



REMUNERATION REPORT 2023

UPM-KYMMENE CORPORATION



1. INTRODUCTION

This Remuneration Report 2023 (the Report) presents the remuneration of the members of the Board of Directors (the Directors) and the President and CEO (the CEO) of UPM-Kymmene Corporation (the Company or UPM) regarding the financial year 2023.

The Report has been prepared in accordance with the requirements set forth in the Finnish Limited Liability Companies Act, the Finnish Securities Markets Act, Decree of the Ministry of Finance on the remuneration policy and remuneration report of a share issuer and the Finnish Corporate Governance Code 2020.

The Report has been prepared by the Board of Directors' Remuneration Committee and Nomination and Governance Committee and approved by the Board of Directors (the Board) for presentation and adoption at the Annual General Meeting (the AGM) of 2024. The resolution of the general meeting on the Report is advisory.

The AGM of 2023 adopted the Remuneration Report for the financial year 2022 without full vote count which is not executed in physical general meetings if not specifically requested at the general meeting.

The Company's statutory auditor has verified that the information required by the above-mentioned Decree of the Ministry of Finance has been provided in this Report.

According to the Finnish Limited Liability Companies Act the remuneration policy shall be presented to the general meeting every four years unless a revised remuneration policy is presented to the general meeting before that. UPM's Remuneration Policy (the Policy) was presented to the AGM in 2020 when the AGM adopted the Policy for the first time. The appropriateness of the Policy has been reviewed annually by the Board's Remuneration Committee and the Nomination and Governance Committee. The Policy will be presented for the adoption to the AGM again in 2024.

The remuneration for the Directors and the CEO during the financial year 2023 was executed in accordance with the Policy adopted in AGM 2020. No temporary deviations

from the Policy have been made and no remuneration of the CEO nor the Board has been reclaimed or restated (clawback and malus provisions) during the financial year 2023.

In the financial year 2023, the remuneration paid to the CEO was in line with the Company's pay for performance approach and based on the performance, achievement and progression of the Company's ambitious strategic targets and priorities, which in turn promoted the Company's long-term financial success, competitiveness and favourable development of shareholder value.

A significant portion of the CEO's paid remuneration (79% of the total) in the financial year 2023 was based on variable remuneration components, such as short-term and long-term incentives, and the payout of these was fully dependent on the achievement of predetermined performance measures set straightforwardly to support the execution of the Company's business strategy and its strategic focus areas. In addition, the CEO maintained strong ownership of the Company shares to further support and align shareholder interests with those of senior management.

In 2023, the focus areas of UPM Biofore strategy remained constant and financial targets unchanged. The Company's financial performance was held back by a down-cycle in the industry, especially in Europe. The Company was able to maintain good margins in the exceptional business environment. The transformative growth project in Uruguay was successfully finalized and the mill started up in April 2023. In Germany, progress at the biochemical refinery investment continued in an intensive phase. UPM's financial standing remained strong.

On 24 October 2023 UPM announced that Mr. Jussi Pesonen will continue as the CEO until 31 December 2023 after which he will work as an advisor to the Company and its management until he will retire from UPM on 30 April 2024. Mr. Massimo Reynaudo was appointed as the CEO as of 1 January 2024.

REMUNERATION AND COMPANY PERFORMANCE OVER THE LAST FIVE FINANCIAL YEARS

POSITION/ COMPANY MEASURE	2019 ¹⁾	2020 ¹⁾	2021 ¹⁾	2022 ¹⁾	2023 ¹⁾
Chair of the Board (EUR)	190,000	190,000	195,000	200,000	218,000
Deputy Chair of the Board (EUR)	135,000	135,000	140,000	140,000	145,000
Other member of the Board (EUR)	110,000	110,000	115,000	115,000	120,000
Chair of the Audit Committee ²⁾ (EUR)	35,000	35,000	35,000	35,000	35,000
Member of the Audit Committee ²⁾ (EUR)	15,000	15,000	15,000	15,000	15,000
Chair of the Nomination and Governance Committee ²⁾ (EUR)	20,000	20,000	20,000	20,000	20,000
Chair of the Remuneration Committee ²⁾ (EUR)	20,000	20,000	20,000	27,500	27,500
Member of the Remuneration or the Nomination and Governance Committee ²⁾ (EUR)	10,000	10,000	10,000	10,000	10,000
CEO (EUR 1,000)	5,576	4,747	3,734	5,486	5,561
UPM Average Employee ³⁾ (EUR)	51,888	54,752	52,235	52,940	63,266
Total Shareholder Return (%) ⁴⁾	+50	+35	+75	+29	+28
Comparable ROE, %	11.2	7.5	11.7	14.0	6.2
Comparable EBIT (EUR 1,000)	1,404	948	1,471	2,096	1,013

¹⁾ The reporting period is from the AGM to the following year's AGM for the Board and Committee members, but a financial year for the CEO, UPM average employee and Company performance.

²⁾ The annual Committee fee is paid in addition to the annual base fee of the Chair, Deputy Chair or other member of the Board of Directors.

³⁾ UPM average employee remuneration is calculated by dividing the disclosed financial statement value of Employee Costs with the number of personnel at the end of the financial year in question (excluding the CEO and the remuneration paid to the CEO during the financial year). UPM average employee remuneration includes the following elements of the Employee Costs: salaries and fees, and share-based payments.

⁴⁾ Three-calendar-year absolute total shareholder cumulative return with dividends reinvested.

2. REMUNERATION OF THE BOARD OF DIRECTORS

THE BOARD REMUNERATION AS RESOLVED BY THE AGM 2023:

ANNUAL BASE FEE (EUR)	2023	PAYMENT MECHANISM
Chair of the Board	218,000	<ul style="list-style-type: none"> Approximately 40% in Company shares, rest in cash to cover taxes. The Company paid costs and transfer tax related to the purchase of the Company shares. Shares may not be transferred within two years from the purchase date or until the Director's membership of the Board has ended, whichever occurs first.
Deputy Chair of the Board	145,000	
Board member	120,000	

ANNUAL COMMITTEE FEE (EUR)	CHAIR	MEMBER	PAYMENT MECHANISM
Audit Committee	35,000	15,000	Cash
Remuneration Committee	27,500	10,000	
Nomination and Governance Committee	20,000	10,000	

DIRECTOR ¹⁾	ANNUAL BASE FEE (EUR)		ANNUAL COMMITTEE FEE (EUR)	TOTAL REMUNERATION (EUR)	NUMBER OF SHARES PURCHASED AS PART OF ANNUAL BASE FEE ²⁾
	40% IN SHARES (EUR)	60% IN CASH (EUR)			
Henrik Ehrnrooth	218,000		20,000	238,000	3,027
	87,200	130,800			
Kim Wahl	145,000		35,000	180,000	2,013
	58,000	87,000			
Pia Aaltonen-Forsell	120,000		15,000	135,000	1,666
	48,000	72,000			
Emma FitzGerald	120,000		10,000	130,000	1,666
	48,000	72,000			
Jari Gustafsson	120,000		10,000	130,000	1,666
	48,000	72,000			
Piia-Noora Kauppi	120,000		10,000	130,000	1,666
	48,000	72,000			
Topi Manner	120,000		10,000	130,000	1,666
	48,000	72,000			
Marjan Oudeman	120,000		15,000	135,000	1,666
	48,000	72,000			
Martin à Porta	120,000		27,500	147,500	1,666
	48,000	72,000			
Total	1,203,000		152,500	1,355,500	16,702
	481,200	721,800			

¹⁾ Björn Wahlroos' term ended at the AGM 2023 due to his announcement that he was not available for re-election. No Board fees were payable to him during financial year 2023.

²⁾ Transaction date 26 April 2023.

The remuneration paid to the members of the Board was resolved by the AGM of 2023. Shares purchased as part of the Board remuneration for the Directors in 2023 may not be transferred within two years as of the purchase date (26 April 2023) or until the term of the respective Director has ended, whichever occurs first. The Directors are encouraged to hold Company shares on a long-term basis and most of them have substantial holdings, indicating a close alignment of the Directors' interests with those of shareholders.

The travel and lodging expenses incurred from meetings held elsewhere than in a Director's place of residence were paid against invoice.

The Directors did not receive any meeting fees or other financial benefits for their Board or committee membership other than those stated in this Report.

3. REMUNERATION OF THE CEO

The remuneration of the CEO consists of fixed components, such as base salary and fringe benefits, variable components, such as short- and long-term incentives, pension and other financial benefits. Variable remuneration components form a significant portion of the theoretical maximum total

remuneration opportunity, and the payout is dependent on the achievement of the predetermined performance measures that support the execution of the Company's strategic priorities and promote the Company's long-term value creation and financial growth.

CEO'S TOTAL REMUNERATION:

(Mr. Jussi Pesonen)

CEO (EUR 1,000)	REMUNERATION PAID DURING THE FINANCIAL YEAR 2023	REMUNERATION CONFIRMED FROM STI 2023 AND PSP 2021-2023 (PAID DURING THE FINANCIAL YEAR 2024)
Base salary	1,161	
Short-term incentive	1,473 (STI 2022 ¹⁾)	166 (STI 2023 ²⁾)
Long-term incentive	2,902 (PSP 2020-2022 ³⁾)	853 (PSP 2021-2023 ⁴⁾)
Other financial benefits ⁵⁾	24	
Total	5,561	
Proportional share of fixed and variable remuneration	21% / 79%	
Pension benefit ⁶⁾	911	

¹⁾ Payment from STI 2022 Plan based on the financial year 2022 performance against predetermined measures. STI 2022 payout, based on 2022 performance, was paid in February 2023.

²⁾ Payment from STI 2023 Plan based on the financial year 2023 performance against predetermined measures. Approved by the Board of Directors on 1 February 2024.

³⁾ Calculated using the volume weighted average share price of EUR 33.91 on the share delivery date, 27 February 2023.

⁴⁾ Calculated using the volume weighted average share price of EUR 29.60 on the share delivery date, 26 February 2024. Approved by the Board of Directors on 14 February 2024.

⁵⁾ Other financial benefits include fringe benefits and the taxable values of company car, phone and health insurance. In addition to these fringe benefits, the CEO also had the following additional insurances in place during the financial year 2023: life, disability, travel and accident. The Company had also committed to pay to the CEO a full base salary for one year in case of severe illness and related absence from work. This commitment was arranged through an insurance. The CEO was also eligible to participate in other employee benefit arrangements offered to Company employees during the financial year.

⁶⁾ The CEO would have been entitled to retire in November 2020 at the age of 60 but, at the request of the Company's Board of Directors, decided to continue in his position. Mr. Jussi Pesonen continued as the President and CEO until 31 December 2023, after which he works as an advisor to the Company and its management until he will retire from UPM on 30 April 2024. The CEO has an additional voluntary pension benefit to supplement the Finnish statutory pension scheme (TyEL). The CEO's voluntary pension benefit was arranged through a defined benefit plan until 30 November 2020. As of 1 December 2020, the voluntary pension benefit is arranged through a defined contribution plan.

The CEO's Short-term Incentive in 2023

Performance measures, related targets and weightings regarding the CEO's short-term incentive are set annually by the Board for a performance period of one year. These can vary from year to year to align with the Company's strategic priorities and usually include a balance of financial, strategic, operational, responsibility, safety, individual or other type of measures, provided that in any given year the majority of the measures will be based on financial criteria.

For the Short-term Incentive Plan 2022 (STI 2022) the Board set EBITDA as the financial measure for the CEO and the weighting of this measure accounted for 70% of all measures. The Board also set two separate Strategic Projects as strategic measures for the CEO. The first Strategic Project's (Uruguay pulp mill project) weighting accounted for 20% of all measures and the second Strategic Project's (Leuna biochemicals refinery project) weighting accounted for 10% of all measures. Set measures and target setting remained constant and unchanged throughout the financial year 2022. The Board evaluated the performance against the set measures and targets for short-term incentive and did not exercise its right for discretion for short-term incentive plan payout. Short-term incentive payout was according to the formulaic outcome. Actual achievement for the whole short-term incentive was 83.4% of the defined maximum annual short-term incentive payout opportunity and overall cap of 150% of the annual base salary. STI 2022 payout, based on 2022 performance, was paid in February 2023.

For the Short-term Incentive Plan 2023 (STI 2023) the Board set EBITDA as the financial measure for the CEO and the weighting of this measure accounted for 70% of all measures.

The Board also set two separate Strategic Projects as strategic measures for the CEO. The first Strategic Project's (Uruguay pulp mill project) weighting accounted for 20% of all measures and the second Strategic Project's (Leuna biochemicals refinery project) weighting accounted for 10% of all measures. Set measures and target setting remained constant and unchanged throughout the financial year 2023. The Board evaluated the performance against the set measures and targets for short-term incentive and did not exercise its right for discretion for short-term incentive plan payout. Short-term incentive payout was according to the formulaic outcome. Actual achievement for the whole short-term incentive was 94% of the defined maximum annual short-term incentive payout opportunity and overall cap of 150% of the annual base salary. STI 2023 payout, based on 2023 performance, was paid in February 2024.

The CEO's Long-term Incentive in 2023

The CEO's long-term incentive is based on the Company's Performance Share Plan (PSP), which consists of annually commencing individual plans approved by the Board with a minimum performance period of three years. Performance measures, related targets and weightings are set annually by the Board for each commencing plan and can vary from plan to plan to promote the Company's long-term value creation and financial growth without encouraging excessive risk taking. Measures may include, but are not limited to, financial, share price related and responsibility (ESG) measures.

The maximum and actual values of the share rewards indicated in the table represent the gross number of shares from which the applicable taxes will be deducted before the shares are delivered to the CEO.

PERFORMANCE SHARE PLAN	PSP 2020–2022	PSP 2021–2023	PSP 2022–2024	PSP 2023–2025
Max. no. of shares allocated to the CEO	85,589	83,272	80,870	75,802
Earning criteria (weighting)	TSR ¹⁾ (100%)	TSR ¹⁾ (100%)	TSR ¹⁾ (80%) ESG ²⁾ (20%)	TSR ¹⁾ (80%) ESG ³⁾ (20%)
Actual achievement (0–100)	100%	34.62%	N/A	N/A
No. of shares earned	85,589	28,829	N/A	N/A
Share delivery (year)	2023	2024	2025	2026

¹⁾ Total shareholder return

²⁾ For the PSP 2022–2024 Plan the Board set absolute total shareholder return (TSR) as a performance measure and the weighting of this measure accounted for 80% of all measures. TSR performance measure takes into account share price appreciation and paid dividends during the three-year performance period. The Board also set three distinct environmental, social and governance related (ESG) performance measures and the total weighting of these measures accounted for 20% of all measures. Two of the ESG performance measures are environmental in essence: Reduction of fossil CO₂ emissions from UPM's own combustion and purchased electricity by 65% by 2030 from 2015 level (10% weighting) and achievement of a net positive impact on biodiversity in the Company's own forests in Finland (5% weighting). The third ESG performance measure is a social measure: Achievement of gender pay equity (5% weighting). The ESG performance measures in PSP 2022–2024 Plan are based on the Company's responsibility targets for 2030.

³⁾ For the PSP 2023–2025 Plan the Board set absolute total shareholder return (TSR) as a performance measure and the weighting of this measure accounted for 80% of all measures. TSR performance measure takes into account share price appreciation and paid dividends during the three-year performance period. The Board also set three distinct environmental, social and governance related (ESG) performance measures and the total weighting of these measures accounted for 20% of all measures. Two of the ESG performance measures are environmental in essence: Reduction of fossil CO₂ emissions from UPM's on-site combustion and purchased energy by 65% by 2030 from 2015 level (10% weighting) and achievement of a net positive impact on biodiversity in the Company's own forests in Finland (5% weighting). The third ESG performance measure is a social measure: Achievement of gender pay equity (5% weighting). The ESG performance measures in PSP 2023–2025 Plan are based on the Company's responsibility targets for 2030.

Performance measures for the Long-term Incentive Plan 2020–2022

For the PSP 2020–2022 the Board set absolute total shareholder return (TSR) during a three-year earning period as the performance measure for the plan with a 100% weighting. Total shareholder return takes into account share price appreciation and paid dividends.

The Board evaluated the performance against the set measure and target for the long-term incentive and did not exercise its right for discretion for the long-term incentive plan payout. Long-term incentive payout was according to the formulaic outcome. Set measure and target setting remained constant and unchanged throughout the three-year earning period. Actual achievement for the measure was 100% of the predefined maximum target setting. Earned shares from PSP 2020–2022 were delivered to the CEO in February 2023.

Performance measures for the Long-term Incentive Plan 2021–2023

For the PSP 2021–2023 the Board set absolute total shareholder return (TSR) during a three-year earning period as the performance measure for the plan with a 100% weighting. The total shareholder return takes into account share price appreciation and paid dividends.

The Board evaluated the performance against the set measure and target for the long-term incentive and did not exercise its right for discretion for the long-term incentive plan payout. Long-term incentive payout was according to the formulaic outcome. Set measure and target setting remained constant and unchanged throughout the three-year earning period. Actual achievement for the measure was 34.62% of the predefined maximum target setting. Earned shares from PSP 2021–2023 were delivered in February 2024.



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