Remuneration statement

1. Introduction

The objective of Uponor's remuneration philosophy is to commit the employees to company goals and values. Remuneration schemes are planned such that they encourage the management to perform and lead the organisation in alignment with the company strategy and annual business plans and all employees to contribute to the benefit of the company. Remuneration is aligned with the company's financial performance, the interests of key stakeholders, and external benchmarks.

The guiding principle for Uponor is that remuneration and other terms of employment shall be fair, competitive and based on performance to assure that Uponor can attract and retain competent employees.

In accordance with local market practices, Uponor's compensation package for management includes a base salary and benefits, as well as a bonus programme. The purpose is to reward management for an excellent individual or team performance that supports the attainment of Group targets and contributes to achieving the best possible business results.
Remuneration for the Executive Committee ("the ExCom") includes

- Base salary
- Annual bonus
- Long-term incentive plan
- Pension
- Other benefits

The compensation package for the ExCom is designed to support the achievement of Group targets, reinforce performance, align the interests of the ExCom members and the shareholders and give a flexible payroll.

In March 2013, the Board decided to re-establish a Remuneration Committee. The composition and duties of the Remuneration Committee have been described in detail in the Corporate Governance Statement. The Remuneration Committee has evaluated the levels and structure of management remuneration.

This remuneration statement has been drawn up in accordance with Recommendation 47 of the Finnish Corporate Governance Code 2010 issued by the Securities Market Association.

2. Financial benefits

2.1 Board of Directors

The AGM determines the Board of Directors' (Board) remuneration and fees. Based on a decision taken by the AGM in 2013, Board members' yearly remuneration is as follows: Chairman €71,000, Deputy Chairman €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 home country of the member, €1,200 for meetings held elsewhere in Europe, and €2,400 for meetings held outside of Europe. The remuneration for telephone meetings equals the remuneration for meetings held in the home country of the member. 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 Board members in 2013:

Board of Directors	Audit Committee	Remu-neration Commit-tee	Remu-neration in cash	Remu-neration in shares	Remu-neration in shares	Remuneration for board and committee meetings
			€	Value, €	Number of shares	total €
Paasikivi, Jari, Chairman of the Board	Member since 18 March	Chairman	42,600	28,400	2,058	10,800
Eloranta, Jorma, Deputy Chairman of the Board	Chairman until 18 March	Member	29,404	19,596	1,420	9,600
Ihamuotila, Timo J., as of 18 March 2013	Chairman as of 18 March		26,405	17,595	1,275	7,200
Nygren, Eva	Member until 18 March	Member as of 18 March	26,405	17,595	1,275	12,000
Rosendal, Jari	Member		26,405	17,595	1,275	10,200
Silfverstolpe Nordin, Anne-Christine, until 18 March 2013		Member until 18 March				4,800
Simon, Rainer S.			26,405	17,595	1,275	12,000
In total			177,624	118,376	8,578	66,600

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

The Company has taken out a 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 covered by the Company's share-based incentive plan.

2.2 Chief Executive Officer

The Chief Executive Officer's (CEO) remuneration system consists of the base salary, a profit and performance-based annual bonus and other benefits. In addition, the CEO is included in the company's long-term incentive plan. The main principles of the profit and performance-based bonus, as well as the long-term incentive plan, are described below under 'Decision-making process and main principles of remuneration'.

In 2013, the base salary paid to the CEO Mr Jyri Luomakoski totalled €397,059.96 in cash and €31,355.32 as fringe benefits, in total €428,415.28. The Company paid the CEO bonuses amounting to €140,000 for the year 2012. Bonuses to the CEO for the year 2013 amounted to €40,000, based on the Board’s decision on 13 Feb 2014.

Under the terms of the CEO's written service contract, the contract may be terminated at a six months' notice, either by the CEO or the Company. If the Company terminates the contract, it must pay the CEO, in addition to statutory compensation for the notice period, 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 CEO will retire at the age of 63, with a pension accrued in accordance with the Employees' Pensions Act (TyEL). Furthermore, the Company has taken out a defined contribution pension insurance for the CEO for which the Company pays €40,000.00 on an annual basis.

3. Decision-making process and main principles of remuneration

3.1 The decision-making process for the remuneration of the Chief Executive Officer and other executives

The Board determines the CEO's employment terms and conditions and his annual compensation, and approves the ExCom members' annual compensation based on the CEO's proposal. The Remuneration Committee will evaluate the compensation matters in advance and make a proposal to the Board.

3.2 The main principles of remuneration of the Chief Executive Officer and other executives

The remuneration system consists of base salary, other benefits and an annual profit and performance-based bonus, as well as a long-term incentive plan.

In 2013, the total remuneration paid to the members of the Executive Committee amounted to €2,127,828.36.

The remuneration of Mr. Sebastian Bondestam, deputy to the parent company's managing director, amounted to €262,401.93 in 2013. 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 2013, the contribution was equivalent to 9.37% of the annual base salary, including fringe benefits.

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

Short-term incentives

Members of the ExCom are included in the company's annual bonus system. The Board determines the system's financial criteria separately for each year, covering 100% of all targets for the year 2013. The maximum bonus for the CEO may correspond to six months' salary and for any other member of the ExCom, to five or six months' salary.

The outcome of the annual bonus system is subject to a decision by the Remuneration Committee, with the Board of Directors making the final decision.

Long-term incentives

1. Plan 2012-2014

The Board of Directors of Uponor Corporation approved on 2 March 2012 the establishment of a new long-term share-based incentive plan to be offered to the key management of the company. The plan will cover a maximum of twelve members of the Group's key management. The plan covers the years 2012-2014. The purpose of the plan is to retain key management, as well as to motivate and reward the management for good performance that supports the company's profitability and the implementation of the company's strategy. The plan also encourages the key management to further acquire and own Uponor's shares, which will contribute to aligning the interests of the management, the company and the shareholders.

Each participant in the incentive plan invests in Uponor shares within the pre-determined minimum and maximum limits of the plan. The potential reward in the Plan 2012-2014 consists of the following parts:

1) The matching share incentive based on the investment with a three year vesting period: In the spring of 2015, 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 less than 20,000 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 relative Total Shareholder Return (TSR) during 2012-2014. 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 corresponds to less than 370,000 shares.

The purpose of the long-term incentive plan is to align the key management’s interests with those of Uponor’s shareholders. The programme’s main performance measurement element is intrinsic value, based on the assumption that true and sustainable value creation is dependent on the company’s solid profit development, measured by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), and its ability to generate cash flow, measured by the development of the Company’s net debt adjusted with flows to/from shareholders (such as dividends, buy backs and share issues).

2. Plan 2013-2015

The Board of Directors of Uponor Corporation approved, on 12 February 2013 the establishment of a new long-term share-based incentive plan to be offered to the key management of the company, which is much based on the 2012-2014 plan. The plan will cover a maximum of twelve members of the Group's key management. The plan covers the years 2013-2015. The purpose of the plan is the same as for the 2012-2014 plan. The plan also encourages the key management to further acquire and own Uponor's shares as also the 2012-2014 plan.

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

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 13,125 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 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 corresponds to 262,500 shares.

With respect to the plans of 2012-2014 and 2013-2015 both the matching shares and performance shares will be restricted 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 plan and therefore the plan will have no diluting effect.

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