

PULP DIRECT

UPM PULP • CUSTOMER NEWSLETTER

Commitment to sustainable development

3/2017

 #pulpdirect



UPM Euca
is the versatile
choice



UPM Fray Bentos
serving customers
already for
10 years



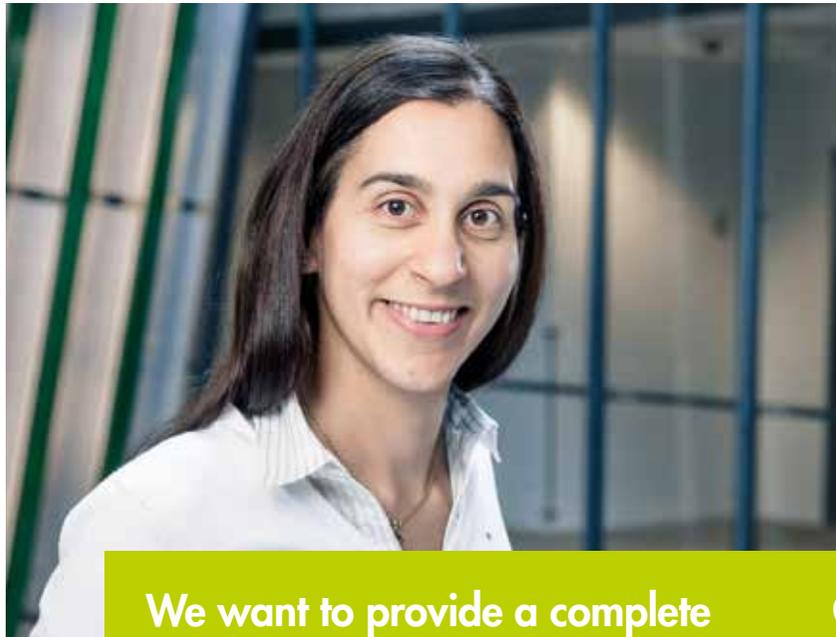
London Pulp Week
brings together
the best in
the business



Positive
pulp market
outlook

UPM EUCA IS THE VERSATILE CHOICE

Produced in UPM's Fray Bentos mill in Uruguay, UPM Euca is a good combination of the qualities of eucalyptus pulps coming from Latin America.



We want to provide a complete package. Our customers benefit the most when they have the best fibre composition in their own products.

Ines Eluen, Manager, Technical Customer Service Europe, UPM Pulp



One could call UPM's bleached eucalyptus kraft pulp an intermediate fibre.

What does this mean from a customer's standpoint, UPM Pulp's **Ines Eluen**, Manager, Technical Customer Service Europe?

"UPM Euca is a very adaptable, general-purpose hardwood pulp that is suitable for tissue, specialty papers as well as printing and writing papers."

For tissue, the pulp gives softness, smoothness, cleanliness and high brightness. It can also be used to create bulky paper with high opacity, light scattering and good formation.

"Since UPM Euca is such a versatile pulp, it's important for us to understand what a customer wants to achieve. It's our job to recognise how our eucalyptus pulp works in different applications," Ines says.

GIVING CUSTOMERS WHAT THEY NEED

Consistent quality and supply reliability have traditionally been the most important requirements of every customer using pulp. But what if that is not enough?

According to Ines, UPM Pulp's strength is not only knowing a pulp inside out, but also their way of bundling a reliable supply,



Did you know? The characteristics of UPM Euca are tailored in **UPM's seedling nurseries** in Paysandú. The nurseries ensure long term availability of high quality eucalyptus wood to supply the Fray Bentos pulp mill.

fibre know-how and highly complementary product range together.

"We want to provide a complete package. Our customers benefit the most when they have the best fibre composition in their own products."

UPM Pulp's technical support serves customers in various product related questions, troubleshooting, analysis and studies in the company's main markets. They also offer advice on pulps' characteristics, features and furnishes.

"For example, UPM Euca is quick to refine. It should be refined to a certain tensile strength to guarantee good bulkiness," says Ines, who is also the eucalyptus pulp expert in UPM Pulp's technical team.

Made from plantation-based eucalyptus, UPM Euca is available as both FSC® and PEFC™-certified. ■

FIBRE FEATURE

An aerial photograph of the UPM Fray Bentos mill, showing a complex of industrial structures, including tall towers, conveyor belts, and various pipes. The mill is situated near a body of water, with a bridge visible in the distance under a cloudy sky.

ALWAYS IMPROVING

UPM FRAY BENTOS MILL
10 YEARS

This November marks the 10th anniversary of a mill that is still today considered one of the best pulp production units in the world. Located in a small town in south-western Uruguay, the story of the UPM Fray Bentos mill has only begun.

It all started at record-setting pace. In 2007 'la planta' reached its projected production capacity faster than anybody could have imagined.

Originally the mill was intended to produce 1 million tonnes of plantation-based eucalyptus pulp to global markets. Thanks to continuous development and usability improvements along the process, today the capacity of UPM Fray Bentos is 1.3 million tonnes.

"Step by step we have been able to further optimise the different parts of our pulp making process," Vice President of UPM's Uruguay operations **Juha Kääriäinen** explains and continues. "In order for us to reach high production levels, everything has to click – and in Fray Bentos it really does. Our mill is in great condition, people are

motivated, we have good working practices and a steady supply of high quality raw material."

These are also some of the reasons why UPM Euca has become a go-to pulp for many tissue, specialty paper as well as printing and writing paper manufacturers in Europe and the Far East.

PRACTICAL AND PEOPLE-FOCUSED

Nearly half of Uruguay's population lives in the city of Montevideo. This also means a heavy concentration of industries, businesses and educational institutes in the capital metropolitan area.

In contrast Fray Bentos is a typical rural town situated in the department of Rio Negro.

However, according to Juha Kääriäinen, the town is nowadays surprisingly active.

"The economic impact of the mill is apparent. It brings jobs, increases people's buying power and enhances the wellbeing of the surrounding community."

The mill employs directly almost 200 people. And when you include suppliers and subcontractors along the value chain, nearly 800 people enter the mill site daily to work on different operations ranging from production and maintenance to logistics.

When we asked Juha to describe a typical Fray Bentos mill employee, the list of adjectives is admirable.

"Diligent, quality-oriented, enthusiastic, multitalented, eager to learn new things. Everyone has a great attitude towards their work. This positive energy is kind of our trademark," he says proudly.

UPM Fray Bentos is renowned for its employee safety. The mill is currently on an over four-year streak of no lost time injuries for UPM employees at the site.

Good availability of different pulp making processes is one of the important issues for pulp production.

"Good availability means we can run our production uninterrupted and that leads to consistent quality eucalyptus pulp."

Juha welcomes everyone to experience world class pulp making first hand.

"Our doors are always open. For example, local student and teacher groups are frequent visitors."

MOTIVATED PULP EXPERTS AND LOCAL TALENT

The internal culture of the mill fosters continuous development. When the Fray Bentos construction project kicked off in 2004, there was a need to recruit engineers and mill workers with good basic skills. Now, more than 10 years later, these same people have developed into sought-after professionals.

"Many mill technicians have advanced in their careers and have, for example, been promoted into shift and day supervisors. In addition, engineers originally from the Fray Bentos mill are now working in UPM sites all over the world," Juha says.

To advance technical skills and engineering expertise in rural areas, UPM and the Technological University of Uruguay (UTEC) established a Regional Technological University (ITR) in Fray Bentos. Opened to students in 2016, the new university focuses in mechatronics, renewable energy, transport and logistics.

"Our own specialists and partners are regular guest lecturers at the university," Juha says.



Everyone has a great attitude towards their work. This positive energy is kind of our trademark.

Juha Kääriäinen, Vice President, UPM's Uruguay Operations

TEN YEARS OF PULP MAKING IN FRAY BENTOS



◀ CONTINUED FROM PAGE 2

The mill has also arranged several young talent training programmes.

“The most educated people used to come from large university cities such as Montevideo. Now more and more of our employees are locals, from other rural parts of the country or returning expats.”

ENSURING RAW MATERIAL SUPPLY

The wood raw material has the single most significant effect on pulp quality. Nearly all the wood used in the Fray Bentos mill comes from UPM Forestal Oriental – UPM’s own eucalyptus plantation forestry company – or through their Fomento Programme. In practice, Fomento engages independent local landowners to diversify agriculture through sustainable eucalyptus production using UPM’s seedlings.

UPM Forestal Oriental owns about 250,000 hectares of land, of which approximately 60% is planted with

eucalyptus. The rest of the land is protected or is used for forestry-related infrastructure, cattle grazing and other non-plantation operations. The plantations are certified to both FSC® and PEFC™.

“This arrangement guarantees we have a good understanding of the raw material and how it affects the fibre properties of our UPM Euca pulp,” Juha Kääriäinen says.

UPM Pulp operates two advanced nurseries where they have developed and propagated highly-productive, locally-adapted eucalyptus.

“One of the advantages of eucalyptus is that it grows fast. Still, what we are doing here is long term work. If we plant one of our seedlings with certain properties today, the wood is available on our fibre line 10 years from now,” Juha says.

The mill’s own eucalyptus laboratory analyses samples frequently and gives instant feedback on how fibres behave in the production process.

“We are able to run our production uninterrupted, ensure consistent quality and ultimately reduce risks for our customers.”

MONITORING THE ENVIRONMENT

UPM Fray Bentos is located on the banks of the River Uruguay which acts as a natural border between Argentina and Uruguay. The river is also a vital part of the mill’s logistics solution. Pulp units are transported using river barges downstream to the port of Nueva Palmira, where they are in turn loaded into larger ships heading to Europe and the Far East.

Since the start-up of the mill, the authorities of both countries and UPM have conducted continuous monitoring of the mill’s environmental performance with the help of independent researchers and experts.

The monitoring has concentrated mainly on air emissions, water effluents and waste. The water quality of the River Uruguay has been the special focal point of these studies. A great example of this monitoring is an extensive study of the fish populations in the River Uruguay.

“More than 10 years’ worth of cumulated monitoring data hasn’t revealed evidence that the mill would have a negative impact on the river and its inhabitants. We

communicate transparently on environmental issues and share our study results to all stakeholders,” Juha Kääriäinen says.

In 2012 UPM Fray Bentos became the first non-European mill to be certified in accordance with the voluntary EU Eco-Management and Audit Scheme (EMAS). EMAS promotes legal compliance and mitigation of environmental impact on the local area. ■



Did you know? UPM Fray Bentos generates approx. **8% of the Uruguayan energy supply**. The mill generates bio-based energy and electricity which is sold to the national grid.

LONDON PULP WEEK

brings together the best in the business

The British Wood Pulp Association was founded 120 years ago to promote good relations between pulp suppliers and paper mills.

Every year since then, only interrupted by war, the BWPA has hosted a dinner in London on the second Thursday of November. As buyers and sellers congregated for the dinner, it was easy and productive to arrange private meetings around the occasion and so London Pulp Week was born.

In the 1950s some 215 paper mills were operating in the UK, now there is only a handful. Consequently, LPW has evolved from a primarily domestic meeting to one of the most important events in the international pulp calendar, only rivalled by Shanghai Pulp Week.

Some 20 years ago Roger Wright and his friend Bernt Stenberg, a Swedish consultant, initiated a half-day symposium – Meeting Point. This proved to be a success and in 2000 Hawkins Wright and the BWPA agreed to hold a joint conference which was attended by about 130 delegates.

This year over 300 delegates from Europe, the Middle East, Asia and the

Americas will enjoy presentations from Finland, Germany, China and the UK.

WORK AND MEET

Together with its Fibre United partner Canfor, UPM attends London Pulp Week meeting friends and partners within the industry. The week consists of intensive business negotiations and get-togethers.

Once again, the absolute highlight of the week is Thursday, this year 9 November, starting with the Hawkins Wright symposium, followed by a UPM-hosted lunch and culminating in the British Wood Pulp Association banquet dinner.

A SIGN OF SUSTAINABLE PARTNERSHIP

During the same week as London Pulp Week, the UK among other Commonwealth member states celebrates Remembrance Day. Also known as Poppy Day it commemorates members of the armed forces who have died in the line of duty.

Every year over 45 million paper poppies are produced as a symbolic gesture of remembrance for the fallen. The poppy, chosen as it was the flower which grew on the battlefields after World War One ended, has been worn since 1921. The poppy was immortalised in a famous poem 'In Flanders Fields'.

Originally made from silk, today's poppy is made using both traditional and



James Cropper Paper has been producing 'poppy paper' for over 40 years, though papermaking started there much earlier in 1845. The relationship with UPM almost stretches as far back.

modern-day techniques and starts its life at the 175-year-old paper mill owned by James Cropper. James Cropper Paper has been producing 'poppy paper' for over 40 years, though papermaking started there much earlier in 1845.

James Cropper's relationship with UPM almost stretches as far back, with UPM Kaukas supplying the mill with its pulp for

over 100 years. The relationship has endured two World Wars and numerous economic cycles.

"Pulp is not a commodity to us, it's a core part of what we begin our journey with. Sustainable partnerships remain as important as they did over 100 years ago," Managing Director of James Cropper Paper, **Steve Adams** says. ■

POSITIVE PULP MARKET OUTLOOK

Tom Wright
Director,
Hawkins Wright Ltd



Although I remain an apprentice in the eyes of some, I have been following the pulp market for longer than I care to remember, having joined Hawkins Wright in the late 1990s. Whilst there have been fundamental changes in the industry structure and market characteristics during the past 20 years or so, volatility has been a constant, and no cycle is the same.

The past 12 months serve as a vivid reminder. The mood among suppliers was rather subdued leading into London

Pulp Week 2016, with few indicators of the upcycle to follow. Softwood pulp prices had steadily deflated through 2015, and the remarkable run on hardwood prices finally ended with a steep correction through Q1 2016. Prices of both grades then flat-lined through last summer at levels very close to marginal cost, despite very healthy demand growth in China.

Now 12 months later, as we begin our preparations for London Pulp Week 2017, the mood could hardly be more different. Pulp prices have soared by USD200-250/t, and are now approaching the record

levels reached in the months following the Chilean earthquake of 2010. However, in contrast to that peak seven years ago, on this occasion the market rally is driven by a confluence of factors relating to both supply and demand. This is causing many to reappraise their expectations for the next 12-18 months, and beyond. Whilst there are many reasons for optimism amongst pulp suppliers at present, we would be wise to bear in mind the continued volatility and cyclical nature of this great industry! ■

WHAT'S UP?

Sustainability acknowledged

UPM was listed as the forest and paper industry leader in both the Dow Jones European and World Sustainability Indices for 2017–2018. UPM was also positioned on this year's A List for water and forests by CDP.

UPM continued its successful run as the DJSI industry leader in the annual Corporate Sustainability Assessment conducted by investment specialist RobecoSAM. The assessment is based on rigorous analysis of a company's ability to address issues such as biodiversity, sustainable forest management, climate change, supply chain standards, labour

practices, corporate governance and risk management.

CDP is a non-profit global environmental disclosure platform that drives companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect forests. CDP's A List comprises companies from around the world that have been identified as leading in their efforts and

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM



actions to combat environmental risk. From over 3,000 major corporations that submitted their information, UPM is one of only four companies to score an A on both water and forests.

UPM's Biofore strategy promotes compliance, integrity and sustainability throughout the entire value chain including customers, supplier, partners and employees. Creating value for society both as a company and through their products is essential for UPM. ■



UPM IS COMMITTED TO SUSTAINABLE FORESTRY

UPM actively develops and supports sustainable forestry – and has been doing so for over 100 years. We promote forest certification, and all the wood we use is fully traceable and legal. We are strongly committed to ensuring the vitality and renewal of the forests for now and future generations.



WATCH THE VIDEO AND BE IMPRESSED BY FORESTS.

NICE TO MEET YOU

MANAGER

Marketing, Sustainability, UPM Pulp

Who are you and what do you do at UPM Pulp?

"My name is **Natasha Rubanin-Hildén**. I make sure that customers benefit from our industry leading sustainability performance, tools and services."

What is the most energising part of your work?

"Cooperation with customers. Developing ways to turn our sustainability performance into concrete projects and concepts that customers benefit from in strengthening their own business. I especially enjoy forest visits with customers to show them where our sustainable business really begins. These joint visits have proven to be really eye-opening and a great start for our joint journey."

What should UPM Pulp's customers know about sustainability at UPM?

"Our high sustainability performance comes from within the company – from skilled people, well-organised and tracked everyday work. Our sustainability approach ranges from forestry and mill operations to our personnel and those who we work with daily. An important part of sustainability is transparency and I'm really proud of all the external recognitions UPM has received as proof of what we do."



What would you like your customers to know about you?

"I'm always curious to learn and develop new things. For example, learning about our customers' businesses as there are so many different and interesting end uses for pulp."

How do you keep up the good energy?

"I like all kinds of sports, especially sailing and skiing as well as other outdoor activities in the forests." ■

P.S.

Dear Reader,

This year marks two anniversaries which prove that commitment to sustainable development is built into UPM's DNA. In Uruguay it's the 10th anniversary of the Fray Bentos pulp mill which is a prime example of this commitment. The foundations for the mill were laid decades before there was any sign of a mill, when UPM's predecessor company Kymmene started to experiment with eucalyptus planting in Uruguay. This trial later turned into a success story named UPM Forestal Oriental, today renowned for its expertise in sustainable forestry.

Meanwhile in the northern hemisphere Finland celebrates its centenary. The forest industry along with UPM, and its many predecessor companies, are closely linked to this milestone as a major driver of the country's development during its first 100 years of independence. Although two thirds of Finland is covered by forests, sustainable forest management has been the key to long term success.

Today UPM's businesses are still based on sustainable forestry and our intent is to continue this way in the future. We are developing new ways to use wood from sustainably managed northern forests for innovative bioproducts, like biochemicals and biofuels. This is made possible by success in traditional UPM businesses, for example pulp.

Sustainable forest management continues to be one of the cornerstones of our operations. And we continue to work the way we always have – committed to continuous improvement and sustainable development in cooperation with our stakeholders.

Best regards,
Lajos



LAJOS ERIC FORSTER

lajos.forster@upm.com
+49 621 862 765 100

PULP DIRECT

UPM PULP
CUSTOMER NEWSLETTER

Editor-in-chief: Lajos Eric Forster

Editor: Sari Hörkkö

Writers: Niko Kilkki, Will Stone

Contact: UPM Pulp, Marketing
pulp@upm.com

upmpulp.com

TONNES
OF TRUST
UPM PULP