

# **CHARTER OF THE BOARD OF DIRECTORS**

## 1 Composition of the Board and Selection of Directors

### 1.1 Size, Composition and Diversity of the Board

Pursuant to the Articles of Association, the Board shall have no fewer than five and no more than twelve members, including a Chair and a Deputy Chair. The Board members are elected at each Annual General Meeting of the shareholders for a term that ends upon the conclusion of the Annual General Meeting following the election. The Board appoints the Chair and the Deputy Chair from among its members annually. The President and CEO shall not be elected as the Chair or the Deputy Chair.

The size, composition and diversity of the Board are assessed annually as part of the director nomination process. An increase in the number of members to more than twelve or a decrease to fewer than five requires an amendment to the Articles of Association approved by the shareholders' general meeting.

### 1.2 Director Selection Criteria

The Board shall comply with the independence criteria applicable to directors of publicly listed companies in Finland. The Board will monitor its compliance with these criteria on an ongoing basis with the assistance of the Board's Nomination and Governance Committee. The Board members shall provide the Board with adequate information so that the Board can assess the members' qualifications and independence and notify the Board of any changes in such information. Each director shall also express his/her own opinion of his/her independence.

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.

### 1.3 Director Nomination Process

The Nomination and Governance Committee shall prepare the principles concerning the diversity of the Board.

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

### 1.4 Membership in other Boards

It is expected that directors will serve in the boards of other 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 Share Ownership and Transactions with the Company's Financial Instruments

The Board encourages share ownership on a long-term basis by its members and by the senior executives. Any transaction with the Company's shares and other financial instruments linked to the Company is subject to the Company's Insider Policy.

## 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

the Finnish law, the Articles of Association of the Company as well as rules and regulations applicable to publicly listed companies in Finland.

In discharging its main duties, the Board shall, in particular:

- Review and approve the Company's strategic objectives.
- Review and approve the strategic plans of the Company and its business areas (reporting segments) annually and monitor their implementation.
- Review and approve the Company's financial targets.
- Review and approve major corporate plans and transactions and establish limits for capital expenditures, investments and divestitures and financial commitments not to be exceeded without Board approval.
- Review and approve the Company's annual investment frame.
- Monitor and assess the Company's financial reporting process and the statutory sustainability reporting process, as well as oversee the integrity of financial and statutory sustainability reporting.
- Oversee the Company's key sustainability focus areas and targets
- Oversee the Company's Double Materiality Assessment (DMA) process
- Oversee the management of material sustainability impacts, risks and opportunities (IROs)
- Monitor the Company's financial performance and approve the Company's financial reports and statutory sustainability reporting related reports.
- Ensure that the Company has defined the operating principles of internal control, internal audit and risk management.
- Monitor and assess the effectiveness of the internal control, internal audit, and risk



HUGO SIMBERG  
1800



DAGMAR KÄRNÄ  
1947



TOPI VALKONEN  
1954



ERIK BRUUN  
1921



ESA OJALA  
1920

management systems.

- Oversee the assessment and management of risks related to the Company's strategy and operations.
- Monitor the Company's audit and assurance relating to statutory sustainability reporting.
- Monitor and assess the auditor's performance, as well as the performance of the sustainability report assurer.
- Monitor the auditor's independence, as well as the independence of the sustainability report assurer, and, in particular, the provision of non-audit and non-assurance services by the auditor and the sustainability report assurer
- Prepare the proposal for the election of the auditor and the sustainability report assurer, as well as their fees.

In addition, it is the Board's responsibility to

- Appoint the President and CEO upon the recommendation of the Nomination and Governance Committee and decide on the dismissal of the President and CEO.
- Appoint other members of the senior management who report directly to the President and CEO (the "CEO Reports") upon the proposal of the President and CEO. The Chair of the Board shall be consulted by the President and CEO upon dismissal of CEO Reports.
- Approve the President and CEO's and CEO Reports' service contracts and remuneration, including salaries, incentives and pension plans upon the

recommendation of the Remuneration Committee.

- Oversee the succession planning of the Company's President and CEO and CEO Reports.
- Approve the Company's Code of Conduct and other corporate policies.
- Monitor compliance with the applicable legal and regulatory requirements and the corporate policies approved by the Board.
- Establish the principles concerning the monitoring and evaluation of related party transactions and review any potential conflicts of interest accordingly.
- Resolve on the establishment of an insider project and on the delay of disclosure in accordance with UPM Insider Policy.
- Oversee the establishment of the Company's values to be applied in 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 judgment on an informed basis and in what they reasonably believe to be in the best interests of the Company.

The President and CEO will ensure that the Board receives adequate information on the Company's business operations, operating environment, and financial position 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 including an evaluation of the performance and working methods of its committees. 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 meeting schedule to be prepared annually well in advance of the calendar year which it relates to. The Chair 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 non-executive directors will also meet regularly with the auditor and the sustainability report assurer without members of the management present.

The Board meetings will have such agendas and procedures as are determined by the Chair, in consultation with the 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 to assist the Board in the preparation and performance of the Board duties and responsibilities, determine their sizes and compositions, and approve their charters. The Board has established the following committees: the Audit Committee, the Remuneration Committee and the Nomination and Governance Committee.

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

The Board committees shall regularly report on their work to the Board.

#### **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 Management and Independent Advisors**

#### **5.1 Access to Management**

The directors have access to the Company's management mainly through the President and CEO.

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

The Board and each of its committees have the power to engage independent legal, financial or other advisors, as they may deem necessary, without consulting or obtaining the approval of any executive of the Company in advance. The Chair of the Board and/or the President and 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.

#### **5.3 Internal Reporting**

The Board's Audit Committee will oversee procedures for treatment of complaints and concerns received anonymously or otherwise by the Company regarding financial reporting, internal controls or auditing matters, potential infringements of financial market regulations or other violations of law, UPM Code of Conduct or other corporate policies.

### **6 Management Succession Planning**

The Board's Remuneration Committee will review the succession planning process for the President and CEO and CEO Reports. The Remuneration 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 and CEO and CEO Reports. In addition, the President and 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 director orientation includes presentations by the senior management to familiarize the newly elected director 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 and CEO, and other members of the management as instructed by the President and 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 and CEO. The Chair of the Board will speak for the Board and the Chairs of the Board of Directors' Committees for the Committee they chair.

The Chair of the Board, directors, and the President and CEO shall be present at the General Meeting. Director candidates shall be present at the General Meeting deciding on their election.

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

The Board will duly consider, with the assistance of the Nomination and 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 the General Meeting and (ii) the shareholder's proposal has been submitted to the 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 notice of the General Meeting, whichever date is later. The Company shall publish information on that date no later than by the end of the financial period preceding the General Meeting.

## **10 Board and Committee Charter Revision**

The Nomination and Governance Committee and the Board will periodically review and reassess the adequacy of the Board and committee charters.