

UPM & Human Rights Responsibility



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UPM & Human Rights Responsibility

1 Introduction

UPM is committed to respecting human rights in line with the United Nations Guiding Principles on Business and Human Rights. UPM respects the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. We also promote the human rights related principles of the UN Global Compact. Additionally, UPM's Biofore strategy guides us in achieving our responsibility targets for 2030 and contributing to the UN Sustainability Development Goals (SDGs).

The purpose of this report is to provide an overview of how we at UPM have implemented human rights responsibility in our work. This report describes human rights due diligence practises at UPM, highlighting the work done and the lessons learned, while also describing the work ahead of us. The report has been compiled by Responsibility team of UPM Stakeholder Relations function.

The following pages contain information related to our governance and policy commitments, and the human rights due diligence practises we apply in our own operations as well as in our value chains. This report also includes an overview of our salient human rights issues, risk assessment, our reporting and monitoring systems. More information about our commitments and work for human rights responsibility can be explored in our [Annual Report 2023](#) and on our [website](#).

2 Governance and Policy Commitments

2.1 Governance

Compliance is an integral part of UPM's corporate responsibility and an important asset in our decision making, management and operations. UPM's compliance system is embedded in the company's governance model, and it is the risk management system used to manage UPM's human rights and environment-related risks.

Our compliance system is designed to support company performance and a culture of integrity at all levels. The main emphasis of the system is on preventive actions that are based on the annual risk management cycle and risk assessments conducted in all businesses and operations.

Our compliance management model is presented in our Annual Report 2023 (pages 74-77) and on our website UPM's governance structure is described:

<https://www.upm.com/siteassets/asset/investors/2023/upm-annual-report-2023.pdf>

<https://www.upm.com/investors/governance/governance-guidelines/governance-structure/>

2.2 Board level accountability

The Board of Directors, with the assistance of the Audit Committee, is responsible for monitoring compliance with applicable legal and regulatory requirements and with the UPM Code of Conduct and other corporate policies. In addition, the Audit Committee oversees procedures for treatment of complaints and concerns received by the company, anonymous or otherwise. As part of its compliance review, the committee is provided with a quarterly report by the company's Chief Compliance Officer, and a report of submissions under the company's Report Misconduct channel by the Head of Internal Audit.

The President and CEO's duty is to manage and oversee UPM's day to-day business operations in accordance with the instructions and orders given by the Board of Directors. In the operative management of the Company, including the management of corporate responsibility, the President and CEO is assisted by the Group Executive Team, the Business Area Boards, the Strategy Team, the Disclosure Committee and the Ethics Advisory Committee.

Corporate responsibility is managed by the Board of Directors and the Group Executive Team, as well as by businesses and functions. In practice, corporate responsibility work takes place in businesses and functions. While executing strategies, UPM and its business areas, functions and production units are exposed to a number of financial and sustainability-related risks and opportunities. Each business area, function and unit is responsible for identifying, measuring and managing risks and opportunities related to its own operations, and for reporting on risk exposures, risk management activities and results to its own management team and to the Risk Management Function.

A description of our board level accountability is available here:

<https://www.upm.com/investors/governance/compliance/>

<https://www.upm.com/siteassets/asset/investors/2023/upm-annual-report-2023.pdf>
(Pages 138-139)

2.3 Policy level commitment

Our human rights work is based on the UN Guiding Principles on Business and Human Rights ("UNGPs") and is guided by our Code of Conduct and its associated policies, rules and guidelines. We expect a similar commitment from our suppliers and third parties, as defined in our Supplier and Third-Party Code. We respect international conventions such as the UN Declaration of Human Rights, the ILO declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises.

UPM has been a signatory to the UN Global Compact since 2003.

Our social responsibility targets underline our commitment to ensure fair, equitable and competitive rewarding for employees and introduce targets for living wage and gender pay equity. Our target on diversity further demonstrates our commitment in building diversity and inclusion into the workplace. All our targets for social responsibility are founded on the principle of respect

for human rights. We constantly strive for better understanding of our impacts across our operations and business relationships, and we prioritise our efforts accordingly.

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

Our policy level commitments for respecting and promoting human rights are detailed here:

- **UPM [Code of Conduct](#):** UPM's Code of Conduct states UPM's commitment to respect human rights covering our own operations as well as our suppliers and other business partners.
- **UPM [Supplier and Third-Party Code](#):** The UPM Supplier and Third-Party Code states UPM's requirements, in line with our Code of Conduct, regarding respect for human rights for suppliers and other third parties. In addition, UPM has a "[Practical Guide to everyday decisions](#)" that clarifies our requirements and our position, gives examples and describes good practices for the implementation of the Supplier and Third-Party Code.
- **UPM [Human Resources Rules](#):** The UPM Code of Conduct forms the basis for respecting and promoting decent and fair working conditions at UPM. It is complemented by a more comprehensive set of global Human Resources Rules that details the principles of working conditions, labor practices and decent work to which UPM is committed and expects from its employees concerning working conditions, labour practices and decent work, as laid down by the International Labor Organization (ILO). Wherever we operate, we comply with international, national and local laws and regulations, and respect the principles of internationally recognized human rights.
- **UPM [Safety Rules](#):** UPM's objective is zero fatal and serious accidents. We actively work on reducing and eliminating accidents under our control through continuous improvement and effective risk management. We comply with international, national and local safety laws, regulations and rules. We do this through the implementation and compliance with the UPM Safety Standards and local procedures.
- **UPM [Responsibility Statement](#):** The Responsibility Statement complements the UPM Code of Conduct with a focus on environmental impacts, responsible sourcing and product safety. It also covers other relevant responsibility and human rights related topics.
- **UPM [Annual Report](#) 2023:** (pages 30-31, 72-73, 76-77, 78-79, 82-83, 138-140) UPM's commitment to human rights in accordance with internationally accepted standards is referred to several times in our latest Annual Report, including details on actions and procedures we undertake to meet our commitments and requirements applicable both to UPM and our business partners.

In addition to corporate level commitments, there are business area specific statements on human rights related topics, such as the UPM Slavery and Human trafficking statement (applicable to UK

entities) and UPM's policy statement on the Act on Corporate Due Diligence Obligations in Supply Chains of 16 July 2021 (applicable to German entities) available on UPM's certificate finder.

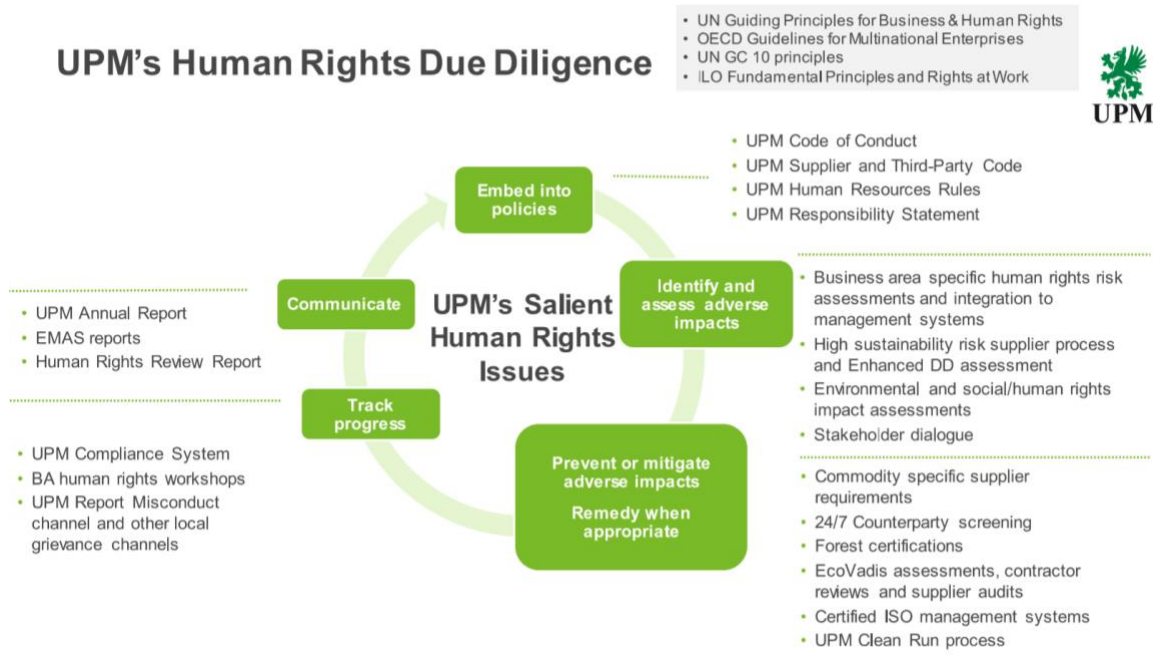
[UPM Certificate Finder | UPM.COM](#)

3 Embedding Respect and Human Rights Due Diligence

Our human rights due diligence (HRDD) aims to ensure that we identify and mitigate human rights related risks, track the effectiveness of our actions, and communicate our efforts internally and externally. The HRDD programme defines an ongoing process to assess our impacts on people and any related risks.

In our daily operations the accountability for continuous human rights due diligence lies with our businesses. UPM businesses utilise corporate expertise from Responsibility, HR, OHS, Internal audit, Sourcing and Procurement, and Compliance teams to guide and support their work. Our Responsibility team coordinates human rights related work globally to identify emerging human rights issues and develops tools and action plans to identify and address our human rights issues. This includes capacity building within our organisation and collaborating with others to drive progress.

As part of our on-going human rights due diligence, we have identified groups of people that are at a higher risk of experiencing potential adverse human rights impacts. The underlying reason for their vulnerability varies but based on our assessments and dialogue with various stakeholders we have defined migrant workers, women, young workers, and temporary and contractor workers as groups with a higher risk of potentially experiencing adverse human rights impacts across our value chain. We also recognize that indigenous peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalized and vulnerable segments of the population.



3.1 Salient human rights issues

We have identified occupational health and safety (OHS), working conditions, protection of children, forced labour and environmental pollution as our salient human rights issues. Both the severity and likelihood of any potential violations and their impacts are evaluated and finally validated together with our businesses and functions.

In 2023, we reviewed our salient human rights issues in connection to our materiality analysis and the associated stakeholder input. We will continue to develop our saliency assessment and further engage the rightsholders and internal and external stakeholders. The review of our global salient issues will be finalised in 2024.

See more: [UPM Annual Report 2023](#) (pages 72-73)

<https://www.upm.com/responsibility/people-and-society/human-rights/salient-human-right-issues/>

Our salient human rights issues and respective reporting are detailed as follows:

- **Occupational health and safety:**

<https://www.upm.com/responsibility/people-and-society/safety-and-well-being/>

- **Working conditions:**

<https://www.upm.com/responsibility/people-and-society/our-people/working-conditions/>

<https://www.upm.com/responsibility/supply-chain/wood-sourcing/>

<https://www.upm.com/responsibility/supply-chain/responsible-sourcing/>

<https://www.upm.com/articles/forest/22/upm-forest-audits-its-entire-supply-chain/>

- **Respecting and supporting children's rights:**

<https://www.upm.com/responsibility/supply-chain/wood-sourcing/>

<https://www.upm.com/responsibility/supply-chain/responsible-sourcing/>

<https://www.upm.com/news-and-stories/blogs/2020/03/listening-to-workers-and-farmers-voice-in-tapioca-starch-supply-chain-in-thailand/>

- **Forced labour:**

<https://www.upm.com/responsibility/supply-chain/wood-sourcing/>

<https://www.upm.com/responsibility/supply-chain/responsible-sourcing/>

<https://www.upm.com/articles/forest/22/upm-forest-audits-its-entire-supply-chain/>

<https://www.upm.com/siteassets/documents/responsibility/1-fundamentals/upm-ar-gri-content-index2023.pdf> (Page 8, GRI-408, GRI-409, GRI-412)

https://www.upm.com/siteassets/documents/responsibility/certificate-finder/statements/upm-uk-modern-slavery-statement-2022_pu.pdf

https://www.upm.com/siteassets/documents/responsibility/certificate-finder/statements/upm-policy-statement-german-supply-chain-due-diligence-act-dec-2023_bioco.pdf

- **Environmental protection:**

<https://www.upm.com/responsibility/environment/managing-our-impacts/>

3.2 Responsible land tenure

UPM is one of the largest private forest owners in Europe and holds significant land holdings also in the US and Uruguay. At the end of 2023, UPM had 523,000 ha of own forest land in Finland; 304,000 hectares of eucalyptus plantations, grasslands and conservation areas in Uruguay; and 76,000 hectares of forest in the US. We also lease approx. 170,000 hectares in Uruguay and manage about 1.5 million hectares of private forests in Finland.

Land acquisition and possible restrictions on land and natural resource use can have adverse impacts on communities and persons using the land, if not diligently managed. Responsible land tenure is in the core of UPM's operations and evidenced by our third-party forest management certifications.

We also recognize that the most marginalized and vulnerable segments of the population (e.g., indigenous and tribal peoples) may be disproportionately affected by land acquisition and/or natural resources use and therefore warrant special safeguards. UPM complies with applicable forest certification requirements on recognizing and upholding the rights, customs and culture of indigenous peoples, as defined in international conventions, declarations and treaties on the rights of indigenous peoples, such as the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) and ILO Convention 169 on Indigenous and Tribal People. UPM ensures through its human rights due diligence and third-party certification that its own forestry operations and wood sourcing do not violate land tenure or land use rights of traditional or indigenous peoples groups.

Risk assessments, community consultations, including Free, Prior, and Informed Consent (FPIC) when applicable, and access to grievance channels are embedded in our forestry operations and certification requirements.

See more: [UPM Annual Report 2023](#) (pages 82-83)

[Our forests | UPM.COM](#)

3.3 UPM's compliance system and monitoring

UPM's compliance system is embedded in UPM's governance model and is designed to support company performance and a culture of integrity at all levels. The compliance risk matrix, which is based on country risk assessments and the complexity and extent of our operations in each country, forms the basis for monitoring activities aimed at ensuring compliance at all levels of the organization.

Our compliance system is structured under the topics addressed in the UPM Code of Conduct. The UPM compliance system is the risk management system used to manage UPM's human rights and environment-related risks. Consequently, it covers human rights due diligence both in the supply chain and our own operations. Within this process a group of UPM experts and functions responsible for managing human rights risks discusses quarterly any identified human rights risks, assesses the preventive actions taken and reviews the remediation of the identified risks. The results of the assessment are summarized in a compliance dashboard and addressed to the Audit Committee of UPM Board of Directors quarterly. Furthermore, UPM conducts compliance reviews within its local units regularly.

See more: UPM [Annual Report 2023](#) Compliance system (pages 74-77), Tasks of Audit Committee (page 108-109).

Risk assessment

The main emphasis of our compliance system is on preventive actions, which are based on the annual risk management cycle and risk assessments conducted in all businesses and operations. Each UPM business area, function and unit is responsible for identifying, measuring and managing compliance risks related to its own operations. UPM has recognized potential human rights violations in supply chains as an operational risk in its corporate risk assessment process.

See more: [Annual Report 2023](#) (pages 34-35, 133-137).

3.4 HRDD in UPM's own operations

Our human rights due diligence defines an ongoing process for assessing our impacts on people and the potential risks in our own operations, with strong focus on our salient human rights issues. A salient human rights issue assessment practice on a business area level was first introduced in 2019 and it forms one of the core elements of UPM's human rights due diligence process. This procedure aims to ensure an analysis of actual and potential human rights risks and impacts specific to the business area and/or operating context and recognises that the risks may change over time. In practical terms, this means that UPM business areas conduct regular identification of human rights risks and impacts, assess the severity and likelihood of these risks and impacts, and prioritise the most severe issues for further focus and action.

This practice includes training and capacity building for our businesses, selection of annual human rights related focus areas per business area and integration to local management systems as a continuous human rights risk assessment practice.

See more: UPM [Annual Report 2023](#) (pages 72-73, 139-140).

In September 2023, we joined the UN Global Compact Forward Faster initiative. It recognises the critical role of living wages and gender equality in promoting respect for human rights and tackling inequality.

See more information on our Human Rights journey on our website:

<https://www.upm.com/responsibility/people-and-society/human-rights/human-rights-due-diligence/>

<https://www.upm.com/responsibility/people-and-society/our-people/working-conditions/>

<https://www.upm.com/responsibility/people-and-society/our-people/fair-rewarding/>

UPM Annual Report 2023: <https://www.upm.com/siteassets/asset/investors/2023/upm-annual-report-2023.pdf> (pages 30, 72-73)

Management systems

Our mills use integrated, certified management systems as practical tools for identifying and mitigating their impacts. These systems cover quality management, environmental protection, energy efficiency and health and safety issues. They embrace the principle of continuous improvement through target setting and monitoring. The Chain of Custody system for monitoring the origin of wood and fibre forms part of our mills' integrated management systems (see more in the next section on supply chains).

<https://www.upm.com/responsibility/fundamentals/management-systems/>

Investments

Legal compliance, safety, the environment and social and human rights are given due consideration in all investment decisions. Respective impacts have to be evaluated according to agreed UPM internal criteria. For major investments, an environmental and social impact assessment must be carried out. Where relevant for the investment in question a more comprehensive safety risk assessment and an in-depth human rights assessment are conducted. Details are defined in UPM's investment manual. Respectively, in all mergers and acquisitions of businesses, UPM takes account of legal compliance, safety, environmental, social and human rights as part of the evaluation and decision making.

Example: Impact assessment process of UPM investment, Paso de Los Toros pulp mill in Uruguay:

[Responsibility | UPM Paso de los Toros](#)

Tracking our performance and addressing non-compliances

We utilize insights from our human rights due diligence and compliance system, grievance mechanisms, and stakeholder feedback to monitor and track our human rights performance and continuously develop our approach. Consequently, we are committed to maintaining an active dialogue with the communities around us. Understanding the impact that we have is an essential component of our business success. We apply several precautionary measures and safeguards to avoid and minimize potential adverse environmental and social impacts on our surrounding communities:

- Environmental and Social Impact Assessments
- Human rights due diligence in our own operations and supply chain
- Management Systems, such as ISO 14001 and 45001 for production units
- Sustainable forest management certification (FSC and/or PEFC) of our own forestry operations and suppliers
- Restructuring processes planned in co-operation with workers, their organizations, local authorities and other relevant stakeholders.

Example of environmental management systems: Clean Run

Clean Run is a global, holistic concept designed for managing the daily environmental performance throughout UPM. It defines processes, roles and responsibilities for every UPM employee as well as guidelines for managing environmental target setting, audits, incidents and deviations. It is also a tool for managing environmental risks and to continuously develop our monitoring systems.

<https://www.upm.com/responsibility/environment/managing-our-impacts/>

Our reporting covers various environmental deviations and specifies the performance of each individual UPM mill. Other responsibility topics:

<https://www.upm.com/responsibility/fundamentals/reporting-and-data/data/>

<https://www.upm.com/responsibility/fundamentals/reporting-and-data/emas-reports/>

3.5 HRDD in Supply Chains

UPM has a risk-based approach that consists of various elements applied before and during the onboarding of new suppliers and monitoring of business partners. These elements include Know Your Supplier screenings, third-party sustainability assessments by Ecovadis, and the high sustainability risk supplier framework and model.

UPM's high sustainability risk supplier framework and model has been established to identify and capture human rights and environmental risks in UPM's supply chain. The framework provides visibility of the sustainability aspects of UPM's supply base and offers insight for sourcing categories on human rights and environmental risks and UPM's focus areas for risk prevention. The high sustainability risk framework evaluates sustainability-related risk based on the sourced commodity and the geographic location of the supplier. Specific criteria have been set to analyse and identify suppliers that require risk-mitigation measures.

UPM's responsible sourcing principles cover all our sourcing categories, both direct and indirect spend and all suppliers. We also apply a risk management process that covers all our counterparties, including all supplying companies. These companies are automatically screened on a continuous basis and the screening scope includes human rights violations based on adverse media findings.

Minimum requirements for all suppliers are set out in the UPM Supplier and Third-Party Code and related instructions are explained in the Practical Guide for Everyday Choices.

<https://www.upm.com/about-us/for-suppliers/requirements/upm-supplier-and-third-party-code/>

https://www.upm.com/siteassets/documents/for-suppliers/upm_supplier_and_third_party_code_practical_en.pdf

Our responsible sourcing practices and priorities were formulated into a cohesive, over-arching sustainable supply chain programme in 2023. Each element entails clear instructions regarding the relevant sourcing and supply chain management practices and implications at UPM, as well as tangible guidance, requirements, and expectations for UPM's suppliers. Effective implementation is managed and tracked through our 2030 responsibility targets and performance indicators.

See more: [Annual Report 2023](#) (pages 78-79).

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

<https://www.upm.com/responsibility/supply-chain/responsible-sourcing/sustainable-supply-chain-programme/>

Forestry and wood sourcing

All UPM-owned forests are certified, or in the process of being certified if the site is new. In Finland, UPM-owned forests are certified by the PEFC™ and by the FSC®, and in the USA (Minnesota) by the [Sustainable Forestry Initiative \(SFI\)](#), which is endorsed by the PEFC. Our eucalyptus plantations in Uruguay are certified by both the FSC and the PEFC. In addition, we manage FSC group certificates in Finland and Uruguay, which private forest owners are welcome to join. Independent third-party auditors verify annually that our operations meet the requirements of these standards.

[Our forests | UPM.COM](#)

UPM [Annual Report 2023](#) (pages 82-83)

100% of the wood purchased by UPM is covered by a certified Chain of Custody system, meaning its origins are fully traceable. In 2023, a total of 87% of the wood purchased by UPM was from certified sources (target: 100% of fibre forest management certified by 2030). Both the Chain of Custody and forest certification systems are third party verified.

<https://www.upm.com/responsibility/supply-chain/wood-sourcing/>

FSC Controlled Wood requirements are the minimum requirements that UPM applies to all its sourced wood (100% coverage). The requirements include wide criteria related to the legality of the wood, respecting traditional and civil rights (incl. indigenous and tribal peoples' rights) and protecting areas of high conservation values. The criteria also prohibits forest conversion to plantations or non-forest use and the use of genetically modified organisms.

UPM's requirements for wood sourcing: <https://www.upm.com/siteassets/documents/for-suppliers/upm-requirements-for-wood-suppliers-2023.pdf>

Principles applied in forests owned by UPM: <https://www.upm.com/responsibility/forests/>

[UPM White Paper on Deforestation \(2023\): UPM White Paper on deforestation | UPM.COM](#)

UPM certification overview (status of Jan 2024):

<https://www.upm.com/siteassets/documents/responsibility/3-product-stewardship/upm-certification-status.pdf>

More about UPM's plantation forestry activities in Uruguay via the Annual Report of Forestal Oriental (available in [English](#) and [Spanish](#)) and the websites of UPM Pulp ([Responsible wood sourcing | UPM Pulp](#)) and UPM Uruguay ([Forestal | UPM Uruguay](#)) (in Spanish).

UPM's compliance with Chain of Custody, forest certification and ISO 14001 environmental management systems is annually inspected by an independent third-party auditor. The auditor verifies that the certification requirements and their implementation have been documented appropriately and visits the sites to ensure that forest and supply operations meet the requirements. In addition, the auditor also interviews employees, entrepreneurs and stakeholders. If any non-conformities are identified, corrective actions shall be taken without delay. For some of the certifications, summaries of audit findings are publicly available in online databases (e.g. FSC certificate database).

UPM also conducts its own audits. Auditing of wood suppliers is usually based on risk assessment and audits primarily focus on longer supply chains. Internal audits related to our quality and environmental systems and UPM's FSC group certification for private forest owners are also conducted annually. Corrective actions are initiated immediately if non-conformities are detected.

Both external and internal audits include criteria related to workers' rights, occupational health and safety issues and rights of local communities.

Continuous stakeholder dialogue is an essential part of UPM's wood sourcing and forestry. UPM provides and promotes access to grievance mechanisms and complaints channels, including operational-level grievance mechanisms designed for individual projects and country contexts. For local community members affected by our operations, tailored and locally adapted avenues for raising grievances are provided in addition to our group-level grievance channels (see more in chapter 4 below).

The country of origin of certified wood used by UPM's production units is published annually (Interactive Analyst tool – Fibre raw materials and Forests – Certified wood supplier to UPM mills by country). UPM also annually publishes the origin of wood used by its mills.

<https://www.upm.com/responsibility/fundamentals/reporting-and-data/data/>

<https://www.upm.com/responsibility/fundamentals/certificate-finder/?tag=184540&tag=185765>

Sourcing of raw materials, indirect materials and services

UPM buys products, materials, and services from some 20,000 B2B suppliers globally. Our sourcing network includes suppliers from start-up companies to international corporations. We also buy wood from around 15,000 private forest owners.

Overall, contractors perform a significant proportion of our activities, for example in maintenance at our production units, in construction work and in forestry operations. In 2023, we continued our work on contractor management and initiated a project to develop UPM's model to manage contractors' social responsibility performance.

UPM [Annual Report 2023](#) (pages 78-79)

<https://www.upm.com/responsibility/supply-chain/responsible-sourcing/>

Requirements

In addition to the UPM Supplier and Third-Party Code, UPM also enforces further supplier requirements for specific sourcing categories. An overview of all these category-specific requirements is available here:

<https://www.upm.com/siteassets/asset/about-us/for-suppliers/become-a-supplier/documents/upm-supplier-questionnaire-2020.pdf>

Many of UPM's production units comply with various ecolabel criteria, which imposes strict requirements also for the raw material suppliers (pulp, chemicals) of these units.

https://www.upm.com/siteassets/asset/about-us/for-suppliers/documents/2017-ecolabel-and-other-required-information-pulp_03112017.pdf

- **Requirements for pulp suppliers**

<https://www.upm.com/about-us/for-suppliers/requirements/area-specific-requirements/pulpcontentupm/>

<https://www.upm.com/siteassets/asset/about-us/for-suppliers/requirements/chemicals/documents/upm-pulp-supplier-requirements-2020.pdf>

<https://www.upm.com/siteassets/asset/about-us/for-suppliers/requirements/general-requirement/documents/upm--pulp-supplier-questionnaire-2019.xlsx>

<https://www.upm.com/siteassets/asset/about-us/for-suppliers/requirements/chemicals/documents/upm-pulp-supplier-requirements-2023.pdf>

- **Requirements for wood suppliers**

<https://www.upm.com/siteassets/documents/for-suppliers/upm-requirements-for-wood-suppliers-2023.pdf>

- **Requirements for chemical suppliers**

<https://www.upm.com/about-us/for-suppliers/requirements/general-and-category-specific-requirements/chemicalscontentupm/>

- **Requirements for logistics suppliers**

<https://www.upm.com/about-us/for-suppliers/requirements/general-and-category-specific-requirements/logistics/>

<https://www.upmcargohandling.com/>

- **Safety requirements for contractors**

<https://www.upm.com/siteassets/asset/about-us/for-suppliers/requirements/general-requirement/documents/upm-minimum-safety-requirements-for-contractors-4.3.2020.pdf>

- **Safety induction for contractors**

Safety is one of our salient human rights issues in the supply chain. Our suppliers and their employees on our sites are required to adopt our safe work practices and to comply with the rules and standards we have established. We expect them also to participate in hazard identification and proactive safety reporting.

Before accessing a UPM production site, contractors are required to attend UPM safety training demonstrating our basic safety requirements. They also require a job-specific safety induction, and a permit to work.

<https://www.upm.com/about-us/for-suppliers/safety-induction/>

Supplier risk assessment

We identify our suppliers with the greatest business relevance and supply chains with a high risk of potential negative environmental and social impacts. We have created risk management contingency plans for identified high sustainability risk suppliers. The evaluation is based on the country of origin, sourced material or service and the UPM supply chain ESG risk register, encompassing country-, commodity- and sector-specific sustainability risk insights.

See more: [Annual Report 2023](#) (pages 78-79).

Potential human rights violations have been identified as an operational risk for our supply chain.

See more: [Annual Report 2023](#) (page 136).

High risk suppliers are assessed either by a third party (Ecovadis) or UPM experts (for example pulp supplier questionnaire). These assessments include human rights topics. In 2023, UPM carried out some 540 risk assessments with Ecovadis.

<https://tfs-initiative.com/assessment-process/>

<https://ecovadis.com/>

<https://www.upm.com/siteassets/asset/about-us/for-suppliers/requirements/general-requirement/documents/upm--pulp-supplier-questionnaire-2019.xlsx>

UPM [Annual Report 2023](#) (page 79, 140)

Based on the assessment results UPM identifies suppliers to be audited and we typically conduct 100-200 audits annually. In 2023, our own trained auditors and external auditors carried out 95 (121) audits globally, based on identified risks related to social and environmental topics, including human rights. We identified approximately 125 findings in these audits. One of the findings was considered critical with potential significant negative social impacts.

Read more: UPM [Annual Report 2023](#) (pages 78-79)

Supplier audits are conducted on risk basis either by trained UPM lead auditors or accredited external audits. UPM is a member in the Together for Sustainability initiative in which over 50 companies collaborate in order to scale up supplier assessments and audits.

<https://www.upm.com/about-us/for-suppliers/requirements/general-and-category-specific-requirements/supplier-assessment-criteria/>

<https://tfs-initiative.com/audit-process/#1472632625617-17956a92-ac80>

In addition to supplier audits, we carried out 890 (360) contractor reviews in Uruguay focusing on working conditions. The number increased with the new pulp mill in Uruguay.

<https://www.upm.com/articles/responsibility/20/upm-in-uruguay-sets-a-great-example-of-the-extent-of-contractor-management/>

UPM actively looks for more effective ways to scale up supplier assessments and has piloted workers' voice technology in one high-risk value chain.

<https://www.upm.com/news-and-stories/blogs/2020/03/listening-to-workers-and-farmers-voice-in-tapioca-starch-supply-chain-in-thailand/>

Addressing non-compliances

We report on our audits on our website and annual report. Based on the audit findings we set up corrective action plans depending on the type and severity of the non-compliance. Sometimes this requires an additional on-site audit to verify that the corrective action has been completed. The most common findings in our supplier audits relate to occupational health and safety topics, environmental management and working conditions.

UPM supplier audit findings by region (Interactive Analyst Tool – Other responsibility topics – Supplier audits):

<https://www.upm.com/responsibility/fundamentals/reporting-and-data/data/>

Examples of supplier audits conducted, observed non-conformances and corrective actions taken.

Supplier description	Observed non-conformances during audit(s)	Corrective actions	Conclusions
Chemical supplier, Europe	Various environmental and occupational health and safety related non-conformances were observed during the first audit including altogether 1 major and 9 minor non-conformances.	The supplier made a corrective action plan but failed to address all identified non-conformances and the business relationship was terminated. Negotiations with the supplier were later resumed and the corrective action plan was revisited including a follow-up audit.	After the follow-up audit, all non-conformances were addressed, and the supplier was able to bring in improvements in the fields OHS and environmental protection in their operations.
Transportation equipment supplier, Asia	Several positive findings but also 1 major and 2 minor non-conformances in the area of supplier requirements, OHS and environmental protection.	The supplier provided a corrective action plan within in 30 days and implemented the agreed corrective actions. Implementation was verified by UPM.	All non-conformances were addressed, and the audit resulted in process developments at the supplier's site.
Second tier extractives supplier, Asia	Primary production and soil excavation/mining in Asia is considered as high-risk operation. A series of audits has been conducted in co-operation with the first-tier supplier. Major non-conformances were detected in the areas of work safety, waste management and decent work and working conditions.	Closing the corrective action plan has taken longer than usual due to second tier involvement and related capacity building.	The series of audits included extensive capacity building and joint development of the suppliers' performance to a level accepted by UPM.

Using collaborative leverage

As many human rights risks are systemic in nature and cannot be solved by one company alone, UPM participates in several initiatives in order to foster collective action. UPM's experts have also been sharing lessons learned in different events and conferences in order to increase awareness of the importance of responsible sourcing and human rights risks in the supply chains.

- **Shift Business Learning Program**
<https://shiftproject.org/what-we-do/business/business-learning/>
- **Together for Sustainability**
<https://tfs-initiative.com/>
<https://www.upm.com/articles/supply-chain/20/scaling-up-the-supplier-evaluation-with-together-for-sustainability-network/>
- **UN Global Compact Action Platform on Decent Work in Global Supply Chains**
<https://www.unglobalcompact.org/take-action/action-platforms/decent-work-supply-chains>
- **UN Global Compact Forward Faster Initiative**
<https://www.upm.com/articles/responsibility/23/joining-the-uns-forward-faster-initiative-creates-a-momentum-to-promote-gender-equality-the-living-wage-and-climate-change-mitigation/>

4 Stakeholder engagement, Grievance Channels and Remedy

Our engagement with communities has historically been founded on decades of close co-operation. Many communities have grown around our operations over the years, particularly in Finland and Uruguay.

UPM provides and promotes access to grievance mechanisms and complaints channels, including operational-level grievance mechanisms designed for individual projects and country contexts. For local community members affected by our operations, tailored and locally adapted avenues for raising grievances are provided in addition to our group-level grievance channels (see more below).

In 2023, we received approx. 350 enquiries or concerns from the general public.

Information on stakeholder engagement and grievance channels can be found in our [Annual Report 2023](#) (page 60-63, 72-73, 76-77)

Case: Social monitoring in Uruguay

Regular social monitoring surveys are conducted at UPM's forestry operations and nurseries in Uruguay by an external service provider by interviewing affected community members and contractor employees. A summary of the 2023 social monitoring survey and its results can be found [here](#) (in Spanish).

Also, public opinion polls related to UPM's operations in Uruguay, including the Fray Bentos and Paso de los Toros pulp mills, are carried out regularly by a third-party service provider.

4.1 UPM Report Misconduct channel – SpeakUp©

The UPM Report Misconduct channel is available on the corporate website for all stakeholders and on the UPM intranet for our employees. Stakeholders and employees may use this channel to report if they have any complaints or concerns in relation to violations of the UPM Code of Conduct, any policies or rules thereunder or any applicable laws or regulations. All reports coming in through the UPM's Report Misconduct channel will be made available to the Head of Internal Audit and the Chief Compliance Officer at UPM. They evaluate and assess the information received and determine the appropriate course of action. This will, in most cases, result in the responsibility for next steps being assigned to the most appropriate person.

The Head of Internal Audit and the Chief Compliance Officer will ensure that all reported cases are investigated and documented appropriately. Misconduct reports are reviewed carefully, personal data handled appropriately, and confidentiality of reports maintained to the extent possible.

Our employees can also report any suspected or observed breach or misconduct to either their managers or a representative of UPM Legal, HR or Internal Audit functions. We do not tolerate retaliation against any person who, in good faith, reports suspected misconduct or participates in an investigation to resolve suspected misconduct.

UPM Report Misconduct channel is operated in a system called SpeakUp© provided by an external service provider SpeakUp. The service is available in multiple languages and it can be accessed 24 hours a day, 7 days a week. Submitting a report is fully confidential and provides full anonymity.

<https://www.upm.com/investors/governance/compliance/reportmisconduct/>

We report all cases brought to light under report misconduct channel as part of our Annual Report and in UPM's internal Integrity Report. In 2023, there were 40 reported cases falling under the category of "Respect people and human rights". More specifically, these related to e.g., alleged discrimination or harassment, inappropriate behavior, breach of safety rules and alleged breach of labor laws in connection with recruitment or termination of employment. We monitor and work to remediate adverse impacts on human rights that we are aware of and that our activities have caused or contributed to. Remediation is specified case-by-case based on verified impacts.

In 2023, 21 out of the total of 83 alleged misconduct cases led to disciplinary action, including warnings and terminations of employment. The misconduct investigations include a root cause analysis that aims to identify whether improvements of the compliance programme are necessary.

UPM [Annual Report 2023](#) (page 76-77)

[UPM's Integrity Report sets new transparency and misconduct benchmarks | UPM.COM](#)

4.2 Training and capacity building

We believe in collaboration, capacity building and peer learning. We have been active in training our own personnel in human rights topics (see 1 below). Additionally, we have been participating in collaboration forums like the United Nations Global Compact and its action platforms, the Together for Sustainability (TfS) initiative , and collaboration with Shift, the leading centre of expertise in UN Guiding Principles for Business and Human Rights, to help us to manage human rights issues and ultimately make a difference.

- 1) **GRI content index 412-2**
[GRI content index 2023 \(upm.com\)](#)
- 2) **Shift Business Learning Program**
<https://shiftproject.org/what-we-do/business/business-learning/>
- 3) **Together for Sustainability**
<https://tfs-initiative.com/>
https://www.upm.com/articles/supply-chain/20/scaling-up-the-supplier-evaluation-with-together-for-sustainability-network/?utm_content=1590562301&utm_medium=social&utm_source=facebook
- 4) **UN Global Compact Action Platform on Decent Work in Global Supply Chains**
<https://livingwages.unglobalcompact.org/>
<https://unglobalcompact.org/take-action/sustainableprocurement>

5 Responses to Serious Allegations

UPM in Uruguay

UPM's operations in Uruguay and particularly our newly operational Paso de Los Toros pulp mill have raised concerns among some of our stakeholders. In 2023 we received a communication via the UN Special Procedures of the UN Human Rights Council requesting information about UPM's activities and their possible connection to the water scarcity that affected the metropolitan area in Uruguay. Our response is publicly available online and details why the allegations are considered unfounded.

Frequently asked questions about UPM's operations in Uruguay can be accessed here: [FAQ | UPM Pulp](#).

More information about UPM's operations in Uruguay can be found here: [UPM Pulp | UPM Pulp](#) and [UPM Uy | UPM Uruguay](#) (in Spanish).

Serious human rights allegations are reported annually in UPM's [Annual Report](#) (for 2023 see page 73).