

UPM'S POSITION ON DEFORESTATION AND EUDR REVISION

Wood is UPM's primary resource for producing renewable products and advanced materials. Our company is globally a major purchaser of wood and one of the largest private forest owners in Finland. We also own forests and plantations in the Americas. Our sustainable wood sourcing includes company-level commitments and rules, and we adhere to internationally accepted principles of sustainable forestry. We apply credible, third-party verified schemes such as forest certification to ensure full traceability and continuous improvement. Sustainability is at the core of UPM's business model, and we recognize the critical importance of sustainable forestry and traceability. Consequently, since the introduction of the EU deforestation regulation (EUDR) in 2023, UPM has proactively invested in preparedness to ensure full compliance. However, the European Commission's proposed revision of this regulation risks undermining these efforts, jeopardizing the significant investments made, and the whole regulation, which content is now heavily debated. The proposed changes are penalizing the leaders in sustainability.

UPM stands ready to implement the EU deforestation regulation as adopted in 2023. Over the past years, we have invested in building data systems and strengthening capacity across our value chains to ensure smooth and effective implementation. At this stage, a reconsideration of the regulatory framework introduces a degree of uncertainty for businesses and supply chain partners who have already committed resources and aligned their processes with current requirements. While we acknowledge that the review process will continue, it remains important that any adjustments preserve predictability and allow companies to rely on stable and coherent policy environment.

In this respect, UPM urges co-legislators to include the following principles in their respective reports:

- Co-legislators should ensure a mandatory implementation period of 6 to 12 months for all obligated parties to adapt their technical solutions and data systems accordingly. This timeframe is essential to prevent disruptions in trade flows and to maintain stability in the market. Therefore, any acceptance of the proposed changes should be accompanied by a corresponding update to the implementation schedule.
- Refrain from initiating open ended revisions to the EUDR. Such an approach could undermine the regulation's ambitious objectives and open the door to weakening its provisions. We advocate for a focused and transparent revision process that maintains the regulation's core goals of traceability and sustainability.
- Both EU and non-EU operators should be treated on an equal footing. The proposed changes have raised concerns about potential inequities that could put EU based companies at a competitive disadvantage.

Background

According to the United Nations Food and Agriculture Organization's (FAO) State of the World's Forests 2022, over 90% of global deforestation is caused by agricultural expansion. Deforestation means that the land use changes permanently, and forest cover is lost. Deforestation has negative impact on all aspects of sustainability: species and habitat loss, carbon storage and sink loss, disappearance of local forest dependent livelihoods etc. Harvesting wood as part of sustainable forest management should not be confused with deforestation, since sustainable wood harvesting is always based on the regeneration of forests. It sees the forest itself as an invaluable asset to be managed and maintained in perpetuity.

UPM strictly condemns deforestation. Our own forest management and additional wood sourcing do not cause deforestation anywhere in the world. Our long-term view ensures that forests grow more than we harvest. We plant 40-50 million new seedlings every year. We have multiple ways of ensuring that no deforestation occurs due to our operations. We follow the principles of sustainable forest management, which means that we manage the forests in a way that they are preserved for future generations, and respect the environmental, social, and economic values of forests. National forest inventories allow us to access public information on forests including forest area, forest growth and harvests, which complement our environmental management

and certification systems. Forest inventory data provides information on no net loss of forest cover, verifying that deforestation does not take place in areas where we source wood.

To verify the sustainable origin of the wood raw material and to ensure no deforestation occurs in the UPM supply chain, the following systems are being used:

- ISO 14001 environmental management systems
- GIS (Geographic Information Systems)
- FSC™ forest management standard in Finland and Uruguay (UPM license numbers: Finland FSC-C105876, Uruguay FSC-C020173)
- PEFC forest management standard in Finland, Uruguay and the United States (SFI) (UPM license numbers: Finland PEFC/02-21-17, Uruguay PEFC/36-22-002 / USA SFI® (SFI-00011)
- FSC and PEFC Chain-of-Custody (CoC) standards covering all the UPM wood sourcing globally.

UPM's compliance to above mentioned standards and systems is annually verified by external third-party auditors. Certified forest management and CoC systems provide mechanism of traceability, an information link between the wood harvested from the forest and the end-products. The CoC verifies that the wood doesn't come from controversial sources, which covers illegal logging and forest conversion (CoC controlled wood). UPM uses documentation and the digital GIS maps with integrated forest resources database to track the wood fibre flows from the forest to the mill and to keep forest data up to date. The system is audited by external auditors globally, every year. UPM also promotes certification in privately owned forests, for instance through group certification (Finland FSC-C109750, Uruguay FSC-C022008).

Finland and Uruguay are UPM's largest wood sourcing regions. In addition, we source wood from the Baltics and Central Europe, mainly Germany, as well as the United States Great Lakes Region (Minnesota). At the end of 2024, we owned and leased approximately 1,090 million hectares of forest and plantation land in Finland, Uruguay and the U.S. We also manage about 1.6 million hectares of private forests annually in Finland. We apply the same strict sustainability standards everywhere we operate. Our plantations in Uruguay are established on modified grasslands, which are old grazing lands that are not suitable for agriculture due to low productivity. We never convert natural forests into plantations. Natural forests in Uruguay are protected by law, and we maintain and restore their status in UPM's protected areas for example by removing invasive alien species. In the U.S., UPM has signed long term agreement in 2010 with the State of Minnesota to open all UPM owned forest areas (76,000 ha) for recreational use and to commit not to convert the forests in other use than forestry. Under the conservation easement, UPM retains ownership of the land and will continue to use it for forestry. The easement provides the public with access for recreational purposes such as hunting, fishing, hiking, and snowmobiling in perpetuity. It ensures that the land is protected from development (i.e. no deforestation).

ABOUT UPM

UPM is a material solutions company with leading global market positions in several businesses. We contribute to the sustainable transformation of society with resource-efficient material solutions made from renewable feedstocks. Our broad portfolio supports a wide range of industries with renewable fibres, advanced materials, decarbonization solutions, and communication papers. We collaborate with industries and brands worldwide. Our roots are in the paper and forest industries, and they remain an important part of our business, while our growth ambitions focus on expanding our high-value, material science-driven operations. We are recognized for our sustainability by third parties, including EcoVadis and the Dow Jones Sustainability Indices. Our shares are listed on the Nasdaq Helsinki Ltd.