

COMPLEMENTARY AGREEMENT

ROU – UPM

COMPLEMENTARY AGREEMENT

Between the Oriental Republic of Uruguay and UPM

In Montevideo city, on the 15th day of July, 2019; **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 such representation has been duly evidenced (all of which will be referred to herein individually as a "PARTY" or collectively as the "Parties") hereby enter into the following Complementary Agreement (hereinafter, the "Complementary Agreement") to the Investment Agreement (hereinafter, the "Investment Agreement") executed on 7 November 2017 between the Oriental Republic of Uruguay and UPM Pulp Oy:

1. BACKGROUND

1.1 On 7 November 2017 the Oriental Republic of Uruguay and UPM Pulp Oy entered into the Investment Agreement within the framework of Decree No. 477/008, of 7 October 2008, regulatory of the Law No. 16.906 for the Promotion and Protection of Investments, of 7 January 1998.

1.2 The mentioned Investment Agreement contemplates all the relevant aspects to provide certainty and predictability, as well as to define the efforts of both Parties, in the development of the pre-requisites of the investment project described therein.

1.3 The Parties also agreed to negotiate a supplementary agreement, this Complementary Agreement, on terms satisfactory to ROU and UPM and to set out their agreement with respect to the matters established in Annex 3 to the Investment Agreement.

1.4 This Complementary Agreement shall enter into force as from the date of the Final Investment Decision (hereinafter "FID", as it is defined in the Investment Agreement) by UPM.

2. AFFILIATES

2.1. In accordance with the definition set forth in the Annex 7 of the Investment Agreement, "UPM Affiliate" means any entity that controls UPM, or is controlled by or under common control with, UPM and that is participating in the UPM Project.

In this framework, UPM declares that the UPM Group in Uruguay is composed of the following companies, all of them being UPM Affiliates:

- 
- (a) UPM Pulp Oy, the Finnish legal entity that signed the Investment Agreement and that, among other activities, is the owner of the shareholding package of Blanvira S.A., Cuecar S.A., Tebetur S.A., and Tile Forestal S.A.;
- 
- (b) UPM S.A., a Uruguayan legal entity which owns and operates the Fray Bentos Pulp Mill and is engaged in the business of producing and selling:
- i. bleached hardwood eucalyptus pulp; and
 - ii. surplus power to the Uruguayan electricity grid;
- 
- (c) UPM Fray Bentos S.A., a Uruguayan legal entity which has an authorization for the development of the UPM Fray Bentos Free Trade Zone, for a period of 30 (thirty) years, pursuant to Resolution from the Executive No. 941/004 dated 15 October 2004;
- 
- (d) Forestal Oriental S.A., a Uruguayan legal entity which, among other activities, is engaged in the business of forestry operations and cultivates eucalyptus trees to supply wood to the UPM Fray Bentos Mill, and which is expected to supply wood to the Pulp Mill Project (as defined in the Investment Agreement);

- (e) UPM South America S.A., a Uruguayan legal entity which, among other activities, is the majority shareholder of UPM S.A. and sole shareholder of UPM Fray Bentos S.A. and Forestal Oriental S.A., which is also the Trustor appointed by UPM in the Trust between ROU and UPM, as established in Clause 3.10.3 of the Investment Agreement;
- (f) Uruwood S.A., a Uruguayan legal entity which, among other activities, is engaged in the business of forestry operations, and cultivates eucalyptus trees to supply wood to the UPM Mill in Fray Bentos, and which is expected to supply wood to the Pulp Mill Project (as defined in the Investment Agreement);
- (g) Blanvira S.A., a Uruguayan legal entity that will be responsible for the engineering, development, construction and operation of the Pulp Mill Project (as defined in the Investment Agreement), and which will engage in the business of producing and selling bleached hardwood eucalyptus pulp and surplus power to the Uruguayan electricity market; to date Blanvira S.A. has signed with UTE, jointly with UPM S.A., a Power Purchase Agreement and a Use Agreement, and it has also signed the Railway Access Agreement;
- (h) Cuecar S.A., a Uruguayan legal entity that was granted a governmental authorization to develop UPM Free Trade Zone in Centenario, Durazno, for a period of 30 (thirty) years pursuant to Resolution from the Executive No. 168/2019, dated April 1, 2019; ; to date Cuecar S.A. has also signed, with UTE, a Works Contract related to electrical infrastructure works; and
- (i) Tebetur S.A., a Uruguayan legal entity that will be in charge of the execution of the Port Project, and has been awarded the International Public Bid III/18 called by the National Ports Administration (ANP) for the Concession of the Construction and Exploitation of a Specialized Pulp Deposit and Loading Terminal at the Port of Montevideo.

2.2 The legal entities listed in Clause 2.1 of this agreement were declared by UPM in a letter dated 4 September 2018, which ROU recognized through the Executive Branch

Resolution No. 450/018, of 10 September 2018, a copy of which is attached to this agreement as Annex I.

2.3 In addition, UPM declares that the UPM Group in Uruguay is also comprised of the following entity:

Tile Forestal S.A., a Uruguayan legal entity which, among other things, will be responsible for operations in the area of Paso de los Toros and Centenario outside the perimeter fence of the Pulp Mill (as defined in the Investment Agreement), which also constitutes a UPM Affiliate.

2.4 ROU accepts that UPM and each of the UPM Affiliates shall be included in the definition of "UPM" in the Investment Agreement and this Complementary Agreement, their Annexes and their addenda, and any of them may exercise UPM's rights under the Investment Agreement and this Complementary Agreement, their Annexes and their addenda, as may correspond and considering the participation that each of them has in respect of the UPM Project.

3. ADHESION

3.1 In the case that UPM wishes to include another person - natural or legal - for purposes of benefits granted in the Investment Agreement, this Complementary Agreement, their Annexes and their addenda, such inclusion shall only be implemented with the prior and duly informed consent of ROU, in accordance with the mechanism of adhesion described in this Clause 3, the natural or legal person included being subject to the rules in force in ROU to be the holder of the benefits granted.

3.2 The adhesion mechanism will be activated by the communication of a UPM entity that is part of the Investment Agreement, in which is described the role and the participation that the person - natural or legal - which seeks to adhere to said agreement shall have in the UPM Project.

3.3 ROU's consent shall not be withheld if such natural or legal person is an "Acceptable Person".

3.4 It is understood that a person shall be acceptable if such person complies with the following:

(a) It agrees to fulfill the obligations of the Investment Agreement and this Complementary Agreement, their Annexes and their addenda.

(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 adhesion to the Investment Agreement and this Complementary Agreement, their Annexes and their addenda, would happen before the Pulp Mill Project Completion Date and the person – natural or legal – that will adhere is the new person responsible for the engineering, development, construction and operation of the Pulp Mill Project:

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.

(e) Notwithstanding the provisions of the previous sub-clause (d), the person - natural or legal - that seeks to adhere to the Investment Agreement and this

Complementary Agreement must certify knowledge and a proven record in the area of activity which it intends to perform.

3.5 In case of acceptance of ROU, the Parties will sign a Certificate of Adhesion.

3.6 In case there is no acceptance by ROU, any agreement, contract, *convenio* or understanding entered into or made between UPM and the party that intended to adhere to the Investment Agreement and this Complementary Agreement, their Annexes and their addenda, will have effect only between them, not binding ROU in any way.

4. DURATION AND TERMINATION

4.1 In accordance with the provisions of Clause 8.1 of the Investment Agreement, the term of the Investment Agreement and this Complementary Agreement, their Annexes and their addenda, is 50 (fifty) years from the day that immediately follows the date on which UPM commences industrial operations, such date being understood as the date of the material act that gives rise to the first pulp production process in the Pulp Mill (as defined in the Investment Agreement), regardless of the volume produced.

4.2 Termination

4.2.1 Pre-FID Termination

4.2.1.1. The termination of the Investment Agreement and this Complementary Agreement, their Annexes and their addenda, prior to the Final Investment Decision will be governed by Clauses 8.2 and 8.3 of the Investment Agreement.

4.2.2 Post FID Termination

4.2.2.1 Termination by UPM due to a breach by ROU:

If after the FID date, ROU incurs in a substantial and serious breach of the Investment Agreement or this Complementary Agreement, their Annexes and their addenda, which is not remedied within a reasonable period (as defined below), UPM may issue a written notice of termination of the Investment Agreement (and this Complementary Agreement and any document arising from or that relates to them, their Annexes and their addenda). It shall be understood as a reasonable period that which meets rational and fair standards, taking into account the event giving rise to the claim of a substantial and serious breach of the Investment Agreement or this Complementary Agreement, their Annexes and their addenda. The events that objectively result in damages to any of the human rights protected by the Constitution and the Law related to life, health and security of the population, shall have an immediate response. For other events, a period of up to 180 (one hundred and eighty) days shall be deemed reasonable.

In this case, UPM may elect the solutions proposed in Clause 8.3 herein or reserve all rights to obtain compensation for the damages it claims, and ROU assumes the consequent liability arising from such claim.

The losses to be compensated must have originated exclusively from events which took place after the FID.

4.2.2.2 Termination by UPM for convenience:

UPM may issue a written notification of termination of the Investment Agreement (and this Complementary Agreement, their Annexes and their addenda) for reasons of convenience and at UPM's sole discretion. Such right shall have no effect unless UPM communicates in writing its intention to exercise it with at least 1 (one) year advanced notice.

In this case:

(a) UPM will not have the right to recover the costs incurred, or it shall return the costs in case it they have been already recovered, for contracting the External Services of the Railway Project Working Group; and

(b) ROU will revoke all rights and benefits granted to UPM in the performance of the Investment Agreement (and this Complementary Agreement and any document arising from or that relates to them, their Annexes and their addenda), including, extensions of the term of the exploitation authorization and the user contracts of the Free Trade Zone operated by UPM Fray Bentos S.A., and other tax benefits established in Clause 3.1.2 of the Investment Agreement.

 The foregoing constitutes the sole and exclusive liability of UPM in relation to the termination of the Investment Agreement and this Complementary Agreement, their Annexes and their addenda in accordance with this Clause 4.2.2.2, and UPM shall not have any other additional liability of any kind whatsoever towards ROU or any other person, related to, or as a consequence of, such termination.

 However, the foregoing limitation of liability shall not exclude the reparation of other damages that UPM's voluntary actions, involuntary actions (*hechos*) or omissions may have caused to the Uruguayan State, and ROU reserves all rights in respect of such damages. The damages referenced correspond to exceptional events, which due to their nature could not have been foreseen in the Investment Agreement and this Complementary Agreement, their Annexes and their addenda. The events included in the referred agreements, annexes and addenda are to be resolved in accordance with the terms established thereunder.


 **4.2.2.3 Termination by ROU due to a breach of UPM:**

 If after the FID date, UPM incurs in a substantial and serious breach of the Investment Agreement or this Complementary Agreement, their Annexes and their addenda, which is not remedied within a reasonable period (as defined below), ROU may issue a

written notice of termination of the Investment Agreement (and this Complementary Agreement and any document arising from or that relates to them, their Annexes and their addenda). It shall be understood as a reasonable period that which meets rational and fair standards, taking into account the event giving rise to the claim of a substantial and serious breach of the Investment Contract or this Complementary Agreement, their Annexes and their addenda. The events that objectively result in damages to any of the human rights protected by the Constitution and the Law related to life, health and security of the population, shall have an immediate response. For other events, a period of up to 180 (one hundred and eighty) days shall be deemed reasonable.

In this case:

- 
- (a) UPM will not have the right to recover the costs incurred, or it shall return the costs in case it they have been already recovered, for contracting the External Services of the Railway Project Working Group; and
 - (b) ROU will revoke all rights and benefits granted to UPM in performance of the Investment Agreement (and this Complementary Agreement and any document arising from or that relates to them, their Annexes and their addenda), including, extensions of the term of the exploitation authorization and the user contracts of the Free Trade Zone operated by UPM Fray Bentos S.A., and other tax benefits established in Clause 3.1.2 of the Investment Agreement.



In this case, ROU may elect the solutions contemplated by Clause 8.3 herein or reserve all rights to obtain compensation for the damages that it claims, and UPM assumes the consequent liability arising from such claim. The losses to be compensated must have originated exclusively from events which took place after the FID.



Notwithstanding, the foregoing shall not exclude the reparation of other damages that UPM's voluntary actions, involuntary actions (*hechos*) or omissions may have caused to

the Uruguayan State, and ROU reserves all rights in respect of such damages it claims. The damages referenced correspond to exceptional events, which due to their nature could not have been foreseen in the Investment Agreement and this Complementary Agreement, their Annexes and their addenda. The events included in the referred agreements, annexes and addenda are to be resolved in accordance with the terms established thereunder.

5. PORT CONCESSION

5.1 Redemption of the Port Concession

 5.1.1 Pursuant to Decree No. 412/992, of 1° September 1992, port concessions (including the Port Project) are subject to a redemption right by the National Ports Administration for grounded reasons of port planning or public interest that make such redemption necessary or convenient, by means of fair compensation to the concessionaire.

 5.1.2 Considering the Port Project's key importance in the value chain of the Pulp Mill, and in the event of redemption of the Port concession, ROU shall procure that:

(a) The concessionaire is granted rights of access and use of the Montevideo Port on terms equivalent to those that it had (or would have had) pursuant to the Concession of the Construction and Exploitation of a Specialized Pulp Deposit and Loading Terminal before the redemption; or


 (b) Insofar as it is not possible to access the Montevideo Port as established in paragraph (a) above, the concessionaire is granted access and use of an alternative port which complies with the Port Specifications set out in the bidding terms for the International Public Bid III/18,

 by which UPM may export its products and import chemicals and relevant inputs in the same quantity and at no additional cost as before the redemption.

5.1.3 In the event that ANP considers it appropriate to provide any of the solutions provided in sub-clauses (a) and (b) of Clause 5.1.2 of this Complementary Agreement, and such solution is accepted by the concessionaire and UPM, the concessionaire will be deemed to be satisfied and such solution will be deemed to be the fair compensation provided in article 49 of Decree No. 412/1992, thus waiving any claim arising from the redemption.

5.2 Termination of the Port Concession

5.2.1 ROU, within the framework of the powers conferred by articles 197 and 198 of the Constitution of the Republic, shall procure that ANP does not terminate the Port concession contract unreasonably, unless it is a lawful termination in accordance with the terms of the Port concession.

 **5.2.2** Notwithstanding the foregoing, ROU shall procure that, prior to a termination of the aforementioned concession contract, ANP and the concessionaire undertake good faith discussions, for a reasonable period so that they determine whether there are alternative and satisfactory solutions that mitigate or eliminate the effects of the breach that triggers the termination.

 **5.3** In the case that the circumstances contemplated by Clauses 5.1 and 5.2 herein occur, without the solutions therein being agreed by UPM, and taking into account the integral role of the port concession in the UPM Project (as defined in the Investment Agreement), UPM reserves all rights including to pursue the full compensation for all of the damages (actual damages and loss of profits) that could be derived from the administrative decisions mentioned in Clauses 5.1 and 5.2 herein, in connection with the impact on the entirety of the chain of the productive process of the UPM Project (as defined in the Investment Agreement), beyond the satisfaction by tariff provided in article 49 of Decree No. 412/992, and ROU assumes the consequent liability derived from such damages.





6. RIO NEGRO MINIMUM FLOW

6.1 Under the terms of Clause 3.7.2 of the Investment Agreement, ROU shall cause the minimum flow of the Río Negro downstream of the Rincón del Bonete Dam 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. The Prior Environmental Authorization for the Pulp Mill (as defined in the Investment Agreement) establishes the referred minimum flow on a daily minimum flow basis equal to 80 m³/s (eighty cubic meters per second).

6.2 For this purpose, before 30 (thirty) days counted as from the effective date of this Complementary Agreement pursuant to Clause 1.4., ROU shall approve the corresponding legal instruments so that the minimum flow defined in the Prior Environmental Authorization for the Pulp Mill or in the subsequent Environmental Authorizations for Operation is taken into account for the entire term of the Investment Agreement. ROU shall procure that the Electrical Market Administration (ADME):

- a. establishes the necessary legal instruments so that, prior to the commencement of the operations of the Pulp Mill, the aforementioned minimum flow is fulfilled downstream of the Rincón del Bonete Dam, under the terms of Annex I, article 10, paragraph b.iv of the Electricity Wholesale Market Regulation, approved by Decree No. 360/002, and other relevant regulation;
- b. includes such commitment of minimum flow in all planning phases for the dispatch of the electricity grid and the programming models for the normal operation of the electricity grid, and assures a probability of statistical unfulfillment equivalent to the one established for the electricity supply corresponding to the demand of the grouping of urban consumers directly connected in medium voltage in the highest density distribution areas established as Tca in the Electricity Distribution

Service Quality Regulation, approved by Resolution from URSEA No. 29/2003); and

- c. prepares on an annual basis a technical report where the minimum flow implementation is specified, particularly its implementation in programming models, including the statistical analysis of unfulfillment probability to verify what has been established in the previous paragraph.

ROU shall procure that, notwithstanding any changes in respect of the state or para-state agencies involved in the application of the minimum flow established in the Prior Environmental Authorization for the Pulp Mill or in the subsequent Environmental Authorizations for Operation and/or any changes in respect of the planning model of the electrical system and other regulations or mechanisms described above in this Clause 6.2, the referred minimum flow with an unfulfillment probability not higher than the one set out in Clause 6.2 b) is fulfilled during the term of the Investment Agreement and this Complementary Agreement.

6.3 In the event the abovementioned minimum flow is not achieved due to fault (negligence) or fraud of any state or para-state agency (e.g. ADME), UPM reserves all rights including to pursue the full compensation for all damages (actual damages and loss of profits) that could be derived from such event, and ROU assumes the consequent liability.

7. COMMERCIAL PRACTICES

ROU shall (and shall exhort the relevant government entities to) perform appropriate due diligence on each entity or individual performing the ROU Project or receiving any part of the Costs Financed by UPM. Such due diligence shall include appropriate procedures and controls to monitor the actual use of funds.

8. CONTRACTUAL LIABILITY

8.1 The Party in breach of its obligations in the Investment Agreement, this Complementary Agreement, their Annexes and their addenda will bear contractual liability for such breach.

8.2 The Parties reserve all rights with respect to any breach of the obligations assumed under the instruments referred to in Clause 8.1, having recourse to national or international jurisdiction, as deemed appropriate, to enforce their rights, submit a dispute and request compensation for damages, in accordance with the provisions of Clause 11 of the Investment Agreement and this Complementary Agreement.

8.3 Without prejudice to the aforementioned reservation of rights, and within the framework of the amicable consultations referred to in subparagraph (a) of Clause 11.1 of the Investment Agreement, in the event that there are differences in the performance of the obligations assumed, both Parties shall procure to amicably resolve the controversies, for purposes of which the Parties may use all of the resources available.

8.4 Regardless of the process chosen for resolving controversies, ROU shall not restrict the industrial operation of the Pulp Mill, except as contemplated by the following Clause 8.5.

8.5 The provisions of Clause 8.4 do not imply the waiver of the competencies, duties and legal powers of the various State agencies, nor the exercise of the police power that the law grants to such agencies. In this sense, the decisions adopted by the respective governmental entities in question will be regulated by the Law in effect in the Oriental Republic of Uruguay.

8.6 The Parties ratify the provisions of Clause 4.5 of the Investment Agreement in the sense that neither Party shall incur in any responsibility of any nature under or in relation to the Investment Agreement, this Complementary Agreement, their Annexes and their addenda, prior to the FID date (including with respect to any breach of obligations).

8.7 Notwithstanding anything above in this Clause 8, in the case of a breach of the obligations of any Party, said breaching Party shall promptly prepare (in consultation with the other Party) a remediation plan in relation to such breach, in order to ensure the fulfillment of the breached obligation as soon as possible, and shall perform such plan in accordance with its terms.

9. LEGAL STABILITY

9.1 ROU and UPM agree that, in the event that there were significant changes in the tax regime, or in terms of permits and authorizations that negatively affects the economic conditions (profitability) of the UPM Project during its life, the Parties will review the special benefits granted within the framework of the Investment Law to compensate in this way the aforementioned damages.

9.2 What is established in Clause 9.1 does not affect what is established in Clause 8 of this Complementary Agreement herein as long as UPM chooses to follow its guidelines, or reserves all rights. Therefore it is established that whenever the compensation provided for in Clause 9.1 does not restore the economic position of UPM and each of the UPM Affiliates, as may correspond and considering the participation that each of them has in respect of the UPM Project, to what it had prior to the referred change, UPM may choose to pursue the full satisfaction of the damages (actual damages and loss of profit) that it suffers, and ROU shall be liable for such damages.

10. STANDARD CLAUSES ON INVESTOR PROTECTION

10.1 ROU shall grant to UPM, regarding the UPM Project (or any of its parts), a fair and equitable treatment and full and constant protection and security.

10.2 ROU, in its territory, shall not impair by unfair, arbitrary or discriminatory measures, the management, maintenance, use, enjoyment, acquisition or disposal of the investments made by UPM with respect to the UPM Project (or any of its parts).

10.3 ROU, in its territory, shall not impose mandatory measures on the investments made by UPM concerning purchase of materials, means of production, operation, transport, marketing of its products or similar orders having unfair or discriminatory effects.

10.4 ROU, within the framework of its Legislation, shall give a sympathetic consideration to applications for necessary permits in connection with UPM's investments (including the UPM Project and each of its parts), including the authorization for engaging top managerial and technical personnel of UPM's choice, regardless of nationality.

10.5 ROU undertakes to promptly publish, or otherwise make publicly available, its laws, regulations, procedures and administrative rulings as well as international agreements which may affect UPM's investments in ROU's territory.

10.6 The investments made by UPM, or returns related thereto, shall receive the treatment contemplated by the Investment Agreement and this Complementary Agreement, their Annexes and their addenda. Moreover, in accordance with the agreement dated 21 March 2002 between the Republic of Finland and ROU (Bilateral Investment Treaty, approved by Law No. 17.759), the investments made by UPM, or returns related thereto, shall be accorded treatment which is not less favourable than ROU accords to the investments and returns made by its own investors or by investors of the most favoured nation, whichever is the more favorable to UPM. UPM shall be accorded by ROU, as regards the management, maintenance, use, enjoyment or disposal of its investments, treatment which is not less favourable than ROU accords its own investors or to investors of the most favoured nation, whichever is the more favourable to UPM.

10.7 The provisions of this Clause shall not be construed so as to oblige ROU to extend to the investment of UPM, or the UPM Affiliates, the benefit of a treatment, preference or privilege by virtue of:

- a. any existing or future free trade area, customs union, common market or regional labor market agreement of which ROU is or may become a party,
- b. any international agreement or agreement relating wholly or mainly to taxation, or
- c. any multilateral convention or treaty relating wholly or mainly to investments.

7. **10.8** The investments made by UPM in the territory of ROU shall not be expropriated, nationalized or subjected to any other measures, direct or indirect, having effect equivalent to expropriation or nationalization (hereinafter referred to as "expropriation"), except for a public interest, on a non-discriminatory basis, under due process of law and against prompt, adequate and effective compensation.

10.9 The compensation referred to in Clause 10.8 shall amount to the greater of:

- (a) fair market value (calculated at the time immediately before the expropriation was taken or became knowledge, whichever is earlier); or
- (b) the value of the expropriated investment, determined according to Uruguayan law (including the UPM Project or any part thereof).

M.F. -
C
\$
10.10 Said compensation shall be expressed in freely convertible currency on the basis of the market rate of exchange existing for that currency at the moment referred to in Clause 10.9 above. The compensation shall also include interest at a commercial rate established on a market basis for the currency in question from the date of expropriation until the date of actual payment.

10.11 UPM shall have the right to prompt review by a judicial or other competent authority in accordance with Clause 11 of the Investment Agreement, and of valuation of its investments in accordance with the principles set out in this Clause.

10.12 If UPM's investments in the territory of ROU suffer losses owing to war or other armed conflicts, a state of national emergency, revolt, insurrection or riot in the territory of ROU, shall be accorded by ROU treatment, as regards restitution, indemnification, compensation or other settlement no less favorable than that which ROU accords to its own investors or investors of the most favoured nation, whichever is the more favorable to UPM. Resulting payments shall be effectively realisable, freely convertible and immediately transferable.

10.13 Without prejudice to Clause 10.12 above, if UPM, in any of the circumstances referred to such Clauses, suffer losses in ROU resulting from:

- (a) requisitioning of its investments or a part thereof by ROU's armed forces or authorities; or
- (b) destruction of its investment or a part thereof by ROU's armed forces or authorities, which was not required by the necessity of situation

UPM shall be accorded prompt, fair and effective restitution or compensation.

10.14 If UPM's investments suffer losses in accordance with Clause 10.13, UPM shall have the right to prompt review by a judicial or other competent authority of ROU of UPM's case and of valuation of UPM's investments in accordance with the principles established in the aforementioned Clause 10.13, as well as according to Clause 11 of the Investment Agreement.

10.15 ROU acknowledges and accepts that UPM and UPM Affiliates are entitled to the free transfer, into and out of the territory of ROU, of payments in connection with

UPM's investments (including the UPM Project or any part thereof). Such payments shall include in particular, though not exclusively:

- (a) the principal and additional amounts to maintain, develop or increase the UPM Project or any part thereof;
- (b) returns;
- (c) proceeds obtained from the total or partial sale or disposal of the UPM Project or any part thereof, including the sale of shares;
- (d) the amounts required for payment of expenses which arise from the operation of the investment, such as loan repayments, payment of royalties, management fees, license fees or other similar expenses;
- (e) compensation payable pursuant to Clauses 10.8 through 10.14;
- (f) payments arising out of the settlement of a dispute,
- (g) earnings and other remuneration of personnel engaged from abroad working in connection with the UPM Project or any part thereof.

10.16 ROU will also ensure that the transfers referred to in Clause 10.15 shall be made without any restriction or delay, in freely convertible currency and at the prevailing market rate of exchange applicable on the date of transfer with respect to spot transactions in the currency to be transferred and shall be made effectively realizable and immediately transferable. If a market rate is unavailable, the applicable rate of exchange shall correspond to the cross rate obtained from those rates which would be applied by the International Monetary Fund on the date of payment for conversions of the currencies concerned into Special Drawing Rights.

10.17 With respect to the entry and permanent stay of non-nationals, subject to the applicable laws of ROU, in the ordinary course, ROU shall permit natural persons from the Republic of Finland and personnel employed in connection with UPM's investments, to enter and remain in ROU's territory for the purpose of engaging in activities connected with the investments, as well as members of their families.

10.18 If the provisions of law of ROU or obligations under international law existing at present or established hereafter, contain a regulation, whether general or specific, entitling investments of UPM to receive a treatment more favorable than is provided for in the Investment Agreement, this Complementary Agreement, their Annexes and their addenda, such provisions shall, to the extent that they are more favorable to UPM, prevail.



11. PRINCIPLES ON STABILITY OF REGULATIONS REGARDING LAND PLANNING IN FORESTRY



ROU renews its commitment to support UPM, as reasonably required by UPM, in relation to UPM's interactions with Government Entities regarding forestry permits and issues related to land planning regulations, to facilitate the issuance of the necessary permits to allow UPM to undertake the forestry activities contemplated by the Investment Agreement and this Complementary Agreement, always within the framework of the current Legislation and with due respect for the corresponding autonomies and competences.



12. CERTAINTY AND PREDICTABILITY

12.1 In accordance with Clause 8.1 of this Complementary Agreement:

- 
- 
- (a) The Parties agree that a breach by ROU of its obligations under the Investment Agreement or this Complementary Agreement, their Annexes and their addenda, may result in damages across the entirety of the chain of the productive process of the UPM Project (as defined in the Investment

Agreement), and UPM reserves all rights including to pursue the full compensation for all of such damages (actual damages and loss of profits) that could be derived from such breach, and ROU assumes the consequent liability derived from such damages.

(b) The Parties agree that a breach by UPM of its obligations under the Investment Agreement or this Complementary Agreement, their Annexes and their addenda, may result in damages to ROU, and ROU reserves all rights including to pursue the full compensation for all of such damages (actual damages and loss of profits) that could be derived from such breach, and UPM assumes the consequent liability derived from such damages.

 **12.2** It is understood that the breach of the obligations assumed by the State agencies or bodies that are part of the various agreements associated with the Investment Agreement or this Complementary Agreement, their Annexes and their addenda gives rise to the responsibility of ROU. In the same way, the breach of the obligations assumed against said state bodies or agencies, by any UPM Affiliate, gives rise to the responsibility of UPM.


 **12.3** Without prejudice to the right to undertake direct negotiations and to the possibility of resolving disputes in accordance with Clause 11 of the Investment Agreement, the Parties shall, within 90 days after the effective date of this Complementary Agreement in accordance with Clause 1.4., establish a Differences Solution Council ("DSC") and an Action Protocol, documents which shall grant legal certainty to the Parties.

 **12.4.** The Parties shall agree the powers of the DSC, where it shall be based and its members, as well as the rules for their appointment and the qualities required for each of the members of the Committee.

 The Parties shall also agree on the matters to be submitted to the DSC and to which effects. Finally, the Parties shall, by mutual agreement, regulate the schedule for the

decision making in connection to the matters that are submitted to its knowledge, as well as the rules pursuant to which the Parties shall assume the costs and expenses of the proceeding.

12.5. It is expressly established that the Parties may not accept a decision from the DSC in which case they will be entitled to submit the matter to the forum they may deem convenient.

12.6. The provisions of Clause 12.4 and 12.5 shall enter into force when the Differences Solution Council is established and its Action Protocol is agreed.

13. REGIME FOR THE DETERMINATION OF ACTUAL DAMAGES AND LOSS OF PROFITS

In all cases in which in this Complementary Agreement reference is made to the right to make claims, whatever the nature thereof, related to actual damages and loss of profits, or the equivalent, the determination of liability and the amount to be compensated shall be made by arbitration or the relevant court elected in accordance with Article 11 of the Investment Agreement, following the procedure set forth in the procedural and substantive rules that apply to such arbitration or court proceeding.

14. DEFAULT INTEREST

ROU and UPM agree that any amount due and not paid on the date that it is due by the corresponding Party under the Investment Agreement or this Complementary Agreement, their Annexes and their addenda, shall accrue a default interest at a rate which is the highest of: (i) 8% per year in U.S. dollars or (ii) the LIBOR in U.S. dollars for one month (or any other rate that replaces LIBOR in the future and that is internationally recognized as its replacement), quoted on the date the payment is due, plus 6% per year. This interest shall accrue daily during the period between the date the payment is due and until the date of the cash payment inclusive.

15. ORDER OF PRECEDENCE

The Parties agree that the terms of this Complementary Agreement prevail over the terms of the Investment Agreement.

16. COMPLIANCE WITH JUDGEMENTS AND ARBITRAL AWARDS

Each Party agrees to satisfy any judgment or arbitral award issued against it under the Investment Agreement, this Complementary Agreement, their Annexes and their addenda.

 In the case of ROU, when the legislation in effect establishes a procedural requirement for the settlement and payment of the corresponding amount pursuant to the relevant judgment or award that may arise under the Investment Agreement, this Complementary Agreement, their Annexes or their addenda, ROU assumes the obligation to comply with such procedural requirement at the earliest possible opportunity for example, when the law provides that such amount be included in a budgetary law (*ley de presupuesto* or *ley rendición de cuentas*), said inclusion shall be made in the immediately next budgetary law (*ley de presupuesto* or *ley rendición de cuentas*) after the judgment or the arbitration award has been issued, thus implementing the principle enshrined above. If for any reason the procedural requirement is not fulfilled, be it the inclusion of the corresponding amount in the immediately following budgetary law, or another act or omission of analogous nature, ROU shall comply with the judgment or arbitral award through the use of the legal instruments of exception (*instrumentos legales de excepcion*) in order to guarantee the prompt payment.



 If there is no procedural requirement that defers the compliance of the judgment or arbitration award, the payment of the corresponding amount shall be made under the terms set forth in the current procedural law in force in ROU.

 In any event, ROU shall be liable for any failure to comply with its obligation set forth in this Clause.

17. DECLARATION

17.1 ROU commits to:

(a) Arrange the installation of an Office of the National Labor Directorate and another of the Labour and Social Security General Inspection, dependent on the Ministry of Labor and Social Security, in the construction site of the Pulp Mill (as defined in the Investment Agreement), or in its vicinity, which shall function permanently and within the period between the commencement of the works and their completion;

(b) Provide both Offices with sufficient human and material resources for their adequate and effective functioning; the bodies and organisms of the State shall be required to facilitate the task entrusted to said Offices as may correspond.

ay.
K
af.
ce
f

(c) The personnel allocated to said Offices shall have the broadest faculties that are legally and statutorily assigned to act in an effective manner, having to intervene directly and immediately at the request of any of the parties, or ex officio, in the consultations, disputes and conflicts that may arise, in order to prevent, manage, mediate, prosecute the procedures and resolve in the shortest possible time the differences that motivated them, adopting the pertinent actions that may correspond to respect the obligation not to take conflict measures (peace obligation) as long as mediation and conciliation phases and the specific clauses in this regard, included in the regulations in force, the Collective Agreements and resolutions of the Salary Councils, are fulfilled. In case of measures or actions of any of the parties that contradict the agreement or the laws, they shall be informed of the position of the Ministry of Labor and Social Security in this regard and shall be immediately convened to the corresponding areas for its finalization.

(d) Promote, from the Ministry of Labor and Social Security, an orderly proceeding with certain previous and gradual negotiation phases, in various ordered, gradual

and subsequent bipartite or tripartite areas of conciliation and mediation, for preventive purposes, with procedures and deadlines in each area, to effectively contribute to achieve the best solution to the problems and avoid triggering conflicts; this, without prejudice to the faculty of the parties to agree (exercising their autonomy) specific procedures to deal with conflicting situations, as well as to resort to State agencies with competence in the matter as they may deem appropriate;

(e) Encourage the necessary mechanisms so that all the activities involved in the construction of the Pulp Mill adopt ordered and gradual procedures in respect of conflict prevention;

(f) In case measures are implemented by workers or employers, after all conciliatory phases are fulfilled, ensure that they are carried out in a peaceful manner and protecting the rights established in the Constitution and the laws, implementing the actions that may correspond according to Law for their effective protection.

(g) Facilitate, promote and encourage, through the pertinent actions, the creation of a Follow Up Tripartite Commission on the works for the construction of the Pulp Mill, in order to guarantee mediation and conciliation tools in conflicts that may arise in suppliers of goods and services, with direct participation of the hierarchies of the bodies and organisms with competence in this matter, UPM representatives and the corresponding representative social organizations;

(h) Promote, with the prior agreement of the social parties, an optional arbitration stage with mandatory award for complex cases that are thus determined;

(i) The provisions of this Clause shall be applied during the construction phase and the electromechanics assembly of the Pulp Mill, as well as in the operation phase, as may correspond, and in connection with contractors and suppliers, whenever the workers or the employers require.

17.2 UPM declares and ROU accepts that in case that UPM takes a positive FID, it will be based on the provisions of the Investment Agreement, this Complementary Agreement, its Annexes and addenda, the Bilateral Investment Treaty and the legal framework currently in force in ROU, such instruments constituting the basis of its potential investment. Therefore, any change which shall occur in the legal framework in force at the moment of taking the FID which shall affect the UPM Project, shall lead to the application of the liability regime established in this Complementary Agreement, the Investment Agreement, its annexes or its addenda, and in the Bilateral Investment Treaty, without prejudice to what is established in this Complementary Agreement in relation to dispute resolution.

The PARTIES sign this Complementary Agreement in the place and on the date first 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 Complementary Agreement, the text in Spanish shall prevail.

ROU

By:

Name: Miguel Angel Toma

Title: Secretary of the Presidency

By:

Name: Alvaro García

Title: Director of the Oficina de Planeamiento y Presupuesto

By:

Name: Juan Andrés Roballo

Title: Pro-Secretary of the Presidency

UPM

By:

Name: Javier Solari

Title: Attorney-in-fact

By:

Name: Gonzalo Giambruno

Title: Attorney-in-fact