

PULP DIRECT

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UPM PULP CUSTOMER NEWSLETTER

LETTER FROM THE EDITOR

Dear Reader,

We would like to thank you for the positive response to the first issue of Pulp Direct, as well as for the feedback we received. Please let us know if we should send the newsletter to additional recipients and we will be happy to add names to our list.

Speaking of names, we keep adding new ones to the Pulp Sales organisation and are pleased to welcome Jörg Brüscheweiler and Matti Tamminen on board. Jörg has played an active role in the European pulp industry for years and knows all of the grades UPM produces inside and out. Jörg joins us as Pulp Sales Manager and will be working as part of our Mannheim-based team. Matti joins us from UPM Seaways where he has been in charge of deep-sea breakbulk traffic. Matti will be working in our global Sales Organisation to ensure that we have in place efficient and reliable logistics solutions.



The Biofore Company  UPM



We are striving to build a strong relationship with you that is based on solid technical and commercial understanding, and a clear focus on all aspects of the business: quality, supplies, service and support. We are committed to being the company that provides 'Tonnes of trust'. The idea of trust forms the basis for development and is the cornerstone of our efforts both today and tomorrow. For us, trust also means responsibility and sustainable business in the long term.

Sustainability is a topic widely discussed and used towards many ends. On the pages of this issue we will be presenting to you our take on sustainability, as well as a simple scorecard that will help you assess the sustainability of pulp suppliers.

I wish you a pleasant reading experience and look forward to your comments.

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How can you know whose pulp is SUSTAINABLE?

Some of the companies in the business place sustainability in the core of their strategy, while others do their best to just follow the legislation. Unfortunately, there are also those who try to get by with lip service. UPM has created a Sustainability Scorecard to help customers spot the difference and do their part.

Interview with Jaakko Sarantola, Senior Vice President, UPM Pulp

What does sustainability mean to UPM?

Sustainability is an integral part of UPM's Biofore strategy, as well as our daily operations. Although very difficult to productise, we believe that sustainability is becoming an increasingly important competitive asset. It speaks about the health, good management, and reliability of the company in general, revealing a healthy supplier that will be around for many years to come. Our customers can grow together with us – they can trust our tonnes.

How has the importance of sustainability changed for companies in recent years?

Sustainability issues have become a hot topic over the past 30 years. It all began with the mill operations, then the focus turned to forests, and now it is on stakeholders, communities, and social aspects. First it was driven by outside pressure and then researchers stepped in. Now responsible companies have adopted a proactive approach. UPM works together with environmental organisations, researchers, authorities, communities, and independent auditors. It's about dialogue with all stakeholders, as well as concrete action.

And the customer's role?

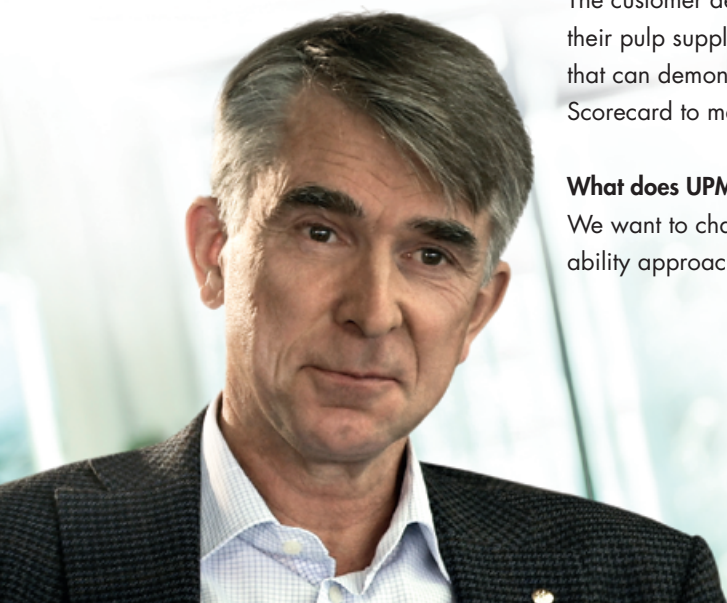
The customer decides! Actually, they have a mandate to demand sustainability from their pulp supplier. When customers want to do their part, they should favour suppliers that can demonstrate or even prove their sustainability. We created the Sustainability Scorecard to make it easier for customers to define what is sustainable.

What does UPM's overall sustainability approach mean in practice?

We want to change the thinking from a one-topic-focus to a balanced, overall sustainability approach, while not forgetting that financial responsibility is in the centre of

Sustainability Scorecard in brief:

The overall approach to sustainability can be assessed by means of a simple tool called the Sustainability Scorecard. It has a scale ranging from poor to outstanding in four areas: wood raw material, mill operations, stakeholder engagement, and proof. UPM is determined to continue development in this area to ensure our outstanding sustainability performance long into the future.



Overall sustainability in pulp supply

	Poor	Basic	Good	Outstanding
WOOD	Origin not known or from disputed areas or bio-diversity hotspots	Legal, not certified	Legal and certified	Legal and certified. Biodiversity integrated in operations. Net positive environmental gain
MILL	1960/70's techniques	1980's techniques	1990's techniques	2000/10's techniques BAT and continuous improvement. Eco-label criteria fulfilled
STAKE-HOLDERS	Unresolved disputes like ownership and use of land	System for stakeholder feedback	Active stakeholder dialogue	Vital part of local economy, e.g. wood from local farmers, local workforce and suppliers. Active stakeholder engagement. Commitment to work safety and wellbeing
PROOF	No proof	Basic information available	Eco-label criteria fulfilled	Verified for internationally recognized eco-label Footprint analysis; carbon, water

sustainable development. It makes sense to take good care of your people, assets, and surroundings to make sure that sustainable business continues long into the future. UPM wants to stay a step ahead to see what the next key issues will be and set an example by continuously developing our operations and processes based on the life-cycle approach.

We study, learn together with, e.g., NGOs, and educate – thus showing our customers and stakeholders what can be achieved. For example, to really understand the differences between the various forest certificates, we conducted a forest certification comparison study among the seven most important forest certificates in our forestland in three different countries. This is a study conducted in the woods, not a desk-top one. Based on the results, we support credible certification schemes and healthy competition.

When listed as the only forestry company worldwide in the Dow Jones Sustainability Indexes and selected as the Supersector Leader in the Basic Resources sector, UPM got full marks for its forest operations.

Does UPM's outstanding sustainability status also mean better customer service?

Naturally, as we support our customers in product,

technical, and sustainability issues, we can provide heaps of information – much more than is required. We invite customers to join us in our real and transparent work for the environment, not just to speak about it.

How important is proven sustainability to the customer's brand and sales?

The closer we are to the consumer, like with tissue products and consumer packages, the more important it becomes. Consumers' decisions are affected by sustainability and brand reputation. We want to minimise any surprises with a potentially negative impact on our customers and their brands.

How does this affect the selection of a pulp supplier?

Sustainability is becoming a 'natural selection' factor.

What is the next big thing in sustainability?

Increased transparency and integrated biodiversity strategy – which is perhaps the most concrete issue coming up. This is important, and we are looking forward to many honest and engaging discussions on the topic. ●



“Sustainability, respect, and commitment have been described as core values in the company strategy. Thus all our internal and external activities refer to them.”

Burkhard Krücke,
Head of Purchasing of WEPA



SUSTAINABILITY as a core value for WEPA

German based WEPA Group is one of the biggest hygiene paper producers in Europe. Sustainable products and production processes have been in the core of the company's strategy, while retailers act as a driving force on behalf of consumers.

“Sustainability, respect, and commitment have been described as core values in the company strategy. Thus all our internal and external activities refer to them,” states Burkhard Krücke, Head of Purchasing of WEPA Group.

WEPA has a long tradition of using recycled paper for tissue paper production. “In terms of virgin fibre, we depend on our pulp providers. Most suppliers are running fairly new equipment so the quality of their products is rather influenced by the fibres used. But there are also small differences in the environmental performance that we are trying to cover”, he notes.

For example, when selecting a pulp supplier WEPA evaluates the amount of chemicals used per produced pulp ton, what kind of fuel the recovery boiler uses, or how water effluents are treated at the mill.

In addition, WEPA has established a programme to decrease its carbon footprint. “We have some products designed for reducing the carbon footprint where, among others, the selection of pulp grades is really important. In addition, we are trying to reduce our carbon footprint further by avoiding unnecessary transports.”

Retailers for sustainability

Burkhard Krücke explains that retailers are the driving force in sustainability issues on behalf of end users at the consumer markets.

“My impression is that retailers are driving products into a more ecological direction without the end users necessarily being very aware of it. Good examples are e.g. the differences or similarities in forest certification schemes or pulp bleaching sequences, and the end user is often overwhelmed trying to form a qualified opinion. However, sustainability is a term that is more and more present and also the end customer will become more conscious of the environmental impact the consumables would have.” ●

WEPA GROUP

- A leading European producer and supplier of tissue products with an approximately MEUR 900 revenue in 2012.
- Family-owned company with 2,700 employees, headquartered in Arnsberg, Germany.
- Annual tissue production capacity approx. 600,000 tons and converting capacity approx. 650,000 tons.
- Offers a full range of folded and rolled tissue products such as toilet paper, kitchen towels, handkerchiefs, hand towels, facial tissues, napkins, industrial paper rolls and paper towels, as well as semi-finished goods (jumbo reels and de-inked pulp).





UPM growth in China — recognised at the top level

UPM's strong commitment to China, as well as the success of the Biofore strategy, has received high-level visibility.

UPM's President and CEO Jussi Pesonen participated in a business delegation accompanying Sauli Niinistö, The President of Finland, on his official four-day state visit to the People's Republic of China in April.

CEO Jussi Pesonen met with the Prime Minister Li Keqiang and Vice President Li Yuanchao, as well as several representatives of the influential Ministry of Commerce and the National Development and Reform Commission.

China is an important growth area for UPM due to its increasing pulp, label, and paper consumption.

UPM is in a strong position to enlarge its footprint in the vast marketplace because of a growing demand for high-quality products made of renewable and recyclable materials – manufactured by using fully sustainable production practices.

UPM China awarded the "Certification of High-tech Enterprise"

The Certification is an official recognition for outstanding contributions to China's economic and social development in terms of leadership in high-level scientific research, highly qualified research professionals, state-of-the-art technologies, outstanding operational efficiency, and strong market competitiveness.

The Certification was issued jointly by China's Jiangsu Province Department of Science and Technology, the Department of Finance, the Bureau of State Taxation, and the Bureau of Local Taxation.

"Achieving this status is an exceptional achievement. UPM utilises sustainable development concepts, state-of-the-art production technology, equipment, and management methods. We are truly high-tech and environmentally friendly," commented Raul Ikonen, Finance Director, UPM Asia Pacific.

UPM delivers "More with Biofore" by continuously reducing the environmental impact of its products over the whole lifecycle. Material efficiency plays a key role in all company operations. For example, during the last ten years, the UPM Changshu mill has reduced water consumption by 65% and energy consumption by 25% per tonne of paper produced. Another example of an end-to-end sustainability, the company can verify that all wood fibre is responsibly sourced, and that all of UPM's forests and plantations are certified.

UPM's accident frequency dropped 40% within a year

UPM's global Lost Time Accident Frequency decreased by an amazing 40 percent within a year after launching the company wide Step Change in Safety 2012–2014 workplace safety initiative. The initiative has two goals: achieving world-class safety results within three years and preventing any fatal accidents at UPM premises.

"A 40 percent accident reduction is a great improvement. The development was positive, and at the end of 2012, nine production units out of UPM's total of 68 achieved



more than one year without any lost time accidents. We are proud of the excellent results and continue with the good work. Our ultimate aim is even higher," says Jussi Pesonen, CEO of UPM.



UPM and VTT to initiate fleet tests of wood-based diesel

UPM, VTT (Technical Research Centre of Finland) and VW-Auto Group have started fleet tests of renewable diesel, UPM BioVerno.

The tests study UPM's renewable diesel in terms of fuel functionality in engine, emissions, and fuel consumption. The goal is to encourage companies to commercialise renewable energy solutions in traffic. The tests began in May and will last several months.

"Advanced, sustainable biofuels are a great opportunity for Finland. The Commission will most likely restrict the use of biofuel made from food crops, meaning that the value of forest industry residues will increase," says Nils-Olof Nylund, Research Professor at VTT.

Advanced renewable diesel by UPM

UPM BioVerno can reduce traffic greenhouse gas emissions by up to 80% when compared to fossil fuels. This high-quality biofuel is produced from forest industry residues, without using any edible materials. UPM BioVerno is an ideal fuel for all diesel-powered vehicles.



UPM is a forerunner in advanced biofuel production. In 2012, UPM began the construction of the first biorefinery in the world for wood-based renewable diesel. The refinery, located in Lappeenranta, Finland, will be completed in 2014. Its production capacity of 100,000 tonnes equates 120 million litres of renewable diesel annually.

In March UPM received the 2013 Sustainability Award for Breakthrough Innovation in Technology as recognition for the success of UPM's innovative production process of UPM BioVerno. The award was presented by the World Biofuels Markets Congress & Exhibition in Rotterdam, the Netherlands. ●

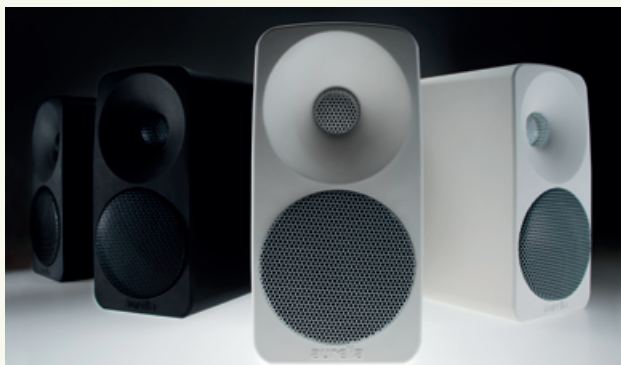
Read more at www.upm.com/biofuels

Creating more with less is UPM's means for better material efficiency. Sustainable and efficient use of resources brings with it advantages with regard to energy, water, production and cost efficiency. Recycling allows us to maximise the lifecycle of forest biomass and manufacture products in an eco-efficient manner.

Innovation plays a key role in developing products that provide resource-efficient alternatives for the future. With elements of ecodesign built into the entire product development process, UPM's new products find innovative ways to replace non-renewable materials with renewable, recyclable and low-impact alternatives.

MORE WITH BIOFORE





UPM Formi biocomposite is a sound choice for loudspeakers

UPM's constant fibre research and innovation creates new advanced biomaterials for demanding end uses. The new pulp-based renewable biocomposite, UPM ForMi, is finding new users from furniture to consumer electronics industries. Two world-leading Finnish loudspeaker brands – Genelec and Aurelia – have chosen UPM ForMi for their next-generation loudspeakers.

The reasons are loud and clear: superior sound reproduction, structural strength, easy mouldability, and end-product quality. UPM ForMi can replace up to 50% of oil-based plastics with wood-based renewable fibres. The renewable wood-based fibre has a lower carbon footprint and is certified as coming from sustainably managed forests.



"UPM ForMi enables a smarter and more efficient enclosure production process, helping us lead the way in both production technology and environmental matters," says Siamäk Naghian, Managing Director at Genelec.

Aurelia uses UPM ForMi in the die-cast precision enclosures of their high-quality Aniaara speakers. "With UPM ForMi we can produce substantially stronger components than with traditional plastics. ForMi also allows us to achieve nearly handmade-quality serial production," confirms Antti Louhivaara, Founder and CEO of Aurelia. "As a soundboard for music, UPM's biocomposite is superior to plastic for sound reproduction," says Stefan Fors, Director at UPM ForMi.

UPM ForMi's application areas are expanding constantly. UPM ForMi is a cellulose fibre reinforced plastic composite with high renewable material content up to 50%.

Read more at www.upmformi.com

UPM strengthens its pulp sales organisation

UPM continues to strengthen its pulp sales organization to achieve even better service and growth.



JÖRG BRÜSCHWEILER
Sales Manager,
UPM Pulp

Jörg Brüscheweiler has been appointed Sales Manager, UPM Pulp. Mr Brüscheweiler joins UPM with industry background from both pulp producers and trading companies.

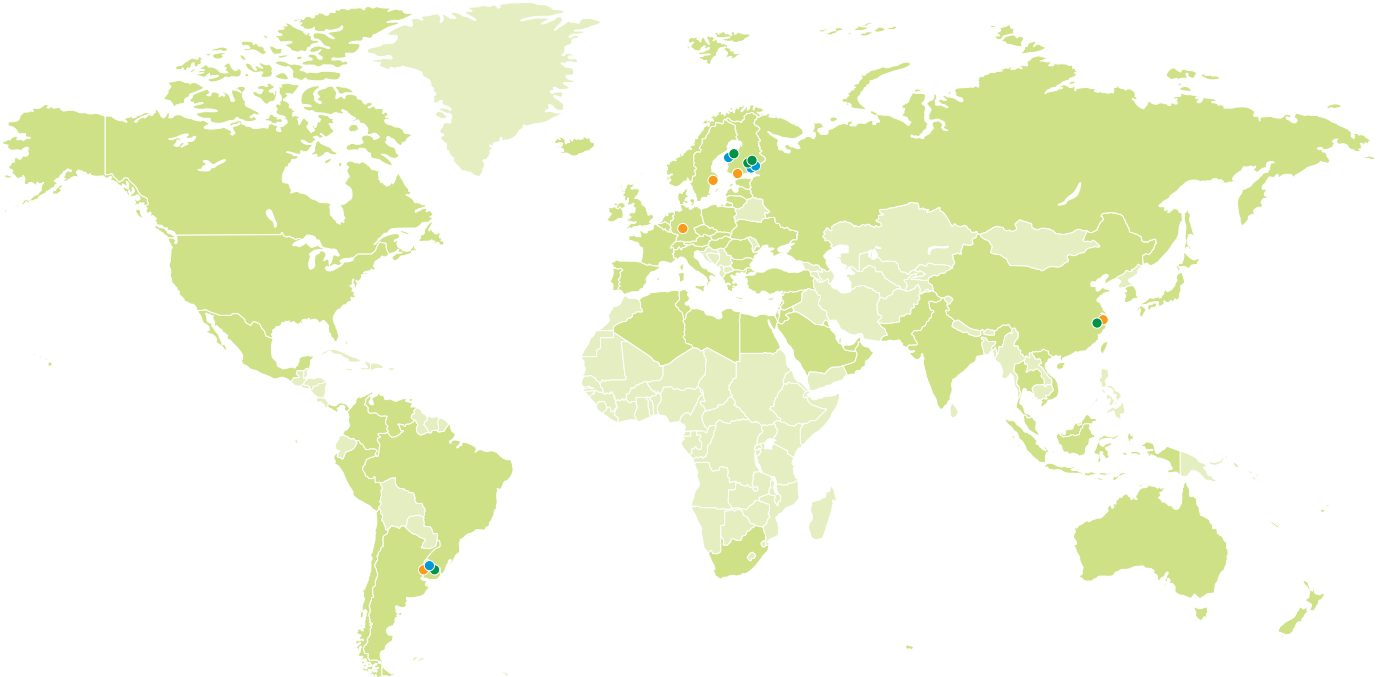


MATTI TAMMINEN
Logistics Manager,
UPM Pulp

Matti Tamminen is the new Logistics Manager for UPM Pulp. Matti joins the Pulp business from UPM Seaways Deep Sea Break Bulk Services and has thus been working with UPM's pulp deliveries already.

Our Sales NETWORK

- Sales contacts
- Technical customer service
- UPM Pulp mill



Sales Latin America



Sales Europe



Sales Africa, Asia, Middle East



Sales Asia Pacific



Technical Customer Service, Asia Pacific



Technical Customer Service, Asia Pacific



Technical Customer Service, UPM Pulp Business Area



Pulp Sales and Marketing



UPM Pulp, Sales and Marketing

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