

Neova Group Remuneration Report 2023

Neova's principles for the remuneration of the company's governing bodies, i.e., the Supervisory Board, the Board of Directors, and the CEO, are defined in the remuneration policy for governing bodies (the "Remuneration Policy"). This report presents the remuneration of the Supervisory Board, the Board of Directors, and the CEO. In addition, this report presents remuneration terms for other management. This report has been prepared based on the Finnish Corporate Governance Code 2020 (the "Code") issued by the Securities Markets Association and, the Prime Minister's office's guidelines for state owned companies.

An overview of the five-year development

The most significant change in Neova Group's operating environment during the past five years is the sharp decline in sales of energy peat, mainly due to the increase in the price of emission rights. The sale of energy peat has been the most profitable business of the group. In 2019, the Neova Group sold more than 10 TWh of energy peat and both in 2021 and 2022 approximately 5 TWh. Russia's attack on Ukraine caused a shortage of solid fuels in Finland, which led to a halt in the decline in demand for energy peat. In 2023 sales continued to decline despite Neova's subsidiary Vapo Terra selling significant amount of energy peat to the national security of supply.

To compensate for the decrease in energy peat sales, the group has expanded in the international growing media market and has increased investments in research and product development to develop products with a high degree of processing from peat and other natural materials and started wind and solar power development projects in former peat production lands. After 2018, the company has invested more than EUR 200 million in businesses outside the energy peat business. The largest investments have been focused on the international growing media industry and the production of activated carbon. The investment in BVB Substrates, Novactor's activated carbon production plant in Ilomantsi and the expansion of the growing media business in Germany and the fertilizer business in Sweden have been the most significant investments. New innovations in the commercialization phase include organic growth promoters made from peat, i.e. biostimulants, and the use of peat as an additive in animal feed.

At the same time, the group has improved its efficiency with organizational reforms and various operational efficiency programs. In addition, significant income has been obtained from the sale of land (nearly EUR 50 million). Due to the sharp drop in demand for energy peat, the group had to make write-downs of more than EUR 155 million in balance sheet items related to energy peat in 2019, 2020 and 2021. Approximately EUR 15 million of these write-downs were reversed in 2022. A very significant change in Neova Group's business was the sale of Heat & Power business (Nevel Oy) in January 2021. The value of the business arrangement was EUR 656 million, from which the Neova Group received a capital gain of approximately EUR 500 million. In 2022, Neova Group purchased the remaining 30% of the shares of Kekkilä-BVB, after which Kekkilä-BVB is a fully owned subsidiary of Neova Oy. Neova and Lassila & Tikanoja combined their energy wood business into Laania Oy. Neova owns 45% of Laania.

The turnover of the group's divisions has changed radically over the past five years. In 2018, the share of Grow&Care business in the consolidated turnover of the Neova group was about 20%, and in 2023 the Grow&Care division covered more than 2/3 of the group's turnover.

The Group's largest division, Grow&Care, was able to maintain its profitability at a reasonable level until 2022 through efficiency measures and price increases. As a result of the war in Ukraine, increased energy, logistics and fertilizer costs as well as higher interest rates have reduced the purchasing power of professional farmers, which led to a contraction of the entire growing media market. For this reason, Kekkilä-BVB launched a significant efficiency improvement program at the beginning of 2023.

2023

During 2023, a large repair investment was finalized at Novactor's activated carbon production plant in Ilomantsi. Damage caused by material defects interrupted the plant's operation in the fall of 2021, and a large portion of the plant had to be rebuilt. Trial operation of the repaired plant started at the turn of the year 2022/2023. During 2023, the operations and quality level of the production plant has reached the planned level, and the unit is ready for commercial production.

Neova Oy concentrated the business activities related to security of supply and land development in Finland to a new subsidiary Vapo Terra Oy from 1 January 2023. Vapo Terra Oy's mission is to maximize the value of land assets by, among other things, developing and licensing wind and solar power projects and developing a business that supports carbon sequestration in the long term. In 2023, approximately 1,000 hectares of reed canary grass were seeded in areas previously removed from peat production by Vapo Terra. Reed canary grass plays a significant role in Kekkilä-BVB's program to increase the use of renewable and recyclable raw materials in growing media. In the coming years, the main part of Vapo Terra's turnover will consist of the sale of energy peat, pellets and soil, as well as wind and solar power development projects. In 2023 the Company ended active selling of land.

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

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

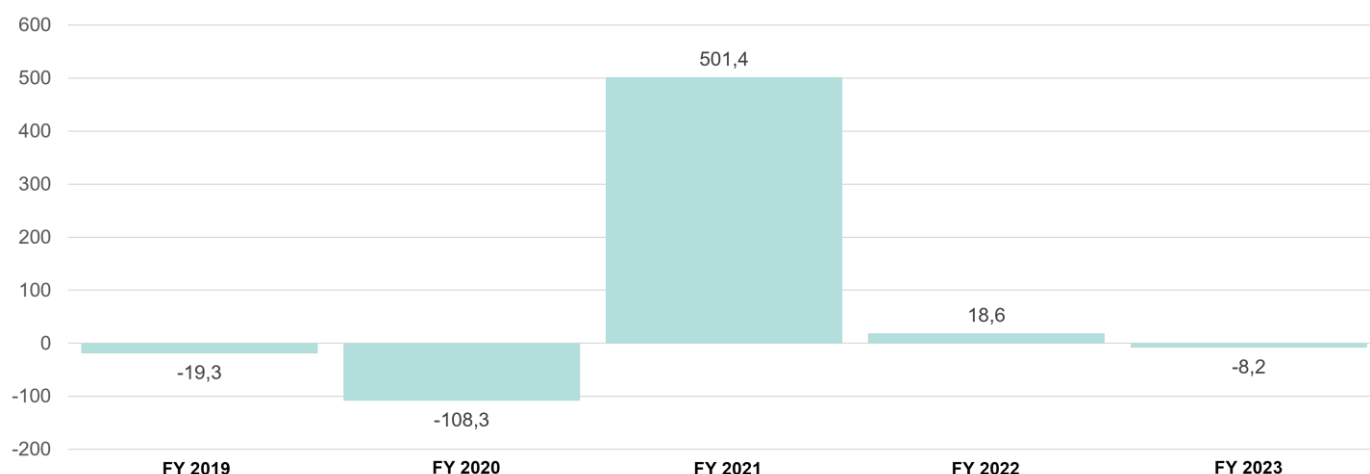
In spring 2023, Kekkilä-BVB launched an efficiency program with the aim of reducing costs by EUR 30 million annually. Of this, 1/3 is to be achieved by reducing personnel costs and 2/3 by improving operational efficiency. In June 2023, Kekkilä-BVB closed its growing media plants in Bredaryd and Haukineva, and Kekkilä-BVB's organizational renewal was carried out through change negotiations and similar processes during the second half of the year. In the reform, organizational levels and the number of personnel were reduced, and a new organizational model was adopted, in which more independent Business Areas are responsible for all business operations in their own geographical areas. The business areas are Central Europe, Global, Nordics and Materials.

At the end of 2023, Vapo Terra Oy signed an agreement with Versowood Oy for the sale of the Turenki pellet factory to Versowood as of 1 January 2024.

In 2023, the group's turnover was EUR 495.9 million (EUR 544.9 million in 2022). The turnover was 9% lower than the previous year and the comparable turnover was 4% lower. The main difference in comparison was the selling of wood business in 2022. The group's comparable EBITDA was EUR 46 million (EUR 52.1 million). Most significant reasons for the EBITDA decline were one-time costs relating to efficiency program, decline in profitability and reduced volumes in fuels business. Overall, fuels business succeeded clearly better than expected in 2023.

Gross investments totaled EUR 40.2 million (EUR 167.5 million). The largest investments have been targeted at the international growing media business.

NEOVA NET PROFIT DEVELOPMENT 2019-2023



The remuneration and meeting fees of the members of the Board of Directors were increased for the first time in 6 years on 29.3.2023 at the Annual General Meeting.

Main reason for the variance in annual remuneration level is based on the number of Board of Directors' meetings or committee meetings during each year.

CEO's remuneration consists of fixed annual salary including fringe benefits, short term, and long-term incentive programs (STI and LTI) and pension plan. In its meeting on 30.11.2023, the Board of Directors appointed Pekka Tennilä as the company's new CEO as of 4.12.2023, and at the same meeting relieved Vesa Tempakka of his duties as CEO as of 3.12.2023. There was no change in Vesa Tempakka's fixed annual salary in 2023. Annual variance in remuneration is mainly due to outcome of short, or long-term incentive programs.

The development of remuneration of Neova Group personnel over the past five years has been counted as average headcounts and salaries of all operating countries. Salary market development is annually benchmarked in all countries. The overall development of basic salaries mainly follows the development of country level market salaries and is compliant with Neova Group Compensation Policy and existing collective bargaining agreements, which are applied within Neova Group. Part of the variance in development between years comes from changes in the company structure and variable pay, such as short term and long-term incentives.

Fiscal year*	FY 2023	FY2022	FY2021	FY2020	FY2019 (5-12/2019)	FY2019 (5/2018-4/2019)
Board of Directors, 1,000 €	276.22	247.45	246.25	278.04	163.2	250.76
Group CEO, 1,000 €	737.82	523.38	519.69	498.56	394.43	414.15
Group CEO	Vesa Tempakka - 3.12.2023 Pekka Tennilä - 4.12.2023 -	Vesa Tempakka	Vesa Tempakka	Vesa Tempakka	Vesa Tempakka	Vesa Tempakka
Calendar Year**	2023	FY2022	FY2021	FY2020	FY2019	
Employees (average***), 1,000 €	59.3	57.9	57.3	56.75	56.05	

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

**) employees' remuneration is presented in calendar years

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

Decision-making procedure concerning remuneration

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

Based on the proposal of the Human Resources Committee of the Board of Directors, the Board of Directors decides on the CEO's base salary and other benefits, which shall be in line with the company's remuneration policy.

Neova's Board of Directors also decides on the basic salary and other benefits of the Group Management Team as well as their short-term and long-term incentive schemes based on a proposal issued by the Board's Personnel Committee.

Neova's Board of Directors approves the Remuneration Policy that defines key remuneration principles for the Supervisory Board, Board of Directors and the CEO, among other things. The Remuneration Policy is subject to advisory vote by the Annual General Meeting.

Key remuneration principles and fees paid to the members of the Supervisory Board and Board of Directors

The Supervisory Board, Members and fees paid in 2023

The fees paid to the members of the Supervisory Board are paid entirely in cash. The term of the members ends at the conclusion of the next Annual General Meeting. The members of Neova's Supervisory Board are not included in incentive schemes, and they are not in an employment relationship with Neova.

The Chairman of the Supervisory Board is paid a meeting fee of EUR 800, the Vice Chairman EUR 600, and the other members EUR 500 per meeting. No changes to the fees have been made during 2023.

Total Fees paid to the member, Supervisory Board 2022-2023

	FY2023 (1.1.-31.12.)		FY2022 (1.1.-31.12.)	
	Total amount of fees (€)	Meeting (attendance/total)	Total amount of fees (€)	Meeting (attendance/total)
Sipilä Juha	800	1/2	2 400	3/3
Miilumäki Heikki	1 200	2/2	1 800	3/3
Häkkänen Antti	500	1/2	1 500	3/3
Kurvinen Esko	1 000	2/2	1 500	3/3
Lunttila Tommi	0	0/0	500	1/3
Peltokangas Mauri	500	1/2	1 500	3/3
Pitko Jenni	500	1/2	1 500	3/3
Rantanen Piritta	1 000	2/2	1 500	3/3
Snicker Tiina	0	0/0	500	1/3
Hietala Harri	1 000	2/2	1 000	2/3
Kubin Eero	1 000	2/2	0	0/0
Kangas Antti	800	1/2	0	0/0
Jukkola Janne	500	1/2	0	0/0
Koskela Jari	500	1/2	0	0/0
Laine Janne	500	1/2	0	0/0
Viljanen Eerikki	500	1/2	0	0/0
Venäläinen Mikael	500	1/2	1 000	2/3
Total	10 800		14 700	

The Board of Directors, Members and fees paid in 2023

The fees paid to the members of the Board of Directors are paid entirely in cash. The term of the members ends at the conclusion of the next Annual General Meeting. The members of Neova's Board of Directors are not included in any incentive schemes, and they are not in an employment relationship with Neova.

The Chairman of the Board of Directors is paid EUR 2,750, the Vice Chairman EUR 1,900, and the other members EUR 1,550 per month until 28.3.2024. At the Annual General Meeting held on 29.3.2023, it was decided to increase the remuneration of the members of the Board of Directors to EUR 1,750.

A meeting fee of EUR 500 was paid for both Board and Board committee meetings until the beforementioned Annual General Meeting in which the fee was decided to be increased to EUR 600. Members of the board of directors of the subsidiaries employed by Neova are not paid separately for their membership.

	FY2023 (1.1.-31.12.)				FY2022 (1.1.-31.12.)			
	Total amount of fees (€)	Board of Directors' meetings	Committee Meetings	The Board's Strategy Committee meetings	Total amount of fees (€)	Board of Directors' meetings	Committee Meetings	The Board's Strategy Committee meetings
		(attendance/total)	(attendance/total)	(attendance/total)		(attendance/total)	(attendance/total)	(attendance/total)
Routila Panu	58 600	21/21	10/10 and 1/1	12/12	46 400	16/16	7/7 and 6/7	5/5
Lång Jan (-3/2022)	0	-	-		11 250	4/16	2/7	
Strandberg Maija	0	-	-		7 650	4/16	2/7	
Hättilä Vesa	0	-	-		7 650	4/16	2/7	
Tykkyläinen Markus*	39 530	20/21	11/11		34 300	16/16	7/7	
Damlin Stefan	9 200	3/4	3/3		30 100	16/16	7/7	
Hyryläinen Tuomas	45 307	21/21	1/1 and 6/7	12/12	32 600	16/16	7/7	5/5
Punttila Kirsi	37 126	20/21	9/10		30 100	16/16	7/7	
Punkari Jari-Pekka (3/2022-)	47 326	21/21	10/10 and 3/3	12/12	24 950	12/16	5/7	5/5
Virkkunen Eeva-Liisa (3/2022-)	39 126	21/21	11/11		22 450	12/16	5/7	
Total	276 215				247 450			

*Resigned from the BoD 23.12.2023

Key remuneration principles of CEO and other management

In accordance with the Remuneration Policy approved by the Board of Directors dealt with at the Annual General Meeting, the fixed salary of the CEO and the members of other management is defined as a total monthly salary that includes fringe benefits. They are also included in short-term and long-term incentive programs.

A fixed monthly salary refers to an individual's total monthly salary determined based on the level of competence required for the position as well as the individual's experience and performance.

The Group CEO and other management may be eligible for a car benefit, mobile phone benefit and medical insurance as part of their total remuneration.

Neova's Board of Directors decides annually or within any other timeline as may be the case for any given program on the performance indicators and targets for the short-term and long-term incentive schemes of the CEO, other management and any other individual or unit as may be relevant. They are aimed at supporting the achievement of the company's strategic targets, including sustainability.

The incentive bonuses are paid in cash in accordance with the payment schedule of the incentive program in question. The bonuses paid under the various incentive schemes cannot under any circumstances exceed 80% of the fixed annual salary. Based on a proposal by the CEO, the Board of Directors decides on the achievement of the targets set relative to the performance indicators and the amount of remuneration.

Short-term variable pay

The CEO's and other management's short-term variable pay is based on the possibility of earning an annual incentive bonus. The amount of incentive pay depends on the achievement of the financial and operational targets set at the beginning of the financial year. Neova Group's senior management is divided into two incentive pay groups that determine the maximum incentive pay percentage for each individual. The incentive pay group is determined based on the competence requirements of the position and its impact on the Group's business.

At least 70% of the incentive pay is based on financial targets and the remainder on operational targets and sustainability. The payment of incentive bonuses is also subject to the achievement of a certain minimum level in terms of the financial targets.

The maximum incentive pay corresponds to 40% of the annual salary for the CEO of Neova Group and 30% of the annual salary for the members of other management.

Long-term variable pay

The CEO's and other management's long-term incentive scheme currently in force is a seven-year plan 2019-2023, which consists of six two-year earnings periods (2019-2020, 2020-2021, 2021-2022, 2022-2023, 2023-2024 and 2024-2025). The incentive scheme provides the participants with the opportunity to earn a monetary bonus for achieving earning criteria set separately for each earning period by the Board of Directors. The Board decides on the earning criteria and targets for each earning period. Targets consist of financial and other strategic targets, which includes sustainability target. The Board sets a starting level, target level and maximum level for the target for each earning criteria.

The maximum incentive pay corresponds to 40% of the annual salary for the CEO of Neova Group and 30% of the annual salary for the members of other management.

Pension plans

The Group CEO and the other management are, depending on the country the respective person works in, covered by a pension scheme pursuant to the Employees' Pensions Act in Finland and Pensions fonds in Kring DC bij Centraal Beheer APF insurance plan offered to all Dutch employees in the Netherlands. In addition, those members of other management whose managerial employment agreement entered into effect with Neova Oy before 23 November 2017 are entitled to a defined contribution collective supplementary pension insurance to which the employer contributes an amount equivalent to 10% of their total annual salary (12 x monthly salary), excluding bonuses, every year. The company has an agreement with a pension insurance company on said supplementary pension rights. The supplementary pension program for senior management was closed on 23 November 2017. Members of other management appointed after the aforementioned date will no longer have the right to a supplementary pension as part of their contract terms.

Terms and compensation for termination of employment

The contractual period of notice of the Group's CEO is six months. In the event that the contract is terminated by the company, the CEO shall have the right to a lump sum compensation for termination, corresponding to the CEO's total salary for six months.

If the CEO resigns, the period of notice is six months. Irrespective of the aforementioned provisions, the CEO's contract shall be terminated without separate notice at the end of the month in which the CEO reaches the lower limit for old-age pension stipulated by the Employees' Pensions Act. The lower limit of the old-age pension is defined in the minimum age limit for old-age pension is

determined in accordance with the Pensions Act in force at any given time. The period of notice for the other members of the Group Management Team is three months or in the Netherlands according to local legislation, equaling to four months. In the event that their contract is terminated by the company, the members of the Group Management Team shall have the right to a lump sum compensation for termination, corresponding to their total salary for three months or four months in Netherlands. For contracts that entered into effect in Neova Oy before 2013, the compensation for termination of members of the Group Management Team corresponds to nine months' total salary.

Options and other share-based incentive schemes

The company does not have option plans or other share-based incentive schemes.

Compensation of CEO in 2023

The Board of Directors of Neova Oy appointed Pekka Tennilä as the new CEO as of 4.12.2023. Before that, the CEO was Vesa Tempakka until 3.12.2023. Vesa Tempakka's CEO contract expires on 30.5.2024, until which time he will be paid a fixed monthly salary including fringe benefits. In addition, he will be paid severance pay equal to 6 months' salary at the end of his executive contract.

Vesa Tempakka was paid a fixed monthly salary of EUR 33,000 including fringe benefits. Pekka Tennilä's fixed monthly salary is EUR 27,500 including fringe benefits.

The contract includes a short-term incentive bonus, which may not exceed 40% of the annual salary, linked to annual targets set by the Board of Directors. In 2023 CEO received short term incentive payment equaling to 36% of full year's fixed annual salary based on the previous financial year's achievement.

The CEO may furthermore receive an incentive bonus for reaching long-term targets. The bonus is based on a seven-year plan for the years 2019-2025, which consists of six (6) two-year earnings periods. The Board of Directors decides on the earnings criteria and targets for each earnings period. In 2023 CEO received long term incentive payment from the 2021-2022 earnings period equaling to 31% payout of the fixed annual salary to CEO.

In addition to normal short term and long-term incentive plans, in FY2022 Neova Board of Directors decided to establish a supplementary short term incentive target for the CEO due to unpredictable business situation in energy fuel business due to the sanctions against Russia relating to the war in Ukraine. For this supplementary incentive, the target level was 10% and maximum level 20% of annual salary. The board noted, however, that the total outcome of all incentive plans cannot exceed 80%. The outcome of the supplementary incentive was 20%. Due to short- and long-term incentives together with the additional incentive exceeding the previously mentioned maximum limit of 80%, the achievement being 87%, the payout was cut down from to meet the maximum level.

Vesa Tempakka has as CEO been entitled to statutory pension benefits as well as a defined contribution group pension scheme for senior management. The amount paid into the defined contribution pension plan corresponded to 10% of total pay (12 x monthly salary) excluding bonuses. The mentioned supplementary pension plan was closed on 23.11.2017, due to which the current CEO is not included in the plan.

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

CEO Salary and payments 2022-2023 – Vesa Tempakka ja Pekka Tennilä

	FY2023 (1.1.-31.12.)	FY2022 (1.1.-31.12.)
Monetary salary	402,500.64	370,868.68
Fringe benefits	17,715.19	19,131.32
Total fixed salary	420,215.83	390,000.00
Short-term incentive (STI)	197,604.00*	114,480.00
Long-term incentive (LTI)	119,196.00	18,900.00
Total	737,015.83	523,380.00

*Includes both short term incentive (STI) and supplementary incentive