

A large white wind turbine stands prominently in the foreground on a rocky, moss-covered hill. In the background, several other wind turbines are visible on a ridge under a bright blue sky with scattered white clouds. The terrain is rugged with patches of green vegetation and grey rocks.

NEO
Industrial

**GREEN BOND
INVESTOR LETTER
REGARDING YEAR
2019**

MARCH 2020

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BUILDING A SUSTAINABLE FUTURE FOR MODERN SOCIETY

1. Executive summary

Neo Industrial is the first public listed company in Finland in the electrical industrial sector who has issued a Green Bond to improve sustainability in its operations. Through the issuance of the Green Bond, Neo Industrial continues to provide best-in-class quality products but also to improve its operations to be more environmentally friendly. In October 2019, we published our 'Green bond framework'.

With our allocations of green bond proceeds, we will progress towards the **UN Sustainable Development Goals**

The Bonds are guaranteed by subsidiary Reka Cables Ltd.

The net proceeds of the bonds will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes. Part of the Bonds can be used for refinancing as described in the contract terms.

Neo Industrial's Green bond is listed in Luxembourg's stock exchange, ISIN XS2083219191.



ALLOCATED PROCEEDS

2. Allocated proceeds

The net proceeds of the bonds will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes. Part of the Bonds can be used for refinancing as described in the contract terms.

The Green Bond issued by Neo intend to exclusively finance and/or refinance, in whole or in part, eligible capital expenditures (hereafter "CAPEX") and research and development (hereafter "R&D") expenditures related to the following categories of expenditures (hereafter "Eligible Categories"):

- (i) the enhancement of the environmental credentials of Reka's portfolios of products
- (ii) the improvement of Reka's environmental performance in respect to its production facilities and processes

The CAPEX and R&D expenditures that form part of the Eligible Categories are referred to as "Eligible Expenditures", following the below-stated "Eligibility Criteria":

Eligibility Criteria

- (i) the enhancement of the environmental credentials of Reka's portfolios of products
- Investments to foster the environmental qualities of Reka's products.

These enhancements include the following:

- Rendering products fully recyclable ;
- Improving the durability of the products, and ;
- Making products more adapted to accommodating renewable energy.

These enhancements correspond respectively to the following GBPs categories:

- Circular Economy Adapted Products ;
- Pollution Prevention and Control, and ;
- Renewable Energy.

The categorization of Reka's portfolios of products according to the environmental benefits they already possess and the intended improvements for each of the portfolios is provided in the Green Bond Framework.





The type of expenditures include CAPEX and R&D expenditures since 2017.

Any expenses related to products specifically geared towards accommodating fossil fuel energy are excluded.

(ii) improvement of Reka's environmental performance in respect to its production facilities and processes

Expenditures in:

- Energy Efficiency: expenditures related to energy efficiency upgrades such as heating, ventilation and air conditioning system upgrades, and lighting retrofits ;
- Eco-Efficient and/or Circular Economy Adapted Products and Processes: expenditures related to efficient production technologies and processes ;
- Pollution Prevention and Control: expenditures related to the enhancement of recycling, material recovery and reuse.

The type of expenditures include CAPEX since 2017.

2.1 Total amount allocated by bond

Funding of the bond took place in December 2019. Due to the holiday season and timetable, the first allocations of proceeds to capex and opex (R&D) operations are made during 2020.

EUR 1,162,866.19 of the Bond was used for refinancing by the end of 2019.

2.2 Bond allocations by project / project group

When proceeds are allocated to the Capex and Opex (R&D) activities, these will be reported based on allocation group above.

3. Progress of targets

When proceeds are allocated and the output can be measured, the progress of targets is reported.

GREEN FINANCING GOVERNANCE

4. Green financing governance

4.1 Process for Project Evaluation and Selection

Expenditures financed and/or refinanced through the Green Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria set in the Framework's Use of Proceeds section.

Expenditures are evaluated by Neo's Green Bond Committee, comprised of the Chief Financial Officer and members of the following departments: Corporate Social Responsibility, Finance and Project Management.

The Chief Financial Officer, who will chair the Green Bond Committee, is ultimately responsible for the Green Bond proceeds allocation decision.

Green Bond Committee has evaluation and selection meeting as often as needed.

4.2 Process for proceed allocations and output of projects reporting

Project Management is preparing yearly reporting regarding status of projects and their outputs. Reporting is handled and yearly allocation confirmed by the Green Bond Committee. The approved reporting and confirmed allocations is included to the Green Bond Investor Letter.

4.3 Assurance report of the independent Auditor

Neo Industrial engaged KPMG Oy Ab to perform an independent limited assurance on its Green Bond Investor Letter. The scope of this limited assurance was the total amount used for re-financing and allocated by the bond. Please see Appendix 1 for the limited assurance report.



5. Appendix I

Assurance report of the independent auditor



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Independent Assurance Report to the Management of Neo Industrial Oyj

Introduction

We have been engaged by the Management of Neo Industrial Oyj (here after “Neo Industrial”) to provide limited assurance on the total amount used for re-financing and allocated by the bond reported in Neo Industrial’s Green Bond Investor Letter 2019, dated March 2020 (hereafter “Investor Letter”).

Management’s responsibilities

The Management of Neo Industrial is responsible for the preparation and presentation of the Investor Letter in accordance with the applicable criteria, namely New Industrial’s Green Bond Framework. The Management of Neo Industrial is also responsible for producing an Investor Letter that is free from material misstatement.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. The scope of our assignment is the total amount used for re-financing and allocated by the bond. Our assignment is limited to the historical information presented in the Investor Report and does not encompass earlier periods or future-oriented tasks. We conducted our assurance engagement on the Investor Letter in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. The Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Investor Letter is free from material misstatement, whether due to fraud or error.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our assurance is based on the criteria defined above, determined by the management of Neo Industrial. Further, we believe that the evidence we have obtained during the assurance engagement is suitable for providing us the basis for our conclusion.



The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the criteria, namely Neo Industrial's Green Bond Framework.

Helsinki, 31 March 2020

KPMG OY AB

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