

21 August 2023

Ms Beatriz Balbin
Chief
Special Procedures Branch
OHCHR
Palais des Nations
CH-1211 Geneva 10
SWITZERLAND
via: ohchr-registry@un.org

REF: AL OTH 78/2023

UPM-KYMMENE CORPORATION'S REPLY TO JOINT COMMUNICATION FROM SPECIAL PROCEDURES

Dear Ms Balbin,

thank you for delivering us the joint communication by the Special Rapporteur on the human rights to safe drinking water and sanitation and the Working Group on the issue of human rights and transnational corporations and other business enterprises, AL OTH 78/2023 (the "Joint Communication"), and giving us the opportunity to provide our views on the concerns raised.

We have reviewed the matters raised in the Joint Communication and provide our responses in this reply.

We are taking the concerns raised in the Joint Communication very seriously, and our response comprises of our key messages, background information on UPM-Kymmene Corporation's ("UPM") operations in Uruguay and the Paso de los Toros pulp mill project, and more detailed responses to the questions 1 to 4 of the Joint Communication.

We take this opportunity to convey our concern and support for the inhabitants of Montevideo and the metropolitan area, including Canelones, that have been impacted by the current water scarcity. At the same time, we would like to correct misinformation concerning our activities and their impacts in Uruguay, as we find the allegations in the Joint Communication unfounded.

Firstly, UPM is fully committed to respecting and protecting human rights in all its operations globally, including in Uruguay. Our approach is based on the UN Guiding Principles on Business and Human Rights and guided by our Code of Conduct and the associated policies, rules and guidelines. UPM has in place a continuous human rights due diligence programme which covers our operations globally.

UPM's human rights due diligence in Uruguay has been and will continue to be an ongoing, people-centric process with continuous engagement and dialogue particularly with those potentially affected by our operations but also with the broader society, including stakeholders that are critical towards our operations. Allegations related to human rights violations are investigated, and we are

committed to work to remediate adverse impacts on human rights that we become aware of and that our activities have contributed to or caused.

Secondly, the current water deficiency in Montevideo and its metropolitan area cannot be attributed to UPM's operations in the country. According to external experts (see Annex 1) the current water shortage affecting Montevideo and its metropolitan region is driven by extreme climatic conditions. The exceptional drought and lower rainfalls received in Uruguay during the last three years because of the La Niña weather pattern have affected the entire country. According to the experts, the drought is the worst in 60 years in the region.

In March 2023 rainfall events occurred in most regions of Uruguay partially alleviating the water deficits. However, no significant rainfall events occurred in the Santa Lucía river basin, the main source of drinking water for Montevideo and the metropolitan area. Consequently, the Government of Uruguay had to implement a number of interventions to ensure the provision of drinking water to a population of about two million people. Fortunately, as of July 2023, the situation has improved after long-awaited rains in the Santa Lucía basin area.

As for UPM's operations, both UPM pulp mills are located outside the Santa Lucía river basin and their water use in the pulping process thus has no linkage to water availability at the Santa Lucía basin. The water used by the mills is not potable water but surface water from the Río Uruguay and Río Negro rivers. Both mills are efficient in their water use and apply Best Available Techniques (BAT). Most (80%) of the water used in the pulping process is returned to the river after effective effluent treatment.

UPM plantations are scattered in rural areas in Uruguay as a mosaic between natural grasslands, which are mainly used for cattle grazing. Only 3% of the area of the Santa Lucía river basin is occupied by forest plantations. Of these plantations less than 10% are owned by UPM. UPM's tree plantations are not irrigated.

UPM's tree nurseries are located outside the Santa Lucía river basin. Potable water is not used for irrigation in our tree nurseries.

Please find as Annex 2 to this reply a map indicating the location of UPM pulp mills, UPM tree nurseries, forest plantations in Uruguay (UPM and other forestry companies) and river basins.

Based on the above, UPM's operations are not causing nor connected to the current drinking water scarcity in Montevideo and the metropolitan area. Consequently, it is not possible for UPM to take meaningful direct actions, such as reduction of the use of water, related to UPM's operations that would impact, or alleviate, the current water scarcity in Montevideo and the metropolitan area.

However, within UPM's social responsibility framework the company has donated to Uruguay's National Water Supply and Sanitation Company (Obras Sanitarias del Estado, OSE) a reverse osmosis plant to enable improving the quality of the water supply for critical users. This plant was used to desalinate drinking water to supply hospitals and educational centers in the metropolitan area.

Thirdly, we would like to stress that in all our operations regardless of location, we follow the applicable laws and regulations as well as our Code of Conduct to ensure legal and ethical compliance. This has been the guiding principle throughout the planning and execution of our growth project in Uruguay, including the construction of the UPM Paso de los Toros pulp mill. The allegations raised in the Joint Communication, suggesting that the environmental impact assessment and permitting procedures for the Paso de los Toros project were not carried out in

accordance with the Uruguayan legislation, are unfounded and have no legal grounds as explained in more detail below in our answer to question 1 of the Joint Communication.

Fourthly, we would like to highlight that some of the allegations brought forward in the Joint Communication sit within the purview of the government of Uruguay or third parties, and as such cannot be addressed by UPM.

I trust this letter and the following background information and answers to questions 1-4 of the Joint Communication will address the concerns raised in the Joint Communication, and I remain available to answer any further questions or provide clarifications, if necessary.

Jussi Pesonen [Signature]

Jussi Pesonen
President and CEO
UPM-Kymmene Corporation

UPM-KYMMENE CORPORATION'S REPLY TO JOINT COMMUNICATION FROM SPECIAL PROCEDURES; Background and answers to questions 1-4

UPM in Uruguay

UPM has long-term presence and over 30 years' experience from operating in Uruguay. Today our operations in Uruguay entail two pulp mills (Fray Bentos and Paso de los Toros), pulp terminals in the ports of Montevideo and Nueva Palmira, three tree nurseries and the plantation base to guarantee the long-term supply to both pulp mills.

UPM Paso de los Toros pulp mill

UPM received the final environmental operating authorization for the new Paso de los Toros pulp mill in April 2023 and the plant is currently operating in ramp-up phase progressing towards its full production capacity.

The pulp mill has been created as an efficient single-line greenfield pulp mill representing state-of-the-art design in the industry. The annual production capacity of the plant is 2.1 million tonnes of bleached chemical pulp made from eucalyptus wood cultivated in sustainably managed local tree plantations. End-use areas of the pulp cover essential everyday consumer products such as facial and household tissue papers, hygiene products, labels, food wrap and packages, and liquid packaging cartons.

The mill's machines, materials, level of automation and standards enable a high operating rate and maintainability, consistent premium quality pulp as well as high energy output. The Paso de los Toros mill has been designed to meet the strict Uruguayan environmental regulations, international standards, and recommendations for modern mills, including use of the latest and Best Available Techniques (BAT). Besides pulp the mill generates annually in its pulping process a surplus of around one TWh of renewable wood-based electricity sold to the national grid.

The new Paso de los Toros pulp mill will be connected to the Montevideo port by a 200 km railway, owned and constructed by the Government of Uruguay.

Question 1 of the Joint Communication: "Please provide any additional information and/or comment(s) you may have on the above-mentioned allegations."

Allegations concerning UPM's contribution to water scarcity in Montevideo and Canelones

We have addressed above in our letter the allegations concerning UPM's contribution to current water scarcity in Montevideo and Canelones. In addition, please find attached:

- Annex 1: Statement of Uruguay's National Institute of Agriculture Research (Instituto Nacional de Investigación Agropecuaria, INIA) in relation to the water deficit affecting Montevideo and its metropolitan region
- Annex 2: A map indicating the location of UPM pulp mills, UPM tree nurseries, forest plantations in Uruguay (UPM and other forestry companies) and river basins

Allegations concerning the permitting process of the Paso de los Toros pulp mill

The Joint Communication suggests that there have been some defects in the environmental evaluation and permitting procedures for the Paso de los Toros pulp mill project (also referred to as the project).

These allegations are unfounded and have no legal grounds. The environmental impact assessment and permitting process of the Paso de los Toros mill fulfilled legal and regulatory requirements set forth by the Uruguayan legislation for this type of projects to be authorized.

The Uruguayan environmental authority monitored the construction of the mill on site throughout the project. The operating authorisation process included several inspections during the commissioning phase by the authorities, as well as third-party audits by industry experts.

Permitting of the project consisted of various steps. The first step of the permit process was to obtain a Prior Environmental Authorisation¹ (“AAP”). The Ministry of Environment granted the AAP for the project on 14 May 2019. In the AAP, the Ministry of Environment authorized the commencement of construction of certain components of the project and conditioned the construction of certain components to the fulfilment of certain requirements, granting specific terms to do so.

Obtaining an AAP requires, among others, the completion of an environmental impact assessment process. To that end, an Environmental Impact Assessment² (“EslA”), commissioned from third-party experts by UPM, was submitted to the Ministry of Environment together with the request for AAP³.

The AAP process also includes consultation of interested parties. An environmental summary report is exhibited at the Ministry of Environment’s offices and web page to allow any interested party to present observations. Further, mandatory publications in the Official Gazette, in national and local newspapers are to be performed. Public hearings are also mandatory for projects like Paso de los Toros pulp mill. Any interested person can attend these public hearings. The project was categorized as a project of high complexity, for which also certain specific hearing requirements apply, such as the obligation of performing local dialogues with the communities involved. These consultation requirements were fulfilled during the permitting process. Therefore, potentially impacted individuals, involved communities and the public were able to exercise their right to participate in decision-making in the Paso de los Toros mill project. In addition to the consultation pertaining to legal requirements, UPM has engaged with the local stakeholders in various ways further detailed in our response to question 3 below.

Furthermore, starting the operations requires an Environmental Authorization for Operations⁴ (“AAO”). The AAO was granted to the Paso de los Toros mill by the Ministry of Environment on April 14, 2023, once the Ministry verified that all conditions imposed in the AAP and during the proceedings carried out until such date were effectively complied with by UPM.

UPM has also acquired other permits required for operating the Paso de los Toros pulp mill such as industrial effluents discharge authorizations for the construction and operational phase, air emissions authorization and water intake permit for construction and operational phase.

¹ Autorización Ambiental Previa

² Estudio de Impacto Ambiental

³ [Planta de celulosa UPM y Comisión de Seguimiento: Observatorio Ambiental I MA \(ambiente.gub.uy\)](https://ambiente.gub.uy)

⁴ Autorización Ambiental de Operación

Contrary to what has been stated in the Joint Communication, the Regional Councils of Water Resources and the respective commissions do not have formal competence with respect to environmental impact assessment and permitting procedures for projects, for which the Ministry of Environment is the authority in charge. However, as is evident from publicly available meeting minutes of the Río Negro River Basin Commission, the respective council and commission were informed about the Paso de los Toros pulp mill project and had the opportunity to raise observations and questions about potential impacts in the Río Negro river.

Impact of the Paso de los Toros pulp mill project on the Río Negro river

The Joint Communication suggests that UPM's operations are causing contamination of Río Negro river but based on the environmental studies conducted by external international and Uruguayan experts for the Paso de los Toros pulp mill, and drawing on the extensive environmental monitoring data systematically gathered for the UPM Fray Bentos pulp mill for over 15 years, the direct impact of the Paso de los Toros mill on the Río Negro River is expected to be admissible due to the application of Best Available Techniques (BAT) in water use and effluent treatment processes.

Several measures have been implemented to minimize impacts to the Río Negro river, both during construction and operation of the new pulp mill. During the construction phase, environmental management was done as established in specific environmental management plans approved by the Ministry of Environment. These plans also included monitoring activities covering air quality, water quality, waste, noise, groundwater, and socio-economic aspects.

In the operational phase, environmental management is done according to an approved management plan for operation which comprises several specific plans covering a description of operational activities, monitoring of the environment, monitoring of operational aspects (e.g. effluents, emissions to air, waste, noise), an environmental risks assessment, contingency response, and external communications. The environmental monitoring plan covers several dimensions: Río Negro (water quality, sediments, plankton, and fish), air quality, noise, soil, groundwater and socio-economic variables in the nearby communities. Water effluent is strictly monitored by UPM and by Uruguay's authorities, before it is returned to the Río Negro river. Monitoring in the Río Negro includes, apart from traditional sampling campaigns, the installation of automatic stations that continuously monitor parameters that can provide early indication of changes associated to algal blooms in the river. The monitoring enables timely addressing of unexpected impacts on the Río Negro river.

Environmental authorities have established several limits to the mill operation in addition to those already existing in the Uruguayan general regulations. The main source of specific limits for the Paso de los Toros mill is the AAP of the project.

Minimization and avoidance of environmental impacts is integrated since the design phase of the Paso de los Toros mill, as the new mill complies, and in some cases exceeds, the minimum requirements set in the current Best Available Techniques (BAT) Conclusions adopted by the European Commission⁵. This was specifically audited by an external international auditing company before the Uruguayan authorities granted the AAO.

In addition to the above-described direct measures relating to Paso de los Toros pulp mill UPM participates in efforts aiming to improve the water quality in Río Negro river through the Río Negro initiative, under which several projects have been kicked off including research and awareness building. Also, during the construction phase of the Paso de los Toros pulp mill, UPM funded the

⁵ [COMMISSION IMPLEMENTING DECISION of 26 September 2014 establishing the best available techniques \(BAT\) conclusions, under Directive 2010/75/EU of the European Parliament and of the Council, for the production of pulp, paper and board](#)

construction of a new modern landfill for the city of Paso de los Toros, and destined financial support for the adequate comprehensive treatment of effluents from the improved and expanded sanitation systems of the city of Paso de los Toros and the town of Centenario.

Question 2 of the Joint Communication: “Please provide information on any actions taken by your company or any specific actions that it is considering to ensure a reduction in water use, considering the water crisis that Uruguay is facing today.”

Current water crisis in the Montevideo area (Santa Lucía basin)

As explained above in our letter, the current water crisis in Montevideo and the metropolitan area cannot be attributed to UPM’s operations in the country and therefore, it is not possible for UPM to take meaningful direct actions, such as reduction of the use of water, related to UPM’s operations that would impact, or alleviate, the current water scarcity in Montevideo and the metropolitan area.

However, as mentioned above, within UPM’s social responsibility framework UPM donated to Uruguay’s National Water Supply and Sanitation Company (Obras Sanitarias del Estado, OSE) a reverse osmosis plant to enable improving the quality of the water supply for critical users. This plant was used to desalinate drinking water to supply hospitals and educational centers in the metropolitan area.

Water stewardship at UPM

UPM has been a signatory to the UN Global Compact CEO Water Mandate since 2009 and follows recognised principles of water stewardship globally, continually seeking to use water in a way that is environmentally sustainable, socially equitable and economical. We constantly strive to improve our performance – an approach guided by our 2030 responsibility targets and the SDGs. Our 2030 responsibility targets include specific and measurable targets for using water responsibly⁶.

UPM has a long history in assessing and managing water scarcity and climate change related impacts and risks in its operations. Assessments undertaken and reflecting the situation in Uruguay include, for example, water stress mapping since 2011, water footprint studies (2011), UPM water risks assessments using the WWF Water Risk Filter tool (2019 and 2021) and climate change impact projections with implications on forestry (2019) by the Finnish Meteorological Institute.

Findings from the most recent water risk assessment (2021), using the WWF Water Risk Filter tool and UPM’s operational data, indicate that UPM’s Uruguayan mill sites are located in areas of low to medium basin water risk for all climate scenarios 2030 – 2050⁷.

Located in the temperate zone, Uruguay is a humid subtropical country where rainfall makes it well suited for plantation forestry and processing. The annual rainfall is 1,200 to 1,500 mm and it is well distributed during the year without a regular dry season. This means that under normal rainfall conditions water is an abundant resource in Uruguay.

⁶ See page 30 in UPM Annual Report 2022 at: [2022 | UPM.COM](https://www.upm.com/2022)

⁷ [Scenario work | UPM.COM](https://www.upm.com/scenario-work)

Question 3 of the Joint Communication: “Please provide information on the measures taken to consult with affected people in the design and implementation phases of the projects as an essential element of preventing human rights harm. Please provide information on the human rights due diligence policies and processes established by your company to identify, prevent, mitigate, and account for how they address their human rights impacts, including through regular monitoring, in accordance with the UN Guiding Principles on Business and Human Rights.”

In the following sections, we shortly outline the environmental and social impact assessment conducted for the Paso de los Toros pulp mill and detail our respective consultations with affected people as part of our due diligence process and preventing potential harm to people. After that, we'll briefly describe UPM's human rights due diligence policies and processes.

Environmental and social impact assessment for the Paso de los Toros pulp mill

Respecting and protecting human rights is a fundamental principle across all UPM's businesses, as codified in the UPM Code of Conduct⁸ and its associated policies, statements, rules and guidelines. UPM expects a similar commitment from its suppliers and third parties, as defined in the UPM Supplier and Third-Party Code⁹.

The impact assessments for the UPM Paso de los Toros pulp mill project were made in accordance with this principle, applicable legislative requirements and within the remit of control and operative responsibilities agreed in the 2017 Investment Agreement with the Government of Uruguay. Thus, UPM commissioned the Environmental Impact Assessments (EsiAs) for the Paso de los Toros pulp mill and the associated plantation expansion, as well as the new pulp terminal in the port of Montevideo. The impact assessment of the Central Railway project – owned and constructed by the State of Uruguay – was undertaken by the Government of Uruguay.

The above-mentioned impact assessments, undertaken by external experts and approved by the relevant authorities as part of environmental permitting process, included stakeholder interviews and public hearings in the affected communities. The assessments are publicly available on the website of the Ministry of Environment¹⁰ and accessible via UPM's website¹¹.

To complement the EsiAs, UPM took additional measures to further strengthen its human rights approach and processes. In 2018, UPM commissioned an external human rights advisory organization to support the assessment of salient human rights issues for the existing UPM operations in Uruguay, including the FSC certified¹² forestry operations. While this exercise focused on the existing operations, it also provided valuable lessons learned intended to help UPM proactively manage potential human rights issues in the process of developing and operating the second pulp mill.

The various due diligence work streams together with long-term in-country presence and experience of UPM formed a solid basis for understanding the key risks and impacts, as well as the necessary mitigation, management, and monitoring measures for UPM's investment.

⁸ [Code of Conduct | UPM.COM](#)

⁹ [UPM Supplier and Third-Party Code | UPM.COM](#)

¹⁰ [Manifiestos: Observatorio Ambiental I MA \(ambiente.gub.uy\)](#). UPM Paso de los Toros EsiA (Estudio de Impacto Ambiental) parts 1 and 2 and the associated annexes, and the Summary (Informe Ambiental Resumen) available through <https://www.ambiente.gub.uy/oan/proyectos/planta-de-celulosa/>

¹¹ [Responsibility | UPM Paso de los Toros](#)

¹² FSC™ license number FSC-C020173 (Uruguay)

As part of UPM's continuous human rights due diligence programme, potential and actual human rights risks and impacts are reassessed when necessary. Human rights risks change over time as the operations and operating context evolve, and therefore UPM is working on updating the human rights risk assessment for its Uruguayan operations. The risk assessment focuses particularly on the new, operational phase of the Paso de Los Toros pulp mill project, and also aims to provide insight to UPM's footprint and impacts at the country level, across Uruguay.

Stakeholder engagement during the planning and construction phase of Paso de los Toros

UPM's due diligence in Uruguay has been and will continue to be an ongoing, people-centric process with continuous engagement and dialogue particularly with those potentially affected but also with the broader society, including stakeholders that are critical towards our operations.

In addition to the public hearings related to the Environmental and Social Impact Assessment process, UPM held regular public information sessions as well as numerous stakeholder discussions throughout the construction phase of the pulp mill. The plans, impacts and progress of the project as well as any concerns have been discussed in various open forums as well as directly with NGO's and other stakeholders.

Some examples of stakeholder engagement during the planning and implementation phase of the project include the following:

- **Public hearings and info sessions** with local communities and media.
- **Project follow-up commission:** A monitoring commission established by the environmental authorities and including numerous state and social institutions to discuss and present the progress of the project and to promote dialogue between the company and relevant stakeholders.
- **Background meetings with local key opinion leaders:** This working group included rural and commercial associations, health institutions, local entities, among other stakeholders. The aim was to address and manage potential impacts and stakeholder interests in the communities, share information, and ensure dialogue. The group worked throughout the project generating proposals with positive impacts on the communities.
- **Personal dialogue in affected communities:** Proactive information sharing and consultation with affected communities, for example, in the case of temporary accommodation constructed for the workers.
- **Prevention campaigns:** Development of various awareness and prevention campaigns related to potential human rights issues identified in EsIA, such as problematic drugs consumption, alcohol abuse, sexual exploitation, and road safety. All these plans were prepared in collaboration with various expert organisations and related authorities.
- **Community press releases on operational activities:** Planned, consistent and proactive communication to inform the local communities about the planned activities related to the construction, commissioning and operational activities. These include maintenance shutdowns which could create odours in the mill surroundings, blastings on the construction sites as well as special cargo transportation and temporary pulp transport system impacting road traffic.
- **Site visits of key stakeholders:** The key stakeholders were provided the opportunity to learn about the progress of the project and to promote transparency and openness towards the community. Even though the project went through a global pandemic and that visits were limited for a certain time, the key stakeholders were able to get to know the mill and its people and learn about its progress.

Most of these stakeholder engagement activities will continue during the operational phase.

Additional resources in UPM's Community Relations team in Uruguay were secured for the increased stakeholder engagement following the investment decision in 2019. Also, a local town office in Paso de los Toros was opened specifically to address the needs of the local community.

Social monitoring

Since 2016 UPM has monitored the public opinion on its operations in Uruguay in quarterly polls. On average, around 70% of Uruguayans have a positive or neutral opinion of the new Paso de los Toros mill. The closer to the mill areas, the more positive the opinions are.

UPM commissioned bi-annual third-party social monitoring studies before and during the construction of the Paso de Los Toros mill to assess its social impacts on the region. These studies were requested by the local authorities to collect data on education, health, infrastructure, citizenship, security and crime, real estate, among others. The practice will continue with the same frequency and conducted by an independent third-party.

UPM's plantation operations company, UPM Forestal Oriental, also commissions social monitoring surveys every three years. These are conducted by an independent third-party by interviewing community members and contractor employees. The survey measures, for example, the level of trust and engagement in the communities, confidence in UPM's measures for environmental protection and contractors' working conditions.

All UPM's plantations in Uruguay are certified (or in the process of being certified where the site is new) according to the international FSC® (Forest Stewardship Council®) and PEFC (Programme for the Endorsement of Forest Certification) forest management standards. In connection to these, the annual certification audits analyse claims or concerns raised by external stakeholders. No corrective actions have been raised by FSC in relation to the impacts on drinking water.

Our stakeholders have access to various grievance mechanisms provided by UPM. In addition to using UPM's corporate Report Misconduct channel (SpeakUp)¹³ or feedback forms available on UPM's website, local stakeholder can raise their concerns directly to dedicated UPM representative and via locally provided channels such as email, phone, and WhatsApp. UPM responds to and documents all stakeholder concerns, and their resolution is monitored internally as well as by the authorities.

UPM's Human Rights Due Diligence policies and processes

UPM's human rights work is based on the UN Guiding Principles on Business and Human Rights and guided by our Code of Conduct and its associated policies, rules and guidelines. We expect a similar commitment from our suppliers and third parties, as defined in our Supplier and Third-Party Code. UPM respects international agreements such as the UN Declaration of Human Rights, the ILO declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. UPM has been a signatory to the UN Global Compact since 2003.

UPM has in place a group-wide human rights due diligence programme for identifying and addressing actual and potential human rights risks and impacts. The programme defines an ongoing due diligence process with distinct risk assessment approaches and procedures applied to our own operations and sourcing activities. The company has identified its salient human rights issues at the corporate level, i.e., human rights that stand out because they are at risk of the most severe negative impact through our activities or business relationships, in collaboration with an external expert.

¹³ [Report misconduct | UPM.COM](https://www.upm.com/en/report-misconduct)

The UPM compliance system is the risk management system used to manage UPM's human rights and environment-related risks. The compliance system has been embedded in the company's governance model and is designed to bolster company performance and a culture of integrity at all levels. UPM's business areas conduct regular identification of human rights risks and impacts and prioritise the most severe issues for further focus and action. The human rights risk assessment and management procedure is integrated into UPM's existing management systems. In addition to the business-area-specific risk assessment procedure described above, human rights considerations and due diligence requirements are integrated into UPM's global processes, e.g. those related to investments and sourcing.

UPM utilizes insights from our human rights due diligence and compliance system, grievance mechanisms, and stakeholder feedback to monitor and track our human rights performance and continuously develop our approach. Consequently, we are committed to maintaining an active dialogue with the communities around us. The company applies several precautionary measures and safeguards to avoid and minimize potential adverse environmental and social impacts on our surrounding communities including but not limited to environmental and social impact assessments, management systems such as ISO 14001 and 45001 for production units, and sustainable forest management certification (FSC and/or PEFC) of our forestry operations.

Question 4 of the Joint Communication: "Please provide information on the measures that your company has taken or is planning to take to provide effective remedy to victims and to address the negative human rights impacts caused by its activities that contribute to the current water scarcity crisis Uruguay is facing and the contamination of Río Negro."

As stated above, the current drinking water scarcity in Montevideo and the metropolitan area cannot be attributed to UPM's operations in the country. Consequently, it is not the role of UPM to engage in discussions about remedy in this particular case.

More generally, and as per UPM's human rights commitments, allegations related to human rights violations are investigated, and we are committed to work to remediate adverse impacts on human rights that we become aware of and that our activities have contributed to or caused.

As for the allegations related to the contamination of Río Negro, please refer to our response to question 1 above.

Montevideo, Uruguay
July 14th, 2023

To whom it may concern,

Upon request by UPM Uruguay, we hereby share the vision of the National Institute of Agriculture Research (Instituto Nacional de Investigación Agropecuaria, INIA) in relation to the critical water deficit that Montevideo and its metropolitan region are facing.

Firstly, it is important to acknowledge that this situation is driven by extreme climatic conditions and not by factors related to land uses or industrial activity. In 2021-2023 Uruguay faced the worst drought in at least the last 60 years, with below-normal rainfall during the last three consecutive years, affected by three consecutive La Niña years (ENSO is a major driver of seasonal rainfall in Uruguay). The drought affected the entire country and had very negative impacts on the economy of the agricultural production systems (e.g., just considering soybean production, losses in 2023 reached approximately one billion US dollars). In March 2023 rainfall events occurred in most regions of Uruguay partially alleviating the water deficits for the agricultural sector. However, no significant rainfall events occurred in the Santa Lucia River basin, the main source of drinking water for Montevideo and the metropolitan area¹. Consequently, the government had to implement a number of interventions to ensure the provision of drinking water to a population of about two million persons.

The current land uses in the Santa Lucia basin include a vast majority of natural grasslands and pastures for beef and dairy production (80-85% of the basin area), annual crop production (approximately 10%), forest plantations (about 3%), native forests and urban areas. Given the small area of forest plantations, even under normal climatic conditions it is very unlikely that those plantations can exercise any noticeable impact on the hydrology of the basin. Moreover, recent research conducted in the basin revealed that the land uses with largest impact on water quality of the Santa Lucia River basin are: livestock and annual crops for Phosphorus, and urban areas for Nitrogen². Under the extreme low rainfall conditions that the basin has been suffering, it is very unlikely that variations in the land use would have had any impact on the hydrology of the basin. Rainfall

¹ <http://www.inia.uy/Paginas/Balance-Hidrico-Cuencas-Grilla.aspx>

² Angela Gorgoglione, Javier Gregorio, Agustín Ríos, Jimena Alonso, Christian Chreties and Mónica Fossati. 2020. Influence of Land Use/Land Cover on Surface-Water Quality of Santa Lucía River, Uruguay. Sustainability 12(11), 4692; <https://doi.org/10.3390/su12114692>



has been so low that land uses could not have any impact on runoff and recharge of the water reservoirs for potable water.

As a side comment, and with the intention of further clarification, it should be noted that none of the three pulp mills that are functioning in Uruguay is located within the Santa Lucia River basin.

In the light of the above facts, we conclude that land uses (livestock production, annual crop production, or forest plantations) have no direct or indirect relationship with the extreme water deficit conditions that Montevideo and the metropolitan region are currently suffering.

Sincerely,



Jose Bonica

President, Board of Directors



Walter E. Baethgen

Vice-president, Board of Directors

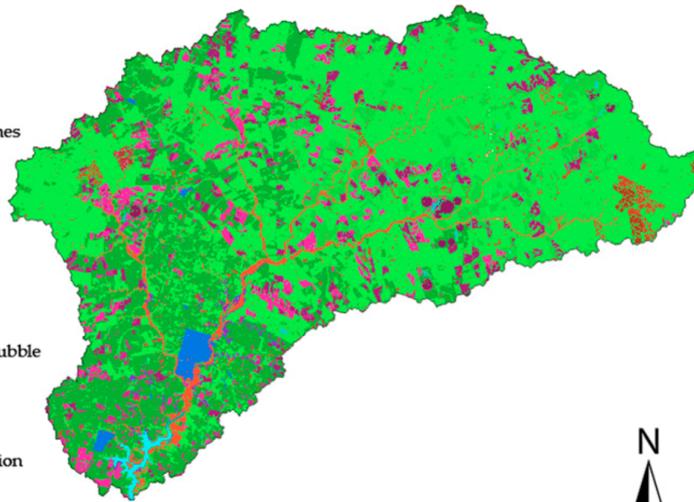
Land Use / Land Cover in the Santa Lucia Basin

Legend

Secondary land use (SLU)

- Urban and semi-urban areas
- Quarries, sand pits, open-pit mines
- Beaches, fixed and semi-fixed sand dunes
- Artificial water bodies
- Reservoirs for irrigation
- Natural water bodies
- Wetland
- Native forest
- Forest plantation
- New planted forest, harvest, regrowth
- Natural grassland
- Regenerated grassland
- Mix of natural field, pasture and old stubble
- Citrus
- Extensive rainfed cultivation
- Extensive cultivation in dairy farms
- Rainfed cultivation stubble
- Extensive cultivation with pivot irrigation

10 0 10 20 km

Angela Gorgoglione, Javier Gregorio, Agustín Ríos, Jimena Alonso, Christian Chreties and Mónica Fossati. 2020. Influence of Land Use/Land Cover on Surface-Water Quality of Santa Lucía River, Uruguay. *Sustainability* 12(11), 4692; <https://doi.org/10.3390/su12114692>

Department of Fluid Mechanics and Environmental Engineering (IMFIA), School of Engineering, Universidad de la República (UdelaR)



Annex 2

UPM reply to AL OTH 78-2023



Map indicating the location of UPM pulp mills, UPM tree nurseries, all forest plantations in Uruguay (UPM and other forestry companies) and river basins

