

ANNUAL REPORT 2016





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ABOUT US

UPM Forestal Oriental initiated operations in Uruguay three years after the forestry promotion law, approved in 1987, came into effect. Since then, it has led the forestry sector in the country, strengthening production areas and generating quality employment in several regions.

Currently, UPM Forestal Oriental generates almost 3,000 jobs through its operations. These are mainly based in the country's coastal and central regions, maintaining permanent contact with more than 130 rural communities throughout Uruguay.

In 2005, the company implemented its Fomento Programme, which promotes partnerships with rural producers to incorporate forestry in their properties.

UPM Forestal Oriental is a member of non-governmental organisations including the Forest Stewardship Council® (FSC®), the Uruguayan Forestry Producers Society (SPF), the Chamber of Commerce of National Products and the Union of Exporters of Uruguay (UEU), among others. Additionally, it has partnered and/or entered into agreements with academic institutions including the University of the Republic (UDELAR), the National Institute for Agricultural and Food Research and Technology (INIA) and the Forestry Research and Studies Institute (IPEF) of Brazil, among others.



The company

MISSION

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

COMMITMENT

UPM Forestal Oriental respects people and the environment, aiming to generate long-term, mutually-beneficial relationships with the communities. The main elements of its philosophy enable UPM Forestal Oriental to manage its activities in a balanced and coherent way. Social development is part of all of its actions, aiming to contribute to the growth and development of the communities within its sphere of influence.

VALUES

UPM Forestal Oriental's attitude towards work and the people with whom it relates is guided by the values that define the company:

Trust and be trusted:

Being accountable and acting responsibly, keeping our promises, respecting others, participating and involving others, trusting in their ability, promoting transparency, honest communication and dialogue.

Achieve together:

Actively supporting and developing team spirit, creating joint goals and committing ourselves to achieving them, being accountable for the results, sharing our ideas throughout the organisation and learning from others, supporting and challenging each other.

Renew with courage:

Accepting risks and learning from mistakes, having a global vision, being open and learning, challenging the status quo and taking the initiative, being proud of our work.

EDITORIAL



Throughout this report, we will provide information about the performance of UPM Forestal Oriental, and enable the public to participate in our actions during 2016.

The challenge of maintaining competitiveness in an increasingly demanding context motivates us to continue focusing on the efficiency and simplification of our processes. Within this context, we have been able to fulfil most of the strategic objectives that we had set for the year.

In forestry, we continued expanding the planted area, implementing the mechanisation strategy and optimising the quality of our plantations. During the year, we increased the annual planted area by 35% percent compared to the previous year. As a result, we met our plantation goal and assured the development of the company's forestry base, both in proprietary and third-party plots through our Fomento Programme, in which more than 450 partner producers participate.

We reorganised the structure of the in-house harvesting process, and started to reformulate our machinery maintenance contracts in order to achieve greater flexibility and alignment with process objectives.

We continued to invest strongly in technological development, for the purposes of automating the flow of information from different processes

through mobile applications and new technologies that enable us to maintain more efficient control of our operations.

We continued working on the development of our staff, with training plans focused on competency development in accordance with the needs of each process, as well as the professionalisation of our service providers.

Finally, in line with our commitment to biodiversity conservation, we became the first private company in the country to manage an area within the Sistema Nacional de Áreas Protegidas (National System of Protected Areas).

This year, new challenges await us, and we trust that we will be able to overcome them together. Our focus, as it has been since our beginnings, will be on maintaining responsible and reliable production, so as to supply the Fray Bentos pulp mill with high-quality timber originating from sustainable forests.

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Alvaro Fitipaldo

Director of Operations, UPM Forestal Oriental

UPM AROUND THE WORLD

As a leading company of the new forestry industry, UPM is directing the integration of the bio and forestry industries towards a new, sustainable and innovation-driven future. The company is made up of six main business areas: UPM Biorefining, UPM Energy, UPM Raflatac, UPM Specialty Paper, UPM Paper ENA (Europe and North America) and UPM Plywood. We develop new, innovative and sustainable products, produced using renewable and recyclable raw materials. At UPM, we act in accordance with our values – trust and be trusted, achieve together, renew with courage. The company is present in 45 countries, with production plants in 12 of them, and employs approximately 19,300 people around the world. UPM's annual sales exceed € 9.8 billion, and its shares are traded on the Helsinki Stock Exchange (NASDAQ OMX).



HOW DO WE OPERATE AT UPM FORESTAL ORIENTAL?

The company operates through its Integrated Management System (IMS). This system enables it to organise its internal processes, always maintaining its customer focus. Forestry operations are governed by three core processes:

- Management
- Timber availability
- Timber supply

In this way, the plans, methods, procedures, actions and inspections of all of the company's operations are developed and implemented, ensuring

compliance with the most demanding quality, occupational health, safety and environmental standards at all times.

The IMS is present in all of the company's processes, and creates a decision-making model based on records, metrics and the integration of suppliers.

In this way, in addition to creating value, we are also able to implement a continuous improvement system.

The IMS includes and consolidates the plans, methods, actions and inspections

of the following systems through a unique work methodology:

- Quality Management Systems (ISO 9001:2008)
- Environmental Management Systems (ISO 14001:2004)
- Occupational Health and Safety Assessment System (OHSAS 18001:2007)
- Forestry Management (FSC® and PEFC™)
- Chain of custody (FSC® and PEFC™)

The company

OUR HISTORY



Approval of the Forestry Law in Uruguay

UPM Forestal Oriental's presence is closely linked to the development of the forestry industry, based on the synergies achieved between public policies with a long-term vision and the determined support of the private sector.

First harvesting operations

Conducted with cutting-edge and periodically updated technology to produce high-quality Eucalyptus for the manufacturing of cellulose pulp.



Creation of the Fomento Programme

Which promotes partnership between rural producers and UPM Forestal Oriental to incorporate forestry production in the activities conducted on their plots, through improved solutions designed to benefit producers.

1987

1995

2005

1990



UPM-Kymmene and Shell create Compañía Forestal Oriental S.A.

Entering and investing in the development of the forestry sector in Uruguay. In turn, the plantations and genetic improvement programme are initiated.

2003

Botnia acquires Shell's stake

And announces the initiation of studies for the installation of a pulp mill (UPM held a 47% stake in Botnia). Two years later, the companies confirm the investment for the construction of the mill in Fray Bentos.



2007

Initiation of operations of the Fray Bentos mill

In November, the mill located on the banks of the Uruguay River, four kilometres east of the city of Fray Bentos, begins to operate. The mill operates with the most modern and Best Available Techniques (BAT), ensuring minimal environmental impact.



History

UPM acquires the mill from Botnia and Forestal Oriental

UPM acquires 91% of the pulp mill in Fray Bentos, and the entirety of the company Forestal Oriental.



2009



Inauguration of the company's second nursery

Following 18 months of construction, the Santana nursery is inaugurated with a production capacity of 15 million seedlings per year, thanks to the application of latest-generation technology. Meanwhile, the Research and Development Centre at the Fray Bentos mill is inaugurated, providing the possibility of analysing pulp capacity and fibre characteristics of a large number of samples per year, enabling the company to advance more rapidly in the Genetic Improvement Programme.

2012

FAO recognises UPM Forestal Oriental

The Food and Agriculture Organization of the United Nations (FAO) recognizes UPM Forestal Oriental as an exemplary case in sustainability criteria applied to forests.



2015

2011



UPM selects Forestal Oriental to lead "Plantations Operations"

Starting from this designation, it was agreed that all of the company's forestry plantation projects, on a global level, would be managed from Uruguay.

2014

UPM obtains energy efficiency acknowledgement

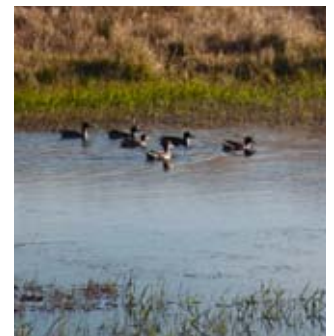
The Ministry of Industry, Energy and Mining granted UPM national energy efficiency awards for its energy management system.



2016

Esteros y Algarrobales del Río Uruguay enters the National System of Protected Areas (SNAP)

UPM Forestal Oriental becomes the first private company to manage an area of the National System of Protected Areas of Uruguay, under the supervision of the Ministry of Housing, Territorial Planning and Environment.



OUR ASSETS

The dynamics of the forestry sector require that we operate with supply strategies in the short, medium and long term. This implies professional asset and resource planning and management, enabling us to meet our customers' operational needs in a timely and appropriate manner.

Forestry assets form the basis for the sustainability and competitiveness of our activities, based on which the supply strategy for the Fray Bentos pulp mill is planned.

Appropriate land use, preservation of biodiversity and the protection of soil, water and natural forests are aspects on which the company is strongly focused, and which are essential for the long-term sustainability of the forestry sector.

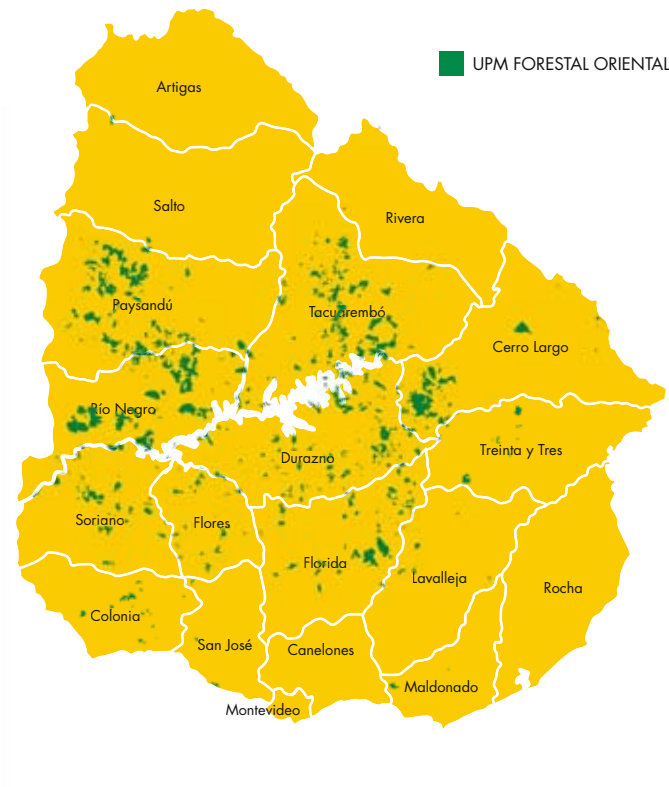
In UPM Forestal fields

61 % of the surface area is used for plantation

39 % of the surface area is managed for livestock, natural resource conservation and infrastructure activities



Assets



Natural resources are essential to the success of our activities. For that reason, multidisciplinary environmental impact studies are carried out, the results of which enable us to continuously improve the responsible management of these resources, seeking to balance environmental, economic, social, technical and operational factors.

AREA BY HOLDINGS (thousands of ha)

Holding type	Total area	Plantable area
UPM Forestal Oriental	254	154
Leases	96	79
TOTAL	350	235

FORESTED AREA BY GENUS (thousands of ha)

	<i>Eucalyptus</i>	<i>Pinus</i>	<i>Salicaceae and others</i>	TOTAL
UPM Forestal Oriental	138	5	2	145
Leases	63	4		67
TOTAL	200	10	2	212

DISTRIBUTION OF AREAS BY USAGE (thousands of ha)

	Total area	Plantable area	Natural fields and other grazing areas	Infrastructure	Native forests and other natural ecosystems
Area (ha)	350	234	92	9	15
%		67%	26 %	3 %	4 %

LAND MANAGEMENT: OUR RESPONSIBILITY

UPM Forestal Oriental understands that responsible land management represents a significant contribution to the sustainability of the business and its stakeholders.

For that reason, the company dedicates significant effort to determining the most appropriate use of the land, aiming to preserve biodiversity, soil and water.

What does responsible land management mean?

Prior to the implementation of any plantation process or change in land use, the company's specialists comprehensively study each case, assess the potential impact of the intervention, and plan the activities to be conducted within a framework of respect and preservation of

environmental conditions.

In each case, the biophysical environment is assessed, as well as the social and cultural resources in the surrounding area. This enables production areas to be identified, as well as those that are important to conserve due to their specific value.



Sustainable

PLANTABLE AREAS

These areas are defined based on their suitability for the growth of Eucalyptus plantations, and land management criteria determined by regional and national legal regulations.

UNPLANTABLE AREAS

These are areas that are not suitable for forestry operations. They are characterised and categorised based on different types of environment, including natural drainage systems, low-lying areas or other riparian zones, ravines, escarpments, buffer zones, rocky ledges and flat-topped hills, as well as any area occupied by natural forests. Each type of environment is included in the company's information system. The areas are also categorised according to their potential use, which includes bovine livestock, conservation and biological corridors, among others. In all cases where productive use is pursued, requirements regarding the responsible use of resources are maintained.

PLANTABLE AREAS SET ASIDE FOR CONSERVATION

These are potentially plantable areas that are not forested due to the fact that they contain native ecosystems of relevance for the conservation of species or environments such as high-value natural fields, palm groves, sandbanks, scrubland, or areas occupied by endemic species populations such as the Río Negro tuco-tuco (*Ctenomys rionegrensis*), among others. This category also includes quarries, sites of architectural or historical-cultural value, observation points, highly-erodible soils, etc.



KNOWING OUR ENVIRONMENT

BIOLOGICAL DATA

Classification of types of environment

Natural environments are the result of the interaction between the climate, geology, soil, flora and vegetation of a region or site. Therefore, they vary according to these characteristics.

To classify the different types of environment, UPM Forestal Oriental employs a methodology based on the use of satellite images, information about soil groups and digital terrain models, generating basic analysis units that are grouped together and classified according to their similarity.

On the one hand, this methodology enables us to classify types of environment according to their degree of threat on a national level, facilitating the management and conservation of those considered to be the most vulnerable. It also enables us to analyse the internal and external connectivity between environments with a greater ease, as well as reconsider the location and size of the company's reserved areas.

Biodiversity

We seek to ensure that pre-existing natural or semi-natural environments maintain their characteristics and become suitable areas for supporting various environmental uses, including biodiversity.

In reality, a forest is an area in which productive zones with a high intensity of use coexist with interconnected natural areas. In many cases, these latter areas are also productive zones, but maintaining their traditional use of livestock farming.



Environment

Approximately half of the total flora species in the country are present in UPM Forestal Oriental land.

Flora and vegetation

The main types of existing natural vegetation are as follows: natural grasslands, sandbank vegetation, alkaline soils, general riparian forests, Chaco park forests, flat-topped hill forests, *Butia yatay* and *Trithrinax campestris* palm groves, scrubland, wetlands and stubble.

Some of these vegetation types 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 with restricted distribution in Uruguay. These include some Chaco park forests, *Yatay* palm trees, ravine forests and flat-topped hills, as well as certain types of natural grasslands.

The most significant findings include the first recorded sightings of the species *Chloraea bella* (Orchidaceae), *Conyza lorentzii* (Asteraceae), *Leptochloa chloridiformis* (Poaceae), *Ipheion tweedianum* (Alliaceae), or species new to science, as in the case of *Cereus* sp. (Cactaceae), in Uruguay. The presence of other rare, endangered and endemic species has also been confirmed, as well as a large number of more common species.

In the main conservation areas, the presence of these uncommon species is periodically monitored and verified. The most relevant results are presented in the chapter on Environmental Monitoring.





Within UPM Forestal Oriental's assets, there are **1,135 km of natural waterways,**
104 streams
122 gullies
and 4 rivers

Fauna

Field surveys have been conducted to determine the composition of the wildlife present on different company fields.

Within this framework, tetrapods within the amphibian, reptile, bird and mammal classes have been identified.

The following table specifies the number of species found on a national level, according to their class, and how they are distributed in regions where UPM Forestal Oriental carries out its activities.

DISTRIBUTION OF TYPES OF ENVIRONMENT IN UNPLANTED AREAS AND BODIES OF WATER

TYPES OF ENVIRONMENT	%
Natural and low-lying fields	73 %
Natural drainage systems and firebreaks	5 %
Native forests	11 %
Rocky areas	8.1 %
Alkaline soils	1 %
Wetlands	0.8 %
Estuaries	0.6 %
Dunes	0.2 %
Espinillar	0.1 %
Ravines	0.1 %
Dam	0.1 %
Overall total	100 %

TETRAPOD SPECIES DETECTED

NUMBER OF SPECIES BY CLASS, ACCORDING TO LOCATION AND PRESENCE ON UPM FORESTAL ORIENTAL FIELDS					
	Throughout the country	North East		Coast	
		In the country	UPM Forestal Oriental fields	In the country	UPM Forestal Oriental fields
Amphibians	46	26	25	22	21
Reptiles	61 *	43	43	43	26
Birds	367*	258	258	248	219
Mammals	70* (9 introduced)	49	45	44	39
Total	544*	375	371	357	305

Proportion on UPM Forestal Oriental fields compared with the potential presence for each region (Coast and North East)
 * Excluding marine species



GEO-CLIMATIC DATA

Average daily temperature:

Between 12°C and 25°C

Average annual precipitation:

1,300 mm

Geology:

UPM Forestal Oriental's plantations are located within a wide range of geological formations, although mainly those from which soils that are suitable for forestry may be derived. The following geological formations predominate: Guichón, Mercedes, Asencio, Fray Bentos, Alluvium and Salto along the coast, as well as San Gregorio, Melo, Yaguarí, Cuchilla del Ombú, Tacuarembó, Rivera, San Gregorio, Tres Islas and crystalline basement.

Hydrology:

According to the current classification for predominant use (Decree 253/79), the waterways that form part of the company's forestry management units correspond to 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, but the irrigation system does not cause the product to become damp."*

Soil:

The most commonly-used soil groups and types for plantations are the following: 9.1 (Argisol), 9.3 (Argisol and Planosol), 9.3 (Argisol and Brunisol) and 7.32 (Luvisol).

OUR OPERATIONS

The main objective of the company's forestry management is the production of timber for pulp manufacture, principally meeting the demand of the Fray Bentos pulp mill, with 70% of the timber coming from proprietary fields and 30% from third-party fields.

An aerial photograph of a large industrial facility, likely a pulp mill, situated near a body of water. The scene is captured during sunset or sunrise, with a warm, orange and yellow sky. The mill features several tall smokestacks, one of which is emitting a plume of white smoke. The foreground shows a network of roads, parking areas, and some greenery. The overall atmosphere is industrial yet serene due to the natural lighting.

Operations

MAIN SPECIES FOR PLANTATIONS

The company cultivates those species that have demonstrated greater adaptability to the site through the testing network of its Genetic Improvement Programme. Among these species, *Eucalyptus grandis*, *Eucalyptus dunnii* and *Eucalyptus benthamii* stand out.

In addition to the *Eucalyptus* plantations, there are areas planted with other species, such as *Pinus*, *Salix* and *Populus*. In most cases, these are plantations that already belonged to the assets purchased from other companies or owners. Even though these are marginal species in terms of their occupied area, they are included in the company's operational plans.

UPM's mill initiated its operations in Fray Bentos, Uruguay, in November 2007, and is located on the banks of the Uruguay River, four kilometres east of the city of Fray Bentos.

Its annual production capacity is approximately 1.3 million tonnes of bleached short-fibre *Eucalyptus* pulp. For production, the plant uses the Best Available Techniques in accordance with European standards, which ensure a minimum environmental impact.

In 2016, the mill reached 10 million tonnes produced in less than 9 years of operations.

UPM's activities are estimated to generate 1.4% of national GDP, and represent approximately 7.7% of total exports.

THE PRODUCTION PROCESS

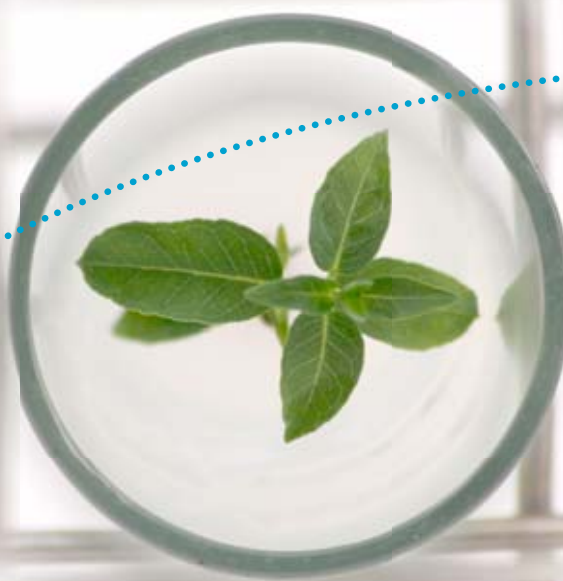
1. GENETIC IMPROVEMENT

The best trees are selected from the fields, that is, those with the best growth and which provide the highest-quality cellulose fibre. The trees are rigorously tested to verify their productivity in terms of volume, quality, rooting and health.



2. MICROPROPAGATION LABORATORY

Through the selection of the best trees, controlled crossing and vegetative reproduction, the most productive materials are obtained, with the highest level of adaptability and the technological characteristics required by the pulp and paper industry. Once the best trees have been selected, the reproduction process begins at the micropropagation laboratory.



8. OUR CUSTOMERS

Following the harvest, companies specialised in forestry loading and transport transfer the timber to UPM Forestal Oriental's customers, mainly the Fray Bentos pulp mill, which receives 4 million m³ of timber annually.



7. HARVESTING

After nine to 10 years, the trees attain the conditions required to be harvested. In addition to pulp mill demand, harvest planning considers aspects such as the species' characteristics, distance from the plant, plantation age structure, growth curves and environmental conditions. For safety, ergonomics, accuracy and flexibility reasons, the company employs mechanical harvesting methods, minimising the risk of accidents and harvesting times. Harvesting activities take into account the characteristics of the area to be harvested, the presence of flora and/or fauna species with special conservation status and proximity to riverbanks or areas close to waterways.

Harvesting techniques

The forest harvester carries out the cutting, trimming, debarking and chopping of the tree, leaving the logs stacked up on site. The harvester's output is approximately 70 trees/hour, corresponding to 21m³/hour, depending on the average volume per tree of each particular stand. Then, the forwarder enters the area, loads the logs and transports them to the roadside where they are loaded onto trucks. The output achieved through this process is approximately 35 m³/hour.



3

3. NURSERY

The nurseries produce Eucalyptus seedlings, either through seeds or vegetative reproduction (rooted cuttings). Similarly, new production techniques have been developed, reducing costs and improving raw material quality in a sustainable way.

UPM has infrastructure capable of producing 35 million seedlings per year, between the San Francisco nursery located on the outskirts of Paysandú and the Santana nursery in Guichón.

4. PLANNING

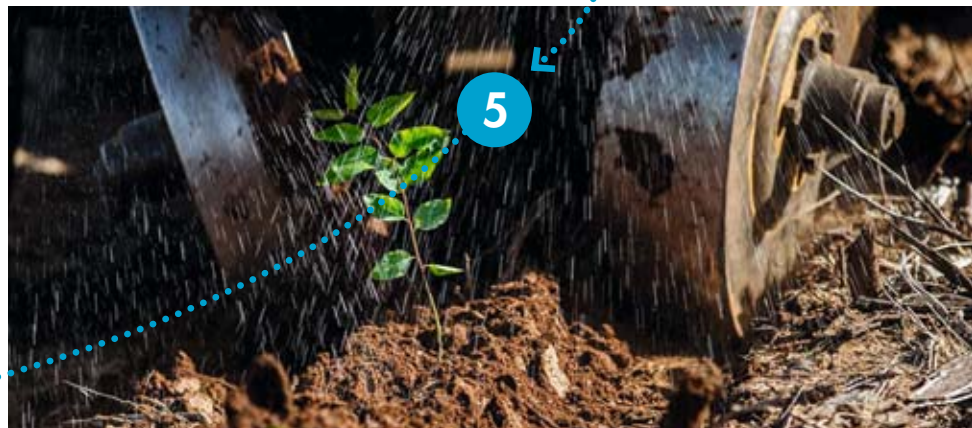
The planning area evaluates the land to be forested and plans its use, optimising natural resources. In turn, it prepares and coordinates the company's timber supply plans.



4

5. PLANTATION

In order to achieve the proposed objectives, we need to have a stable forest base to ensure a suitable site-species relationship. To do this, the company mainly uses the Eucalyptus grandis and Eucalyptus dunnii species, as well as their hybrids.



5



6

6. MONITORING GROWTH

Growth and forest dynamics are monitored through permanent plots (PP) that are measured annually from their first year of age. Plantations are also evaluated twice throughout their lifespan, after five years and prior to harvesting. The basic indicators obtained include trees/ha, average diameter, average height, dominant height, basal area, volume/ha, average annual increase, current annual increase and average tree volume. The results obtained are used both to maintain timber stocks on the plantations up to date, and to evaluate the potential of different species and genotypes.

Production process

HOW DO WE OPERATE AT UPM FORESTAL ORIENTAL?

According to studies conducted by the company, today we have duplicated pulp yield per hectare, compared to our first plantations.

GENETIC IMPROVEMENT PROGRAMME

The main objective of this programme is to select, and provide the company and partner producers, with the best trees. That is, those that possess the highest timber output and fibre quality, together with better adaptation to forest sites.

This procedure consists of selecting the best trees from each species, and conducting controlled crossing in order to propagate them through vegetative reproduction. In this way, the most productive materials are obtained, with the best adaptation to the soil and climate, as well as the necessary characteristics to meet the demands of the pulp and paper industry.

Micropropagation laboratory

The micropropagation laboratory has been in operation since 2009, and is where the best trees are reproduced, obtaining the mother plants of new clones. The objective is to minimise production times, as well as physiologically rejuvenating the plants to increase the rooting of the cuttings that they produce.

NURSERIES

Once the best materials have been selected, the process continues at the San Francisco and Santana nurseries, which have the best technology available for the production of Eucalyptus trees.

The use of latest-generation greenhouses, the computerised control of managed environments and high-precision irrigation systems are just a few of the advances that optimise plant production.



The San Francisco and Santana nurseries have more than 9.5 ha of greenhouses, produce 35 million seedlings per year and provide direct employment to more than 400 people from nearby towns.

FORESTRY

In 2016, 27,500 ha were planted, of which 25,000 ha correspond to plantations (principally reforestation), and the rest to regrowth management. On the other hand, 2.2% of the land corresponds to fallow land, with an annual average of 2.6%.

Simplifying work in the safest way

Under the framework of the continuous improvement strategy, the company has incorporated latest-generation machinery that enables the mechanisation of work processes.

Within this framework, we continued to develop mechanical plantation using new technologies that enabled the simplification of operations and an increase in the efficiency of the forestry process.

In 2016, 71% of herbicide applications were mechanised,

planting 32% mechanically. Recently, 17 machines developed for mechanised ant control were incorporated.

Knowledge transfer

The completion of work by service providers (SPs) in an appropriate and timely manner is key for stable and reliable production. For this reason, the SP training process continued during 2016.

Training is key to achieving proper implementation of the company's weed control strategy and, in turn, is essential for progression towards the professionalisation and continuous improvement of SPs.

A new quality assurance process will be implemented in 2017 to monitor and supervise both the quality of the seedling and the forestry process.

- Courses were provided on the subject of the weed control strategy and use of agrochemicals, two production aspects that are periodically audited.
- Training on ant control and temporary nursery maintenance was also initiated.
- We conducted 15 field trips for SP staff, together with UPM Forestal Oriental supervisors and park rangers.



Forestry

Harvesting

An aerial photograph of a logging site. In the foreground, a dirt road curves through a cleared area where numerous stacks of harvested timber are neatly piled. Several pieces of heavy machinery, including a tractor and a truck, are visible near the road. In the background, a dense, dark green forest stretches across the horizon under a clear blue sky with light clouds.

In 2016, the
harvesting rate
was **5.8 %**

HARVESTING

After 9 to 10 years, the trees attain the conditions required to be harvested. Currently, 100% of the harvest is mechanised for safety and competitiveness reasons.

In 2016, 3.6 million m³ of timber was harvested, and the harvesting rate was 5.8%. A total of 13 harvesting fronts were organised, of which 10 were managed by contractors and three by our own staff.

TOTAL HARVEST (thousands of m³)

Species	UPM Forestal Oriental and UW	Development, leases and third-party plots	TOTAL
<i>E. grandis</i>	1,800	360	2,160
<i>E. dunnii</i>	1,153	23	1,176
<i>E. maidenii</i>	90	10	100
<i>E. globulus</i>	25	127	152
<i>E. benthamii</i>	21		21
OVERALL TOTAL	3,089	520	3,609

*UW: Uruwood

AVERAGE OUTPUT (m³/ha/year)

	Coastal Region	Northern Region	Central-Southern 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 - 23	16 - 20
<i>E. Globulus</i>	7 - 12	7 - 11	12 - 18
<i>E. Viminalis</i>	15 - 20	15 - 20	18 - 24
<i>Pinus sp.</i>	12 - 16	15 - 20	12 - 16
<i>E. colorado</i>	10 - 14	11 - 15	8 - 12

TRANSPORT

The company works with 39 forestry transport companies. Of the 247 trucks in operation, 27 are long combination vehicles (trucks with a special configuration that enables a greater number of tonnes to be transported, with a lower impact en route).

Applied technology

In 2016, long combination vehicles transported 17% of the timber that entered the Fray Bentos pulp mill. Thanks to the technology used, it is possible to reduce the number of trips, which result in lower carbon emissions during timber transport.

Road safety programme


UPM Forestal Oriental has implemented a road safety programme in order to promote responsible driving, as well as knowledge about safety and traffic rules. It is intended for all individuals who maintain relationships with the company, mainly forestry transport business owners and their drivers, but also rural communities and public and private institutions, as well as our own employees.

The actions that form part of this programme include:

- “How is my driving?” 24-hour call centre line (4562 7710)
- Accident rate inspections and reports conducted by the Centre for Accident Prevention (CEPA)
- Quarterly road safety talks for drivers
- Biannual meetings with transport companies
- Psychometric exams (BTW driving courses and en-route tracking)
- Transport units checklist
- GPS tracking of trucks
- Monthly CEPA reports
- Quarterly safety newsletters
- Monthly CEPA road safety tips
- Unit scoring system to encourage safer driving

340 trucks enter the Fray Bentos pulp mill every day.



- 
- 461 people attended courses on driving HGVs (heavy goods vehicles).
 - 1,290 drivers attended the series of safety talks.
 - 781 psychometric test cabinets conducted.
 - 4,674 en-route tracking procedures of forestry transport units.
 - 2,004 checklists to assess the units' condition

Transport

ROADS

Every year, the company carries out construction and maintenance work on internal roads.

Improvement works were conducted on 660 km of local roads in coordination with different regional authorities.

Soil analysis laboratory

The soil analysis laboratory has been in operation for five years, and enables the quality of the materials with which the roads are built and refurbished to be evaluated, so as to construct more reliable roads and improve transport efficiency.

Main road improvements during 2016

- Construction of a bridge over Cañada Brava stream in Arévalo (Cerro Largo) which will enable the timber transport distance to be reduced and, in turn, generate an alternative route close to the town.
- Construction of 8 km of cement-stabilised road, which will enable 80,000 m³ of solid timber to be transported in adverse weather conditions.
- Construction of strategic roads that will enable the improvement of 15 days load availability.
- Reconstruction of the road to the town of Araújo (Paysandú), in agreement with municipal authorities.

In 2016, 415 km of roads were built on our proprietary plots and those of partner producers linked to the Fomento Programme.

This required an investment of USD 6.7 million (EUR 5.6 million).



Roads

Responsible Fire Management

As in previous years, UPM Forestal Oriental participated in the Forestry Producers Society's (SPF) National Forest Fire Prevention Plan, which includes the majority of forestry companies in the country.

The plan is focused on fire detection and firefighting aspects, and is implemented during the high-risk period (December to March). The plan covers 730,000 ha, which represent 90% of all forest plantations in the country.

This system includes six aeroplanes which conduct regular rounds, and enable the early detection of focal points for fires, as well as three helicopters which mobilise a firefighting team in order to provide a rapid response. These helicopters have the capacity to transport a seven-member brigade, belonging to the National Firefighters Department, and can discharge 900 litres of water. The helicopters are located at the Treinta y Tres and Guichón aerodromes, as well as Tacuarembó airport, covering almost the entire national territory.

All of this is coordinated and monitored through three operation centres which are located at the aforementioned operational bases. Through an operator, all administrative and operational information required to achieve the optimisation of resources is consolidated.

With regard to prevention, a radio campaign on fire prevention is conducted during the entire forest fire season. This campaign involves broadcasts on national and local radio which promote preventative conduct among the population, emphasising the ban on field burning, and reminding listeners of emergency telephone numbers.

MORE THAN 500 PEOPLE PARTICIPATED IN TRAINING

Additionally, talks were held in rural schools in which more than 140 children and 15 teachers participated, together with parents and members of the different communities.

TRAINING during 2016

- **Fire prevention course for beekeepers**
- **Forest fire prevention and response course for our permanent and contract staff**
- **Training in the use of portable extinguishers**
- **Workshop on forest fire management directed towards UPM forest coordinators and supervisors, which provided basic operational tools for managing a fire**
- **Fire prevention and firefighting course for students of Basic Professional Training in Mechatronics, a project implemented by the UPM Foundation, which is held at Fray Bentos Agricultural School**
- **Fire awareness course for truck drivers**



Prevention

FOMENTO PROGRAMME

The Fomento Programme was initiated in 2005 with the goal of promoting integration between forestry and traditional agricultural sectors in the country. Under this programme, Uruguayan rural producers are able to diversify their production, and therefore their income, adding value to their fields and obtaining long-term stability. For its part, UPM Forestal Oriental commits to purchasing the timber produced, providing technical consultancy and access to more than 25 years of genetic investigation, as well as a proposal adapted to their conditions and production system.

More than 450 rural producers, both individuals and institutions, participate in the programme, including the Professionals Retirement and Pensions Fund, the Notarial Social Security Fund, the Bank Retirement and Pensions Fund, the Soriano Rural Association and the Flower Development Society, among others.

The objective of the Fomento Programme is to supply 30% of the timber for the Fray Bentos pulp mill from partner producers.

In this sense, it should be highlighted that during 2015, the first field belonging to a partner producer, planted with UPM Forestal Oriental genetic material and technology in 2005, was harvested, having reached the necessary maturity for the harvesting process.

Plantable area under the Fomento Programme: more than **97,000 ha**

Agreements by area*

- 37 % smaller than 50 ha.
- 23 % between 50 and 100 ha.
- 40 % larger than 100 ha.

* Includes all Fomento modalities



Fomento

BENEFITS FOR PRODUCERS

The Fomento Programme provides producers with an opportunity to participate in an activity that is already consolidated, and which enables them to diversify and increase their profitability in a reliable way.

By joining the Fomento Programme, producers can access a sustainable business, a reliable market for placing their production, the supply of genetic material with high production potential and technical consultancy based on the company's experience, maximising the benefits of shade and shelter provided by afforestation. Furthermore, they can access the possibility of placing their grazing livestock in unplanted areas belonging to UPM Forestal Oriental, generally on low-lying land which is

highly suitable for livestock farming, enabling producers to maintain their livestock count after afforestation has been initiated on their properties.

Similarly, they are provided assistance in the certification of their timber under FSC® standards, aiming to ensure sustainable forest management in economic, social and environmental aspects.

For each new project, UPM Forestal Oriental carries out a detailed study of the establishment's conditions, and prepares a proposal that is adapted to those conditions and needs of the location, as well as the producer, complying with all requirements established by the relevant authorities in the country.

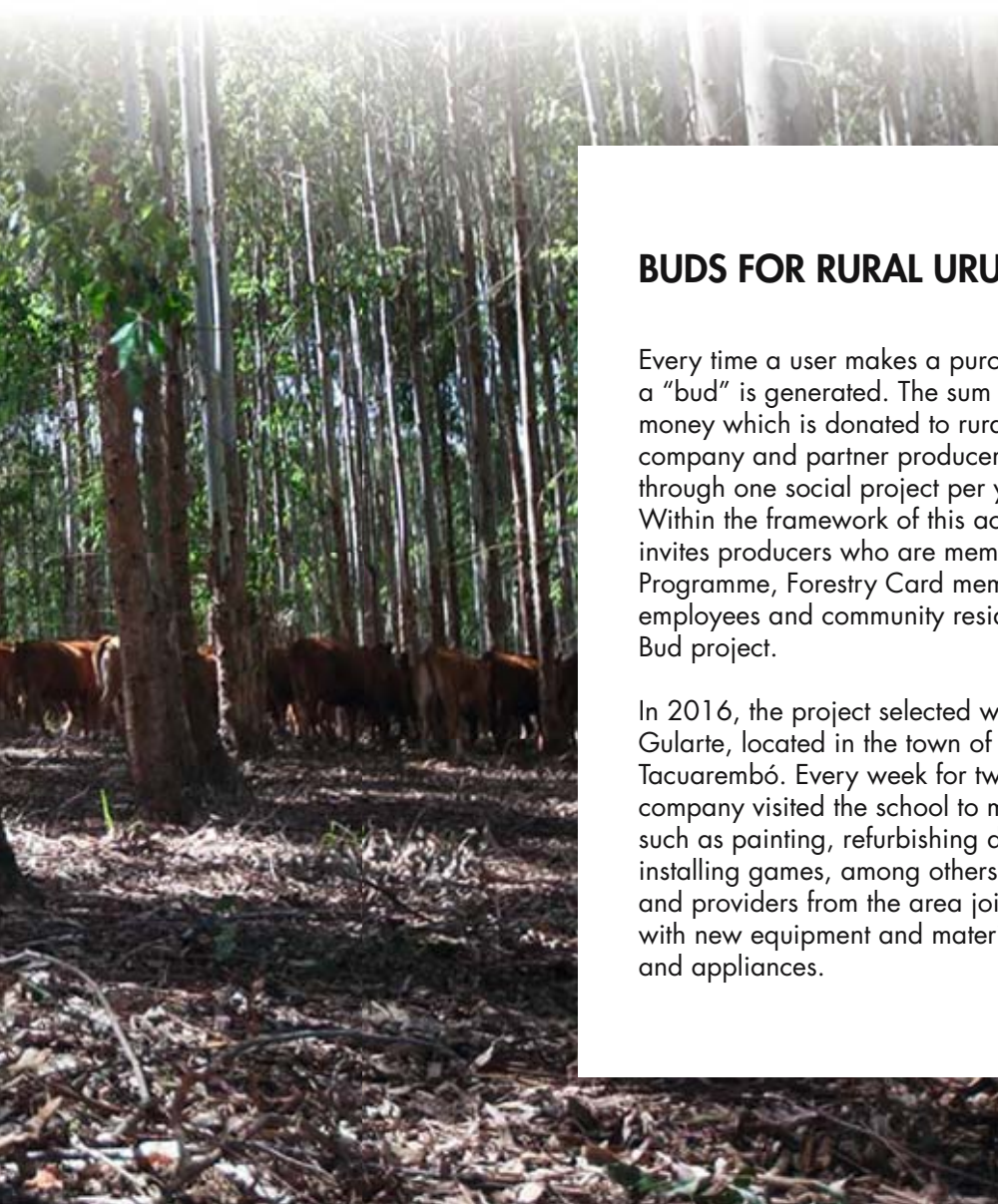
Meanwhile, we continued to investigate the relationship between afforestation and other agricultural

sectors, demonstrating not only that they are compatible, but also that diversification maximises the results of the activities conducted by producers, and provides them with long-term stability.

FORESTRY CARD

Created in 2012, the Forestry Card is a benefits programme for all those who operate in UPM's production chain in Uruguay.

Producers who are members of the Fomento Programme can access more than 150 exclusive discounts in stores all over the country, in areas including agricultural supplies, fuel, home improvement stores, leisure, clothing, education and transport.



BUDS FOR RURAL URUGUAY

Every time a user makes a purchase with the Forestry Card, a "bud" is generated. The sum of all "buds" translates into money which is donated to rural communities where the company and partner producers carry out their activities through one social project per year.

Within the framework of this activity, UPM Forestal Oriental invites producers who are members of the Fomento Programme, Forestry Card member stores, company employees and community residents to participate in the Bud project.

In 2016, the project selected was school No. 22 Martha Gularte, located in the town of Paso de los Novillos, Tacuarembó. Every week for two months, employees of the company visited the school to make building improvements such as painting, refurbishing doors and windows and installing games, among others works. In addition, producers and providers from the area joined the project, collaborating with new equipment and materials such as books, furniture and appliances.

Complementary products

With the objective of ensuring comprehensive use of the plantations, the company developed a policy for multi-purpose use of resources that incorporates communities and local residents in complementary forest activities.

GRAZING

The grazing of third-party livestock was incorporated in order to integrate traditional productive activities of the region into UPM Forestal Oriental's fields. In this way, the company reduces the presence of inflammable material, and therefore fire risk, as well as providing opportunities for productive use of the pastures to producers from the region.

Area used for grazing of third-party livestock:

72,300 ha

Of which, 32,000 ha correspond to 105 producers who are members of the Fomento Programme

Total number of producers: 575 contracts, 558 farmers

Average area per producer: 129 ha

Area by livestock type:

- Bovine: 92 %
- Wool: 5 %
- Equine: 3%

BEEKEEPING

Honey production is carried out through the management of hives in certified environments, involving institutions and private beekeepers throughout the country. Among other benefits, the plantations constitute an ideal environment for this activity, due to the Eucalyptus flowering period.

Although the renewal of the Framework Agreement was not achieved in 2016, we have continued to work based on its guidelines. This agreement was established in 2012 for the operation of beekeepers on the company's fields through local member institutions, and is implemented by the General Farming Department (DIGEGRA), the Ministry of Livestock, Agriculture and Fisheries, the Honorary Commission for Beekeeping Development (CHDA)

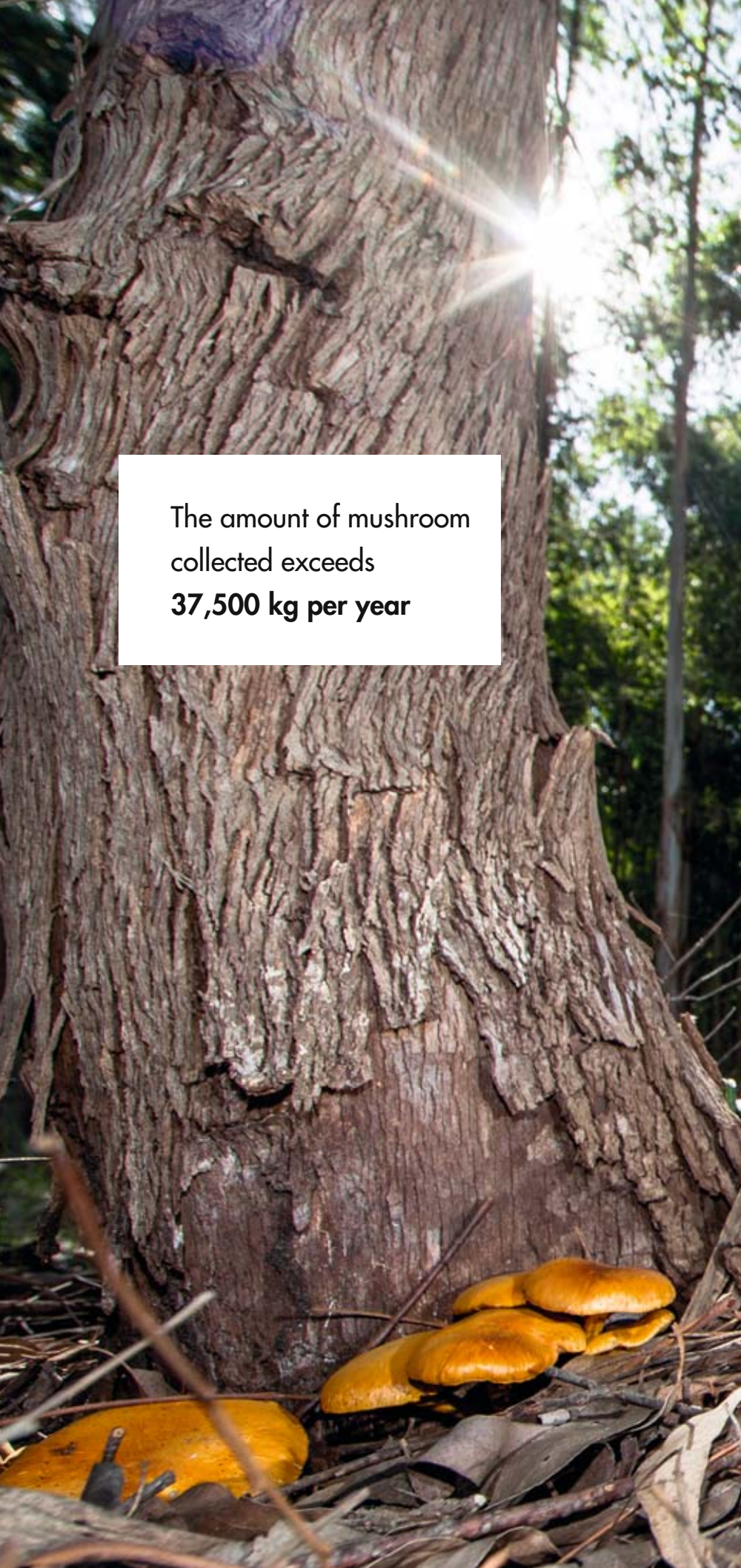
and the Uruguayan Apicultural Society (SAU).

For this purpose, several meetings were held within the scope of the framework agreement's Administrative and Regulatory Commission. Through the professionalisation of the field, all beekeepers follow the same protocols, are aligned with best beekeeping practices and maximise the use of the potential production area, thereby ensuring greater productivity.

This work method aims to drive community development and strengthen local institutions through active participation in honey production. These institutions are responsible for managing and



Number of hectares available (suitable for flowering)	TOTAL 46,500 ha
Number of hives	24,200
Number of producers	140
Participating regional Institutions	Rural Development Society of Nuevo Berlín CALAY, Young Algorta Beekeepers Group CALAGUI, Guichón CALAPIS, Paysandú Tacuarembó Beekeeping Promotion Association Paso de los Toros Rural Association COAPIKOL, Florida Yi, Durazno Agrarian Society Cerro Largo Agricultural Society
Average honey production in 2016	7 kg per hive



The amount of mushroom
collected exceeds
37,500 kg per year

allocating hive locations for the 140 beekeepers who operate in UPM Forestal Oriental fields.

MUSHROOM COLLECTION

Increasingly, the residents of towns close to UPM Forestal Oriental plantations visit the area to collect mushrooms in a safe and orderly way during autumn and spring.

For this reason, the company has designed and implemented a collector identification and activity registration system that has generated positive results, providing benefits to all stakeholders involved.

On the one hand, the system offers the possibility of conducting this activity safely, as well as providing an additional source of income, which is usually complementary to other activities conducted by local producers. On the other hand, the company is able to reduce production risks, ensuring compliance with current regulations and laws at all times in order to maintain the quality certification.

The collection is conducted by residents who have been trained in mushroom identification, comply with all established regulations, and request a permit to conduct the activity from the area manager.

Along the same lines, the company has implemented the following actions:

- Training in mushroom identification
- Dissemination of the regulations and laws that must be complied with
- Registration of collectors, as well as harvesting and its end use
- Systematisation of information related to this activity
- Implementation of safety and good conduct rules between residents with regard to mushroom collection
- Currently, 15 towns from three departments participate in the scheme:
- In Paysandú: Gallinal, Cerro Chato, Quebracho, Piedras Coloradas, Orgoroso, Pandule and Guichón
- In Río Negro: Algorta, Mellizos, Paso de la Cruz, Bellaco, San Javier and Greco
- In Soriano: Mercedes and Palmitas

Regarding the end use of the collected mushrooms, it is estimated that 99% are sold as raw material in Montevideo.

We certify our operations

UPM Forestal Oriental has acquired double certification in all its assets.

In January 2001, the company was certified according to the principles and criteria of the Forest Stewardship Council® (FSC®), and obtained international acknowledgement from the Forest Management and Chain of Custody of its products, becoming the first Uruguayan company to achieve this certification (SGS-FM/COC-000606¹).

In October 2015, the company obtained a third recertification for a new five-year period, confirming the responsible management of natural resources involved in forestry production.

UPM Forestal Oriental manages a group certification scheme (UPM Forestal Oriental Certification Group, SGS-FM/COC-002240) that includes small and medium-sized producers located in the departments of Paysandú, Maldonado, Rocha, Lavalleja, Río Negro, Durazno and Treinta y Tres. Achieving and maintaining certification involves the application of a series of policies, standards and working procedures that enable the protection, monitoring and

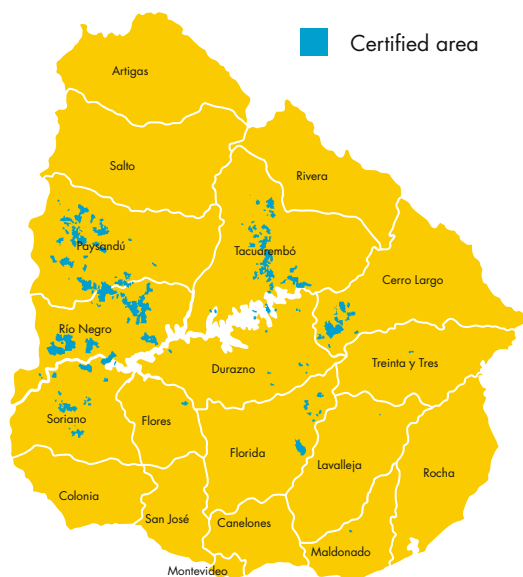
maintenance of all of the company's resources, as well as the operations that it carries out.

In 2011, UPM Forestal Oriental implemented the Uruguayan Standard of Sustainable Forest Management UNIT 1152, subsequently obtaining certification. This certification enabled the company to obtain the internationally-recognised Programme for the Endorsement of Forest Certification™ (PEFC™) stamp. This enables UPM Forestal Oriental to confirm the high standard of forest management in all its operations, as well as its positive influence on the communities where it operates and good environmental performance.

The entire certified area is currently covered by both schemes, FSC® and PEFC™.

Meanwhile, in October 2009, UPM Forestal Oriental endorsed its management through the integrated certification of all of its processes: quality (ISO 9001), environment (ISO 14001) and occupational health and safety (OHSAS 18001).

1. Public reports can be accessed on the following website: <http://info.fsc.org>



Total area with FSC® certification (SGS-FM/COC-000606): 260,850 ha

Total area with PEFC™ certification (UY11/20080091): 260,850 ha

Total area with FSC® certification belonging to the UPM Forestal Oriental Certification Group (SGS-FM/COC-002240): 19,169 ha





La marca del
manejo forestal
responsable

The *Forest Stewardship Council*® is an international body whose aim is to promote responsible, socially beneficial and economically viable environmental management of the world's forests by establishing a global set

of principles, and recognised and respected criteria.

Through its working methods and in accordance with FSC® Principles and Criteria, UPM Forestal Oriental favours the maintenance of ecosystem and biodiversity functions, contributes to the country's scientific expertise and provides education on environmental conservation.



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 instead of having a single standard for sustainable forest management that is applicable to all countries or regions, recognises and validates the standards developed by each country. To do this, it has a series of requirements on 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.

Certification

RESPONSIBLE ENVIRONMENTAL MANAGEMENT

Through the Integrated Management System (IMS) and operating processes, activities that may have an impact on the environment are identified, and the risk of these activities is assessed. Based on these evaluations, a series of measures are implemented in order to safeguard key environmental attributes and ensure maximum productivity

and efficiency of operations. The environmental requirements derived from legal regulations are also incorporated.

The working standards, as well as guidelines and best operational practice recommendations, establish the environmental safeguards for the application of mitigation and

compensation measures, if applicable. These documents are continuously updated, and address issues such as soil tillage, the application of agrochemicals and weed control, and road construction, among others.

For higher-impact activities, site-level planning is conducted.

A photograph of a small, clear stream flowing over moss-covered rocks in a dense forest. The water is crystal clear, and the surrounding vegetation is lush and green. The scene is peaceful and natural.

Environment

SUMMARY OF THE MAIN ENVIRONMENTAL PROTECTION MEASURES

Soil	To prevent erosion, tillage is only carried out in the plantation belt, on level curves or in straight lines by cutting the slope, or a combination of both. The burning of forest waste as a management tool is restricted exclusively to very special situations.
Plantation design	This is essential to minimise impacts on biodiversity, soil, water and visual aspects. The situations to be corrected in general involve changes to tillage management, correction of the buffering distances and increase in the unplanted area.
Drainage networks	These areas are not tilled or forested, and should remain covered with grass to prevent erosion, as well as to favour water run-off towards low-lying areas.
Low run-off areas	The conservation of these areas is deemed to be a priority from the point of view of water resources. They are not forested in order to fulfil their filtering function and buffer impacts on water resources. In the case of existing plantations, these are withdrawn during the following rotations.
Buffer zones	These are used to minimise the impact of the various activities in areas with special characteristics (areas sensitive to any type of alteration such as waterways, associated riparian zones, mating, breeding and feeding grounds for wildlife or areas where rare or sensitive species have been sighted, landscapes of interest or other geological or physiographic characteristics). The functions of these areas are as follows: <ul style="list-style-type: none"> • Machinery transport, firebreaks or roads • To reduce or eliminate the influence of forest crops on special features • To conserve or enable the active or natural development of transition areas between different habitats Buffer distances vary according to the activity and feature to be protected.
Observation points	When designing the plantations, landscape unity aspects are considered so as to minimise the visual impact, mainly on national routes and regional roads.
Quarries, dams, bridges, incineration sites and roads that traverse sensitive areas	Conducting these works enables the impacts on soil, vegetation, waterways and landscapes, among other aspects, to be minimised.
Transit	Traversing sensitive areas such as drainage networks, low-lying areas, gullies, flood-prone areas and natural habitats, etc. is minimised at all times.
Native tree species	Wherever native tree species appear, they are maintained and are not interfered with in the plantation (firebreaks, drainage networks, divisions of areas, low-lying land and historical areas), and the need to conserve isolated individuals within plantable areas is promptly assessed (by size, age, species, presence of other specimen in the vicinity and perching tree function).
Exotic species	Checks for exotic species and subsequent monitoring are performed to avoid loss of biodiversity, in accordance with a comprehensive strategy. Regenerations outside of production areas of planted species and the presence of other invasive species such as <i>Gleditsia triacanthos</i> , <i>Ligustrum lucidum</i> and <i>Melia azedarach</i> , etc. are prioritised in conservation areas or other sensitive areas.
Fuel spills	We work to prevent spills. In the event that a spill occurs, procedures to manage the affected area and record the event according to its magnitude are developed.
Agrochemicals	We always seek to minimise the use of agrochemicals, which are only used in nurseries and during the plantation phase (1 to 1.5 years of every 10 years of rotation). The use of hazardous agrochemicals is restricted by responsible management standards such as that of the FSC®, as well as by internal standards. Measures have been adopted to prevent agrochemicals from affecting sensitive areas such as waterways, native vegetation, surrounding properties and crops, as well as to protect the staff who administer them.
Waste	Contaminated and non-biodegradable waste is managed. The cleaning of machinery, work clothes and other equipment is carried out in the established locations. Contaminated waste is managed through specialised companies and authorised by the relevant government agencies.
Harvesting	Sensitive areas are identified and the impact of different operations are evaluated within this activity, with remediation measures being implemented in the event of any soil compaction, damage to stumps, visual impact, etc.

Conservation of native species

To fulfil the biodiversity conservation strategy, proper management of natural areas is essential, as they contribute to the maintenance of environmental values defined by the company.

One of the core principles is the establishment and management of a network of conservation areas (including those of high conservation value), which currently includes 20 areas with a total of 7,627 ha. To incorporate new areas into the network, the land occupied by the company is analysed, and goals are defined regarding the representation and complementarity of environments and species, both within the areas that make up the company's network, as well as with the National System

of Protected Areas (SNAP). To do so, the company works together with experts from the organisation Wildlife Uruguay.

All conservation areas (CAs) and high conservation value areas (HCVAs) have physical boundaries, defined conservation attributes, and management and monitoring plans.

Areas of other categories that are dedicated to conservation include connectivity areas (COAs) and representative sample areas (RSAs) where, in addition to conservation, other productive activities such as livestock farming can be conducted, in accordance with the defined management recommendations.

On a species level, the company works with the official categorisation

developed by SNAP for tetrapod vertebrate groups (amphibians, reptiles, mammals and birds) and flora. In the event that the presence of priority species is detected, when recommended by experts, specific conservation measures are implemented. This is the case for the Rio Negro tuco-tuco (*Ctenomys rionegrensis*), chestnut seedeater (*Sporophila cinnamomea*), straight-billed reedhaunter (*Limnoctites rectirostris*) and yatay palm (*Butia yatay*), etc.

Within CAs and HCVAs, biodiversity monitoring is conducted with a focus on the presence/absence of priority species for SNAP and their environments.



Conservation

Dept.	Name	Area (ha)	Observations	HCVA type*
Río Negro	El Rosario	290	Wetlands, native bush and grasslands. High biodiversity value.	
	Mafalda Este	119	Alkaline soils, improvement of degraded environments.	
	Esteros y Algarrobales del Río Uruguay (formerly Mafalda)	1,550	Part of the Ramsar Esteros de Farrapos site (wetlands). Native forest (riparian) and Chaco park, alkaline soils. Abundance of flora and fauna species. High diversity of priority species for conservation.	I and II
	Las Tunas	178	New and rare species (herbaceous and cacti).	
	El Jabalí	641	Abundance of flora and fauna species. High diversity of priority species for conservation.	I
	Viraroes	29	Native bush with a permanent waterway.	
	La Trinidad	121	Species protected (<i>Butia yatay</i>) by law. Threatened pastures and grasslands, high scenic value.	
	El Ombú	227	Species protected (<i>Butia yatay</i>) by law (population with conservation issues). Threatened pastures and grasslands, high scenic value.	
	Barrancas Negras	589	Landscape conservation (Río Negro fluvial plains), important environments and ecosystems for birds and endemic rodents, as well as priority species for conservation.	III
Paysandú	Cueva del Tigre - El Refugio	12	Native bush with a permanent waterway.	
	Santa Carolina	67	Site with palaeontological value (currently being studied); high scenic value.	
	El Pucará – Carretón II	20	Special management sites for the conservation of seedeater species.	
	Chasicó	279	Regeneration area for <i>Butia yatay</i> palm groves	
	San Pedro – Don Martín	256	Conservation area for <i>Butia yatay</i> palm groves, natural fields and native forests.	
	El Retiro - Queguay	999	Ecosystems that are representative of other adjacent protected areas, or sites of interest for conservation on a national or regional level (native forests, natural fields, rocky ledges). Potential contribution to the conservation of seedeater species (<i>Sporophila</i> spp.), as well as black-and-white monjita (<i>Xolmis dominicanus</i>) through tall grasslands.	II
Soriano	Coquimbo	227	Conservation area of natural fields, park forest associated with alkaline soils and scrubland.	
Tacuarembó	Arroyo Malo	569	Native forest, uliginous and sandy fields, rare species	
	La Rinconada	649	Continental dunes and their environment	III
	Cerro Agudo	533	Marshland, priority species for conservation.	
Treinta y Tres	Quebra Yugos	15	Straight-billed reedhaunter (<i>Limnocites rectirostris</i>), endangered bird and its habitat.	III
Florida	CJPP-Arteaga	5	Area of historical interest and "Puente de las Cadenas"	IV
Cerro Largo	La Palma	252	Threatened pasture and grassland, native forest	
Total ha		7,627		4,448

PROTECTED AREAS

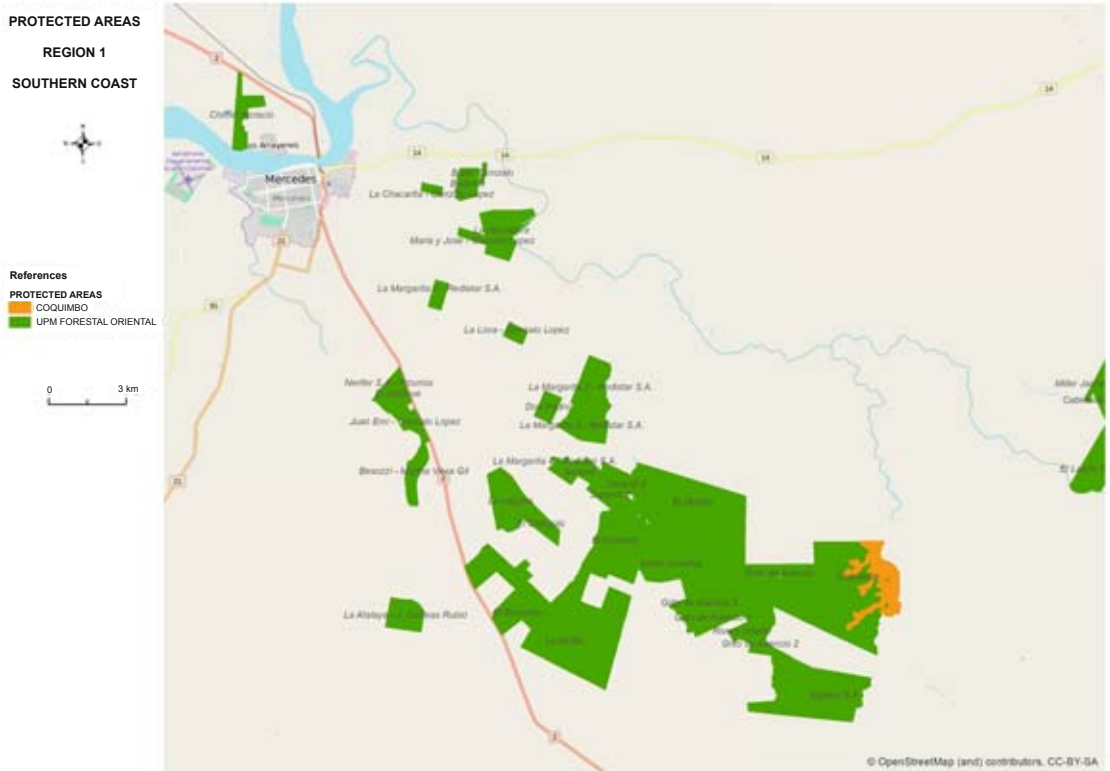
In October 2016, through an agreement between UPM and the Ministry of Housing, Territorial Planning and Environment, UPM Forestal Oriental was designated as the administrator of the Esteros y Algarrobales del Río Uruguay protected area, located in the "Mafalda" plot (Río Negro department), which has formed part of the National System of Protected Areas (SNAP) since December 2015.

In this way, UPM became the first private company to manage an area of the National System of Protected Areas.



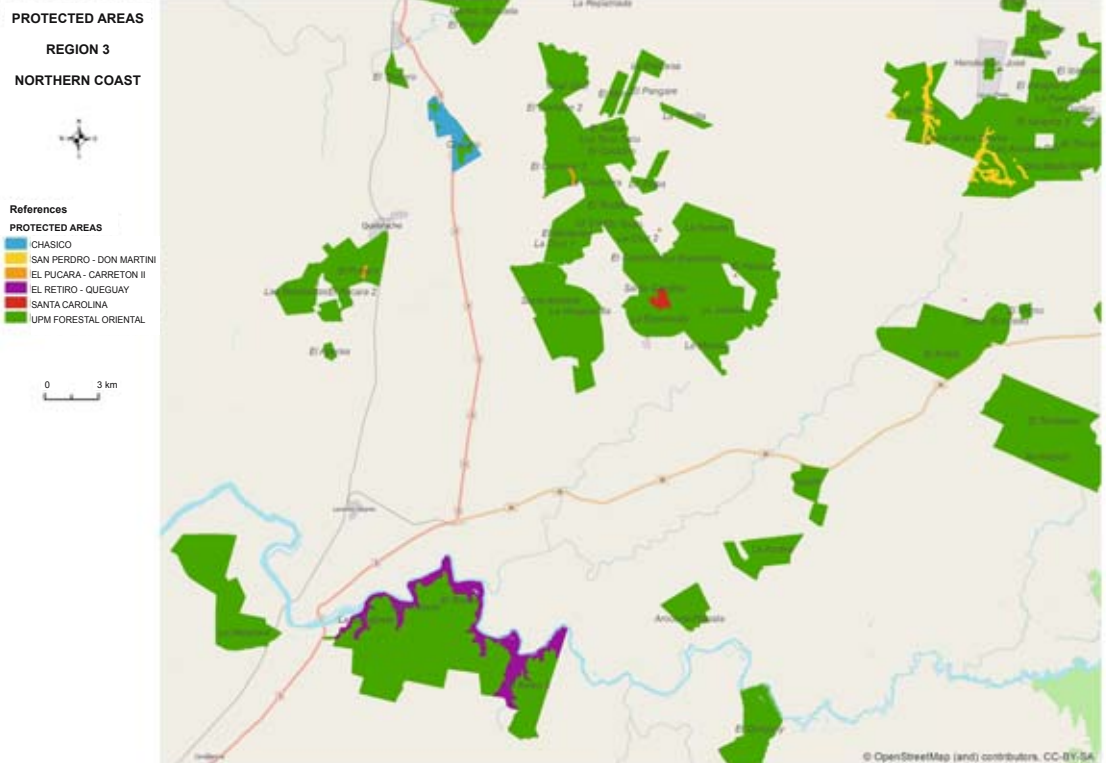
*High conservation value areas. The type is only specified for those areas categorised as HCVA's according to the FSC® classification

Maps of protected areas



SORIANO

QUEBRACHO

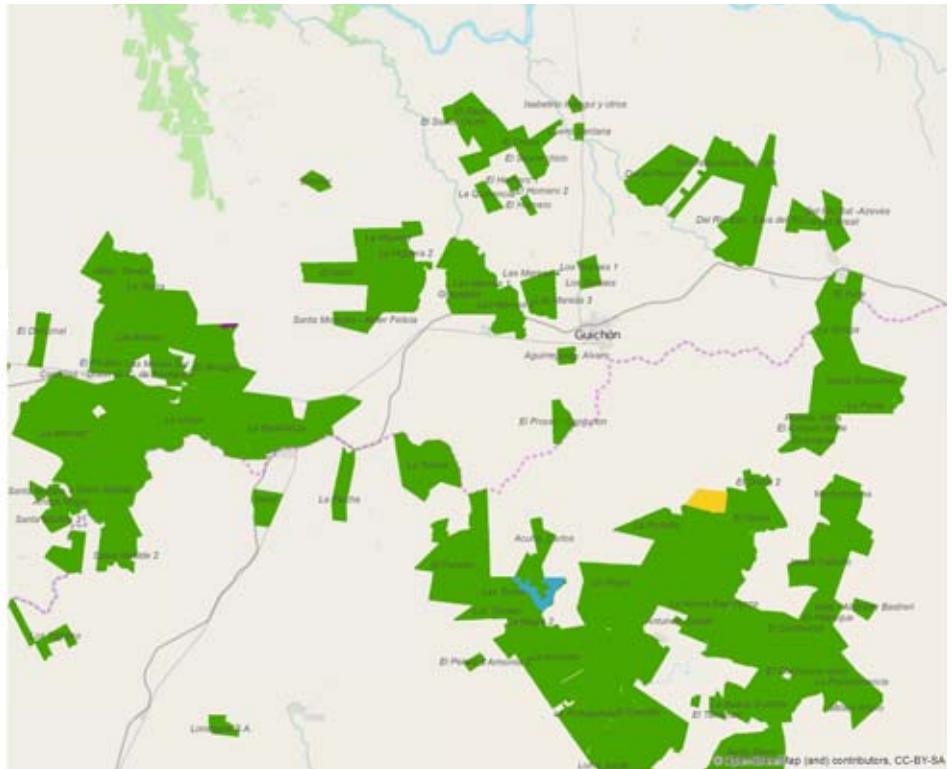


Protected areas

PROTECTED AREAS
REGION 2
CENTRAL COAST



- References**
- PROTECTED AREAS
 - EL OMBU
 - CUEVA DEL TIGRE
 - LAS TUNAS
 - UPM FORESTAL ORIENTAL

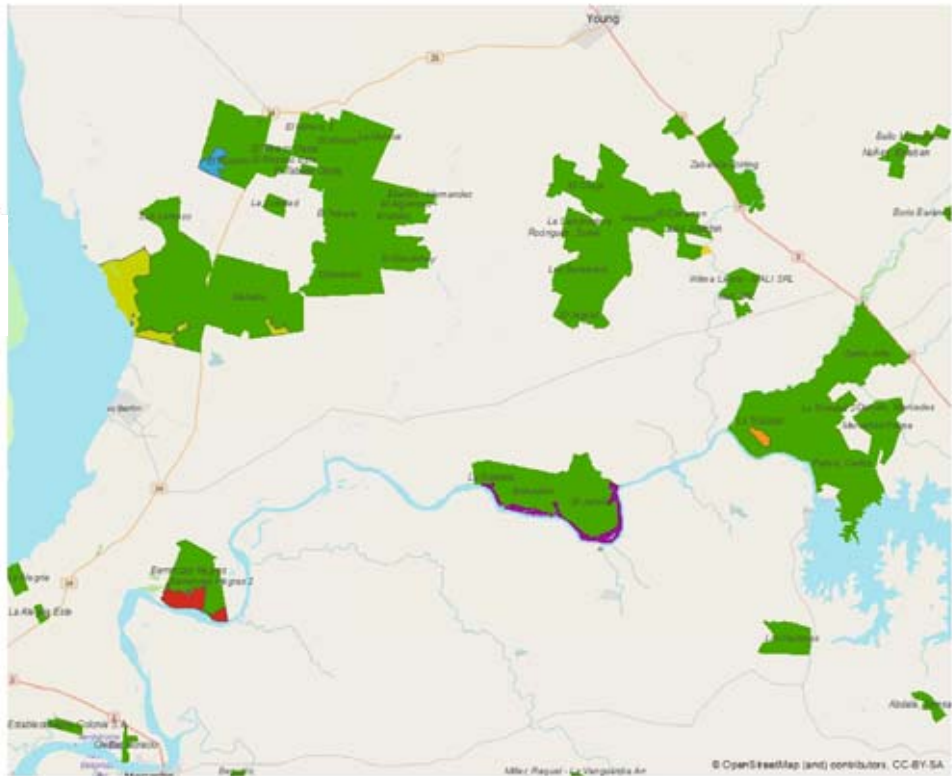


GUICHÓN

PROTECTED AREAS
REGION 1
SOUTHERN COAST

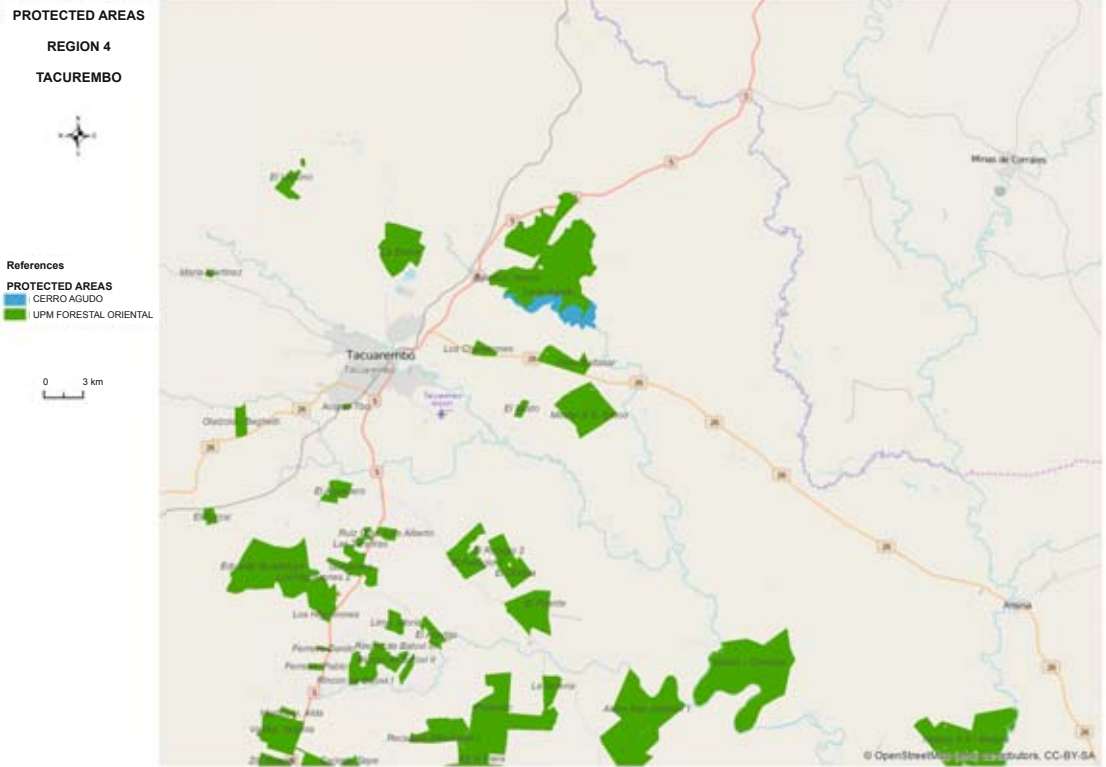


- References**
- PROTECTED AREAS
 - BARRANCAS NEGRAS
 - EL JABALI
 - EL ROSARIO
 - LA TRINIDAD
 - MAFALDA
 - VIRARDES
 - UPM FORESTAL ORIENTAL



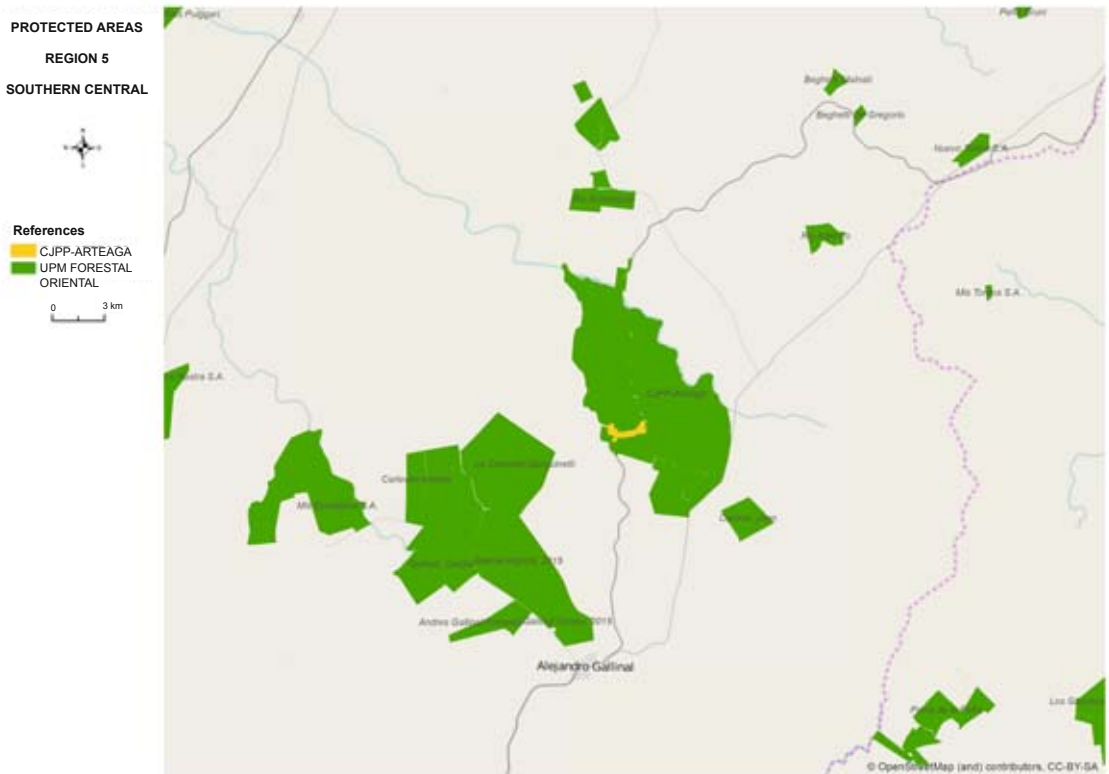
TRES BOCAS

Maps of protected areas



TACUAREMBÓ

FLORIDA



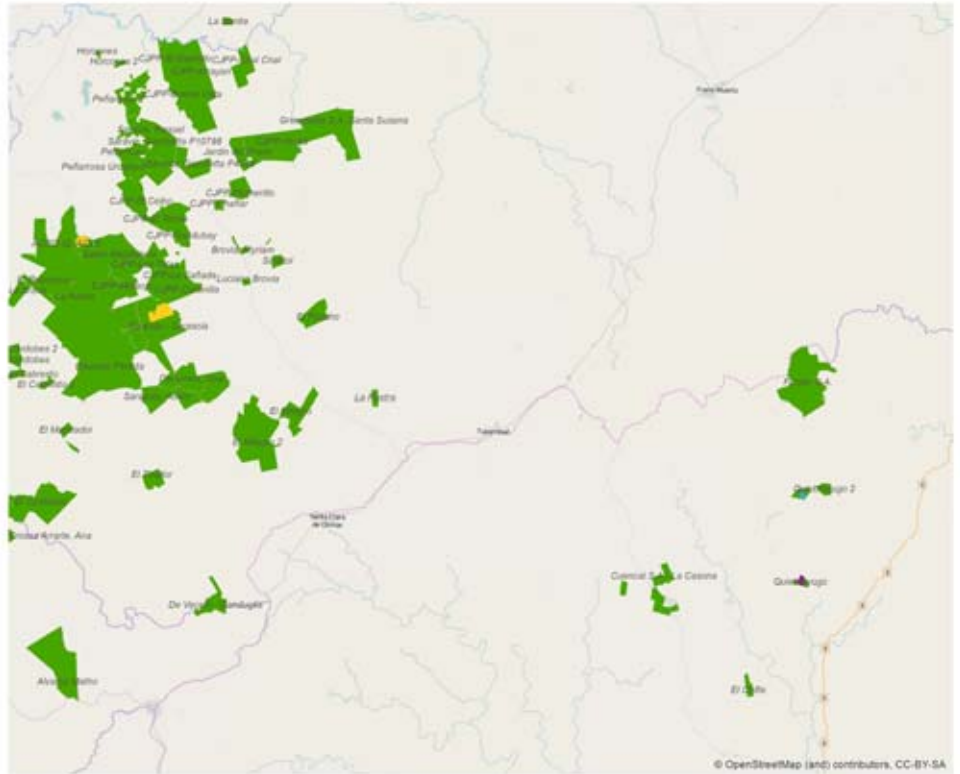
Protected areas

PROTECTED AREAS
REGION 5
SOUTHERN CENTRAL



References

- PROTECTED AREAS
- La Palma
 - Quebra Yugos
 - Quebra Yugos 2
 - UPM FORESTAL ORIENTAL



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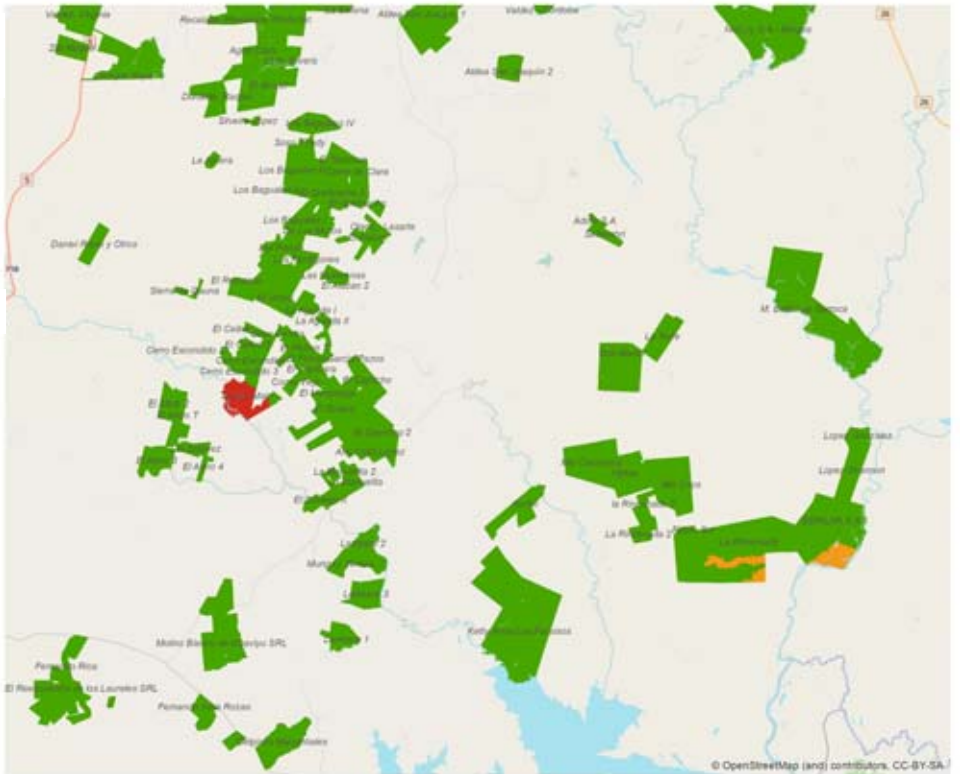
ARÉVALO

PROTECTED AREAS
REGION 4
TACUAREMBO



References

- PROTECTED AREAS
- ARROYO MALO
 - LA RINCONADA
 - UPM FORESTAL ORIENTAL



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Contribution to biodiversity conservation

CONTRIBUTION FROM UPM FORESTAL ORIENTAL PROTECTED AREAS TO BIODIVERSITY CONSERVATION

Biodiversity Level		Elements
Landscapes		A representative sample of south-west coast, fluvial plains and north-west grassland ¹ landscape units
Threatened ecosystems ² : VU: Vulnerable EN: Endangered		A representative sample (more than 55 ha) of the following environments: Marshland (EN), Riparian forests (VU), Yatay palm groves with wooded grassland (park forest) (VU), Rolling grasslands (VU, EN) Flat grasslands (VU, EN)
Flora species present in protected areas and included on the List of Priority Species for Conservation ³	Not represented in any of the current SNAP areas TOTAL: 33	<i>Adesmia punctata</i> , <i>Anmoselinum rosengurtii</i> , <i>Aristida echinulata</i> , <i>Aristida hackelii</i> , <i>Chloris berroi</i> , <i>Croton chamaepitys</i> , <i>Cuphea lysimachioides</i> , <i>Eleocharis nudipes</i> , <i>Eleocharis obtusetrigona</i> , <i>Eleocharis subarticulata</i> , <i>Eryngium doraе</i> , <i>Frailea castanea</i> , <i>Galium equisetoides</i> , <i>Grindelia linearifolia</i> , <i>Gymnopogon legrandii</i> , <i>Holocheilus illustris</i> , <i>Macroptilium erythroloma</i> , <i>Matelea australis</i> , <i>Mimosa amphigena</i> , <i>Opuntia retrorsa</i> , <i>Opuntia sulphurea</i> , <i>Pappophorum philippianum</i> , <i>Paspalum falcatum</i> , <i>Pycurus uniolooides</i> , <i>Schinus fasciculata</i> , <i>Schizachyrium gracilipes</i> , <i>Scleria leptostachya</i> , <i>Senecio cisplatinus</i> , <i>Senecio tacuarembensis</i> , <i>Sommerfeltia spinulosa</i> , <i>Trichloris crinita</i> , <i>Utricularia laxa</i>
TOTAL 67/688 (10%)	Represented in any of the current SNAP areas TOTAL: 34	<i>Acalypha senilis</i> , <i>Acicarpha procumbens</i> , <i>Arachis burkartii</i> , <i>Aristida uruguayensis</i> , <i>Atriplex montevidensis</i> , <i>Banara umbraticola</i> , <i>Bernardia sellowii</i> , <i>Capanemia micromera</i> , <i>Chloraea bella</i> , <i>Cypella coelestis</i> , <i>Festuca fimbriata</i> , <i>Frailea schilinzkyana</i> , <i>Gymnocalycium schroederianum</i> , <i>Harrisia pomanensis</i> , <i>Holmbergia tweedii</i> , <i>Hyptis brevipes</i> , <i>Justicia tweediana</i> , <i>Linum burkartii</i> , <i>Lycium ciliatum</i> , <i>Maytenus vitis-idaea</i> , <i>Mimosa cruenta</i> , <i>Nierembergia calycina</i> , <i>Paspalum durifolium</i> , <i>Phragmites australis</i> , <i>Polygala aphylla</i> , <i>Prosopis affinis</i> , <i>Prosopis nigra</i> , <i>Schlechtendalia luzulaefolia</i> , <i>Senecio icaglossoides</i> , <i>Senna oblongifolia</i> , <i>Solanum platense</i> , <i>Sommerfeltia spinulosa</i> , <i>Vernonia pseudolinearifolia</i> , <i>Vigna hookeri</i>
Fauna species present in protected areas and included on the List of Priority Species for Conservation ³	Not represented in any of the current SNAP areas TOTAL: 13	<i>Clelia rustica</i> (brown snake) <i>Anhinga anhinga</i> (snakebird), <i>Bartramia longicauda</i> (Upland sandpiper), <i>Cairina moschata</i> (Muscovy duck), <i>Cinclodes fuscus</i> (Buff-winged cinclodes), <i>Cranioleuca sulphuriphera</i> (Sulphur-bearded spinetail), <i>Cyanocompsa brissonii</i> (Ultramarine grosbeak), <i>Mimus triurus</i> (White-banded mockingbird), <i>Pachyrhamphus viridis</i> (Green-backed becard), <i>Sterna hirundinacea</i> (South American tern), <i>Sturnella defilippii</i> (Pampas meadowlark), <i>Willfedomys oenax</i> (Greater Wilfred's mouse), <i>Ctenomys rionegrensis</i> (Rio Negro tuco-tuco)
TOTAL 43/253 (17 %)	Represented in any of the current SNAP areas TOTAL 30	<i>Acanthochelys spixii</i> (black spine-neck swamp turtle) <i>Amblyramphus holosericeus</i> (Scarlet-headed blackbird), <i>Bartramia longicauda</i> (Upland sandpiper), <i>Buteogallus urubitinga</i> (Great black hawk), <i>Cacicus solitarius</i> (Solitary cacique), <i>Cistothorus platensis</i> (Sedge wren), <i>Coragyps atratus</i> (Black vulture), <i>Coryphistera alaudina</i> (Brushrunner), <i>Cygnus melancoryphus</i> (Black-necked swan), <i>Geranoaetus melanoleucus</i> (Black-chested buzzard eagle), <i>Gubernatrix cristata</i> (Yellow cardinal), <i>Limnocittes rectirostris</i> (Straight-billed reedhaunter), <i>Limnornis curvirostris</i> (Curve-billed reedhaunter), <i>Megascops sanctaecatarinae</i> (Long-tufted screech owl), <i>Picumnus nebulosus</i> (Mottled piculet), <i>Proccacicus solitarius</i> (Solitary black cacique), <i>Rhea americana</i> (Greater rhea), <i>Rhynchotus rufescens</i> (Red-winged tinamou), <i>Saltator coerulescens</i> (Greyish saltator), <i>Sporophila cinnamomea</i> (Chestnut seedeater), <i>Sporophila palustris</i> (Marsh seedeater), <i>Veniliornis mixtus</i> (Checkered woodpecker), <i>Xolmis coronatus</i> (Black-crowned monjita), <i>Xolmis dominicana</i> (Black & white monjita) <i>Dasyypus hybridus</i> (Southern long-nosed armadillo), <i>Dasyypus novemcinctus</i> (Nine-banded armadillo), <i>Leopardus braccatus</i> (Pantanal cat), <i>Leopardus geoffroyi</i> (Geoffroy's cat), <i>Puma concolor</i> (Cougar), <i>Chrysocyon brachyurus</i> (Maned wolf)

1 According to Evia, G. & Gudynas, E. 2000. Ecología del paisaje del Uruguay. Aportes para la conservación de la diversidad biológica [Ecology of the Uruguayan landscape. Contributions toward the conservation of biological diversity]. MVOTMA, AECI. 173 pp.

2 According to the classification of types of environment of the Responsible Production Programme. PPR/MGAP

3 Clavijo, C.; Martínez-Lanfranco, Juan.; Soutullo, A. 2013. Especies Prioritarias para la Conservación en Uruguay. Vertebrados, moluscos continentales y plantas vasculares [Priority Species for Conservation in Uruguay. Vertebrates, continental molluscs and vascular plants]. MVOTMA/SNAP/MEC.

HIGH CONSERVATION VALUE AREAS

Forests or High Conservation Value Areas (HCVAs) are defined according to Forest Stewardship Council® guidelines and requirements. In order to define these areas and their management, consultations are carried out with experts and other local stakeholders.

UPM Forestal Oriental protected areas that comply with these criteria are mapped as HCVAs and monitored according to the established management guidelines.

Name	Specific HCVA management measures
Esteros y Algarrobales del Río Uruguay (formerly Mafalda)	Control of poaching and other illegal activities. Recovery of degraded environments (grazing management, flora and fauna monitoring). Implementation of educational and recreational activities, including public use of the area (nature trail). Control of invasive alien woody species. Establishment of reasonable grazing in different environments.
El Jabalí	Monitoring of flora and fauna. Control of invasive exotic wood species. Public and internal communication of the results of monitoring. Poaching control. Grazing management.
La Rinconada	Control of exotic species (mainly pine).
Queguay	Control of exotic species. Flora monitoring in pastures and native forests.
CJPPU-Arteaga	Infrastructure maintenance.
Quiebrayugos	Conservation of straight-billed reedhaunter (<i>Limnocites rectirostris</i>), an endangered bird species, and its specific habitat, the <i>Caragatá Eryngium pandanifolium scrubland</i> .
Barrancas Negras	Monitoring and control of invasive wood species (mainly <i>gleditsia</i>) Monitoring of flora and fauna.

Reserves

PERMANENT ENVIRONMENTAL MONITORING

The following monitoring programmes have been implemented:

- Impacts on harvesting and other operations
- Biodiversity
- Soil
- Water
- High conservation value areas



Monitoring

Biodiversity monitoring programme

The assessment of biodiversity values and their monitoring is carried out with the best information available in the country regarding the presence and distribution of flora and tetrapod vertebrate species in the fields managed by UPM Forestal Oriental.

In the 2015-2016 period, the flora and/or fauna surveys of high conservation value areas, presented in the following table, were updated, with an emphasis on the monitoring of species included in the SNAP list of priority species.

In turn, the baseline survey for future monitoring in the following conservation areas and high conservation value areas was conducted:

- El Cerro (**)
- Barrancas Negras (*)
- La Peñarrosa (**)

(*) High conservation value areas

(**) Area under evaluation as a potential conservation area or high conservation value area.

In La Peñarrosa, the *Trichomanes crispum* L. fern species was registered for the first time in Uruguay, as well as a new tree species in Uruguay, *Ficus* sp. (af. *calyptroceras*).

On a species level, monitoring and tracking of the presence of the following indicator species, rare or iconic species continued.

Birds

- Anhinga anhinga – snakebird
- *Lochmias nematura* – sharp-tailed streamcreeper
- *Pseudoseisura lophotes* – brown cacholote
- *Limnoctites rectirostris* – straight-billed reedhaunter
- *Sporophila cinnamomea* – chestnut seedeater
- *Sporophila ruficollis* – dark-throated seedeater

Mammals

- *Ctenomys rionegrensis* – Río Negro tuco-tuco
- *Desmodus rotundus* – vampire bat

Vascular plants

- *Butia yatay* – yatay palm
- *Chloraea bella*

Other high conservation value area monitoring and management activities:

- Control of natural regeneration and plantations of pine on continental dunes in La Rinconada (region 5)
- Establishment of a new area for the conservation of chestnut seedeaters in El Retiro (region 3) and monitoring of the species' presence during mating season 2016-2017
- Monitoring of the conservation status of the “Puente de las Cadenas”, and maintenance and renovation actions in the Estancia Artega historical area

TOTAL No. OF SPECIES AND SPECIES THAT REQUIRE REPRESENTATION IN SNAP¹ REGISTERED IN RECENT MONITORING (2014-2016)

Conservation areas	Vascular plants		Amphibians		Reptiles		Birds		Mammals	
	Total	SNAP	Total	SNAP	Total	SNAP	Total	SNAP	Total	SNAP
Esteros y Algarrobales del Río Uruguay	347	25								
El Rosario	259	3								
Barrancas Negras	109	4	10	0	9	0	124	4	18	7
El Cerro	89	7	9	0	5	0	116	1	15	4
Coquimbo	192	8	10	0						
Virarores	89	4	7	0	7	0	124	4	22	0
La Trinidad	303	11	7	0	5	0	111	0	16	0
El Jabalí	382	24	10	0	13	0	125	5	21	1
El Ombú	226	8	4	0	3	0	98	1	12	0
El Refugio	111	2	2	0	2	0	65	1	10	0
Las Tunas	233	15	2	0	2	0	70	0	7	0
La Palma	356	13	18	0	13	1	114	3	23	0
La Peñarrosa	375	21	6	0	2	2	108	2	12	0
Quebrayugos	412	21	11	0	8	0	115	4	17	0

¹ These species include those that national experts have defined as the highest conservation priority in the country, with their inclusion in SNAP official protected areas being considered necessary. Their presence in UPM fields demonstrates the importance of the company's conservation areas to achieving national biodiversity conservation objectives.

Hydrological monitoring activities

The hydrological monitoring activities respond to UPM Forestal Oriental's commitment to the long-term sustainability of its operations. They also constitute a requirement of the standards under which the company is certified. The common denominator of the different studies initiated is to assess and quantify the influence of forest plantations on water dynamics, evaluating the different components of the hydrological cycle and water quality, which helps adapt forest plantations to ensure the best use of this resource.

SUMMARY OF ONGOING PROJECTS

Project	Objective	Location	Stage following initiation	Duration
Study in paired basins	To examine the effect of <i>Eucalyptus</i> plantations on the water balance at a local and regional level, as well as on the quality of surface water.	"La Nueva Esperanza"(LNE) establishment in the vicinity of the town Paso de los Mellizos (Río Negro). El Viraró (EV) establishment, close to the town of Los Cuadros (Tacuarembó).	LNE: 2007-2010 Calibration 2011 Monitoring initiated EV: 2011-2014 Calibration initiated	Long-term (20 years)
Hydrogeological plot monitoring	To identify correlations between variations in groundwater deposit levels, rainfall and <i>Eucalyptus</i> plantations.	We selected the most relevant geological formations (as potential aquifers): Asencio, Guichón and Salto (Coast), as well as Tacuarembó.	2010 Monitoring initiated at three fields along the coast. 2013 Monitoring initiated on the Tacuarembó field. 2015 Final report	Medium-term (3 to 5 years)
Monitoring of the level of artesian wells	To evaluate fluctuations in the water level of shallow aquifers with different proximity to <i>Eucalyptus</i> plantations through unused artesian wells.	No. of wells: 14 in the surroundings of the town Grecco, 7 in the surroundings of Paso de los Mellizos, 5 in Paso de la Cruz and 5 in Soriano.	2008 Initiated with wells in Soriano, and other locations being added over time. 2015 Review and Monitoring Assessment Report.	Long term (10 years)
Groundwater flow quality monitoring.	To evaluate variations over time in the physicochemical and biological properties of drainage basin courses within the sphere of influence of <i>Eucalyptus</i> plantations.	Order 3 Streams (A.E Strahler classification) Arroyo Quebracho (Paysandú). Arroyo Sarandí (Soriano) Arroyo Coladeras (Río Negro) Arroyo Pablo Páez (Cerro Largo) Arroyo Potrero (Florida)	2012 Initiated in the first three basins. Two other basins included in 2013.	Long term (10 years)
Monitoring of water quality and its suitability for different uses	To examine water quality in facilities in which there are wells for human supply, and classify it according to its suitability for use.	All wells in areas under the management of UPM Forestal Oriental.	2010 Initiated systematically. 2015 First results assessment.	Annual
Monitoring of water within sphere of influence of the Santana nursery	To establish a baseline for water quality prior to the installation of the nursery and monitor its evolution over the long term.	6 underground wells in vicinity of the nursery (adjacent) 2 sample collection sites at Arroyo Santana 2 monitoring wells on the nursery field.	2011 Characterisation and definition of the baseline. 2011 Monitoring initiated at Arroyo Santana. 2012 Monitoring initiated in phreatimeter wells.	Medium to long term (5 to 10 years)

ENVIRONMENTAL IMPACTS ON OPERATIONS

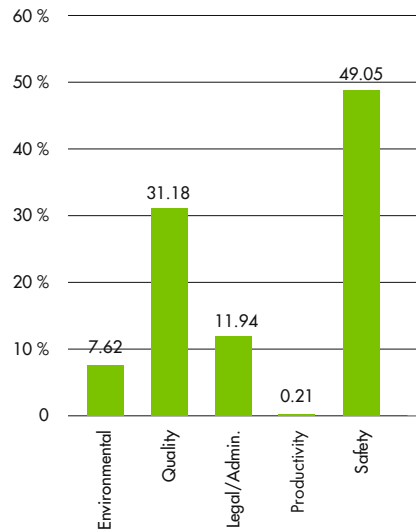
The company continuously evaluates the environmental impacts of its operations in order to minimise their magnitude. The lessons learned from these assessments translate into improvements in working procedures.

Compliance with these procedures is supervised through performance monitoring conducted by the supervisors of said activities, either during the period in which they are conducted or subsequently.

Environmental accidents are reported by supervisors, and the corresponding mitigation measures must be taken.

In the following graph, the frequency of deviations registered from these internal monitoring processes (quality, legal/administrative, environmental, etc.) is presented.

RELATIVE FREQUENCY OF DEVIATIONS DETECTED*



* The figures provided in the graph cover 100% of the deviations detected.



Water

Soil monitoring programme

Through the monitoring of the physicochemical properties of soil in planted areas, the most frequently-used soil productivity index (CONEAT) soil groups are covered, including the most representative soil types. The physicochemical properties are assessed over a period of five years

(approximately twice per rotation) at the same site. At each point, samples are taken from a planted area and another adjacent non-planted area (control). Each year, new monitoring sites are incorporated in order to provide greater representativeness of the soil groups and types used.



Soil

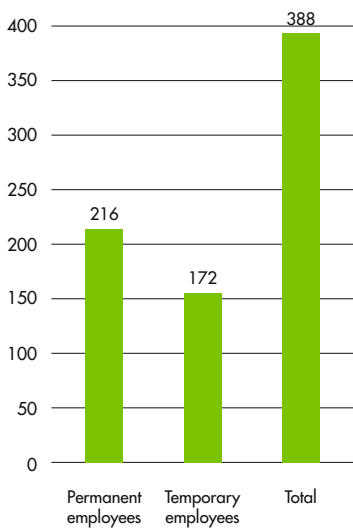
SOIL SAMPLING SITES BY GROUP AND YEAR

Region	Establishment	Species	CONEAT group	Soil group	Year					
					2010	2011	2012	2013	2014	2015
3	La Guarida	E. grandis	07.1	Arenosol			X			
1	La Maleva	E. grandis		Brunisol	X					X
1	Viraroes	E. grandis	9.3	Planosol	X					X
1	El Rosario	E. grandis		Argisol				X		
2	Chicharrón	E. grandis	10.2	Argisol	X					X
5	La Tribu	E. grandis		Brunisol			X			
5	Arteaga CJPP	E. grandis	2.11a	Argisol			X			
5	El Poncho	E. grandis cl.		Brunisol				X		
5	Arteaga CJPP	TUP		Argisol			X			
5	La Tribu	E. grandis cl.	2.12	Brunisol					X	
5	La Vertiente	E. globulus		Brunisol			X			
4	Los Higueros	E. grandis		Luvisol		X				X
4	Los Baguales IV	E. dunnii	7.2	Luvisol		X				
4	La Zulma	E. grandis s.		Inceptisol					X	
4	Cacique Sepe (Ur.)	E. grandis		Luvisol				X		
4	Higueros	E. grandis		Acrisol	X					
4	Cerro Agudo	E. grandis	7.32	Acrisol			X			
4	Los Charabones	E. maidenii		Luvisol					X	
4	El Refugio T	E. grandis cl.		Luvisol				X		
5	Peñarrosa II	E. maidenii	8.1	Luvisol			X			
5	El Nandubay	E. grandis s.		Luvisol					X	
4	La Rinconada	E. maidenii		Luvisol		X				
4	El Algarrobo T	E. grandis cl.	8.14	Brunisol					X	
4	Valle Hermoso	E. maidenii		Luvisol				X		
3	La Palma	E. grandis	8.3	Luvisol		X				
5	Buena Vista	E. grandis		Luvisol		X				
5	Nandubay CJPP	E. grandis	8.8	Luvisol			X			
2	La Perseverancia	E. benthamii		Brunisol	X					X
2	Santa Elena	E. grandis s.	9.1	Brunisol					X	
1	Santa Julia	E. grandis		Brunisol			X			
3	La Manea	E. grandis	9.2	Argisol		X				
3	El Palmar	E. dunnii s.		Argisol					X	
1	El Bizcocho	E. grandis		Planosol	X					X
2	Los Ideales	E. grandis		Brunisol		X				
1	San José	E. grandis cl.		Argisol					X	
2	Las Marías	E. dunnii	9.3	Planosol	X					X
2	La Toribia	E. dunnii		Argisol		X				
2	El Duraznal	E. dunnii		Brunisol			X			
1	Grito de Asencio I	E. grandis		Argisol				X		
1	El Molino	E. grandis	9.5	Brunisol		X				
3	El Carreton II	TUP		Brunisol					X	
3	Ibirabita	E. grandis		Argisol	X					X
3	Tala	E. grandis		Argisol	X					X
2	Las Mareas	E. grandis	9.6	Argisol		X				
2	El Icuré	E. grandis cl.		Brunisol				X		
2	La Negra	E. benthamii		Brunisol					X	
4	La Bandurria	E. grandis cl.	12.21	Vertisol				X		
3	El Tembetari	E. dunnii	10.4	Brunisol				X		X
4	Fynn (F)	E. grandis	8.4	Luvisol						X
5	Gelós (F)	E. grandis	8.6	Argisol						X
5	F. Martínez (F)	E. grandis	8.12	Acrisol						X
5	G. López (F)	E. grandis	2.21	Litosol						X
5	Gelós (F)	E. grandis	G10.6b	Argisol						X

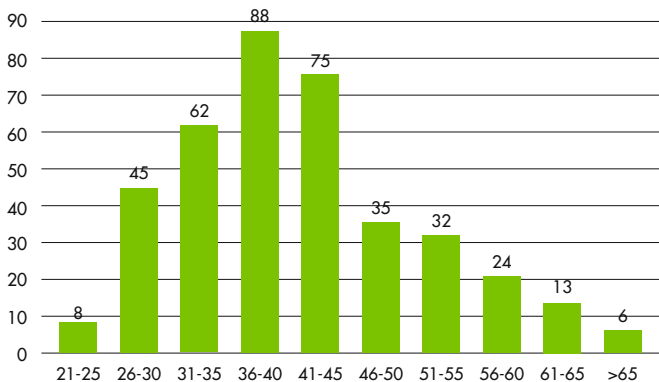
Human Resources

Since its foundation, the company has been committed to the development of technical and human skills to develop people and the company in the long term, creating value in processes, and improving the efficiency and quality of its operations.

STAFF BY CATEGORY



STAFF BY AGE



The development of people and their competencies form the basis for achieving continuous improvement.

To do this, we have developed tools that enable us to identify competency development needs from a strategic perspective, strongly aligned with the company’s objectives, and the economic and social sustainability of our operations.


These competency development tools are focused on different levels of the organisation: our own employees, contractors’ employees and residents of communities within our sphere of influence.

Simultaneously, the Forestry Academy has been developed. This is an internal training programme whose objective is to strengthen knowledge of the company’s operational areas. Within this framework, talks are conducted on the company’s key processes, provided by our own staff under a case-study modality. In this way, learning is generated through the analysis of real cases that have occurred within the company.

With the objective of strengthening leadership for the development of teams that form part of the company, the General Competency Development Programme was launched in 2016, in which key process leaders participated.

UPM Forestal Oriental continues to work together with service providers through the implementation of systematic controls, in accordance with its quality standards. In this way, self-governance is encouraged on key issues, such as medium and long-term planning, and the development of specific competencies for the tasks that are carried out. This year, 5,142 hours of training were imparted to service providers.

The long-term relationship with these companies enables efficiency levels and the quality of operations to be improved, as well as the development of competencies among communities within the sphere of influence.



Number of own
employees: **388**
Number of employees
of service providers:
2,554
Number of contractors:
216

People

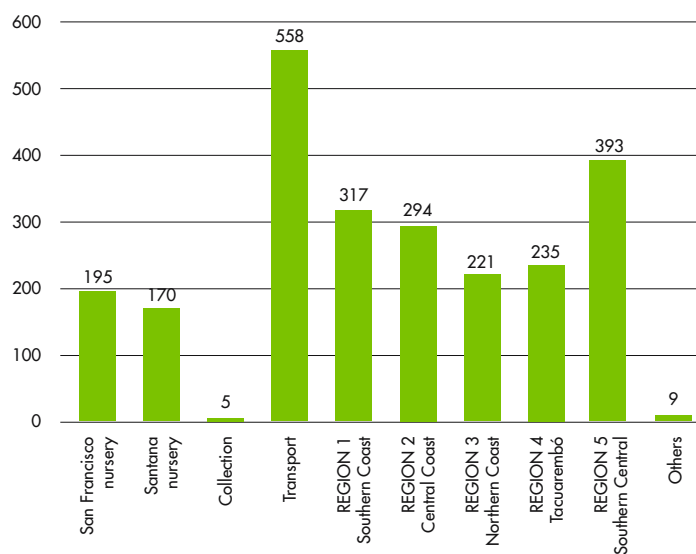
NUMBER OF CONTRACTORS BY LOCATION

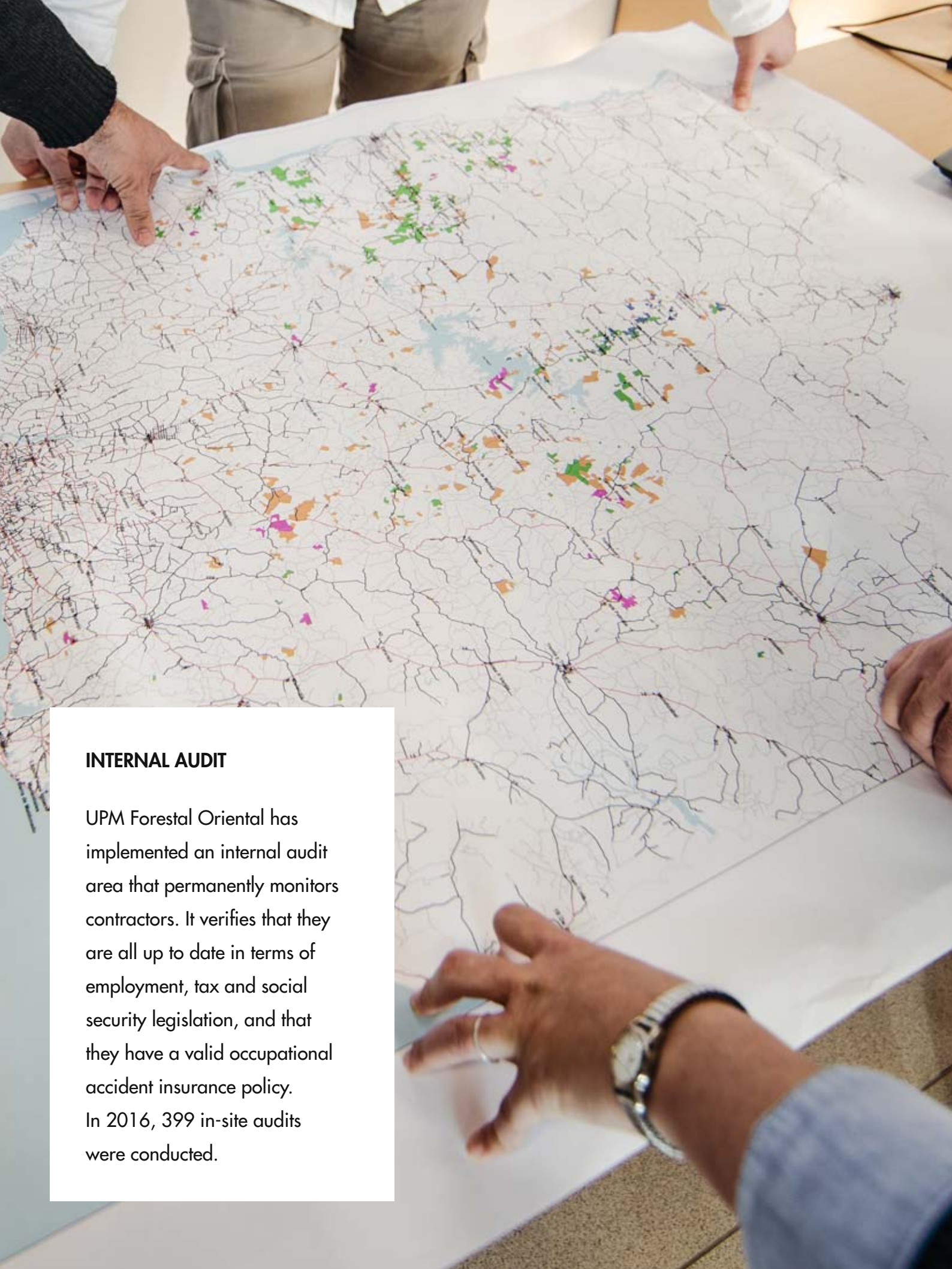
San Francisco Nursery	15
Santana Nursery	10
Collection	2
Transport	40
R1 - Southern Coastal Region	33
R2 - Central Coastal Region	30
R3 - Northern Coastal Region	20
R4 - Tacuarembó Region	25
R5 - Southern Central Region	38
Others	3
Total	216

CONTRACTOR STAFF BY FIELD

Forestry	841
Roads	141
Staff Transport	5
Mechanical Harvesting	138
Manual Harvesting	6
Extraction and Loading	41
Harvest Maintenance - Mechanics	39
Guards - Cleaning	9
Wire Fencing	43
Grazing	317
Timber Transport	550
Nurseries	402
Collection	5
Others	9
Total	2,554

CONTRACTOR STAFF BY AREA/REGION





INTERNAL AUDIT

UPM Forestal Oriental has implemented an internal audit area that permanently monitors contractors. It verifies that they are all up to date in terms of employment, tax and social security legislation, and that they have a valid occupational accident insurance policy. In 2016, 399 in-site audits were conducted.

SAFETY AS A CORE VALUE

At UPM Forestal Oriental, safety is a value that is intrinsically incorporated in the company's activities. As such, we are committed to obtaining high levels of performance in terms of quality, environment, safety, occupational health of employees and continuous improvement for customer satisfaction, both in our in-house activities as well as those that are outsourced.

For this reason, we work continuously to identify and evaluate occupational health and safety risks, both for our employees and other individuals linked to the company's activities. We aim to prevent and/or minimise these risks, adopting the necessary controls and providing

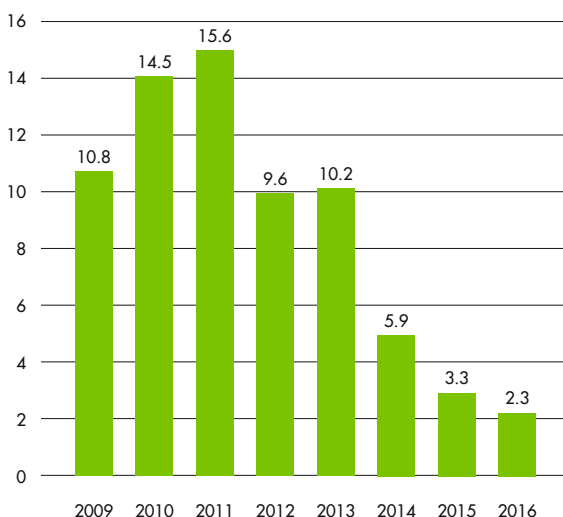
sufficient information to service providers and visitors to ensure compliance with occupational health and safety requirements.

Within this framework, a Risk Prevention System has been implemented, which is especially designed for the evaluation of risks, monitoring of working conditions and prevention of unsafe actions.

Furthermore, tools that aim to constantly update working procedures have been developed, characterise operational risks and the precautions to be taken into account, form safety teams by work area, and perform internal and external audits, among other things.

LOST TIME ACCIDENT FREQUENCY

(UPM Forestal Oriental and contractors)



Lost Time Accident Frequency

(LTAF):

At UPM Forestal Oriental: 0

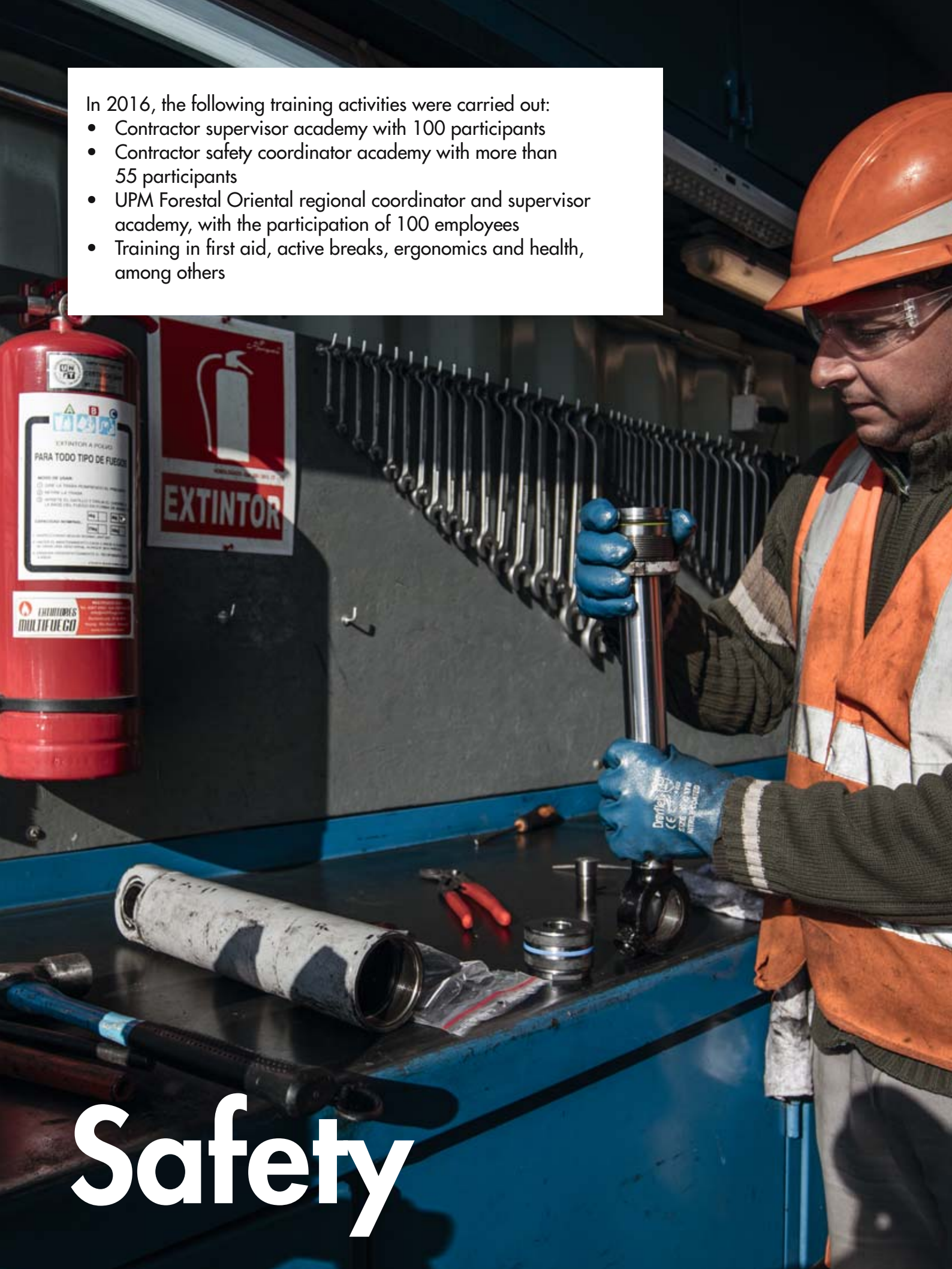
At service providers: 2.8

In total: 2.3



In 2016, the following training activities were carried out:

- Contractor supervisor academy with 100 participants
- Contractor safety coordinator academy with more than 55 participants
- UPM Forestal Oriental regional coordinator and supervisor academy, with the participation of 100 employees
- Training in first aid, active breaks, ergonomics and health, among others



Safety

Community relations

UPM Forestal Oriental carries out its activities directly its activities in five regions, distributed between the Río Negro, Paysandú, Soriano, Tacuarembó, Durazno, Rocha, Cerro Largo and Florida departments. We work with communities within our sphere of influence in each region. In other words, we work with the communities that are related to the company's activities in some way, which may include operational aspects such as forestry, harvesting and loading, road construction or transport, and even environmental aspects such as landscape.

COASTAL ZONE

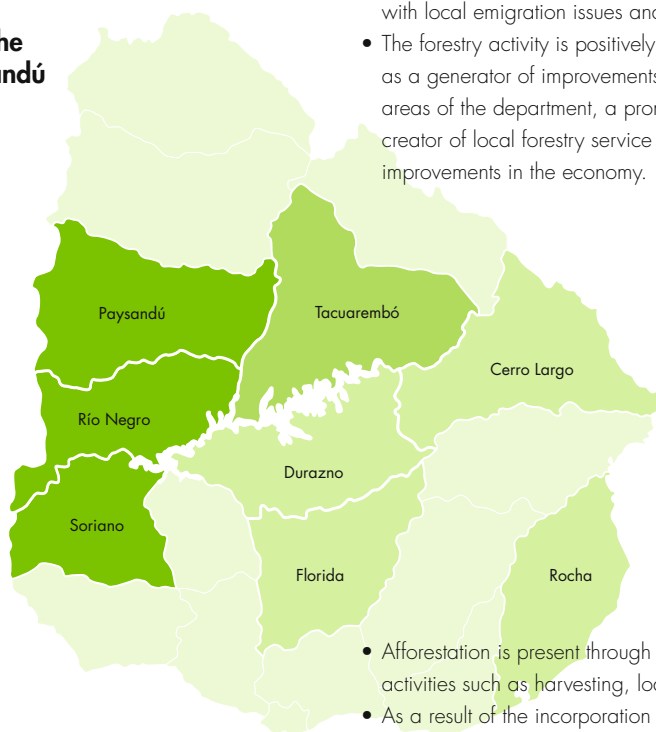
Covers regions 1, 2 and 3 in the Soriano, Río Negro and Paysandú departments

- High presence of forestry activities in several stages of the production chain (nurseries, forestry, harvesting, loading and transport).
- Presence of large companies that boost and set the rhythm of activities in the area, promoting the development of several towns.
- Afforestation is a very important source of employment.
- Significant demand for services. Many towns develop in line with this activity.
- The reduction in emigration levels in some rural towns is often directly related to the development of the forestry sector, which mainly employs local people.

NORTHERN ZONE

Covers region 4, Tacuarembó

- Marked difference in local development. Opportunities for social inclusion, public services and future prospects among towns close to national routes with easy access and connection with major urban centres, compared to those located in rural areas. Rural areas have scarce development opportunities, very limited basic infrastructure (energy, drinking water, transport and roads) and a lack of targeted policies, with local emigration issues and population ageing.
- The forestry activity is positively regarded by communities as a generator of improvements in access to towns in rural areas of the department, a promoter of well-paid jobs and creator of local forestry service companies, which generates improvements in the economy.



SOUTHERN CENTRAL ZONE

Covers region 5, including Durazno, Rocha, Cerro Largo and Florida

- Afforestation is present through plantations, together with other activities such as harvesting, loading and timber transport.
- As a result of the incorporation of forestry activities as a productive sector, changes have been generated on a social and economic level. This can be seen through a strong increase in the sources of employment and income levels, with a notable increase in rural employment opportunities for women, the emergence of a rural population trained in new and specific tasks, an improvement in working conditions and, in general, communities' daily lives.



Community

UPM Forestal Oriental promotes several opportunities for exchange with communities to ensure their involvement in the company's activities.

In these instances, comments and suggestions from the residents' side arise and are evaluated and considered in the company's annual social plan, together with the information obtained from social monitoring.

In 2016, almost 60 activities were conducted with the involvement of rural schools, institutions which are essential for the company's relations with communities.

Similarly, as part of the annual social plan, meetings were held with community leaders in all regions throughout the country. In these instances, communities' concerns, suggestions and questions were raised. During 2016, meetings were held with more than 100 opinion leaders.

The 'Open Days' constitute another opportunity for exchange with communities, where the company, where the company displays what it does and how it does it. In total, 31 'Open Days' were held throughout the year.

It has been verified that these activities are positively regarded within communities, and as such, they are learning spaces that enable us to generate and strengthen the company-community relationship.

On the other hand, social monitoring is conducted to obtain a description of the socioeconomic and cultural characteristics of rural communities. These surveys are carried out by external consultants, who evaluate the perceptions of both the community, and permanent and contract forestry employees.





FORESTRY TOURISM IN BIOFORE STATIONS

Since 2012, the company has created Biofore Stations with the objective of promoting points of interest for tourism, with a high scenic value and/or due to biological or cultural attributes in each region in which the company operates. In 2016, a new station was incorporated in Cerro Agudo, in Tacuarembó department, joining the existing stations in Palmares del Cuico and Parada Arteaga.

UPM Foundation

The UPM Foundation promotes the development of communities in rural areas of the country, fostering education and entrepreneurship through joint work with social organisations and community leaders.

The Foundation aims to strengthen the capacities of local communities and the people who form part of them through work with local leaders in each of them.

Coordination with local stakeholders and joint work with each member enriches and nourishes this long-term project. The Foundation understands that the most significant social transformations are undertaken in this way.

The UPM Foundation considers education to be a key pillar for the most profound changes. This perception translates into activities that promote the development of

capacities among people and organisations, in order to attain them and strengthen the necessary abilities and skills to achieve their development goals in a sustainable way. The development of capabilities is understood in its broadest sense, from training to the potential to influence one's surroundings, intervene in community issues and propose projects.



Foundation

2016 PROJECTS

POSTGRADUATE TEACHER TRAINING IN CURRICULUM AND ASSESSMENT (RÍO NEGRO)

This represents greater equity in technical and personal training opportunities for 27 teachers in Río Negro. It lasts for two years under a blended format, and is free of charge.

It was designed by the UPM Foundation, education leaders from Río Negro and the Catholic University of Uruguay to provide a response to the need for continuous refresher courses to face current education challenges.

MOVING FORWARD IN RURAL COMMUNITIES (DURAZNO AND RÍO NEGRO)

More than 150 children from 16 rural schools were trained on road safety through this educational programme. The project was designed and implemented jointly with DESEM Jóvenes Emprendedores and Primary Education Department Inspectorates. The groups of schools participated in workshops in order for the children and their families to employ responsible habits on public roads.

ARÉVALO CONSERVA (CERRO LARGO)

Arévalo Conserva was initiated as the result of a social development project implemented by the UPM Foundation and BIO Uruguay. For two years, 17 women from the area were trained in organic production and clean technologies that are adapted to the environment, as well as group organisation, management and marketing, also involving their families. Through this project, the capacities of this group of residents from Arévalo, Cerro Largo, were strengthened, coordinating activities with the municipality and other local organisations.

BASIC PROFESSIONAL TRAINING IN MECHATRONICS (RÍO NEGRO)

With a view to creating growth and employment opportunities for young people from rural areas, a unique basic professional training programme was developed together with Universidad del Trabajo del Uruguay (UTU). It is implemented over two years at the Agricultural School of Fray Bentos.

A total of 12 young people from Nuevo Berlín, Paso de la Cruz and Algorta were trained in mechanics, electronics and IT, adapted to the forestry production chain. The initiative also included the participation of the Strong Young Uruguayans organisation to achieve greater awareness of their personal strengths, and foster self-confidence in their ability to achieve.

PRESENTATION OF PROJECTS

There are two channels of communication for the presentation of projects.

These include sending an application form to the UPM Foundation's office in Fray Bentos (25 de mayo 3339), or via email to fundacion@upm.com.

Prior to this, a proposal that is consistent with the type of projects that the UPM Foundation supports must be formulated.

Projects that include the following elements will be given special consideration: coordination with other institutions, a counterpart from the organisation who will be responsible for implementing the project, and projects that are sustainable after support comes to an end.

A guide is also available for the formulation of projects that provides a step-by-step explanation on how to complete the form.

These documents can be accessed at:
www.upm.uy

Following the renovation of the www.upm.uy website, the option of presenting projects online was incorporated. The objective is to extend and facilitate the possibility for different communities to communicate with the Foundation.

The project presentation page can be found in the Foundation section, under the *Application Form* heading, where the necessary instructions for presenting projects can be found.



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For any additional queries relating to the content of this report, you can contact our Communications Department at the following email address: comunicaciones@upm.com



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