

AGREEMENT ROU – UPM

07 – 11 – 2017

AGREEMENT

Between the Oriental Republic of Uruguay and UPM

In Montevideo city, on the 7th day of the month of November, 2017; **PARTY OF THE FIRST PART**: the Oriental Republic of Uruguay (hereinafter ROU), represented herein by Miguel Angel Toma, acting as Secretary of the Presidency, Juan Andrés Roballo, acting as Pro-Secretary of the Presidency, and Alvaro García, acting as Director of the Oficina de Planeamiento y Presupuesto; and **AS PARTY OF THE SECOND PART**: UPM Pulp OY (hereinafter UPM) with legal domicile at Alvar Aallon katu 1 00100 Helsinki, Finland, represented herein by Javier Solari and Gonzalo Giambruno, acting as Attorneys-in-fact, as duly evidence (all of which will be mentioned herein individually as a “PARTY” or collectively as the “PARTIES”) hereby enter into the following Investment Agreement (hereinafter the “Agreement”).

1. PREAMBLE

In consideration of:

- 1.1. ROU’s national development strategy that promotes productive and innovative economic development, including sustainability, social equity, and environmental and land balance. Investments are therefore sought that substantially contribute to creating quality jobs, incorporating state-of-the-art technology, and strengthening domestic abilities to expand higher added value activities and national knowledge within the context of decentralising production activities.
- 1.2. The importance of the wood forestry chain for national economic development, having been built on one of the main growth-fostering agro-industrial complexes, substantially focused on promoting and diversifying exports, creating quality job opportunities in rural areas and incorporating knowledge of production activities.
- 1.3. The importance of UPM-Kymmene within the international market of cellulose and its by-products, and other state-of-the-art businesses within the bio-economic and renewable energy fields, which have been established in the country for over two decades and have become one of the main external investors creating a dense network of commercial relations involving over five hundred small and medium-sized Uruguayan businesses.
- 1.4. The highly promising talks between ROU officials and UPM representatives, as well as the intensive work of several technical groups made up of both Parties that have identified the conditions necessary for developing a project of this nature within the framework of the national development strategy.

ROU and UPM agree to enter into this Agreement within the framework set forth by Decree No. 477/008, regulatory of the “Investments’ Promotion and Protection Law”, of 7 October 2008, which considers all aspects relevant to providing certainty and predictability, as well as outlining the efforts of both Parties to develop the pre-requisites for the investment project briefly described herein.

2. THE ROU AND UPM PROJECTS

2.1 Description of the ROU Project

2.1.1 The “ROU Project” includes:

- (a) the Railway Project;
- (b) Rambla Flyover Works;
- (c) the Road Projects;
- (d) the ANP dredging works;
- (e) the electricity works; and
- (f) any other project, work, or activity agreed to be performed by ROU pursuant to this Agreement.

2.1.2 ROU acknowledges and agrees that the ROU Project is intended to be executed independently of the UPM Project.

2.2 Description of the UPM Project

2.2.1 The “UPM Project” includes:

(a) Pulp Mill Project

The “**Pulp Mill Project**” involves the design, financing, engineering, acquisition, construction, operation, and maintenance of a Pulp Mill located near Paso de los Toros with a projected annual capacity (measured in the drying machine) of between one million nine hundred thousand and two million four hundred thousand tons (the “**Pulp Mill**”) and, at UPM’s discretion, the following related infrastructure:

- i. a captive power generation plant and interconnection to be performed by UPM in accordance with the agreements reached regarding Energy;
- ii. a chemical plant to produce, store, import, sell and supply chemical products to existing UPM pulp operations in Uruguay, to the suggested Pulp Mill, and/or to third parties (the “**Chemical Project**”);
- iii. the necessary infrastructure related to the Free Trade Zone of the Pulp Mill Project; and
- iv. other buildings, structures, and equipment required for the Pulp Mill.

(b) Forestry Operations

The “**Forestry Operations**” involve the development of forestry operations by UPM and UPM Affiliates by means of the acquisition or leasing of land for the planting, harvesting, production and commercialisation of wood products, in particular, for supplying the pulp mills.

- (c) The “**Port Project**”, but only if a port concession has been awarded to UPM or a UPM Affiliate after a public tender process.

2.3 ROU Projections

- 2.3.1** ROU is aware that the UPM Project will have a significant impact on the country’s development, both in quantitative terms at a micro and macro-economic level and in qualitative terms.
- 2.3.2** In this regard, the UPM Project entails the largest private investment in Uruguayan history, with the consequent positive effects that promote Uruguay’s attributes, both institutional as well as productive, for the establishment of important projects aimed at supplying the international market in accordance with the highest international standards.
- 2.3.3** ROU estimates that the UPM Project would increase GDP permanently by approximately two percentage points and that it would create new agro-industrial exports of about US\$ 1,000,000,000 (one billion U.S. dollars) per annum with tax collection of about US\$ 120,000,000 (one hundred twenty million U.S. dollars).
- 2.3.4** Forestry and the respective value chain have an important impact per acre on employment, added value and tax collection. This enhances the UPM Project’s desirability in terms of several national development areas stated below.
- 2.3.5** Preliminary estimations indicate that the UPM Project would generate an average of 3,000 (three thousand) jobs, with peaks of 5,000 (five thousand), during the Pulp Mill’s construction, and about four thousand direct-hire positions during its operation related to its main industrial and logistical activities, in addition to the increased employment due to the rise in demand for several services in the region. The heightened global standards that will be applied to the value chain will bring about improvements in working culture and human resources’ skills and productivity, among other things.
- 2.3.6** The region around the UPM Project has relatively low levels of development and large areas characterised by a low population density. Implementing the UPM Project has the potential of promoting a significant migration to the region and increasing GDP per capita in the area surrounding the departments of Cerro Largo, Durazno, Florida and Tacuarembó by between 10% (ten percent) and 15% (fifteen percent). Therefore, a development centre would emerge in the centre of the country, marking a fundamental milestone in the process of decentralising production activities and altering the structural characteristics of development at the regional level in Uruguay.
- 2.3.7** The UPM Project’s use of the public infrastructure that will be developed represents a necessary basis for constructing the infrastructure. The abovementioned would benefit other production activities as well, and it would broaden the regional scope of the Project’s effects, deepening the decentralising impact and developing the north and north-eastern area of the country.
- 2.3.8** The UPM Project would contribute to consolidating the transformation of the energy matrix, as it would increase renewable energy production by 10% (ten percent).

Likewise, the UPM Project also implies the commitment of the Parties to cooperate to improve water quality in the Río Negro basin.

- 2.3.9** Both Parties share an interest in and commitment to cooperating to foster research and development and innovation (R&D&I) activities, especially by supporting the creation and operation of technology centres and innovation funds, in the wood forestry chain, both in their initial and industrial phases, as well as in the bio-economy in general. The potential of these means will therefore be maximised by identifying mutually beneficial projects and having an internationally renowned company to create demand and identify problems.
- 2.3.10** The UPM Project's size presents an extraordinary opportunity to actively improve and add value nationally by developing suppliers for all Pulp Mill stages (construction, operation, and maintenance), including identifying national and local companies' qualification shortcomings that prevent them from participating in the supply chain, and supporting said companies' adaptation. Additionally, the increase in demand for services in the area surrounding the UPM Project presents an opportunity for competitive development for small businesses and further building business networks, with the corresponding impact on formalization and employment.
- 2.3.11** The UPM Project also establishes the basis for a holistic evaluation of Uruguay's potential as a location for other lines of high-tech business in the wood forestry chain, including identifying the gaps that would need to be reduced, as well as the mechanisms to move in that direction.
- 2.3.12** In consideration of the above-referenced evaluations and expectations, ROU acknowledges that the UPM Project is of public interest and relevance for the country's development.

2.4 Indicative Benefits

ROU expects that the benefits of the UPM Project may include the matters set out above in Clauses 2.2 and 2.3. Such benefits are solely indicative and do not constitute any obligation or commitment of UPM or the UPM Project to achieve such benefits or results.

2.5 UPM Projections

- 2.5.1** UPM is continuously looking for growth opportunities for its businesses and for that purpose has engaged in discussions with ROU to explore opportunities for expanding its pulp business platform in Uruguay.
- 2.5.2** UPM's large scale industrial operations require reliable and cost efficient logistical solutions that are of the same scale and quality as the company's industrial plants. The capital intensive and risky investments in pulp production also require a stable, predictable and competitive operating environment.
- 2.5.3** In this Agreement, UPM seeks to define the actions required for infrastructure development and other pre-requisites in Uruguay in order to support possible pulp mill investment. Further actions will be needed for technical definitions and

advancement of works, successful completion of administrative processes, and conclusion of negotiations for agreements to meet the project's requirements.

- 2.5.4 Achieving significant progress in the implementation of the infrastructure initiatives is critically important for the Final Investment Decision. If these are developed within the agreed timeline and other pending issues can be agreed in due time in accordance with this Agreement, then UPM will initiate the company's regular process of analysing and preparing an investment decision regarding a potential pulp mill, which will also take into account matters such as the financial and other prospects of the proposed Pulp Mill, the prospects and/or results of UPM generally and the prospects of the global pulp markets.
- 2.5.5 UPM acknowledges its interest in undertaking the UPM Project and that it has engaged in discussions with ROU on the terms set out in this Agreement to facilitate implementing certain requisites for UPM's investment.
- 2.5.6 Certain contractual pre-requisites have been negotiated and are set out in Annex 2 (*Necessary Conditions*) and in Annex 3 (*Complementary Agreement*). Satisfactory progress in relation to these pre-requisites is, among others, a necessary pre-condition for UPM to make a positive FID.

3. AGREEMENTS REACHED

3.1 Fiscal Matters

3.1.1 Free Trade Zone (FTZ)

- (a) ROU undertakes to grant the following "**UPM Project FTZ Authorisations**":
 - i. A FTZ Developer authorisation pursuant to Law No. 15,921 of 17 December 1987 -"Free Trade Zones Act"- and its regulations, to the "**FTZ Developer Company**," as from the beginning of the construction of the Pulp Mill until 30 (thirty) years after the finalisation of the Pulp Mill, in order to carry out the production of cellulose pulp and paper and to operate a power plant within the FTZ, as well as the development of related activities that include the railroad cargo terminal and water intake. The authorisation shall cover the following: the production and sale of cellulose pulp and paper; other industries and services related to the industrialisation of wood and the production of supplies for production of cellulose pulp or paper, including a chemical island for the production of chemical products; the storage and commercialisation of raw materials and supplies needed for the aforementioned activities, as well as the by-products derived from pulp or paper production; and the production and sale of energy; provided that all these activities are carried out within the FTZ and the proper Authorisations are met.

For the purpose of this Agreement the Parties define "**FTZ Developer Company**" as the legal entity that will apply for Governmental Authorisation to develop a FTZ in connection with the UPM Project.

- ii. The approval of FTZ User Status for the Pulp New Company and other legal entities that will perform some of the activities permitted under the governmental authorisation of the new FTZ, as Users of the FTZ, in accordance with the Free Trade Zones Act and its regulations, starting from the beginning of the construction of the Pulp Mill and until 30 (thirty) years after it is finalised.

For the purpose of this Agreement the Parties define “**Pulp New Company**” as the legal entity that will apply for the FTZ User status in order to develop the activity as defined in the UPM Project.

The Pulp New Company may contract with companies that are not users of the FTZ for the following ancillary activities outside the FTZ:

- The transportation of the goods produced within the FTZ to any Uruguayan port, provided that such goods are transported under the customs transportation regime; the reference service does not have the tax exemptions provided for in the Free Trade Zones Act;
- The storage and delivery of such goods in any Uruguayan port, provided that the destination of those goods is outside the national territory, and that such activities are not carried out by the Developer of the FTZ or the FTZ User.

- (b) The FTZ Authorisations of the UPM Project shall be granted in accordance with the Free Trade Zones Act, according to which the users of the FTZ shall benefit from tax exemptions and other rights in accordance with the aforementioned law and the corresponding regulations.

- (c) ROU undertakes to:

- i. Grant FTZ user status to all entities involved in the construction, installation and start-up of the Pulp Mill Project, with the exception of infrastructure works of the FTZ, for a period of 3 (three) years, renewable according to the needs for construction, installation and start-up stages, together with all applicable tax exemptions and other rights and obligations, in accordance with the Free Trade Zones Act and its regulations.
- ii. Extend the term of the Developer FTZ Authorisation for the FTZ operated by UPM Fray Bentos S.A., so that it is coterminous with the UPM Project FTZ Authorisations, within 3 (three) months following the start-up of the new Pulp Mill, the previous presentation of a plan for additional investments in the Fray Bentos FTZ to be agreed on with ROU.
- iii. Grant an extension to the term of the User Contracts of UPM S.A. and to the term of other User Contracts to be determined by UPM, with respect to the FTZ operated by UPM Fray Bentos S.A.; provided that such extensions comply with the regulation in force and up to a time

limit that coincides with the term contained in the FTZ Authorisations of the UPM Project. This extensions shall be granted within the terms and under the conditions established in paragraph ii) above.

- (d) The annual FTZ fee to be paid by the FTZ Developer Company shall be:
- As of the authorisation of the new FTZ of the UPM Project until the commencement of the operations of the new Pulp Mill: US\$ 1,050,000 (one million fifty thousand U.S. Dollars) annually.
 - As from the commencement of the operations of the Pulp Mill:
 - Annual production less than 2,000,000 tonnes (two million metric tons) of pulp: US\$ 2,100,000 (two million one hundred thousand U.S. Dollars) annually.
 - Annual production greater than or equal to 2,000,000 tonnes (two million metric tons) of pulp: US\$ 3,500,000 (three million five hundred thousand US Dollars) annually.
 - Additional canon during the first 20 (twenty) years: US\$ 3,500,000 (three million five hundred thousand U.S. Dollars) annually.
 - These amounts will be adjusted annually by a 100% of the variation in the Consumer Price Index of the United States of America as of the commencement of operations of the Pulp Mill.
- (e) The annual canon of the FTZ to be paid by UPM Fray Bentos S.A., during the extension of the exploitation authorisation referred to above, namely, as of 15 October 2034, will be:
- US\$ 2,100,000 (two million one hundred thousand US Dollars) annually.
 - This amount will be adjusted annually by a 100% of the variation in the Consumer Price Index of the United States of America as of the commencement of operations of the Pulp Mill.
- (f) The amount of investments required to grant FTZ authorisation to the Pulp Mill Project will be around 2,000 million EUR (two billion Euros), in connection with the construction of a pulp mill with an annual capacity (measured in the drying machine) of between 1,900,000 and 2,400,000 tons.
- The UPM Project shall also include investments outside the FTZ of the Pulp Mill in: i. land and plantations; ii. nurseries; iii. transport and harvest machines; iv. port investments; v. rolling stock, and vi. human capital development.
- (g) Such authorisations may be revoked in case the works and investments corresponding to the Pulp Mill mentioned in the preceding subparagraph (f) are not fully executed within 5 (five) years as from the Final Investment

Decision by UPM, such term to be extended in case the delay is caused by extraordinary circumstances beyond control according to Clause 7.

Notwithstanding the abovementioned, if progress of at least 50% (fifty percent) of the referenced works and investments has been achieved and notwithstanding the best reasonable efforts of UPM to complete said works and investments in their entirety, the same is not completed within the referenced 5 (five) year period, the Parties agree to negotiate in good faith a reasonable extension to said term of a maximum of 1 (one) year. If an extension is agreed, starting from the expiry of the initial 5 (five) years, the annual canon to be paid by UPM shall be US\$ 2,100,000 (two million one hundred thousand U.S. dollars) until the commencement of operations, at which time Clause 3.1.1(d) shall apply.

- (h) The Parties agree that they will make their best effort to ensure that the procedures for granting the UPM Project FTZ Authorisations are completed in a timely manner, in accordance with the Free Trade Zones Act and its regulations. For these purposes, the Parties agree that:
 - i. ROU shall designate a general coordinator within the Free Trade Zones Area as a contact person with UPM for the respective authorisation procedures.
 - ii. UPM shall appoint a general coordinator as a contact person with the Free Trade Zones Area for the respective authorisation procedures.
 - iii. In order to facilitate the understanding of the information requirements of the Free Trade Zones Area, periodic meetings will be held depending on the needs and stages of the authorisation process, between the general coordinators and experts of both Parties, as well as other advisers that the Parties designate according to the topic to be addressed.
- (i) Subject to the powers of the Executive Branch, upon request by the FTZ Users developing the construction, installation, or start-up of the Pulp Mill Project, an adjustment shall be made to the cap on foreign personnel provided for in Art. 18 of Law No. 15,921. This adjustment shall be carried out by processing the respective authorisation procedure with the exception of the personnel quota, before the FTZ Area of the General Commerce Directorate (Areas de Zonas Francas de la Direccion General de Comercio), by each of the requesting User companies.

For this purpose, the interested entities must submit to the FTZ Area of the General Commerce Directorate an exemption request to Art. 18 of Law No. 15,921, accompanied by the certification issued by the Ministry of Labour and Social Security under Clause 3.6.9.

3.1.2 Tax Matters

- (a) ROU commits to promote the investment project submitted to the Commission for the Application of the Investment Law (Comisión de Aplicación

de la Ley de Inversiones, COMAP) by the UPM Affiliates involved in the UPM Project, and to grant the available tax benefits arising from the joint evaluation of the UPM Project, in accordance with Law No. 16,906 – Promotion and Protection of Investments Law – and its regulations in force at the time of the application for a promotional declaration, and provided that the conditions prescribed by that legislation are fulfilled. In this case, the tax benefits arising from the common matrix of indicators shall be applied individually to the investments executed by each entity. The fulfilment of the execution of the committed goals will be measured by reference to the UPM Affiliates involved in the UPM Project as a whole, whereas the fulfilment of the execution of the investment shall be measured by reference to both the individual investments and those carried out by the UPM Affiliates involved in UPM Project as a whole.

For the sole purpose of applying and complying with this clause, the Parties recognise the UPM and its Affiliates as an Economic Group.

The projects to be promoted will be those related to investments under the UPM Project, such as:

- The construction and operation of the infrastructure of the FTZ by the FTZ User Company, in relation to the UPM Project;
- Port Project investment;
- Investments in relation to Forestry Operations.

With regard to the construction activity for workers' temporary accommodation dwellings during the construction period, installation and start-up of the Pulp Mill Project, ROU undertakes to declare that these have been developed, as supported by article 11 of the Law No. 16,906, of 7 January 1998, provided that after construction, installation and start-up of the Pulp Mill Project, the housing solutions remain permanently in place for the pertinent locations and are transferred, assigned or made available to the State or Departmental Governments without charge.

Likewise, ROU agrees to grant a credit for the VAT on the construction cost of the fly-over route that provides access to the New Free Trade Zone lot and in the improvement works to the sidewalk that are deemed necessary for such zone's feasibility, performed on national or departmental real estate property. Such credit will be granted to the entity of the UPM Affiliate that carries out said work under a regime similar to that applicable to exporters.

- (b) In relation to the UPM Project, UPM is considering a corporate restructuring of the direct and indirect ownership of some or all Affiliate companies or other entities in which the latter hold share capital, in several jurisdictions. As long as the direct and indirect ownership chain is composed of entities that are not based in, nor are residents of, a country or a jurisdiction which applies a low or zero taxation regime under the terms of article 17 of Title 8 of the Ordered Text 1996; and as long as said restructuring simplifies or optimises the structure of the ownership chain, and does not imply the total or partial

replacement of the effective ownership; then, ROU undertakes, through the Executive Branch, to grant a one-time exception of any tax that may apply to the transactions carried out for such purposes, as long as they are carried out prior the commencement of operations of the Pulp Mill. This exemption will include:

- i. Exemption to Natural Persons' Income Tax (Impuesto a las Rentas de las Personas Físicas - IRPF) or Income Taxes on Non-Residents (Impuesto a las Rentas de No Residentes - IRNR) applicable to any mechanism for restructuring entities, including, among others, the sale/purchase or exchange of shares/shareholdings and transfers of businesses, mergers or divisions to be implemented between the entities of the UPM Affiliates or other entities in which these entities hold share capital, as well as direct or indirect shareholders of these entities at any level of the ownership chain, and
- ii. Exemptions to Economic Activities Income Tax (Impuesto a las Rentas de las Actividades Económicas - IRAE), Value-Added Tax (VAT) and the Tax on Wealth Transfers (Impuesto a las Transmisiones Patrimoniales - ITP), among others, in the division or merger operations to be carried out between the Uruguayan UPM Affiliates or with the direct or indirect shareholders of the Uruguayan entities of UPM or its Affiliates in the ownership chain at any level.

Additionally, in relation to the UPM Project, UPM's joint venture partners are considering an analogous corporate restructuring. Under the same terms, ROU undertakes to exempt transactions arising from the merger operation of Compañía Forestal Uruguaya S.A. (COFUSA), Forestal Río de los Pájaros S.A. and Elmadur S.A. as long as said restructuring allows for the strengthening of businesses and the simplifying of the structure of the ownership chain.

For the purposes of the provisions of this point, the appearing parties must request an authorisation from the Executive Branch, providing detailed information on the operation of the projected restructuring and indicating the composition of their previous and subsequent equity of said restructuring.

- (c) ROU and UPM shall negotiate an "Advance Price Agreement" or APA, devised between Forestal Oriental S.A. and/or UPM or any other of its Affiliates appearing in the request, and the Directorate General of Taxation (DGI), in relation to the transfer operations of wood, effective as of the year following the signing of this APA. The APA will take into consideration, among other elements, the documentation submitted by UPM or its Affiliates to the DGI, in accordance with the Investment Agreement. In addition, ROU shall ensure that the term period of the APA lasts for 3 (three) fiscal years from the year following its signature. Once signed, the agreed transfer pricing methodology will be applied, as long as the critical assumptions to be established in the APA are maintained in consideration of the functions carried out, the assets used, and the risks assumed in relation to the operations included in the APA. The

signature of this APA shall be a Necessary Condition for the Final Investment Decision of the UPM.

3.1.3 With respect to income deriving from the commercial use of the intellectual property rights by the Pulp New Company or other user companies in the new FTZ, in the context of the UPM Project, the Parties agree to adopt the mandatory minimum international standards, resulting from the guidelines on tax incentives resolved within the Inclusive Framework of BEPS (Base Erosion and Profit Shifting) of which the ROU is a member, subject to said standards being implemented by law.

3.2 Environmental permits

3.2.1 The Parties recognise the importance of giving maximum priority to the processes and procedures of the environmental authorisations and permits that correspond to the main project – The Pulp Mill Project – as well as the other projects related to the Pulp Mill Project – the Railway Project, Road Projects, the Free Zone for the Pulp Mill Project, the Port Project and the high voltage transmission line projects (for the purposes of this Clause, referred to as the “**Related Projects**”).

3.2.2 The Parties agree that ROU shall issue a resolution concerning the environmental authorisations referred to below, in the following manner:

- (a) in the event that UPM decides to request the Prior Environmental Authorisation (AAP) for the Free Trade Zone of the Pulp Mill Project separately from the AAP request for the Pulp Mill Project, the resolution to grant, reject or deny the Prior Environmental Authorisation for the Free Trade Zone for the Pulp Mill Project shall be granted no more than 3 (three) months after the communication of the Free Zone project has been submitted to DINAMA by UPM;
- (b) the decision to grant, reject or deny the Prior Environmental Authorisation for the Pulp Mill Project within a period no greater than 12 (twelve) months after the communication of the Pulp Mill Project has been submitted to DINAMA by UPM;
- (c) The decision to grant, reject or deny the Prior Environmental Authorisation for the Railway Project within a period not greater than 8 (eight) months after the communication of the rail project has been submitted to DINAMA by the Ministry of Transport and Public Works (MTOU); and
- (d) The decision to grant, reject or deny the Prior Environmental Authorisation for the Port Project within a period no greater than 12 (twelve) months after the communication of the Port Project has been submitted to DINAMA by the National Ports Administration of Uruguay (ANP) or the private entity promoting the Port Project.
- (e) For each day that UPM or MTOU or ANP does not respond to a request for information from the competent ROU entity with respect to said AAP, that additional day shall be added to the deadline for the issuance of the AAP established in the preceding subparagraphs (a) to (d). In the event that the

response is made correctly and within 5 (five) consecutive days of formal reception, it will not be added to the full time period.

At the request of UPM, ROU shall grant, reject or refuse the Prior Environmental Authorisation for any third party designated by UPM to develop the Chemical Project, as a separate authorisation from that of the Pulp Mill Project, and maintain the same term period, provided that said third party maintains the original project to a substantial degree.

- 3.2.3** The provisions of the preceding paragraph shall apply on the condition that the presentations by UPM, MTOP, ANP or the private entity promoting the Port Project and the requests for the relevant environmental authorisations are made in accordance with the requirements of information and in accordance with the procedures provided for in the applicable regulations. Furthermore, the deadlines set out in subparagraphs (a) through (d) shall be suspended for the period in which the required entity does not respond to any observations or requests for information or supplementation made by the competent ROU entity as established in subparagraph (e).

The granting of the initial Environmental Operational Authorisation (AAO) and its renovations for each of the projects: FTZ of the Pulp Mill Project, the Pulp Mill Project and the Port Project (if applicable) shall be carried out within a maximum period of 1 (one) month after the inspection has been carried out which verifies that the conditions provided for in the AAP, the project and the Environmental Impact Study have been met, and the Plans for Environmental Management of the Operation have been approved. In the event that the information of the AAO request is complete and accurate and proves that the facilities and constructions are in a position to verify compliance with the conditions of the AAP, the Project and the EsIA, DINAMA shall carry out the verification inspection within a maximum of 15 (fifteen) days of submission of the application.

- 3.2.4** In this context, ROU agrees to strengthen the internal organisation of DINAMA, committing itself to comply with the deadlines indicated in the preceding paragraphs, such as deadlines of direct action by the Administration, discounting the terms that correspond to UPM or to third parties.

- 3.2.5** For the purposes of complying with the deadlines mentioned above, the Parties agree that:

- (a) ROU shall designate specialised work teams in DINAMA, and strengthen the existing resources, in order to evaluate and process the authorisations for each project (Pulp Mill Project and Related Projects).
- (b) ROU shall appoint a general coordinator in DINAMA as a contact person with UPM for the respective authorisation procedures.
- (c) UPM shall appoint a general coordinator as a contact person with DINAMA for the respective authorisation procedures.
- (d) In order to facilitate the understanding of the information requirements of DINAMA, bi-weekly or weekly meetings will be held, depending on the needs

and stages of the authorisation process, between the general coordinators and technicians of both Parties, as well as other advisers that the Parties designate according to the topic to be addressed.

- 3.2.6** Housing, Land Planning and Environmental Ministry (MVOTMA)/DINAMA will prepare and communicate to UPM the general guidelines to be required for the corresponding Environmental Impact Studies. These guidelines will be elaborated upon in the more detailed Terms of Reference (TdR) to be issued once the respective Classification Certificates have been granted.
- 3.2.7** UPM commits to ensuring that the applications for the Prior Environmental Authorisation of the Pulp Mill Project and the Related Projects, including project documents and Environmental Impact Studies, will be submitted to MVOTMA within a period not greater than 2 (two) months as of the issuance of the Classification Certificate of each project, with all information required in accordance with the Terms of Reference (TdR).
- 3.2.8** The Parties also acknowledge and agree that the Free Zone for the Pulp Mill Project will need to be enclosed with fencing, and provided with basic services and infrastructure, prior to the initiation of the construction of the Pulp Mill Project, which shall all be done at the cost of UPM.
- 3.2.9** UPM agrees to initiate the proceedings before the Local Government Entity of Durazno in order that, through the land transformation procedures provided by law No. 18,308, this entity approves the change of the land categorisation of the lands identified under plots numbers 301, 3503, 3609 and 10739 where the main project will be located, in case they are classified as Rural Land in accordance with the aforementioned Law. ROU recognises the importance of such land change taking place as soon as possible and, consequently, shall procure to indicate this to the respective departmental authorities, respecting its autonomy, in order for the procedure to be completed without delay.
- 3.2.10** The Parties also agree that:
- (a) UPM will carry out the selection of the technology, the installation and operation of the Pulp Mill, using the best technologies available in accordance with the IPPC BAT document (2014), and according to the conclusions resulting from the procedure of the Environmental Impact Assessment. The operating conditions of the Pulp Mill will pay special attention to the situation and characteristics of the Río Negro. During the entire operation period of the Pulp Mill, new processes and updates of existing ones will be periodically incorporated for reasons other than the environmental performance of the Pulp Mill. However, the subsequent investments will take into consideration the environmental performance of the Pulp Mill, and will always do so, in an effort to ensure the continuous improvement of environmental performance.
 - (b) ROU agrees to require that the levels of emissions into the environment remain within the range of the best available technologies in accordance with the IPPC BAT document (2014), within the national legal framework.

- (c) Together, they will define the measures to be implemented by UPM, in response to other significant environmental effects that can be caused, directly derived from the Pulp Mill and indirectly from the increase in forest production.
- (d) UPM commits to environmentally compensate ROU by providing technical and financial support for ROU's plans for improving the water quality of the Río Negro, as well as by reducing and avoiding the main causes of contamination of the waters in its watershed. In practical terms, UPM would provide financial support for the adequate comprehensive treatment of effluents from improved and expanded sanitation systems in the city of Paso de Los Toros and Pueblo Centenario. The aggregate amount of the compensations shall be US\$ 10,500,000 (ten million five hundred thousand United States dollars) and its disbursement shall be in accordance with the corresponding investment plan and what might be established in the Environmental Impact Assessment.

3.2.11 With respect to the standard of the parameter of total phosphorus, UPM and ROU recognise that the final effluent from the Pulp Mill must comply with the discharge standards provided for in article 11 of Decree No. 253/979 of 9 May 1979 and its modifications. In addition, the Parties agree that additional limits will be established for daily concentration, monthly load, and specific annual load, taking into special account the conditions and characteristics of the Río Negro. The maximum daily concentration allowed in the discharge will be set at a more demanding value, at around 2 mg/L. Such standard may not be exceeded for a certain percentage of the time, considered on an annual basis higher than 10% (ten percent), which will be specified according to the conclusions resulting from the Environmental Impact Assessment procedure. Under no circumstances shall the maximum permissible concentration standard of 5 mg/L, established in article 11 of Decree No. 253/979, be exceeded.

3.2.12 Notwithstanding the terms of Clauses 3.2.10 and 3.2.11, the Parties acknowledge and accept that the levels of emission into the environment and the criteria established therein shall apply, unless the technical conclusions resulting from the procedure of Environmental Impact Assessment provide clear and undeniable technical evidence that different limits must be set.

3.3 ROU Railway Project

3.3.1 ROU through the Ministry of Transport and Public Works - duly authorised by the owner of the infrastructure (State Railways Administration), will build and maintain the "CENTRAL RAILWAY" Railway Project that joins the Port of Montevideo with the city of Paso de los Toros according to the specifications and within the period indicated in Clause 3.3.2.

3.3.2 For such purposes, ROU has elected to call the international Public Bidding for its execution by means of a Public-Private Partnership contract, for:

- (a) executing the engineering, design, financing, repair, rehabilitation, and construction of the Railway Project in accordance with:

- i. the document entitled "Railway Specifications", which has been attached hereto as **Annex 5.1** (hereinafter referred to as the "**Railway Specifications**"); and
 - ii. the document entitled "Railway Schedule" which has been attached hereto as **Annex 5.2** (hereinafter referred to as the "**Railway Schedule**") which provides,
 - A) bid phase, reception of offers, evaluation, intervention of the *Tribunal de Cuentas de la República* as prescribed by Uruguayan laws, procedures, and definitive adjudication to contractor shall be completed by October 2018;
 - B) In November 2018 three phases will commence: financial closing, executive design and commencement of the railway works, and related civil works;
 - C) Completion of the Railway Project shall occur in February 2022 ("**Scheduled Completion Date of the Railway Project**");
 - D) ROU shall inform UPM on a monthly basis about the progression of the above mentioned terms.
- (b) being responsible for the maintenance, repair and renewal of the Railway according to the Railway Specifications until any of the following occur, whichever occurs first:
- i. 22 (twenty-two) years have passed since the Completion of the Railway Project. Once such term expires, ROU shall be responsible for the continued maintenance, repair and renewal, ensuring that UPM has the capacity and safety for the traffic and transport of loads through the railway system foreseen in this Agreement and in all cases in accordance with, at least, the standards established in the Railway Specifications; and
 - ii. UPM provides written notice to ROU indicating that it has cancelled the Pulp Mill Project, in all cases, in accordance with the provisions of this Agreement.

3.3.3 The Railway Specifications provide for the possibility of ROU outsourcing, awarding, configuring or granting certain roles, responsibilities, functions or obligations related to the Railway to one or more ROU Railway Entities (as defined in the Railway Specifications), or that certain roles, responsibilities, functions or obligations are assumed or performed by such entities (including, specifically, the Railway Contractor under a PPP scheme). The fact that ROU opt to hire third parties in order to comply with its responsibilities under this Agreement shall not discharge ROU of its responsibilities towards UPM to construct and maintain the Railway Project in accordance with the terms and conditions of this Agreement. ROU establishes that the award criteria for the bidders of the Railway Contract must contain the mandatory minimum requirements with respect to each offeror set out in **Annex 1** (*Content of the Offer*).

- 3.3.4** The specifications for the construction of the Railway and related works established under this Agreement shall be incorporated into the bidding documents in terms compatible with the legal mechanism provided in private-public partnership projects and the effects of fiscal registration that such mechanism generates.

For these purposes, the bidders may propose technical improvements with respect to the Railway Specifications. In each case, bidders shall present along with each improvement proposal a detailed technical description, which shall include an analysis of compatibility with the standards of the basic design.

Acceptance of any changes to the Railway Specifications shall require written agreement of the Parties to this Agreement. In all cases the contractor assumes the risks for the technical solution that it presents in its offer. The terms of this Clause in no way implicate an alteration to the norms of competitive process or to responsibilities arising from such process, according to the current Law.

- 3.3.5** ROU must ensure that the tender documents and the Railway Contract oblige the Railway Contractor to adhere to the Railway Specifications, and, in turn, the Railway Contractor shall execute the engineering, design, acquisition, financing, repair, rehabilitation, construction, maintenance and renewal of the Railway (including with respect to interface agreements with the UPM Project and the Port Project) in accordance with the Railway Specifications and Railway Schedule.

- 3.3.6** After the Railway Contract has been executed, ROU and/or the Railway Contractor shall not make any changes to the “Railway Specifications” and to the “Railway Schedule” except with the written agreement of the Parties to this Agreement.

3.3.7 Monitoring of the Railway Project

- 3.3.7.1** In order to ensure that the Railway Project is executed in accordance with the Railway Specifications and the Railway Schedule, UPM will be provided with regular and complete information regarding the Railway Project based on the terms established in this Clause 3.3 during all phases of the Railway Project from the date of this Agreement (including all aspects of its engineering and design, acquisition, financing, rehabilitation, construction and start-up and copies of all contracts entered into with the Railway Contractor (including the Railway Contract) and any amendment to such contracts).

- 3.3.7.2** UPM will be entitled to appoint its own personnel and independent consultants to monitor the Railway Project (hereinafter referred to as “**UPM Railway Observers**”). UPM shall keep ROU up-to-date by giving written notice of the UPM Railway Observers’ contact details. The UPM Railway Observers will not have the power and will not have the right to accept or approve (even on behalf of UPM) any amendment or modification to this Agreement, the Railway Specifications or the Railway Schedule.

- 3.3.7.3** ROU shall provide UPM Railway Observers with comprehensive progress reports containing all relevant and up-to-date information related to the Railway Project.

- 3.3.7.4** ROU will notify UPM Railway Observers and provide them with full and unrestricted access to:

- (a) the construction sites of the Railway Project (upon delivery of a reasonable notice and in compliance with generally applicable health and safety regulations for such site); and
- (b) all information, data, and materials (including any books and records) related to the Railway Project.

UPM Railway Observers shall have the right to ask for additional technical, commercial and/or financial information related to the Railway Project and the Railway Contractor which they may consider necessary.

3.3.7.5 UPM Railway Observers must maintain confidentiality in accordance with the terms of this Agreement and not disclose to third parties the confidential information obtained.

3.3.7.6 UPM will be responsible for such confidentiality and shall reimburse all costs and expenses incurred by UPM Railway Observers releasing ROU from any liability in respect thereof.

3.3.8 External services

3.3.8.1 Within the framework of the Railway Project, UPM has contracted and will contract certain services and studies from external suppliers (hereinafter “**External Services**”). ROU acknowledges that some of the External Services have already been contracted and/or delivered prior to the date of this Agreement and that the rest of said services that will be contracted and delivered by UPM after signing this Agreement will have the purpose of advising on the design and the implementation of the tender process of the Railway Project.

3.3.8.2 The contracting of the External Services will be carried out by and on behalf of UPM. UPM will have agreements with the suppliers of the External Services and must comply with the obligations indicated therein (including payment of any fee) until whichever occurs first:

- (a) the date on which ROU awards the Railway Project to the Preferred Railway Contractor; and
- (b) 28 February 2018

(hereinafter the “**Final Date of External Services**”).

UPM must share with ROU the products supplied to UPM as part of the External Services. UPM will also allow ROU and the Railway Contractor to use these products, solely for the purposes of the Railway Project.

3.3.8.3 UPM will be responsible for keeping records of all costs of the External Services and will report monthly to ROU the costs incurred within the 7 (seven) business days from the last day of each calendar month. If ROU does not submit written objections to said cost report within 7 (seven) business days of the date of submission of said report, then costs will be deemed approved by the ROU. If ROU submits written objections to that report, then the Parties shall discuss and seek to resolve the matter without delay.

3.3.8.4 ROU recognises and agrees that:

- (a) UPM has already incurred costs in relation to the External Services for the amount of US\$ 2,480,348 (two million four hundred eighty thousand three hundred forty eight US dollars) on 31 August 2017 and that these costs are considered as approved by the ROU; and
- (b) UPM shall be entitled to incur costs in respect of the External Services for a total amount of up to \$5,000,000 (five million US dollars) (including the costs referred to in the previous Clause) before the Final Date of the External Services. This amount can only be increased by prior written approval of ROU.

3.3.8.5 Until the Final Date of the External Services, but always subject to Clauses 3.3.8.4 (b) and 3.3.8.6, UPM agrees that it:

- (a) will finance the costs of the External Services (for a total amount not exceeding \$5 million for all concepts (including taxes and social security charges)) unless agreed by UPM and approved by ROU); and
- (b) will be responsible for all taxes, including social security, and any other expenses that may be payable involving the External Services.

3.3.8.6 ROU will ensure that all tender documents and final contractual documentation related to the Railway Contract include an obligation of the Railway Contractor to purchase all deliverables to be delivered from the External Services and to pay UPM an amount equal to the total amount of costs incurred by UPM in relation to the External Services approved or deemed approved by ROU according to Clauses 3.3.8.3 and 3.3.8.4. ROU agrees and guarantees that such payment will be made by the selected Railway Contractor directly to UPM within 30 (thirty) business days from the date of signing of the Railway Contract.

3.3.9 Exclusive ROU liability

ROU shall be exclusively responsible for the Railway Specifications and the Railway Schedule. Despite UPM's and UPM's service providers involvement in the Railway Project, neither UPM nor UPM's service providers shall have responsibility towards ROU, the bidders, the Railway Contractor or any other Governmental Entity with respect to the Railway Specifications, Railway Schedule, the External Services or any materials and deliverables delivered by UPM or its service providers.

3.3.10 Principles of Railway Regulation

3.3.10.1 ROU will continue its efforts to improve Uruguay's legal system applicable to railways. ROU will finalise, under Article 173 of Law No. 18,834 (as amended by Law No. 19,535), the development of railway regulations in Uruguay, including with respect to the operational and regulatory framework to be applied to Railway users in relation to, among other things, the following:

- (a) enabling and daily coordination of access by the operators to the Railway, defining the main criteria among the different operators and determining the

access preferences of each phase or section of the Railway and the limits of these preferences;

- (b) administration of the maintenance of the Railway;
- (c) terms and conditions that apply to public and private operators (including ROU-controlled railway operators) using the Railway;
- (d) health and safety;
- (e) load and speed limits and requirements for each section of the Railway; and
- (f) Interface between Railway users, including environmental and social issues, health and safety standards, minimum technical requirements for rolling stock for all Railway users (commercial and passenger services), emergency procedures, insurance issues and claims for incidents related to the Railway;

(hereinafter, the “**Railway Regulation Principles**”).

3.3.10.2 ROU shall ensure that the Railway Regulation Principles, at all times:

- (a) are applied by competent and independent ROU authorities, which will have the necessary organisational skills and abilities to ensure the effective implementation of the Railway Regulation Principles in a way that eliminates any conflict of interest; and
- (b) are consistent with the requirements of this Agreement and the rights of UPM and the UPM Railway Operator hereunder, particularly under Clause 3.3.11 and 3.3.12 (hereinafter the “**Railway Access**”).

3.3.10.3 ROU shall implement the Railway Regulation Principles before the Phase 2 Longstop Date.

3.3.10.4 ROU shall enable the access of long-term licences for private and public operators with a minimum initial period of 20 (twenty) years, which may be renewed for subsequent periods, subject to strict compliance during each period of the railway regulations issued by ROU through the National Railway Transportation Directorate (DNTR). ROU shall audit and evaluate at least every 3 (three) years the performance of the UPM Railway Operator. At the written request of the UPM or the UPM Railway Operator who complies with the legal and regulatory conditions, ROU will grant a licence under the previous bases to the UPM Railway Operator (and any successor railway operator designated by UPM).

3.3.11 Railway Access

3.3.11.1 Railway Access Agreements

UPM and the UPM Railway Operator shall, before the Phase 2 Longstop Date, enter into an agreement or other arrangement with the relevant party entitled to grant access to and use of the Railway or equivalent arrangements in accordance with the law or in another form binding on all parties, in each case, in form and substance acceptable to UPM and ROU (who will act reasonably) to facilitate access to the Railway and UPM's use of it in order to transport cellulose and chemicals necessary

for its production along the Railway in accordance with the terms of this Agreement and the Railway Specifications (hereinafter the “**Railway Access Agreements**”).

3.3.12 Principles of Railway Access Agreements

At a minimum, ROU is obliged to ensure that the Railway Access Agreements establish the following:

- (a) ROU shall grant, at the discretion of UPM:
 - i. UPM; and/or
 - ii. the UPM Railway Operator,unrestricted access (24 hours a day, 365 days a year) to the Railway from the Pulp Mill Project Completion Date
- (b) Maintenance, repair and renewal of the Railway, repair and renovation of the signalling and telecommunications systems for the Railway will be carried out in accordance with the Railway Specifications. ROU shall cause DNTF to be responsible for ensuring that the rolling stock operating on the Railway (other than that controlled by UPM or the UPM Railway Operator) complies with the appropriate conditions and maintenance.
- (c) Subject to the provisions of subsection 6 of Art. 173 of Law No. 18,834, ROU shall cause the DNTF, in the exercise of its powers, to grant the UPM Railway Operator priority access to the Railway to:
 - i. 6 (six) daily slots in both directions for the transportation of cellulose and their respective return to the Pulp Mill.
 - ii. 1 (one) daily slot for:
 - A) the North Route for the cargo of chemical products that are directed towards the Pulp Mill; and
 - B) the South Route for the return of the train to the Port;

The number of slots that are not used by UPM will be available to the DNTF for the purposes that it determines.

ROU shall assign the slots in a manner that the slots will be evenly spread over each day, unless UPM requests otherwise. UPM will indicate its usage of slots with at least 24 hours’ prior notice.

UPM shall:

- iii. ensure that the UPM Railway Operator complies with rolling stock requirements, environmental and social aspects, and health and safety requirements in accordance with the Railway Specifications; and
- iv. procure and maintain the minimum required insurance with respect to the operations of the UPM Railway Operator on the Railway.

- (d) ROU shall ensure that all independent users of the Railway comply with rolling stock requirements, environmental and social aspects, and health and safety requirements determined by DNTF considering the Railway Specifications;
- (e) It will ensure that all preventive maintenance plans and procedures are submitted to UPM for review and comment before the work is implemented. Important preventive maintenance work requiring a total interruption of the Railway traffic must be coordinated with UPM no less than 12 (twelve) months before such work is undertaken. ROU shall use its best efforts to mitigate the effects on UPM and the UPM Railway Operator of any maintenance work that requires the total interruption of the Railway traffic, taking into account the recommendations of UPM and the UPM Railway Operator. Unplanned maintenance work that requires the total interruption of Railway traffic must be immediately reported to UPM and regular updates must be provided for the duration of the unplanned outage.
- (f) ROU shall (or agree that it shall ensure that any third party with whom it contracts to carry out maintenance work on the Railway must) provide UPM and the UPM Railway Operator with all information related to the maintenance schedule or that the UPM Railway Operator may reasonably require. ROU shall grant UPM and the UPM Railway Operator access to monitor any maintenance, repair and renewal of the Railway (subject to UPM's willingness to send a reasonable notice and the health and safety regulations applicable to the Railway) and shall provide UPM and the UPM Railway Operator with all information related to the maintenance, repair or renewal of the Railway that UPM or the UPM Railway Operator may reasonably require. Quarterly reports shall be provided to UPM regarding the Railway Project containing all relevant and updated information related to the following elements of the maintenance of the Railway Project:
 - i. Maintenance work, repair or renovation planned and completed (or any other planned or undertaken work related to the Railway);
 - ii. Force majeure events;
 - iii. Details of any unscheduled maintenance;
 - iv. Security incidents and lost time; and
 - v. Delays or defaults.
- (g) ROU shall (or agree that it shall ensure that any third party contracted to perform maintenance on the Railway) obtain and renew, prior to 1st January of each calendar year, insurance policies with respect to the Railway Project that are consistent with industry standards accepted internationally and must apply the amounts received from said insurance policies to the repair or rectification of the Railway in case all or part of the Railway Project is damaged or destroyed or is not fit for normal operation.
- (h) UPM (or UPM Railway Operator as instructed by UPM at any time) may terminate the Railway Access Agreements upon written notice 90 (ninety) days

in advance. ROU may terminate the Railway Access Agreements, by means of a written notification sent 30 (thirty) days in advance, for material non-payment of user charges and tolls not disputed by UPM and whose non-payment is not remedied within 60 (sixty) days from the written notification of the ROU requesting UPM to make such payment and specifically notifying it of the right to terminate the Railway Access Agreements in case of continuous non-compliance.

- (i) UPM and/or the UPM Railway Operator must pay the entity stipulated by ROU for the use of the Railway (either to ROU or a third party), total charges payable only for the period of use and will not exceed:
 - i. during contract years one to five: 0.5 US\$ cents gross ton/km; and
 - ii. during and after contract year six: 0.6 US\$ cents gross ton/km,in each case, billed to UPM or its operator on a monthly basis.
- (j) During and after contract year six, UPM will also be required to pay ROU, on a monthly basis, a supplement of 0.15 US\$ cents per gross ton/km, taking into account that if due to the fact that, more of 5 (five) UPM trains suffer more than 15 (fifteen) minutes of delay in a calendar month, then such supplement will not be payable by UPM or its operator in that calendar month.
- (k) UPM will be entitled, at the end of each calendar month, to a reduction with respect to any charge paid or payable to ROU for the amounts owed by ROU to UPM.
- (l) The fee that UPM or its operator must pay ROU will be adjusted in the following circumstances:
 - i. on an annual basis to take into account changes in the US Consumer Price Index, beginning in the year in which the Railway Project Completion occurs; and
 - ii. in case a third party enters into an agreement with the ROU under which the amount paid by said third party to use the Railway between Paso de Los Toros and Montevideo (on a gross ton/km) is less than the corresponding charge payable by UPM, UPM shall be entitled to elect that said minor charge be applied to the Railway Access Agreements.
- (m) UPM or UPM Railway Operator shall not pay other costs or fees to use the Railway (including any fees, taxes or charges) not expressly described in the preceding Clauses.
- (n) Railway Access Agreements will require each relevant entity to have insurance coverage with limits consistent with the standards of a reasonable and prudent operator and with the usual terms and conditions for the railway sector.

3.3.13 ROU acknowledges and agrees that UPM shall have the freedom to choose the operator for its Railway services (either a UPM representative or a service provider)

and may freely agree to the terms and conditions of any agreement with that operator, including, only by way of example, the cost and the duration of the service.

3.3.14 Neither UPM nor the UPM Railway Operator shall be obliged to provide any minimum volume guarantees or minimum slots to ROU in respect of the usage of the Railway infrastructure.

3.3.15 Rambla Flyover

3.3.15.1 ROU shall, at its own expense, carry out the engineering and design, acquisition, financing, repair, rehabilitation, construction, maintenance and renovation of the necessary works in the Rambla Crossing Area under this Agreement and Railway Specifications to provide uninterrupted access to the trains carrying UPM's cargo to the Port Project, including, but not limited to, construction of a flyover that will raise vehicle traffic to a level above the railway track (hereinafter, the "**Rambla Flyover Works**").

3.3.15.2 If the Rambla Flyover Works have not been completed by ROU on the Scheduled Completion Date of the Railway Project or at any time thereafter, ROU will organise the traffic in the Rambla Crossing Area (including, if necessary, stop traffic) in a manner that is necessary to enable the trains carrying UPM's cargo to reach the Port Project without hindrance and as scheduled and to ensure that there are no interruptions in the use of the Railway by UPM and the UPM Railway Operator.

3.4 Road Projects

3.4.1 ROU shall execute the "**Road Projects**" consisting of the renovation of roads suitable for the circulation of 48-ton semi-tractor trailers and tri-train trucks (the "**Trucks**") and the reinforcement of bridges (such roads and bridges, hereinafter the "**Corridors**"). The Corridors, technical specifications, quality standards and works schedule, as well as the truck models to be considered, are detailed in **Annex 4** ("Document for the authorisation of road corridors for T12S3 triple-axis semi-tractor trailers of up to 48 tons and tri-trains trucks), which is a part of this Agreement. The cost of said works shall be borne by ROU.

3.4.2 ROU agrees to take all necessary measures so that the Ministry of Transport and Public Works (Ministerio de Transporte y Obras Públicas) – the competent authority – authorises the circulation of Trucks, by the dates indicated in Annex 4 for each Corridor and each type of Truck.

3.4.3 Restrictions that are generally applicable to 45-ton trucks shall be applied to the Trucks.

3.4.4 The Parties acknowledge that the use of Trucks along any of the department or local roads forming a Corridor or connected and located in the vicinity of a Corridor may be subject to restrictions or technical or regulatory requirements imposed by the pertinent Local Government Entities with jurisdiction over said department or local roads. ROU agrees to inform UPM by no later than the Phase 2 Longstop Date (i) which roads forming a Corridor are under the jurisdiction of Local Governmental Entities,

and (ii) which Local Government Entities have granted ROU the authorisation to rehabilitate such roads and have authorised the use of the Trucks along such roads without restrictions (other than restrictions that are generally applicable to 45-ton trucks).

3.4.5 Tri-Train Pilot Programme

The Parties agree that authorisations for the use of tri-train trucks along the Corridors shall be granted by the Ministry of Transport and Public Works upon (i) the approval of the models of the tri-train trucks that will circulate, considering the necessary configurations of said vehicles with a weight of 74 tons and a maximum total truck length of 30 metres, and (ii) execution of the performance tests on tri-train trucks and the established drivers' training, in accordance with the Tri-Train Pilot Programme that shall be defined. The changes of the roads' geometry and the reinforcement of bridges that may be required as a result of the Tri-Train Pilot Programme shall be undertaken by ROU within the works schedule detailed in Annex 4.

ROU must complete the Tri-Train Pilot Programme and notify the results thereof to UPM by 31 August 2018.

The Parties agree to use joint efforts to facilitate the resolution of the technical, administrative and regulatory issues that may be encountered in the implementation of the Tri-Train Pilot Programme.

3.4.6 Tolls

ROU agrees to take all necessary measures so that all load vehicles, including the 48 Tonne Trucks and Tri-Train Trucks, pay the toll generally determined by the Executive Branch for such type of vehicles and proportionally to the gross tons they transport and shall be determined based on a ton per kilometre rate.

3.4.7 Term for the Completion of Road Projects

ROU shall ensure that all Road Projects are completed in accordance with the specifications and by the dates included in Annex 4.

ROU shall provide regular written updates to UPM as to the progress of the Road Projects and any additional technical or commercial information relating to the Roads Projects, as may be reasonably requested by UPM.

ROU shall give to UPM, upon reasonable prior notice, access to the construction sites for the Roads Projects; and provide reasonable advance notice in writing to UPM of any acceptance or completion test in respect of each Road Project and give UPM the opportunity to witness and review the results of such test, provided that, in any visit to any such construction site, UPM shall comply with generally applicable health and safety regulations for such site.

3.4.8 Maintenance of Road Projects

ROU shall carry out the maintenance of the Corridors and other infrastructure that form part of the Corridors as per the maintenance standards and requirements established in Annex 4.

3.4.9 Financing of Road Projects

The approval and funding of Road Projects are ROU's sole responsibility. Prior to the Phase 3 Longstop Date, ROU shall provide to UPM a status report of its implementation plan in respect of the Road Projects.

3.4.10 Special load permits

ROU agrees to take all necessary measures so that land transport permits for large equipment ("**Excessive Dimension Equipment**") required for the Pulp Mill Project are issued by the date on which each item of Excessive Dimensions Equipment is scheduled for transportation. Permits shall be granted by the National Directorate of Transport (Article 216 of Law No. 17.930), requiring the applications to be filed at least 30 (thirty) days in advance.

UPM shall also comply with other regulatory provisions in force for the land transport of Excessive Dimensions Equipment.

At UPM's cost, ROU may: temporarily close the roads, temporarily remove lighting, traffic signs, electricity cables, or any other infrastructure; issue provisional permits to cross bridges, as well as to build provisional detours to border essential parts of the roads, such as pronounced curves, etc., and provide temporary storage areas for Excessive Dimension Equipment.

The Ministry of Transport and Public Works shall coordinate the cooperation of all the pertinent Government Entities in the planning and implementation of the transport of Excessive Dimensions Equipment.

3.4.11 Tala Road Financing

Regarding Tala Road to the west of Route 5 located within the corridor identified as Corridor 1 in Section 1.1 of Annex 4 (*Roads*), subject to UPM adopting a positive FID, UPM commits to:

- (a) construct at its cost (i) the access roundabout to the Pulp Mill, (ii) in the event that UPM deems it convenient, the laying of concrete of any section of the Corridor from the Pulp Mill to Route 5, and (iii) the access to the Tala Road from Route 5 with grade-separated interchanges between Route 5 (247 km 000) and the Tala Road, it being understood that the layout of said access will depend on the traffic studies conducted, guaranteeing a safe access and exit in all directions;
- (b) construct at its cost the road detour structural base to border the plot or plots of land on which the Pulp Mill will be located, thereafter to reconnect with the Tala Road; and
- (c) finance the additional cost of extending the length of the Corridor beyond the 108 kilometres planned for said Corridor in Section 1.1 of Annex 4.

Except as expressly provided in this Section 3.4.11, ROU shall perform at its cost all other activities required to complete the Road Project with respect to said Corridor.

3.5 Port Project

- 3.5.1 For UPM it is essential that the Port Project forms part of the logistics to provide an outlet for the volumes of pulp to be transported from the Pulp Mill by sea to international markets and import raw materials necessary for the Pulp Mill Project.
- 3.5.2 ROU, through MTOP and ANP is able to provide the necessary port services for the export of pulp from the Port of Montevideo. UPM has studied different locations within the current area of the Port with rail connections and will submit a private initiative for the one selected.
- 3.5.3 The “Port Project” consists of the design, financing, engineering, construction, operation and maintenance of a port terminal specialised in and exclusive for pulp and derivative products, chemical products, other inputs necessary for the production of pulp and derivative products, and other forestry products.
- 3.5.4 ROU will provide a competitive process, in accordance with the applicable national legislation, to grant a port concession for a term of 50 (fifty) years in exchange for said infrastructure construction, being able to submit private initiatives in this regard pursuant to the provisions of articles 19 and 20 of Law No. 17,555, of 18 September 2002 and its Regulatory Decree No. 442/002 of 28 September 2002.
- 3.5.5 The respective tender shall consist of the following aspects:
- (a) The concession area shall be determined by ANP within Montevideo Port, in a location that shall at all times be free from activities, uses and rights of third parties.
 - (b) The concessionaire shall be responsible for the design, financing, construction, installation and maintenance of the terminal in the Port of Montevideo and the related infrastructure inside the Concession Area.
 - (c) The concessionaire shall ensure the economic viability of its proposal by justifying the reasonable parameters on which it is based, taking into account its financial capacity, and load mobilisation expectations.
 - (d) The operation of the port terminal shall be executed by a Port Operator, authorised pursuant to the applicable regulations. ROU reserves the right to demand the change of Operator in case it loses the authorisation or fails to comply with material legal or regulatory obligations resulting in the same.
 - (e) The tariffs to be paid to ANP by the concessionaire in respect of the Port Project shall be:
 - i. Merchandise fee (values as at the date of this Agreement):
 - Pulp: US\$ 2.83/ton.
 - Chemical products: US\$ 1.42/ton.
 - ii. Concession fee: US\$ 60 cent./m²/month (based on the use of 55,000 m² of the current port area).

- iii. Port use fee: US\$ 20 cent./GRT
 - iv. These tariffs shall be adjusted based on the general increase of port tariffs.
- (f) The ANP shall be in charge of executing at its own cost all necessary dredging works in respect of the connection channel between Río de la Plata and the wharf adjacent to the Concession Area in the Port of Montevideo, as follows:
- i. 12.5 m of depth at zero Wharton level in the initial stage; and
 - ii. 13.0 m of depth at zero Wharton level commencing not later than 5 (five) years from the start of the operations of the Pulp Mill and for the remainder of the concession term, following receipt of the authorisation that has already been applied for with the Managing Commission of Río de la Plata (*Comisión Administradora del Río de la Plata*).
- (g) The concessionaire shall be responsible for dredging its terminal at the foot of the wharf and of the contiguous dock.
- (h) Under no circumstance shall the concessionaire be authorised to process other loads different than those listed in Clause 3.5.3 and they shall not be industrialised within the port premises.

3.6 Labour and Human Capital

3.6.1 Framework Agreement - Pulp Mill Construction

On 12 September 2017, the Parties entered into a labour framework agreement regarding the Pulp Mill with the PIT-CNT, the Chamber of Construction of Uruguay, and the Metallurgical Chamber of Uruguay (the “Pulp Mill Framework Construction Agreement”) in order to agree on the commitments that each of such parties has made in order to:

- (a) Ensure that the activities related to the construction, assembly and commissioning of the Pulp Mill can be completed on time and as planned.
- (b) Determine rules and guidelines necessary to establish stable and predictable labour relations.
- (c) Develop the following labour protocols (together, the “Labour Protocols”) that establish criteria and methodology for:
 - i. safety and wellbeing (the “Safety and Wellbeing Labour Protocol”);
 - ii. services (the “Services Labour Protocol”); and
 - iii. worker training (the “Worker Training Labour Protocol”),

in each case in connection with activities related to the construction, assembly, and commissioning of the Pulp Mill.

3.6.2 Labour protocols

Before the Phase 3 Longstop Date, ROU shall promote and facilitate entry into the Labour Protocols and procure that the Labour Protocols are consistent with the requirements of this Agreement and the Pulp Mill Framework Construction Agreement.

3.6.3 Safety and wellbeing

In connection with the Safety and Wellbeing Labour Protocol, ROU shall:

- (a) During Phase 1 of the FID Necessary Conditions, initiate in good faith a joint negotiation with all the parties to the Pulp Mill Framework Construction Agreement to establish what changes need to be made to existing applicable regulations for the safety and wellbeing of those persons who will be involved in any activities related to the construction, assembly, and commissioning of the Pulp Mill. Any such changes shall:
 - i. complement existing applicable regulations;
 - ii. have the objective of improving the health and safety conditions of the workers at the site of the Pulp Mill through:
 - A) the impact of adverse meteorological conditions on the activities related to the construction, assembly, and commissioning of the Pulp Mill, and
 - B) alerts and measures to be adopted in different situations.
 - iii. have the objective of increasing the efficiency and productivity of activities related to the construction, assembly, and commissioning of the Pulp Mill (which may include, for example, improving the operation of Laws or regulations through:
 - A) the impact of adverse meteorological conditions on the activities related to the construction, assembly, and commissioning of the Pulp Mill, and
 - B) alerts and measures to be adopted in different situations).
- (b) During Phase 3 of the Necessary Conditions and before the Phase 3 Longstop Date, issue, implement, and bring into effect the regulatory changes agreed under Clause 3.6.3(a) above.

3.6.4 Education

- (a) Following the FID Date, ROU shall organise and finance the improvement of the technical schools (UTU) primarily of Paso de los Toros, Durazno, and Tacuarembó to enhance their ability to provide educational facilities and resources for mechanical, instrumentation, and electrical disciplines and, in doing so, shall in good faith take into consideration and apply the views of UPM regarding:
 - i. its value chain needs for the UPM Project.

- ii. how it believes that cooperation can be best facilitated between such schools and technical schools in Finland.
- (b) Following the FID Date, ROU shall organise and finance programmes to support the people of the impacted region to enhance their ability to complete their basic educational studies.
 - (c) Before the Phase 2 Longstop Date, ROU shall give UPM a plan setting out how it intends to fulfil its obligations in:
 - i. Clause 3.6.4(a); and
 - ii. Clause 3.6.4(b),
 in each case with details supporting the anticipated cost of its proposals. ROU shall fulfil its obligations in Clauses 3.6.4(a) and (b) in accordance with the respective plans.
 - (d) For the (3) three-year period following entry into this Agreement, UPM shall arrange and provide the financing for a scholarship programme for 20 (twenty) students primarily from the Durazno and Tacuarembó regions to study mechanical, instrumentation, chemical, and electrical disciplines.
 - (e) UPM and ROU shall, in good faith, work together to develop a new technical degree "*Tecnólogo Control de Procesos*" to be offered at Universidad Tecnológica (UTEC).

3.6.5 Professional Training and Labour Counselling – Construction Phase

- (a) The Parties shall, through the Worker Training Labour Protocol in agreement with the National Employment and Professional Training Institute ("INEFOP"), and subsequently in coordination with other training institutions, develop in good faith a professional training and labour counselling plan (the "**Professional Training and Counselling Plan**") that will apply during the construction, assembly, and commissioning of the Pulp Mill and that will focus on:
 - i. work culture and safety;
 - ii. utilisation of manpower mainly in the central and northeast areas of the country; and
 - iii. development of construction and assembly-related competences that have a long-term demand in Uruguay,
 in each case, in connection with activities related to the construction, assembly and commissioning of the Pulp Mill.
- (b) The Parties acknowledge and agree that, as part of the Professional Training and Counselling Plan:
 - i. UPM shall determine the appropriate training needs and profiles.

- ii. ROU shall provide labour counselling for anyone interested in the construction works through “MTSS Technical Centres of Employment.”
- iii. ROU shall procure and facilitate professional training courses in connection with the Professional Training and Counselling Plan through existing institutions.

The Parties acknowledge that **INEFOP** is a non-government legal entity of public law with tripartite representation, and it is therefore independent of ROU's definitions and commitments.

- (c) The Parties shall agree on the form of the Professional Training and Counselling Plan by no later than the Phase 2 Longstop Date, and the Parties agree that the Professional Training and Counselling Plan shall become automatically effective on the FID Date.
- (d) Before the FID Date, ROU shall inform UPM of the financial contribution that it is willing to allocate to the Professional Training and Counselling Plan, either directly or through training institutions where it is represented, and UPM agrees that it shall make a financial contribution in the same amount, provided that UPM’s contribution shall in no event exceed US\$ 1,500,000 (one million five hundred thousand U.S. dollars). All amounts committed pursuant to this Clause 3.6.5(d) shall be funded in accordance with the terms of the Professional Training and Counselling Plan.

3.6.6 MTSS Applicant Database – Construction Phase

ROU shall cause:

- (a) MTSS to register applicants for roles relating to the construction, assembly and commissioning activities relating to the Pulp Mill in its “Vía Trabajo” database (and not in a database specifically established for UPM).
- (b) MTSS to grant access to its Vía Trabajo database to UPM and any contractor or subcontractor of UPM in relation to the Pulp Mill Project.
- (c) MTSS to ensure that all applicants on the database for roles relating to the construction, assembly and commissioning activities relating to the Pulp Mill should certify their competences at the “MTSS Technical Centre of Employment”.

3.6.7 Professional Training – Forestry Operations Phase

- (a) UPM shall provide to its employees and forestry contractors involved with the forestry aspects of the Pulp Mill Project professional training courses in harvester operations, forestry mechanics, and professional driving, which will be planned, organised and executed by existing accredited institutions.
- (b) UPM shall provide ROU and INEFOP with a plan of its proposals in respect of its obligations under Clause 3.6.7(a) by the Phase 3 Longstop Date and the Parties shall work together in good faith with INEFOP, and subsequently with other training institutions, to promptly agree on the terms of the plan

following the FID (including the training needs, profiles, schedules and the Parties' respective financial costs).

3.6.8 Collective agreements

On the commencement of the applicable works in respect of each of:

- (a) the Pulp Mill Project; and
- (b) the Port Project,

ROU shall, in each case, promote and facilitate the execution of the relevant collective agreement(s) for such construction works consistent with the requirements of this Agreement, the Pulp Mill Framework Construction Agreement and the respective Labour Protocols.

3.6.9 Foreign Worker Quota for Construction, Assembly and Commissioning

- (a) ROU acknowledges and agrees that, subject to Clause 3.6.9(b), UPM and each UPM Affiliate (and each contractor or sub-contractor of UPM and a UPM Affiliate) shall have the freedom and autonomy to select and hire employees in respect of any aspect of the Project in which it is involved.
- (b) UPM agrees that, for the construction, assembly and commissioning works relating to the Pulp Mill Project, it shall maintain a minimum 75:25 ratio between Uruguayan workers and foreign workers in accordance with the terms of Clause 3.6.9(c) (hereinafter the "**Foreign Workers Quota**").
- (c) The Parties agree that the manner of measuring the Foreign Workers Quota shall take into account the total amount of foreign workers that enter the Free Trade Zone site each day, which will be cumulatively measured from the beginning of the construction, assembly and start-up works relating to the Pulp Mill Project and the infrastructure of the Free Trade Zone related to such project.
- (d) As long as the requirements established in 3.6.9(b) and (c) are met, MTSS will issue, for each future Free Trade Zone User that so requests, the Certificate required for an approval of the User Contract (according to Clause 3.1.1).
- (e) To allow the Free Trade Zone Areas of the General Commerce Directorate to ensure compliance with the 75:25 ratio of the Foreign Workers Quota, UPM must present ROU consolidated monthly reports that show the cumulative percentage of Uruguayan and Foreign personnel that access the Free Trade Zone each day from the beginning of the construction, assembly and commissioning of the Pulp Mill Project and the Free Trade Zone infrastructure up to the date of the report.
- (f) If due to shortages in appropriately skilled local manpower for a certain period of time, as duly evidenced by the MTSS Vía Trabajo database, UPM requires foreign employees to be employed to advance the construction, assembly and commissioning activities for the Pulp Mill (or a part thereof) as would cause it to be in breach of the Foreign Workers Quota:

- i. UPM will present a request before ROU (before the FTZ Areas of the General Commerce Directorate), justifying the request and attaching all supporting documents, according to the requirements of Clause 3.3.1;
- ii. ROU, through the FTZ Areas of the General Commerce Directorate and upon a report from MTSS, shall, if the request is pertinent, agree to act promptly and decide in favour of the request, granting said extension within no more than five business days.

3.6.10 Mechanisms for Preventing and Resolving Conflicts

To address the project's need for clear regulation in the area of labour relations and the importance of orderly mechanisms for preventing and resolving conflicts, and to address problematic situations that may be generated by picketing or sit-ins, ROU assumes the firm commitment to:

- (a) Call collective negotiations among PIT-CNT, UPM, and the Ministry of Labour and Social Security with the objective of agreeing on the implementation of procedures of preventing and resolving conflicts, as well as regulating picketing and sit-ins. The call to negotiate shall encourage the Business Chambers' inclusion in their capacity as important actors involved in the matter to be addressed, and enter into effect once this Agreement is executed.
- (b) Work on regulating the topics that are the subject of the negotiation starting with the fundamental aspects contained in the proposal of MTSS presented to the social intervenors in March of 2017, relative to the regulating procedures for preventing and resolving disputes, as well as sit-ins and picketing, with the adjustments and adaptations that the parties consider necessary and bearing in mind the Pulp Mill Framework Construction Agreement signed on 12 September 2017. In addition, conventional regulation of the subject matter agreed at the branch-level or activity-sectors level may be considered as elements of reference in the negotiation.
- (c) Incorporate the positive law of Uruguay – whether in the form of law, decree, or ultimately as a collective agreement – the norms resulting from the agreements that are reached as a result of said negotiation, as well as the applicable mechanisms to ensure their enforcement. Regarding general norms, the incorporation shall be carried out with the participation of the corresponding actors and respecting parliamentary autonomy. To those ends, the long-stop date of December 2019 is established, but in any case before the investment decision of UPM.

UPM expressly states that if the result of the negotiations in this aspect were not fully satisfactory to the needs of the UPM Project, it could prevent UPM from issuing a positive FID.

3.7 Water

3.7.1 ROU undertakes to:

- (a) grant or obtain the concession of water use rights for the industrial processes associated with the Pulp Mill Project, as well as the riverbed area required to install the necessary equipment, which is duly requested by UPM in accordance with current regulation, such rights being effective from the issuance of Prior Environmental Authorisation of the Pulp Mill Project; and
 - (b) seek to provide UPM with information that ROU or its agencies have at their disposal on the Río Negro's floods, water level, and flow.
- 3.7.2** ROU shall cause a minimum flow of the Río Negro waters downstream of the Rincón del Bonete Reservoir to be established in accordance with the environmental guidelines established by the Executive Branch and the results of the Environmental Impact Study of the Pulp Mill, without any obligation by UPM to make any compensation for such minimum flow.

3.8 Forestry Permits

- 3.8.1** UPM or third parties associated with its *Programa de Fomento* shall submit the requests to the corresponding authorities for authorisations and procedures necessary to develop new plantations or expand existing ones, in accordance with applicable regulations and complying with all the requirements established therein.
- 3.8.2** The validity period of the Prior Environmental Authorisations for new forestry projects submitted by UPM or by third parties associated with its *Programa de Fomento* shall be up to 3 (three) forestry cycles.

Under this Agreement, a forestry cycle shall mean the period between planting the forestry plantations and harvesting (being a period of no less than nine (9) years).

- 3.8.3** Any extension of the time limit of each environmental authorisation shall require an express and specific request for each by UPM or the third parties associated with its *Programa de Fomento*; however, this shall not imply a new communication, but instead will be processed as an extension of that environmental authorisation.
- 3.8.4** UPM or third parties associated with its *Programa de Fomento* shall request such extension of the term, up to 2 (two) years before harvesting the final forestry cycle included in each project's environmental authorisation.
- 3.8.5** To request the extension of the project deadline, UPM or third parties associated with its *Programa de Fomento* must certify in conjunction with the request that:
- (a) there have been no negative environmental impacts not covered in the original project, and its authorisation, the mitigation measures and other conditions established in the authorisation have been fulfilled;
 - (b) there have been no significant changes to the environment in the area of the project's execution and impact;
 - (c) the extension complies with the applicable legal framework; and

- (d) the extension does not imply significant changes in the production system or plantation areas, nor does it imply negative environmental impacts not addressed in the original project.

When the corresponding analysis proves that the requested extension complies with the conditions indicated above, said extension shall be granted for a period of up to 3 (three) forestry cycles.

- 3.8.6 With respect to the forestry projects owned by UPM, which had been granted Prior Environmental Authorisation, without specifying the deadline or involving a form of execution different than that established in Clause 3.8.2, UPM may request, for all projects located within the same basin, modification of the authorisations for its adaptation in the manner established in Clause 3.8.5. This request to extend the term for the basin may include projects in different stages of development (different years of planting).
- 3.8.7 The Parties recognise the importance of assigning maximum priority to the processes and procedures for obtaining the authorisations and permits necessary for the forestry plantations, in accordance with the regulations in force, for the purposes of making the development of the Pulp Mill Project more feasible.
- 3.8.8 ROU commits to issue a decision regarding the Prior Environmental Authorisation to which forest plantations are subject, in the manner indicated:
 - (a) for forest plantation projects that, on the basis of their characteristics, are or should be classified as “Category A” in accordance with Decree No. 349/005, the resolution to grant, reject, or deny the Prior Environmental Authorisation shall be issued in a period no greater than 2 (two) months after the communication of each project has been submitted to DINAMA; and
 - (b) for forest plantation projects that, on the basis of their characteristics, are or should be classified as “Category B” in accordance with Decree No. 349/005, the resolution to grant, reject, or deny the Prior Environmental Authorisation shall be issued in a period no greater than 6 (six) months after the communication of each project has been submitted to DINAMA.

The provisions of this Clause shall apply on the condition that the presentations are made in accordance with the requirements of information and in accordance with the procedures established in the applicable regulations. Furthermore, the deadlines set out in points (a) and (b) shall be suspended while any observations or requests for information or supplementation made by ROU’s relevant entity remains un-answered.

- 3.8.9 For the purpose of optimising administrative procedures and meeting the deadlines referred to above, the Parties agree that:
 - (a) ROU shall strengthen the internal organisation of DINAMA, committing itself to issuing resolutions regarding the requests for the Prior Environmental Authorisation submitted by UPM or third parties associated with its *Programa de Fomento*, within the agreed deadlines.

- (b) The criteria to be applied by DINAMA for the classification of forest projects will be the general criteria contained in DINAMA document “DO-EIA-20”, or in any document that replaces it.
- (c) MVOTMA/DINAMA commits to develop and publish the general guidelines to be required for Environmental Impact Studies for projects classified as “B” within 1 (one) month from the execution of this Agreement. If deemed necessary, such guidelines will be expanded on in the Terms of Reference (TdR) in a more detailed form to be issued when granting the respective Classification Certificates when applicable.
- (d) MVOTMA/DINAMA commits to ensure the availability of technical personnel in DINAMA’s Environmental Impact Division to analyse, without delay, approximately 30 (thirty) projects bi-annually that UPM or third parties associated with its *Programa de Fomento* could present.
- (e) UPM or the third parties associated with its *Programa de Fomento* undertake to submit complete information in the Communications of each project and the Environmental Impact Studies, and to comply with the classification criteria and the general guidelines for the Environmental Impact Study of such projects classified as “B”, mentioned in Clause 3.8.9(b) above.

For these purposes, the term *Programa de Fomento* shall refer to the contractual mechanism under which the forest plantation is developed in third-party properties, either leased by a company of the UPM group or managed by the owner but under the technical advice of UPM (in connection with the aforementioned *Programa de Fomento*).

3.8.10 In the selection of areas for new plantations, UPM, whether directly or through its *Programa de Fomento*, commits to give preference to those areas where the projects could be classified as “Category A” in accordance with the criteria that will be applied by DINAMA under the document “DO-EIA-20”, or in any document that replaces it.

3.9 Regional planning

3.9.1 Impact of the project

- (a) The Parties acknowledge and agree that the project will have a material impact on certain territories of Uruguay (mainly in the departments of Tacuarembó, Durazno, Florida and Cerro Largo) and that this constitutes an opportunity for local development that must be undertaken in a manner attentive to planning to ensure that benefits can be maximised and any potential materially adverse impacts mitigated.
- (b) ROU, together with departmental governments and on the basis of studies to be carried out involving stakeholders in the territories described in Clause 3.9.1(a), shall determine, before the Phase 3 Longstop Date, a geographical area with respect to which its obligations under this Clause shall apply (hereinafter, the “**System of localities**”). The System of localities will be defined within the major geographic areas impacted by the Forestry Operations. To facilitate this, UPM agrees to provide ROU with reliable

information on the scope of its Forestry Operations and the contractor's human capital requirements (both in terms of the number of employees and the training they will need).

3.9.2 Forestry Operations

- (a) It is the objective of the Parties that, as a result of the development of the Forestry Operations, the health, housing, education and transportation needs of UPM contractors and their employees and families are adequately provided in the System of localities. In each case of sufficient quality to promote the settlement of workers and their families to the System of localities.
- (b) ROU acknowledges, represents, guarantees and agrees that it must provide in the System of localities the availability of the subsidised and unsubsidised credit system to facilitate access to housing for people with fixed income, as well as to provide public services (including health services, public education and care system).
- (c) ROU will ensure that the departmental governments call interested parties by public tender to provide transport services in the localities that are determined to be within the concession regime in accordance with current regulation. In case there are no interested parties, tentative and revocable permits may be granted to legal entities proposed by UPM.
- (d) ROU agrees that it shall provide Internet connectivity with a minimum of LTE technology in the main area of influence of forest operations, which may, in some places, be extended beyond the System of localities.
- (e) Prior to the date 1 (one) year after the FID, the ROU shall provide UPM with a plan setting out how it intends to comply with its obligations under Clause 3.9.2(a) to Clause 3.9.2(d) (inclusive). The ROU shall comply with its obligations with respect to this Clause 3.9.2 under this plan.
- (f) ROU shall promote the necessary agreements among all participants for the planned development of the forestry sector, in order to facilitate the fulfilment of this Agreement. To this effect, it shall procure that no generic restrictions are imposed to the forestry activities in new areas or in areas already planted, except for reasons of general interest.

For this purpose, ROU shall coordinate actions with the local authorities, duly respecting their corresponding autonomy.

The Parties agree to negotiate this matter in the context of the Complementary Agreement as provided for in Clause 4.2.

3.9.3 Operative and construction phases

- (a) UPM, through its contractors, will be responsible for providing temporary housing to its non-contracted workers at the work site who cannot be located within the existing housing available near the construction site of the Pulp Mill. This accommodation must comply with the territorial planning regulations of

the localities of Paso de los Toros and Centenario and will be built in accordance with the quality standards established by the MVOTMA Product Regulations.

- (b) ROU will encourage departmental governments to establish, prior to the Phase 2 Longstop Date, the urban development plans of the cities where temporary houses can be built and shall provide to UPM temporary right of use for the various extensions of public ownership land suitable for construction, in order for UPM or its contractors be able to build temporary housing.
- (c) Once UPM confirms to ROU that the Pulp Mill has been constructed, erected and put into operation in its entirety, UPM will immediately transfer to ROU, in consideration to the contributions made by ROU according to this Clause 3.9, the title of at least 60 (sixty) houses that it constructs pursuant to Clause 3.9.3(a).
- (d) ROU agrees that:
 - i. It will provide for the implementation of the territorial planning schematics that must include, in addition to the approval of the accommodation places that will be provided by UPM, the approval of several auxiliary services necessary for the communities where the houses will be built to function in an orderly manner (including with respect to recreation, health, safety and transportation).
 - ii. It will organise public transportation services in Paso de los Toros and Centenario to transport workers to and from the site of the Pulp Mill during its construction, installation and start-up, and operation, in accordance with Clause 3.9.2 (c).
 - iii. It will collaborate with departmental governments to facilitate the granting of authorisations required by law to provide the services described in paragraph ii., prior to private parties, and publish all required bids before the FID.
- (e) Prior to the Phase 2 Longstop Date, ROU must provide UPM with a plan setting out how it intends to comply with its obligations under Clause 3.9.3(d). ROU shall comply with its obligations with respect to Clause 3.9.3(d) under this plan.

3.10 Development

3.10.1 The Parties acknowledge and agree that the promotion of human and business capabilities, in connection with technology, innovation and environmental protection, is essential for the sustainable development of the forestry-wood-pulp chain related to the Pulp Mill Project and they shall therefore cooperate in promoting such capabilities for the purpose of incorporating national added value and promoting benefits regionally and nationally.

3.10.2 Development Working Group

- (a) The Parties acknowledge that they have constituted a working group, prior to the effective date of this Agreement, with the purpose of contributing to the implementation of the commitments established in this Item (hereinafter referred to as the “**Development Working Group**”).
- (b) The Parties acknowledge and agree to the following:
 - i. Each Party shall appoint an incumbent member and his pertinent replacement to form the Development Working Group, who shall have qualifications, experience, and decision-making ability sufficient to ensure the smooth flow and effectiveness of the Group’s work.
 - ii. The Development Working Group shall have general competence in the development subjects and the resources agreed by the Parties. For the purposes of considering specific matters, subgroups may be created, which shall be made up of the institutions and suitable persons that the Parties deem appropriate to call on in each case.
 - iii. The Development Working Group shall prepare a work plan before the Longstop Date of Phase 2 that shall include follow-up and compliance mechanisms, as well as objectives and indicators to be monitored every six months.

3.10.3 Sector Innovation Fund

- (a) Before the Longstop Date of Phase 2, the Parties shall establish a Sector Innovation Fund (hereinafter referred to as the “Fund”) in order to contribute to the financing of resources identified in this Clause and others that may be established in the future, according to the following:
 - i. The Fund shall take the legal form of an administrative Trust, and its trustee shall be selected by mutual agreement of the Parties at the time of establishment.
 - ii. The Fund shall have a Board of Directors (hereinafter referred to as the “Fund Board”) that shall act as trustee. The Fund Board shall be made up of representatives of both Parties, selected on the same grounds as the Development Working Group members, established in Clause 3.10.2.
 - iii. The Fund shall last 20 (twenty) years as from the Pulp Mill commissioning.
 - iv. 10 (ten) years following the effective date of this Agreement, UPM shall have the option of terminating its participation in the Fund Board, which shall be exercised through a written notice to ROU. In the event this notice is made, ROU acknowledges and agrees that the UPM representative at the Fund Board shall no longer have participation obligations towards or in connection with said Board.

- v. ROU and UPM agree to carry out all activities to be performed under this Clause 3.10, in full compliance with the obligations and procedures established in Clause 21 (“Commercial Practices”) of this Agreement, for the whole period in which UPM makes financial contributions to the Fund.
- (b) Until the Fund Board is constituted, the Parties acknowledge and agree that the Fund shall be developed and implemented by a specific subgroup of the Development Working Group. Once said Board has been constituted, the Development Working Group shall terminate all the activities mentioned in connection with the Fund.
 - (c) UPM shall annually provide the Fund with US\$ 1,500,000 (one million five hundred thousand U.S. Dollars) for twenty (20) years as from the Pulp Mill Completion Date. This value shall be adjusted 100 % to the consumer price index of United States of America. In addition, once the FID is adopted, UPM shall annually provide the Fund with US\$ 1,500,000 (one million five hundred thousand U.S. Dollars) during the three-year period 2020-2022.
 - (d) The Parties acknowledge and agree that the Fund shall finance, totally or partially, the following activities:
 - i. Forestry and Wood Technology Centre.
 - ii. Bio-Economics Technology Centre.
 - iii. I+D+i Projects.
 - iv. Masters and doctorates scholarship programmes.
 - v. Business Development Centre.
 - vi. National Supplier Development Programme.
 - vii. Río Negro Initiative.
 - viii. Labour training and counselling – Construction phase.

The activities performed pursuant to the programme mentioned in 3.10.3(d)(vi) before the FID shall be financed by UPM by way of disbursements that shall be made in the 2020-2022 period, pursuant to this Clause. The amounts of such financing shall be deducted after the committed amounts for each of such years.

The activities set forth in 3.10.3(d)(vii) and 3.10.3d)(viii) shall be financed with contributions from UPM to the Fund, in addition to those established in Clause 3.10.3(c) and ROU contributions that may apply.
 - (e) ROU representatives in the Fund Board shall annually decide the distribution of the Fund resources among the different programmes.
 - (f) UPM shall assist ROU, in good faith, through necessary reasonable efforts in the implementation of the initiatives agreed in the Sector Innovation Fund.

3.10.4 Technology Centres

- (a) ROU and UPM acknowledge the importance of increasing the I+D+i activities in Uruguay, especially those related to the forestry and wood chain, with the purpose of improving their competitiveness, generating added value, and diversifying the production matrix. In this sense, the Parties acknowledge that the maximisation of this activity's positive overflows require the generation of greater capabilities and mechanisms that strengthen the relationship between academia and the production sector, and bring the specific demands of the industry and the offer-capacity of the ecosystem of innovation closer together.
- (b) The Parties acknowledge and agree that the Technology Centres that promote the innovation and technology-transfer to the production sector are optimum means of promoting the I+D+i with the established goals.
- (c) ROU shall ensure that the Technology Centres will be open to participation and financing from other actors and, for clarity, UPM shall not be exclusively responsible for the implementation of any Technology Centre, but shall propose projects that may be of mutual interest for ROU and UPM.
- (d) UPM undertakes to support ROU in the creation of close relationships between the Technology Centres established by the Parties and referring institutions of Finland with the purpose of creating collaborative work between their teams and the national teams. This commitment shall also be applied with regard to the I+D+i projects established in Clause 3.10.7.

3.10.5 Forestry and Wood Technology Centre

- (a) The Parties acknowledge that, in the Department of Tacuarembó, a critical mass of actors related to research and innovation in the forestry sector has been consolidated, which it is appropriate to institutionally promote, boost and strengthen. Based on the existing institutions and human capital, the Parties agree to formalise a Forestry and Wood Technology Centre in Tacuarembó, with the following features:
 - i. it shall have a public-private governance, which shall include the Forestry Producers Association;
 - ii. it shall devote to I+D+i, training, and specialised technology services activities;
 - iii. it shall coordinate different projects and institutions that work in the forestry sector; and
 - iv. it shall also address subjects related to the improvement of the competitiveness of the chain, including logistic and infrastructure aspects, housing and industries, environmental, sanitation and related services.

- (b) UPM shall undertake to support ROU in the implementation of the Forestry and Wood Technology Centre, for the purpose of making such centre operative within 6 (six) months after FID.

3.10.6 Bio-Economics Technology Centre

- (a) ROU acknowledges its interest in having a Bio-Economics Technology Centre that includes, without limitation, within its scope, the chemical and physical transformation of wood, other wood by-products, and the circular economy.
- (b) The Parties agree to formalise a Bio-Economics Technology Centre with the following features:
 - i. it shall have a public-private governance;
 - ii. it shall be devoted to I+D+i, training, and specialised technology services activities;
 - iii. it shall address the circular economy subject as one of its priority areas from its inception.
- (c) Before the Longstop Date of Phase 3, the Parties shall define the other interest areas, the specific operation format of the Bio-Economics Technology Centre, and its relationship with the Forestry and Wood Technology Centre.
- (d) ROU shall promote participation in the Bio-Economics Technology Centre by the authorities responsible for establishing programmes and public policies in the Centre's interest areas.
- (e) UPM undertakes to support ROU in implementing the Bio-Economics Technology Centre, for the purpose of making such centre operative within 12 (twelve) months following the FID.

3.10.7 I+D+i Projects and Training Programmes

- (a) The Parties acknowledge the importance of supporting I+D+i activities focusing on the following subjects:
 - i. Forest operations, including the environmental aspect of forest production;
 - ii. chemical and physical transformation of wood;
 - iii. wood products, including the incorporation of wood in housing;
 - iv. circular economy and sustainability; and
 - v. associated side sectors and eventual new lines of business.
- (b) The Parties acknowledge and agree that the Fund shall also finance applied research projects from researchers and companies, as well as postgraduate scholarships, internships, and other technical training in areas of interest after the FID.

- (c) The Parties agree to incorporate master's degree and doctorate degree students in research projects generated by the Forestry and Wood Technology Centre, the Bio-Economics Technology Centre, and any other Technology Centre as provided for, and to assign the delivery of courses and tutorships to the researchers associated with the Centres. The Parties shall prepare a specific proposal on this subject before the Longstop Date of Phase 3.

3.10.8 Business Development Centre

- (a) The Parties acknowledge the need to provide technical assistance for the creation and strengthening of SMEs in the territory, for the purpose of increasing their participation within UPM's supplier network, as well as meeting the demand of goods and services required by the Pulp Mill.
- (b) UPM commits to support ROU in the implementation of a Business Development Centre (BDC) in the area of influence of the Pulp Mill. Such BDC shall provide quality services suitable to the strengthening and expansion needs of the region's SMEs, including the following:
 - i. specific support for the creation of new companies;
 - ii. technical assistance in the various areas of business management;
 - iii. general and specific training; and
 - iv. advice and follow-up in the use of mechanisms for supporting and accessing available funding.

3.10.9 National Supplier Development Programme

- (a) The Parties acknowledge the importance of integrating local and national goods and services suppliers into the value chain associated to the UPM Project and agree to coordinate actions to identify, develop and integrate national and local suppliers into the stages of construction, installation, commissioning, operation and maintenance of the Pulp Mill.
- (b) The Parties acknowledge and agree that, in order to be part of the Project, national companies may have technology, management, and scaling requirements, and may have to be suitable to the qualitative requirements of UPM, including its contractors and subcontractors. The Parties agree to implement a Goods and Services National Supplier Development Programme in two phases:
 - i. Phase 1: Construction
 - ii. Phase 2: Operation and Maintenance
- (c) The National Supplier Development Programme shall finance areas such as associative projects to reach scale, diagnostics tools and other practices to improve the qualifications and certifications of the suppliers in order to align them with the qualitative requirements applied by UPM.

- (d) The Parties acknowledge and agree that the participation of national companies in the National Supplier Development Programme is not by itself sufficient to meet the standards applied by UPM in selecting its suppliers.
- (e) ROU acknowledges and agrees that UPM shall have exclusive control of its tendering processes and its contractors.
- (f) UPM shall design the tendering documents in such a manner as to increase the number of bids submitted by Uruguayan companies, ensuring a competitive process accounting for the characteristics and scale of national companies.
- (g) UPM undertakes to promote among its contractors and subcontractors their cooperation with the National Supplier Development Programme.
- (h) The Parties agree to design and manage a registry of companies interested in participating in the construction, installation and commissioning, operation and maintenance of the Pulp Mill, as well as goods and services suppliers associated to the primary and logistics chains. UPM undertakes to take this registry into account in its contracting process; however, ROU acknowledges that UPM shall not be required to select and use companies included in the registry. The Parties agree to implement the registry before the Longstop Date of Phase 3.

3.10.10 National Supplier Development Programme: Phase 1

- (a) The Parties acknowledge that the magnitude of the construction, installation and commissioning work of the Pulp Mill, as well as its impact on national development, shall increase to the extent that goods and services are incorporated therein. The Parties acknowledge that the Development Working Group shall establish mechanisms to foster the national content of the investment in the construction, installation and commissioning of the Pulp Mill, and shall implement Phase 1 of the National Supplier Development Programme (PDP1) starting from the entry into force of this Agreement.
- (b) The PDP1 shall consider all actual and potential capabilities of national goods and services suppliers, the tenability of the demand, the associated costs and the requirements in terms of technical specifications, deadlines and quantities. Before the Longstop Date of Phase 2, UPM shall provide the Development Working Group with primary and indicative information in relation to its requirements in terms of consumables, equipment, infrastructure materials, civil works and services needed for the various stages of construction of the Pulp Mill.
- (c) Before the Longstop Date of Phase 3, the Parties shall consider the requirements of the Pulp Mill, the long-term local demand and the existing national capabilities, and shall jointly determine in the Development Working Group the sectors involved in this phase with actual potential of national participation, on which the efforts shall be focused in the PDP1.
- (d) Before the Longstop Date of Phase 3, UPM shall make reasonable efforts to host an event financed by the Fund and to be attended by global managers of

construction and technology for pulp mills, with the aim of exchanging information with national suppliers regarding the standards of the industry.

3.10.11 National Supplier Development Programme: Phase 2

- (a) The Parties agree that the Development Working Group shall also establish mechanisms to promote the national added value of the investment in the Pulp Mill operation and maintenance phases, and shall implement Phase 2 of the National Supplier Development Programme (PDP2) within 12 (twelve) months following the Final Investment Decision date.
- (b) During the Pulp Mill operation and maintenance phase, UPM shall, on an annual basis, provide the Development Working Group with technical and quantitative information in relation to the acquired goods and services, in order to update the PDP2 as required.
- (c) The PDP2 shall focus on sectors selected according to the feasibility and relevance that locally and nationally produced goods and services may replace those usually acquired abroad. The Parties agree to initially assess goods and services related to metallurgy, steel and iron works, electronics, plastics, chemicals, painting and similar sectors, IT, minerals and related manufactures, research and development services and associated services.
- (d) The PDP2 shall end 8 (eight) years following the Pulp Mill commissioning.

3.10.12 Development of the Forest-Wood-Cellulose Chain

UPM acknowledges ROU's interest in continuing the development and diversification of the forest-wood-cellulose chain, by incorporating new products with higher knowledge content and added value. In this regard, the Parties undertake to jointly analyse the possibilities linked to UPM in this regard, by identifying the opportunities and capabilities required to enable new investments in the chain.

3.11 Electric Energy

The Parties hereby acknowledge that, simultaneously to the execution of this Agreement, they entered into the Electric Energy MOU. The text of the MOU is attached hereto as **Annex 6**. The MOU contains the terms of the energy agreements. The signature of said agreements is a Necessary Condition included in Phase 1 of the FID.

4. TIME SCHEDULE

- 4.1 Annex 2** (Schedule) contains a roadmap for the Parties which sets out a non-exhaustive list of necessary conditions for UPM to adopt a final investment decision in respect of the Pulp Mill Project (the "Necessary Conditions" and the "Final Investment Decision" or "FID"). The Parties shall use their reasonable efforts to satisfy the Necessary Conditions for which they are responsible by the relevant last date set out in Annex 2. UPM may, at its sole discretion, waive any Necessary Condition.

- 4.2** The Parties also agree to negotiate a supplemental agreement (“Complementary Agreement”) on terms satisfactory to ROU and UPM and to set out their agreement on the matters set out in **Annex 3** (Complementary Agreement). UPM may, at its sole discretion, waive agreement on any matter set out in Annex 3.
- 4.3** The Parties acknowledge and agree that UPM’s Final Investment Decision to proceed or not with the Pulp Mill Project shall remain subject to UPM’s sole discretion even if each of the Necessary Conditions have been satisfied and the Complementary Agreement has been executed.
- 4.4** If UPM makes a positive Final Investment Decision, it shall notify ROU in writing and in accordance with the provisions of this Agreement, and the date of such notice shall constitute the “FID Date” for the purposes of this Agreement. If UPM makes a negative Final Investment Decision, it shall notify ROU in writing.
- 4.5** Neither Party shall incur any responsibility or liability whatsoever under or in connection with this Agreement prior to the FID Date (including for any breach of obligations).

5. COORDINATION GROUP

ROU and UPM shall establish a Coordination Group to discuss, coordinate and advance aspects related to the UPM Project and other aspects of this Agreement. This Group shall be composed of representatives of both Parties and shall meet on such date and place as the Parties may agree. The Parties may agree on the establishment of sub-groups reporting to the lead coordination group. Each Party shall bear its own costs in relation to the participation of its representatives in the Coordination Group and related sub-groups.

6. REPRESENTATIONS OF THE PARTIES

6.1 ROU represents and warrants that:

- (a) ROU has full capacity and authority to execute and deliver this Agreement and all other documents and instruments that ROU must grant hereunder in order to comply with and observe the provisions of this Agreement;
- (b) this Agreement has been duly executed and delivered on behalf of ROU and constitutes a valid and binding obligation therefore; and
- (c) all authorisations and consents and all applications or registrations necessary for the execution of this Agreement have been obtained, for its validity and applicability.

6.2 UPM represents and warrants that:

- (a) UPM has full capacity and authority to execute and deliver this Agreement and all other documents and instruments that UPM must grant hereunder in order to comply with and observe the provisions of this Agreement;

- (b) this Agreement has been duly executed and delivered on behalf of UPM and constitutes a valid and binding obligation therefore; and
- (c) all authorisations and consents and all applications or registrations necessary for the execution of this Agreement have been obtained, for its validity and applicability.

7. EXTRAORDINARY CIRCUMSTANCES BEYOND A PARTY'S CONTROL

7.1 An “**Extraordinary Circumstance Beyond a Party's Control**” refers to any unforeseeable and irresistible event or circumstance that prevents one Party from complying with one, several or all of its obligations under this Agreement, to the extent that such event or circumstance could not have been overcome, avoided or resisted by the affected Party by exercising reasonable diligence.

7.2 Provided that the provisions of Clause 7.1 are satisfied, Extraordinary Circumstances Beyond a Party's Control may include, but are not limited to:

- (a) fire, explosion and acts of nature, including drought, flood, atmospheric perturbation, lightning, storms, typhoons, hurricanes, cyclones, tornados, earthquakes, tsunamis, landslides, soil erosion, land subsidence, disasters or epidemics;
- (b) war or other armed conflict, state of national emergency, riot, insurrection or rebellion in Uruguay;
- (c) pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds; and
- (d) ionizing radiation or pollution, radioactivity from any nuclear fuel or any other nuclear waste or from the combustion of nuclear waste, or from the combustion of nuclear, radioactive, toxic, explosive or dangerous nature of any explosive device or nuclear component.

7.3 In the case of an Extraordinary Circumstance Beyond a Party's Control, the Party alleging that it has been affected by the occurrence of an Extraordinary Circumstance Beyond a Party's Control shall notify the other Party of the event in accordance the provisions of Clause 13 of this Agreement. Such notification shall be delivered within a maximum period of 20 (twenty) business days from the occurrence of the event, providing the necessary information to evidence its occurrence, gravity, duration and the impact that such event has in the relevant non-compliance, all of which shall be evaluated in each concrete case by both Parties.

7.4 The Parties:

- (a) shall make all reasonable efforts to prevent, minimise and mitigate the effect of any delay caused by any Extraordinary Circumstance Beyond a Party's Control, including resorting to alternate service sources, equipment, workforce and materials; and

- (b) shall make all reasonable efforts to ensure the resumption of the normal performance of this Agreement after the termination of any Extraordinary Circumstance Beyond a Party's Control and shall comply in any other way with their obligations under this Agreement to the maximum extent possible.

7.5 The provisions of the foregoing Clause is without prejudice to the possibility of the Parties modifying applicable Clauses of this Agreement in which case both shall sign complementary agreements that shall be called addenda and may contain:

- (a) the right to an extension in the time periods for any associated activity;
- (b) specific liberation from the obligations that cannot be carried out;
- (c) measures to be adopted for mitigating and overcoming the effects of the Extraordinary Circumstance Beyond a Party's Control; and/or
- (d) provisions terminating the Agreement, when measures to overcome, revert or mitigate the impacts cannot be adopted and this Agreement's continuation in force is not possible.

7.6 If a Party does not follow the procedures established in this Clause, it is understood that the same has waived the right to invoke an Extraordinary Circumstance Beyond a Party's Control.

8. TERM AND TERMINATION

8.1 Subject to Clauses 8.2 and 8.3, the term of this Agreement shall be as is set out in the Complementary Agreement.

8.2 Termination

8.2.1 Either Party may terminate this Agreement at any time prior to FID Date at its sole discretion and for any or no reason by issuing a written notice to the other Party.

8.2.2 If UPM notifies ROU of a negative FID in writing, this Agreement shall immediately terminate.

8.2.3 In accordance with what is established in Clause 4 of this Agreement, if:

- (a) FID Date has not occurred by 15 February 2020; or
- (b) the Parties do not enter into the Complementary Agreement by 15 February 2020,

this Agreement shall automatically terminate on 15 February 2020.

8.3 Any termination of this Agreement (including under Clause 8.2) shall terminate all the obligations and commitments assumed in this Agreement by both Parties and neither Party shall incur any responsibility or liability whatsoever in respect of any termination of this Agreement prior to a positive Final Investment Decision.

9. TOTAL OR PARTIAL ASSIGNMENT

- 9.1** Nothing in this Agreement shall prevent UPM from selling, assigning, transferring or disposing of its interest in the UPM Project (or any part thereof) without requiring ROU's consent.
- 9.2** Without prejudice to its rights under Clause 9.1, if UPM wishes to transfer or assign any of its rights or obligations under this Agreement to any natural or legal person UPM shall obtain ROU's prior duly informed consent.
- 9.3** ROU's consent shall not be withheld if such natural or legal person is an "Acceptable Person".
- 9.4** It is understood that a person shall be acceptable if such person complies with the following:
- (a) It agrees to fulfil the obligations of this Agreement.
 - (b) As applicable, the Acceptable Person's corporate structure is presented so as to allow an adequate identification and recognition of the same.
 - (c) The origins of the proposed funds to implement the Project are certified under current anti-money-laundering and terrorism-financing laws. Regarding same, a report to the Central Bank of Uruguay shall be requested.
 - (d) If the transfer or assignment of rights or obligations under this Agreement would happen before the Pulp Mill Project Completion Date:
 - i. Economic and financial sustainability to continue with the Project are certified.
 - ii. A proven track record is certified in forestry and pulp production activities. In the event that the activity is continued by a third party specializing in the subject-matter, the certification set forth in this subsection shall be made without such requirement constituting an exemption of responsibility of such Acceptable Person towards the ROU.
- 9.5** On receiving ROU's consent, UPM shall seek to cause the proposed assignee to enter into a Certificate of Accession. If such is not done, such transfer of rights or obligations shall not be enforceable against ROU.

10. APPLICABLE LAW

- 10.1** This Agreement shall be governed by the laws of the Oriental Republic of Uruguay.
- 10.2** Moreover, each issue arising under this Agreement, its Annexes, and its addenda, as well as its validity, drafting, interpretation, integration, execution or performance, shall be regulated and shall be decided by the application of the laws of the Oriental Republic of Uruguay.

11. DISPUTE RESOLUTION AND ARBITRATION

11.1 Settlement of disputes

- (a) Disputes arising between the Parties in accordance with this Agreement or relating to it, its Annexes and their addenda, shall be notified by the Party alleging the existence of the dispute to the other Party and, to the extent possible, will be resolved through amicable consultations.
- (b) If the dispute cannot be resolved through amicable consultations within 3 (three) months from the day following the date of notice thereof pursuant to Clause 11.1(a), either Party may refer the dispute to:
 - i. where expressly provided for in this Agreement or mutually agreed by the Parties, an Expert appointed pursuant to Clause 11.3; or
 - ii. arbitration in accordance with Clause 11.2, provided that, in case of arbitration, UPM may, at its sole discretion and at any time until it has appointed an arbitrator pursuant to Clause 11.2, refer the dispute to the competent courts in Uruguay; where UPM elects to refer a dispute to the competent ROU courts, the specific dispute may not be referred to arbitration and the judicial decision of the domestic courts shall not be susceptible to arbitration, provided that:
 - A) this is without prejudice to UPM's right to submit any claim under the Bilateral Investment Treaty to arbitration as long as UPM fulfils the requirements of the Bilateral Investment Treaty; and
 - B) referring a dispute to the competent ROU courts shall not prejudice the ability of UPM to refer unrelated or future disputes to arbitration at its sole discretion.
- (c) For the purposes of any dispute between the Parties, ROU acknowledges and agrees that the UPM Project and each individual component constitutes an investment by UPM in Uruguay.

11.2 Arbitration

- (a) In the event of arbitration, the dispute will be resolved by arbitration at the International Centre for Settlement of Investment Disputes (ICSID) established by the Convention on the Settlement of Investment Disputes between States and Nationals of other States, opened for signature at Washington on 18 March 1965. Any arbitral hearings shall take place in Washington, USA and be conducted by a tribunal consisting of 3 (three) arbitrators. Each Party shall appoint 1 (one) arbitrator, and the third arbitrator, who shall be the president of the tribunal, shall be appointed by agreement of the Parties. The determination of any dispute will be made under the ICSID Arbitration Rules and Regulations in force at the time the request for arbitration is filed.

- (b) On UPM's written request, ROU shall designate government entities which contract with UPM or any of its Affiliates in connection with the Project to ICSID in accordance with Article 25(1) of the ICSID Convention and ROU shall approve and consent in writing to such government entities' agreeing to binding international arbitration.
- (c) If, for any reason, the ICSID Secretary-General refuses to register a request for arbitration in accordance with the ICSID Arbitration Rules or the arbitral tribunal determines that the dispute is not within the jurisdiction of ICSID, the dispute may instead be referred by either Party to be finally resolved by arbitration in accordance with the UNCITRAL Arbitration Rules and to be administered by the ICSID Secretariat. The seat and venue for any arbitration conducted in accordance with the UNCITRAL Arbitration Rules shall be Paris, France.
- (d) The Parties agree that the arbitral tribunal shall have the power to order a consolidation of arbitration proceedings arising out of or in connection with this Agreement and/or the Project.
- (e) The arbitration procedure will be conducted in both English and Spanish.

11.3 Expert Determination

- (a) In the event that a technical or commercial dispute arises between the Parties which the Parties have agreed in this Agreement or may mutually agree in writing to refer to an Expert, either Party may refer the matter for determination in accordance with this Clause, by giving notice to the other Party to the dispute of the request for Expert determination (the "**Request for Expert Determination**").
- (b) Where a Party submits a Request for Expert Determination, the Parties hereto agree that such determination shall be carried out expeditiously by an Expert. The Expert is not an arbitrator of the dispute and shall not be deemed to be acting in an arbitral capacity.
- (c) The International Centre for ADR of the International Chamber of Commerce ("**ICC**") shall administer the Expert determination in accordance with the ICC's Rules for the Administration of Expert Proceedings ("**Rules for Expertise**") in force at the commencement of the Expert determination and as modified by this Clause 11.3 (Expert Determination), which Rules for Expertise shall be deemed incorporated into this Clause.
- (d) If the Parties to the dispute are unable to agree upon an Expert within 10 (ten) days after receipt of the Request for Expert Determination, then, upon the request of any of the Parties to the dispute, the International Centre for ADR of the ICC shall appoint such Expert.
- (e) Before issuing a final decision, the Expert shall issue a draft report and allow the Parties to the dispute to comment on it. The Expert shall try to resolve the dispute within 30 (thirty) days (but not later than 60 (sixty) days) after his or her appointment, taking into account the circumstances that require an

expeditious resolution of the matter in dispute. The Expert's decision shall be final and binding on the Parties to the dispute, provided that, if the Expert has not rendered a final and binding decision within sixty (60) days of his or her appointment, either Party may refer the matter to arbitration in accordance with Clause 11.2.

11.4 Remedies

- (a) Without prejudice to Clauses 11.1 and 11.3 (including UPM's right to refer a matter to the competent ROU courts), the Parties agree that the referral of any dispute or claim arising out of or in connection with this Agreement, its Annexes and their addenda to arbitration shall represent the Parties' sole means of resolving that dispute or claim.
- (b) ROU acknowledges and agrees that any claim or any action taken by UPM (or any Affiliate) against ROU (or any Government Entity) under this Agreement or any agreement under which UPM (or any Affiliate) has rights (including in respect of any compensation payable thereunder) shall not affect or impair any right, cause of action or remedy available to UPM (or any Affiliate) under the Bilateral Investment Treaty.

12. DEFAULT

12.1 A Party shall be in default only if the non-breaching party has previously sent to the other party a notice by notarial deed, letter with acknowledgment of receipt or telegram together with notice of delivery, requesting the breaching party to fulfil its contractual obligations within a ninety-day period.

12.2 The provisions of Clause 12.1 above are without prejudice to:

- (a) the extension of the term for the performance of the obligations hereunder established by common agreement between the Parties and in writing; and
- (b) the establishment, by mutual agreement between the Parties, of a special period of default for certain obligations.

12.3 In accordance with the provisions of Clause 12.2, the Parties agree that the periods provided for in this Agreement are not peremptory, allowing mutually agreed grace periods to be granted by and between the Parties and in writing.

13. ADDRESSES & NOTICE

13.1 For the purposes of any judicial or extrajudicial communication pursuant to this Agreement, the Parties respective addresses are set out below:

i. ROU:

Plaza independencia 710
Torre Ejecutiva, piso 11
Montevideo 11100

Uruguay

ii. UPM:

UPM Pulp Oy
Att: General Counsel
Alvar Aallonkatu 1
00100 Helsinki
Finland

with a copy to:

UPM
Att: Country Manager
Av Italia 7519 P2
11500 Montevideo
Uruguay

13.2 Any communication in any form that a Party conducts or performs in relation to this Agreement must be made in writing and sent by one of the following means:

- (a) national or international private mail with proof of delivery, to the addresses established in Clause 13.1 hereof;
- (b) notification of a Notary Public to the addresses established in Clause 13.1 hereof;
- (c) copy-collated telegram (TCCPC) for companies domiciled in Uruguay, to the addresses set forth in Clause 13.1 hereof; or
- (d) transmission by electronic mail to the following emails:
 - i. ROU: prosecretaria@presidencia.gub.uy / secsec@presidencia.gub.uy
 - ii. UPM: proyecto@upm.com

In this last case, notice shall be valid, provided that confirmation of receipt is given.

13.3 All modifications to a Party's notice details for the purposes of this Clause 13 shall be made by giving notice to the other Party.

13.4 All communications and notices between the Parties shall be written in Spanish or English.

14. AMENDMENTS

No amendment to this Agreement shall be valid unless made in writing and duly signed by the Parties hereto.

15. SEVERABILITY

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect, the same shall not affect or alter the legality, validity or enforceability of any other provision of this Agreement.

16. ENTIRE AGREEMENT

- (a) This Agreement, as well as any other document referred to herein, constitutes the entire agreement between the Parties and supersedes any prior written or oral arrangement, understanding or agreement between them in relation to the subject matter of this Agreement.
- (b) The Parties declare that they have not entered into this Agreement, or any other document referred to herein, on the basis of any manifestation, guarantee, commitment or other declaration that is not contemplated herein in express form.

17. COSTS AND EXPENSES

Unless otherwise expressly provided, each party shall bear its own legal expenses and other expenses related to negotiating and concluding this Agreement (and any other agreement contemplated herein).

18. CUMULATIVE REMEDIES

Except as expressly provided in this Agreement, the rights and remedies provided under this Agreement are complementary and not exclusive of the rights or remedies provided by Law. No single or partial exercise of any right or remedy under this Agreement shall hinder or prevent further exercise of such or other rights or remedies.

19. WAIVER

Except in cases where required by a mandatory provision of Uruguayan Law or where this Agreement requires otherwise, no inaction or delay of a Party in the exercise of any right or action granted by this Agreement or by law shall constitute a waiver of that right or action, or otherwise, nor shall it prevent or restrict other derivations in the exercise of that or other rights or actions.

20. COMMERCIAL PRACTICES

- (a) Each Party confirms that it has not paid, nor will pay, and has not delivered, nor will deliver any commission in cash, or in kind, or benefit of any kind to any person, including any intermediary, in connection with the execution of this Agreement, to any Public Official or Governmental entity to affect or influence any official act, in order to help obtain or direct the dealings of any person.
- (b) Each Party represents and warrants to the other Party that neither it nor its Affiliates, either directly or indirectly through one or more intermediaries,

have paid, made, offered, received, pledged, authorised or transferred and will not pay nor offer to pay, in connection with this Agreement or the operations associated with it, any bribe, commission, money, payment, gift, loan, fee, reward, travel, entertainment or anything of value for use or benefit of any public official for the purpose of influencing any act or omission or decision by that person or obtaining any undue advantage from said person.

- (c) Each Party represents and warrants that neither it nor its Affiliates, either directly or indirectly through one or more intermediaries, will pay, make, offer, promise, authorise or transfer in connection with this Agreement or the activities and operations associated with it any facilitation payment for the use or benefit of any Public Official.
- (d) Each Party shall immediately notify the other Party if the first Party has reason to believe that it or its personnel may have breached Anti-Corruption Laws or any of the covenants, representations and warranties set forth in this Clause. For the purposes of this Agreement, “**Anti-Corruption Laws**” means anticorruption laws applicable to UPM and/or ROU (as relevant), including without limitation, laws, rules, regulations and requirements concerning or relating to bribery or corruption in Uruguay, including Law 17.060 and its regulatory Decree 30/003.
- (e) Each Party shall:
 - i. conduct its business in accordance with:
 - A) all applicable Anti-Corruption Laws; and
 - B) all sanction acts applicable to the activities contemplated in this Agreement, including laws related to anti-terrorism, export control, anti-boycott, and embargoes; and
 - ii. maintain policies and procedures designed to promote and achieve compliance with:
 - A) all applicable Anti-Corruption Laws; and
 - B) all sanction acts applicable to the activities contemplated in this Agreement, including laws related to anti-terrorism, export control, anti-boycott, and embargoes.
- (f) ROU shall include a business ethics provision substantially similar to that set forth in this Clause in each agreement:
 - i. which is entered into in accordance with this Agreement or is contemplated therein; and
 - ii. under which the amounts are paid or reimbursed by UPM (“Costs financed by UPM”) and shall diligently apply its terms.
- (g) ROU shall keep books, records, correspondence, instructions, plans, drawings, receipts, vouchers, memoranda and other evidence (the above constitute

“records” for the purposes of this Clause) according to accounting procedures and practices that are sufficient to accurately and correctly reflect the Costs financed by UPM. ROU shall grant to UPM (or any firm of auditors or legal advisors appointed by UPM) access, at any reasonable time, to all records in order to audit and verify the costs or for any other reasonable purpose, and shall be entitled to reproduce any of said records. In addition to the foregoing, ROU shall provide UPM with a quarterly report that accurately reflects the flow of all amounts related to the costs financed by UPM.

The PARTIES execute this Agreement at the place and date mentioned above, in two copies in the Spanish and English languages, both texts being equally valid. In the event of any ambiguity or discrepancy between the English and Spanish texts of this Agreement, the Spanish text shall prevail.

ROU

By:

Name: Miguel Angel Toma

Title: Secretary of the Presidency

By:

Name: Juan Andrés Roballo

Title: Pro-Secretary of the Presidency

By:

Name: Alvaro García

Title: Director of the Oficina de Planeamiento y Presupuesto

UPM

By:

Name: Javier Solari

Title: Attorney-in-fact

By:

Name: Gonzalo Giambruno

Title: Attorney-in-fact

ANNEX 1
CONTENTS OF THE OFFER

- ENVELOPE 1 – BACKGROUND
 - Proof of purchase of Tender documents
 - BID BOND
 - Bidder ID
 - Appointment of legal representative
 - Sworn statement
 - Acceptance of the contents of the tender documents
 - Release of Administration from possible errors in previous studies, background and other documents of the tender
 - Declaration of compliance with each and every one of the conditions required to contract with the Contracting Authority.
 - A statement that it is not listed on The World Bank's list of penalties that comes from the website www.worldbank.org/debarr.
 - Commitment in which it is demonstrated that in case of adjudication, a sole purpose company will be incorporated, in the term given by the current regulation.
 - Commitment in which it states that in case of adjudication, it will fully comply with the provisions of its tender, especially regarding the fulfilment of the works schedule and the financial capacity to execute the same.
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 - RUPE Voucher
 - RNEOP Voucher
 - Financial Background
 - **Requirements in definition**
 - Experience in Financial Closure
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- Project Management
- Research and projects
- Work
- Maintenance
- Study and Project Phase (See Annex 1)
- Detail of the proposal for this stage
- Organisation chart with CVs
- List of material resources
- Description of work and methodology
- Construction Project and schedule
- Document delivery plan
- Quality control system to be used in this phase
- Work Phase (See Annex 1)
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 - Pre-projects of the works
 - Descriptive Report
 - Floor plans
 - Description of Measurable and Assessable Units
 - List of material resources
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 - Plan of assurance of materials, supplies and spare parts.
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- Predictive Maintenance
 - Plan of interventions for long-term maintenance
 - Corrective maintenance
 - Repair orders
 - Incident reports
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 - Procedures for maintenance control
 - Action and follow up procedure to incidences and events.
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- ENVELOPE 3 - ECONOMIC OFFER
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 - Detail of the investment
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 - Financial schedule
 - Expected sources of financing
 - Amounts and origin of Equity
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 - TIR of the project
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 - Ratio of own resources/total investment
 - Debt Service Coverage Ratio

EVALUATION OF OFFERS

- ENVELOPE 1 - BACKGROUND PASS/NOT PASS
- ENVELOPE 2 - TECHNICAL OFFER PASS/NOT PASS

- Proposals for the Study Phase and Project, Work Phase and Maintenance Phase will be evaluated according to defined evaluation criteria
- In this instance, the Commission will recommend which bids are still in the process and which should be disqualified for not meeting the minimum requirements.
- ENVELOPE 3 - ECONOMIC OFFER
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 - Soundness and justification of investments and maintenance and replacement costs
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 - Coherence of the requested PPD with investment costs and maintenance costs, as well as financial expenses
 - Coherence between projected revenues and costs
 - TIR of the project without taxes
 - Economic and financial assumptions
 - Expected TIR by shareholders

AWARD CRITERIA

- For each offer P_k will be calculated
 - $P_k = PM_k * A_k$
 - Where:
 - P_k is the score of the offer k
 - PM_k is the payment requested by the offeror k (PPD)
 - A_k will be equal to:
 - 1 if supply k raises the import of 100% of the concrete sleepers needed for the project.
 - 0.98 if supply k raises the import of a percentage less than 100 and greater than 0 of the concrete sleepers required for the project.
 - 0.95 if supply k raises the manufacture in Uruguay of 100% of the concrete sleepers required for the project.
- The order of priority between the offers will be given, from lowest to highest, by the result of:
 - The result of:

$$\left[1 - 0,08 \frac{NTk - 50}{50} \right] P_k$$

For those offers whose score P_k is less than or equal to the product of 1.05 (one comma zero five) by the lowest of the scores among all the offers, where NT_k is the grade obtained by the offer k in the evaluation of its technical offer.

- Your P_k score, for those offers whose score is greater than the product of 1.05 (one point zero five) for the lowest of the scores among all the offers.

The award will be recommended to the offer that obtains the lowest score as well as the order of priority among the offers, according to the score described.

ANNEX 2 TIMELINE – NECESSARY CONDITIONS

This Annex 2 establishes a non-exhaustive list of the Necessary Conditions for UPM to adopt a Final Investment Decision regarding the Pulp Mill Project. The Necessary Conditions set out in this Annex 2 will need to be satisfied (or waived by UPM at its sole discretion) prior to FID.

Part 1

Necessary Conditions - Phase 1

Necessary Conditions to be satisfied by the Responsible Party by the date falling five (5) calendar months after the date on which the Investment Agreement is executed (the “Phase 1 Longstop Date”).

Category	UPM	ROU
Pulp Mill	<ul style="list-style-type: none"> - Complete Pulp Mill Project basic engineering to a point which enables the commencement of the environmental permitting process. - Submit Communication of the Project and VAL for the FTZ for the Pulp Mill Project to DINAMA. - Submit Communication of the Project and VAL application to DINAMA for the Pulp Mill Project. 	<ul style="list-style-type: none"> - Approve the VAL for the FTZ for the Pulp Mill Project. - Approve the VAL for the Pulp Mill Project.
Railway Project		<ul style="list-style-type: none"> - Submit AAP application to MVOTMA for Railway Project. - Start land expropriation process for Railway Project.
Port Project	<ul style="list-style-type: none"> - Submit to the Executive proposal for Port Private Initiative. - Complete Port Project basic engineering to a point which enables the commencement of Private Initiative and environmental permitting process. - Submit application and necessary feasibility studies for Private Initiative under PI process. 	<ul style="list-style-type: none"> - ROU shall encourage ANP to consider Private Initiative proposal and initiate the corresponding Tender process. - ANP or the Port Project developer to submit Communication of the Project and VAL application to DINAMA for the Port Project. - ANP or the Port Project developer to submit AAP application to MVOTMA for the Port Project.
Labour		<ul style="list-style-type: none"> - Convene the parties to develop construction safety and wellbeing regulation (Decree 125/014).

Forestry

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- ROU to convene PIT-CNT and relevant union organisations and employers' associations in order to work on developing the Labour Protocols establishing criteria on safety, services and training.
- ROU to support UPM in obtaining declarations from each relevant Local Government Entity not to impose any restrictions on forestry plantations within its jurisdiction or at least any restrictions that are more burdensome than current restrictions.

Energy

- Energy contracts between UPM and UTE.

- Energy contracts between UPM and UTE.

Part 2

Necessary Conditions - Phase 2

Necessary Conditions to be satisfied by the Responsible Party between the Phase 1 Longstop Date and the date falling five (5) calendar months after the Phase 1 Longstop Date or any other longstop date specified below (the “**Phase 2 Longstop Date**”).

Category	UPM	ROU
Financial incentives	<ul style="list-style-type: none">- Submit FTZ application for the Pulp Mill Project and extension of FTZ authorisations for the Fray Bentos FTZ- Submit COMAP bundle request.	
Pulp Mill Project	<ul style="list-style-type: none">- Submit AAP application to MVOTMA for the Pulp Mill Project.	<ul style="list-style-type: none">- Approve AAP for the FTZ in respect of Pulp Mill Project.
Railway Project		<ul style="list-style-type: none">- Finalisation of development of the Railway Regulation Principles.- Execute Railway Access Agreement.
Port Project		<ul style="list-style-type: none">- MVOTMA to approve VAL for the Port Project.
Road Project		<ul style="list-style-type: none">- ROU shall have completed the Tri-train Pilot Programme
Labour	<ul style="list-style-type: none">• Construction Training plan agreed.	<ul style="list-style-type: none">- Construction Training plan agreed.- Present Education plan to UPM.
Development	<ul style="list-style-type: none">• Sectorial Innovation Fund established.• Submission to the Development Working Group of required information for constructing the Pulp Mill	<ul style="list-style-type: none">• Development working plan.- Sectorial Innovation Fund established.

Part 3

Necessary Conditions - Phase 3

Necessary Conditions to be satisfied by the Responsible Party between the Phase 2 Longstop Date and 31st March 2019 (the “Phase 3 Longstop Date”).

Category	UPM	ROU
Financial incentives		<ul style="list-style-type: none">- Initial FTZ Authorisation granted by the Executive Branch of ROU for the Pulp Mill Project.- COMAP resolution.
	<ul style="list-style-type: none">- Execute agreement on wood transfer pricing (APA).	
Pulp Mill	<ul style="list-style-type: none">- Submit AAO application for the FTZ in respect of the Pulp Mill Project.	<ul style="list-style-type: none">- MVOTMA to approve AAO in respect of the FTZ for the Pulp Mill Project.- MVOTMA to grant AAP for the Pulp Mill Project including compensations.
Railway Project		<ul style="list-style-type: none">- Begin financial close, executive design and beginning of the railway work and related civil work (for November 2018)- Execute Railway Contract (for October 2018)- Ensure that the progress of the Railway Project conforms to the Railway Schedule so as to allow the FID.
Port Project	<ul style="list-style-type: none">- UPM shall be satisfied with the selected operator and the Port Concession Contract to be executed.	<ul style="list-style-type: none">- Execute the Port Concession Contract.- MVOTMA to grant AAP for Port Project.
Road Project		<ul style="list-style-type: none">- ROU to have obtained all the authorisations and permits so as to have completed all the necessary processes for carrying out the Road Projects.
Labour	<ul style="list-style-type: none">- Execute Labour Protocols.- Present Forestry Training Plan to INEFOP.	<ul style="list-style-type: none">- Relevant parties to sign the Labour Protocols establishing criteria on safety, services and training.- ROU to issue regulation developed on safety and wellbeing during the construction stage.- ROU to issue agreed regulation regarding conflict prevention, sit-ins and picketing prior to the FID Date.
Reg. Planning & Urban Dev		<ul style="list-style-type: none">- Fully detailed plans for implementing connectivity, education, health and housing.

Development

- Definition of areas of interest, the specific format in which the Bio-Economics Technology Centre will function in connection with the Wood Technology Centre
 - Proposal for research projects at the Technology Centres.
 - National businesses and providers database implemented.
 - Provider information exchange event occurs.
- Definition of areas of interest, the specific format in which the Bio-Economics Technology Centre will function in connection with the Wood Technology Centre
 - Proposal for research projects at the Technology Centres
 - National businesses and providers database implemented.

Other

- Every other ROU obligation listed in the Investment Agreement shall have been fulfilled or waived by UPM.

ANNEX 3
COMPLEMENTARY AGREEMENT

1. **Parties and assignment:** Establish additional UPM Affiliates and their role in connection with the Project.
2. **Term:** Establish the term of the Agreement (after FID) based on the life of the UPM Project (estimated at 50 years).
3. **Termination:** The circumstances in which the Agreement can be terminated (after FID) and the consequences of such termination.
4. **Compensation Regime:** The compensation regime will provide legal certainty to UPM in respect of the obligations of ROU under the Investment Agreement (including in respect of the infrastructure that is necessary for the commencement of operations and normal operation of the Pulp Mill). This regime will also provide legal certainty to ROU regarding the commitments assumed by UPM in this Investment Agreement.
5. **Legal Stability:** Stability of legal regime, protection for change in law affecting UPM or the UPM Project and mechanisms for effective protection and enforcement of Parties rights under the Agreement.
6. Customary investor protection clauses.
7. Principles on stability of zoning regulations for forestry.
8. **Delay Interest:** The amount of interest payable by each Party on late payments.
9. **Business Practices:** Verify that the concepts and practices relating to the project are adequate to address and mitigate potential risks and there is full compliance with all relevant laws.
10. **Conflict:** The conditions of the Complementary Agreement shall prevail over the terms of the Agreement.
11. Other complementary clauses considered necessary by the Parties to execute the Complementary Agreement.

ANNEX 4

**DOCUMENT ENABLING ROAD CORRIDORS FOR T12S3 TRI-AXLE SEMI TRUCKS OF UP TO 48
TONS AND TRI-TRAIN TRUCKS**

VERSION AGREED ON 27 OCTOBER 2017

ANNEX 5.1

Railway Specifications

This Annex contains:

1. The following English-language documents according to the version agreed on 20 October 2017, which are attached hereto as **Annex 5.1.1**:

Introduction: Railway Specifications

Appendix A Scope of the Railway Project

Appendix B Technical Specifications

Appendix C1 Maintenance Policies

Appendix C2 Railway Maintenance Management Requirements

Appendix D Construction Quality Requirements

Appendix M Signalling System and Centralised Traffic Control System

2. The following documents according to the latest versions uploaded to the Railway Project data base before 23 October 2017, a detailed index of which is attached hereto as **Annex 5.1.2**:

Appendix E Maps

Appendix F Support Materials

Appendix G List of Objects

Appendix H Typical Layout

Appendix I Cross Sections of the Railway 1:200

Appendix J Bridge Design

Appendix K Ditch Design

Appendix L Road Route Design

Appendix N Risk Assessment

Appendix O Reference Data

ANNEX 5.2

Railway Schedule

ANNEX 6

Electric Energy Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING

AMONG:

MINISTERIO DE INDUSTRIA, ENERGÍA Y MINERÍA;

**ADMINISTRACIÓN NACIONAL DE USINAS Y TRASMISIONES
ELÉCTRICAS;**

AND

UPM PULP OY

This Memorandum of Understanding (hereinafter "MOU") signed in Montevideo on [●] between the MINISTERIO DE INDUSTRIA, ENERGÍA Y MINERÍA (hereinafter "MIEM"), represented by its Minister Ms Carolina Cosse, with address located at: Paysandú Street, s/n esq. Av. Libertador, piso 4 in the City of Montevideo, ADMINISTRACIÓN NACIONAL DE USINAS Y TRASMISIONES ELÉCTRICAS (hereinafter referred to as "UTE"), represented by the Chairman of the Board of Directors, Gonzalo Casaravilla, domiciled in [●], in the City of Montevideo, and UPM PULP OY (hereinafter, together with its affiliated companies, "UPM"), represented by [●], domiciled in [●], of the City of [●], hereinafter the "Parties", who agree on the following:

FIRST: BACKGROUND

1. The country's national development strategy promotes productive and innovative economic development, with sustainability, social equity and environmental and territorial balance. Within this framework, it seeks the attraction of investments that contribute substantially to the creation of quality employment, the incorporation of state-of-the-art technology and the strengthening of domestic capacities for the expansion of activities with higher levels of national added value and knowledge, within the context of the decentralisation of productive activities.
2. In order to implement the above strategy, the Oriental Republic of Uruguay (hereinafter "ROU") and UPM have entered into an investment agreement under Decree No. 477/008, "Promotion and Protection of Investments", of 7 October 2008, relating to a potential investment by UPM for the design, financing, engineering, procurement, construction, operation and maintenance of a pulp mill in the nearby area of Paso de los Toros (hereinafter the "Project"), as well as for the execution of certain infrastructure projects by ROU in order to make such project feasible, among others.
3. The operation of the Pulp Mill requires the connection of the same to the Electric Energy Transmission System managed by UTE, in order to introduce the surplus electricity generated by the Pulp Mill and to receive the supply of electricity during construction and thereafter during specific demand events.
4. Regarding the purchase price of the electric energy, in the process of negotiating the economic aspects related to the Project, the Executive Branch of the ROU formed an inter-ministerial team that took into account all the economic aspects of the Project. Global and equilibrium parameters were considered in the analysis, which resulted in a price of electricity of US\$72.5/MWh (seventy two US dollars and fifty cents per megawatt hour, price below the average value of private generators), for a period of no less than twenty (20) years.

SECOND. PURPOSE

The purpose of this MOU is to establish the conditions to make feasible the investment agreement executed between ROU and UPM.

THIRD. INTENTIONS OF THE PARTIES

I. Information and elaboration of technical studies

- a) The Parties have the intent to enter into the agreements on the electrical studies regarding the needs of the Project (to be defined by UPM and at its cost), centred especially in dynamic simulations and protections.
- b) For purposes of a) above, UPM would provide all information required to design and plan the transmission works, connection and the necessary data required for the Project.

II. Electrical infrastructure works

For these purposes, the Parties provide as follows:

- a) UPM has the intent to construct, at its own cost, the connection and transmission works for the construction phase of the Pulp Mill, which shall be completed prior to the commencement of construction works for the Pulp Mill.
- b) UPM has the intent to carry out, at its own cost, the design, engineering and construction of the 150 kV transmission line from the Pulp Mill to the *Rincón del Bonete*, complying with the technical conditions required by UTE and the Electric System. UPM shall bear all costs associated with the construction of its substation in the new Plant and the necessary expansion of *Rincón del Bonete*. Operation and maintenance will be performed by UTE, and UPM shall bear the respective cost.
- c) UTE has the intent to promote the execution of all necessary procedures in order to complete the expansion of the Transmission System to guarantee the electric energy exchanges between the Pulp Mill and the grid. To that effect, UTE shall procure to harmonise and optimise the Transmission System Expansion Plan considering the needs of the Pulp Mill, and for the system to have enough capacity to receive the electric energy to be sold by the Pulp Mill with a transmission power capacity of up to 150 MW (one hundred and fifty megawatts) no later than 1st January 2025 and thereafter.
- d) UPM has the intent to contribute to UTE the amount of US\$ 2,000,000 (two million US dollars), annually, for a period of five (5) years commencing on the date of the Final Investment Decision. The purpose of this contribution is to co-finance the electricity infrastructure works that correspond to UTE.

FOURTH. ELECTRICITY PURCHASE AND SALE AGREEMENT

The Executive Branch (through the available legal mechanisms), shall promote the execution of a power purchase agreement between UTE and UPM, which will integrate both Pulp Mills (effective as from the connection of the

new Pulp Mill to the System, and incorporating the Fray Bentos Plant once the latter's current agreement expires), in accordance with the following:

1. The purchase of one hundred percent (100%) of the surplus power generated as a result of the industrial process for a period of twenty (20) years.
2. UTE shall provide the electric energy needed by both Pulp Mills in accordance with the current legal framework, procuring to maintain the current practices at FB Pulp Mill.
3. The purchase price of electricity shall be US\$72.5/MWh during a 20 year term from the commencement of operations of the Pulp Mill, for an annual volume of up to 1TWh to be generated by both plants.
4. Electricity generated by UPM in excess of 1 TWh, referred to in item 3 above, may be sold on the domestic spot market or by exporting it to Argentina, Brazil or any other country that UPM may elect and in accordance with the current legal framework.
5. Price shall be adjusted annually by 100% of the Consumer Price Index of the United States of America (CPI).
6. The possibility to sell electricity generated at any of the Pulp Mills to any user companies located within any of the Free Trade Zones where the pulp mills are installed and in accordance with the current legal framework.
7. UTE shall bear 50% of the charges for use of the grid that would correspond to UPM as a UTE electrical customer, starting on the commencement of operations until 1st January 2025, and UPM shall deem that year as the year of full operation. If full operation occurs in a month [other than January] of that year, the 1st January date shall be postponed to the first day of such month.
8. Said charges shall correspond to those of the applicable legal framework.

FIFTH. MODIFICATIONS

This MOU may be reviewed jointly, if any of the Parties so requests it. Each Party shall have the right to propose modifications, which shall be expressly accepted by all other Parties in order to be valid.

SIXTH. TERM

This MOU shall become effective as of its execution and shall remain in effect until the execution of the power purchase agreement and the usage agreement between UTE and UPM.

If UPM does not make a positive Final Investment Decision before 15 February 2020, this MOU shall be rendered void.

SEVENTH. SIGNATURES

Having been read and as a sign of their acceptance, two counterparts of this document are signed at the place and date indicated above.

ANNEX 7

DEFINED TERMS

The following terms used in the Agreement shall have the following meaning:

“Affiliate” means, in the case of ROU, any Government Entity and, in the case of UPM, any UPM Affiliate.

“UPM Affiliate” means any entity that UPM controls, or is controlled by or under common control with UPM and that is participating in the UPM Project.

“Bilateral Investment Treaty” means (i) the agreement between the Government of the Republic of Finland and the Government of the Oriental Republic of Uruguay on the promotion and protection of investments dated 21 March 2002; or (ii) any other applicable bilateral investment treaty.

“Government Entity” means the government of ROU, or any ministry, department or subdivision thereof or any other entity, instrumentality, agency, authority, court, corporation (*sociedad comercial de derecho privado*), committee or commission or any independent regulatory authority, in each case within Uruguay which is exercising executive, legislative, judicial, regulatory, administrative or commercial functions of or pertaining to government (including any Local Government Entity), and any successor to or any assignee of any of such entities.

“Local Government Entity” means *Gobierno Departamental*.

“Railway” means the railway line between Paso de Los Toros and the Port as more specifically defined in the Railway Specifications.

“Railway Contract” means the agreement to be entered into between ROU and the Railway Contractor in respect of ROU’s obligations in this Agreement in respect of the Railway Project.

“Railway Contractor” means the contractor responsible for the implementation of the Railway Project including the detailed design, construction, start-up and maintenance of the Railway.

“Railway Project” means the engineering and design, procurement, financing, rehabilitation, construction, maintenance, repair and renovation of the Railway.

“UPM Railway Operator” means such entity as may be nominated by UPM to take over the benefit of the rights that UPM is entitled to under and its obligations in respect of the Railway Access Agreements (as such rights and obligations are set out in this Agreement).