

## Remuneration statement 2018

### Letter from the Chair of the Personnel and Remuneration Committee

Dear shareholders,

The year 2018 marked Uponor's 100th anniversary. We held celebrations throughout the year amongst our personnel in all geographies as well as for our key stakeholders and customers. The celebrations have reminded us of a history of significant transformation and allowed us to apply the learnings from the past into building Uponor for the next century.

At the beginning of the year the number of people working at Uponor was 4,075 (FTE) and at year-end 3,928 (FTE). The decrease was mainly driven by the divestments of Infra Canada and Zent-Frenger (total headcount reduction was 242), while new recruitments have continued due to ramp up in Hutchinson and demands on production and sales side.

One of the clear focus areas for the Board of Directors in 2018 was leadership development. During the year, there were two changes in the Executive Committee. Fernando Roses left Uponor in April after having served many years in several roles in sales, marketing and business management. At the end of September, Jan Peter Tewes decided to continue his career outside of Uponor. In September, we appointed Richard Windischhofer as Executive Vice President, Corporate Development and Technology, starting 1 January 2019. In November, Karsten Hoppe was appointed President, Building Solutions Europe and he will join Uponor on 1 February 2019. We are pleased to welcome both to the Uponor Executive Committee.

In 2018, we continued the harmonisation of our people practices across geographies and business segments, with the target to increase efficiency and simplicity. This included further alignment of the Group short-term incentive (STI) plan, which places a stronger focus on rewards in return for achieving the strategic financial targets. The Group STI target setting was simplified by a clear focus in our Key Performance Indicators. The Uponor Sales Incentive plan was implemented in further countries and is now in place throughout most of the sales organisation.

We continued to support the Uponor reward structure with a share-based, long-term incentive (LTI) plan. We introduced our LTI 2018–2020 plan as a continuation of our current rewards offering to a wider group of key leaders.

As we continue our pursuit of increasing value creation, the demand for competence and values-driven behaviour become ever more important. Uponor strives to keep up and develop the kind of company culture, which attracts top leadership talent.

For this remuneration statement, we will continue with the structure we introduced in previous years. The statement includes:

- A letter from the Chair of the Personnel and Remuneration Committee
- A report on Uponor's remuneration practices
- A remuneration report by the Executive Committee and the Board of Directors

At Uponor, we will follow how the amendments to the Shareholders' Rights Directive (2007/36/EC) are implemented in Finland and develop our practices accordingly, foreseeably in 2020. If you have any suggestions on how to further develop this report, please email them to Minna Blomqvist, EVP, HR (minna.blomqvist@uponor.com).

Annika Paasikivi  
Chair of the Personnel and Remuneration Committee

## Report of Uponor remuneration practices

Uponor's remuneration philosophy is based on committing employees to the company's goals and values. Remuneration programmes are designed to motivate all employees to contribute to the success of the company. Their purpose is also to encourage the management to perform well, and to lead the organisation in alignment with the company's strategy and annual business plans. Remuneration is aligned with the company's financial performance, the interests of key stakeholders, and external benchmarks.

Uponor's guiding principle is that remuneration and other terms of employment shall be fair, competitive and performance-based, in order to ensure the company is successful in terms of its business performance and attracts and retains competent employees.

In accordance with local market practices, Uponor's compensation package for senior management includes a base salary and benefits, as well as short and long-term incentive plans. The purpose of these is to reward management for an excellent performance that supports the attainment of Group targets and contributes to achieving the best possible business results, while enabling flexibility based on the company's performance and financial position.

Remuneration for the Executive Committee ("the ExCom") includes:

- base salary
- annual short-term incentive plan (STI)
- long-term incentive plan (LTI)
- pension
- other benefits

The compensation package for the ExCom is designed to support the achievement of Group targets, reinforce performance and align the interests of ExCom members and shareholders. An ExCom member's compensation package is benchmarked annually against the compensation packages of peer companies in their respective countries.

The Personnel and Remuneration Committee acts as part of Uponor's governance model, preparing decisions for the Board. The composition and duties of the Personnel and Remuneration Committee have been described in detail in the Corporate Governance Statement. The Personnel and Remuneration Committee has evaluated the levels and structure of management remuneration.

This remuneration statement has been drawn up in accordance with Remuneration Reporting requirements of the Finnish Corporate Governance Code 2015 issued by the Securities Market Association.

## Decision-making process and main principles of remuneration

### Decision-making process on the remuneration of the President and Chief Executive Officer and other executives

The Board determines the President and CEO's employment terms and conditions and his annual compensation, and approves the ExCom members' annual compensation based on the President and CEO's proposal. The Personnel and Remuneration Committee evaluates and prepares compensation matters for consideration by the Board, and prepares the related proposals for the Board.

### The main principles underlying the remuneration of the President and Chief Executive Officer and other executives

The remuneration system consists of the base salary, benefits and an annually defined short-term incentive plan, as well as a long-term incentive plan.

Group employees are not entitled to a separate fee for membership of boards of Group companies.

## Short-term incentives

Members of the ExCom are included in the company's annual short-term incentive plan (STI). The Board determines the system's financial criteria separately for each year, covering 100% of all targets for the year 2018. In 2018, the target earning opportunity for the President and CEO and ExCom members corresponds to 40% of the annual salary, including benefits.

The outcome of the annual short-term incentive plan is subject to a decision by the Personnel and Remuneration Committee, with the Board making the final decision. The objective of the plan is to reward all participants in line with performance measures based on clearly measurable key performance indicators (KPI's) and to help all participants to focus on these key business priorities. It is recommended that the number of targets be a maximum of three for each individual, in order to ensure a clear focus.

## Long-term incentives

### LTI Plan 2014–2016

In February 2014, the Board of Directors of Uponor Corporation decided to continue implementing the long-term share-based incentive plan established in 2012. The plan covered the years 2014–2016 and complements the existing plans for the years 2012–2014 and 2013–2015. The plan covered a maximum of ten members of the Group's key management. The purpose of the plan was the same as in the LTI 2013–2015 plan.

Each participant in the incentive plan invested in Uponor shares within the pre-determined minimum and maximum limits. The reward under Plan 2014–2016 consisted of the following elements:

- 1) The matching share incentive based on the investment with a three year vesting period: In the spring of 2017, each participant were to receive matching shares corresponding to half of the investment at the time of transfer, less the taxes payable on the awarded shares. The maximum number of shares awarded based on the share investment corresponds to approximately 8,500 shares.
- 2) A performance share plan that depends on the company's performance over a three-year performance period: The share rewards were to be delivered if the performance targets set by the Board of Directors for the performance period were met. The applicable performance targets were the EBITDA-based intrinsic value, calculated based on the development of EBITDA, the development of the Group's net debt and profit distribution, as well as the relative Total Shareholder Return (TSR) during 2014–2016. If all participants fulfilled the investment requirement and if the performance targets set for the performance share plan were attained in full, the maximum number of performance shares to be delivered corresponded to approximately 170,000 shares.

As per the decision of the Board of Directors on 13 February 2017, a total of 11,141 shares based on the LTI plan 2014–2016 were transferred to the participants' book-entry accounts, in connection with which money transfers were made to the tax authorities, corresponding to a value of 11,534 shares as income taxes and asset transfer taxes.

With respect to the 2014–2016 plan, both the matching shares and performance shares were covered by a one year restriction period after the share delivery, during which the delivered shares may not be transferred. The Board anticipates that no new shares will be issued in connection with the new share-based incentive plans and the plans will therefore have no diluting effect.

The plan ended in March 2018 when the final lock up period ended.

### LTI Plan 2015–2017

In December 2014, the Board of Directors of Uponor Corporation approved a new Performance Share Plan to be offered to a maximum of 25 key managers of the Group, including the members of the Executive Committee. The purpose of the plan is the same as in the LTI 2013–2015 plan.

The plan is valid for one performance period at a time, covering the calendar years 2015–2017. A new plan can be launched on the initiative of Board of Directors only. The plan offers participants an opportunity to earn Uponor shares as a reward for achieving performance targets, which the Board has established for the 3-year performance period, based on consolidated three-year cumulative turnover and its three-year EBITDA or EBITDA-based intrinsic value.

The potential reward based on the plan was paid in 2018, partly in company shares and partly in cash. The cash proportion is intended to cover the taxes and tax-related costs which the recipient incurs due to the reward. No reward will be paid if the participant's employment or service ends before the reward payment. Should the performance targets be attained in full, the earned reward will correspond to a maximum total of 350,000 Uponor Corporation shares, including the proportion to be paid in cash.

The reward from the plan was capped if the limits set by the Board of Directors for the share price were reached. The Board recommends that participants continue to hold a considerable portion, a minimum of 50 per cent, of the shares received on the basis of the plan until the value of a participant's shareholding in Uponor reaches the target level set by the Board.

The outcome of the long-term incentive plans will be prepared by the Personnel and Remuneration Committee, with the Board of Directors making the final decision as outlined in the plans.

As per the decision of the Board of Directors on 15 February 2018, a total of 14,365 shares based on the LTI plan 2015–2017 were transferred to the participants' book-entry accounts, in connection with which money transfers were made to the tax authorities, corresponding to a value of 16,503 shares as income taxes and asset transfer taxes.

#### LTI Plan 2016–2018

On 11 December 2015, the Board of Directors of Uponor Corporation approved a new Performance Share Plan to be offered to a maximum of 26 key managers of the Group, including the members of the Executive Committee. The purpose of the new plan is the same as in the LTI 2013–2015 plan.

The plan is valid for one performance period at a time, covering the calendar years 2016–2018. A new plan can be launched on the initiative of Board of Directors only. The plan offers participants an opportunity to earn Uponor shares as a reward for achieving performance targets, which the Board has established for the 3-year performance period, based on consolidated three-year cumulative turnover and its three-year EBITDA or EBITDA-based intrinsic value.

The potential reward based on the plan will be paid in 2019, partly in company shares and partly in cash. The cash proportion is intended to cover the taxes and tax-related costs which the recipient incurs due to the reward. No reward will be paid if the participant's employment or service ends before the reward payment. Should the performance targets be attained in full, the earned reward will correspond to a maximum total of 300,000 Uponor Corporation shares, including the proportion to be paid in cash.

The reward from the plan will be capped if the limits set by the Board of Directors for the share price are reached. The Board recommends that participants continue to hold a considerable portion, a minimum of 50 per cent, of the shares received on the basis of the plan until the value of a participant's shareholding in Uponor reaches the target level set by the Board.

The outcome of the long-term incentive plans will be prepared by the Personnel and Remuneration Committee, with the Board of Directors making the final decision as outlined in the plans.

As per the decision of the Board of Directors on 13 February 2019, a total of 25,229 shares based on the LTI plan 2016–2018 will be transferred to the participants' book-entry accounts, in connection with which money transfers were made to the tax authorities, corresponding to a value of 27,036 shares as income taxes and asset transfer taxes.

#### LTI Plan 2017–2019

On 12 December 2016, the Board of Directors of Uponor Corporation approved a new Performance Share Plan to be offered to a maximum of 29 key managers of the Group, including the members of the Executive Committee. The purpose of the new plan is the same as in the LTI 2013–2015 plan.

The plan is valid for one performance period at a time, covering the calendar years 2017–2019. A new plan can be launched on the initiative of Board of Directors only. The plan offers participants an opportunity to earn Uponor shares as a reward for achieving performance targets, which the Board has established for the 3-year performance period, based on the consolidated three-year cumulative turnover and its three-year EBITDA or EBITDA-based intrinsic value.

The potential reward based on the plan will be paid in 2020, partly in company shares and partly in cash. The cash proportion is intended to cover the taxes and tax-related costs which the recipient incurs due to the reward. No reward will be paid if the participant's employment or service ends before the reward payment. Should the performance targets be attained in full, the earned reward will correspond to a maximum total of 300,000 Uponor Corporation shares, including the proportion to be paid in cash.

The reward from the plan will be capped if the limits set by the Board of Directors for the share price are reached. The Board recommends that participants continue to hold a considerable portion, a minimum of 50 per cent, of the shares received on the basis of the plan until the value of the participant's shareholding in Uponor reaches the target level set by the Board.

The outcome of the long-term incentive plans will be prepared by the Personnel and Remuneration Committee, with the Board of Directors making the final decision as outlined in the plans.

#### LTI Plan 2018–2020

On 13 December 2017, the Board of Directors of Uponor Corporation approved a continuation to the Performance Share Plan to be offered to a maximum of 50 key managers of the Group, including the members of the Executive Committee. The purpose of the new plan the same as in the LTI 2013–2015 plan.

The plan is valid for one performance period at a time, covering the calendar years 2018–2020. The plan offers participants an opportunity to earn Uponor shares as a reward for achieving performance targets, which the Board has established for the 3-year performance period, based on consolidated three-year cumulative Net Sales and three-year EBITDA or EBITDA-based intrinsic value.

The potential reward based on the plan will be paid in 2021, partly in company shares and partly in cash. The cash proportion is intended to cover the taxes and tax-related costs which the recipient incurs due to the reward. No reward will be paid if the participant's employment or service ends before the reward payment. Should the performance targets be attained in full, the earned reward will correspond to a maximum total of 400,000 Uponor Corporation shares, including the proportion to be paid in cash.

The reward from the plan will be capped if the limits set by the Board of Directors for the share price are reached. The Board recommends that participants continue to hold a considerable portion, a minimum of 50 per cent, of the shares received on the basis of the plan until the value of the participant's shareholding in Uponor reaches the target level set by the Board.

The outcome of the long-term incentive plans will be prepared by the Personnel and Remuneration Committee, with the Board of Directors making the final decision as outlined in the plans.

#### LTI Plan 2019–2021

On 19 December 2018, the Board of Directors of Uponor Corporation approved a continuation to the Performance Share Plan to be offered to a maximum of 50 key managers of the Group, including the members of the Executive Committee. The purpose of the new plan the same as in the LTI 2013–2015 plan.

The plan is valid for one performance period at a time, covering the calendar years 2019–2021. The plan offers participants an opportunity to earn Uponor shares as a reward for achieving performance targets, which the Board has established for the 3-year performance period, based on consolidated three-year cumulative Net Sales and three-year EBITDA or EBITDA-based intrinsic value.

The potential reward based on the plan will be paid in 2022, partly in company shares and partly in cash. The cash proportion is intended to cover the taxes and tax-related costs which the recipient incurs due to the reward. No reward will be paid if the participant's employment or service ends before the reward payment. Should the performance targets be attained in full, the earned reward will correspond to a maximum total of 600,000 Uponor Corporation shares, including the proportion to be paid in cash.

The reward from the plan will be capped if the limits set by the Board of Directors for the share price are reached. The Board recommends that participants continue to hold a considerable portion, a minimum of 50 per cent, of the shares received on the basis of the plan until the value of the participant's shareholding in Uponor reaches the target level set by the Board.

The outcome of the long-term incentive plans will be prepared by the Personnel and Remuneration Committee, with the Board of Directors making the final decision as outlined in the plans.

## **The remuneration report of the Board of Directors and Executive Committee**

### **Board of Directors**

The Annual General Meeting (“AGM”) determines the Board of Directors' (Board) remuneration and fees. Based on a decision taken by the AGM in 2018, the Board members' yearly remuneration is as follows: Chair €90,000, Deputy Chair €51,000, Chair of the Audit Committee €51,000 and ordinary Board members €46,000. The AGM further decided that approximately 40 per cent of the annual remuneration be paid in company shares, acquired on behalf and in the name of Board members, and approximately 60 per cent in cash, in compensation for the tax impact.

The AGM further decided that a remuneration per Board and committee meeting (excluding decisions made without a meeting) shall be paid to the Board members, amounting to €600 for meetings held in the country of residence of the member, €1,200 for meetings held elsewhere on the same continent, and €2,400 for meetings held on another continent. The remuneration for telephone meetings equals the remuneration for meetings held in the country of residence of the member in question. The AGM also decided, that in addition a remuneration of €600 shall be paid to the Chair of the Board for each Board meeting and to the Chairs of the Board committees for each respective committee meeting.

The per-meeting remuneration shall be paid in cash.

Travel expenses are compensated for in accordance with the Uponor travel policy.

The AGM also decided that, in accordance with earlier practice, the company takes out voluntary pension insurance for Board members. Upon retirement, this entitles them to pension according to the Finnish Employees' Pensions Act (TyEL).

The attached table shows the total annual remuneration paid to the Board members in 2018:

Board of Directors	Audit Committee	Personnel and Remuneration Committee	Remuneration in cash		Remuneration in shares		Remuneration for Board and committee meetings
			€	Number of shares	Value, €	Total, €	
Eloranta, Jorma, Chair until 13 March		Chair until 13 March	-	-	-		1 800
Aaltonen-Forsell, Pia	Chair from 13 March		30 275	1 416	20 399		13 800
Falk, Johan from 13 March			27 309	1 277	18 396		6 600
Lengauer, Markus, Deputy Chair from 13 March	Member		30 275	1 416	20 399		13 800
Lindholm, Casimir		Member from 13 March	27 309	1 277	18 396		7 200
Nygren, Eva			27 309	1 277	18 396		9 000
Paasikivi, Annika, Chair from 13 March	Member, Chair until 13 March	Chair from 13 March	53 439	2 498	35 986		19 800
Rosendal, Jari until 13 March	Member until 13 March		-	-	-		1 800
In total			195 916	9 161	131 972		73 800

In accordance with Uponor's policy, remuneration and fees are paid only to non-executive Board members. All current Board members are non-executive.

Board members are not included in the Company's share-based incentive plan.

#### President and Chief Executive Officer

The President and Chief Executive Officer's (CEO) remuneration system consists of the base salary, benefits as well as short-term and long-term incentive plans. The main principles of the incentive plans are described above under 'Decision-making process and main principles of remuneration'.

In 2018, the base salary paid to the CEO Mr Jyri Luomakoski totalled €437,685 in cash and €26,040 as benefits, in total €463,725. The Company paid the CEO a reward based on the short-term incentive plan, amounting to €149,580 for the year 2017. In addition, the Company paid the CEO a reward based on the long-term incentive plan 2015–2017, amounting to €107,238. Based on a decision of the Board of Directors taken on 12 February 2019, the CEO will be paid a reward of €177,593 based on the short-term incentive plan based on his performance in 2018. Based on the long-term incentive plan 2015–2017 described earlier in this document, he was awarded 3,138 shares that were transferred to his book-entry account, in connection with which a money transfer was made to the tax authority, which corresponds to the value of 4,222 shares as income tax and asset transfer tax.

Under the terms of the CEO's written service contract, the contract may be terminated at six months' notice, either by the CEO or the Company. If the Company terminates the contract, in addition to statutory compensation for the notice period it must pay the CEO an amount equivalent to the fixed total salary paid for the 12 months preceding the termination. The Company may also terminate the agreement with immediate effect, by paying an indemnification equivalent to the CEO's fixed total salary for 18 months.

The retirement age of the CEO will be determined in accordance with the Employees' Pensions Act (TyEL), however both the Company and the CEO may agree that the CEO will retire at the age of 63 years. The company has also taken out a defined contribution pension insurance for the CEO, into which the company paid €40,000 in 2018. The Company has further concluded a pension arrangement based on a capitalisation agreement for the benefit of the CEO, into which the company paid €50,000 in 2018.

### **Other executives**

In 2018, the total remuneration, including taxable value of benefits, paid to the members of the Executive Committee amounted to €3,672,058, including short-term and long-term incentives. The total remuneration also includes those ExCom members who were members for only part of 2018.

The remuneration of Mr Sebastian Bondestam, deputy to the parent company's managing director, amounted to €378,487 in 2018. The Company has taken out a defined contribution pension plan for the deputy to the managing director. The Board shall decide separately on the percentage of the defined contribution for each year. In 2018, the contribution was equivalent to 8.66% of the annual base salary, including fringe benefits.