

Remuneration Statement

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

Decision-making process and financial benefits

Board of Directors

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

The Annual General Meeting 2014 resolved that the annual fee to the Board Chair is EUR 175,000, to the Board Deputy Chair and Chair of the Audit Committee EUR 120,000 and to other members of the Board EUR 95,000. Of the annual fee, 60% was paid in cash to cover taxes and 40% in company shares purchased on the Board members' behalf. Since General Ari Puheloinen was able to participate in the Board work only from the start of August, the Annual

General Meeting decided that he was entitled to two-thirds of the Board member's annual fee. No annual fee was paid to the President and CEO for his role as a member of the Board.

The Board members' annual fees, the number of acquired shares and the number of UPM shares held by the members at the end of 2014 are presented in the table below. In addition to the annual fees, the Board members do not receive any other financial benefits for their board or committee memberships. The annual fees have remained the same since 2007. According to the Charter of the Board of Directors, Board members are encouraged to own company shares on a long-term basis.

BOARD REMUNERATION AND SHAREHOLDINGS IN 2014

Member	Position in the Board	Annual fees (EUR)	of which shares (no.)	Shareholdings on 31 Dec. 2014
Björn Wahlroos	Chair	175,000	5,595	250,249
Berndt Brunow	Deputy Chair	120,000	3,836	300,703
Matti Alahuhta	Member	95,000	3,037	58,991
Piia-Noora Kauppi	Audit Committee Chair	120,000	3,836	8,981
Wendy E. Lane	Member	95,000	3,037	30,649
Jussi Pesonen	Member, President and CEO	–	–	195,280
Ari Puheloinen	Member	63,333	2,025	2,025
Veli-Matti Reinikkala	Member	95,000	3,037	33,821
Kim Wahl	Member	95,000	3,037	11,799
Total		858,333	27,440	892,498

The shareholdings as per 31 December 2014 include also shares held by the Board members' closely associated persons and controlled entities. Up-to-date information on the Board members' shareholdings and any changes therein can be found on the corporate website.

President and CEO

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

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)	2014	2013
Salary	1,052	1,059
Short-term incentives	627	553
Share rewards	-	-
Benefits	27	26
Total	1,706	1,638

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

In accordance with the service contract, the retirement age of the 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.

In 2014, costs under the Finnish statutory pension scheme for the President and CEO amounted to EUR 303,000 (EUR 282,000 in 2013) and payments under the voluntary pension plan were EUR 682,000 (EUR 677,000). In addition, a single premium of EUR 268,000 was paid into the President and CEO's voluntary pension plan (EUR 1.1 million) to cover past service pension liabilities.

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.

Group Executive Team

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

In the last two accounting periods, the annual salaries and other financial benefits of the GET members (excluding the President and CEO) were the following:

Salaries and benefits (EUR 1,000)	2014	2013
Salaries	3,457	3,396
Short-term incentives	869	1,067
Share rewards	-	-
Benefits	249	137
Total	4,575	4,600

Since 1 November 2013, GET (excluding the President and CEO) comprises 11 members, prior to that 8 members.

GET members participate in the Performance Share Plan (see Long-term incentive plans).

GET members 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 GET before 1 January 2010 have fully vested rights corresponding to 100% of the accumulated account. Executives who have become GET members after 1 January 2010 are entitled to fully vested rights five years after becoming a member.

In 2014, costs under the Finnish and German statutory pension schemes for GET members (excluding the President and CEO) amounted to EUR 752,000 (EUR 740,000 in 2013) and payments under the voluntary pension plan were EUR 686,000 (EUR 531,000).

For GET members, the period for additional severance pay is 12 months, in addition to the six months' salary for the notice period, unless notice is given for reasons that are solely attributable to the executive.

If there is a change of control in the company, each GET member may terminate his/her service contract within one month from the date of the event that triggered the change of control and shall receive compensation equivalent to 24 months' base salary.

Main principles of management remuneration

In addition to base salary and benefits, the total remuneration of the President and CEO and of other GET members consists of short-term incentives and share-based long-term incentives. The Board of Directors reviews the total compensation annually with the assistance of the Remuneration Committee. The review includes benchmarking the different components of total remuneration to market practices in corresponding positions. Terms and conditions of incentive plans are prepared by the Remuneration Committee in consultation with independent advisors, and approved by the Board.

Short-term incentive plan

In 2015, the short-term incentive plan for the President and CEO and other GET members is linked to the achievement of the predetermined financial targets of the Group or Business Area as well as safety improvement and individual targets of the executive. Financial targets amount to 70% of the short-term incentive plan structure and safety

improvement and individual targets together to 30%. The main financial targets used are EBITDA and cash flow. In 2014, the short-term incentive plan structure was the same.

The maximum incentive levels for the President and CEO and other GET members are presented in the table below:

	Maximum incentive level 2014–2015
President and CEO	150%
Business Area Executives	100%
Other members of GET	70%

Maximum incentive levels are presented as % of the annual base salary.

Long-term incentive plans

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.

The Performance Share Plan consists of annually commencing three-year plans. The plan is targeted at GET members and other selected members of the management. The earned shares are delivered after

the three-year earning period has ended. Under the plans, UPM shares are awarded based either on group-level performance or total shareholder return during a three-year earning period. Total shareholder return takes into account share price appreciation and paid dividends. The number of shares earned under performance share plans as well as other key figures of the plans are presented in the table below.

PERFORMANCE SHARE PLAN

	PSP 2011–2013	PSP 2012–2014	PSP 2013–2015	PSP 2014–2016	PSP 2015–2017
No. of participants (31 Dec. 2014) ¹⁾	30	32	35	26	26
Actual achievement	0.0%	22.3%	–	–	–
Max no. of shares to be delivered ²⁾ :					
to the President and CEO	0	48,837	219,000	125,000	125,000
to other members of GET	0	103,695	470,000	410,000	410,000
to other key individuals	0	85,855	465,000	347,500	345,000
Total max no. of shares to be delivered	0	238,387	1,154,000	882,500	880,000
Share delivery (year)	2014	2015	2016	2017	2018
Earning criteria (weighting)	Operating cash flow (60%) and EPS (40%)	Operating cash flow (60%) and EPS (40%)	Operating cash flow (60%) and EPS (40%)	Total shareholder return (100%)	Total shareholder return (100%)

¹⁾ For PSP 2015–2017, number of participants at grant.

²⁾ For PSP 2011–2013 and PSP 2012–2014, actual no. of shares earned.

The Deferred Bonus Plan is targeted at other selected key employees of the Group 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. Key figures related to the deferred bonus plans are presented in the table below.

The 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 and the last of those ended on 31 October 2014 (2007C). Following the expiry of the 2007 stock options, the company has no stock option programmes in place.

DEFERRED BONUS PLAN

	DBP 2011	DBP 2012	DBP 2013	DBP 2014	DBP 2015
No. of participants (at grant)	520	580	560	395	350
No. of participants (31 Dec. 2014)	445	489	523	390	–
Max. no. of shares to be delivered (at grant)	1,200,000	1,800,000	1,640,000	950,000	800,000
Estimated no. of shares to be delivered as at 31 Dec. 2014 ¹⁾	333,343	616,584	253,000	343,000	–
Share delivery (year)	2014	2015	2016	2017	2018
Earning criteria	Financial STI targets	Financial STI targets	Group/Business Area EBITDA	Group/Business Area EBITDA	Group/Business Area EBITDA

¹⁾ For DBP 2011 and DBP 2012, actual no. of shares earned.

Ownership recommendation to GET members

The Board encourages GET members 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 other GET members a share ownership corresponding to a one-year gross base salary. Until the share ownership

recommendation is fulfilled, GET members shall retain 50% of the net shares received under the Performance Share Plan.

Shareholdings of the President and CEO and other GET members are presented in the table below.

GET member	Position	Shareholdings on 31 Dec. 2014
Jussi Pesonen	President and CEO	195,280
Bernd Eikens	EVP UPM Paper ENA	10,000
Pirkko Harrela	EVP Stakeholder Relations	35,488
Tapio Kolunsarka	EVP UPM Raflatac	10,000
Tapio Korpeinen	CFO and EVP UPM Energy	45,792
Juha Mäkelä	Group General Counsel	32,068
Jyrki Ovaska	EVP Technology	64,612
Kim Poulsen	EVP UPM Paper Asia	–
Riitta Savonlahti	EVP Human Resources	16,570
Mika Sillanpää	EVP UPM Plywood	10,117
Kari Ståhlberg	EVP Strategy	4,212
Heikki Vappula	EVP UPM Biorefining	10,000