



UPM SUPPLIER ASSESSMENT CRITERIA FOR MATERIALS AND SERVICES

Version 2.0 from 27/6/24

References in the Statement to “UPM” or the “Company”
are to UPM-Kymmene Corporation and its group companies.

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Revision history

REVISION	DATE	APPROVED	AUTHORS	DESCRIPTION
1.0	24/08/20	UPM Sourcing Management Team	Kimmo Ståhlberg	Creation, establishment
1.2	01/08/22	UPM Sourcing Management Team	Athina Michalakopoulou and Julia Palosaari	Content reviewed & updated
2.0	27/06/24	UPM Sourcing Management Team	Mia Lempiäinen	Content reviewed & updated

This criterion was adopted by the Sourcing Management Team of UPM-Kymmene Corporation on 24.8.2020, valid as of 1.1.2021 and updated 27.6.2024.

The Purpose of UPM Supplier Assessment Criteria

General UPM supplier requirements consist of:

- The UPM Supplier and Third-Party Code and
- Sourcing category specific requirements.

These documents are available on the official [UPM website](#).

The UPM Supplier Assessment Criteria provide a general description of the criteria that are used in UPM's supplier selection process, supplier audit, risk analysis and further development of co-operation and governance models between UPM and its suppliers. This document is designed to communicate UPM's supplier criteria to potential and existing suppliers and to other relevant stakeholders.

The document presents the requirements and expectations for UPM's suppliers and overall guides towards the desired level of supplier performance. This supports and steers the supplier's own development work as well as UPM's supplier management efforts. Throughout this document, UPM's requirements are indicated with the word "must" and expectations with the word "expectations".

This document applies to any product or service that suppliers provide to UPM. The Supplier is expected to manage its entire up-stream supply chain to comply with these requirements.

UPM expects the Supplier to give UPM permission to verify the Supplier's compliance with this document. The Supplier is also expected to provide UPM with all necessary support and access to its premises and to those of its sub-contractors and sub-suppliers' premises, as well as to relevant documentation that may be necessary to verify such compliance. The Supplier's conformance shall be verified as necessary by means of Supplier surveys, Supplier self-appraisals, and/or assessments/audits carried out by UPM or a third party. The Supplier shall be expected to possess written documentation verifying compliance, and this documentation must be made available to auditor(s) upon request.

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To pass the UPM Supplier Audit, no critical, major or minor findings should come to light in the assessment. If any non-conforming elements are found, the Supplier's audit status shall be deemed "open" and not passed until supplier has provided corrective actions to found non-conformities with reasonable assurance.

If any non-conforming elements are found in the assessment, the Supplier must provide UPM with a Corrective Action Plan (CAP) within 30 days for UPM's review and approval. The Supplier shall implement the approved CAP and submit a Corrective Action Report (CAR) to UPM when all corrective actions have been taken within six months. The CAR may be regarded as sufficient proof of the implementation of the actions only if so accepted by UPM; otherwise, an on-site corrective action verification assessment may be required.

UPM will inform the Supplier in writing about the assessment result and any subsequent steps related to the CAP, CAR and non-conformances. Violation of laws or the Supplier and Third-Party Code or a failure to take corrective action to be a breach of contract, and this may entitle UPM to terminate the business relationship with the Supplier or third party.

1 Management Responsibility

1.1 Business license, vision and strategy

The Supplier must have an operating permit/business license and other required permits/licenses (e.g. mining, blasting, emissions) in place. The Supplier must have a defined vision of where the company should be in the future, and a strategy for reaching it. Top management is accountable for it.

The business strategy is expected to materialize as an action plan with clearly defined organizational responsibilities, respective development objectives and key performance indicators (KPIs). The Supplier's top management is expected to regularly review and monitor the implementation and success of the action plan. Any observed deficiencies are expected to be addressed, corrective actions determined, and responsibilities for implementation delegated. UPM may also establish KPIs related to supplier development. The Supplier is expected to inform UPM of any substantial changes to the strategy.

1.2 Management systems

1.2a Policies

The Supplier must have an approved documented management system that ensures effective planning, monitoring, and controlling of the performance and product/service quality throughout the company. The management system must meet the requirements of ISO 9001.

UPM also expects that the guiding policies exist for all key aspects and activities and that they are communicated, adopted and implemented at all levels of the organization.

1.2b Document management (if ISO9001 requirements are not met)

The Supplier must have a document management system in place with classification (i.e. rules, limits, procedures) and document hierarchy.

UPM expects the Supplier to have all UPM and other confidential documents safeguarded. The Supplier is also expected to have document control functions (approval, revisions, storing, etc.) established.

1.2c Management of records

The Supplier must have internal and external records to demonstrate continuous compliance with customer and legal requirements and evidence of effective and traceable business operations. These records must cover all material aspects such as (but not limited to):

- management reviews
- audit and meeting minutes
- material and product tests
- inspection data.

The Supplier is expected to define responsibilities for collecting, storing, maintaining, and disposing of all records defined. All records are expected to be legible, easily identifiable, and retrievable. Repository and retention times are also expected to be defined, where applicable.

1.2d Internal audits

The Supplier must conduct internal audits using qualified auditors in accordance with proper procedures and action plans. They must be planned as an integral element of the management system with established corrective actions. Summary of internal audits must be presented to the management for review. Internal audits are conducted to monitor and verify:

- targeting and follow-up of processes
- planning, management and monitoring of resources and efforts
- management and recording of progress and changes
- monitoring corrective actions, etc.

Audits are expected to take into consideration the status and importance of the processes and areas to be audited, as well as the results of previous audits. Audits are expected to be closed only when the final consequent corrective action is completed, verified, and approved by the lead auditor.

1.2e Complaint handling, preventive & corrective actions

The Supplier must have a complaint handling system in place that generates corrective and preventive actions. Various sources to be considered such as:

- operational reviews
- internal audits
- incoming inspections
- employee suggestions
- in-process monitors
- product qualifications and tests
- customer complaints
- stakeholder concerns
- field failures

Preventive actions are expected to be based on a careful root-cause analysis such as A3, 8D. The management is expected to verify the effectiveness of corrective and preventive actions.

1.3 Organization and responsibilities

Supplier must have a documented organization with adequate resources and defined owners, roles and responsibilities to support the business and its operations. Management systems must be built around the key business processes and adequately linked with the organization.

UPM expects that all business and support functions are working together in order to plan and review the business. Supplier's identification of risks and opportunities for further development is expected to be based on the past experience.

1.4 Management review

The management must conduct regular reviews to ensure solid implementation of the action plan and continuous improvement based on documented evidence. Reviews must assess product

- success and deficiencies,
- suitability and efficiency of processes, operations, opportunities for improvement and
- needs for changes, including policies and objectives.

Records from management reviews must be archived. Based on findings, corrective actions must be planned and implemented.

The Management is expected to follow up the timely closing of open actions and verify the effectiveness of corrective actions.

1.5 Business contacts and UPM supplier processes

The Supplier must be registered/enrolled, or must register/enroll during supplier onboarding, in UPM named collaboration tools (such as supplier registration and payment tools or other information transactions between companies such as Ecovadis), provide necessary business and product/service information and contact persons (i.e., a UPM business owner plus key representatives) on all relevant collaboration levels.

UPM expects that the Supplier keeps the above information up to date in respective UPM systems.

1.6 Contract review system

The Supplier must have a documented contract review system ensuring that customer requirements are properly converted into the company's internal product or service requirements. The contract review system must cover:

- requests for quotation
- purchase agreements
- purchase orders
- internal plans, and specifications as appropriate.

The contract review system must ensure that

- the requirements are adequate, defined, feasible and documented,
- any differences between customer and internal requirements are resolved,
- all relevant risks are identified, analyzed and mitigated and
- both parties, including supplier's R&D and sourcing stakeholders, share a common understanding of the requirements.

The Supplier must have a system to handle modification of contracts, including correct transfer of modified information to the concerned functions within the Supplier's organization and supply chain.

Acceptance rules are expected to be clearly defined and records of contract reviews maintained. The Supplier is expected to have signed contracts with its critical suppliers and conduct regular documented contract status reviews.

1.7 Financial control and funding

UPM partners only with suppliers that are financially healthy and capable of stable delivery and investment in line with their strategy and UPM requirements. The supplier must have financial information about the company available on request. To ensure reliability, all financial statements must be audited and available, according to recognized accounting standards such as IFRS (Europe), UK GAAP (UK), US GAAP (USA), and PRC GAAP (China), if applicable.

1.8 Risk management

1.8a Liability insurance

Liability insurance is important to protect the Supplier against the eventuality of any severe incident concerning product/service quality. UPM wants to ensure that the Supplier can financially manage any possible consequences. The Supplier must have general and product liability insurance, if the Supplier directly delivers services or works on UPM premises. If the Supplier only delivers products but not services, only product liability insurance is required.

The Supplier is expected to deliver an insurance certificate or an excerpt of the insurance policy to UPM.

1.8b Risk management of operations

The Supplier must have a comprehensive risk management system in place that proactively identifies, analyses, controls, and monitors all types of risks. The system must cover:

Business risks, such as

- strategic
- financial
- operational
- commercial
- technical
- quality-related
- schedule-related
- and cybersecurity-related risks.

It should also cover external risks such as:

- natural hazards, including
 - storms
 - floods
 - landslides

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- earthquakes / tsunamis
- volcanic eruptions / ash clouds
- pandemics
- heat
- aridity
- health and safety
- environmental incidents potentially resulting in shutdowns
- geographical dependencies
- reputational risk, including
 - social risks, workers' rights, human rights
 - campaigns of non-governmental organizations
 - corruption and bribery
 - tax evasion
- cyber risks
- political risks, international conflicts, trade wars
- export and import control and
- product liability, as relevant.

The Supplier is expected to have an approach to proactively mitigate the risks of interruption and the impacts in case risks materialize. Risk management is expected to cover entire supply chain. UPM expects to be notified if risks materialize.

1.8c Information security and confidentiality

Supplier must ensure that it has implemented necessary organizational and technical safety measures for privacy and cybersecurity protection related to Products and/or Services. In addition to existing cybersecurity implementations supplier must have cybersecurity development plan and it is measuring the effectiveness of the development with independent 3rd party assessments.

Supplier must have a cybersecurity risk assessment containing mitigation actions for major risks.

When applicable, suppliers must comply with the requirements of the EU data privacy and cybersecurity regulations and local laws as regards to all UPM-related services and have the possibility to prove needed assurance against related requirements when requested.

UPM expects that supplier has 3rd party verification to their cybersecurity risk management measures and their effectiveness.

UPM expects that personnel with access to confidential information are tied to appropriate confidentiality agreements (NDAs) both during and after their employment. UPM expects that no third parties have access to classified UPM information without UPM's prior written consent.

1.8d Recovery and contingency planning

The Supplier must ensure that all facilities have reliable sources of electricity, water, gas, chemicals, etc. in place. The Supplier must ensure undisturbed operation and prevent loss of data by using critical backup system. The Supplier must have an operating and tested contingency plan in case any defined

risks materialize. The plan must detail how service levels are maintained in case of a shut down and how replacing deliveries from an alternative facility are arranged with UPM.

1.9 Resources - people

1.9a Resource planning

The Supplier must be capable of ensuring the availability of workforce for current and future business needs in a legal, sustainable, and ethical manner. The Supplier must be able to ensure that resources are available to meet both current and future business needs according to company strategy. Ideally, resource planning should be conducted at both organizational/global and unit/local levels.

UPM expects the Supplier to ensure the recruitment of qualified individuals who are appointed to open positions based on competence, adhering to a policy of equal opportunity, and on a voluntary basis.

1.9b Personnel protection

The Supplier must protect its personnel and prevent unauthorized access, damage and interference to its business, premises, and information. The Supplier must have access control in place.

1.9c Personnel competence and development

The Supplier must assure the proficiency of its employees, i.e. they have the appropriate education, training and competences required by their duties. Induction procedures and training plans must be in place with records available. UPM also requires that the Supplier must define knowledge criteria for all the main positions.

UPM expects that personnel competence is subject in management reviews. The Supplier is expected to establish corrective actions in cases of shortcomings.

2 Corporate Responsibility

2.1 Company values and business conduct

Supplier's ethical conduct policy/code of conduct must reflect the company values and culture. It must define how the Supplier understands and manages the ethical impacts of their business operations and demonstrate commitment to human rights, ethical business conduct and continuous improvement. Personnel must understand the binding nature of the policy and records of the respective employee training must be available. The Supplier must have a monitoring system for development of regulation. Additionally, management must continuously review the development of the legislation related to its business area.

2.1a Business ethics

UPM's suppliers must have an ethical conduct policy/code of conduct in place that essentially complies with the UPM Supplier and Third-Party Code and all applicable local, and international laws in all matters relating to the products, operations, and activities of the Supplier. UPM must be informed immediately, if the Supplier is unable to comply with the Supplier and Third-Party Code.

The supplier is expected to actively promote UPM Supplier and Third-Party code (or similar standard) in its supply chain.

2.1b Anti-Bribery and Corruption (ABAC)

UPM has zero-tolerance for corruption and bribery. The Supplier has documented guidelines and policies promoting zero-tolerance for corruption and bribery. Employees must receive training to control ABAC related issues. According to UPM, Supplier/Third Party must:

- Never pay, give, offer, or approve bribes to government officials or to private individuals under any circumstances, directly or indirectly.
- Never receive, solicit, or accept a bribe from any party under any circumstances, directly or indirectly.
- Never, under any circumstances, engage in any form of corruption or other improper or illegal business practices, such as extortion, embezzlement, or fraud.
- Maintain adequate procedures to prevent corruption and bribery in their operations.

UPM expects that procedures designed to prevent corruption and bribery are regularly monitored and reviewed. Improvements are expected to be made where necessary.

2.2 Environmental Responsibility

The Supplier must comply with environmental legislation and minimize negative impact on environment (e.g., land, water, biodiversity, climate, and air).

2.2a Environmental Management System (EMS)

UPM's suppliers must have management approved environmental management system (EMS) in place. The EMS must ensure identification and management of environmental aspects and their associated environmental impacts through effective planning and operations. The Supplier must have an environmental policy defining management of environmental aspects and all associated roles and responsibilities related to the Supplier's business. The policy must affirm the Supplier's commitment to environmental protection, pollution prevention and continuous improvement in these areas. The management must provide evidence of employee awareness around these aspects. The EMS must meet the requirements of ISO14001, the Eco-Management and Audit Scheme (EMAS) or other internationally recognized standard (when applicable). The Supplier must have evidence of compliance with all relevant environmental legislation and applicable regulations.

The Supplier must have continuous improvement program included in the EMS that:

- contributes to efficient use of energy and materials
- promotes the transition from fossil fuels to renewables
- minimizes emissions to soil, watercourses and air, ensuring that proper emission measurements and records are in place
- promotes biodiversity, where applicable
- avoids use of hazardous materials and
- promotes minimization of waste

Improvement program must be reviewed by management with corrective actions established, supervised and monitored. Significant environmental aspects must be reviewed every 12 months and in the event of any operational and structural changes. All environmental complaints must be recorded and acted upon. The Supplier must provide comprehensive evidence that appropriate action is taken.

The Supplier must have written statements specifying the company's environmental responsibilities and written procedures to prevent repeated faults. The Supplier must perform internal environmental assessments and report on environmental aspects. Personnel must be trained on environmental aspects and waste handling.

2.2b Programs for improving environmental performance (if ISO 14001 requirements are not met)

The Supplier must identify the environmental aspects and measure environmental impacts of operations and products/services.

The Supplier is expected to have continuous improvement programs in place to address these aspects. Programs and performance are expected to be monitored and revised in annual management reviews.

2.2c Permits & emissions

UPM suppliers must have relevant environmental permits (e.g., waste management, water abstraction and use, emissions to air, land and water, and use of chemicals). The Supplier must ensure that emissions remain within the limits specified by permits and minimize pollution in all actions. Suppliers must regularly measure and record emissions to the environment (e.g., air and water). Records must

be made available specifying all incinerated, solid and hazardous waste deposited at dedicated sites or disposed of as part of authorized waste management.

The Supplier must ensure that its suppliers and contractors have the required permits and records pertaining to handling, transport and treatment of hazardous waste and that they manage any waste according to applicable laws and the manufacturer's instructions.

UPM expects its suppliers to observe the conditions of environmental permits both now and in the future. No business activities are conducted in official nature protection areas without a valid permit.

The Supplier is expected to measure, record and report its Product Carbon Footprint (PCF) data to UPM related to products and services purchased by UPM. The data is expected to be updated and reported to UPM on annual basis. The data is expected to include all relevant emissions from Supplier's own upstream supply chain (Scope 3), own operations (Scope 1) and purchased electricity/heat (Scope 2). The Supplier is expected to have an established target for reducing emissions.

In cases where the Supplier has on-site equipment that contains ozone depleting substances (e.g., air conditioners that contain refrigerants), a phaseout plan is expected to be in place.

2.2d Product safety, security and liability

The Supplier must ensure that its products are safe for the purpose for which they are intended and meet the legal requirements on product safety.

The supplier must not produce, use or place on the market, whether their own, mixtures or in articles, chemicals in violation of the Stockholm Convention on Persistent Organic Pollutants and Regulation on EU 2019/1021 on Persistent Organic Pollutants. The supplier must not manufacture mercury and mercury compounds in manufacturing processes in violation of the Minamata Convention on Mercury.

The Supplier is expected to have procedures and risk management system in place regarding product safety, security and liability related to the products/service delivered to UPM. The procedures are expected to be communicated to and understood by the personnel involved. Supplier is expected to offer UPM safer and less hazardous products and actively promote more sustainable alternatives.

2.2e Restrictions and standards for chemical and pulp suppliers

All chemical suppliers must comply with all local legal requirements, UPM's requirements for chemicals and with any additional commodity-specific requirements. Pulp suppliers must commit to UPM's requirements for pulp suppliers.

UPM expects that the Supplier actively promotes less harmful and more sustainable alternatives.

2.2f Environmental damage prevention

The Supplier must have methods in place to prevent chemical leakages to the environment. The Supplier must inform UPM in case of any environmental incident. Tanks and pipes must be secured with secondary protective shields or equivalent. Security systems must be inspected regularly. The Supplier must minimize environmental risks, define responsibilities and take precautions during

transportation and unloading. The Supplier must have appropriate transportation equipment with required markings and use professional drivers.

Unloading at the UPM site must be arranged in accordance with UPM mill instructions. The Supplier is expected to reduce risk by inspecting processes regularly.

2.2g Waste management

The Supplier must have a waste management policy and processes in place to manage waste in a way that protects the health and safety of the workers. The Supplier must manage any waste generated from its operations or customer assets in its possession according to applicable laws and the manufacturer's instructions. The Supplier must establish and maintain procedures to ensure compliance with local waste management obligations. Additionally, storing, handling, transporting, and disposing of waste must be conducted in a way that protects the health and safety of workers.

The Supplier is responsible for waste disposal and not disposing hazardous waste to countries or areas with inadequate waste handling. Hazardous waste must be handled and stored in accordance with local legislation and UPM's requirements. All waste must be appropriately labelled according to the [Globally Harmonised System](#) or local regulations. Records must be made available upon request on how, where, how much and by whom waste is treated.

When exporting or importing waste the supplier must comply with the requirements set out the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

The Supplier must keep hazardous waste and non-hazardous waste separate and not mix hazardous waste of different categories. Work instructions must be issued for all critical phases of handling hazardous material. Waste must be stored in a way that prevents any possible contamination of the environment. Containers of hazardous waste must be secured with secondary trays to ensure that no contamination of environment can occur. The Supplier must be aware of the best available technology (BAT) in its business area and act accordingly when applicable.

If the supplier handles, collects, stores or disposes of waste containing persistent organic pollutants or mercury it must comply with the requirements set out in the Stockholm Convention on persistent organic pollutants and the Minamata Convention of Mercury.

UPM expects the Supplier to investigate ways to reduce waste generation as well as ways to promote reuse of material and recycling and to adopt such measures where appropriate. The Supplier is expected to collaborate only with regularly audited/assessed external waste contractors who will ensure that the final destination of the waste is a legally approved waste disposal facility.

2.2h Biodiversity (when applicable)

If the supplier is engaged in the primary production of living natural resources (e.g. plantation forestry and agriculture), open pit mining and/or where the supplier is purchasing primary production (especially but not exclusively food and fiber commodities) the supplier must have a public commitment (e.g. zero-deforestation or conversion policy) to avoid adverse impacts on biodiversity and ecosystem services. When avoidance is not possible, measures to minimize impacts and restore biodiversity and ecosystem services must be implemented.

The supplier, when engaged in the primary production of living natural resources, including plantation forestry and agriculture, must locate land-based projects on unforested land or land already converted.

The supplier must have systems and verification practices in place to evaluate its primary suppliers when purchasing primary production (especially but not exclusively food and fiber commodities) that is known to be produced in regions where there is a risk of significant conversion of natural and/or critical habitats.

The supplier is expected to implement best management practices and meet the requirements of credible certification standards for the sustainable management of living natural resources.

2.3 Social Responsibility

2.3a Human rights

The Supplier must respect universal human rights such as freedom of thought, opinion, expression, religion, and freedom from any discrimination based on such factors as race, age, nationality, gender, sexual orientation, and from any form of harassment, and publicly communicate such commitment. The supplier must have processes and/or systems in place to identify, prevent and mitigate human rights impact and risks in both its own operations and supply chains.

The Supplier is expected to provide training to its suppliers and supply chain on human rights. The management is expected to periodically review the effectiveness of the process. The supplier is expected to regularly and publicly report on its human rights performance and the key risks and successes.

2.3b Diversity and inclusion

The Supplier must have a policy ensuring that its employees are treated with respect and dignity. The Supplier must have a policy on disciplinary practices ensuring compliance with local law. Disciplinary procedures must not include physical/mental punishment. Deductions from wages or any other removal of contractual benefits must not be used as a disciplinary measure. Workers must be free to seek assistance and have the right to appeal disciplinary decisions. All disciplinary measures must be recorded.

The Supplier must have rules/guidelines safeguarding employees from abuse, harassment, bullying or malicious behavior of any kind (e.g., physical, verbal, mental, racial, sexual, cultural, age or disability related). Company rules/guidelines/policies must be communicated to the employees.

UPM expects that there is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

2.3c Human resources

The Supplier must comply with all local labour laws, recognized international labour standards (e.g., ILO or UN Global Compact) and collective agreements. The Supplier must have documented Human

Resources (HR) procedures in place, defining how the supplier manages its employees. The procedures must be applicable to all company operations globally including temporary, seasonal and agency hired labour and employees working off-site. They must include recruitment and exit process (including use of all labour brokers), screening and selection of candidates, age and identity verification, maintenance and development of professional skills and equal opportunities.

The management team is expected to ensure and have records available indicating that personnel are aware of and have understood the associated HR processes. UPM expects that workers receive training or other competence development activities that allow them to fulfil their tasks. The Supplier is expected to use temporary labour only if the task is not regular in nature.

2.3d Child labour and forced labour

The Supplier must respect children's rights and not use or tolerate the use of child labour, and observe the minimum age set by local laws or the International Labour Organization's (ILO) definition of minimum age (i.e., 15), whichever is higher.

The Supplier must have a policy preventing the recruitment and employment of child or forced/bonded labor, involuntary prison labor, and trafficked persons in any of its operations or activities.

The Supplier must not have any binding loans/bonds or other binding financial arrangements in place. Any employee documents or property must not be kept in the custody of the company (e.g., employee passports and/or ID's). When hiring, the Supplier must require formal identification and age documentation for the workers. The Supplier must also ensure that no form of child or forced labour is used or tolerated in any of its operations or activities including its suppliers and partners. [Ref. ILO Conventions 105 & 138].

Child: Any person under 15 years of age, unless the minimum age for work or mandatory schooling is higher by local law, in which case the stipulated higher age applies in that locality.

Forced or compulsory labour: All work or service that a person has not offered to do voluntarily and is made to do under the threat of punishment or retaliation or that is demanded as a means of repayment of debt is defined as forced labour.

Debt bondage, also called **bonded labour** or **debt slavery**, occurs when a person is forced to work to pay off a debt.

Human trafficking: The recruitment, transfer, harbouring or receipt of persons, by means of the use of threat, force, deception or other forms of coercion, for the purpose of exploitation.

2.3e Young workers

The age of young workers (under 18 years of age) must not be less than completion of mandatory schooling and, in any case, is not less than 15 years. The minimum permitted age for admission to type of employment which potentially jeopardizes the health, safety or morals of young persons is not less than 18 years. Young persons under 18 must not be working at night. Employment of young workers must not conflict with their compulsory education or vocational training. The combined hours

of commuting, school attendance and work must not exceed 10 hours per day. Young workers must only be assigned to light work.

Vocational trainees over 18 years of age are expected to receive compensation for work they perform while training. Their training is expected to be related to their education.

2.3f Terms of employment, recruiting and exit procedures

In the beginning of the employment, the Supplier must provide employees with a written and understandable employment contract / agreement especially in respect to working times, wages including overtime compensation, pay periods, etc.

Supplier must not order employees to sign zero-hour contracts or light entrepreneur contracts. Light entrepreneurs must not be used in position of employees.

Supplier must ensure their indirect workers (for example outsourced workers) have written employment contracts. All recruitment costs must be covered by the employer (employer pays principle). Basic induction guidance must be provided at the beginning of the employment period.

All workers must be assured of annual leave, statutory holiday, and parental leave as per local legal requirements. The Supplier must not require employees to make financial or any other deposits (including original identity documents). Uniforms, where required, must be provided in sufficient quantity and free of charge. No wage deductions must be made for cleaning and/or maintaining uniforms.

The Supplier must have a process in place prohibiting employment of undeclared work or immigrants without work permits. Regular employment relationships must not be avoided through labour-only contracting, sub-contracting, homeworking arrangements, fixed-term contracts or through apprenticeship schemes where there is no real intent to impart skills or to provide regular employment.

Employees must be free to leave the company after a reasonable period of notice. The Supplier must have a documented exit procedure and ensure that it complies with local legislation, international labour standards and collective agreements. In case of dismissal, workers must be offered a notice period of at least 10 working days or as indicated by the local law.

UPM expects that the Supplier has a process for monitoring workforce turnover rate and absenteeism.

2.3g Use of recruitment agencies and agency workforce

If the supplier utilizes agency workforce, they must have a written, legally binding service contract in place. The Supplier must ensure that the terms of employment for employees from labor-only agencies correspond to the terms of the regular employees as mentioned in 2.3f

The Supplier is expected to inform UPM when asked if they use labor-only contracting from agencies providing such services.

2.3h Remuneration and benefits

The Supplier must provide all employees (permanent, temporary, apprentices and contract workers, such as outsourced workforce) with fair compensation, in alignment with relevant company policies. The salaries must meet minimum national legal or industry benchmark standards, whichever is higher, for both regular and overtime work. Workers must be compensated for additional living costs resulting from working away from the base location.

Employees must receive a payslip for each pay period, clearly indicating the breakdown of the compensation, including exact amounts for wages, benefits, overtime, incentives/bonuses and any deductions. Wages must be paid electronically directly to employees in accordance with contractual terms, on time and at least monthly.

The Supplier must also pay all employees specific, statutory social insurances including medical insurance and pension fees. Accident insurance must be provided to all workers. Insurance must cover medical treatment for work related injuries and illnesses and provide compensation for work related injuries and illnesses resulting in permanent disability or death.

UPM expects that the Supplier also rewards employees for innovative ideas or special contributions, skills and behavior that are considered vital to success. Whenever feasible, UPM expects that the Supplier also assesses employee gender pay gaps and acts to eliminate them. The compensation rate defined as 'Living wage' is expected to be promoted within the suppliers' operations and supply chains.

2.3i Working time and time off

The supplier must respect local laws on working time and compensation. Employees should be able to perform their tasks efficiently. Working hours, including overtime, must be defined by contract and must not exceed what is indicated by the local law. The maximum weekly working hours can be exceeded only temporarily on grounds of unpredicted emergency circumstances and must be documented in the time sheets. Working time including overtime for each employee must be duly recorded and established as grounds for remuneration in cases where working time constitutes the basis for salary payments. Overtime must be voluntary and always compensated at a premium rate as defined by the local law. Workers refusing overtime hours are not to be penalized.

The Supplier must ensure that employees get adequate breaks as defined by the local law. The Supplier must ensure that employees have at least one day off per seven-day week, or, where allowed by local law, two days off per every 14-day period. The policy on holidays and leaves of absence (e.g., medical or parental) must adhere to the local labour legislation or applicable collective agreements.

UPM expects the Supplier to ensure that the working time of employees is regulated in compliance with ILO standards

- the normal working hours must not exceed 48 hours per week
- overtime work must not exceed the 12 hours
- overtime compensation must be premium but preferably not less than 125% of the regular rate of pay
- workers must be entitled to at least one break of 30 minutes after every 4.5 hours worked, unless otherwise agreed in writing through worker representation

In addition to time off stipulated in applicable legislation, workers are expected to have the opportunity to take time off from work for personal emergencies. UPM expects that deviations are recorded with respective corrective actions.

2.3j Freedom of association and collective bargaining

The Supplier must respect local laws and the right of all employees to form and join associations and trade unions of their choice and to bargain collectively. The workers' representatives must not be discriminated against and must have access to carry out their representative functions in the workplace.

2.3k Complaint management and resolution

The Supplier must have a system for the employees and external stakeholders to communicate, give feedback or complain about unfair, non-compliant or illegal treatment and conduct, discriminating practices, and unfair ignorance about suggestions and improvement ideas. The system must allow for anonymous reporting. The management must take corrective action upon the feedback and handle it confidentially and anonymously. Giving feedback must not result in harmful consequences to the employee.

The Supplier must ensure that they effectively communicate how employees can voice a complaint and address grievances. Documents of the respective management actions must be available. In cases where this is restricted by law, the Supplier is expected to facilitate alternative ways to ensure that individuals or groups are able to raise concerns for the attention of the management, without detrimental consequences to the employee [Ref. [ILO Convention 98](#)].

2.3l Engaging with stakeholders and society

The Supplier must communicate with its stakeholders including the affected communities where applicable, openly and transparently and promote dialogue with them. Program(s) to benefit local community development are expected to be in place.

2.3m Responsible land tenure (when applicable)

The criteria below are applicable, when the supplier controls (i.e. owns, leases etc.) large-scale land assets¹ used for land-based activities such as agriculture, forestry, mining, and/or other types of activities with heightened land-acquisition risk profile.

The supplier must have public commitments related to responsible land tenure, acquisition and/or use. The supplier must undertake meaningful due diligence to uphold and respect the legitimate land tenure rights of individuals, communities and indigenous populations. The supplier must assess and appropriately addresses environmental and social impacts when land acquisition and/or a change in land use is planned.

International standards of good practice are expected to be followed in specific high-risk circumstances, e.g., when the supplier operates in area(s) where its operations directly or indirectly affect Indigenous

¹ Defined as >200 ha or twice the median land-holding according to national context

Peoples; where the supplier's activities have historically, or may in the future, result in involuntary resettlement of communities or persons due to land acquisition or restrictions on land use; or where the supplier's land holdings, or parts of them, are subject to conflict, disputes and/or claims of substantial magnitude.

2.4 Health and Safety

The Supplier must ensure the health, safety and security of its employees and visitors as well as other people impacted by its operations.

2.4a Occupational Health and Safety management (OHS)

The Supplier operations must be in compliance with safety legislation and local requirements when working on any UPM site or in their own premises. The Supplier must comply with [UPM minimum safety requirements](#) when working at or visiting UPM premises and carry out necessary safety training. Personnel must have appropriate working permits for all their work and separate work permits for high risk works. All high-risk works must be identified and must have a written risk analysis and preventive safety measures.

Appropriate risk assessment and suitable controls must be in place ensuring that the tasks of those working under direct supervision of the Supplier are performed safely and efficiently. The Supplier must have practices for identifying, preventing and minimizing risks. The OHS risk management includes as appropriate:

- the provision of risk assessment processes covering also mental health and ergonomics
- safety instructions
- safety equipment
- safe work procedures and tools,
- regular and recorded health and safety employee training including initial training for new or reassigned workers
- preventive maintenance
- incident investigation and reporting procedures including corrective actions
- personal protective equipment and clothing (free of charge to workers)
- operational safeguarding for machines and tools.

The Supplier must have a suitable safety management system in place to ensure that they fulfil their legal duties in compliance with requirements such as ISO 45001 standard.

Personal Protective Equipment (PPE) must be made available free of charge to employees based on the tasks they perform and according to the risk concerned. The Supplier must make sure that they are used appropriately. Areas where PPE must be used, must be marked with clear and understandable signs. Accidents and near misses must be reported, analyzed, followed up and acted upon (lost-time accidents – LTA). Root cause analysis must be done, and processes developed in order to prevent similar incidents.

OHS incidents and instructions are expected to be periodically reviewed by the management and corrective actions defined and implemented. The Supplier is expected to record and investigate all

safety deviations. Time series of safety deviation records are expected to be available to indicate improvement in safety practices, and related target setting is appreciated.

2.4b Chemical safety and Material Safety Data Sheets (MSDS) (when applicable)

The Supplier MSDS must be available and up to date for all chemicals at the workplace. The Supplier must ensure that all employees who handle chemicals are adequately trained, and they understand the safety instructions concerning those chemicals. Training records must be available. Chemicals must be purchased, stored, transported, handled, and used in a way that protects the health and safety of workers and the environment. All chemical containers, cans, canisters and IBCs are fit for purpose and properly labelled with appropriate hazard symbols and risk phrases to inform any persons handling, storing or using them. The Supplier must have safety showers and eye wash stations installed, easily accessible from workstation involving hazardous chemicals handling (especially corrosives and skin toxins).

2.4c Health and safety responsibilities

The Supplier must take responsibility and nominate a competent person for the occupational health and safety of their employees. Employees working outside their premises and subcontractors must be considered to be applicable for such. A Worker Committee or similar arrangement must be in place for employees to voice their concerns about health and safety issues.

The Supplier must provide regular health checks for employees (including specific testing for specific jobs) to identify impacts on health resulting from their work. Health checks must be performed by a healthcare professional. Any findings must be kept confidential and confined to the access of the healthcare professional to issue recommendations on potential adjustments that should be made to work postures or workplace conditions. The Supplier must not engage in any non-work-related health testing, such as for pregnancy or HIV. In case of emergency, the Supplier must ensure that medical care is provided for the employees. Appropriate amount of personnel with qualified first aid skills and appropriate first aid kit must be present at each working place.

2.4d Emergency procedures

The Supplier must have procedures for emergency situations in place e.g., evacuation plan, alarm systems, emergency showers and eye washing stations when applicable.

The Supplier must have documented preparedness and procedures for mitigation, response to and recovery from an emergency. This includes planning, training, conducting drills, testing equipment and coordinating activities. Emergency procedures must also cover emergency situations such as injuries and accidents. The Supplier must tackle relevant issues:

- An independent evacuation alarm is to be audible and/or visible to all workers. It must be possible to manually activate the alarm, and alarm buttons must be clearly visible and marked.
- Emergency evacuation routes and exits must be provided to ensure quick and safe evacuation at all times.
- Workers trained in first aid and in firefighting must be available during all operating hours in sufficient numbers to mitigate occupational risks.

- The type, quantity, and location of first aid and firefighting equipment must be proportionate to occupational risks. The equipment must be operational at all times.
- Evacuation drills are to be performed to test the evacuation process and identify any need for improvement. The frequency of the drills is defined relative to the occupational risks. As many workers as possible must participate in the drills. Records of the evacuation drills are to be kept.
- An emergency response team is to be appointed to take decisions in case of an emergency.
- The written emergency routines must be aligned with those of local authorities and, where possible, with neighboring companies.

All employees must be introduced and trained to these procedures upon employment.

UPM expects that the Supplier has a safety management system (e.g., OHSAS 18001) in place.

2.4e Employee facilities

A safe, clean, and hygienic working environment with adequate light, ventilation and, where necessary, heating must be provided as well as immediate and free access to clean toilet facilities and safe unlimited drinking water. The Supplier must provide a clean and safe place for breaks and meals with sanitary facilities for food storage, as necessary. Rest areas must be isolated from any hazards and be proportionate in size to the number of workers.

2.4f Employee dormitories (when applicable)

If employee dormitories are provided, they must be made available at reasonable cost. Dormitories must be adequately ventilated and/or heated and provide reasonable personal space, including clean toilets and washing facilities. Dormitories, toilets and washing facilities must be culturally appropriate and assure personal privacy. Sufficient number of refrigerators must be provided for storing fresh food. The supplier or organization arranging dormitories or any housing must ensure the safety of the people and their belongings including ensuring appropriate safety equipment, such as fire extinguishers and emergency exits.

3 Product and Service Development

3.1 Product/service management

The Supplier must have a documented process and capability to manage product lifecycle (development, changes, End-of-Life)

The Supplier is expected to have the capability to correct identified defects and manage products in terms of manufacturability, cost efficiency, reliability, etc. Product maintenance must be performed in accordance with a documented process. UPM expects that the Supplier has the capability to monitor and gather customer needs and to initiate product upgrades based on this information. Product enhancement must be performed in accordance with a documented process.

3.2 Product/service quality assurance, qualification and validation

Product quality assurance must be performed in accordance with a documented process. The Supplier must have qualification and validation criteria defined and documented and act accordingly. The Supplier must ensure that all products are verified, qualified, and validated and that related data is recorded and archived.

UPM expects that related information is stored and traceable and used for continuous improvement that is based on statistical findings. Qualification and validation is expected to include: design validation, related measurements, testing/pilot and approval. The Supplier is expected to possess capabilities for product characterization, related (traceable) measurements, statistical analysis, and formal product qualification, as required by the manufacturing processes.

3.3 Process quality assurance

The supplier must have documented process for product quality plan. The Supplier must also define critical quality parameters for the product and its production process. Adequate work and testing instruction(s) must be available at a relevant location in the production or test location. A golden sample must be available at relevant stages of the production process.

The Supplier is expected to be able, in collaboration with UPM, to monitor process quality and initiate improvement efforts. The Supplier is expected to have a quality plan and a process in place to prove that quality testing is at an adequate level for the product or service. Instructions for reset-up is expected be provided, including instructions for production re-start.

3.4 Support

The Supplier must have support available (eg. maintenance, end-of-life).

The Supplier is expected to have a documented concept for support. UPM expects that the Supplier has monitoring of support available. Continuous improvement elements are expected to be based on statistical findings.

3.5 Project planning, monitoring and control

Projects must be planned in accordance with documented procedures and practices. Identification and elimination of risks must also be included in the planning, and a project plan for each project must be created. Any changes to agreed plans must be reported to UPM.

The management of the Supplier is expected to monitor the progress and status of the projects. UPM expects that continuous improvement elements are based on findings/"lessons learned".

3.6 Intellectual Property Rights (IPR) (when applicable)

The Supplier must have documented Intellectual Property Rights (IPR) procedures and related control procedures in place. The procedures must protect the Supplier and its customers, including UPM, from any IPR risks in a preventive and demonstrable manner. The procedures must also specify how the Supplier ensures that its operations, products, or their use do not infringe the IPRs of any third parties.

Such procedures are expected to define how the Supplier manages its own IPR and the IPRs of other parties, including UPM, which have been shared with the Supplier. The procedures are expected to cover all significant areas of IPR, such as patents, patent applications, trademarks, copyrights, models, software, inventions, know-how and trade secrets.

4 Supply Chain & Operations

4.1 Sourcing & Procurement

4.1a Supplier base strategy and supplier management

The Supplier must have a supplier base strategy and management system for its suppliers, based on short- and long-term business needs. The Supplier must have a documented procedure for identifying, evaluating, selecting, and controlling its suppliers beyond tier-1 suppliers. Supplier must regularly identify of human rights and environmental risks in its own operations and in its supply chain. Supplier must implement preventive measures to identified human rights and environmental risks. Risks and preventive measures are expected to be monitored and revised in annual management reviews.

The basis of the selection criteria is expected to be aligned with UPM supplier requirements. The Supplier is expected to have documented evidence from its entire raw material chain for its products starting from the first-tier supplier, including risks and evidence of supplier audits. UPM expects that the Supplier is capable of identifying critical suppliers. Supplier audits (including CSR elements) are expected to be conducted by qualified auditors. The Supplier is expected to have a documented process to eliminate a noncompliant supplier from its supplier base.

4.1.b Performance of supply network and improvement plans

The Supplier must have a system for monitoring and measuring the costs and performance of its supply network.

The Supplier is expected to be able to demonstrate active plans on how to improve the costs and performance of the supply network. Sub-suppliers are expected to be included in this process. UPM expects that KPI's are defined and reported for monitoring and continuous improvement purposes. Action plans are expected to be agreed based on outcome on regular basis.

4.2 Material control

The Supplier must be capable of aligning, optimizing and integrating manufacturing processes and logistics arrangements within the whole supply chain.

4.2a Incoming material verification

The Supplier must have a system to verify/track incoming materials for conformance to specifications, as required. Incoming material verification data must be available in the form of a written record, consisting of such documents as outgoing quality reports, incoming inspection reports, certificates of conformance or certificates of analyses.

4.2b Inventory, packaging and handling

The Supplier must have an appropriate protection system in place against material damage or deterioration of susceptible raw materials, components or products across the whole supply chain. This protection must cover such risks as damage from electrical discharge, moisture, mechanical damage, chemicals, weather conditions, temperature, dust, or shelf life / time. The Supplier must have written

instructions for material handling and storage, covering such issues as the segregation of accepted and rejected raw material.

The storage conditions are expected to be controlled. The system is expected to cover the whole production chain including product development, purchasing, material handling, production, facilities, packaging and delivery of the products.

4.2c Inventory control

The inventory control system (including storage places, labelling and physical counting) must strive for effective cycle times and shelf-life control.

UPM expects the Supplier to have cost-effective inventory solutions for the entire supply chain. Shelf-life requirements are defined and based on FIFO (First in –First Out) principle when feasible. The Supplier is expected to support optimization and integration efforts across the supply network.

4.3 Manufacturing

4.3a Process map, control and continuous improvement

The Supplier must have a production process map to ensure effective planning, operation and control of process capabilities. Factors such as critical steps, productivity, waste percentage, cycle time and quality controls must be included. Reworked, subcontracted or outsourced parts of the process must be indicated.

To ensure efficient process control, the Supplier must define and control critical parameters at appropriate stages of the process. Process operators must have access to instructions for action and escalation in out-of-control or out-of-limits cases. The Supplier must have production capability control tools implemented. The Supplier must maintain records of corrective and preventive actions. The capability of all defined critical processes must be measured with recorded and archived process capability reports.

The Supplier is expected to continuously improve the production process. The Supplier is expected to have applicable methods to developing process capability, process control and failure analysis in particular. Also, statistical tools and techniques (such as metrics, control charts, distributions, trend plots, etc.) are expected to be used to analyze the process and its parameters. Improvement suggestions and actions are expected to be recorded. Proper, practical problem-solving methodology, such as 3A, 8D or equivalent, is expected to be in place in order to drive sustainable continuous improvement. Benchmarking of results against relevant peer groups is expected.

4.3b Process failure analysis and production capability

The Supplier must have procedures, equipment, and capability to analyze processes, and product failures. The analysis results must be recorded, leading to corrective actions and preventive actions based on root-cause analysis.

The Supplier must ensure that its production process equipment (e.g., machinery and test equipment) are proactively maintained to ensure effective performance and capability according to appropriate

plans, instructions and check sheets. The Supplier is expected to have a calibration plan and register for its production equipment and tools. The Supplier is expected to have proper control processes covering outsourced production process equipment. Procedures are expected to be in place for handling non-conforming raw materials and products. The Supplier is expected to be able to define critical phases of production. The Supplier is expected to have a list of critical production equipment, critical spare parts and defined lead-times for their replenishment.

UPM expects the Supplier's premises to be suitable and provide relevant facilities for business. The Supplier is responsible for effective management of its facilities and technology assets. Version control for equipment software is expected.

4.3c Rework, Traceability, Housekeeping and Certificate of analysis

The Supplier must define permitted in-process rework procedures at all stages of the production process. The performed rework must be recorded and archived. Procedures must in place to ensure final product traceability, including Supplier's raw materials. The Supplier must have a system (e.g., 5S) to ensure that facilities, equipment and tools are clean, orderly and covered by regular and effective housekeeping. When agreed, the Supplier must have a Certificate of Analysis (CoA) to ensure the fulfilment of product specification criteria.

4.4 Supply chain management

4.4a Planning process

The documented planning processes of the Supplier must include forecasting, production and capacity planning. The process must cover the entire supply network, including sub-suppliers.

The Supplier is expected to actively follow the market development of the product or service in question. Key performance indicators are expected to be in place for continuous improvement activities.

4.4b Supply chain constraint notification, improvement and performance management

The Supplier must have a system for notifying UPM of any potential short- and long-term delivery problems (capacity constraints or delivery delays, etc.) and in due time present a detailed plan as to when and how the delivery problems will be solved.

The Supplier is expected to have a system in place for monitoring and measuring the performance of the whole supply chain and an active plan for developing it. Sub-suppliers are expected to be included and committed to the process. Lead-times are defined for process steps.

References

[UPM Supplier and Third-Party Code | UPM.COM](#)

[UPM Global Safety Requirements for Suppliers](#)

[Globally Harmonized System of Classification and Labelling of Chemicals \(GHS\)](#)

[United Nations' Universal Declaration of Human Rights](#)

[International Labour Organization \(ILO\)](#)

- [Fundamental Conventions \(ILO\)](#)

[UN Global Compact](#)

- [The Ten Principles of the UN Global Compact](#)

[The Guiding Principles on Business and Human Rights by the United Nations Human Rights Council](#)

[OECD Due Diligence Guidance for Responsible Business Conduct - OECD](#)

[Global Living Wage Coalition](#)

[Minamata-Convention-booklet-Oct2023-EN.pdf \(minamataconvention.org\)](#)

[Stockholm Convention](#)

[Supplier Product Carbon Footprint | UPM.COM](#)

[Globally Harmonized System of Classification and Labelling of Chemicals \(GHS\)](#)