

PULP DIRECT

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UPM PULP • CUSTOMER NEWSLETTER

The Biofore Company  UPM

HEARING THE CUSTOMER OUT



The biennial UPM Pulp survey provided plenty of insight and suggestions concerning the future needs and expectations of customers. This wide-ranging survey revealed the company's strengths and its goals for improvement.

"Once again our customers have spoken and given us invaluable information for enhancing our mutual operations and business," says UPM Pulp's **Tomas Wiklund**, Vice President for Sales and Marketing.

"One customer even described us as a learning organisation, which I personally take as a compliment. I hope we can continue improving in everything we do."

Mats Backman, Director, Technical Customer Service agrees, adding that the responses were highly representative of the company's main target groups and markets.

"I think we gained a very balanced and enlightening sample of what our customers think, and of what they need from us. It's always interesting to see the differences between the European and Asian markets,

and between the requirements of commercial and technical people. Now we just have to meet those needs."

PRODUCTS AS A PRIORITY

As in 2014, UPM Pulp customers ranked product quality and development as their number one focus area. They are also seeking closer co-operation and long-term partnerships. While continuously facing quality challenges, customers also see great product-related opportunities, and they need help from their pulp supplier to achieve them.

"The survey underlined the fact that our customers want a reliable supplier with consistent quality pulp – and I personally feel that we can be that supplier," Tomas says.

According to Mats, close co-operation and open relationships are the key that enables customers to get the most added



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Tomas Wiklund,
Vice President
Sales and Marketing



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Director,
Technical Customer Service

value from UPM pulps. He was pleased to see survey results strongly suggesting the desire of customers to improve their products by working with UPM Pulp technical customer service.

"We have been engaged in excellent development projects over the past two years – not only in Asia, but also in Europe since we reinforced our technical presence there."

Mats reports that his technical team has been able to help customers optimise their results with UPM pulp, and he gives an example of how this has occurred in practice:

"Our pulps can generally be refined very quickly, and our technical staff have noticed that customers tend to over-refine them in some cases. Mill trials and proper optimisation have enabled customers to save costs while making a better end-product."

ROOM FOR IMPROVEMENT

Paper manufacturers are constantly under pressure, and they need to react promptly to changes in the market. They accordingly appreciate greater flexibility and shorter lead times in the supply chain.

There are major differences between the European and Asian markets in terms of supply and logistics. Some of these differences are simply due to the physical distance between the supplier and the customer, but there are also variations in common operating models and in inventory holding policies.

"Especially in Europe, customers rely on their pulp provider to manage the supply chain so that they receive their raw materials just in time," Tomas explains and continues:

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“We still need to have a solution to all customer logistics issues, whether in Europe or in China, and we are currently developing new, concrete ways to accelerate the dispatching process.”

He also says that as all UPM mills can supply pulp of the same consistent quality, these mills provide mutual backup and much-needed flexibility for customers.

“You can be certain that the pulp will perform in your process as planned, regardless of where it was made.”

UPM Pulp has three mills producing northern softwood and birch pulp in Finland and one eucalyptus pulp mill in Uruguay.

WHAT ABOUT SUSTAINABILITY?

Although UPM Pulp customers rated environmental issues among their top 3 priorities in the previous survey two years ago, only a few respondents this year emphasised high-level environmental performance. This raises some interesting questions. Is the market now oversaturated with sustainability messaging, or has the external pressure to deliver sustainable solutions decreased? Both Tomas and Mats see a rationale behind the change.

“I don’t think customers have suddenly become indifferent to sustainability topics. It’s more likely that nowadays they take responsible operations almost for granted. After all, without them you would lose your competitive edge,” Tomas says.

“The general attitude seems to be that you have no cause for concern if you are dealing with well-established pulp manufacturers. They can provide all

required certificates and they have chain of custody and other necessary responsibility policies in place”, Mats continues.

CO-OPERATION OPPORTUNITIES

Customers were also asked for the first time about current and potential collaboration opportunities with UPM Pulp.

Fibre United is a well-established sales co-operation initiative of UPM Pulp and the Canadian company Canfor Pulp that enables UPM Pulp to sell Canfor pulp products in Europe and China while the Canfor Pulp sales network sells UPM pulps in North America and Japan.

“We are also hoping to promote the technical benefits of Fibre United more widely. Both companies have highly competent technical support teams that can help customers to optimise their fibre mixes,” Tomas says.

The survey also revealed that two-thirds of respondents would be interested in some form of co-operation with UPM Pulp.

“Our teams are now working on action plans based on this feedback to ensure continuous improvement and progress. And we’ll naturally continue discussing these topics in meetings with our customers,” Tomas explains. ●



TELLING IT WITH PHOTOS

In association with the Embassy of Uruguay, UPM unveiled a photo exhibition on 1 June 2016 in the Bioforum showroom at Group Head Office, Biofore House in Helsinki, Finland.



The 'Natural Commitment' photo exhibition displays photographs of UPM plantation operations and the community engagement activities of the UPM Foundation taken by Andrés Bartet. The exhibition also offers insights into the countryside of Uruguay, its people, and their passionate relationship to football.



The Uruguayan photographer Andrés Bartet has a distinctive, warm style. His interest in the stories behind the pictures has led him to specialise in portraits. The photographs capture both the moment and the background story in a most compassionate way. ●



THE EXHIBITION IS OPEN TO THE PUBLIC IN AUGUST:

From 11 a.m. to 4 p.m. on Tuesday to Friday and from 12 a.m. to 4 p.m. on Saturdays.



SUSTAINABLE EUCALYPTUS PLANTATIONS IN URUGUAY COMBINE ECONOMIC, ENVIRONMENTAL AND SOCIAL BENEFITS

The country of Uruguay is on the Atlantic coast of South America, bordered by Brazil to the north and Argentina to the west. Its climate, favourable forestry legislation, efficient infrastructure, good availability of skilled workers and social openness combine to make Uruguay an ideal place to set up and run large scale tree plantations.

UPM Forestal Oriental was founded in 1990 to be a centre of expertise for UPM eucalyptus plantation operations. They have promoted sustainable forestry practices from the outset. The plantations are always established on degraded grasslands. This means that no natural forests or native ecosystems are converted into plantations. All native forests and habitats in a natural

state are protected and there is no artificial irrigation system. All UPM forest plantations are certified to FSC® and PEFC™ standards. 60 per cent of the land owned by UPM Forestal Oriental is planted with eucalyptus. The rest of the land is conserved or used for forestry-related infrastructure, such as cattle grazing, beekeeping and other non-plantation operations. The protected areas include high-value native environments, waterways, ecosystems and habitats of endemic species, and sites of historical and cultural value.

The plantations are the main source of wood raw material for the UPM Fray Bentos pulp mill in the Río Negro region of western Uruguay. In addition to UPM's own plantations, the company also sources some of its eucalyptus wood from local partners.

The first eucalyptus trees were planted in Uruguay as long as a quarter of a century ago by UPM's predecessor company Kymmene and Shell. With plantation operations growing to become the source of UPM pulpwood for the Fray Bentos mill, the company extended its commitment to Uruguay in 2006 by establishing the UPM Foundation to promote education, training and entrepreneurship in rural communities.



UPM Forestal Oriental set up the Fomento Programme in 2005 as a partnership between UPM and local landowners with a view to growing eucalyptus alongside other agricultural activities. The programme encourages local people to diversify their land use and agricultural production, and to benefit from UPM's knowledge and high quality seedlings.

The WWF New Generation Plantations Platform promotes key features of healthy, diverse and multi-functional forest landscapes that are compatible with biodiversity conservation and human needs. UPM has been an active member of the Platform since it was established, sharing its best practices from Uruguay.

Today, UPM operations directly or indirectly employ over 7,000 people in Uruguay.

ENGAGEMENT FOR LONG-TERM DEVELOPMENT AND VITALITY OF RURAL AREAS

Since 2006 the UPM Foundation has impacted the lives of over 300,000 people in more than 100 communities in rural Uruguay. The Foundation collaborates with Uruguayan social organisations, public institutions, departmental and national authorities and other social agencies in projects that promote education, occupational training, entrepreneurship and healthy living.

The UPM Foundation bases its work on active dialogue with project partners, involving local people in determining their needs and finding sustainable growth opportunities within communities. This has resulted in hundreds of concrete development initiatives and excellent long-term results over the years. ●

► [Read more at www.upmpulp.com/responsibility](http://www.upmpulp.com/responsibility)





To celebrate their 25 years of operations in Uruguay and the 10th anniversary of UPM Foundation, UPM hosted the **'Sustainable Plantations Seminar'** followed by the opening of the photo exhibition **'Uruguay – Natural Commitment'**. The events were attended by several distinguished guests and speakers. Here's what some of them had to say:



"I believe that UPM has found in Uruguay a country well-suited for its business with the right natural conditions, a solid institutional framework, good governance, and a qualified and motivated workforce."

PABLO SADER,
Ambassador of Uruguay to Finland



"I was going through an old memo from 1990 proposing UPM's expansion into tree plantations in Uruguay. In retrospect, I must admit that the authors of this memo were very wise men and women."

HEIKKI VAPPULA,
Executive Vice President,
UPM Biorefining



Magdalena Ibañez,
Manager,
UPM Foundation

"The children of this generation in rural Uruguay now have a chance to stay in school and get a proper education."

"Responsibly managed tree plantations are a sustainable and natural way to use land."

Timo Lehesvirta,
Director,
UPM Global Forest Affairs



"Well-managed and well-sited plantations can provide an opportunity to restore degraded land, save natural forest and enhance social values while increasing productivity."

Aleksi Heiskanen,
International Development Expert,
WWF Finland



"Ecosystems are always unique, as are the preferences of local people when asked what ecosystem services are important to them. Nevertheless, good cases like Uruguay can still serve as benchmarks."

Petteri Vihervaara,
Senior Researcher,
Finnish Environment Institute



CAN CELLULOSE HELP CURE CANCER?

The use of advanced wood-based biochemicals in cancer research provides yet more solid proof that cellulose is packed with bioeconomy business opportunities.

A joint research project of the Institute for Molecular Medicine Finland (FIMM) at the University of Helsinki and UPM Biochemicals is investigating the suitability of UPM's new cellulose-based gel material for cancer research.

The project focuses on growing cancer cells in a three-dimensional culture resembling human tissue created using UPM's new hydrogel. This 3D model helps researchers to study the drug responses of cancer cells. The advanced material also enables experimental drug testing in a laboratory environment where cancer tissue

retains its distinctive characteristics outside of the human body.

The revolutionary new material is a cellulose nanofibril hydrogel composed of the tiniest fibre particles. It also provides a good example of UPM's focus on innovation in the efficient and responsible use of recyclable and renewable wood biomass.

Cell cultures grown on the hydrogel allow researchers to screen the responses of various cancer cell types to hundreds of drugs easily, quickly, reliably and in large quantities. The increasing volume of data can be used to create new solutions, such as customised medicines to help patients. ●

BUILDING A SUSTAINABLE TEA HOUSE



The Biofore Tea House combines several thousand years of Chinese tea culture and UPM's innovative wood-based biomaterials.

The Biofore Tea House is a joint project of UPM and the Shanghai-based Tongji University College of Design and Innovation. A team of six design students set out to create a modern concept for the Chinese tea house using UPM sustainable biomaterials. With modular design supporting efficient manufacturing and mobility, the tea house was first introduced at the May 2016 'Moi Helsinki' event in Beijing.

A traditional Chinese tea house is much more than merely an establishment for consuming tea. The design ideas of the Biofore Tea House had to respect the spiritual nature and ritualised protocols of preparing and drinking tea. The talented young students wanted to create something beautiful, meaningful and sustainable that would pay tribute to the rich Chinese cultural heritage, but also use the biomaterials of the future.

All UPM materials used in the Biofore Tea House are responsibly produced and recyclable. The frame and decorative skin are crafted using strong and stiff WISA® Plywood, while the main walls are made of the durable and ecological thermoformable wood material UPM Grada®. The recycled and recyclable UPM ProFi® Design Deck composite floor is pleasing to touch and requires almost no maintenance. ●



◀ THE DESIGN TEAM WITH A MODEL OF THE BIOFORE TEA HOUSE

FROM THE EDITOR



Dear Reader,

Your much awaited Pulp Direct is here again, containing essential reading to stay on top of what is happening at UPM!

But not everything makes it in time to fit in our paper newsletter and you may have seen in separate announcements that we will invest EUR 98 million in Kymi to increase production capacity by another 170,000 tonnes, taking total capacity at the mill to 870,000 tonnes. As you all know, we are truly committed to the pulp market and this investment is another verification of that fact – and you can rest assured we are working on further progress. Stay tuned.

This edition of Pulp Direct contains, among other items, a mix of both history – celebrating 25 years of UPM in Uruguay – and future – can cellulose materials aid in curing cancer? You will hopefully find interesting topics in the newsletter, and we hope you will enjoy a good read.

Best regards,

Tomas

TOMAS WIKLUND

tomas.wiklund@upm.com
+358 40 163 9930



TESTING THE WATERS



The **local waters** project encourages secondary school students to take an interest in natural sciences – especially in topics related to water – by exploring natural waters near their schools. This project was originally launched in the city of Rauma on the West Coast of Finland, and UPM is now helping to expand it to include the company's other Finnish pulp and paper mill locations.

Water is one of the most crucial natural resources and an important raw material for UPM. The local waters project perfectly combines the company's sponsorship focus areas: involving local people, encouraging learning, and responsible water use.

The project is aimed at 14 year-olds, providing the equipment needed for water studies. Pupils will resolve water-related assignments using information from various school subjects, with their findings digitally

transmitted to teachers via smartphones. The data collected by pupils will be compiled in nationwide registers managed by the Finnish Environment Institute SYKE.

The experiences in Rauma have been favourable, and the project has sparked children's interest in the status of waters.

"We are very pleased to participate in a project that gives young people an opportunity to learn about water and its importance to environmental wellbeing," says **Päivi Salpakivi-Salomaa**, Vice President, Environment and Responsibility at UPM. ●

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Editor-in-chief: Tomas Wiklund

Editor: Sari Hörkkö

Writer: Niko Kilkki

UPM Pulp, Sales and Marketing

Alvar Aallon katu 1
PO Box 380
FI-00101 Helsinki, FINLAND
tel. +358 2041 5111
fax +358 2041 5110
pulp@upm.com
upmpulp.com

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