

# Purmo Group Remuneration Report 2021

## Letter from the Chairman of the Remuneration Committee

### Dear Shareholder,

On behalf of Purmo Group's Remuneration Committee, I am pleased to present the 2021 Remuneration Report, outlining the Remuneration and benefits of the Board of Directors and CEO of Virala Acquisition Company Plc (currently Purmo Group Plc) and the CEO of Purmo Group Ltd. The Remuneration Report 2021 has been prepared in accordance with the Finnish Corporate Governance Code 2020 and the requirements set forth in the Finnish Limited Liability Companies Act, the Securities Markets Act and the Decree of the Ministry of Finance.

### Our approach to remuneration and our strategy

Our purpose as a Remuneration Committee is to ensure that the remuneration programmes at Purmo Group reflect our established remuneration principles of driving performance to achieve long term strategic goals, to define clear performance indicators linked to strategy execution, to attract and retain top talent and to enhance employee engagement.

A fully aligned remuneration structure will focus and drive the right performance. The Board of Directors set the targets for both short term and long term incentives and the achievement levels are directly linked to key performance indicators, financial and strategic achievement.

### Our Achievements in 2021

In 2021 our employees showed resilience and strength by continuing to perform well against the challenges of a global pandemic. Procedures and normal practices were adapted to ensure that business performance could continue, whilst ensuring the health and safety of our employees was paramount at all times. Local and global monitoring in all countries throughout 2021, demonstrated collaboration and commitment. I would like to thank employees for their significant efforts and hard work during this time and express my sympathy for those more seriously affected by COVID 19.

During 2021, we also took decisive actions and embarked upon and delivered an operational excellence program, aimed at refining processes, consolidating functions, centralising and removing cost from the business and this was delivered and executed at a local level.

In 2021 we also made significant steps forward in our sustainability and wider ESG agenda, under the firm commitment that; indoor climates should not cost the planet's climate. During the year, we developed and strengthened our focus on sustainability by appointing a dedicated Head of Sustainability and CSR to create our strategy and positioning in this area. During 2021 we defined our material ESG issues and delivered an extensive stakeholder engagement program, beyond which key issues were established, roadmaps and targets were set and a governance model was established supported by a robust reporting mechanism.

### Looking to 2022

Sustainability, in the wider definition of environmental, social and governance (ESG), will play an important role in our business moving forward. With that in mind the Remuneration Committee will propose that ESG targets are a part of Purmo Group management short term incentive plan in 2022. We will also design a relevant long term incentive plan to, with the aim of driving performance in order to achieve our longer term strategic goals.

### Tomas von Rettig

Chairman of the Remuneration Committee



# Remuneration Report 2021

## Introduction

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.

The Remuneration Report 2021 describes the implementation of VAC’s Remuneration Policy, which was adopted by an unanimous resolution of the shareholders on 13 June 2021 and prepared for the company’s 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, Purmo Group Plc’s Board of Directors will present a new Remuneration Policy at the Annual General Meeting to be held on 25 April 2022.

Section 1 in this report contain a general description of VAC’s remuneration as in force before the Merger for the financial year 2021. Section 2 of this report contains information concerning Purmo Group Ltd’s remuneration before the Merger for the financial year 2021 and Section 3 the remuneration as in force from the completion of the Merger. As Remuneration Policy 2021 has been applied only to VAC’s (currently Purmo Group Plc) remuner-

ation, Purmo Group Ltd’s remuneration before the Merger has been presented for information purposes only.

The Remuneration Report 2021 follows the Finnish Corporate Governance Code 2020 and the applicable legislation. The actual remuneration paid in 2021 to Board of Directors and CEO of VAC and reported here complies with the framework and principles set forth in the Remuneration Policy 2021. No temporary deviations from the Remuneration Policy were made before the completion of the merger on 31 December 2021 and no remuneration of the Board nor the CEO has been reclaimed or restated during the financial year 2021.

## Remuneration and company performance

The table below presents the development of Purmo Group Ltd’s CEO’s remuneration compared to the development of the average remuneration of Purmo Group Ltd’s employees and Purmo Group Ltd’s financial development during the last three financial years.

	2021	2020	2019
CEO salary and STI, EUR	638,662	711,709 <sup>1</sup>	589,449
Average Purmo Group employee remuneration <sup>2</sup>	38,835 <sup>2</sup>	36,526 <sup>3</sup>	36,655
Average number of personnel	3,360 <sup>2</sup>	3,287	3,297
Net sales, MEUR	843.6	671.2	696.8
Adjusted EBITDA, MEUR	103.9	85.1	65.4

<sup>1</sup> Includes previous CEO salary and bonus until 31 August 2020 and current CEO salary and bonus from 1 July 2020.

<sup>2</sup> Compensation includes all wages and salaries, including short term incentive payments excluding employer costs (social security, pension costs, other benefits) divided by the average number of employees during the year.

<sup>3</sup> Including 185 Evorad employees, employed as a result of the majority acquisition in Russia).

Prior to the measures that led to the listing of VAC in June 2021, the company was a shelf company with no operations or employees.

## Virala Acquisition Company Plc remuneration

### Remuneration of Board of Directors

On 25 May 2021, the shareholders of VAC decided that the members of the Board of Directors are paid an annual fee of EUR 30,000 EUR and the Chairman of the Board EUR 45,000. 40% of the annual fees will be paid in VAC’s shares and 60% in cash. The remuneration for the first term was however paid in cash in its entirety, but the members of the Board of Directors each individually subscribed for Class C shares

in an amount that corresponds to 40% of the annual remuneration of the member of the Board of Directors in question.

## VAC Board remuneration from 25 May to 31 December 2021

EUR	Cash reward
Alexander Ehrnrooth, Chairman	45,000
Mammu Kaario, Vice Chairman	30,000
Jaakko Eskola	30,000
Kai Seikku	30,000
<b>Total</b>	<b>135,000</b>

## Remuneration of the CEO

VAC’s CEO Johannes Schulman has been working in the position under a service agreement which VAC entered into with Virala Corporation on 2 June 2021. Based on the service agreement, Virala Corporation has been entitled to receive a monthly consideration of EUR 7,500 (VAT 0 per cent) for the provided CEO services. The CEO has not been entitled to any severance pay or incentives. In addition, there has not been any additional pension plans in place for the CEO and he has not received any other benefits after the termination of the service agreement. The service agreement was terminated on 31 December 2021, which was the completion date of the Merger.

## Purmo Group Ltd remuneration

The guiding principles of Purmo Group's remuneration programme is 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

### Remuneration of the CEO of Purmo Group Ltd

The CEO's actual paid remuneration is well aligned to the company's performance development for 2021. The CEO is entitled to participate in incentive schemes in a manner determined by the Board and in accordance with the terms and conditions of the company's incentive schemes.

#### CEO's Short Term Incentive Programme 2020. Paid in 2021 (applicable to 2020 performance)

- In 2020 the amount of the annual short term incentive plan was a maximum 60% of the CEO's annual base salary.
- The CEO's short term incentive (paid in March 2021) was based on the achievement of the pre-defined company targets for the financial year January – December 2020.
- For the STI Programme 2020, (paid in March 2021), the CEO's targets were based upon Purmo Group EBITDA, and Free Cash Flow, weighted at 60% and the Board's assessment of overall effectiveness of performance in the first 6 months of his role as CEO, weighted at 40% (the CEO commenced employment in July 2020).

### Remuneration of the CEO of Purmo Group Ltd

EUR	Base salary	Short-term incentive <sup>1</sup>	Benefits	Pension allowance <sup>2</sup>	Total
John Peter Leesi	496,035	139,970	2,702	63,501	702,208

<sup>1</sup> Earned based on performance in the financial year 2020, paid in Q1 2021.

<sup>2</sup> The CEO is normally eligible to become an active member of the company's defined contribution pension scheme. However, the CEO has reached the Life Time Pension Allowance and therefore a supplementary payment equivalent to 15% of the base salary is paid in lieu of a pension contribution. There is no specified retirement date for the CEO.

- The performance targets achieved **95% out of the maximum**, resulting in a STI achievement of 57% of annual base salary, paid on a pro rata basis, based upon duration in role. The financial payment was GBP 116,964 (€139,970) and was paid in March 2021.

#### CEO's Short Term Incentive Programme 2021. Paid in 2022 (applicable to 2021 performance)

- In 2021 the amount of the annual short term incentive plan was a maximum 60% of the CEO's annual base salary.
- The CEO's short term incentive for 2021 (paid in 2022) was based on the achievement of the pre-defined company targets for the financial year January – December 2021.
- For the STI Programme 2020, (paid in 2022), the CEO's targets were based upon Purmo Group Adjusted EBITDA, weighted at 50%, Free Cash Flow, weighted at 10%, and the Achievement of the Operational Excellence Programme, weighted at 40%.
- The performance targets achieved **90% out of the maximum**, resulting in a STI achievement of 54% of annual base salary. The financial payment was GBP 223,832 (€266,593) and was paid in March 2022.

### CEO's Long Term Incentive Programme

- The Board of Directors of Purmo Group adopted a share-based incentive for the CEO in July 2020. Based on the incentive plan and the related directed share issue resolved by the shareholders of Purmo Group in February 2021 the CEO subscribed for in total 11,930 class K1 shares and 100 class P shares in Purmo Group Ltd with a total subscription price of EUR 0.5 million. Equity incentive instruments, i.e. MIP shares (class P shares), included a service condition and the shares were initially meant to vest in tranches from 1 July 2020 to 31 December 2024. However, they were to vest immediately and fully if an exit (including a listing) took place. As a result of the merger 31 December 2021 triggering the exit clause of the incentive plan, the awards vested earlier than initially estimated resulting in all class P shares having vested by end of 2021. In connection with the completion of the merger on 31 December 2021, the shareholders of class K1 and P shares received class C shares in Purmo Group Plc as merger consideration.

The CEO commenced employment with Purmo Group in July 2020.

The CEO's Agreement may be terminated by both parties by giving twelve (12) months' prior written notice to the other.