

## **DIRECTOR INDEPENDENCE CRITERIA**

The Board of Directors of UPM-Kymmene Corporation annually evaluates the independence of its members. Director independence shall be evaluated in accordance with the independence criteria of the Finnish Corporate Governance Code (Code) and additional criteria as set forth below. The Board members shall provide the Board with adequate information so that the Board can assess the members' independence, and notify the Board of any changes in such information. Board members shall also express their own opinion of their independence.

The Board monitors compliance with the Code's independence criteria on an ongoing basis with the assistance of the Nomination and Governance Committee. The committee assesses the directors' independence and availability for Board work regularly, and has adopted a procedure to facilitate this assessment. The committee shall also evaluate the independence of new director candidates. New director candidates shall provide the committee with the information required to assess their independence and also express their own opinion of their independence.

Directors' independence is assessed in relation to UPM-Kymmene Corporation and its subsidiaries (the Company) and the Company's significant shareholders. A shareholder is significant with a share- holding of at least 10% of the Company's shares or votes attached to them or with the right or obligation to acquire the corresponding number of already issued shares.

### **I Board and committee independence**

- 1) The majority of the directors shall be independent of the Company, and at least two directors of this majority independent of significant shareholders of the Company.
- 2) The majority of the Audit Committee members shall be independent of the Company and at least one member independent of significant shareholders of the Company.
- 3) The majority of the Remuneration Committee members shall be independent of the Company.
- 4) The majority of the Nomination and Governance Committee members shall be independent of the Company.

### **II Independence of the Company**

In order to be considered independent of the Company, a director shall not have any material relationship with the Company other than his/her service as a director. Such material relationships include, but are not limited to, the following:

A director shall be deemed not independent of the Company if the director

- a) has an employment or service contract with the Company
- b) has had an employment or service contract with the Company during the past three years, including any temporary contracts
- c) receives or has during the past year received a more than insignificant compensation from the Company or the Company's executives for services not related to the Board work
- d) is an executive in another company that has, or during the past year has had, a customer, supplier or cooperation relationship with the Company and that relationship is or has been significant to that other company
- e) is the Company's external auditor, or a partner or an employee of the Company's present external auditor or audit firm or has been in any of these positions during the past three years
- f) is an executive in another company whose director is an executive in the Company (board interlocks)

### **III Independence of significant shareholders**

A director shall be deemed not independent of the Company's significant shareholders if the director

- a) is a significant shareholder him-/herself
- b) is a member of the board of directors of a significant shareholder
- c) has an employment or service contract with a significant shareholder
- d) has had an employment or service contract with a significant shareholder during the past three years, including any temporary contracts
- e) has a direct or indirect controlling interest in a significant shareholder
- f) is a member of the board of directors in an entity that has a direct or indirect controlling interest in a significant shareholder
- g) has an employment or service contract with an entity that has a direct or indirect controlling interest in a significant shareholder
- h) has had an employment or service contract with an entity that has a direct or indirect controlling interest in a significant shareholder during the past three years, including any temporary contracts

The fact that a particular relationship is not listed in sections II or III above does not mean that the relationship does not affect a director's independence. Such relationships may be considered in connection with the overall assessment of director independence.

### **IV Overall assessment of director independence**

In addition to the independence criteria set forth above, the Board shall consider various factors such as the following when conducting the annual overall assessment of directors' independence:

- 1) Director's potential participation in the same performance-linked or share-based remuneration scheme as the Company executives if that scheme may be of substantial financial significance to the director
- 2) Director has served as a director for more than 10 consecutive years
- 3) Director's family members' or closely related persons' or entities' similar relationships to the Company or the Company's significant shareholders as described above
- 4) Director's own overall assessment of his/her independence
- 5) Director's shareholding in the Company
- 6) Director's overall commitment to board and committee work
- 7) The Company's awareness of any other factor that may compromise the director's independence and the director's ability to represent all shareholders