

UPM Progress Report  
2019/2020  
To the Leadership Declaration of the



UPM leads the forest-based bioindustry into a sustainable, innovation-driven, and exciting future across six business areas.

We create renewable and responsible solutions that replace fossil-based materials by making the most of residues and side streams. We rely on renewable and biodegradable raw materials to produce recyclable everyday items and materials.

Thanks to our global capabilities and strong position in the forest biomass sourcing chain, we're in a unique position to advance a circular economy in all our businesses. Moreover, we're constantly challenging ourselves by expanding into new end-use areas.

At UPM, we see responsibility as a requirement for long-term value creation and live by our values – trust and be trusted, achieve together, renew with courage.

In 2020, UPM's sales totalled € 8.58 billion. UPM has production plants in 12 countries. Our 18 000 people work on six continents. UPM shares are listed on the NASDAQ Helsinki stock exchange.

UPM Biofore – Beyond Fossils - [www.upm.com](http://www.upm.com)



**UPM**

The Biofore  
Company

## 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 with the annual wood consumption of about 27 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 UPM's biodiversity actions: <https://www.upm.com/responsibility/forests/biodiversity/>

Due diligence in UPM forestry operations is managed through a hierarchical approach with respect to regulations, starting with international agreements (EUTR etc.), legislation (Forest Act, Nature Protection Act etc.), the Environmental Management System under ISO 14001, Forest Certification schemes and, finally, the UPM Global Biodiversity Programme, operational instructions and 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.

UPM has set ambitious responsibility targets for 2030. In 2018, company launched a new target for achieving positive impact on biodiversity in company owned forests in Finland. Group level targets concerning forests and biodiversity are:

<p><b>FORESTS AND BIODIVERSITY -</b> Ensuring sustainable land use and keeping forests full of life</p>	<p>Climate-positive land use (continuous)</p> <p>All fibre certified by 2030</p> <p>Positive impact on biodiversity (continuous): implementing biodiversity programme and developing monitoring system</p>	<p>Five-year annual average carbon sink of UPM's own and leased forests was approx. 6.1 M tonnes CO<sub>2</sub> eq.</p> <p>83% of all wood used by UPM is sourced from certified forests.</p> <p>Improvement measured in all quantitative biodiversity indicators</p>
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All UPM targets, including environmental targets, can be found at:

<https://user-fudicvo.cld.bz/UPM-Annual-Report-2020>

UPM owns nearly 1 million hectares of forest land in Finland, Uruguay and USA. All these forests are certified under FSC and PEFC in Finland and Uruguay and under PEFC (SFI) in USA. 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. UPM's biodiversity programme is based on promoting the 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.

UPM's biodiversity program is implemented in all UPM owned forests and the best practices defined by the program are promoted in wood sourcing from suppliers and private forest owners. The implementation of the UPM biodiversity program has been reviewed by IUCN (International Union for Conservation of Nature) in 2012 in Finland. The program is further developed based on research and stakeholder engagement. For more information, see:

<https://www.upm.com/responsibility/forests/biodiversity/>

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

### 2.1. Wood sourcing

All of UPM's wood is legal and controlled. Furthermore it is PEFC & FSC CoC and FSC Controlled Wood/PEFC Controlled Sources certified. In 2019, 82 percent of all wood used at UPM was certified according to FSC or PEFC. In 2020, the percentage increased to 83%. The UPM approach to forestry and wood sourcing is described previously and the same approach applies to the mills.

### 2.2. Long term commitment

Protection of biodiversity calls for a long-term commitment which started in 1996 with UPMs first Environmental Policy. Information on actions from 1996 to 2013 can be found in the Progress Report 2013/14. Actions from 2015 to 2018 can be found in the Progress Reports for 2015/16 and 2017/2018. New actions since 2018 are listed below:

Year	Action
<b>2019 &amp; 2020</b>	<ul style="list-style-type: none"> <li>• EU Fire and Light LIFE continued 2019-2020: fire and esker habitat management projects, app. 100 ha in total. Project ended in 2020.</li> <li>• Ecosystem services: master's thesis from Finland (boreal semi-natural forests) University of Eastern Finland.</li> <li>• Centre for the Economic, Development, Transport and the Environment of Central Finland: To support restoration of migrating fish stocks by removing obstacles continued in 2019-2020.</li> <li>• Established private nature conservation areas: 347 ha</li> <li>• Sales for protection purposes: 5 ha</li> <li>• Centre of Nature Resources Finland, University of Helsinki: Project of transplanting threatened wood-inhabiting fungi started on UPM land in 2019. In this project, a completely new way to increase biodiversity is tested.</li> <li>• Osprey foundation: Building artificial nests, nest camera following the life of an osprey pair.</li> <li>• Co-operation in RaptorLIFE project application. Project was declined.</li> <li>• North Karelian Ornithological Society: Building artificial nests to birds of prey. Utilizing spatial information on nesting territories in forest management planning.</li> </ul>

- Beetles LIFE: Improving the living conditions of 8 selected beetle species. UPM has a role as a landowner. Habitat management actions are carried out at UPM owned private conservation area.
- Birdlife Finland: Voluntary work support to Birdlife Finland's local associations (bird countings, birdhouse buildings, bird towers and youth education).
- Finnish Environment institute, Tapio and Finnish Forest Centre: Active participation in Lajiturva project.
- New wood supplier guide published together with WWF Russia
- Centre of Nature Resources Finland: study on the development of chosen biodiversity indicators in UPM's forests based on National forest inventory data.

### 2.3. Mill site habitats

Mill sites themselves provide various habitats for a number of species. New projects are listed here:

#### UPM Schongau

- SOG mill is next to a "Natura 2000" area.
- Together with our apprentices we checked a biodiversity expertise from 2012 and made a concept to support some of these species with hanging up nest and bat boxes on selected trees and buildings at the wooded area at the edge of the mill site, where no work needs to be done
- One nest box for a peregrine falcon was built and hopefully some falcon will settle down there and hunt pigeons on mill site.



A more detailed follow-up survey with all paper mill sites is considered as a next step but has not yet been implemented, as the main focus is on owned and managed lands and getting supplier lands under forest certification as part of the 2030 target to procure 100 percent certified wood, the current certification rate of wood raw materials is at 83 percent. As a guideline could serve the existing survey „Naturnahe Gestaltung von Firmengeländen“ created by the German Bundesamt für Naturschutz, financed by the German Bundesministerium für Umwelt, Naturschutz, Bau und Reaktorsicherheit. URL: [www.naturnahefirmengelaende.de](http://www.naturnahefirmengelaende.de).

### 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 UPM's 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:

<https://www.upm.com/responsibility/fundamentals/Our-responsibility-targets/>

The environmental targets have improved from 2015 as follows:

UPM's responsibility targets to 2030:

UPM RESPONSIBILITY FOCUS AREA	2030 TARGET	2030 FOLLOW-UP / 2020 RESULTS
<b>PRODUCT STEWARDSHIP</b> - Taking care of the entire lifecycle	<p>Climate-positive product portfolio (continuous)</p> <p>Development of new products and services with contribution to the UN SDGs (continuous)</p> <p>All applicable products eligible for ecolabelling by 2030</p>	<p>Scientific study on substitution and storage effect initiated</p> <p>Assessment developed as part of sustainable product design concept, launch in 2021</p> <p>82% (83%) of UPM sales was eligible for ecolabelling</p>
<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	89% (89%) of UPM's total process waste was recycled or recovered. The total amount of waste to landfills increased by 3% compared to 2019.
<b>CLIMATE</b> - Creating climate solutions and working towards carbon neutrality	<p>Fossil CO<sub>2</sub> emissions from own combustion and purchased electricity (Scope 1 and 2) reduced 65% by 2030</p> <p>Maximise the business benefits of greenhouse gas claims (<i>continuous</i>)</p> <p>Improve energy efficiency annually by 1% (continuous)</p> <p>70% share of renewable fuels (continuous)</p> <p>Acidifying flue gases (NO<sub>x</sub>/SO<sub>2</sub>) reduced 20% by 2030 <sup>3)</sup></p>	<p>Fossil CO<sub>2</sub> emissions reduced by 20% compared to 2015 and 6% compared to 2019.</p> <p>UPM sold greenhouse gas claims worth nearly 1.1 million CO<sub>2</sub> tonnes.</p> <p>Energy efficiency target was not achieved.</p> <p>Level of 72% (70%) reached in the use of renewable fuels</p> <p>19% reduction achieved since 2015 for the UPM average product</p>
<b>WATER</b> - Using water responsibly	<p>Effluent load (COD) reduced 40% by 2030 <sup>4)</sup></p> <p>Wastewater volume reduced 30% by 2030 <sup>4)</sup></p> <p>100% nutrients used at effluent treatment from recycled sources by 2030 <sup>4)</sup></p>	<p>33% reduction in effluent load achieved since 2008 for the UPM average product.</p> <p>10% reduction in wastewater volume achieved since 2008 for the UPM average product.</p> <p>28% of nutrients from recycled resources</p>

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

Climate-positive land use (continuous)

All fibre certified by 2030 <sup>5)</sup>

Positive impact on biodiversity (continuous): implementing biodiversity programme and developing monitoring system <sup>6)</sup>

Five-year annual average carbon sink of UPM's own and leased forests was approx. 6.1 M tonnes CO<sub>2</sub> eq.

83% of all wood used by UPM is sourced from certified forests.

Improvement measured in all quantitative biodiversity indicators

1) Covers all UPM raw material spend including wood and wood-based biomass sourcing and excluding energy

2) From 2018 level

3) From 2015 level

4) From 2008 level, relevant for pulp and paper production

5) Forest management certification

6) Covers UPM own forests in Finland

UPMs biodiversity program and related targets can be found at:

<https://www.upm.com/responsibility/forests/biodiversity/>

**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 2020, see pages 64 - 97:

<https://user-fudicvo.cld.bz/UPM-Annual-Report-2020>

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

Since 2016 UPM has been repeatedly been recognized as a Global Compact LEAD company for its strong engagement to the United Nations Global Compact, the world's largest corporate sustainability initiative. In September 2020, UPM was again recognised as a UN Global Compact LEAD participant and is the only forest industry representative and also the only Finnish company among the 41 LEAD participants. Read more at <https://www.upm.com/about-us/for-media/releases/2020/09/upm-recognised-as-un-global-compact-lead-participant-for-its-sustainability-work/>

Dow Jones Sustainability Index

In November 2020 UPM has been listed as the forest and paper industry leader in the in the Dow Jones European and World Sustainability Indices (DJSI) for 2020-2021. Read more at <https://www.upm.com/about-us/for-media/releases/2020/11/upm-recognised-the-best-in-the-forest-and-paper-industry-in-the-global-dow-jones-sustainability-index/>

Gold Class distinction in RobecoSAM's annual Sustainability Yearbook

In February 2019 we were listed in the RobecoSAM Sustainability Yearbook 2019, achieving the Gold Class distinction. We were one of the top-scoring companies in our industry and receive this recognition for our excellent sustainability performance. Read more: [RobecoSAM Sustainability Yearbook 2019](#)

#### CDP's Forest Program

In December 2020 UPM was recognised as one of the world's Triple A List companies for the second year in a row for tackling climate change and taking actions to ensure sustainable forest management and water security. Read more at <https://www.upm.com/about-us/for-media/releases/2020/12/cdp-recognises-upm-with-an-outstanding-triple-a-score-for-its-environmental-performance/>

#### Corporate Knights Global 100 index

UPM was ranked on the 23rd place in 2019 and on the 24<sup>th</sup> place in the list of 100 most sustainable corporations by the Corporate Knights, the Canadian-based media and research company. Read more at <https://www.upmspecialtypapers.com/news-and-stories/2019/01/upm-gains-valuable-sustainability-recognitions-by-corporate-knights-and-cdp/>

#### Euronext Vigeo Europe 120 Index

UPM has been listed on the Euronext Vigeo Europe 120 Index since 2015. This index recognizes companies achieving advanced standards of excellence in Environmental, Social and Governance performance. The 330 index components are reviewed every six months in December and June.

A list of the full SRI index range can be viewed on the [Euronext](#) and [Vigeo Eiris](#) websites. UPM has listed its Green Bonds there.

#### UPM's commitment to climate-positive forestry and biodiversity improvement

UPM committed to the UN Global Compact's Business Ambition for 1.5°C, joining leading companies in a promise to pursue science-based measures to limit global temperature rise to 1.5°C. UPM will strive to mitigate climate change and drive value creation through innovating novel products, committing to a 65% CO<sub>2</sub> emission reduction and by practicing sustainable forestry. <https://www.upm.com/about-us/for-media/releases/2020/01/upm-commits-to-un-business-ambition-for-1.5c-to-mitigate-climate-change/>

In November 2018, UPM renewed a new biodiversity commitment, which is one of the company's responsibility targets for 2030, at the Conference of the Parties (COP14) of the United Nations' Convention on Biological Diversity (CBD), held in Sharm el-Sheikh, Egypt. Read more at <https://www.upm.com/about-us/for-media/releases/2018/11/upm-strengthens-the-foundations-of-the-bioeconomy-with-a-new-biodiversity-commitment/>

## UPM's forest commitment: climate-positive forestry and biodiversity improvement

Our business is based on forests. This is a strong reason to ensure that forests grow for many generations to come. Forests must remain forests. We have zero tolerance for deforestation and have processes in place to ensure that forests always grow more than they are used.

In the North, commercial forests have a growth cycle of between 60 to 100 years. When a forest area is harvested, the forest is prepared for new growth and seedlings are planted. During their growth, northern forests are thinned. Thinning promotes accelerated growth as the remaining trees have access to more light and to nutrients in the soil. Improved growth also increases forest's ability to absorb carbon. During regeneration, new trees are planted and growth cycle begins again.

UPM's Uruguayan plantations are established on old grazing lands. We never convert natural forests into plantations. Our plantations are new carbon sinks offering a solution to meeting the growing need for renewable materials. Our plantations are managed in a sustainable manner that also takes into account local communities and water balance and quality. We preserve and promote biodiversity by protecting biodiversity hotspots and valuable habitats. UPM also maintains over twenty conservation areas for specific species in Uruguay.

In 2018 UPM announced a new biodiversity commitment to achieve positive impact on biodiversity in company owned forests. This target is included into company's responsibility targets for 2030. The aim is to preserve biodiversity alongside modern forestry in UPM's own forests in Finland. The key performance indicators for the program are variation in the forests' successional stages and structure, the number and area of set-asides, diversity of tree species, implementing biodiversity and restoration projects and indicator development. Read more about our work and progress towards the target at [www.upm.com/responsibility/forests/biodiversity](http://www.upm.com/responsibility/forests/biodiversity)

### Revolving credit facility with a margin tied to long-term biodiversity and climate targets

In 2020, UPM signed a Eur 750 M revolving credit facility with a margin tied to long-term biodiversity and climate targets. UPM is one of the first companies to link the pricing mechanism to both biodiversity and climate target. The margin of the RCF is tied to two key performance indicators: 1) achievement of a net positive impact on biodiversity in the company's own forests in Finland and 2) 65% reduction of CO2 emissions from fuels and purchased electricity by 2030 from 2015 levels, in line with UPM's commitment to UN Business Ambition for 1.5°C. Read more at: <https://www.upm.com/about-us/for-media/releases/2020/03/upm-signs-a-eur-750-million-revolving-credit-facility-with-a-margin-tied-to-long-term-biodiversity-and-climate-targets/>

## **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.

UPM has an active role in promoting and developing credible forest certification schemes. During 2019/2020 UPM has been involved in certification standard development by participating in standard revision processes as a working group member (e.g. national FSC® FM standard for Finland, national PEFC FM standard for Finland, international FSC standard for forest management groups) and via

consultations. UPM participated also in FSC's pilot testing for type III group model with smallholder focus. UPM's target for forest certification is to expand the use of the credible certification systems in general as well as to develop company's own forest management and create solutions for group certification suitable for smallholder forest ownership structure.

In 2020, UPM and WWF Russia published a new supplier guide for Russian wood suppliers. It contains and systematizes practical recommendations, the implementation of which will allow suppliers of wood raw materials to confirm their environmental and social responsibility as well as compliance with the legal requirements for forest management. The cases of the best practices in biodiversity protection, environmental impact mitigation, health and safety, relationships with local people and other stakeholders are presented. Guide encourages suppliers to implement the best practices for responsible forest management.

## **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 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, private forest owners, investors, suppliers, local communities, non-governmental organisations, media, researchers, governments and regulators.

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, WWF Finland, WWF Russia and The Osprey Foundation. In addition to ENGOs the most important stakeholders in biodiversity projects are authorities, forest owners, and research organizations.

In addition to local and national level actions, we are actively involved in international stakeholder forums, such as The Forests Dialogue (TFD). 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 FSC International signed a three-year partnership agreement in 2017. One of the key targets of this partnership is to develop and expand FSC forest management certification in smallholder field. UPM considers forest certification as a great tool for promoting sustainable forestry. Partnership agreement ended in 2020 but UPM and FSC continue to have a close cooperation in development of forest certification in different levels.

In 2020 UPM joined PEFC as an international stakeholder member. UPM has been involved in the development of PEFC for more than 20 years. UPM owns nearly 800,000 hectares of PEFC-certified forests. Through international PEFC membership UPM works for a credible, widely accepted and globally recognized PEFC.