

Responsibility - Making a positive change

2021

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Why responsibility matters?

Our response

- Compliance
- Responsible operations and value chain
- Sustainable and safe products
- Value based leadership

Our commitment to mitigate climate change



Why responsibility matters?

Global megatrends drive demand

GLOBAL MEGATRENDS



DRIVERS FOR DEMAND



OUR SUSTAINABLE SOLUTIONS



The UN Sustainable Development Goals (SDGs) are an urgent call for action by all countries to promote sustainability in a global partnership.



Larry Fink, Black Rock 2021 letter to CEOs

The world is moving to net zero, and BlackRock believes that our clients are best served by being at the forefront of that transition. No company can easily plan over thirty years, but we believe all companies – including BlackRock – must begin to address the transition to net zero today.

The more your company can show its purpose in delivering value to its customers, its employees, and its communities, the better able you will be to compete and deliver long-term, durable profits for shareholders.

Read more:

<https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

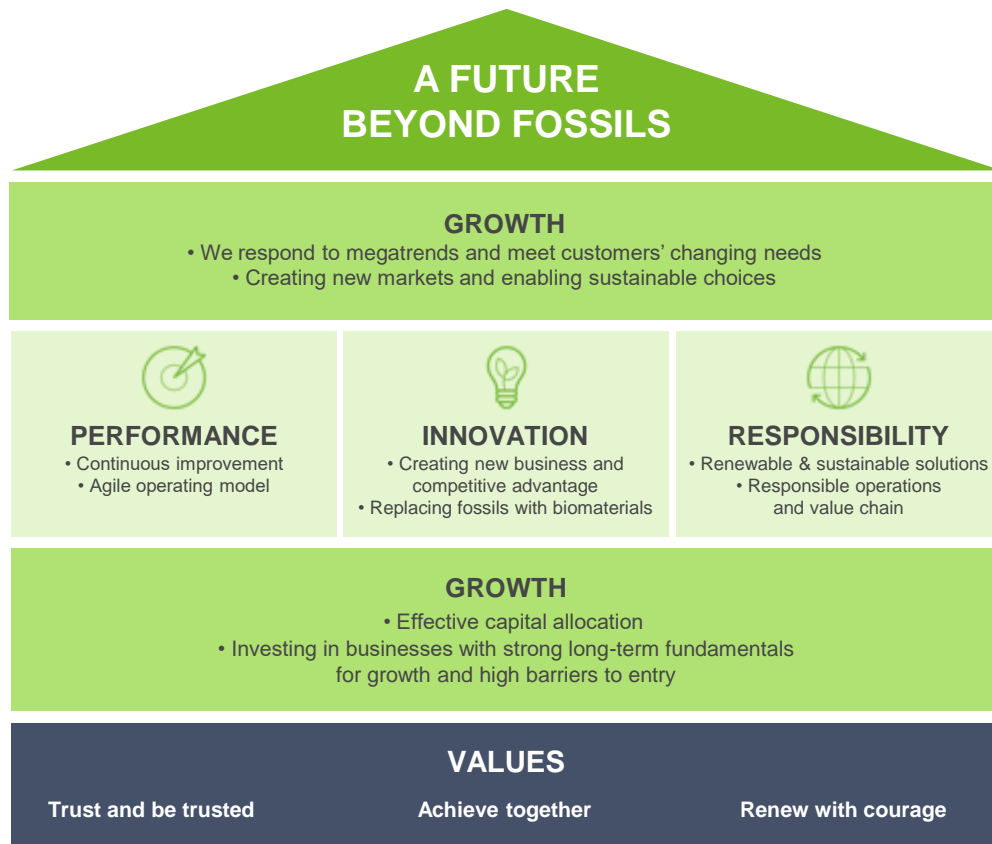
Our response

OUR RESPONSIBLE WAY OF OPERATING

Our aspiration is high when we look at the opportunities to respond to the global climate challenge. We drive towards a future beyond fossils.



Biofore strategy drives our transformation as the frontrunner of bioeconomy



Biofore strategy guides us in achieving our responsibility targets for 2030



- Focus areas: economic, social and environmental with respective targets and key performance indicators reviewed annually based on a materiality analysis.
- Our responsibility targets contribute positively to implementation of the UN Sustainable Development Goals.
- We put strong focus on contributing to climate change mitigation through remarkable CO2 emission reductions in our own operations and in our supply chain, and through climate-positive land use and sustainable product portfolio that contributes to SDG's.

Our responsibility agenda is guided by the Biofore strategy and contributes to UN's SDGs



Goals where we can have the biggest positive impact through our operation, products and solutions, or where we aim to minimise our negative impact.



Our responsible business practices



Compliance

- Responsible business practises
- Our values and UPM Code of Conduct
- Reliable, credible and transparent reporting



Responsible operations and value chain

- Circular economy and resource efficiency
- Climate solutions
- Responsible water use
- Sustainable forestry and land use
- Respecting human rights



Sustainable products

- Renewable and biodegradable raw materials and recyclable products
- Product stewardship
- Open and transparent product communications



Value-based leadership

- Safe and healthy working environment and wellbeing of employees
- Value-based and inspiring leadership
- Diversity and inclusion
- High performance and continuous professional development
- Local commitment

Compliance

Respecting international agreements

- Responsible business practises throughout our value chain and compliance in all activities
 - Global Compact Ten Principles (United Nations)
 - UN Guiding Principles for Business and Human Rights (UN)
 - The ILO Declaration on Fundamental Principles and Rights at Work
 - OECD Guidelines for Multinational Enterprises



UPM Code of Conduct

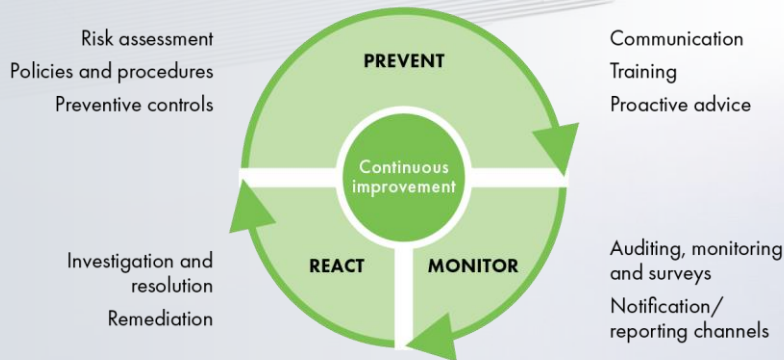
Making the right choices



UPM COMPLIANCE SYSTEM

Company performance

Corporate reputation, financial performance, operational excellence



Culture of integrity

99%
of employees have
completed the UPM
Code of Conduct training

Responsible business conduct is a basis for everything we do



- Our Code of Conduct and Supplier and Third-Party Code provide a foundation for responsible business conduct and continuous improvement
- Corporate responsibility is managed by the Board of Directors and the Group Executive Team, as well as by businesses and functions
- Our sites and also our wood-sourcing operations are covered by environmental, quality and occupational health and safety systems certified in accordance with the ISO 9001, ISO 14001 and OHSAS 18001/ISO45001 standards.



Our focus is on transparency and efficiency



We provide comprehensive, third party-assured environmental information on all aspects of our business from corporate level down to individual mills and products.

Our stakeholders have access to reliable information through our eco-labelled products, product declarations and certified operations.

Reliable, credible and transparent reporting

- We follow sustainability reporting standards published by the Global Reporting Initiative (GRI).
- Our Annual Report integrates environmental and corporate responsibility.
- All our pulp and paper mills in Europe, Uruguay and China are registered with the EU Eco-Management and Audit Scheme (EMAS), a voluntary environmental management system. The reports also include information about our societal impacts.
- Carbon accounting on corporate, site and product level.
- Product declarations and environmental data for most of our products.



Responsible operations and value chain



5.9 BEUR spend from 21,000 b-to-b suppliers in ~80 countries



| | |
|------------|---------------------------------|
| 28% | Fibre |
| 32% | Raw materials |
| 13% | Indirect materials and services |
| 19% | Logistics |
| 8% | Energy |

UPM's Responsible Sourcing Principles



**UPM Code
of Conduct**



**Transparent supplier
requirements**



**TOGETHER FOR
SUSTAINABILITY**



**Systematic risk
assessment**



**Continuous
supplier
development**

Supplier requirements

- UPM Supplier and Third-Party Code and Practical Guide to support our suppliers in everyday decisions
- Category specific requirements, e.g. for Wood, Pulp, Chemicals

84%

of total spend is **qualified** against the UPM Supplier and Third Party Code

96%

of raw material spend is **qualified** against the UPM Supplier and Third Party Code



Supplier Sustainability Risk Assessment



Counterparty risk screening

- 24/7 screening tool integrated to SAP, covers all suppliers
- Compliance risks and adverse media scanning for environmental and social issues

High sustainability risk supplier identification

- Identification of suppliers having high risk country operations, delivering high risk commodity and/or having a complex supply chain

Detailed questionnaires

- Together for Sustainability – initiative provides access to **Ecovadis** sustainability assessments
- UPM's own questionnaires for selected categories



Supplier development – focus on audits



- UPM's own audits and audits through Together for Sustainability -initiative
- Criteria covers environmental issues, working conditions, health & safety and business ethics, scope of the audit is defined based on risk
- In Uruguay systematic contractor reviews focusing on safety and working conditions



UPM Supplier Audit
Criteria and
Instructions

Results in 2020



~290

Supplier assessments via Ecovadis platform *

~117

Supplier audits on-site by internal or external auditors

~350

Contractor reviews in Uruguay

83%

of wood fibre from **PEFC/FSC** certified forests

* Approx. 700 Ecovadis assessments completed

UPM **BIOFORE-BEYOND** FOSSILS



Holistic approach to sustainable forestry everywhere we operate



100% traceability with 3rd party verification

Target of 100% of FSC and PEFC certification – 83% already today

100% regeneration

- 50 million new trees planted every year, 100 per minute

No deforestation, ever. No use of rainforests.

Sustainable harvesting practices

Preservation of all forest ecosystem services



Committed to net-positive biodiversity

- Committed to net-positive biodiversity in our own forests in Finland.
- Indicators and measures based on the comparison of natural and commercial forests and the gap analysis identifying the key differences between these two.
- The status of forest nature monitored by using selected biodiversity indicators: Tree species, forest age, forest structure, protected areas, valuable habitats, habitat restoration, species and habitat projects and indicator development.



Committed to net-positive biodiversity



We are one of the first companies who has linked the pricing mechanism of a syndicated revolving credit facility (RCF) to both biodiversity and climate targets.



Circular economy thinking in the core of everything



- Innovating ways to reduce and recover waste and to use residues and sidestreams.
- Making use of recovered materials.
- Collaborating with industries, research institutes and universities.

26%

of fibre raw material
we use in paper
production come from
recycled sources

89%

of our process
waste is recycled
or recovered

0

solid waste
to landfill by
2030



Responsible water use

- Operating in areas with sufficient water resources
- Using appropriate recycling techniques
- Treating used water according to the BAT (Best Available Techniques)
- Minimizing the impact of our hydropower facilities on watercourses
- Co-operating with local stakeholders to minimize negative impacts and ensure availability of water for everyone
- Signatory of The UN Global Compact CEO Water Mandate



About 95% of water we use is recirculated

—33%

reduction of effluent load for the average product from the 2008 levels

—10%

Reduction of waste water volumes for the average product from the 2008 levels

28%

of all nutrients used at effluent treatment from recycled sources



On CDP AAA-list for our significant actions to enhance water stewardship



Our Clean Run concept: continuous improvement of environmental performance towards zero deviation target



Sustainable and safe products



Lifelong product stewardship



- Recyclable products made of renewable and bio-degradable wood raw materials
- Ecodesign approach – minimising environmental impacts from design stage to end-use
- Sustainable product design concept with contribution to SDGs
- Product safety
- Co-operation across the value chain
- Open and transparent product information
- Strong commitment to long-term customer relationships

We act through products

Lifelong product stewardship



We ensure that the chemicals we use meet all regulatory and product specific requirements.

82%

of UPM sales was eligible for ecolabelling



Value based leadership

Strengthening our safety culture



- Our proactive safety culture is based on UPM Code of Conduct and UPM Safety Rules.
- Strong focus on life-saving standards and identification of major risks.
- Working closely with employees and external OHS organisations to provide a safe and healthy working environment and foster the wellbeing of employees and contractors.
- Zero accident mindset and continuous target recognised through company-wide safety awards.

47,000

safety-related near-miss and safety observation reports recorded in 2020

31,000

Safety walks and discussions in 2020



Focus on people and respecting human rights



...of our employees



...of our suppliers
& contractors



...of the communities
where we operate



Human rights topics in business context



Overtime

Protection of
young workers

Safety

Equality

Fair wages

Non-
discrimination

Health

Disciplinary
measures

Abolition of
child and
forced labour

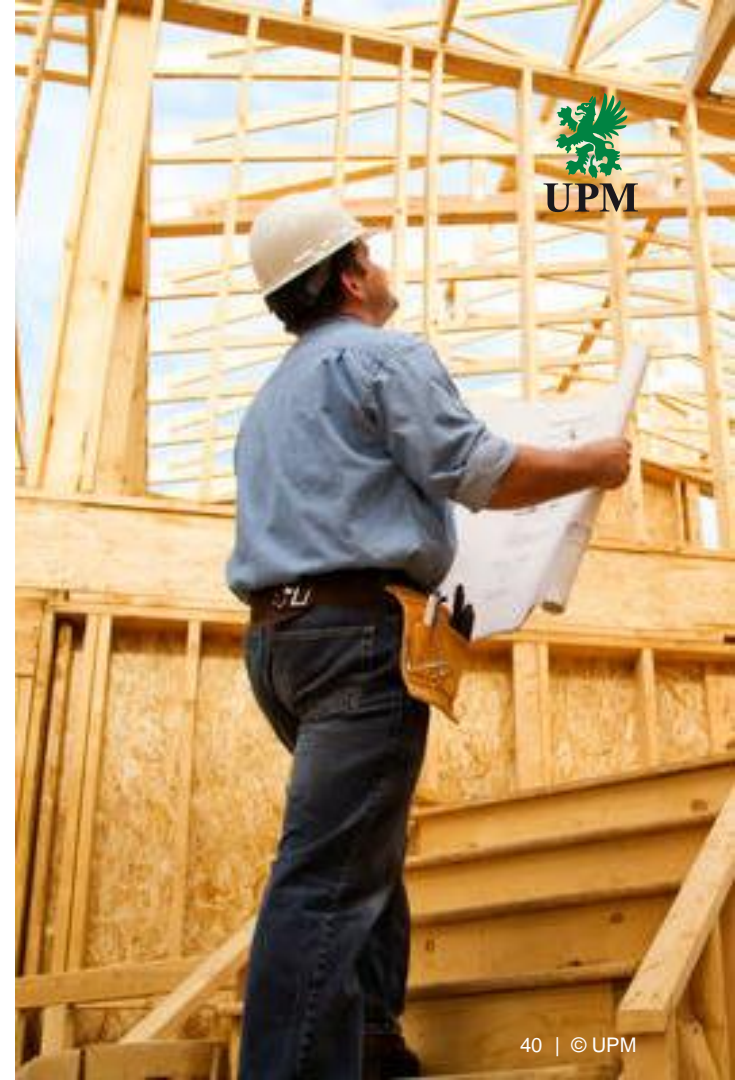
Freedom of
association

Sanitation
and hygiene

Our approach to human rights

We have set up a due diligence process for human rights that includes

- Expressing our commitment in a form of **policy** and providing **trainings** to ensure it is understood by relevant experts
- Having a **continuous practise for assessing potential human rights risks** across UPM's businesses in order to prevent harm to people
- **Remediating** possible harm caused or contributed to



We have already taken many steps in respecting human rights



Enabling people growth

- Lead according to UPM Values and with integrity
- Develop and including and diverse work environment
- Engage employees to journey beyond fossils and active dialogue
- Enable performance with agile goalsetting and feedback
- Invest in the growth of our people and develop new capabilities
- Provide a safe and healthy working environment and foster the wellbeing of employees and contractors



We are present in local communities

- Prosperity: employment and taxes
- Engaging with local stakeholders
- Good supplier partnerships
- Enhanced environment and biodiversity
- Biofore Share and Care: sponsorships and employee volunteering



Engaging with communities through donations, sponsorships and employee volunteering



BIOFORE
SHARE AND CARE



Reading &
learning



Engaging with
communities



Beyond fossils
initiatives

**We are committed to
concrete actions to
mitigate climate change.**

**THE Paris...
CLIMATE 10 years
PLEDGE Early**



**BUSINESS
AMBITION FOR 1.5°C**



**OUR ONLY
FUTURE**

Climate change: one of the biggest challenges of our time



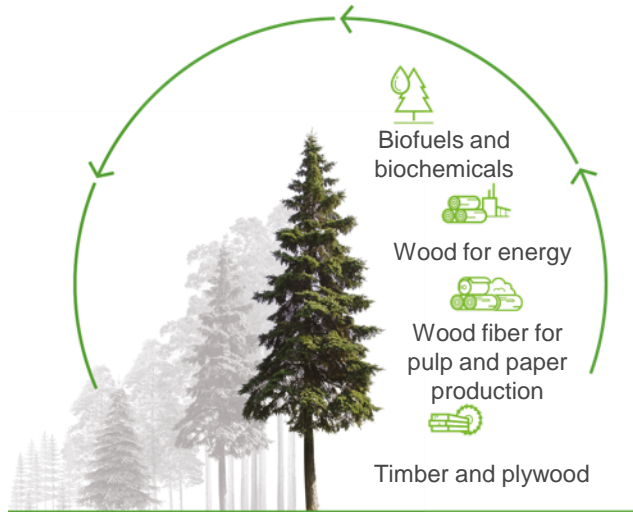
Mitigating climate crisis requires decisive actions:

- Reducing emissions
- Finding alternatives for fossil-based materials
- Serving the needs of a growing population with circular economy and renewable materials

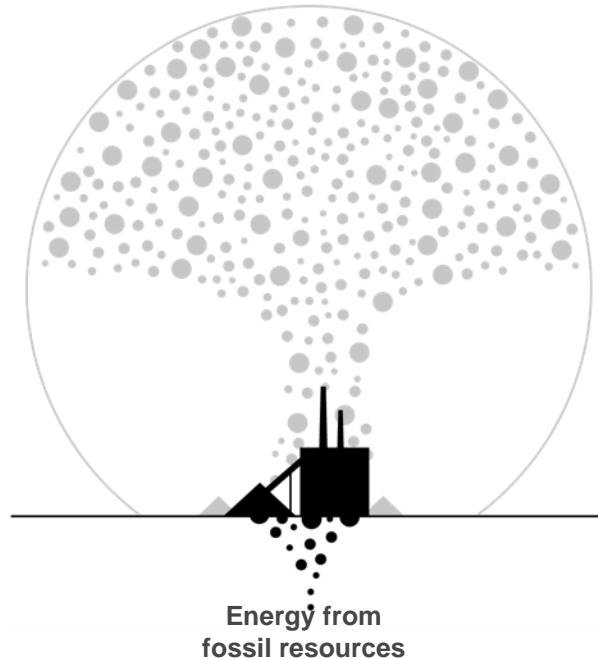
Bioeconomy offers a sustainable alternative to fossil-based economy



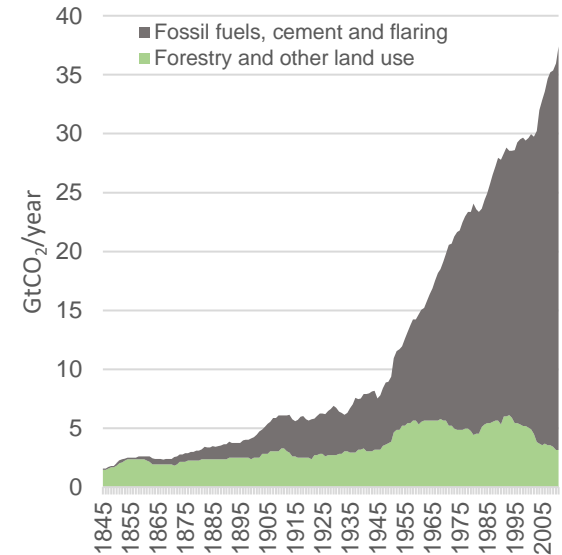
Biomass use is not increasing
 CO_2 to carbon cycle



Use of fossil resources
increases CO_2 amount



Use of fossils has increased
global CO_2 -emissions



Source: IPCC AR5

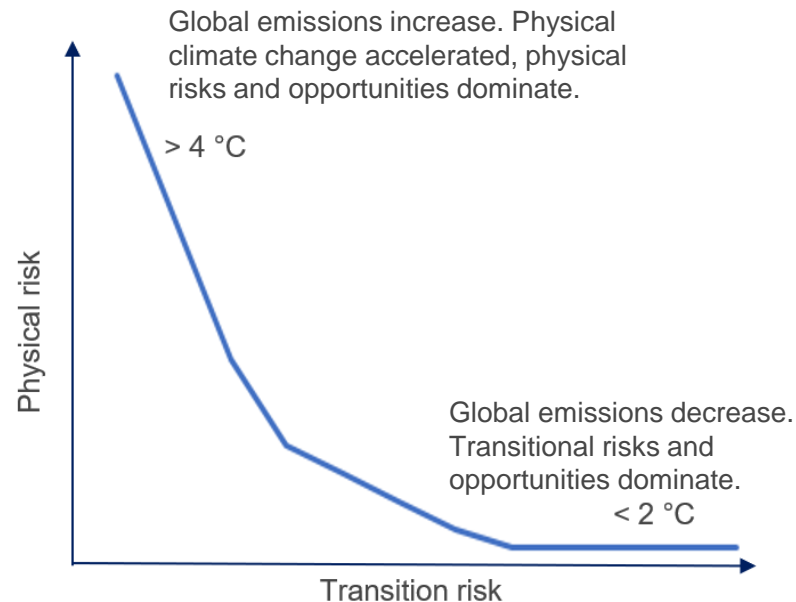
Climate change will significantly impact our business environment – direction of the change is uncertain

Physical risks and opportunities

- Chronic changes like increasing temperature, increased or decreased precipitation and sea level rise as well as more frequent and severe extreme weather events
- Physical risks dominate if emissions are higher (and corresponding transitional risks are lower)

Transitional risks and opportunities

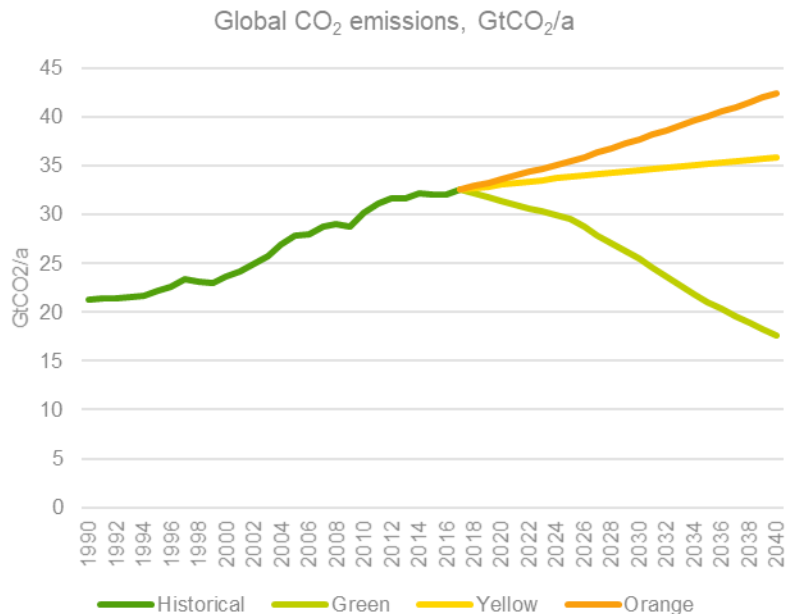
- Move towards low-carbon economy will bring changes in climate and energy policies, shift to low-carbon technologies, and changes in up- and downstream markets
- Transitional risks dominate if emissions are lower (and corresponding physical risks are lower)



Our thinking

- There is a growing need for consistent, scientific and forward-looking information on climate change and its impacts on environment and societies.
- It's crucial to understand how our business model, operations and assets can be affected by physical climate change and by transitional aspects such as policies, regulation, technologies and market behavior.
- Understanding the exposures to risks and opportunities of changing climate helps us in building the response and taking actions that help adaptation to possible future scenarios.
- To get the best possible information relying on the latest scientific knowledge, we engaged with the Finnish Meteorological Institute (FMI) to study the physical impacts of climate change in our main areas of operations.

Global CO₂ emission trajectories in UPM scenarios



Orange - Increasing emissions, high warming

Weak commitment to climate change mitigation. Globally, CO₂ emissions increase, resulting in over 4 degrees warming.

Yellow - Current commitment level, moderate warming

In aggregate, countries keep their current commitment level in climate change mitigation. Total CO₂ emissions increase, but at a low pace. Resulting global warming is almost 3 degrees.

Green - Low carbon transition, low warming

Strong global response and rapid low-carbon transition. Change is driven by both regulation and customer demand. Global emissions peak in 2020 and then enter a steep and sustained decline. Resulting global warming stays below 2 degrees.

Key findings from scenarios: Climate change related risks and opportunities for UPM



Physical changes in climate

- UPM's risks mostly relate to **more frequent and severe extreme events**. In our main locations, violent weather is **at most expected to cause temporary loss of production or material damage**
- In Finland, temperature is increasing much more as the global average. **Forests will grow faster, though this positive development may be partly cancelled due to increasing disturbances**

Low-carbon transition

- UPM is well positioned due to renewable forest biomass, good opportunity to lower our own fossil emissions and the fact that many of our products replace fossil-based materials

Conclusions:

- **In the low- and medium-emission scenarios the transition impacts play a bigger role**
- **UPM is well positioned, as our business portfolio allows for flexibility regarding recognized risks and opportunities**

Our climate commitment



- **WE ACT THROUGH FORESTS**
- We are committed to climate-positive forestry and enhancing biodiversity.



WE ACT THROUGH EFFICIENCY AND EMISSIONS
Our target is to reduce our CO₂ emissions by 65%.



WE ACT THROUGH PRODUCTS
We innovate novel products, and our aim is to scientifically verify the climate impacts of all our products.



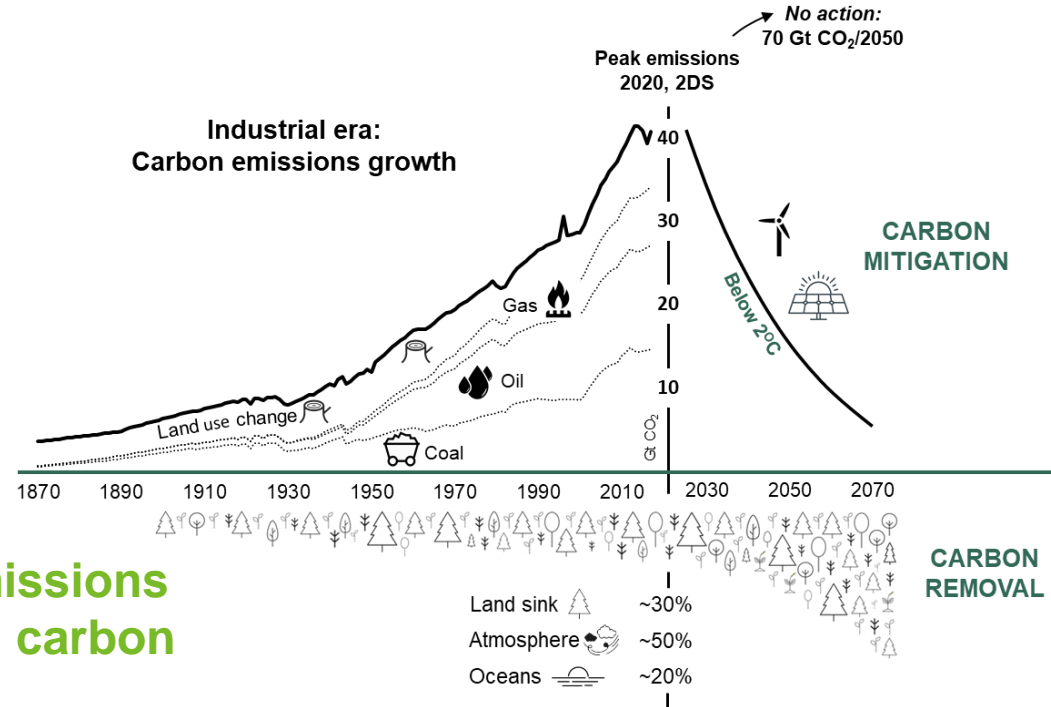
BUSINESS AMBITION FOR 1.5°C   **OUR ONLY FUTURE**

**THE Paris...
CLIMATE 10 years
PLEDGE Early**

Limiting warming to 1.5°C requires major and immediate transformation

drastic reduction of
emissions
+
carbon removal
measures

**IPCC: "All 1.5°C emissions
pathways rely upon carbon
removal"**



Comprehensive approach to climate change mitigation

FORESTS



Carbon sinks and storages
maintenance, forestation,
renewal



We ensure forest growth

100%
traceability
covered by a
**third-party
verified Chain
of Custody**

No wood
from tropical
rainforests or
forests converted
to plantations

100% from
**sustainable
sources**

Guaranteed
sustainability
by **FSC®
and PEFC
certifications**

Forest
**biodiversity
preserved**

100 new trees every minute



=



We plant
50 million trees
every year

100 trees
per minute

We act through FORESTS



In the future, we will annually report the carbon sink levels of our forests, and the reporting system will be developed further.



We act through FORESTS

Sustainably managed forests grow more, while taking care of biodiversity and carbon sinks



We plant over **100** trees per minute.

Annual growth in Finland from

50 million to **108**
million m³ since 1960's

From

0 to **1,000,000**
ha in 30 years in Uruguay



We act through FORESTS

Sustainable forestry preserves forests and increases carbon sinks



Five-year annual average carbon sink

In Finland

1.1M

In Uruguay

4.9M

In the U.S.

0.1M

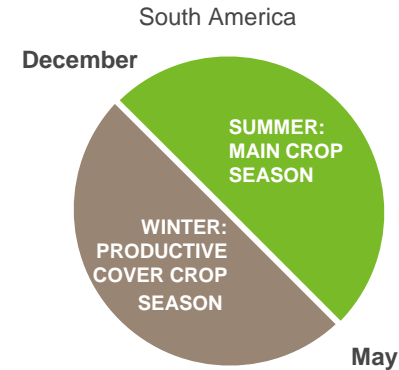
tonnes in own and leased forests

Climate positive farming



TARGETS

- Additional biomass outside main cultivation season - No impacts on land-use
- Higher rates of carbon sequestration to soil and improved soil productivity
- High GHG-reduction from sustainable way of farming
- Sustainable additional raw material for producing biofuels



This is sustainable land use at UPM

- Our own forests and plantations are 100% certified
- All fibre we use is certified by 2030 (2020: 83%)
- We know the origin of wood
- Strong stakeholder engagement
- Own long-term and global biodiversity programme
- No competing with food production
- No wood from tropical rainforests or plantations established by destroying rainforest
- No operations in areas where the rights of indigenous peoples are threatened



Comprehensive approach to climate change mitigation

FORESTS



Carbon sinks and storages

maintenance, forestation,
renewal

EMISSIONS



CO₂ emissions

low emission energy, energy
efficiency



We act through EMISSIONS

Decreasing the use of fossil fuels is the most important way to mitigate climate change.

- We have made a systematic global review of our opportunities for reducing emissions using existing technologies.
- We have analysed the financial impact of each carbon action.
- We use three-level-carbon accounting: corporate-level, site level and product level. The corporate-level carbon footprint indicates the impact of our activities as a whole and takes all sites into account.

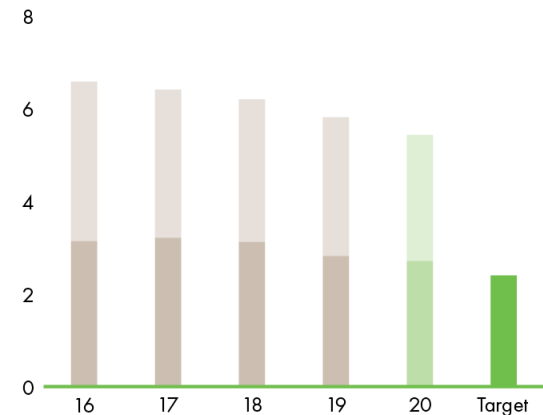


Our aim is to constantly decrease our fossil CO₂ emissions



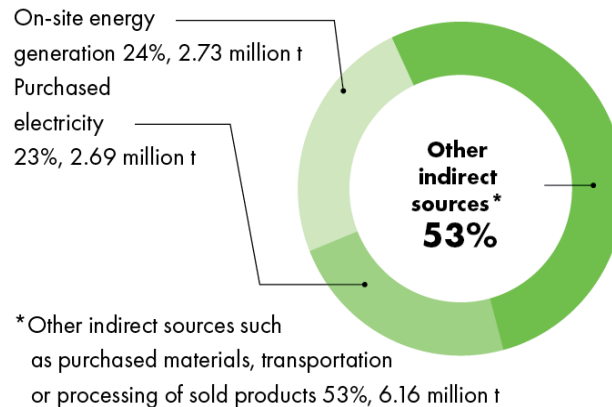
Fossil CO₂ emissions

mio t



CO₂ from purchased electricity
CO₂ from on-site energy generation

Sources of UPM's fossil CO₂ emissions



65% reduction of UPM's total CO₂ emissions (Scope 1 and 2) from 2015 levels by 2030



20% reduction achieved for UPM's total CO₂ emissions (Scope 1 and 2)

We act through EMISSIONS

- Our target is to reduce CO₂ emissions significantly according to Science Based Targets (SBT).
- Our target is also to reduce the CO₂ emissions related materials and logistics.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

-65%

reduction from CO₂ emissions
from the 2015 levels by 2030

-30%

reduction of emission levels of our supply
chain from the 2018 level by 2030.



We act through EMISSIONS

- We favor renewable and other carbon-neutral energy sources
- We always favor fossil carbon-free energy sources: hydropower, nuclear power and efficient combined heat and power (CHP) from biomass.

UPM Energy

97%

CO₂ free

We act through EMISSIONS

We continuously improve resource-efficiency in production



-6%

CO₂ emission
reduction in 2020
(from fuels and
purchased electricity)

72%

of the fuels used
are biomass-based

1%

Annual energy
efficiency target



Reducing emissions through investments

- Investment in a Combined-Heat-Power (CHP) plant at UPM Nordland paper mill in Germany
 - reducing CO₂ emissions by 5 %
 - planned to go on grid in Q3/2022
- New biomass power plant by E.ON on site at UPM Hürth in Germany
 - designed for an electrical output of 20 MW and a thermal firing capacity of 87 MW
 - planned to start operations in Q1/2022

**Significant
reduction of
UPM's total CO₂
emissions**

Reducing emissions through renewable energy procurement



- UPM Communication Papers has established a long-term wind power purchase agreement with German wind park development company **wpd**, who will construct one of the largest wind parks in Finland.
- Energy deliveries to UPM paper mills are estimated to begin in 2022.
- The wind power purchase agreement represents a visible contribution to the transformation of the European energy system.

-5%
reduction in
UPM's total
CO₂ emissions



Reducing emissions through partnerships

A long-term charter agreement with the Spliethoff Group

- Seven state-of-the-art vessels for UPM sea transportation in 2021 - 2022
- Fueled with liquid natural gas (LNG) resulting in approximately 25% reduction of CO₂ emissions
- Major decrease in nitrogen oxides (NO_x) and sulphur oxides (SO_x) emissions



Comprehensive approach to climate change mitigation



FORESTS



Carbon sinks and storages
maintenance, forestation,
renewal



EMISSIONS



CO₂ emissions
low emission energy, energy
efficiency



PRODUCTS



Product substitution
replacing fossils, recyclability,
carbon storages



We act through PRODUCTS

Innovating novel, climate-positive products

- Developing safe and sustainable products and offer alternatives to fossil materials
- Reusing materials and products
- Using waste, residues and sidestreams as a resource
- Recycling to new and similar products
- Many of our products are already proven to be climate-positive
- In the future, we aim to scientifically verify the climate impacts of all its products
- We are committed to innovate climate positive products



Sustainable and safe products for everyday use



PULP AND BIOFUEL BASED MATERIALS for packaging, transport, storage and hygiene products

LABEL MATERIALS for information and branding labelling

PLYWOOD for construction, LNG vessels and design features

TIMBER for furniture and the home

ELECTRICITY for lighting and heating

OFFICE PAPERS for printing

PUBLICATION PAPERS for reading and advertising

SPECIALTY PAPERS for packaging



Creating new business and competitive advantage



BIOFUELS

Renewable and sustainable products for the transport and petrochemical industries



BIOMEDICALS

Bio-based products and applications made from wood



BIOCHEMICALS

Replacing fossil-based materials



BIOCOMPOSITES

Replacing fossil-based materials

WE CREATE A FUTURE BEYOND FOSSILS

Read more on [UPM Annual Report 2020](#) or
www.upm.com/Responsibility

Leader in responsibility



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BEYOND FOSSILS

