

arauco

20

19

sustainability
report





20 19

sustainability
report





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1.

about

US

arauco





At ARAUCO we know that the destiny of our business is tied to the development of societies where we are present and mankind's ability to embrace the challenges of the world.

Though this report addresses 2019, I cannot fail to mention the impact that the outbreak of COVID-19 has had, which today continues to disseminate throughout more than 180 countries around the world. The long-term effects for the global economy and the company caused by this new ongoing coronavirus are hard to assess or predict.

As a company we face an enormous challenge. Our priority is to take care of our people and, undoubtedly, their health is of the utmost importance, which is why the company has taken several measures for their protection. In addition, we must be able to keep our company running in order to safeguard the forestry and product chain, since shutting down would be very harmful in the countries where we maintain operations and we must also supply essential materials to face the current emergency we're experiencing. Therefore, this double challenge is immense, and we must manage it with intelligence, unity, and a lot of effort.

I am certain we will get through this, as we have done in the past.

2019 was a challenging year. We advanced and consolidated initiatives and projects on issues that are strategic to the company and the countries where we are present. A core aspect was our active work to continue to deepen our commitment to be a renewable business, in a setting where climate change demands we drive agendas that are increasingly ambitious.

A material advancement in this direction was the announcement that we will become the world's first forestry company to reach carbon neutrality in 2020, in other words, that the greenhouse gases we capture surpass our emissions at a global level.

This is, without a doubt, a significant contribution and a concrete step to face the climate crisis. We know the forestry sector has a lot to contribute to this global challenge, which must be addressed through joint work between the public sector, the academy, civil society, and private businesses.

Another indication of our commitment to the sustainable management of our operations was the extension of the FSC® Forest Management

chairman's **state ment**

certification to Ecosystem Services for Oncol Park in Chile (Forestal Arauco FSC® License Code: FSC®-C108276) and conservation of the Yaguareté (jaguar) and the Marsh deer in Argentina (Arauco Argentina FSC® License Code: FSC®-C128100).

We're a company that experiences constant growth, 2019 was a year during which we continued to move forward with different projects in Chile and the world; among them, our primary investment: the Modernization and Extension of Arauco Mill (MAPA in Spanish). The project continues to be developed, prioritizing active work with the community in order to become a real driving force for local development and to strengthen the region's human capital. To do so, the company created an Employability and Entrepreneurship Agency (E+E in Spanish), an unprecedented unit that has centralized the recruitment and training process for the project's development.

In addition to progress in MAPA, there are several investment projects in development, such as the purchase of MASISA assets in Mexico; the Grayling panel plant in the United States initiated production; the Dissolving Pulp project at Valdivia pulp mill, in Chile; the Teno 340 project in Chile and the purchase of Prime Line in the United States, which continue to consolidate ARAUCO as a global company and to drive us to advance in integration and to maintain the best global standards in our different fields of action.

Undoubtedly, to move forward in these and other initiatives we know that the only way to do so is to work with neighboring communities and to always search for new ways to actively contribute to the development of each community where we maintain operations. And we have been doing so for a long time.

During 2019, Arauco Educational Foundation celebrated 30 years, with the certainty to be a contribution in order to create more opportunities of education to children and young people. During these three decades the foundation has focused on working with over 5,000 teachers in rural schools of Maule, Ñuble, Biobío and Los Ríos communities impacting more than 100,000 children.

But 2019 has also been a complex year. At a global scale, we faced a very challenging economic scenario, with strong instability and slowdown of markets that are essential for our industry at the global level. We are certain that times like these represent opportunities from which to emerge strengthened.

Additionally, as of the crisis in Chile which started in October 2019, as a company we experienced a challenging learning process. We first concentrated on listening to ourselves, creating moments for conversation among the company's different employees. This was how ARAUCO Dialoga (ARAUCO Talks) started, an unprecedented process in which about 85% of the total number of workers participated voluntarily and where experiences and propositions were shared to continue to contribute to the development and progress of the country.

We are proud of counting on people of excellence, guided by our values and prepared to embrace the challenge of demanding goals. The year 2019 once again demonstrated that each of our employees is the great transformative force of the company, able to face future challenges and to achieve results sustainably, in a context that is increasingly more difficult and changing for all. This is our capital, the commitment and participation of all the people who comprise this company.

And when we talk about commitment, I cannot fail to recognize who for years held the position of chairman of our company's Board and who passed away early in 2020, Mr. José Tomás Guzmán Dumas (R.I.P.). During all the years he was linked to ARAUCO he stood out as being easygoing and approachable, a man of firm values and principles, characteristics that imprinted a special stamp on the way he guided the company. His wisdom, ongoing support, commitment, and dedication were essential to ARAUCO's growth process and internationalization.

This Report is a tool that allows us to improve and challenge our work, knowing and understanding the complexity of the challenges we face. Through these pages, I invite you to learn about the different dimensions of this business, with a clear vision of being renewable for a better life, aiming to balance growth and that of our workers with the environmental and social needs of our surroundings.

Manuel Enrique Bezanilla
ARAUCO Chairman

about

ARAUCO

With our work and innovation, we develop products that inspire the creation of solutions aimed at improving the quality of life of millions of people around the world, with presence in the forestry, pulp, wood, panels and clean and renewable energy businesses.



We started out nearly 50 years ago in the south of Chile, developing products based on renewable forest resources, which today allow us to offer a wide variety of sustainable quality solutions for the paper, construction, packaging, furniture and energy industries.

The sustainable development of the forestry sector, to which we belong, represents a material contribution to move toward an economy based on the consumption and production of goods and services derived from the direct use and sustainable transformation of biological resources.

Part of our growth is based on generating economies of scale and competitive advantages that are sustainable in time, with a calling to innovate, with new solutions that provide added value, with the highest standards in sustainability, with focus on quality and service, and with more than 18,000 employees guided by one shared vision and values.

ARAUCO's forestland and industrial facilities are certified to national and international standards regarding the management of aspects related to corporate governance, the environment, quality, the protection of health and safety and responsible forest management.

We work to consolidate an economy based on renewable resources, from which we develop products that improve the quality of life of millions of people around the world, through the sustainable management of our operations and by creating maximum value from our forestland.

sustainability **stra** **tegy**

Combining science, technology and innovation to unfold the full potential of our plantations.

Responsibly managing our operations, using the best environmental practices and safeguarding the health, safety and development of the people who work at ARAUCO.

Developing high standard, quality-oriented materials and products and providing quality service to our customers.

Being a virtuous actor in the areas where we maintain operations, to become an active agent for their social and economic development.



our
vision

To help to improve people's lives by developing forest products for the challenges of a sustainable world.

We produce and manage renewable forest resources.

We are a global company that embraces the challenges of participating in global markets.

We create products that improve people's lives.

Over **4,600 customers**
in 5 continents.

Products sold at points of sale
through representatives, sales
agents and sales offices
in 30 countries.

Logistics chain and distribution
management, supply to
distribution centers and points of
sale through **208 ports.**

ARAUCO in the **world**

Canada

2 Panel mills³
1 Resin plant

USA

8 Panel mills
1 Remanufacturing facility

Mexico

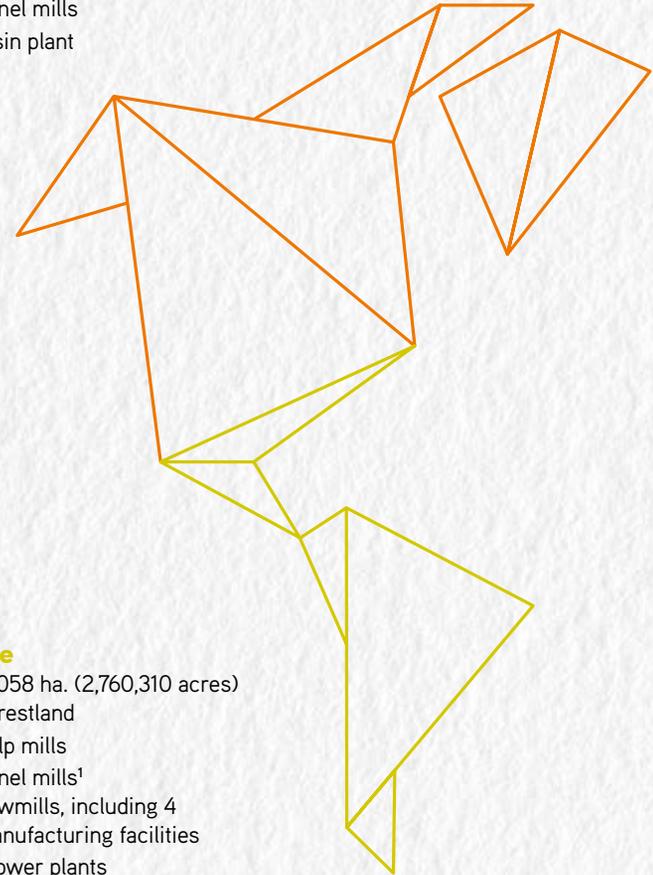
2 Panel mills
1 Resin plant

Chile

1,117,058 ha. (2,760,310 acres)
of forestland
5 Pulp mills
4 Panel mills¹
7 Sawmills, including 4
remanufacturing facilities
10 Power plants

- 1) The HB line at one of the plants closed in 2019.
- 2) Considers 50% of the operations, land, and plantations.
- 3) The PBO line at one of the plants closed during the last quarter of 2019.

- 4) ARAUCO owns 50% of SONAE ARAUCO facilities.
- 5) One of the panel mills is temporarily closed.



Germany⁴
4 Panel mills

Spain⁴
2 Panel mills
1 Sawmill

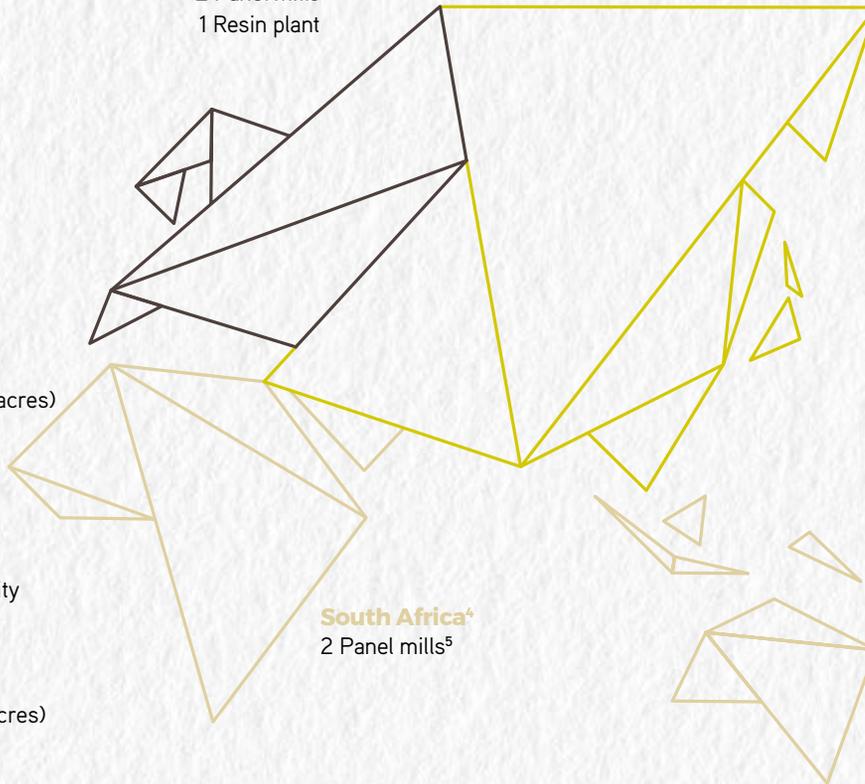
Portugal⁴
2 Panel mills
1 Resin plant

Argentina
264,707 ha. (654,105 acres)
of forestland
1 Pulp mill
2 Panel mills
1 Resin plants
1 Sawmill, including 1
remanufacturing facility
2 Power plants

Uruguay²
131,138 ha. (324,049 acres)
of forestland
1 Pulp mill
1 Power plant

Brazil
245,284 ha. (606,109 acres)
of forestland
4 Panel mills
1 Resin plants

South Africa⁴
2 Panel mills⁵



Sales Offices

United States of America
Canada
Netherlands
Peru
Chile
Mexico
Colombia
Brazil
Argentina
Costa Rica
Australia
China
United Arab Emirates

Sales Representatives

South Korea
Australia
Japan
China
United Arab Emirates
Saudi Arabia
Malaysia
Morocco
Egypt

Turkey
India
Pakistan
Bangladesh
Indonesia
Thailand
Philippines
Taiwan

2.

cor
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governance





corporate
governance
ce

ARAUCO is a closely held corporation that is subject to certain information and disclosure requirements which apply to publicly traded companies. While the company's initial foundation dates back to October 28, 1970, when it was constituted by public deed registered before Santiago Public Notary Ramón Valdivieso Sánchez, the corporation Celulosa Arauco y Constitución S.A., as it is known today, was established in September 1979, through the merger of companies Celulosa Arauco S.A. and Celulosa Constitución S.A., both created by Corfo, the Chilean Economic Development Agency.

To date, the company maintains its legal name Celulosa Arauco y Constitución S.A. Today, 99.98% of ARAUCO is owned by Empresas Copec S.A., a holding company with primary interests in the forestry sector, in fuel distribution businesses, and fishing and mining sectors

The mission of the Board of Directors of Celulosa Arauco y Constitución S.A. is to maximize the company's value in a way that is socially, environmentally, and economically responsible. The Board is comprised of nine members who hold office for three years and can be reelected. No Board member holds an executive position within the company.

The Board meets regularly with the Chief Executive Officer and the President & Chief Operating Officer, who provide updated information on ARAUCO's management and its business areas. Under Chile's Corporation Law, the company must hold a Shareholders Meeting at least once a year.

shareholders

Empresas COPEC S.A.
113,134,814 shares: 99.98%

CHILUR S.A.
24,746 shares: 0.02%

ANTARCHILE S.A.
95 acciones: 0,00%

board of directors

MANUEL ENRIQUE BEZANILLA
Chairman of the Board

ROBERTO ANGELINI
First Vice Chairman

JORGE ANDUEZA
Second Vice Chairman

JORGE BUNSTER

ALBERTO ETCHEGARAY

JUAN IGNACIO LANGLOIS

FRANCO MELLAFE

EDUARDO NAVARRO

TIMOTHY C. PURCELL

senior management

ARAUCO'S Board designates the company's Senior Management members, who are responsible for the implementation of actions relating to the company's economic, social, and environmental performance, as well as occupational health and safety, and workplace relationships.

MATÍAS DOMEYKO · Chief Executive Officer

CRISTIÁN INFANTE · President & Chief Operating Officer

CAMILA MERINO · Senior Vice-President Forestry

FRANCO BOZZALLA · Senior Vice-President Pulp & Energy

ANTONIO LUQUE · Senior Vice-President Wood and Panels

GONZALO ZEGERS · Senior Vice-President International & Business Development

CHARLES KIMBER · Senior Vice-President Commercial & Corporate Affairs

GIANFRANCO TRUFFELLO · Chief Financial Officer

ROBINSON TAJMUCH · Senior Vice-President Comptroller

IVÁN CHAMORRO · Senior Vice-President Human Resources, EHS

FELIPE GUZMÁN · General Counsel

In addition, management abroad is led by:

PABLO RUIVAL, ARAUCO Argentina

CARLOS ALTIMIRAS, ARAUCO Brazil.

PABLO FRANZINI, ARAUCO North America, United States, Canada and Mexico

DIEGO WOLLHEIM, Montes del Plata, Uruguay.

RUI CORREIA, SONAE ARAUCO.

corpo
rate
best
practices
management

The directors and employees of the company and of all its subsidiaries are inspired by ARAUCO's vision and values, and must comply with the company's commitments and guidelines, especially those outlined in the Code of Ethics and the company's policies and internal regulations.

Additionally, employees in Argentina must comply with the "Code of Corporate Governance", which aims to promote business ethics and lays the foundation for sound management and oversight. In Brazil, the company is also governed by a Code of Business Conduct.

Likewise, employees at ARAUCO North America are trained in the company's principles through the LEAD (Leadership for Enhancement and Development) program.

ARAUCO has an Ethics and Compliance Committee that ensures the company follows all its ethical, legal, mandatory, and governing regulations on compliance, and which receives information on the existence and functioning of processes established to achieve said purpose. This committee is comprised by the Chairman of the Board, the Second Vice Chairman, the Chief Executive Officer, the President & Chief Operating Officer, the Senior Vice-President Comptroller and General Counsel.

The Chief Compliance Officer regularly reports to the Board and the Ethics and Compliance Committee. It is the mission of the Chief Compliance Officer to establish a robust, efficient

and effective system for ARAUCO's compliance with the ethical and governing regulations, in Chile as well as abroad, taking on the different compliance tasks that are currently performed, and those associated with free competition, ethics, structuring policies and the Crime Prevention Model (CPM), among others.

The Crime Prevention Model established for Celulosa Arauco y Constitución S.A. and its subsidiaries, which is certified to an independent certifying body, continues to develop its compliance and monitoring program. Additionally, regarding changes to the Criminal Law and Code introduced by Law 21.121, which includes new crimes such as corruption among private individuals, incompatible negotiation, misappropriation and disloyal administration in disclosed Law 20.393, the different businesses are making the adjustments to their respective CPMs.

Furthermore, the Code of Ethics and the principles and values it contains are constantly being disseminated. This includes mailings, posters, transmissions on TV dashboards, videos of the Code's main aspects and publications on the company's website, among others. This campaign has been carried out in Chile, and has also involved actions in the United States, Brazil, and Argentina.

Last, the company also enforces a Free Competition Principles and Regulations Compliance Program; a Finance Policy; a Market Disclosure Manual; a Mapuche community Relationship Policy; a Biodiversity Policy; an Environment, Quality, and

Occupational Health and Safety Policy, and a Community Contributions Policy in Chile.

reporting procedures

As suggested by best corporate practices, ARAUCO maintains reporting mechanisms available to all countries on the website (www.arauco.com) and corporate intranet.

The company has adopted a Fraud Reporting Procedure to receive, investigate and, if needed, act upon reports submitted by employees, customers, suppliers, shareholders and people in general, regarding violations to the company's Code of Ethics, Crime Prevention Model or other company regulations or policies.

This procedure allows people to submit anonymous and confidential reports by filling in the form available at the previously mentioned sites.

risks and challenges

ARAUCO is exposed to varied risks, which can affect not only the company's financial performance, but its sustainability as well. To minimize the impact and probability of the risks it is exposed to, the company maintains a Risk Management Policy in place, a Corporate Risk Management Framework and a high impact Corporate Risks Matrix. The method used for this purpose is based on international Risk Management standards such as ISO 31.000 and COSO ERM. The development of the company's business continuity plans is based on standard ISO 22.301.

Continuous management is required to reduce the risks that focus on financial accounting, for which ARAUCO follows a SOX Internal Control Model in accordance to the highest international standards.

To continue to strengthen the SOX Corporate Internal Control Model during 2019, ARAUCO proceeded with its dissemination plan which involves information presentations, in alignment with the strategy to strengthen a corporate culture at the global level. The company's knowledge on the SOX Corporate Internal Control Model was reinforced during the year, emphasizing the roles and responsibilities that each person has regarding management of such model, considering the importance of

preventing and anticipating the global scenario we participate in, which is dynamic and changing, and could potentially affect not only the business's financial performance but its sustainability as well.

In terms of operational risks, the production of an industrial mill depends on people, input material, processes, and equipment that are essential for operational continuity. Wood, water, steam and electric power are input materials whose absence can stop the regular operation of a process area or an entire industrial forestry complex. Likewise, factors outside the operation, such as natural disasters and forest fires, constitute risks.

In 2019, ARAUCO updated its operational and non-operational risk matrix, defining work plans to prevent their occurrence or to reduce impacts on facilities, such as serious and fatal accidents, natural disasters, severe fires in facilities, environmental damage, climate change and social conflicts. The levels of impact and probability of occurrence of risks are constantly evolving, with greater or less prominence according to the global context. The latest publication of the COSO ERM committee, based on a World Economic Forum report, highlights the evolution of the outlook on risks at a global level, led years ago by risks of an economic and social nature, while today the

focal point has moved to risks regarding water supply, extreme weather conditions and internet frauds and cyber attacks.

Changes in the global risk scenario are not foreign to the local context. Our forestland and neighboring communities were significantly affected by forest fires in 2017, fueled partly by extreme weather conditions and the lack of rain in Chile's central and southern areas. As a result, ARAUCO reinforced its fire prevention and suppression measures, the company's relationship with communities, its forest management and other similar activities, through various initiatives.

In this same line, but in relation to industrial facilities, ARAUCO continued the execution of the 2019 investment plan for significant improvements in the level of fire protection and suppression, maintenance programs were improved and the technical skills and equipment of our industrial firefighting crew were enhanced.

In late December 2019, the World Health Organization was notified of a pneumonia alert originating in Wuhan, in the province of Hubei (COVID-19, caused by a new coronavirus). Cases were later confirmed in several Chinese provinces, as well as in other countries. Government authorities around the world have taken measures against COVID-19, including

quarantines, controls in airports and other transport centers, travel restrictions, visa suspensions, border closures, public and private institutions have closed, sports events have been suspended, visitor restrictions for museums and tourist attractions, vacation extensions and many more. However, the virus continues to disseminate at a global level, and as of the date of this Report, has affected over 180 countries and territories around the world, including Chile, Argentina, Brazil, Uruguay, Mexico and the United States, among others. So far, the new coronavirus outbreak has caused significant social and market changes. The long-term effects for the global economy and the company from epidemics and other public health crises, such as the new ongoing coronavirus, are hard to assess or predict, and may include a drop in market prices (including our stock market prices), health and safety risks for employees and reduced sales in geographical locations that have been affected. Prolonged restrictive measures implemented to control the outbreak of a contagious disease or any other adverse public health development in any of the markets we serve, may have an unfavorable effect on our business operations. In addition, taking into account that some of our customers (especially in the Pulp business) are located in China and other countries

that have been affected, the demand for our products and the logistics associated with the sale of these products may be impacted, which would have a negative effect on our business operations. We may also be affected by the need to implement policies that limit the efficiency and efficacy of our industrial operations. It is yet unclear whether these challenges and uncertainties will be contained or resolved, and the effects they may have on the world's political and economic conditions. Furthermore, we cannot predict how the disease will evolve in the countries where we maintain industrial operations, nor anticipate the additional restrictions that governments of those countries or others may impose.



3.

global
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tion

and efficiency





Trees represent one of the strongest existing strategies to advance climate change mitigation and they are the foundation of all ARAUCO's business areas. The forestland in Chile, Argentina, Brazil, and Uruguay is managed under Responsible Forest Management practices and is primarily intended to meet the company's own industrial needs.

These forests are sustainably managed, and production processes are certified to the highest global standards. Native forests and high social and environmental value areas are duly protected.

During 2019, 22.3 million m³ of logs were harvested.

forestry **busi** **ness**

1.8 million hectares
(4.44 million acres) of
forestland in Chile,
Argentina, Brazil,
and Uruguay.

of the forestland
accounts for native
forest and protection
zones, conserved for
current and future
generations. **29%**

70,600

hectares (174,456 acres)
planted in 2019.

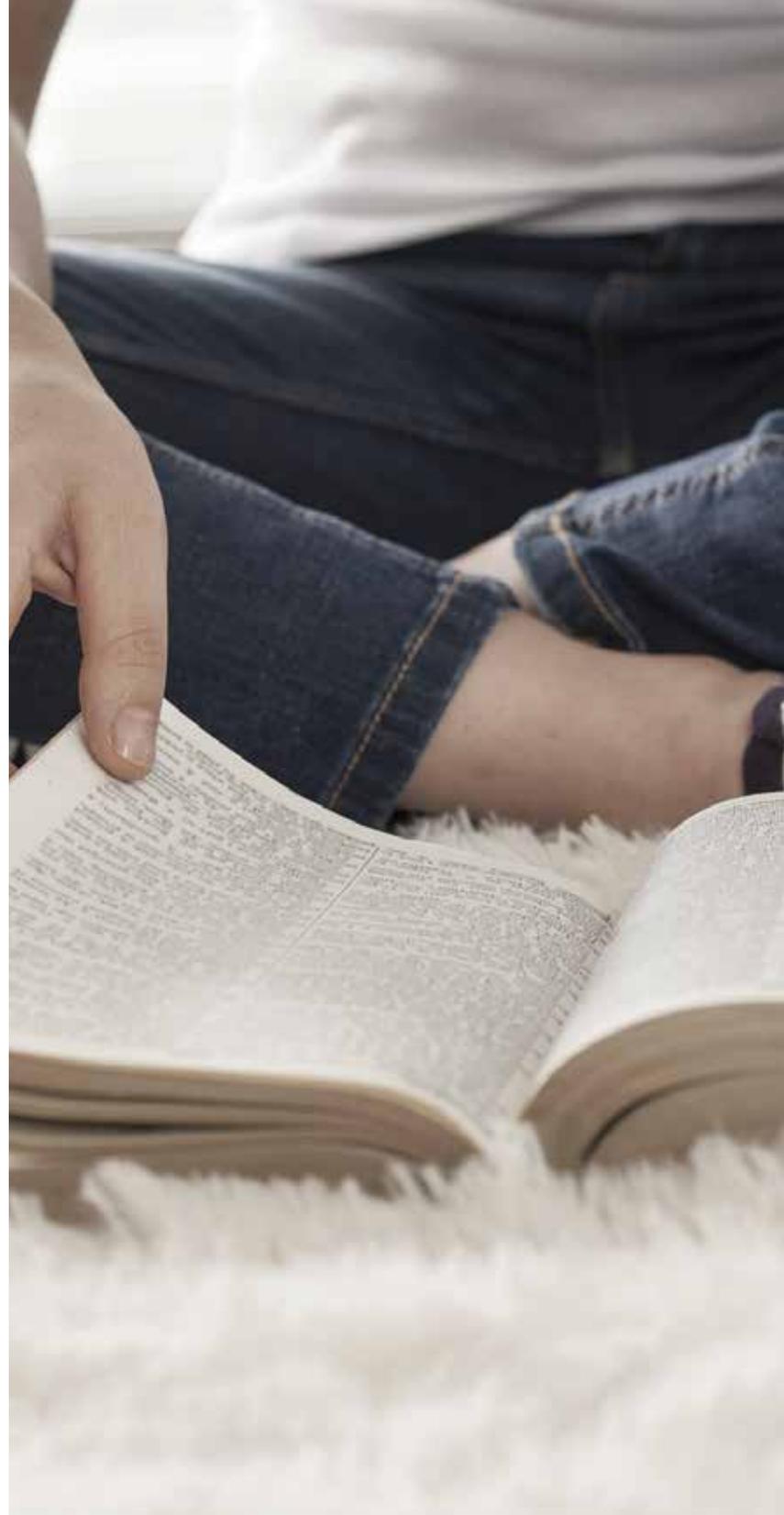
- In Chile, the implementation of the LEAN philosophy was extended to aerial harvesting operations, strengthening the mechanization of work on steep slopes and the production of nursery plants, by developing planning and operational efficiency tools.
- In Argentina, B-trains are being implemented to transport logs from the forestry operations to production facilities in Puerto Esperanza and Puerto Piray, and to transport finished products. In total, there are 18 trailer trucks being used, 8 in the forestry area and 10 in finished product transportation.
- Extension of the FSC® Forest Management certification to Ecosystem Services at Oncol Park in Chile; and for Focal Species Yaguareté (*Panthera onca*) in the Paranaense rainforest/Upper Paraná Atlantic forest ecoregion and conservation of Focal Species Marsh deer (*Blastocerus dichotomus*) in the Paraná Delta and islands ecoregion, in Argentina.
- Oncol Park's 30-year anniversary celebration in Chile.
- Continued studies and monitoring of fauna (mammalian fauna and bird fauna) in ARAUCO's natural forests, Mahal and Novo Oeste in Brazil.
- Studies and monitoring of reptiles and amphibians (herpetofauna) initiated in High Conservation Value Areas in Brazil.
- In Chile, control of production area activities (road construction, forestry harvesting and transportation) is consolidated in a single national operation central.
- In Argentina, progress was made in the internalization process of forestry protection personnel (forest rangers) and of all operational personnel of nurseries Y Porá and Bossetti.
- "Araucaria" project launch in Chile, Brazil and Argentina, which centralizes mapping information, images, inventories and transactions that require physical progress of forestry operations, within a single system.
- New optimization models allow to plan and manage the business's strategic, tactical and operational scenarios.

milestones

pulp **busi** ness

Woodpulp produced by ARAUCO is the basic raw material in the manufacture of several types of printing and writing papers, tissue paper, packaging material, filter paper and fiber cement products, diapers and feminine hygiene products, among others.

During 2019, 3.7 million tons of bleached and unbleached softwood pulp, bleached eucalyptus hardwood pulp and Fluff pulp were produced, with sales for US\$ 2,372 million. Products were mainly sold to Asia and Europe.



5

**pulp mills
in Chile.**

1

**pulp mill
in Argentina.**

1

**pulp mill in Uruguay
in a joint operation
between ARAUCO
and Stora Enso
(Swedish-Finnish
company).**

- 31.5% progress on the Modernization and Extension of Arauco Mill (MAPA) project in Chile, which includes closure of production line 1, modernization of current production line 2 and the construction of a new line (line 3), with an annual production capacity of about 1,560,000 tons and state of the art technology. It includes a modern effluents treatment plant. The project requires a US\$2,350 million investment and is expected to be operational during the second quarter of 2021..
- 100% progress on the Dissolving Pulp project in Valdivia, Chile, which will be the first to manufacture a product that provides a different use for pulp, as raw material in the production of viscose or rayon fabric.
- Implementation of the Reliability Centered Maintenance (RCM) strategy for critical areas and groups of equipment in all pulp mills.
- In Argentina, recertification of the Pulp Mill Chain of Custody and of the Purchase of Forestry Raw Material from Suppliers.
- Pulp mills in Chile passed the follow-up audits of the Quality and Environment Management System, under standards ISO 9001:2015 and ISO 14001:2015, respectively, and the Certfor Chain of Custody System.
- In Chile, Arauco and Valdivia mills successfully conducted the recertification processes for the FSC® Chain of Custody System. (Arauco Mill FSC® License Code: FSC-C006552, Valdivia Mill FSC® License Code: FSC-C005084).

milestones

Wood is an essential product for sustainable development. According to a United Nations study, new housing will be needed by 2030 for three billion people around the world and wood possesses multiple virtues that make it the only natural and renewable resource that can be used at a large scale in construction and furniture; it helps to reduce CO₂ in the atmosphere, has a very good seismic and thermal performance, durability and is highly resistant to fire.

ARAUCO is one of the primary producers of wood at the global level, manufacturing a wide variety of sawn timber products, plywood, fiberboard and particleboard, remanufactured wood and moldings with different finishes, appearance and value adding processes, for the architecture, design, construction, packaging and remodeling industries. The company has a production capacity of 14 million m³.

ARAUCO's MDF, MDP, HB and Plywood panels supply the furniture and construction industries, and are recognized for their wide variety, availability, and quality. ARAUCO's wood offers quality and durable solutions for the construction, furniture, and packaging industries. The company's moulding brand, ARAUCO Moulding, is a decorative and finishing element in homes and varied spaces.

In 2019, sales reached US\$2,821 million, mainly in the United States, Brazil, Asia, and Mexico.

wood **business**

32

panel mills.

9

**sawmills, including
5 remanufacturing
facilities.**

- In the United States, the new particleboard panel plant in Grayling, Michigan, initiated its operation with a production capacity of 800,000 m³, of which about 250,000 m³ will be thermally fused laminate.
- In North America, the company was awarded “Partner of the Year” by Home Depot. The award recognizes innovation, good service and efficient processes that help the entire value chain relationship.
- Extension of Teno mill in Chile, which involves an increase in the production capacity of bare panels to 340,000 m³ and the melamine coating of 100% of its production. The mill is expected to initiate operation during the first quarter of 2020.
- Acquisition of two industrial complexes in Mexico, in the areas of Durango and Zitácuaro, for US\$168 million. The Durango and Zitácuaro complexes combined have three particleboard lines with an annual installed capacity of 300,000 m³; an MDF panel line with a current annual capacity of 250,000 m³; seven melamine laminate lines with an annual installed capacity of 300,000 m³; a chemical plant in Durango to process resin and formalin; and treatment lines.
- Acquisition of Prime-Line Inc. in North America, a company that manufactures MDF moldings, and has an annual production capacity of 135,000 m³.
- In Argentina, a new laminate line was built at Zárata mill, to manufacture a product that complements Faplac melamines.
- Implementation of new technologies for land transport, in order to manage the transport of all products, providing traceability and visibility of orders while integrating logistic operators; and for the Modernization of Finished Product Warehouses, in order to achieve greater efficiency, take advantage of economies of scale, a single model and greater safety.
- Closure of the HB line at Trupán mill in Chile, after a two-year sustained drop in sales.
- Closure of operations at St. Stephen particleboard plant in North America due to poor competitiveness against the entry of new plants.
- In Brazil, Pien and Jaguariaíva plants achieve their recertification to standards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001; while Araucária achieved the recertification and unification of standards ISO 14.001 and ISO 9001.
- In Argentina, Piray MDF mill obtained its ISO 9001_2015 certification for the Quality Management System.
- In North America, MDF plant Sault Ste. Marie obtained the ISO 9001 certification and all plants updated their third party ECC 4-19 certification; Health Product Declarations were maintained for manufactured bare panels and PRISM TFL, verified by third parties; and the Composite Panel Association verified the Environmental Product Declarations (EPD) for particleboard and MDF panels manufactured in North America.

milestones

energy
busi
ness

For more than 20 years, ARAUCO has been producing clean and renewable energy from forest biomass, which arises from virtuous cycles with nature. In keeping with the provisions of the Clean Development Mechanism (CDM) of the Kyoto Protocol, the company has been investing in additional generation capacity, going above and beyond usual industry practices.

The company meets its own energy needs and contributes surplus energy from its industrial facilities to the power grids of the countries where it maintains operations. In Chile, ARAUCO is one of the primary producers of Non-Conventional Renewable Energy (NCRE), with an installed capacity of 606 MW, and an additional 219 MW to be contributed to the National Electric System (SEN). In Argentina, the company has an installed capacity of 82 MW and contributes an energy surplus of 8 MW to the country's power grid. In Uruguay, the company operates through a joint venture with Swedish-Finish company Stora Enso, with an installed capacity of 91 MW and a surplus of 50 MW for the country's power grid.

8

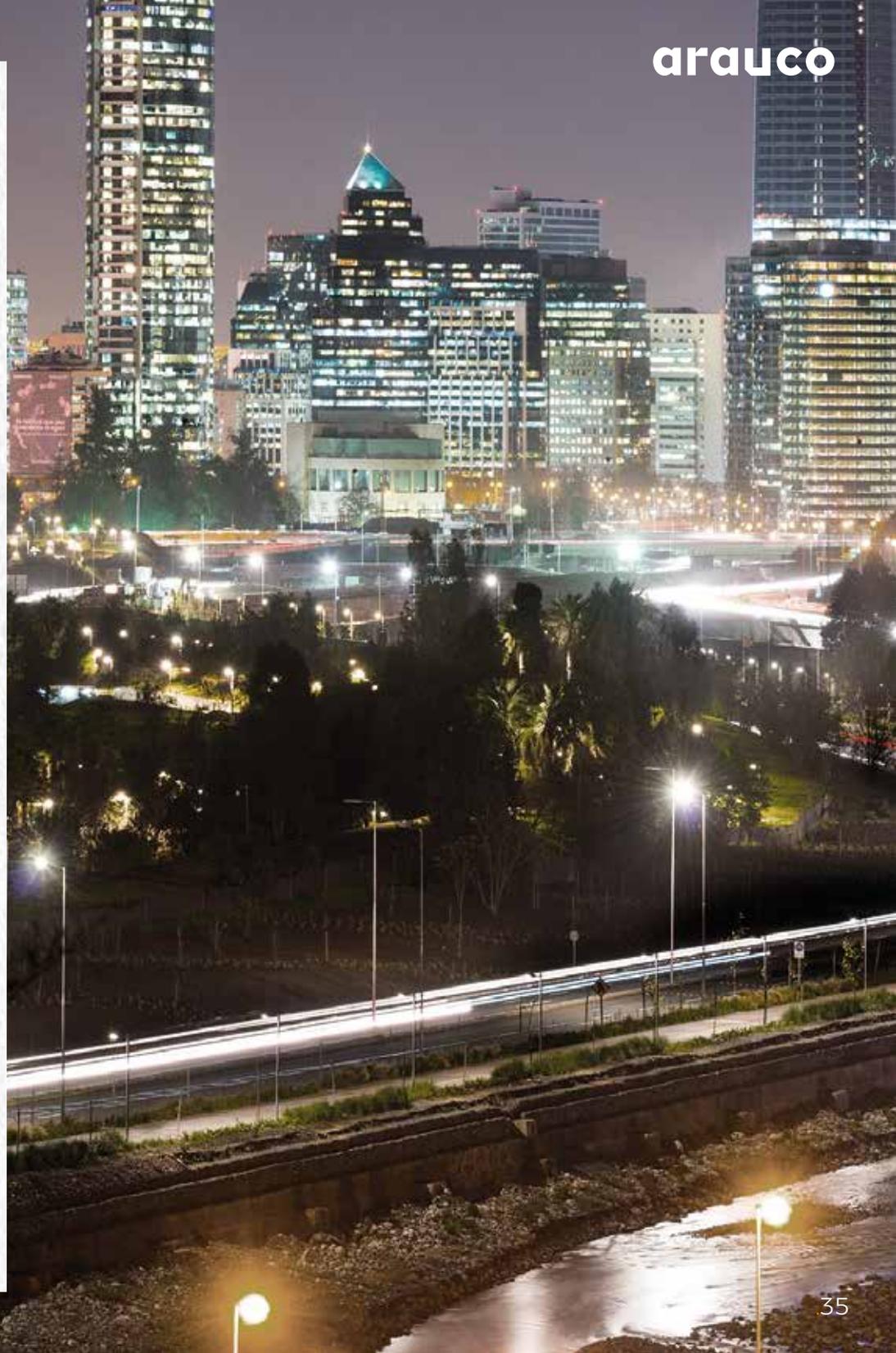
industrial plants
and 2 back-up
units in Chile.

2

power plants in
Argentina.

1

plant in Uruguay.



GHG emission reduction projects

ARAUCO has historically contributed in the fight against climate change, certifying emission reductions from residual forestry biomass-based cogeneration projects in five power plants in Chile and one in Uruguay (a Joint venture with Stora Enso). These power plants are registered under internationally recognized standards such as the Clean Development Mechanism (CDM), and annually offset about 650,000 tons of CO₂. In addition, the Viñales cogeneration project is registered under the Verified Carbon Standard (VCS).



milestones

- The Environmental Impact Assessment of Viento Sur Windfarm, located in Arauco commune, Chile, was submitted to the SEA. This project includes 43 wind turbines and an installed capacity of 215 MW.
- The net energy surplus delivered by ARAUCO's facilities reached an annual total of 781 GWh, 18% less than in 2018, mainly due to less operational availability of the plants during the year.
- In Chile, surplus energy generation accounted for about 1% of total energy generation of the national power system (SEN in Spanish), and installed power accounted for 1% of the system's total installed power.
- Total physical sales amounted to 1,402 GWh; 11% less compared to 2018. Likewise, sales associated to the energy surplus delivered to the system dropped about 27% with regards to the previous year due to an 11% drop in the sale average price.
- During 2007 and 2019 ARAUCO contributed by 8.02% to accumulated emissions reduction certifications, in the category for residual biomass-based energy generation projects registered at a global level as CDM.
- Emissions reduction certification for 109,842 t CO₂.
- Revalidation process for three emission reduction projects: "Trupán biomass power plant", "Valdivia biomass power plant" and "Nueva Aldea biomass power plant phase 1", registered as Clean Development Mechanisms (CDM).

financial **perform** mance

In 2019, the company's profit was US\$ 62 million, 91% less than in 2018. This is mainly attributed to lower average prices in the pulp business, slightly compensated by an increase in sale volumes. On the other hand, the wood business registered an increase in sale volumes, partially compensated by a drop in average prices compared to 2018.

In addition, ARAUCO's economic value generated in 2019 was US\$ 5,368 million and value distributed was US\$ 5,403.7 million, which means that profit generation was less than its distribution. Of these, 56% accounts for operational costs and 22% accounts for payment to capital suppliers. The greatest difference occurred in tax payment, which in 2019 accounted for 10%, while in 2018 it was 4%.

In 2019, ARAUCO signed an Export Credit Agency (ECA) contract with Finnvera (Finnish state-owned financing company) and three banks for € 555 million to finance the purchase of the main equipment for the Modernization and Extension of Arauco mill project (MAPA in Spanish). Since Finnvera provides financing to companies that are able to comply with the environmental and social requirements they establish, the fact that we attained this credit agreement demonstrates our commitment to sustainable development, as well as compliance with sustainability standards imposed by Finnvera.

In 2019 we issued two bonds in the United States market. In April we issued two series for a total of US\$ 1,000 million, whose funds are part of project MAPA financing, for the partial buyback of 2 outstanding bonds and other corporate purposes. In addition, in October 2019, ARAUCO became the first company in Latin America to issue a sustainable bond in the US market, for a total of US\$ 1,000 million, to finance part of project MAPA, the partial buyback of 2 outstanding bonds and other capital activities. Through this sustainable bond, ARAUCO commits to investing an equal amount in green and social projects.

projects and investments in 2019

The company invested US\$ 1,350 million in 2019; the primary project is the Modernization and Extension project of Arauco mill, in Chile. The company also has several investment projects in development.

- Modernization and Extension of Arauco Mill (MAPA), Chile
- Purchase of MASISA assets in Mexico
- Dissolving Pulp Project at Valdivia pulp mill, Chile
- Acquisition of Prime-Line, Inc., United States
- Project Teno 340, Chile
- E2E purchase of TecVerde in Brazil

Adjusted EBITDA was US\$

1,147.5
million,

38% less than in 2018.

supply chain

ARAUCO works with suppliers of services, input materials and spare parts, who impact all the company's value chain.

In order to support the social and economic development of the regions where it operates, ARAUCO works with suppliers in the areas where the company maintains its forestry and industrial operations. These suppliers provide quality products and services such as inputs, spare parts, equipment, raw materials and a few services. During 2019, the company made purchases from local suppliers for US\$2,196 million in all the countries where it operates.

inno vation

At ARAUCO, we aim to innovate combining ideas, technology, process optimization, creativity and entrepreneurship to develop new and improved solutions that meet people's needs and initiatives that aim toward social and environmental sustainability.

bioforest: excellence and research

This research center, the only one of its kind in South America, develops and applies the best technologies to maximize productivity of the company's forest and industrial resources, conducting research on processes for the Forestry, Pulp and Wood business areas in the different countries where it operates.

Today, Bioforest works with 59 highly specialized researchers and a technological network for open collaboration with experts in the different areas of operation. The center also participates in several national and international organizations that are at the forefront of industrial forestry scientific knowledge.

forestry business

- Development of new genetic material and initiation of the program for hybrids in pine and eucalyptus.
- Development of first projection of edaphoclimatic zones, using different climate change scenarios.
- Results of the Ecohydrology Project that substantiate ARAUCO's Water Strategy and the development of models for monthly volume and plantation growth.
- Identification of fungus that causes foliage damage in *Araucaria araucana*.

pulp business

- Implementation at a pilot scale of electrochemical technology for effluents treatment and processes to create products from solid waste.
- Implementation and optimization of the dissolving pulp production process at lab level and procedures to measure dissolving pulp quality.

wood business

- Lab study on adhesives for particleboard and MDF boards, formaldehyde-free adhesives, and adhesives made from natural raw material.
- Study on the production of thermally-modified plywood panels and treatment that increases the hardness and elastic modulus of sawn timber.

milestones

innova ARAUCO

This program began in 2011 to inspire, connect and coordinate innovation and entrepreneurship within the company, to create economic and social value.

The innovation model is based on three pillars: value creation for the company and its environment, development of a culture of innovation and maintaining a virtuous relationship with the innovation ecosystem.

milestones

- Development of the fifth Open Innovation Challenge, with the theme Bioeconomy; 430 ideas were submitted from 6 countries.
- E2E, of which ARAUCO owns 50% shares, inaugurated its first production plant in Chile, with a capacity to manufacture 1,000 houses or apartments per year with industrialized sustainable construction solutions in wood that use the latest technology, high precision and excellent standards.
- E2E signed an agreement to acquire Tecverde assets in Brazil, Latin America's most automated wood industrialization plant, with annual sales for more than 2,000 units.
- Advancements in projects developed with the Massachusetts Institute of Technology (MIT), through an association agreement signed in 2018. Results are expected during the first semester of 2020 for three of the projects being developed.



Digital transformation

One of the challenges that ARAUCO has embraced is Digital Transformation. The company sees this challenge as a great opportunity to incorporate new digital technologies, and through them, capture opportunities that have an impact on the business.

To drive this transformation, the company created the Digital Center in 2019, which works with expert professionals such as data scientists, UX UI designers, Agile coaches, and DevOps engineers. With the IT division, they support the company's business areas in the development of digital projects, applying tools such as Big Data & Analytics, artificial intelligence, the internet of things, among others.

The Digital Center drives this transformation with the development of work cells, which are comprised of experts from the business areas, the Digital Center and the IT division. These teams conduct their work based on the Agile method, which aims to execute projects quickly and flexibly, providing value early in the process with high impact products that are a timely response to business needs. In Chile, a total of 7 initiatives were developed in 2019.

The process began with 2 lighthouse initiatives, one of them at Trupan Cholguán mill which is part of the Wood business and the other at Nueva Aldea mill, which is part of the Pulp and Energy businesses. At present, these Minimum Viable Products (MVPs) are in the process of being strengthened and scaled. At the same time, business areas are working on new initiatives to continue to add value to their operations.

our **pro** ducts

ARAUCO uses brands for relevant product-market categories, all of which are backed by the ARAUCO corporate brand. The company aims to be recognized in the market as an expert in significant segments and to make processes easier for customers (go to www.arauco.com).



celulosa

maderas

<p>arauco BKP</p>	<p>arauco MDP</p>	<p>melamina VESTO</p>
<p>arauco EKP</p>	<p>arauco MSD</p>	<p>FA PLAC melamina</p>
<p>arauco FLUFF</p>	<p>arauco LUMBER</p>	<p>ARAUCOPLY.</p>
<p>arauco Silver Star / 明星 BKP</p>	<p>arauco ULTRA PB</p>	<p>HILam</p>
<p>arauco Bright Star / 明星 EKP</p>	<p>arauco COLOR</p>	<p>arauco PRIME LINE</p>
<p>arauco Gold Star / 金星 UKP</p>	<p>arauco DURAFLAKE</p>	<p>arauco BRILLO PREMIUM</p>
<p>arauco Soil Star / 土星 UKP FC</p>	<p>arauco TRUPAN</p>	<p>arauco MOLDURAS</p>
<p>arauco Wood Star / 木星 APSA BKP</p>	<p>arauco FIBREX</p>	<p>arauco MOULDING</p>
<p>arauco UKP</p>	<p>arauco READYWALL</p>	<p>arauco MELAMINA</p>
<p>arauco CREATE Sustainable Fiber</p>	<p>arauco DUROLAC</p>	<p>arauco MELAMINE</p>
	<p>T A B L E R E D arauco</p>	<p>arauco DECOFAZ</p>

product labeling

The labeling and marketing-communication processes follow the regulations of the country of origin and the country of destination. ARAUCO's products also carry several certifications, in accordance with customers' needs in each market and for the different products, which are labeled according to the requirements of each market.

customer satisfaction

All of ARAUCO's businesses have developed Complaint Management Systems to respond to customer requirements. Communication mechanisms range from telephone lines to direct contact. Everything is managed through standardized systems which allow the company to conduct follow-ups and improve operations, products, and services, through continuous improvement or as a means to prepare annual plans.

A customer survey was conducted in 2019 in Chile, Peru, Colombia, Argentina, Central America, North America, Korea, and Europe, which was answered by 662 consumers. According to the results obtained, 72% of respondents consider their relationship to ARAUCO as Good/Very Good; 83% consider that, in general terms, product quality is Good/Very Good; and 38% consider that the quality is superior to that of competitors.

customer engagement

ARAUCO uses several engagement mechanisms, depending on its different audiences:

- 21,400 people participated in training sessions, clinics and seminars for final customers.
- More than 7,000 people registered in a Carpenters e-class or Master Class, which are e-learning sessions for carpenters that allow them to improve their techniques and learn about business administration.
- ATS APP, an application through which customers can track the status of their orders and documentation online.
- Over 400,000 samples in markets with commercial presence.
- Active participation in related fairs.



new products

- The new antimicrobial Readywall paneling was launched in Chile and Mexico.
- Brazil presented its Avante melamine collection.
- Argentina launched the Étnica melamine line, with new designs and Stucco, a new finish.
- Prism TFL Taction EIR (synchronized registration on both faces) was launched in the North American market, alongside Prism TFL Builders Series for the Canadian market, in addition to new options for plywood (AraucoPly Primed Siding, AraucoPly Primed Beaded) and MDF - Trupan Primed MDF, Trupan High Plus HD, which is primarily used for cabinet doors.
- Introduction to TFL Shiplap at Home Depot.
- Mexico incorporated ARAUCO Melamine into the ARAUCO brands pool, offering over 35 new designs that are locally produced.
- ARAUCO Mexico created TABLERED ARAUCO, a partner network of 35 points of sale termed.
- Creation of brand ARAUCO Create, for the sale of Dissolving Pulp, which will be produced at Valdivia pulp mill.



4.

people of
exce

llence



our team

Working with people of excellence who can embrace the challenges of the future and achieve results sustainably, is part of ARAUCO's business strategy. The company places people's health and safety as its first priority; promotes their development alongside communities and the environment and aims to create environments of trust with empowered work teams and leaders that, can develop effective teams.

The key processes to move forward with this challenge are attraction and selection, performance management and talent mapping.

In attraction and selection, the aim is to highlight aspects that make ARAUCO a more attractive company to work for and anticipate challenges, attracting talent for the required positions. In 2019, work was done to strengthen the attributes that distinguish ARAUCO and make it unique, especially being a global and renewable company.

In terms of training, the company initiated a new model in 2019, whose objective is to increase workers' technical level in order to improve performance and set up their future development.

In performance management, emphasis was placed on achieving a continuous process, with focus on feedback and the quality of conversations. To do so, the Talent Review instance was implemented, which ensures the development and follow-up of individual development plans to manage the talent of outstanding performance and address gaps in low performance cases.

During 2019, with the acquisition of production facilities in Mexico, 742 workers joined ARAUCO's team in that country.

18,119

employees.

Employment through contracting businesses includes

22,890

contract workers.

our
**va
lues**

- **Safety, always first**
- **Commitment, we work with passion**
- **Teamwork, together we are more**
- **Excellence and Innovation, we want to be better**
- **Good Citizenship, we respect the environment and create value**

2,772

people were hired in 2019 in the different countries where ARAUCO is present.

Turnover rate of

0.6 %

at the consolidated level.

recruitment

ARAUCO aims to maintain the best conditions to attract talent and employs selection methods to identify the capabilities needed to exercise each role in accordance to the challenges of the business. In addition, the company has a Recruitment and Selection Policy in place that favors equal opportunity and provides a standard that promotes transparency, efficiency and fairness in all the company's recruitment processes, whether internal or external, ensuring that vacant positions are filled with the best and most suitable applicants, in accordance to ARAUCO's profiles and values; and considers several principles that aim to ensure non-discrimination during the selection process.

The company also has a formal inclusion program in place that promotes the work of people with disabilities and provides support, including a benefit plan that reinforces State-provided benefits. In addition, it includes accompanying support of external specialists to reinforce this program in the organization's different areas. In 2019, the company worked with 141 accredited people in its several facilities in Chile.

At the same time, ARAUCO aims to actively contribute to employability in the areas where its facilities are located, relying on direct communication channels with the Municipal

Office for Labor Intermediation and Industrial Schools, through which it seeks to advertise job opportunities and identify applicants from different locations.

In addition, the promotion of local employability materializes in several initiatives, such as training plans for neighbors of the company's new industrial projects, so that they can acquire competencies and knowledge to be hired as company workers; tender processes for new projects that include the local workforce, where the company commits to the hire of a percentage of local workers, as is the case with Project MAPA; and employability improvement, by providing training courses for the community in order to strengthen their education and job placements.

To date, for example, 189 ARAUCO workers or contract workers studied or are studying at Campus Arauco, which started as an alliance between Duoc UC and ARAUCO, and involves a quality teaching model open to young people and the community, with programs associated with the area's production sector. In addition, the program works with 95 tutors who are experienced workers with excellent performance and a calling for training. They transfer their knowledge to the students at Campus Arauco, supporting and

sponsoring the training effort of over 160 dual students who are annually admitted into the Campus.

In terms of internal mobility, ARAUCO promotes and supports the interest of employees in the search for better opportunities for professional development within the company, strengthening the commitment and support of supervisors to motivate and identify workers who display adequate performances and have potential for development. Thus, internal recruiting allows the company to fill in vacancies, which are announced on the internal mobility site.

During 2019, 1,238 people acquired new responsibilities as a result of promotions and internal competitions, allowing the company to ensure equal opportunities and recognize performance through internal selection processes that chose the best applicants for promotions to other positions, combining company requirements with employees' motivation. Most mobility processes were conducted in Chile and Brazil.

milestones

- Implementation of ONB and RCM modules on Success Factors, which allows for greater control, visibility, and traceability of selection processes. Additionally, the internal mobility site was integrated.
- The selection and hiring process of people that will be part of Project MAPA's operation was developed. Selection for the Project Commissioning stage began in late 2019.
- Production area teams in different locations of the Wood business were internalized.
- Integration of people with disabilities as part of the Inclusion program.

wages and benefits

ARAUCO provides its employees with wages and benefits in accordance to the market, considering opportunities for each person's development in relation to their performance. The company also manages wages by defining uniform criteria within ethical and technical principles for the evaluation of job positions, allowing it to comply with internal fairness principles and external competitiveness.

The company annually reviews the compensation structure in order to adjust the wage levels to the dynamics of the labor market in each country, while also considering the development opportunities of each person in relation to their performance

In addition, ARAUCO established a base pay standard that widely exceeds the minimum legal wage, according to the conditions of each country.

ARAUCO also offers its employees additional benefits, which vary according to the business, country, and reality of each operation zone, in compliance with the legal regulations that govern recruitment in each of them. These benefits include food, transportation, life and health insurance, scholarships, and agreements with retail stores, local institutions, and benefits associated with specific events in the lives of workers.



comprehensive develop ment

training

ARAUCO developed a new training model to prepare workers for the challenges of the industry, increase their technical level, improve their current performance, and set up their future development.

The new model aims to drive programs leveraged on the challenges of the business through new learning methods based on taking advantage of internal knowledge and capacities, in a continuous and permanent training cycle associated to the professional development of employees.

RED FORMA

NETWORK OF TUTORS AND TEAGHING GUIDES

Nearly

450

tutors and teaching guides that drive learning processes.



5

teaching guides



37

expert operators



311

company tutors



94

tutors at Campus Arauco

1,977 people trained in internal abilities

112 alumnos duales del Campus Arauco

milestones

- Implementation of the new Technical Training method in Chile; late in the year it expanded to Brazil and Argentina.
- 4,189 people underwent training processes in each business; Pulp: 1,556; Wood: 767; Forestry: 1,866.
- Creation of Red Forma, with the participation of nearly 450 workers. Expert operators, tutors and teaching guides drive learning processes using their knowledge and experience in the industry and forestry area.
- The Trainer of Trainers program was implemented within the framework of Red Forma, which trained 140 tutors at ARAUCO to provide them with new knowledge for on-the-job transference.
- 127 students of Campus Arauco's second generation graduated.
- The first generation of dual students at Campus Arauco earned their degrees in the Maintenance and Electricity programs; 37 professionals completed an innovative training program that combines education with on-hands practice at the facilities of the Horcones Complex.
- The dual training mode was extended to Campus Duoc UC San Andrés in Concepción for Nueva Aldea and Trupán Cholguán complexes.

unprecedented training plan at MAPA

In order to prepare the people who will become members of the team that will operate the new Line 3 at Arauco mill, the company implemented the MAPA Training Program, which has trained about 190 workers for the Operations area, providing them with the necessary tools to face the challenge of starting up the mill.

The objective is to hire workers two years before the mill enters into operation, so they can take part in this intense training stage, which included the cooperation of several players in its design and implementation, such as Duoc UC, through the alliance that drives Campus Arauco, institutions of the Biobío Region and specialized areas of the company.

This program has driven the Dual method, combining applied theory and on-the-job learning, regaining the company's internal know how, in addition to the use of new technologies through process simulation.

perform mance management

ARAUCO has positioned Performance Management as the most important process to advance the development of our people, installing it as a business process, with leaders as principal actors in their teams' performance management. The company has defined a model that focuses on five competencies in the evaluation, which are essential in order to make a difference, and has placed special emphasis in the quality of evaluations as well as in feedback, to promote a culture of high performance in all the countries where ARAUCO maintains operations.

The process includes a self-evaluation and an evaluation conducted by leaders regarding the performance of their teams. Then comes the calibration stage, whose objective is to ensure the consistency of evaluation criteria among evaluators of a same area, ending the process with a feedback session.

milestones

- Unification of the Performance Management in all the countries where ARAUCO has operations.
- Performance Management process conducted in Argentina, Brazil, Chile, Mexico, and North America for all workers in executive and supervisor roles.
- Implementation of Talent Review in the process, which focuses on the preparation and follow-up of individual development plans to manage the talent of outstanding performance and address the gaps in cases of low performance.
- Performance evaluation for all the general role (except North America and Argentina).
- Implementation of a single platform (Success Factors) to manage all human resources processes comprehensively; this was set up in Argentina, Brazil, Chile, Mexico, and North America. supervisor, and executive role.

13,285

workers were evaluated in the general role, supervisor, and executive role.

identity, commitment, and **climate**

organizational climate

A good work climate facilitates the development of employees and contributes to having teams that are more motivated, which is essential to meet challenges. Thus, the climate survey has consolidated as a global process to understand the organization, find strengths and opportunities for improvement, and provide leaders with information to optimize team management.

ARAUCO measures its organizational climate with an annual survey at the global level, containing 64 questions that aim to identify strengths and opportunities for improvement and provide leaders with information to optimize their teams' management. Workers can express their opinions regarding the company, their teams, and the quality of leadership. This survey has already become a highly participatory and confidential process.

In 2019, the climate survey was applied in Chile, Brazil, Argentina, Mexico, North America, and the different sales offices at the global level. Results of the ARAUCO 2019 Global Climate Survey showed a 5-point increase compared to the previous year, with 80% favorable answers, which clearly positions ARAUCO's climate as a company strength.

The challenge for 2020 is to maintain a good organizational climate throughout ARAUCO, share best organizational practices and promptly address the gaps that may be found in some areas.

corporate volunteering

In Chile, ARAUCO drives workers' participation in community-oriented projects through Acerca Redes Foundation and competitive funding.

In total, 43 competitive fund initiatives were developed in 2019, with the participation of 191 employees in volunteer programs, which resulted in 1,934 volunteer hours.

In Mexico, during 2019, the company worked on the recovery of public areas in front of the mill in Lerma, state of Mexico, the reforestation of Sierra Morelos park; reforestation on sites near Zitácuaro mill as part of the "Summer EHS 2019" initiative, conversations about the environment and the delivery of bonuses at neighboring schools of the Durango community.

In Argentina, workers were invited to propose concrete actions to positively transform each community. Through a Call for Initiatives, teams from different areas proposed 18 volunteering actions, of which three winners were chosen. The activities selected will be carried out during 2020.

organizational communication as the foundation of commitment at ARAUCO

The company promotes open, timely and transparent communication as a key element to maintain the organization aligned and committed to new challenges and express the desired organizational culture through its corporate values.

ARAUCO's organizational culture is present every day in different encounters, extended meetings and presentations held among the company's leaders. This culture is also constantly being reinforced in the different communication mechanisms such as the corporate intranet, ARAUCO Voices, e-mails, workplace screens, bulletin boards and presentations via streaming organized by the company's primary leaders.

milestones

- 2018 Extended Meeting Results, 2019 Challenges and Safety Day, which were attended by more than 1,500 people and transmitted via streaming to employees in Argentina, Brazil, Chile and North America.
- The company has not remained indifferent to the social crisis that began in Chile in October, understanding that it affects people, organizations, and the community. An open dialogue process was launched within this context, named ARAUCO Dialogues. All ARAUCO employees in Chile were invited to participate. This was an unprecedented process to listen to employees genuinely and respectfully, in which about 85% of all workers voluntarily participated, sharing experiences and suggestions in order to continue to contribute to the country's development and progress.
- The weekly newsletter ARAUCO Voices reached global scale, including news from all the countries in which ARAUCO operates.
- Extended streaming sessions in the Forestry, Wood, Pulp and Energy business areas.

collective
contracts and
**agree
ments**

ARAUCO promotes mutual respect, openness and transparency as aspects that guide its relationship with employees, negotiating groups, unions, and their representatives.

To promote a good relationship, the company fosters an environment of collaboration and participation, in accordance to the Code of Ethics, internal regulations and current labor laws. In Chile, there are 31 unions in the different business areas.

Collective bargaining processes are developed in strict adherence to regulations established by law on the matter. Conversations with unions and negotiating groups are held in an environment of mutual respect and cordiality, agreeing on conditions and improvements for employees for a maximum of three years.

con tract workers' management

ARAUCO works with contracting businesses, especially for the development of the Forestry business. Contracting businesses provide highly specialized services such as harvesting, transport and road construction. In 2019, ARAUCO worked with 11,395 employees from 202 service-providing companies.

ARAUCO monitors service companies' compliance with internal standards such as protocols, regulations and certifications, and compliance with current legal regulations through occupational certification processes, throughout the entire contractual relationship.

The certification process has a monthly frequency and is monitored through the performance evaluation system, which measures compliance with productive, economic, environmental, occupational and financial goals, and generates action plans

During 2019, the Forestry business decided to advance toward a new relationship model with outstanding businesses in their sector, in order to become "Strategic Partners", a concept that describes a highly productive company that develops its operations with excellence, working with controlled

risks within a sustainability framework, in alignment with the business model. The Strategic Partners process will be gradually implemented, starting with aerial harvesting.

In addition, ongoing training was maintained in 2019 for service-providing businesses, regarding incorporation of the LEAN concept in their operations. This involved theoretical-practical training, as well as an ongoing training program for operational leaders on LEAN methods, focusing on performance dialogues.

The company also developed an implementation plan for Solid Barriers, to control accident risks due to the violation of safety distances during cable logging tasks.

Additionally, the company implemented the “Safealign” Program, which aims to develop skills among supervisors and strengthen the role of oversight to positively impact ARAUCO’s safety performance through the application of tools in accordance to global best practices.



5.

occupational
health
and safety

arauco



safe ty

At ARAUCO, the value of safety is “Always a Priority”. The company is determined to emphasize this through the implementation of the corporate management model “Together for a better life”, which is based on best practices and three guiding principles: empowered workers, safety teams and work well done.

Taking these principles into account, the model aims to grant each person working at ARAUCO a leading role in relation to his or her own safety and that of their coworkers, considering that each must be a safety worker, aware of their self-care and must therefore understand his/her job and the risks that must be prevented. Workers must also be aware that they’re not alone and that a Safety Team is needed to provide guidance, friendliness and, above all, mutual care. In addition, this Safety Team is part of an organization that creates the conditions for Work Well Done: work that is safe and productive at the same time.

1,841

safety teams



In this sense, the conditions provided by the company are summarized in a model comprised of four commitments that must be embraced and 16 areas of work that organize the initiatives. The model aims to empower work teams so that they can take on a more prominent role in their safety.

To date, 1,841 Safety Teams have been put together, of which 887 are in the Wood business in Chile, Argentina, Brazil and Mexico; 261 Safety Teams in the Pulp business in Chile and Argentina and 693 Safety Teams in the Forestry business in Chile, Argentina and Brazil.

The challenges the company has outlined in terms of safety aim to continue to consolidate the “Together for a better life” Model, installing a culture of Work Well Done; work on the prevention of High Potential Incidents; expand the scope of the SAP EHSM project to all countries in order to have a single global tool for the incident management process; implement the model in the United States and Canada and implement controls associated with the Alcohol and Drugs Policy.

prevention programs

ARAUCO develops several prevention programs to address safety on the job:

- Corporate management model “Together for a better life”, which is integrated into current integrated management systems. This same model promotes the assembly and functioning of safety teams; thus, workers take on a more prominent role in their own safety and the safety of their coworkers.
- Safety Teams and Leaders systematically apply the safety practices outlined by the company.
- Learning transfer, applicability analysis and treatment of High Potential Incidents (HPI).
- Implementation and confirmation of the Corporate Operational Standards (COS), which establish requirement that allow the company to align procedures, fact sheets, regulations and norms, and others.
- Implementation and confirmation of key safety rules.
- Programs to strengthen leadership in safety, such as Cascading Safety, Safety Contacts and Safe Align.
- Safety audits to confirm occupational health and safety standards, processes, and roles.
- Mechanization and implementation of safety systems and technologies in critical processes.
- Safety campaigns.

- Workers’ involvement in innovation challenges that collect and develop ideas suggested by employees, and in operational excellence projects that impact occupational health and safety. These projects are developed by workers with the support of continuous improvement teams.
- Safety and health joint committees (Chile, Argentina, Brazil, and North America), ergonomics committee (Brazil), psychosocial committees and health culture committees. All of them are comprised of employees’ representatives, union leaders and others.

2019 safety indicators

DARAUCO experienced a 22% increase in Accident Frequency (AF) in 2019, and a 22% reduction in Severity Rate 3 (SR3) compared to 2018, which according to corporate benchmarking, positions AF in a higher category and SR3 in a standard category. In addition, the company’s lost time injury rate reached 3.8, with 183.1 days lost for every one million man hours worked.

In 2019, a total of 16 facilities were at World Class level in terms of frequency and/or severity rate indicators: Nueva Aldea sawmill (Chile), Trupán mill (Chile), El Colorado sawmill (Chile), Bioforest (Chile), Forestal Misiones (Argentina), Pien mill (Brazil), Duraflake plant (USA), Carolina PB plant (USA), Forestal Delta (Argentina), Sault. Ste. Marie plant (Canada),

Durango chemical plant (Mexico), Biscoe plant (USA), Durango MDF – PB plant (México), Montenegro plant (Brazil), Distribution centers and offices in Mexico, Grayling PB plant (USA).

In addition, 8 facilities in 2019 celebrated more than a year without accidents: Bioforest (Chile), El Colorado sawmill (Chile), Durango chemical plant (Mexico), Forestal Delta (Argentina), Duraflake panel mills (USA), Carolina PB (USA), Biscoe (USA) and Sault St. Stephen (Canada).

However, during this reporting period, the company had to mourn the loss of Mr. Mario Iván Montoya (R.I.P.) due to a work-related accident. Mr. Montoya worked as a Head Choker Setter at Antumapu, a contracting business that provides service to ARAUCO.

milestones

- The “Together for a better life” management model was furthered through practices such as ABC 123, Visible Leadership, and the identification of precursors to proactively address safety.
- The assembly of Safety Teams in Chile, Argentina and Brazil is completed. Mexico put together 13 pilot teams.
- Safety sessions were held in Chile, Argentina, and Brazil to share learning and best practices among safety teams and communicate challenges and strategic approaches to Occupational Health and Safety.
- The first survey regarding the management model was conducted. The purpose was to learn about its adherence and set a base line to measure its evolution; 973 people participated in Chile, Argentina, and Brazil.
- Implementation in Chile of a single system for all three businesses, to notify and process incidents (SAP EHSM), which provides timely information on HPIs and serious accidents in all facilities and establish criteria for a common warning distribution that focuses on what is relevant.
- Development of a preventive control procedure for the implementation of the Alcohol and Drugs Policy.

occupa tional health

ARAUCO is determined to ensure the regulatory framework for Occupational Health in all the company's processes; generate healthy work conditions that foster the high performance of workers; promote illness-free operations with healthy employees, and promote a culture of health that encourages a healthy lifestyle.

The prevention of work-related illnesses is the result of the correct implementation of two key stages in Occupational Health. The first is environmental surveillance, which consists of the identification, evaluation and control of risks workers may be exposed to.

The second is medical surveillance, which aims to prevent or find an illness in its subclinical or presymptomatic phase in order to take the appropriate measures to reverse the effects or to delay its progress toward the clinical state. These medical evaluations are conducted on personnel exposed to occupational disease risks.

The main risks that workers are exposed to are noise, formaldehyde, musculoskeletal disorders and, currently, psychosocial risks. The way to mitigate them is by correctly identifying the agent and the areas where it is present (occupational hygiene programs); conducting environmental assessments and then implementing control measures to minimize the risk, which include engineering measures, administrative controls and the correct use of personal protective equipment.

All workers who are exposed to an occupational disease risk are medically evaluated through periodical medical surveillance exams. As part of the control implementation process, each worker is trained on the risks to which he/she is exposed to and the measures available to minimize the risk of occupational illnesses.

Additionally, the company implements ergonomic programs that include periodical evaluations and the ongoing search for improvements in the performance of tasks. Employees who work in high risk activities are medically examined to determine their health aptitude to safely perform in such activities. The incidence of chronic non-transmissible illnesses such as obesity, diabetes, high blood pressure, structural spinal pathology, and others, are specially evaluated within these controls.

The company also develops several programs that focus on employee health, such as, for example, the Hearing Conservation Program, the Respiratory Protection Program and the Ergonomics Program. Workers are also regularly trained on the proper use of personal protective equipment.

In Chile, health is promoted through the Health Culture program, which aims to foster conditions that will allow a healthy and comprehensive development of all the people of ARAUCO while they remain in the company. This program is based on five pillars: healthy work environment, nutrition, alcohol and drug-free workplace, physical activity, and family.

In Brazil, the company implements a hearing conservation program, a respiratory protection program, an ergonomics program and vaccine control.

In Mexico, psychosocial risks are starting to be systematically addressed and a policy was established that includes this commitment, as well as the procedures to conduct a survey for risk identification.

In Argentina, the company emphasizes mandatory compliance with the adult influenza immunization schedule.

Last, in 2019 the ARAUCO started to implement the Alcohol and Drugs Policy, which establishes among its principles substance abuse prevention; rehabilitation to support employees that require assistance due to excessive consumption and control through early detection of possible risk cases. The policy is expected to go into effect in all countries during 2020.

milestones

- The implementation of the Health Culture program continued in Chile.
- In Argentina, the company began to disseminate the Health Culture message.
- In the Forestry business area in Chile, the study “Nutritional diagnosis of service-providing drivers” was conducted in a joint effort with the School of Nutrition of the University of Concepción. The study evaluated the diet consumed by forestry truck drivers in terms of energy contribution and quality. The second stage seeks to improve the dietary conditions of these workers.
- In Brazil, the company revised the occupational ergonomic analysis of all the job positions.
- In Chile, comprehensive health evaluations were conducted on workers contraindicated by occupational examinations, allowing 139 employees to return to work, improving the number of workers recovered by 82% compared to the previous year.
- In Mexico, the company established a policy and survey to detect and address psychosocial factors.
- In Argentina, the company actively strengthened the periodical quality exams and consolidated the epicrisis process, which involves clinical history summaries with medical occupational criteria.

joint committees

ARAUCO maintains Joint Committees on Health and Safety (CPHS in Spanish) in Chile, Argentina, Brazil, Mexico, and North America which represent 100% of company employees in those countries. These committees identify, analyze, and prevent the dangers of work-related accidents and occupational illnesses. All these countries, except for Argentina, have legal bodies that regulate the actions of joint committees.

67 joint committees.

CPHS committees play an essential role in managing health and safety at ARAUCO, functioning as a technical organization for the joint and harmonious participation between the company and its workers, actively participating in committees for cultural change to define and follow-up safety plans set forth at each of the facilities and forestry operations.

The company's challenge is for joint committees to achieve full maturity in their function and excellence in their mission by implementing voluntary certifiable management standards and participating in cultural change committees, which are concrete contributions to the consolidation of ARAUCO's safety culture.

In Chile, joint committees operate under a certification scheme provided by the Insurance Administrating Agency of the Law for Work-related Accidents and Occupational Illnesses. In this line, the joint committees of ARAUCO and its contracting businesses were certified to the Chilean Safety Association standard (ACHS in Spanish), two of which reached intermediate level and 51 reached the initial level.

6.

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participation
and dialogue



com muni ty

participation
and dialogue

ARAUCO aims to contribute to the development of local communities through a strategy based on dialogue and participation; the development of programs that create shared value, with high standards and technical excellence; collaboration and development of alliances; and work performed from and for the territory. Thus, the strategy's purpose is to implement programs, install capacities and create alliances that contribute to the well-being and development of communities and to business sustainability.

These programs are categorized into work areas defined according to the reality of each country where ARAUCO maintains operations, contributing to the local development of the different territories and generating instances to engage and foster transparent and honest communication with relevant stakeholders.

The company maintains ongoing dialogue with its neighbors to identify and reduce possible negative impacts derived from its operations and seeks opportunities to increase its contribution to local development.

In Chile, the company implemented the Local Reputation Index in priority communities to assess its reputation and learn about how its neighbors evaluate the present and future of their communes. This information becomes input material for the company's business management.

Over
50
programs in development.

About US\$
10
million in annual expenses.



sustainable development goals at ARAUCO

ARAUCO, through several initiatives for sustainability, has identified opportunities to increase its contribution to the 17 Sustainable Development Goals (SDG), incorporating this challenge into the company's sustainability strategy.



ARAUCO and its **stakeholders**

ARAUCO promotes the participation of its different stakeholders and considers their perceptions, interests, and expectations. To this end, the company has created several formal and permanent instances for dialogue.



local
development
projects

Campus Arauco - Chile

An education center that combines education and practical training in the workplace through a strategic alliance between ARAUCO and Duoc UC. This initiative aims to generate options for technical and professional education. In 2019, Campus Arauco held its second graduation ceremony, with 130 graduates from the Maintenance, Administration and Risk Prevention programs, and the first generation of 37 students in the dual education mode of the Maintenance program earned their degrees after completing their theory-practice training at ARAUCO facilities.

Arauco Educational Foundation - Chile

This program aims to place teachers at the center, as essential actors of educational changes. Its focus has been to strengthen the competencies and practices of practicing teachers, which ultimately leads to improvements in student learning.

In 30 years, the Foundation has carried out 79 education programs in 34 communes, benefiting 575 schools and 5,141 teachers who have provided and/or provide education to 101,940 boys and girls.

During 2019, the organization continued to participate at the Education roundtable of the Compromiso País initiative, which seeks to develop joint work between the public sector, academics, civil society, the private sector and citizens to address one of the 16 issues raised by the Ministry of Social Development in the 2018 Vulnerability Map.

In the initiative termed “Boys, girls and teenagers between the ages of 5 and 18 who do not attend an education establishment”, three lines of action were set forth, one of them being the prevention of exclusion from school. To address this, the Foundation created an alliance with the Center for Advanced Research on Education (CIAE in Spanish) and Andalién Sur Public Education Service to design and define a program with 12 establishments in the area to strengthen capacities and practices for the promotion of positive educational trajectories.

Schools of excellence - Chile

Since 1981, ARAUCO has founded three schools, Arauco, Constitución and Cholguán, which combined have over 1,200 students. The three establishments are recognized for their levels of academic excellence and their achievements in the comprehensive development of their students.

Acerca Redes Foundation - Chile

The Foundation aims to have an impact on territories that are located far from large cities, by following the logic of network articulation, understanding the challenges in the areas where it is located and connecting the skills and experience of the global ecosystem to serve organized communities, local entrepreneurs and social innovators.

In 2019, the organization impacted 45 communes through 14 programs, projects and initiatives that are part of the company’s national entrepreneurship and social innovation strategy for local development.

Program for Forest Gatherers - Chile

This program impacts more than 400 gatherers of non-timber forest products (NTFP) in 20 communes across five regions in Chile. It aims to drive, disseminate and promote forest gathering as a professional, sustainable and responsible economic activity, through associative work articulated by different actors, strengthening skills, installing capacities and providing tools for entrepreneurship and innovation in production processes, thus contributing to the local development of 24 gatherers’ associations.

In order to strengthen the visibility, valuation and self-appreciation of the wild gatherers’ trade, in 2019 the company created the Wild Pantry network on Instagram and Facebook, which seeks to create a value proposition for the knowledge of forest gatherers and the properties of their products and preparations.

Water Challenge - Chile

Through collaborative work, this program provides neighbors with a specialized team to develop water projects for human consumption with the purpose of contributing to improve the living conditions of neighboring communities, generating solutions to facilitate access to water.

To date, 131 projects have been developed, including improvements in drinking water systems for communities and schools, engineering designs, hydrogeological studies, etc. These projects have benefitted 27,000 people in 44 communes.

Mapuche Program - Chile

ARAUCO engages with 404 Mapuche communities in four regions of Chile. In 2012, the company established a Relationship Policy with the Mapuche people, which was drafted in a participatory process and establishes commitments that are permanently evaluated and updated.

The Mapuche Program aims to create development experiences in specific territories, from the perspective of shared value. To this end, through ARAUCO's Mapuche Consultation Council and a participatory design, the company prepared several projects to co-manage territorial development and address the relationship with these communities from the perspective of long-term shared interests.

Additionally, in 2019 the company strengthened its program on learning about and recognizing the Mapuche world, by implementing a new Training Plan for employees on Mapuche cultural issues and competencies for intercultural engagement. During the year, this program provided training for over 200 workers who directly relate to these communities.

Likewise, the company provided support to Aitue Foundation, which works on promoting knowledge and public policies associated with Chile's indigenous people, embracing their multiculturality.

Housing Program - Chile

Program that provides support through accompaniment plans during the public housing application process, during the hire of third party experts and the search for and evaluation of land to build housing for workers, workers of service-

providing businesses and families living in the company's area of influence.

In 2019, the company delivered 216 new houses, initiated the construction of 714 houses and 2 projects applied to subsidies. In total, 1,750 homes have been built since the program started.

Forestry World - Travelling Van - Argentina

Created to participate in the main celebrations, fairs and events of communities where the company maintains operations, the travelling van provides a didactic and entertaining experience for neighbors to learn about the characteristics of the forestry activity through the latest technology.

In 2019, Forestry World participated in the Rural Exposition in Buenos Aires, held during winter break. It was the first time the Travelling Van had contact with a mass family audience outside Misiones. During the event it was visited by nearly 3,000 people, many of whom did not know about the forestry industry.

“Young People and Sustainability” Education Program - Argentina

This program is directed at students in high school and young people who do not work and are not in school. It seeks to provide them with training and motivation toward sustainable projects, in a joint effort with schools and municipalities.

Ongoing Teacher Training Program - Brasil

The purpose of this program is to maintain and/or improve

the Basic Education Development Index. (IDEB), focusing on Portuguese language and math. The program was developed with the municipal education secretariats, and in 2019 it carried out 25 actions in 14 municipalities where ARAUCO is present, with 2,857 participating teachers.

ARAUCO Environmental Education Program - Brazil

The program aims to foster and promote environmental awareness and transformation among the fourth- grade municipal school community where ARAUCO operates. The program was developed in 6 municipalities during 2019, with the participation of 650 students of the municipal education network.

ARAUCO Cultural Circuit Program - Brazil

The purpose is to provide opportunities for children in public elementary schools and the community to gain access to culture, knowledge, and art, by developing programs in nine municipalities where ARAUCO operates. In 2019, 8,700 students and community members participated; 32 students were awarded school materials in the design contest.

Salvation Army Adopt an Angel Program - North America

Campaign organized by employees in North America and the Salvation Army (international organization whose objective is to provide assistance and dissemination in disasters through local actions) to collect gifts and sponsor the holidays for an “angel”, an underprivileged child or a senior citizen..

Food Pantry Program - North America

In Bennettsville, volunteers from ARAUCO’s plants develop a food caravan to deliver supplies to the Food Pantry through the “Bread of Life Food Pantry” campaign, which has provided support to the community for the last 35 years, helping an average of 850 families each month with donations and volunteer services.



participation and dialogue **initiatives**

Participation and dialogue are essential factors as tools to engage with different stakeholders, promoting spaces to share opinions, information, and ideas in all the localities where ARAUCO operates. Permanent dialogue allows the company to anticipate, learn about community needs and include their concerns.

Roundtables - Chile

Periodical instances to engage with neighbors near industrial facilities, plants, and neighboring communities, to address social, environmental, and indigenous community issues such as water, the impacts of forestry operations, productive development projects, and others.

Participatory monitoring of commitments - Chile

The Forestry business area implemented participatory monitoring, to monitor the impacts of ARAUCO's operations. This ensures that daily operations are carried out with respect to what was agreed with the respective communities, in consideration of the community consultation process.

Open Houses - Chile

Engagement spaces that aim to display presence and generate direct dialogue with the communities in which ARAUCO maintains forestry and industrial operations, registering and talking about the issues that are of interest to communities near our operations.

Guaraní Community Relationship Program - Argentina

The purpose of this program is to build a relationship between the company and the community within a framework of respect for the Mybá Guaraní culture, facilitating access and use of resources traditionally employed within ARAUCO forestland. As a result of this relationship, the company identified over 20 High Conservation Value Areas (HCVAs) of shared interest.

Dialogue with Neighbors - Argentina

Based on several questions and concerns expressed by neighbors or Puerto Piray and Puerto Esperanza, the company decided to open a space to listen to their expectations and report on the company's management, which built ties between the company, the community and shared value. In addition to the dialogues of Puerto Piray and Puerto Esperanza, ARAUCO plans to initiate dialogues in Puerto Libertad in 2020.

Forestry-environmental Dialogue - Argentina

This instance for dialogue arose from the need to strengthen ties between environmental organizations and society, academics, relevant community members, governments and authorities of the Alto Paraná region in the Misiones Province, creating an agenda for sustainable development.

Consultation and monitoring process of social impacts derived from operations - Brasil

This initiative focuses on identifying the impacts of the company's forestry operation and involves the stages of pre-operation, during operation and post-operation of the plantation activity. In all stages, communities and their residents are informed of and consulted on possible impacts resulting from forest management activities and may submit suggestions to reduce or eliminate the impact.

communication and response mechanisms

ARAUCO has developed and actively manages several mechanisms, platforms and tools to maintain ongoing and open communication with different stakeholders, facilitating the dissemination of information of interest and the timely reception of questions and concerns. Telephone lines, websites, e-mail addresses and social network accounts on Facebook, YouTube and Twitter are available.

In 2019, the Integrated Management System implemented in Chile received

2,364

contacts through a call center and web platform.

MAPA (Modernization and Extension of Arauco Mill)

The start-up and construction of project MAPA initiated a new phase in the growth and development process that began in 2012 and that has been marked by joint work with the community and its authorities, to develop a project that represents a significant contribution to the country.

The construction stage represents a renewal of ARAUCO's commitment to the commune and the province, aiming to contribute to employment and energizing the local economy and development.

On one hand, the purpose is to strengthen employability and enable space for entrepreneurship, taking maximum advantage of the MAPA construction stage to contribute to strengthen human capital, generating more employability and entrepreneurial ability in communes that are directly associated with the project.

The company decided to concentrate its employment and entrepreneurship efforts in four priority communes (Arauco, Lota, Los Álamos and Curanilahue), creating new opportunities for people's development and work availability. E+E Agency was created to strengthen local employment and make it compatible with the needs of workers and contracting businesses to increase the employability of people living in these communes, in accordance to the requirements established in the environmental authorization (RCA 37).

E+E Agency aims to promote local capacities so that people can gain access to MAPA job opportunities and quality jobs in the future, in other words, to increase employability beyond project MAPA. Considering that training for workers is essential, the company, alongside public services, municipalities, and contracting businesses have initiated several efforts to provide training to people in these priority communes and strengthen their abilities. By December 2019, 27% of the project's total workforce accounted for local hire (Arauco: 689, Los Álamos: 67, Curanilahue: 197, Lota: 524) and about 80% come from the Biobío Region.

In addition, this is an opportunity to promote entrepreneurship in services that could be required by workers and their contractors. Work is being done to strengthen and coordinate the offer of local accommodation and food services; strengthen the businesses of entrepreneurs who have advanced in this matter and drive others to decide to offer services with a perspective toward long-term development.

On the other hand, MAPA has a wide range of social projects that seek to contribute to local development on issues such as infrastructure, equipment, productive development, education, and culture. Work is being done from the perspective of building shared value, and this includes measures that directly benefit local communities, and commitments made to people who belong to indigenous communities.

The plan includes the development of community projects from the initial stages of implementation, which have been designed with the community as part of the MAPA citizen participation process and further processes for collaborative work.

A total of 30 social projects will be developed, including the construction of a wastewater treatment plant in Laraquete, rural drinking water projects in Horcones and Chillancito, sports equipment, improvements for shared areas, support for the development of artisanal fishing, and at least nine neighborhood centers in different localities of the Arauco commune, as well as other measures.



corporate commitments to external **initiatives**

ARAUCO recognizes the value of working in partnership with other actors, particularly when addressing complex challenges that have multiple points of view.

The company maintains a permanent relationship with academic institutions, NGOs and trade unions, with whom it aims to strengthen networks and multi-sector cooperation.

participation in public policies

ARAUCO participates in the discussion of issues relating to its business and to any of the aspects contained in its Sustainability Strategy. The company also presents its position regarding regulations that may influence its operations or economic performance by participating in Chilean trade associations in Chile, such as the Chilean Wood Corporation (CORMA) and the Chilean Federation of Industry (SOFOFA).

In Argentina, the company actively participates in the Argentinean Forestry Association, the Argentinean Pulp and Paper Producers Association, as well as in FSC® International and its national initiative.

In Brazil, the company presents its ideas to national trade chambers, such as the Brazilian Trees Industry (IBÁ). Contacts in the Paraná area are made through the Association of Forestry Businesses of Paraná (APRE). In North America,

ARAUCO offers input into the National Formaldehyde rulemaking process, the CARB ATCM rulemaking process, the Composite Panels Association (CPA) and LEED workshops.

memberships

ARAUCO actively participates in more than 115 trade associations and social organizations in Chile, Argentina, Brazil, Uruguay, Mexico, Peru, the Netherlands, the United States, Canada, Colombia, and Australia. In addition, engages with universities, communication media, scientific centers, NGO's, and local governments.

7.

environ

mental

management

arauco



environ mental management

The manufacture of products based on renewable resources, our global presence, the sustainable management of resources and the implementation of management standards that ensure ongoing improvement of our environmental performance are the foundation of the company's environmental management.

For ARAUCO, the forestry activity has a key role to play in our planet's sustainable development. Today, most of the global efforts to face climate change have focused on the reduction of greenhouse gas (GHG) emissions. However, less emphasis has been made on the increase of CO₂ captures, which is a strategy that has the potential to contribute up to 37% of emissions reductions required by 2030 to maintain climate within reasonable parameters.

On the other hand, to face the sustained increase in population there is consensus regarding the search for solutions that will allow us to meet growing human needs by using low-emission, renewable resources, gradually replacing the alternatives derived from finite resources, especially fossil fuels.

Therefore, responsible management of forests and plantations can become a relevant solution to address the urgent challenges of climate change. First, trees are the greatest biological infrastructures on the planet and the best capturers of CO₂. Second, responsible management of plantations reduces the pressure on natural forests, considering that deforestation and degradation of these forests accounts for 20% of global CO₂ emissions.

But forests are much more than wood and creating value for them is the best way to protect them. Forests are important for communities and local economies, they protect soil from erosion and regulate nutrient cycles, they regulate the hydrological cycle, they serve as a real food pantry, they provide areas for recreation and enjoyment, they provide medicinal and cultural resources for indigenous and local communities and allow many endangered species to develop in their natural habitats.

In this context, during 2019 the company announced its commitment to become carbon neutral by 2020, which in addition to being a concrete step to deal with the climate crisis, it positions ARAUCO as the world's first forestry company to achieve this important goal.

In addition, the company committed its adherence to Science Based Targets, a global initiative that aims for companies to adopt a path toward science-based emissions reduction and thus curb the planet's rising temperature.

There are two complementary ways to achieve this goal, by driving improvements that will reduce GHG emissions in the operation and, at the same time, increasing the capture of CO₂ through plantations and native forests.

Clean energy, issuing carbon credits and leadership in the optimization of water resources are also initiatives developed by the company that aim to face climate change.

ARAUCO also drives scientific research programs in a joint effort with universities, public institutions and NGO's;

promotes innovation through project development and manages environmental monitoring activities associated with biodiversity, air emissions, water basins, water bodies and research programs related to compliance with environmental commitments.

In addition, the company strictly complies with applicable environmental regulations, including the principles of the Rio Declaration contained in the laws we are subject to.

carbon footprint

In 2019, ARAUCO measured its carbon footprint for 2018, based on the GHG Protocol for scopes 1, 2 and 3.

The company reached a total of 4,589,119 tons of equivalent CO₂ (tCO₂e), which is a 9% increase for the same period during the previous year, mainly due to the inclusion of plants Montenegro and Ponta Grossa acquired in Brazil. Of total emissions 1,206,859 tCO₂e account for Scope 1; 480,782 tCO₂e to Scope 2 and 2,901,478 tCO₂e to Scope 3.

The next challenges with regard to ARAUCO's carbon footprint are seeking assurance for the 2018 carbon footprint from a third-party certified to ISO 14065 and the calculation and consolidation of the footprint for 2019.



environmental
mana

gement

forestry

business

On the understanding that the foundation of ARAUCO's business is the production and management of renewable forest resources, caring for the environment and its natural resources is highly important. Planning the forestry cycle is the cornerstone of the company's operational activities, timber marketing and supplying its industrial facilities.

ARAUCO manages its forestland in adherence to responsible forest management, committing its operation to the highest international standards on environmental, social, and financial matters.

In addition, the company maintains an ongoing Monitoring and Assessment System to establish work plans and specific actions that promote continuous improvement of its processes.

In Chile, Argentina and Brazil, ARAUCO participates in the Forestry Dialogue, which joins forestry businesses, NGO's, universities and other stakeholders to promote effective actions related to forestry production, broadening the scale of environmental conservation and restoration efforts, generating benefits for Dialogue participants and society in general.

native forest protection and value proposition

At ARAUCO, 29% of its forestland accounts for native forest. In the understanding that sustainability is also linked to biodiversity and ecosystem services in the territories where ARAUCO is present, the company protects, preserves, and restores the native forest found on its land.

In Chile, 26% of ARAUCO's forestland is natural vegetation and permanent protection areas. These territories are managed according to conservation criteria whose guidelines issue

from sector authorities, scientific research and cooperation from the community and environmental organizations.

Part of this forestland is managed as private parks open to the public, High Conservation Value Areas (HCVAs), and protected zones. In addition, these areas are identified on maps and any interventions that could damage them are prevented through monitoring activities.

ARAUCO continues to implement its native forest restoration plan in Chile, which considers over 25,000 hectares declared as converted after 1994, as well as other relevant areas of native vegetation and areas that have been affected by fires. The approach for these nearly 25,000 hectares has been to search for sites that will maximize the environmental and social contribution of restoration.

In Argentina, about 45% of the forestland accounts for natural areas comprised of native forests, HCVAs, ecological strips, wetlands, drainage areas and protective forests. Actions developed in these areas are fundamentally for forestland protection, research, conservation and environmental education, in service of native forest environmental values determined by their location, biological diversity and provision of environmental services, all of which is expressed in a Native Forest Management Plan. This plan includes studies to organize and implement actions for conservation and sustainable use, which have been developed with different institutions, researchers, and experts.

In addition, the native forest area increased with the implementation of the Water Basin Recovery Program, through which, between 2003 and 2019, over 3,300 hectares became protective forest areas in different stages of succession.

In Brazil, the company owns 98,000 ha of native forest protected by the Brazilian Forestry Code (Federal Law 12.651/2012) and are designated as Permanent Preservation Areas and Legal Reserves. These areas cannot be commercially managed, only environmental preservation and research can be conducted, which is why the company's purpose is to maintain monitoring activities for HCVA's, flora and fauna; continue to monitor and control hunting, fishing and wildfires; and monitor the regeneration and restoration of certain areas.

ecosystem services

The company's forestland is subject to the search for new opportunities that may increase the benefits for the company as well as the community. During the last few years, initiatives have been developed to advance in the management of ecosystem services, understanding these as benefits that people obtain from ecosystems.

Ecosystem services are commonly classified in four categories, which are support, supply, regulation and cultural. Support services are those that allow ecosystems to provide the services of the remaining categories. This includes species habitats, the dispersion of seeds and others. Supply ecosystem services include important resources

such as water and food; regulation services include carbon capture and storage, climate regulation, pollination, pest and disease control, air and water purification, and others. Last, the cultural services category also known as non-material benefits, includes recreational experiences, ecotourism and scientific research.

Within the framework provided by the Biodiversity and Ecosystem Services Policy, ARAUCO has described the primary services associated with its forestland in several programs, such as ARAUCO's global carbon balance, which includes plantations and native forests; the identification of sites that are culturally relevant for the Mapuche people and other communities (contribution to environmental education and people's recreation in public parks such as Oncol Park in Valdivia, and Coyanmahuida Park in Concepción), and the Program for Gatherers of Non-timber Forest Products which include mushrooms, food plants, wild berries from trees and shrubs, edible seeds and stems; plant species for medicinal, chemical or pharmaceutical purposes; plant fibers and others.

In 2019, the FSC® Forest Management Certification was extended to include the Ecosystem Services Declaration for Oncol Park High Conservation Value Area in Chile, in categories Tourism and Recreation and Fauna Sightings;

the conservation of Focal Species Yagareté (Panthera onca) in the Paranaense rainforest/Upper Paraná Atlantic forest ecoregion in Argentina; and Focal Species Marsh deer (Blastocerus dichotomus) in the Paraná Delta and islands ecoregion, also in Argentina. This validates the efforts developed in these zones and the opportunities for social and economic development of the communities in their vicinity.

biodiversity monitoring

ARAUCO's forestland includes some conservation areas that are connected by protection zones located alongside water bodies. These remnant sections of vegetation are repositories of the biodiversity of Chile's central zone.

A relevant part of biodiversity and ecosystem services management is to ensure these areas are protected. To do so, the company implements a Biodiversity and Ecosystem Services Policy that emphasizes the assessment and management of possible effects of production on diversity, through research programs and biodiversity and ecosystem services management protocols.

Even though plantations are intensely managed for timber production, the fact that they are combined with native forests and that they are harvested every one or two

decades depending on the type of wood, produces a proper environment for the transit of most species.

The company's commitment to non-conversion of native forests and its restoration program will allow conservation areas to increase in the future, benefiting among others, threatened species, areas that are essential for biodiversity or very important to communities and interested parties.

In addition, ongoing efforts are made to monitor and identify the presence of threatened flora and fauna species in the company's forest plantations. Specific protective measures are taken when these species are seen or found in these production areas.

In this sense, the challenge for the Forestry business area is to maintain and improve the biodiversity present in ARAUCO's forestland. This is achieved through a permanent effort to identify biodiversity elements (species, ecosystems, large nuclei with little anthropogenic intervention) and the subsequent preparation of management and monitoring plans emphasizing threat control. Areas that are more critical or meaningful are designated as High Conservation Value Areas (HCVAs).

high conservation value areas (hcva)

ARAUCO's forestland contains multiple social and environmental values, some of which are especially significant and critically important, and are therefore designated as High Conservation Values (HCV). The objective for these HCVs is to identify, maintain and/or improve them. To do so, the company's planned activities aim to increase the attributes that define high values for biological HCVs, ecosystem services and cultural services.

The company has HCVA's distributed in 125,000 hectares of forestland. The identification and description of HCVA's must follow the premises of FSC® Principle 09 and the PROFOREST Guides, which describe the identification method of attributes and areas. Public consultations are conducted with the community and experts to identify HCVA's that have social characteristics.

63

**biological high
conservation value areas.**

128

**social, cultural, or religious high
conservation value areas.**

milestones

- Oncol Park celebrates 30 years. This wild protected area is located in the Coastal mountain range, 28 km from Valdivia, Chile.
- Part of Natri, a site in Arauco commune, Chile, was incorporated into the restoration plan. This site contains several HCV amphibians and is a potential area for the presence of Darwin's frog.
- Participatory restoration works conducted with the Mapuche community at Cultural HCVA Traytrayko de Yane, in Chile.
- A research agreement was signed with the University of Concepción, in Chile, for the study of *Valdivia gayana*. This unique HCV is found in five HCVA's of the Valdivia area and through research, key data will be obtained for its conservation.
- HCVA Vale do Corisco in Brazil was re-evaluated in 2019. The attributes that remain are HCV 1, HCV 3 and HCV 6.
- The results of studies on flora and fauna at HCVA Vale do Corisco, Brazil, suggest that this is a transition area between different types of vegetation and can harbor animal and plant species that are relevant for the region. In addition, it is considered a national ecotourism spot due to the Corisco waterfall.

forestland protection and forest fire prevention

ARAUCO has developed and implemented forestland protection programs and forest fire prevention and suppression programs to sustain the integrity of the company's forestland and provide support and assistance to our rural neighbors and those in the interface area next to urban centers, keeping forest plantations safe as well as protected areas and their biodiversity.

We implement a strategy to reduce the occurrence of fires and manage fuel to reduce their propagation when they occur, addressing fire combat and prevention in a manner that is profound and comprehensive, with short and long term measures that aim to be a direct contribution to the country and the forestry sector.

To this end, ARAUCO's fire prevention and combat plan has been organized into five core aspects:

- **Prevention:** The purpose is to educate and generate awareness fire prevention among neighbors, workers and organizations in the territory. This work is done through more than 700 education workshops in schools for about 17,000 children; dissemination of prevention measures in about 400 activities in the areas of greater occurrence, delivering the message to over 15,000 adults and supporting the Community Prevention Network, an organization that articulates preventive work in 336 Local Prevention Committees in which neighbors, authorities and businesses work together. In 2019, ARAUCO participated in 263 committees, managing measures, and participating in emergency protocols and preparedness exercises.
- **Detection and preventive patrol on red flag days:** The objective is to reinforce fire detection tasks by incorporating

new technological tools, such as the creation of a new unified fire station that collects all the information on detection and resource deployment, equipped with modern technology for monitoring and early detection of disasters using fixed cameras, 360° robot cameras, and the timely deployment of fire combat resources.

To prevent the occurrence of fires during extreme weather conditions, online coordination is conducted with other fire protection centrals of the country; there is access to all fire detection systems of other public (Conaf) and private programs. In addition, 114 quadrants have been established within the territory, with about 200 patrol routes where personnel from ARAUCO and service providing businesses conduct surveillance on red flag days announced by the fire central, in coordination with the remaining private businesses and State institutions.

- **Strengthening combat:** Considers the maintenance of resources to quickly contain the initial phase of outbreaks, which translates into the use of different types of air and ground resources, manual as well as mechanized; the deployment of night firefighting crews, and the gradual increase of water firefighting capacity, for land and small, medium or large capacity airplanes, according to the size of the incident.
- **Emergency management:** All resources are sensorized and equipped with online connection technology for their location and reportability, integrated into a single IT platform for data management and reportability, as well as weather, fuel and fire simulation platforms, all under the umbrella of the Incident Command System which guides people, professionalizing

intervention teams through the system's different functions, allowing the safe and efficient organization and administration of resources and infrastructure.

- Fuel management: creation of a structural network for protection in all the area where ARAUCO is present, to create barriers and control points for firefighting teams through Fire protection belts in inhabited areas next to forest plantations (252) and in industrial forestry centers (12), where fuel breaks and a buffer strip (a plantation where preventive silvicultural actions are implemented) are annually maintained. In addition, the Conglomerates for forestland protection, whose objective is to reduce propagation, facilitate combat and limit the impact through a network of fuel breaks and a buffer strip anchored to roads. To date, 20 conglomerates have been executed and the company has 517 kilometers of protection for towns and localities.

In Argentina, ARAUCO has a fire detection and warning system in place. If a fire is confirmed, Operation Centrals immediately coordinate the allocation of the necessary resources for its control; impacts are then analyzed, as well as measures that need to be improved or implemented.

The most relevant actions that are carried out are the interaction with neighbors; preventive silviculture with the construction and maintenance of fuel break strips to reduce the propagation of fire; immediate detection with surveillance cameras; the Education in Schools plan, which had an impact on 3,500 children and 2,000 teenagers in 2019; participation in the Iguazú Forest Protection Consortium with other forestry companies of the region to carry out preventive actions and coordination for fire detection and combat; the

Volunteer Firefighters Agreement, and the consolidation of fire protection belts for industries and company and third party facilities.

In Brazil, the actions taken to prevent forest fires include training for fire combat leaders and crews, a contact and support network with other forestry companies for surveillance and firefighting, campaigns, communication with neighbors, and environmental education.

In addition, in the locations of Mato Gross do Sul, Mahal and Novo Oeste, the company has joined the REFLORE (Associação Sul Mato-Grossense de Produtores e consumidores de florestas plantadas) campaign for fire combat, which develops education campaigns in communities and on highways with other businesses in the region.

Last, the Forestland Protection program is comprised of forest rangers and area supervisors, who provide important logistic support to the Forest Fire Program and other areas. Additionally, there is a Phytosanitary Protection program whose activities are based on the Integrated Pest Management concept. Its objective is to prevent economic damage due to the presence of pests in the forestland and includes surveillance, diagnosis, and control.

water management

Water, an essential element for the life of flora and fauna on our planet, is also fundamental for human development. This is why the increase of its consumption at the global level within a context of climate change has generated growing global awareness regarding the importance of managing water sustainably. Its reduced availability has imposed the challenge of improving water management, infrastructure and use, thus ensuring its availability in sufficient quantity and quality.

Today, in Chile, we are experiencing a greater lack of water, mainly because of a decrease in precipitations. This, in addition to an increase in its demand and the lack of infrastructure in some areas increases concerns in communities near the forests and plantations in the forestry macrozone.

In Chile, over 700,000 people, equal to half the rural population in the forestry macrozone, do not have access to a safe source of drinking water. In regions O'Higgins and Maule, where coverage is more advanced, 25% of the rural population is still not connected to a safety source of drinking water. Further south, between regions Ñuble and Los Lagos, the situation is even more critical, about 70% of the rural population still does not have a safe source of supply.

In this setting and considering the increase in the demand for water from people in populated areas, there are national and international institutions researching the availability and management of this resource and studies conclude that the main problem of water availability today is associated with management and infrastructure.

In Chile and Mediterranean climates, seasons are strongly divided; rainfall concentrates in winter and while there would be a lot of water available at that time, trees do not

have enough light or warmth to grow. Water infiltrates and overfills the water table, taking advantage of the beneficial effect generated by having ground covered in vegetation aided by the effect of roots in the soil's structure. If this did not happen, rainfall would run with no control, eroding the soil.

Though all plant species consume water, forest masses possess several positive effects, such as they retain moisture, reduce the loss of soil, regulate the temperature of water flows, promote infiltration and improve the quality of the water resource for a better supply of drinking water. In summary, forests and plantations have beneficial effects for the hydrological cycle.

ARAUCO developed a Water Management Strategy called Water Challenge, which is based on four pillars: Learn, Manage, Contribute and Communicate.

The strategy of the Learn pillar aims to promote knowledge on the basins, forests and plantations present on company land. To this end, Bioforest uses scientific research to generate studies to feed hydrological models that create a representation of the water dynamic in the territory.

In addition, the Manage pillar aims to apply the knowledge obtained on the management of water resources; operations are planned and monitored so as to not affect the quality of water and to cooperate with the supply to communities near ARAUCO.

On the other hand, as a way to generate shared value, the Contribute pillar seeks to improve the supply of drinking water for our neighboring communities.

Last, through the Communicate pillar, ARAUCO develops communicational actions such as training sessions, seminars or scientific tours, among others, to inform about the



44

communes with solutions for access to water.

142

projects that
benefitted

25,200

people.

different findings, initiatives and projects focusing on water conservation, in addition to facilitating the information to the internal audience, neighbors, academics, NGOs, authorities and the public opinion in general.

Ultimately, the great challenge has been to consolidate an economy based on renewable resources. This requires ensuring a proper balance between the different ecosystem services and biodiversity, water being one of the core elements for this equilibrium.

In Argentina, the company carries out actions to recover water basins and other critical or sensitive areas associated with steep slopes, streams and watercourses, and/or biological corridors necessary to provide continuity and prevent landscape fragmentation. In 16 years, over 3,300 hectares have been recovered. In addition, the company marks and monitors water sources located in operation areas with the presence of local communities, implements free, prior and informed consultation and protects water sources in indigenous communities in the company's area of influence.

In Brazil, the company carries out ongoing monitoring of the river basin in terms of water quality and availability.

milestones

- In Chile, within the framework of the Water and Soil Monitors program, which aims to educate neighbors on several harvesting techniques and water use, a cooperation agreement was signed with the Chilean Corporation for Wood (Corma in Spanish).
- The Monitors program started in communes Ñuble and Biobío, in Chile.
- Implementation of the Florida-Quillón program, a project within the large-scale line of the Water Challenge program. Through collaborative public-private work between ESSBIO and ARAUCO, in support of the Waterworks Directorate, the project aims to supply water to both communes.
- In Argentina, four water sources were identified as part of the marking and monitoring program, including the implementation of measures for control and follow-up. In addition, a water source was protected in the indigenous community of Isapy I Poty, in the municipality of San Pedro, benefitting five families and a total of twenty people.

landscape

Forest management is carried out in consideration of environmental, social, and economic variables to maintain and/or conserve the surroundings. Special consideration is taken when there is forestland near public roads, tourism roads or in sectors with a large number of communities or native forest areas. In both cases, Landscape Scale Planning protocols are applied.

During 2019, a method was created in Chile to reduce landscape impacts, specially near urban areas and public roads. This work incorporated different elements, such as public roads and populated centers, identification of visible sectors, and other aspects. Based on this, 42 urban areas were identified in which ARAUCO can generate visual impact when developing its interventions, and 253 units of visible areas were identified in which ARAUCO can generate visual impact when carrying out its interventions, involving 18,000 hectares. Regarding the work done in Valdivia, in the Isla del Rey sector, where harvesting operations were managed at

a landscape scale through small mosaics per year based on micro basins, the company was able to reduce the landscape impact considering there is a lot of tourism in this area.

In Argentina, the company has a procedure in place since 2012 and has been subject to consultations with interested parties in different opportunities for its validation.

Regarding measures to reduce landscape impact in operations adjacent to populations or High Conservation Value Areas, a curtain of trees is left against the town's border. In addition, at the edge of national and/or provincial routes, the company reforests with native species (*ARAUCARIA angustifolia*) in a strip that is 30 to 50 meters wide. Regarding transport, the company prevents damage to protective forests and, above all, tries to avoid interrupting the usual activities of neighboring towns.



environmental research

Because of their scale, as well as their richness of species and biodiversity, our sites are essential laboratories for the development of knowledge and the protection of the most diverse species and ecosystem services.

In the context of climate change, understanding the dynamics at a local and global scale is crucial for the preservation of species. ARAUCO, together with Bioforest, develops and actively participates in initiatives that study several topics such as river basins, biodiversity, ecosystems, coastal wetlands and threatened species (queule, Darwin's fox, etc.), producing relevant information on their current state and implementing monitoring activities in order to study the evolution of the variables being analyzed, while also developing of initiatives that preserve or improve the current condition of these ecosystems.

In Chile, cooperation with national universities and foreign institutions such as GNS Science in New Zealand, was consolidated during 2019. In addition, the company has been participating in local congresses and is expected to do so at an international level. The objective of this cooperation and participation is to validate and share the results obtained in the Ecohydrology project being carried out by Bioforest.

Other projects that involve ARAUCO's participation are:

- Project GEF (Global Environment Fund) for coastal wetlands and threatened species, such as the queule, Darwin's fox and huemul, with the Ministry of Environment of Chile.
- In Chile, the company is working alongside Conaf on a study for the Recovery of Native Forest affected by fires. The purpose is to reveal the keys to the recovery of signature species, such as the ruil.
- Different restoration initiatives are being conducted in Chile,

such as restoration trials with Infor; compilation of restoration best practices with the World Wildlife Fund (WWF) and in joint work with Austral University of Chile, a proposal for the restoration of the huillín habitat and monitoring of the summer waterflow in the Valdivia area forestland.

- With the University of Concepción, in Chile, the company is studying the state of Valdivia gayana, and work is being done with the Institute of Ecology and Biodiversity for the development of a territorial planning method to align efforts toward biodiversity protection.
- In Chile, a Public and Private Roundtable was assembled for the Arauco Wetland – Carampangue River Estuary Nature Sanctuary, with the Municipality of Arauco, the Biobío Regional Secretariat of Environment, the Arauco Carampangue Wetland Advocacy Association, sports organizations and neighborhood associations.
- In Argentina, the company is developing the Marsh Project with the National Council for Scientific and Technical Research (Conicet in Spanish), which entails five complementary lines of research that together will be able to diagnose the current condition of the marsh deer in the delta and sustain management needs to improve its possibilities for conservation in the future.
- Yagueté Monitoring Project in Argentina, conducted with the Center for Research of the Atlantic Forest (Ceiba in Spanish), whose objective is to learn more about the population of yagueté that inhabit or use the San Jorge Forest Reserve and other conservation areas.

environ mental management at industrial facilities

Environmental management in industrial processes is a key topic for ARAUCO. The company centers its activities on environmental monitoring, regulatory compliance, management, and ongoing improvement, especially regarding odors, air emissions, and liquid and solid waste.

In addition, the company has embraced the challenge of moving toward a prevention culture, in which environmental matters are part of planning at all levels of the organization and optimizing compliance with operational criteria to continuously improve environmental standards. These challenges have led to set forth goals such as adjusting the operational criteria in all facilities and the standardization in the management of incidents and environmental emergencies; environmental risk control and mitigation; and the definition of work plans associated with commitments and KPIs.

In 2019, the company invested US\$ 56.4 million on environmental projects, including improvements to the gas capture and treatment systems in different company pulp mills, the installation of four electrostatic precipitators in line 2 at Arauco mill and odor reduction projects implemented at several pulp mills.

US\$

56.4

million in environmental investments.



environmental monitoring

All of ARAUCO's facilities maintain environmental indicators associated with the consumption of input material and raw material, solid and liquid waste generation, water and energy consumption, and others. The company also performs ongoing monitoring activities of effluents and emissions and analyzes the quality of different matrices such as air, soil and water to ensure compliance with its environmental commitments and appropriate environmental surveillance.

The company's pulp mills conduct monitoring, surveillance and/or environmental research activities to properly follow-up on the quality of water bodies that receive treated effluents, both fluvial and marine. These programs are implemented according to the frequency and timelines previously determined by environmental authorities. The result of monitoring activities, as well as specific environmental information, is provided to environmental authorities as established in the respective Environmental Qualification Resolutions (RCAs). Environmental monitoring and follow-up activities are also conducted at the company's Wood business facilities.

Additionally, the company's own monitoring and research activities are strengthened by incorporating the opinion of third-party experts who contribute complementary background information regarding the ecosystem in which we operate in order to achieve permanent operational improvement. Such is the case of the public-private roundtable with fishermen in areas next to Nueva Aldea's underwater outlet pipe and the monitoring program for the Cruces river wetland in Valdivia headed by Universidad Austral de Chile, whose objective is to follow-up on the wetland's physical-chemical and biological parameters.

waste management

Waste generated by the company's industrial mills may be hazardous and non-hazardous. The removal, transportation and disposal of hazardous waste is carried out by specialized businesses that are authorized to perform such activities, which are reported to authorities in accordance to applicable regulations.

In the Pulp business, ARAUCO has established a short, mid, and long-term strategy for the valuation of industrial waste. This involves several strategic alliances with different agencies, generating commercial agreements for different uses. Annual goals have been set for valuation (38% for 2019 and 50% for 2020) and waste generation reduction.

Non-hazardous waste from the pulp industry consists mainly of ashes, sand, solid waste from the causticizing process, lime carbonate, sludge from effluent treatment plants, dirty bark, and others, which, even though disposal deliveries to the company's waste deposits are still carried out, to date 39% was valued through external agencies. The main uses for valued waste or new sub-products are the manufacture

of cast-concrete and cement; soil and PH improver at forestry and farming sites, and the production of fertilizers and micro fertilizers.

Regarding hazardous waste, the principal initiative is the valuation of waste oil, which is transformed into alternative fuel for boilers, among others.

To achieve these objectives, the company has implemented pilot waste valuation plants within the production facilities and operational improvement to effectively recover barks for grinding and their final use as biomass in power boilers. In addition, projects have been developed in direct benefit of industrial facilities with products manufactures by third parties, for example, the provision of wooden patios on concrete paving blocks produced from valued waste.

The Wood business has outlined a strategy that aims to increase the percentage of recycling and reduce the amount of waste that goes to final disposal. To this end, the company is developing a treatment process for the co-processing or revaluation of non-recyclable waste.

milestones

- In the Pulp business, 39% of non-hazardous solid waste was valuated, exceeding the 38% goal. Waste that was given an alternative use was mainly ash, sand, bark and lime waste, which today is used in the production of compost, concrete and soil improvers.
- In the Wood business in Chile, the company implemented a recycling project for plastic strapping, which is processed by a third party and then sent to a strapping supplier to be reincorporated into the manufacturing process.



energy management

In a context in which the energy offer is limited, renewable energy generation and its efficient use are a challenge for the company.

By using biomass in its boilers, ARAUCO provides energy for its own industrial needs, contributes an energy surplus to the country's power grid and, specifically in the company's recovery boilers, in addition to generating energy it recovers inorganic compounds that are part of the process.

ARAUCO also promotes greater efficiency in its processes to reduce energy consumption and improve its environmental performance.



milestones

- Environmental impact assessment stage for wind farm project Viento Sur in Chile. The energy that is generated will be delivered to a high voltage electrical substation that is part of the project (VS wind farm substation), from where it will connect, through an electrical transmission line, to the Arauco mill substation to, finally, deliver power to the National Electrical System (SEN in Spanish).
- In Chile, at Arauco Plywood mill, improvements were made for a better use of steam energy, reducing its consumption by 30%.
- In North America, the sustained performance of the reduction of energy use intensity (kWh/m³) was demonstrated by a 5% average decrease over the base line of 2015.
- St. Stephen plant in North America implemented a comprehensive system for energy management that gradually improved by including fuel management and electric management, improving power use per m³ produced by 22% between 2015 and 2019.
- Partial replacement of the primary auxiliary fuel for boilers and lime kilns at Nueva Aldea and Arauco pulp mills, replacing #6 fuel oil for natural gas, reducing direct greenhouse gas emissions from this equipment.

water consumption

In a water shortage scenario, continuous improvement and efficient use of water resources is a very important task for ARAUCO; in addition to monitoring the availability of water in the basins that supply the company, several initiatives to maximize the use of water, and studying the effects of climate change on the watersheds that are sources of supply.

In the Pulp business, water management aims to reuse water and reduce its consumption. Two projects are being developed for this purpose: one aims for its reuse; another considers fertigation for the effluents produced by the plants.

In the Wood business in Chile, Trupán mill and Viñales Bioenergy are assessing the feasibility of reusing liquid waste from their processes, and Teno panel mill is studying the viability of reusing rainwater. In Brazil, Araucária mill is assessing the reutilization of rainwater and the reutilization of industrial effluents in the production process.

milestones

- Creation of water committee for the Pulp business to implement water reduction initiatives.
- In Brazil, Montenegro panel mill installed a centrifuge to treat and reuse the effluents produced by the electrostatic precipitator, which reduced the discharge of liquid industrial waste and water consumption.
- In Brazil, Pien panel mill was able to reuse about 3,480 m³ of treated effluents, which were used to prepare the chemicals employed in the effluent treatment plant.
- In Chile, all the sawmills, except for Nueva Aldea, reused 100% of the wastewater from the drying process. Teno panel mill reused 100% of the wastewater generated in its process.
- Due to the low water flow of the Mataquito river in Chile, Licancel pulp mill stopped its operation on December 19, and remained so at the end of the reporting period.

effluents

A large part of the company's industrial plants generates liquid industrial waste, which is duly treated and continuously monitored to ensure the right emission levels and regulated by specific environmental standards. All the company's pulp mills include primary and secondary effluents treatment, and two of them include an additional tertiary treatment: Valdivia on a permanent basis, and Nueva Aldea, when effluents are discharged into the river instead of the ocean.

Plants in the Wood business also treat their effluents, whether in pulp mill systems or in their own. In addition, the feasibility of reusing wastewater at some point of the process in its different plants is being assessed.

In Argentina, Piray Complex treats its effluents in a biological reactor, settler and equalization pool, and then discharges them into Los Angelitos creek. The Chemical Division Plant discharges effluents into the Paraná river after they are biologically treated. In Brazil and North America, panel mills use biological treatment and their effluents are discharged into nearby rivers or water treatment systems.

milestones

- Arauco pulp mill's new effluents plant went into operation, which replaces the aeration tank with new activated sludge technology, improving the treatment standards of the effluents of the current pulp mill and its extension defined in project MAPA.
- Studies conducted at Licancel and Nueva Aldea pulp mills in Chile with Bioforest to assess the reuse of treated effluents for fertigation at forestry and farming sites.

air emissions and odors

TRS gas emissions from the pulp mills are continuously monitored. In addition, operational controls are maintained to minimize odor incidents associated with TRS gas emissions into the atmosphere and to fully comply with current regulations on emission standards and the environmental qualification resolutions of each facility.

Particulate matter is controlled through mitigation equipment such as gas scrubbers and electrostatic precipitators with efficiency close to 100%. Fine wood-dust emissions from remanufacturing and sawing processes are reduced by using bag filters that collect the sawdust, which is used as biomass fuel.

In addition, as part of the company's investment plan, relevant investments continue to be made either to improve the performance of emission abatement equipment or to install new equipment, such as a new Electrostatic Precipitator for Recovery Boiler 2 at Arauco pulp mill in Chile.

milestones

- In Chile, Arauco pulp mill installed a new CNCG gas burner in Recovery Boiler n°2.
- At Puerto Esperanza pulp mill, in Argentina, improvements were made in the capture and burning of CNCG gases.
- Payment of green tax on emissions from fixed sources in 2018, for US\$ 6.2 million.
- Study on MDF dryers to determine the correction factor to monitor VOC and TPM.
- Implementation of a training program on odor monitoring for the community, to improve odor management with the support and participation of neighbors.

leaks and spills

During 2019, there were no spills having significant impacts on water courses or natural habitats.

investigación ambiental

ARAUCO permanently maintains Environmental Monitoring Programs associated with environmental research, which is developed by leading institutions.

In 2019, the Environment area worked with the following institutions:

- Program for Ecosystem Studies in the Arauco Gulf (Prega), Universidad de Concepción.
- Excellence in Marine Research Programs, (Pimex) Universidad de Concepción.
- Marine Environment Monitoring Program, (Promna) Universidad de Concepción.
- Environmental Monitoring Program of the Cruces River Wetland, Universidad Austral de Chile and Universidad de Concepción.
- Participation in social-environmental roundtable for fishermen of Nueva Aldea and the Research Center for Wetlands.

In addition, the company maintains agreements with the following universities:

- Universidad de Concepción, Faculty of Natural and Oceanographic Sciences.
- Universidad de Concepción, EULA-CHILE Center for Environmental Sciences.
- Universidad de Chile, Faculty of Forestry Sciences.
- Universidad Católica de la Santísima Concepción.
- Universidad de Valparaíso.
- Pontificia Universidad Católica de Chile.
- Contract for the Provision of Environmental Monitoring Services for the Cruces river wetland – ARAUCO and Universidad Austral de Chile.

8.

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scope

This is ARAUCO's thirteenth consecutive Sustainability Report, presenting information on the company's economic, social and environmental performance for the period between January 1 and December 31, 2019. This report was prepared in accordance with Global Reporting Initiative (GRI) G4 guidelines and the GRI Standards Core option. This report is also a communication of progress of the company's commitment to the Global Compact and Sustainable Development Objectives.

Consolidated information on the industrial and forestry operations of Chile, Argentina, Brazil, Mexico, the United States and Canada was reviewed, compiled, and presented to prepare this document. The performance of Montes del Plata and SONAE ARAUCO operations are excluded because this report only informs on partnerships in which the company exercises control; however, operations and projects of Montes del Plata and SONAE ARAUCO are described when appropriate.

Data measurement techniques and calculations for social and environmental information considered GRI recommendations. In financial matters, the company used internationally accepted accounting standards such as the International Financial and Reporting Standards (IFRS). This information is presented in US dollars and was calculated using the average dollar value during the reporting period.

This report was prepared in accordance with the GRI Standards Core option. The company did not hire an external body for assurance of this report.

content definition

The development of the materiality process for this Report involved a systematic revision of the company's strategy, expressed in corporate presentations and articles published in internal media, in addition to the results of the company's climate survey.

External sources of information were also revised, including issues raised by the company's stakeholders, particularly those identified through ARAUCO's Local Reputation Index (Inrela). News articles related to the company were also reviewed.

This consultation and review process enabled the company to identify several aspects that are relevant to different stakeholders, which were classified into eight broad categories. These will be addressed in depth in the pages as indicated.

Material aspects that were identified:

- Safety
- Globalization and efficiency
- Wildfire protection
- Water consumption
- Climate change
- Waste
- Products
- Participation and dialogue
- Employment

availability

This year, 500 copies of the 2019 Sustainability Report were printed in Spanish and 200 copies were printed in English. The Report is also available at our website www.arauco.com.

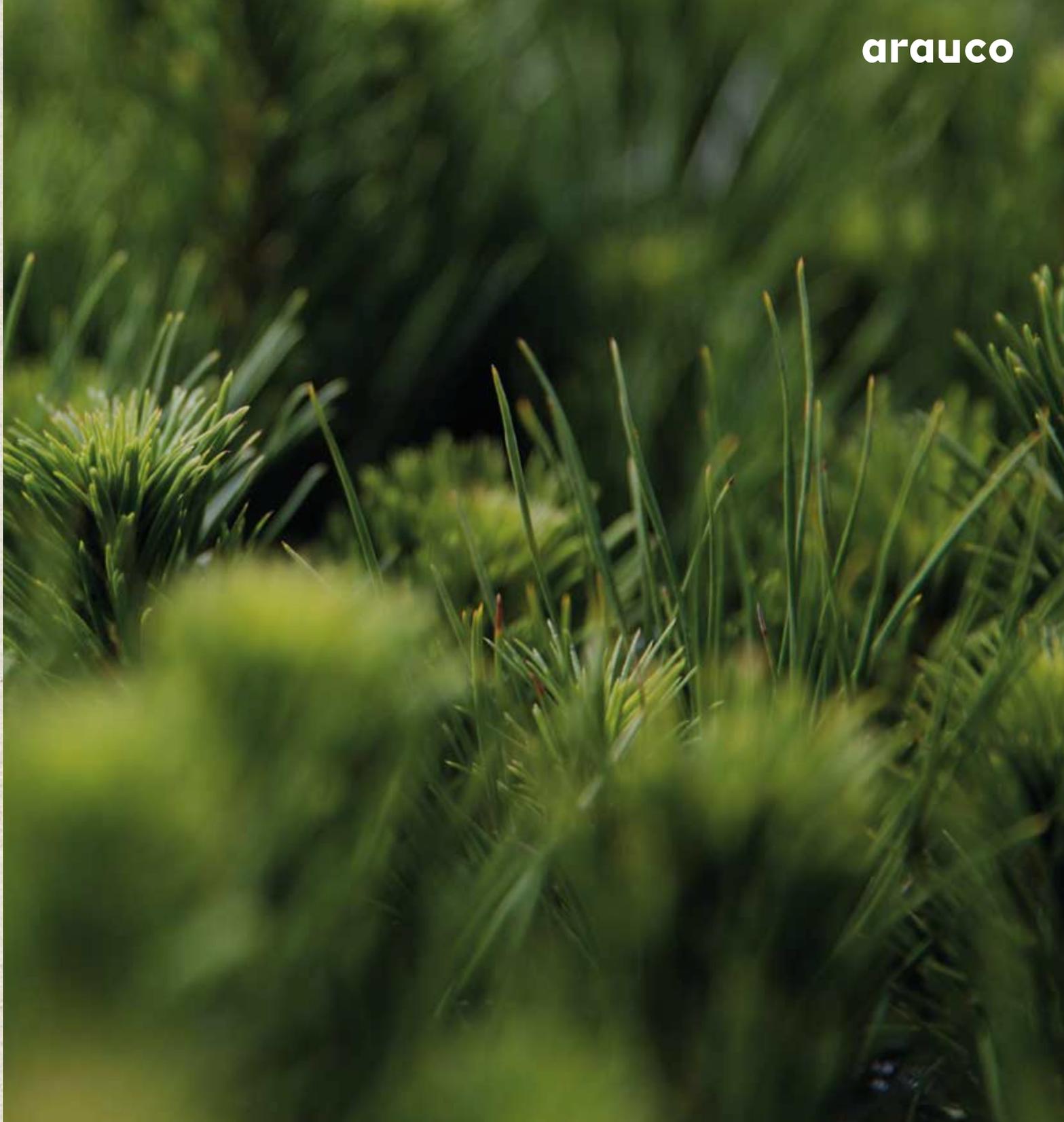


9.

appen

dices

arauco





ARAUCO in
num
bers

globalization

and efficiency

Forestry / Forestland Distribution by Use (In hectares as of December 2019)

Country	Pine	Eucalyptus	Other species	To be planted	Native	Other uses	General total
Chile**	502,862	192,428	1,961	74,213	292,163	53,431	1,117,058
Argentina*	94,325	18,563	19,629	7,522	119,076	5,592	264,707
Brazil****	69,734	59,623	203	8,493	98,956	8,274	245,284
Uruguay***	149	78,267	362	7,011	4,930	40,419	131,138
General total	667,070	348,881	22,155	97,239	515,125	107,715	1,758,186

* Includes Alto Paraná Plantations and FAPLAC

** Includes 80% of Forestal Los Lagos

*** Includes 50% of Montes del Plata land and plantations

**** Includes 100% of AFB, 80% of AFA, 100% of Mahal, 100% of Novo Oeste, 52% of Vale de Corisco

**Pulp production by type of product (in ADMT)
(As of December 31, 2019)**

Product	2017	2018	2019
Bleached Pine (BSK=BKPR+BKPT)	1,441,910	1,448,600	1,290,113
Bleached Eucalyptus (BEK)	1,662,565	1,672,241	1,823,931
Unbleached Pine (UKP)	435,051	522,395	452,761
Fluff	155,153	147,824	154,657
Total	3,694,679	3,791,060	3,721,462

Note: ARAUCO owns 50% of Montes del Plata. The table indicates only ARAUCO's production volume.

Production by type of product in 2019
(Thousands of m³)

MDF	3,335,862
PB	2,679,852
GREEN WOOD	2,545,902
DRY WOOD	1,817,680
PLYWOOD	531,506
REMANUFACTURING	384,197
HB	3,652
Total	11,298,651

Energy Generation Capacity and Delivery to the power grid (As of December 31, 2019)

Country	Mill	Maximum installed capacity	Maximum power generated	Internal consumption	Delivery to the power grid
Chile	Arauco	127	105	81	24
Chile	Viñales Bioenergy	41	31	9	22
Chile	Cholguán	29	28	15	13
Chile	Constitución	40	30	22	8
Chile	Horcones (Diesel turbine and gas)	24	24	-	24
Chile	Licancel	29	20	14	6
Chile	Nueva Aldea I	30	28	14	14
Chile	Nueva Aldea II (Diesel turbine)	10	-	-	10
Chile	Nueva Aldea III	136	100	63	37
Chile	Valdivia	140	115	54	61
Argentina	Puerto Piray	40	36	28	8
Argentina	Esperanza	42	35	35	-
Uruguay	Montes del Plata (50%)	91	90	39	50
Total		779	642	374	277

**Financial indicators
 (US\$ millions)**

	2017	2018	2019
Sales	5,238	5,955	5,329
EBITDA Margin	1,353	1,851	1,147
Net Income	25.8%	31.1%	21.5%
Financial Debt	270	727	62
Net Financial Debt	4,274	4,510	6,050
Financial Costs	3,684	3,434	4,490
Investments	288	215	274
Net Debt/EBITDA	654	920	1,350
EBITDA/Interests	2.72	1.86	3.91
EBITDA/Intereses	4.70	8.62	4.19

Economic value generated and distributed as of December 2019 (US\$ millions)

	2017	2018	2019
Total income			
Net sales	5,238	5,955	5,329
Income from financial investments	20	21	33
Income from sales of fixed and intangible assets	9	5	6
Economic value generated	5,267	5,981	5,368
Operational cost / production cost*	2,842	3,000	3,053
Payment to capital suppliers	1,787	947	1,178
Wages and benefits	563	563	628
Taxes**	-31	227	535
Investments in the community***	13	14	10
Economic value distributed	5,174	4,751	5,404
Economic value retained	93	1,230	-36

* Refers to cost of sales net of depreciation, and wages.

** Includes expenses from income tax.

*** Includes donations, contributions and scholarships.

Purchases from local suppliers in 2019

	Local suppliers Purchases from local suppliers (US\$ millions)	% of total purchases from ARAUCO suppliers in 2019
Chile	958	37%
Argentina	260	92%
Brazil	291	76%
North America	537	88%
Mexico	149	91%

Primary suppliers of inputs, materials, and spare parts

Business Area	Supplier	Product
Pulp	ANDRITZ OY.	MAPA Project equipment
	INGENIERÍA Y CONSTRUCCIÓN SIGDO	MAPA Project construction
	VALMET AB	MAPA Project equipment
Wood	ARCLIN USA INC	Adhesive Mixtures (Resin – North America)
	OXIQUIM S.A.	Adhesive Mixtures (Resin – Chile)
	MITSUI SOKO CO. LTD	Transport (LASA)
Forestry	CONSTRUCTORA TRANSPORTES E INMOBILIARIA HÉCTOR ROMÁN Y OTRO LTDA	Transport and Production service rental
	CONSTRUCTORA HUEQUECURA LTDA.	Production services
	MARCO SALGADO Y CÍA. LTDA.	Production transport

people of **excellence**

Workforce

Workforce	2017	2018	2019
Employees	15,739	17,252	18,119
Indirect contract workers (contracting companies)	21,208	23,673	22,890

ARAUCO workforce by gender

Workforce	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Total	1,857	13,522	2,507	14,745	2,591	15,528
Executives	71	427	56	392	67	430
Professionals and technicians	984	3,469	1,234	3,825	1,294	3,905
Trabajadores	802	9,626	1,217	10,528	1,230	11,193

ARAUCO employees by type of Contract and Country

Country	Type of contract					
	Men		Women		Total	
	Indefinite	Fixed term	Indefinite	Fixed term	Indefinite	Fixed term
Chile	8,673	145	1,451	30	10,124	175
Argentina	1,450	117	139	7	1,589	124
Brazil	2,499	2	303	3	2,802	5
Mexico	578	21	104	6	682	27
North America	1,590	-	325	-	1,915	-
Others	453	-	221	2	674	2
Total	15,243	285	2,543	48	17,786	333

Recruits and Discharges in 2019

Country	People recruited in 2019			People who left in 2019		
	Women	Men	Total	Women	Men	Total
Chile	222	1.157	1.379	916	183	1.099
Argentina	43	274	317	121	38	159
Brazil	64	385	449	552	123	675
Mexico	27	73	100	161	30	191
North America	NA	NA	527	NA	NA	435

NA: Not available

Internal Mobility Indicators

	N° of internal competitions published	N° of employees in mobility (includes direct promotions)	% of vacancies filled by internal recruitment
Chile	126	921	45%
Argentina	13	26	46.8%
North America	129	72	55.8%
Mexico	0	1	100%
Brazil	84	218	78%

Number of hours in training and education programs

	2018			2019		
	Men	Women	Total	Men	Women	Total
Executives and managers	4,021	419	4,440	4,231	627	4,858
Professionals and technicians	217,953	27,630	245,583	194,888	16,080	210,968
Other employees	157,592	14,245	171,837	128,548	6,942	135,490
Total	379,566	42,294	421,860	327,667	23,649	351,316

Number of people trained

	2018			2019		
	Men	Women	Total	Men	Women	Total
Executives and managers	2,019	134	2,153	104	12	116
Professionals and technicians	108,462	7,791	116,253	4,945	674	5,619
Other employees	22,558	3,681	26,239	8,230	536	8,766
Total	133,039	11,606	144,645	13,279	1,222	14,501

Percentage of the workforce that participates in performance evaluations

	2017	2018	2019
Chile	93%	91%	87%
Argentina	50%	48%	46%
Brazil	-	9%	78%
Mexico	-	-	100%
North America	40%	31%	30%

Number of employees that participated in a performance evaluation in 2019

	Men	Women	Total
Executives and managers	265	27	292
Professionals and technicians	3,320	1,053	4,373
Other employees	7,760	860	8,620
Total	11,345	1,940	13,285

Organizational Climate Indicators

	2017		2018		2019	
	Participation	Global outcome	Participation	Global outcome	Participation	Global outcome
Chile and sales offices	7,944	71	8,651	73	8,321	80
Argentina	1,088	66	1,038	65	1,006	76
Brazil	1,784	80	2,440	80	2,297	81
North America	1,172	66	1,230	66	1,146	71
Mexico	-	-	-	-	571	86

Unions in Chile

Name of the Organization

SINDICATO DE TRABAJADORES LOS MALLINES	SINDICATO HB PANELES ARAUCO S.A. PLANTA TRUPÁN CHOLGUÁN
SINDICATO DE TRABAJADORES DE ASERRADERO HORCONES I	SINDICATO DE MDF MADERAS ARAUCO S.A. PLANTA TRUPÁN CHOLGUÁN
SINDICATO DE TRABAJADORES EL COLORADO	SINDICATO DE TRABAJADORES N°1 DE MOLDURAS DE PANELES ARAUCO S.A. PLANTA TRUPÁN CHOLGUÁN
SINDICATO N° 1 ASERRADERO LOS COIGÜES LTDA.	SINDICATO DE EMPRESAS DE SERVICIOS LAS RAÍCES LTDA. N° 1 LAS RAÍCES LTDA.
SINDICATO N° 2 ASERRADERO LOS COIGÜES LTDA.	SINDICATO DE EMPRESA ASERRADEROS CHOLGUAN
SINDICATO DE TRABAJADORES N° 2 TRES PINOS	SINDICATO ASERRADEROS ARAUCO PLANTA REMANUFACTURA CHOLGUÁN
SINDICATO PLANTA HORCONES II	SINDICATO DE TRABAJADORES N° 1 EMPRESA CELULOSA ARAUCO S.A., PLANTA ARAUCO
SINDICATO DE EMPRESA PANELES ARAUCO	SINDICATO DE TRABAJADORES DE LA EMPRESA CELULOSA ARAUCO Y CONSTITUCIÓN S.A. PLANTA LICANCEL
SINDICATO DE TRABAJADORES EMPRESA PANELES ARAUCO ESTABLECIMIENTO NUEVA ALDEA	SINDICATO DE TRABAJADORES N°1 DE CELULOSA ARAUCO Y CONSTITUCIÓN S.A. PLANTA CONSTITUCIÓN
SINDICATO DE TRABAJADORES ASERRADERO NUEVA ALDEA	SINDICATO DE TRABAJADORES DE EMPRESA CELULOSA ARAUCO Y CONSTITUCIÓN S.A. PLANTA NUEVA ALDEA
SINDICATO ESTABLECIMIENTO EMPRESAS PANELES ARAUCO S.A., N° 1 TENO	SINDICATO DE TRABAJADORES DE EMPRESA CELULOSA ARAUCO Y CONSTITUCIÓN S.A. PLANTA NUEVA VALDIVIA
SINDICATO DE TRABAJADORES DE ASERRADEROS EL CRUCE	SINDICATO DE EMPRESA VIVERO QUIVOLGO
SINDICATO DE EMPRESA REMANUFACTURA VIÑALES	SINDICATO N°2 VIVERO ARAUCO
SINDICATO INDUSTRIAL AASA REMANUFACTURA VIÑALES	SINDICATO EMPRESA BOSQUES ARAUCO S.A.
SINDICATO N° 1 DE LA EMPRESA INDUSTRIAL MADERAS VIÑALES (INMAVI)	SINDICATO DE EMPRESA FORESTAL ARAUCO S.A. VIVERO LOS CASTAÑOS, ZONA VALDIVIA
SINDICATO DE TRABAJADORES DE EMPRESA BIOENERGÍA VIÑALES	

Collective Agreement Indicators

	N° of employees in collective agreements	% of employees in collective agreements
Chile	6,380	65%
Argentina	909	53%
Brazil	3,000	100%
Mexico	283	39.9%
North America	0	0

occupational **health** and safety

Accident frequency rate by Business and Country in 2019

	Forestry	Pulp	WOOD	Consolidated
Chile	5.5	3.8	2.8	4.3
Argentina	0.9	11.1	5.5	4.8
Brazil	1.6	-	1.8	1.6
North America	-	-	1.9	1.7
Mexico	-	-	3.9	3.9
Consolidated	4.7	5.1	2.9	3.8

Occupational accident indicators in 2019

	Forestry
Number of lost time accidents (LTI)	355
Number of lost time accidents	10,807
LD accrued from accidents in previous years	1,986
LD from serious/fatal accidents	6,610
Number of fatalities	1

N° and workers' representation in joint committees

	N° of Joint Committees	% of representation
Chile	37	100%
Argentina	6	100%
Brazil	11	100%
Mexico	4	100%
North America	9	100%

Joint committees at ARAUCO and contracting businesses in 2019

Business / Certification level	N° of certified committees
Pulp and Energy	
Initial Level	17
Intermediate Level	1
Forestry	
Initial Level	13
Wood	
Initial Level	21
Intermediate Level	1

community, participation and dialogue

Communication mechanisms

Mechanism	N° of contacts
Facebook.com/ARAUCO	32,129 Followers
Facebook.com/ARAUCOSolucionesSostenibles	264,279 Followers
YouTube ARAUCO	26,200 Subscribers
Instagram ARAUCO Renovables	4,842 Followers
Instagram ARAUCO Soluciones	16,661 Followers
www.arauco.com	173,908 Visits
@Arauco_cl (Twitter)	4,113 Followers

environmental performance

2018 Carbon Footprint Results by Scope (tCO₂e)

	2018	2017
Scope 1	1,206,859	1,241,591
Scope 2	480,782	472,196
Scope 3	2,901,478	2,505,345
Total	4,589,119	4,219,132

Species that have been seen on company land and are listed in IUCN's Red List and National Conservation Lists

Category	Chile		Argentina		Brazil*	
	Fauna	Flora	Fauna	Flora	Fauna	Flora
Critically endangered	3	3	-	1	3	1
Endangered	30	32	3	3	9	14
Vulnerable	6	2	24	-	30	11
Nearly threatened	-	-	16	2	40	7
Least concern	-	-	137	-	512	31
Provincial protection	-	-	9	7	-	-

Note – IUCN Least Concern (LC): A taxon is considered least concern when, after being evaluated, it does not comply with any of the criteria that define the other categories: Critically Endangered, Endangered, Vulnerable or Nearly Threatened. This category includes taxa that are abundant and widely distributed.

High Conservation Value Areas

Country	% of Native Forest of the forestland	High Conservation Value Areas (in acres)	High Conservation Value Areas (in acres)	
			Biological	Social, cultural, or religious
Chile	26%	59,516	37	90
Argentina	45%	55,267	16	31
Brazil*	40%	10,434	10	7

*Brazil has a total of 15 HCVA's, two of them simultaneously include biological and social HCVA characteristics.

Forest Fire Protection Plan Resources

Type of resource	Chile	Argentina	Brazil
Lookout towers and staff	75	21	14
Observation cameras	62	8	0
Fire crews	130	6	14
N° of fire fighters and tower staff	1,600 fire fighters, 204 nighttime firefighters and 1,200 silvicultural firefighters	30	444
Trucks	74	11	14
Skidders	10	0	1
Airplanes	12 firefighting airplanes and 1 for coordination and observation	0	0
Helicopters	17	0	0
Supporting vehicles	0	6	26
Total budget (US\$)	US\$ 45 million	US\$ 1.1 million	US\$ 6.6 million

Waste generation

Business area	Aspect		2018	2019
Pulp	Hazardous Waste	t/year	6,207	8,800
	Non-hazardous Waste	t/year	385,478	349,072
Wood	Hazardous Waste	t/year	5,785	3,918
	Non-hazardous Waste	t/year	139,022	147,659

Management method for non-hazardous waste in the Pulp business

Management Method	Non-hazardous (tons)	Total	Concept
Reuse (external valuation)	65,633	136,606	External valuation
Composting (external valuation)	69,709		
Landfill (ISWD)	204,276	204,276	Internal Disposal
External Landfill	9,455	8,502	External Disposal
Recovery Reprocessing (Internal valuation)	48,096	194,358	Internal Valuation
Incineration in Power Boiler (Internal valuation)	146,042		
Deep well injection	-----	-----	-----
Recycling (carton, metal)	0.1	0.1	Recycling
Storage	-----	-----	-----

**Total water catchment volume
 (million m³) (only freshwater is captured)**

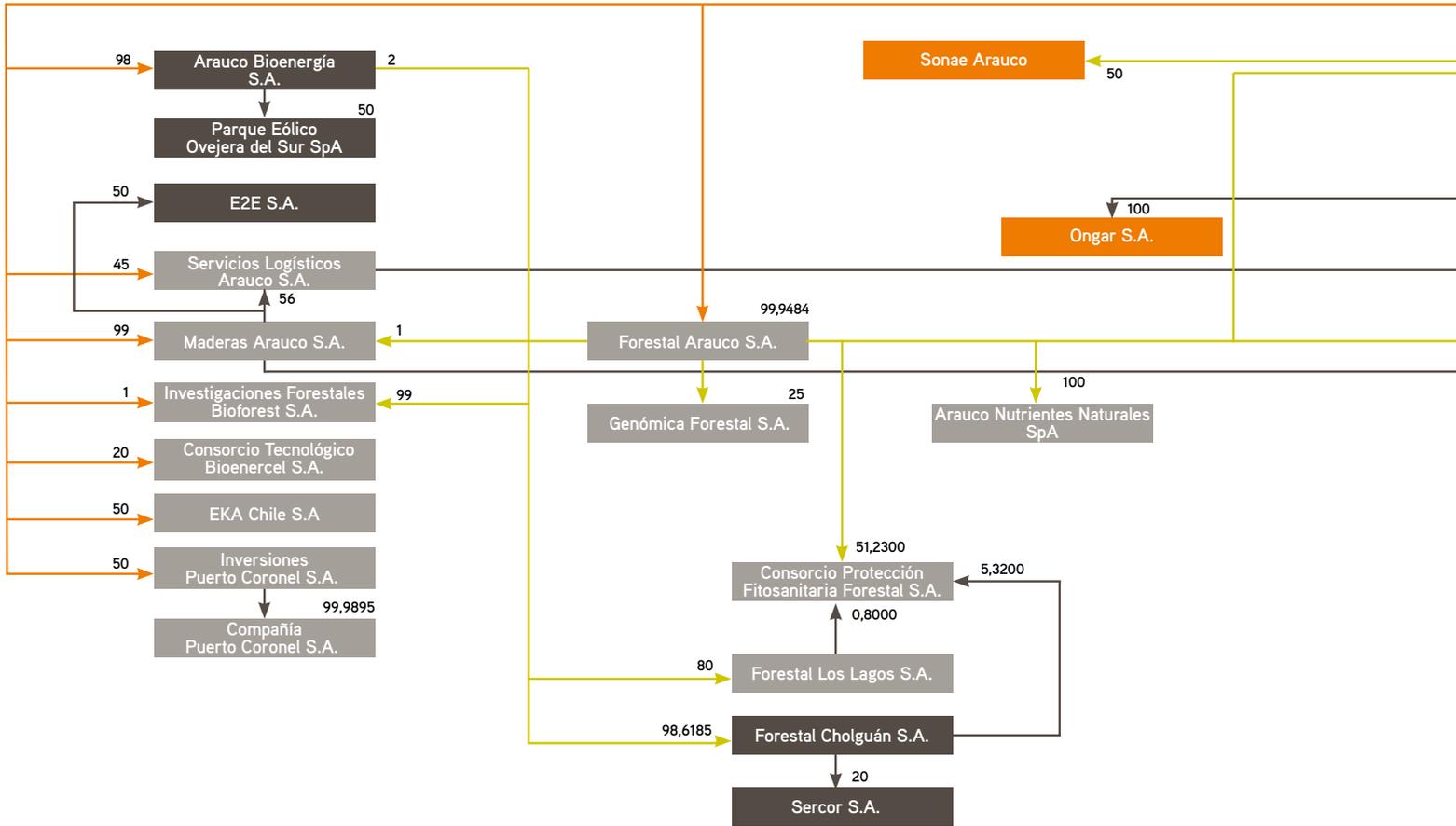
Category	2019	2018	2019	2018
	Pulp		Wood	
Surface water	151.8	153.6	2.6	4.5
Groundwater	1.5	3.1	1.8	1.9
Rainwater	0	0	0.1	0.001
Wastewater from another organization	0	0	0	0
Municipal supply	0	0	1.5	3.5
Total consumption	153.3	156.7	9.37	9.83

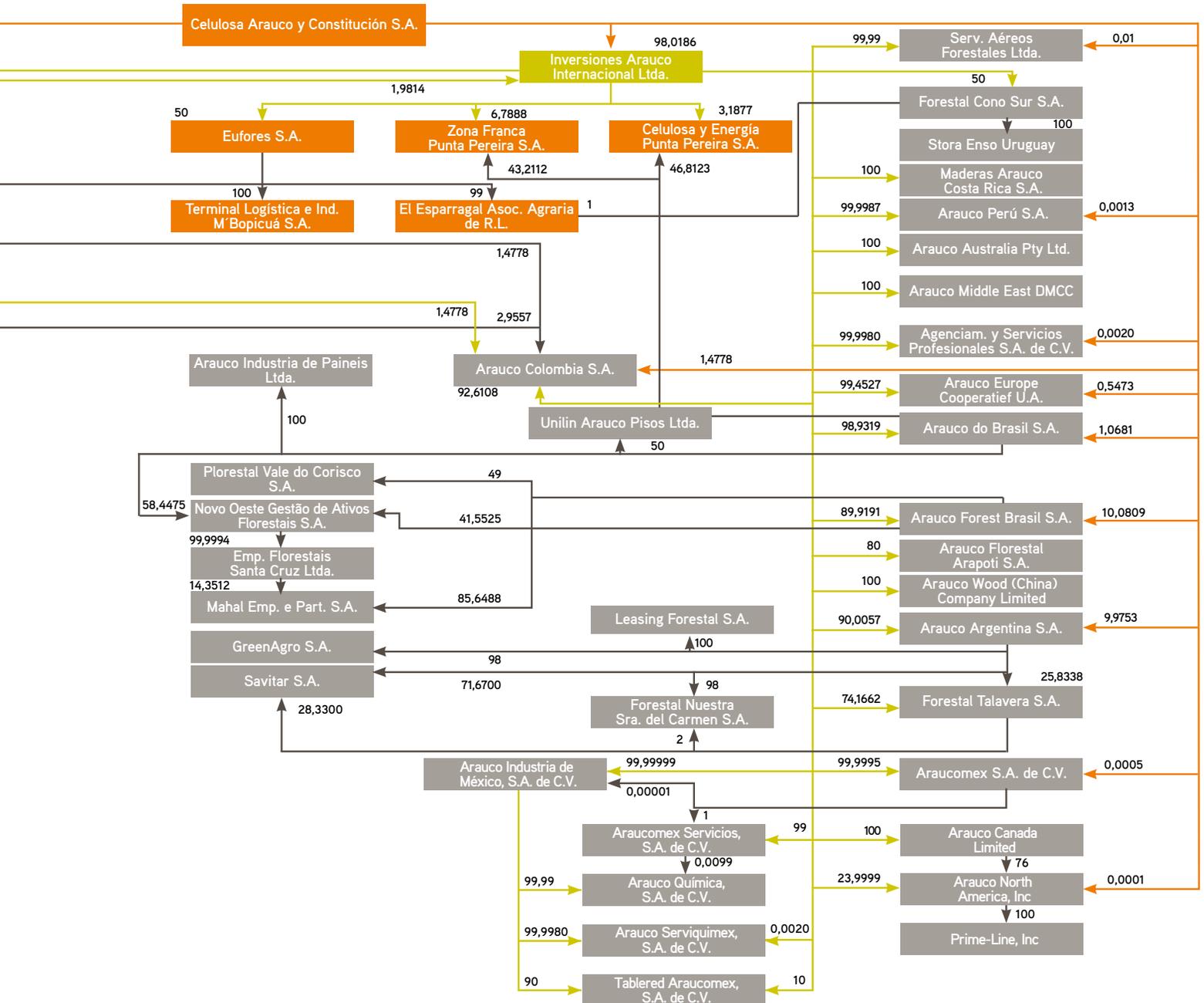
*Does not include Mexico.

**Wastewater
(million m³)**

Business	2018	2019
Pulp	127.7	131.6
Wood	5.5	4.4

subsidiaries and **shares** as of 12/31/2019





membership and **networks**

Argentina

- Argentina Green Building Council (AGB)
www.argentinagbc.org.ar
- Asociación Forestal Argentina (AFOA)
www.afoa.org.ar
- Asociación de Fabricantes de Celulosa y Papel, Argentina (AFCP)
www.afcparg.org.ar
- Federación Argentina de la Industria de la Madera y Afines (FAIMA)
www.faima.org.ar
- Cámara Argentina de la Industria de la Madera Aglomerada (CAIMA)
- Cámara Argentina de Aserraderos de Maderas, Depósitos y Afines
www.cadamda.org.ar
- Cámara de Comercio Argentino Chilena UIA - Unión Industrial Argentina
- Centro de Investigaciones del Bosque Atlántico (CEIBA)
www.ceiba.org.ar
- Instituto de Biología Subtropical (IBS)
- Centro de Investigación y Experimentación Forestal (CIEF)
- Instituto de Pesquisas e Estudos Florestais (IPEF)
- CAMCORE Cooperative - Cooperativa de Mejoramiento Genético y Silvicultura
- Instituto Nacional de Tecnología Agropecuaria (INTA)
- Consorcio de Protección Forestal Iguazú
- FSC® Internacional, miembro de la Cámara Económica Sur
- Facultad de Ciencias Forestales de la Universidad Nacional de Misiones
- Facultad de Ciencias Exactas Químicas y Naturales (UNaM)
- Facultad de Ciencias Exactas y Naturales de la Universidad de Buenos Aires

- Fundación Proyungas
www.proyungas.org.ar
- Fundación Temaiken
www.temaiken.com.ar
- Cuerpo de Guardaparques del Ministerio de Ecología de la Provincia de Misiones
- Fundación Equidad
- Fundación Vivienda Digna
- Una Nochebuena para Todos
- Fundación Mediterránea
- Fundación Vida Silvestre Argentina
- Reserva Yaguaroundí
- Reserva Curindy
- Administración de Parques Nacionales
- Aves Argentinas-Asociación Ornitológica de La Plata Guira Oga
- Asociación Amigos de Guapoy
- Unión Argentina de Trabajadores Rurales y Estibadores
www.uate.org.ar
- Comité de Cuenca Hídricas del Arroyo Tabay
- Comité de Cuenca Hídricas del Arroyo Tupicú
- Consorcio Forestal Corrientes Norte
- Asociación de Bomberos Voluntarios de Libertad
- Colegio de Ingenieros Forestales
- APF - Aglomerado Productivo Forestal Misiones y Corrientes (Participamos en el APF a través de AFoA. Actualmente APSA aporta en un proyecto de investigación en Manejo Integrado de Plagas).
- Asociación Civil Consejo de Manejo Responsable de los Bosques y Espacios Forestales
- CEADS (Consejo Empresario Argentino para el Desarrollo Sostenible)
www.ceads.org.ar

Australia

- Australia-Chile Chamber of Commerce
www.chilechamber.com
- Glue Laminated Timber Association of Australia
www.gltaa.com

Brazil

- Associação das Empresas da Cidade Industrial de Araucária
www.aeciar.com.br
- Associação Paranaense de Empresas de Base Florestal (APRE)
www.apreflorestas.com.br
- Associação Brasileira de Normas Técnicas
www.abnt.org.br
- Associação de Usuários de Informática e Telecomunicações
www.sucesu.org.br
- Associação Sul-Mato-Grossense de Produtores e Consumidores de Florestas Plantadas (REFLORE)
www.reflore.com.br
- Diálogo Florestal Paraná – Santa Catarina
www.dialogoflorestal.org.br
- Forest Stewardship Council (FSC®)
www.fsc.org
- Federação dos trabalhadores nas Indústrias do Estado do Paraná
- Indústria Brasileira de Árvores (IBÁ)
www.iba.org
- Federação da Agricultura e Pecuária do estado do Mato Grosso do Sul – FAMASUL
- Sindicato dos Oficiais Marceneiros e Trabalhadores do Estado do Paraná – SOMPAR
- Sindicato dos trabalhadores nas Indústrias da Extração de Madeira do Estado do Paraná – SITIEMP
- Sindicato dos Trabalhadores nas Ind. Madeireiras, Moveleiras e Similares de Jaguariáva-PR – SITIM

- Sindicato dos Oficiais Marceneiros de São José dos Pinhais – SOMSJOP
- Sindicato dos Trabalhadores nas Indústrias Químicas e Farmacêuticas do estado do Paraná – STIQFEPAR
- Sindicato Trabalhadores Ind. Construção Civil e do Mobiliário – STICM
- Sindicato dos Oficiais Marceneiros e Trabalhadores Nas Inds. de Serrarias e de Moveis de Madeira de Ponta Grossa - Sintramadeira Pg

Chile

- Asociación de Industriales del Centro, Región del Maule
www.asicent.cl
- Junta de Adelanto del Maule, Región del Maule
www.juntaadelantodelmaule.cl
- Acción Empresas
www.accionempresas.cl
- Cámara Chilena de la Construcción de Valdivia
www.cchc.cl
- Cámara Chilena de la Construcción Valdivia
- Cámara Chileno Argentina
www.camarco.cl
- Cámara Chileno Australiana de Comercio
www.auscham.cl
- Cámara Chileno Brasileña de Comercio
www.camarachilenobrasileña.cl
- Cámara Chileno Británica
www.britcham.cl
- Cámara Chileno-China de Comercio, Industrias y Turismo
www.chicit.cl
- Cámara Chileno Norteamericana de Comercio
www.amchamchile.cl
- Cámara de Comercio Italiana de Chile
www.camit.cl
- Cámara de Comercio e Industria de Valdivia
www.cciv.cl
- Controladora de Plagas Forestales
www.cpf.cl
- Corporación de Adelanto y Desarrollo de la Provincia de Arauco
www.corparauco.cl
- Corporación Chilena de la Madera
www.corma.cl
- Corporación para el Desarrollo Productivo de La Araucanía
www.corparaucania.cl
- Corporación por el Desarrollo de Valdivia
www.codeproval.cl
- Corporación Industrial para el Desarrollo Regional del Biobío
www.cidere.cl
- Fundación Belén Educa
www.beleneduca.cl
- Fundación Integrare
www.integrare.cl
- Icare
www.icare.cl
- Prohumana
www.prohumana.cl
- Red Pacto Global Chile
www.pactoglobal.cl
- Sociedad de Fomento Fabril
www.sofofa.cl
- TECHO
<https://www.techo.org/>
- Pontificia Universidad Católica de Chile
www.uc.cl
- Universidad de Chile Facultad de Economía y Negocios
www.fen.uchile.cl
- Visión Valdivia
www.visionvaldivia.cl

- Asociación Gremial de Contratistas Forestales / ACOFOR AG
www.acoforag.cl
- Corporación para la Regionalización del Bío Bío / CORBIOBIO
www.corbiobio.cl
- Instituto Regional de Administración de Empresas / IRADE
<https://irade.cl>

Colombia

- Fedemaderas
www.fedemaderas.org.co
- Cámara Colombo-Chilena de Comercio
www.colombochilena.com

North America

- Association of Woodworking & Furnishing Suppliers
www.awfs.org
- Composite Panel Association
www.compositepanel.org
- North American Wholesale Lumber Association
www.lumber.org
- WMA - World Millwork Alliance
www.worldmillworkalliance.com
- International Interior Design Association
www.iida.org
- The Hospitality Industry Network
www.newh.org
- GBI - Green Building Initiative
www.thegbi.org

Mexico

- Asociación Nacional de Fabricantes de Tableros de Madera A.C.
www.anafata.com.mx

- Asociación Nacional de Importadores y Exportadores de Productos Forestales A.C.
www.imexfor.com
- Cámara Mexicana Chilena de Comercio e Inversión
www.camaramexicanachilena.com.mx
- Cámara Nacional de la Industria de la Madera
www.cnim.mx

Peru

- Cámara Peruana de la Construcción
www.capeco.org
- Cámara de Comercio Peruano Chilena
www.camaraperuchile.org

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	201-4 Financial assistance received from the government	ARAUCO does not receive financial aid from the government.		
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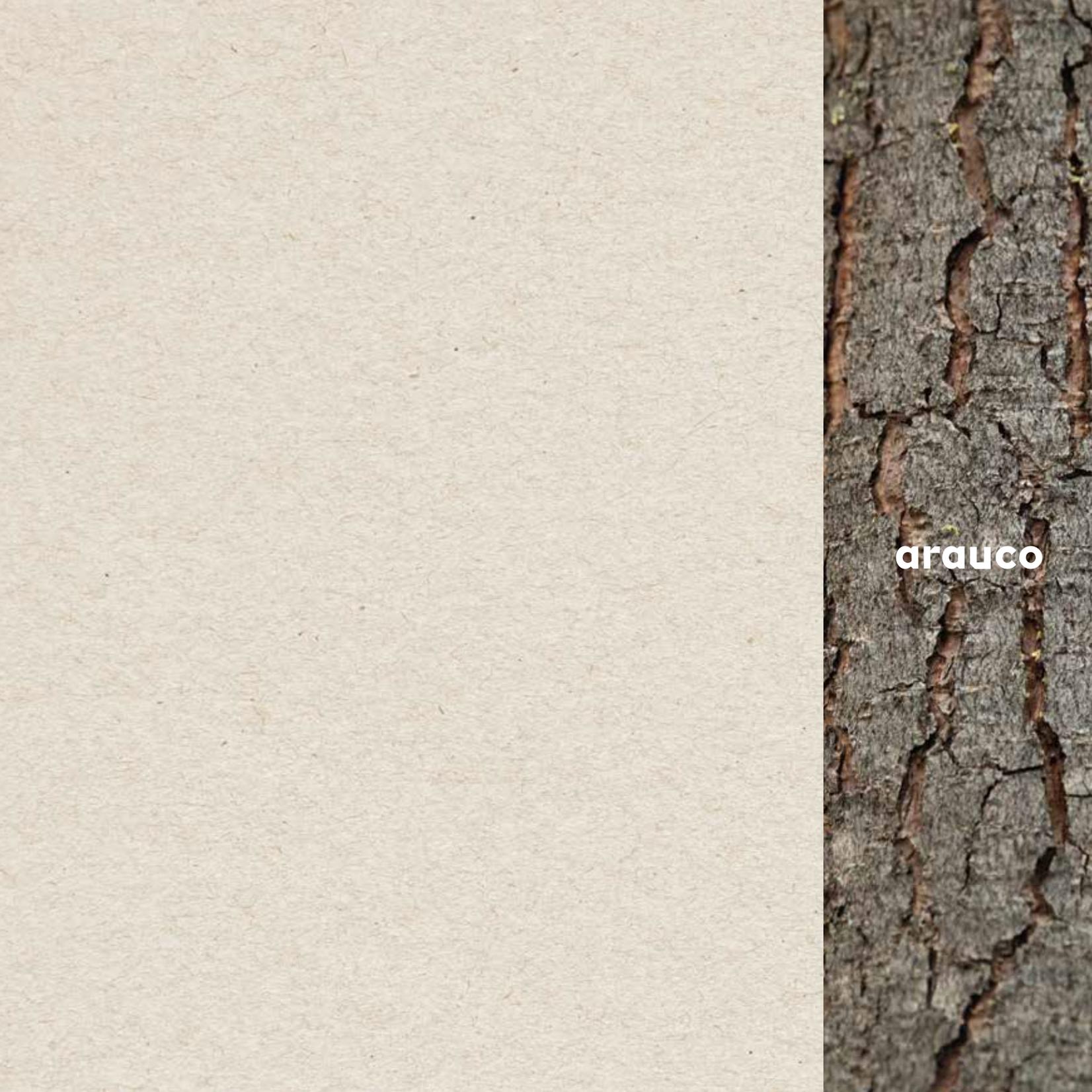
Celulosa Arauco y Constitución S.A. was established by public deed issued on October 28, 1970, by Santiago public notary Ramón Valdivieso Sánchez, and modified by public deed on May 6, 1971, issued by Santiago public notary Sergio Rodríguez Garcés. The company's existence was authorized by the Chilean Securities and Insurance Superintendent (SVS) through Resolution N° 300-S, issued on August 18, 1971. Extracts of these deeds were recorded in Folio 6.431, N° 2.993 of the 1971 Commercial Register of the Real Estate Registry Office of Santiago. The respective extract was also published in the Official Journal on September 4, 1971.

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- Chilean Tax Identification N° (RUT): 93.458.000-1
- Legal Address: Av. El Golf 150, piso 14, Las Condes, Santiago, Chile
- Type of Entity: Corporation
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