

Remuneration statement 2017

Letter from the Chair of the Personnel and Remuneration Committee

Dear shareholders,

In 2017, Uponor saw good progress in many of its strategic areas in Europe, North America and Asia. Among many other achievements, we made steps forward in digitalisation, launched new products, formed a joint venture with Belkin and concluded our transformation programmes in Europe.

In 2017, we had two changes in our Executive Committee. Riitta Palomäki, Chief Financial Officer, expressed the wish to retire at the end of May 2017, after seven active years of service. We appointed Maija Strandberg to succeed her as the new CFO. Maija started in March 2017 and stepped into the role of CFO after the Annual General Meeting. A little later in the spring, Executive Vice President Human Resources, Minna Schrey decided to pursue new challenges outside Uponor. We appointed Minna Blomqvist to the post of EVP, HR to lead our global HR function and lead our Human Resources to the next level. Minna joined Uponor in September 2017.

Uponor's Upward Leadership Event was held at the end of March, with a focus on profitable growth. Leaders discussed the customer experience, digitalisation and leadership and their impact on profitable growth. We also conducted OurVoice, Uponor's employee engagement survey, and achieved an all-time high response rate and level of engagement. We have a strong belief in the positive impact that the results and subsequent actions will have on our future leadership and business performance.

In 2017, we continued to enhance the Group short-term incentive (STI) plan, which places a stronger focus on rewards in return for achieving the strategic financial targets. The model was enhanced by bringing it closer to market practices and making it more attractive for our people and at the same time having a focus on the pay for performance principle. The related implementation, harmonisation and alignment work continues. Simultaneously, we designed a more unified Sales Incentive plan that was implemented in selected countries. The plan received positive feedback and is now being implemented in further countries. We also continue to support our 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.

We continue on our path of profitable growth and are making progress with our strategic initiatives. The year 2018 marks Uponor's 100th anniversary. We will hold celebrations throughout the year, with the main events taking place in August. We are building on the future together with our people and other stakeholders.

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, probably in the year 2020. If you have any suggestions on how to further improve this report, please email them to Minna Blomqvist, EVP, HR (minna.blomqvist@uponor.com).

Jorma Eloranta
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 planned in order to encourage the management to perform well and lead the organisation in alignment with the company's strategy and annual business plans. They are also designed to motivate all employees to contribute to the success of the company. 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, to ensure that 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 2017. In 2017, the maximum reward based on the STI for the President and CEO may correspond to 60% of the annual salary including benefits; for any other member of the ExCom it can correspond to 50% of the annual salary including benefits. On 13 December 2017, the Board decided to amend the Group short-term incentive plan for the year 2018, so that 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 3 for each individual, in order to ensure a clear focus.

Long-term incentives

LTI Plan 2013–2015

On 12 February 2013, the Board of Directors of Uponor Corporation approved the establishment of a new, long-term share-based incentive plan to be offered to the key management of the company. The plan is largely based on the 2012–2014 plan. The plan covers a maximum of twelve members of the Group's key management during the years 2013–2015. The purpose of the plan is similar to the 2012–2014 plan, i.e. to retain key management, as well as to motivate and reward the management for a good performance that supports the company's profitability and the implementation of the company's strategy. Similarly to the 2012–2014 plan, the plan also encourages the key management to further acquire and own Uponor's shares.

Each participant in the incentive plan invests in Uponor shares within the pre-determined minimum and maximum limits of the plan. The reward based on Plan 2013–2015 consists of the following elements:

- 1) The matching share incentive based on the investment with a three year vesting period: In the spring of 2016, each participant will receive matching shares corresponding to half of the investment at the time of transfer, less the taxes payable on the awarded shares. The maximum value of the total amount of shares awarded based on the share investment corresponds to 10,410 shares.
- 2) A performance share plan that depends on the company's earnings performance over a three-year performance period: The share rewards will be delivered if the performance targets set by the Board of Directors for the performance period are met. The applicable performance targets are the EBITDA-based intrinsic value, calculated from 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 2013–2015. If all participants fulfil the investment requirement and if the performance targets set for the performance share plan are attained in full, the maximum value of performance shares to be delivered will correspond to 225,000 shares.

As per the decision of the Board of Directors on 12 February 2016, a total of 28,601 shares based on the LTI plan 2013–2015 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 28,240 shares as income taxes and asset transfer taxes.

The plan ended in March 2017 when the final lock-up period ended.

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 new plan covers the years 2014–2016 and complements the existing plans for the years 2012–2014 and 2013–2015. The plan will cover a maximum of ten members of the Group's key management. The purpose of the plan is the same as in the LTI 2013–2015 plan.

Each participant in the incentive plan shall invest in Uponor shares within the pre-determined minimum and maximum limits. The reward under Plan 2014–2016 consists 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 will 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 will be delivered if the performance targets set by the Board of Directors for the performance period are met. The applicable performance targets are 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 fulfil the investment requirement and if the performance targets set for the performance share plan are attained in full, the maximum number of performance shares to be delivered will correspond 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 will be transferred to the participants' book-entry accounts, in connection with which money transfers will be 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 are 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.

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

LTI Plan 2016–2018

In 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.

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.

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 2017, the Board members' yearly remuneration is as follows: Chair €88,000, Deputy Chair €49,000, Chair of the Audit Committee €49,000 and ordinary Board members €44,000. 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 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 2017:

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		Chair	52 807	2 121	35 193	10 800
Aaltonen-Forsell, Pia, from 20 March			26 412	1 060	17 588	8 400
Ihamuotila, Timo J., until 20 March	Chair		-	-	-	1 800
Lengauer, Markus	Member		26 412	1 060	17 588	15 000
Nygren, Eva			26 412	1 060	17 588	10 200
Paasikivi, Annika, Deputy Chair	Member, Chair from 20 March	Member	29 404	1 181	19 596	13 200
Rosendal, Jari	Member		26 412	1 060	17 588	10 200
In total			187 858	7 542	125 142	69 600

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 2017, the base salary paid to the CEO Mr Jyri Luomakoski totalled €422,340 in cash and €29,481 as benefits, in total €451,821. The Company paid the CEO a reward based on the short term incentive plan, amounting to €259,470 for the year 2016. In addition, the Company paid the CEO a reward based on the long-term incentive plan 2014–2016, amounting to €100,579. Based on a decision of the Board of Directors taken on 14 February 2018 the CEO will be paid a reward of €149,580 based on the short-term incentive plan based on his performance in 2017. Based on the long-term incentive plan 2014–2016 described earlier in this document, he was awarded 2,862 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 3,258 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 jointly 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 2017. The Company has further concluded a pension arrangement based on a capitalisation agreement for the benefit of the CEO, into which the company paid €40,000 in 2016. In 2016, the Board decided to increase the payment based on the capitalisation agreement by €10,000, in such a manner that the company payment was €50,000 in 2017 and will be €50,000 in 2018.

Other executives

In 2017, the total remuneration, including taxable value of benefits, paid to the members of the Executive Committee amounted to €3,338,027, including short-term and long-term incentives. The total remuneration also includes those ExCom members who were members for only part of 2017.

The remuneration of Mr. Sebastian Bondestam, deputy to the parent company's managing director, amounted to €386,816 in 2017. 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 2017, the contribution was equivalent to 8.85% of the annual base salary, including fringe benefits.