REMUNERATION POLICY

UPM-KYMMENE CORPORATION

1. Introduction

This Remuneration Policy (the Policy) presents the framework and governance for the remuneration of the members of the Board of Directors (the Directors) and the President and CEO (the CEO) of UPM-Kymmene Corporation (the Company or UPM).

The Policy has been prepared in accordance with the requirements set forth in the Finnish Limited Liability Companies Act, Securities Markets Act, Decree of the Ministry of Finance on the remuneration policy and remuneration report of a share issuer, and the Finnish Corporate Governance Code.

The Policy shall be presented to the general meeting every four years unless a revised policy is presented to the general meeting before that. Technical amendments to the Policy may be made due to e.g. statutory, regulatory, tax or administrative reasons without presenting a revised policy to the general meeting. The Board's Remuneration Committee and Nomination and Governance Committee shall review the appropriateness of the Policy at least annually.

The Policy has been reviewed by the Board of Directors' Remuneration Committee and Nomination and Governance Committee and the revised Policy has been approved by the Board of Directors (the Board) for presentation and adoption at the Annual General Meeting (the AGM) on 4 April 2024. In connection to the adoption of the previous Policy in the AGM 2020 no material shareholder views were presented in terms of the Policy. In addition, in the AGMs of 2021, 2022 and 2023, no material shareholder views were presented in terms of the remuneration reports from the financial years 2020-2022.

No material amendments are made to the previous Policy adopted on 31 March 2020. The amendments presented to the AGM 2024 include the addition of the Restricted Share Arrangement as a potential long-term incentive component to be used in a specific recruitment situation, i.e. in connection to a change of the CEO and the new CEO being recruited externally. The incumbent CEO does not have a right to receive share rewards from the Restricted Share Arrangement. In addition, certain minor technical changes are made to the Policy. The resolution of the general meeting on the Policy is advisory.

In order to avoid conflicts of interest, the Remuneration Committee and the Nomination and Governance Committee consist of non-executive members only. The CEO shall not participate in the preparation of the Policy.

Details of the Directors' and the CEO's actual remuneration will be disclosed in the annual remuneration reports, which will be presented to the AGM for advisory resolution.

2. Company approach to remuneration

Remuneration at UPM is designed to encourage UPM values-based behaviour, to promote the achievement of ambitious strategic targets and to pay for performance accordingly. UPM's high performance culture, focus on continuous improvement, and performance-based remuneration practices guide and drive the Company's employees to implement the strategy and thereby promote the Company's long-term success, competitiveness and favourable development of shareholder value.

The remuneration principles and practices are designed to attract, retain and motivate employees and to ensure the fairness of the employee remuneration in the diverse global markets where UPM operates.

In general, the same remuneration principles and practices are applied to the CEO as to the other Company employees but given the CEO's specific role, as well as the demands and the responsibilities related to it, the CEO remuneration includes components that differ from those of other Company employees.

The remuneration of the Company employees and the Directors is arranged separately.

3. Remuneration governance

The AGM resolves on the Directors' remuneration. The proposal for the remuneration is prepared by the Board's Nomination and Governance Committee.

The general meeting may also resolve to grant to the Board share-based authorisations to be used for incentive or other purposes. Proposals for such authorisations are prepared by the Board.

The Board appoints the CEO and resolves on the CEO's service agreement. The proposal for the CEO's service agreement is prepared by the Board's Nomination and Governance Committee. The Board also resolves on the CEO's total remuneration annually. The proposal for the remuneration is prepared by the Board's Remuneration Committee.

In order to avoid conflicts of interest, the CEO may not participate in the preparation nor the decision-making regarding the CEO's own remuneration.

The Board and its committees may engage external advisors for the preparation of the remuneration matters.

4. Remuneration of the members of the Board of Directors

The AGM resolves on the Directors' remuneration. The proposal for the Directors' remuneration is prepared by the Board's Nomination and Governance Committee.

When preparing its proposal on the Directors' remuneration to the general meeting, the Nomination and Governance Committee may consider, e.g., Board and committee duties and responsibilities, the Company's ability to attract and retain competent and diverse talent to the Board and director remuneration in peer companies.

5. Remuneration of the President and CEO

The aim of the CEO's remuneration is to drive and reward the achievement of the Company's strategic priorities and thereby promote the Company's long-term financial success, competitiveness and favorable development of shareholder value.

5.1 Remuneration components

The remuneration of the CEO consists of fixed components, such as base salary and fringe benefits, variable components, such as short- and long-term incentives, pension and other financial benefits.

A significant portion of the CEO's theoretical maximum total remuneration opportunity is based on variable components and the payout is dependent on the achievement of predetermined performance measures.

The following table summarises the key features of the CEO's remuneration components.

REMUNERATION COMPONENT	PURPOSE AND LINK TO STRATEGY	DESCRIPTION AND OPERATION
Fixed base salary	• To attract and retain the key talent with the right set and level of experience, knowledge and skills to lead the Company and to deliver its strategic priorities. • To compensate for work contribution received by the Company.	• Base salary includes taxable fringe benefits, such as e.g. company car, phone and accommodation. • Reviewed annually as a part of the CEO's total remuneration. • The Board may consider various factors when reviewing the base salary, including e.g. market benchmark data, Company and individual performance and the scale and complexity of the CEO role. • No defined maximum salary level.
Short-term incentive	• To drive, incentivise and reward performance against the annually set performance measures that support the execution of the Company's strategic priorities.	• Short-term incentive is based on the Company's Short-Term Incentive Plan, which is subject to the Board's annual approval. • Maximum annual short-term incentive payout opportunity is subject to an overall cap of 150% of the annual base salary. • Performance measures, related targets and weightings are set annually by the Board for a performance period of one year. These can vary from year to year to align with the Company's strategic priorities and usually include a balance of financial, strategic, operational, responsibility, safety, individual or other type of measures provided that in any given year the majority of the measures will be based on financial criteria. • The performance measures are designed to promote the Company's long-term value creation and financial growth by rewarding performance in the short term without encouraging excessive risk taking. • The short-term incentive payout is based on performance against the set targets and performance is evaluated by the Board following the end of each performance period. • The Board may use its discretion and adjust the terms and conditions of the short-term incentive plan or payout based on the plan.
Long-term incentive (PSP)	• To retain the key talent and to drive, incentivise and reward sustainable long-term performance, and long-term increase in shareholder value in line with the Company's strategy. • To align the CEO's interests with those of shareholders.	• Long-term incentive is based on the Company's Performance Share Plan (PSP), which consists of annually commencing individual plans with a minimum performance period of three years. The Board approves the individual plans annually. • The maximum long-term incentive payout opportunity is subject to an overall cap of 225% of the annual base salary at the time of plan commencement. • Performance measures, related targets and weightings are set annually by the Board for each commencing plan. Performance measures may include, but are not limited to, financial, share-price related and responsibility based (ESG) measures. • The performance measures are designed to promote the Company's long-term value creation and financial growth by rewarding performance in the long term without encouraging excessive risk taking. • The long-term incentive payout is based on performance against the set targets and performance is evaluated by the Board following the end of the performance period. • The Board may use its discretion and adjust the terms and conditions of the long-term incentive plan or payout based on the plan.
Pension	• To provide a competitive pension arrangement in line with market practice.	• Pension arrangement is designed to reflect the applicable legislation and relevant market practice. • The CEO may participate in additional voluntary pension arrangement in the form of a defined contribution plan to supplement the statutory pension.
Other financial benefits	• To provide a competitive set of benefits.	• Other financial benefits are provided in line with the relevant market practice. These may include, but are not limited to, e.g. company car, phone and accommodation benefit as well as additional insurances, such as health, life, disability, travel and accident insurance. In addition, service for tax compliance may be provided in case of cross border taxation. • Other financial benefits may also include international assignment related financial support in line with the Company's mobility related rules. • The CEO is also eligible to participate in other employee benefit arrangements which may be offered to Company employees at any given time, such as e.g. achievement award.

In addition to the long-term incentive PSP the Company has a Restricted Share Arrangement in place. The Board approves the commencement of a new individual plan under the arrangement annually. Restricted Share Arrangement is used as a commitment instrument for individually selected participants in specific external recruitment and internal retention situations. This arrangement may not be used for the incumbent CEO for retention purpose and may only be used for the CEO in connection with the recruitment of new CEO externally. The purpose of such Restricted Share Arrangement is to function as a complementary share based long-term incentive arrangement and to serve as a tool in aligning the interests of the participants and the Company's shareholders and, thus, promote favourable development of shareholder value in the long term.

5.2 CEO's service agreement

The terms and conditions of the CEO's service are set out in writing in the CEO's service agreement, the main terms of which specify e.g. the remuneration components, notice periods and payments at termination of the agreement. The CEO's service agreement is usually valid until further notice.

The CEO's right to short- and long-term incentives e.g. at the termination of the service agreement, retirement or death is defined in the terms and conditions of the Company's short- and long-term incentive schemes.

5.3 Share ownership recommendation

The Board resolves on the applicable share ownership recommendation for the CEO. The applicable share ownership recommendation can be found from the Company's website.

On the date of the approval of this Policy to be presented to the AGM of 2024 the Board's recommendation is that the CEO maintains a share ownership of the Company shares corresponding to a minimum of two-year gross base salary. Until the share ownership recommendation is fulfilled, the CEO shall retain 50% of the net shares received under the Company's share-based long-term incentive plans.

5.4 Right to reclaim or restate remuneration (clawback and malus provisions)

In accordance with the terms and conditions of the Company's short- and long-term incentive arrangements, the Company has the right to reclaim any paid or due variable remuneration in certain circumstances such as violation of law or other legal obligation, or violation of UPM Code of Conduct or other Company policies. Overall circumstances shall be considered before exercising this right.

The Company has also the right to cancel, recover or restate any paid or due variable remuneration in case the financial or other calculations are found to be incorrect.

6. Right to temporarily deviate from the Remuneration Policy

The Board may decide to temporarily deviate from any sections of the Policy in the following, predefined circumstances:

- Change of CEO;
- Appointment of interim CEO;
- Appointment of a deputy managing director;
- Material changes in the Company structure, organisation or ownership such as M&A, merger or demerger, public takeover, or transfer of considerable portion of the Company's businesses;
- A material change in the Company's financial position, strategy or governance structure;
- Change in applicable legislation or regulation;
- Other weighty and justified reason to adjust the remuneration of the incumbent CEO; or
- Other exceptional circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

In the above-mentioned circumstances, it is considered that it is in the long-term interest of the Company and its shareholders that the Board has the right to use its full discretion when deciding on the remuneration of the CEO.

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