Remuneration statement 2014

1. Introduction

The objective of Uponor's remuneration philosophy is to commit the employees to company goals and values. Remuneration programmes 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 and enable flexibility in rewarding.

In accordance with local market practices, Uponor's compensation package for management includes a base salary and benefits, as well as short and long term incentive plans. 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 while affording flexibility based on performance and the company's 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 the ExCom members and the shareholders and give a flexible payroll. An ExCom member's compensation package is benchmarked against compensation packages of peer companies in respective countries.

In March 2014, the Board decided to establish a Personnel and Remuneration Committee to replace the earlier Remuneration Committee. 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 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 2014, the Board members' yearly remuneration is as follows: Chair €71,000, 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 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 2014:

Board of Directors	**Audit Committee**	**Personnel and Remu-neration Committee**	**Remu-neration in cash**	**Remuneration in shares**		**Remuneration for board and committee meetings**
			€	Value, €	Number of shares	total €
Paasikivi, Jari, Chair of the Board until 19 March	Member until 19 March	Chair until 19 March				3 000
Eloranta, Jorma, Deputy Chair of the Board until 19 March, Chair as of 19 March		Member until 19 March, Chair as of 19 March	42 613	28 387	2 019	10 200
Ihamuotila, Timo J.	Chair		29 401	19 599	1 394	9 000
Nygren, Eva		Member until 19 March	26 411	17 589	1 251	10 800
Paasikivi, Annika, Deputy Chair as of 19 March	Member as of 19 March	Member as of 19 March	29 401	19 599	1 394	9 600
Rosendal, Jari	Member		26 411	17 589	1 251	9 000
Simon, Rainer S.			26 411	17 589	1 251	9 000
In total			180 648	120 352	8 560	60 600

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 included in 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, fringe benefits as well as short-term and long-term incentive plans. The main principles of the incentive plans are described below under 'Decision-making process and main principles of remuneration'.

In 2014, the base salary paid to the CEO Mr Jyri Luomakoski totalled €420,059.99 in cash and €31,632.94 as fringe benefits, in total €451,692.93. The Company paid the CEO a reward based on the short-term incentive plan, amounting to €40,000, for the year 2013.

Based on the decision of the Board of Directors on 12 February 2015 the CEO was awarded a reward of €98,118 based on the short-term incentive plan. In addition, as described later in this document, based on the long-term incentive plan 2012-2014, he was awarded 8,828 shares to be transferred to his book-entry account, in connection with which a money transfer will be made to the tax authority that corresponds to the value of 10,254 shares as income tax and asset transfer tax.

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.

2.3 Other executives

In 2014, the total remuneration paid to the members of the Executive Committee amounted to €2,181,969.79.

The remuneration of Mr. Sebastian Bondestam, deputy to the parent company's managing director, amounted to €265,897.33 in 2014. 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 2014, the contribution was equivalent to 8.89% of the annual base salary, including fringe benefits.

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 Personnel and 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, fringe 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 the boards of Group companies.

Short-term incentives

Members of the ExCom are included in the company's annual short-term incentive plan. The Board determines the system's financial criteria separately for each year, covering 100% of all targets for the year 2014. The maximum reward based on the STI for the CEO may correspond to 60% of the annual salary including benefits, and for any other member of the ExCom, 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 of Directors making the final decision.

Long-term incentives

No reward was paid under any long-term incentive plan in 2014.

1. LTI 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 covers 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 invested 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 15,750 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 315,000 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).

As per the decision of the Board of Directors on 12 February 2015, a total of 42,818 shares based on the LTI plan 2012-2014 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 42,803 shares as income taxes and asset transfer taxes.

2. LTI 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. The plan is largely based on the 2012-2014 plan. The plan covers 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, similar to 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 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 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 225,000 shares.

3. LTI Plan 2014-2016

The Board of Directors of Uponor Corporation decided, in February 2014, to continue to implement the long-term share-based incentive plan established in 2012. The new plan covers the years 2014-2016 and it 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. Also this plan encourages the key management to acquire and own Uponor's shares, similar to the 2012-2014 and 2013-2015 plans.

Each participant in the incentive plan shall invest in Uponor shares within the pre-determined minimum and maximum limits. The reward in the Plan 2014-2016 consists of the following parts:

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 the 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 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 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 corresponds to approximately 170,000 shares.

With respect to the plans of 2012-2014, 2013-2015 and 2014-2016 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 plans and therefore the plans will have no diluting effect.

4. LTI Plan 2015-2017

The Board of Directors of Uponor Corporation approved, in December 2014, 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 by the initiative of Board of Directors only. The plan offers the 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.