

Remuneration statement 2016

Letter from the Chair of the Personnel and Remuneration Committee

Dear shareholders,

This year, Uponor has made good progress in many of its strategic initiatives in Europe, North America and Asia. The new leadership team of Building Solutions – Europe has been established and has continued with the transformation programme announced earlier. There are clear signs of improvement in our performance in the wake of these activities. In the United States, we have seen strong growth, which has also affected the need for more employees. As a result, we have seen an increase in our headcount in Building Solutions – North America. Furthermore, and according to plan, our Chinese manufacturing operations were established this year and many new people joined Uponor in Asia.

Towards the end of the year, we announced a change in the Executive Committee. Riitta Palomäki, our Chief Financial Officer, has decided to retire at the end of May 2017 after seven years in the financial leadership role at Uponor. I want to thank Riitta for her great contribution during those seven years. We have appointed Maija Strandberg as Executive Vice President, Finance, and she will start in March 2017, stepping into the role of CFO after the Annual General Meeting. Riitta and Maija will be working for almost three months in parallel, which will provide a good basis for our future financial management

The Personnel and Remuneration Committee, as well as the Board of Directors, were delighted with the progress made in Uponor Leadership Development and the new development programmes implemented. We have strong belief in the positive impact this will have on our future leadership and business performance.

In 2016, we implemented the renewed Group short-term incentive (STI) plan, which places a stronger focus on rewards in return for achieving the strategic financial targets. The initial feedback has been positive and we have clarified our key targets and grounds for rewarding on the basis of a great company performance. The related implementation and alignment work continues. Simultaneously, we are designing a more unified Sales Incentive plan that will be implemented in selected countries. We continue to support our reward structure with a share-based, long-term incentive (LTI) plan and will introduce LTI 2017-2019 as a continuation of the current rewards offering to key executives.

Uponor introduced a Diversity Statement towards the end of the year. The company is committed to having a diverse workforce that creates the best possible environment for an innovative and efficient way of working, in order to foster a successful business performance.

For this remuneration statement, we will continue with the structure we introduced last year. 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

If you have any suggestions on how to further improve this report, please email them to Minna Schrey-Hyppänen, EVP, HR (minna.schrey@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 based on performance, 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, align the interests of ExCom members and shareholders and provide a flexible payroll. 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 2016. 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.

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 renewed group-level Short Term Incentive plan was implemented during 2016. The objective of the new plan is to reward all participants based on 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 the 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.

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 for the 2012-2014 and 2013-2015 plans. In addition, similarly to the 2012-2014 and 2013-2015 plans, this plan will encourage the key management to acquire and own Uponor's shares.

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 plans for 2013-2015 and 2014-2016, 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 to continue aligning the objectives of the management and Uponor shareholders in order to increase the value of the company, boost profitable growth and retain the services of the participants over the longer term. The plan offers key managers a competitive reward plan based on achieving the company's strategic profitability and growth targets, and earning and accumulating Uponor shares.

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.

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 to continue aligning the objectives of the management and Uponor shareholders in order to increase the value of the company, boost profitable growth and retain the services of the participants over the longer term. The plan offers key managers a competitive reward plan based on achieving the company's strategic profitability and growth targets, and earning and accumulating Uponor shares.

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 to continue aligning the objectives of the management and Uponor shareholders in order to increase the value of the company, boost profitable growth and retain the services of participants over the longer term. The plan offers key managers a competitive reward plan based on achieving the company's strategic profitability and growth targets, and earning and accumulating Uponor shares.

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.

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 2015, 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 each Board and committee meeting (excluding decisions 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 attached table shows the total annual remuneration paid to the Board members in 2016:

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	52 815	2 329	35 185	9 600
Ihamuotila, Timo J.	Chair		29 406	1 297	19 594	8 400
Lengauer, Markus	Member		26 415	1 164	17 585	12 600
Nygren, Eva			26 415	1 164	17 585	10 200
Paasikivi, Annika, Deputy Chair	Member	Member	29 406	1 297	19 594	11 400
Rosendal, Jari	Member		26 415	1 164	17 585	8 400
In total			190 870	8 415	127 130	60 600

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

The Company has taken out voluntary pension insurance for Board members. Upon retirement, this entitles them to a pension according to TyEL, the Finnish Employees' Pensions Act.

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 2016, the base salary paid to the CEO Mr Jyri Luomakoski totalled €422,490 in cash and €29,162 as benefits, in total €451,652. The Company paid the CEO a reward based on the short term incentive plan, amounting to €211,005 for the year 2015. In addition, the Company paid the CEO a reward based on the long-term incentive plan 2013-2015, amounting to €158,284. Based on a decision of the Board of Directors taken on 13 February 2017 the CEO will be paid a reward of €259,470 based on the short-term incentive plan based on the performance of 2016. In addition, based on the long-term incentive plan 2013-2015 described earlier in this document, he was awarded 5,857 shares that were transferred to his book-entry account, in connection with which a money transfer was made to the tax authority that corresponds to the value of 6,938 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 for the CEO to retire at the age of 63 years. The company has also taken out a defined contribution pension insurance for the CEO, to which the company paid €40,000 in 2016. The Company has further concluded a pension arrangement based on a capitalisation agreement for the benefit of the CEO, to which the company paid €40,000 in 2016. On 12 December 2016, the Board decided to increase the payment based on the capitalisation agreement by €10,000, in such a manner that the company payment in 2017 will be €50,000.

Other executives

In 2016, the total remuneration, including taxable value of benefits, paid to the members of the Executive Committee amounted to €3,407,108, including short-term and long-term incentives.

The remuneration of Mr. Sebastian Bondestam, deputy to the parent company's managing director, amounted to €349,275 in 2016. 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 2016, the contribution was equivalent to 8.89% of the annual base salary, including fringe benefits.