

Jorma Eloranta  
Chair of the Board of Directors  
Uponor Corporation

## Opening words

Dear Uponor shareholders, Ladies and Gentlemen,

My name is Jorma Eloranta and I am Chair of the Board of Uponor Corporation. In that role it is my great pleasure to welcome you all to Uponor's Annual General Meeting.

While opening the meeting, I will also tell you a little about the Board's work this past year. As usual, the next items on the agenda are the CEO's review of last year's business and the CFO's presentation of the 2016 financial statements.

But first, I would like to begin the meeting with a few comments on our performance last year.

On the whole, Uponor achieved satisfactory results in its business operations, regardless of regional and product-specific variations. Net sales improved slightly, mainly due to acquisitions. The reported operating profit for last year was on a par with that of 2015, but the comparable operating profit increased by almost 20 per cent. Return on investment was 14.1 per cent, and without items affecting comparability, 18.3%, which can be regarded as a highly satisfactory figure and a big step towards our long-term goal of twenty per cent. Last year, the total costs of our major transformation programmes, €19.7 million, undermined our operating profit margin by 1.8 percentage points, but our restructuring will strengthen our competitive edge in the future.

Last year's total shareholder return, 24.6%, can also be considered satisfactory, even in comparison with the corresponding figure of other companies listed on Nasdaq Helsinki.

We propose a dividend of 46 cents per share. Like last year, this is around five per cent higher than the year before. When preparing the proposal, the Board took account of Uponor's dividend policy and the company's strong financial position, the outlook in terms of competition and demand, and the company's growth and development targets for the next few years.

As usual, the agenda also includes authorising the Board to decide on the buyback of Uponor shares and on a special issue of shares. The Board does not have a specific plan for exercising these authorisations, but we are seeking authorisation as a precaution.

Before discussing the work of the Board in more detail, I would like to briefly introduce the Board Members, the President and CEO and the company's auditor for 2016. As I did last year, I have asked the Board Members present at the meeting to join me here at the platform.

## Details of the Members of the Board

- Timo Ihamuotila is a Licentiate of financial sciences and, until the end of last year, Executive Vice President and Group Chief Financial Officer of Nokia Plc. This spring, he will move to Switzerland to take on the corresponding position in ABB Group, and he has notified us that, for this reason, he is no longer available for election as a Board member of Uponor. He has served on the Board of Uponor and has acted as Chair of the Audit Committee since 2013. I would like to thank Timo warmly for those years and his valuable contribution to Uponor.
- Markus Lengauer, Master of Engineering, holds a Doctorate in Mechanical Engineering. He is from Austria and has been a Member of Uponor's Board and Audit Committee since the 2015 Annual General Meeting.

- Eva Nygren is an architect and citizen of Sweden who joined the Board in 2011. She is a professional member of the Board in Sweden. Her prior positions include that of managing director in technical consulting firms.
- Annika Paasikivi, Bachelor of Arts and Master of Science in global politics, is Chief Operating Officer of Oras Invest Ltd and CEO of Finow Ltd. Annika was elected as a Member of the Board in the spring of 2014. She is also Deputy Chair of the Board and a Member of the Audit Committee and Personnel and Remuneration Committee.
- Jari Rosendal, Master of Science in Engineering, is President & CEO of Kemira Plc and has been a Member of Uponor's Board and Audit Committee since 2012.
- As for me, I am a Master of Science in Industrial Engineering and Management. I have been a Member of Uponor's Board since 2005 and Chair of the Board and the Personnel and Remuneration Committee from 2014. I have also served as an expert member of the Nomination Board from 2014.

All current Board Members are independent of the company and, with the exception of Annika Paasikivi, of major shareholders. Annika is Chief Operating Officer of Oras Invest Ltd, our major shareholder. In accordance with the Corporate Governance Code, and on the basis of the Audit Committee's presentation and its own unanimous evaluation, the Board has also concluded that I remain independent of the company, despite having served as a Board Member for more than a decade.

#### **Information on the auditor and President and CEO**

- Audit firm Deloitte & Touche Ltd has served as the auditor of Uponor since 2010. Since last year, the principal auditor is Mr. Jukka Vattulainen, Authorised Public Accountant.
- Jyri Luomakoski, Master of Business Administration, has served as President and CEO of Uponor since 2008.

#### **Operations of the Board in 2016**

The duties of Uponor's Board and its committees are detailed in the Corporate Governance Statement published on 13 February 2017. The Board's main duty is to direct the Group's operations in such a way that the yield to shareholders is secured in the long run, while taking the expectations of various stakeholders into account.

In addition to its statutory duties, the Board takes decisions on all other significant issues in the Group. Such decisions are related to strategy, action plans, investments, senior management appointments, remuneration, the organisation and dividend policy, to give a few examples.

The Board's objective was and is to support the management through in-depth discussions, engaging in dialogue to help the management develop the company in line with our long-term objectives.

The committees of the Board are tasked with preparing the matters discussed by the Board and the monitoring their own fields of activity in support of the Board as a whole. All material decisions are made at Board meetings and are frequently based on presentations by the committees.

All materials processed by the committees are made available to Board Members, and they also have open access to all meetings if they so desire. This ensures transparency of information flow and contributes to the efficiency of Board work.

Last year, strategic development was the key item on the Board's agenda, aiming at growth and improving profitability in accordance with Uponor's long-term financial objectives. These strategic measures were primarily as follows: The structural reorganisations to strengthen the competitiveness of Building Solutions - Europe and Uponor Infra, in other words the transformation programmes that I mentioned before; diversification of our product portfolio, both through more intense in-house product development and acquisitions; and monitoring the progress of investments in China and the United States. We have also strengthened our competitiveness through the development of our management, leadership and personnel.

Issues related to the implementation of Uponor's digitalisation strategy were another key theme. The decision to form the joint venture Phyn in collaboration with the American company Belkin International, and the development of Uponor's digital services are also related to this strategy. We prioritise the open-minded and customer-oriented development of Uponor's business, utilising new technological solutions to this effect.

On the basis of the discussion with the Nomination Board, the Board approved the principles on the diversity of the Board in the autumn.

These principles address diversity from various angles. Uponor's Board members shall have sufficient and complementary experience and expertise in the sectors and markets deemed most crucial to Uponor's business. Personal characteristics are another essential element.

Our aim is for the Board to represent a diverse range of industry and market know-how, various professional and educational backgrounds, a wide age range and both genders. With regard to the gender distribution, the aim is that each gender is represented by at least two members.

The diversity principles steer the operations of the Nomination Board among others. When planning the composition of the Board of Directors, the company's Nomination Board evaluates the composition of the Board from the perspective of the company's current and future business needs, taking account of diversity in the composition of the Board. These principles were already applied in the preparation of the proposal for the Board, to be discussed today.

The realisation of diversity principles is monitored and will be reported on in the future in the report on corporate governance.

### **Operational statistics, 2016**

- In 2016, the Board held 9 meetings, of which two were convened at business units and three took place over the telephone. Two partial non-attendances were recorded, which means that the participation percentage was over 96%. In addition, the Board made three decisions without convening for a meeting.
- The Audit Committee met four times and one of those meetings was a telephone conference. One non-attendance was recorded.
- The Personnel and Remuneration Committee met six times and no absences were recorded.
- The Nomination Board, appointed in accordance with the decision of the Annual General Meeting, convened three times in 2016. Chairman of the Nomination Board, Mr Jari Paasikivi, will report on the Board's operations and its proposals.

Last year, as before, the Board evaluated its own operations, the Chairman's operations and the company's CEO by responding anonymously to an extensive series of questions, evaluating the key issues in the work of the Board. In addition to that, at the end of each meeting we evaluate the preparation and progress of the meeting in question, aiming at continuous development. As chairman, I also interviewed each Board member separately and prepared a summary report on the discussions, which alongside the Board's self-assessment report, was submitted to the Nomination Board in support of its work.

To sum up these assessments, I can say that the Board has worked with a good team spirit and according to plan in the best interests of the company and all its shareholders. The Board has also expressed satisfaction in the performance of the Chair of the Board and the CEO.

### **Opening of the meeting**

Dear Uponor shareholders,

I would like to thank you for the trust you have placed in Uponor by investing your funds in its shares. I also thank you for being present at this Annual General Meeting to hear and discuss how the company's Board

and executive committee have performed the tasks entrusted to them and what plans the company has for the future, without forgetting the important decisions that are the remit of the Annual General Meeting.

I note that the Annual General Meeting has been opened, and propose that Mr. Mikko Heinonen, Attorney-at-law, be elected as its Chairman as in the previous year.