

# UPM & Human Rights Responsibility



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UPM & Human Rights Responsibility

## 1 Introduction

Respecting and protecting human rights across UPM's businesses and value chain is an integral part of the work we do. We acknowledge that addressing human rights is our responsibility but also a topic that requires collaborative and continuous actions and dialogue with our stakeholders. UPM respects international agreements such as the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. 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, the human rights due diligence practises we apply in our own operations as well as in our supply chain. 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 2021](#) and on our [website](#).

## 2 Governance and Policy Commitments

### 2.1 Governance

Compliance is an integral part of UPM's 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 also the platform for the company's human rights due diligence.

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 monitoring model is presented in our Annual Report 2021 (pages 76-79) and on our website UPM's governance structure description:

<https://www.upm.com/siteassets/asset/investors/2021/upm-annual-report-2021.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. This includes overseeing and managing human rights at various levels of our business. 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.

A description of our board level accountability is available here:

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

### 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 agreements 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. For several consecutive years UPM has been recognized as a UN Global Compact LEAD participant for its strong commitment to responsible business practices.

Our social responsibility targets were renewed in 2021. We have strengthened our commitments to ensure fair, equitable and competitive rewarding for employees and introduced new targets for living wage and gender pay equity. Our new target on diversity further demonstrates our drive 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 [Annual Report](#)** 2021: (pages 30-31, 76-79, 82-83, 84-85, 102-107, 135-139) 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.
- **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 complements our UPM Code of Conduct and states UPM's requirements regarding respect for human rights for suppliers and other third parties. In addition, UPM has a "[Practical Guide to everyday decisions](#)" that summarizes The Code framework and our position, gives examples and describes good practices for the implementation of The 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 international agreements concerning human and labour rights and freedom of association.
- **UPM [Safety Rules](#)**: UPM's objective is zero fatal and serious accidents. We strive to reduce and eliminate 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.

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) 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. The process also comprises our supply chains' corporate risk assessment process and UPM's compliance system.

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.

<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-index-2021.pdf>  
(Page 8, GRI-408, GRI-409, GRI-412)  
[https://www.upm.com/siteassets/documents/responsibility/certificate-finder/statements/slavery-human-trafficking-statement\\_forestry.pdf](https://www.upm.com/siteassets/documents/responsibility/certificate-finder/statements/slavery-human-trafficking-statement_forestry.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 2021, UPM had 516,000 ha of own forest land in Finland; 305,000 hectares of eucalyptus plantations, grasslands and conservation areas in Uruguay; and 76,00 hectares of forest in the US. We also lease approx. 160,000 hectares in Uruguay and manage about 1.3 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 2021](#) (pages 84-85)

[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. 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 UPM Board of Directors (Audit Committee) quarterly. Furthermore, UPM conducts compliance reviews within its local units regularly.

See more: UPM [Annual Report 2021](#) Compliance system (pages 76-79), Tasks of Audit Committee (page 107).

#### **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 human rights violations as an operational risk in its corporate risk assessment process.

See more: [Annual Report 2021](#) (pages 34-35, 131-135).

### 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.



In 2019, we introduced a salient human rights issue assessment practice on a business area level, which complements our existing human rights due diligence process at UPM. 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 2021](#) (page 137).

In 2017, we conducted a human rights self-assessment at all our 75 operational sites globally (1, 2 and 3 in below):

1. <https://www.upm.com/news-and-stories/articles/2018/05/focus-on-human-rights/>
2. <https://www.upm.com/news-and-stories/articles/2019/05/assessing-human-rights-through-stakeholder-engagement-in-uruguay/>
3. [https://www.upm.com/siteassets/asset/investors/2018/upm\\_ar18\\_en\\_190227\\_web\\_secured.pdf](https://www.upm.com/siteassets/asset/investors/2018/upm_ar18_en_190227_web_secured.pdf) (page 55)

In the assessment, we identified living wage as a theme requiring capacity building internally. Consequently, we initiated a global process to review the base salaries of our employees compared against local living wages in all 46 of our countries. In 2022, we introduced a new focus area for our social responsibility work ensuring fair, equitable and competitive rewarding for all employees. In connection, we introduced new social responsibility 2030 targets for our work. Firstly, ensuring that employees' pay meets at least local living wage by implementing a yearly review and secondly ensuring gender pay equity for all employees by implementing a yearly review process to identify and close unexplained pay gap.

<https://www.upm.com/responsibility/people-and-society/our-people/working-conditions/upm-annual-report-2020.pdf> page 73 (case)

## 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. If 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](#)

**Example of Human Rights Due Diligence: Local human rights assessment in Fray Bentos pulp mill, Uruguay:**

<https://www.upm.com/news-and-stories/articles/2019/05/assessing-human-rights-through-stakeholder-engagement-in-uruguay/>

**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's responsible sourcing principles cover all our sourcing categories, both direct and indirect spend and all suppliers. Our main raw material is wood, and UPM owns forests in Finland, the United States and Uruguay.

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://bit.ly/2Z0lllG>

UPM applies 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.

#### **Case:**

*One of UPM's businesses was planning to purchase chemicals from a US based company. Before adding the supplier to UPM's vendor master systems that enable purchasing activity, the supplier was automatically screened by UPM's counterparty risk assessment tool. The tool revealed that the potential supplier was guilty of severe waste dumping that violated landowners' rights and caused environmental damage. UPM's business decided not to proceed in sourcing activities with this supplier.*

See more: [Annual Report 2021](#) (pages 82-83).

We have defined 2030 responsibility targets and KPIs for our responsible sourcing activities:

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

More detailed due diligence activities are implemented separately in wood sourcing and raw material & services sourcing:

[https://www.youtube.com/watch?time\\_continue=4&v=jT0d3dHwLal&feature=emb\\_logo](https://www.youtube.com/watch?time_continue=4&v=jT0d3dHwLal&feature=emb_logo)

### Forestry and wood sourcing

All UPM-owned forests are either FSC or PEFC forest management certified, or in the process of being certified if the site is new.

[Our forests | UPM.COM](#)

UPM [Annual Report 2021](#) (pages 84-85)

100% of the wood purchased by UPM is covered by a certified Chain of Custody system, meaning its origins are fully traceable. In 2021, a total of 84% 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 social and traditional rights (incl. indigenous and tribal peoples' rights) and safeguarding areas of high conservation values. The criteria also prohibits land-use change, thus preventing forest loss, and the use of genetically modified organisms.

UPM's requirements for wood sourcing: <https://www.upm.com/siteassets/asset/about-us/for-suppliers/documents/upm-requirements-for-wood-suppliers-2017.pdf>

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

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. Public summaries of audit findings are 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 a wide review of 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. There is a system in place to give feedback or submit complaints to UPM (see more in chapter 4 below). Feedback and complaints are handled without a delay in compliance with the Chain of Custody, forest certification and ISO 14001 environmental management systems. Stakeholders are notified of the actions undertaken by UPM in response to their feedback.

There is also an annual stakeholder consultation process related to UPM's FSC forest management certificate. The focus of the consultation process is on recognizing forest with high conservation values and actions required to maintain them. During the consultation process stakeholders are also welcome to express their other views on forest certification.

**Case:** <https://www.upm.com/news-and-stories/articles/2016/10/responsible-sourcing-around-the-world--part-3/>

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

Our sourcing network covers a broad range of suppliers ranging from private forest owners and local companies to large international corporations based in many different cultures. The heterogeneity in our partner network is a challenge. Nevertheless, we ensure that all our suppliers operate responsibly in line with our harmonized requirements.

<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](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>

- **Requirements for chemical suppliers**

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

- **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

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

See more: [Annual Report 2021](#) (page 133).

We identify high risk suppliers and high risk value chains by looking at three dimensions: the country of origin (<https://www.transparency.org/country>), commodity specific risk and supply chain complexity. We extend risk assessments to several tiers, especially when commodities are originate from forestry, agriculture and mining.

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

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 2021, UPM carried out some 340 risk assessments together 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 2021](#) (page 83)

Based on the assessment results UPM identifies suppliers to be audited and we typically conduct typically 100-200 audits annually. In 2021, we conducted 49 sustainability audits, all of them addressing human rights risks.

UPM [Annual Report 2021](#) (page 137)

Supplier audits are conducted either by trained UPM lead auditors or accredited external audits. UPM is a member in the Together for Sustainability initiative in which over 20 companies collaborate in order to scale up supplier assessments and audits.

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

UPM actively looks for more effective ways to scale up supplier assessments and has piloted workers' voice technology in one very 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/>

UPM currently has a high number of contractors working on its site and forestry in Uruguay. These contractors' working conditions are assessed carefully. In 2021 UPM completed more than 300 contractor reviews in Uruguay.

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

### Addressing non-compliances

We report on our audits on our website. 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
<b>Chemical supplier, Europe</b>	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.
<b>Transportation equipment supplier, Asia</b>	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.



Supplier description	Observed non-conformances during audit(s)	Corrective actions	Conclusions
<p><b>Second tier extractives supplier, Asia</b></p>	<p>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.</p>	<p>Closing the corrective action plan has taken longer than usual due to second tier involvement and related capacity building.</p>	<p>The series of audits included extensive capacity building and joint development of the suppliers' performance to a level accepted by UPM.</p>

**Using collaborative leverage**

As many human rights risks are systemic issues that 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.

<https://www.upm.com/news-and-stories/articles/2019/01/attention-on-human-rights-in-large-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/>
- **Global Compact Action Platform on Decent Work in Global Supply Chains**  
<https://www.unglobalcompact.org/take-action/action-platforms/decent-work-supply-chains>

Other

- **Modern Slavery and Human Trafficking Statement**

<https://www.upm.com/siteassets/asset/responsibility/documents/supply-chain/upm-slavery-and-human-trafficking-statement-2020-en.pdf>

- **Disclosure under the California Transparency in Supply Chain Act**  
<https://www.upm.com/siteassets/asset/responsibility/documents/supply-chain/disclosure-under-the-california-transparency-in-supply-chains-act.pdf>

## 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. Local stakeholders can raise their concerns directly to our representatives at the mills and other sites and via locally provided channels such as e-mail and phone. Typical concerns relate to odour, traffic and noise and any grievances are followed up as part of our our management systems. In addition, we have other local grievance channels available that are designed for specific business contexts and local needs.

In 2021, we received approx. 400 enquiries or concerns from the general public.

UPM [Annual Report](#) 2021 (page 64)

### Case: Social monitoring for Uruguay

Social monitoring surveys are conducted by an independent third party who interviews community members and contractor employees. The survey is conducted in forestry operations bi-annually and communities surrounding UPM's mills every six months. The results are public and available at:

<https://www.upm.uy/planta/medioambiente/monitoreo-ambiental/>

(Scroll to the bottom of the web page - social monitoring results are below the environmental monitoring results)

Information on stakeholder engagement and grievance channels can be found in our [Annual Report 2021](#) (page 64-67, 76-79).

### 4.1 UPM Report Misconduct

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 by an independent external service provider People Intouch. 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 through our misconduct channel under report misconduct channel as part of our Annual Report and in UPM's internal Integrity Report. In 2021, there were 19 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 2021, 18 out of the total of 66 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 2021](#) (page 78)

[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 (6), the

Together for Sustainability (TfS) initiative (4), and collaboration with Shift (3), 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 \(upm.com\)](#)
- 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](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) **Global Compact Action Platform on Decent Work in Global Supply Chains**  
<https://www.unglobalcompact.org/take-action/action-platforms/decent-work-supply-chains>  
<https://livingwages.unglobalcompact.org/>

## 5 Responses to Serious Allegations

### UPM in Uruguay

UPM's operations in Uruguay and particularly our recent investment project, the Paso de Los Toros pulp mill, have raised concerns among some of the company's stakeholders. We have also faced serious allegations regarding the environmental and social impacts of construction related to the investment project. Additionally, UPM's position in the free-trade zone has been criticised.

The company's response to these concerns, complemented with contextual information about UPM's operations in Uruguay, can be accessed via the link (see the document "[UPM in Uruguay Feb 2021](#)").

<https://www.upmpasodelosstoros.com/material-bank/>

UPM maintains an active dialogue with its stakeholders and welcomes further discussion and feedback.