

Remuneration Statement

This Remuneration Statement has been prepared according to the recommendation 47 of the Finnish Corporate Governance Code 2010.

FINANCIAL BENEFITS

Board of Directors

The annual fees of the members of the Board of Directors for the year 2013 were the following:

	Annual fees (EUR)	of which shares (No.)
Chairman	175,000	8,925
Deputy Chairman	120,000	6,120
Chairman of the Audit Committee	120,000	6,120
Members *)	95,000	4,845

*) The President and CEO does not receive any financial benefits for his role as a member of the Board.

Of the annual fee, 60% is paid in cash and 40% in the company shares purchased on the Board members' behalf. The company pays any possible costs and transfer tax related to the acquisition of the company shares. The fees have remained unchanged since 2007. According to the Board Charter, the Board members are encouraged to own company shares on a long-term basis.

In addition to the annual fees, the Board members do not receive any other financial benefits for their Board or Committee membership.

President and CEO

In the last two accounting periods, the annual salary and other financial benefits of the President and CEO were the following:

Salaries and benefits (EUR 1,000)	2013	2012
Salaries	1,059	1,059
Short-term incentives	553	508
Share rewards	–	–
Benefits	26	36
Total	1,638	1,603
Pension costs		
Finnish statutory pension scheme	282	276
Voluntary pension plan	677	672
Total	959	948

In addition, a single premium of EUR 1.1 million has been paid into the President and CEO's voluntary group pension plan in 2013 to cover past service pension liabilities.

The President and CEO participates in the Performance Share Plan (see *Long-term incentive plans*).

In accordance with the President and CEO's service contract, the retirement age of President and CEO Jussi Pesonen is 60. The target

pension is 60% of the average indexed earnings from the last 10 years of employment calculated according to the Finnish statutory pension scheme. The cost of lowering the retirement age to 60 is covered by supplementing the statutory pension with a voluntary defined benefit pension plan. Should the President and CEO leave the company before reaching the age of 60, an immediate vesting right corresponding to 100% of the earned pension (pro rata) will be applied.

If notice of termination is given to the President and CEO, severance pay of 24 months' base salary will be paid in addition to the salary for the six-month notice period. Should the President and CEO give notice of termination to the company, no severance pay will be paid in addition to the salary for the notice period.

If there is a change of control in the company, the President and CEO may terminate his service contract within three months from the date of the event that triggered the change of control and shall receive compensation equivalent to 24 months' base salary.

DECISION-MAKING PROCESS AND MAIN PRINCIPLES OF REMUNERATION

Decision-making process of remuneration

The fees of the Board members are decided by the Annual General Meeting based on the proposal prepared by the Board of Directors' Nomination and Governance Committee.

The Board of Directors resolves on the remuneration of the President and CEO based on the proposal by the Board of Directors' Remuneration Committee.

The President and CEO presents a proposal for the remuneration of the members of the Group Executive Team to the Remuneration Committee, which prepares a proposal to the Board of Directors for resolution.

Terms and conditions of incentive plans are prepared by the Remuneration Committee in consultation with independent advisors and approved by the Board.

Main principles of remuneration

The total remuneration of the President and CEO and of the members of the Group Executive Team consists of base salary and benefits, short-term incentives and equity-based long-term incentives

under the share reward plans. The total compensation is reviewed annually by the Board of Directors. The review includes benchmarking the different components of total remuneration to market practices in corresponding positions.

Short-term incentive plan

In 2014, the short-term incentive plan for the President and CEO and the members of the Group Executive Team is linked to achievement of the predetermined financial targets (e.g. EBITDA and cash flow) of the Group or Business Area (70% of the total maximum) and individual and safety improvement targets of the executive (together 30% of the total maximum) amounting to a maximum annual incentive of 100% of annual base salary for the Business Area Executives and 70% of annual base salary for other members of the Group Executive Team. For the President and CEO, the maximum annual incentive amounts to 150% of the annual base salary.

In 2013, the short-term incentive plan for the President and CEO and the members of the Group Executive Team was linked to achievement of the predetermined financial targets of the Group or Business Group (70% of the total maximum) and individual and safety improvement targets of the executive (together 30% of the total maximum) amounting to a maximum annual incentive of 100% of annual base salary for the members of the Group Executive Board and 70% of annual base salary for the members of the Group Executive Team. For the President and CEO, the maximum annual incentive amounted to 150% of the annual base salary. In the annual incentive plan for 2013, the financial target was based on EBITDA. Due to the change in the company's business structure, effective 1 November 2013, the plan was aligned with the new structure as of the start of 2014.

As of 2011, the company's long-term incentives consist of the Performance Share Plan (PSP) for senior executives and the Deferred Bonus Plan (DBP) for other key employees.

Long-term incentive plans

The Performance Share Plan consists of annually commencing three-year plans. The plan is targeted at the Group Executive Team (GET) and other selected members of the management. Under the plans, UPM shares are awarded based either on the group-level performance or total shareholder return during a three-year earning period. The earned shares are delivered after the earning period has ended. The PSP 2011–2013 resulted in no pay-out to the participants. The Performance Share Plans are presented in the table below.

PERFORMANCE SHARE PLANS

PERFORMANCE SHARE PLAN	PSP 2011-2013	PSP 2012-2014	PSP 2013-2015	PSP 2014-2016
No. of participants	30	27	36	26
Max No. of shares to be paid:				
to President and CEO	0	219,000	219,000	125,000
to other members of GET	0	355,000	385,000	410,000
to other key individuals	0	560,000	595,000	347,500
Total max No. of shares to be paid	0	1,134,000	1,199,000	882,500
Share delivery (year)	2014	2015	2016	2017
Earning criteria	Operating cash flow and EPS	Operating cash flow and EPS	Operating cash flow and EPS	Total shareholder return

The Deferred Bonus Plan is targeted at selected other key employees of the company and it consists of annually commencing plans. Each plan consists of a one-year earning period and a two-year restriction period. Prior to share delivery, the share rewards earned are adjusted with dividends and other capital distribution, if any, paid to all shareholders during the restriction period. The first plan began at the beginning of 2011 and the shares earned will be delivered in the spring of 2014. The Deferred Bonus Plans are presented in the table below.

Ownership recommendation to the senior executives

The Board encourages the Group Executive Team to have direct share ownership in the company. It is recommended that the President and CEO maintains a share ownership of UPM shares corresponding to a two-year gross base salary and the other persons belonging to the Group Executive Team a share ownership corresponding to a one-year gross base salary. The recommendation is to be fulfilled through refraining from transferring shares received under the share-based incentive plans.

DEFERRED BONUS PLANS

DEFERRED BONUS PLAN	DBP 2011	DBP 2012	DBP 2013	DBP 2014
No. of participants (at grant)	520	580	560	395
Max. No. of shares to be paid (at grant)	1,200,000	1,800,000	1,640,000	950,000
No. of participants on 31 Dec. 2013	445	550	530	-
No. of shares to be paid on 31 Dec. 2013 (approx.)	335,000	640,000	254,000	-
Share delivery (year)	2014	2015	2016	2017
Earning criteria	Participant's STI targets	Participant's STI targets	Group/Business Group EBITDA	Group/Business Area EBITDA

The above indicated estimates of the share rewards under the Performance Share Plan and the Deferred Bonus Plan represent the gross value of the rewards of which the applicable taxes will be deducted before the shares are delivered to the participants.

The Performance Share Plan and Deferred Bonus Plan have replaced the stock option programme 2007 which originally included three option series (2007A, 2007B and 2007C) entitling their holders to subscribe for a maximum of 15 million company shares. Each of the series had a two-year subscription period, the last one of which will end on 31 October 2014 (2007C). The maximum number of shares that can be subscribed for by exercising 2007C options with the strike price of EUR 10.49 amounts to 4,500,500 shares.

Pension agreements

Members of the Group Executive Team are covered by the statutory pension plan in the country of residence, supplemented by voluntary defined contribution pension plans. The retirement age is 63. Executives belonging to the Group Executive Team as of 1 January 2010 have fully vested rights corresponding to 100% of the accumulated account. Executives who have become members of the Group Executive Team after 1 January 2010 are entitled to fully vested rights five years after becoming a member of the Group Executive Team.