

A close-up photograph of several green, pointed plant leaves, likely from a pine or spruce tree, with small water droplets on their surfaces. The leaves are arranged diagonally across the frame, creating a sense of depth and texture. The background is a soft, out-of-focus green.

# REMUNERATION REPORT 2021

UPM-KYMMENE CORPORATION

# 1. INTRODUCTION

This Remuneration Report 2021 (the Report) presents 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) regarding the financial year 2021.

The Report has been prepared in accordance with the requirements set forth in the Finnish Limited Liability Companies Act, the Finnish 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 2020.

The Report has been prepared by the Board of Directors' Remuneration Committee and Nomination and Governance Committee and approved by the Board of Directors (the Board) for presentation and adoption at the Annual General Meeting (the AGM) of 2022. The resolution of the general meeting on the Report is advisory. The AGM of 2021 adopted the Remuneration Report for the financial year 2020, through an advisory resolution largely supported by the votes cast at the AGM of 2021.

The Company's statutory auditor has verified that the information required by the above-mentioned Decree of the Ministry of Finance has been provided in this Report.

The AGM adopted the Remuneration Policy (the Policy) on 31 March 2020. The Policy shall be presented to the general meeting every four years unless a revised Policy is

presented to the general meeting before that. The Board's Remuneration Committee and Nomination and Governance Committee shall review the appropriateness of the Policy at least annually.

The remuneration for the Directors and the CEO during the financial year 2021 was executed in accordance with the adopted Policy. No temporary deviations from the Policy have been made and no remuneration of the CEO nor the Board has been reclaimed or restated (clawback and malus provisions) during the financial year 2021.

In the financial year 2021, the remuneration paid to the CEO was in line with the Company's pay for performance approach and based on the performance, achievement and progression of the Company's ambitious strategic targets and priorities, which in turn promoted the Company's long-term financial success, competitiveness and favourable development of shareholder value.

In 2021, the focus areas of UPM Biofore strategy remained constant and financial targets unchanged. The global economy recovered from the deep downturn experienced in 2020. The Company was able to achieve good financial performance and improve competitiveness in the rapidly changing market environment. The implementation of transformative growth projects in Uruguay and in Germany proceeded in an intensive phase. UPM's financial standing remained strong.

## REMUNERATION AND COMPANY PERFORMANCE OVER THE LAST FIVE FINANCIAL YEARS

POSITION/ COMPANY MEASURE	2017 <sup>1</sup>	2018 <sup>1</sup>	2019 <sup>1</sup>	2020 <sup>1</sup>	2021 <sup>1</sup>
<b>Chair of the Board (EUR)</b>	190,000	190,000	190,000	190,000	195,000
<b>Deputy Chair of the Board (EUR)</b>	135,000	135,000	135,000	135,000	140,000
<b>Other member of the Board (EUR)</b>	110,000	110,000	110,000	110,000	115,000
Chair of the Audit Committee <sup>2</sup> (EUR)	35,000 (Committee fees introduced)	35,000	35,000	35,000	35,000
Member of the Audit Committee <sup>2</sup> (EUR)	15,000 (Committee fees introduced)	15,000	15,000	15,000	15,000
Chair of the Remuneration or the Nomination and Governance Committee <sup>2</sup> (EUR)	20,000 (Committee fees introduced)	20,000	20,000	20,000	20,000
Member of the Remuneration or the Nomination and Governance Committee <sup>2</sup> (EUR)	10,000 (Committee fees introduced)	10,000	10,000	10,000	10,000
<b>CEO (EUR 1,000)</b>	4,854	5,507	5,576	4,747	3,734
<b>UPM Average Employee <sup>3</sup> (EUR)</b>	51,447	49,718	51,888	54,752	52,235
<b>Total Shareholder Return (%) <sup>4</sup></b>	+114	+51	+50	+35	+75
<b>Comparable ROE, %</b>	11.9	12.9	11.2	7.5	11.7
<b>Comparable EBIT (EUR 1,000)</b>	1,292	1,513	1,404	948	1,471

<sup>1</sup> The reporting period is from the AGM to the following year's AGM for the Board and Committee members but a financial year for the CEO, UPM average employee and Company performance.

<sup>2</sup> The annual Committee fee is paid in addition to the annual base fee of the Chair, Deputy Chair or other member of the Board of Directors.

<sup>3</sup> UPM average employee remuneration is calculated by dividing the disclosed financial statement value of Employee Costs with the number of personnel at the end of the financial year in question (excluding the CEO and the remuneration paid to the CEO during the financial year). UPM average employee remuneration includes the following elements of the Employee Costs: salaries and fees and share-based payments.

<sup>4</sup> Three calendar year absolute total shareholder cumulative return with dividends reinvested.

# 2. REMUNERATION OF THE BOARD OF DIRECTORS

## THE BOARD REMUNERATION AS RESOLVED BY THE AGM 2021:

ANNUAL BASE FEE (EUR)	2021	PAYMENT MECHANISM
Chair of the Board	195,000	<ul style="list-style-type: none"> <li>Approximately 40% in Company shares, rest in cash to cover taxes. The Company paid costs and transfer tax related to the purchase of the Company shares.</li> <li>Shares may not be transferred within two years from the purchase date or until the Director's membership in the Board has ended, whichever occurs first.</li> </ul>
Deputy Chair of the Board	140,000	
Board member	115,000	

ANNUAL COMMITTEE FEE (EUR)	CHAIR	MEMBER	PAYMENT MECHANISM
Audit Committee	35,000	15,000	Cash
Remuneration Committee	20,000	10,000	
Nomination and Governance Committee	20,000	10,000	

DIRECTOR <sup>1)</sup>	ANNUAL BASE FEE (EUR)		ANNUAL COMMITTEE FEE (EUR)	TOTAL REMUNERATION (EUR)	NUMBER OF SHARES PURCHASED AS PART OF ANNUAL BASE FEE <sup>2)</sup>
	40% IN SHARES (EUR)	60% IN CASH (EUR)			
<b>Björn Wahlroos</b>	<b>195,000</b>		20,000	215,000	2,383
	78,000	117,000			
<b>Berndt Brunow</b>	<b>140,000</b>		10,000	150,000	1,710
	56,000	84,000			
<b>Henrik Ehrnrooth</b>	<b>115,000</b>		20,000	135,000	1,405
	46,000	69,000			
<b>Emma FitzGerald</b>	<b>115,000</b>		25,000	140,000	1,405
	46,000	69,000			
<b>Jari Gustafsson</b>	<b>115,000</b>		15,000	130,000	1,405
	46,000	69,000			
<b>Piia-Noora Kauppi</b>	<b>115,000</b>		10,000	125,000	1,405
	46,000	69,000			
<b>Marjan Oudeman</b>	<b>115,000</b>		15,000	130,000	1,405
	46,000	69,000			
<b>Martin à Porta</b>	<b>115,000</b>		10,000	125,000	1,405
	46,000	69,000			
<b>Kim Wahl</b>	<b>115,000</b>		35,000	150,000	1,405
	46,000	69,000			
<b>Total</b>	<b>1,140,000</b>		<b>160,000</b>	<b>1,300,000</b>	<b>13,928</b>
	456,000	684,000			

<sup>1)</sup> In AGM 2021 Ari Puheloinen and Veli-Matti Reinikkala's terms ended due to their announcement that they were not available for re-election. No Board fees were payable to them during financial year 2021.

<sup>2)</sup> Transaction date 28 April 2021.

The remuneration paid to the members of the Board was resolved by the AGM of 2021. Shares purchased as part of the Board remuneration for the Directors in 2021 may not be transferred within two years from the purchase date (28 April 2021) or until the term of the respective Director has ended, whichever occurs first. The Directors are encouraged to own Company shares on a long-term basis and most of them have substantial holdings, indicating a close alignment of the Directors' interests with those of shareholders.

The travel and lodging expenses incurred from meetings held elsewhere than in a Director's place of residence were paid against invoice.

The Directors did not receive any meeting fees or other financial benefits for their Board or committee membership other than those stated in this Report.

# 3. REMUNERATION OF THE CEO

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. Variable remuneration components form a significant portion of the theoretical maximum total

remuneration opportunity and the payout is dependent on the achievement of the predetermined performance measures that support the execution of the Company's strategic priorities and promote the Company's long-term value creation and financial growth.

## CEO'S TOTAL REMUNERATION:

CEO (EUR 1,000)	REMUNERATION PAID DURING THE FINANCIAL YEAR 2021	REMUNERATION CONFIRMED FROM STI 2021 AND PSP 2019-2021 (PAID DURING THE FINANCIAL YEAR 2022)
<b>Base salary</b>	<b>1,093</b>	
<b>Short-term incentive</b>	<b>708</b> (STI 2020 <sup>1)</sup> )	<b>1,309</b> (STI 2021 <sup>2)</sup> )
<b>Long-term incentive</b>	<b>1,902</b> (PSP 2018-2020 <sup>3)</sup> )	<b>2,997</b> (PSP 2019-2021 <sup>4)</sup> )
<b>Other financial benefits <sup>5)</sup></b>	<b>31</b>	
<b>Total</b>	<b>3,734</b>	
<b>Proportional share of fixed and variable remuneration</b>	<b>30% / 70%</b>	
<b>Pension benefit <sup>6)</sup></b>	<b>1,200</b>	

<sup>1)</sup> Payment from STI 2020 Plan based on the financial year 2020 performance against predetermined measures. STI 2020 payout, based on 2020 performance, was paid in February 2021.

<sup>2)</sup> Payment from STI 2021 Plan based on the financial year 2021 performance against predetermined measures. Approved by the Board of Directors on 27 January 2022.

<sup>3)</sup> Calculated using the volume weighted average share price of EUR 31.65 on the share delivery date, 22 February 2021.

<sup>4)</sup> Calculated using the volume weighted average share price of EUR 32.73 on the share delivery date 21 February 2022. Approved by the Board of Directors on 9 February 2022.

<sup>5)</sup> Other financial benefits include fringe benefits and the taxable values of company car, phone and health insurance. In addition to these fringe benefits, the CEO had also the following additional insurances in place during the financial year 2021: life, disability, travel and accident. The Company had also committed to pay to the CEO a full base salary for one year in case of severe illness and related absence from work. This commitment was arranged through an insurance. The CEO was also eligible to participate in other employee benefit arrangements offered to Company employees during the financial year.

<sup>6)</sup> The CEO would have been entitled to retire in November 2020 at the age of 60 but, at the request of the Company's Board of Directors, decided to continue in his position with no set retirement age. The CEO has an additional voluntary pension benefit to supplement the Finnish statutory pension scheme (TyEL). The CEO's voluntary pension benefit was arranged through a defined benefit plan until 30 November 2020. As of 1 December 2020 the voluntary pension benefit is arranged through a defined contribution plan. The first contribution to the defined contribution plan took place in the financial year 2021.

There is no other remuneration confirmed for the CEO from the financial year 2021 than listed in the above table. In 2021, the CEO was also a participant in two long-term incentive plans (PSP 2020-2022 and PSP 2021-2023) in which the

three-year performance period was still in progress during the financial year 2021. Earned shares from these plans will be delivered, subject to the Board approval, in the financial year 2023 and 2024, respectively.

## The CEO's Short-term Incentive in 2021

Performance measures, related targets and weightings regarding the CEO's short-term incentive 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.

For the Short-term Incentive Plan 2020 (STI 2020) the Board set EBITDA as the financial measure for the CEO and the weighting of this measure accounted for 70% of all measures. The Board also set Strategic Project (Uruguay pulp mill project) as a measure for the CEO and the weighting of this measure accounted for 30% of all measures. Set measures and target setting remained constant and unchanged throughout the financial year 2020 despite highly exceptional circumstances resulting from the COVID-19 pandemic. The Board evaluated the performance against the set measures and targets for short-term incentive and did not exercise its right for discretion for short-term incentive plan payout. Short-term incentive payout was according to the formulaic outcome. Actual achievement for the whole short-term incentive was 42.1% of the defined maximum annual short-term incentive pay-out opportunity and overall cap of 150% of the annual base salary. STI 2020 payout, based on 2020 performance, was paid in February 2021.

For the Short-term Incentive Plan 2021 (STI 2021) the Board set EBITDA as the financial measure for the CEO and the weighting of this measure accounted for 70% of all measures. The Board also set two separate Strategic Projects as strategic

measures for the CEO. The first Strategic Project's (Uruguay pulp mill project) weighting accounted for 25% of all measures and the second Strategic Project's (Leuna biochemicals refinery project) weighting accounted for 5% of all measures. Set measures and target setting remained constant and unchanged throughout the financial year 2021. The Board evaluated the performance against the set measures and targets for short-term incentive and did not exercise its right for discretion for short-term incentive plan payout. Short-term incentive payout was according to the formulaic outcome. Actual achievement for the whole short-term incentive was 77.8% of the defined maximum annual short-term incentive pay-out opportunity and overall cap of 150% of the annual base salary. STI 2021 payout, based on 2021 performance, was paid in February 2022.

## The CEO's Long-term Incentive in 2021

The CEO's long-term incentive is based on the Company's Performance Share Plan (PSP), which consists of annually commencing individual plans approved by the Board with a minimum performance period of three years. Performance measures, related targets and weightings are set annually by the Board for each commencing plan and can vary from plan to plan to promote the Company's long-term value creation and financial growth without encouraging excessive risk taking. Measures may include, but are not limited to, financial and share-price related measures, such as total shareholder return.

The maximum and actual values of the share rewards indicated in the table represent the gross number of the shares from which the applicable taxes will be deducted before the shares are delivered to the CEO.

PERFORMANCE SHARE PLAN	PSP 2018-2020	PSP 2019-2021	PSP 2020-2022	PSP 2021-2023	PSP 2022-2024
<b>Max. no. of shares allocated to the CEO</b>	84,100	94,072	85,589	83,272	80,870
<b>Earning criteria (weighting)</b>	TSR <sup>1)</sup> (100%)	TSR <sup>1)</sup> (100%)	TSR <sup>1)</sup> (100%)	TSR <sup>1)</sup> (100%)	TSR <sup>1)</sup> (80%) ESG <sup>2)</sup> (20%)
<b>Actual achievement (0-100)</b>	71.45%	97.31%	N/A	N/A	N/A
<b>No. of shares earned</b>	60,089	91,541	N/A	N/A	N/A
<b>Share delivery (year)</b>	2021	2022	2023	2024	2025

<sup>1)</sup> Total shareholder return.

<sup>2)</sup> For the PSP 2022-2024 Plan the Board set absolute total shareholder return (TSR) as a performance measure and the weighting of this measure accounted for 80% of all measures. TSR performance measure takes into account share price appreciation and paid dividends during the three-year performance period. The Board also set three distinct environmental, social and governance related (ESG) performance measures and the total weighting of these measures accounted for 20% of all measures. Two of the ESG performance measures are environmental in essence: Reduction of fossil CO<sub>2</sub> emissions from UPM's own combustion and purchased electricity by 65% by 2030 from 2015 level (10% weighting) and achievement of a net positive impact on biodiversity in the Company's own forests in Finland (5% weighting). The third ESG performance measure is a social measure: Achievement of gender pay equity (5% weighting). The ESG performance measures in PSP 2022-2024 Plan are based on the Company's responsibility targets for 2030.

### Performance measures for the Long-term Incentive Plan 2018-2020

For the PSP 2018-2020 the Board set absolute total shareholder return (TSR) during a three-year earning period as the performance measure for the plan with a 100% weighting. Total shareholder return takes into account share price appreciation and paid dividends.

The Board evaluated the performance against the set measure and target for the long-term incentive and did not exercise its right for discretion for the long-term incentive plan pay-out. Long-term incentive pay-out was according to the formulaic outcome. Set measure and target setting remained constant and unchanged throughout the three-year earning period despite highly exceptional circumstances in the financial year 2020. Actual achievement for the measure was 71.45% of the predefined maximum target setting. Earned shares from PSP 2018-2020 were delivered to the CEO in February 2021.

### Performance measures for the Long-term Incentive Plan 2019-2021

For the PSP 2019-2021 the Board set absolute total shareholder return (TSR) during a three-year earning period as the performance measure for the plan with a 100% weighting. The total shareholder return takes into account share price appreciation and paid dividends.

The Board evaluated the performance against the set measure and target for the long-term incentive and did not exercise its right for discretion for the long-term incentive plan payout. Long-term incentive payout was according to the formulaic outcome. Set measure and target setting remained constant and unchanged throughout the three-year earning period. Actual achievement for the measure was 97.31% of the predefined maximum target setting. Earned shares from PSP 2019-2021 were delivered to the CEO in February 2022.



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