

2021 Uponor Remuneration Policy for Governing Bodies

uponor



▶ Introduction

The Remuneration Policy ("Policy") describes Uponor Corporation's ("Uponor") remuneration principles and remuneration for the President and the CEO, Deputy CEO, and the Board of Directors ("Board").

The Personnel and Remuneration Committee of the Board ("Committee") has been in charge of preparing and proposing the Policy to the Board. Based on the proposal and recommendation by the Committee, the Board has approved the Policy. The Policy is amended from the previous Uponor remuneration policy to allow the Board a more flexible selection of long-term incentive plan metrics, including ESG targets. In addition, details regarding long-term incentive plan size and terms of the service contract of the President and CEO and Deputy CEO have been specified. No shareholder statements regarding the previously adopted remuneration policy have been received.

The Policy will be put forward for an advisory shareholder vote at the Annual General Meeting ("AGM") in 2022. The Policy shall be applied until the 2026 AGM, unless the Board determines that it should be brought for approval at an earlier date.

The Policy has been prepared in accordance with the requirements set forth by the amended EU Shareholders' Rights Directive, which has been implemented in Finland mainly into the Limited Liability Companies Act, Securities Markets Act, Decree of the Ministry of Finance, and the Finnish Corporate Governance Code 2020 for listed companies.

The Policy has also been prepared in accordance with Uponor's long-term business objectives for profitable growth and Uponor's guiding principle that remuneration and other terms of employment shall be fair, competitive and performance-based, in order to ensure that Uponor is successful in terms of its long-term business performance and attracts and retains competent employees.

In addition to the guiding principles, the Committee also considers the perspective and input from multiple stakeholders. The Committee regularly consults with the Head of Group HR to be mindful of employee pay and conditions across the broader employee population and engages with shareholders on pay and broader matters to hear their views on Uponor's remuneration policies, programs and associated disclosures and reflects on their feedback.



▶ Description of the decision-making process

The Committee acts as part of Uponor's governance model, preparing proposals for decision for the Board. The composition and duties of the Committee have been described in detail in the Corporate Governance Statement. In order to avoid any conflicts of interest, the Committee shall consist of non-executive members only.

The AGM decides the remuneration of the Board for the next term based on the proposal of the Nomination Board. The composition and duties of the Nomination Board have also been described in detail in the Corporate Governance Statement.

The Board determines the President and CEO's employment terms and conditions and annual remuneration. The proposal for the remuneration is prepared by the Committee. The President and CEO shall not participate in the preparation nor the decision making regarding his/her own remuneration. The Board approves annually the terms and conditions of Uponor's short- and long-term incentive plans.

In order to promote alignment of interests with shareholders and alignment of pay and performance, a part of the President and CEO's and the Deputy CEO's total remuneration may be paid out in Uponor shares or share-linked instruments. The Board decides on such payouts. The issue of shares, stock options or other special rights entitling to shares is decided by the Board authorized by the General Meeting, or the General Meeting in accordance with the applicable laws and regulations

Decision-making process

Nomination Board

Reviews annually the remuneration of the Chair of the Board and members of the Board and prepares a proposal to the Annual General Meeting

Annual General Meeting

Decides on the remuneration of the Board
Authorises the Board to issue shares for remuneration purposes

Personnel and Remuneration Committee

Prepares the policy and the remuneration related matters and proposals for the Board regarding the President and CEO and the Deputy CEO

Board of Directors

Decides the remuneration of the President and CEO, and the Deputy CEO
Approves the ExCom members' annual remuneration
Approves annually the terms and conditions of STI and LTI plans

► Description of the remuneration of the Board of Directors

The remuneration of the Board is designed to attract and retain Board members with relevant skills and experience to oversee the Uponor strategy with emphasis on long-term shareholder value creation.

The Nomination Board annually reviews the remuneration for the Chair and members of the Board and Board committees. Based on this review the Nomination Board prepares its proposal to the AGM and may propose a change in remuneration levels if deemed appropriate. The AGM determines the Board remuneration for the year, and remuneration for the year is disclosed in the Remuneration Report.

Given the nature of the Board duties and responsibilities, the remuneration is not linked to the Uponor performance and, therefore includes fixed remuneration only. Board members are not included in the Uponor's share-based incentive plans.

The Nomination Board proposal for Board remuneration may include among other things the following elements:

- Base fee for Board Chair, Deputy Chair and members and for the Chair and members of Board committees,
- Additional fees for attending Board and committee meetings,
- Reimbursement of any taxable or other expenses incurred in performing their role, as well as any related tax cost on such reimbursement,
- Potential pension contributions,
- Potential social security payments based on local legislation,
- Payment of annual remuneration either in cash, shares or partially in cash or shares, and
- The Nomination Board may also introduce any new component of fees for Board members.



► Description of the remuneration of the President and CEO, Deputy CEO

4.1 The remuneration elements

The remuneration of the President and CEO, and Deputy CEO is based on the total remuneration principle including fixed remuneration such as base pay and benefits, and variable remuneration based on performance such as short- and long-term incentive plans. The remuneration elements are described in the table on the next page. Details of the performance measures are disclosed in the annual Remuneration Report.

The majority of the President and CEO's, and Deputy CEO's remuneration opportunity consists of variable remuneration elements. The long-term incentive based on the performance-related opportunity should form the majority of the granted variable remuneration for the CEO.



Remuneration element	Definition	Purpose	Operation
FIXED	Base salary (fixed salary including taxable benefits such as a company car and phone)	To provide a competitive remuneration to attract and retain individuals with the required level of knowledge, skills and experience to lead Uponor	<p>Base salary is reviewed annually, unless exceptional situation requires other frequency, taking into consideration a variety of factors, including, for example:</p> <ul style="list-style-type: none"> • individual's and Uponor's performance • changes in individual responsibilities • benchmark data • market practice in relevant countries • employee salary increases
VARIABLE	Short-term incentive (STI)	To incentivise and reward performance based on clearly measurable key performance indicators (KPI's) aligned with annual business priorities	The short-term incentive (STI) is based on performance against annual targets and normally paid in cash. Targets are set in the beginning of the year based on Uponor's strategic targets and annual plan. The Board approves annually the terms and conditions of the STI plan. The measurements can be financial or non-financial for President and CEO and the Deputy CEO. The target opportunity range is 30-70% of annual base salary and the maximum opportunity is not more than double the amount payable at the target level.
	Long-term incentive (LTI)	To reward for delivery of sustainable long-term performance and increased shareholder value	The long-term incentive award is made primarily in performance shares and paid for performance against the three-year performance period. If seen imperative in the prevailing situation, the Board may exceptionally award a minor portion of shares only based on continued service in Uponor to enhance retention. The performance measures are based on long-term strategic plans and are approved by the Board. The measurements may include financial, operative, strategic, and/or shareholder value related measures for President and CEO and the Deputy CEO for the performance period. The target opportunity calculated at the share price at grant is not more than 150% of annual base salary and the maximum opportunity calculated at the share price at grant is not more than double the amount at the target level.
OTHER	Other benefits, pension and insurances	To provide competitive benefits and insurance in line with local market practices	<p>The President and CEO and Deputy CEO are entitled to Uponor's prevailing benefits available as part of the same policy that applies to other employees and executives. In addition, the President and CEO may be entitled for complementary benefits. The benefits might vary based on the home country of the President and CEO.</p> <p>The President and CEO, and Deputy CEO may be entitled for a supplementary pension plan additionally/alternatively to the pension system of the home country of the President and CEO.</p> <p>The President and CEO and Deputy CEO may be entitled to insurances for life, permanent disability, accident, business travel, and liability.</p> <p>Further details on pension and benefits are shown in the Remuneration Report.</p>

4.2 LTI specific terms

4.2.1 Share ownership requirement

Uponor believes that it is desirable for its executives to own shares in Uponor to align their interests with those of shareholders and to ensure that their decisions are in the long-term interest of the Uponor.

The President and CEO as well as deputy CEO are required to hold a minimum of 100% of the Net Shares given on the basis of the LTI plan, as long as their shareholding in total corresponds to the value of their annual salary (annual gross fixed salary including fixed benefits and possible holiday allowance) and their employment or service in Uponor continues.

4.2.2 Possible malus and clawback

The Board has the right to reduce incentive plan rewards or postpone payments to a later date that better suits Uponor if changes that are beyond Uponor's control could lead to a harmful or unreasonable outcome for Uponor while applying the plan.

The Board shall have the right to cancel or recollect the reward, partly or fully, if the Uponor Group's financial statements have to be amended and those amendments affect the amount of the reward, the incentive's performance criteria and their performance levels have been manipulated, or in case of any action against law or against the ethical guidance of Uponor or any unethical action affecting the incentive plans, as resolved by the Board in each case.

4.3 Service contracts and termination provisions

The service contract of the President and CEO and the Deputy CEO are made for an indefinite period up until the agreed retirement age. The termination notice period, if any, and a severance payment, if any, are determined by the Board, agreed between Uponor and the President and CEO, and Deputy CEO in their service contracts, and disclosed annually in the remuneration report.

The Board may exercise its discretion in leaver situations, as to whether STI and/or LTI rewards for ongoing plans shall be paid (in full or partly) to the President and CEO or the Deputy CEO during the year of departure or later. In addition, the Board may set conditions for reward payout.



Requirements for temporary deviations from the Remuneration Policy

The Board upon recommendation of the Committee may temporarily deviate from any sections of the Policy based on its full discretion in the circumstances described below:

- Upon change of the President and CEO, and Deputy CEO in accordance with the principles as defined below,
- Upon material changes in Uponor's structure, organisation, ownership and business (for example merger, takeover, demerger, acquisition, etc.), which may require adjustments to STI and LTI plans or other remuneration elements to ensure continuity of management,
- Upon financial circumstances where conservation of cash is required to ensure the sustainability and viability of Uponor, incentive plans may be paid out in shares instead of cash or paid out in instalments or not paid out at all,
- Upon changes in regulation, such as tax regulation, which may have a significant impact on the remuneration and
- Upon immediate retention needs arising from external factors.

According to Uponor's principles the company aims to offer a remuneration package which is sufficient to attract, retain and motivate the individual with the right skills for the required role. When determining remuneration for a new President and CEO or Deputy CEO, the Board upon recommendation of the Committee will consider the requirements of the role, the needs of the business, the relevant skills and experience of the individual and the relevant external market for talent.

Generally, the Board will seek to align the new President and CEO's or Deputy CEO's remuneration package to the Policy. On some occasion, Uponor may offer compensation to buy out awards or other lost remuneration which the candidate held prior to joining Uponor, but which lapsed upon the candidate leaving his/her previous employer. Any such buy-out will be of comparable value to the arrangements forfeited and can be made in cash or shares and may deviate from the existing remuneration components of Uponor. The rationale and detail of any such award will be disclosed in the remuneration report.

Where necessary, additional benefits may also be provided such as, but not limited to, relocation support, expatriate allowance, tax equalisation and other benefits which reflect local market practice and relevant legislation.

Where an individual is appointed to the President and CEO or Deputy CEO as a result of internal promotion or following a corporate transaction (e.g., following an acquisition), the Board retains the ability to honour any legally binding legacy arrangements agreed to prior to the individual's appointment.



Uponor Corporation

Äyritie 20
P.O. Box 37
FI-01511 Vantaa
Finland

Tel. +358 20 129 211
www.uponorgroup.com