

# PULP DIRECT

2/2015

**UPM** PULP • CUSTOMER NEWSLETTER

RESPONSIBLE



SOURCING

## THE KEY TO **SUCCESS**

**Think of a modern, responsible industrial company.  
What characteristics come to mind?**

Perhaps a small carbon footprint, use of the latest technology, safe products and good working conditions? These are all important factors, but you may only have scratched the surface.

Responsibility reaches far beyond the confines of the manufacturing plant. For UPM, the biggest impact on the surrounding natural and social environment comes through suppliers.

As Vice President, Environment and Responsibility, **Päivi Salpakivi-Salomaa** is in charge of responsible performance at UPM. This also includes sourcing. Päivi reveals that the company has 60,000 suppliers in more than a hundred countries.

"UPM has 40,000 suppliers for wood alone. The impact of our suppliers is widespread, complex and significant on many levels."

The sheer number of sources requires UPM to have a detailed system in place to assess its supply base. This responsible sourcing framework is based on the company's Code of Conduct and responsibility principles.

"Our Supplier Code specifies minimum requirements for environmental impacts, human rights, health and safety, labour practices and product safety," Päivi explains.

She then describes the basic idea behind responsible sourcing at UPM.

"We assess and manage economic, environmental and social risks and opportunities. We don't want to be associated with suppliers that fail to meet our standards, and we try to communicate the importance of responsible sourcing and help suppliers to improve their own operations."

## RESPONSIBILITY MATTERS

Responsible sourcing is a global hot topic. Businesses across the board, including the food and garment industries, are nowadays ensuring that suppliers and subcontractors along the sourcing value chain comply with a responsible code of conduct.

"Countries that are advanced in environmental matters, such as Germany, the UK, the Benelux and northern European countries, are also pioneers of responsible sourcing," Päivi says.

Local legislation, customs and cultural differences all affect how responsibility is perceived.

"The Corruption Perception Index of Transparency International is a pretty good preliminary indicator of whether we should work with a supplier from a particular country. The lower you are on the list, the higher is the risk that we are taking," Päivi explains.

With mills in Finland and Uruguay, the index scores for UPM Pulp are encouraging, as these countries are respectively rated 3rd and 21st least corrupt in the world. Uruguay topped the whole of Latin America, and even outranks many European countries such as Austria and France.

The most vocal stakeholders demanding responsible sourcing practices are inevitably non-governmental environmentalist organisations, but we can now see ordinary consumers, industrial customers, public authorities, financing banks and

investors becoming increasingly aware of the implications of responsible sourcing.

"According to the latest shareholder statistics, nearly one quarter of UPM's owners say that they emphasise responsibility when making investment decisions."

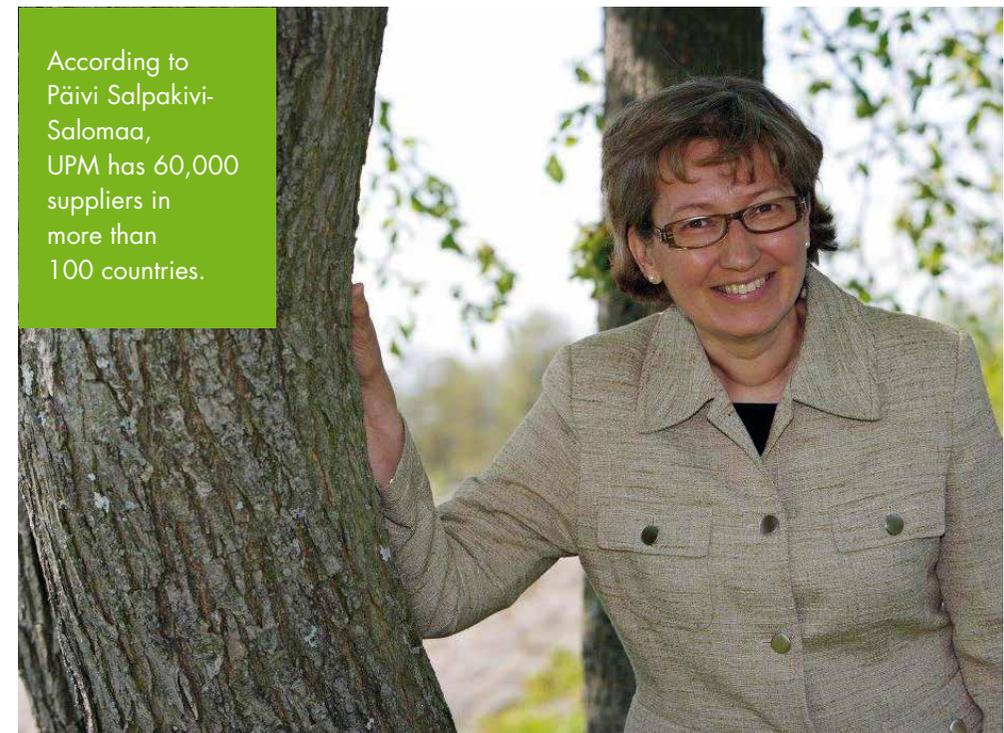
## STRICT CRITERIA AND TRANSPARENT CONTROL

Even though wood is naturally the most important raw material for UPM Pulp, the company's responsible sourcing also covers chemicals and other materials used in pulp making, and all indirectly associated materials and services.

"Over the past 20 years we have focused on developing tools for responsible wood sourcing. All of our wood supplies are now covered by a third-party verified chain of custody, and we have begun applying the same criteria to all sourced materials," Päivi says.

UPM requires wood to be sourced from sustainably managed forests, preferably under the PEFC™ or FSC® certification schemes. The company accordingly rejects wood sourced from tropical rainforests, plantations converted from natural forests, or other areas where logging is officially prohibited.

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# THE KEY TO SUCCESS

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Local legislation establishes the framework for permissible operations, but we currently lack universal criteria and there is no agency to enforce sustainable sourcing.

Päivi says that UPM mostly relies on transparent in-house control and third-party auditors.

“We use voluntary standards and ecolabel criteria to assess and improve our environmental performance, but I am also expecting to see responsible sourcing standards emerging soon.”

## CHOOSING A RESPONSIBLE PULP SUPPLIER

A responsible choice of pulp supplier can constitute both risk management and a powerful business advantage for customers.

UPM Pulp has created a tool called the **Pulp Supplier Sustainability Scorecard** to help customers evaluate the sustainability of their pulp supply. The scorecard outlines four areas of sustainability: wood, production, people, and proof.

people and proof, with each area rated on a scale of poor to outstanding.

“The Pulp Supplier Sustainability Scorecard enables sound decisions based on the big picture. Our customers can be sure of a stable supply of high quality, safe pulp that has been manufactured in a sustainable and cost-effective way. This provides peace of mind in their own business operations,” Päivi says.

Besides wood, the major future issues for pulp manufacturing from the point of view of responsible sourcing include the use of chemicals, scarce water resources, and energy sources and their climate impact.

Päivi’s advice is to keep your eyes open and make responsible decisions that benefit humanity as a whole.

“It’s quite clear that you can’t be irresponsible, no matter where or who you are. This globe is all we have, and we must take care of it.” ●



**PULP SUPPLIER SUSTAINABILITY SCORECARD**  
Created by UPM to support evaluation of sustainability of pulp suppliers

AREA	LEVEL	SCORE		
		POOR	BASIC - GOOD	OUTSTANDING
WOOD	POOR	• Origin not known or	• Legally sourced	• Legally sourced and certified
	BASIC - GOOD	• Non-logged areas or biodiversity hotspots		• Biodiversity and ecosystem services integrated in operations
PRODUCTION	POOR	• Elementary chlorine bleaching	• Chlor technology elementary (Morte line Bleaching ECF)	• Positive contribution to environment and society
	BASIC - GOOD	• Forests not used to run the process	• Energy efficiency measures in place	• Sustainable partnerships
PEOPLE	POOR	• Effluent flow/ha > 90m³	• Production residues used to generate heat and power to replace fossil fuel	• New technology ECF or totally chlorine free bleaching (TCF)
	BASIC - GOOD	• Effluent flow/ha < 50-30m³	• Efficient heat/steam > 30m³	• Positive practices leverage into its own need
PROOF	POOR	• No safety approach nor Code of Conduct	• Safe and fair working environment	• Proactive measures leverage into its own need
	BASIC - GOOD	• Unresolved disputes with stakeholders on ownership and use of land	• Dialogue with stakeholders and systematic feedback gathering	• electricity in significant proportion
				• Production residues used by products used for bioenergy and new bio-products
				• Efficient heat/steam > 30m³
				• Live emissions to air and water
				• Wood pulp recycling rates fulfilled
				• Excellent safety performance
				• Skilled and motivated employees
				• Code of Conduct
				• Supplier engagements
				• Active engagement and cooperation with local, national and international stakeholders
				• Forest Certification labels (e.g. FSC®/ PEFC®)
				• Verified Management Systems + ENAS report
				• Verified Environmental Product Declarations
				• International ecolabel approval (e.g. EU Ecolabel, Nordic Swan)
				• Verified Carbon Footprint calculation
				• Food contact certificates (e.g. FDA, BRC)
				• Third party recognition (e.g. ISO, CDP)

# SUSTAINABILITY AT THE HEART OF BUSINESS

The bigger you get, the more your actions affect the environment, people and businesses along the value chain. **Unilever** is a great example of a multinational company that has understood the importance and business potential of responsible conduct.



▲ Ruth Newsome

**R**uth Newsome, Procurement Operations Manager, Sustainable Sourcing at Unilever says that responsibility is deeply rooted in this company's strategy and daily way of working.

"The spirit of our mission – helping people to look good, feel good and get more out of life – forms a thread that runs throughout our history."

Back in the 1890s William Hesketh Lever, the founder of Lever Bros, wrote down his ideas for Sunlight Soap: his revolutionary new product that helped popularise cleanliness and hygiene in Victorian England. The aim was 'to make cleanliness commonplace, to lessen work for women, to foster health and contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use our products'. This was long before the phrase 'corporate mission' was coined, but these ideas have stayed at the heart of Unilever's business.

"In 2010 we launched the Unilever Sustainable Living Plan, a natural step in our history that helps us grow our business while reducing Unilever's environmental footprint ►



"Sustainable sourcing is a key pillar of our agenda. This is why we value suppliers who share our vision."



- Founded in 1929 by the merger of a Dutch margarine producer and a British soapmaker
- Turnover €48.4 billion (2014)
- More than 400 health and wellbeing brands
- More than 172,000 employees
- 43% of Unilever managers are women



and increasing our positive social impact,” Newsome says.

Many of the ambitions outlined in this plan were already in place, but it gave Unilever concrete goals and a roadmap for achieving them. These goals include improving the health and wellbeing of more than a billion people around the world, boosting the livelihood of people throughout the value chain, and substantially increasing the use of agricultural raw materials from sustainable sources with a view to achieving 100 per cent sustainable sourcing by 2020.

“We have always been a sustainability-driven organisation, but we hadn’t articulated or communicated this as broadly in the past,” Newsome explains.

Unilever’s committed strategic decision also meant that they began to measure, evaluate and even challenge all of their suppliers.

“Sustainable sourcing is a key pillar of our agenda. This is why we value suppliers who share our vision. We continuously measure the performance of our suppliers and the sustainability of their products and services.”

### **TRANSPARENCY AND SYNERGIES**

Newsome underlines the significance of transparency, collaboration and partnership in sourcing.

“Responsible sourcing is such a fundamentally important – but also massive – topic that it’s impossible even for a company

as large as Unilever to change things alone. There are always opportunities to share knowledge and learn something new.”

Newsome and her team are pursuing Unilever’s agenda of eliminating deforestation, which involves close collaboration with their wood fibre purchasing teams.

To manage responsibility for sourcing, Unilever has defined its top ten commodities and drawn up a roadmap for each of these to achieve a 100 per cent sustainability rating. Wood fibre is one of these commodities. The company’s new Sustainable Sourcing Policy announced in April 2015 emphasises the traceability and origin of fibre.

“Under our new sourcing policy, the wood fibre used for our product packaging will need to be certified in order to be considered sustainable,” Newsome explains.

Unilever is quite near the end of the supply chain, which sometimes makes it tricky for the company to benefit from potential synergies or to manage risks effectively. Even so, Newsome says that having reliable and responsible suppliers is beneficial for all parties involved.

“Responsible sourcing is not only good risk management, but also an opportunity to connect with the millions of consumers who use Unilever products daily and to raise awareness of sustainability. Together with our suppliers, I think we are in an excellent position to do this.” ●

# UPM PROMOTES FOREST CERTIFICATES

As an active forest owner and stakeholder in forestry, UPM supports credible certification schemes, and is involved in work to improve the PEFC™ and FSC® forest certificates.



UPM has certified all of its forests in Finland according to the PEFC and partly also to the FSC certification schemes. All of the company's eucalyptus plantations in Uruguay are certified under both the FSC and PEFC.

PEFC (Programme for the Endorsement of Forest Certification schemes) is an international forest certification system promoting ecologically, socially and economically sustainable forestry throughout the world. Approximately ten per cent of the world's forested lands are certified, two thirds of this to PEFC standards (about 245 million hectares). More than 90 per cent of forested land in Finland is covered by PEFC. PEFC has a lower profile in global products than the other well-known forestry certificate FSC.

"PEFC has played a significant role in developing the forest industry in Finland over the decades. A recent report indicates that PEFC has had a far-reaching impact on the forest industry and on society as a whole by setting the conditions for forestry operations in practice, while forest legislation only imposes minimum requirements. This forms a strong basis for building a new, sustainable bioeconomy," says **Timo Lehesvirta**, Director for Global Forests at UPM.

## FSC BOOST IN FINLAND

FSC (Forest Stewardship Council®) certification is an internationally recognised symbol of environmentally

friendly, socially beneficial and economically viable forest management. This scheme has a good reputation among consumers globally, but is not yet so well known to private forest owners, from whom UPM sources most of its wood raw material in Finland. Together UPM and FSC will modify the standards and clarify the rules to better suit Finnish conditions.

"Our goal is to make it easier for private forest owners in Finland to participate in the FSC certification system and to meet the associated criteria. UPM has been granted an FSC group certificate that provides a simpler way for privately-owned and community forests to join the scheme," Timo explains.



▲ Timo Lehesvirta

Forest owners in Finland are not yet fully aware of the opportunities and rules of certification, which is one reason why the FSC certification scheme has not gained greater popularity in the country. Although its forestry practices are outstanding in many respects, the ownership base in Finland is fragmented with individual forest holdings that are generally smaller than in many other countries. By developing the group certificate system, FSC could become a cost-effective option both for forest owners and for the holders of group certificates.

But why should Finnish forest owners care about FSC certification? The answer is that this is one additional way to secure future demand for wood and to ensure that forests are managed in accordance with modern forestry practices. ●

FROM  
THE  
EDITOR



Dear Reader,

Responsible business practices encompass a multitude of topics, and we will continue to cover some of those in this issue of Pulp Direct. UPM's VP for Environment and Responsibility **Päivi Salpakivi-Salomaa** reveals that a significant part of UPM's impact on the natural and social environment is caused by its 60,000 suppliers. She adds that nearly one quarter of UPM's owners emphasise responsibility when making investment decisions. Also read about Unilever's approach to sustainable sourcing in our special feature interview.

As a pulp producer and supplier, we recognize our role and responsibility in the supply chain where you, dear customer, assess us as your supplier. Alongside our transparent reporting and communications on our performance, we have created a simple tool to make it easier for you to assess your pulp suppliers. With the Pulp Supplier Sustainability Scorecard you can easily identify and measure core responsibility issues relating to pulp and paper. The scorecard is available on our website (**[www.upmpulp.com](http://www.upmpulp.com)** » **Responsibility**). Should you have any questions, comments or suggestions, do not hesitate to contact us.

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# MAKING THE **ROADS** OF URUGUAY **SAFER**

UPM Forestal Oriental and the Technical University of Uruguay have started an advanced training programme to improve road safety using a driving simulator. The device is designed in particular to help new truck drivers avoid dangerous road traffic situations and negotiate them more effectively.

**H**oused in a shipping container, the simulator has realistic truck controls, instruments, seats, and a field of view created using high definition monitors.

Besides teaching basic safe driving habits, the simulator can be used to practise driving in less-than-ideal conditions, such as on dark, wet or slippery stretches, or on roads that are in poor condition.

The World Health Organisation already classifies Uruguayan roads as the safest in Latin America. Uruguay has an annual road traffic fatality rate of 21.5 deaths per 100,000 people. This is nevertheless still high compared to regions like Western Europe, where the average fatality rate is less than five.

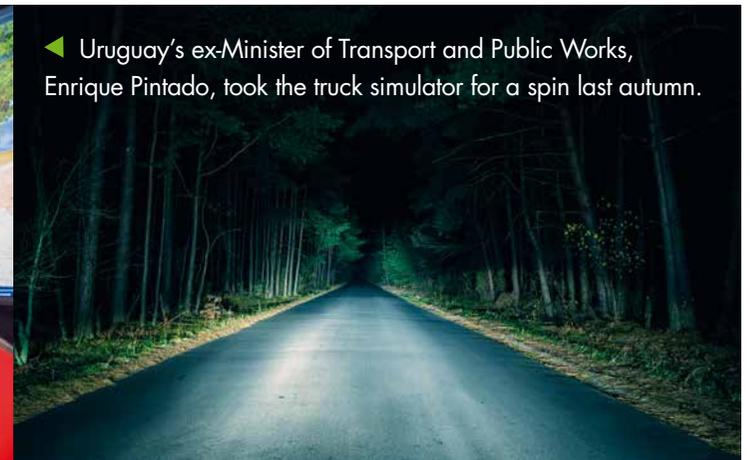
UPM Forestal Oriental is the Group's eucalyptus plantation forestry company in Uruguay. The simulator is part of a long-term programme to prevent road accidents, improve driving skills, increase awareness, promote responsible driving habits, and call attention to potential career opportunities. UPM Forestal Oriental also provides training for its employees and subcontractors all year round, and organises an annual Safe Driver Contest.

The programme is funded by the UPM Foundation – Fundación UPM, which implements corporate social responsibility initiatives in Uruguay.

The simulator will be available in 2016 for training heavy vehicle drivers, and is sufficiently mobile to enable its use throughout the country. ●



◀ Uruguay's ex-Minister of Transport and Public Works, Enrique Pintado, took the truck simulator for a spin last autumn.



# Safeguarding the VERLA UNESCO WORLD HERITAGE SITE

Located at Valkeala in the northern reaches of the Kymi river valley in southeastern Finland, the Verla groundwood and board mill owned by UPM is a unique part of Finnish forest industry history.

Verla originated in the 1870s when the forest industry began to flourish in the region. The groundwood and board mill was one of the smallest in Finland when it was established, and although subsequent growth was minimal, the white board manufactured there maintained a good reputation in trade circles, both on the domestic market and in Russia and Central Europe. Even customers in South America trusted Verla board.

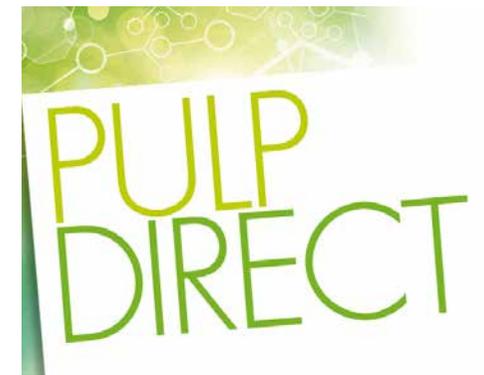
The main users of this product were box factories and bookbinders. The mill had an average annual output of 1,800 tonnes.

Operating continuously for 81 years, Verla Mill manufactured a total of 150,000 tonnes of white board. A medium-sized mill nowadays produces the same quantity of wood-based board in just eighteen months, but such volume comparisons alone are unfair to Verla. Although industrially manufactured, Verla board passed through ten pairs of hands during the process and was a truly handmade product.

Verla board was highly prized for such special applications as biscuit cartons, book covers, cake plates, cardboard boxes, cigarette packets, footwear insoles, shoeboxes and shooting targets.

The story of Verla did not end when the mill closed down in 1964, as it became a lasting part of Finland's cultural history, securing a place on the UNESCO list of world heritage sites in 1996. Nowadays Verla is a summer museum providing guided tours.

Together with local energy company KSS Energia and Finland's National Board of Antiquities and Historical Monuments, UPM completed a significant three-year construction project at Verla this spring. A 90 meter-long protective bank has now been built around the mill to protect it from water damage. ●



## UPM PULP CUSTOMER NEWSLETTER

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