

ESG questionnaire

February 2023

General Industry

Question: Please list the industry's three biggest sustainability (ESG) related challenges and briefly describe the process for identifying these challenges.

Purmo Group completed a landscape and materiality analysis in 2021 to identify key challenges and lay the foundations for its ESG strategy. The three biggest challenges in heating, ventilation and cooling (HVAC) industry that are related to sustainability were identified:

1. Climate

Climate drives the agenda of every business sector, with global consensus on climate action growing after the 2021 United Nations Climate Change Conference. The built environment is moving towards carbon neutrality, which increases the need for energy-efficient systems running on renewable energy.

We can make a difference in:

- Energy-efficient heat sources
- Shift to hydronic heating
- Low-temperature systems

2. Energy use in households for heating and cooling

Heating and cooling of European households accounts for 17% of the EU's total energy consumption. Consumers are demanding efficient solutions and there is growing pressure for companies to provide solutions that reduce energy use in homes and buildings. Consumers increasingly demand integrated solution control as a part of their more connected lives.

We can make a difference in:

- Control systems for efficiency
- Decision-making moving online
- Growth in alternative sales channels (e.g. online and Do-It-Yourself)
- Training and upskilling the manufacturing workforce

3. Humans relationship to buildings post COVID-19

With the rise of hybrid and home working since COVID-19, people are rethinking, re-evaluating and repurposing their relationships with buildings. Construction of newly built apartment blocks for family residences has been relatively flat since 2018, indicating slower urbanisation. However, the world is still experiencing the largest wave of urban growth in history, and this will benefit the HVAC industry due to the demand for seamless, invisible and energy-efficient heating and cooling.

We can make a difference in:

- Integrated, holistic solutions for new stock
- Multi-stakeholder collaborations for energy-efficient buildings

As a response to these challenges, Purmo Group has identified four focus areas in its Sustainability strategy, 'Complete Care', which are the following:

1. **Production**

We strive to contribute to the goal of the Paris Agreement to limit the rise of global mean temperature to 1.5°C

2. **Solutions**

We will champion climate-friendly heating and cooling solutions

3. **People**

We will nurture and grow a future-fit and diverse workforce that has the skills and commitment to deliver our sustainability goals

4. **Communities**

We will collaborate with external organisations to give greater access to energy-efficient indoor climates for all and enable climate resilience

Question: Does the company have a Science Based Target, report to the CDP or engage in any similar sustainability initiatives?

Purmo Group has committed formally with the Science Based Target initiative to set science-based emission-reductions targets with a commitment to submit these for validation in 2023.

In addition, Purmo Group is a member of the United Nations Global Compact and will report against the ten guiding principles of the UNGC. Purmo Group reports based on GRI framework from 2022

onwards.

Question: Have you conducted any preliminary assessments of your company in relation to the EU Taxonomy? If so, what was the outcome?

Purmo Group reports in line with the EU taxonomy requirements applicable to listed companies as of the beginning of 2022. In 2021 we completed an EU taxonomy eligibility assessment with:

- **86%** of Purmo Group's turnover
- **69%** of capital expenditures
- **93%** of taxonomy specific operating expenditures

identified as EU taxonomy-eligible economic activities.

Taxonomy specific operating expenditure consists of expenses relating directly to maintaining and servicing assets, as well as R&D expenses.

For 2022, Purmo Group carried out an alignment assessment for product groups identified as being eligible in 2021. The outcome of the assessment will be published in conjunction with the Annual Report 2022.

Environment

Question: Please list the firm's three primary risks related to climate change and if any, the firm's climate related opportunities.

Purmo Group considers the following primary risks related to climate change.

Risks

Increased corporate responsibility requirements

Construction industry is becoming more and more aware of the corporate responsibility topics. Our customers and their customers (construction companies) are requiring more actions and reporting on their suppliers.

Increased regulation on energy efficiency

Purmo Group sees increased regulation in the energy efficiency requirements. The companies who are able to deliver products that comply with the highest rating in their category will be the

PURMO

G R O U P

winners. Others will become component suppliers only where the profitability is lower. This risk can be categorised as a climate change transition risk.

Sustainable production methods and processes

Moving to a net-zero future requires focus on our scope 1,2 and 3 Green House Gas emissions. Purmo Group's raw materials include, steel, brass, aluminium, Expanded Polystyrene (EPS) & granulate. These all have significant carbon emissions produced during their manufacturing.

Opportunities

The move to a low carbon future

To sustainably transform the building stock, governments and local authorities increasingly incentivise low-energy systems and well-insulated housing, as well as mandate energy performance requirements for new and renovated buildings. Purmo Group is a leading European supplier of sustainable indoor climate solutions. Our offering is sold primarily to the residential segment. It is available in most of Europe and can be used in both new build and renovation projects. We are well-positioned to benefit from the ongoing megatrends of digitalisation, urbanisation and sustainability.

Our strategy of complete solutions, smart products and growth markets is a solid position for the future. If Europe is to reach its goal of carbon-neutrality by 2050, all new residential buildings must have net-zero emissions, and 75 % of all buildings in Europe require deep renovation as they are not meeting the current and the emerging energy saving standards. Complete solutions will reduce the consumption and emissions of heating buildings. Smart products are more aesthetic and more installable. New and existing systems can be made more efficient and bridge the transition into modern systems such as those driven by heat pumps.

Does the firm anticipate any climate related investments, and if so to what extent?

Purmo Group capital expenditure in 2021 was 69% EU taxonomy eligible.



Question: Circular Economy: how are purchases and waste managed? If the firm rely on any scarce resources, please describe what efforts are made to mitigate the risk of those resources becoming scarcer in the future, e.g. recycling, reusing substitutes or improved resource efficiency?

In 2022 Purmo Group completed a review of circularity in our business, identifying opportunities for improvements. The company aims to incorporate circular design principles in all new products by 2025.

Since our products are made largely from steel, they have great potential to be made more sustainable through recycling and circular processes. Materials such as polymer pipes, however, are much harder to recycle. For instance, our Purmo Group Operations System (PGOS) helps Purmo Group's employees to continually identify ways to use fewer raw materials while still providing great products.

In 2023 we will pilot a rework scheme whereby radiators damaged in transit to our wholesale customers are returned to us and refurbished rather than being scrapped.

Question: Transition related risks (for example changed customer preferences or legislation): Do you anticipate any risks or opportunities due to the transition to a carbon neutral society? Is there any risk of the firm's offer being negatively affected? If yes, how has the firm positioned itself to handle that risk?

Purmo Group's risk-management approach forms a robust and harmonised group-led process, with ESG risks assessed under their own category. The process maps enterprise-level risks annually, guided by our Enterprise Risk Management policy covering all business units. The process is monitored by the Core Leadership Team and reviewed by the Board of Directors to ensure the long-term resilience of the group. The Board is assisted by the Legal and Risk Management functions and the Audit Committee.

PURMO

G R O U P

Purmo Group has identified the following sustainability-related risks in its risk assessment during 2021:

Increased regulation on energy efficiency

We see increased regulation in the energy efficiency requirements. The companies who are able to deliver products that comply with the highest rating in their category will be the winners. Other will become component suppliers only where the profitability is lower.

Purmo Group's complete indoor climate comfort climate solutions will reduce the energy consumption and emissions of heating buildings.

EU carbon tax

EU is investigating the option and model to introduce a carbon tax for items manufactured outside EU. They are doing this in order to protect the industry activity like steel production in EU that is generally lower in carbon emissions. The risk here is the profitability and synergies related to potential investments in investments outside of EU if the assumption is to import goods to EU.

Purmo Group's manufacturing is mostly located in the Europe.

Sustainable product development

Product development is not sustainable and new products are not complying with the sustainability requirements.

Product development of Purmo Group focuses on connecting smart heating and cooling equipment from energy source to thermal emitters into one unified and intelligent system, on minimising input material including product packaging, and on smart design that improve radiator output performance. At the same time Purmo Group continues collaboration with its network in the field of control systems. Purmo Group's Smart Products development focuses on three clear strategic priorities: intelligence, sustainability and aesthetics.

Question: Please disclose your Scope 1, 2 & 3 GHG emissions. If not available, do you have a time plan for when to start reporting?

Purmo Group sustainability reporting currently includes Scope 1 and 2 emissions. Purmo Group reports only steel as a Scope 3 emissions. The company is undertaking a baseline review of our Scope 3 emissions in 2023.

Scope 1 and 2 emissions:

Year	2021	2020	change, %
Scope 1 and 2 GHG emissions, tCO ₂ e (Market based) ¹⁾	86,780	83,260	+4.2
Scope 3 GHG emissions from procured steel, tonnes, CO ₂ e ²⁾ (Market based) ¹⁾	381,166 ³⁾	308,578	+24.5

¹⁾ Market based GHG emissions are based on Purmo Group's procurement mix of electricity and gas in countries with manufacturing operations. Market based data is based on emission factors provided by local energy producers for electricity and gas.

²⁾ 2021 World Steel Association data of 1.89 tonnes, CO₂e embodied carbon produced for every tonne of crude steel cast.

³⁾ Scope 3 GHG emissions from produced steel in 2021 has been adjusted in 2022.

Question: Have you set a target to become carbon neutral? If so, how have you defined carbon neutrality?

Purmo Group announced its alignment with the 'Business Ambition for 1.5°C' campaign which sets science-based emission-reductions targets. It is a response to the Science Based Targets initiative's (SBTi) call for companies to commit to achieving a 1.5°C limit on global warming as well as net-zero emissions by 2050. We intend to establish our Science based targets and submit for validation to the SBTi in 2023.

Question: Please list the firm's (1-2) primary means of making a positive environmental impact or minimising negative environmental impact. Please list the corresponding most relevant UN Sustainable Development Goals. What proportion of sales can be directly linked to selected UN SDGs?

Our strategy of complete solutions and smart products make a positive environmental impact. If Europe is to reach its goal of carbon-neutrality by 2050, all new residential buildings must have net-zero emissions, and 75 % of all buildings in Europe require deep renovation as they are not meeting the current and the emerging energy saving standards. Complete solutions will reduce the consumption and emissions of heating buildings.

Smart products are more aesthetic and more installable. New and existing systems can be made more efficient and bridge the transition into modern systems such as those driven by heat pumps.

In 2021, Purmo Group performed an UN Sustainable Development Goals (SDGs) materiality study to better understand how we could make the biggest contribution by tackling the SDGs most materially relevant to us at Purmo Group. We believe our business, products and solutions, strengthened by our ESG targets, can make a material difference to four of the UN's Sustainable Development Goals, which are:

PURMO

G R O U P

SDG 8: Decent work and economic growth

SDG 11: Make cities and human settlements inclusive, safe, resilient and sustainable

SDG 12: Ensure sustainable consumption and production patterns

SDG 13: Climate action

All our sales contribute to the above mentioned goals.

In December 2022, Purmo Group announced that it has joined the United Nations Global Compact initiative – a voluntary leadership platform for the development, implementation and disclosure of responsible business practices. By joining UN Global Compact, Purmo Group is demonstrating its commitment to taking responsible business action by aligning its strategies and operations with universal principles on human rights, labour, environment and anti-corruption, for a more sustainable future.

Social

Question: Does the firm have a history of accidents? If so, how have these been managed? Are there any preventive measures, such as policies?

The health and safety of our people is our top priority. For example in 2020, we reacted quickly and efficiently to the COVID-19 pandemic by enhancing cleaning procedures, enabling remote working where possible and minimising contact in our operations. Our ongoing commitment is to help employees achieve hybrid working wherever this makes sense.

Much of our work takes place in manufacturing plants where accident risks are higher, and all our operations comply with health and safety legislation at a country level. We have a comprehensive health and safety strategy based on a compliance-first approach to protecting our people.

In 2021, we launched a new health and safety monitoring and reporting system called Airsweb that facilitates effective tracking of safety incidents and observations at group and site level. This system is overseen and supported by our Health and Safety Operations Risk Manager, who assesses progress quarterly, with ongoing evaluation of progress at site level. Our governance processes ensure that we are constantly upskilling our employees to steer us safely through to the next stage of solutions and systems development.

PURMO

G R O U P

We have a groupwide zero-accident target, and safe working practices have been embedded in our sustainability strategy from the beginning. We are tracking lost time and injury frequency rate (LTIFR), which was 4.9 in 2022 (5.2). We will continue to improve our approach.

Question: If applicable, please state your targets for gender and cultural equality and indicate the relative split of men/women at every level of the firm, particularly the Board of Directors and management team.

Purmo Group has the following KPIs for equality and inclusion:

- **Target 13.** Diverse company. Increase the proportion of women groups in senior management positions from 24% in 2021 to 35% by 2023 and to 50% by 2030
- **Target 16.** Inclusive culture. Implement a zero-discrimination culture by 2023

Key indicators for equality

Key performance indicator	Year 2022
Total number of employees in 2022	3,436
Women in senior management (L0, L1, L2) positions	27.27%
Male out of total number of employees	79.28%
Female out of total number of employees	19.41%
Not identified out of total number of employees	0.03%

In 2022, Purmo Group's Board of Directors consisted of two (2) women and five (5) men. There were five (5) individuals with Finnish nationality, one (1) with Swedish nationality and one (1) with Italian nationality. In 2022, Purmo Group's Core Leadership Team consisted of one (1) woman and four (4) men. There were two (2) individuals with Swedish nationality and three (3) with British nationality. In 2022, 27% of senior management roles were filled by women (24% in 2021, 16% 2020)

Question: Does the company conduct any other community engagement activities aside from those directly connected to the business?

Purmo Group conducts a wide range of volunteering activities and has a specific target for this community engagement.

Target 23. Enable climate resilience for all. Devote 25,000 hours of employees time (8 hours / employee / year) to support our local communities in providing heating and cooling solutions by 2025.

PURMO

G R O U P

Question: How often does the firm conduct audits of its suppliers, and how often do you discover incidents not compliant with your code of conduct?

Purmo Group's supplier Code of Conduct was created in 2022. Acceptance of the policy is ongoing via an online platform for the Group's top suppliers.

Governance

Question: Do all staff members receive continuing education on anti-corruption? Is there an external whistle blower function? Are there any ongoing or historical incidents involving corruption, cartels or any other unethical business conduct? Have any preventive measures been taken?

We have a stance of zero tolerance towards bribery and corruption. In 2021, the Board of Directors approved a new groupwide Anti-Corruption and Anti-Bribery policy. This was complemented by a suite of comprehensive policies, including our Code of Conduct. Additional global policies cover topics such as competition law compliance, financial crime risks, whistleblowing and enterprise risk management. We provide comprehensive anti-corruption training for all employees, and staff are given mandatory training on the anti-corruption elements of our Code of Conduct and encouraged to speak up about any concerns.

Question: Please state the firm's business tax residence (i.e. where the firm pays tax) and explain why that specific tax residence was chosen.

Purmo Group's tax residence is Finland. Tax residence has been chosen due to the fact that company is a Finnish Corporation with headquarters in Helsinki, Finland. The company's shares are also listed on Nasdaq Helsinki, Finland. Purmo was established through a merger between Virala Acquisition Company Plc and Purmo Group Ltd.

Question: How many independent members sits on the Board of Directors?

There are four (4) out of seven (7) members who are independent from the Company's shareholders'. All members of the Board are independent from the Company which means that they have no employment or service relationship with Purmo Group.

Question: Please state if and to what extent, the company has transactions with related parties.

The related party transactions are described in the notes of consolidated financial statements. For 2022, see "Related parties" in the Financial Statements Release 2022.

Question: Which KPIs dictate the remuneration to management (are sustainability and diversity goals included)?

Purmo Group's Core Leadership Team has been incentivised by two targets out of the four sustainability-linked targets which are the following:

- Reduction in Green House Gas emissions
- Achievement of Volunteering hours globally
- Improvement in Customer Net Promotor Score based on ESG criteria ⁽¹⁾
- Improvement in Employee Net Promotor Score ⁽²⁾

¹⁾ Question asked: 'How likely is it that you would recommend <Purmo brand> to a friend or colleague?'

²⁾ Question asked: 'Would you recommend Purmo Group as an employer?'

Question: Describe the company's process for monitoring and reporting ESG issues and performance to senior management/the Board. In your response please confirm what KPIs are monitored (if any) and how frequently reporting is undertaken.

Purmo Group's Board of Directors approves the Sustainability Policy and decides on the group level sustainability strategy and target-setting that will guide the annual business planning. They also review Purmo Group's sustainability performance based on **ten commitments** and **24 targets**, and reporting.

Purmo Group's Core Leadership Team (CLT) is responsible for setting the sustainability objectives and proposing Purmo Group's sustainability targets for approval by the Board of Directors. The CLT monitors the sustainability performance based on ten commitments and 24 targets on regular bi-monthly basis.

Purmo Group's Head of Sustainability & Corporate Social Responsibility (CSR), with the support of the ESG Co-ordination Group, is responsible for coordinating and developing sustainability at the Purmo Group level. This includes the Sustainability Policy and related Group-level instructions and manuals. The Head of Sustainability & CSR is also responsible for monitoring the policy implementation and for performance reporting to CLT on a bimonthly basis. Purmo Group's Head of Sustainability & CSR leads sustainability in the development of common goals, targets, instructions, and procedures in the whole company.

Purmo Group's Extended Leadership Team is responsible for defining detailed sustainability targets based on ambition defined by CLT and Head of Sustainability & CSR, develop action plans in accordance with Group-level targets, and ensure inclusion of these in the business goals. The divisions compare their sustainability performance against the targets (monthly/bi-monthly).



Question: Have you signed a Union agreement?

In 2022, 40% of our employees were covered by collective agreements. We value the collaboration with our employees and unions and use an employee representative forum, Euroforum, as one of the regular forums for dialogue. Purmo Group has Union agreements only in the countries where they apply, such as France, Belgium, Germany and most of Nordic countries.