

PRODUCING THE FUTURE

ANNUAL REPORT 2021

UPM Forestal Oriental





6 EDITORIAL

Álvaro Fitipaldo
Head of Operations at UPM
Forestal Oriental

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EDITORIAL

Álvaro Fitipaldo

Head of Operations
at UPM Forestal Oriental

A new year filled with achievements and challenges has come to an end. The implementation of our operational growth plan, in view of operations starting at the pulp mill in the department of Durazno, set the pace during for the year. The context determined by Covid-19 continued to demand our focus to ensure safe working conditions throughout the entire chain.

During the year, we continued to develop the long-term forestry base to reach 295,000 hectares of land planted. Despite Covid-19, our nurseries maintained high levels of production in line with the demand needed to supply plantations for the company's own plots, as well as for producers associated with our Development Programme.

On the other hand, the construction of a new nursery in the Sarandí del Yí area has continued to make good progress and is moving forward according to plan. This project, with a US\$ 25 million investment, will not only allow us to further capitalise on the advances of our Genetic Improvement Programme, but also create important job opportunities for the region. For these purposes, we implemented training courses for the operation of nurseries, aiming to prepare those interested in applying for these roles when the nursery begins operations in 2022.

The UPM Fray Bentos mill received an efficient and well-sustained timber supply which guaranteed

the exceptional flow of production during the entirety of 2021.

In terms of infrastructure development, we opened new areas of work and began construction of the interior roads needed for timber supplies once the new mill begins operations. In addition, this work will also help maintain the stock of necessary roads in order to sustain the timber supply to Fray Bentos.

On the harvesting front, we were able to maintain high production rates and continued to make progress with the development programme for new contractors. We also made progress in the implementation of induction plans for the new service providers



that will begin operations during the second half of 2022.

In transportation, we made progress in the implementation of new technologies with the incorporation of tri-train truck configurations in those areas authorised by the Ministry of Transport and Public Works. And in terms of safety, we closed the year with 0.36 accidents for each million kilometres travelled by the fleet, thanks to a Road Safety Programme that has been implemented consistently throughout the years and is in constant evolution.

The end of the year found us in the last stages of construction for the first UPM Forestry Research Centre, in the city of Paysandú. This centre,


with state-of-the-art laboratories and a nursery specialised in research and development, allows us to, not only strengthen our Genetic Improvement Programme, but also bolster research activities for the future.

During the year we continued to strengthen ties with those communities closest to our operations and, despite the pandemic, we were able to carry out different educational and community development projects that you will be able to see in detail in this report.

At the end of the year, the forest fires that affected the areas of Tres Bocas in Río Negro and the axis of Route 90 in Paysandú posed a great challenge. In these circumstances, the commitment of the entire UPM Forestal Oriental

team and its contractors was essential to manage the situation, by working together with the relevant authorities and those affected by the fires.

The next few years will bring growth for our operations and from UPM Forestal Oriental, we double our commitment through responsible and sustainable forestry development.



Álvaro Fitipaldo
Head of Operations
at UPM Forestal Oriental



UPM BIOFORE

We offer responsible, renewable and innovative solutions to move towards a future that goes beyond fossil-based products in six business areas: UPM Fibers, UPM Energy, UPM Raflatac, UPM Specialty Papers, UPM Communication Papers and UPM Plywood. As an industry leader in responsibility, we are committed to the United Nation's Business Ambition for

1.5 °C and to scientifically set targets in order to mitigate climate change. We have around 17,000 employees worldwide and our annual sales reach approximately 9,800 million euros. Our shares are listed on the Nasdaq Helsinki Ltd. Stock Exchange. UPM Biofore: Beyond Fossils www.upm.com

UPM URUGUAY

UPM's operations in Uruguay include the pulp mill in Fray Bentos; UPM Forestal Oriental which supplies the mill with timber and also has two nurseries located in Paysandú; as well as the UPM Foundation.

Through the Development Programme, UPM Forestal Oriental manages around 312,000 hectares of plantable land including its own land and that of third parties. UPM plantations are certified under the international FSC® (Forest Stewardship Council®) and PEFC sustainable forest management standards.

The pulp mill at Fray Bentos began its operations in 2007 and continues to be one of the most modern and efficient factories in the world. Its annual production capacity is 1.3 million tonnes of Eucalyptus pulp. In addition to the production of pulp, the UPM Fray Bentos mill produces energy using biomass. Surplus energy is used in the production of chemicals and by the the national electricity grid maintained by UTE, supplying 8% of Uruguay's power. The

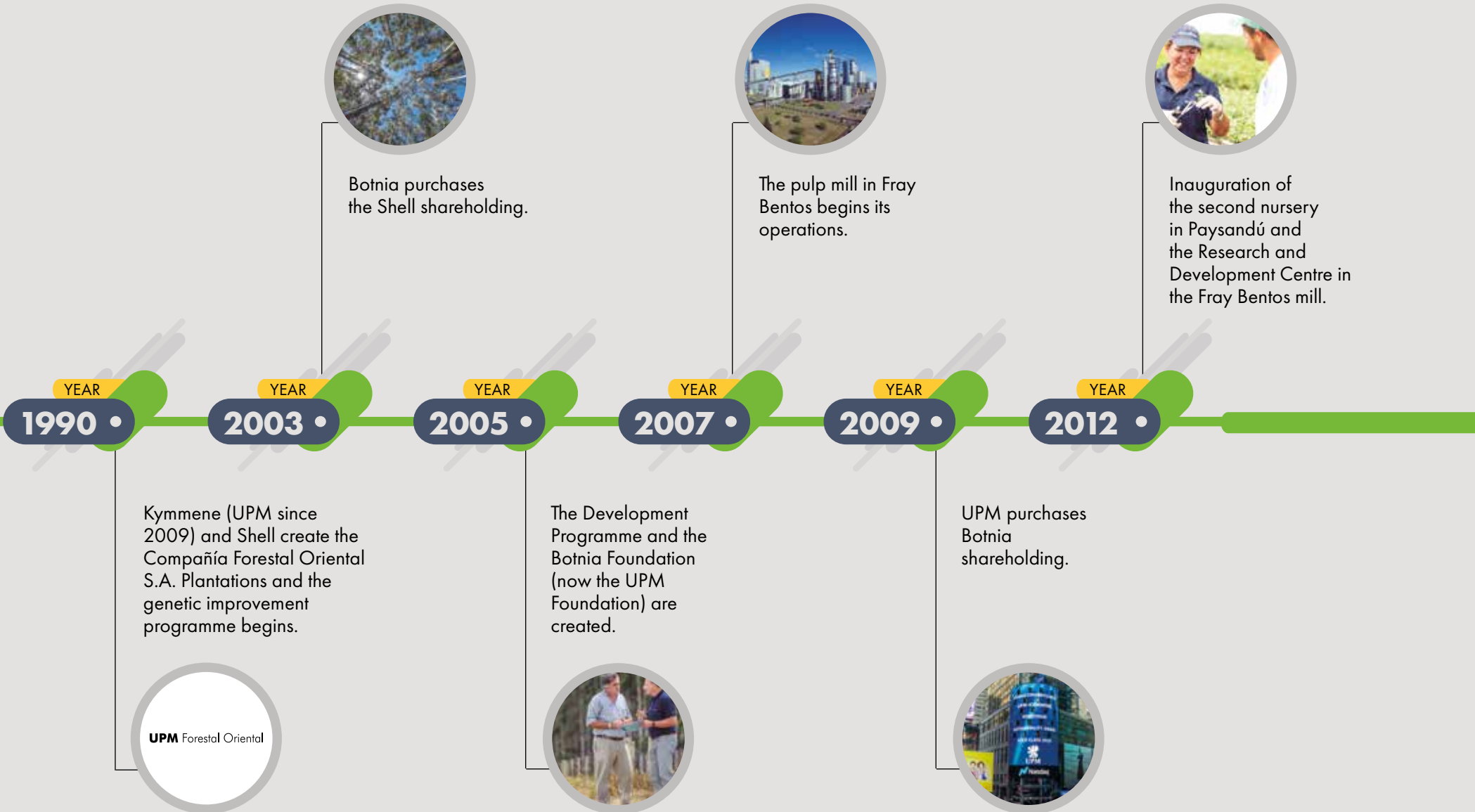
mill's raw materials come from plantations that are sustainably managed. Founded in 2006, the UPM Foundation works in coordination with local institutions and community leaders within its sphere of influence to promote entrepreneurship, improve access to education and promote networking.

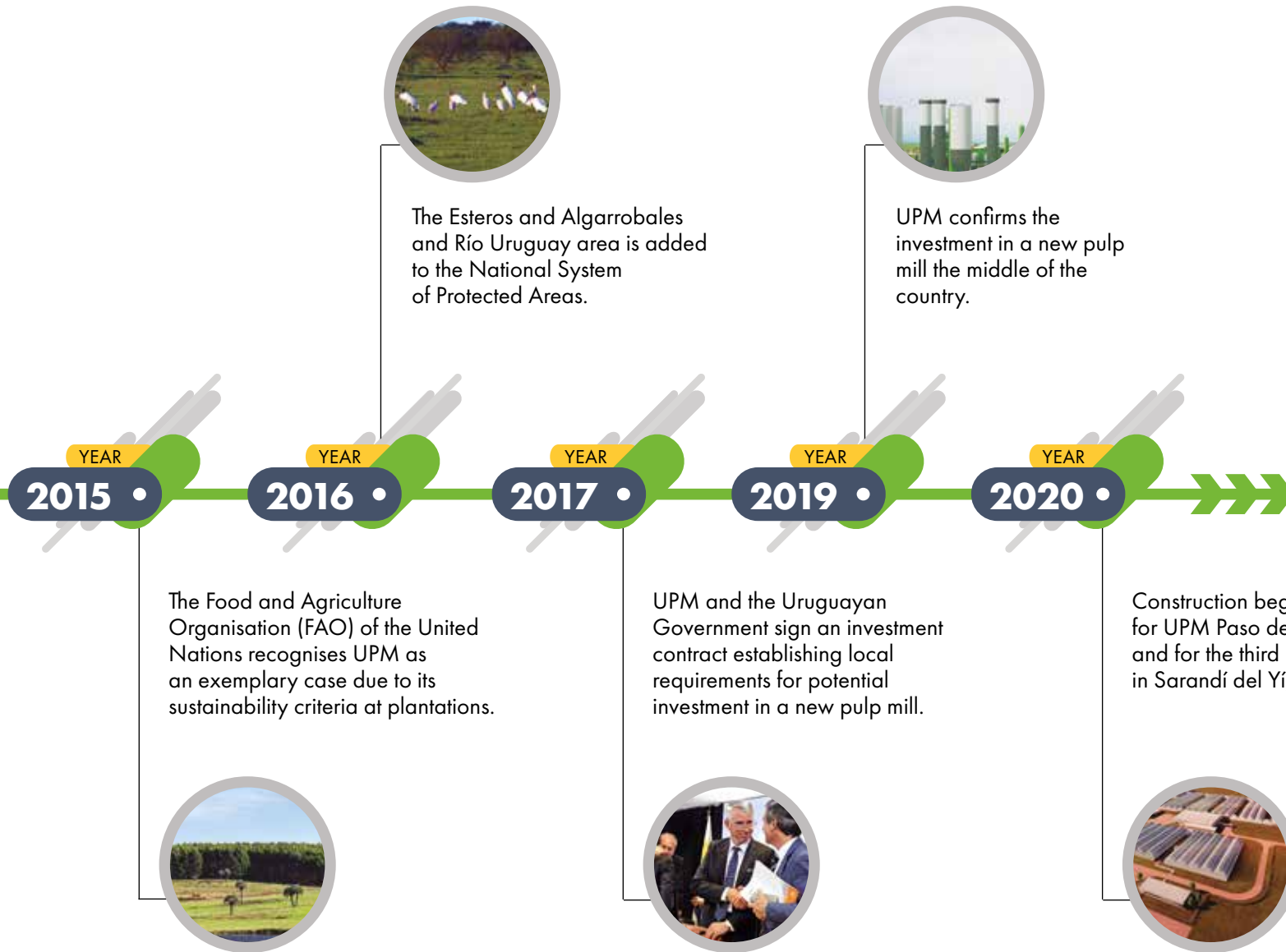
With the new UPM mill in Paso de los Toros, the company and its contractors will create 7,000 direct jobs.

Additionally, the company's operations in the country will create some 10,000 jobs throughout its value chain.

Work continues in the specialised terminal in the port of Montevideo and on the pulp mill in Paso de los Toros, which is expected to begin operations in the first quarter of 2023.

UPM'S HISTORY IN URUGUAY





UPM **BIOFORE** BEYOND FOSSILS 

UPM FORESTAL ORIENTAL

OUR MAIN OBJECTIVE

The main forestry management objective is the sustainable production of timber to manufacture pulp, primarily meeting the demand of the Fray Bentos and Paso de los Toros mills with timber from the company's own plots and those of third parties.

STRATEGIC OBJECTIVES

Creating value for society – whether through sustainable products or responsible operations – is an integral part of UPM's strategy. The company's strategy is based on the use of timber in all forms, bringing together the biological and forestry industries to create a future without fossil fuels that has innovation, an efficient use of resources and responsibility as central axes. This strategy acknowledges some of the biggest challenges the world is facing today, including resource scarcity, climate change, loss of biodiversity and use of water.

In order to guide the company's corporate responsibility policies, UPM defined a set of goals and performance indicators for 2030 across three areas: economic, social and environmental responsibility. The targets are reviewed annually and the results are published in UPM's global Annual Report.

The company's strategy, vision and values guide and motivate us to achieve these challenging goals that, at the same time, contribute to several of the United Nations Sustainable Development Goals (SDGs).

At UPM Forestal Oriental, we frame our strategic objectives across these three areas of responsibility:

AREAS OF RESPONSIBILITY:



ECONOMIC RESPONSIBILITY

- Create value for our shareholders, ensuring the efficient use of resources
- Ensure competitiveness in the supply chain by continuously incorporating new features and improvements
- Responsible production and consumption
- Good business practices (decision making, management and operations), as well as responsible practices
- Promote long-term relationships and open collaboration with suppliers, especially those that are key to our operations
- Ensuring compliance with our Code of Conduct throughout our value chain



SOCIAL RESPONSIBILITY

- Develop a strong organizational culture and a place of work that guarantees a diverse and inclusive environment, which are key to business success
- Ensure the health and safety of our employees, contractors and local communities closest to our operations
- Ensure our team's continuous learning and development of skills and abilities
- Promote responsible leadership based on values and integrity
- Ensure the commitment and active involvement of third parties in our operations, as well as promoting local development
- Ensure fair working conditions in compliance with local regulations and applicable international standards



ENVIRONMENTAL RESPONSIBILITY

Sustainable operations, continuous improvement and open communications are an integral part of all UPM activities

- Guarantee the sustainable and responsible use of natural resources
- Maintain and enhance biodiversity
- Promote circular economy initiatives
- Ensure forest ecosystem services and climate-positive forestry
- Design solutions that consider the product's entire life cycle



LEARN MORE ABOUT UPM'S
PERFORMANCE IN EACH
RESPONSIBILITY OBJECTIVE



MISSION

To ensure the sustainable supply of timber for pulp through good customer relationships at a competitive cost.



COMMITMENT

UPM Forestal Oriental respects people and the environment, and aims to build long-term, mutually beneficial relationships with communities. Social development forms part of all its actions, aiming to contribute towards the growth and development of the communities within its sphere of influence.



VALUES

UPM Forestal Oriental's attitude towards work and people is defined by its values as a company:

- Trust and be trusted
- Achieve together
- Innovate with courage

UPM CODE OF CONDUCT

UPM aspires to be a trusted business partner and believes that responsible and ethical practices create long-term value for both the company and other stakeholders. UPM has expressed its commitment to integrity in the Code of Conduct. Our guiding principle is that we do not compromise our standards of integrity under any circumstances and we expect the same from our third-party vendors and intermediaries.

All UPM suppliers and intermediaries must comply with the standards set out in the UPM Code for Suppliers and Third-Parties or demonstrate compliance with similar standards defined in

their own codes of conduct or company policies. This code defines a minimum threshold for performance that UPM requires from all its suppliers. There are additional requirements for certain materials and services. The code is based on the United Nations Global Compact Initiative, the United Nations Guiding Principles on Business and Human Rights, and the International Labor Organization Declaration on Fundamental Principles and Rights at Work:



1. Commitment to integrity
2. Respect for people and human rights
3. Concern over the environmental impact and the safety of the products
4. Zero tolerance against corruption and bribery
5. Business transparency
6. Compliance with antitrust legislation
7. Protection of information and assets
8. Familiarity with business partners
9. Interaction with stakeholders and society
10. Compliance is everyone's business



UPM CODE
OF CONDUCT



UPM CODE
FOR SUPPLIERS
AND THIRD-PARTIES

PROCEDURE FOR REPORTING INAPPROPRIATE BEHAVIOURS

At UPM we are all responsible for supporting the company's standards for integrity and ethics. If we suspect inappropriate behavior, we must speak up and report it. We should also listen to other people's concerns. We want to address issues in order to rectify them in a timely manner and prevent them from happening again.

All employees must immediately report any suspicion or observation of non-compliance with the law, the UPM Code of Conduct or other corporate policies, by following established internal procedures.

Anyone can use UPM's Misconduct Reporting Channel, which is available online and in

more than 40 languages. Reports can also be made anonymously by calling **0004044014** from Uruguay and entering the access code 39864 or by email reportmisconduct@upm.com



SEE THE
PROCEDURE



MISCONDUCT
REPORTING
CHANNEL

UPM Forestal Oriental will carefully review all misconduct reports, which will be kept strictly confidential to the greatest extent possible.

INTEGRATED MANAGEMENT SYSTEM

UPM Forestal Oriental operates using an Integrated Management System (IMS), which organises internal processes and creates a decision-making model based on records, measurements, and supplier integration. In this way, a continuous improvement system can be implemented.

The IMS includes and consolidates in a single workflow all plans, methods, actions and inspections for the following systems:

- Quality Management Systems (ISO 9001:2015)
- Environmental Management Systems (ISO 14001:2015)
- Occupational Health and Safety Management Systems (ISO 45001:2018)
- Forest Management (FSC® and PEFC)
- Chain of custody (FSC® and PEFC)

This ensures compliance with the highest quality, safety and occupational health and environmental standards.

FORESTRY OPERATIONS ARE GUIDED BY THREE MAIN PROCESSES:



READ THE INTEGRATED
MANAGEMENT
COMMITMENT

CERTIFICATIONS

Achieving and maintaining long-term certification involves applying policies, standards and working procedures that enable the protection, monitoring and maintenance of all of the company's resources and operations. Forestal Oriental makes public its commitment to long-term adherence to the FSC® Principles and Criteria for the Management Unit and related FSC® Policies and Standards.

2015

Third FSC® recertification for an additional five-year period, confirming the responsible management of environmental, social and productive natural resources.

Forestal Oriental manages a group certification scheme (UPM Forestal Oriental Certification Group, SGS-FM/COC-002240) that includes small and medium-sized producers from Cerro Largo, Colonia, Durazno, Lavalleja, Maldonado, Paysandú, Río Negro, Rocha and Treinta y Tres.



La marca del
manejo forestal
responsable

The **Forest Stewardship Council®** is an international organisation whose aim is to promote responsible, socially beneficial and economically viable environmental management of the world's forests by establishing a global set of recognised and respected principles and criteria. Through its working methods and in accordance with FSC®, UPM Forestal Oriental favours the maintenance of ecosystem and biodiversity functions, contributes to the country's scientific expertise and provides education on environmental conservation.

2011

Forest Management Certification, UNIT 1152 standard, recognised by PEFC.



The **Programme for the endorsement of Forest Certification (PEFC)** is an international non-governmental organisation dedicated to the promotion of sustainable forest management through independent certification of the implementation of stringent environmental, social and ethical standards. The PEFC is a certification scheme that, rather than having a single standard for sustainable forest management applicable to all countries or regions, recognises and validates the standards developed by each country. To do this, it has a series of requirements regarding how the standard should be developed, the central aspects that must be taken into account, and the environmental, social and legal compliance parameters that must be considered.

2009

Integrated certification of all processes: quality (ISO 9001), environmental (ISO 14001), and occupational health and safety (ISO 45,000).

UPM FORESTAL ORIENTAL CERTIFICATION GROUP: FSC - C022008

MAP OF CERTIFIED AREAS

TOTAL AREA WITH FSC®
CERTIFICATION
(SGS-FM / COC-000606):

359,702 ha.

TOTAL AREA WITH
PEFC CERTIFICATION
(UY11 / 20080091):

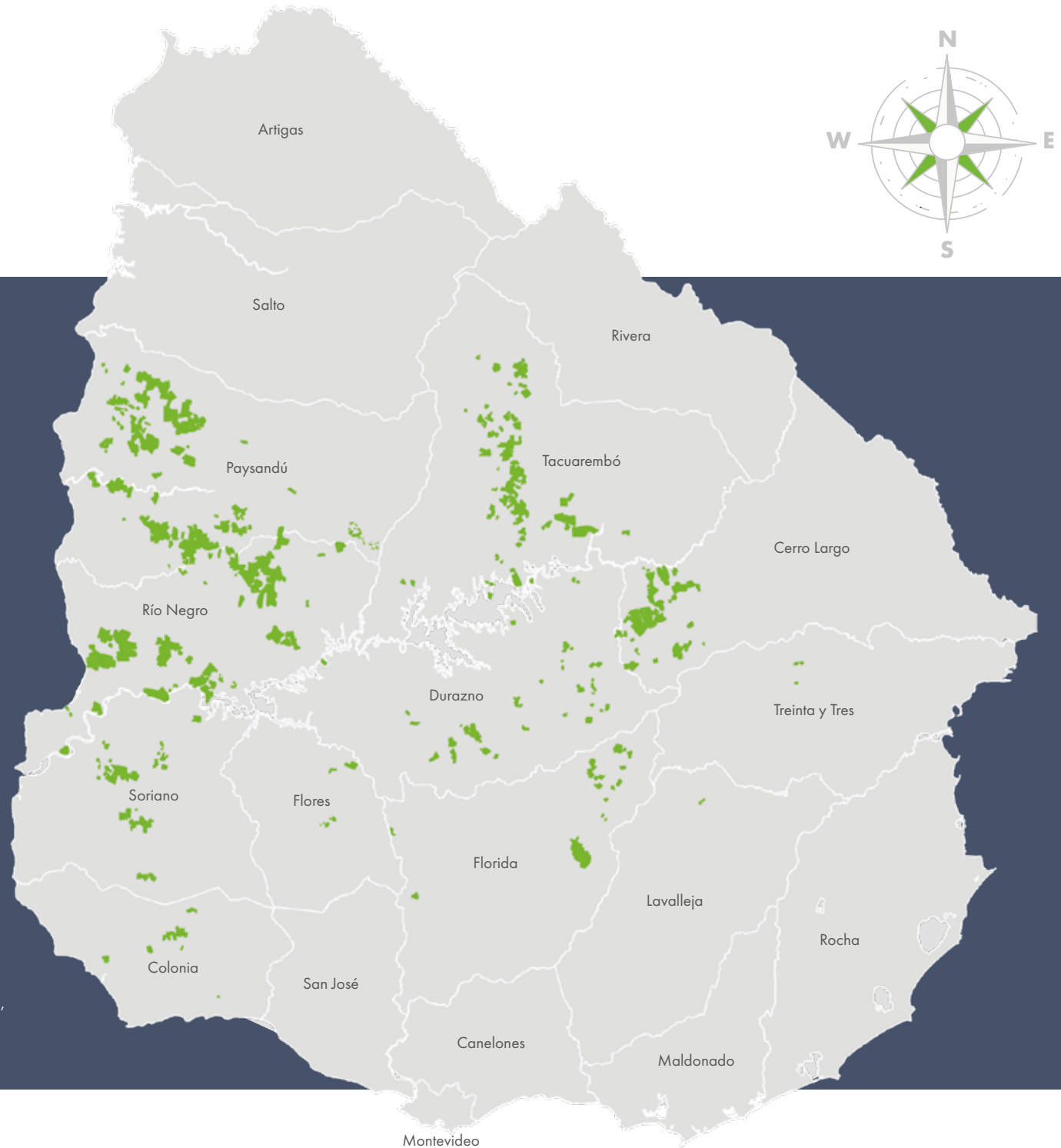
359,702 ha.

TOTAL AREA WITH FSC®
CERTIFICATION FROM
THE UPM FORESTAL
ORIENTAL GROUP
CERTIFICATION SCHEME*
(SGS-FM / COC-002240):

9,550 ha.

CERTIFICATION NUMBER: FSC-C020173

*UPM Forestal Oriental manages a group certification scheme (FSC®-C022008) certified by the Forest Stewardship Council®. Called Forestal Oriental Certification Group, SGS-FM/COC-002240, involves small and medium-sized producers who wish to guarantee the sustainable management of their forests.



ASSETS

Forestry assets are the basis for the sustainability and competitiveness of the activities on which the supply strategy for the Fray Bentos and Paso de los Toros pulp mills is planned.

LAND USE

Prior to each intervention, company specialists study the biophysical environment, as well as social and cultural resources in the immediate surroundings. This allows them to assess the effect that the intervention may have and plan activities that respect and preserve environmental conditions. The primary objective of planning is to identify the most appropriate use of the land, and to preserve biodiversity, soil and water quality, which are vital for the sustainability of long-term forestry activities. At UPM, we do not turn native forests into plantations nor do we use them for other non-forestry related activities.



AREAS INTENDED FOR FORESTRY PRODUCTION

Suitable for the growth of Eucalyptus plantations in line with land management criteria as determined by regional and national legal regulations.



AREAS INTENDED FOR THE CONSERVATION OF SPECIES AND ENVIRONMENTS

Areas that have native ecosystems that are relevant to the conservation of environments or species (e.g. native forests, natural fields, sandbanks, grasslands) and other areas of importance for conservation work (riparian areas, buffer zones, etc.). This also includes sites of archaeological or historical-cultural value and visual basins, among others.



OTHER NON-PLANTED AREAS

Includes infrastructure areas (such as roads and service areas), firebreaks and other areas surrounding plantations that have alternative uses.

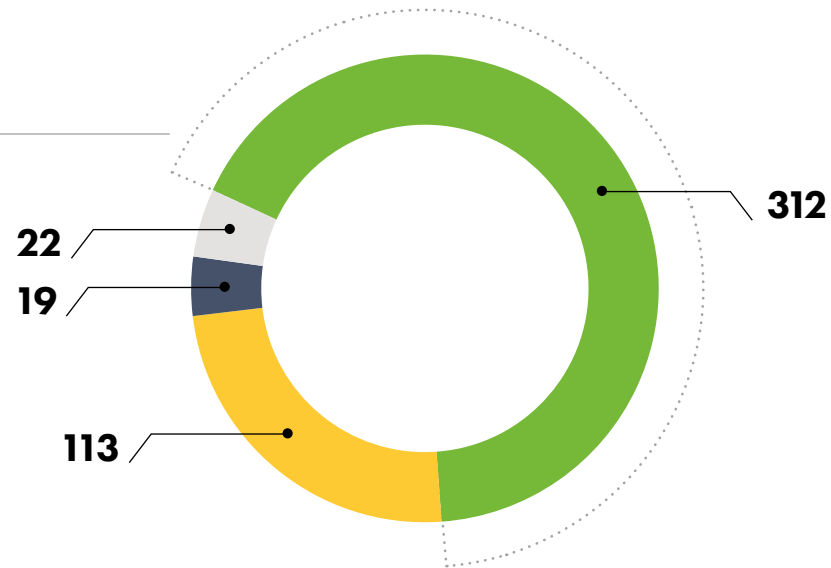
Our team of supervisors permanently reviews and monitors our operations and, among their primary responsibilities, is the control of illegal or unauthorized activities.

AREA DEPENDING ON OWNERSHIP (THOUSANDS OF HA.)

TYPE OF OWNERSHIP	TOTAL SURFACE	PLANTABLE SURFACE
Owned	305	182
Development Programme	161	130
Total	466	312

TOTAL SURFACE DISTRIBUTION DEPENDING ON USE (THOUSANDS OF HA)

- Plantable surface
- Natural fields and other areas
- Native forests and other natural ecosystems
- Infrastructure



OUT OF THE LANDS OWNED BY UPM FORESTAL ORIENTAL:



60%

AREAS INTENDED FOR PRODUCTION

40%

AREAS INTENDED FOR THE CONSERVATION OF SPECIES, CATTLE RAISING AND INFRASTRUCTURE

MAIN SPECIES FOR PLANTATION

The species *Eucalyptus grandis* and *E. dunnii* have shown better and greater adaptability to local conditions (type of soil, risk of frost and drought, etc). Good adaptability to the edaphological and climatic conditions of the area allow the favourable growth of plantations and their good sanitary condition. There are also areas that are planted with other species that, while negligible due to the small area they occupy, are also included in the company's operational plans.

The selection of tolerant/resistant genotypes is one of the priorities of the Genetic Improvement Programme. Materials with greater sensitivity to pests and diseases are discarded and only those with the most resistance are planted commercially. These materials, selected during their commercial phase, are monitored throughout their growth and development from the production of the plants in the nursery to their harvest.

An integrated management of pests and forestry systems is

implemented with the main objective of minimizing the use of chemical pesticides, thus ensuring optimisation in line with the main objectives of the management plan.

UPM's sanitary monitoring programme has the following main objectives:

- Detect and report new pests and diseases
- Assess their impact and evolution of those already existing in the country and the region
- Test alternative control methods and evaluate their effectiveness in coordination with other private and public entities, if applicable.
- Continuous monitoring of the effects caused by climatic factors (frost, wind, fire, drought, etc.).

With the information recorded, we generate reports that feature the main sanitary, climatic or



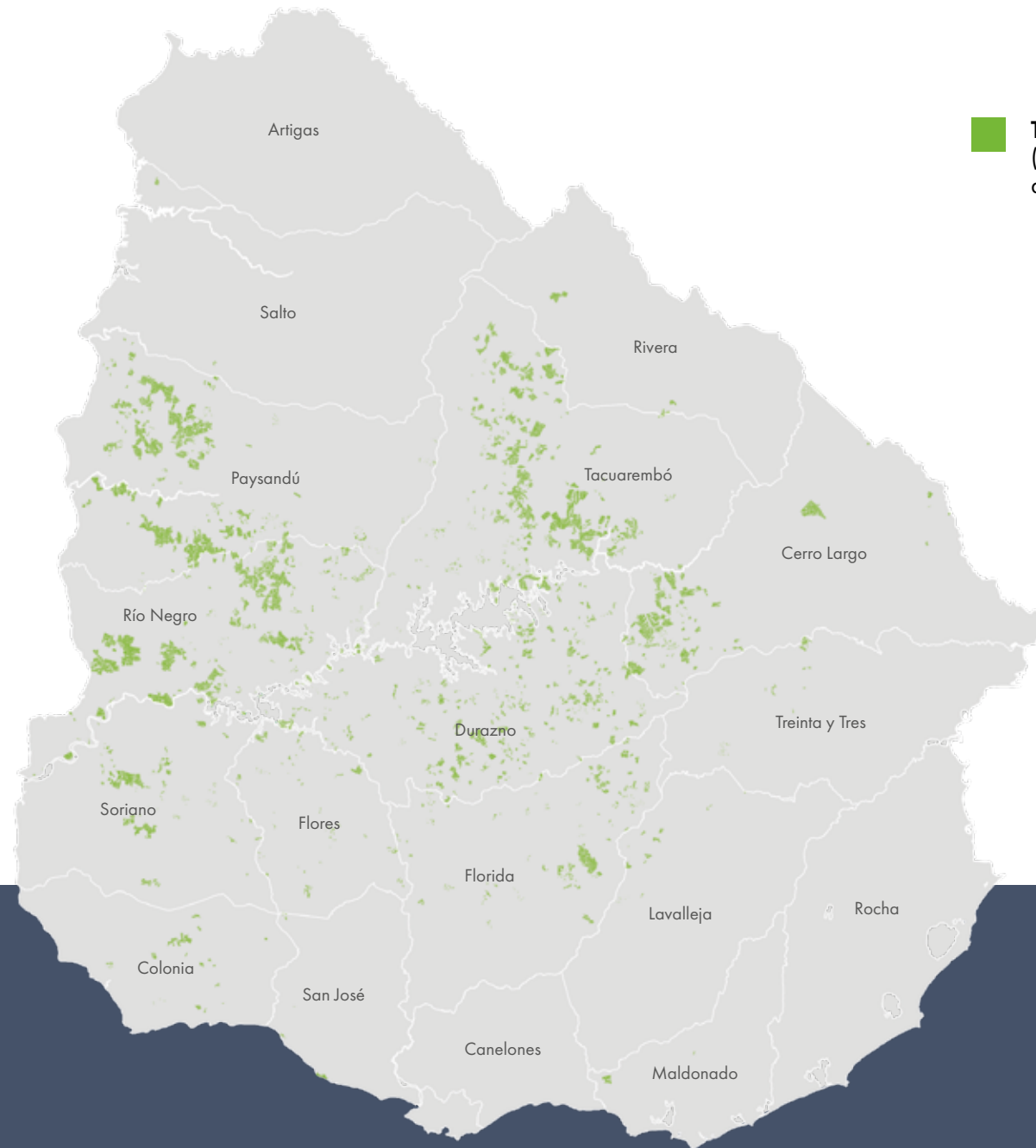
alternative problems affecting plantations, which is an important source of information for decision-making as it pertains to the management and handling of affected areas.

During 2021, the results obtained were within the expected range. The biggest impact was recorded during the planting phase, which resulted in a 9% rate of total replacements as a result of pests and/or diseases.

As part of the Regional Plan of biological surveillance and control of the COSAVE Eucalyptus bug, biological control agents have been released following the MGAP guidelines. There have been no adverse effects detected on environmental values.

PLANTED AREA DEPENDING ON SPECIES (THOUSANDS OF HA.)

	EUCALYPTUS AND PINES	OTHERS	TOTAL
Owned	172	2	174
Development - Lease	123	0	123
Total	295	2	297



Total plantable area
(includes owned
and development)

ENVIRONMENT

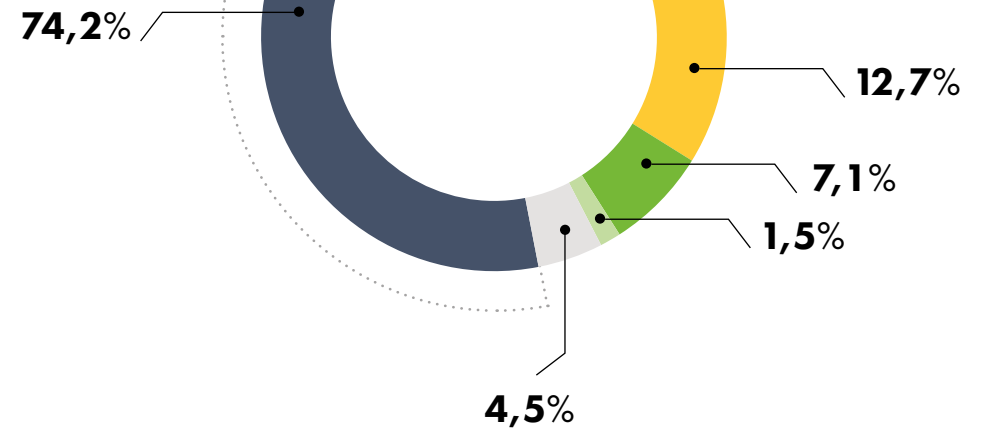
BIOLOGICAL DATA

Environments

Natural environments in a region or area are the result of the interaction between various factors, such as climate, geology, soil, flora and vegetation, and vary based on these factors. For classification purposes, UPM Forestal Oriental uses a methodology based on satellite imaging, information regarding soil class and digital terrain models. Environments are classified according to their degree of vulnerability, facilitating management and conservation. The internal and external connectivity between environments is also analysed more naturally, as are the location and size of the company's reserve areas.

DISTRIBUTION OF THE KINDS OF ENVIRONMENTS IN NON-PLANTED AREAS AND BODIES OF WATER:

- Natural grasslands
- Native Forests
- Stony areas
- Firebreaks
- Others



GEOCLIMATIC DATA

Geology

Plantations on the West Coast are primarily located on the following geological formations: Guichón, Mercedes, Asencio, Salto and Fray Bentos. In turn, those located on central and northern areas of the country do so on the Tacuarembó, Cuchilla del Ombú, San Gregorio, Melo, Yaguarí, Tres Islas and Pre-Devonian formations.

Soil

The plantations fall mainly into the following groups and soil classes (according to the classification by the National Commission for the Agronomic Study of the Earth (CONEAT)):

- 9,1 (Argisols)
- 9,3 (Argisols and Planosols)
- 09,3 (Argisols and Brunosols)
- 7,32 (Luvisols)
- 2,12 (Brunosols and Argisols)
- 8,8 (Luvisols and Acrisols)

Hydrology

According to the current predominant classification (Decree 253/79) the company's forest management unit watercourses are Class 3: "water intended for the preservation of fish in general and other water flora and fauna, or the irrigation of crops whose product is not consumed in natural form or, in cases where it is consumed in natural form, the irrigation system does not water the product".

**Within UPM Forestal
Oriental's assets
there are:**

1,292 Km
OF WATERWAYS



TEMPERATURE

Daily average:
12°C to 25°C



RAINFALL

Annual average: 1,300 to 1,400 mm
depending on the area



119

STREAMS

162

CREEKS

6

RIVERS

COMMUNITY RELATIONSHIP

UPM Forestal Oriental operates in five regions spread across the departments of Cerro Largo, Colonia, Durazno, Flores, Florida, Lavalleja, Paysandú, Río Negro, Rivera, Rocha, Salto, Soriano, Tacuarembó and Treinta y Tres.

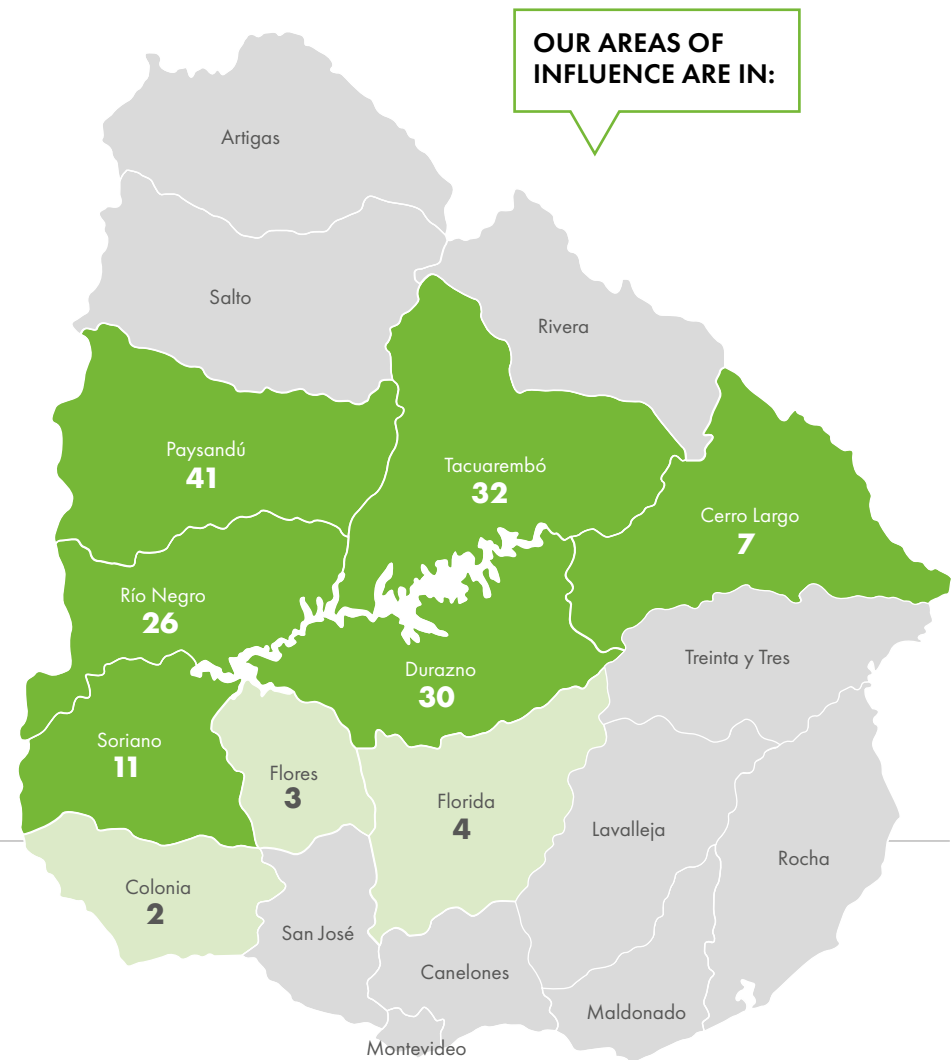
Across every region we identify and work together with communities within our sphere of influence in each region. In other words, we work with the communities that are connected to the company's activities in some operational or environmental way. We annually review the planning of operations (planting, harvesting, loading and transportation, among others) and identify the affected areas and activities taking place accordingly. We then work to involve the communities to mitigate, reduce and accommodate such activities.

The potential negative impacts that have been identified in the communities are: transportation of timber; use of chemicals; and changes in the landscape, among others.

To reduce the areas of negative impact, which are identified and classified in a matrix based on area and activity, we put into action different initiatives that are evaluated on a case by case basis and are in direct contact with all parties involved. For example, in order to manage the transportation of timber that goes through through certain communities, we put out radio announcements on local media stations with information related to routes and dates, in addition to the measures included in our extensive Road Safety Programme, which is detailed in the Safety chapter.



LEARN ABOUT OUR 150+ AREAS OF INFLUENCE:



Communities are classified according to:

- **Size**



To date, the communities with which we work are distributed as follows: **82% in category 4; 10% in category 2; 6% in category 3; and 2% in category 1.**

In addition, Fray Bentos and Paso de los Toros are considered areas of influence that have more than 10,000 inhabitants.

- **Forestry activity nearby**

This characterization is updated annually according to forestry activities

Permanent: neighbouring communities less than 5 kilometres away from forestry operations in lands under company management and/or with frequent operational activities.

Specific: communities with operations nearby only for a short period of time.

Permanent involvement with communities, as well as social monitoring, are essential sources of input for the preparation of the company's annual work plan and strategic definitions. For this we carry out different activities, including:





Continuous communication with communities

Contact and active involvement between the UPM team and local communities encourages interaction and gives us the opportunity to receive complaints, comments or suggestions that are taken into consideration by the company as a valuable input for the continuous improvement of the entire forestry chain.

All complaints or suggestions received by different interested parties regarding different aspects of our operations must be registered as management monitoring by using the corresponding standards.

In 2021 there were 31 complaints and suggestions registered, which were sorted into different categories: state of fences, roads, transportation activities, animal handling, and waste management, among others.

Each one of these concerns was processed individually and followed-up by involving the different participants in order to be able to reach an agreed upon solution. All reported issues have already been resolved.

In addition to receiving complaints face-to-face throughout our tours and visits, people can leave their comments in our offices or various communication channels.



DISPUTE
RESOLUTION
PROCEDURE

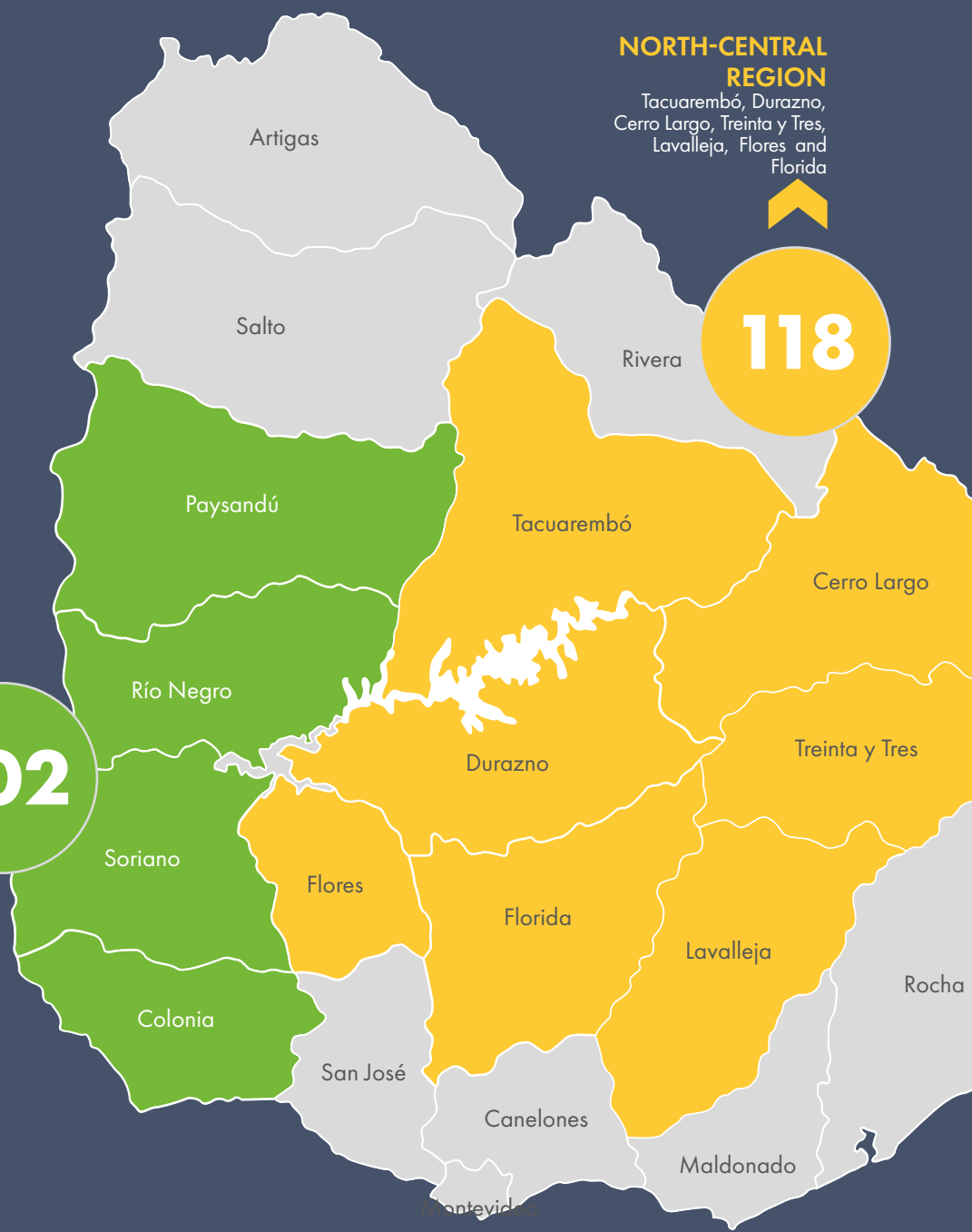
2021 ACTIVITIES

COASTAL REGION ➔
Soriano, Río Negro, Paysandú, Colonia

102

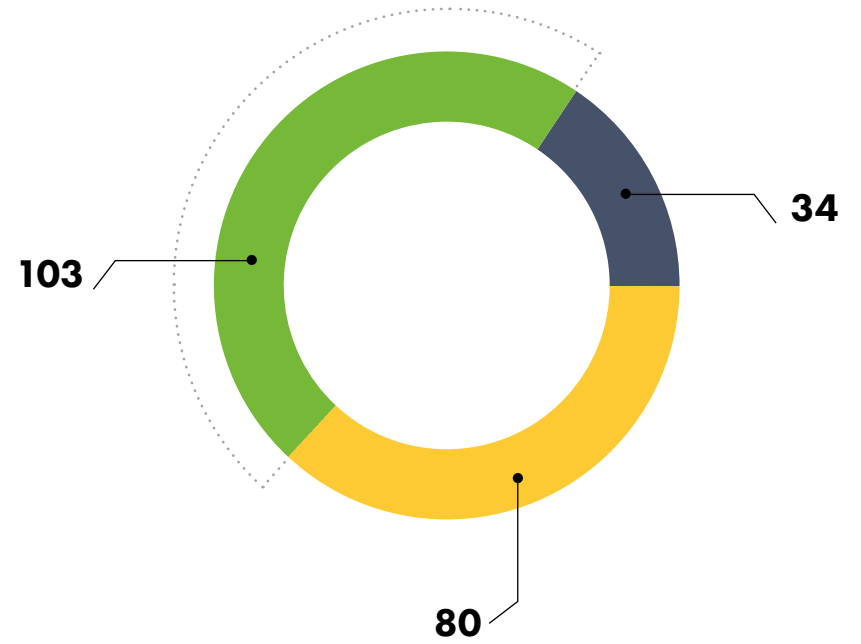
NORTH-CENTRAL REGION
Tacuarembó, Durazno, Cerro Largo, Treinta y Tres, Lavalleja, Flores and Florida

118





ACTIVITIES DEPENDING
ON SCOPE



- Activities with local representatives
- Community activities
- Activities within the UPM Foundation framework

UPM FOUNDATION



GROWING TOGETHER IN THE INTERIOR **FUNDACIÓN UPM**

The forestry sector requires strong communities that guarantee better opportunities and services, and also promote a sense of belonging and encourage the settlement of people. So, for over sixteen years, the UPM Foundation has been working together with more than 150 communities in the interior that are close to UPM's operations, becoming a benchmark for local development.

We promote the development of communities by maintaining a daily relationship, working together and identifying opportunities. To do so, we work together with leading partner organisations in different areas with the aim of generating quality and innovative projects.

WHAT DO WE DO?



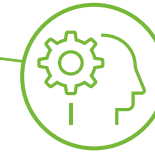
WE ENCOURAGE

ENTREPRENEURIAL SPIRIT
AND LOCAL DEVELOPMENT



WE PROMOTE

NETWORKING BETWEEN
LOCAL PLAYERS AND OUR
PARTNER ORGANISATIONS



WE ADVOCATE

FOR PERSONAL DEVELOPMENT,
OFFERING TRAINING AND
LEARNING OPPORTUNITIES

HOW DO WE DO IT?

ANNUAL CALL

We hold an annual call for projects in order to select the most innovative proposals that contribute to our educational and community development goals.

OPEN DIALOGUE

Our team works together with local leaders, listening to the communities. Being this involved allows us to identify opportunities, make commitments and implement projects.

IMPACT 2021

THE UPM FOUNDATION SUPPORTS THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDG)

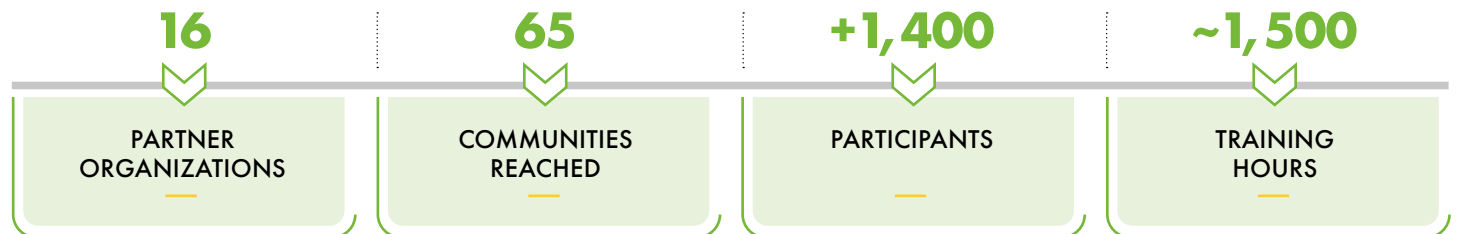
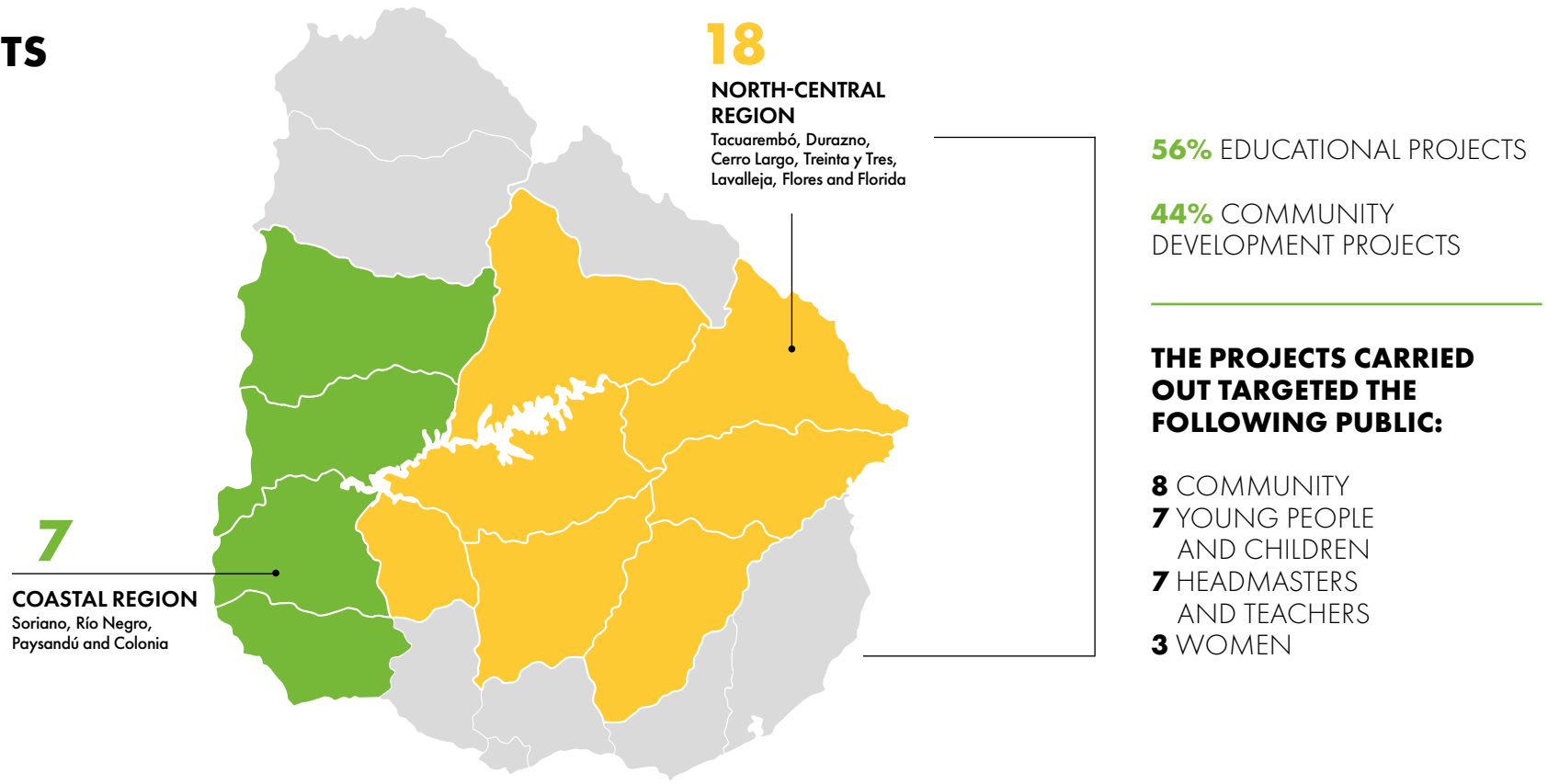


IN 2021, DERES URUGUAY recognised the best business practices that contribute to the UN's Sustainable Development Goals. The UPM Foundation received two awards for "Communities that protect: prevention of sexual exploitation of children and teenagers", a project that we have been implementing in the area surrounding our new plant in Paso de los Toros together with NGO El Paso, and for having awarded scholarships to more than 100 teachers to complete a Diploma in Learning Difficulties for Teachers and Educators offered by the Catholic University of Uruguay, which we promote in different communities of the interior.



LEARN MORE
ABOUT UPM'S
CONTRIBUTION
TO THE SDG

25 PROJECTS EXECUTED IN 2021





IN 2021 WE HAD OVER 100 PUBLIC HIGH SCHOOL TEACHERS IN THE INTERIOR WHO, with scholarships granted by the UPM Foundation, graduated from the Postgrad in Curriculum and Assessment. The course, offered by the Catholic University of Uruguay, and endorsed by the Ministry of Education and Culture, aims to provide teachers with new tools to improve curricular

planning, learning assessment, development of innovative teaching methodologies and incorporation of digital technology in the classroom.

The educators who graduated teach across public institutions in Fray Bentos, Nuevo Berlín, Sarandí del Yí, Carlos Reyles, La Paloma, Villa del Carmen, Capilla del Sauce, Illescas, Guichón, Paso de los Carros, Quebracho, Lorenzo Geyres,

Merinos, Grecco, Piñera, Orgoroso, Sarandí de Navarro, Paso de los Toros, San Gregorio de Polanco, Achar and cities in Paysandú, Florida, Tacuarembó and Durazno.

Analía Olivera, one of the teachers who graduated from Tacuarembó, said that she enrolled in the postgrad course “because it offered the opportunity to be able to attend classes while being in the interior, in my own city, in addition

to a specific interest in the topic, and in that sense, it surpassed my expectations”. She also highlighted that “in the interior, at the time of enrolment, the option to pursue a postgraduate degree was tied to being available to travel to the capital. Although this has changed thanks to widespread virtual opportunities, higher costs make these opportunities, that are essential for the complete education of teachers, less available”.

EDUCATIONAL PROJECTS

SOCIAL ORGANIZATION	PROYECT	OBJECTIVE
Jóvenes Fuertes	Leaders in Positive Education	Development of skills in Positive Psychology for local leaders
Catholic University of Uruguay	Diploma in Written Language	Training in reading and writing learning processes
	Learning Difficulties	Training teachers in learning difficulties
	Postgrad in Curriculum and Assessment	Postgraduate course for teachers qualified in learning methodologies
	Diploma in Curriculum and Assessment	Diploma for teachers not qualified in learning methodologies
Varkey Foundation	Course in Leadership and Educational Innovation	Training for headmasters and teachers in educational management methodologies
Sophia Foundation	Early childhood training	Training for teachers and educators in early childhood
Uy Robot	Young Inventors	Promote learning in STEAM (Science, Technology, Engineering, Arts and Mathematics)
Orientando Orientales	Orientando Orientales	Vocational guidance for high school students
DESEM Jóvenes Emprendedores	Paving the way in Rural Communities	Road education for rural school children

COMMUNITY DEVELOPMENT PROJECTS

SOCIAL ORGANIZATION	PROYECT	OBJECTIVE
Uy Robot	Labhum San Gregorio	Tech lab for the strengthening of entrepreneurs
América Solidaria	ConCausa	Promote youth community participation
Bio Uruguay	Rural leaders in action	Promote productive family enterprises
CeprodiH	Cerámicas Blanquillo	Strengthening local businesses
Agua Segura	Active Communities	Improving access to drinking water
Kolping Institute	English – Customer Care	English lessons and customer service training
Alianza Uruguay	English – Basic	English lessons
Desarrollo Educativo	Digital Literacy	Training in digital tools
Prof. Isabel Knappe and Daniela Ungo	Creating Encounters	Strengthening women to promote participation in the workforce
National Sports Secretariat	Rowing Paso de los Toros	Promote water sports among children and young people
UPM Foundation	Buss for Arévalo	Donation of a bus to drive teachers and students
	Prodema Classroom	Creation of a digital classroom to promote local training
	Casa Joven Classroom	Creation of a digital classroom to promote local training
	Rural Polyclinics	Donation of medical equipment to strengthen rural polyclinics
	Piedras Coloradas Ambulance	Donation of an ambulance for the Piedras Coloradas polyclinic

OUR TEAM

The development of people and skills form the basis for achieving UPM's objectives. To this end, we have set up certain tools that allow us to identify development needs in human resources, taking into consideration economic, operational and social sustainability. These tools are aimed at our own employees and contractors, as well as residents in the communities surrounding our operations. We trust our people and are proud to have a passionate team filled with energy and positive spirit. These attributes are present in every goal we set

for ourselves and in the care expressed when doing what we do. We are the place to be for those who value lifelong learning and want to work in a growing industry. We believe that innovation requires constantly searching for different perspectives, having an open mind and learning from others. For this reason, we constantly provide opportunities for the personal and professional development of our team.

IN 2021 OUR TEAM WAS COMPRISED OF:





EQUITY AND GENDER POLICIES

UPM Forestal Oriental is driven by UPM’s global equity and gender policies. In Uruguay, different behaviours and mechanisms are promoted to guarantee equity and gender throughout the entire operation:

Our Code of Conduct

It is a part of the core values and ethical standards that drive our actions. Our Code of Conduct and our values support a stimulating work environment and help us navigate the changing business landscape. This forms the basis for the success of our operations. An important part of our integrity culture is that employees feel comfortable raising any concerns they may have and know that they can trust UPM to take appropriate action. We are all responsible for building this culture of integrity with everything we do and every decision we make. Each person must understand the Code of Conduct and use it as a compass to guide day-to-day work.

All our employees regularly participate in Code of Conduct training because at UPM: every choice matters.

Through our Code of Conduct we promote an inclusive work environment and we do not tolerate discrimination based on race, age, nationality, gender or sexual orientation.

At Forestal Oriental we want to guarantee team leadership based on values such as diversity and inclusion. We understand Diversity & Inclusion as a key tool to make differences between people such as gender, age, race, sexual identity, ways of thinking, experience, skills and background, help create an environment that’s conducive to better decision making. The most diverse and inclusive companies have more skills to innovate and build work spaces where everyone feels part of the team and can solve problems in a more agile and flexible way, thus ensuring business success.

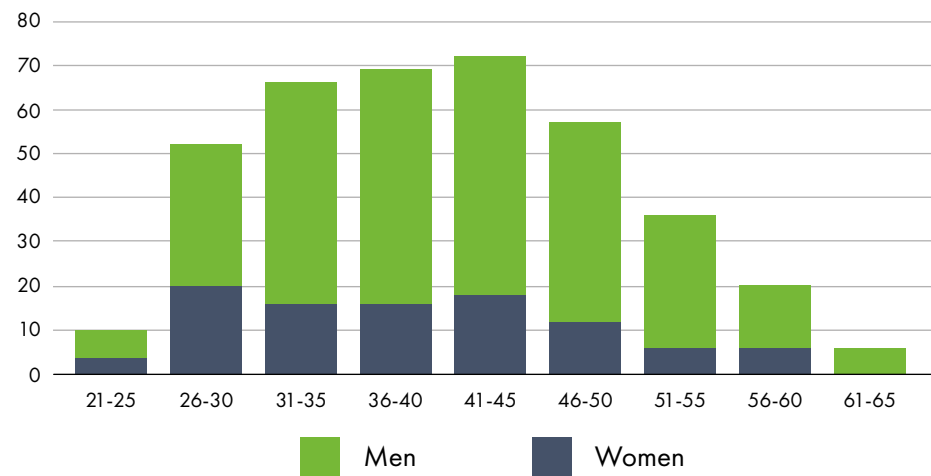
In 2021, we held more than 10 workshops for all employees across our operations in Uruguay where we work and share on Diversity & Inclusion. More than 200 people from all our operational processes in forestry operations participated in the workshops.

Our job opportunities are open to everyone

When promoting our open calls, we always communicate that all our calls include candidates registered in the National Registry of Persons with Disabilities (LAW 19,691), who meet the conditions and are suitable for the position.

CREATING QUALITY EMPLOYMENT IN THE INTERIOR OF THE COUNTRY

OUR TEAM BY AGE AND GENDER



IN 2021

28 ➤ **JOB OPPORTUNITIES**
WERE PROMOTED ACROSS OUR WEBSITE, SOCIAL MEDIA, AND OTHER MEDIA OUTLETS IN THE INTERIOR. MORE INFORMATION ABOUT OUR JOB OPPORTUNITIES: WWW.UPM.UY/EMPLEO/

32 ➤ **NEW PEOPLE JOINED THE TEAM**
12 WOMEN AND 20 MEN
FROM: **28** FROM THE INTERIOR
4 FROM MONTEVIDEO

38 ➤ **INTERNAL AND EXTERNAL TRAINING ON TOPICS SUCH AS:** SECURITY, DIVERSITY & INCLUSION, ENGLISH, ENVIRONMENT, COMPUTER TOOLS, WORKER'S RIGHTS AND OBLIGATIONS, AND CERTIFICATIONS, AMONG OTHERS.





THE COMPANY IS IN A STAGE OF OPERATIONAL GROWTH and, in this context, the team has been expanding with new additions. As part of the induction process for new members, we implement a programme that we call the “Forestry Academy”. This is

a moment of learning about the company and delving into our processes, as well as learning about the entire forestry production chain so that new talents can also create strong links with other members of the team. These members participate as instructors in these instances,

thus introducing new additions faster to the new challenges they will have to face.

In 2021 we hosted more than 1,700 hours of training under this programme that wrapped up in 2022 with two additional modules. In the academy, leaders

from all areas introduced their teams, objectives, monitoring indicators, main activities and future challenges. We plan to maintain this programme throughout 2022 to support the new members that we’re planning to incorporate in the next year.

RELATIONSHIP WITH SERVICE PROVIDERS

The long-term relationship with these companies enables the improvement of efficiency levels and the quality of operations, as well as the development of competencies in those communities within the sphere of influence. We work together with service providers and carry out systematic monitoring activities in accordance with quality standards. UPM has an Internal Audit Department with the main aim of monitoring and controlling compliance with labour, tax and social security obligations as well as other legal and management requirements that each kind of activity requires.

244 SERVICE PROVIDERS WERE CONTRACTED FOR THE FOLLOWING ACTIVITIES:

Assets **47**

Nurseries **36**

Forestry **34**

Transportation **28**

Harvest **22**

Roads **21**

Planning **20**

Occupational Health and Safety **9**

Cargo **6**

IT **6**

Research and Development **5**

Quality **4**

Offices and facilities **3**

Planning and collection **2**

Finances **1**



AUDITS TO CONTRACTING COMPANIES

In 2021, we conducted 265 on-site audits on more than 104 contracting companies to verify compliance with work and legal certifications, as well as safety obligations. Upon completion of this process, an audit report is sent to the contractor.

SAFETY AS A CORE VALUE



UPM's strategic vision reaffirms its commitment to occupational health and safety in all operations. Through senior management leadership, participation, and visibility in safety matters, UPM

strengthens the principle of safety as a core value in each process. The focus is on raising awareness among our employees and contractors in regards to safety, creating a sense of belonging,

encouraging teamwork and commitment, and acknowledging companies and employees for noteworthy performance in terms of safety. Health and safety at work are efficiently managed by

strengthening communication and developing solid skills between UPM and its contractors. This allows for notable performance levels to be achieved in all operations. Continuous improvement is a fundamental pillar of UPM processes. In this sense, our management system is kept up to date and constantly upgraded by developing preventive safety tools (operational standards, risk assessment, safety rounds, safety meetings, etc.), that make it possible to operate with the highest standards and the best results in terms of accident rates.



IN 2021, **WE CONTINUED WORKING AND ACCOMPLISHING DIFFERENT OBJECTIVES** THANKS TO OUR ENTIRE TEAM'S COMMITMENT AS WELL AS THAT OF CONTRACTORS

~700 > **SECURITY ROUNDS** COMPLETED ACROSS THE ENTIRE FORESTRY OPERATION

3 > **SAFETY BULLETINS** WITH INFORMATION, REPORTS AND INTERESTING DATA WERE DISTRIBUTED TO THE COMPANY'S OWN PERSONNEL AND THAT OF CONTRACTED COMPANIES

10 > **OCCUPATIONAL HEALTH & SAFETY AUDITS** TO NEW SERVICE PROVIDERS AND THOSE THAT, AS A RESULT OF AUDITS CONDUCTED IN 2021, RECEIVED A SCORE BETWEEN 76% AND 85% BASED ON THE OBSERVATIONS RECORDED. THESE COMPANIES HAD TO PRESENT THE CORRESPONDING ACTION PLAN DURING THIS INSTANCE

+ 600 > **PARTICIPANTS IN DIFFERENT TRAININGS** PUT TOGETHER FOR OUR TEAMS, AS WELL AS THOSE EMPLOYED BY CONTRACTORS AND BEEKEEPERS ON TOPICS SUCH AS: FIRST AID AND HEALTHY HABITS, FIRE PREVENTION, SAFETY, CHEMICAL USE RISK MANAGEMENT, ROAD SAFETY, ERGONOMICS, AMONG OTHERS

100% > **OF THE COMPANIES AUDITED IN ROAD SAFETY MANAGEMENT** BASED ON THE ISO 39,001 STANDARD



**OUR OPERATIONS
WERE COVID FREE**

**OUR HARVEST AND CONTRACTED
HARVEST TEAMS REACHED THEIR
THIRD YEAR WITHOUT ANY LOSS
TIME ACCIDENTS**

**OUR VEHICULAR TEAM
REACHED THEIR FOURTH
YEAR WITHOUT LOSS
TIME ACCIDENTS**

WE WORKED IN OCCUPATIONAL HEALTH, A MULTIDISCIPLINARY ACTIVITY FOCUSED ON MANAGING RISK AND REDUCING WORK-RELATED ILLNESSES AND ACCIDENTS. DURING 2021 WE PROMOTED DIFFERENT INITIATIVES:

+200 > **EMPLOYEES** RECEIVED THEIR FLU VACCINES WITHIN THE FRAMEWORK OF THE ANNUAL VACCINATION PLAN

200 > **EMPLOYEES** PARTICIPATED IN OUR CONFERENCES ON ERGONOMICS AT WORK THAT WERE TARGETING COMPANY EMPLOYEES, AS WELL AS WORKERS FOR OUR NURSERY CONTRACTING COMPANIES

50 > **RESPIRATORY STUDIES** WERE CARRIED OUT ON OUR OWN PERSONNEL, AS WELL AS ON WORKERS FOR OUR NURSERY CONTRACTING COMPANIES

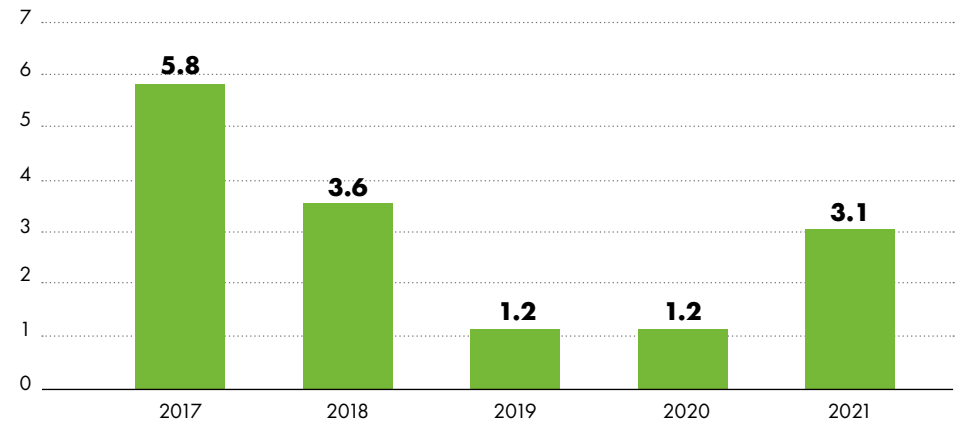
100 > **PEOPLE PARTICIPATED** IN FIRST AID TRAINING

+40 > **AUDIOMETRY EXAMS** FOR OUR OWN PERSONNEL, AS WELL AS WORKERS FOR OUR NURSERY CONTRACTING COMPANIES



ACCIDENTS AND WORK INCIDENTS REGISTERED IN UPM FORESTAL ORIENTAL AND CONTRACTING COMPANIES:

At UPM we began following the TRIF* indicator in order to be able to continue reinforcing our focus on proactive work in the area of loss time accident prevention.



■ TRIF

*TRIF (Total Recordable Incident Frequency) is the global rate of registered incidents involving those who require: medical treatment, modified tasks or loss time incidents.

According to the ISO 45,001 standard, an incident is "an event that happens because of work or during work and that could or does result in injury and ill health."

$$\text{TRIF} = \frac{\text{Modified Tasks} + \text{Medical Treatment} + \text{Loss Time Incidents}}{\text{Hours worked}} \times 1,000,000$$

RESPONSIBLE FIRE MANAGEMENT

The Fire Management Process has as its primary objective the protection of the company's assets, the management of any and all activities related to fire safety, and the coordination of fire response operations.

Based on this, work is divided in three areas: fire prevention, fire detection, and firefighting. It is spread across an annual activity plan which involves the company's own personnel, as well as personnel employed by our service providers. The plan includes activities such as training and fire drills, among several other enterprises. Additionally, in regards to fire protection during the summer season, UPM is adequately equipped with fire response tools and participates every year in the Uruguayan Forestry Producers Partnership's (SPF, Sociedad de Productores Forestales) national forest fire prevention plan, which includes the majority of the country's forestry companies. The plan is focused on protecting assets

owned by the associated forestry companies, focusing on fire detection, prevention and firefighting. It is implemented during the high-risk period (December to March) and covers over 872,000 hectares owned by more than 50 partner companies, representing 90% of all forest plantations in the country. UPM Forestal Oriental participates with more than 308,000 hectares (including leases under the Development Programme). All work is in coordination with the National Fire Department.

The system has six planes that carry out regular rounds across plantations to facilitate early detection of fire outbreaks. It also has three helicopters that mobilise rapid-response combat teams. The helicopters and operating bases that monitor and control the process are located at the Tacuarembó airport in José Pedro Varela city and at Paraje Andresito on Route 3. Each unit has

a 170 km action radius, covering almost the entire country. At the same time, a fire prevention campaign is carried out throughout the season on national and local radio stations. This promotes preventative behaviour; emphasises the prohibition of field burning; and provides emergency telephone numbers.



OUR FIREFIGHTING EQUIPMENT

- 41** COMBAT AND SUPPORT WATER TANKS
- 24** SMALL RESPONSE TEAMS
- 14** TRUCKS AND PUMPERS FOR FOREST FIRES
- 47** SMALL STATIONS FIREFIGHTING TOOLS AND MATERIALS

ON DECEMBER 29 THERE WERE TWO MAJOR FIRES,

one in the Tres Bocas area, in Río Negro, and the other in the surroundings of the towns of Algorta, Orgoroso and Piedras Coloradas on the axis of Route 90, in Paysandú. These events were the largest fires in the country's history to affect UPM plantations, as well as plantations from other companies in the

sector, private producers and neighbours. From day one, UPM made all of its resources available to help fight the fires, including more than 300 people from its own team and contractors, who collaborated with the firefighting efforts from the very beginning. In addition, it also activated the National Fire Protection Plan implemented by the Forestry Producers Partnership,

which also collaborated with authorities.

It took 20 days for firefighters to eradicate all outbreaks. During this time, the company worked in coordination with the relevant authorities, particularly the National Fire Department, to help in identification, combat, coordination and logistics tasks. It is worth highlighting that during the duration of

the fires, and despite the various risks presented to personnel, no accidents were reported among those participating in the firefighting efforts.

The UPM Forestal Oriental team and its contractors showed great commitment during the days in which adverse circumstances demanded dedication and energy, working side by side with the different affected communities.



PRODUCTION PROCESS



PLANNING

Planning involves assessing the land to be forested, and establishing the route of roadways and conservation areas. All these activities are completed while taking into consideration the conservation of environmental attributes.

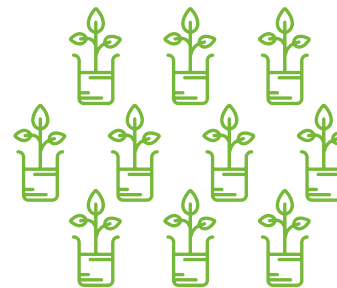
GENETIC IMPROVEMENT PROGRAMME

In the almost 30 years since it began, this programme has made it possible to double the volume of pulp obtained per hectare of plantation.



NURSERIES

Productions of seedlings from seeds or vegetative propagation.



FORESTRY

Planting in areas defined by planning and environmental processes.



PLANTS BETWEEN
3 AND 6 MONTHS OLD

GROWTH MONITORING

OBTAINING DATA TO
UPDATE TIMBER STOCKS
IN PLANTATIONS AND
TO EVALUATE THE
YIELD OF SPECIES AND
GENOTYPES.



**10-YEAR-OLD
TREES**



ROADS

Every year internal
and neighbouring
roadways are
improved.



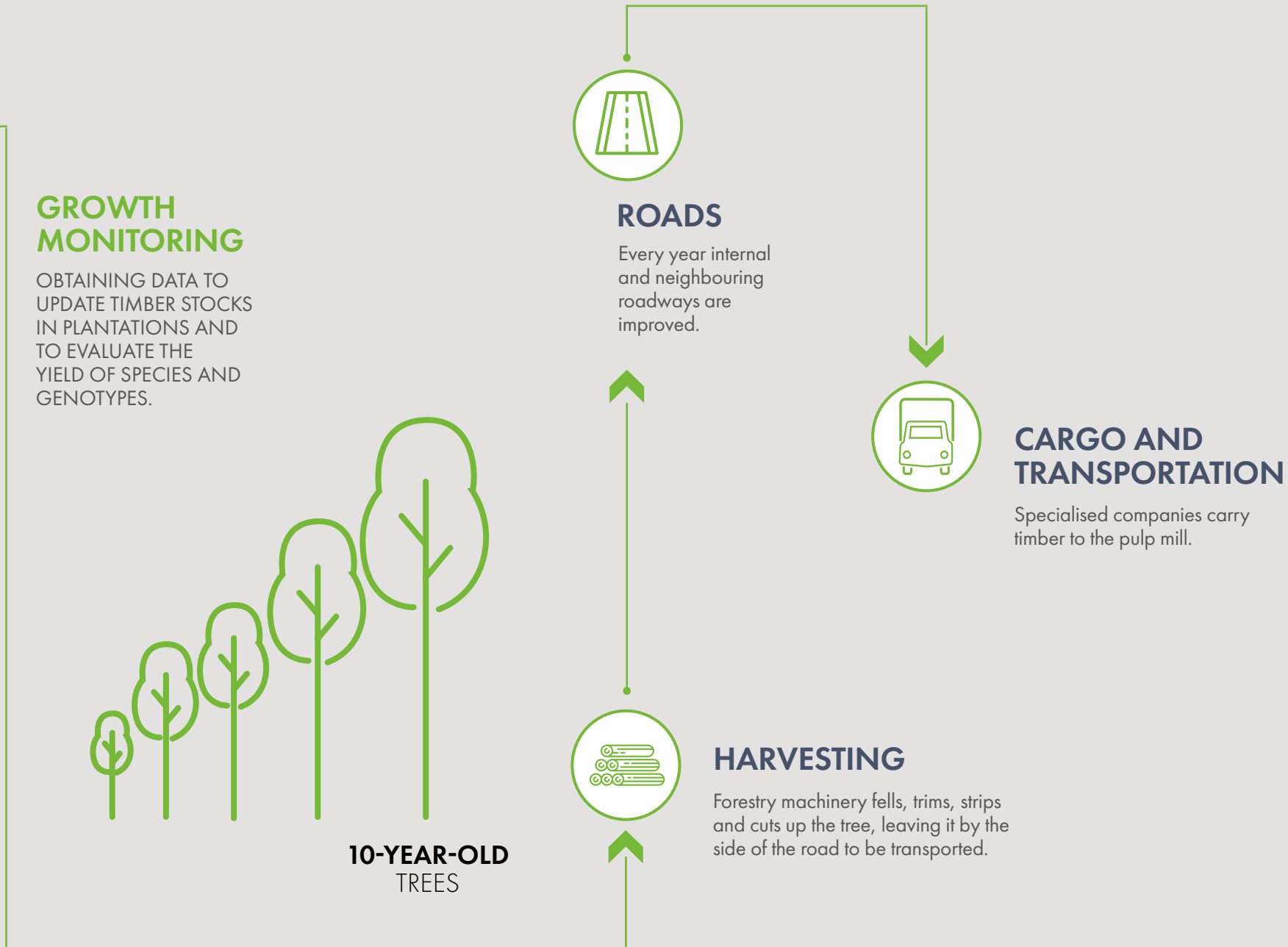
CARGO AND TRANSPORTATION

Specialised companies carry
timber to the pulp mill.



HARVESTING

Forestry machinery fells, trims, strips
and cuts up the tree, leaving it by the
side of the road to be transported.



GENETIC IMPROVEMENT PROGRAMME

The purpose of this programme is to provide the company and its Associate Producers with improved genetic material to add value to the entire chain. The improvement strategy is based in the implementation of selection programmes that are combined with afforestation to reap its benefits. This programme does not use genetically modified organisms. The main species used include *E. grandis* and *E. dunnii*, while hybrids *E. globulus*, *E. maidenii* and *E. benthamii* are other minority species also used to improve pulp production and reduce timber costs, as well as enhance adaptability to different environments.





NURSERIES

The San Francisco and Santana nurseries, in Paysandú Department, comprise more than 9.5 hectares of greenhouses and produce 36 million seedlings per year. They have the best technology available for the production of Eucalyptus plants, such as the latest-generation of greenhouses, computerised environment control and highly accurate irrigation systems.

THE SAN FRANCISCO NURSERY IN PAYSANDÚ

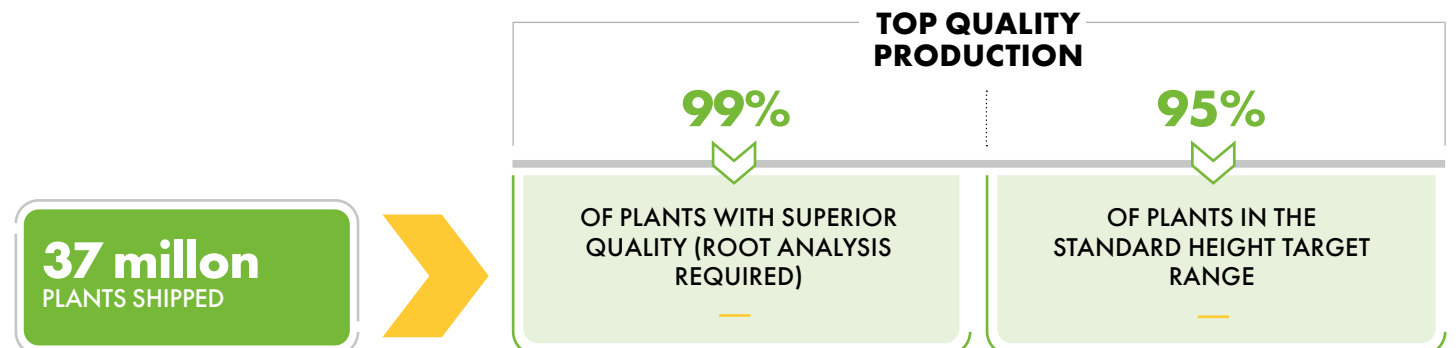
celebrated 30 years since it began operations in 1991. It was the company's first nursery in Uruguay and it now boasts three decades of innovation and continuous

development in forestry genetics for the production of seedlings that supply our forestry operations.

The continuous development and commitment displayed by the entire team working at

the nursery is seen in the record numbers in production, which has reached 20.5 million annual seedlings produced in recent years.

The nursery currently employs 170 people from Paysandú.



FORESTRY

In order to achieve our goals of sustainable timber supply, a stable forest base is needed to ensure a suitable site-species relationship. For this purpose, the company uses *Eucalyptus grandis*, *E. dunnii* and their hybrid species, and incorporates latest-generation machinery to simplify operations and increase efficiency in the forestry process. The main base species used are *E. grandis*, *E. dunnii* and their hybrids, as well as *E. globulus*, *E. maidenii* and *E. benthamii* for breeding with base species to enhance pulp production and the plant's ability to adapt to different environments.

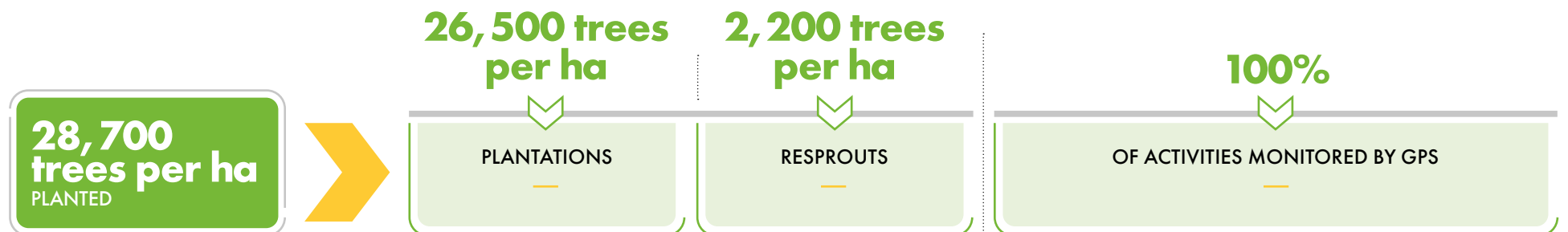
GROWTH MONITORING

Growth is monitored through permanent plots that are measured annually from their first year of planting. They are often evaluated at five and ten years, before harvesting.



THE INDICATORS OBTAINED ARE:

- Trees/ha.
- Average diameter
- Average height
- Dominant height
- Basal area
- Volume / ha
- Average annual increase
- Current annual increase
- Average tree volume





IN FORESTRY, 2021 WAS A BIG YEAR FOR TEAMWORK and production in collaboration with our contractors, with a major highlight being the reduced replacement of seedlings in the field. This improvement of more than 10% on the average numbers recorded in the last four years is largely explained by quality controls in nurseries before shipping the plants, and by

planning and monitoring together with our contractors who audit temporary nurseries and evaluate businesses, among other things.

We strive for continuous improvement and evolution together with our service providers, which is born out of the commitment and detailed planning that drives us to continue improving year after year.

HARVESTING

UPM has a detailed harvest planning based on the understanding of the needs of the Fray Bentos and Paso de los Toros mills. It takes into consideration the species planted, the distance between the mills, the age structure of each plantation, growth curves, and possible environmental impact. The characteristics of the area to be harvested, the presence of plant or animal species with special conservation status, and proximity to riverbanks or areas close to waterways are also considered. To help in planning, UPM has three harvest fronts managed by its own staff, and ten harvest fronts managed by contractors, all with a completely mechanised harvest. This guarantees safer working conditions whilst improving productive efficiency and competitiveness. All operations are monitored to ensure environmental values are maintained while reducing waste and avoiding damage to other products and services. The period between harvest and replanting is monitored on a monthly basis, evaluating the plot of land that is temporarily not being replanted

compared to the total productive area. During 2021 the result did not exceed 2%.

MACHINERY USED FOR OPERATIONS

HARVESTER OR FOREST HARVESTER

Felling, trimming, stripping and cutting up the tree. Yield: approx. 70 trees/hour, with a production output of 21 m³ /hour.

FELLER BUNCHER

Fells trees. Yield: 400 trees/hour. In a Feller + Harvester system productivity for Harvesters and Forwarders increases by approximately 20%.

FORWARDER OR FOREST LOADER

Loading logs and transporting them to roadsides to be loaded onto timber lorries. Yield: approx. 35m³ /hour.



4 million m³
OF HARVESTED TIMBER

5.3%

HARVEST RATE



THE TIMBER SUPPLY PROCESS CONTINUED

as we prepare for the start of operations at the UPM mill in Paso de los Toros. In harvesting, 2021 was a year of preparing and planning for increased activities. In this sense, we strongly focused on the development of programmes for new contractors that were selected after an open call.

During 2021, all new harvesting contractors took part in an induction programme developed by UPM to teach them about the safety and operational standards they must comply with in order to begin operations. The programme includes training, work plans, on-site visits, among others. The programme will continue through 2022

until each company begins to operate. Looking at the regional development of the central and northern areas, which will stock the Paso de los Toros mill with timber, the companies that supply the harvesting machinery held informative talks and courses for operators in different communities in the interior, such as Fraile Muerto, San Gregorio de Polanco,

Blanquillo, La Paloma and Villa del Carmen. At the end of 2021, around 250 people participated.

In company owned harvesting operations, we renewed the machinery on the Second Front to incorporate the latest technology available globally in harvesting (Harvester) and extraction (Forwarder).



AVERAGE YIELD (m³/ha.)

	COASTAL REGION	NORTHERN REGION	SOUTH-CENTRAL REGION
<i>E.grandis</i>	24-32	26-34	22-28
<i>E.dunnii</i>	20-28	24-30	22-26
<i>E.maidenii</i>	15-20	16-20	16-20
<i>E.globulus</i>	07-12	07-11	11-16
<i>E.viminalis</i>	15-20	15-20	18-24
<i>Pinus sp.</i>	12-16	15-20	12-18
<i>E.tereticornis/E.camaldulensis</i>	10-14	11-15	8-12
<i>E.benthamii</i>	22-28	25-30	22-26

TOTAL HARVEST (thousands of m³)

SPECIES	TOTAL
<i>Eucalyptus</i>	3,629
<i>Pinus</i>	448
Total	4,077

TRANSPORTATION

The transportation of timber from the forestry operations to the pulp mills requires detailed planning and coordination between all parties involved. In order to transport timber, the company hires transportation companies that use both conventional lorries, semi-trailer trucks and tri-trains. These vehicles have a special configuration that makes it possible to transport a large number of tonnes per journey and reduces the impact on the roads. It is therefore possible to reduce the number of journeys and decrease carbon emissions.



REGISTRY OF COMPLAINTS AND SUGGESTIONS

44 millions

KM WERE TRAVELLED DURING SUPPLY OPERATIONS FOR UPM FRAY BENTOS

28

TIMBER TRANSPORTATION COMPANIES ARE EMPLOYED BY UPM FORESTAL ORIENTAL

202

LORRIES CARRIED TIMBER DURING 2021

340

DAILY TRIPS ENTERED THE FRAY BENTOS MILL ON AVERAGE



**DURING THE TIMBER
TRANSPORTATION
PROCESS IN 2021,** we worked

on planning and preparing for the expansion of our operations so as to meet the future demand of the mill in Paso de los Toros. After holding an open call for interested contractors, the finalists were selected and underwent an induction and development process which will continue in 2022. The goal is that new contractors learn about UPM Forestal Oriental's safety and operational standards. During the year, we reinforced the use of tri-train trucks as vehicles for timber transportation. In 2021 we also finished the testing that had been ongoing since 2018 and confirmed the objective safety and operability parameters of these units with excellent results. These configurations are included in the current regulations for high

performance vehicles and have been authorized by the Ministry of Transportation and Public Works, as well as the different state authorities, to drive through previously defined corridors. Tri-train trucks working in our fleet have the highest safety standards thanks to driver fatigue sensors, ABS + EBS brake systems, an ESP electronic stability system on all its axles, pneumatic suspension on the tractor's rear axles and on the semi-trailer's axles, axle scales, warning radars, and automatic braking in the event of a frontal collision, among other features. Other than helping diversify the logistics offering, they also have less impact on pavement due to the pneumatic suspension of their axles and better weight distribution. Likewise, the new technologies (Euro 5 and Euro 6) available for these units allow for lower emissions.

ROAD SAFETY PROGRAMME

Our programme promotes responsible handling, safety and knowledge of transit standards. It is intended for all forestry transport business owners and their drivers, but also rural communities and public and private institutions, as well as our own employees.

ACTIONS PROMOTED BY UPM



- **Transport unit scoring system.** Every month, each unit begins with a maximum score that varies according to its compliance with traffic rules and company road safety standards



- **GPS tracking.** Speed control and traffic zones



- **Psychotechnical tests.** HGV driving courses and en-route tracking



- **Quarterly road safety talks for drivers**



- **Unit checklist**



- **Inspections, accident rate reports, and monthly safety recommendations from the Centre for Accident Prevention (CEPA)**



- **Biannual meetings with transportation companies**



- **Quarterly safety newsletters**



- **“How is my driving?” 24-hour telephone line (4562 7710)**

IN 2021

1300 > CHECKLISTS CONDUCTED

+460 > HGV DRIVING TESTS CONDUCTED

+2100 > DRIVERS PARTICIPATED IN SAFETY TALKS

+1500 > EN-ROUTE TRACKERS TO EVALUATE THE OPERATIONAL BEHAVIOUR OF THE FLEET

+500 > PSYCHOTECHNICAL COMMITTEES

100% > TRANSPORTATION COMPANIES WERE AUDITED ON THE ROAD SAFETY MANAGEMENT SYSTEM (RSMS) BASED ON THE ISO 39,001 STANDARD





**IN 2021 WE CONTINUED
WORKING HARD
ON BUILDING AND
IMPROVING ROADS**

to ensure the supply of timber to the two mills once the facilities in Paso de los Toros are operational. With a 10-million-dollar investment during the year, we made significant progress in line with the plans established for that period. The stock of necessary roads to meet the demand from the mills

will continue to be our main goal for next year and we're currently working on the planning and coordination needed with our contractors. In addition, within the scope of future increased demand, we began construction of new halfway stockpiles in the departments of Paysandú, Durazno and Tacuarembó. These stockpiles, which will join existing ones, are located on paved roads and allow for the optimisation of

the timber supply regardless of climatic conditions. The stockpiles allow us to supply wood during rainy days, ensuring that local roads are properly used and that mills are properly supplied. As part of a process of continuous improvement, we began using a new computerised system for receiving timber in mills and stockpiling, which allows for a continuous and automatic flow of trucks.



ROADS

400 km ➤ **MAINTENANCE AND IMPROVEMENT OF INTERNAL AND NEIGHBORHOOD ROADS** IN COORDINATION WITH DEPARTMENTAL AUTHORITIES

US\$ 10M ➤ **INVESTED IN +600 KM OF ROADS** IN COMPANY OWN FIELDS AND THIRD-PARTY FIELDS MEANT FOR THE PRODUCTION OF TIMBER FOR THE INDUSTRIAL MILLS LOCATED IN FRAY BENTOS AND PASO DE LOS TOROS

COMPLEMENTARY FORESTRY PRODUCTS

To be able to make the best use of Eucalyptus plantations, the company promotes the multiple application of resources in co-ordination with communities in the area.

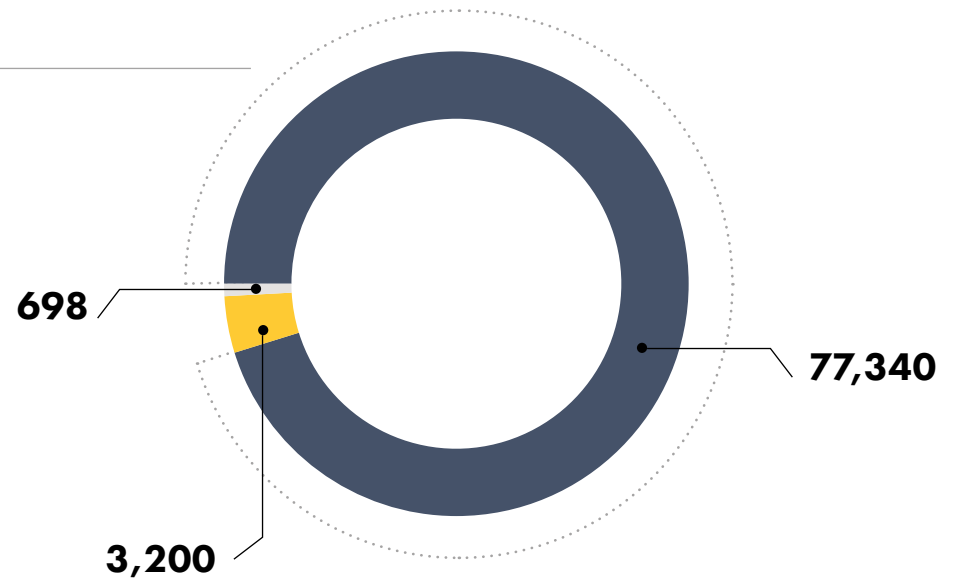


GRAZING

This is carried out by third parties and makes it possible to integrate the region's traditional activities with forestry. Producers make a productive use of the pastures, shade and shelter provided by the forests.

TYPE OF LIVESTOCK (UNITS)

- Cattle
- Horses
- Sheep





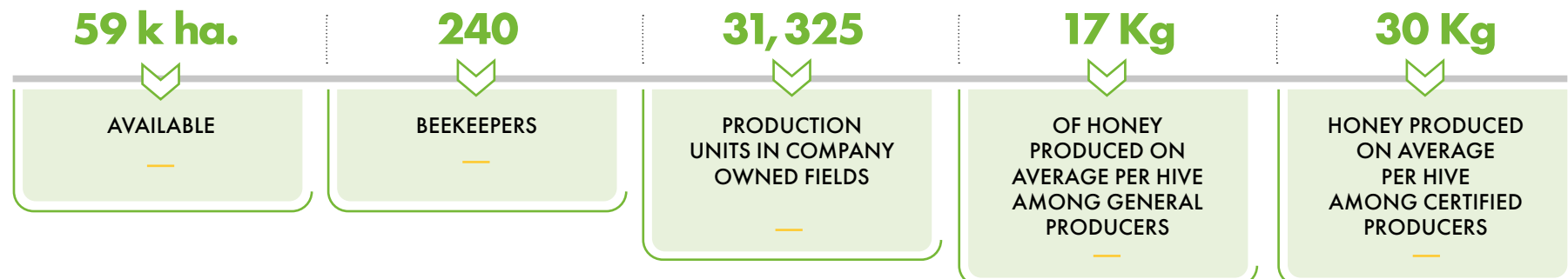


BEEKEEPING

Institutions and private beekeepers throughout the country manage hives in sustainable environments within the company's forest plantations, a certified ideal environment for this activity thanks to the flowering period of Eucalyptus. All beekeepers harvesting honey in the company's fields must abide by the Good Beekeeping Practices instituted by Ministry of Livestock, Agriculture and Fisheries (MAGAP). By professionalising the sector, beekeepers are able to maximise the use of potential productive areas and increase productivity. This work method aims to drive community development and strengthen local institutions through active participation in honey production. These same institutions are responsible for managing and allocating hive locations in UPM forests.

PARTICIPATING LOCAL INSTITUTIONS

- Sociedad de Fomento Rural de Nuevo Berlín (Nuevo Berlín Rural Development Society)
- CALAY Cooperativa Agraria Ltda. Apicultores de Young
- CALAGUI Cooperativa Agraria Ltda. Apicultores de Guichón
- CALAPIS Cooperativa Agraria de Responsabilidad Suplementada de Apicultores Sanduceros)
- Asociación Fomento Apícola de Tacuarembó (Tacuarembó Beekeeping Association)
- Sociedad Agraria del Yí Ltda. (Durazno)
- Liga del Trabajo de Molles (Carlos Reyles-Durazno) (Molles Labor League)
- COAPIKOL (Florida)
- Sociedad Fomento Chacras de Porongos (Flores) (Chacras de Porongos Promotion Society)
- Cooperativa Apícola Conchillas (Colonia)
- Sierras del Olimar Cooperativa de Responsabilidad Ltda. (Santa Clara de Olimar, Treinta y Tres)



DEVELOPMENT PROGRAMME



The Development Programme looks to create long-term arrangements with Uruguayan rural producers to include forestry in their own establishments, as well as the management of Eucalyptus plantation and forestry services in their fields. The programme offers producers an alternative for the diversification of their business and promotes integration between different agricultural services.

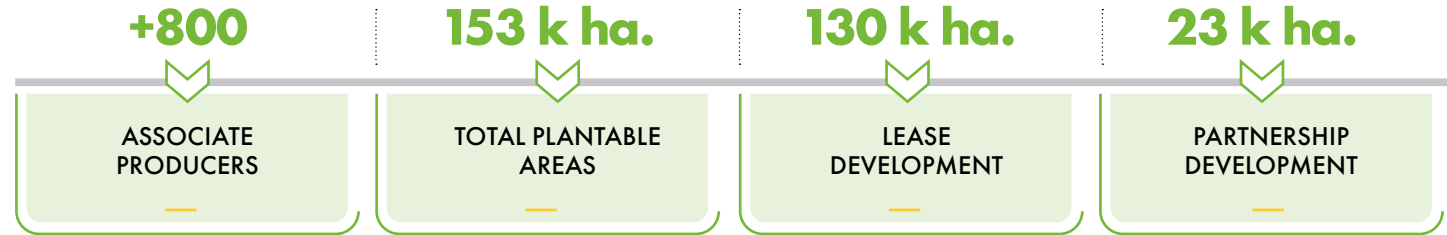


Associate producers may include individuals, institutions or pension funds. Some examples include Caja Notarial (Notarial Savings Bank), Caja de Jubilaciones y Pensiones Bancarias de Profesionales Universitarios (Bank retirement and pension fund for university professionals), Caja de Jubilaciones y Pensiones Bancarias (Bank retirement and pension fund) Asociación Rural de Soriano (Soriano Rural Association), and Sociedad de Fomento de Flores (Flores Development Partnership), among others.



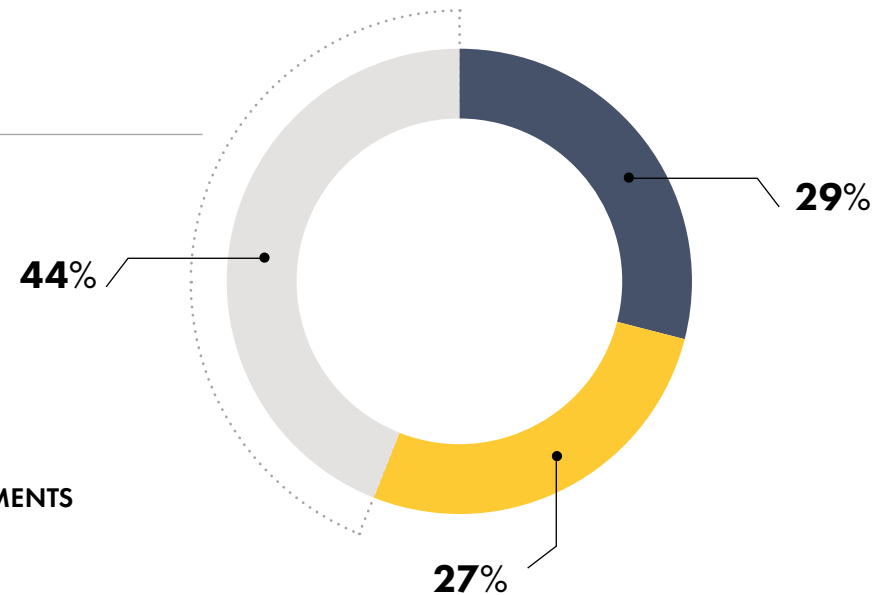
The objective of the development programme is to contribute to the supply of the Fray Bentos mill and the future mill in Paso de los Toros with timber from Associate Producers' plantations.





ARRANGEMENTS DEPENDING ON PRODUCERS' SURFACE AREA:

- Less than 50 ha.
- 50 to 100 ha.
- More than 100 ha.



~60% OF PRODUCERS HAVE AGREEMENTS FOR LESS THAN 100 HECTARES

INSTITUTIONS WITH COMPLEMENTARY, COOPERATION AND / OR PRODUCTION AGREEMENTS:

- Caja de Jubilaciones y Pensiones de Profesionales Universitarios (Bank retirement and pension fund for university professionals)
- Caja de Jubilaciones y Pensiones Bancarias (Bank retirement and pension fund)
- Caja Notarial (Notarial Savings Bank)
- Asociación Civil Servicio Mutuo de Bienestar Social de Func. y ex Func. IMM (Mutual Service of Social Welfare for employees and former employees of Montevideo's Municipal Administration)
- Asociación Rural de Paso de los Toros (Paso de los Toros Rural Association)
- Asociación Rural de Soriano (Soriano Rural Association)
- Federación Uruguaya de los Grupos Crea (FUCREA) (Uruguayan Federation of Crea Groups)
- Sociedad Fomento de Flores (Flores Development Partnership)
- Unión Rural de Flores (Flores Rural Union)

FORESTRY SYNERGY

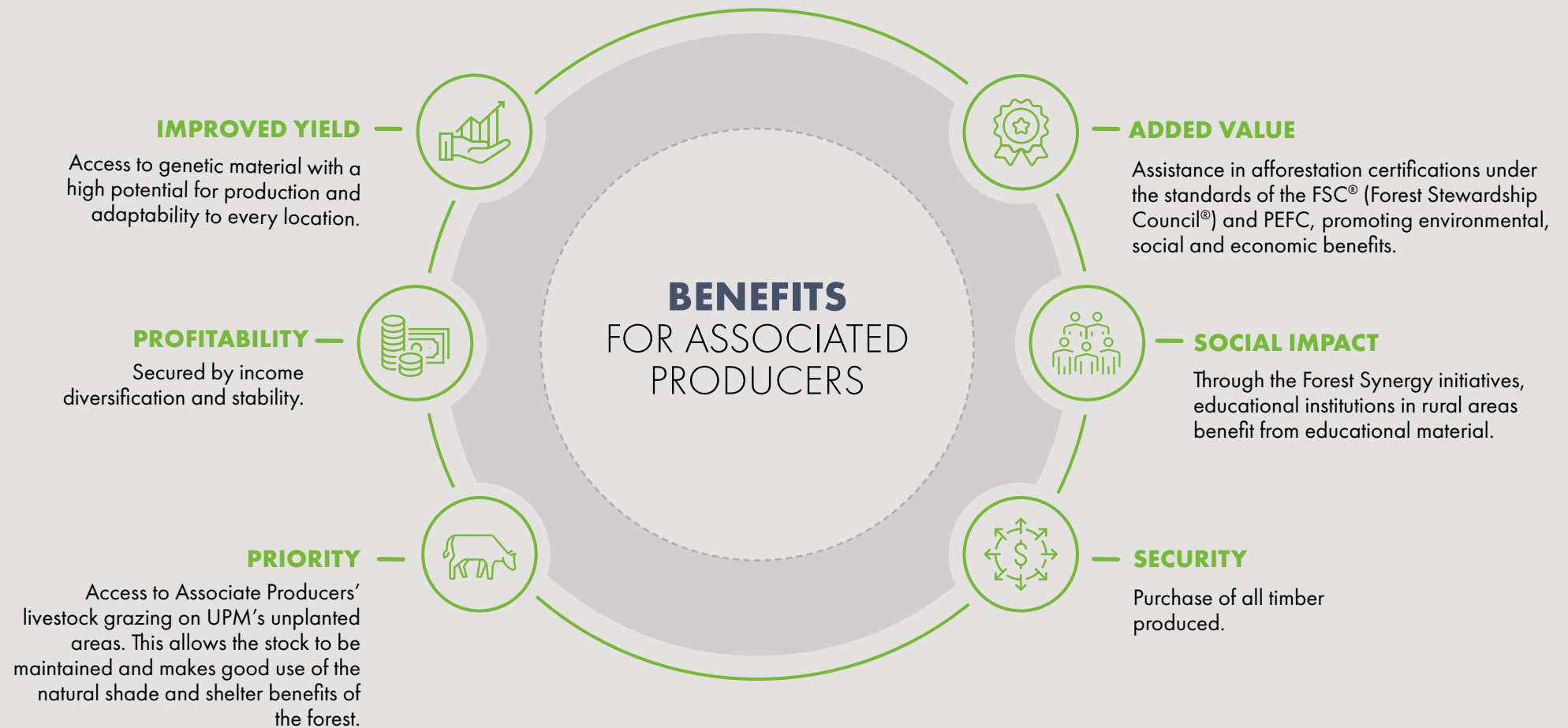
This has been implemented since 2017 between UPM and the Producers Associated with the Development Programme that breed livestock. It aims to promote teamwork amongst Associate Producers and to continue the integration between livestock, forestry and communities.

HOW DOES IT WORK?

1. During the sale of breeding livestock, UPM attends the auctions of its Associate Producers.
2. Participating herds offer special conditions and benefits to other producers in the Development Programme at the time of purchase.
3. As part of the agreement, UPM advertises information related to the auctions and the genetics of herds among its associated producers. Furthermore, it contributes to an educational or social institution chosen by each vendor.



Ten herds participated in 2021: San José del Yaguarí, La Empastada, El Viejo Pancho, Las Anitas, El Yatay, Rincón de las Mulas, Los Principios, El Paraíso, Las Piedras, Don Juan de Rolón. As part of the programme, 10 rural education centres have received school supplies, educational and recreational materials.





RESPONSIBLE ENVIRONMENTAL MANAGEMENT

At UPM Forestal Oriental we are committed to respecting people and the environment based on integration and the creation of long-term ties that are mutually beneficial. We work to sustain excellent environmental performance in all operations and contribute significantly to the conservation of biodiversity.

UPM's responsible forestry management includes four key areas: continuous improvement, protecting biodiversity, use of the best technology and procedures available, and continued research to address future environmental challenges.

We continuously manage our operation's environmental aspects, as they are the starting point for setting annual goals and developing detailed environmental programmes with scopes, timelines and responsibilities. We regularly monitor progress towards the goals set.

OBJECTIVES

OUR MAIN STRATEGIC ENVIRONMENTAL OBJECTIVES ARE:

- **Ensure that forestry practices maximise positive impacts and minimise negative environmental impacts**
.....
- **Contribute to the conservation of sensitive environments and biodiversity**
.....
- **Ensure compliance with environmental requirements**
.....
- **Sustain the company's leadership in environmental management on a national scale**



TO MEET THE PREVIOUSLY DEFFINED OBJECTIVES, WE IMPLEMENTED A SET OF SPECIFIC ACTIONS, INCLUDING:

- Maintaining a Network of Preserved Natural Areas
- Implementing monitoring plans for the key environmental values (biodiversity, soil and water)
- Ensure the incorporation of technology for the best environmental performance
- Identification, analysis and management of significant environmental aspects (SEA)
- Training on environmental management throughout the company
- Put into action inter-institutional cooperation agreements (UDELAR, CENUR, Vida Silvestre, IPEF – PROMAB, independent experts, among others)
- Continue to improve the company's environmental management standing, as well as the assimilation of environmental indicators into the decision-making process

HOW WE WORK

Prior to the start of activities, we complete an environmental and social assessment of the area, evaluating the environmental and social values identified within the different areas with heavy vehicular activity, as well as the values outside of these areas that may be potentially affected by forestry operations.

These assessments are prevalent and frequent in order to identify potential current and future impacts of vehicular activities on society and the environment, from roads to landscape, though culturally appropriate engagement with communities that are affected or interested.

We plan and execute effective actions to prevent the negative impact of our vehicular activities on environmental and social values, and also to proportionally mitigate their impact, intensity

and risk of occurrence, as well as possible natural disasters.

The main significant environmental aspects of operations are:

- Plantations
- Soil tillage activities
- Chemical product management
- Solid waste
- Particular matter emissions during operations
- Transportation

Based on the aforementioned evaluations, we develop work programmes and procedures that describe the best operating practices, including prevention, mitigation and compensation measures, if necessary. These

documents consider the legal and corporate requirements and the main standards and regulations. For those activities with the biggest impact, we micro-plan on site.

To ensure compliance with environmental standards in operations, we continuously and proactively monitor operations and carry out follow-up activities to assess compliance with the agreed planning regarding processes, work methodology, available resources, and the detection of deviations and corrective actions.

In this way, we evaluate the level of compliance within our operations in accordance with standards.

In particular, environmental rounds are an important internal management tool. We perform

them to verify compliance with standards during operations. During the process we proactively record any possible deviation from standards or opportunities for improvement.

IN 2021

+40 ➤ **TRAININGS** INVOLVING 330 UPM FORESTAL OPERIAL EMPLOYEES FROM ALL OPERATIONS, AS WELL AS EMPLOYEES FROM 43 SERVICE PROVIDERS

+1,100 ➤ **HECTARES** EXECUTED CONTROL MEASURES FOR INVASIVE EXOTIC WOODY SPECIES (IEWS)

154 ➤ **ENVIRONMENTAL ROUNDS** TO VERIFY COMPLIANCE WITH ENVIRONMENTAL REQUIREMENTS DURING OPERATIONS

72,361 ➤ **HECTARES** OF PRESERVED NATURAL AREAS

Internal Environmental Academy

WITH THE PARTICIPATION OF 90 PEOPLE FROM WITHIN ALL OPERATIONS, WITH MORE THAN 22 HOURS OF TRAINING AND VISITS TO PRESERVED NATURAL AREAS



ENVIRONMENTAL PROTECTION MEASURES TO PREVENT AND MITIGATE NEGATIVE IMPACT

We conduct specific on-site evaluations on the potential environmental impacts of forestry operations and document specific ones when considered relevant.

EXAMPLES OF ACTIVITIES TO MINIMISE POTENTIAL IMPACT ON OPERATIONS:

- Identifying areas of interest for the conservation of biodiversity and inclusion to the Network of Preserved Natural Areas
- Careful planning when designing plantations, marking sensitive areas, locating quarries, cutwaters, bridges and roads, among others
- Identifying scenic points of interest, especially on national routes and departmental roads, and respecting visual basins when designing plantations
- Coordinating operational processes for the execution of all tasks according standards, minimising possible environmental impacts
- Establishing measures aimed at avoiding erosion, compaction and maintaining soil fertility
- Reducing travel through sensitive areas such as drainage systems, low-lying areas, ravines, flood zones, and species' habitats
- Responsible use of authorised agrochemicals and fertilizers
- Optimizing the use of agrochemicals and fertilizers in nurseries and during the first year and a half after planting
- The use of highly hazardous agrochemicals is prohibited by internal as well as FSC® Responsible Management standards. UPM Forestal Oriental doesn't use highly hazardous chemicals
- Establishing Environmental and Social Risk Assessments (ESRA) prior to the use of chemical products, in accordance with nationally established guidelines
- Establishing measures to prevent agrochemicals from affecting people and sensitive areas such as waterways, native vegetation, neighbouring properties and crops
- The cleaning of machinery, work clothes and other equipment is carried out in established locations
- Monitoring spill control and prevention procedures
- Waste management with specialised companies authorised by government authorities
- Minimizing the time between harvesting and replantation to protect environmental values that can be potentially affected, mainly soil resources





ENVIRONMENTAL VALUES

The main environmental values potentially affected by forestry are: soil, water, biodiversity, landscape, ecosystem and service functions, as well as the atmosphere.

SOIL

Plantations are mainly established on lands that prioritise forestry. Since 2010 we have implemented a monitoring programme for planted areas which has as its main objectives:

- Identifying possible changes in the physicochemical properties of soils when their use changes
- Appraising the importance of corrective measures to maintain productivity by assessing and reviewing forestry and harvesting procedures to minimise negative impacts

The soil monitoring programme covers the most used Productivity index groups, particularly the most representative kinds of soil. New monitoring sites are added annually to cover all classes and kinds of soils. At each site, a planted area and an adjacent unplanted area are sampled. Every five years (approximately twice per forest cycle) the values of each sample site are measured again.

At the end of 2021, the soil monitoring programme had more than 90 paired sampling sites, 60 of which have already been monitored twice.

Results obtained show that, in soils used for forestry, and after several years, variations in some of their chemical parameters may occur. However, these possible variations do not generate any environmental impact or affect productive sustainability, and are easily reversible through conventional agronomic practices.

WATER RESOURCES

The objective of the hydrological monitoring programme is gathering information and quantifying the influence of forest plantations on water dynamics, as well as assessing the components of the hydrological cycle and water quality, and obtaining useful information for the management of the resource and its long-term conservation.

Results show that forest crops in their adult phase make an efficient use of water, slightly higher to that registered for the previous use of the soil (mainly natural pastures), but always within an acceptable range that doesn't affect water availability for other uses.

No significant variations were found in the areas between each basin monitored (upstream and downstream of forest plantations).

In general, the results for the areas analysed are within adequate ranges (UNIT Standard 833 for drinking water)*.



No agrochemicals were detected in numbers above minimum detection limits.

HYDROLOGICAL MONITORING ACTIVITIES: SUMMARY OF ONGOING PROJECTS

*UNIT refers to the Uruguayan Institute of Technical Standard

PROJECT	OBJECTIVE	LOCATION	START	PERIOD
Study in even basins*	Understand the influence of <i>Eucalyptus</i> plantations on the water balance at a local and regional scale, as well as on the quality of surface water	"La Nueva Esperanza" near Paso de los Mellizos, Río Negro) and "El Viraró" (near Los Cuadrados, Tacuarembó)	"La Nueva Esperanza" 2007-2010: calibration. 2011: planting and monitoring "El Viraró" 2011-2015: calibration. 2016: planting and monitoring	Long-term project (20 years)
Water quality in surface flows	Evaluate the variations in the physicochemical properties in water courses of basins located in the sphere of influence of <i>Eucalyptus</i> plantations	9 sub-basins 11 watercourses 29 monitoring points	2011: begin monitoring on five Order 3 basins 2018: adaptation as required by DINACEA in the Environmental Management Plans for Forestry plantations, including more monitoring points	Long-term project (20 years)
Water quality and suitability for different uses	Understand water quality in facilities where there are wells for human consumption and classify it according to aptitude for use	All wells in establishments under the management UPM Forestal Oriental	2010: begin systematic monitoring	Annual indicator
Water quality in the protected areas of Esteros and Algarrobales in the Río Uruguay	Understand and evaluate the variation of the physicochemical properties in waterways located in protected areas	Two monitoring points in Arroyo Amarillo and Cañada Zanja Honda	2021: begin systematic monitoring	Two-year project
Water quality in the sphere of influence of the Santana nursery	Establish a baseline level for water quality prior to the installation of the nursery and monitor its evolution in the long-term	A monitoring point in the tributary ravine of Arroyo Santana and 4 monitoring point in Arroyo Santana. Two deep wells for monitoring underground water in nursery grounds	2011: • characterisation and definition of base level • begin monitoring Santana stream • begin monitoring in deep wells	Long-term project (20 years)
Water quality at the San Francisco nursery	Monitoring water from the Wastewater Treatment Plant (WWTP) and discharges to surface waters.	Three sampling points	2016: begin monitoring	Long-term project (20 years)
Water monitoring in the new Sarandí del Yí nursery	Establish a baseline level for water quality prior to installation	Five monitoring points, two of which are in the tributary ravine to Río Yí and three in the river itself	2020/2021: characterisation and definition of base level	1 year with seasonal sampling

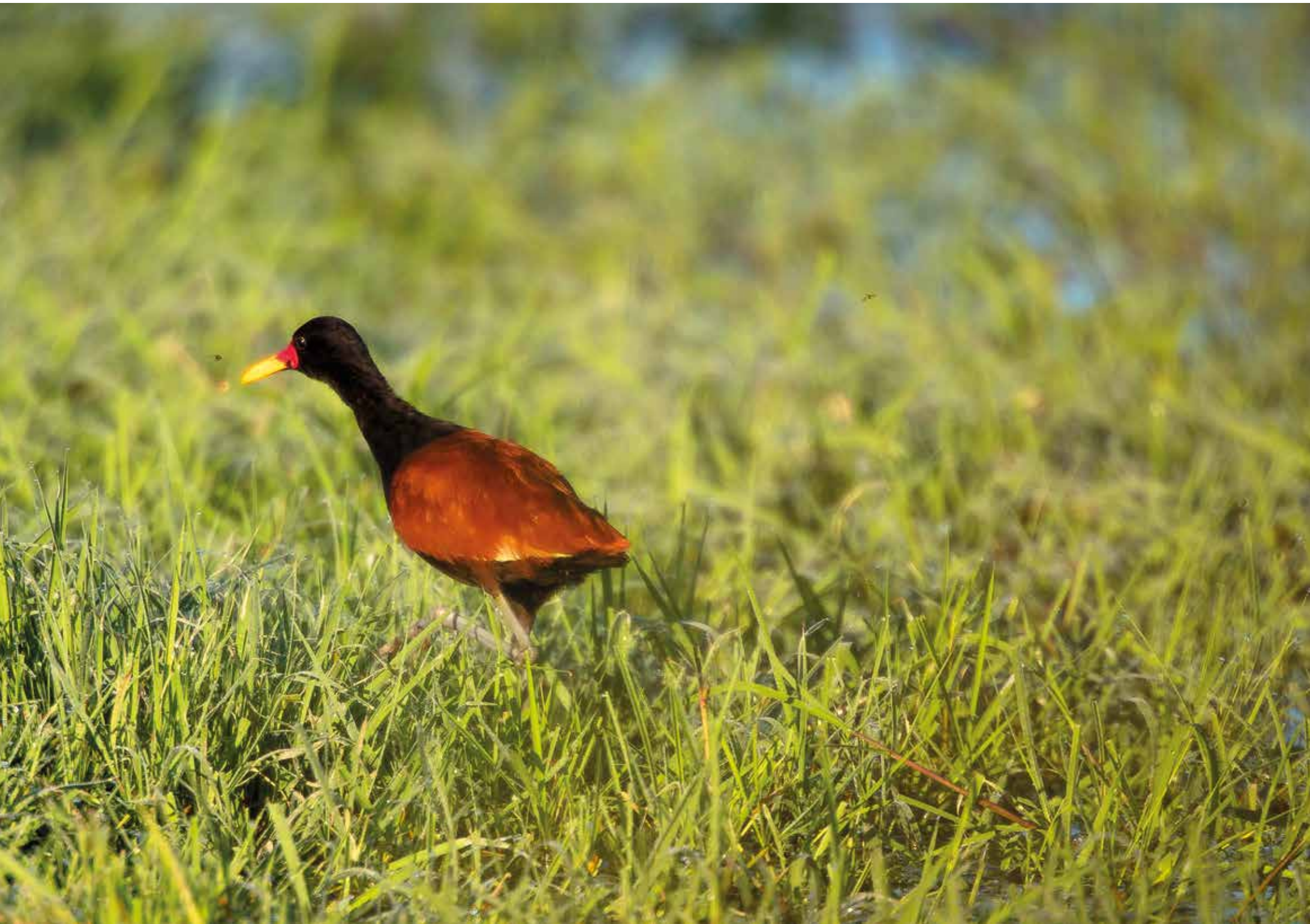
* Even basins are part of a joint research programme between Universidad de la República (FIng/IMFIA and FAgro), the National Agency for Research and Innovation (ANII) and companies Montes del Plata and Forestal Atlántico Sur. Assistance is received from external specialists from Instituto de Pesquisas Florestais (IPEF) within the framework of the "Environmental Monitoring Program for Microbasins" (PROMAB).

ENVIRONMENT AND BIODIVERSITY

Biodiversity conservation is key in our environmental management strategy, which is why, when developing our activities, we take into consideration four key dimensions:

- Management of diverse landscapes with multiple ecosystems
- Identification and conservation of valuable habitats
- Identification and conservation of animal and plant species for priority conservation, in particular those not included in the National System of Protected Areas
- Controlling the takeover of natural ecosystems by exotic species, particularly woody species, in order to maintain the value of these ecosystems for the environment





BIODIVERSITY CONSERVATION

The official Red de Áreas Naturales Conservadas (Network of Natural Preserved Areas) makes an important contribution to the conservation of biodiversity in the landscape, the ecosystem and in species. There are internal standards and workbooks for the protection of native species and ecosystems, particularly those that are threatened or at risk.



NATURAL PROTECTED AREAS

UPM DEFINED FOUR CATEGORIES OF UNPLANTED AREAS DESTINED FOR CONSERVATION DEPENDING ON THEIR ATTRIBUTES:



Since 1991, UPM Forestal Oriental began identifying areas that need to be preserved due to their ecologic value. We regularly identify new sites as new eco-regions that

are incorporated into the company's sphere of influence.

In this Network of Natural Preserved Areas, verifiable goals and objectives are

established both for the network and for each of the areas that comprise it. Valuable contributions have been made to the conservation of biodiversity in Uruguay.

STRATEGIC OBJECTIVES AND ACTIONS

Within the framework of UPM Forestal Oriental's strategy for Biodiversity Management, we establish strategic objectives and specific actions to achieve them:

- ¹ All goals have specific metrics associated with them and results are regularly monitored, and are part of the decision-making process across all levels
² On a landscape basis
³ On an environmental basis

OBJECTIVES	ACTIONS	GOALS ¹
Create and manage a Network of Natural Preserved Areas (NNPA) made up by areas from our four previously defined categories	<p>Incorporate new areas annually</p> <p>Develop management indicators to monitor the degree in which behaviours and goals are met</p> <p>Meet the objectives set by the different indicators</p>	<p>Increase the percentage of natural preserved areas in company assets and third-party assets</p> <p>Fulfil long-term objectives</p>
Preserve a representative sample of all environments considered threatened or endangered within managed areas	<p>Incorporate at least one area from each landscape unit within UPM Oriental assets to the NNPA. NNPA elements must be representative of the kinds of vegetation on the company's premises.</p> <p>Protect a sample of Critically Endangered (CR) or Endangered ecosystems on the company's premises.</p>	<p>All landscape units and kinds of vegetation present on company property are represented in the NNPA</p> <p>Periodic monitoring of HVCA's and CA areas within the NNPA</p>
Preserve as many species as possible, particularly those considered priority for conservation (by MA/SNAP, IUCN, CITES) in non-planted areas, and especially in the NNPA	<p>Maximise the number of native species in non-planted areas, particularly in the NNPA</p> <p>Promote the listing of species through the development of apps</p> <p>Identify animal and plant species for priority conservation by MA/SNAP in NNPA and company assets</p> <p>Establish a monitoring plan and necessary conservation measures for priority species in the NNPA</p>	<p>Maintain or increase:</p> <ul style="list-style-type: none"> • the number of native species in the NNPA • the number of priority species identified in the NNPA • the number of SNAP species in the HVCA's of the NNPA
Keep conservation areas with the least amount of strain from IAWS	<p>Establish IAWS monitoring and control plans annually, with emphasis on NNPA. All HVCA's and CA's must have an IAWS control plan</p> <p>Evaluate the effectiveness of the control measures established</p>	<p>IAWS monitoring and control.</p> <p>Increased effectiveness of IAWS control measures</p>
Advertise the conservation efforts made by the company to as many interested parties as possible	<p>Complete training activities for company personnel and contractors</p> <p>Advertise contributions to conservation through institutional channels</p>	<p>Compliance with communication plans prepared together with other areas and processes within the company</p>

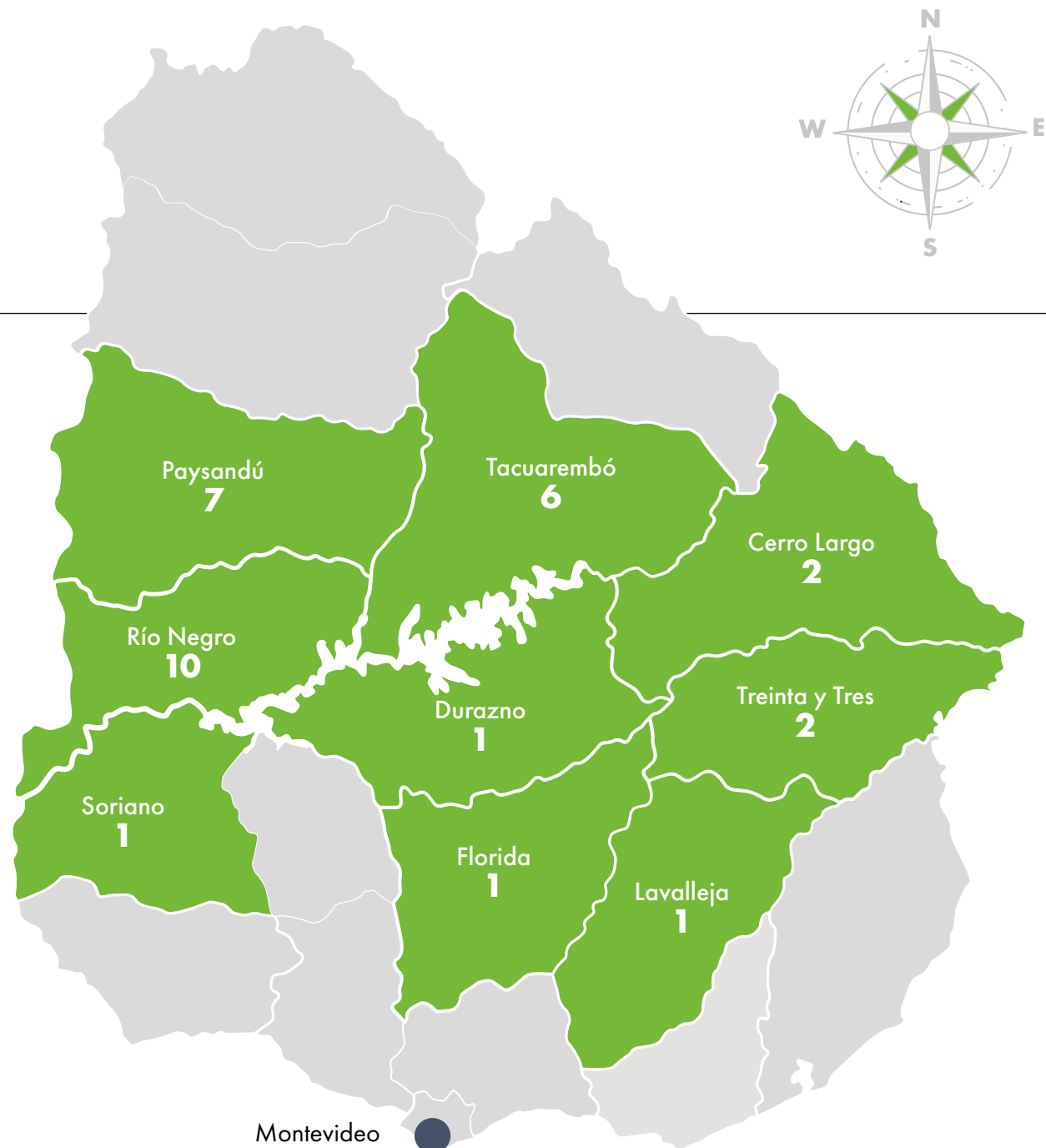
UPM FORESTAL ORIENTAL HAS 31 RESERVE AREAS* IN URUGUAY

* We refer to Reserve Areas as those preserved natural areas from the first two categories: HVCA and CA. These areas have specific management plans that have been designed based on the focal objects of conservation in each of them.

PRESERVED NATURAL AREAS

CATEGORY	SURFACE (HA)
HVCA	6,357
CA	6,381
RSA	10,988
COA	48,635
Total	72,361

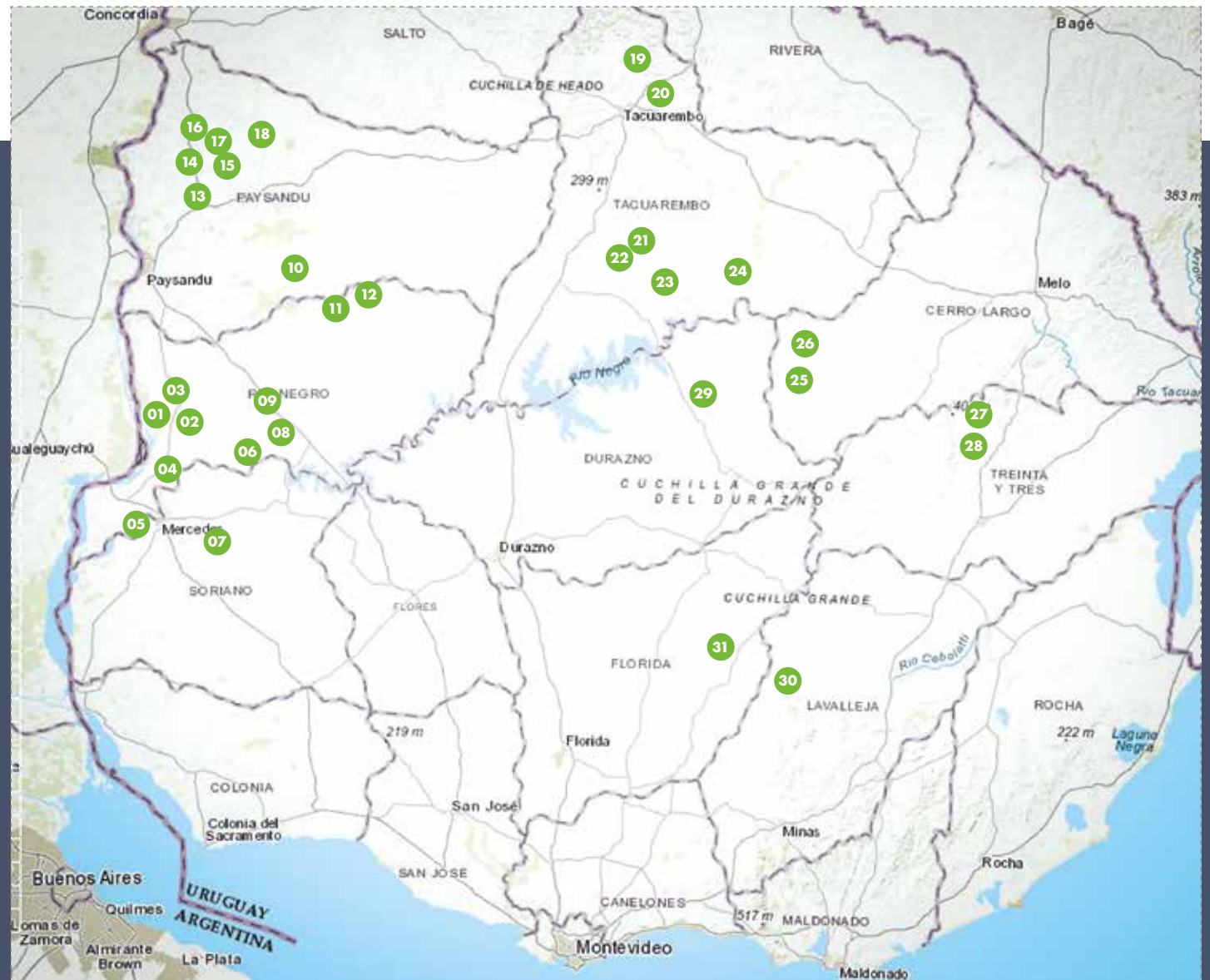
HVCA: high-value conservation areas
 CA: Conservation areas
 RSA: Representative sampling areas
 COA: Connectivity areas



RESERVE AREAS

01. EARU
02. Mafalda Este
03. El Rosario
04. Barrancas Negras
05. El Cerro
06. Bloque Jabalí
07. Coquimbo
08. La Trinidad
09. Viraroes
10. El Refugio
11. Las Tunas
12. El Ombú
13. El Retiro
14. El Pucará
15. Santa Carolina
16. Chasicó
17. El Carretón
18. San Pedro
19. El Retorno 2
20. Cerro Agudo
21. Arroyo Malo
22. El Alero III
23. Lambaré
24. La Rinconada
25. La Palma
26. Peñarrosa
27. Quiebrayugos 2
28. Quiebrayugos
29. Palmares de las Cañas
30. Los Gauchos
31. CJPP-Arteaga

● Reserva/Área de conservación



IN 2021 WE HAD MORE THAN 30 AREAS DESTINED FOR THE CONSERVATION OF BIODIVERSITY and

of historical-cultural or paleontological heritage for the country thanks to the incorporation of two new high-value conservation areas. Today we have 29 biodiversity areas, as well as one of high value for palaeontology and another destined for historical-cultural conservation. The two new areas added in 2021 are "Palmares de las Cañas" and "El Retorno 2". Palmares de las Cañas, is

located in La Paloma, Durazno and is comprised of 57 hectares in which mainly swampy forests and grasslands are preserved, particularly the only known population of a specific species of fern in Uruguay. El Retorno 2, is located in Tacuarembó and is comprised of 174 hectares intended for the conservation of native vegetation found on flat sandstone hills, in particular plants found on ravines and grasslands. Populations of numerous priority species for conservation and endemic prickly tunas are preserved there.





BIODIVERSITY MONITORING PROGRAMME

We have executed biodiversity surveys in different forest areas since the beginning of our operations. We have defined specific indicators for high-value conservation areas (HVCAs), which are assessed annually, in accordance with FSC® requirements. As of 2019, the indicators required by the environmental authorities for the evaluation of the state of the ecosystem have been incorporated.

RESULTS

Based on the monitoring activities in place since 1992 on UPM Forestal Oriental properties, the contribution to biodiversity conservation can be summarised as follows:

Fauna

Field surveys determine the composition of wildlife on company property. Tetrapods from the following zoological classes have been identified: amphibians, reptiles, birds and mammals. Two of the registered species are the Tamandua and the Margay.

TETRAPOD SPECIES IDENTIFIED

NUMBER OF SPECIES BY CLASS AND PRESENCE ON UPM FORESTAL ORIENTAL LANDS

CLASS	TOTAL IN URUGUAY	TOTAL IN UPM FORESTAL ORIENTAL LANDS
Land mammals	89	46
Non-seabirds	410	267
Amphibians	47	35
Reptiles	72	35
Total	618 *	383

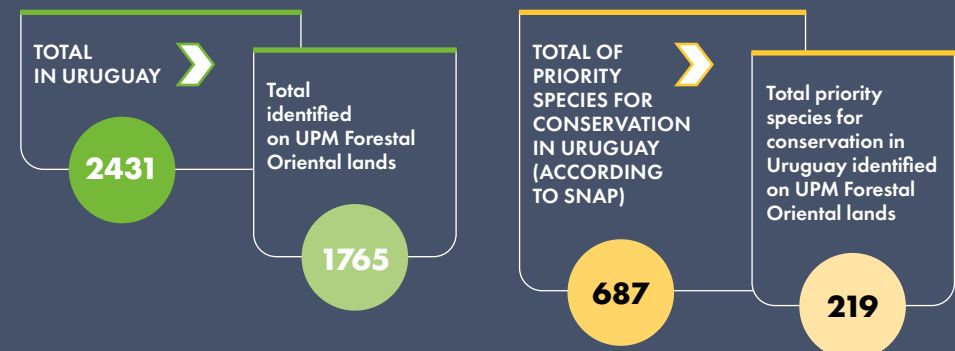
* Excluding marine species.

Flora

The main types of natural vegetation in the company's fields are: natural grasslands, sandbank vegetation, alkaline soils, general riparian forests, Chaco park forests, flat-topped hill forests, *Butia yatay* and *Triplaris* campestris palm groves, scrubland, wetlands and stubble. Some of these types of vegetation are subject to special considerations, either because they represent species that are in decline or endangered, or because they are home to rare species or species that are not widely spread in Uruguay.

PLANT SPECIES DETECTED

NUMBER OF PLANT SPECIES IDENTIFIED IN URUGUAY AND THEIR PRESENCE IN UPM FORESTAL ORIENTAL LANDS

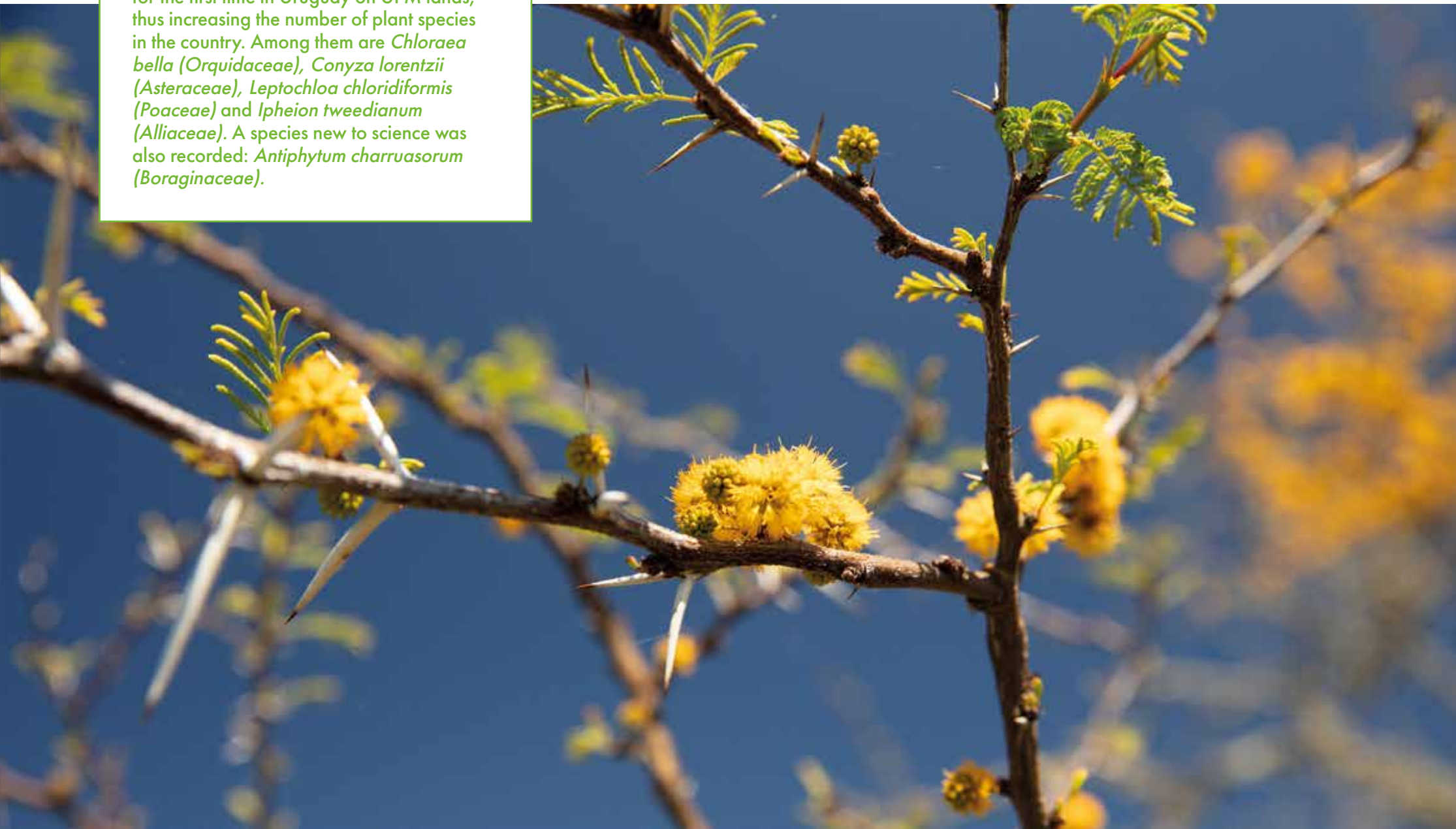


APPROXIMATELY 65% OF ALL SPECIES THAT MAKE UP THE COUNTRY'S FLORA have been found in UPM Forestal Oriental lands during the last five years. A total of 33 plant species were registered for the first time in Uruguay on UPM lands, thus increasing the number of plant species in the country. Among them are *Chloraea bella* (Orquidaceae), *Conyza lorentzii* (Asteraceae), *Leptochloa chloridiformis* (Poaceae) and *Ipheion tweedianum* (Alliaceae). A species new to science was also recorded: *Antiphytum charruasorum* (Boraginaceae).

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MORE INFORMATION
ON UPM'S CONTRIBUTION
TO THE CONSERVATION
OF FLORA IN URUGUAY



CONSERVATION AND HIGH VALUE CONSERVATION ATTRIBUTES IN THE RESERVE AREAS AND MANAGEMENT MEASURES IMPLEMENTED

HIGH CONSERVATION VALUE AREAS

DEPARTMENT	NAME	AREA (HA)	CONSERVATION ATTRIBUTES	AREA TYPE (*)	EXAMPLES OF MANAGEMENT MEASURES IMPLEMENTED
Cerro Largo	Peñarrosa	282	Swampy forests ,priority flora species for conservation	AAVC I and III	<ul style="list-style-type: none"> • Monitoring and survey of flora
Durazno	Palmares de las Cañas	63	Swampy forests, populations of new species for Uruguay (Screptidium sp.)	AAVC III	<ul style="list-style-type: none"> • Grazing management • Monitoring of endemic species • Monitoring the regeneration of pre-existing invasive species
Florida	Arteaga	5	Site of cultural historical interest: traditional ranch house and Puente de las Cadenas (Chain Bridge)	AAVC VI	<ul style="list-style-type: none"> • Park maintenance and conservation of native species
Paysandú	El Retiro	1031	Ecosystems representative of other nearby Protected Areas or sites of interest for conservation on a national or regional scale (native forests, natural fields, rocky ledges). Conservation of Capuchin (<i>Sporophila</i> spp.) and Black-and-white monjita (<i>Xalmis dominicanus</i>) through tall grasslands. Large scenic value and presence of priority species	AAVC III	<ul style="list-style-type: none"> • Monitoring exotic species • Monitoring flora in grasslands and native forests
Río Negro	Barrancas Negras	589	Scenic value conservation, important environments for endangered birds (<i>Sporophila cinnamomea</i>) and for endemic rodents (<i>Ctenomys rionegrensis</i>), plant and animal species priority for conservation	AAVC III	<ul style="list-style-type: none"> • Monitoring Invasive Alien Woody Species (mainly <i>Gleditsia triacanthos</i>) • Monitoring flora and fauna
	El Cerro*	950	Wetlands, native forests, areas of interest for threatened birds and rodents	AAVC II	<ul style="list-style-type: none"> • Monitoring illegal activities and livestock loads • Monitoring flora
	El Jabalí	865	Rich in animal and plant species. Diversity of priority species for conservation <ul style="list-style-type: none"> • Poaching surveillance • Grazing management 	AAVC I	<ul style="list-style-type: none"> • Monitoring flora and fauna • Monitoring Invasive Alien Woody Species (IAWS)

DEPARTMENT	NAME	AREA (HA)	CONSERVATION ATTRIBUTES	AREA TYPE (*)	EXAMPLES OF MANAGEMENT MEASURES IMPLEMENTED
Río Negro	Esteros and Algarrobales in Río Uruguay	1550	Part of the Esteros de Farrapos Ramsar site (wetlands). Native forest (riverside and Chaco park). Diversity of flora and fauna. Diversity of priority species for conservation	AAVC I and III	<ul style="list-style-type: none"> • Flora monitoring • Surveillance for poaching and other illegal activities, including fence and perimeter upgrades • Recovery of debased environments (grazing management, monitoring of flora and fauna) • Educational and recreational activities including public use of the area (nature trail) • Monitoring of Invasive Alien Woody Species (IAWS) • Rational grazing in different environments
Tacuarembó	El Alero III	277	Critically Endangered Endemic Species, Scenic Value	AAVC III	<ul style="list-style-type: none"> • Grazing management • Monitoring of endemic species • Increased connectivity of natural environments
	El Retorno II	174	Sandstone cornices and flat hills. Forests. Populations of endemic and threatened species	AAVC III	
	La Rinconada	649	Continental dunes and their environment. Priority species of flora and fauna for conservation. Natural fields.	AAVC III	<ul style="list-style-type: none"> • Monitoring of Invasive Alien Woody Species (IAWS) • Monitoring of flora and fauna through camera traps
Treinta y Tres	Quiebrayugos II 82		Vastness of endangered and endemic animal and plant species. Threatened bird species Straight-billed reedhaunter (<i>Limnocitites rectirostris</i>) and its habitat.	AAVC III	<ul style="list-style-type: none"> • Conservation of the threatened bird species Straight-billed reedhaunter (<i>Limnocitites rectirostris</i>) and its habitat, <i>Eryngium pandanifolium</i> • Monitoring of flora and fauna

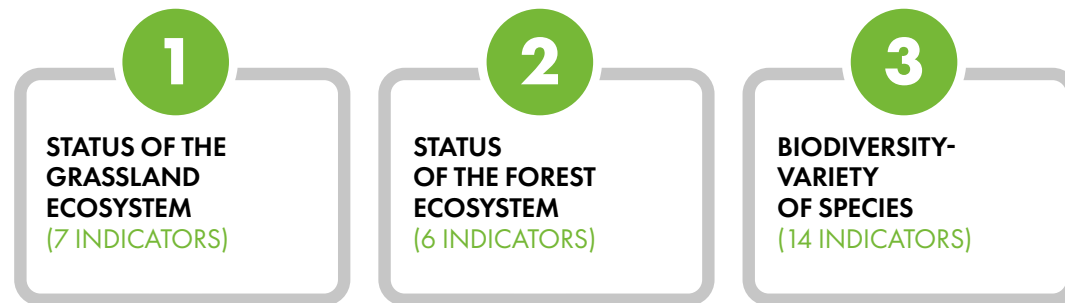
⁴ www.upm.uy/siteassets/images/atributos-de-conservacion-diciembre-2021.pdf

ÁREAS DE CONSERVACIÓN

DEPARTAMENT	NAME	AREA (HA)	CONSERVATION ATTRIBUTES
Cerro Largo	La Palma	1072	Threatened grasslands and prairies, native forests
Lavalleja	Los Gauchos	612	Serrano forest, rocky natural fields, priority species of flora and fauna for conservation
Paysandú	Chasicó	279	Palmares de Butia yatay regeneration area
	El Pucará and El Carretón III	45	Special management sites for the conservation of capuchin species (<i>Sporophila cinamomea</i>), species new to science (<i>Antyphythum charruasorum</i>)
	El Refugio	45	Native forest associated with permanent waterways. Priority species of flora and fauna for conservation
	San Pedro / Cerro de los Chivos	256	Palmares de Butia yatay conservation area. Natural fields and native forests
	Santa Carolina	67	Site of paleontological interest
Río Negro	El Ombú	345	Butia yatay palm groves, natural fields and rocky ledges, park forest
	El Rosario	290	Wetlands, native forest and grasslands. High value in biodiversity
	La Trinidad	1000	Species protected by Law (<i>Butia yatay</i>). Threatened grasslands and prairies
	Las Tunas	178	Priority species for conservation (herbaceous and cacti)
	Las Tunas	178	Population of priority plant species for conservation, rocky ledges and natural fields
	Mafalda Este	119	"Blanqueales" improvement of defaced environments
	Viraroes	29	Native forest associated with a permanent waterway
Soriano	Coquimbo	368	Conservation area with natural fields, park forest associated with "Blanqueales"
Tacuarembó	Arroyo Malo	569	Native forest, various fields, rare species
	Cerro Agudo	533	Wetlands, priority species for conservation
	Lambaré I, II and III	420	Threatened ecosystems, population of endangered species
Treinta y Tres	Quiebrayugos I	30	Straight-billed reedhaunter (<i>Limnocites rectirostris</i>) and its natural habitat

RESULTS OF THE HVCA MONITORING PLAN

The biodiversity monitoring plan includes, but is not limited to, all the HVCA that make up the Network of Natural Conservation Areas (NNCA). The set of 27 indicators considered is grouped into three categories:



Each indicator has set ranges according to the status it is classified under, which can be Good, Bad, Average or Very Good. These indicators show the effectiveness of conservation measures in relation to biodiversity.

There are specific indicators for certain areas, for example, the communities of *Ctenomys rionegrensis* (Tucutucu de Río Negro) are evaluated only in those HVCA where their presence has been confirmed.

Generally, we want at least 80% of indicators to range between Good or Very Good, while measures are established to improve, whenever possible, those that don't meet the aforementioned values. In 2021, half of the HVCA ranged between these set standards while measures are being taken in other areas to improve indicators connected to the management of livestock in natural fields.

In 2021, we reached 72,361 hectares of Preserved Natural Areas which have the following main types of natural vegetation: natural meadows, sandbank vegetation, riparian forests, Chaco park forests, flat hill forests, "blaqueales", palm groves, grasslands and wetlands. Some of these types are considered special either because they are receding, they are relict, or they harbour rare species or species found in selected areas.

THE MANAGEMENT PLAN FOR THE ESTEROS Y ALGARROBALES AREA IN RÍO DEL URUGUAY WAS DEVELOPED TOGETHER WITH VIDA SILVESTRE URUGUAY AND REVIEWED BY ALL THE MEMBER INSTITUTIONS OF THE SPECIFIC ADVISORY COMMISSION OF THE NATIONAL PARK ESTEROS DE FARRAPOS E ISLAS DEL RÍO URUGUAY.

FLORA

IN UPM FIELDS,
WE HAVE IDENTIFIED:

33 > **NEW PLANT SPECIES IN URUGUAY,**
INCREASING THE NUMBER OF SPECIES IN
THE COUNTRY. SOME OF THEM INCLUDE:
CHLORAEA BELLA (ORQUIDACEAE), CONYZA
LORENTZII (ASTERACEAE) AND LEPTOCHLOA
CHILORIDIFORMIS

73% > **OF PLANT SPECIES**
IN URUGUAY

+40% > **OF PLANT SPECIES** CONSIDERED PRIORITY
FOR CONSERVATION

A NEW SPECIES FOR SCIENCE WAS IDENTIFIED IN 2019:
ANTIPHYTUM CHARRUASORUM N. MEND. & MARINA DÍAZ WHICH,
IN 2020 WAS PUBLISHED IN SCIENCE PUBLICATION: SYSTEMATIC BOTANY









FAUNA

IN UPM FIELDS,
WE HAVE IDENTIFIED:

62% > **OF TETRAPOD* SPECIES
IN URUGUAY**

73% > **OF SPECIES CONSIDERED PRIORITY
FOR CONSERVATION IN NNCA AREAS**

**Excludes maritime species*

> **TETRAPODS FROM THE FOLLOWING ZOOLOGICAL CLASS: AMPHIBIANS,
REPTILES, BIRDS AND MAMMALS. TWO OF THE REGISTERED SPECIES ARE
THE TAMANDUÁ AND THE MARGAY**

LANDSCAPE VALUE

The landscape is a social value, and we manage it responsibly through active involvement with communities since forestry as an activity is still recent in some areas of the country. The design of the plantations takes into consideration the landscape's main characteristics, considering the patchwork of species, size, age, space and regeneration cycles.

We aim to reconcile and preserve as we produce. To do this, we analyse the landscape as a whole, beyond the land's property limits according scale, intensity and risks, and define adjustment to be made if necessary.

ECOSYSTEM SERVICES

Ecosystem services are benefits that an ecosystem provides to society and that improve people's health, economy and quality of life. Through biodiversity conservation and functional diversity, we aim to preserve the ecosystem's structure and operations.

Atmospheric carbon sequestration is an ecosystem service generated by forestry activity.

ATMOSPHERE

Within the framework of UPM's commitment to the 2030 Sustainable Development Goals, we highlight the contribution of forestry activity to the sequestration of atmospheric carbon in order to mitigate the increase in global temperature.

At UPM Forestal Oriental, we currently put into effect several initiatives to understand and manage our emissions, for example:

- We identify, manage and monitor our carbon emissions and carbon capture.
- We provide information for the annual report on carbon emissions and carbon capture put together by UPM global.
- We monitor the behaviour and evolution of organic carbon



ADDITIONAL INFORMATION

The information shared here can be expanded by contacting us through our communication channels available in the Contact Chapter of this report.

WASTE MANAGEMENT

At UPM Forestal Oriental we have a waste management plan that ensures compliance with national legislation and is in accordance with international trends.

We classify and manage waste according to its kind, prioritising reducing, reusing and recycling. We work together with local recyclers to manage non contaminated and recyclable materials (such as plastic, glass, paper, or cardboard).

We establish specific classification procedures in all work fronts, which are approved and permanently monitored.

Waste derived from our use of chemical products is managed in accordance with the requirements of national environmental authorities. Empty agrochemical containers are conditioned on the field following established of triple washing and perforation procedures. They are later sent to designated internal

storage units and conditioned for this purpose. We prioritise the return of containers to suppliers or, if unable to do so, we dispose of them through Campo Limpio. Alternatives comply with Decree 152/13 (authorized by DINACEA and that have a management plan for empty containers and obsolete stock).

We are part of the NFU Recycling Master Plan (for the management of End-of-Life Tires), ensuring that this waste is properly recycled.



LEARN ABOUT
THE RESULTS OF WASTE
MANAGEMENT

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UPM Forestal Oriental

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BEYOND FOSSILS

