Remuneration statement 2015

Letter from the Chair of the Personnel and Remuneration Committee

Dear shareholders,

This year has been a year of renewal for Uponor. The main changes have occurred in the European businesses, especially in Building Solutions - Europe. In September 2015, Mr. Jan Peter Tewes was appointed EVP, Building Solutions – Europe, and during the last months of 2015 the leadership team was restructured and planning for the forthcoming operational renewal, which will include the organisational structure, was kicked off. The driver for these changes was the increasingly challenging market situation and hence a clear need to find a new way of doing business.

At the same time, we decided to invest more in innovation and technology, and established a new function, Group Technology and Corporate Development. Mr. Fernando Roses was appointed to lead that function as EVP, Group Technology and Corporate Development. The objective of this new organisation is to ensure that we are frontrunners in the business and can provide our customers with the most innovative solutions based on modern technologies.

Another change occurred in the Executive Committee, when EVP, Sales and Marketing, Building Solutions - Europe, Mr. Heiko Folgmann resigned from the company after 19 years of service. I would like to thank him for his important contribution during those many years.

In 2015, we have renewed our short term incentive plan (STI) to align it even more with our aim of clarifying our focus and direction and rewards for success in doing so. The new plan will be implemented in most countries during 2016 and the process will continue during the following years. Together with our long term incentive plan (LTI), this will strongly support the process of rewarding the management and personnel based on the successful performance of Uponor.

We have also renewed our approach to drawing up this remuneration statement and have decided to adopt a new structure, including:

- A letter from the Chair of the Personnel and Remuneration Committee
- A report on Uponor remuneration practises
- A remuneration report of the Executive Committee and the Board of Directors

I hope this new way of reporting will provide you with clear visibility of the remuneration strategy and practices, and gives you confidence in Uponor's approach to the topic.

If you have any suggestions on how to further improve this report, please email them to Minna Schrey, EVP, HR (minna.schrey@uponor.com).

Jorma Eloranta
Chair of the Personnel and Remuneration Committee

Report of Uponor remuneration practises

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 Recommendation 47 of the Finnish Corporate Governance Code 2010 issued by the Securities Market Association. Next year, we will develop this remuneration statement further to bring it into accordance with newly approved Finnish Corporate Governance Code 2015.

Decision-making process and main principles of remuneration

Decision-making process on 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 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 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 2015. The maximum reward based on the STI for the 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 group-level Short Term Incentive plan was renewed during 2015 and the new plan will be 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. The number of the targets has been limited to 3 for each individual, in order to ensure a clear focus.

Long-term incentives

LTI Plan 2012-2014

The reward was paid out based on the LTI programme as follows: a total of 42,818 treasury shares were rewarded and transferred to the participants, in connection with which money transfers were made to the tax authorities, corresponding to a value of 42,803 shares as income taxes and asset transfer taxes

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 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 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.

With respect to the plans for 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 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.

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 2015:

Board of Directors	**Audit Committee**	**Personnel and Remu-neration Committee**	**Remu-neration in cash**	**Remuneration in shares**		**Remuneration for Board and committee meetings**
			€	Number of shares	Value, €	Total, €
Eloranta, Jorma, Chair		Chair	52,805	2,376	35,195	10,800
Ihamuotila, Timo J.	Chair		29,403	1,323	19,597	9,000
Nygren, Eva			26,403	1,188	17,597	6,000
Paasikivi, Annika, Deputy Chair	Member	Member	29,403	1,323	19,597	13,200

Rosendal, Jari	Member		26,403	1,188	17,597	9,000
Simon, Rainer S., member until 17 March			-	-	-	2,400
Markus Lengauer from 17 March	Member		26,403	1,188	17,597	10,200
In total			190,818	8,586	127,182	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.

Chief Executive Officer

The 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 2015, the base salary paid to the CEO Mr Jyri Luomakoski totalled €423,605 in cash and €28,194 as benefits, in total €451,799. The Company paid the CEO a reward based on the short term incentive plan, amounting to €98,118 for the year 2014. In addition, the Company paid the CEO a reward based on the long-term incentive plan 2012-2014, amounting to €292,336. Based on a decision of the Board of Directors taken on 12 February 2016 the CEO was paid a reward of €211,005 based on the short-term incentive plan based on the performance of 2015. In addition, as described later in this document, based on the long-term incentive plan 2013-2015, he was awarded 5,857 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 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 require 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 2015. 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 2015.

Other executives

In 2015, the total remuneration, including taxable value of benefits, paid to members of the Executive Committee amounted to €3,560,197, including short-term and long-term incentives. The long-term incentive payout was clearly bigger in 2015, as there were no programmes in 2013 and 2014. In addition, the earning opportunity was set higher in order to level out the lack of programmes in the previous years.

The remuneration of Mr. Sebastian Bondestam, deputy to the parent company's managing director, amounted to €425,865 in 2015. 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 2015, the contribution was equivalent to 8.89% of the annual base salary, including benefits.