



arauco

2018

SUSTAINABILITY
report



arauco



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SUSTAINABILITY
report
2018



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CHAIRMAN'S STATEMENT

For ARAUCO, 2018 was a special year, during which we deepened commitments and projects, contributing to the development of the industry and the communities of which we are part. This has allowed us to continue to position ourselves. We are a global player, thanks to work carried out with high standards by an exceptional workforce.

Promoting the use of a renewable resource such as wood is at the heart of our strategic development. Thus, special emphasis was placed this year on the implementation of several initiatives that point in that direction. One of them is the approval of the Modernization and Expansion Project of Arauco Mill (MAPA). MAPA, which is the largest investment in the history of the company, is now moving forward in Arauco commune, in Chile, where there is a close relationship and sense of belonging, since the company bears the same name and Arauco Mill is the industrial facility where the company began.

In addition, we started a dissolving pulp initiative in Valdivia, which provides a different use for cellulose and will allow us to produce sustainable raw material for the textile industry. Construction continues at the particleboard Mill in Grayling, Michigan, United States, and will begin operations in the first quarter of 2019. We are incorporating two Mills in Brazil: Ponta Grossa (MDF) and Montenegro (PB), acquired in December 2017. We have also enacted the expansion project of Teno, Chi-

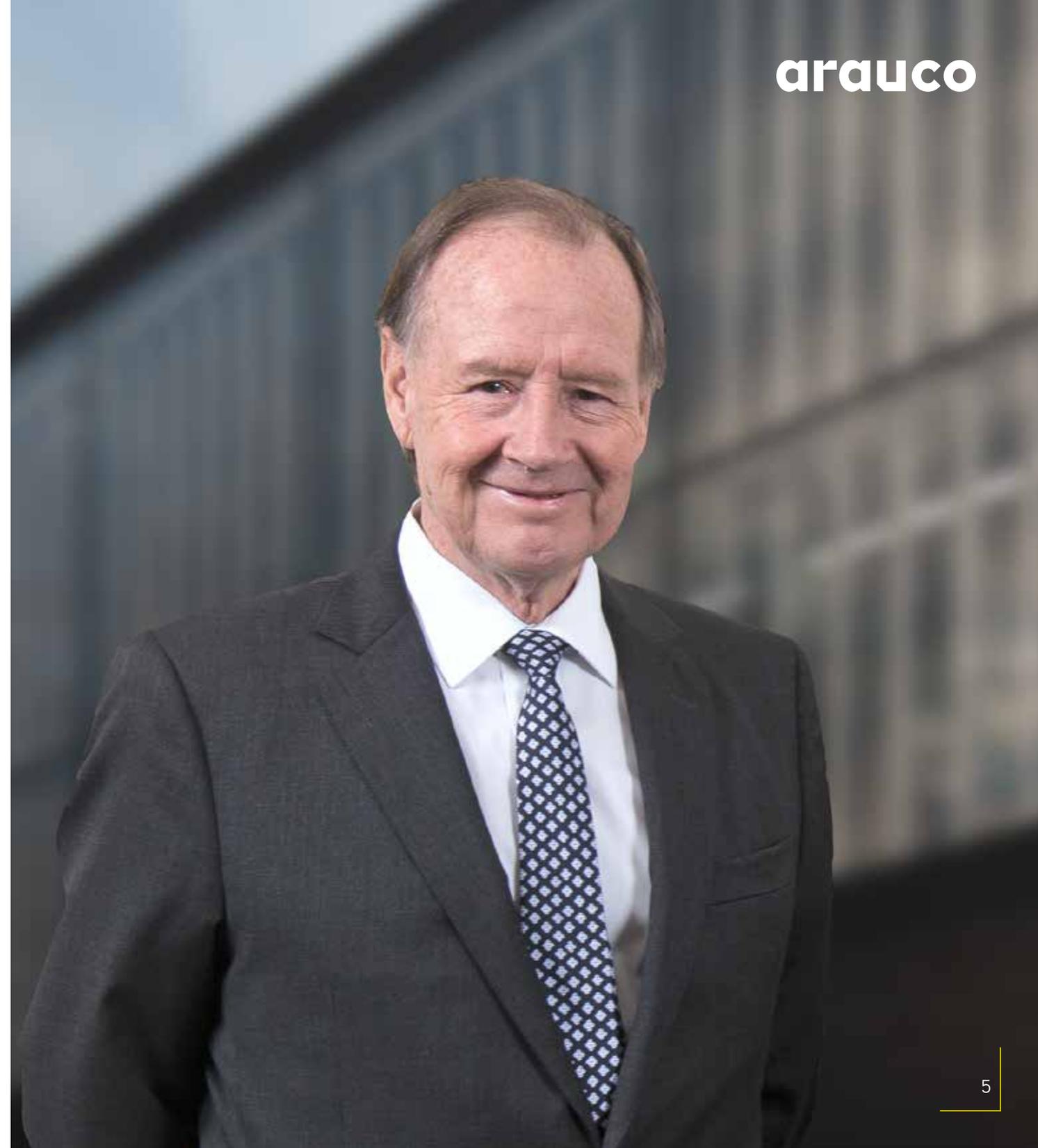
le; the purchase of two Masisa industrial complexes in Mexico, Durango and Zitacuaro at the beginning of 2019, and the process of voluntary citizen participation and presentation of the environmental impact study to the Environmental Impact Assessment Service of the Wind Viento Sur wind farm, located in Arauco commune, Chile.

We have developed all these advances with a long-term vision, generating products of excellence based on forest resources; working for an efficient integration among the different countries in which we operate and with the communities we relate to, while deepening our commitment to sustainability.

At ARAUCO we are certain that the company is made by its people, who have been a fundamental pillar to reach the achievements that allow us to be recognized in the world, so I deeply appreciate the commitment and participation of all the people who are members of the company, through which we can project ourselves into the future, while balancing the requirements of shareholders, employees and communities from our position as a renewable industry.

I invite you to explore this report, where you will find more information about the company's projects and advances during 2018, aimed toward improving people's lives and developing forest products to meet the challenges of a sustainable world.

Manuel Enrique Bezanilla
ARAUCO Chairman





01

arauco

about
ARAUCO

about ARAUCO

We are a global, diversified forestry company offering a wide variety of sustainable, quality products for the paper, construction, packaging, furniture and energy industries.

Along with our work and innovation, we develop products based on renewable forest resources, which inspire us to create 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.

Part of our growth is based on the creation of economies of scale and sustainable competitive advantages over time, to develop products that are called to innovate, with new solutions that deliver added value, the highest sustainability standards and a focus on quality, so that our products are always the superior choice.



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

OVER
1.8
MILLION
hectares of forestland
in South America.



arauco

Over
4,446
CUSTOMERS
in 5 continents.

Production facilities in
11 COUNTRIES.

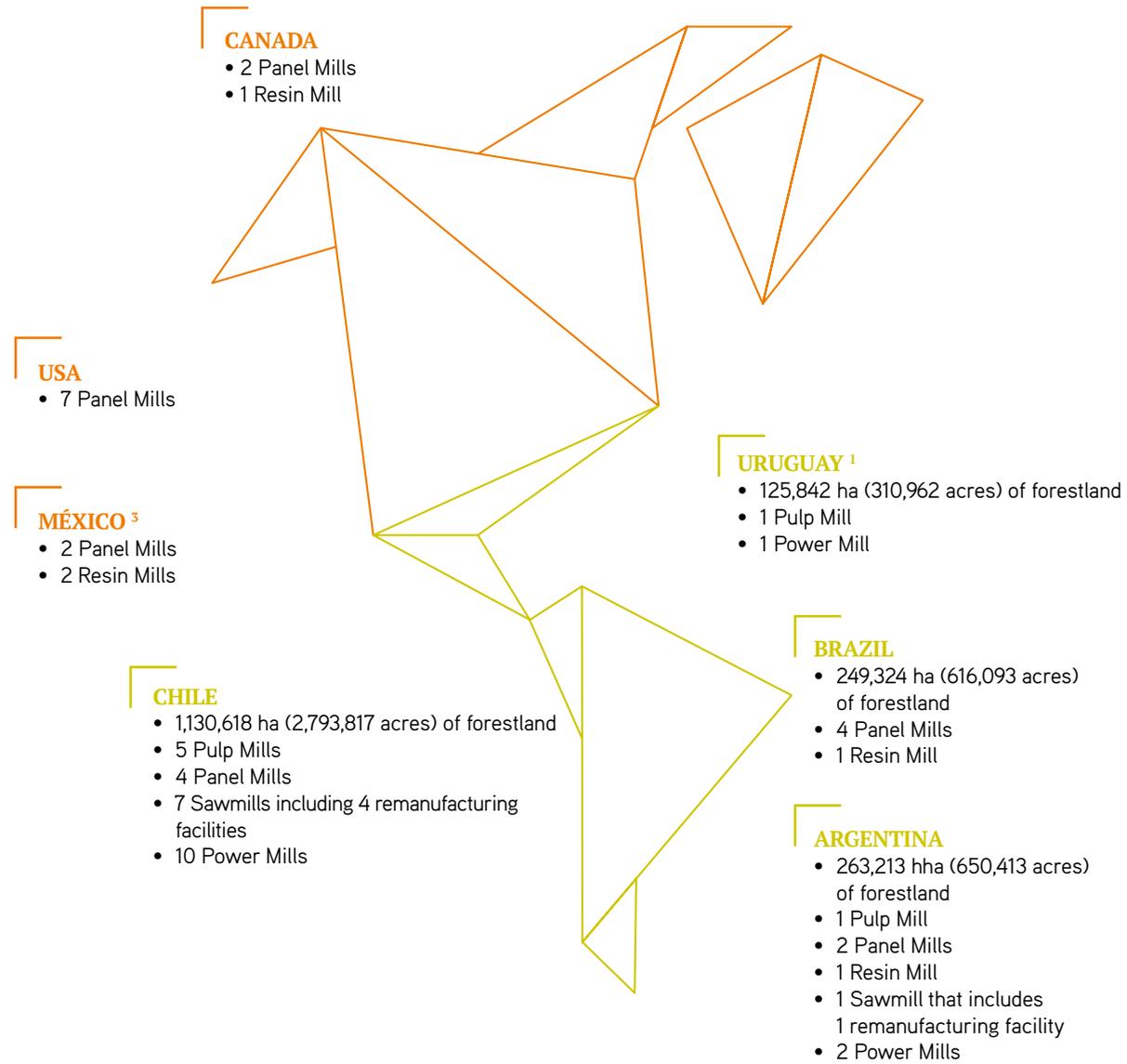
17,252 EMPLOYEES
guided by one vision
and shared values.

Products sold through
representatives, sales
agents and sales offices in

28 COUNTRIES.

Logistics chain and distribution
management, supply to
distribution centers and points of
sale through

208 PORTS.



1) Considers 50% of operations, land and plantations.
 2) SONAE ARAUCO operations.
 3) Acquired in early 2019.



sustainability STRATEGY

We work to build an economy based on renewable resources, which are the foundation to 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.

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

2. Responsibly managing our operations using the best environmental practices and promoting the safety and development of the people who work at ARAUCO.

3. Developing high standard, quality-oriented products and materials that always aim to be the superior choice for our customers.

4. 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 contribute 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.

our VALUES



SAFETY
always a priority



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

corporate GOVERNANCE

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 a 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., which were founded by Corfo, the Chilean Economic Development Agency.

Since then, the company operates under the 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 in the fishing and mining sectors.

The key mission of the Board of Directors of Celulosa Arauco y Constitución S.A. is to maximize the company's value through social, environmental and economically responsible management. 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 regularly meets with the Chief Executive Officer and the President and Chief Operating Officer, who provide updated information on the company's management and ARAUCO's business areas. Under Chile's Corporation Law, ARAUCO 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

SHARES: 0.00%

MANUEL ENRIQUE BEZANILLA

Chairman of the Board

ROBERTO ANGELINI

First Vice Chairman

JORGE ANDUEZA

Second Vice Chairman

JORGE BUNSTER

ALBERTO ETCHEGARAY

JUAN IGNACIO LANGLOIS

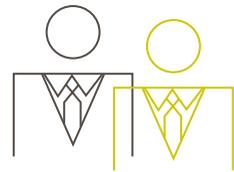
FRANCO MELLAFE

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 work 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 Timber and Panels

GONZALO ZEGERS
Senior Vice-President International
& Business Development

PABLO FRANZINI
Senior Vice-President International

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

FELIPE GUZMÁN
General Counsel

In addition, the Company's management
abroad is headed by:

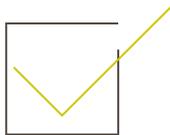
PABLO MAINARDI
ARAUCO Argentina and ARAUCO do Brazil

KELLY SHOTBOLT
ARAUCO North America, United States and Canada

DIEGO WOLLHEIM
Montes del Plata, Uruguay

RUI CORREIA
SONAE ARAUCO

management of best CORPORATE PRACTICES



The directors and employees of the company and 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 Market Disclosure Manual.

In Argentina, the "Corporate Governance Code" was additionally adopted, which aims to promote business ethics and lays the foundation for sound management and supervision. 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 a Fraud Reporting Procedure in place to receive, investigate and, if needed, act upon reports submitted by employees, customers, suppliers, shareholders and third parties regarding violations to the company's Code of Ethics, including but not limited to reports concerning irregularities found in audits, accounting and internal controls. Reports can be anonymously made by filling in the form that is available on the Intranet or at ARAUCO's website (www.arauco.cl).

In addition, ARAUCO continues to implement the Crime Prevention Model (CPM) program established by Celulosa Arauco y Constitución S.A. and its subsidiaries, through Crime Prevention directors who are designated by the Boards of ARAUCO's different companies.

Likewise, in ongoing compliance with current regulations, the Crime Prevention Model for Celulosa Arauco y

Constitución S.A. and its subsidiaries was recertified in 2018. The process was executed and validated by an independent certifying body. In addition, the company started the diagnosis and certification process for Acercaredes Foundation and Arauco Nutrients SpA.

Regarding amendments to Law 20.393 and the Criminal Code introduced through Law 21.121, incorporating new crimes, such as corruption among individuals, incompatible negotiation, misappropriation and unfair administration, in already disclosed Law 20.393, Crime Prevention directors at the different companies are making adjustments to the respective Crime Prevention Models.

In terms of dissemination and continuous training, a highlight in 2018 was the first Corporate Workshop for the Integration of Crime Prevention Officers (EPD in Spanish), involving the participation of the corporate team and representatives from Brazil, Argentina, Mexico and the United States. The objective of this event was to standardize crime prevention concepts at the regional level, provide training for EPDs and create synergies. In addition, in terms of training, the model was reinforced with different face-to-face training sessions for specific areas, and mandatory E-learning training continued on a permanent basis.

In addition, the Code of Ethics and the principles and values it contains are constantly being disseminated. This includes mailings, posters, publications 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.

The company has 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 good corporate practices, ARAUCO maintains reporting systems available at the website and Corporate Intranet.

The Code of Ethics and the CPM have reporting structures in place for all countries. The procedure is a confidential and anonymous mechanism available to workers and people outside the company.

No complaints were received in 2018 regarding crimes outlined in Law 20.393.

risks and CHALLENGES

ARAUCO is exposed to several different 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 has a Risk Management Policy in place, a Corporate Risk Management Framework and a Corporate Risk Matrix for high impact risks. These policies and procedures are 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.

Regarding the risks that address the reliability of accounting information, during 2018, ARAUCO developed and carried out an intensive dissemination plan for the SOX Corporate Internal Controls Model 4, that focuses on the reliability of the company's accounting financial information. The purpose of this plan is to disseminate, train and further the importance of this model at ARAUCO and the role that the different areas of the company play in its management, and to promote the use of the GRC Process Control 5 tool for the management and monitoring of risks and controls with a financial accounting focus. Along these lines, several initiatives have been carried out with the Business Management

units and Transversal Management units in Chile, Brazil and Argentina to address the issues mentioned earlier.

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 lack can put a stop to the regular operation of a process area or even an entire industrial forestry complex. Likewise, factors outside the operation, such as natural disasters and forest fires, constitute risks.

Based on the operational risks identified during 2014-2015, ARAUCO has been executing specific work plans to prevent the occurrence of, or reduce the impacts on its facilities, such as severe and fatal accidents, natural disasters, fires, environmental damage, climate change, odor emissions and temporary production halt of its industrial facilities. ARAUCO will update the operational risks identified during 2014-2015 in 2019.

Impact levels and probability of occurrence of risks are constantly evolving, taking on a greater or lesser leading role according to the global context. The latest COSO

ERM committee publication, based on a report by the World Economic Forum, highlights the evolution of the outlook on risks at the global level, where years ago economic and social risks were leading, while today the focus has migrated to risks related to water supply, extreme weather conditions, and cyber frauds and 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 our industrial facilities, ARAUCO continued the execution of the 2018 investment plan for significant improvements in the level of fire protection and combat, maintenance programs were improved and the technical skills and equipment of our industrial firefighting crew were enhanced.

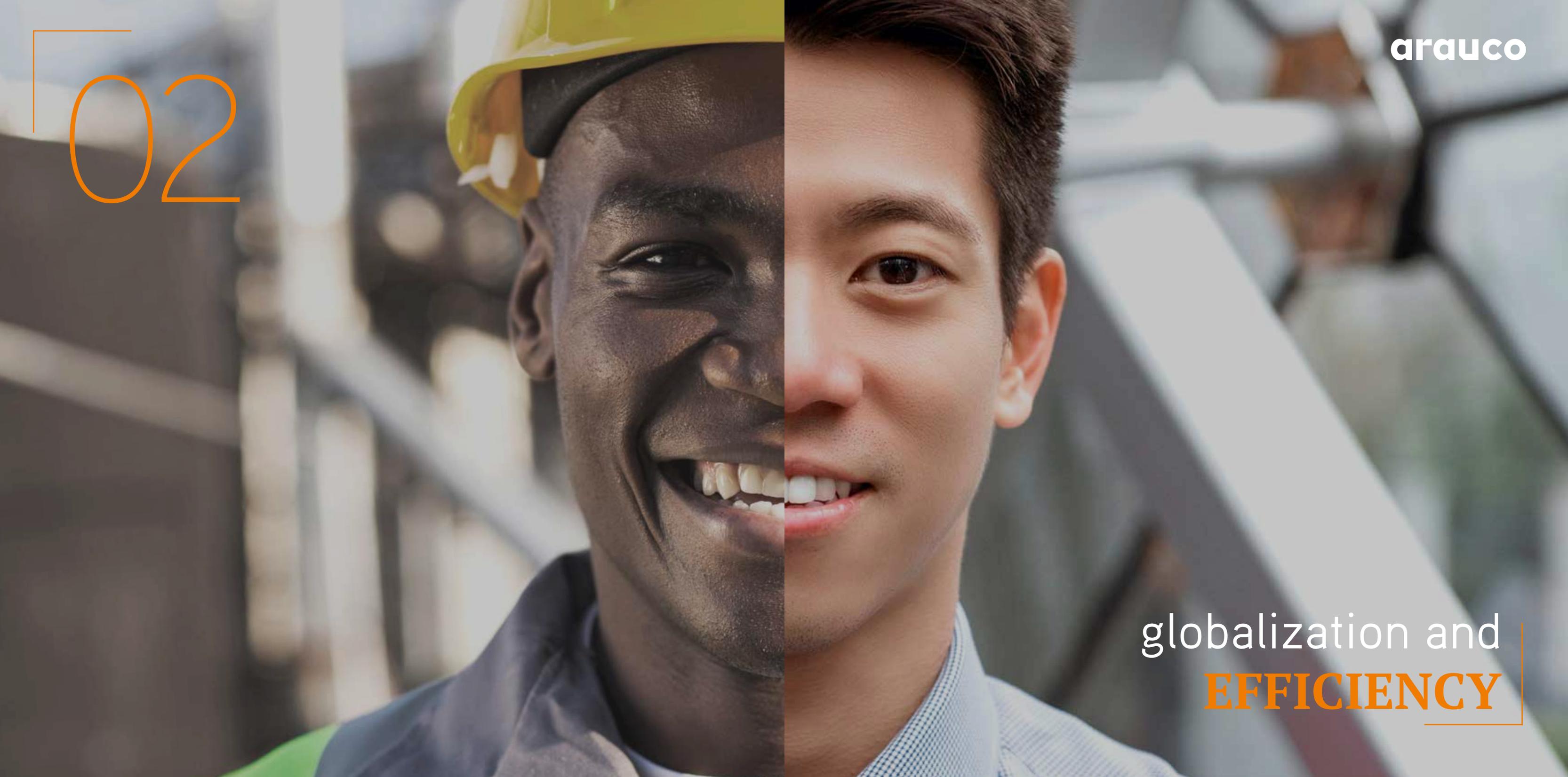
4) The Corporate SOX Internal Control Model is based on COSO (Committee of Sponsoring Organizations of the Treadway) as a frame of reference, which establishes that it is a process carried out by the Board of Directors, senior management and the rest of an entity's staff, designed to provide reasonable assurance as to the achievement of objectives within the following categories: effectiveness and efficiency of operations, information reliability, compliance with applicable laws and regulations and safeguarding assets.

5) GRC Process Control SAP: ERP tool that maintains ARAUCO as a single corporate repository for the management and administration of risks and controls with focus on the reliability of financial accounting information.

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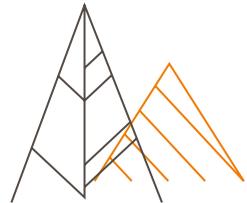
globalization and
EFFICIENCY



forestry **BUSINESS**

Forestry is 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 the production processes are certified to the highest global standards. The native forest and high social and environmental value areas are duly protected.

During 2018, 22.3 million m³ of logs were harvested.



1.8

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

Native forests and protected areas account for

25%

OF THE FORESTLAND.

75,900

HECTARES (187,552 acres) planted during 2018.

MILESTONES 2018

- Recertification of the FSC® Forest Management standard in Chile (Forestal Arauco FSC License Code: FSC-C108276) and Brazil (Arauco Florestal Arapoti FSC License Code: FSC-C010673; Arauco Forest Brazil Tunas FSC License Code: FSC-C116843; Arauco Forest Brazil C. Tenente E Senges FSC License Code: FSC-010303).
- PEFC/CERFOAR Sustainable Forest Management Certification Arauco Argentina.
- Operations in the Northern and Central Region of Argentina were unified under the same FSC® Forest Management certification (FSC Misiones License Code: FSC-C128100).
- In Argentina, the Central Region was certified to the OHSAS 18.001 standard, and unified with the Northern Region certification.
- In Chile, in order to add greater value to the forestland, share best practices and take advantage of synergies, an internalization process was developed for the operations of the Quivolgo, Horcones and Los Castaños nurseries, where 750 people work.
- Creation of the new Unified Fire Station in Chile, concentrating the functions of fire detection and resource deployment in one place.
- Re-organization of the forestry business by functional areas to unify and accelerate decision-making.
- Progress continues with the implementation of the Lean Philosophy in all forestry operations. During 2018, work was carried out on bidding processes and harvests in land areas.



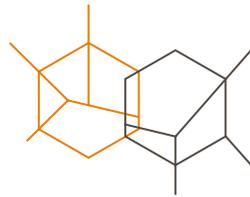
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pulp BUSINESS

Woodpulp produced by ARAUCO is the basic raw material used to manufacture 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 2018, 3.8 million tons of bleached and unbleached softwood pulp, bleached eucalyptus Kraft pulp and fluff pulp were produced, with sales for US\$ 3,045 million. Products were mainly sold to Asia and Europe.



5
Pulp MILLS
in Chile.

1
Pulp MILLS
in Argentina.

1
Pulp MILL in Uruguay
through a *joint operation*
between ARAUCO and Stora
Enso (Swedish-Finnish
Company).

WOODPULP PRODUCTION BY PRODUCT (in ADMT)
(As of December 31, 2018)

Product	2016	2017	2018
Bleached Pine (BSK=BKPR+BKPT)	1,531,089	1,441,910	1,448,600
Bleached Eucalyptus (BEK)	1,526,333	1,662,565	1,672,241
Unbleached Pine (UKP)	429,947	435,051	522,395
Fluff	208,129	155,153	147,824
Total	3,695,498	3,694,679	3,791,060

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

MILESTONES
2018

- In Chile, the Board of Directors approved the development of the Modernization and Extension of Arauco Mill (MAPA in Spanish), a project that involves an investment of US\$2.35 billion. This project is estimated to be operational during the second quarter of 2021.
- Construction of the Dissolving Pulp project began in Valdivia, Chile, which will be the first to produce a product that provides a different use to woodpulp, as a raw material for the manufacture of viscose or rayon fabric. This project represents an investment of US\$190 million, and maintains the authorized annual production level of 550,000 ADMT.
- PEFC - Chain of Custody certification for the Pulp mill in Argentina.
- In Chile, the update process of ISO 9001 and ISO 14001 certifications to version 2015 at Licancel and Constitución mills was completed.
- Licancel and Nueva Aldea mills in Chile, conduct the recertification processes for the Certfor Forestry Chain of Custody System and FSC®, respectively.



MAPA

ARAUCO MILL MODERNIZATION

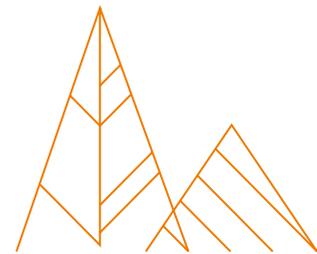
MAPA is the largest investment program in the history of ARAUCO and will be developed in a commune with which we have a long and close relationship, a sense of belonging, since it is located in the area where the company began.

At production level, the project includes termination of line 1, which dates to the 1970s, the modernization of current production line 2 and the construction of a new line (line 3) with an annual production capacity of approximately 1,560,000 tons and state-of-the-art technology. This, in addition to a new and modern effluents treatment Mill.

The project includes a set of environmental management measures, such as an ecosystem research program, comprehensive monitoring plans (air, water, noise, etc.) and social-environmental measures that directly benefit local communities, including commitments to Mapuche people, communities and associations.

The project will allow the company to continue to generate clean and renewable energy with the construction of a forest biomass-based electric cogeneration system, producing an energy surplus of about 166 MW that will be delivered to the National Electric System (SEN in Spanish), through a power line whose construction is also part of the project.

Having a qualified and committed team will be essential to address this challenge. To this end, a special training program and several initiatives are being developed, in order to rely on all the new local capabilities and embrace this challenge with excellence



TOTAL ESTIMATED PRODUCTION
2,100,000 annual tons.

ENERGY GENERATION
In addition to self-supplying the mill with clean energy, a surplus of 166 MW will be produced, which will be delivered to the National Electric System (SEN).

START-UP
Second quarter of 2021.

EMPLOYMENT DURING CONSTRUCTION PHASE
4,000 to 5,000 jobs during construction, with a maximum of 8,000.

MAPA

arauco



INCREASED PRODUCTIVITY
An increase in pulp production at the Horcones complex mill and strengthening ARAUCO's and Chile's competitiveness in global markets.



ENVIRONMENTAL EFFICIENCY
Incorporation of the most modern technologies will provide even greater efficiency to the facility's environmental performance.



RENEWABLE ENERGIES
Clean and renewable energy generation, with an energy surplus available to be delivered to the National Electric System.



CLIMATE CHANGE
MAPA is developed under the Clean Development Mechanisms (CDM) of the 1997 Kyoto Protocol.



EMPLOYMENT
The construction of the project will be a relevant source of employment.



REVITALIZATION OF THE LOCAL ECONOMY
Important opportunity for productive linking with local activities.



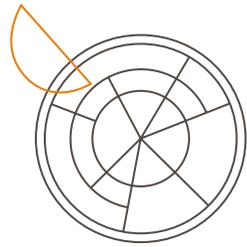
CONTRIBUTION TO LOCAL DEVELOPMENT
Project portfolio that aims to contribute to local development in infrastructure, equipment, production development, education and culture.

wood BUSINESS

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 12.5 million m³.

ARAUCO's MDF, MDP, HB and plywood panels supply the furniture and construction industries, and are recognized for their wide range of products, availability and quality. ARAUCO's timber offers solutions in terms of quality and durability for the construction, furniture and packaging industries. The company's moulding brand, ARAUCO Moulding or ARAUCO Molduras are a decorative and finishing element in homes and several spaces.

In 2018, sales reached US\$2,762 million, mainly in the United States, Brazil, Asia and Chile.



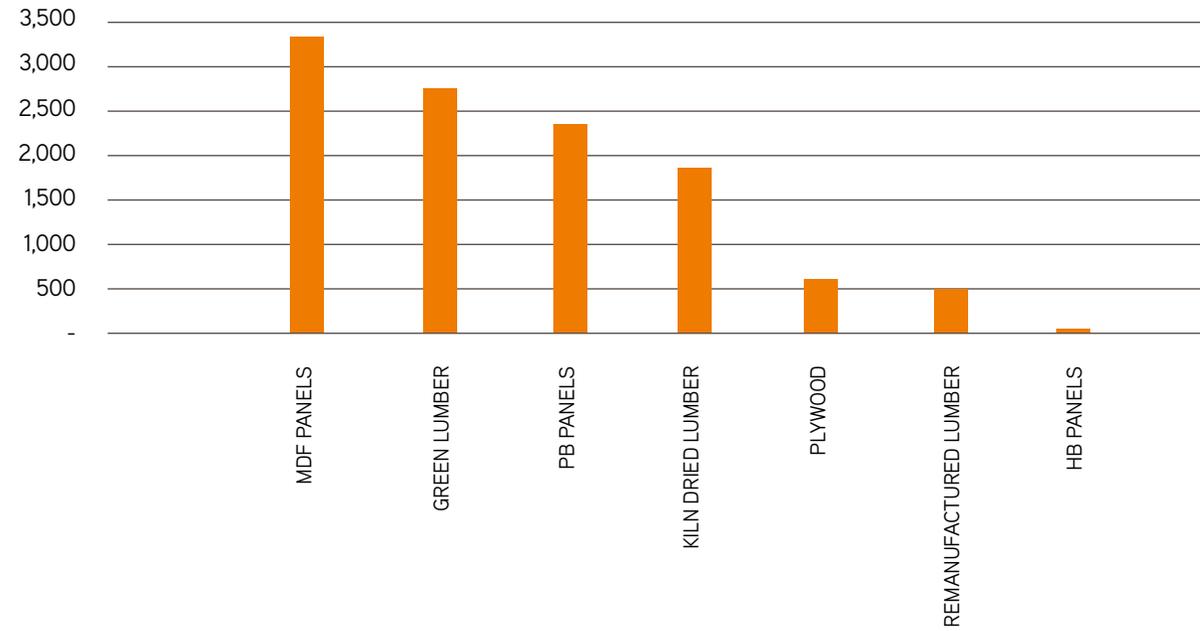
21

Panel MILLS.

8

SAWMILLS, including
5 remanufacturing
facilities.

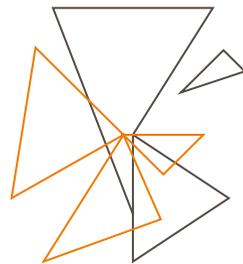
2018 WOOD PRODUCTION BY PRODUCT
(Thousands of m³)



MILESTONES
2018

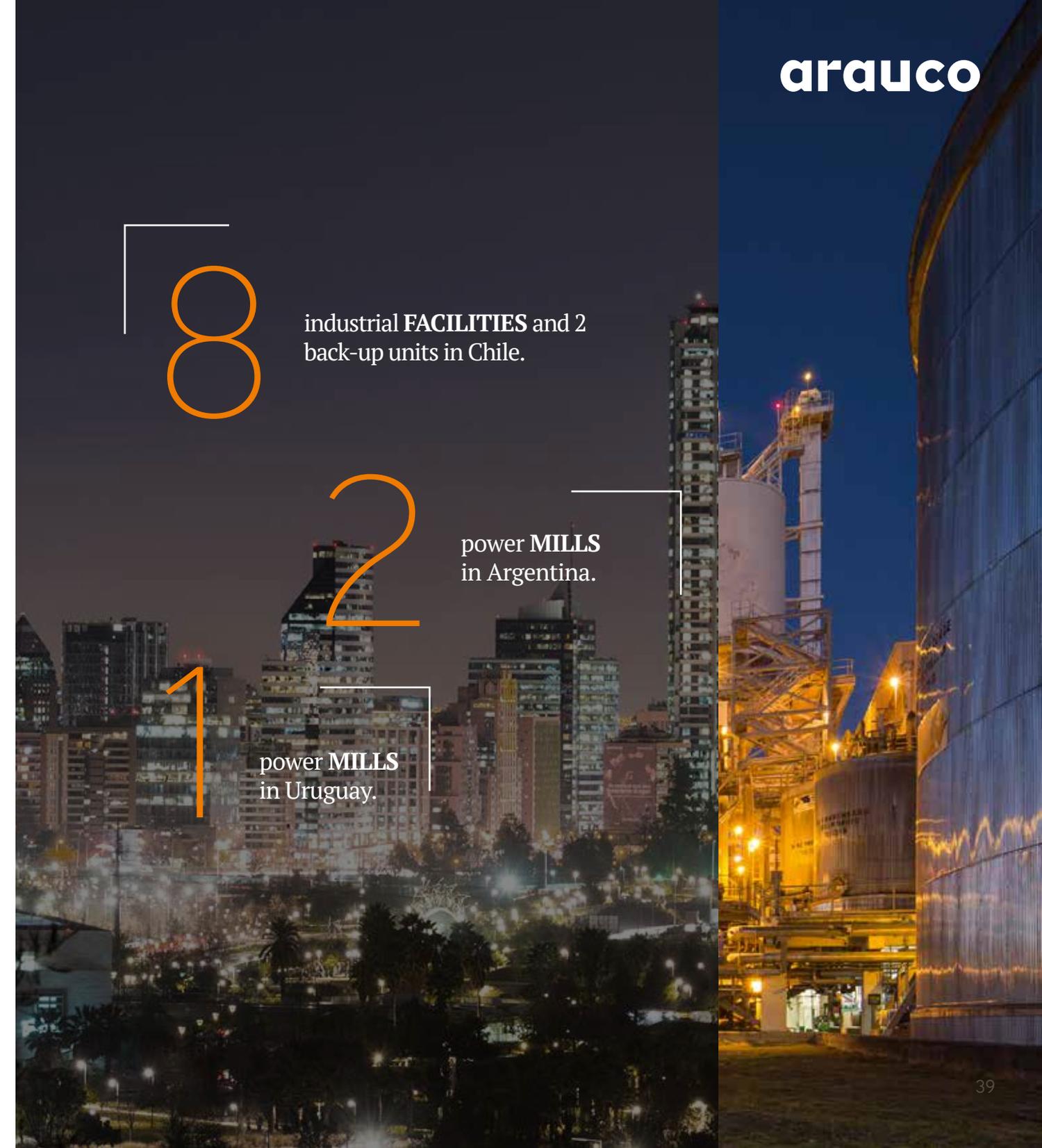
- Purchase of two Mills in Brazil: Ponta Grossa MDF mill and Montenegro PB mill, which were acquired in December 2017 with an annual installed capacity of 800,000 m³.
- Construction of the Grayling Particleboard Mill in Michigan, USA, with a production capacity of 800,000 m³, of which about 300,000 m³ will be melamine laminate. The Mill came into operation in the first quarter of 2019.
- Reconstruction of SONAE ARAUCO Mills located in Portugal, Mangualde and Oliveira Hospitales, which were damaged by a fire in 2017. In addition, a new MDF line was put into operation in Mangualde.
- In Chile, the Teno mill expansion project began, a US\$ 20 million investment that will increase the production capacity of raw panels to 340,000 m³ and 100% of its production will be thermally fused melamine laminate.
- In January 2019, the company acquired two industrial complexes in Mexico, in the areas of Durango and Zitacuaro, for US\$ 160 million. Both complexes combined have three particleboard lines with an annual installed capacity of 339,000 m³; an MDF panel line with 220,000 m³; two melamine laminate lines with an installed capacity of 309,000 m³; a chemical Mill to process resins and formalin, and treatment lines.
- In the United States, the company purchased Panolam's industrial assets in Albany, Oregon, which include two thermally fused laminate lines with an installed capacity of 212,000 m³, and two treatment lines.
- Renewal of carbon neutral certification for VESTO Melamine, produced at Teno mill, in Chile.
- Operations in Chile, Argentina, Brazil and North America were recertified to the ISO 14001 standard, version 2015.
- Grayling Particleboard and Albany Treating and Lamination were added to the FSC® multi-site certification of Arauco in North America.
- All Mills in North America obtained TSCA VI certification.

energy **BUSINESS**



ARAUCO, in keeping with its commitment to high environmental standards, embraced more than twenty years ago, the challenge to produce clean and renewable energy from forest biomass, which is achieved through virtuous cycles with nature. Guided by 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.

In doing so, 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. Today, ARAUCO is one of the primary producers of Non-Conventional Renewable Energy (NCRE) in Chile, with an installed capacity of 606 MW and a capacity of 219 MW to be contributed to the National Electric System (SEN). Additionally, the company has an installed capacity of 82 MW in Argentina and an installed capacity of 91 MW in Uruguay.



8

industrial **FACILITIES** and 2 back-up units in Chile.

2

power **MILLS** in Argentina.

1

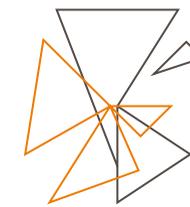
power **MILLS** in Uruguay.

GHG emission REDUCTION PROJECTS

ARAUCO has historically contributed to the combat against climate change, certifying emissions reductions from residual forestry biomass based cogeneration projects in five power Mills in Chile and one in Uruguay (a *Joint venture* with Stora Enso). These power Mills 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).

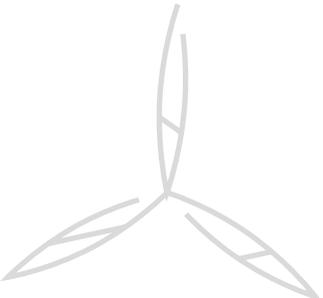


MILESTONES 2018



- ARAUCO's power Mills delivered a total annual net energy surplus of 951 GWh, 6% more than the previous year.
- Total physical sales for 1,533 GWh, 1.9% higher than sales registered in 2017.
- In Chile, surplus production in 2018 accounted for approximately 1.3% of total SEN energy generation and rated power accounted for 0.9% of the system's total rated power.
- In 2017-2018, ARAUCO contributed 7.8% of worldwide accumulated certified emissions reductions in the residual biomass-based energy generation projects category registered under the CDM standard.
- ARAUCO projects in Chile issued 754,364 CER's, of which 506,776 CER's were issued under the Verified Carbon Standard (VCS) and 247,588 were issued under the CDM standard.
- The Punta Pereira project, located in Uruguay, issued its first carbon credits under the CDM standard, for 66,006 CERs.
- Sale of 658,512 CERs, issued by projects registered under the CDM standard, traded on the European Union Emission Trading Scheme and the global voluntary market.

VientoSur parque eólico



EL PARQUE EÓLICO VIENTO SUR (VIENTO SUR WIND FARM) will generate clean electric energy to be delivered to the National Electric System (SEN), thus contributing to diversify Chile's energy matrix.

In 2018, the new wind farm, which is estimated will generate enough power for 540,000 homes, carried out a Voluntary Early Citizen Participation process and submitted an Environmental Impact Assessment (EIA) before the Environmental Impact Assessment Service in March 2019.

TOTAL INVESTMENT

US\$250 million

SIZE

43 wind turbines with an installed capacity of up to 200 MW.

LENGTH OF POWER LINES

60 kilometers between the wind farm and the substation MAPA/ Horcones Mill.

ENERGY DELIVERED TO SEN

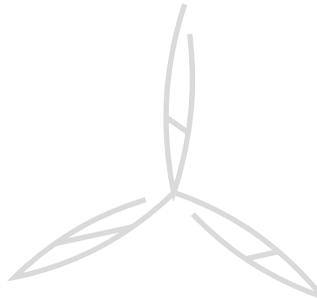
Equal to the energy needed to power 540,000 homes.

CONSTRUCTION PERIOD

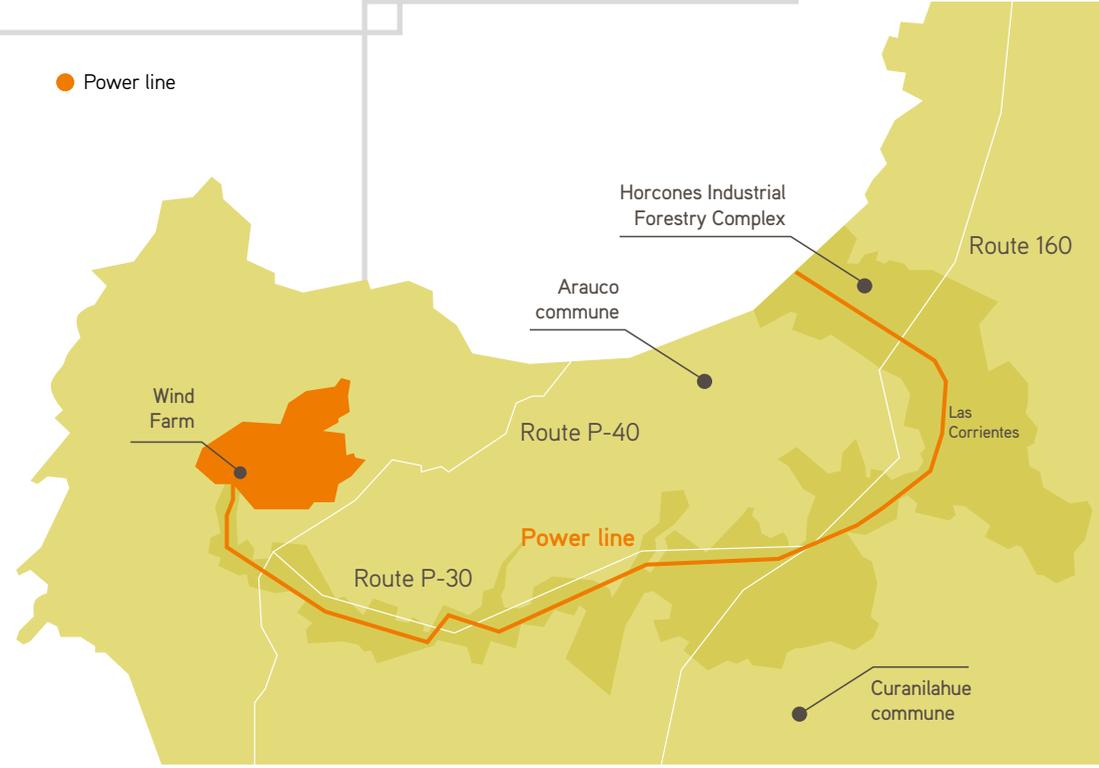
Up to 2 years since obtaining the RCA.

43

WIND TURBINES
With a rated power capacity of up to **200 MW**.
220Kv/60km power line on ARAUCO forest property.



● Power line



financial PERFORMANCE

In 2018, the company's profit was US\$ 727 million, 169% higher than in 2017. This is mainly attributed to higher margins due to better pulp prices, which remained at a good level for most of the year. The timber business also had a better 2018, increasing sales volumes compared to 2017.

EBITDA for 2018 was

1,851
million



During 2018, ARAUCO renewed a US\$ 200 million, five-year loan that expired in September 2018. Additionally, in October, two bond issues were placed in the local market for a total of 8.5 million UF, whose funds are part of the financing for the Modernization and Expansion of Arauco Mill (MAPA) project.

FINANCIAL INDICATORS

(in US\$ million)

	2016	2017	2018
Sales	4,761	5,238	5,955
Adjusted EBITDA	1,067	1,353	1,851
EBITDA Margin	22.4%	25.8%	31.1%
Net Income	218	270	727
Financial Debt	4,481	4,274	4,510
Net Financial Debt	3,889	3,687	3,434
Financial Costs	258	288	215
Investments	665	654	921
Net Debt/EBITDA	3.64	2.72	1.86
EBITDA/Interests	4.13	4.70	8.62

Adjusted EBITDA: Is EBIT + harvest cost or fair value + income from changes in the fair value of biological assets plus exchange difference + others.

ECONOMIC VALUE GENERATED AND DISTRIBUTED AS OF DECEMBER 2018

(in US\$ millions)

	2016	2017	2018
Total income			
Net Sales	4,761	5,238	5,955
Income from financial investments	30	20	21
Income from sales of fixed and intangible assets	19	9	5
Economic value generated	4,810	5,267	5,981
Operational cost / production cost*	2,791	2,842	3,000
Payment to capital suppliers	1,034	1,787	947
Wages and benefits	533	563	563
Taxes**	46	-31	227
Investments in the community ***	10	13	14
Economic value distributed	4,415	5,174	4,751
Economic value retained	396	93	1,230

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

** Includes expenses from income tax.

*** Includes donations, contributions and scholarships.

PROJECTS AND INVESTMENTS

ARAUCO is a global company that evolves and is permanently embracing the challenges of participating in global markets. In 2018, the company invested US\$ 921 million; the main projects are the Modernization and Expansion of Arauco Mill in Chile and the construction of the Grayling Particleboard Mill in Michigan, United States. In addition, the company also has several investment projects in development.

- MODERNIZATION AND EXPANSION OF THE ARAUCO MILL (MAPA), CHILE
- GRAYLING PARTICLEBOARD MILL, UNITED STATES
- PURCHASE OF MASISA ASSETS IN MEXICO AND BRAZIL
- DISSOLVING PULP PROJECT IN VALDIVIA PULP MILL, CHILE
- PROJECT TENO 340, CHILE
- VIENTO SUR WIND FARM, CHILE



SUPPLY CHAIN

ARAUCO has suppliers of services, input material, raw material and spare parts that impact the company's value chain.

MAIN SUPPLIERS OF INPUTS, MATERIALS AND SPARE PARTS IN CHILE

Business area	Supplier	According to distribution of the reported segment	Product
Pulp	COMPAÑÍA DE PETRÓLEOS DE CHILE S.A.	17%	Oil Nº6 and Diesel Oil
	EKA CHILE S.A.	11%	Sodium chlorate
	OCCIDENTAL CHEMICAL CHILE LIMITADA	11%	Caustic Soda
Timber	OXIQUIM S.A.	16%	Adhesive Mixtures (Resin)
Forestry	COMPAÑÍA DE LEASING TATTERSALL S.A.	27%	Vehicle Leasing

In order to support local development, ARAUCO works with suppliers from local areas where the company maintains industrial and forestry operations. These suppliers provide quality products and services such as inputs, spare parts, equipment, raw materials and a few services, thus contributing to the social and economic development of these communities. During 2018, the company made purchases from local suppliers for US\$2,068 million in all the countries in which it operates.

	Purchases from local suppliers (in US\$ million)	% of total purchases from ARAUCO suppliers in 2018
Chile	1,214	55%
Argentina	310	90%
Brazil	247	74%
North America	297	33%

INNOVATION

Innovation is an essential part of ARAUCO's strategy, and involves the combination of ideas, technology, process optimization, creativity and ventures to develop new and improved solutions that meet people's needs, as well as initiatives that aim to further social and environmental sustainability.



BIOFOREST: EXCELLENCE AND RESEARCH

In 1990, ARAUCO created Bioforest, a scientific and technological research center unique in South America that develops and applies the best technologies to maximize the productivity of the company's forest and industrial resources, developing research on processes for the Forestry, Pulp and Timber business areas in the different countries where it operates.

Today, Bioforest has 51 highly specialized researchers and a technological network of open collaboration with experts in the different research areas, and participates in several national and international organizations that are at the forefront of industrial forestry scientific knowledge.

Specialization of knowledge
enables the transformation of
research into innovation.



MILESTONES 2018

- Continued development of the genetic quality of ARAUCO plantations.
- Continued development of new forestry tools to express the growth potential of ARAUCO plantations.
- Generation of background information for the Ecosystem Management of the company's forestland.
- Development of new tools for pest and disease control in nurseries, plantations and in the company's forest products.
- In Pulp, results were developed that provide new efficiencies in the operation of mills and the development of new validated technologies to be incorporated in Pulp mill operations in the future.
- In Timber, new adhesive formulations were developed and options for greater efficiency in the production process of sawn timber and MDF and MDP panels were generated.
- A timber laboratory was built and offices were remodeled.
- Bioforest's seventh scientific committee was held, with two national experts and six international ones.



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INNOVA ARAUCO

ARAUCO has been able to lead, materialize and promote important projects that have reinforced ways to work in open and collaborative innovation, such as promoting the use of wood in construction; protection and sustainable management of native forests; innovation in panel production, and driving Social Innovation and Shared Value projects.

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

MILESTONES 2018



- Launch, execution and implementation of 10 prototypes linked to the 2018 Open Innovation challenge, in relation to “how do I apply technology to work.”
- Creation of E2E, a business that aims to manufacture and sell innovative and sustainable construction solutions in wood (*Joint Venture* between ARAUCO and Etex group).
- Sale of “+Maqui” in New York, a commercial test that validated this product in the American market.
- Incorporation of Lookid in the interactive center of Universidad de Concepción.
- Definition of a digital road map for the Timber and Panels business area, currently working on two projects.
- Association agreement with MIT, one of the main innovation ecosystems in the world.

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AGREEMENT WITH MIT TO BE PART OF ‘THE INDUSTRIAL LIAISON PROGRAM’



ARAUCO took an important international step forward in innovation, by partnering with the Massachusetts Institute of Technology (MIT) in the Industrial Liaison Program (ILP).

The program, which aims to strengthen the competitive position of businesses using new technologies and synergies, will allow the company to continue to develop and strengthen its work in innovation, through participation in several activities, forums, access to research, and other MIT resources to address present challenges and anticipate future needs.

The company has currently invested about US\$ 20 million in innovation and a systemic approach that encompasses six areas: R&D; new products, services and business models; the incorporation of technology at the operational level; promotion of its social innovation area; the internal environment through programs for the innovation culture; and the external environment by building a virtuous relationship with the innovation ecosystems of the world, starting with Chile.

our PRODUCTS

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.cl).



PULP	TIMBER	
arauco CELULOSA	arauco PBO	PRISM
arauco BKP	arauco CHOLGUAN	melamina VESTO
arauco EKP	arauco MDP	FAPLAC melamina
arauco FLUFF	arauco MSD	ARAUCOPLY
arauco Silver Star / 明星 BKP	arauco LUMBER	HILAM
arauco Bright Star / 明星 EKP	arauco ULTRA PB	arauco BRILLO PREMIUM
arauco Gold Star / 金星 UKP	arauco COLOR	arauco MOLDURAS
arauco Soil Star / 土星 UKP FC	arauco DURAFLAKE	arauco MOULDING
arauco Wood Star / 木星 APSA BKP	arauco TRUPAN	arauco MELAMINA
arauco UKP	arauco FIBREX	arauco MELAMINE
	arauco DUROLAC	arauco DECOFAZ

PRODUCT LABELING

The labeling and marketing-communication processes related to ARAUCO's products follow the regulations of the country of origin and the country of destination. The purpose of labels is to communicate the features, composition and technical specifications of the company's products and the regulations and standards that products comply with, in accordance to each country's definition.

CUSTOMER SATISFACTION

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

CUSTOMER ENGAGEMENT

Another mechanism the company uses to engage with different audiences is ARAUCO's active participation in trade fairs, such as the Sodimac training fair simultaneously held in Chile, Peru and Colombia, Wood Week in Chile, the Furniture and Wood Fair in Colombia, Expo AQP in Peru, and Revestir and ForMobile 2018 in Brazil.

Additionally, the company participated in several trade fairs in North America, such as IWF Atlanta, the WMA annual convention in Memphis, DesignExpo in Winnipeg, DesignDC in Washington, and others.



OVER
400,000
MELAMINE SAMPLES
distributed to furniture
manufacturers, designers and
specifiers across all markets.

MORE THAN
22,000
PEOPLE
participated in training,
clinics and seminars for
end customers.

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NEW PRODUCTS

- In Chile, 5 new Vesto Melamine designs were launched under the Artisan concept, 2 wood designs --Espresso and Alaska- and 3 textile designs -Seda Noite, Seda Giorno and Lino Chiaro- with a new thread finish.
- In Peru, 6 Vesto Melamine designs were launched, 3 wood designs -Venezia, Jerez and Espresso- and 3 textile -Seda Noite, Seda Giorno and Lino Chiaro.
- In Colombia, Vesto Melamine launched 3 new designs - Jerez, Espresso and Seda Giorno - under the Legacy concept.
- In Brazil, the Lihat collection was launched with 4 new melamine designs - Norus, Nimbus, Lotus and Zenrys - which generated the highest sales from design in the history of ARAUCO in this country.
- In Mexico, Vesto Melamine was launched under the concept 'a portrait of nature', with 3 new designs: Alaska, Riviera and Nativa.
- In Argentina, 6 new designs were launched, 3 for the Nature line -Gaudi, Caju and Mont Blanc- and 3 for the Urban line - Moscow, Prague and Vienna.
- In North America, AraucoPly Color Shield was launched, along with 16 new exclusive Prism TFL designs and 2 new Prism TFL textures (Velvet and Boreal). InCopper TM antimicrobial technology was also introduced to the North American melamine market; and TFL Shiplap was exclusively launched at The Home Depot.

Also, the new website, www.arauco.cl, was launched in 2018, which concentrates the world of products and solutions into a single experience and unifies company messaging across 11 markets. Meanwhile, the company continued to increase social network communities and website sign-ups reaching 352,000 followers on different social networks and 134,000 website signups.

03

arauco



people of
EXCELLENCE

our TEAM

ARAUCO's business strategy includes working with People of Excellence, because they provide the company with a distinctive seal in terms of an organizational culture that is able to embrace future challenges. A culture that achieves results sustainably, that places the safety of people as its priority and that aims to develop together with its environment; in a setting based on trust, with work teams that are empowered and responsible for their management; with leaders who develop effective teams and are capable of integrating several points of view to achieve shared objectives; that question the present and challenge the future, and that dare to take risks and innovate.

To move forward with this challenge, work was done in several areas in 2018, such as the installation of the Together for a Better Life Model, that aims to empower work teams in their safety management; changes to the Performance Management process to establish it as an ongoing process, which leverages the organizational culture required by the company; the new integrated training model that seeks to prepare our workforce for the challenges required by the industry and markets, and strengthening of the inclusion program that the company has been promoting in recent years.



17,252

EMPLOYEES

23,673

CONTRACT WORKERS
employed through contractor companies

WORKFORCE

Workforce	2016	2017	2018
Employees	14,239	15,379	17,252
Indirect contract workers (contracting businesses)	22,165	21,208	23,673

ARAUCO WORKFORCE BY GENDER

Workforce	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
TOTAL	1,675	12,564	1,857	13,522	2,507	14,745
Executives	67	383	71	427	56	392
Professionals and technicians	892	3,300	984	3,469	1,234	3,825
Workers	716	8,881	802	9,626	1,217	10,528

ARAUCO EMPLOYEES BY TYPE OF CONTRACT AND COUNTRY

Country	Men		Women		Total	
	Indefinite	Fixed-term	Indefinite	Fixed-term	Indefinite	Fixed-term
Chile	8,082	666	1,418	79	9,500	745
Argentina	1,285	111	129	10	1,414	121
Brazil	2,561	2	310	-	2,871	2
North America	1,558	-	307	-	1,865	-
Others	477	3	246	8	723	11
Total	13,963	782	2,410	97	16,373	879



RECRUITMENT

ARAUCO aims to maintain the best conditions to attract talent, incorporating people with the skills and competencies required to perform successfully in different roles. To do so, the company employs selection methods that allow us to identify the capabilities of each role that contribute to the different challenges of the Business and 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, ensuring that vacant positions are filled with the best and most suitable applicants, in accordance to ARAUCO's profiles and values.



3,538

people were hired in 2018 IN THE DIFFERENT COUNTRIES where ARAUCO operates.

Consolidated turnover rate of

4.8%

ARAUCO promotes equal opportunity in work teams through its Recruitment and Selection Policy, considering several principles that aim to ensure non-discrimination and carrying out these processes with criteria in accordance to the skills and competencies required by the position's profile, and the values of the organization.

The company has a formal inclusion program in place that promotes the work of differently abled people and provides support, including a benefit plan that reinforces the benefits already delivered by the state. In addition, it includes accompanying support of external specialists, within the different areas of the organization.

In 2018, the company strengthened its inclusion program by training people management teams and leaders, promoting the work of people with disabilities, and offering a special benefits plan.

The company has 92 accredited people working in ARAUCO's facilities in Chile as of December 2018.

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 areas.



In addition, the company promotes local employability through several initiatives:

- Work Training, to produce training plans for the neighbors of new industrial projects, to provide them with the skills and knowledge needed to be hired by the company.
- Tendering for new projects, in which ARAUCO is committed to contracting a percentage of local labor (e.g., MAPA project).
- Improvement of employability through training courses for the community in order to strengthen their work training and job placement.

- Promotion of Mapuche employment, for Mapuche communities neighboring ARAUCO's forestland; by implementing a participation and consultation process on forestry operations, these communities are informed of activities to be developed and are offered the option of participating in them through a specific training program.

In Brazil, the company employs 124 people with disabilities who work in different areas of the company. ARAUCO respects their individuality and limitations in order to promote their development.

Country	PEOPLE RECRUITED IN 2018			PEOPLE WHO LEFT IN 2018		
	Women	Men	Total	Women	Men	Total
Chile	725	1,657	2,382	150	821	971
Argentina	26	112	138	16	69	85
Brazil	101	452	553	119	420	539
North America	79	386	465	87	279	366

COMPENSATION 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.

Every year, the company 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 set a base pay that 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 area of operation. These benefits include food, transportation, life and health insurance, scholarships, and agreements with retail stores, local institutions, and others.



MILESTONES 2018

- Standardization of selection process management in the different areas and countries.
- Recruitment and selection of people who will be part of the MAPA project in Chile.
- In Chile, the Timber business maintenance work teams are internalized, involving a total of 481 workers and 715 business nursery workers from the Forestry business.
- 639 workers are integrated through the acquisition of two industrial Mills in Brazil.

comprehensive DEVELOPMENT

TRAINING AND LEARNING

ARAUCO's challenging goals, in addition to the high level of specialty in job positions, gives way to a training and learning plan that ranges from technical courses to the development of interpersonal skills and leadership.

During 2018, the company worked on a new Technical Training Model, which aims to prepare workers for the challenges that the industry and markets demand from the company. The new model considers educating high-performance workers by establishing a permanent and ongoing training cycle linked to the professional development of employees and using an on-the-job learning method, taking advantage of internal knowledge, and responding to the business strategy.

Additionally, ARAUCO aims to implement a participatory training strategy between business areas, to ensure a range that goes from the development of basic technical and soft skills, to the implementation of comprehensive programs to work on competencies that contribute added value to our employees and the organization.



TRAINING

	Participants	Man hours	Investment (millions)	Average training hours
Chile	6,940	177,247	\$ 792	17.3
Argentina	978	15,815	\$ 40	10.3
Brazil	3,251	128,955	\$ 211	44.2

MILESTONES 2018

- Creation of Technical Training Management to establish permanent training cycles with development perspectives, and consequently train high-performance workers.
- Definition of the training program prior to the implementation of project MAPA.
- First generation of Campus ARAUCO graduates: 83 students of Maintenance, Administration and Risk Prevention programs.
- Completion of the Young Professionals and Leadership Development Program training programs.
- Implementation of the Continuous Improvement module at the Technical School level for industrial Mills.
- Integration of the Supervision level in the Leaders Development Program (training of 120 supervisors).
- Restructuring of internship programs that focus on project management: project management training and guidance on continuous improvement projects in areas of action.
- Restructuring of the trainee program.



PERFORMANCE MANAGEMENT

ARAUCO has positioned Performance Management as the most important process to advance the development of our people, installing it as a Business process.

Aiming to make feedback a continuous and timely process that promotes recognition, the Performance Assessment process was modified in 2018, establishing a single process for all the countries where we main-

tain operations, with a new model that focuses on five competencies that represent the behaviors the company wishes to foster. In order to do this, the assessment tool was simplified to achieve deeper, relevant and timely conversations, concentrating on the competencies that make the difference.

PERCENTAGE OF THE WORKFORCE THAT PARTICIPATES IN PERFORMANCE ASSESSMENTS

	2016	2017	2018
Chile	78%	93%	91%
Argentina	38%	50%	48%
Brazil	10%	-	9%
North America	28%	40%	31%

identity, commitment and CLIMATE

ORGANIZATIONAL CLIMATE

A good work climate is part of the business strategy, because it requires people that are committed to their work and to the company's development.

The climate survey is now established as a global process that helps to provide an understanding of the organization, find strengths and opportunities for improvement and provides leaders with information to optimize team management.

The climate survey was conducted in November 2018 in Chile, Brazil, Argentina, North America and Sales Offices in Peru, Mexico, Colombia and Holland.

During 2019, emphasis will be placed on maintaining and propagating good practices that were identified in areas with the best organizational climate, as well as installing the leader support method at a global level for the climate management of their teams.

	2016			2017			2018		
	Participation	Response rate	Global result	Participation	Response rate	Global result	Participation	Response rate	Global result
Chile and sales offices	7,805	91%	68	7,944	94%	71	8,651	94%	73
Argentina	1,090	72%	59	1,088	76%	66	1,038	70%	65
Brazil	1,604	95%	76	1,784	92%	80	2,440	92%	73
North America	1,224	74%	66	1,172	73%	66	1,230	79%	66



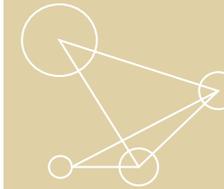
**ORGANIZATIONAL
COMMUNICATION AS
THE FOUNDATION FOR
COMMITMENT AT ARAUCO**

The company seeks to foster open, timely, transparent communication as a key element to maintain an organization that is aligned and committed to new challenges, and to express the desired organizational culture through the company's corporate values.

ARAUCO's internal communication strategy favors direct communication, for which several initiatives have been developed to strengthen the efforts of head supervisors and leaders to develop their role as effective communicators. This work is complemented by the operation of an internal media multi-platform that includes Intranet, bulletin boards, local magazines, a weekly newscast, e-mail, social networks, posters and videos, to ensure timely and efficient dissemination of the company's relevant topics.



*INNOVATION
CHALLENGE
2018*



During 2018, the company held the third ARAUCO Open Innovation Challenge to find ideas that will contribute new and inventive technological solutions for our processes.

Workers from Chile, Brazil, Argentina and North America participated in this initiative through an interactive platform that operated in all countries.

A total of 215 ideas were submitted: 154 from Chile, 18 from Argentina, 26 from Brazil, 15 from the United States and 2 from Canada. There were 7,468 interactions between employees and ideas received 1,072 "likes".

The four winning projects were Uber for trucks, a cargo management platform that increases the offer and competitiveness of freight carriers; Outlet Pipe Inspection, to reduce the impact of spills by measuring noise and temperatures from potential outcrops; IOT Smart Sensors, to create smart earwigs with sensors to capture information from the pruning process, which would decrease rejections and loss of value for raw material; and Survival Assessments, to perform an automatic assessment of plantation survival using UAVs and Deep Learning.

COLLECTIVE CONTRACTS AND AGREEMENTS

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.



COLLECTIVE AGREEMENT INDICATORS

	N° of unions	% of workers in collective bargaining agreements
Chile	31	57%
Argentina	4	49%
Brazil	8	9%

No information available for North America

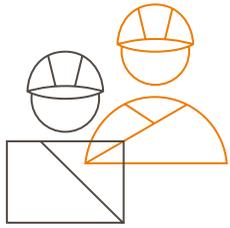
04

arauco



occupational
HEALTH AND SAFETY

SAFETY



At ARAUCO, the heart of the company lies in our people. Therefore, we continue to decidedly focus on the value of Safety as a priority. Work has been done on a corporate management model for safety based on the value of people and teamwork, called “Together for a better life”.

The model establishes three guiding principles: empowered workforce, safe teams and work well done. Taking these principles into account, the model places each person working at ARAUCO in a leading role in relation to his or her own safety and that of their coworkers.

To do so, the conditions provided by the organization are summed in a model comprised of four commitments that must be embraced and 16 work areas that organize the initiatives, which aim to empower work teams, so that they can take on a more prominent role in their own safety, through self-care and mutual care.

Similarly, the next challenges for ARAUCO in terms of safety will focus on reinforcing the empowerment of safe teams at facilities and offices, so that they can take on a greater role and become more involved in risk management. In addition, work will be done to consolidate and install habits and practices to advance the development of a safety culture based on the value of people and team work.



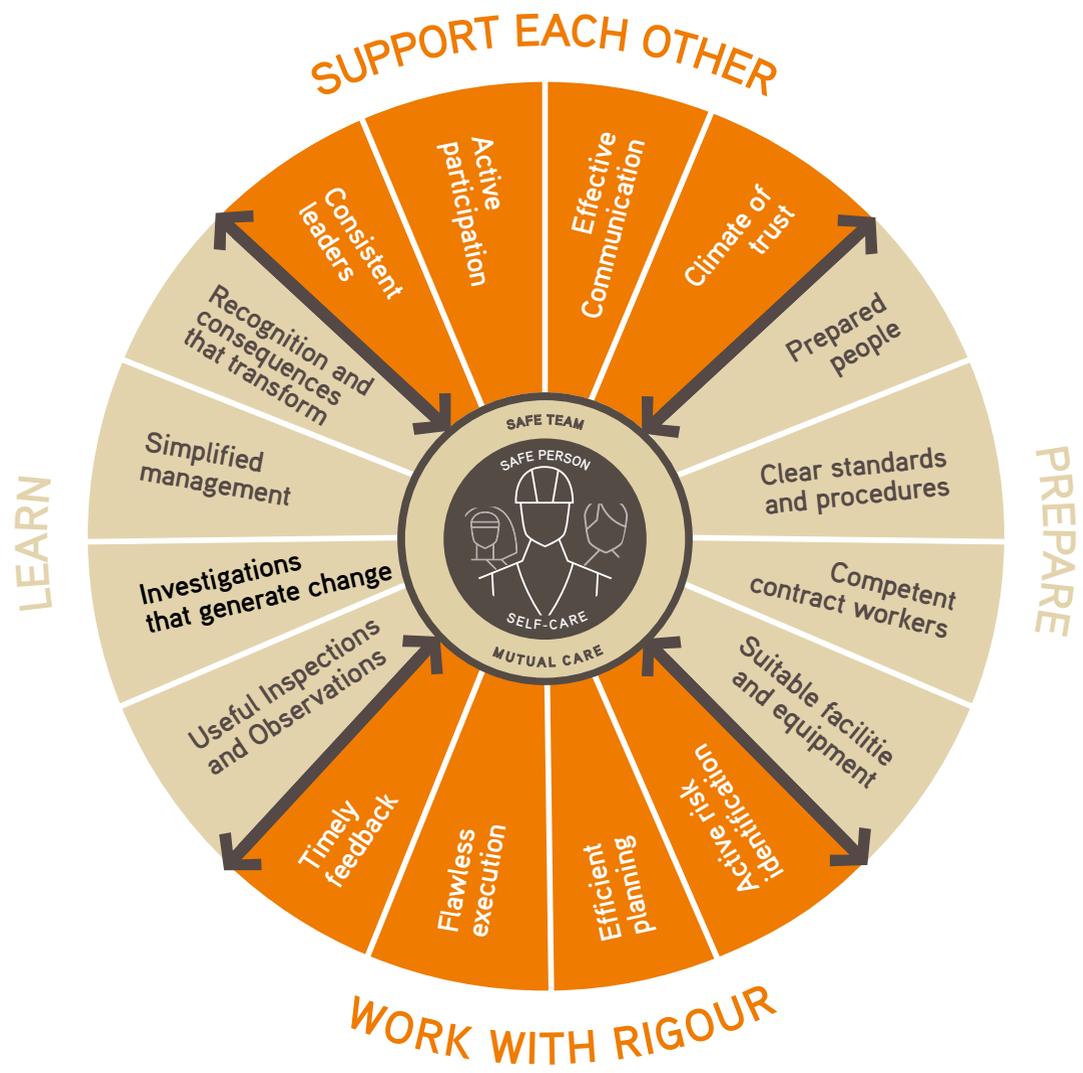
PROGRESS IN THE SAFETY MANAGEMENT MODEL



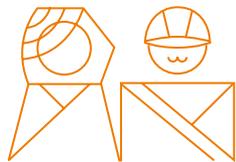
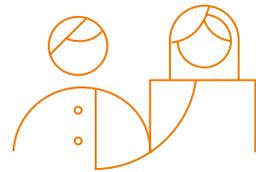
Hundreds of employees from all of ARAUCO's business areas have contributed to the development of the Management Model, which is based on best practices and the empowerment of work teams.

At the core of this Model is each one of us who works at ARAUCO; we must be safe workers, aware of our self-care. To do so, we must understand our work and the risks we must prevent.

But we also need a team that provides guidance, friendship and, above all, mutual care. At the same time, this Safe Team is part of an organization that fosters conditions for **Work Well Done: work that is both safe and productive.**



During 2018, the Timber business developed the work method for the Safe Teams and a workbook to guide them through each of the stages that were determined. The model's principles were materialized using a culture self-evaluation tool called ABC, that Safe Teams apply in all shifts. Pilot programs were developed for all Mills that resulted in lessons learned which were then used to initiate the expansion process.



The model's progress in the Pulp and Energy Businesses was linked to the strategic core idea "Strengthen the Safety Culture at All Levels". To do so, a structure was developed at different management levels to deploy the model in all Mills; the importance of High Potential Incidents was highlighted through visible leadership, and leaders were assisted in order to embody the key behaviors aimed at cultural change.

In the Forestry business, the formation of Safe Teams for Bioforest, nurseries and harvesting areas began. Several initiatives were also implemented to advance the process of cultural change, such as cross visits between the different units to learn about the model on premises; on site recognition of work well done; communication of the model to contractors, and production of a simple and clear newsletter communicating the actions carried out by members of the Cultural Change Committees.

**THE FOLLOWING SAFE TEAMS
WERE FORMED IN 2018**

523

SAFE TEAMS in Timber
(Chile, Argentina and Brazil).



258

SAFE TEAMS in Pulp
(Chile, Argentina and Brazil).

144

SAFE TEAMS in Forestry
(Chile, Argentina and Brazil).



2018 SAFETY INDICATORS

In 2018, ARAUCO reduced the Accident Frequency Rate by 27% and Accident Severity Rate 2 by 55% compared to 2017.

In 2018, 15 facilities registered severity and/or frequency rates at World Class level: Ponta Grossa Mill (Brazil); Florestal Brazil; Grayling Mill Project (USA); Cholguan Complex (Chile); St. Stephen Mill (Canada); El Colorado Sawmill (Chile); Biscoe Mill (USA); Moncure Mill (USA); Bioforest (Chile); Araucaria Chemical Mill (Brazil); Eugene Mill (USA); Malvern Mill (USA); PGSM Chemical Mill (Argentina); Sault Ste. Marie Mill (Canada); and Licancel Pulp Mill (Chile).

In addition, as of December 31, 2018, 11 facilities registered more than one year without accidents: El Colorado Sawmill (Chile), Araucaria Chemical Mill (Brazil), Florestal Arapoti (Brazil), Campo do Tenente (Brazil), Ponta Grossa - Florestal (Brazil), Mato Grosso do Sul (Brazil), Eugene Mill (USA), Malvern Mill (USA), Moncure Mill (USA), Biscoe Mill (USA) and St. Stephen Mill (Canada).

However, during this same period, the company had to mourn the loss of two contract workers from contracting companies that provide services to ARAUCO due to work-related accidents: Desiderio Segundo Neira Rivas, a driver at transport company Rolando Alfredo Arevalo Mora, which provides services to Florestal Arauco; and Carlos Paineman Peña, an employee at Andritz Chile, a company that provides services to Arauco Pulp Mill.

ACCIDENT FREQUENCY RATE BY BUSINESS AND COUNTRY

	Forestry	Pulp	Wood	CONSOLIDATED
Chile	3.9	4.0	3.5	3.8
Argentina	1.7	3.7	5.7	3.6
Brazil	0.7	-	2.2	1.5
North America	-	-	1.6	1.5
Consolidated	3.4	4.0	3.2	3.2

SAFETY TRAINING

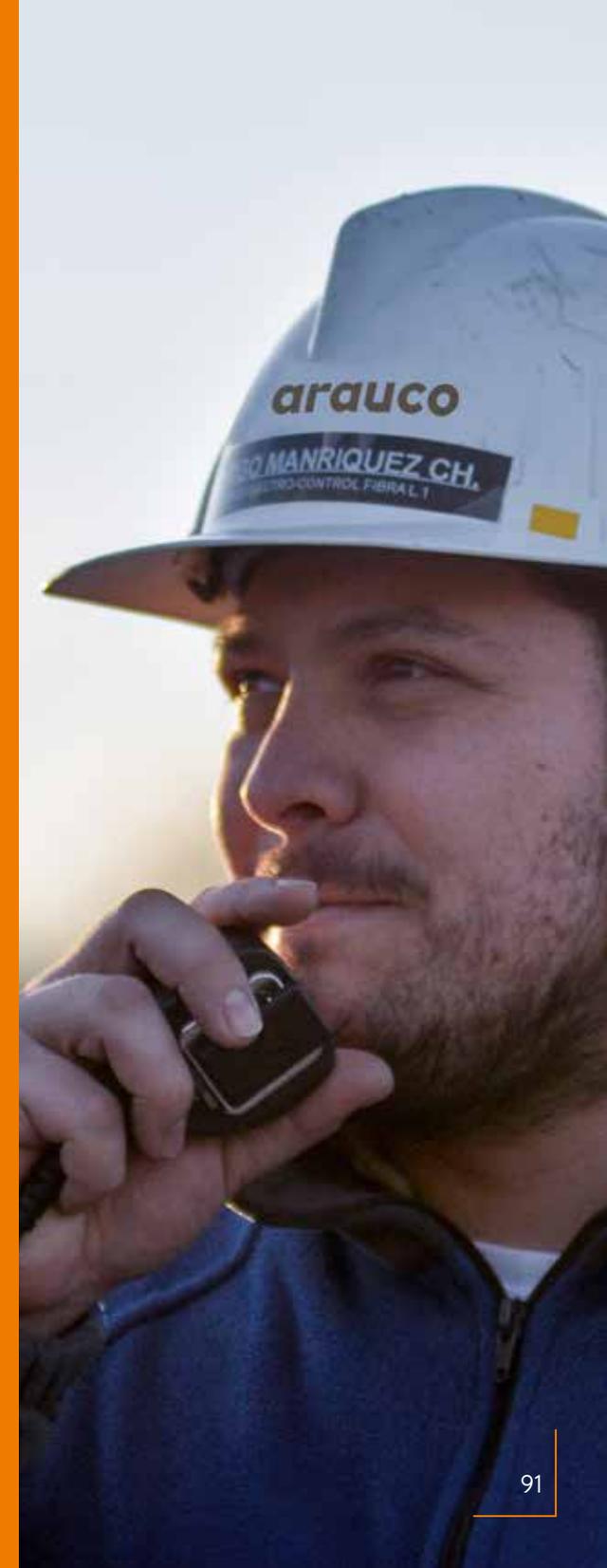
The company is constantly training its workers in safety. The main training initiatives are:

- Risk management workshop for the engineering management level (Timber Business Chile).
- Excavation safety workshop for the engineering and maintenance management level (Timber Business Chile).
- Safety Orientation for all new workers (own employees and contract workers).

- ISO 14001:2015 refresher course for workers in different roles within the organization.
- Safety leader coaching (Pulp and Forestry Businesses Chile).
- Operational and emergency procedures, for general workers in production processes

MILESTONES 2018

- Adjustment of the annual management bonus for all company employees, specifying Occupational Health and Safety management as one of its components.
- Implementation of “Together for a Better Life” Model at the different industrial and forestry operations in Latin America (Chile, Argentina and Brazil), through the formation of Cultural Change Committees for the business areas, which are the foundation to constitute Cultural Change Committees at facilities and, through these, the Safe Teams. The latter installed several different practices in their work areas to contribute to the process of cultural change at the company.
- Formation of Safe Teams, which empowered employees. This was demonstrated, for example, in the suspension of work or activities considered unsafe or risky by workers, which led to reflection and the implementation of improvements. It should be noted that due to the nature of the Forestry business, Safe Teams have been formed mainly in contractor companies.
- Six cultural change committees were formed in the Forestry business, four zone offices, one at Bioforest and one at the San Andrés Building. The main role of these committees is to facilitate this process of change within the organization.
- “Safety Hour” was carried out at the Pulp and Energy Businesses. All the Safe Teams at facilities and offices in Chile and Argentina (about 2,500 people) simultaneously take an hour to reflect on and reaffirm their commitment to Safety.
- In the Timber business in Chile, Argentina and Brazil, all industrial facilities and offices were simultaneously stopped for one hour to form “Circles of Trust” to reflect on Safety. In Chile, 3,235 people actively participated in this initiative forming 306 circles.
- The use of Safety Cards was installed in the Timber, Pulp and Energy businesses. This tool standardizes tasks and equipment, focusing on primary risk controls. These cards originated from High Potential Incidents (HPI) and critical risks identified in processes, and simplify documents to make them clearer and more visible to workers.
- Integration of Human Resources and Occupational Health and Safety management levels in the Timber and Forestry businesses.
- Creation of the Environment, Occupational Health and Safety (EOHS) technical management unit, whose purpose is to transfer good practices, and standardize and incorporate new technologies in OHS management.
- Development of programs to strengthen safety leadership, such as: cascading safety in Brazil, to define a minimum safety agenda for leaders; IGPRS in Timber in Chile, to plan the execution and follow-up of prevention activities of the supervisor role; key leadership behavior was outlined in the Pulp business, which generate sustainable impact to develop a culture of safety at all levels.
- “Yo Elijo” (I Choose) safety campaign for drivers in the Forestry business in Chile. The purpose was to raise awareness among truck drivers on issues they presented related to eradicating bad driving practices and improving safety.



occupational HEALTH

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

Health promotion is carried out through the Health Culture program, which aims to foster conditions that allow for the healthy and integral development of all ARAUCO's people while they remain in the company.

Health culture committees have been formed at each facility to implement this program. These committees are responsible for coordinating and validating the interventions being implemented at the workplace to ensure worker representation and the relevance of actions.



HealthCulture

LIVE HEALTHY, MAKE IT EASY



HEALTHY WORK ENVIRONMENT

Aims to comply with Occupational Health protocols set by the Ministry of Health in Chile; ergonomic improvement of work conditions and compliance with occupational exams and epidemiological surveillance.



FOOD

Improvements in cafeterias, activities and healthy options; educational tips and useful advice.



ALCOHOL AND DRUG-FREE WORKPLACE

Formation of Prevention Teams and training for Joint Committees; Policy dissemination, and education on related risks, advice and suggestions.



PHYSICAL ACTIVITY

Integration of sports activities (including facilities and sports clubs) into the Healthy Culture program; suggest family-oriented sports activities.



FAMILY

Celebrations with healthy options; contests for kids; cooking workshops, and activities for workers' children (vacations).

In addition, the prevention of occupational illnesses is given by the correct implementation of two key stages in Occupational Health: environmental surveillance (risk identification, evaluation and control) and medical surveillance, which involves medical evaluations of workers exposed to work-related illnesses.

The way to mitigate risks related to occupational illnesses is to properly identify the agent and areas in which it is present; develop environmental assessments, and implement control measures to mitigate risks.

The implementation of measures is in line with the risk control hierarchy, which prioritizes the implementation of strong measures (removal of the source that can generate the work-related illness, source replacement and engineering controls), administrative measures such as signs, warnings and exposure time controls, and personal protective equipment.

Similarly, all workers exposed to the risk of an occupational illness are medically evaluated by the health insurance agency or other competent bodies through medical surveillance examinations.

In addition, as part of the control implementation process, workers are trained to understand the risks they are exposed to and the measures available, to mitigate the risk of suffering an occupational illness.

Workers at industrial facilities who perform work at heights, in confined spaces, driving mobile equipment, and who are part of industrial crews are medically examined to determine their health fitness to safely perform such activities.

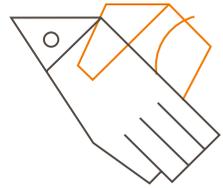


MILESTONES 2018

- Implementation of the Health Culture program in all industrial facilities and forestry areas in Chile.
- Formation of 21 Health Culture Committees, each with their respective action plans.
- Health Culture diagnosis for 2,859 workers in the Timber and Forestry Businesses.
- Implementation of Comprehensive Health Evaluations for workers who were contraindicated by their occupational examinations.
- Within the healthy work environment pillar, improvement of job positions by implementing Occupational Health protocols established by the Ministry of Health; and comprehensive evaluations in all ARAUCO's industrial facilities and forestry areas in Chile, in order to count on healthier workers.

- Within the food pillar, cafeterias have been periodically inspected to improve food service ensuring that facilities are in proper condition and that suppliers meet the highest standards for quality and safety in food handling.
- Fruit delivery for all facilities to contribute to the national challenge to consume healthier food.
- In Chile's Arauco area, an alliance was established with Sodexo to implement healthy fairs, which involve the presentation and sampling of healthy products, offering nutritional evaluations, and other activities.
- Implementation of emporium markets launched by the AcercaRedes Foundation, which offer several products from suppliers located in areas where ARAUCO maintains operations in Chile.
- In Chile, many sports activities were organized for employees, such as bikeathons (Constitution and Trupan areas), golf tournaments (Constitution), soccer cups (Timber area only; 22 teams, 440 players and 32 soccer matches), marathons (Nueva Aldea), and sports Olympics (San Pedro and San Andrés offices, Arauco, Valdivia).
- In Chile, cooking classes were offered to employee wives (Cholguan), classes on nutritional labelling (Constitution and Arauco), and family medical care (Valdivia).

joint COMMITTEES



ARAUCO maintains Joint Committees on Health and Safety (CPHS in Spanish) in Chile, Argentina, Brazil and North America which identify, analyze and prevent dangerous work-related accidents and illnesses.

These countries have legal bodies that regulate the actions of joint committees.

The company's purpose in relation to Joint Committees is for them to achieve full maturity during their operation, and excellence in their mission through the implementation of certifiable management standards and active participation in cultural change commit-

tees defined in our "Together for a Better Life" model, which are concrete contributions to the consolidation of ARAUCO's safety culture.

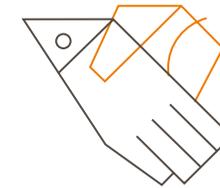
During 2018, Joint Health and Safety Committees played a fundamental role in the cultural change committees, actively participating in the definition and monitoring of safety plans at each facility and forestry site.

In addition, the certification process of the management standard applicable to committees advanced in 2018 (view table).

BUSINESS TYPE OF JOINT COMMITTEE

LEVEL OF DEVELOPMENT	Contractor	Internal	Total
PULP	23	10	33
EXCELLENCE	9	4	13
INTEGRATED	4	3	7
REGULATED	10	3	13
FORESTRY	14	18	32
EXCELLENCE	8	4	12
INTEGRATED	2	12	14
PLANNED	2	1	3
REGULATED	2	1	3
WOOD	24	5	29
EXCELLENCE	2	4	6
INTEGRATED	1		1
PLANNED	6	1	7
REGULATED	15		15
TOTAL	61	33	94

MILESTONES
2018



- Development of the “Buena Perro” (Way to go, Dog) safety campaign, to promote the principles of the corporate management model “Together for a Better Life” among all workers of the El Colorado Sawmill, in Chile.
- Development of safety inspection and observations campaigns led by Joint Health and Safety Committees at Arauco Plywood mill in Chile, with service-providing companies.
- During 2018, the Joint Committees at Horcones II Sawmill, in Chile, began the quarterly recognition of outstanding workers in safety by awarding a commemorative plaque and a family dinner. Similarly, the Joint Committee recognizes the areas and teams that achieve more than 1,000 days without accidents in a meeting with the manager and direct supervisors.
- The Joint Health and Safety Committees at Horcones Complex re-manufacturing facility and sawmill in Chile, implemented the “Valuing Your Treasures” Awareness Workshop for all new personnel.
- The Joint Health and Safety Committees of Arauco Pulp Mill in Chile, invited workers’ families to participate in several activities such as the Safety Tunnel, a simulator that presents three risk situations which employees and their families must deal with and that ends with a commitment to safety and self-care.
- The Joint Health and Safety Committee at Valdivia Pulp Mill in Chile, held on-site recognition for Safe Teams that best practiced the model’s guiding principles during a general facility shutdown.

05

arauco

community,
participation
AND DIALOGUE

community, participation AND DIALOGUE

ARAUCO's Local Development Strategy aims to contribute to the development of local communities through programs that generate shared value, using a model based on dialogue and participation, the development of projects with high standards and technical excellence, collaboration and development of alliances and work from and for the territory.

To do so, the company implements programs, installs capacities and establishes alliances, contributing 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 and aim to foster instances for 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.

Dialogue processes and programs are implemented, measured and managed to generate results that add value to all stakeholders.

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 became input material for the company's business management.



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Over

50

PROGRAMS in development.

Community engagement
with more than

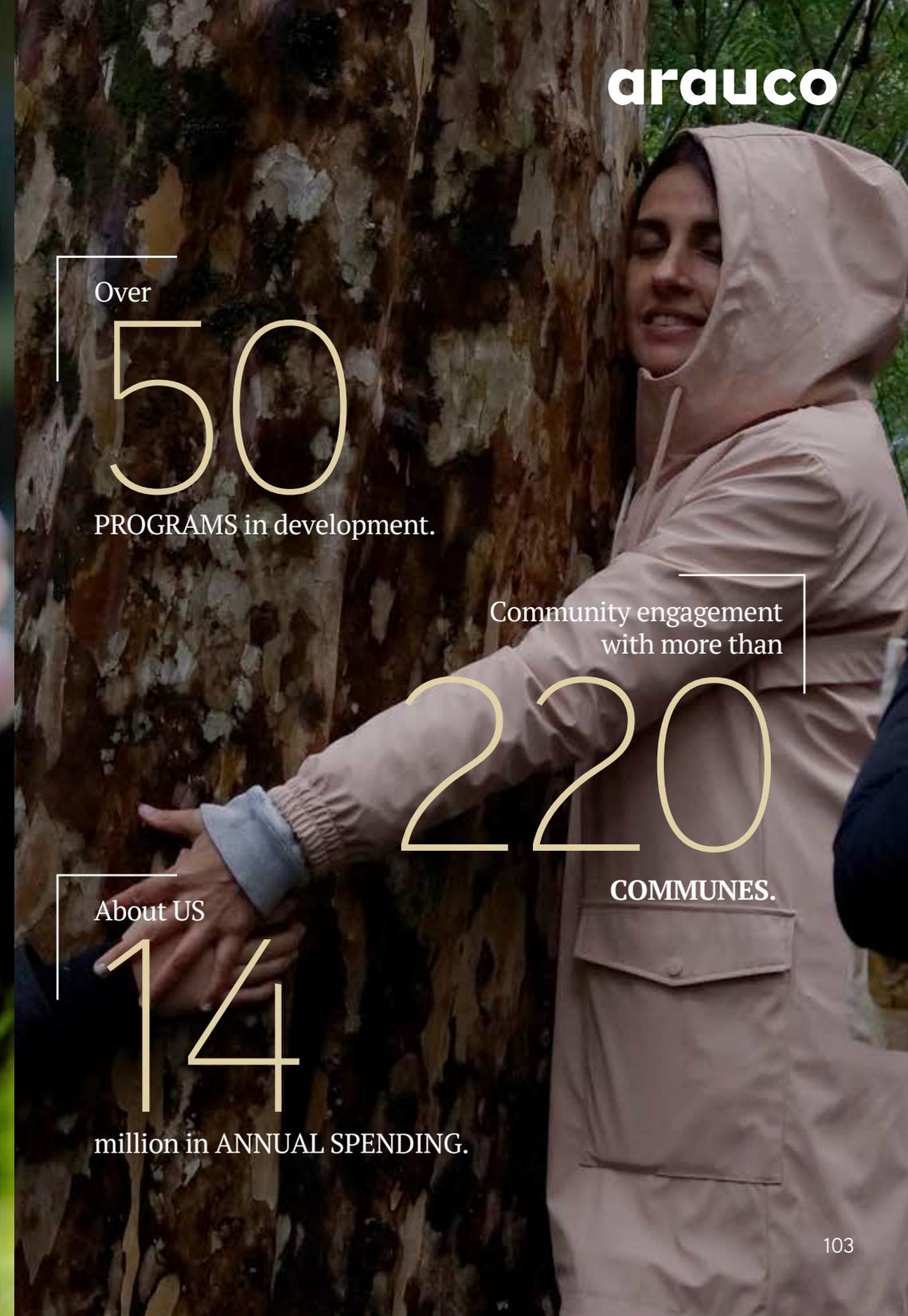
220

COMMUNES.

About US

14

million in ANNUAL SPENDING.



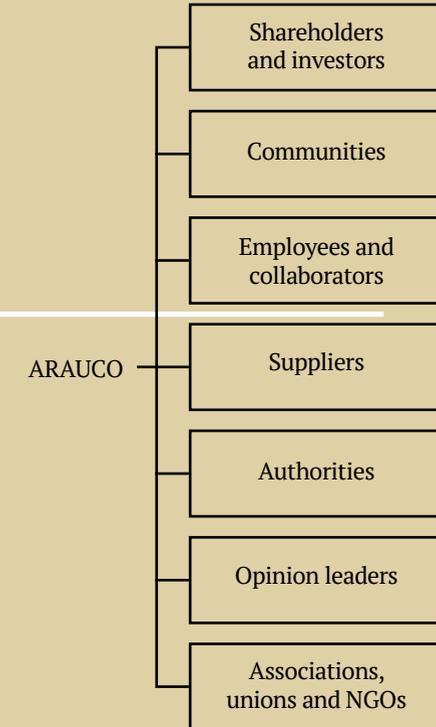
sustainable development goals **AT ARAUCO**

The Sustainable Development Goals aim to officially implement the 2030 Agenda for Sustainable Development. This agenda encourages countries and businesses to initiate efforts to achieve the 17 Sustainable Development Goals (SDGs) in the next 15 years.

ARAUCO, through its many sustainability initiatives, has identified opportunities to increase its contribution to the following SDGs, integrating 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. For these purposes, the company has established several formal and permanent dialogue mechanisms.



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 2018, Campus Arauco held its first graduation ceremony, with **83 graduates** who earned their degree.

HOUSING PROGRAM – CHILE

To promote access to housing for workers, workers of service-providing businesses and families living in the company's area of influence, ARAUCO provides support during the public housing applications process, during the hire of third party experts and for the search for land and its technical evaluation.

The company is currently working with **11 committees**, which involve **2,846 people**, of whom **2,236** are direct and indirect workers and **610 people** are community family members.

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 an improvement in student learning.

In 29 years, the Foundation has carried out several education programs in 34 communes, benefiting 575 schools and 5,120 principals and teachers who have annually provided and/or provide education to about 100,580 students.

ACERCA REDES FUNDATION – CHILE

This initiative offers a quality work and meeting space, while promoting partnerships between local businesspeople and technical, production, union, cultural, academic, corporate and commercial organizations. The purpose is to accelerate innovation processes and business partnerships that can significantly impact local development.

CUCHA CUCHA NETWORK – CHILE

This initiative aims to strengthen the local wine-producing businesses of Itata Valley (where Chilean wine originates), furthering the area's development to gain global recognition for its wines and tourism.

BIOBÍO THEATRE AGREEMENT – CHILE

This alliance will offer more than 40 performing arts presentations in the communes of Concepción, Arauco and Curanilahue during 2019, in addition to generating decentralized artistic training processes in the Biobío Region.

MATAQUITO THEATER – CHILE

Agreement with the Municipality of Licantén and La Fuente Foundation, to provide the architectural design of the future Mataquito Theater in Licantén, with participation of the local community and cultural and artistic organizations.

SANTA OLGA RECONSTRUCTION PLAN – CHILE

After the fires during the 2016-17 season, ARAUCO signed an agreement with the Chilean government to work on the reconstruction of towns Santa Olga, Los Aromos and Alto Los Moran, in Constitution. The plan included many programs to provide drinking water supply, civil works, fire protection strips and firebreaks. In addition, land was made available for emergency equipment: A Fire Station and a modular nursery school. The company also financed the construction of the Santa Olga soccer field.

ONCOL LIVING CLASSROOM PROGRAMS – CHILE

This environmental education program involves pedagogical sessions at Oncol Park for 4th grade students, to address issues on environmental care and conservation.

ONCOL LIVING CULTURE – CHILE

Cultural and recreational activities program at Oncol Park, to showcase the park. In 2018, the park held seven activity sessions for more than 200 adults and children.

GREEN CLUB ARGENTINA

This program aims to create awareness among children and promote the idea of sustainability, by giving them leading roles in caring for the natural resources of the province. For the fourth consecutive year, the General Council for Education of the Misiones Province declared this program of interest. In 2018, the Green Club visited 50 schools, reaching 30,000 children.

CHARITY MARATHON – ARGENTINA

Project driven by a group of company volunteers benefitting institutions located in the northern area of the Misiones province. It has become the area's most important social and sports event. About 4,700 people participated in the September 2018 marathon; there were 300 ARAUCO volunteers and 187 community institutions were benefited.

SCHOLARSHIP PROGRAM – ARGENTINA

Initiative designed to support the different school levels of young people: secondary, tertiary and university. The program includes tutors for scholarship holders who, with the company, monitor each student. In 2018 there were a total of 47 scholarship holders, 9 from 4 Guaraní communities, and 28 ARAUCO tutors.

FORESTA WORLD (TRAVELING VAN) – ARGENTINA

This itinerant van was created so that the company can be present at the main celebrations, fairs and events of communities where it maintains operations. The van is a didactic and entertaining experience where neighbors learn about the characteristics of the forestry activity through the latest technology. In 2018 there were 9,884 visitors and 41,956 registered visitors since it was launched in 2015.

ONGOING TEACHER TRAINING PROGRAM – BRAZIL

This program provides ongoing training to teachers in the municipal education network to improve their pedagogical practices and therefore help to maintain and/or improve the Basic Education Development Index. (IDEB) Brazil -

The program is developed with municipal education secretariats and has performed 26 actions in 15 municipalities. In 2018, 3,581 teachers participated.

ARAUCO ENVIRONMENTAL EDUCATION PROGRAM – BRAZIL

The program aims to disseminate social/environmental values, knowledge and attitudes regarding environmental conservation and provide information on forestry practices.

The environmental education program has been developed in seven municipalities in Brazil and 1,013 students in the municipal education network participated in 2018.

CULTURAL CIRCUIT – BRAZIL

The cultural circuit provides opportunities for children in public elementary schools and the community to gain access to culture, knowledge and art, while disseminating ideas and values on education and environmental conservation.

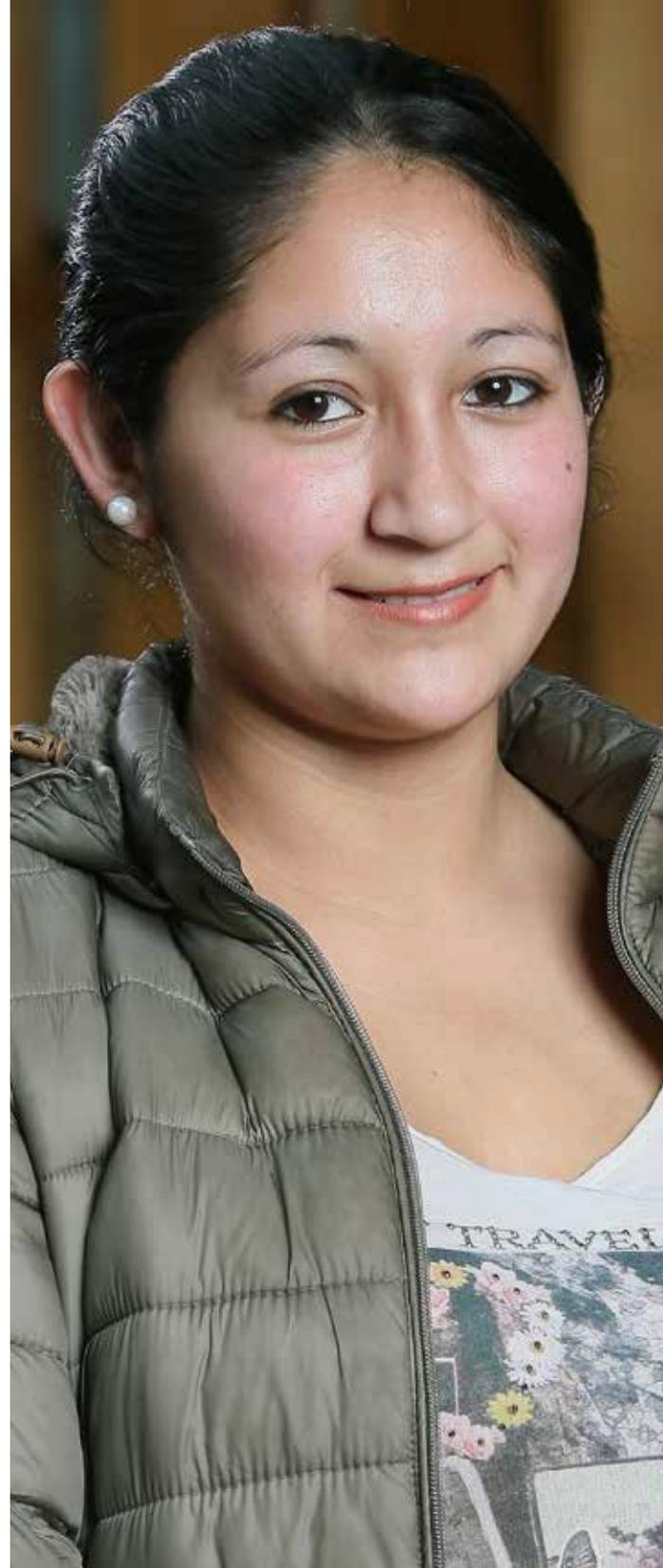
In 2018, the program was developed in **eight municipalities** and **7,050 students** and community members participated.

COMMUNITY WORK PROGRAMS – NORTH AMERICA

By working with different organizations, ARAUCO has contributed to the development of projects that aim to improve the quality of life and access to opportunities for communities located near the company's facilities in North America. Company employees get involved in the design and/or implementation processes of these projects.

EDUCATION – NORTH AMERICA

ARAUCO aims to support technical schools that provide industrial training, donates materials and supplies, and encourages the development of projects that apply innovation at company facilities or other industrial operations.



participation AND DIALOGUE

ARAUCO's sustainability strategy is based on participation and dialogue as tools to interact with different stakeholders. Its essential purpose is to engage the company with its stakeholders through consultation and dialogue processes, meetings and visits to company operations, thus promoting interaction, learning about community needs and receiving and including their concerns.



Over

33

participation and dialogue
INITIATIVES were developed.

More than

77,000

PARTICIPANTS
INVOLVED.



participation and dialogue INITIATIVES

EARLY CITIZEN PARTICIPATION PROCESS FOR VIENTO SUR PROJECT

Initiative conducted to directly involve the community in the development of the wind farm and to integrate visions that nourish and improve the project's advancement. The process included approaching the community, establishing open dialogue, identifying opportunities and ongoing dissemination. A total of 128 meetings were held with neighbor associations and Mapuche communities, visits to eight schools and three community clinics, and 18 communication meetings for company workers, reaching 3,789 people.

SOCIALIZATION OF THE DISSOLVING PULP PROJECT – CHILE

During 2018, several meetings and gatherings were held with regional and local authorities, community representatives, research center professionals and several *stakeholders*.

FORESTRY DIALOGUE – CHILE

A work method that is carried out in several regions of the world that allows relevant actors of the territory to observe and discuss forest management practices together. Roundtables are currently being held in **Empedrado (Maule) and Nahuelbuta (Arauco Province)**.

OPEN HOUSE – CHILE

A participatory mechanism carried out in five-year cycles that has become an opportunity for direct dialogue with local communities and workers about the challenges we face. During 2018, **44 Open Houses** were held with **3,401 participants** in **38 communes** where the company maintains Forestry and Industrial operations, to record and discuss the issues of interest for nearby communities.

ROUNDTABLES – CHILE

We currently participate in three roundtables with the Agency for Sustainability and Climate Change in which we have adhered to Voluntary Basin Management Agreements in the Itata Valley (Ránquil - Ñuble); Vichuquen (Maule) and Picoiquen (Araucanía).

We also actively participate in local territory roundtables where we join neighboring communities, local authorities and other companies to discuss issues of interest to all participants. These include **Cartago (Pemuco)**, **Cayucupil (Cañete)**, **Rucamanque (Temuco)**, and others.

DIALOGUE WITH PUERTO PIRAY AND PUERTO ESPERANZA NEIGHBORS – ARGENTINA

Based on queries and concerns from neighbors, the company decided to hold meetings to listen to neighbors' expectations and report on the company's management, which created links between the business and the community, as well as shared value. In 2018, **two meetings** were held at Puerto Piray, attended by **82 neighbors** and **two meetings were held at Puerto Esperanza for 115 neighbors**.

FORESTRY-ENVIRONMENTAL DIALOGUE – ARGENTINA

The purpose of this initiative is to strengthen ties with the community in the region of Alto Paraná, in Misiones, creating an instance to share ideas with the sector's different actors and to generate an agenda for the region's sustainable development. **Two meetings were held in 2018 with more than 30 organizations and 80 participants**.

GUARANÍ COMMUNITY RELATIONSHIP PROGRAM – ARGENTINA

This program aims to build a relationship between the company and the community within a framework of respect for the Mybá Guaraní culture. There are currently 33 Mybá Guaraní Communities that circulate and make use of resources within ARAUCO forestland, which accounts for 30% of the indigenous population in Misiones. The program has created several instances to engage and develop projects.

CONSULTATION AND MONITORING PROCESS OF SOCIAL IMPACTS DERIVED FROM OPERATIONS – BRASIL

This initiative aims to identify the impacts derived from the company's forestry operation and involves plantation pre-operation, during operation and post-operation. Communities and their residents are informed at all planting stages and consulted on possible impacts resulting from forest management activities. They can also submit suggestions to reduce, eliminate or mitigate impacts.



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COMMUNICATION CHANNELS AND RESPONSE MECHANISMS

ARAUCO has developed, and actively manages, a number of channels, platforms and tools to maintain ongoing and open communication with its different stakeholders, which facilitates 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 to the public.

The Integrated Management System used in Chile, which involves a *call-center* and website platform, received **3,521 contacts** in 2018.

CHANNEL	Nº OF CONTACTS
Chile and corporate	
Facebook.com/AraucoSolucionesSostenibles	263,225 followers
YouTube Arauco	17,634 followers
www.arauco.cl	856,960 visits
Línea 800 370222	3,521 contacts
e-mails	2,014 contacts
Argentina	
0800 888-2772	21 calls
info@araucoargentina.com	230 e-mails
Brazil	
institucional@arauco.com.br	56 contacts
Telephone line	27 contacts
Specific form	45 contacts
Norteamérica	
www.arauco.cl	270,953 visits

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 through trade associations in which it participates in Chile, such as the Chilean Wood Corporation (CORMA) and the Chilean Federation of Industry (SOFOFA).

During 2018, in Chile, the company was invited to participate in the National Commitment to Education roundtable. The objective of this initiative is to develop joint work between the public sector, academia, civil society, the private sector and citizens, to address the 16 issues proposed by the Ministry of Social Development in the 2018 Vulnerability Map.

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 and LEED workshops.

MEMBERSHIPS

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



06

arauco



environmental
MANAGEMENT

environmental MANAGEMENT

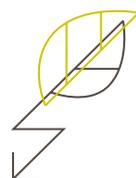
The manufacture of products derived from renewable resources, our global presence, the sustainable management of resources and the implementation of management standards that ensure ongoing improvement of our environmental performance are the foundation of the company's environmental management.

In addition, the company's leadership position in optimization of hydric resources, clean energy and carbon credits are some of the initiatives in place to face climate change.

ARAUCO's forestland fulfills the natural function of carbon storage, sequestering CO2 from the atmosphere and releasing oxygen into the air, thus contributing to reduce greenhouse gases and their effects.

The company 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 related to 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 ARAUCO

In 2018, the company measured its carbon footprint for 2017, based on the GHG Protocol for scopes 1, 2 and 3, reaching a total of 4,219,132 tCO2e. The measurement reports 1,194,479 tCO2e (from CH4 and NO2 gas emissions) attributable to the fires in 2017, and 19,075,590 tCO2e from biogenic emissions.

The next challenges for ARAUCO's carbon footprint aim to set reduction targets by business area; assure the carbon footprint measurement with an external

body; and begin to report to the Carbon Disclosure Project to provide greater visibility to the company's actions on climate change mitigation and adaptation, thus providing potential investors with more information on the risks and opportunities the company faces with regards to climate change and systematize CDP reporting to also improve the company's business areas internal organization to gather the information.

2017 Results by Scope (tCO2e)

Scope 1	1,241,591 (does not include fires)
Scope 2	472,196
Scope 3	2,505,345
Total	4,219,132 (does not include fires)

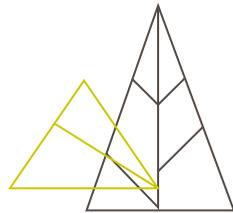
environmental management in the **FORESTRY BUSINESS**

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 industrial facilities supply.

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

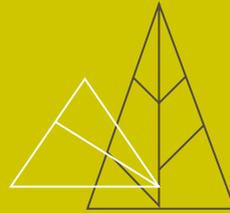
In Chile, the company maintains an ongoing Monitoring and Assessment System, to establish work plans and specific actions that promote continuous improvement of its processes.

In Chile and Brazil, ARAUCO participates in the Forestry Dialogue, which joins forestry businesses, NGO's and 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.



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NATIVE FOREST PROTECTION AND VALUE PROPOSITION



ARAUCO is committed to the protection of native forests on its land, understanding that the sustainability of its production processes is closely tied to the biodiversity and ecosystem services found on its territory.

In Chile, the native forest is managed through High Conservation Value Areas (HCVAs), Protection and Restoration Zones, further increasing a landscape-scale planning approach with stakeholder participation. This process begins with gathering information and monitoring the state of vegetation and native fauna, identifying threats, and classifying for management plans.

In Brazil, ARAUCO owns more than 98,000 ha of native forest protected by the Brazilian Forestry Code – Federal Law 12.651/2012, which are designated as Permanent

Preservation Areas and legal Reserves. HCVA's of biological importance have been identified within native forests, which are managed in terms of research, monitoring (fauna and flora), protection against illegal activities and prevention of wildfires.

In Argentina, ARAUCO owns over 118,000 ha that are conserved as natural areas comprised of native forests, HCVAs, ecological strips, wetlands, drainage areas and protective forests. This area accounts for about 45% of its forestland. Actions developed in these areas are fundamentally for forestland protection, research projects, conservation and environmental education.

BIODIVERSITY MONITORING

ARAUCO's forestland includes conservation areas that are distributed in sections of different sizes that are connected by protection zones located alongside water bodies. These remnant sections of vegetation are repositories of biodiversity and plantations that often act as buffers for the biodiversity within.

The challenge for ARAUCO is to maintain and improve the biodiversity resident in its forestland. To do so, the company implements a Biodiversity and Ecosystem Services Policy that emphasizes the assessment and management of possible effects on diversity derived from production, through research programs and biodiversity and ecosystem services management protocols.

This is achieved through a permanent effort to identify biodiversity elements (species, ecosystems, large nuclei with little anthropogenic intervention, wetlands) and the subsequent preparation of management and monitoring plans emphasizing threat control.

The areas that are the most critical and significant are designated as High Conservation Value Areas (HCVA).

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

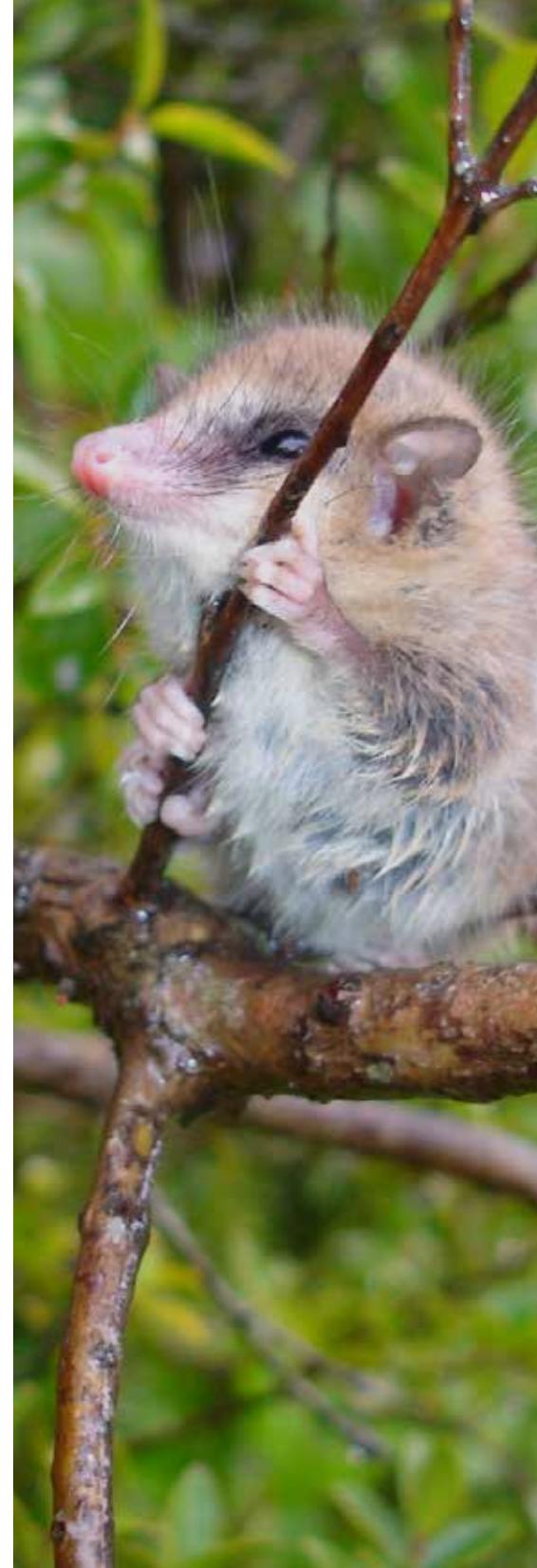
In addition, ongoing effort is made to monitor and identify the presence of threatened flora and fauna species in the company's forest plantations. Specific measures are taken when these species are found or seen in production areas.

The company also performs monitoring activities of biodiversity, water and other elements in relation to its operations, aiming to identify possible impacts or gaps and mitigate them as needed.

NUMBER OF SPECIES INCLUDED IN CONSERVATION LISTS (IUCN AND OTHERS) FOUND ON ARAUCO LAND

Category	CHILE		ARGENTINA		BRAZIL	
	Fauna	Flora	Fauna	Flora	Fauna	Flora
Critically endangered	0	3	0	1	3	1
Endangered	31	32	3	3	9	12
Vulnerable	1	1	31	0	29	10
Near threatened	0	0	18	2	37	6
Least concern	3	7	50	0	496	30
Provincial protection	0	0	9	7	0	0

IUCN Least Concern (LC): A taxon is classified as Least Concern when it has been evaluated but it does not comply with any of the criteria that define categories Critically Endangered, Endangered, Vulnerable or Near Threatened. The Least Concern category includes taxa that are abundant and broadly distributed.



HIGH CONSERVATION VALUE AREAS (HCVA's)

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 process to define HCVA's begins with initial studies for the characterization of flora, fauna and the spatial distribution of conserved fragments. The identification and characterization of HCVA's should follow the premise of FSC Principle 09 and the PROFOREST Guidelines that describe the entire methodology to identify attributes and areas. Public consultations are carried out with communities and experts to identify HCVA's with social characteristics.

63

Biological high conservation value AREAS.

128

Social, cultural or religious high conservation value AREAS.

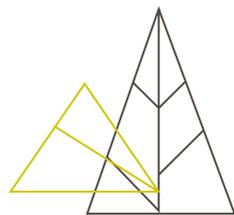
COUNTRY	NATIVE FOREST SURFACE (ha)	% OF NATIVE FOREST OVER FORESTLAND	HIGH CONSERVATION VALUE AREAS (ha)	HCVA'S	
				Biological	Social, cultural or religious
CHILE	218,516	19%	59,820	37	90
ARGENTINA	118,582	45%	55,771	16	31
BRAZIL *	98,962	40%	10,434	10	7

*Brazil has 15 HCVA's in total; two of them combine the characteristics of both a biological and social HCVA.

MILESTONES 2018

- Increase of the physical restoration area by 2,399 hectares in Chile, of which 446 hectares were implemented in compensation format and in a participatory manner. In total, ARAUCO in Chile has 4,399 hectares being restored.
- In Chile, the Biodiversity Advisory Council was reinforced with relevant stakeholders to gather and share different points of view.
- In the Arauco area in Chile, a few potential Cultural HC-VAs are in the process of identification.
- Part of the Natri site in the Arauco commune in Chile, was incorporated into the restoration plan. Several high conservation value amphibians live here, and it is a potential habitat for Darwin's fox.
- Community members enhanced a few areas at Traytrayko de Yane HCVA with Nalca seedlings they collected. This Mill is a source of income for communities.
- Research agreement with the University of Concepción, in Chile, to study *Valdivia gayana*, a unique HCV that is present in five HC-VAs in the Valdivia area. Research work will provide key data for its conservation.

- Continued development of studies and monitoring of fauna (mammalian and birds) in ARAUCO's natural forests.
- Start of water basin monitoring in Mahal and Novo Oeste in Brazil.
- In Argentina, work continued with the Swamp Project to study deer populations in a joint effort with the National Council for Scientific and Technical Research and the Swamp Deer Committee.
- In Argentina, the Yagueté Monitoring Project in ARAUCO forestland was initiated through an agreement with the Atlantic Forest Research Center (Ceiba in Spanish).
- In the Misiones province, Argentina, the Pitoco Fox Project (Saint Louis Zoo-Wild Care Institute) is being developed to identify habitat corridors for this endangered species, which has been declared a natural monument.
- In Argentina, camera traps installed in the San Jorge Reserve and Campo Los Palmitos have taken 60 independent records of yagueté jaguars in the last five months, including two different females photographed with cubs in the San Jorge Reserve.



FORESTLAND PROTECTION AND FOREST FIRE PREVENTION

ARAUCO strives to sustain the integrity of the company's forestland, protecting forest plantations as well as conservation set-asides and their biodiversity. To do so, the company has developed and implemented programs for the protection of forestland and for fire prevention and suppression.

The fires of previous seasons have allowed us to reinforce a strategy that comprehensively and profoundly addresses fire prevention and firefighting with measures for the short and long-term that aim to be a direct contribution to both the country and the forestry sector.

To do so, the fire prevention and suppression plan in Chile has been organized into four core aspects:

- Occurrence: The objective is to work with neighbors on prevention through joint efforts such as the Community Prevention Network, which articulates the formation of Local Prevention Committees in which neighbors, authorities and companies work together to prevent fires. Today, ARAUCO participates in 252 fire prevention committees.
- Propagation: The idea is to take measures to reduce the intensity and speed of fires once there is an outbreak.

Fire protection belts in inhabited areas are an outstanding example. They aim to protect residential areas located next to forest plantations, and include fuel breaks and preventive forestry actions. In total, ARAUCO maintains 485 kilometers of protection for towns and localities. Another measure is the structural protection network that has added 4,300 km of fuel breaks within our plantations.

- Detection: 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, concentrating these functions into a single unit, equipped with modern technology for monitoring and early detection of disasters using fixed and robot cameras, and the timely deployment of fire combat resources.
- Combat: Considers the injection of new resources to quickly contain the initial phase of outbreaks, which translates into the use of air and ground resources, the deployment of night firefighting crews and the gradual increase in water capacity.



The different measures have been developed with the active participation of communities and different public and private actors, since there is consensus that the way to reduce the occurrence of fires is to work together.

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

In Argentina, ARAUCO has a fire detection and warning system in place. If a fire is confirmed, Operation Centers immediately coordinate the allocation of necessary resources for its suppression. Impacts and measures required to improve, or implement are then analyzed.

Last, the Forestland Protection program that involves forest rangers and area supervisors, who provide important logistic support to the Forest Fire Program and other areas, and a Phytosanitary Protection program whose activities are based on Integrated Pest Management. The purpose of this program is to prevent financial damage resulting from the presence of pests in the company's forestland and includes surveillance activities, diagnosis and control.



FOREST FIRE PROTECTION PLAN RESOURCES

Type of resource	Chile	Argentina	Brazil
Lookout Towers	120	19	15
Observation Cameras	24	3	
Surveillance and prevention staff	147	14	98
Fire crews	129	6	16
N° of firefighters and fire lookouts	1550	35	390
Trucks	68	9	13
Skidders	10		1
Airplanes	13		0
Helicopters	15*		0
Supporting vehicles	116	5	27
Total budget (in US\$ dollars)	48 million	855,000	4.9 million

*Includes two mega helicopters, with a capacity for 10,000 liters of water.

WATER MANAGEMENT

One dimension of ARAUCO's Integrated Management System focuses on water management and the protection of watercourses, because, within the hydrological cycle, plants, soil and subsoil play an essential role in the regulation of water.

Forests prevent erosion by decreasing the speed of surface runoff thus helping water seep into the soil, allowing aquifers to refill and increasing or maintaining water reserves in watersheds. In addition, they are very important for the improvement of water quality, both surface and groundwater, by preventing erosion and sedimentation and therefore reducing the number of dissolved particles in surface water courses. On the other hand, forest roots help to filter the water that leaks into the soil, providing a better-quality resource to groundwater reserves, and improving the water available for human consumption. In addition, by providing shade, forests help to regulate water temperature, which also improves its quality.

In the current context of climate change, water resources have become increasingly critical and pressure on them has increased. Chile is not foreign to the global reduction of rainfall. Recent years have seen less surface flow and, therefore, less water reaches aquifers.

At the same time, the increase in temperature produces higher evapotranspiration rates and reduces the possibility for seepage. For example, as a consequence of climate change, the rise in the height at which precipitation falls as snow (zero isotherm), decreases the snow reserve that contributes by melting to maintain summer water flows. On the other hand, the concentration of precipitations (same amount in less time) generates less seepage and increases the possibility of mudslides or sediment dragging, thus affecting the quantity and quality of available water.

In many places, the climate change scenario and the increase in the demand for water in populated areas have caused a shortage that can only be solved by improving an historically deficient infrastructure, thus allowing the use of water provided by forests in territories where these populations live.

In Chile, the challenge has been to promote and participate with the academic world, NGOs and stakeholders in the discussion of options for forest ecosystem management and its relationship to water resources, gathering the lessons of these last five years and the concerns of local stakeholders and decision makers.

Considering that ARAUCO's forests and plantations are generators of several different ecosystem services and that one of the most important ecosystem services for communities is water supply, the company has proposed a Management Strategy for this resource based on three pillars:

First, knowledge as the foundation to understand all the phenomena and interactions that occur in the basins where forestry activities take place.

Second, Preventive Planning, promoting forestland management that includes prevention and mitigation of possible operational impacts and monitoring the supply/demand ratio of water in the basins.

Third, work with our communities through actions that contribute to find solutions the lack of water availability. To do so, ARAUCO offers the community its "Water Challenge" program, an initiative that aims to contribute to improve the living conditions of neighboring communities, generating collaborative solutions to facilitate their access to water in a climate change scenario. The program seeks to make our technical and management skills available to neighbors, identifying synergies that

facilitate the visibility and implementation of projects, studies and investments in a local development strategy that promotes innovation and technology transfer for the development of quality infrastructure.

In Brazil, the company has been implementing an ongoing monitoring program for water basins in the Paraná province since 2011. The purpose is to assess the effects of land use and forestry management operations on the availability, quality and consumption of water by forest plantations. To date, monitoring activities do not indicate any significant impact on water from forestry management.

In Argentina, in 2018, the company continued to carry out actions to recover water basins and other critical or sensitive areas related to steep slopes, watercourses, and/or biological corridors necessary to provide continuity and prevent landscape fragmentation. ARAUCO has recovered more than 3,200 hectares in 15 years.

INVESTIGACIÓN AMBIENTAL

ARAUCO conducts environmental research as part of a long-term work strategy, aiming to better understand ecosystems and their function, and to advance in their adequate protection and management.



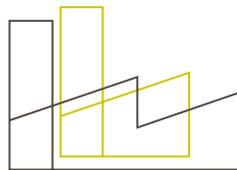
ENVIRONMENTAL RESEARCH PROGRAMS OR INITIATIVES IN 2018

- Restoration in Arauco Zone. INFOR - doctoral thesis University of Freiburg, Amphibians in Nahuelbuta mountain range with Universidad de Concepcion, in Chile.
- Pantano project, in Argentina, comprised of five complementary lines of research to diagnose the current state of marsh deer in the delta and support management needs to improve its conservation in the future. This project is developed by the National Council for Scientific and Technical Research (Conicet).
- Yaguararé Monitoring Project, in Argentina, which aims to know the population of yaguararé's that inhabit or use the San Jorge Forest Reserve and other conservation areas. Project by the Atlantic Forest Research Center (Ceiba).
- Project for the Identification of habitat corridors that reduce human-wildlife conflicts and increase species mobility through the interior Atlantic forest landscape, in Argentina. Better known as the Pitoco Fox Project, since it is one of the species being monitored. The fifth stage of on-site work was developed in 2018, in the Misiones province that included the collection of feces from five carnivore species and four of their prey species. This study has confirmed the presence of the Pitoco fox in different forestland areas. Project by the Saint Louis Zoo-Wild Care Institute and the Subtropical Biology Institute.

environmental 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 developing initiatives to improve the categorization and recovery of solid waste, increase reuse, recycling and therefore reducing waste generation; conducting online studies to determine potential impacts on operations from climate change; active participation in the development processes of new regulations; and the adaptation of models, if necessary, to ensure facilities comply with new regulations. In the Timber business, the company has set the challenge of increasing the recycling effort at the Mill, through staff training and improvements in categorization.



In 2018, the company made environmental investments for US\$ 94.7 million, mainly due to the construction of the new effluents treatment plant at Arauco mill in Chile, improvements and optimizations in the TRS gas capture and treatment systems of pulp mills, and other initiatives.



ENVIRONMENTAL MONITORING

All of ARAUCO's facilities maintain environmental indicators related to the consumption of input material and raw material, solid and liquid waste generation, water and energy use, 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 fulfillment of its environmental commitments and suitable 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 receiving treated effluents, both fluvial and marine water bodies. These programs are implemented according to the frequencies 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 Timber business facilities.

WASTE MANAGEMENT

Waste generated by the company's industrial Mills is 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.

TOTAL VOLUME OF WASTE BY DESTINATION AND TREATMENT METHOD IN THE PULP BUSINESS (2018)

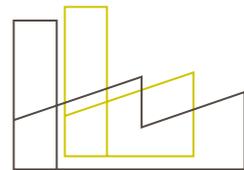
Type	t/year	Destination / disposal method and treatment
PULP		
Hazardous waste	6,207	Transfer to authorized waste depots for storage and disposal.
Non-hazardous recoverable waste	100,707	Recovered with authorized companies for reception and storage. Composting and manufacture of products for agricultural use.
Non-hazardous waste delivered to internal deposits	274,067	Final disposal in solid industrial waste deposits authorized at each facility.
Other non-hazardous waste	10,704	Domestic waste or garbage in general.

WASTE (TON) BY BUSINESS

Business	Aspect		2016	2017	2018
PULP	Hazardous waste	t/year	6,666	5,787	6,207
	Non-hazardous waste	t/year	391,374	358,024	385,478
TIMBER	Hazardous waste	t/year	4,525	4,122	5,336
	Non-hazardous waste	t/year	107,861	109,955	113,241

MILESTONES 2018

- In Chile, the Pulp business achieved the goal of recovering 29% of non-hazardous solid industrial waste.
- Constitución pulp mill, in Chile, supported the first campaign for electronic waste recycling promoted by the Municipality. In addition, a campaign to recycle used cooking oil was promoted, which is a joint initiative with the Municipality, the Rendering company and local authorities, for the community of Constitución and endorsed by the Environmental Regional Ministerial Secretariat.
- Training on hazardous and non-hazardous waste management took place at the Trupan panel Mill in Chile.
- At the Jaguariaíva panel Mill in Brazil, 50,000 m³ of industrial waste (sludge, ash and organic waste) were reduced in a project to recover the composting area.
- At the Arauco plywood mill in Chile, initiatives were carried out to reincorporate discarded veneer into the process by making lower quality panels (which are later used as covers), reducing waste generation from 700 ton/year in 2016 to 450 ton/year in 2018.
- The recovery of lubricating oil from the chains of the MDF 2 press at the Trupán Mill in Chile, reducing this type of waste generation by 30%.
- At the Araucaria Mill in Brazil, resin produced during the cleansing of the discharge line were reused.



WASTE RECOVERY IN THE NEGOCIO DE CELULOSA

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, bark that is not suitable for burning, and others, which are mostly disposed of in non-hazardous waste landfills.

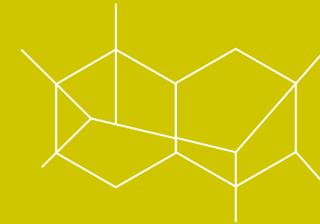
The company's objective in this area is to make new by-products that serve, for example, as inputs for other production processes. For this reason, it has been strengthened and work has continued in the research and development of new alternatives for use.

In 2018, 29% of non-hazardous industrial solid waste from the pulp business was delivered to external companies for recovery for alternative uses, such as to improve agricultural soils, composting, and other uses.

An example of this is joint work with waste recovery company VerdeCorp, which has been able to transform waste that was traditionally disposed of in sanitary landfills, into raw material to manufacture base substrate and pH regulator for agricultural soils.

In addition, initiatives for the recovery of ash from the cement industry are being developed and industrially tested.

For 2019, the company set a goal to recover 45% of industrial solid waste based on what is delivered to each facility's waste deposit.



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, and contributes an energy surplus to the country's power grid. In addition to energy generation, the company's recovery boilers recover inorganic compounds that are part of the process.

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

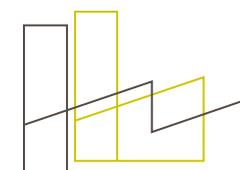
Several initiatives were implemented in 2018 to optimize energy consumption, which focused on reducing the consumption of steam and electricity. An example is Valdivia Pulp mill, in Chile, where a continuous monitoring plan has been established that involves steam generation, consumption and potential deviations from the design. This has allowed the company to identify and manage deviations, to optimize electrical energy generation.

ENERGY CONSUMPTION

	Unit of measurement	2017	2018
PULP			
Energy consumption	Million GJ	93.2 (94% from renewable sources)	96.1 (95% from renewable sources)
Energy Intensity	GJ/ADt	31.0	30.6
TIMBER			
Energy consumption	Million GJ	6.1	4.4

MILESTONES 2018

- North America reduced energy consumption by more than 8% compared to 2015, including an overall net reduction in energy use combined with increased production in all operations.
- Replacement of equipment and process redesign at Nueva Aldea Pulp Mill in Chile, reducing consumption heat and energy loss of, and reducing steam consumption.
- Advances in Chile's Dissolving Pulp Project will increase the availability of clean energy to be delivered to the National Electric System.
- The Nueva Aldea pulp mill in Chile reduced specific energy consumption by 16 KWh/ADt, equivalent to 2.8% compared to the previous year.
- An improved steam temperature control pump at Arauco plywood mill in Chile, for greater energy efficiency and a 30% decrease in consumption.
- Changes in the sawmill drying process, to perform the wood heating stage without water in the vats, generating savings in steam consumption and less industrial liquid waste.
- At the Ponta Grossa Mill in Brazil, a change in the type of segment used to defiber wood reduced the equipment's specific energy consumption.
- At Eugene MDF Mill in North America, the old dual fuel boiler burner was replaced by a single fuel burner and suspension of the dry resolution system while running the PMDI product, achieved significant energy savings.
- At the St. Stephen Mill in North America, a comprehensive energy management system was implemented, improving electricity use per m³ produced by 21% compared to 2015.



WATER CONSUMPTION

Continuous improvement and efficient use of water resources are important tasks at ARAUCO, in addition to monitoring the availability of water in the basins that supply the company and conducting several initiatives to maximize its use and studying the effects of climate change on the watersheds that are sources of supply.



TOTAL VOLUME OF WATER CATCHMENT (MILLIONS M³)

	2017	2018	2017	2018
	PULP		TIMBER	
Surface water, including water from wetlands, rivers, lakes and oceans.	156.1	153.6	3.4	3.9
Groundwater.	1.6	3.1	1.5	1.5
Rainwater directly collected and stored by the organization.	0	0		
Wastewater from another organization.	0	0		
Municipal water supply or from other water companies.	0	0	3.3	2.3

	Unit of measurement	2017	2018
PULP			
Specific water consumption	Millions m ³ /year	156.1	153.6
	m ³ /ADt	51.9	49.0
TIMBER			
Specific water consumption	Millions m ³ /year	8.8	8.0

EFFLUENTS

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

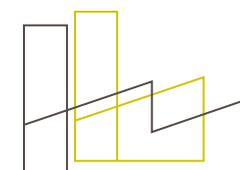
Timber business mills also treat their effluents, either in pulp mill systems or their own treatment systems.

In Argentina, Piray mill treats its effluents in a biological reactor, sedimentator and equalization pool. The treated effluents are then discharged into the Los Angelitos creek. The Chemical Division Mill discharges its effluents into the Parana River after biological treatment. The company's panel mills in Brazil and North America use biological treatment systems and their effluents are discharged into nearby rivers or water treatment systems.

	Unit of measurement	2017	2018
PULP			
Effluents produced	Millions m ³ /year	125,0	127,7
	m ³ /ADt	41,6	40,7
MADERAS			
Effluents produced	Millions m ³ /year	5,3	4,7

MILESTONES
2018

- Final works on the new effluents treatment plant at Arauco mill in Chile; by the first half of 2019 the treatment plant will improve effluents treatment standards for the current pulp mill and its expansion established in Project MAPA.
- Pilot plant studies of alternatives for the treatment of internal effluent currents at pulp mills, which will allow them to be reused, even as irrigation water.
- Implementation of projects to improve the Effluents Treatment Plant at MDF mill in Puerto Piray, Argentina.
- In Argentina, bypass installation to direct industrial effluents generated at Piray Sawmill to the effluents treatment plant at Puerto Piray MDF mill.
- Maintenance of the emergency lagoon at Pién Mill, Brazil.
- Project development for the installation of a new Effluents Treatment Station at Ponta Grossa Mill, in Brazil, with a capacity of 36 m³/h.



AIR EMISSIONS AND ODORS

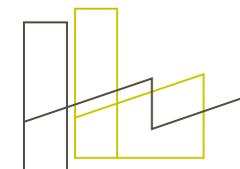
TRS gas emissions from the pulp mills are continuously monitored. In addition, operational controls are maintained to minimize odor incidents related to TRS gas emissions into the atmosphere and to fully comply with current regulations on emission standards and the environmental qualification resolutions 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 then 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 2018

- In Pulp, the number of TRS gas vents was reduced by approximately 28% and investments were made for more than US\$ 13 million to improve the system to capture and treat dilute and concentrated non-condensable gases.
- At the Jaguariaiva mill in Brazil, a gas abatement system was implemented in the treatment machines, reducing formaldehyde emissions.
- Puerto Piray MDF Mill, in Argentina, developed a project for the treatment of gaseous emissions, specifically for particulate matter.



EMISSIONS

		2017	2018
PULP			
NOx	ton	7,501	8,240
SO ₂	ton	2,350	2,342
Total Particulate Matter (PM)	ton	3,292	4,760
TIMBER			
SO ₂	ton	208	48
NOx	ton	3,340	1,464
MP10	ton	792	849
VOC	ton	2,119	2,106
CO	ton	1,055	7,262



LEAKS AND SPILLS

During 2018, there was a minor incident concerning a treated effluent leak from the outlet pipe at Nueva Aldea Pulp Mill, due to a leak in the bolts of a flange connection, which required repairs on a small section and the replacement of two flanges for welded joints. This was a minor incident considering it involved properly treated effluents and was detected early on, following the protocols outlined in the environmental permit.

In Brazil, there was a spill of industrial effluents into the rainwater channel at the Ponta Grossa Mill. As a result of this incident, a level sensor was installed in the untreated liquid industrial waste tank.

07

arauco

SCOPE



SCOPE

This is ARAUCO's twelfth consecutive Sustainability Report, presenting information on the company's economic, social and environmental performance for the period between January 1 and December 31, 2018. 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, the United States and Canada was reviewed, compiled and presented to prepare this document. The performances 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 are based on GRI protocols. Financial performance was reported using internationally accepted accounting standards such as the 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 and classified them into seven broad categories, which will be addressed in depth in the pages as indicated.

Temas materiales identificados:

- Safety
- Globalization and efficiency
- Fire protection
- Waste
- Products
- Participation and dialogue
- Employment

DISPONIBILIDAD

This year, 2,700 copies of the 2018 Sustainability Report were printed in Spanish and an additional 700 copies were printed in English. The Report is also available at our website www.arauco.cl.



08

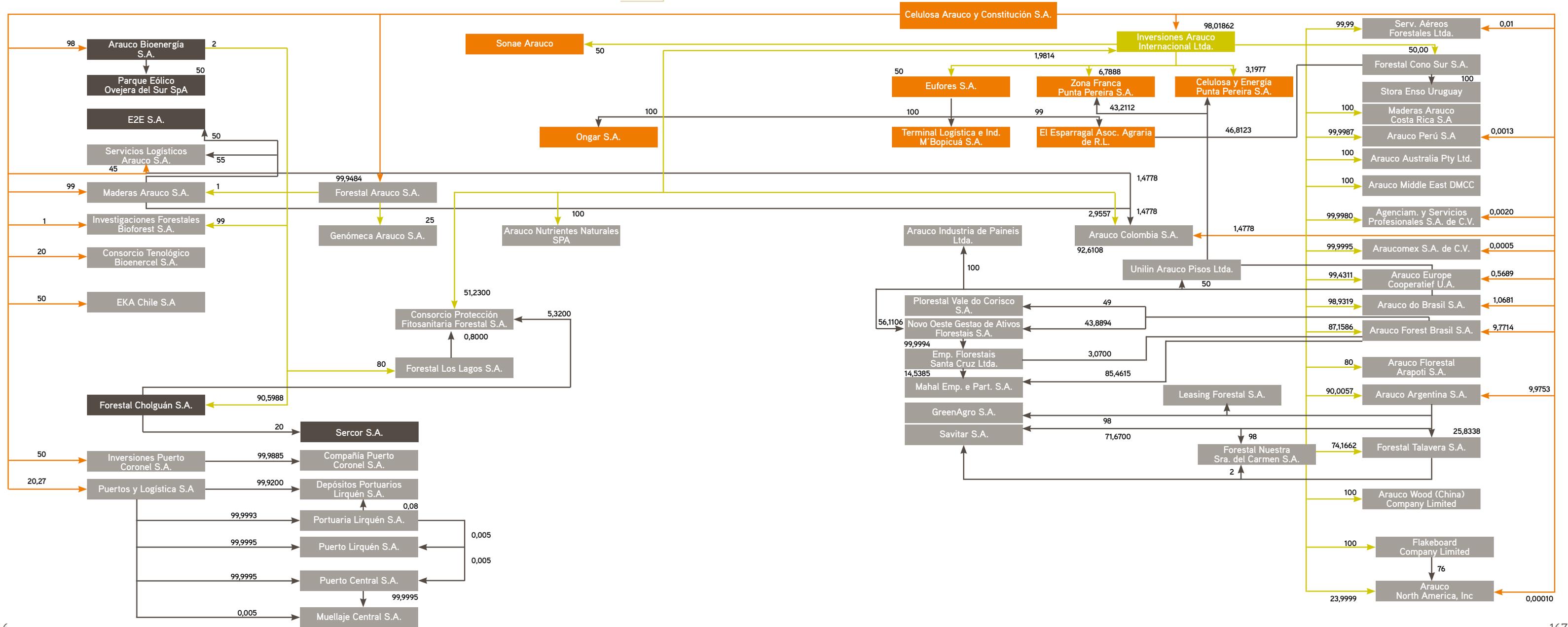
arauco



APPENDICES

arauco's subsidiaries and shareholders

31 /12/2018



membership & NETWORKS

ARGENTINA

- Argentina Green Building Council (AGB)
www.argentinagbc.org.ar
- Argentine Forestry Association (AFOA)
www.afoa.org.ar
- Pulp and Paper Manufacturers Association, Argentina (AFCP)
www.afcparg.org.ar
- Argentine Federation of the Wood and Allied Industries (FAIMA)
www.faima.org.ar
- Argentine Chamber of the Agglomerate Wood Industry (CAIMA)
- Argentine Chamber of Sawmills of Wood, Warehouses and Related Products
www.cadamda.org.ar
- Argentine-Chilean Chamber of Commerce UIA - Argentine Industrial Union
- Atlantic Forest Research Center (CEIBA)
www.ceiba.org.ar
- Subtropical Biology Institute (IBS)
- Centre for Forest Research and Experimentation (CIEF)
- Institute of Forests Research and Studies (IPEF)

- CAMCORE Cooperative - Genetic Improvement and Forestry Cooperative
- National Institute of Agricultural Technology (INTA)
- Iguazu Forest Protection Consortium
- FSC® International, member of the Southern Economic Chamber
- Faculty of Forest Sciences of the National Missions University
- Faculty of Chemical and Natural Sciences (UNaM)
- Faculty of Exact and Natural Sciences of Buenos Aires University
- Proyungas Foundation
www.proyungas.org.ar
- Temaiken Foundation
www.temaiken.com.ar
- Ranger Corps of the Ministry of Ecology of the Province of Misiones
- Equity Foundation
- Dignified Housing Foundation
- A Christmas Eve for All
- Mediterranean Foundation
- Argentine Wildlife Foundation
- Yaguaroundí Reserve
- Curindy Reserve
- National Parks Administration
- Argentine Birds - La Plata Ornithological Association Guira Oga
- Friends of Guapoy Association
- Argentine Union of Rural Workers and Stevedores
www.uatre.org.ar
- Tabay Creek Water Basin Committee
- Tupicúa Creek Water Basin Committee
- North Currents Forest Consortium
- Association of Voluntary Firefighters of Freedom
- College of Forest Engineers
- APF - Forest Productive Agglomerate Missions and Currents (We participate in APF through AFoA. APFA is currently contributing to a research project on Integrated Pest Management)
- Civil Association Council for Responsible Management of Forests and Forest Spaces.

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. Madeiras, Moveleiras e Similares de Jaguariaíva-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

COLOMBIA

- Fedemaderas www.fedemaderas.org.co
- Colombo-Chilena Chamber of Commerce www.colombochilena.com

CHILE

- Pulp and Paper Technical Association www.atcp.cl
- Association of Central Industrialists, Maule Region www.asicent.cl
- Maule Advancement Board, Maule Region www.juntaadelantodelmaule.cl
- Action Companies www.accionempresas.cl
- Chilean Chamber of Construction www.cchc.cl
- Chilean Chamber of Construction Valdivia
- Chilean-Argentine Chamber www.camarco.cl
- Chilean-Australian Chamber of Commerce www.auscham.cl
- Chilean-Brazilian Chamber of Commerce www.camarachilenobrasileña.cl
- Chilean British Chamber www.britcham.cl
- Chilean-Chinese Chamber of Commerce, Industries and Tourism www.chicit.cl

- Chilean-American Chamber of Commerce www.amchamchile.cl
- Italian Chamber of Commerce of Chile www.camit.cl
- Chamber of Commerce and Industry of Valdivia www.cciv.cl
- Centre for Public Studies, Commission on the Environment www.cep.cl
- Bioenercel Consortium www.bioenercel.com
- Forest Pest Controllers www.cpf.cl
- Forest Genetic Improvement Cooperative www.genomica.cl
- Wood Innovation and Development Center www.cidm.cl
- Wood Technology Transfer Centre www.cct.cl
- Advancement and Development Corporation of the Province of Arauco www.corparauco.cl
- Chilean Wood Corporation www.corma.cl
- Corporation for the Productive Development of La Araucanía www.corparaucania.cl

- Valdivia Development Corporation
www.codeproval.cl
- Industrial Corporation for Regional Development of Biobío
www.cidere.cl
- Forest Productivity Cooperative (USA)
www.forestproductivitycoop.org
- Belén Educa Foundation
www.beleneduca.cl
- Integrare Foundation
www.integrare.cl
- Genómica Forestal S.A
www.genomica.cl
- Icare
www.icare.cl
- Prohumana
www.prohumana.cl
- Chile Global Compact Network
www.pactoglobal.cl
- Manufacturers' Association
www.sofofa.cl
- A Roof for Chile
www.untechoparachile.org
- Pontificia Universidad Católica de Chile
www.uc.cl
- Universidad de Chile Facultad de Ingeniería Industrial
www.dii.uchile.cl
- Universidad de Chile Facultad de Economía y Negocios
www.fen.uchile.cl
- Universidad de Chile Facultad de Ciencias
www.ciencias.uchile.cl/ciencias
- Universidad Católica de la Santísima Concepción
www.ucsc.cl
- Universidad de Concepción
www.udec.cl
- Unidad de Desarrollo Tecnológico UDT de la Universidad de Concepción
www.udt.cl
- Valdivia Vision
www.visionvaldivia.cl

UNITED STATES

- Association of Woodworking & Furnishings Suppliers
www.awfs.org
- Composite Panel Association
www.compositepanel.org
- North American Wholesale Lumber Association
www.lumber.org

- WMA - World Millwork Association
worldmillworkalliance.com
- Kitchen Cabinet Manufacturers Association
www.kcma.org
- International Interior Design Association
www.iida.org (supported individual memberships)
- The Hospitality Industry Network
www.newh.org (supported individual memberships)
- GBI - Green Building Initiative
www.thegbi.org

MEXICO

- National Association of Manufacturers of Wooden Panels A.C.
www.anafata.com.mx
- National Association of Importers and Exporters of Forest Products A.C.
www.imexfor.com
- Mexican Chilean Chamber of Commerce and Investment
www.camaramexicanachilena.com.mx
- National Chamber of the Wood Industry
www.cnim.mx

PERU

- Peruvian Chamber of Construction
www.capeco.org
- Peruvian-Chilean Chamber of Commerce
www.camaraperuchile.org

GRI CONTENT INDEX FOR THE “IN ACCORDANCE”
CORE OPTION AND GLOBAL COMPACT

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ORGANIZATION PROFILE		
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102-4 Location of operations		
102-5 Ownership and legal form	14-15; back cover	P10
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102-56 External assurance	No external assurance applied	

SPECIFIC STANDARD DISCLOSURES

Material Aspect	Management approach and indicators	Page	Omissions	Global Compact Principle
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	201-2 Risks and opportunities posed by climate change	20		P7
	201-3 Coverage of the organization's defined benefit plan obligations		NOT REPORTED, AS IT IS NOT MATERIAL	
	201-4 Financial assistance received from the government	ARAUCO DOES NOT RECEIVE FINANCIAL AID FROM THE GOVERNMENT		
GRI 306: EFFLUENTS AND WASTE				
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	306-1 Water discharge according to quality and destination	154		
	306-2 Waste by type and disposal method	147		
	306-3 Significant spills	159		
	306-4 Transport of hazardous waste		NOT REPORTED, AS IT IS NOT MATERIAL	
	306-5 Water bodies affected by water discharges and/or run-offs		NOT REPORTED, AS IT IS NOT MATERIAL	

Material Aspect	Management approach and indicators	Page	Omissions	Global Compact Principle
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legal CONSTITUTION

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.

- Company Name: Celulosa Arauco y Constitución S.A.
 - 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
 - Inscription in the Securities Register: No. 042, July 14, 1982
- This Sustainability Report has been printed on PEFC certified paper.
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