Remuneration Policy

Introduction

The Remuneration Policy defines the framework and principles for the remuneration of the Board of Directors and the Chief Executive Officer (CEO) of Purmo Group Plc (“**Purmo Group**”).

The Remuneration Committee has been in charge of preparing and proposing this Policy to the Board. The Policy has been approved by the Board on 25th of March for presentation and adoption at the AGM on 25 April 2022. The resolution of the AGM on the Remuneration Policy is advisory.

The previous Remuneration Policy of the Company was prepared for the purposes of Virala Acquisition Company’s (“**VAC**”) operations as a special purpose acquisition company and with the company’s CEO working for the company based on a service agreement. After the completion of the merger between VAC and Purmo Group Ltd, the combined company’s, Purmo Group Plc’s, Board of Directors considers that it is necessary to present a new Remuneration Policy at the General Meeting following the merger.

The Remuneration Policy shall be applied until the Annual General Meeting to be held in 2026, unless the Board decides to bring it for an advisory decision by the General Meeting earlier. Advisory decision is always required in case essential changes are made to the Remuneration Policy.

Guiding Principles

The Remuneration Policy supports the Company’s long term success by determining a remuneration framework that ensures a successful implementation of the Company’s business strategy and promotes the Company’s performance and shareholder value creation in the long term. The Guiding Principles of Purmo Group’s remuneration and the Remuneration Policy are to:

- Drive performance in order to succeed in the delivery of the long term strategic goals of the company
- Define clear key performance indicators linked to strategy execution
- Attract and retain top talent
- Enhance employee engagement through clarity and understanding

As a result of effectively applying the guiding principles, Purmo Group will be able to demonstrate that:

- Total remuneration opportunity shall be sufficiently competitive in relation to typical market level in relevant peer companies.
- The remuneration promotes the Company's long term performance and shareholder value creation, as well as operational and financial performance over short and long term.
- In general, similar guiding principles as are applied to employees are also applied to the CEO but given the CEO's specific role, as well as the demands and the responsibilities related to it, the CEO remuneration includes components that differ from those of other Company employees. The proportion of variable incentive is higher for the CEO than is the case for other Company employees, most specifically the Long Term Incentive programme.

The Decision-Making Process

Decision-Making on the Remuneration Policy

The Remuneration Committee acts as part of Purmo Group's governance model, preparing decisions for the Board. The composition and duties of the Remuneration Committee have been described in detail in the Charter of the Remuneration Committee.

The Board approves the Remuneration Policy to be presented for an advisory decision by the Company's shareholders in the General Meeting. In the preparation of the Remuneration Policy, the Board has considered the recommendations on the Finnish Corporate Governance Code 2020 as well as the provisions to the Finnish Securities Market Act and Limited Liability Companies Act.

The Board monitors and evaluates the Remuneration Policy continuously in order to ensure alignment with the Company's business strategy and performance philosophy. In addition, the Board takes into account the advisory decisions of the General Meeting and comments by shareholders regarding the Remuneration Policy.

The Board shall draw up proposal for new Remuneration Policy when there is a need for substantial changes to this Remuneration Policy, however at least every four years.

Decision-Making on the Remuneration of the Board of Directors

The General Meeting decides on the remuneration payable to the members of the Board. The Shareholders' Nomination Board prepares the proposal to the General Meeting relating to the remuneration of members of the Board and Board committees in accordance with the Remuneration Policy.

In order to safeguard the Board Members' independence in the performance of their duties, the Board Members do not participate in the same incentive schemes as the executive management and other personnel of the Company.

Decision-Making on the Remuneration of the CEO

The Board appoints the CEO and approves his/her remuneration. The Board's Remuneration Committee prepares remuneration related matters and proposals for the Board. The Board continuously evaluates the appropriateness of the CEO's remuneration framework and principles in order to ensure alignment with the Company's strategy, business needs and shareholder interests.

When the Board considers and approves remuneration-related matters, the CEO shall not be present, insofar as he or she is subject to such matters. In addition, the CEO or any other executive director may not be a member of the Remuneration Committee.

The General Meeting may resolve to grant authorisations to the Board of Directors to be used for the Company's incentive schemes or other purposes based on proposals prepared by the Board.

Principles for the Remuneration of the Board of Directors

The General Meeting determines the remuneration of the Board. The Shareholders' Nomination Board prepares the proposal for the General Meeting. The basis for determination of the Board remuneration is to ensure that remuneration reflects the competencies and efforts required from the members of the Board in order to fulfil their duties.

In order to promote the Board's shareholding in the Company, the General Meeting may decide to pay a part of the Board remuneration in Company shares.

Principles for Remuneration of the CEO

The Company's CEO serves on the basis of a Chief Executive Officer's Agreement with Purmo Group plc. There is no contractual obligation to increase the remuneration of the CEO. Any decision to adapt or increase the CEO's remuneration structure may be taken based upon, but not limited to, a change in CEO duties, performance, a significant acquisition target that could alter the scope of the CEO's responsibilities, inflationary data and benchmarking of market remuneration for a similar role in a comparable geographical area. In such a case, the Remuneration Committee shall draw up a proposal for the Board determining the grounds to adapt the various remuneration components.

The remuneration of the CEO is based upon the total remuneration including fixed base salary, variable performance-based incentives (short term incentives and long term incentives), and other benefits as described in the table below.

Remuneration Element	Definition	Purpose	Application
Fixed	Base salary	To provide competitive pay to attract and retain individuals with the required level of competence, skill and experience.	There is no contractual right to increase base salary annually. Factors such as a change in duties, performance, significant acquisitions, inflationary data, and benchmarking of market rates may be taken into account in any change of the fixed remuneration.
	Short Term Incentive	The purpose of the Short Term Incentive is to incentivise and reward based on clearly defined and measurable financial targets, aligned to the business strategy.	The short term incentive plan is subject to annual approval of the Board and paid via normal payroll, once per year. The STI performance measures promote the Company's long term value creation, financial growth and sustainability agenda by rewarding performance in the short term without encouraging actions that could impact the longer term stability, performance and reputation of the business. The short-term incentive achievement is based on performance against the set targets. The performance measures may include both financial and non-financial operational metrics. The

Variable			Board evaluates the performance following the end of performance period. The proportion of the CEO's variable pay based on STI may have a significant weight in the total compensations of the CEO if the set performance targets are achieved. The maximum earning opportunity of the annual bonus may be set at no more than 80% of the CEO's annual base salary.
	Long Term Incentive	The purpose of the Long Term Incentive is to incentivise and reward the delivery of sustainable long term performance and shareholder value. LTI aligns interests of the participants with those of shareholders and long term strategy of the Company.	The CEO's Long Term Incentive normally consists of share-based long term incentive plans. The LTI performance measures promote the Company's long term value creation, financial growth and sustainability agenda by rewarding performance in the long term without encouraging actions that could impact the longer term stability, performance and reputation of the business. The CEO may have long term incentive plans, which reward for the Company's performance, and/or are used in order to encourage to invest in Company shares, and/or for retention purposes. Performance measures and targets are set by the Board for each commencing plan. The LTI performance measures may include both financial and non-financial operational metrics. Performance measures may relate to, for example, the Group's long term financial targets, strategic plans, relative or absolute shareholder return, earnings per share or share price development. The length of the performance periods will be set by the Board and are typically 3-4 years in duration. The Board evaluates the performance following the end of performance period. The annualised fair value of the earning opportunity, calculated based on the share price at the beginning of the plan, may not exceed 150% of annual base salary. In case of excellent performance at the set performance measures and an excellent share price development, the amount to be earned may have significant weight in the total compensation of the CEO. The Board may set a shareholding quideline or obligation to any share-based rewards, in order to encourage the CEO to accumulate shareholding in the Company.

Other	Other benefits, pensions, car allowance, medical, disability and life assurance	To provide competitive benefits in line with local practice, based around health and wellbeing.	Either individually applied or incorporated into prevailing group schemes that may be defined as a taxable benefit in accordance with the applicable tax jurisdiction.

Term of Notice, Severance Pay and Supplementary Pension

In the event of a termination of service, any payable compensation and notice period is determined in line with local legislation and contractual obligation outlined in the CEO's Agreement. The Board may exercise its discretion in leaver situations, as to the whether STI and/or LTI rewards for ongoing plans shall be paid (in full or partly) to the CEO during the year of departure or later. In addition, the Board may set conditions for reward pay-out. The CEO's Agreement is usually valid until further notice with the notice period and severance pay restricted to 24 month's salary.

The Board of Directors shall review supplementary pension provision in relation to the local market, pension legislation, individual circumstances and the individual's total remuneration. Pension is not directly linked to company or individual performance, however the financial value of the contribution will appreciate with base salary increases subject to statutory caps in contribution level.

Discretion and possible clawback of remuneration

STI and LTI schemes are discretionary, and the Company has the right to amend and terminate incentive schemes at its sole discretion and is under no obligation to make a subsequent incentive payment in future. In such an instance, full rationale for an amendment to a scheme or payment format shall be provided and outlined to the CEO.

The terms of the LTI scheme include the Company's right to cancel or restate any paid or due variable remuneration in certain exceptional circumstances. including violations of law or other legal obligation or breach of the Company's Code of Conduct or other policies. In addition, the Company has the right to cancel or restate any paid or due variable remuneration in case of erroneous or incorrect calculations.

Exceptional Circumstances

It is beneficial for the Board to be able to react to an unforeseen situation by temporarily deviating from certain principles defined in the Remuneration Policy. Thus, the Board may, after a careful consideration, deviate from the Remuneration Policy in the following situations:

- Appointment of a new CEO,
- Significant merger, acquisition, demerger or another corporate restructuring event,
- Significant change in the Company's strategy,
- Immediate retention needs arising from external factors,
- Changes in legislation, regulation, taxation or equivalent,
- In other exceptional circumstances in order to secure the long term interests of the Company.

Changes may apply to remuneration components, key terms applicable to the CEO's agreement and incentive plan structures, instruments and mechanisms, as well as incentive plan time spans, metrics and earning opportunities, as seen compulsory in order to ensure the development of the Company's long term shareholder value.

Any temporary deviation from the Remuneration Policy must be communicated transparently to shareholders at the latest in the Remuneration Report of the year in which the deviation need occurred. If deviating from the Remuneration Policy is assessed to have continued to the point that it cannot be deemed temporary, an updated Remuneration Policy shall be presented for an advisory decision by the General Meeting.