

Corporate Governance Statement 2021

This Corporate Governance Statement of Purmo Group Plc (*"Purmo Group"* or the *"Company"*, and together with its subsidiaries, the *"Group"*) is issued for the financial year 2021. The duties and responsibilities of Purmo Group governing bodies are determined by Finnish law as well as Purmo Group's Articles of Association approved by the General Meeting of Shareholders and Purmo Group's Corporate Governance Principles approved by Purmo Group's Board of Directors.

Purmo Group is listed on the Official List of Nasdaq Helsinki Ltd. The Company is the parent company of the Group and registered in Helsinki, Finland as a public limited liability company operating under Finnish law. Purmo Group's corporate headquarters are located in Helsinki, Finland.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2020 (the "Governance Code"). This statement is presented as a separate report from the Board of Directors' Report. The Audit Committee of Purmo Group's Board of Directors has reviewed this Corporate Governance Statement. Purmo Group complies with all recommendations of the Governance Code.

The Governance Code is available on the website of the Securities Market Association's website at www.cgfinland.fi.

The merger between Virala Acquisition Company Plc (*"VAC"*) and Purmo Group Ltd, announced on 8 September 2021, was completed on 31 December 2021, whereby all assets, rights and liabilities of Purmo Group Ltd were transferred without a liquidation procedure to VAC (the *"Merger"*). The completion of the Merger resulted in the combined company Purmo Group Plc.

Sections 1–5 of this statement contain a description of Purmo Group's corporate governance as in force from the completion of the Merger whereas Section 6 of this statement describes an external audit during

the financial year 2021 and Section 7 contains information concerning the financial year 2021 before the Merger.

1 Governing Bodies

The General Meeting of Shareholders, the Board of Directors and the Chief Executive Officer (the **"CEO"**) are responsible for the management, control and supervision of the Company, and their duties are primarily determined in accordance with the Finnish Companies Act. The management and governance of the Company are also based on decisions made by the General Meeting of Shareholders and the Company.

1.1 General Meeting of Shareholders

The General Meeting of Shareholders is the ultimate decision-making authority of the Company. At the General Meeting of Shareholders, shareholders exercise their decision-making power. The matters to be dealt with in the General Meeting of Shareholders are defined in the Finnish Companies Act and Purmo Group's Articles of Association. The Annual General Meeting is convened by the Board of Directors annually within six months from the end of the previous financial year. An Extraordinary Meeting of Shareholders may be convened if the Board of Directors deems it necessary, or if one is legally required.

The Annual General Meeting of Shareholders decides on the distribution of profits, adopts the fi-

nancial statements and discharges the members of the Board of Directors and the CEO from liability. It elects the members of the Board of Directors, as well as decides on their remuneration. The Annual General Meeting also elects the auditor of the Company and decides on its remuneration. The General Meeting of Shareholders adopts the Company's remuneration policy and remuneration report in accordance with the provisions of the Finnish Companies Act. Decisions to amend the Articles of Association are also taken by a General Meeting of Shareholders.

1.2 The Board of Directors

The Board of Directors is responsible for the administration of the Company and the appropriate organisation of its operations. The Board of Directors is also responsible for the appropriate arrangement of the supervision of the Company's accounts and finances. The Board of Directors decides on Company and Group wide significant matters of principal importance. The Board of Directors appoints and dismisses the CEO, supervises his or her actions, and decides on his or her remuneration and other terms and conditions of service. The Board of Directors also makes decisions on the significant matters related to strategy, investments, organisation and financial affairs of the Company.

The Board of Directors will deal with all matters pertaining to its area of responsibility in accordance with Finnish law, the Articles of Association, the Governance

Code, the rules of Nasdaq Helsinki, as amended from time to time, as well as other rules and regulations applicable to publicly listed companies in Finland. The Board of Directors also ensures that good corporate governance is complied with throughout the Group. The Board of Directors has approved the Corporate Governance Principles of the Group.

According to the Company's Articles of Association, the Board of Directors comprises of a minimum of three and a maximum of ten ordinary members. The Annual General Meeting elects the members of the Board of Directors, including the Chairman and the Vice Chairman. The term of the members of the Board of Directors expires at the closing of the Annual General Meeting following the election. The Shareholders' Nomination Board prepares a proposal on the composition of the Board of Directors to the General Meeting for its decision. The biographical details of the members of the Board of Directors are presented on the Company's website at www.purmogroup.com.

The Board of Directors convenes in accordance with a schedule agreed in advance and as otherwise required. The Board of Directors also receives in its meetings current information on the operations, finances and risks of the Group. Board meetings are attended by the CEO, the CFO, and the person acting as secretary to the Board. Other representatives of the Company attend Board meetings at the invitation of the Chairman of the Board of Directors. Minutes are kept of all meetings. An evaluation of the Board of Directors' performance and working methods shall be conducted annually.

The Extraordinary General Meeting of VAC held on 13 December 2021 elected the following seven members to the Board of Directors of Purmo Group for the term commencing as from the completion of the Merger on 31 December 2021:

- Tomas von Rettig, Chairman of the Board, b. 1980, BBA, CEFA, Chairman of the Board of Directors of Rettig Group Ltd and other positions of trust
- Matts Rosenberg, Vice Chairman of the Board, b. 1977, Ph.D. (Econ.), CEO of Rettig Group Ltd
- Alexander Ehrnrooth, member of the Board, b. 1974, M.Sc. (Econ.) and MBA, Kellogg Executive Scholar, President and CEO of Virala Corporation
- Carina Edblad, member of the Board, b. 1963, M.Sc. (Eng.), CEO of Thomas Betong
- Carlo Grossi, member of the Board, b. 1956, Master in Engineering, Advanced Management Program INSEAD, holds several positions of trust
- Jyri Luomakoski, member of the Board, b. 1967, MBA, holds several positions of trust
- Catharina Stackelberg, member of the Board, b. 1970, M. Sc. (Econ.), Executive Chairman of Marketing Clinic Group

The Board of Directors has assessed the independence of the Board members and concluded that all members of the Board of Directors are independent of the Company. Carina Edblad, Carlo Grossi, Jyri Luomakoski and Catharina Stackelberg are also independent of the significant shareholders of the Company. Alexander Ehrnrooth is not independent of a significant shareholder of the Company, Virala Corporation and Tomas von Rettig and Matts Rosenberg are not independent of a significant shareholder of the Company, Rettig Group Ltd.

1.3 Number of Board meetings and attendance rates as of completion of the Merger on 31 December 2021

	Number of meetings	% of meetings
Alexander Ehrnrooth	1/1	100
Tomas von Rettig	1/1	100
Matts Rosenberg	1/1	100
Carina Edblad	1/1	100
Carlo Grossi	1/1	100
Jyri Luomakoski	1/1	100
Catharina Stackelberg	1/1	100

1.4 Diversity of the Board of Directors

In Purmo Group, the election and composition of the Board of Directors is guided by the principle of diversity to ensure that the Company has a skilled, competent, experienced and effective Board. Diversity is an essential quality of a well-functioning Board of Directors. The Board of Directors must at all times be able to react to the requirements of the Company's business and strategic objectives and support and challenge management in a proactive and constructive manner. A diverse composition of the Board of Directors supports and caters to the current and future needs in the successful development of the Company. A diverse composition of the Board of Directors includes complimentary education, competence, personal networks and experience of its members in different professional fields and management of business in different development phases as well as the personal qualities of each Board member, all of which add to the diver-

sity of the Board of Directors. Diversity is also supported by relevant experience in fields and markets that are strategically significant for the Company, now and in the future, by strong and relevant acumen in international environments and businesses, and by a diverse age, term of office and gender distribution.

Both genders shall be represented in the Board of Directors, and the aim of the Company is to maintain a balanced gender distribution. As means to maintain a balanced gender distribution in the Board of Directors, the Shareholders' Nomination Board seeks to include representatives of both genders in the Board candidates search and evaluation process. The status of diversity and progress in achieving the aforesaid objectives will be monitored by the Shareholders' Nomination Board in its assessment discussions and reported in the corporate governance statement.

As from the completion of the Merger on 31 December 2021, the Board of Directors of Purmo Group consists of seven members. The members of the Board of Directors have international work experience in different managerial positions or have worked or are working in the Boards of Directors or in the management of listed or unlisted companies. In terms of gender distribution, the Board of Directors consists of two women and five men and in terms of age, the members of the Board of Directors are between 41 and 66 years of age. The members of the Board represent three different nationalities. All members of the Board hold a university-level degree and one member holds a doctoral degree.

All the current members of the Board of Directors of Purmo Group have served on the Board of Directors as from the completion of the Merger on 31 December 2021, except for Alexander Ehrnrooth, who has served on the Board of Directors of VAC (subsequently Purmo Group Plc) as from 25 May 2021 (Chairman of Board until the completion of the Merger). Purmo Group Plc continued the business operations of Purmo Group Ltd, where Tomas von Rettig (Chairman) and Matts Rosenberg (Vice Chairman) had both served on the Board of Directors since 2016.

1.5 Board Committees

The Board of Directors of Purmo Group has the following three Committees: the Audit Committee, the Remuneration Committee and the Mergers and Acquisition Committee. The Board committees do not have independent decision-making authority in matters within the authority of the Board of Directors, but they assist the Board of Directors by preparing such matters. The Board committees shall regularly report on their work to the Board of Directors. Minutes are kept of Committee meetings. The Board of Directors has approved the charters of the Board committees. In its constitutive meeting, the Board of Directors appoints annually, from among its members, the members and the chairman of the Audit Committee, the Remuneration Committee and the Mergers and Acquisitions Committee.

In addition to the abovementioned committees, the Board of Directors may appoint ad hoc committees for the preparation of specific matters. Such ad hoc committees do not normally have Board-approved charters and the Board of Directors does not release

information on their term, composition, the number of meetings or the members' attendance rates.

1.5.1 Audit Committee

The Audit Committee shall have a minimum of three members. The majority of the Committee members must be independent of the Company, and at least one must be independent of the Company's significant shareholders. The Audit Committee as a whole must have the expertise and experience required for the performance of the duties and responsibilities of the committee.

The primary duties of the Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibilities of the Company's financial reporting process and in monitoring the statutory audit of the Company as well as to assist the Board of Directors in its oversight of matters pertaining to financial reporting, internal control, internal audit, risk management and related party transactions, and by making proposals on such matters to the Board of Directors. The Audit Committee's duties include monitoring the financial affairs and financial reporting of the Company, monitoring the quality and integrity of and reviewing the interim and half-yearly reports and the financial statements, and presenting them to the Board of Directors for approval, and monitoring and reviewing the financial reporting processes. The Audit Committee also assists the Board of Directors by monitoring and evaluating the nature of related party transactions and how agreements and other transactions between the Company and its related parties meet the requirements of ordinary course of business and customary terms. In addition, the duties of the

Audit Committee include preparation of the decision on electing the auditor, the evaluation of the independence of the auditor, particularly the provision of non-audit services to the Company and carrying out other tasks assigned to it by the Board of Directors. The Audit Committee also monitors the efficiency of internal control, internal audit and risk management, and evaluates the auditor's work.

As from the completion of the Merger on 31 December 2021 the members of the Audit Committee are Jyri Luomakoski (Chairman of the Audit Committee), Matts Rosenberg and Alexander Ehrnrooth. The Audit Committee did not convene during 2021 after the completion of the Merger. For information on the number of meetings and attendance rates of the Audit Committee prior to the completion of the Merger, see Section 7.

1.5.2 Remuneration Committee

The Remuneration Committee shall have a minimum of three members. The majority of the Committee members must be independent of the Company. The Company's CEO or any other executive director may not be a member of the Committee. The Committee members shall have the expertise and experience required for the performance of the duties and responsibilities of the Committee.

The Remuneration Committee assists the Board of Directors by preparing the remuneration policy and remuneration report of the Company's governing bodies and by preparing the matters pertaining to the remuneration of the CEO and other members of the Management Team, appointment of the CEO as well as the remuneration principles observed by

the Company. The Remuneration Committee's main duties also include monitoring and evaluating the remuneration of the CEO and other members of the Management Team and ensuring that that the remuneration schemes are appropriate; monitoring the application of the Company's remuneration policy as well as the current remuneration structures and levels in the Company; assisting the Board in connection with major management reorganisations based on preparation and proposals by the CEO; and monitoring the Company's remuneration policies, schemes and plans. The Remuneration Committee shall also review the procedures and development strategies for senior level positions and succession plans for the CEO and other members of the Management Team and report to the Board of Directors on such matters.

The Remuneration Committee of the Board of Directors was established on 31 December 2021, following the completion of the Merger. The members of the Remuneration Committee are Tomas von Rettig (Chairman of the Remuneration Committee), Catharina Stackelberg and Carina Edblad. The Remuneration Committee has not convened during 2021.

1.5.3 Mergers and Acquisitions Committee

The Mergers and Acquisitions Committee shall have a minimum of three members. The Committee members shall have the expertise and experience required for the performance of the Committee duties and responsibilities.

Pursuant to its charter, the Mergers and Acquisitions Committee reviews with management and the Board of Directors the role of M&A within the Company's

overall growth strategy, provides advice to management regarding the Company's various strategic alternatives and funding structures for relevant acquisitions, and reviews material mergers, acquisitions, dispositions or other potential transactions ("**Strategic Transactions**"). The duties of the Merger and Acquisitions Committee also include maintaining familiarity with the status of the Company's acquisition pipeline as a whole; at management's request, providing support and guidance with respect to the presentation of Strategic Transactions to the Board of Directors; assisting management and the Board of Directors with identification of acquisition, strategic investment and divestiture opportunities; ensuring management accountability for Strategic Transactions, and from time to time as appropriate, review with management whether the investment thesis for a specific Strategic Transaction was successfully achieved; overseeing management and the Board of Directors' due diligence process with respect to proposed Strategic Transactions; having full access to corporate development officers and other employees of the Company as necessary to carry out its responsibilities; and reporting the Committee's actions to the Board of Directors on a regular basis, and reporting regularly to the Board of Directors on such issues as the Committee may determine are appropriate.

The Mergers and Acquisitions Committee of the Board of Directors was established on 31 December 2021, following the completion of the Merger. The members of the Mergers and Acquisitions Committee are Matts Rosenberg (Chairman of the Mergers and Acquisitions Committee), Alexander Ehrnrooth and Carlo Grossi. The Merger and Acquisition Committee has not convened during 2021.

1.6 Shareholders' Nomination Board

The Shareholders' Nomination Board (the "Nomination Board") prepares, annually and otherwise when appropriate, proposals concerning the composition, election and the remuneration of the members of the Board of Directors to the following Annual General Meeting. The Nomination Board shall operate until abolished by the decision of the General Meeting of Shareholders of the Company.

Pursuant to the charter of the Nomination Board, the Nomination Board consists of three members nominated by the shareholders. The members shall represent the Company's three largest shareholders who represent the largest number of votes out of all shares in the Company on 30 May each year as determined on the basis of the shareholder register of the Company maintained by Euroclear Finland Oy.

The Extraordinary General Meeting held on 13 December 2021 resolved that a temporary deviation is made from the Charter of the Shareholders' Nomination Board to the effect that, for the purposes of the next Annual General Meeting following the effective date of the Merger on 31 December 2021, the members of the Nomination Board will be based on the three largest shareholders in Purmo Group Plc on the tenth business day following the effective date.

The Chairman of the Board of Directors acts as an expert member in the Nomination Board (the Chairman of the Board of Directors is not an official member of the Nomination Board and does not have any voting right, but he/she has the right to attend the meetings of the Nomination Board and receive the

relevant material for such meetings). The term of the members of the Nomination Board shall end upon the appointment of the following Nomination Board. The members of the Nomination Board shall not be entitled to remuneration from the Company on the basis of their membership unless otherwise decided by the General Meeting of Shareholders.

The main purpose of the Nomination Board is to ensure that the Board of Directors and its members represent a sufficient level of expertise, knowledge and competence for the needs of the Company and have the possibility to devote sufficient amount of time to attending their duties as members of the Board of Directors. The Nomination Board shall pay attention to achieving a good and balanced gender distribution and diversity balance on the Board considering the competence of the Board as a whole. The Nomination Board shall in its work consider the diversity principles of the Company.

The Nomination Board has the power and authority to prepare and to present a proposal to the General Meeting of Shareholders concerning the number of members and composition of the Board of Directors; and the remuneration of the members of the Board of Directors and the Board committees as well as seek prospective successor candidates for the members of the Board of Directors.

The Nomination Board shall submit its proposals to the Board of Directors at the latest on 31 January each year. The Proposals of the Nomination Board will be published through a release by the Company and included in the notice to the General Meeting of Shareholders.

The Company's largest shareholders Rettig Group Ltd., Virala Corporation and Ahlstrom Invest B.V. have each nominated one member to the Nomination Board on 20 January 2022. For information on the number of meetings and attendance rates of the Nomination Committee before the Merger, see Section 7.

1.7 Chief Executive Officer

The Board of Directors of Purmo Group appoints and dismisses the CEO and decides on the financial benefits within the framework of the valid Remuneration Policy presented to the General Meeting of the Shareholders and on other terms and conditions of the CEO's position. The terms and conditions of the CEO's position are specified in a written service contract. The CEO of the Company is responsible for managing, supervising and controlling the business operations of the Company.

The CEO is responsible for the day-to-day executive management of the Company in accordance with the instructions and orders given by the Board of Directors. In addition, the CEO ensures that the accounting practices of the Company comply with Finnish law and that its financial affairs have been arranged in a reliable manner. The duties of the CEO are governed primarily by the Finnish Companies Act. The CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors.

The CEO prepares matters for decision by the Board of Directors, develops the Company in line with the targets approved by the Board of Directors and en-

ensures the proper implementation of the decisions of the Board of Directors. The CEO is also responsible for ensuring that the Company is managed in compliance with applicable laws and regulations. The CEO is not a member of the Board of Directors but attends the meetings of the Board of Directors and has the right to speak at the meetings.

Following the completion of the Merger on 31 December 2021, John Peter Leesi (b. 1961, BBA with advanced studies in international finance) serves as the CEO of Purmo Group.

1.8 Group Management Team

The Company's Board appoints the members of the Management Team. The Management Team comprises the CEO and CFO as well as other members appointed by the Board. The Management Team meets regularly to address matters concerning the entire Group. The Management Team is not a decision-making body of the Company, but it assists the CEO in the implementation of the Group's strategy and in operational management. The Management Team is responsible for managing the Company's core business operations as a whole, which requires planning of various development processes, Group principles and Group practices, as well as monitoring the development of financial matters and Group's business plans. Board members are free to join the meetings of the Management Team in order to ensure a smooth cooperation between the Board of Directors and the Management Team. The Management Team convenes regularly at a schedule agreed in advance and also as required and minutes are kept of all meetings.

As from the completion of the Merger on 31 December 2021, the Management Team of Purmo Group comprises the following members:

- John Peter Leesi, CEO, (b. 1961, BBA with advanced studies in international finance)
- Erik Hedin, Chief Financial Officer, b. 1977, MSc (Ind. Eng.), BSc (Econ.)
- Mike Conlon, Senior Vice President, Indoor Climate Systems, b. 1966, BA (Hons)
- Linda Currie, Chief People Officer, b. 1973, BA (Hons) Business & Human Resource Management, CIPD
- Tomasz Tarabura, Senior Vice President, Radiators Division, b. 1967, M.Sc. (Eng.), postgraduate studies (Marketing)

1.9 Shareholdings of Board of Directors' and Management Team

At the end of 2021, the number of issued shares in Purmo Group was 41,939,748. At the end of 2021, none of the members of the Board of Directors, the CEO, or the members of the Management Team nor their controlled entities had any share-based rights in Purmo Group or its group companies.

The shareholdings of the members of the Board of Directors, the CEO, and the members of the Management Team as well as their controlled entities as at 31 December 2021 are presented in the following table.

Board of Directors' shareholdings

	Class C shares	Class F shares
Tomas von Rettig*	0	0
Matts Rosenberg*	0	0
Alexander Ehrnrooth**	3,776	0
Carina Edblad	0	0
Carlo Grossi	0	0
Jyri Luomakoski	0	0
Catharina Stackelberg	692	0

*Influence in Rettig Group Ltd which holds 28,638,547 class C shares in Purmo Group.

**Influence in Virala Corporation which holds 3,601,198 class C shares and 1,565,217 class F shares in Purmo Group.

Management Team shareholdings

	Class C shares	Class F shares
John Peter Leesi	408,927	0
Erik Hedin	245,356	0
Mike Conlon	31,770	0
Linda Currie	23,582	0
Tomasz Tarabura	31,718	0

2 Control

2.1 Internal Audit

Purmo Group's internal audit assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control. Internal Audit also assists the Board of Directors and senior management of the Company in creating an effective and reliable control environment.

The Chief Audit Executive (or otherwise titled highest level practicing Internal Auditor) will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the CFO. The internal audit report may include management's response and corrective actions taken or to be taken in regard to the specific findings and recommendations. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The audit plan of the internal audit is decided annually by the Audit Committee and approved by the Board of Directors.

2.2 External Audit

Pursuant to the Articles of Association, the Company has one auditor, which shall be an Authorised Public Accountants firm. The auditor is elected annually by the Annual General Meeting for a term that expires at the end of the next Annual General Meeting following the election. The task of the auditor is to audit the consolidated financial statements, the financial statements of the parent company, the accounting of the Group and the parent company and the administration of the parent company. The Company's auditor submits the auditors' report to the shareholders in connection with the annual financial statements, as required by law, and submits regular reports on its findings to the Audit Committee of the Board of Directors.

3 Related Party Transactions

The Board of Directors has defined the principles for monitoring and evaluating related party transactions. The Company evaluates and monitors transactions concluded between the Company and its related parties and ensures that any conflicts of interest are taken into account appropriately in the decision-making process of the Company. The Company keeps a list of parties that are related to the Company.

Purmo Group can conduct with its related parties business transactions that constitute part of Purmo Group's ordinary course of business and are implemented on arm's length terms and abiding Purmo Group's internal decision-making guidelines. The Board of Directors decides, taking into consideration conflict of interest rules, on transactions with related parties that are not part of Purmo Group's ordinary course of business or that are not implemented under arm's length terms.

Purmo Group's Finance organization monitors related party transactions through accounting, Board documentation and other available sources, and regularly conducts inquiries about related party transactions to managers and key management persons. In connection with quarterly reporting, the financial process ensures that related party transactions are properly reported to the related party transaction watch list compiled for financial reporting purposes. The watch list is regularly submitted to the Audit Committee for information.

In principle, all related party transactions must be reported in the notes to the financial statements and material related party transactions also in the interim reports. In addition, the Company publishes such related party transactions to the extent required pursuant to the applicable legislation and the rules of Nasdaq Helsinki.

4 Internal control procedures and main features of risk management systems

4.1 Internal control

Internal control ensures that the Company's business objectives can be achieved. Through efficient control, deviations from objectives can be prevented or detected as early as possible, so that corrective measures can be taken.

The purpose of internal control is to ensure the profitability, efficiency, continuity and freedom from disruptions of operations and that the Group's financial and operating reporting both externally and internally is reliable and compliant, and that internal principles, policies and guidelines are followed. Fur-

ther, internal control ensures compliance with laws and regulations. Internal control measures cover all Group levels and functions. Information systems are of vital importance for effective internal control.

The planning of the control measures begins with the definition of business objectives and the identification and assessment of the risks that threaten the objectives. Control measures are targeted based on risks, and control measures are selected as appropriate so as to keep the risks under control.

The Board of Directors and the CEO are responsible for organising internal control. The CEO sets the ground for the internal control environment ("tone at the top") by providing leadership and direction to the executive management, and by reviewing the way they manage and control the business. The CEO is responsible for managing the business and administration in accordance with the applicable laws and regulations, and the direction of the Board of Directors. The CEO is accountable for establishing sufficient internal control processes in the organisation. The CEO is assisted by the CFO and Purmo Group operative management in these duties. The business functions and the Group finance organisation are responsible for the financial reporting processes. The Audit Committee and the Board of Directors assess the financial reporting processes and monitor the financial situation of the Group. The Audit Committee and the Board review the interim and half-year reports and financial statements before their approval and publication.

4.2 Risk management

The primary objective of risk management in Purmo Group is to support the Company's strategy ex-

ecution, continuity of operations and realisation of business objectives by anticipating any risks involved in the Company's operations and managing them in a proactive manner. Enterprise risk management emphasises the role of corporate culture and is an integrated part of operations, planning, and decision-making in Purmo Group. Risk is defined as an uncertain event, caused by external or internal factors, which may be either a threat or an opportunity. The Board of Directors has approved the Enterprise Risk Management Policy, which defines the framework, processes, governance and responsibilities of risk management in Purmo Group.

The Board of Directors and the Audit Committee monitor and are responsible for ensuring that Purmo Group's risk management process functions are comprehensive. The Board defines the risk appetite and tolerance, according to the current conditions. The Company's operative management is responsible for achieving the set objectives and controlling, managing and mitigating risks that threaten them. The operative management is also responsible for the risk management work, and for ensuring the performance of the risk management process and the availability of sufficient resources. The CFO is responsible for instructions and advice to the operations and functions concerning enterprise risk management, and for monitoring the practical implementation of the process. Risk management assessments are coordinated by the CFO together with Chief Risk Officer, who supports the management, operative business functions and other supportive functions in the risk management work. CFO reports key risks to the Board of Directors on an annual basis. The Board discusses Purmo Group's most significant risks and

uncertainties and reports them to the market annually in the Board's Report. In addition, the Company describes the material short-term risks and uncertainties in half-yearly reports and interim reports. In Purmo Group, the business functions are responsible for risks related to their operations and their identification, assessment and mitigation means. The Company's internal audit is responsible for developing risk-based audit plan and conducting the audit procedures based on the plan. Internal audit reports as an independent function, directly to the Board and Audit Committee.

5 Insider Administration

In its insider administration, the Company follows the Market Abuse Regulation (EU No 596/2014) and the rules of Nasdaq Helsinki complemented by the Company's own Insider Policy. The Company maintains its own insider registers. The Company does not have permanent insiders.

Persons in managerial positions are prohibited to carry out transactions (on their own account or for the account of a third party), directly or indirectly, in the financial instruments of the Company during a closed period of 30 calendar days before the announcement of each of the interim reports or the year-end report (financial statement release). The Company applies the closed of 30 calendar days immediately preceding the announcement of the interim report or financial statement release, as the case may be, and the full day of publication of such report (the "Closed Window"). The prohibition is in force during the Closed Window regardless of whether or not such a person holds any inside information at

that time. A project-specific insider list is maintained when required by law or regulations. Project-specific insiders are prohibited from trading in the Company's financial instruments until the termination of the project.

Persons in managerial positions (and their closely associated persons) are obligated to report transactions in the Company's financial instruments in line with applicable EU and domestic laws and regulations. The members of the Board, the CEO, the CFO and the Vice Presidents of the divisions are the managers of the Company with an obligation to disclose their transactions.

6 External Audit 2021

KPMG Oy Ab, Authorised Public Accountants, is Purmo Group's auditor. Until the completion of the Merger on 31 December 2021, Virpi Halonen, Authorised Public Accountant, acted as the auditor with principal responsibility. As from the completion of the Merger, Kim Järvi, Authorised Public Accountant, acts as the auditor with principal responsibility.

The audit fees paid to the auditor of VAC in 2021 totalled EUR 34 thousand and the audit fees paid to the auditor of Purmo Group Ltd in 2021 totalled EUR 575 thousand. In addition, EUR 371 thousand was paid to KPMG for non-audit services provided to VAC and EUR 349 thousand for non-audit services provided to Purmo Group Ltd.

7 Corporate Governance before the Merger in 2021

7.1 Annual General Meeting

In 2021, the shareholders of VAC (subsequently Purmo Group Plc) made several unanimous resolutions related to the listing and initial public offering of the company. The Annual General Meeting of the Company was held on 26 March 2021 before the Company was listed on Nasdaq Helsinki Ltd.

7.2 Extraordinary General Meeting

The Extraordinary General Meeting of VAC (subsequently Purmo Group Plc) held on 13 December 2021 approved the Merger of VAC and Purmo Group Ltd in accordance with the Merger plan approved by the Board of Directors of VAC and Purmo Group Ltd.

The decisions taken by the Extraordinary General Meeting 2021 are available at investors.purmogroup.com/vac-merger/.

7.3 The Board of Directors

The following four members were elected to the Board of Directors of VAC (subsequently Purmo Group Plc) based on a unanimous resolution of the shareholders made on 25 May 2021 (prior to that the Company had been a shelf company with no operations):

- Alexander Ehrnrooth, Chairman of the Board, b. 1974, M.Sc. (Econ.) and MBA, Kellogg Executive Scholar, President and CEO of Virala Corporation
- Mammu Kaario, Vice Chairman of the Board, b. 1963, Master of Laws, MBA, Board professional
- Jaakko Eskola, member of the Board, b. 1958, M.Sc. (Eng.), Board professional

- Kai Seikku, member of the Board, b. 1965, M.Sc. (Econ.), President and CEO of Okmetic Oy

The term of Jaakko Eskola, Mammu Kaario and Kai Seikku ended on the completion of the Merger on 31 December 2021. The Board of Directors had assessed the independence of the Board members and concluded that Jaakko Eskola, Mammu Kaario and Kai Seikku were independent of the Company and of the significant shareholders of the Company. Alexander Ehrnrooth was not independent of VAC and a significant shareholder of the Company, Virala Corporation.

The Extraordinary General Meeting of VAC held on 13 December 2021 elected the seven members to the Board of Directors of Purmo Group under section 1.2 for the term commencing as from the completion of the Merger on 31 December 2021:

In 2021, the Board of Directors of the Company convened nineteen (19) times prior to the completion of the Merger, with an average attendance rate of 96 percent, and one (1) time following the completion of the Merger, with an attendance rate of 100 percent.

7.4 Audit Committee

The Audit Committee of the Board of Directors was established on 2 June 2021. The members of the Audit Committee were Mammu Kaario (Chairman of the Audit Committee), Jaakko Eskola, and Kai Seikku until the completion of the Merger. In 2021, the Audit Committee convened two (2) times, with an average attendance rate of 67 per cent.

7.5 Number of Board and Committee meetings and attendance rates before the completion of the Merger

	Board of Directors	Audit Committee
Alexander Ehrnrooth (Committee member as of 31 December 2021)	19/19	0/0
Mammu Kaario (Board and Committee member until 31 December 2021)	19/19	2/2
Jaakko Eskola (Board and Committee member until 31 December 2021)	17/19	1/2
Kai Seikku (Board and Committee member until 31 December 2021)	18/19	1/2

7.6 Diversity of the Board of Directors

Prior to the completion of the Merger on 31 December 2021, the Board of Directors of VAC (subsequently Purmo Group Plc) consisted of four members. The members of the Board of Directors had a broad expertise from different fields and business areas and had been executives or non-executive members of the Board of Directors in both listed and unlisted companies. In terms of gender distribution in the Board of Directors prior to the completion of the Merger, the Board of Directors consisted of two women and two men and in terms of age, the members of the Board were between 47 and 63 years of age. All members held university degrees and said degrees covered different areas of study.

7.7 Chief Executive Officer

Johannes Schulman (b. 1970, MSc (Econ.)) served as the CEO of VAC until the completion of the Merger on 31 December 2021.

7.8 Management Team

Prior to the completion of the Merger on 31 December 2021, Johannes Schulman served as the CEO and Mia Alholm served as the CFO of VAC (subsequently Purmo Group Plc).

7.9 Remuneration

The Remuneration Policy of the governing bodies of VAC was adopted by unanimous resolution of shareholders on 13 June 2021. The Remuneration Policy sets the principles for the remuneration of the Board of Directors and the CEO. The Remuneration Policy will be updated as a consequence of the Merger and presented to Purmo Group's Annual General Meeting on 25 April 2022. The Remuneration Report of the governing bodies for the year 2021 is presented by the Board of Directors to the Annual General Meeting 2022.

7.10 Shareholders' Nomination Board

On 10 August 2021, VAC announced that the following members have been appointed to the Shareholders' Nomination Board of the Company:

- Alexander Ehrnrooth, Chief Executive Officer of Virala Corporation and member of the Board of Directors of VAC (subsequently Purmo Group Plc)
- Peter Seligson, Ahlstrom Invest B.V
- Jarkko Takanen, Jussi Capital Oy

The Nomination Board has from among its members elected Alexander Ehrnrooth as its Chairman.

For the purposes of the proposals by the Shareholders' Nomination Board to the Annual General Meeting 2022, new members of the Shareholders'

Nomination Board were elected based on the three largest shareholders in Purmo Group on the tenth business day following the completion of the Merger.

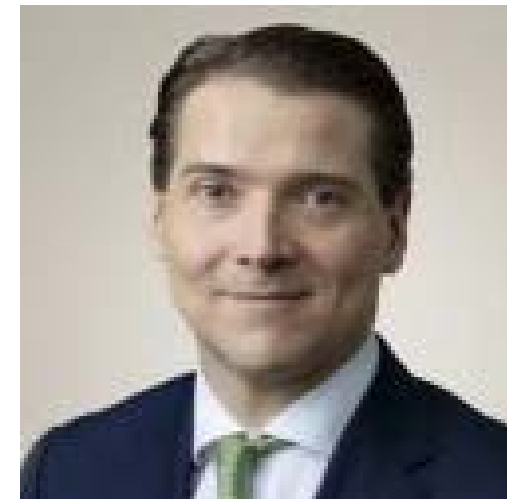
7.11 Number of Nomination Board meetings and attendance rates 2021 before the completion of the Merger

Alexander Ehrnrooth	4/4
Peter Seligson	4/4
Jarkko Takanen	4/4

Board of Directors



Tomas von Rettig
Chairman of the Board of Directors, Chairman of the Remuneration Committee
b. 1980
BBA, CEFA



Matts Rosenberg
Vice Chairman of the Board, Chairman of the M&A Committee, Member of the Audit Committee
b. 1977
Ph.D. (Econ.)
CEO of Rettig Group Ltd



Alexander Ehrnrooth
Member of the Board of Directors, Member of the Audit and M&A Committees
b. 1974
M.Sc. (Econ.), MBA
President and CEO of Virala Corporation



Carina Edblad
Member of the Board of Directors, Member of the Remuneration Committee
b. 1963
M.Sc. (Eng.)
CEO of Thomas Betong



Carlo Grossi
Member of the Board of Directors, Member of the M&A Committee
b. 1956
Master in Engineering, Advanced Management Program INSEAD



Jyri Luomakoski
Member of the Board of Directors, Chairman of the Audit Committee
b. 1967
MBA



Catharina Stackelberg
Member of the Board of Directors, Member of the Remuneration Committee
b. 1970
M. Sc. (Econ.)
Executive Chairman of Marketing Clinic Group

More information on Board members is available at investors.purmogroup.com

Management Team



John Peter Leesi
CEO
b. 1961
BBA with advanced studies in international finance



Erik Hedin
Chief Financial Officer
b. 1977
MSc (Ind. Eng.),
BSc (Econ.)



Linda Currie
Chief People Officer
b. 1973
BA (Hons) Business & Human Resource Management, CIPD



Mike Conlon
Senior Vice President,
Indoor Climate Systems
b. 1966
BA (Hons)



Tomasz Tarabura
Senior Vice President,
Radiators Division
b. 1967
M.Sc. (Eng.),
postgraduate studies (Marketing)

More information on Management Team is available at investors.purmogroup.com

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