

PULP DIRECT

UPM **BIOFORE**
BEYOND FOSSILS 

3/2019  @UPMPulp #pulldirect

UPM PULP



**Tomas Wiklund:
Beginning of a
new era**



**Building a world
class pulp mill**



**Pulp will be
sailing the high
seas sustainably**



**Walk on the
wild side**

BEGINNING OF A

NEW ERA

It takes years of stable quality, supply security and good service to become a household name in the pulp markets. Now is the time for UPM to take the next step.

TEXT Niko Kilkki / IMAGES UPM

We are basically in the position we wanted to be in a few years back – an established and recognised market pulp supplier,” says UPM Pulp’s **Tomas Wiklund**, Vice President for Sales and Marketing.

Based on their latest customer survey UPM Pulp is appreciated especially for personal communications, technical support and advances in physical pulp consistency.

“We got here by listening to what our customers say. We’ve combined investments in increasing production with improved quality, and our customer service team have put the finishing touches on the

whole thing,” Tomas continues.

Another notable take from the customer survey was the high interest in sustainability services and issues. In addition to good environmental performance, pulp customers welcome help in selling sustainability arguments down the value chain.

“We have had a good number of interactions where we as the supplier sat down around the same table with our customer, their customers and NGOs. A face-to-face meeting has proved to be an excellent opportunity to verify

”
We got here by listening to what our customers say.

UPM Pulp’s environmental credentials,” Tomas says.

At the same time megatrends such as urbanisation, improving living standards and a growing middle class all contribute to higher consumption of renewable raw materials and finished products.

And push further the demand for sustainable solutions.

“This will lead into situations where our customers are able to generate better business – responsibly.”

The big step forward

When discussing the company’s future plans with Tomas, talks unsurprisingly turn to the Paso de los Toros mill investment in Uruguay and its scheduled start-up in 2022. Fully operational, the new production unit will boost UPM Pulp’s total capacity by more than 50%.

“I hope it’s a strong indication to our customers that we are ready to continue growing with them. We will provide stability and reliability across the board no matter if you’re operating in a mature or developing economic environment.”

According to Tomas this investment decision is the outcome of long term systematic and analytic development typical of UPM.

continued on page 2 »

“One could call it corporate heritage. While the Uruguay project is the single biggest investment in our history, similar endeavours have been carried out with the same well-structured efficiency and routine all the time. Now it’s our turn to benefit from the UPM Group’s organised development practice.”

Every once in a while Tomas also gets the question: why did UPM choose Uruguay for the new mill?

“The reasons are quite simple. We have been operating in the country since 1990 and Uruguay is stable politically, economically and socially. It’s an ideal place to grow eucalyptus and produce pulp.”

Trusted product strategy

The Paso de los Toros mill will continue UPM Pulp’s effective product strategy. All three of the company’s mills in Finland produce both softwood and birch pulp, forming a kind of supply failsafe. Every mill acts as backup for the others.

Currently UPM produces eucalyptus pulp – a combination of Eucalyptus Grandis and Eucalyptus Dunnii species – in the Fray Bentos mill.

“We are not expanding our portfolio but looking to maintain a single brand of eucalyptus, UPM Euca. Customers will get the same well-balanced pulp regardless which one of our Uruguayan mills it comes from,” Tomas explains.

Establishing the backup system has been a conscious effort to reinforce UPM’s consistency and trustworthiness as a supplier.

“For the past couple of years we have been working to ensure our customers have at least two mills supplying the pulp that suits their needs.”

Changing the world

Over 2 million tonnes of new pulp capacity entering the markets has many direct and indirect implications. Tomas says that the timing is one of these.

“The majority of global pulp making capacity increases were introduced already in 2017 and 2018. New capacity growth will be few and far between until 2022. Our second mill in Uruguay will also set our customers’ own growth ambitions in motion.”

Since UPM Pulp is gearing up its production, the whole organisation needs to be firing on all cylinders – yet running faster is not the only solution.

“We can’t just continue doing more of the same in a larger scale. We must be ready to work harder but also differently based on our customer requirements. We are looking to change the world,” Tomas states.

The changes will be both hard and soft. Both technological and related to business structure. New tools and routines of doing things.

The company has, for example, introduced RFID tracking to provide better information on the quantities and qualities delivered along the pulp supply chain. Earlier this year UPM Pulp integrated Technical Customer Service and R&D to

streamline their support processes.

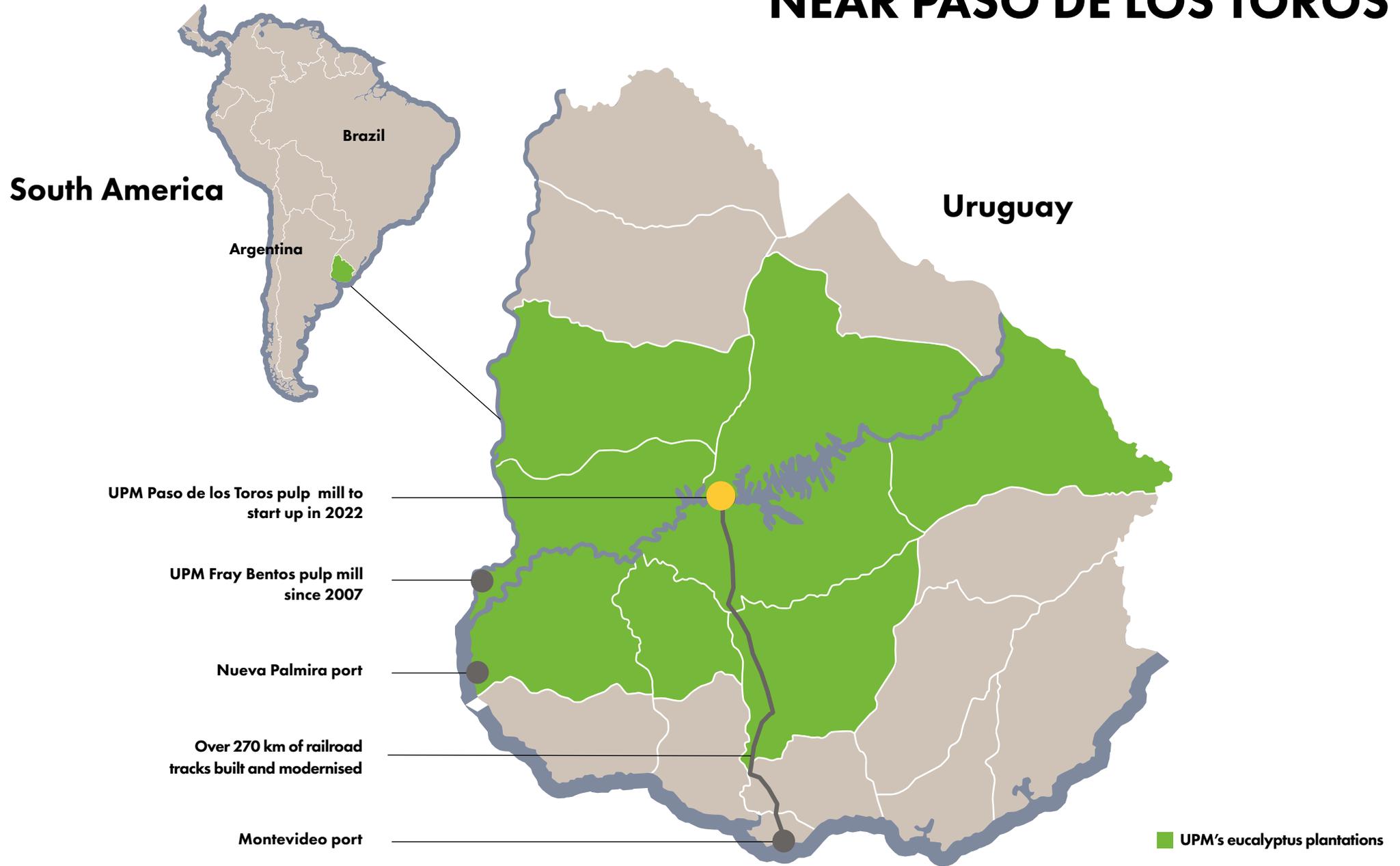
“All these changes are designed to make UPM Pulp’s

customers’ life easier on a day-to-day basis.

We are back on track being the world’s leading market pulp supplier,” Tomas smiles. ∞



UPM IS BUILDING A WORLD CLASS PULP MILL NEAR PASO DE LOS TOROS



The new production unit will be the biggest single-line greenfield pulp mill in the world. The Uruguay investment demonstrates UPM's strong commitment to pulp and its global customers. The mill will be located in the department of Durazno on the southern side of the Rio Negro River.

TEXT Niko Kilkki / IMAGES UPM

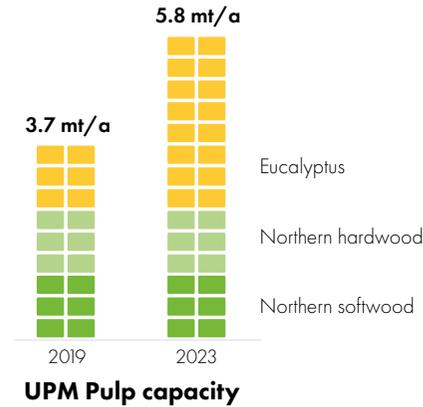
MAJOR BOOST IN PRODUCTION

+2.1 million tonnes

New production capacity of eucalyptus pulp annually

+50%

Increase in UPM's total pulp production capacity



2nd half of 2022
Scheduled start-up

USD 2.7 billion
UPM Paso de los Toros mill investment

SUSTAINABLE PLANTATION-BASED EUCALYPTUS

382,000 hectares

UPM's own, leased and sourcing partners' plantations

+30 years

UPM's experience in sustainably managed and productive plantations in Uruguay

FSC® and PEFC™

Certified UPM plantations and forestry operations based on sustainable forest management standards

EFFICIENT LOGISTICS SET-UP

+270 kilometres

Rail tracks built and modernised for direct access to the port of Montevideo

USD 280 million

Investment to build a new high capacity deep sea pulp terminal in Montevideo

Better connectivity

With an upgraded road network in the interior of Uruguay

POSITIVE IMPACTS IN URUGUAY

+10,000

Additional permanent direct and indirect jobs

+2%

Permanent GDP increase in Uruguay

+12%

Exports for the country

+600

New small and medium sized local companies

USD 200 million

In wages and salaries per year

USD 170 million

In taxes and social security payments per year

PULP will be sailing the high seas sustainably

UPM has entered into a long term charter agreement with the affiliates of the Dutch Spliethoff Group for seven vessels using sustainable liquid natural gas (LNG) technology.

TEXT Niko Kilkki / IMAGES UPM

As part of UPM's logistics strategy the new vessels are a future-proof, reliable solution for transporting renewable wood-based products.

"Four of the vessels are designed especially for shipping pulp and other forest products. They will ensure uninterrupted,

high quality sea transportation year round, primarily from Finland to customers in Western and Central Europe," says **Lauri Rikala**, Director, Global Break Bulk Shipping, UPM Logistics.

The four lift-on lift-off (LoLo) vessels will be designed by the Dutch Wijnne Barends and built in China. The ships are scheduled to be delivered in 2021 and 2022.



All the vessels are time chartered and fully operated by UPM. They will be ice-strengthened and meet the latest technological, operational and environmental standards.

Sustainable shipping

The International Maritime Organization (IMO) has imposed strict maritime emission limits for sulphur dioxide, nitrous oxide and carbon dioxide that will come into effect in 1 January 2020. UPM's new vessels' emissions are all well below these limits.

"LNG has been used as marine fuel already for years but on a very small scale. Only recently it has become the fuel of choice for all ship types thanks to its significantly better environmental performance compared to traditional oil-based fossil fuels," Rikala explains.

The next generation vessels will further help to reduce the overall environmental footprint of pulp as well as that of consumer and industrial products down the value chain. ♻️



SIGNIFICANT EMISSION REDUCTIONS

-25%
Carbon dioxide (CO₂)

-85%
Nitrogen oxides (NO_x)

-99%
Sulphur oxides (SO_x)

-99%
Soot particles

(All comparisons with commonly used marine gas oil)

WALK ON THE **WILD SIDE**

Kick off your shoes, get comfy and take a virtual hike into a Finnish forest with UPM Forest Life

TEXT Niko Kilkki / IMAGE SHUTTERSTOCK

First launched over 10 years ago, the award-winning – now fully renewed – online experience introduces forests through four main paths: biodiversity, forest use, climate and water systems.

“UPM Forest Life brings Finnish forests to everyone. The goal of the service is not to portray forests as this mythical place but the key to a more sustainable future and an amazing source of renewable raw materials,” says **Sami Oksa**, Director, Stakeholder Relations, UPM Forest.

Amidst the increasing environmental debate the need for fact-based forestry information is growing. The service gives a realistic view into forests: species in their natural habitats, protected areas and areas under forestry operations. These include the whole process from planting and renewal to thinning and felling.

“It’s in our own best interest that forested areas thrive. Now we demonstrate why UPM’s forest management and use is sustainable and how it is done,” Oksa says.

All natural

According to several studies forests have many positive effects on people’s health and wellbeing. Just getting exposed to the sights and sounds of forest nature can act as stress relief. UPM Forest Life is a convenient

way to gain these experiences in parts of the world where it wouldn’t be otherwise possible.

“The site is targeted basically to everyone. However, we hope that especially children, students, decision makers, end user consumers and nature lovers will make their way into our virtual forest. We want to show them what it really means to sustainably utilise commercial forests,” Sami Oksa says.

Filmed in two locations in Finland, it takes almost 2 hours to “walk” through the forest and explore all its details. Along the way you will encounter almost 150 plant and animal species as well as hear personal stories from two dozen UPM forestry experts and environment specialists.

“These are real people who describe in their own words what they do. And tell from their point of view why it’s so important to ensure forests’ continuous growth and vitality,” Oksa describes.

The service is available for desktop computers and mobile devices. You can also download a virtual reality (VR) version of UPM Forest Life from Google Play Store or Oculus Go Store.

Take your own tour at
www.upmforestlife.com. 



TRANSPARENCY BRINGS **CREDIBILITY**

UPM continues its strong sustainability performance evaluated by external auditors.

TEXT **Niko Kilkki** / IMAGE **UPM**



The company retained its industry leader status for the Paper and Forest industry in the Dow Jones European and World Sustainability Indices (DJSI) for 2019–2020. UPM is the only Finnish company listed as an industry leader. In 2019 over 3,500 companies based on market capitalisation were invited to the DJSI.

The Dow Jones Sustainability Indices are published in collaboration with the investment specialist Robeco SAM. Their Corporate Sustainability Assessment (CSA) is the longest running global sustainability

benchmark and a key reference point in investing.

Also as part of UPM's endeavour to maintain transparent reporting the company's EU Eco-Management and Audit Scheme (EMAS) statements for 2018 are now available. You can examine UPM Pulp's detailed economic, environmental and social performance information for every mill.

Download the latest EMAS reports using the Certificate Finder at

www.upmpulp.com. ∞



Dear Reader,

In July UPM made history by announcing the company's biggest ever investment in a new pulp mill near Paso de los Toros in central Uruguay. The mill investment of USD 2.7 billion will grow our pulp production capacity by more than 50% from the current 3.7 million tonnes annually, which means a huge step change in the scale of our pulp business. It also shows UPM's commitment to grow in this business sector with our customers.

The investment news was especially welcomed by our Euca customers, who are keen to get more of their well trusted Uruguayan UPM Euca starting from the latter half of 2022. However, scaling up our entire business will benefit all customers through a more robust business platform with enhanced tools and ways to work. This will positively challenge all of us to meet the new measures required by the business and to turn all the opportunities this creates into concrete actions to better serve you.

This mill project has been carefully prepared with the Uruguayan authorities over the past three years to ensure a successful and sustainable business concept reaching from wood raw material to pulp logistics. UPM has thoroughly evaluated possible environmental, social and economic impacts of the mill that will be located in a rural area. When operational, the mill and related activities will give a significant boost in the regional and national economy, with an estimated 10,000 new permanent jobs created across the entire value chain.

Currently preparatory works at the mill site as well as in the port of Montevideo are in full swing. So is the building of accommodation for some 5,500 construction employees, alongside the massive recruitment of these employees. You can be sure that we will keep you posted on developments in this project – meanwhile you can find all available information on the website www.upm.uy/en/growth.

Best regards, **Lajos**

P.S.



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



PULP DIRECT

EDITOR-IN-CHIEF **Lajos Eric Forster**
EDITOR **Sari Hörkkö**
WRITER **Niko Kilkki**
CONTACT **UPM Pulp, Marketing**
pulp@upm.com • upmpulp.com

 **@UPMPulp** **#pulldirect**