

UPM Progress Report  
2015/2016  
To the Leadership Declaration of the



As the frontrunner of the new forest industry UPM leads the integration of bio and forest industries into a new, sustainable and innovation-driven future. We create value from renewable and recyclable materials. UPM's structure consists of the following business areas: UPM Biorefining, UPM Energy, UPM Raflatac, UPM Specialty Papers, UPM Paper ENA (Europe and North America) and UPM Plywood. Cost leadership, change readiness, engagement and safety of our people form the foundation of our success.

In 2016, UPM's sales totalled € 9.8 billion. UPM has production plants in 13 countries. Our 19,300 people work on six continents. UPM shares are listed on the NASDAQ Helsinki stock exchange.

## LEADERSHIP DECLARATION

All signatory companies acknowledge and support the three objectives of the international “Convention on Biological Diversity”:

1. Conservation of biological diversity
2. Sustainable use of its components
3. Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources and commit themselves to:
  1. Analyzing corporate activities with regard to their impacts on biological diversity;
  2. Including the protection of biological diversity within their environmental management system;
  3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
  4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
  5. Publishing activities and achievements in the biodiversity sector in the company’s annual, environmental, and/or corporate social responsibility report;
  6. Informing suppliers about the company’s biodiversity objectives and integrating suppliers accordingly and step by step;
  7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.

## UPM's commitment to

### 1. Analysing corporate activities with regard to their impacts on biological diversity

UPM business is based on natural, renewable and recyclable raw materials. Wood is the most important raw material for UPM and the annual wood consumption is at about 26 million m<sup>3</sup>. Therefore wood sourcing and forestry are the main areas of UPM's business which have an impact on biodiversity.

Biodiversity has been one key element in UPM's forestry and wood sourcing strategy for more than 20 years. UPM's biodiversity programme aims to maintain and increase biodiversity in forests as well as promote best practices in sustainable forestry and wood sourcing.

This work has helped to create long-term value and established a tangible competitive advantage. Wood from sustainably managed forests forms the solid basis for UPM's daily work as biodiversity targets are very closely integrated into the research and forestry operations.

Read more on UPMs 20-year tradition of guiding the biodiversity : <https://www.upmbiofore.com/a-20-year-tradition-of-guiding-the-biodiversity/>

Due diligence in UPM forestry operations is managed through a hierarchical approach with respect to regulations, starting with legislation (Forest Act, Nature Protection Act etc.), the Environmental Management System under ISO 14001, Forest Certification schemes and, finally, the UPM Global Biodiversity Programme and operational instructions, the continuous training of personnel and development activities. Biodiversity is addressed at all levels of UPM's due diligence system as is described in detail in the Progress Report 2011/12. In 2016, UPM has set ambitious new targets for 2030. Targets concerning forests and biodiversity are:

<p><b>FORESTS AND BIODIVERSITY -</b> Ensuring sustainable land use and keeping forests full of life</p>	<p>100% coverage of chains of custody (<i>continuous</i>) All fibre certified by 2030</p>	<p>Coverage is 100%.  The certified fibre share increased to 84%.</p>
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All UPM targets, including environmental targets, can be found at :

<http://www.upm.com/EN/RESPONSIBILITY/Principles-and-Performance/Targets/Pages/default.aspx>

UPM owns nearly 1.2 million hectares of forest land in Finland, Uruguay and USA. All these forests are certified under FSC and/or PEFC. Since forest certification standards vary in scope and emphasis from country to country UPM has developed a global biodiversity programme to ensure that biodiversity is adequately addressed. The UPM Global Biodiversity Programme is based on promoting six key elements vital to any forest ecosystem, each with global targets:

Key element	Global target
Native tree species	Maintain and promote native tree species and their natural composition.
Deadwood	Manage deadwood quality and quantity to enhance biodiversity.
Valuable habitats	Protect valuable habitats and manage them for their biodiversity value.
Forest structure	Manage variation in forest structure at landscape and stand level.
Water resources	Maintain open water bodies and wetlands, secure high water quality.
Natural forests	Implement plan for remnants of natural forests.

The UPM Global Biodiversity Programme is implemented in all UPM owned forests and the best practice it defines is promoted in wood sourcing. The implementation of the UPM Global Biodiversity Programme has been reviewed by IUCN (International Union for Conservation of Nature) in Finland and UK. The Programme will be further developed according to recommendations received of IUCN, and other stakeholder feedback. For more information see

<http://www.upm.com/EN/RESPONSIBILITY/Forests/Biodiversity/Pages/default.aspx>

## 2. Including the protection of biological diversity within their environmental management system

All of UPM's wood is legal and controlled. Furthermore it is PEFC, FSC CoC and FSC Controlled Wood/PEFC Controlled Sources certified. In 2013, 80 percent of all wood used at UPM was certified according to FSC or PEFC. In 2014, the percentage rose to 83 percent.

The UPM approach to forestry and wood sourcing is described previously and the same approach applies to the mills. Mill sites themselves provide various habitats for a number of species and the goal is to collect, analyze and present information on the mill site biodiversity in the next Progress Report

2015/16.

Protection of biodiversity calls for a long term commitment which started in 1996 with UPMs first Environmental Policy. Information on actions from 1996 to 2011 can be found in the Progress Report 2011/12. Actions from 2011 to 2014 can be found in the Progress Report 2013/14. New actions since 2015 are listed below:

Year	Action
<b>2015 &amp; 2016</b>	<ul style="list-style-type: none"> <li>• EU LIFE: fire and esker habitat management projects, app. 100 ha in total</li> <li>• Finnish Association for Nature Conservation: peatland restoration sites (Keuruu, Central Finland)</li> <li>• BirdLife: local associations supported financially (16 local events)</li> <li>• Osprey Foundation: artificial nests network enhanced, nest camera</li> <li>• Ecosystem services in the pulp value chain, study with Finnish Environmental Institute</li> <li>• Beetle research project continued, Harviala, Janakkala</li> <li>• Established private nature conservation areas: 294 ha</li> <li>• Sales for protection purposes: 259 ha</li> </ul>

### 3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board

UPM Stakeholder relations is a global function of UPM, headed by Executive Vice President, and responsible for all environmental, communication and stakeholder issues in support of UPMs business groups. UPM Stakeholder Relations supports environmental excellence in sourcing, production and markets. In addition each UPM business area's production units and mills have personnel responsible for management of environmental issues on site. Total number of Stakeholder Relations is 100 persons.

### 4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years

UPM's responsibility principles are accompanied by operational targets that create the framework of responsibility for all company operations which can be found:

<http://www.upm.com/EN/RESPONSIBILITY/Principles-and-Performance/Targets/Pages/default.aspx>

The environmental targets have improved from 2014 as follows:

UPM's responsibility targets to 2030:

UPM RESPONSIBILITY FOCUS AREA	2030 TARGET	2030 FOLLOW-UP / 2016 RESULTS
<b>PRODUCT STEWARDSHIP</b> - Taking care of the entire lifecycle	Environmental Management Systems in 100% use ( <i>continuous</i> ) Environmental Product Declarations for all products ( <i>continuous</i> ) <sup>3)</sup> All applicable products ecolabelled by 2030	<ul style="list-style-type: none"> <li>96% of production sites have a certified environmental management system in place, remaining have implementation underway.</li> <li>Environmental declarations are available for all relevant UPM products.</li> <li>The share of ecolabelled products was 69% (70%). (Scope widened)</li> </ul>
<b>WASTE</b> - Promoting material efficiency and circular economy - reduce, reuse and recycle	No process waste to landfills or to incineration without energy recovery by 2030	Over 90% of UPM's total process waste was recycled or recovered.
<b>CLIMATE</b> - Creating climate solutions and working towards carbon neutrality	Fossil CO <sub>2</sub> emissions from own combustion and purchased electricity (Scope 1 and 2) reduced 30% by 2030 Maximise the business benefits of greenhouse gas claims	Despite improvements in fuel mix and energy efficiency, actions have not compensated for the increased level caused by the Myllykoski acquisition in 2011 and increased CO <sub>2</sub> factors

(*continuous*)  
Acidifying flue gases (NO<sub>x</sub>/SO<sub>2</sub>)  
reduced 20% by 2030 <sup>4)</sup>

for purchased power.  
UPM sold greenhouse gas  
claims worth of 0.5m CO<sub>2</sub>  
tonnes. Without sales UPM's  
reported emissions (Scope 1 and  
2) would have been over 7%  
lower.  
20% reduction achieved since  
2008 for the UPM average  
product.

**WATER** - Using water  
responsibly

Effluent load (COD) reduced  
40% by 2030 <sup>4)</sup>  
Wastewater volume reduced  
30% by 2030 <sup>4)</sup>  
100% nutrients used at effluent  
treatment from recycled  
resources by 2030

29% reduction achieved since  
2008 for the UPM average  
product  
11% reduction in wastewater  
achieved since 2008 for the  
UPM average product.  
Project started in 2016.

**FORESTS AND BIODIVERSITY**  
- Ensuring sustainable land use  
and keeping forests full of life

100% coverage of chains of  
custody (*continuous*)  
All fibre certified by 2030

Coverage is 100%.  
  
The certified fibre share  
increased to 84%.

- 1) Covers all UPM raw material spend including wood and wood-based biomass sourcing and excluding energy
- 2) Environmental targets: from 2008 levels
- 3) Includes paper, timber, plywood, pulp and label
- 4) Numerical targets relevant for pulp and paper production

UPMs Global Biodiversity Programme and related targets can be found at:

<http://www.upm.com/EN/RESPONSIBILITY/Forests/Biodiversity/Pages/default.aspx>

#### **5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report**

UPM does not publish a separate environmental and corporate responsibility report but has integrated this information into its Annual Report since 2007. UPM environmental and corporate social responsibility issues can be found in the UPM Annual Report 2016, see pages 56-71: <https://user-fudicvo.cld.bz/UPM-Annual-Report-2016>

UPM reports activities and achievements in biodiversity in the company's annual report (produced in accordance with the Global Reporting Initiative), web pages as well as many other reporting initiatives. Over the past years UPM's performance and consistent work on corporate responsibility has been recognised by several external international parties. Here are some examples:

UN Global Compact LEAD

As of 1 January 2016 UPM has been a member of UN Global Compact LEAD. UPM is the first forest industry company and also the first Finnish company ever having received an invitation to LEAD. Read more in [upmbiofore.com](http://upmbiofore.com).

#### Dow Jones Sustainability Index

UPM has been listed as the forest and paper industry leader in the Dow Jones Sustainability Europe Index (DJSI) for 2016-2017 for the fifth time in a row. Read more on [UPM Press Release 8th September 2016](#).

#### Silver-class distinction in RobecoSAM's annual Sustainability Yearbook

In January 2017 UPM received the Silver Class distinction in RobecoSAM's annual Sustainability Yearbook 2017 for its excellent sustainability performance. UPM was one of the top-scoring company in its industry sector. The Sustainability Yearbook can found [here](#).

#### CDP's Forest Program

In December 2016 the CDP Forest Program recognised UPM with a global leadership position in the 2016 Forest A List for timber and timber based products. According to Katie McCoy, head of forests at CDP, the A-listed companies are responding to market demand for environmental accountability and at the same time are making progress towards achieving deforestation-free supply chains. Link to report: [Revenue at risk: Why addressing deforestation is critical to business success](#). And the [UPM press release 5 December 2016](#)

#### CDP's Climate Change Program

In October 2016 UPM was included in the CDP Climate A List. CDP climate change program recognises annually the top performing companies for their climate actions and transparent climate reporting. Top scores indicate a high level of transparency in the disclosure of company's climate change-related information, such as data regarding carbon emissions and the use of energy.

The CDP's annual global climate change report, along with the climate scores of all companies publicly taking part in CDP's climate change program this year, is available on CDP's website. Read more [in the press release on 25 October 2016](#) and [on upmbiofore.com](http://upmbiofore.com).

#### CDP's Water Program

CDP's Water Program identifies annually companies that understand that the sustainable management of water is a business imperative and take actions to improve their water security.

In 2016 about 1250 companies were disclosing their water information on this program. UPM's response was benchmarked against companies in our sector with a score A-, which is a leadership position in CDP's ranking. According to CDP, UPM has implemented a range of best practice actions to manage water and mitigate water risk, both in its own operations and beyond them.

The CDP Global Water Report 2016 - Why water is vital to climate action - can be read [here](#).

Water management is one important area of UPM's Biofore Strategy. Read here more about UPM's water management.

#### Euronext Vigeo Europe 120 Index

UPM is integrated to Euronext Vigeo Europe 120 Index in 2015. The index distinguishes the 120 companies in Europe with the most advanced corporate responsibility performance. To read more, go [to Vigeo web page](#).

#### UPM forest management practises recognised by FAO

The Food and Agriculture Organization of the United Nations (FAO) recognised UPM for its exemplary forest management practices in June 2015. The recognition was conferred by the Forestry General Direction of Uruguay as part of a National Workshop titled “Methodological Transfer of Exemplary Cases of Sustainable Forest Management”. Read more on the [press release on 11 June 2015](#).

The comprehensive reporting including our annual report can be found here: <http://www.upm.com/EN/RESPONSIBILITY/Pages/default.aspx>.

## **6. Informing suppliers about the company’s biodiversity objectives and integrating suppliers accordingly and step by step, simplify and focus on standards**

UPM’s tiered due diligence in forestry operations is outlined in detail in the Progress Report 2011/12. To proactively support suppliers in sustainable forestry and biodiversity conservation, UPM continues to invest in collaboration and education as outlined in the Progress Report 2011/12. Internal and external environmental training is an on-going exercise, since new needs continuously arise. In regions of risk UPM continued to carry out audits at the suppliers and their upstream-suppliers. In Czech Republic and Slovakia, previously considered at-risk for fraud in the forestry supply chain, democratic and anti-bribery movements have improved the situation to a point, defined by Transparency International, which all forestry standards consider low risk.

## **7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/ or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain**

As already laid out in the two previous Progress Reports, UPM’s stakeholder engagement with communities is founded on decades of close cooperation. In many cases the community has grown around UPM’s operations over the years.

UPM actively seeks to maintain and develop good relations with its various stakeholders. The company’s key stakeholders are employees, customers, investors, suppliers, local communities, non-governmental organisations, media, governments and regulators.

Some of our other partners include the World Business Council for Sustainable Development (WBCSD) and The Forests Dialogue (TFD). The WBCSD is an organisation of forward-thinking companies that aims to create a sustainable future for business, society and the environment.

TFD is a civil society-driven, multi-stakeholder dialogue platform that aims at forging relationships and spurring collaborative action on the highest priority issues facing the world’s forests. The founders of TFD are the World Bank, the WBCSD, the World Resources Institute and the WWF.

UPM and WWF have a long history of co-operation. UPM and WWF work together in a number of projects, both in Finland and internationally. These projects include

- promoting the sustainability of wood-based liquid biofuels
- White-backed Woodpecker project
- joint FSC promotion
- WWF Heritage Forest Programme
- WWF’s [Check Your Paper](#) tool
- WWF’s [New Generation Plantations Project](#)
- Cooperation to protect the Oder River Valley in Poland. UPM Raflatac supports WWF’s valuable work in the [Rivers for Life project](#).



Local environmental organizations perform hands-on conservation work at grassroots level. UPM also acts at the local level, and its representatives are part of local communities. Therefore, it is only logical that UPM's natural resource specialists collaborate with local environmental organizations.

Such partners include Aves Uruguay, Vida Silvestre, local BirdLife organizations, The Finnish Association for Nature Conservation, The Royal Society for the Protection of Birds (UK), The Ornithological Society of Pori, Save Our Squirrels (UK) and The Osprey Foundation. In addition to ENGOs the most important stakeholders in biodiversity projects are authorities, forest owners, and research organizations.