

## **BOARD CHARTER OF UPM-KYMMENE CORPORATION**

This Board Charter (the "Charter") was adopted by the Board of Directors (the "Board") of UPM-Kymmene Corporation (the "Company") on 31 May 2006, and has been last amended on 28 April 2010.

### **1. Composition and Selection of Board**

#### **1.1 Size and Composition of Board**

Pursuant to the Articles of Association, the Board shall have no fewer than five and not more than twelve members, including a Chairman and one Deputy Chairman. The Board is elected at each Annual General Meeting of the shareholders for a term of one year. The Board appoints the Chairman and the Deputy Chairman from among its members annually.

The size and the composition of the Board are assessed annually as part of the director nomination process. An increase of the number of members to more than twelve or a decrease to fewer than five would require an amendment of the Articles of Association by the shareholders.

#### **1.2 Board Membership Criteria**

The Board shall comply with the independence requirements applicable to publicly listed companies in Finland. The Board will monitor its compliance with these requirements on an ongoing basis. The Board members shall provide adequate information for the Board to be able to assess the members' qualifications and independence and to notify of any changes on such information.

The Board members shall have the qualifications required to discharge directors' duties and shall devote such time as is reasonably required to perform the responsibilities set forth herein. Both genders shall be represented on the Board.

#### **1.3 Director Nomination Process**

The Nomination and Corporate Governance Committee will prepare the proposal to the Annual General Meeting for the election or re-election of the members of the Board and for their remuneration for the term of election and to present the said proposal to the Annual General Meeting. The Nomination and Corporate Governance Committee's proposal for the composition of the Board will be included in the summons to the Annual General Meeting. Furthermore, the Nomination and Corporate Governance Committee shall recommend the appointment of the Chairman and the Deputy Chairman of the Board for Board approval.

#### **1.4 Membership on Other Boards**

It is expected that directors will serve on the boards of other public companies only to the extent that, in the judgment of the Board, such services do not detract from the directors' ability to devote the necessary time and attention to the Company.

## 1.5 Ownership and Sale of Company Securities

The Board encourages stock ownership on a long-term basis by its members and by the senior management. Any trading activity with the Company's securities by the members of the Board is subject to the Company's Insider Policy.

## 1.6 Retirement Age

The Nomination and Corporate Governance Committee will not without specific reason propose election or re-election of a person who has reached 70 years of age.

## 2. Board Responsibilities

The duty of the Board of Directors is to promote the best interests of the Company and all its shareholders. The Board will deal with all the matters pertaining to its area of responsibility in accordance with Finnish legislation, the Articles of Association of the Company as well as rules and regulations applicable to publicly listed companies in Finland.

In discharging its duties, the Board shall in particular:

- Establish and evaluate the strategic direction of the Company.
- Approve the Company's business and strategic plans annually and evaluate their execution.
- Review and approve the Company's financial objectives and major corporate plans and actions and in doing so establish limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded without Board approval.
- Oversee the assessment and management of risks related to the Company's strategy and operations.
- Ensure that the Company has defined the operating principles of internal control and monitors the function of such control.

In addition, it is the Board's responsibility to

- Appoint and dismiss the President & CEO ("President & CEO") and approve of the President and CEO's service contract, appoint the other members of the management who report directly to the President & CEO (collectively the "Executive Officers") and approve their compensation, including salaries, incentives and equity-based compensations as well as pensions based on the proposals of the Human Resources Committee. The Chairs of the Board and the Human Resources Committee shall be consulted by the President & CEO upon dismissal of Executive Officers.
- Monitor the Company's compliance with the applicable legal and regulatory requirements.
- Oversee the succession planning of the Company's top management.
- Oversee the establishment of the Company's values to be applied in all its operations.

The basic responsibility of the directors in discharging their duties as members of the Board (or any of its committees) is to always act in good faith and with due care and exercise their business judgement on an informed basis in what they reasonably believe to be in the best interests of the company.

The President & CEO will ensure that the Board of Directors receives adequate information on the Company's operations to facilitate informed decision-making. Information and data that is important to the Board's understanding of the issues on the agenda will be distributed in writing to the Board sufficiently in advance of the meeting to permit meaningful review.

The Board will conduct an annual evaluation of its performance and working methods. The Board shall annually evaluate the independence of its members.

### **3. Time Schedule and Procedure of Board Meetings**

The Board will convene in accordance with a Board schedule to be prepared annually well in advance of the calendar year to which it relates. The Chairman of the Board will ensure that the Board is convened at other times as needed. Meetings may be held by telephone or electronically.

The non-executive directors will meet regularly without members of the management present. The directors will also meet regularly with the external auditor and without members of the management present.

The Board meetings will have such agendas and procedures as are determined by the Chairman, in consultation with management. However, each director is free to suggest the inclusion of items on the agenda.

## **4. Board Committees**

### **4.1 Composition and Responsibilities**

The Board may establish specific committees, determine their sizes and compositions and approve their charters. The Board shall set up three committees at its organisation meeting each year: an Audit Committee, a Human Resources Committee and a Nomination and Corporate Governance Committee.

The members of the Board committees, as well as their Chairs, will be appointed by the Board amongst its members upon the recommendation of the Nomination and Corporate Governance Committee based on each committee's member qualification standards. The President & CEO may not be appointed a member of any of these committees.

### **4.2 Charters**

The committee charters will set forth the purposes, composition, operations and duties of each committee as well as qualifications for committee membership.

## **5. Director Access to Officers and Independent Advisors**

### **5.1 Access to Management**

The directors have access to the members of the senior management of the Company mainly through the President & CEO.

### **5.2 Access to Independent Advisors**

The Board and each of its committees have the power to hire independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance. The Chairman of the Board and/or the President & CEO shall be informed about the engagement of any such advisors. The Company will provide sufficient funding to the Board and to each committee, as determined by the Board and each of its committees, to exercise their functions and to provide compensation for the services of their advisors and, in the case of the Audit Committee, external auditors.

### **5.3 Internal Reporting**

The Audit Committee will oversee procedures for treatment of complaints and concerns received anonymously or otherwise by the Company regarding accounting, internal accounting controls or auditing matters or potential violations of law.

## **6. Management Succession Planning**

The Human Resources Committee will oversee the succession process planning for the President & CEO and other Executive Officers. The Human Resources Committee will report to the Board at least annually on matters related to the succession planning for the said senior executives and the Committee and the Board will periodically discuss the evaluation and, as necessary, the nomination of successors to the President & CEO and other Executive Officers. In addition, the President & CEO will make available to the Board, on a continuing basis, his or her recommendation as to successors for the senior executives in the event of an unexpected emergency.

## **7. Director Orientation and Education**

All new members of the Board shall be provided with post-election orientation. The orientation initiatives will include presentations by the senior management to familiarize the newly elected with the Company's business, strategic plans and its significant financial, accounting and risk management issues among other matters. Continuing education is arranged upon request to all directors.

## **8. Board Interaction with Shareholders**

The President & CEO, and other members of the management as instructed by the President & CEO, will speak on behalf of the Company with shareholders, investors, media and others. It is expected that, in normal circumstances, each director will refer inquiries from third parties to the President & CEO. The Chairman of the Board will speak for the Board.

The President & CEO, the Chair of the Board and a sufficient number of directors shall attend the General Meeting.

**9. General Meeting Matters Proposed by Shareholders**

The Board will duly consider, with the assistance of the Nomination and Corporate Governance Committee, proposals by shareholders for matters to be dealt with by the General Meeting provided that (i) such proposed matter is within the competence of General Meeting and (ii) the shareholder's proposal has been submitted to Board's attention in writing well in advance of the General Meeting, in any event by January 15 each year or four weeks prior to the publication of the summons to the General Meeting, whichever date is later.

**10. Board Charter Revision**

The Nomination and Corporate Governance Committee and the Board will periodically review and reassess the adequacy of this Charter.