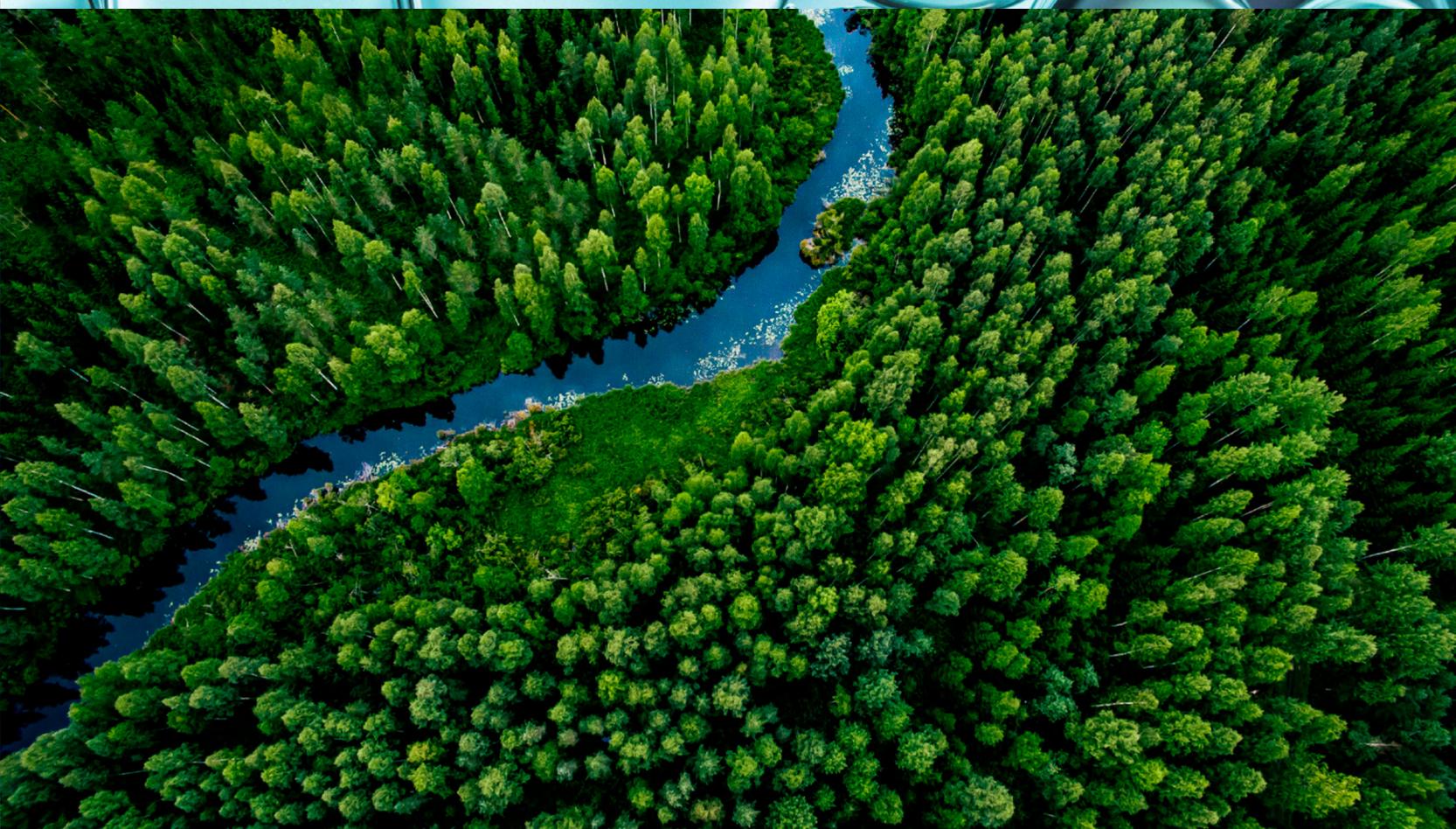


GREEN FINANCE FRAMEWORK

NOVEMBER 2023



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THIS IS UPM

As a frontrunner in biomaterials, we provide renewable alternatives for fossil-based materials in everyday use. We invest in sustainable growth and innovate for a future beyond fossils. Responsibility is at the core of everything we do. Our businesses are based on forests: growing and harvesting forests to create renewable and recyclable, wood-based products and materials, as well as to generate low-carbon energy. Our product offering delivers a wide range of sustainable and safe products, enabling our customers to make more sustainable choices.

Wood-based raw materials



Low-carbon energy

10,500 customers



170 million end-users globally

55 production plants



Production in 11 countries

Company ratings

Moody's

Baa1

with stable outlook

Standard & Poor's

BBB+

with positive outlook

BUSINESSES:

UPM FIBRES

UPM ENERGY

UPM RAFLATAC

UPM SPECIALTY PAPERS

UPM COMMUNICATION PAPERS

UPM PLYWOOD

UPM BIOREFINING

RENEWABLE AND RECYCLABLE PRODUCTS FOR:



PACKAGING



COMMUNICATION



LABELLING



TISSUE AND HYGIENE END USES



TRANSPORTATION



MANUFACTURING



ELECTRIFICATION



BIOPLASTICS



CONSTRUCTION



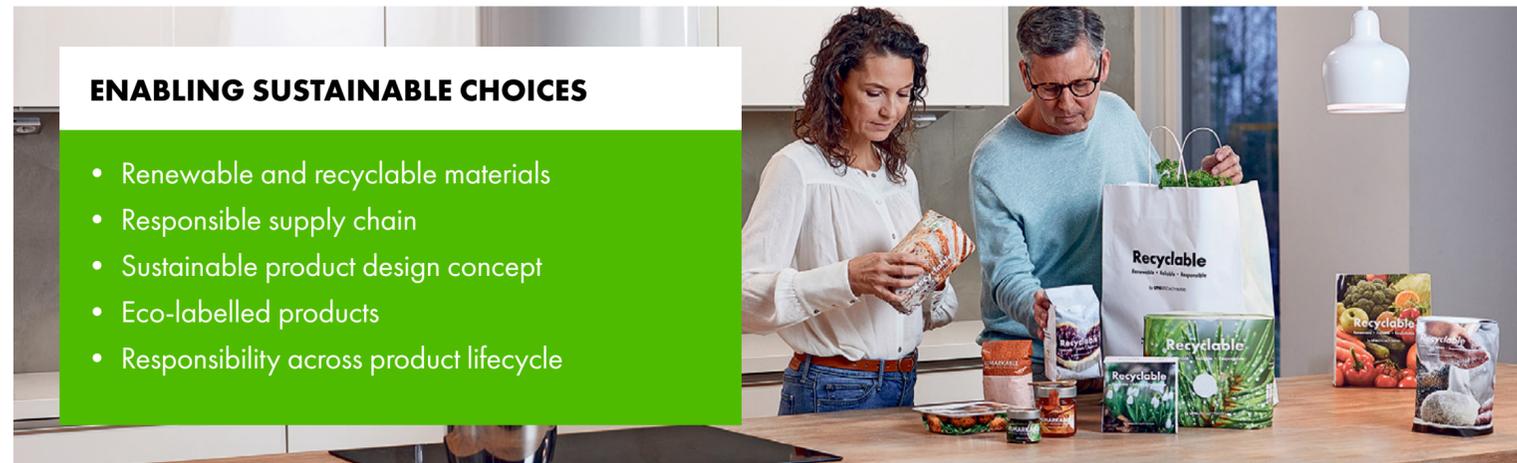
BIOMEDICALS

How we make a positive impact



ENHANCING BIODIVERSITY

- Global biodiversity programme, established in 1998
- Science-based biodiversity indicators
- Global Forest Action programme to run until 2030
- Stream water programme since 2016



ENABLING SUSTAINABLE CHOICES

- Renewable and recyclable materials
- Responsible supply chain
- Sustainable product design concept
- Eco-labelled products
- Responsibility across product lifecycle



ADVANCING A CIRCULAR BIOECONOMY

- Products made from side streams, residues, and recovered materials
- Recyclability integrated in sustainable product design concept
- Efficient use of resources
- Circular use of materials, nutrients, and water



TAKING CLIMATE ACTION

- Our forests absorb CO₂ from the air as they grow
- We aim to reduce our own emissions by 65% and supply chain emissions by 30% by 2030
- Our products replace fossils in various end-uses



BUILDING THRIVING COMMUNITIES

- Financial and social impact on communities
- Transparency of impacts
- Promoting diversity and inclusiveness
- The Biofore Share and Care programme

Biofore strategy

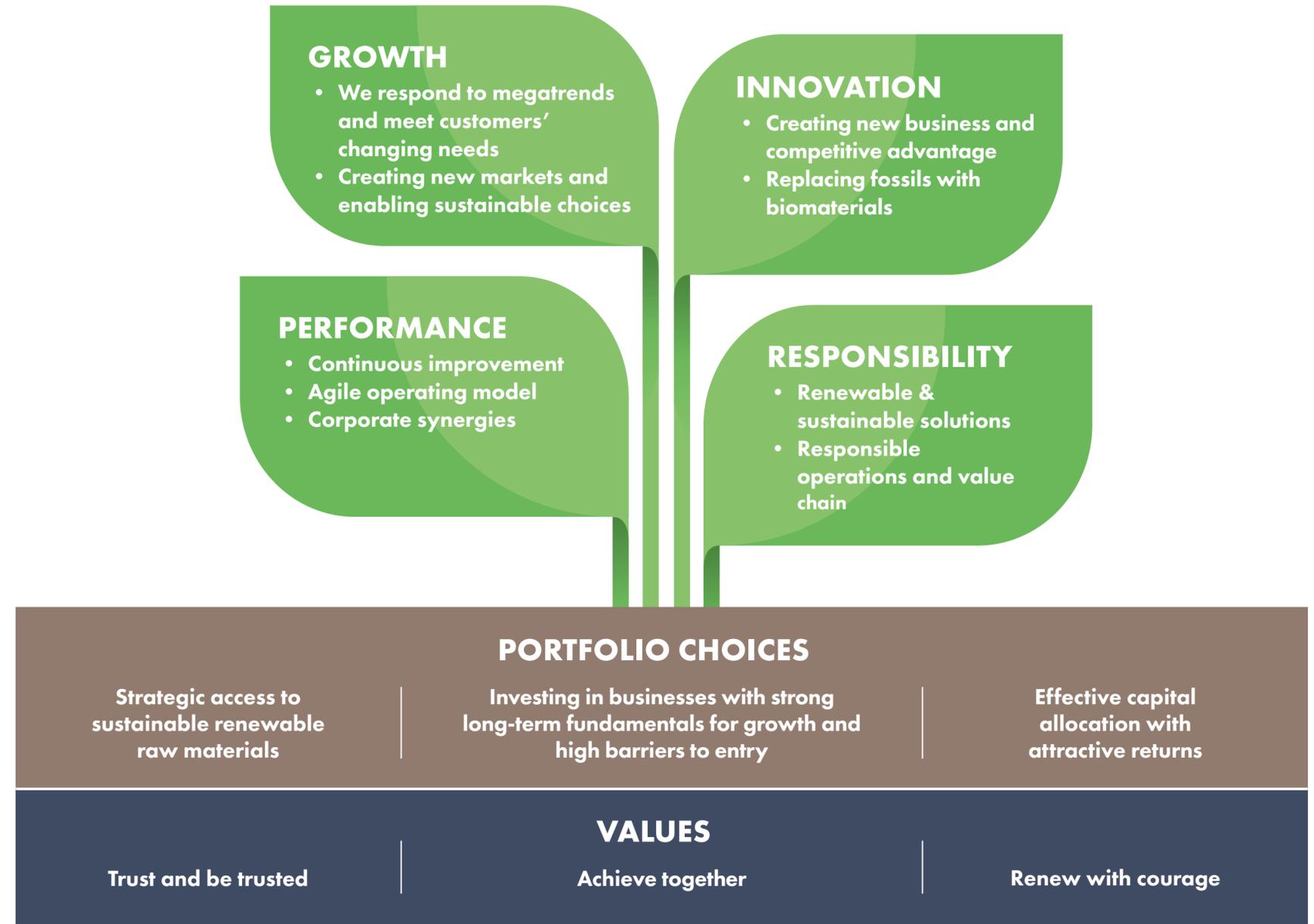
With higher living standards and an ageing population, a growing number of urban, middle-class people are consuming more over a longer period of time. At the same time, the world is still highly dependent on fossil raw materials and energy sources that cause climate change.

The Biofore strategy drives our transformation as a frontrunner in biomaterials. High performance, innovations and world-leading responsibility are the cornerstones of our strategy. Our renewable and recyclable products meet the everyday needs of consumers at the same time as addressing many global challenges, such as climate change and resource scarcity.

Many of our products offer sustainable alternatives to fossil raw materials and energy; for example, replacing fossil plastics in consumer products, steel and cement in construction, or fossil fuels in traffic, aviation and electricity markets. Furthermore, we provide our customers with entirely new solutions, creating new innovative growth businesses.

The Biofore strategy has driven our transformation for more than ten years, at an increasingly fast pace. We have an agile operating model and nurture a culture of high performance and integrity. We are an industry-leading company for responsibility. We create value by providing solutions for a future beyond fossils.

OUR PURPOSE: WE CREATE A FUTURE BEYOND FOSSILS



UPM Businesses

We deliver renewable and responsible solutions and innovate for a future beyond fossils across six business areas: UPM Fibres, UPM Energy, UPM Raflatac, UPM Specialty Papers, UPM Communication Papers and UPM Plywood. The UPM Fibres business area consists of the UPM Pulp and UPM Timber business units.

In addition, we have formed a new business unit by combining the UPM Biofuels, UPM Biochemicals, UPM Biomedicals and UPM Biocomposites businesses. The aim is to speed up business growth and to leverage the capabilities and competences across projects efficiently.



UPM PULP

A versatile range of pulp grades suitable for various end uses such as tissue, specialty and packaging papers, graphic papers and board.



UPM TIMBER

Certified sawn timber for joinery, packaging, furniture, planing and construction end-use segments.



UPM RAFLATAC

Leader in sustainable labelling. Offers high-quality self-adhesive paper and film products including label materials, graphics solutions and removable self-adhesive products for branding and promotion.



UPM SPECIALTY PAPERS

Labelling and packaging materials, as well as office and graphic papers for labelling, commercial siliconising, packaging, office use and printing. The innovative sustainable alternatives help minimise the dependency on fossil-based materials.



UPM COMMUNICATION PAPERS

Extensive product range of sustainably produced graphic papers for advertising and publishing, as well as home and office uses.



UPM FOREST

Secures sourcing of competitive wood and biomass for UPM businesses and manages UPM-owned and privately owned forests in North Europe. Offers forestry services to forest owners and forest investors.



UPM BIOFUELS

Wood-based renewable diesel for all diesel engines and renewable naphtha that can be used as a biocomponent for gasoline or for replacing fossil raw materials in the petrochemical industry. Advanced biofuels reduce greenhouse gas emissions by more than 80% compared to fossil fuels.



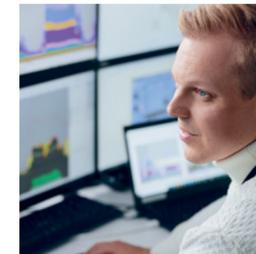
UPM BIOMEDICALS

Wood-based biomedical products for wound care, cell therapy and 3D bioprinting. The main ingredient of our high-quality products is nanocellulose, extracted from birch.



UPM PLYWOOD

High-quality plywood and veneer products for construction, vehicle flooring, LNG shipbuilding, parquet manufacturing and other industrial applications.



UPM ENERGY

Generates cost competitive, zero-carbon electricity. Operations also include physical electricity and financial portfolio management, as well as services to industrial electricity consumers. UPM is the second largest electricity producer in Finland.



UPM BIOCHEMICALS

Wood-based renewable biochemicals to replace fossil-based raw materials in various uses such as textiles, PET bottles, packaging, cosmetics, pharmaceuticals, detergents, rubbers and resins. The biorefinery investment in Leuna will be completed by the end of 2024.



UPM BIOCOMPOSITES

Composite decking materials based on both recycled consumer and industrial waste. The product range also includes composite materials made from renewable fibres and polymers to replace fossil-based plastics.

Sustainability at UPM

Creating value for society, both as a responsible company and through our renewable and sustainable solutions, is an integral part of our strategy. Our Biofore strategy guides us in achieving our responsibility targets for 2030 and in contributing to the UN Sustainable Development Goals (SDGs).

IMPACT

- Renewable raw materials and recyclable products advance the transformation to a circular bioeconomy
- Our solutions respond to global challenges, such as climate change and resource scarcity

TARGETS

- Create value for our stakeholders
- Wide set of 2030 responsibility targets

OUR WAY

- We respect international agreements, such as the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises
- Our purpose, values, UPM Code of Conduct, and UPM Supplier and Third-Party Code provide a solid foundation for decision-making, management and operations
- Responsibility is managed by the Board of Directors and the Group Executive Team, as well as by businesses and functions
- Responsible business conduct in all our operations

Sustainability associations, ratings and recognition

We are globally active in co-operation with different sustainability associations and our consistent sustainability efforts have enabled us to be recognised as an industry leader by several third parties.

UN Global Compact: Since 2003, UPM has been a signatory of the United Nations Global Compact initiative, which is a global network of businesses and other stakeholders from around the world committed to sustainability and responsible business practices. The core values of the Global Compact are presented as ten principles, which cover human rights, labour standards, the environment and anti-corruption. We are also part of the UN Global Compact’s CEO Water Mandate, a strategic framework for action on sustainability related to water. In 2022, we joined the UN Global Compact’s Living Wage Think Lab and in 2023, the Forward Faster initiative.

Science Based Targets initiative & UN Business Ambition for 1.5°C: UPM is a Business Ambition for 1.5°C campaign member and is committed to a 65% reduction in absolute scope 1 and 2 GHG emissions by 2030 from a baseline year of 2015, and a 30% reduction in absolute scope 3 GHG emissions by 2030 from a baseline year of 2018.

Dow Jones Sustainability Index: The only forest and paper company in the Dow Jones European and World Sustainability Indices (DJSI) for 2022–2023.

MSCI ESG ratings: After undergoing the MSCI ESG Research assessment, UPM was given an AAA rating, which is based on public companies’ exposure to industry-specific ESG risks and their ability to manage them compared to peers.

CDP Programme: UPM is one of only 12 companies awarded a Triple A rating globally. This was granted for our significant actions to mitigate climate change, prevent deforestation and enhance water security.

S&P Global’s Sustainability Yearbook: Top 1% S&P Global ESG Score in S&P Global’s Sustainability Yearbook 2023 as one of the top scoring companies in our industry.

EcoVadis: UPM has the highest possible Platinum level for our sustainability performance which, out of the more than 100,000 companies assessed globally, only 1% attain.

Bloomberg Gender-Equality Index (GEI): UPM is among 484 public companies globally and one of the three Finnish companies in the Bloomberg Gender-Equality Index (GEI). The GEI lists the companies most committed to transparency in gender reporting and advancing women’s equality.



WE CREATE A FUTURE BEYOND FOSSILS

Focus area	Key performance indicator	2030 target
ECONOMIC		
Profit Creating value to shareholders	<ul style="list-style-type: none"> • Comparable EBIT • Comparable ROE • Net debt/EBITDA 	<ul style="list-style-type: none"> • Comparable EBIT growth through focused top-line growth and margin expansion (continuous) • 10% (continuous) • 2 times or less (continuous)
Governance Ensuring accountability and compliance	<ul style="list-style-type: none"> • Participation in UPM Code of Conduct training 	<ul style="list-style-type: none"> • 100% (continuous)
Responsible sourcing Adding value through responsible business practices	<ul style="list-style-type: none"> • UPM spend covered by UPM Supplier and Third-Party Code • UPM raw material spend covered by UPM Supplier and Third-Party Code¹⁾ • Supplier auditing based on systematic risk assessment practices • CO₂ emissions from materials and logistics (scope 3), compared to 2018 	<ul style="list-style-type: none"> • 80% (continuous) • 100% • Continuous • -30%
ENVIRONMENTAL		
Forestry Ensuring sustainable land use	<ul style="list-style-type: none"> • Climate-positive land use in UPM's own and leased forests • Share of certified fibre²⁾ 	<ul style="list-style-type: none"> • Forests as carbon sinks (continuous) • 100%
Biodiversity Enhancing biodiversity	<ul style="list-style-type: none"> • Positive impact on forest biodiversity and developing a monitoring system⁴⁾ • Obstacle-free streams⁵⁾ 	<ul style="list-style-type: none"> • Positive development (continuous) • 500 km
Climate Creating climate solutions and working towards carbon neutrality	<ul style="list-style-type: none"> • Fossil CO₂ emissions from UPM's on-site combustion and purchased energy (scope 1 and 2), compared to 2015 • Coal and peat usage in on-site energy generation • Annual energy efficiency improvement • Share of renewable fuels • Acidifying flue gases (NO_x/SO_x) for a UPM average product, compared to 2015 	<ul style="list-style-type: none"> • -65% • 0 • 1% (continuous) • 70% (continuous) • -20%
Water Using water responsibly	<ul style="list-style-type: none"> • Chemical oxygen demand (COD) for a UPM average product, compared to 2008³⁾ • Wastewater volume for a UPM average product, compared to 2008³⁾ • Nutrients used at effluent treatment from recycled sources³⁾ 	<ul style="list-style-type: none"> • -40% • -30% • 100%
Waste Promoting material efficiency and circular bioeconomy – reduce, reuse, recycle and recover	<ul style="list-style-type: none"> • Process waste sent to landfills or to incineration without energy recovery 	<ul style="list-style-type: none"> • 0
Product stewardship Taking care of the entire lifecycle	<ul style="list-style-type: none"> • Climate-positive product portfolio • Development of new products and services with contribution to the SDGs • Share of applicable products eligible for eco-labelling out of UPM sales 	<ul style="list-style-type: none"> • Continuous • Continuous • 100%

1) Covers all raw material spend including wood and wood-based biomass sourcing and excluding energy

2) Forest management certification

3) Relevant for pulp and paper production

4) Covers UPM's own forests in Finland and UPM's land in Uruguay

5) Relevant for Finland

Focus area	Key performance indicator	2030 target
SOCIAL		
Continuous learning and development Enabling continuous professional development for high performance, growth and future employability	<ul style="list-style-type: none"> • Goal setting discussions are held and development plans are created for employees • Employee perception of good opportunities to learn and grow 	<ul style="list-style-type: none"> • 100% completion rate • Clearly above benchmark
Responsible leadership Emphasising value-based and inspiring leadership and integrity	<ul style="list-style-type: none"> • Employee engagement 	<ul style="list-style-type: none"> • Clearly above benchmark
Diversity and inclusion Developing an organisational culture and workplace to ensure a diverse and inclusive working environment for business success	<ul style="list-style-type: none"> • Employees' sense of belonging • Continuous improvement in female representation in professional and managerial roles. Developing leadership and decision-making capabilities with increased diversity • Diversity and inclusion initiative 	<ul style="list-style-type: none"> • Among the top 10% of benchmark companies • 40% female representation • Continuous
Fair rewarding Ensuring fair, equitable and competitive rewarding for all employees	<ul style="list-style-type: none"> • Employees' pay meeting at least local living wage: implementing a yearly review • Gender pay equity for all employees: implementing a yearly review process to identify and close unexplained pay gaps 	<ul style="list-style-type: none"> • Continuous • Continuous
Safe and healthy working environment Ensuring the safety and health of our employees, contractors and the local communities close to our operations	<ul style="list-style-type: none"> • Fatalities or serious accidents in UPM operations • Total recordable injury frequency (TRIF), including contractors • Process safety integrated in safety management • Employees' sense of worklife balance • Absenteeism rate 	<ul style="list-style-type: none"> • 0 (continuous) • <2 • All sites and businesses • Among the top 10% of benchmark companies • <2%
Community involvement Ensuring local commitment and positive impact on communities	<ul style="list-style-type: none"> • Assessment of quality of community relationships and define measures at relevant sites • Long-term initiative(s) that impact their mill communities defined in line with the Biofore Share and Care programme 	<ul style="list-style-type: none"> • Continuous • All businesses (continuous)

1) Covers all raw material spend including wood and wood-based biomass sourcing and excluding energy
 2) Forest management certification
 3) Relevant for pulp and paper production

4) Covers UPM's own forests in Finland and UPM's land in Uruguay
 5) Relevant for Finland

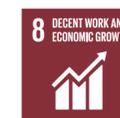
The Biofore strategy guides us in achieving our responsibility targets for 2030 and contributes positively to achieving the UN Sustainable Development Goals (SDGs). We have selected six goals and, thereunder, 12 targets that are the most relevant for us based on where we can have the greatest effect, either by minimising our negative impacts or by increasing our positive impacts on people, societies and the environment. There are others that are also relevant to us, but to a lesser extent.



Goal 6:
 Clean water and sanitation
 (Target: 6.3)



Goal 7:
 Affordable and clean energy
 (Targets: 7.2 and 7.3)



Goal 8:
 Decent work and economic growth
 (Targets: 8.2, 8.5 and 8.8)



Goal 12:
 Responsible consumption and production
 (Targets: 12.2, 12.4 and 12.5)



Goal 13:
 Climate action
 (Target: 13.1)



Goal 15:
 Life on land
 (Targets: 15.2 and 15.5)



We are committed to climate-positive forestry and improving biodiversity

as well as engaging various stakeholder groups like communities, employees, NGOs, customers, suppliers, governments, regulators, investors, researchers and media.

Impact significance is assessed by severity and likelihood. Severity of impact is determined based on its scale, scope and irremediability.

The materiality analysis is conducted annually and the outcome of material economic, environmental and social topics determines our responsibility-related focus areas, in terms of strategy, targets and reporting.

Environment

Forestry

The UPM Forest Action programme outlines an ambitious agenda for us to maximise the positive impact of our forestry operations by the end of the decade. As an industry first, the programme takes a holistic, global view on the impact of forestry, combining measures across five factors: climate, biodiversity, soil, water and social contribution.

We are committed to climate-positive forestry and improving biodiversity. Forests and forest diversity are critical for mitigating the effects of climate change. We ensure that our forests continue to act as carbon sinks, remain resilient and diverse in changing climate conditions, and grow well for future generations.

For our forests to remain carbon sinks, the growth needs to exceed the harvests. The annual carbon sink from owned forests in Finland and in the US and from owned and leased plantations in Uruguay

has averaged 2.3 million tonnes of CO₂ equivalent over the past five years.

Our supply chain is third-party verified to ensure we always know the origin of our wood. We do not use wood from illegal sources or from areas where high conservation value forests could be under threat. Our wood procurement does not cause land-use change or deforestation, in the sense that forest cover is stable or increasing in all wood sourcing areas. We do not use genetically modified trees. All company-owned forests are FSC™ (Forest Stewardship Council™, FSC N003385) or PEFC (the Programme for the Endorsement of Forest Certification, PEFC/02-44-41) certified or in the process of being certified if the site is new, and we promote forest certification for private forest owners and other customers. We have established FSC group certification schemes in Finland and Uruguay, which support small forest owners' access to certification.

Biodiversity

Our operations are widely linked with biodiversity. Our most significant impacts on biodiversity take place in wood sourcing. Biodiversity is instrumental in maintaining healthy forest growth and ensuring that forests adapt to the changing climate. We have been committed to preserving biodiversity through our global biodiversity programme since 1998 and continue to implement our biodiversity activities as part of the global Forest Action programme, launched in 2022. The programme considers the various regional regulations, requirements and guidelines regarding forest management in Finland, Uruguay and the US.

Biodiversity also plays an important role in ensuring the sustainability of our energy business and in particular of our hydropower plants. In Finland, our hydropower plants impact the environment by altering river flow rates and their ecosystems. We have taken voluntary measures to restore migratory fish stocks and other species as part of our stream

Responsibility is integrated into UPM's governance

The Board of Directors reviews and approves UPM's strategic objectives and annually reviews and approves the strategic plans of the company and its business areas. The main focus areas of our Biofore strategy are performance, growth, innovation, responsibility and portfolio choices. Our sustainability governance is based on the UPM Code of Conduct, complemented by the UPM Responsibility Statement, UPM Supplier and Third-Party Code and further specific supplier requirements, as well as by transparent and credible reporting.

The Board of Directors, with the assistance of the Audit Committee, is responsible for monitoring compliance with applicable legal and regulatory requirements and with the UPM Code of Conduct and other corporate policies.

The Group Executive Team, headed by the President and CEO, is responsible for the management of corporate responsibility, including possible impacts on the economy, environment and people, determining courses of action and guiding development work. In practice, corporate responsibility work takes place in businesses and functions, and in the group's Responsibility team, which co-ordinates the projects carried out by businesses and functions.

Materiality assessment

The materiality assessment highlights the topics UPM has a significant impact on or which have a significant impact on the company. The analysis covers negative, positive, current and potential impacts on the economy, environment and people.

The impacts are identified through an analysis of materiality. This analysis involves both internal and external assessments such as audits and reviews,

water programme, in addition to statutory levies on fisheries, to mitigate the production impacts.

Industrial emissions to water and air also have an impact on biodiversity. Emissions change the ecological living environment of different species. In the past, acidifying flue gases worsened air quality, for example. Today, thanks to modern technology, harmful emissions can be neutralised, allowing sensitive species such as lichen to return. Water quality has also improved as a result of advanced, best available techniques.

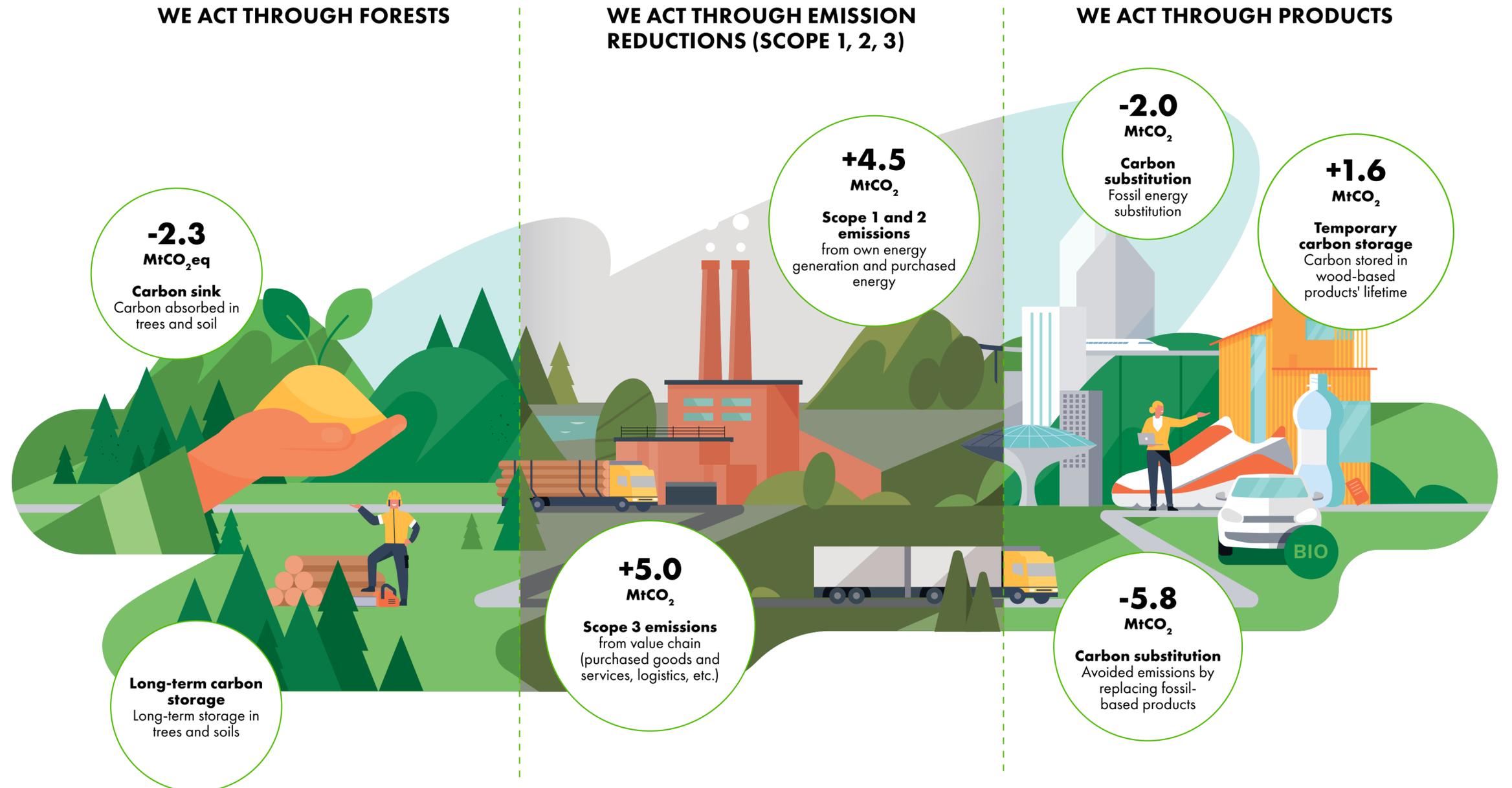
In 2022, we set a new environmental focus area specifically dedicated to enhancing biodiversity and included biodiversity as a measure into management remuneration.

In addition, we joined the Science Based Targets Network (SBTN) Corporate Engagement Program. Through this partnership, we are participating in the development and testing of tools and methodology for setting science-based targets for nature.

Climate

At UPM, we are working to mitigate climate change by seeking new solutions and optimising energy sources and generation methods. We are consistently developing our energy portfolio, growing our CO₂-free electricity generation and switching our energy-consuming businesses to lower-emission energy sources. UPM Energy is a major energy provider in Finland with assets in Finnish hydropower and nuclear power, as well as thermal power to a lesser extent. Finland has determined a solution for the final disposal of used nuclear fuel, which is a precondition for the operation of nuclear power plants. We are contributing to the decarbonisation of the electricity system by growing the supply of reliable, emission-free electricity. Our energy-intensive production sites use efficient combined heat and power (CHP) generation, which is mainly based on biomass. Renewable or CO₂-free energy is also preferred on power purchases.

TOWARDS NET-ZERO EMISSIONS



We are committed to the UN Business Ambition for 1.5°C and The Climate Pledge and have set ambitious emissions reduction targets that have been validated by the Science Based Targets initiative. We have committed to a 65% reduction in absolute scope 1 and 2 GHG emissions by 2030 from a baseline year of 2015, and a 30% reduction in absolute scope 3 GHG emissions from materials and logistics by 2030 from a baseline year of 2018.

Water

As a signatory to the CEO Water Mandate, we follow recognised principles of water stewardship, continually seeking to use water in a way that is environmentally sustainable, socially equitable and economically beneficial. Our approach aligns with three key areas of good water stewardship: maintaining quality and quantity of local water resources, conserving and restoring aquatic ecosystems, and facilitating access and awareness in relation to water. We have set targets to use water responsibly, continuously reduce the effluent load and wastewater volume generated by our operations and use only recycled nutrients in wastewater treatment.

Waste

Our goal is to minimise waste, maximise utilisation of side streams, and create added value through smart solutions to accelerate the transition to a circular bioeconomy, while aiming to continuously reduce our environmental impact. Our sustainable product design concept includes circularity aspects throughout the product lifecycle, and our environmental 2030 targets ensure resource efficiency and contribute to the UN Sustainable Development Goals. Our circularity targets are that, by 2030, no process waste will be deposited at landfill sites or incinerated without recovering the energy and we will use all nutrients from recycled sources in our effluent treatment process.

Product stewardship

We actively develop solutions where sustainability of the whole product lifecycle is considered, from raw material sourcing to circularity. Our target is to provide products that improve our customers' business processes and performance, creating mutual benefit and societal value. Our innovative and sustainable wood-based biomedical products, as well as our pharmaceutical and healthcare labelling solutions, are examples of where we create direct societal impact. In the future, our wood-based biochemicals will offer renewable alternatives for many consumer products in packaging, automotive, textiles and various industrial segments. Many of our products are made from side streams and residues or from materials recovered after product use, thus supporting circular bioeconomy.

People and society

Focus on people is an integral part of everything we do. We want to strengthen sense of meaningful work and belonging among all UPMers. We have set clear focus areas and targets for our work in social responsibility. They cover our respect for human rights across our businesses and value chain globally and provide a safe and rewarding working environment for our employees while contributing to the vitality of the communities around us. Our Biofore strategy contributes positively to achieving the UN's Sustainable Development Goals.

We aim to understand the expectations of our stakeholders and engage in a dialogue with them to discuss UPM's targets, operating principles and the challenges we face. We also recognise our significant societal impact on our surrounding communities wherever we operate and strive to engage with them. Our aim is to contribute positively to their economic, environmental and social development, and to minimise any negative impacts of our operations.

In all investments, UPM takes account of safety, social and human rights aspects as part of its evaluation

and decision making – in addition to legal compliance and environmental aspects.

Safety is our top priority. For us, safety means implementing a preventive safety culture and ensuring a healthy working environment for our employees, contractors, partners and suppliers. But it also means encouraging a healthy lifestyle and promoting a good work-life balance. With integrity and inspiring, responsible leadership, we aim to motivate and support our people in their work. Promoting diversity and inclusion is also one of our focus areas. We believe it is important to pool the talent of people of various competences, backgrounds, genders, ages and nationalities.

Our 2030 targets for social responsibility concentrate on continuous learning and development, leadership, diversity and inclusion, fair rewarding, health and safety, and community involvement.

EU Taxonomy

The EU Taxonomy is a sustainable finance classification system, which defines criteria for economic activities that are considered environmentally sustainable. The aim is to provide information to investors about companies' environmental performance and their green assets. The first Delegated Act on Climate was adopted in 2021 and it required large companies to report the proportion of their economic activities considered Taxonomy-eligible.

In 2022, we conducted a thorough evaluation of the alignment of taxonomy activities based on the sustainability requirements defined in the regulation. We also re-evaluated some of the previously identified eligible activities. The assessment and its results are based on the current knowledge and available interpretation of the regulation. We report on the EU Taxonomy at a company-wide level in our annual report, and further report on the taxonomy-eligibility and alignment of the Green Bond portfolio. The Taxonomy regulation is still under development and does not cover all the



We have set clear focus areas and targets for our work in social responsibility.

sustainable economic activities. Most of our main products such as pulp, paper, timber, plywood and labels are not included in the Taxonomy, which is further impacting our Taxonomy eligibility proportion. According to the current regulations and executed assessments, EU Taxonomy activities related to Forest management, Manufacture of other low carbon technologies, Manufacture of biofuels for use in transport, Electricity generation from hydro-power and Close to market research, development, and innovation are included in our Eligible Green Bond categories.

Rationale for green and sustainable financing

We are in a unique position to advance circular economy and to take the world towards a future beyond fossils. Responsibility is integrated into our Biofore strategy as a solid foundation for long-term value creation. Responsibility also plays an important role in our financing and gives investors a great opportunity to promote activities such as climate change mitigation and adaptation, and the UN Sustainable Development Goals.

UPM has been one of the first companies to link the pricing mechanism of a syndicated revolving credit facility (RCF) to both biodiversity and climate targets. The two key performance indicators (KPIs) used are:

- a net positive impact on biodiversity in company-owned forests in Finland
- a 65% reduction in fossil CO₂ emissions from fuels and purchased electricity by 2030 from 2015 levels, in line with our commitment to UN Business Ambition for 1.5°C.

We published our first Green Financing Framework in 2020 and have issued three Green Bonds since then. This updated framework is therefore a consistent and tangible step to further align our financing strategy with our mission, objectives and sustainability targets. It will support the company's strategy and is a valuable tool that the company will use for the implementation of its growth strategy with an integrated sustainability approach.



GREEN FINANCE FRAMEWORK

This Green Finance Framework has been developed in accordance with the Green Bond Principles (GBP) 2021 (with June 2022 Appendix I), as well as the APLMA, LMA and the LSTA Green Loan Principles (GLP) 2023. With this framework, UPM may utilise a variety of Green Finance Instruments, including but not limited to Green Bonds, Green Loans and Schuldschein. This Green Finance Framework is aligned with the core components of the GBP and GLP, as well as with the recommended External Review component:

Use of Proceeds

Process for Project Evaluation and Selection

Management of Proceeds

Reporting

External Review

Use of Proceeds

An amount at least equal to the proceeds from the Green Finance Instruments issued by UPM will be exclusively used to finance and/or refinance, in whole or in part, projects, assets, expenditures or activities that are in accordance with the Eligible Green Projects and Assets categories defined in the next pages.

Eligible Green Projects and Assets will include:

- capital expenditures,
- assets,
- operational expenditures such as R&D or
- supporting expenditures and maintenance costs that either increase the lifetime or the present or future value of Eligible Green Projects and Assets or create positive climate benefits.

Proceeds will be used to finance assets owned by UPM in line with the eligibility criteria detailed below in this framework, which promote environmental and societal benefits and identifies and manages potential social and environmental risks as determined by UPM within the UPM Code of Conduct, Responsibility Statement and more detailed guidelines and instructions found on the company website.

Financing and refinancing

Financing is defined as allocation to Projects and Assets being materialised after the issuance of any Green Bond. Refinancing is defined as allocation to Projects and Assets materialised before the issuance of any Green Bond, with a maximum lookback period of three years.

Capital expenditure will be financed to an amount corresponding to investment cost less debt from other sources. Financing of forest assets will

correspond to an amount of the carrying value for existing forest assets when financing ownership of forests, the purchase price of newly acquired forest assets or expenditure resulting from sustainable forest management. R&D and operational expenditures will be financed to an amount corresponding to expenses paid during the period. The legal documentation for each Green Finance Instrument will refer to this Framework.

Exclusions

This framework will exclude investments directly related to activities associated with fossil fuels and sites that use coal as an energy source.

Eligible Green Categories

- Sustainable forest and plantation management
- Climate positive and circular bioeconomy adapted products and solutions
- Renewable or CO₂-free energy
- Pollution prevention and control, including waste management
- Sustainable water and wastewater management
- Energy efficiency initiatives

In addition to Green Finance Instruments issued by UPM in the debt capital markets, the company may have Green Loans provided by lending institutions. Green Loans taken by UPM may be provided by lending institutions that finance these by issuing Green Bonds. UPM will report the aggregate amount of Green Loans taken and specify each Eligible Asset that has been financed by a Green Loan in a separate section of the Green Finance Report.



The Arvajankoski rapid was restored as part of UPM's stream water programme.

Eligible Green Categories

Eligible Green Projects and Assets must fall within one of the following Eligible Categories. Each Use of Proceed category is described through a non-exhaustive list.

Sustainable forest and plantation management		
Green project category:	Environmentally sustainable management of living natural resources and land use	Target 13.1
Significant contribution to GBP Environmental objective:	Climate change mitigation, Climate change adaptation, Natural resource conservation and Biodiversity conservation	
		Target 15.2
Use of Proceeds		
Financing of assets, acquisition, R&D and management of forests and plantations such as nurseries, plantations, harvesting and related infrastructure that have a certification (or will have a certification within 12 months) from the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC) located where UPM is operating. UPM currently has forest operations in Finland, Uruguay and the US. Use of proceeds can also finance activities that ensure and increase biodiversity. This includes but is not limited to forestry-related measures such as an increase in the share of broad-leaved trees, amount of deadwood, diversified forest age, forest structure, protected areas, protection of other vulnerable habitats, habitat restorations, and species and habitat projects, as well as development of biodiversity measurement and indicators.		
Contribution		
UPM is committed to climate-positive forestry and enhancing biodiversity. Forests and forest diversity are critical for mitigating the effects of climate change. We ensure that our forests continue to act as carbon sinks, remain resilient and diverse in changing climate conditions, and that they grow well for future generations. Our global forest responsibility programme "Forest Action" encompasses action related to climate, biodiversity, water, soil and social contribution. In our forest management, we comply with various regional regulations, requirements and guidelines, as well as focus on our target for net positive impact on forest biodiversity where UPM operates. Our key stakeholders in forestry-related issues are forest owners, employees, investors, suppliers, local communities, non-governmental organisations, research organisations, governments, regulators and the media. We have a local presence both as a major forest and landowner and as a purchaser of wood. Stakeholder dialogue is integrated into our daily forest management practices.		

Climate positive and circular bioeconomy adapted products and solutions		
Green project category:	Circular economy adapted products, production technologies and processes	Target 13.1
Significant contribution to GBP Environmental objective:	Climate change mitigation	
Use of Proceeds		
Financing of assets, R&D and maintenance of production units and facilities including equipment, processes and technology related to climate positive or circular bioeconomy adapted products and solutions that replace fossil raw materials with renewable alternatives. This includes but is not limited to biofuels, biochemicals, packaging materials, biocomposites and biomedical materials that are based on FSC- or PEFC-certified wood, its residue or RSB (The Roundtable on Sustainable Biomaterials) certified plants as the main raw material.		
Contribution		
UPM's products and solutions are based on circular bioeconomy, with wood, plants or residues as the main raw material. For example, the raw material of UPM's biofuels and naphtha is crude tall oil (CTO), a residual from pulp production, and is not competing with the production of food in land-use or raw materials. Renewable and sustainable biofuels mitigate climate change and reduce GHG emissions by more than 80% compared to fossil fuels. Biofuels safeguard the demanding sustainability category of the Renewable Energy Directive (RED II) ¹ and is classified as an advanced biofuel. UPM's biofuels are certified under both the international ISCC and RSB sustainability certification schemes. The RSB low Indirect Land Use Change (ILUC) risk certification is an additional proof of UPM's biofuels production low risk of causing indirect land use change related emissions elsewhere. Beyond this, ISCC and RSB schemes also include social responsibility criteria. One of the future focuses is on developing future solutions and concepts for carbon farming and agroforestry. Another example is our new biochemicals refinery in Leuna, which will produce renewable 100% wood-based biochemicals to replace fossil-based materials in various applications such as textiles, PET bottles, coolants, packaging, cosmetics, pharmaceuticals, detergents, rubbers and resins.		

1) As of June 2023.

Renewable or CO ₂ -free energy	
<p>Green project category: Renewable energy</p>	 <p>Target 7.3</p>
<p>Significant contribution to GBP Environmental objective: Climate change mitigation</p>	 <p>Target 13.1</p>
<p>Use of Proceeds Financing of development, operations and maintenance of renewable and CO₂-free energy solutions. It includes but is not limited to new investments, modernisations, refurbishment, upgrades and maintenance of existing equipment, distribution and production of waste-heat or electricity from renewable or CO₂-free energy sources, or the investments in CO₂-free energy boilers, hydro, wind and solar power, as well as green hydrogen.</p>	
<p>Contribution UPM is a major player in the Nordic electricity market. We are consistently developing our energy portfolio, growing our CO₂-free electricity generation and switching our energy-consuming businesses to lower-emission energy sources. For example, we produce competitive, renewable hydropower at UPM, offering rapid adjustments in an electricity system in which flexibility in other production units is decreasing and dependence on weather is becoming increasingly important. We are also generating steam and electricity through combined heat and power (CHP) plants at our production sites. Our continuous target for biomass-based fuels in own energy generation is 70%. We work constantly to deliver sustainable solutions for our customers by optimising our production processes using renewable energy in our mills.</p>	

Pollution prevention and control, including waste management	
<p>Green project category: Pollution prevention and control</p>	 <p>Target 12.2, 12.4, 12.5</p>
<p>Significant contribution to GBP Environmental objective: Climate change mitigation, Pollution prevention and control</p>	 <p>Target 13.1</p>
<p>Use of Proceeds Financing the reduction of UPM’s environmental impact and improvement of the environmental performance of UPM’s operations. This includes but is not limited to equipment, systems, initiatives and R&D relevant for circular bioeconomy (e.g. finding recycling solutions for green liquor dregs), costs related to waste management following the waste hierarchy (e.g. costs for recycling and other disposal of our waste streams), for the reduction and control of pollution to air, water and soil (e.g. control of effluent treatment, treatment and control of air emissions from our energy generation or production) or for carbon capture and storage technology (a topic under development).</p>	
<p>Contribution Our objective is to minimise waste, maximise the utilisation of side streams and create added value through smart solutions. We are constantly looking for solutions for the creation of circular innovations linked to side stream use and valorisation, product development and supply chain efficiency. Ash from UPM’s bioenergy generation is nowadays used, for example, in road construction, cement industry or internally to replace caustic soda. An investment in a new heat pump system at Korkeakoski sawmill in 2023 will decrease SO₂ and NO_x emissions, in addition to improved energy efficiency. Regarding climate change, we are actively developing new solutions to accelerate the transition to a circular bioeconomy and aim to continuously reduce our environmental impact. We see technical solutions as the most prominent ones to reach negative climate emissions. UPM is researching capturing biogenic carbon dioxide for storage and utilisation. All wastewater from our pulp and paper mills is cleaned in both mechanical and biological effluent treatment processes. According to the water risk analysis carried out, our production sites are in areas with low to medium water scarcity. Approximately 95% of the water we use in production is internally recirculated, and only a small fraction eventually leaves the process as effluent and needs to be replaced. Most of our products are certified with widely recognised eco-labels.</p>	

Sustainable water and wastewater management		 <p>Target 6.3</p>
<p>Green project category: Sustainable water and wastewater management</p>		
<p>Significant contribution to GBP Environmental objective: Climate change mitigation, Pollution prevention and control, Natural resource conservation and Biodiversity conservation</p>		
<p>Use of Proceeds Financing the reduction of water use and management of fresh and wastewater for UPM’s operations and related activities. This includes but is not limited to equipment and management related to raw water intake and purification, wastewater treatment, the circular use of water, nutrients and residues from water and wastewater treatment or other projects for the protection of soil and groundwater. Use of proceeds can also finance water-related measures, enhancing biodiversity such as creating more spawning areas or freeing waterways for migratory fish as part of UPM’s stream water programme.</p>		
<p>Contribution Pulp and paper production is our most water-intensive operation. According to the water risk analysis carried out, our production sites are in areas with low to medium water scarcity. Approximately 95% of the water we use in production is internally recirculated, and only a small fraction eventually leaves the process as effluent and needs to be replaced. All wastewater from our pulp and paper mills is cleaned in both mechanical and biological effluent treatment processes. We are committed to responsible water use. Our targets and continuous development efforts ensure that the impact of our operations on watercourses is minimised, so that clean water is available for surrounding communities. UPM’s stream water programme strives to remove obstacles to fish migration and restore fish stocks in Finland. Industrial emissions to water and air also have an impact on biodiversity and we aim to continuously minimise these emissions. We have also joined the Science Based Targets Network (SBTN) Corporate Engagement Program to develop and test tools, methodology and guidelines for setting science-based targets for the preservation on nature.</p>		

Energy efficiency initiatives		 <p>Target 7.3</p>  <p>Target 13.1</p>
<p>Green project category: Energy efficiency</p>		
<p>Significant contribution to GBP Environmental objective: Climate change mitigation, Climate change adaptation</p>		
<p>Use of Proceeds Financing of developments, modernisations and management of renewable energy solutions, improving energy efficiency compared to the previous situation and where negative climate impact and potential rebound and lock-in effects are considered with the requirement of a minimum 25% efficiency improvement. This includes but is not limited to projects, initiatives and processes such as new boiler or heat recovery systems, technologies or equipment, advanced IT solutions or energy management systems. For all energy efficiency initiatives financed under this framework, lock-in and rebound effects will be considered.</p>		
<p>Contribution UPM is looking for ways to improve energy efficiency across its operations with audits, innovations and investments. Improvements usually lead to reduction in CO₂ and other air emissions as well. The majority of our energy consumption is due to production processes at the paper and pulp mills, where electricity and heat are needed for mechanical pulping, pumping and drying. We generate steam and electricity through combined heat and power (CHP) plants. Biomass-based fuels account for a major part of our fuel usage at production sites. Every year we carry out a number of energy efficiency measures, ranging widely in size and impact.</p>		

Process for Project Evaluation and Selection

Project evaluation and selection is a key process in ensuring that the Projects and Assets financed by Green Finance Instruments meet the Eligibility Criteria set out in the Use of Proceeds section. UPM has established a cross-organisation Green Finance Committee to coordinate, validate, perform and review the selection of Eligible Green Projects and Assets. As part of the process it is also evaluated that the Projects and Assets promote environmental and societal benefits and identify and manage potential social and environmental risks as determined by UPM within the UPM Code of Conduct, Responsibility Statement and more detailed guidelines and instructions found on the company website. The Green Finance Committee has permanent members from treasury, responsibility, investor relations, finance and investment management, and may consult other internal stakeholders as necessary. The Green Finance Committee will meet at least semi-annually or when the situation requires, and Eligible Green Projects and Assets will be selected through the Treasury and Responsibility reaching a consensus, with both having the opportunity to veto.

The main responsibilities of the Green Finance Committee include but are not limited to:

1. Reviewing and validating the register of the Eligible Green Projects and Assets proposed by the investment or other relevant team, based on the Eligibility Criteria, and removing Projects and Assets that do not meet the criteria.
2. Monitoring the Eligible Green Projects and Assets register during the lifetime of the Green Finance Instruments.
3. Approving any changes or updates to the Framework.
4. Developing the Green Finance Report.

5. Monitoring the changes related to the sustainable finance markets in terms of disclosure and reporting requirements.

The process of the evaluation and selection of Eligible Green Projects and Assets is as follows:

1. Potential Eligible Green Projects and Assets are identified in connection with the investment planning process and pre-evaluation is carried out by the Treasury and Responsibility teams.
2. The list of potential Eligible Green Projects and Assets is then submitted to the Green Finance Committee for validation with the Eligibility Criteria. The Green Finance Committee will check with the relevant internal teams/departments that the Projects and Assets are available, and the Projects and Assets are added to the register, which is maintained and updated by the Treasury.
3. Eligible Green Projects and Assets added to the register will be tracked and monitored by the Treasury and Finance teams.
4. The Green Finance Committee will review the register of Eligible Green Projects and Assets on at least a semi-annual basis, and determine if they are still aligned with the Eligibility Criteria.

Management of Proceeds

UPM maintains a Green Finance Register with the purpose to monitor that projects and assets financed by Green Finance instruments will be entirely allocated to Eligible Green Projects and Assets that promote the transition to low carbon and climate resilient growth. UPM intends to allocate the proceeds of the Green Finance Instrument at the earliest possible convenience and commits on a best effort basis to reach full allocation within two years after the issuance.



Unallocated proceeds may be temporarily placed in line with the liquidity reserves, taking the exclusion criteria into account, managed by the UPM Treasury.

Relevant information regarding the issuance of Green Finance Instruments, as well as Projects and

Assets financed/re-financed will be monitored and documented. The balance of the proceeds will be checked at least semi-annually, to account for any need to re-allocate proceeds which no longer fulfil the Eligibility Criteria.

Reporting

UPM is committed to transparent allocation and impact reporting on any relevant Green Finance Instrument. We will publish an annual report until maturity of any issued Green Finance Instruments.

The Green Finance Report will provide information on the allocation of the proceeds of Green Finance Instruments and the environmental impacts of Green Finance Projects financed by the instruments.

Where relevant, UPM will seek to align the reporting with the latest standards and practices as identified by ICMA in the Handbook Harmonised Framework for Impact Reporting issued in June 2023 or any update of this document. The impact report will, to the extent feasible, also include a section with methodology, baselines and assumptions used in impact calculations. The information will be made publicly available on UPM’s website.

Allocation reporting

The allocation report will, to the extent feasible, include the following components:

1. A list of all Eligible Green Projects and Assets funded, including amounts allocated
2. Amounts invested in each category as defined in the Use of Proceeds section and the relative share of new financing versus refinancing
3. A closer description of some of the activities financed
4. Geographical distribution
5. The amount of unallocated proceeds
6. The EU Taxonomy eligibility/alignment estimation (if feasible)

Impact reporting

UPM recognises the importance of transparency and impact reporting and will strive to report on the actual environmental impact of the investments financed

by Green Finance Instruments. The relevant KPIs for Eligible Projects and Assets developed by UPM are presented in the accompanying table. The KPIs may change over time, subject to providing a relevant understanding of the impact. If the actual impact of an Eligible Project or Asset cannot be systematically measured and reported, or proves unreasonably difficult to establish, UPM will seek to provide information on the goals, estimated positive impact and results of the financed activities. If competitive considerations or a large number of underlying Projects and Assets limit the amount of detail that can be made available, UPM may present information in generic terms or on an aggregated basis to certain project categories.

External Review

UPM has appointed S&P Global Ratings to provide a second party opinion on the Framework. S&P Global Ratings has reviewed this framework for its sustainable and green qualities, as well as its alignment with the 2021 ICMA Principles (including the updated Appendix I of June 2022). The objective of the Second Party Opinion is to provide investors with an independent assessment. The full Second Party Opinion and this Framework will be publicly available on UPM’s website.

Post Issuance External verification

On an annual basis, UPM will engage an independent external auditor to provide an annual limited assurance on both allocation and impact reporting, until the proceeds of the Green Finance Instrument have been fully allocated. This will confirm that the allocation has been carried out in all material respects in compliance with the Eligibility Criteria set forth in this Framework and that the impacts reported are in accordance with the applicable reporting criteria and free from material misstatement. The Green Finance Report including the external auditors limited assurance report will be available on UPM’s website.

Use of Proceeds category	Examples of proposed impact metrics
Sustainable forest and plantation management	<ul style="list-style-type: none"> • Area of sustainably managed forest (hectares) • Annual carbon sink (tonnes CO₂e/EUR million) • Qualitative explanation of impacts on biodiversity • Forest biodiversity in Finland and Uruguay, 2030 target
Climate-positive or circular bioeconomy adapted products and solutions	<ul style="list-style-type: none"> • Number of projects initiated • Number of patents and trademarks • Annual GHG emissions reduced/avoided through Beyond fossils projects (tCO₂e) • Capacity of plants built (production capacity in units)
Renewable or CO ₂ -free energy	<ul style="list-style-type: none"> • Annual renewable energy generation (MWh) • Annual GHG emissions reduced/avoided (tCO₂e)
Pollution prevention and control, including waste management	<ul style="list-style-type: none"> • Number of R&D projects initiated • Annual air emissions reduced/avoided (t NO_x, SO₂) • Waste recycled or recovered (%)
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Annual water savings, based on wastewater volume per average product as indicator (2030 target) (%) • Emission reduction based on selected indicators (% reduction of average COD load per tonne of product), 2030 target • Number of circularity projects • Obstacle free streams in Finland (km), 2030 target
Energy efficiency initiatives	<ul style="list-style-type: none"> • Reduction in energy use (%) • Annual energy reduced/avoided (MWh) • Annual GHG emissions reduced/avoided (tCO₂e)

Documents and Sustainability initiatives that govern UPM's environmental and sustainability work

Code of Conduct: [Code of Conduct | UPM.COM](#)

Supplier and Third-Party Code: [upm-supplier-and-third-party-code.pdf](#)

Responsibility Statement (which includes links e.g. to HR or OHS policies): [upm-responsibility-statement-2020-en.pdf](#)

Biofore Share and Care Programme: [Biofore Share and Care | UPM.COM](#)

UPM Forest Action Programme: [Forest Action | UPM.COM](#)

UPM Stream Water Programme: [UPM's stream water programme will release and restore 500 km of Finland's rivers by 2030 | UPM.COM](#)

UPM White Paper on Carbon Dioxide Removals: [upm-white-paper-carbon-dioxide-removals.pdf](#)

