPECIFIC CONTENT (Topic-specific content is reported regarding aspects identified as material)</b>			
<b>201 Economic Performance 2016</b>			
201-1 Direct economic value generated and distributed	81–82, Appendix 5, Financial Statements and Board of Directors' Report		
201-2 Financial implications and other risks and opportunities due to climate change	82		X
<b>205 Anti-Corruption 2016</b>			
205-2 Communication and training about anticorruption policies and procedures.		Anti-corruption is part of the mandatory CoC training.	X
205-3 Confirmed incidents of corruption and actions taken.		No reported incidents.	X
<b>206 Anti-competitive behavior 2016</b>			
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.		No reported incidents.	
<b>207 Taxes 2019</b>			
207-1 Approach to tax	82, Appendix 5		
207-2 Tax governance, control and risk management	82, Appendix 5		
207-3 Stakeholder engagement and management of concerns related to tax	82, Appendix 5		
207-4 Country-by-country reporting	82, Appendix 5		
<b>301 Materials</b>			
301-2 Recycled input materials used	68, 74, 85–86, 92	Reported partly.	
<b>302 Energy</b>			
302-1 Energy consumption within the organization	Appendix 3	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.	X
302-3 Energy intensity	Index	The energy intensity in 2023 is 0,4 kWh/€ (2022: 0,6 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.	X



GRI Content	Locations	Omissions and further information	Global Compact
<b>303 Water and effluents</b>			
303-1 Interactions with water as a shared resource	68,74, 88, Appendix 3	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.	X
303-2 Management of water discharge-related impacts	<a href="#">Sustainability Concept for Peat</a>	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.	X
<b>304 Biodiversity</b>			
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Appendix 2, Appendix 5	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.	X
304-3 Habitats protected or restored	71	<a href="#">2,700 hectares of wetlands to protect biodiversity.</a>	X
Own indicators: Reforestation and wetland development	68–69, 71–72		
<b>305 Emissions</b>			
305-1 Direct (Scope 1) GHG emissions	68–70, 85, Appendix 3	Direct fossil CO <sub>2</sub> (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 <sub>2</sub> only. Emission factors used in the calculation are based on publicly-accessible material.	X
305-2 Energy indirect (Scope 2) GHG emissions	68–70, 85, 88 Appendix 3	Indirect CO <sub>2</sub> 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.	X
305-3 Other indirect (Scope 3) GHG emissions	68–70, 85, Appendix 3	Scope 3 indirect CO <sub>2</sub> emissions are calculated based on data availability. In section 305-3, emissions are reported in CO <sub>2</sub> equivalents.	X
305-4 GHG emissions intensity	68–69, 85	The emissions intensity is calculated in relation to the Group revenue, t CO <sub>2</sub> /M €..	X





GRI Content	Locations	Omissions and further information	Global Compact
<b>306 Effluents and waste</b>			
306-1 Water discharge by quality and destination	68, 74, Appendix 3, <a href="#">Monitoring reports</a>	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.	X
306-2 Waste by type and disposal method	68, 74, 85, Appendix 3	Reported for all Neova Group operations.	X
306-3 Significant spills (if none, just in index)	Index	Drainage waters from peat production had to be rerouted to diversion culverts and dams on 25 occasions to prevent damage to water protection structures, for an average of 23 days per incident. The number of diversion incidents decreased by 4% compared to 2022.  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.	X
<b>307 Environmental compliance</b>			
307-1 Non-compliance with environmental laws and regulations		No reported incidents of non-compliance.	
<b>308 Supplier environmental assessment</b>			
308-1 New suppliers that were screened using environmental criteria	79–80	In 2023 was implemented Supplier CoC to all new purchasing agreements. <a href="#">Code of Conduct</a>	



GRI Content	Locations	Omissions and further information	Global Compact
<b>401 Employment 2016</b>			
401-1 New employee hires and employee turnover		Reported partly. Employee turnover (outgoing): 128 cases of employment termination (14%). The number includes all causes of employment termination. Regional division: The Netherlands 36, Finland 59, Germany 10, Sweden 20, Estonia 3 Gender division: Female 46 (36%), Male 82 (64%). Age division: under 30: 10 (8%), 30–50 years: 67 (52%), over 50: 51 (40%).	
<b>402 Labour/Management relations</b>			
402-1 Minimum notice periods regarding operational changes		Arrangements compliant to legislation.	X
<b>403 Occupational Health and Safety 2018</b>			
403-1 Occupational health and safety management system		ISO 45001 for all businesses except peat production.	
403-2 Hazard identification, risk assessment, and incident investigation	59, 76, 85–87, Appendix 4		
403-3 Occupational health services		The Neova group provides its entire personnel with occupational health care, which includes preventive, statutory occupational health care. Statutory occupational health care includes health examinations, health counselling and activities that support work ability and functional capacity. Statutory occupational health care applies to everyone from the beginning of the employment relationship.	
403-4 Employee participation, consultation and communication on occupational health and occupational safety		Employees and partners participate in risk assessments. Finland has an active occupational safety and health organisation that cooperates closely with occupational health services. The Group distributes a monthly safety report to all personnel.	
403-5 Worker training on occupational health and safety	76, 78	In Finland, occupational safety card training is mandatory for all personnel. We offer first aid training for our personnel. Kekkila-BVB organised, among other things, forklift training for the entire personnel. We offer the safety training required for the tasks. An online safety course for all personnel.	
403-8 Workers covered by an occupational health and safety management system		All personnel and partners operating in our areas.	
403-9 Work related injuries	59, 76, 85–87, Appendix 4		



GRI Content	Locations	Omissions and further information	Global Compact
<b>404 Training and education 2016</b>			
404-2 Programs for upgrading employee skills and transition assistance programs	78	Reported partly. Programmes pertaining to retirement and the termination of employment have not been reported.	X
404-3 Percentage of employees receiving regular performance and career development reviews		All personnel.	X
<b>405 Diversity and equal opportunity 2016</b>			
405-1 Diversity of governance bodies and employees		Board of Directors: 6 members total: 2 women (33%) and 4 men (67%). Under 30 yrs: 0, 30-50 yrs: 1 (17%), over 50 yrs: 5 (83%) Group Management Team: 11 members, 2 women (18%) and 9 men (82%), under 30 yrs: 0, 30-50 yrs: 1 (9 %), over 50 yrs: 10 (91 %).	X
<b>406 Non-discrimination 2016</b>			
406-1 Incidents of discrimination and corrective actions taken	75, 78	9 reported cases and corrective actions taken (including follow up).	X
<b>414 Supplier social assessment 2016</b>			
414-1 New suppliers that were screened using social criteria	78-79		
<b>415 Public Policy 2016</b>			
415-1 Political contributions		Neova does not support any political parties.	X
<b>417 Marketing and labeling 2016</b>			
417-2 Incidents of non-compliance information and labelling		No incidents of non-compliance.	
417-3 Incidents of non-compliance concerning marketing communications		No incidents of non-compliance.	
<b>419 Socioeconomic Compliance 2016</b>			
419-1 Non-compliance with laws and regulations in the social and economic area		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
	Pages 59, 68–70, 85, 88, Appendix 3.	Pages 59, 68, 71–73, 85, 88, 92.	Pages 59, 71, 73, 85, 88–90.	Pages 68, 74, Appendix 3.	Pages 59, 75–76, 79–80, 85–87, Appendix 4.	Pages 59, 75, 77, 85, 87.	Pages 59, 75, 79, 85–87.	Pages 75, 78.	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 have the Task Force on Climate-related Financial Disclosures (TCFD).	
Goals and targets	These are presented on pages 63–67 (“Sustainability at Neova Group”) and in the indicator tables on pages 68, 75, 85.									
Responsibilities and resources	These are presented on pages 64–65 (“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. netsale									





## 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.
- **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.
- **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.
- **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.
- **Global Logistics Emissions Council (GLEC) framework** – global method for calculating and reporting logistics emissions.

### Sustainability commitments

- **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.
- **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 is the ground covers and soil improvers within the hobby sector. QMGs is the quality mark, which guarantees the safety, quality, composition, purity and usability of the product.
- **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.
- **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.



## APPENDIX 3: WE DO OUR BUSINESS IN BALANCE WITH NATURE

### CO<sub>2</sub> EMISSIONS (SCOPE 1+2) FROM NEOVA GROUP'S OWN OPERATIONS 2021–2023, KT CO<sub>2</sub>E

	Finland			Sweden			Estonia			The Netherlands			Germany			Neova Group		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Peat operations	525	438	394	61	61	62	65	61	61							651	559	516
Kekkilä-BVB operations	4	3.4	4.4	1	0.1	0.5	1	0.5	0.5	4	3.7	3.7			0.4	11	8	9.5
Pellet operations	33	37	43													33	37	43
Power plant (Ilomantsi)	20	33	16													20	33	16
Novactor/New Businesses	0.5	0	3.1													0.5	0	3.1
Shared/Group	0.1	0.1	0.1													0.1	0.1	0.1
<b>Total</b>	<b>583</b>	<b>511</b>	<b>460</b>	<b>62</b>	<b>61</b>	<b>62</b>	<b>66</b>	<b>61</b>	<b>61</b>	<b>4</b>	<b>3.7</b>	<b>3.7</b>			<b>0.4</b>	<b>715</b>	<b>637</b>	<b>588</b>

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.

### GREENHOUSE GAS EMISSIONS 2021–2023, KT CO<sub>2</sub>E

	Finland			Sweden			Estonia			The Netherlands			Germany			Neova Group			Description
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	
SCOPE 1 soil emission	514	429	381	59	58	60	63	52	58							636	539	500	Emissions from land areas reserved for peat production. Emission from peat stockpiles.
SCOPE 1 other fossil emission	50	65	52	3	3	3	3	9	2	2	1.6	1.4		0.4		57	79	59	Fuel use in own facilities and production in CO <sub>2</sub> . Fuels consumption of on-site vehicles.
SCOPE 1 biogenic emission	7	22	21													7	22	21	Fuel use in own facilities and production in CO <sub>2</sub> . Not included in total emissions. Added to report from 2021.
SCOPE 2 market based electricity emission	17	17	26	0.1	0.1		1	0.2		2	2	2		0		21	19	29	Purchased electricity emission as market-based and district heating. Company target setting is based on market based calculation.
SCOPE 2 location based electricity emission	13	11	9	0.1	0.1	0.1	1	1		2	2	2		0.2		15	15	13	Purchased electricity emission as location-based and district heating.
SCOPE 3 total	2,354	11	2,214	459	329	330	309	352	300	445	359	313		58		3,568	4,123	3,014	See separate table for detailed breakdown.
<b>Total emissions</b>	<b>2,937</b>	<b>3,595</b>	<b>2,675</b>	<b>521</b>	<b>390</b>	<b>393</b>	<b>376</b>	<b>413</b>	<b>361</b>	<b>449</b>	<b>362</b>	<b>317</b>		<b>59</b>		<b>4,282</b>	<b>4,760</b>	<b>3,803</b>	Including + SCOPE 1 soil + other fossil emissions + SCOPE 2 market based emissions



## GREENHOUSE GAS SCOPE 3 EMISSIONS 2021–2023, KT CO<sub>2</sub>E

	Finland			Sweden			Estonia			The Netherlands			Germany			Neova Group			Description
Categories	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	
1. Purchased goods and services	47	37	39	16	9	7	12	6	7	104	108	42			5	179	159	100	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	1	3	12	1	0.2	3	3	1	1.6	2	3	2			11	8	8	30	Capital investments in, e.g. construction and investment projects.
3. Fuel and energy related activities	7	16	7	2	0.2	0.7	1	1	0.7	1	1	1			0.1	11	18	9	Extraction, production, and transportation of fuels and energy purchased or acquired. Calculated based on scope 1 and 2.
4. Transportation and distribution	18	17	19	2	1	2	19	19	6	6	4	10			2	45	41	39	Transportation and distribution paid by the company.
5. Waste generated in operations	1	2	0.4	0.05	0.1	0.1	1	0.1	0.02	0.1	0.1	0.1			0,001	2	3	0.5	Waste and waste water generated by the company.
6. Business travel	0.5	1	2.7	0.1	0.1	0.2	0.02	0.04	0.1	0.1	0.1	0.3			1.7	1	1	5	Emissions from flights and other business travel as well as hotel stays.
7. Employee commuting	0.4	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.6	0.4			0.1	1	1	1	Daily commuting of employees to workplace.
8. Upstream leased assets	1	0.6	0.7	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.3			0.04	1	1	1.2	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	5	5	3.4	0.1	0.2	4	3	4	3	2	2	2.6			1.4	10	11	15	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	3,002	2,130	438	317	313	269	321	281	329	262	254			36	3,310	3,903	3,014	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.																		
<b>Total</b>	<b>2,354</b>	<b>3,084</b>	<b>2,214</b>	<b>459</b>	<b>329</b>	<b>330</b>	<b>309</b>	<b>352</b>	<b>300</b>	<b>445</b>	<b>359</b>	<b>313</b>			<b>58</b>	<b>3,568</b>	<b>4,123</b>	<b>3,215</b>	



## WASTE VOLUME

	2021	2022	2023
<b>Recovery, tonnes</b>	<b>13,256</b>	<b>13,143</b>	<b>7,961</b>
Energy, tonnes	7,897	4,442	3,621
Recycling, tonnes	5,359	8,701	4,340
<b>Disposal, tonnes</b>	<b>1,648</b>	<b>3,084</b>	<b>339</b>
Landfill, tonnes	1,604	2,828	200
Other disposal, tonnes	44	256	139
<b>Total, tonnes</b>	<b>14,903</b>	<b>16,227</b>	<b>8,300</b>
Recycling rate, %	36	54	52
Recovery rate, %	89	81	96

2021: Total waste volume in Neova Group halved after Nevel is sold. This has a major effect to recycling rate.

2022: Various construction and repair activities at production sites increased the waste volumes in 2022.

## USE OF ASH GENERATED IN NEOVA GROUP'S FACILITIES

	2021	2022	2023
Landfill disposal, %	43	0	8
Soil construction, %	10	100	33
Forest fertiliser, %	0	0	0
Intermediate storage / Future utilisation, %	47	0	59
<b>Total, tonnes</b>	<b>703</b>	<b>2,315</b>	<b>1,221</b>

Utilization and recycling targets of ashes were originally followed from the company heat production facilities. After the sale of the heating business in the beginning of 2020 ash volumes decreased significantly. The origin of the ashes in 2023 are from Ilomantsi Power Plant where the production ended in summer and from Turenki Pellet factory which was sold to Versowood in the end of 2023. Volume and utilization of the ashes is reported also as a part of the total waste volume.

## NUMBER OF ENVIRONMENTAL OBSERVATIONS 2021–2023

	Finland			Sweden			Estonia			The Netherlands			Germany		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	64	27	20												
Kekkila-BVB	33	48	30	74	18	16	11	5	11	34	49	44			1
New Businesses	16	7	15												
SCM	149	293	219	177	55	74	19	27	22						
Group Services	7	22	14	1	2	0	0	2	1	0	0	0			0
<b>Total</b>	<b>269</b>	<b>397</b>	<b>298</b>	<b>252</b>	<b>75</b>	<b>90</b>	<b>30</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>49</b>	<b>44</b>			<b>1</b>

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

	2021*	2022	2023
Samples	10,973	9,325	7,984
Analyses	80,366	70,017	60,526

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

	2021*	2022	2023
Samples	2,235	2,405	2,235
Analyses	25,595	27,623	26,107

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.

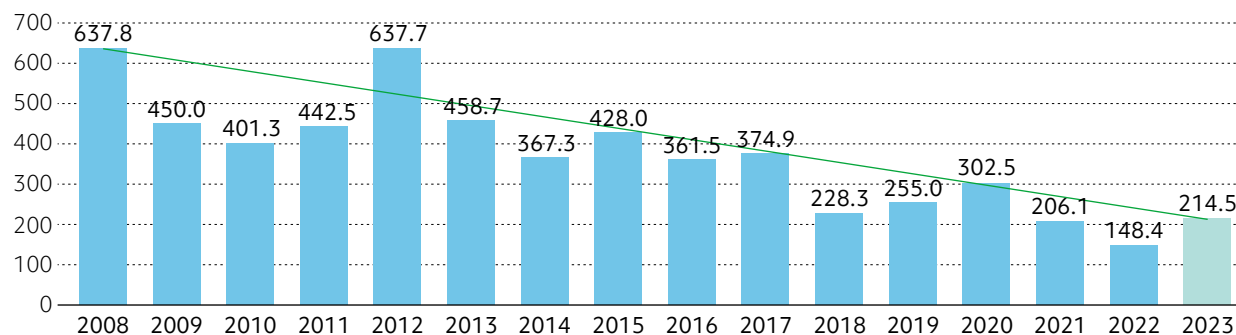




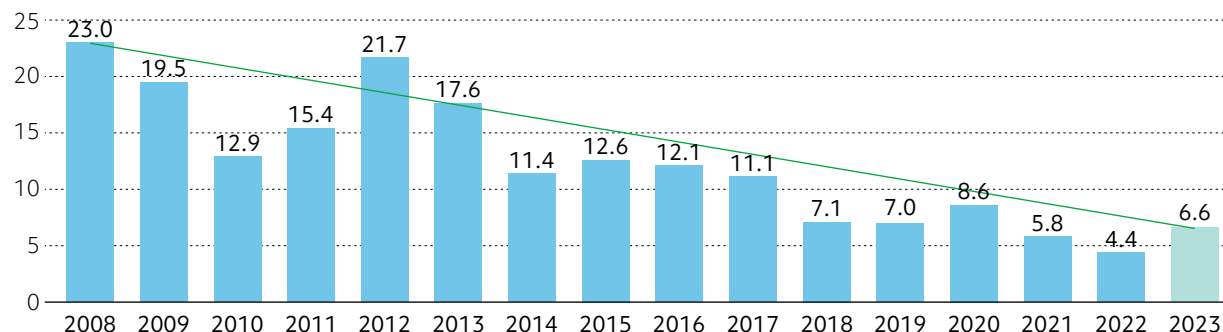
## ENERGY CONSUMPTION, MWH

	2021	2022	2023
<b>Kekkilä-BVB</b>			
<b>Total energy consumption</b>	<b>37,384</b>	<b>39,752</b>	<b>35,783</b>
<b>Direct energy consumption</b>	<b>21,755</b>	<b>24,842</b>	<b>21,261</b>
Non-renewable	6,573	7,303	4,458
Other renewables	1,131	1,313	2,157
On-site vehicles	14,051	16,226	14,646
<b>Indirect energy consumption</b>	<b>16,334</b>	<b>15,346</b>	<b>15,091</b>
Electricity	14,703	14,034	14,147
Solar panels	961	697	453
Heating	670	615	491
<b>Energy sold</b>	<b>705</b>	<b>436</b>	<b>569</b>
<b>Pellet production</b>			
<b>Total energy consumption</b>	<b>122,503</b>	<b>172,321</b>	<b>110,548</b>
<b>Direct energy consumption</b>	<b>70,740</b>	<b>112,116</b>	<b>80,443</b>
Non-renewable	53,463	59,054	70,125
Renewable	16,470	52,008	9,432
On-site vehicles	808	1,054	886
<b>Indirect energy consumption</b>	<b>88,672</b>	<b>95,373</b>	<b>69,043</b>
Electricity	29,018	30,092	23,838
Heating	40,400	45,316	45,205
Steam	19,254	19,965	0
<b>Total energy sold</b>	<b>36,909</b>	<b>35,168</b>	<b>38,938</b>
<b>Novactor and Ilomantsi power plant</b>			
<b>Total energy consumption</b>	<b>23,048</b>	<b>26,733</b>	<b>13,746</b>
<b>Direct energy consumption</b>	<b>52,832</b>	<b>82,549</b>	<b>41,564</b>
Non-renewable	52,832	82,151	40,356
Renewable	0	398	1,057
On-site vehicles			152
<b>Indirect energy consumption</b>	<b>N/A</b>	<b>N/A</b>	<b>7,009</b>
Electricity	<b>N/A</b>	<b>N/A</b>	<b>7,009</b>
<b>Total energy sold</b>	<b>29,784</b>	<b>55,816</b>	<b>27,818</b>
<b>Peat production</b>			
<b>Total energy consumption</b>	<b>63,057</b>	<b>61,180</b>	<b>59,616</b>
<b>Direct energy consumption</b>	<b>47,018</b>	<b>53,027</b>	<b>50,718</b>
On-site vehicles	47,018	53,027	50,718
<b>Indirect energy consumption</b>	<b>16,039</b>	<b>8,152</b>	<b>8,898</b>
Electricity	16,039	8,152	8,898

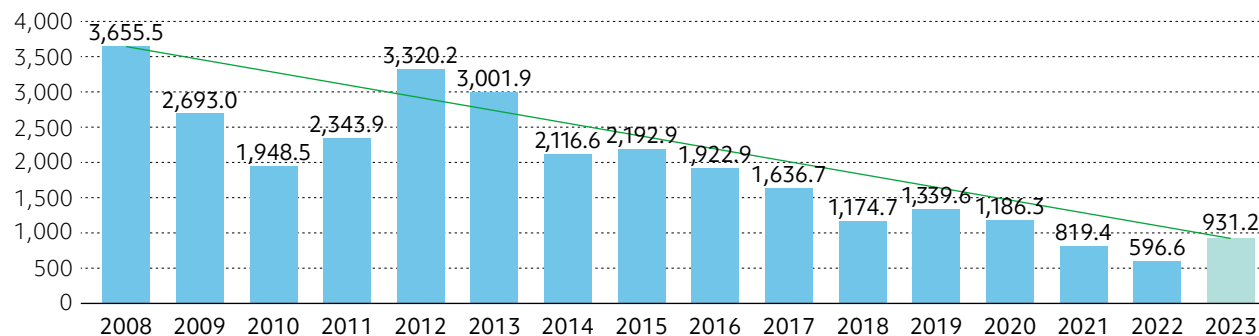
## WATER EFFLUENT IN PEAT HARVESTING (FINLAND): NITROGEN, TONNES



## WATER EFFLUENT IN PEAT HARVESTING (FINLAND): PHOSPHORUS, TONNES



## WATER EFFLUENT IN PEAT HARVESTING (FINLAND): SUSPENDED SOLIDS, TONNES



## APPENDIX 4: WE SUPPORT THE GROWTH OF OUR PEOPLE AND PARTNERS

### SHARE OF PERSONNEL, 31.12.2023

	Finland	Sweden	Estonia	The Netherlands	Spain	Germany	France	China	USA	Italy
Fuels&Real Estate Development	51	0	0	0	0	0	0	0	0	0
Kekkilä-BVB	111	72	20	299	6	52	5	3	1	4
New Businesses	47	0	0	0	1	0	0	0	0	0
SCM	83	16	14	6	0	0	0	0	0	0
Group Services	52	18	21	13	0	5	0	0	0	0
<b>Total</b>	<b>344</b>	<b>106</b>	<b>55</b>	<b>318</b>	<b>7</b>	<b>57</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>4</b>

Total number of personnel in all countries 900

### PERSONNEL COVERED BY BY COLLECTIVE BARGAINING AGREEMENTS

	Number of personnel			Personnel covered by CBAs, %			Number of CBAs		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Finland	426	382	344	36	35	32	4	3	2
Sweden	118	121	106	100	96	95	2	2	2
Estonia	54	44	55	0	0	0	0	0	0
The Netherlands	333	346	318	8	8	7	1	1	1
Spain	5	6	7	100	100	100	1	1	1
Germany	9	70	57	0	0	0	0	0	0
France		4	5		0	0		0	0
Italy			4			0			0
China			3			0			0
USA		1	1		0	0		0	0

### GENDER DISTRIBUTION

	2021	2022	2023
Women	289 (31%)	303 (31%)	292 (32%)
Men	656 (69%)	673 (69%)	608 (68%)
<b>Total</b>	<b>945</b>	<b>976</b>	<b>900</b>

### EMPLOYEE TURNOVER

	2021	2022	2023
Employee turnover (outgoing)*	11.8% (112)	11.5% (112)	14% (128)

\* Includes all causes of employment termination.

### TYPE OF EMPLOYMENT

	2021	2022	2023
<b>Permanent</b>	<b>814</b>	<b>883</b>	<b>833*</b>
Female	245 (30%)	277 (31%)	271 (33%)
Male	569 (70%)	606 (69%)	562 (67%)
<b>Fixed term</b>	<b>131</b>	<b>93</b>	<b>67**</b>
Female	44 (34%)	26 (28%)	21 (31%)
Male	87 (66%)	67 (72%)	46 (69%)

\*Region: FI 336, NL 267, SWE 98, GER 57, EST 55, SP 7, FR 5, IT 4, CH 2, US 1

\*\*Region: NL 51, SWE 10, FI 6

### TYPE OF EMPLOYMENT

	2021	2022	2023
<b>Full time</b>	<b>838</b>	<b>859</b>	<b>805*</b>
Female	225 (27%)	233 (27%)	236 (27%)
Male	613 (73%)	626 (73%)	570 (63%)
<b>Part time</b>	<b>107</b>	<b>117</b>	<b>95**</b>
Female	64 (60%)	70 (60%)	56 (59%)
Male	43 (40%)	47(49%)	39 (41%)

\*Region: FI 338, NL 245, SWE 99, EST 54, GER 52, SP 6, FR 5, CH 3, IT 2, USA 1

\*\*Region: NL 73, SWE 7, FI 6, GER 5, IT 2, EST 1, SP 1

### DURATION OF EMPLOYMENT

	2021	2022	2023
Under 5 years	49%	46%	41%
5–10 years	15%	22%	20%
10–20 years	21%	17%	23%
over 20 years	15%	15%	16%



## NUMBER OF ALL ACCIDENTS 2021–2023 (MTR\*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	1	1	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1	0
Fuels Wood	0	1																	0	1	
Kekkilö-BVB	3	4	0	6	3	3	0	1	0	10	7	3	0	0	0	0	1	3	19	16	9
New Businesses	2	0	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2	0	1
SCM	2	1	1	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	2	1	1
Group Services	1	1	1	0	0	0	1	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	2	1	1
<b>Total</b>																			26	20	12

\* 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).

## NUMBER OF ACCIDENTS THAT LEAD TO ABSENCE FROM WORK 2021–2023 (LTA1\*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0
Fuels Wood	0	0																	0	0	
Kekkilö-BVB	0	0	0	1	1	1	0	0	0	10	6	2	0	0	0	0	1	3	11	8	6
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	N/A	N/A	N/A	N/A	N/A	0	0	0
SCM	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0
Group Services	0	0	0	0	0	0	1	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	1	0	0
<b>Total</b>																			12	8	6

\* 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 2021–2023 (MTRF\*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	5.9	9.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	18.8	5	0
Fuels Wood	0.0	11.2																	0.0	11.2	
Kekkilä-BVB	11.3	14.4	0.0	40	23.4	22.7	0.0	26.9	0.0	19	12.4	5.4	0.0	0.0	0.0	N/A	8.6	33.4	13.4	19.4	8.5
New Businesses	46.3	0.0	12.6	N/A	N/A	N/A	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	12.7
SCM	8.5	4.8	4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	15.3	6.8	3.8
Group Services	10.9	11.1	9.6	0.0	0.0	0.0	80.2	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	21.9	14.4	6.8
<b>Total</b>																			16.1	15.7	7.3

\* 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 2021–2023 (LTA1F\*)

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	0.0	0.0	0.0	N/A	N/A	N/A	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	0.0	0.0
Fuels Wood	0.0	0.0																	0.0	0.0	
Kekkilä-BVB	0.0	0.0	0.0	6.7	7.8	7.6	0.0	0.0	0.0	19	10.6	3.6	0.0	0.0	0.0	0.0	8.6	33.4	11.2	7.1	5.7
New Businesses	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0	0.0	0.0
SCM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	0.0	0.0	0.0
Group Services	0.0	0.0	0.0	0.0	0.0	0.0	80.2	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	7.2	0.0	0.0
<b>Total</b>																			7.2	4.5	3.7

\* 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 2021-2023

	Finland			Sweden			Estonia			The Netherlands			Spain			Germany			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	505	345	226	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	505	345	226
Fuels Wood	0	39																	0	39	
Kekkilä-BVB	391	364	203	402	257	140	78	50	46	685	638	535	0	0	0	0	1	24	1,556	1,310	948
New Businesses	63	48	61	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	63	48	61
SCM Sites	448	582	530	204	100	79	22	23	32	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	674	705	641
Office sites	118	136	81	17	13	1	3	0	5	20	19	6	0	0	0	0	0	0	158	168	93
Other	8	28	35	0	0	0	0	8	0	0	0	0	0	0	0	0	0	0	8	36	35
<b>Total</b>																			2,965	2,651	2,004

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 2021-2023, %

	2021	2022	2023
Fall, slip, trip (impact with fixed object)	42	35	30
Collision, hit, pressure (impact with moving object)	27	22	20
Crush, compression, contusion (caused by object)	0	17	15
Cut, stab, sting (caused by object)	23	11	12
Shock, burn, poisoning, pressure (impact of electrical voltage, temperature, noise, hazardous substances)	4	1	2
Sprain, Stretch, Rupture			12
Other	4	14	9

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



### CONTRACTORS – NUMBER OF ALL ACCIDENTS 2021–2023 (MTR\*)

	Finland			Sweden			Estonia			The Netherlands			Germany			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	1	N/A	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	0	1
Fuels Wood	0	1														0	1	
Kekkilä-BVB	1	1	0	1	0	2	0	0	0	3	1	1	0	0	1	5	2	4
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	N/A	N/A	0	0	0
SCM	1	1	3	1	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	2	1	3
Group Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0
<b>Total</b>																8	4	8

\* MTR count includes all workplace accidents that have been reported to us, including those that did not lead to absence from work.

### CONTRACTORS – NUMBER OF ACCIDENTS THAT LEAD TO ABSENCE FROM WORK 2021–2023 (LTA1\*)

	Finland			Sweden			Estonia			The Netherlands			Germany			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Fuels&Real Estate Development	0	0	1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	1
Fuels Wood	0	0														0	0	
Kekkilä-BVB	1	0	0	0	0	2	0	0	0	1	1	1	0	0	1	2	1	4
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	N/A	N/A	0	0	0
SCM	0	1	2	0	1		0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	0	2	2
Group Services	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0
<b>Total</b>																2	3	7

\* LTA1 count includes those workplace accidents that lead to a minimum of one day of absence from work that have been reported to us.



## APPENDIX 5: WE ENSURE PROFITABILITY IN A SUSTAINABLE WAY

### NEOVA GROUP'S INVESTMENTS 2021-2023, EUR MILLION

	Gross investments			Asset sales			Net investments		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Finland	62.2	109.3	15.4	6.2	12.3	7.5	56.0	97.2	7.9
Sweden	9.6	15.7	6.4	0.5	15.8	1.6	9.2	0.0	4.8
Estonia	3.3	3.6	5.1	0.1	1.9	0.0	3.2	1.8	5.1
The Netherlands	9.4	22.3	12.8	0.2	1.3	0.1	9.3	21.1	12.7
Germany	0.1	16.6	0.5		0.0	0.0	0.1	16.6	0.5
Other countries		0.0	0.0		0.0	0.0	0.0		0.0
<b>Total</b>	<b>84.6</b>	<b>167.5</b>	<b>40.2</b>	<b>7</b>	<b>31.3</b>	<b>9.0</b>	<b>77.8</b>	<b>136.7</b>	<b>31.2</b>

### WAGES PAID BY NEOVA GROUP, EUR MILLION

	2021*	2022**	2023***
Finland	28.0	26.0	26.2
Sweden	4.6	4.9	4.4
Estonia	1.7	1.5	1.5
The Netherlands	19.5	20.2	21.0
<b>Total</b>	<b>53.8</b>	<b>52.6</b>	<b>53.1</b>

\*1 SEK = 0.09 € (17.1.2022)

\*\*1 SEK = 0.089 € (10.01.2023)

\*\*\*1 SEK = 0.089 € (31.12.2023)

Algomin Ab is not included in salary data 2022.


**NEOVA GROUP'S TOTAL TAX CONTRIBUTION: INFORMATION BY COUNTRY, FIGURES FOR THE FINANCIAL YEAR 1.1.2023–31.12.2023**

	Finland	Sweden	Estonia	The Netherlands	Germany	Other countries
Unrelated party revenue	227.9	54.5	10.7	153.2	43.5	6.1
Related party revenue	77.4	9.3	28.5	46.2	6.0	2.2
Total revenue	305.3	63.8	39.3	199.4	49.5	8.4
Profit/(loss) before income tax	0.0	-6.5	5.5	-6.3	-3.2	1.4
Income tax paid (on cash basis)	0.0	0.6	0.0	-0.1	0.1	0.3
Income tax accrued — current year	0.7	0.8	0.0	-1.7	-0.1	0.2
Stated capital	260.1	23.3	19.5	21.7	1.4	1.2
Accumulated earnings	183.6	2.6	28.0	9.1	4.5	3.1
Number of employees	359	102	55	290	55	19
Tangible Assets other than cash and cash equivalents	187.4	55.1	38.7	46.2	10.4	0.0
<b>Direct taxes payable for the financial year, EUR million</b>						
Income taxes	0.7	0.8	0.0	-1.7	-0.1	0.2
Employer contributions	0.4	1.9	0.5	2.7	0.6	0.3
Property taxes	0.2	0.0	0.0	0.0	0.0	0.0
Other taxes	0.0	0.2	0.0	0.7	0.0	0.0
<b>Indirect taxes payable for the financial year, EUR million</b>						
Excise taxes	0.4	0.0	0.0	0.0	0.0	0.0
<b>Taxes remitted for the financial year, EUR million</b>						
Payroll taxes	7.8	1.8	0.2	7.3	0.4	0.3
Value added tax. sales	43.9	14.8	6.6	18.4	9.6	0.2
Value added tax. purchases	-43.2	-13.9	-6.5	-13.4	-6.5	-0.2
Other taxes	0.0	0.0	0.1			
<b>Total</b>	<b>10.1</b>	<b>5.6</b>	<b>0.9</b>	<b>14.0</b>	<b>4.1</b>	<b>0.7</b>





## NEOVA GROUP'S CERTIFICATES

	ISO 9001	ISO 14001	ISO 45001	PEFC	FSC	RHP	RPP <sup>1</sup>	Good Soil	KRAV	BRL 9335 -4/9341
<b>Finland</b>										
Neova Oy	x	x	x <sup>2</sup>			x <sup>1</sup>	x			
Kekkilä-BVB Oy	x	x	x			x <sup>3</sup>	x			
Neova Oy: Novactor	x	x	x							
Fuels & RED (Real Estate Development): Pellet	x	x	x	x	x					
Fuels & RED: Wind and Solar Power	x	x	x							
<b>Sweden</b>										
Neova AB		x				x	x			
Hasselfors Garden AB	x	x	x				x		x	
<b>Estonia</b>										
AS Tootsi Turvas		x				x	x			
Kekkilä Eesti OÜ	x	x	x				x			
<b>The Netherlands</b>										
Kekkilä-BVB Netherlands B.V. (incl. Factory De Lier)	x	x	x			x <sup>3</sup>		x		
Kekkilä-BVB Grubbenvorst B.V. (Factory Grubbenvorst)	x	x	x			x <sup>3</sup>		x		
Kekkilä-BVB Grubbenvorst B.V. (Factory Nijmegen)	x	x	x			x <sup>4</sup>				x <sup>5</sup>
Kekkilä-BVB Grubbenvorst B.V. (Factory Wanssum)	x	x	x							
Kekkilä-BVB Gardening B.V. (Factory Drachten)	x	x	x					x		
Kekkilä-BVB Gardening B.V. (Factory Hardenberg)	x	x	x					x		
Kekkilä-BVB Logistics B.V.	x	x	x							
<b>Germany</b>										
Kekkilä-Brill Substrates GmbH	x <sup>6</sup>									

1: For specific Neova Group peat production areas

2: Peat operations not included

3: RHP-certified factories: Eurajoki, De Lier, Grubbenvorst.

4: Cocos operations

5: Landscaping operations

6: Kekkilä-Brill will be added to the Neova Group multi-country certificate 2024.



# NEOVA<sup>GROUP</sup>

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Neova Group



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