

sustainability

**arauco**

2020

**report**



**carbon  
neutral**



sustainability

**arauco**

2020

**report**



**carbon  
neutral**

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about



**arauco**

**us**

# chairman's



## STATEMENT







We are experiencing an unprecedented global emergency that will undoubtedly change our existence in a way that is both rapid and deep, challenging every aspect of our activities.

At ARAUCO we have already faced difficult times in the past. And it is precisely that trajectory which requires us to look toward the long-term in order to continue to grow in a challenging environment that is continuously evolving.

In view of this new scenario, we aim to adapt quickly and with very clear priorities. Through our work we produce raw material for the manufacture of diapers, toilet paper, hospital apparel, cleaning and packaging items, construction, and many others, in addition to renewable energy in the countries where we maintain operations. Because we develop products that are the basic raw material for essential industries in a globalized world, it is vital for us to be able to provide continuity to our production chain.

Yet, our work goes much farther. Through it we also sustain jobs and local economies because we are a fundamental part of the supply chain in eleven countries at the global level. This drives us to keep going, but not without ensuring the conditions to safeguard the health of our workers and their families.

We have implemented several rigorous, innovative, and responsible measures, strengthening the control and inspection mechanisms every day to prevent the virus from spreading. We have also adapted our processes and incorporated innovations based on what we have been learning along the way.

All this effort depends on one essential factor: the deep commitment of our employees. Together we have learned that production and safety always go hand in hand, and that teamwork and mutual care are as important as selfcare. This is why we have adopted key behaviors to care for ourselves 24/7 at our homes, on our way to and from work, and at our jobs.

During this time, we have continued to work united, balancing people's health and our operational continuity with intelligence and responsibility. Thanks to their commitment and our long-term perspective we have been able to continue to develop ongoing projects.

In the middle of this emergency, we initiated the dissolving pulp project, manufacturing for the first time in Chile a product of excellence that provides a new use to pulp. We also continued construction work on MAPA (Spanish acronym for Modernization and Extension of Arauco Mill project), the greatest investment in the history of ARAUCO, which is 70% advanced at December 2020, and we

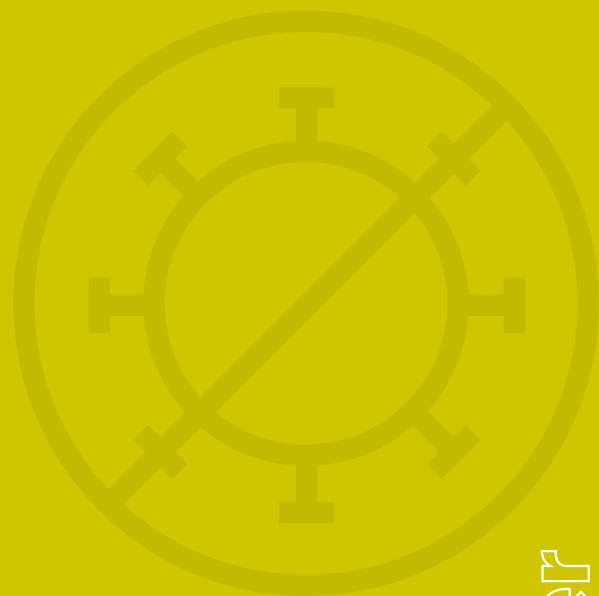
acquired majority ownership of Odd Industries, an ethically driven, groundbreaking business in industrial artificial intelligence (IAI).

Covid-19 has made the whole world rethink the way of doing things leading to new opportunities to new opportunities for key aspects such as the fight against climate change. That is why we have maintained our commitment and in 2020 became the world's first forestry company to certify its carbon neutrality.

We also affirmed our commitment to our neighbors, understanding that their development is essential to our sustainability. Consequently, we have been in constant dialogue with local and neighborhood participants in the areas where we develop our operations, contributing with our experience, our human and technical capacities, and our resources in sanitary and educational matters as well as supporting local economies in order to face this emergency together.

As on the very first day, we will continue to work with dedication to face today's complex scenario, in a spirit of dialogue and cooperation with communities and authorities. Because we will only pull through together.

Manuel Enrique Bezanilla  
ARAUCO Chairman



together

**WE FACE THE  
CORONAVIRUS**

## **MAINTAINING OUR OPERATIONS DURING THE GREATEST SANITARY EMERGENCY OF THESE LAST DECADES HAS BEEN AN UNPRECEDENTED CHALLENGE.**



At ARAUCO we decided to face these challenges with three very clear priorities: Protect people's health, cooperate with authorities, and maintain operational continuity.

The scale of this challenge led us to

completely adjust the way we operate, incorporating more than 70 measures, protocols, and key behaviors to prevent the virus from spreading. In addition, we equipped our facilities as safe places and were therefore able to maintain operational continuity.

**Protect  
people's  
health**

**Cooperate  
with health  
authorities**

**Safeguard  
operational  
continuity**

---

**In these months we have strengthened our work  
based on seven core aspects:**

---

**TESTING**

83,166 PCR tests  
performed

**CONTACT  
TRACING**

Cooperation with  
authorities to identify  
close contacts

**ISOLATION**

Quarantines  
determined by  
authorities

**CONDI  
TIONS**

**BEHA  
VIORS**

**SAFE  
FAMILIES**

**COMMUNI  
CATIONS**



foccal

# POINTS OF COOPERATION

W

e are part of the communities in which we operate, and we understand that cooperation and systematic work are the ways we should address this global health emergency.

## HEALTH

# COMPREHENSIVELY STRENGTHENING THE CAPACITIES OF THE HEALTH SYSTEM.

### sanitary prevention

- Massive sanitization and fumigation of shared spaces in offices, industrial facilities, and work sites where forestry workers gather.
- In Brazil and Mexico, processes at the resin plants were adjusted to produce hand sanitizer gel which was distributed to employees and their families.
- Face shields were created for workers and community neighbors, and sanitary consumables such as thermometers, face masks, protective gowns, coveralls, gloves, and hand sanitizer were provided as well.
- Community kits for over 7,000 workers and their families.
- Workers' participation in civic committees for community aid.
- Adjustment in areas to comply with physical distancing (in conference rooms, cafeterias, employee transport buses in Chile, Argentina, Brazil, Mexico, and North America).
- In Mexico, oxygen tanks were provided to workers and their family members.
- Identification of vulnerable population.



## early detection

- Essential reagents provided for 8,000 diagnostic tests in the Ñuble Region, Chile.
- Support provided at temperature checks and sanitary barriers, in coordination with authorities.
- Massive preventive testing at company facilities in order to actively seek out cases, identifying asymptomatic employees and continue to strengthen preventive measures.

## hospital treatment

- Contribution of hospital equipment and mechanical ventilators in Curanilahue, Biobío Region, Chile.
- In Brazil, provision of cleaning kits, hospital hygiene materials, hand sanitizer, and field tents for seven municipalities (Arapoti, Curiúva, Jaguariaíva, Sengés, Piên, Campo do Tenente, and Doutor Ulysses).
- Support for the implementation of resting areas for hospital staff and enhancement of spaces within hospitals in Chile.
- Support for the equipment of emergency hospitals in Chile.
- Implementation of sanitary residences for company workers or contractors.
- Cooperation in the research for the development of mechanical ventilators through ARAUCO's continuous improvement division and Bioforest.



## EDUCATION

# COMMITTED TO THE COMPREHENSIVE DEVELOPMENT OF OUR SURROUNDINGS, WE SEEK TO CONTRIBUTE TO THE EDUCATIONAL CONTINUITY OF SCHOOLS IN PRIORITY MUNICIPALITIES OF CHILE.



Support the municipalities in the design of plans to keep the continuity of school educational activities, online learning and teachers and administrative teams tutoring.

- Gather experiences and identify resources for students learning and make support resources available to families to face this crisis.
- Implementation of platforms with socio-emotional support tools that parents and teachers can use with students who are in quarantine. The platform includes didactical and innovative contents that makes online education easier.

• Participate in education roundtable implemented by the Ministry of Education of Chile, with the purpose of generating measures to prevent students from dropping out.

• Launch a reading promotion campaign to encourage the habit and passion for reading.

• Campaign “Together for a connected education” which aims to collect cell phones discarded by workers and deliver them to boys and girls who do not have a technological device on which to connect with teachers and classmates.

• Distribute 380 computers among students who go to municipal schools in municipalities Teno, Licantén, Constitución, Ránquil, Curanilahue, Arauco, and San José de la Mariquina in Chile.

- ARAUCO workers volunteered in the delivery of food boxes to the country's most vulnerable families. This campaign, driven by CPC, provided 5,226 boxes in 28 communes of Chile.
- Organize a network of sewers of ARAUCO, Chile, to produce reusable face masks.
- Through the AcercaRedes Foundation, provide support to the economy of small producers in Chile and reopen farm fairs, implementing several sanitization actions and providing kits.
- Network of volunteers to support rural families in Chile, and implementation of the "Here for you" program in support of senior citizens during the pandemic. The program aims to build ties with young volunteers who provide assistance for the purchase of staples and errands in the municipality.
- Support for the forest gatherers program with educational video clips to encourage them to continue to produce, diversify

their offer, and sell without forgetting the measures to prevent infection.

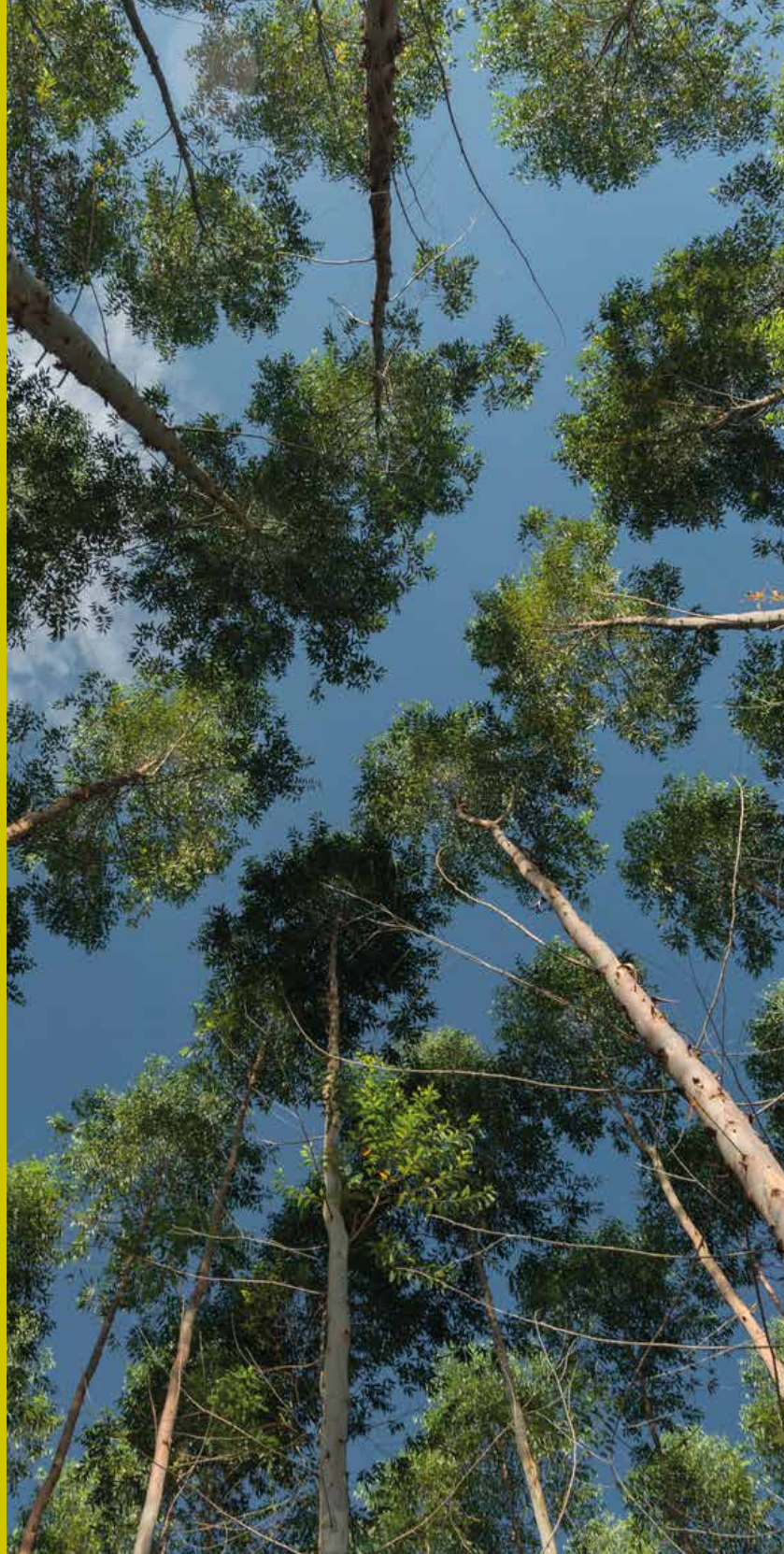
- Lead solidarity campaigns to provide food boxes to neighbors near our facilities.
- Lead solidarity campaigns to promote local commerce in areas where we maintain operations.
- Develop the Local Shop platform in Laraquete, Chile, to connect consumers with neighborhood stores and encourage online shopping and home delivery.

## **ENTREPRENEURSHIP AND COMMUNITY SUPPORT SUPPORT ENTREPRENEURSHIP AND THE COMMUNITY ECONOMY OF SMALL PRODUCERS IN THE AREAS WHERE WE ARE PRESENT.**



this is

**ARAUCO**



**FOR 50 YEARS WE HAVE BEEN DEVELOPING PRODUCTS BASED ON RENEWABLE FOREST RESOURCES, WHICH ALLOW US TO OFFER A WIDE VARIETY OF SUSTAINABLE QUALITY SOLUTIONS FOR THE PAPER, CLOTHING, CONSTRUCTION, PACKAGING, FURNITURE, AND ENERGY INDUSTRIES.**



As we operate in the forestry, pulp, wood, panel, and clean and renewable energy businesses, we are part of those who materially, contribute to the path toward an economy based on the consumption and production of goods and services derived from the direct use and sustainable transformation of biological resources.

The generation of economies of scale and competitive advantages that are sustainable in time, the pursuit of innovation, digital transformation, and the generation of new solutions that

provide added value with the highest sustainability standards, a focus on quality and service, and more than 17,000 employees guided by one vision and shared values are the foundation of our strategy, which is to make full and sustainable use of our resources and be a global and diversified company, present throughout the entire forestry value chain.

The challenge is to search for solutions that allow us to meet the growing needs of humans using renewable resources.

Forests are a natural renewable resource and a long-term solution

to address the challenges of climate change.

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

# SUSTAINABILITY

## strategy

**WE WORK TO CONSOLIDATE AN ECONOMY BASED ON RENEWABLE RESOURCES FROM WHICH WE DEVELOP PRODUCTS THAT IMPROVE THE QUALITY OF LIFE OF MILLIONS OF PEOPLE AROUND THE WORLD, THROUGH THE SUSTAINABLE MANAGEMENT OF OUR OPERATIONS AND BY CREATING MAXIMUM VALUE FROM OUR FORESTLAND.**

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

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

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

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





**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 who embraces  
the challenges of  
participating in  
global markets.**

**We create products  
that improve the  
people's live.**

Over **4,662 customers**  
in 5 continents.  
Products sold at points of sale  
through representatives, sales  
agents, and sales offices in **30 countries.**  
Logistics chain and distribution  
management, supply  
distribution centers and points  
of sale through **207 ports.**

ARAUCO

AROUND THE  
WORLD



#### CANADA

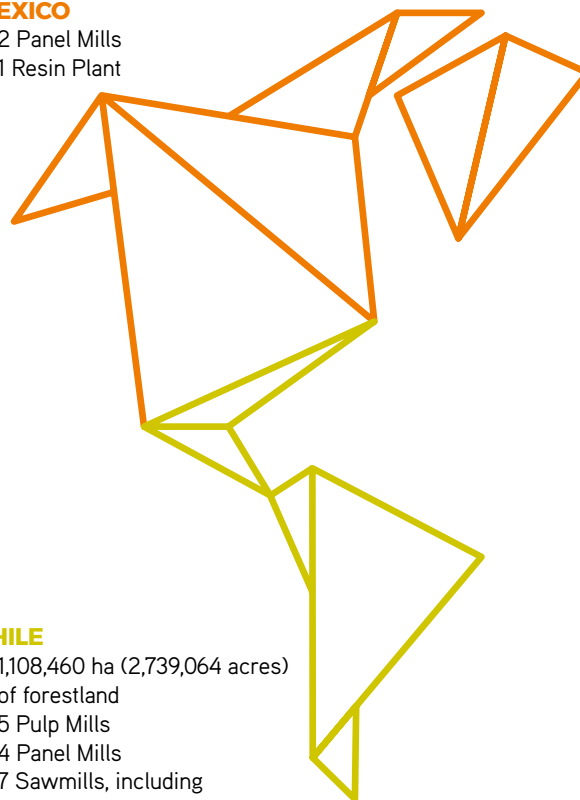
- 2 Panel Mills
- 1 Resin Plant

#### USA.

- 5 Panel Mills
- 1 TFL Plant
- 2 Moulding Plants

#### MEXICO

- 2 Panel Mills
- 1 Resin Plant



#### CHILE

- 1,108,460 ha (2,739,064 acres)  
of forestland
- 5 Pulp Mills
- 4 Panel Mills
- 7 Sawmills, including  
4 remanufacturing facilities
- 10 Power Plants

1) Considers 50% of operations,  
land, and plantations.

2) ARAUCO owns 50% of SONAE  
ARAUCO facilities.

3) Panbult plant is not operational  
at present.

## GERMANY<sup>2</sup>

- 4 Panel Mills

## SPAIN<sup>2</sup>

- 2 Panel Mills
- 1 Sawmill

## PORTUGAL<sup>2</sup>

- 2 Panel Mills
- 1 Resin Plant

## ARGENTINA

- 264,334 ha (653,183 acres) of forestland
- 1 Pulp Mill
- 2 Panel Mills
- 1 Resin Plant
- 1 Sawmill, including 1 remanufacturing facility
- 2 Power Plants

## URUGUAY<sup>1</sup>

- 134,542 ha (332,460 acres) of forestland
- 1 Pulp Mill
- 1 Power Plant

## BRAZIL

- 201,466 ha (497,833 acres) of forestland
- 4 Panel Mills
- 1 Resin Plant

## SOUTH AFRICA<sup>2</sup>

- 2 Panel Mills<sup>3</sup>

## SALES OFFICES

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

## SALES REPRESENTATIVES

South Korea	India
Australia	Pakistan
New Zealand	Bangladesh
Japan	Indonesia
China	Thailand
United Arab Emirates	Philippines
Saudi Arabia	Taiwan
Malaysia	Vietnam
Turkey	



**governance**



**corporate**



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

To date, the company maintains its legal name Celulosa Arauco y Constitución S.A. Currently, 99.98% of ARAUCO is owned by Empresas Copec S.A., a

holding company with primary interests in the forestry sector, fuel distribution, fishing and mining.

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

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

During the Extraordinary Shareholders Meeting held in May 2020, it was unanimously agreed by the shares issued, to increase the share capital by US\$ 699,962,071 in order to contribute to the financing of projects being developed by the company, especially the MAPA Project, and to strengthen its financial position. From the total capital increase agreed on, the portion estimated for 2020, which amounts to US\$ 250,000,000, was fully subscribed to and paid for by the company's shareholders in September of that same year. The remainder will be paid during 2021, depending on the resources required for that tax year.





## shareholders

### **EMPRESAS COPEC S.A.**

117,197,642 shares: 99.98%

### **CHILUR S.A.**

24,746 shares: 0.02%

### **ADMINISTRADORA SINTRA LTDA.**

889 shares: 0.00076%

### **ANTARCHILE S.A.**

98 shares: 0.00008%

## board of directors

**Manuel Enrique Bezanilla**  
Chairman of the Board

**Roberto Angelini**  
First Vice Chairman

**Jorge Andueza**  
Second Vice Chairman

**Jorge Bunster**

**Alberto Etchegaray**

**Juan Ignacio Langlois**

**Franco Mellafe**

**Eduardo Navarro**

**Timothy C. Purcell**

## senior management

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

**Matías Domeyko** · Chief Executive Officer

**Cristián Infante** · President & Chief Operating Office

**Iván Chamorro** · Senior Vice-President Forestry

**Franco Bozzalla** · Senior Vice-President Woodpulp & Energy

**Antonio Luque** · Senior Vice-President Timber and Panels

**Gonzalo Zegers** · Senior Vice-President International & Business Development

**Charles Kimber** · Senior Vice-President Human Resources & Sustainability

**Gianfranco Truffello** · Chief Financial Officer

**Felipe Guzmán** · General Counsel

During 2020 Iván Chamorro was named Senior Vice-President of the Forestry business in replacement of Camila Merino, who left the company after almost nine years. In addition, the corporate responsibilities of Human Resources and EOHS were merged with Corporate Affairs, thus creating the Human Resources and Sustainability Corporate Division, headed by Charles Kimber.

Also, after almost 30 years Robinson Tajmuchi left the company. As a result, the tasks and responsibilities that depended on the Comptrollership Division are distributed as follows: the areas responsible for tax and accounting matters report to the Corporate Finance Department led by Gianfranco Truffello; matters regarding internal audits are the responsibility of General Counsel, headed by Felipe Guzmán.

In addition, management abroad is led by:

**Pablo Ruival** · ARAUCO Argentina

**Carlos Altimiras** · ARAUCO Brazil

**Pablo Franzini** · ARAUCO North America, United States, Canada, and Mexico

**Diego Wollheim** · Montes del Plata, Uruguay

**Rui Correia** · SONAE ARAUCO

# BEST PRACTICES MANAGEMENT

## corporate

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

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

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

ARAUCO has an Ethics and Compliance Committee that ensures the company follows all its ethical, legal, mandatory, and governing regulations on compliance, which receives information on the existence and functioning of processes established to achieve said purpose.

There is also a Chief Compliance Officer who regularly reports to the Board and the Ethics and Compliance Committee. It is the mission of the CCO's mission is to establish a robust, efficient, and effective system for ARAUCO's compliance with ethical and governing regulations, in Chile as well as abroad, taking on the different compliance tasks that are currently performed and those associated with free competition, ethics, the policy framework, and the Crime Prevention Model (CPM), among others.

As regards the Crime Prevention Model (CPM) established for Celulosa Arauco y Constitución S.A. and its subsidiaries, as certified by to an independent certifying body, the company continues to develop its compliance and monitoring program. In 2020, ARAUCO once again certified the CPM in Chile, including the certification of new crimes introduced by Law 21.121, such as corruption among private individuals, incompatible negotiation, misappropriation, and disloyal administration. The new crime in Art. 318 of the Criminal Code was also incorporated in the company's CPM.

Additionally, in 2020 a Criminal Management and Control System was approved in Mexico, and an e-learning course on Law 20.393 and the CPM was developed in Chile.

Furthermore, the company constantly disseminates its Code of Ethics and

the principles and values it contains, reinforcing the importance of understanding and complying with it. Training on these subjects is provided to employees.

Lastly, the company maintains 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, in the event that the complainant requests it.

## reporting procedures

As recommended by corporate best practices, ARAUCO maintains a reporting mechanism managed by an independent third party, that was updated in 2020 and is available

to all the countries at the website ([www.arauco.com](http://www.arauco.com)) and corporate intranet. This mechanism allows telephone and written reports to be made, ensuring anonymity and confidentiality.

The company has adopted a Reporting Procedure to receive, investigate, and act –as applicable– upon reports submitted by employees, customers, suppliers, shareholders, and people in general, regarding violations to the company's Code of Ethics, Crime Prevention Model or other company regulations or policies, as well as any other behavior that may be perceived as being unethical.





risks

**AND CHALLENGES**





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

Concerning the risks focused on the reliability of accounting information, in 2018 ARAUCO developed and implemented an intensive dissemination plan of the SOX Corporate Internal Control Model, which addresses the reliability of the company's financial accounting information. The objective of the plan is to disseminate, provide training, and further delve into the importance of this model in ARAUCO and the role that the company's different areas have in its management. The use of the GRC Process Control tool was also encouraged to manage and monitor financial

accounting risks and controls. In this regard, several initiatives were carried out with Business Management Divisions and Company-wide Management Divisions in Chile, Brazil, and Argentina to address the issues mentioned above.

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

During 2020, ARAUCO updated its operational and non-operational risk matrix to include a pandemic as a "cause" to the risks that have already been defined, such as "Severe accidents and fatalities", "deceleration or economic recession", "drop in the price of woodpulp", among others, developing work plans to reduce the impact it has on our risks.

The levels of impact and probability of the occurrence of risks are constantly evolving, with greater or lesser prominence according to the global context.

The latest publication of the COSO ERM committee, based on a World Economic Forum report, highlights the evolution of the outlook on risks at a global level. Thus, for example, years ago the leading risks were of an economic and social nature, while today the focal point has moved to risks associated with water supply, extreme weather conditions, and internet frauds and cyber attacks.

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

In this same line, but with regard to our industrial facilities, ARAUCO continued to carry out the 2020 investment plan to strengthen initiatives in fire protection and fighting, maintenance programs, and the development of technical skills and equipment for our industrial firefighting crew.



globalization



arauco

**and efficiency**

# FORESTRY



ARAUCO manages its forestland in Chile, Argentina, Brazil, and Uruguay under responsible forest management practices. This is essential considering that trees represent one of the strongest existing strategies to advance climate change mitigation and they are the foundation of all of ARAUCO's business areas in these countries. Consequently, our production processes are certified to the highest global standards.

In addition, 29% of the company's forestland accounts for native forest and high environmental and social conservation value areas which are duly protected and conserved for future generations.

During 2020, 55,600 hectares (137,390 acres) were planted and 18.5 million m<sup>3</sup> of logs were harvested.

**1.7 MILLION HECTARES  
(4.2 MILLION ACRES) OF  
FORESTLAND IN CHILE,  
ARGENTINA, BRAZIL,  
AND URUGUAY.**

(Refer to Forestland Distribution in Appendices, page 160).

- Implementation of the CIMA (acronym for mechanized aerial internal harvesting project in spanish) in Chile, that reduces the exposure of key positions and mechanizes aerial harvesting, resulting in safer, more productive and sustainable operations.

- Launch of the Araucaria system, a technological platform that consolidates data for ARAUCO's forestland in Chile, Argentina, and Brazil, creating opportunities for artificial intelligence processes.

- Araucaria system was recognized as a Special Achievement at the GIS 2020 Awards by ESRI. This distinction recognizes globally outstanding IT projects.

- Acquisition of majority shares of Odd Industries, an ethically driven, groundbreaking business in industrial artificial intelligence (IAI). This allows ARAUCO to combine the artificial intelligence platform with global leadership in the use of LiDAR technology for the company's sustainable silviculture.

- FSC® Forest Management follow-up audits were conducted in Chile, Argentina, and Brazil, on-site as well as remotely due to the pandemic. Certifications were maintained in each country. Specifically, Argentina was recertified to the standard for another five years. (Forestal Arauco FSC® License Code: FSC® - C108276; Arauco Argentina FSC® License Code: FSC®- C128100; Arauco Forest Brasil Tunas\*; Arauco Forest Brasil Campo do Tenente y Sengés FSC® License Code: FSC®-010303; y Arauco Florestal Arapoti FSC® License Code: FSC®-C010673)

- Addendum to Statement for two new ecosystem services: Huemul, in the Ñuble mountain range and Water Supply to Forel community in Constitución, as part of the FSC® surveillance audit in Chile

- Sales of forestry unit Tunas do PR in Brazil, amounting to 33,602 hectares (83,032 acres), with which the company's forestland in that country is 211,361 hectares (522,284 acres),

\*Certification denied on March 3, 2021, due to the sale of related areas.



oodpulp produced by ARAUCO is the basic raw material in the

manufacture of several types of printing and writing papers, tissue paper, packaging material, filter paper and fiber cement products, textiles, diapers, and feminine hygiene products, among others.

In 2020, the company produced 3.7 million tons of bleached and unbleached softwood pulp, bleached eucalyptus hardwood pulp, dissolving pulp, and Fluff pulp, with sales for US\$ 1,992.8 million. Products were mainly sold to Asia.

## WOODPULP



(Refer to Woodpulp production by type of product in Appendices, page 161).

# MILESTONES

5

**PULP MILLS  
IN CHILE**

1

**PULP MILL  
IN ARGENTINA**

1

**PULP MILL IN URUGUAY  
THROUGH A JOINT  
OPERATION BETWEEN  
ARAUCO AND STORA  
ENSO (SWEDISH-  
FINNISH COMPANY)**



• In Chile, the company continued the development of Project MAPA - Modernization and Extension of Arauco Mill—reaching 70% completion by December 2020. This project includes the closure of production line 1, the modernization of current production line 2, and the construction of line 3, including state-of-the-art technology and an annual production of about 1,560,000 tons. The project's estimated investment is US\$ 2,350 million and is expected to be in operation in the last quarter of 2021.

• Valdivia Pulp Mill in Chile initiated the production of dissolving pulp, becoming the first company in the country and the third one in Latin America to manufacture this innovative product, which gives woodpulp a different use as a raw material for the production of viscose or rayon fabric.

• Implementation of Operations Advantage, a new operations management model in all pulp mills.

• Consolidation of the Maintenance Model in all pulp mills, aiming to improve the total effectiveness of the equipment and costs by reducing losses and maintenance costs.

relevantes

**MILESTONES**



W

ood is an essential product for sustainable development. It has multiple qualities that make it the only natural and renewable resource for large-scale use in construction and furniture; it helps reduce CO<sub>2</sub> in the atmosphere, it has a very good seismic and thermal performance, long durability, and is highly resistant to fire.

ARAUCO is one of the primary producers of wood at global level with a production capacity of 14 million m<sup>3</sup>. The company manufactures 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.

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

In 2020, sales reached US\$ 2,623.5 million, mainly in the United States, Brazil, Mexico, and Canada.

30

**PANEL MILLS**

9

**SAWMILLS THAT  
INCLUDE**

5

**REMANUFACTURING  
FACILITIES**

**TIMBER**

(Refer to Production by type of product in Appendices, page 162).

- In Chile, the company initiated the Laminated Beam Plant project and addition of CLT (cross laminated timber) line and developed the Automatic Gluing Machine 3 project at Arauco Plywood Mill; the automatization of finger joint lines project at the Valdivia remanufacturing facility, and the automatization and change of equipment of finger joint lines project at the Viñales remanufacturing facility.
- In Brazil, the eucalyptus processing line started operating at Jaguariaíva Plant.
- In the United States, Moncure Plant implemented a new line for painted MDF moldings.
- In Argentina, a system to clean gases from the boiler was installed in Piray.
- In Mexico, wood shavings and sawdust began to be injected in the production of MDF at the Durango Complex.
- In the United States, the company shut down the MDF plant located in Bennettsville, South Carolina. This allows us to serve market needs with production facilities that are more efficient. In addition, the PB plant in Moncure, North Carolina, and the MDF plant in Eugene, Oregon, were closed. In both cases, the decision was also based on a thorough analysis of efficiencies and production capacity in a highly competitive market.
- Development of the second phase of the Global Supply Chain project, which involves the definition of a common language to classify products, customers, and markets.
- Automatization of planning processes to update dates, closure of manufacturing orders, and order entries in SAP, among other tasks.
- Implementation of an Export Logistic Optimizer in Argentina, a digital tool to assess and decide on shipments from the Misiones plants to the customers destination port.

# ENERGY

8

**POWER PLANTS AND  
2 BACKUP  
UNITS IN CHILE**

2

**POWER PLANTS  
IN ARGENTINA**

1

**POWER PLANT  
IN URUGUAY**

F

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

The company meets its own energy needs and contributes surplus energy from its industrial facilities to the power grids of many of the countries where it maintains operations. In Chile, ARAUCO is one of the primary producers of Non-Conventional Renewable Energy (NCRE), with an installed capacity of 606 MW and 219 MW to be contributed to the National Electric System (SEN).

Additionally, the company has an installed capacity of 82 MW and contributes an energy surplus of 8 MW to Argentina's power grid, and an installed capacity of 91 MW and a surplus of 50 MW to contribute to the power grid of Uruguay, through a joint operation with Swedish-Finish company Stora Enso.

(Refer to Energy Generation Capacity and Power Delivery in Appendices, page 163).





## GHG emissions reduction projects

ARAUCO has historically contributed to the fight against climate change, certifying emission reductions from residual forestry biomass-based cogeneration projects in five power plants in Chile and one in Uruguay (a joint operation with Stora Enso). These power plants are registered under internationally recognized standards such as the Clean Development Mechanism (CDM), and annually offset about 650,000 tons of CO<sub>2</sub>.

In addition, the Viñales cogeneration project is registered under the Verified Carbon Standard (VCS).



# MILESTONES

- The net energy surplus delivered by ARAUCO's facilities reached an annual total of 755 GWh, 3% less than the previous year, mainly due to less availability of power plants.
- In Chile, surplus energy generation accounted for about 1% of total energy generation of the national power system (SEN), and installed power accounted for 1% of the system's total installed power.
- Total physical sales amounted to 922 GWh; 2% less than sales in 2019. Likewise, sales associated to the energy surplus delivered to the system dropped about 30% with regard to the previous year due to a spot price fall of about 24% compared to 2019.

- Emissions reduction certification for 76,538 tCO<sub>2</sub>.
- Considering the 2007-2020 period, at a global level ARAUCO contributed 7.68% of the accumulated emissions reduction certifications, in the category for residual biomass-based energy generation projects registered as CDMs.
- Advances in the revalidation process of the fourth emissions reduction project "Horcones biomass power plant", registered as a Clean Development Mechanism (CDM). The request for revalidation considers its second accreditation period (7 years), with an estimated emissions reduction potential of 51,956 tCO<sub>2</sub>.
- Within the United Nations Framework Convention on Climate Change, approval of the revalidation processes of clean biomass-based energy cogeneration at plants Trupán, Valdivia, and Nueva Aldea with the potential to reduce 385,279 tCO<sub>2</sub> a year.





## financial performance

In 2020, the company's profit was US\$ 25 million, 60% less than in 2019. This is mainly attributed to a lower operational result due to a drop in the average sales price of woodpulp, and to a lesser extent, the reduction in sales volume of some of the products of the wood products business division.

In addition, ARAUCO's economic value generated in 2020 was US\$ 4,792 million and value distributed was US\$ 4,062 million, which means that profit generation was greater than its distribution. Of these, 64% accounts for operational costs and 19% accounts for payment to capital suppliers.

Regarding the Export Credit Agency (ECA) contract with Finnvera (Finnish state-owned financing company) and three banks (BNP Paribas, JP Morgan Chase, and Santander) signed in 2019 for € 555 million, the total amount paid by December 2020 is € 450.3 million. Since Finnvera provides financing to companies that are able to comply with the environmental and social requirements they establish, the fact that ARAUCO attained this

credit agreement demonstrates our commitment to sustainable development, as well as compliance with the sustainability standards established by Finnvera.

Additionally, in October 2020, a year after becoming the first forestry company in Latin America to issue a sustainable bond, which involves the company's commitment to invest an equal amount in green and social projects during the bond's period of validity, the "2020 Sustainable Bond Report" was published. This document explains in detail the allocation of resources for social and environmental management in 2017, 2018, and 2019, thus achieving the commitment of investing in this type of projects.

Adjusted EBITDA was US\$ 1,072 million, 7% lower than in 2019.

## projects and investments in 2020

The company invested US\$ 1,852 million in 2020; the primary project is the Modernization and Extension project of Arauco Mill (MAPA), in Chile. In addition, the company completed and started operating the Dissolving Pulp

Project at Valdivia Mill in Chile.

The company also has several ongoing investment projects such as those related to the mechanization of forest harvesting.

## supply chain

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

In order to contribute to the social and economic development of the regions where it operates, ARAUCO works with suppliers in the areas where the company maintains its forestry and industrial operations. Such suppliers provide quality products and services such as inputs, spare parts, equipment, raw materials, and a few services. In 2020, the company made purchases from local suppliers for US\$ 1,783 million in all the countries where it operates.

(Refer to Financial Indicators, Economic value generated and distributed, Purchases to Local Suppliers in Appendices, pages 164 to 166).

## Innovation: Bioforest and Digital Transformation

Innovation is an essential aspect of ARAUCO's strategy. The combination of ideas, technology, process optimization, creativity and entrepreneurship allows us to develop new and improved solutions that meet people's needs and initiatives that aim toward social and environmental sustainability.

This pursuit led to the creation, 30 years ago, of Bioforest, a research center that develops and applies the best technologies to maximize productivity of the company's forest and industrial resources, conducting research on pro-

cesses for the Forestry, Woodpulp and Timber business areas in the different countries where it operates.

Today, Bioforest works with 48 highly specialized researchers and a technological network for open collaboration with experts in different areas. The center also participates in several national and international organizations that are at the forefront of scientific knowledge in industrial forestry.

In this same line, the InnovArauco program was developed in 2011 to promote innovation and entrepreneurship within the company.

In addition, one of the challenges that ARAUCO has embraced is to drive Digital Transformation. The company sees

this challenge as a great opportunity to incorporate new digital technologies, and through them, capture opportunities that have an impact on the business, involving a change in the organization's philosophy and culture.

ARAUCO has a Digital Center that works with expert professionals such as data scientists, UX UI designers, Agile coaches, and DevOps engineers. With the IT division, they support the company's business areas in the design of digital projects through the development of work cells and the application of tools such as Big Data & Analytics, artificial intelligence, the Internet of Things, and others.

## forestry

- Development of 400 new Radiata pine clones.
- Three scientific papers published in high-impact international journals, presenting the results obtained over more than ten years of research on the role of plantations and water availability in the territory where ARAUCO's plantations are located.
- The "Water management" and "Threatened species management" systems were updated. These support the provision of water in terms of quality and quantity to neighboring communities and ensure an appropriate habitat for the continuation of threatened species in the territory.
- The Growth Model that evaluates the effect of the climate change on ARAUCO's plantations, was updated.
- Generation of information regarding carbon storage in four primary reservoirs (aerial biomass, roots, forest floor, and soil) for all of ARAUCO's forestland.



- Joint publication of "The positive role of forest plantations in climate change mitigation", in a scientific journal with three Chilean and three North American universities.
- Generation of information to understand what greenhouse gas emissions are like after wildfires.
- Development of new Site Index for Radiata pine based on a new assembly method of geostatistical models.
- Development of an on-site kit for the molecular identification of *Fusarium circinatum*.
- Development of Management Strategies for quarantine pests that pose a threat of entry into Chile.
- Identification of the potential distribution of existing pests in a climate change scenario.

# MILESTONES

## woodpulp

- Support in the design and implementation of a chip level control to stabilize the operation of the digestors at Nueva Aldea Pulp mill.
- Development of a 3D model to manage the chip pile of L1 at Nueva Aldea Pulp mill.
- Active participation during the start-up phase and manufacturing campaigns of dissolving pulp, working with operations, quality control and the Commercial Division.
- Implementation of a viscose laboratory to develop knowledge on the products manufactured by ARAUCO's dissolving pulp customers.
- Proposal, assistance in the design, and construction of the first center for the valorization of waste from the ARAUCO's woodpulp process.



## wood products

- Development and industrial implementation of an antimicrobial and antiviral protective coating for melamine surfaces.
- Development of a silvicultural management proposal for a greater recovery of structural wood from ARAUCO's plantations.
- Development of a natural repellent for the management of bark beetles, which are insects that affect the sales of sawn timber.





## **digital transformation**

- Training on techniques for data management and introduction to science data for 19 people.
- Implementation of seven digital applications, two of which include artificial intelligence.
- Development of five digital transformation projects in close collaboration with the TI Division.







ARAUCO uses brands for relevant product-market categories, all of them having the support of ARAUCO corporate brand in order to be recognized in the market as an expert in the relevant segments and to facilitate the customers processes (Refer to [www.arauco.com](http://www.arauco.com)).



# our PRODUCTS



wood pulp

wood products

<b>arauco</b> CELULOSA	<b>arauco</b> PBO	<b>PRISM</b>
<b>arauco</b> BKP	<b>arauco</b> CHOLGUAN	<b>VESTO</b> arauco
<b>arauco</b> EKP	<b>arauco</b> MDP	<b>FAPLAC</b> melamina
<b>arauco</b> FLUFF	<b>arauco</b> MSD	<b>ARAUCOPLY</b>
<b>arauco</b> Silver Star / 明星 BKP	<b>arauco</b> LUMBER	<b>HILam</b>
<b>arauco</b> Bright Star / 明星 EKP	<b>arauco</b> ULTRA PB	<b>PRIME</b> LINE arauco
<b>arauco</b> Gold Star / 金星 UKP	<b>arauco</b> COLOR	<b>arauco</b> BRILLO PREMIUM
<b>arauco</b> Soil Star / 土星 UKP FC	<b>arauco</b> DURAFLEAK	<b>arauco</b> MOLDURAS
<b>arauco</b> Wood Star / 木星 APSA BKP	<b>arauco</b> TRUPAN	<b>arauco</b> MOULDING
<b>arauco</b> UKP	<b>arauco</b> FIBREX	<b>arauco</b> MELAMINA
<b>arauco</b>   <b>CREATE</b> Sustainable Fiber	<b>arauco</b> READYWALL	<b>arauco</b> MELAMINE
	<b>TABLE</b> <b>RED</b> arauco	<b>arauco</b> DECOFAZ
	<b>innovus</b> Coloured MDF	<b>arauco</b> DUROLAC
		<b>arauco</b> SUPER MDF
		<b>arauco</b> MDF

## product labeling

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

## customer satisfaction

All of ARAUCO's businesses have developed Complaint Management Systems to respond to customer requirements. Communication mechanisms range from telephone lines to direct contact.

Everything is managed through standardized systems that allow the company to conduct follow-ups and improve operations, products, and services through continuous improvement, or as a means to prepare annual plans.

In 2020, market studies were initiated in Mexico to learn about the ideal customer for the Tablered network of stores and the multibrand experts customer category.

## customer engagement

In 2020, ARAUCO prioritized the development of digital experiences to get our products and tools closer to customers and users, providing continuity to their activities in spite of the pandemic and quarantines.

Evidence of this can be found in the new digital platforms that were developed for the different markets and that are being monitored to evaluate their scale up potential to include the entire group:

- Marketplace Faplac Online in Argentina, a sales portal for full format or custom-sized panels that already has over 110,000 visitors and 6,000 registered members.
- In Chile, a clearance sales platform for distributors ARAUCO EStock and ARAUCO Brandcenter, which shares marketing material with customers.
- In North America, a new customer web portal for United States and Canada incorporates functionality for customers to track orders and shipments, download invoices and order documents, review account statements, and more.

- In Mexico, a new website with the same characteristics as the US website and a new website for the Tablered network of stores were launched.

In addition, the use of several streaming platforms was activated in all markets to continue to provide training to customers and users through webinars and live streams. During 2020, over 300 online training sessions were offered, which were complemented with new contents at the Master Class platform.

Also, the company's participation in trade fairs combined in-person and online attendance: Expo Revestir in Brazil, WMA Virtual Conference in USA, ForMóbile Xperience in Brazil, Wood Week in Chile, and Lima Design Week in Peru.

Several initiatives were also driven, such as the United to Build program in Chile, an alliance with complementary

brands that provided training and joint promotions; and the Metrópolis Project in Brazil, to increase the specification coverage in architecture and design firms which resulted in 2,600 visits to 13 cities between August and November.

Furthermore, work was done on social media to provide inspiration and assistance to make projects with company products, driving local collaborations and new digital content.

## **new products**

In 2020, digital platforms allowed the company to present new products to customers.

In melamine, the following products were launched:

- Persona Collection in Brazil, complemented with a line of furniture by the renowned architect Pedro Franco that will be presented in the

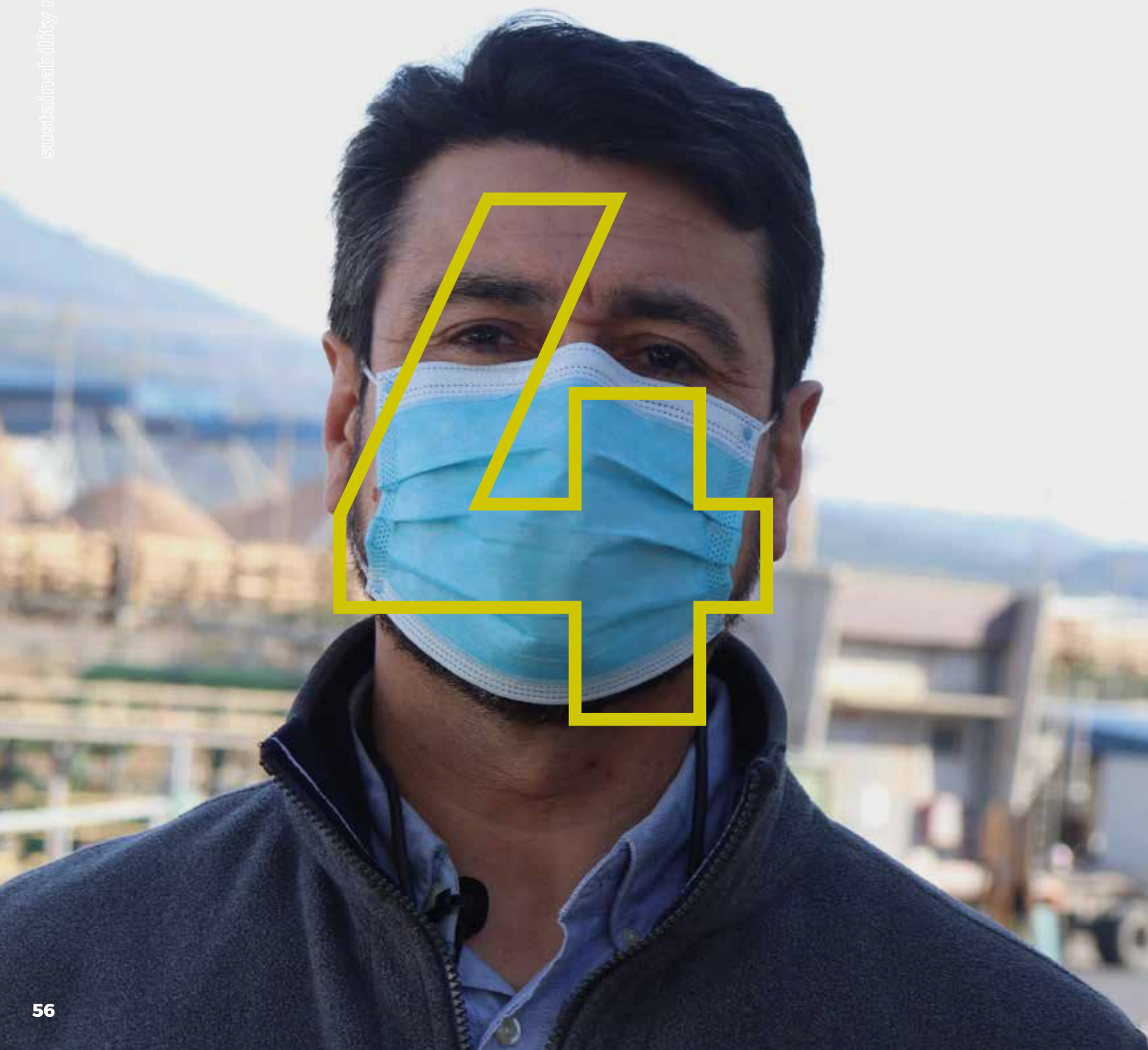
next Milan Fair.

- VITTA Collection in Mexico, including seven new designs.

- Designs Coliseo and Azzura in Argentina.

- Eleven new Prism TFL designs in the United States, in addition to the launch of innovative Fibrex Beadboard HDF.

- Melamine Vesto presented a renewed brand image. In addition, the antimicrobial copper protection technology, currently incorporated into Vesto and PRISM, was extended in an improved way onto the surfaces of brands ARAUCO Melamine and Faplac to protect against bacteria and viruses. This technology will be presented in different markets during 2021.



**of excellence**

**arauco**



**people**



In order to face future challenges and achieve results sustainably, every ARAUCO worker and collaborator plays an essential role. To attain these objectives, the company places the people's health and safety as its first priority; promotes the development of its employees alongside communities and the environment and aims to create work climates based on trust with empowered work teams and leaders who can develop effective teams.

In addition, the processes of attraction and selection, training, performance management and talent mapping are

fundamental to meet future challenges.

As an essential industry responsible for generating key products to overcome the sanitary crisis, and as a relevant participant in the production linkages in the areas where we are present, the year 2020 involved great challenges to keep operational continuity. To achieve this, the company implemented several measures and took on the challenge of keeping open, timely, and efficient communication with all levels of the organization (refer to page 10).

In 2020, a restructuring process was developed to set the foundations to work in a more integrated and focused

manner, basically prioritizing a more global and integrated view into a "One ARAUCO"; having a corporate structure focused on business areas; advancing towards a more horizontal organization that facilitates and empowers teams in decision-making, and focalizing supporting areas so that they can provide the business areas with more efficient, pertinent, and specialized services.

(Refer to ARAUCO workforce in 2020 in Appendices, pages 168 to 170).

**17,551**

**EMPLOYEES**

**JOBS ENGAGED FROM  
CONTRACTORS  
AMOUNTS TO**

**20,625**

**COLLABORATORS**

**SAFETY,  
ALWAYS FIRST**



**COMMITMENT,  
WE WORK  
WITH PASSION**



**TEAMWORK, TOGETHER  
WE ARE MORE**



**EXCELLENCE AND  
INNOVATION, WE WANT  
TO BE BETTER**



**GOOD CITIZENSHIP,  
WE RESPECT THE  
ENVIRONMENT AND  
CREATE VALUE**



**values**

**OUR**

# talent

## ATTRACTION





RAUCO aims at attracting talents. To that end, it uses selection

methods to identify the capabilities within each role that contribute to the different challenges of the business. The company has a Recruitment and Selection Policy in place that favors equal opportunity and provides a standard that promotes transparency, efficiency and fairness in all the company's recruitment processes, whether internal or external, ensuring that vacant positions are filled with the best and most suitable applicants, in accordance with ARAUCO's profiles and values.

The Recruitment and Selection Policy considers several principles that aim to ensure non-discrimination during the selection process. These include that the company does not practice

any form of discrimination, basing the selection of talent on personal capacity or suitability in accordance with article 2 of the Labor Code; the company aims at attracting the largest number of applicants and prevents privileges in the selection process; ensures that all new hires and vacancies are covered according to the established procedure (internal or external) that is overseen by a selection consultant of the Training and Organizational Development Division and by a member of Human Resources Management of the corresponding business area; conducts selection processes using criteria in accordance with the skills and competencies required for the job profile, in addition to the organization's values; considers following criteria for polite yet unequivocally neutral treatment with regard to applicants recommended by executives, company staff, suppliers, and authorities; and safeguards and

strengthens the organization's image during the entire recruitment and selection process which also implies proper treatment of applicants who have not been selected in the process.

ARAUCO also promotes and supports the employees' interest in searching better opportunities for professional development within the company, strengthening the commitment and support of supervisors to motivate and identify workers who display adequate performances and have potential for development. This allows employees to acquire new learning, taking on new challenges, in addition to their contribution of knowledge and skills in other divisions and business areas within the organization. Internal recruitment tends to be a relevant strategy to fill in vacancies inside the company. These selection processes are announced on the internal mobility site.

ARAUCO promotes equal opportunities in its teams and rejects all forms of discrimination. This is why the company designed a formal inclusion program that promotes the work of people with disabilities and provides support, including a worker-oriented benefit plan that reinforces State-provided benefits. In addition, it includes accompanying support from external specialists to reinforce this program in the organization's different areas.

In addition, ARAUCO seeks to actively promote local employability in the areas where it operates its facilities. To do so, the company has direct communication channels with OMIL (municipal labor offices) and industrial technical schools through which job opportunities are disseminated and applicants from

different areas are identified.

The promotion of employability is also materialized in the following initiatives:

- Occupational training: Development of training plans for neighbors of the company's new industrial projects, so that they can acquire competencies and knowledge to be hired as company workers.
- Tender processes for new projects that include a local workforce: In tenders for new projects ARAUCO commits to hiring a percentage of local workers; for example, Project MAPA.
- Employability improvement: The company develops training courses for the community in order to strengthen their education and job placements.

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

(Refer to Recruits and Discharges in Appendices, page 171).

**1,016**

**PEOPLE HIRED  
IN 2020 IN THE  
DIFFERENT  
COUNTRIES  
WHERE  
ARAUCO IS  
PRESENT**

**TURNOVER  
RATE OF**

**-3.6%**

**AT THE  
CONSOLIDATED  
LEVEL**

- Support in the implementation of strategic projects of the business areas, such as CIMA Project and the Heli transported fire crews of the Forestry business.
- Consolidation of the ONB and RCM Modules in SSFF, allowing for greater control, visibility, and traceability of the selection and onboarding processes.
- 952 job positions were filled in with company personnel (promotion or horizontal movement), of which 858 account for men and 94 women.
- On average, 154 accredited people worked in different facilities in Chile.



**MILESTONES**







# BENEFITS

## wages and



ARAUCO provides its employees with wages and benefits according to the market, 'considers the opportunities for each person's development in relation to their performance and defines considers the individuals' opportunities for personal growth in relation to his/her performance and defines uniform criteria within ethical and technical principles for the valuation of job positions in order to manage wages.

The company annually reviews the compensation structure in order to adjust the wage levels to the dynamics of the labor market in each country, considering each worker's own merits and performance too measured through their performance.

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

ARAUCO also offers its employees additional benefits, which vary according to the business, country, and reality of each operation zone. The range of benefits include food, transportation, life and health insurance, scholarships for employees and their children, and several agreements with educational institutions and local stores that improve our people's access to goods and services. The benefits vary from country to country, in compliance with the legal regulations that govern recruitment in each of them.

## training

ARAUCO aims to drive training programs leveraged on the business's challenges through learning methods. These programs are based on taking advantage of knowledge and internal skills through a permanent and ongoing training cycle linked to the development of people within the company.

In addition, the organization implements the Red Forma program in which operators act as experts, tutors, and teaching mentors to drive learning processes using their own knowledge and experience in the industry and forestry sector.

In 2020, the network of tutors grew to a total of 1,773 members and developed the following initiatives:

- Campus Tutors Network, composed of 119 of our maintenance technicians from facilities at the Horcones Complex, Nueva Aldea, Cholguán, and Colorado sawmill.
- MAPA Dual Training Program, in which 201 operators and analysts of Nueva Aldea and Arauco mills transferred their knowledge to operators in MAPA training.

- CIMA Forestry Program, in which 12 tutors transferred their knowledge on topics related to safety, the environment, and continuous improvement to workers in training.

- Panels Operator Tutor Program, where 54 operators from Chile and Brazil transfer their knowledge at the work site expertise to level or train substitutes.

Additionally, the company has facilitated permanent employability in each mass restructuring process, accompanying people in the outplacement process. ARAUCO has also developed the "Life Plan for a new beginning" program which involves 12 blended sessions (in-person and e-learning) that aim to provide support and prepare people over 50 to positively move into a new stage of life. The program provides theoretical and practical tools to help people face the changes that arise as years go by while also motivating them to develop a life plan that reflects their goals and desires and allows them to prepare ahead for their first years into senior adulthood.

# MILESTONES

- Over 9,000 workers participated in training processes in the different business areas.
- Due to the pandemic, a large number of programs were converted into different online formats in order to continue training employees.
- Development of a training program for operators based on Project Operation Advantage (OA) at the Woodpulp business and continuation of the training curriculum for the general role of maintenance based on Project Maintenance Advantage (MA).
- Training for critical environmental positions and the roles of Production supervisor in the Woodpulp Diploma program and Maintenance supervisor in the Reliability Program, at the Woodpulp business area.
- Continuation of the Training Program for MAPA Personnel.
- Training for Operators in Critical Positions through company tutors in Panels Chile and Brazil.
- In our wood products business division, a training plan started at Panels in Chile for mechanics and electricians in order to reduce gaps; training was also provided by expert operators to their coworkers

with the purpose of leveling expertise and training substitutes; and in Chile and Argentina, training continued to be provided to mechanics and electricians that joined the company during the past two years.

- In Chile and Argentina, initiation of a Training Program for Operations and Maintenance Supervisors in the Timber business through internal tutors.
- Development of a Human Resources OHS Training Plan for Generalists and Superintendents to support the change in the role in the new organizational structure in Chile in the Timber business, and online training on Continuous Improvement was provided to risk groups in the context of Covid-19.
- Development of a training plan for the CIMA Project (Aerial Mechanized Internal Harvesting), addressing seven positions of the general role and supervisor role.
- Design and implementation of the Forestland Management Division Training Plan in the Forestry business.
- Definition of a training curriculum for the protection unit and incorporation of Seilaf as a strategic ally for the development of technical and skills modules in the Forestry business.
- Design and development of the Environment and Community transversal training curriculum.



RAUCO has positioned Performance Management as the most important process to advance the development of our people, installing it as a business process that positions leaders as the main actors in their teams' performance management. The company has implemented a model in all the countries where it operates, with the competencies that are key to identify and promote talent, recognize work throughout the year, and address possible gaps in competencies that are required for the company's future.

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

(Number of employees that participated in a performance evaluation in Appendices, page 174).



- The dates scheduled for the performance evaluation process were adjusted due to the pandemic and carried out.
- Unification of the evaluation process, which led Brazil, Mexico, and Argentina to conduct the evaluation of their individual objectives at the same time as their competencies.
- Complementary strategies were developed, such as presentations, guides, tutorials, and all the material needed to further frequent, timely, and quality conversations between leaders and employees.

## **MILESTONES**

and climate

**COMMITMENT**





## organizational culture

At ARAUCO, work in organizational culture is promoted through the example of leaders, their involvement and closeness to their work teams, through the instances for participation and the means for communication that are available in the company. This culture is also expressed through the company's values that are included in leaders' messages and in the news that is internally disseminated.

Two years ago, in order to promote a cultural change in safety the company established "Together for a better life", an Occupational Health and Safety Model that aims to empower workers to become the main actors in their own safety.

To do so, Safety Teams were established that apply several practices to identify risks present in their work and determine the best way to address them.

During 2020, the assembly of Safety Teams was essential to face the pandemic and a key factor to continue

to strengthen the culture that ARAUCO seeks to promote.

In addition, in the context of the pandemic, 2020 challenged the company in the way it approaches work modes and our employees in the way we face a crisis. On the one hand, about 2,700 workers had to perform their tasks in Home Office mode, which led the company to adapt and be flexible to quickly respond and develop a new way of working, thus allowing us to move toward new learning and transformations.

This gave rise to ARAUCO Conmigo (ARAUCO with Me), a global initiative that drives a new way of working allows people to contribute value wherever they are, generating greater productivity, collaboration, flexibility, and quality of life for work teams. Up until now, the balance is positive, as evidenced by the feedback from supervisors and teams surveyed, where 42% perceive that the performance of their teams has been

strengthened. Also, 86% of survey respondents lean towards having a Home Office work mode two or more days a week in the long-term.

Another program developed in 2020 is the Emotional Management Program, which aims to make instances and workshops available for emotional management in a crisis situation in order to provide support for people and teams to adapt to the challenges posed by the Covid-19 contingency. Two lines of work were developed. The first included individual online sessions led by a team of psychologists from the Selection area. The second line included online workshops for leaders and teams to provide them with management tools in times of crisis, addressing emotional and labor aspects (on-line work). This initiative was developed in Chile, Argentina, and Mexico and involved 177 individual cases and the participation of 665 leaders at a global level.

## organizational climate

In the understanding that a good climate is a fundamental requirement to meet challenges, at ARAUCO managing organizational climate is part of the business strategy. This allows us to learn how our people are and identify opportunities for improvement and strengths with regard to the work environment, supervisor, and coworkers.

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

Today more than ever, it is necessary to understand how people are feeling, to learn how they perceive their work environment and the relationships they establish there. This is the reason to continue to drive ad hoc processes for the global context.

During 2020, the climate survey was applied in Chile, Brazil, Argentina, Mexico, North America and the company's commercial offices around the world.

(Refer to Organizational climate indicators in Appendices, page 175).

- Even though there was a delay in the implementation of this instrument (December-January), 14,139 people participated, that is 90% of the population enabled to be surveyed.

- The company's climate evolution during the past three years has had a favorable variation; the most significant increase can be seen in 2019, five points (74 - 79) above the previous year.

- The favorability variation increased by +1 point, in spite of all the complexities of 2020 (COVID, operational difficulties, market challenges, and others), maintaining climate as a clear strength.



# MILESTONES



## organizational communication as the foundation of commitment at ARAUCO

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

The company implements several means of communication; direct communication through leaders is the primary form. This is accompanied by a media multiplatform that includes intranet, workplace screens, a weekly news program, daily bulletins, an

ARAUCO Whatsapp account, and bulletin boards. In addition, there are specific campaigns that seek to establish a behavioral change or to generate greater awareness regarding a particular issue.

At local level, each plant, area, or forestry zone carries out extended meetings to address issues that are specific to their reality, which can be accompanied by local media, mainly the use of emails and bulletin boards.

2020 was a year in which we learned a lot and made great advances in terms

of internal communication because the pandemic forced us to quickly adjust the operation of the internal media multiplatform as well as the instances for direct communication that up until then were used by ARAUCO.

During the year, in the context of the Covid-19 pandemic, the company committed to maintain open, timely, and efficient communication able to reach all levels of the organization and extend to all the countries where ARAUCO is present today.

- **Start of the Special Bulletin Contacta2 Covid-19** edition, media that emerged with the purpose of keeping workers properly informed about all issues related to Covid-19. In addition, this bulletin also aims to communicate company news.

- **Implementation of the ARAUCO Whatsapp account**, which began operating in Chile a few days after the pandemic outbreak. This new communication mechanism, in which employees voluntarily participate, has over 3,000 active members in Chile, who also receive benefits, videos of interest and information on contingencies. The ARAUCO Whatsapp account also started operating in Argentina and Mexico.

- **An increase in the frequency of streaming videos made by company leadership.** During the most critical months of the pandemic, the company's COO participated in bimonthly streaming videos in order to

have direct and open communication with workers. This was achieved by creating the "Open Agenda" section during the transmission, where employees were able to express their concerns and receive answers. This practice was followed by company presidents in each country, and managers of industrial facilities and forestry areas who replicated this method to complement the general guidelines to the reality and definitions that were necessary at the local level.

- **Internal communications were extended to include workers' families** in order to broaden the scope of the precautions and measures that had already been taken in operations. "Safe Family" was created with this purpose, which provided a new communicational driving force for compliance with the measures and protocols set at ARAUCO and allowed to reinforce precautions during important dates such as Independence Day festivities and year end holidays.

## MILESTONES









RAUCO 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 with the Code of Ethics, internal regulations, and current labor laws. This enables permanent dialogue between the company and its employees in a framework of trust and coordination. In Chile, there are 33 unions in the different business areas.

Collective bargaining processes are developed independently, by business areas and facilities, according to the reality and results of each of them, in adherence to the country's current labor regulations established by law on the matter, in an environment of mutual respect and cordiality, agreeing on conditions and improvements for employees.

In 2020, collective bargaining agreements were developed with 14 unions and five groups of workers. In all of these cases the processes were developed in the legal time frame. The agreements that were made conformed to the strategy of providing benefits and wages according to the company's reality and favoring employees. In addition, the collective instruments included a 36-month period of validity, bargaining settlement bonuses and loans, and benefits' improvement and addition of others that aim to meet the needs of each group in accordance to their age and geographical reality.

Furthermore, in 2020 there were no strikes in any of the facilities where union bargaining agreements were entered with unions.

## AND COLLECTIVE AGREEMENTS

(Refer to List of Unions in Chile and Collective Agreement Indicators in Appendices, pages 176 and 177).

# CONTRACT WORKERS'

## management



ARAUCO works with contracting firms, especially for the development of the forestry business division. Contracting Firms participate in activities ranging from equipping to the transport of wood to its destination, contributing to the forest's generation of value, where the workers of these companies are a fundamental pillar in processes and the execution of tasks.

In 2020, the Forestry business worked with about 11,000 employees from nearly 200 contractor's in the different activities, such as silvicultural tasks, harvesting, transportation, road construction, and forestland conservation and protection, performing most of the forestry operations on-site.

The company monitors contractors' compliance with internal standards such as protocols, regulations and certifications, and compliance with current legal regulations through occupational certification processes, throughout the

entire contractual relationship.

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

ARAUCO's Forestry business implements a relationship model with businesses that are recognized in their sector, to transform them into "Strategic Partners", a concept that describes a highly productive company that develops its operations with excellence, working with controlled risks within a sustainability framework and in alignment with the business model.

In 2020, this relationship model was first implemented in the harvesting area, with a proposal based on productivity and the mutual benefit of both parties. The model was also applied to the contractor's risk management.

Additionally, the forestry business division area evaluates the performance of contractor companies every month, providing support to those who have evidenced gaps in productivity, sustainability, environmental, and occupational aspects, generating action and monitoring plans with the businesses involved.

Furthermore, in order to meet the new challenges of the business and market, the Forestry business area has set about to install a new management system for contractors that aims to define the company we want to operate with and the requirements that need to be met in order to become a contractor, as well as the obligations as primary company. This intends to strengthen a model that operates under long-term and fair relationships and acknowledges outstanding performances.

As part of the contractors management plan, ARAUCO has implemented several programs; the most important are listed below:

- LEAN implementation in operations, through constant training for service-providing companies and a continuous training program directed at operational

leaders for them to develop these methods focusing on performance dialogues.

- Incorporation of state-of-the-art technology in operations, which lets the company carry out safer and more productive activities. This technology includes safety elements in log transport or the implementation of a grapple carriage in aerial harvesting. The company also implemented the development of technologies that favor communication and reportability with service-providing businesses (Geo Noc and Araucaria and the start of project Illuminated Forest).
- Entry into operation of the Araucaria system, which allows for the consolidation of forestland information in Chile, Argentina, and Brazil. This system uses the most advanced technological tools in geomatics, providing prompt and quality information to all levels of the organization. Araucaria provides a platform that includes telemetry tools to sensorize the forest and operations, and therefore “listen” to what is going on in order to have timely and quality information.
- Implementation of LIDAR, airborne laser

technology to develop a high resolution, three-dimensional map to count and measure the trees of the forestland. The main benefits of LIDAR are its precision, cost optimization and lower response times, better input for planning, on-site work improvement, and a decrease in people’s exposure in the forest. In 2020, over 600,000 hectares (1,482,632 acres) were mapped with this technology.

- Aerial harvesting mechanization, implemented with service-providing businesses. After the first year of the mechanization process, 50% of harvesting is mechanized.



# health and safety

arauco



occupational



# HEALTH AND SAFETY

## occupational

### safety

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

The model encompasses four commitments that must be taken on and 16 areas of work that organize initiatives and aim to empower work teams so that can have more of a leading role in their own safety.

In 2020, the sanitary crisis challenged the company to redirect the focal points to protect what is most important: the people’s health and life. Thus, a large part of the work was devoted to containing the pandemic; thanks to the tools provided by “Together for a better life” the company succeeded to generate a more protected work environment. In addition, the work performed by the safe teams was extended to include safe families, thus strengthening an essential pillar in the road to selfcare.

Extensive work is currently being done in Chile, Argentina, Brazil, and Mexico on the management system of “Together for a Better Life”, that meets the international standards for occupational health and safety in a practical and people-focused way. In the United States and Canada, this model is still in the preliminary stages of implementation, but operations in these countries maintain their certifications to standard ISO 45001 on occupational health and safety.

The challenges that the company has defined regarding safety aim to consolidate this model, installing a culture of Work Well Done through the maturity of practices ABC, 1,2,3, Visible Leadership, and the identification of precursors, in addition to the work developed to prevent high potential incidents through the identification and early management of precursors.





let's continue together  
for a better life

## safety indicators

In 2020, ARAUCO experienced a 16% drop in the Frequency Rate (FR) and a 12% drop in the Severity Rate 3 (SR3) compared to 2019, which according to corporate benchmarking positions FR in a higher category and SR3 in a standard category. Additionally, the company's lost time injury rate reached 3.2, with 161.4 days lost for every one million man hours worked.

In 2020, a total of 11 facilities had frequency and/or severity rate indicators at World Class level: Teno Mill (Chile), El Colorado Sawmill (Chile), Bioforest (Chile), Zárte Panel Mill (Argentina), Chemical Plant (Argentina), Bennettsville Plant (USA), Sault. Ste. Marie Plant (Canada), Lerma Plant (Mexico), Biscoe Plant (USA), Pien Plant (Brazil), and Moncure Panel Mill (USA)

In addition, during 2020 11 facilities achieved over a year with no accidents: Bioforest (Chile), El Colorado Sawmill (Chile), Teno Panel Mill (Chile), Lerma Plant (Mexico), MDP Plant in Zárte (Argentina), Chemical Plant (Argentina), Araucaria Chemical Plant (Brazil), Bennettsville Plant (USA), Moncure Plant (USA), Biscoe Plant (USA), and Sault St. Stephen Plant (Canada).

However, during this reporting period, the company had to mourn the passing of Ms. Rosana Maricel Machado (R.I.P.) due to a work-related accident. Ms. Machado worked as a warehouse dispatch operator of finished products at Puerto Piray Sawmill in Argentina.

(Refer to Frequency and work-related accident indicators in Appendices, pages 178 and 179).

# MILESTONES

- The “Together for a better life” management model was extended through practices such as ABC 1,2,3, Visible Leadership and the identification of precursors to proactively address safety.
- The assembly of Safety Teams in Mexico was completed.
- Implementation of a single system across all businesses and countries to report and process incidents in ARAUCO (EHSM SAP).
- 357 health and safety courses were given to employees and/or contractors, amounting to a total of 9,739 training hours in health and safety for the company’s own employees and 25,703 hours to contract workers.

- Development of programs for effective leadership in safety, such as: Cascading safety, Safety contacts, Safe Align. These seek to generate a change in organizational culture, having on-the-job safety become the innate behavior of people.
- The Wood products business division experienced a 7% drop in FR and a 230% increase in SR3 with regard to 2019; the latter due to the accident registered in Argentina.
- The woodpulp business division registered a 17% drop in FR and a 9% increase in SR3 compared to 2019.
- The Forestry business division FR and SR3 dropped by 43% and 57%, respectively, with regard to 2019.



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

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

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

The main business-related risks are exposure to certain agents, musculoskeletal disorders, and currently, psychosocial risks, all of which have proper measures for control and/or mitigation. One of the ways to mitigate them is by correctly identifying the agent and the areas where it is found (occupational hygiene programs); then, conducting environmental and dosimetric assessments to implement engineering measures, administrative controls, and the correct use of personal protective equipment (PPE), in addition to further instruction regarding the permanent need for proper use of PPE that was determined and provided.

Likewise, all workers who are exposed to such risks are medically evaluated through periodical medical surveillance exams. As part of the control implementation process, each worker is trained on the risks to which he/she is exposed to and the measures available to minimize the risk of suffering adverse effects.



Employees who work in activities that involve certain risks, in addition to the measures for control and/or mitigation applied to the respective activity, are evaluated in accordance to protocols to mitigate the possible incidence of chronic non-transmissible illnesses such as obesity, diabetes, high blood pressure, structural spinal pathology, and others.

The company also develops several programs focused on employee health, such as, the Hearing Conservation Program, the Respiratory Protection Program and the Ergonomics Program.

In addition, workers are regularly trained on the proper use of personal protective equipment. The company also has infirmaries (SPA) or polyclinics, that have been especially enhanced during 2020 given the Covid-19 contingency. These medical services mainly are focused on treating workers with symptoms associated with this disease.

During the first semester of 2020, in Chile, the company maintained the implementation of the "Health Culture"

program which aims to promote health and quality of life. The purpose is to foster conditions that enable the healthy and integral development of all ARAUCO people during their time in the company.

With regard to Covid-19 management, a contingency plan was implemented in all facilities to prevent infection among the working population. This program was also extended to workers' families through communications campaigns.

The contingency plan focused on optimizing work conditions. It included the following aspects, among others:

- Appropriate physical distancing between workers.
- Cleaning, disinfection, and sanitization programs in spaces for work, equipment, and tools.
- Adaptation of work stations in offices (installation of screens and reduction of capacity).
- Promotion of working from home.
- Less number of workers on buses to transport personnel.

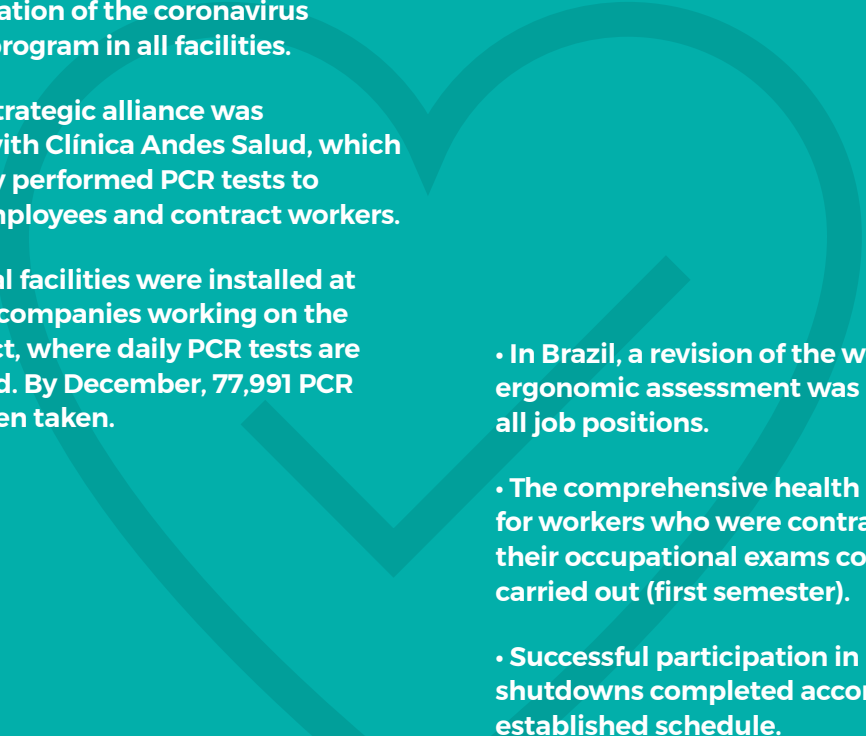
- Reinforcement of cleaning teams at company facilities.

- Mandatory use of masks.

The company also applied a detection and isolation process, initially by applying rapid tests on workers, and later applying PCR tests to actively search for cases in company facilities.

In 2020, over 83,166 PCR tests were applied in ARAUCO.



- 
- Implementation of the coronavirus prevention program in all facilities.
  - In Chile, a strategic alliance was developed with Clínica Andes Salud, which permanently performed PCR tests to company employees and contract workers.
  - Five medical facilities were installed at the primary companies working on the MAPA Project, where daily PCR tests are administered. By December, 77,991 PCR tests had been taken.
  - In Brazil, a revision of the workplace ergonomic assessment was performed for all job positions.
  - The comprehensive health evaluations for workers who were contraindicated in their occupational exams continued to be carried out (first semester).
  - Successful participation in plants' general shutdowns completed according to the established schedule.



## joint committees

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

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

In 2020, joint committees have played a fundamental role in the committees for cultural change, actively participating in the definition and monitoring of the safety plans established at each of the facilities and forestry zones.

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

In Chile, joint committees operate under a certification scheme provided by the Insurance Administrating Agency of the Law on Work-related Accidents and Occupational Illnesses.

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**JOINT  
COMMITTEES**

(Refer to N° and representation of workers in Joint Committees in Appendices, page 179).



community

arauco

**engagement,  
and dialogue**









# COMMUNITY, ENGAGEMENT,

and dialogue



ARAUCO aims to contribute to the development of local communities through a strategy based on dialogue and participation; the development of programs that create shared value, with high standards and technical excellence; collaboration and development of alliances; and work performed from and for the territory.

Thus, the strategy's purpose is to contribute to the well-being and development of communities and to the business sustainability by implementing programs, installing capacities, and creating alliances.

These programs are categorized into work areas that are defined according to the reality of each country where ARAUCO operates. They are a contribution to local development, generating instances for engagement that help to maintain honest communication with relevant participants.

In addition, the company maintains ongoing dialogue with its neighbors in order to identify and reduce possible negative impacts resulting from its operations and to seek opportunities to increase its contribution to local development.

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

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

**ABOUT**

**US\$ 15**

**MILLION IN  
ANNUAL EXPENSES**

## sustainable development goals at ARAUCO

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



# ARAUCO AND ITS

## stakeholders



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

**arauco**

**arauco**

Shareholders and investors

Communities

Workers and contract workers

Customers

Suppliers

Authorities

Opinion leaders

Associations, unions, and NGOs

local  
development

**PROJECTS**







## **Campus Arauco**

Professional institute that combines education and practical on-site training in the workplace through a strategic alliance between ARAUCO and Duoc UC, to strengthen technical-professional education in the country.

In 2020, Duoc UC Campus Arauco's second generation graduated; 130 students from the Electromechanical Maintenance, Electricity and Industrial Automation, Financial Administration, and Risk Prevention programs. In addition, the first generation to complete the dual modality program graduated; 37 professionals successfully graduated after participating in the dual learning strategy at ARAUCO facilities, which reinforced hands-on practice in their education process.

## **Arauco Educational Foundation**

In 31 years, the Foundation has carried out projects and programs in 34 municipalities, benefiting 575 schools and 5,141 teachers who serve and/or

served 101,940 girls and boys. These programs are intended to place teachers at the center, as essential actors of educational changes. Their focus has been to strengthen the competencies and methods of practicing teachers, which ultimately leads to improvements in student learning.

In 2020, the organization continued to implement educational programs with the participation of 81 schools, 595 administrators and teachers, benefiting 15,867 students. In addition, the cultural programs, libraries, and mobile libraries were maintained in 19 communities, through the reading promotion program. Resources were also made available digitally and 23 discussion boards were held on issues such as leadership, well-being and appreciation, pedagogical topics and on the prevention of exclusion from school.

Within the government program Compromiso País, ARAUCO participates in Roundtable 6: Children and young people between ages 5 to 21, who are excluded from the school system. In this context, the Foundation developed the pre-pilot program.

“Challenge PST” (Positive School Trajectories) in the Local Service for Public Education Andalién Sur, to promote positive school trajectories driven in alliance with the Center for Advanced Research in Education (CIAE in Spanish) of Universidad de Chile and the Local Service for Public Education Andalién Sur.

The Foundation also took part in the 2020 Rural Education Roundtable, with public and private participation that is intended to identify the main gaps, opportunities and challenges in this area and raise concrete actions, experiences, and practices to improve the quality, access, and pertinence of rural education in the country.

## Schools of Excellence

Since 1981, ARAUCO has founded and opened three schools: Arauco, Constitución, and Cholguán, which combined have over 1,200 students. The three establishments are permanently

recognized for their levels of academic excellence and their achievements in the comprehensive development of their students.

## AcercaRedes Foundation

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

In the middle of the pandemic work was done on a “Digital Emporium”, connecting local entrepreneurs with workers of ARAUCO’s facilities through an easy to access e-commerce platform with quick product management. Alliances were also articulated with delivery platforms, creating collaborative networks

and connecting senior citizens with volunteers through the social innovation initiative VoyxTi (Here for you).

## Forest Gatherers Program

This program impacts more than 300 gatherers of non-timber forest products (NTFP) in 20 municipalities across five regions in Chile. Its objective is to drive, disseminate, and promote forest gathering as a professional, sustainable, and responsible economic activity, through associative work articulated by different actors, strengthening skills, installing capacities, and providing tools for entrepreneurship and innovation in production processes, thus contributing to the local development of 24 gatherers’ associations.

In 2020, the digital gap of forest gatherers was reduced by implementing the Wild Online Grocery Store that developed online workshops, webinars and training modules. It worked with over 15 organized communities.



## Oncol in your home

Oncol Park had to shut its doors due to the pandemic. However, this Protected Wild Area used digital tools to continue to reach the community. The “Oncol in your home” program is a series of five educational video clips on social media so that families can still enjoy the Valdivian rainforest during these times of sanitary crisis and social distancing.

## Water Challenge

This program provides neighbors with a specialized team to develop water projects for human consumption, through collaborative work. The purpose is to help to improve the living conditions of neighboring communities, generating solutions to facilitate access to water.

To date, 138 projects have been developed, including improvements in drinking water systems for communities and schools, engineering designs, hydrogeological surveys, etc. These projects have benefitted 27,000 people in 44 municipalities.

In 2020, projects were implemented in more than 15 municipalities and/or localities.

## Mapuche Program

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

The Mapuche Program aims at creating development experiences in specific territories, based on the logic of shared value. By implementing a participatory design through ARAUCO’s Mapuche Consultation Council, the company developed a group of projects to co-manage territorial development and address engagement with these communities from a perspective of long-term shared interests.

Within the work of the Mapuche Consultation Council and its co-management experiences for territorial development, the Council promoted the case of the

Loncoche Mapuche Association as an important opportunity. Thus, it began to work on an initiative featuring this Association’s participation in co-design and implementation as a key element.

In 2020, the Künu (“ceremonial space” in Mapugundun, Mapuche Language) was brought to life. This is a ceremonial circle that is intended to promote the Mapuche culture in that territory, to embrace ceremonies such as the so called We Tripantu and disseminate the Association’s global project in order to materialize a process of dialogue and search for co-existence.

Additionally, as part of the Training Plan for workers, in 2020 the company carried out the first e-learning course on Mapuche topics called “Effective Communication and Intercultural Relationships”. The course was given to workers in the Arauco and Valdivia forestry areas through ARAUCO’s Training Division.

The company also provided support to Aitue Foundation, which bases its work on reinforcing knowledge and public policies associated with Chile's indigenous people, valuing their multiculturality.

## Housing Program

This program seeks to push the provision of high standard housing solutions to the workers of ARAUCO, ARAUCO contractors workers, and ARAUCO neighboring communities, by managing resources, capabilities and wills of public and private world to successfully develop this process.

In 2020, advances were made in the execution of the El Portal housing Project, in Curanilahue, on its two stages (351 and 363 houses). Steps were also taken in the development of the technical project in Quillón and Arauco, project design in Cañete, and pre-design phase in Lota, Los Álamos, and Laraquete. Additionally, the housing committees for

the Putú project in Constitución were selected for the allocation of subsidies from the Ministry of Housing and Urbanism.

In total, since the beginning of this program 1,750 houses have been built in municipalities Constitución, Curanilahue, Yungay, Arauco and Mariquina.

## Alma del Itata

This program allows wine producers from municipalities in the Itata Valley to have a point of sale through a store that has become an important sales channel, averaging about 30% of their sales. In addition, the store is a tourism highlight in the valley.

## MAPA Social measures

MAPA has a wide range of social projects that seek to contribute to local development on issues such as

infrastructure, equipment, productive development, education, and culture. Work is being done from the perspective of building shared value, and this includes measures that directly benefit local communities, and commitments made to people who belong to indigenous communities.

The plan includes the implementation of community infrastructure projects for social integration and community development, sanitary system and urban development enhancement to promote quality of life, and social development programs such as the promotion of tourism, community environmental management, promotion of health and quality of life, reinforcement of artisanal fishing, Mapuche communities, employability and entrepreneurship, farming suppliers, and lodging. Several of these programs have been carried out for 210,000 CLF (units of development).

ARGENTINA

## Forestry World - Travelling Van

The Travelling Van seek to strengthen ties with the communities and offer a didactical and entertaining experience regarding the forestry activity, generating awareness on this industry's production and conservation.

During the pandemic, "Forestry World on air!" was the communicational proposal that continued the education program, addressing issues on the environment sustainability, and biodiversity in joint work with a local radio station in Puerto Esperanza.

## Sustainable Beekeeping

This social productive project and its work activities started in 2020 with the signature of an agreement with beekeepers in Colonia Wanda, Misiones, which will result in non-timber forest products and making the most of the social environmental benefits of the forest.

## "Young People and Sustainability" education program

Program directed at students in high school and young people who do not work and are not in school. It seeks to provide them with training and motivation toward sustainable projects, in a joint effort with schools and municipalities. During 2020, participants continued their training through WhatsApp with tutorial videos and other digital materials. In total, 155 young people registered and 12 groups from Esperanza, Puerto Libertad, El Soberbio, and Colonia Wanda received training.

## Water plants in Wanda

In order to respond to the need for greater consumption from a growing community, in 2020 the company participated in a project developed by the Public Works Cooperative in the locality of Wanda, Misiones. The initiative involved the installation of a new water treatment plant in the area and the company contributed machinery.

## BRAZIL

### **Ongoing Teacher Training Program**

The purpose of this program is to maintain and/or improve the Basic Education Development Index. (IDEB), focusing on Portuguese language and math. In 2020, the program was developed up to March, before the pandemic hit, carrying out 11 education actions in 11 municipalities where ARAUCO is present, with 1,320 participating teachers.

### **Support for the “Digital Hospital” project at Hospital Pequeno Príncipe**

In order to enhance the quality, agility, and safety in the treatment of children and teenagers at Hospital Pequeno Príncipe using technological solutions, ARAUCO

supported the Digital Hospital in what refers to children care and the facilitation of diagnosis and tracking of medical charts, not to mention the facilitation of the patients access to information and data.

### **Project “Pela vida do idoso” for cancer treatment at Hospital Erasto Gaertner**

ARAUCO provided support to the program known as the Elderly Oncological Treatment from the Hospital Erasto Gaertner as a way to secure the fundamental right of the Elderly to medical care and access to high complexity medical services.





# ENGAGEMENT AND

## dialogue process





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

## **Roundtables**

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

## **Participatory monitoring of commitments**

The Forestry business area implemented participatory monitoring to oversee the impacts of ARAUCO's operations. This ensures that daily operations are carried as agreed with the respective communities, taking account of the community consultation process.

## **Open Houses**

Open spaces that let us be present and generate direct dialogue with the communities in which ARAUCO maintains forestry and industrial operations, registering and talking about the issues that are of interest to communities near our operations.

## **Forestry roundtables and EOC**

ARAUCO, in addition to other public and private actors, regularly participates in forestry roundtables at the province level and Emergency Operations Committees (EOC) at a communal level, addressing issues such as the prevention of wildfires and other incidents, and the coordination of emergency management efforts.

## **Plant General Shut-down**

A Plant General Shutdown also provides an instance for engagement and dialogue as it involves planned and coordinated work with municipalities, the chambers of Commerce and Tourism, and other local associations, in addition to health authorities in 2020 due the pandemic. This work lets representatives of food and board establishments to prepare and successfully and safely serve the workers that arrived at each municipality.

# COMMUNICATION AND

response  
channels



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

In 2020, the Integrated Management System implemented in Chile received

1,906

**CONTACTS**

through the call center and web platform.

The start-up and construction of the MAPA Project represented a renewal of ARAUCO's commitment to the municipality and province, seeking to contribute to employment and invigorate the local economy and development.

Agency E+E was established to create new opportunities for people's development by making jobs available, strengthening human capital. Such initiative generated more employability and fostered their entrepreneurship capacity, in line with the company's and the contractors' needs.

The above increases the employability of the people that live in municipalities directly related to the project, and in the future, increase employability once the project has been completed. Considering that training for workers is essential, several initiatives have been implemented with public services such as Sence, municipalities and

contractors to provide training to people in priority municipalities and therefore strengthen their skills.

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

By December 2020, 3,021 people accounted for local hires (Arauco: 1,371, Los Álamos: 123, Curanilahue: 355, Lota: 1,172). Furthermore, local suppliers' services were hired for \$6,900 million pesos, of which \$5,248 million were hired during 2020, mainly in lodging and farming programs.

## ENTREPRENEURSHIP AGENCY



corporate

**COMMITMENTS WITH  
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 seeks to strengthen networks and multi-sector cooperation.

## **participation in public policies**

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

In Argentina, the company actively participates in the Argentinean Forestry

Association, and the Argentinean Pulp and Paper Producers Association.

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

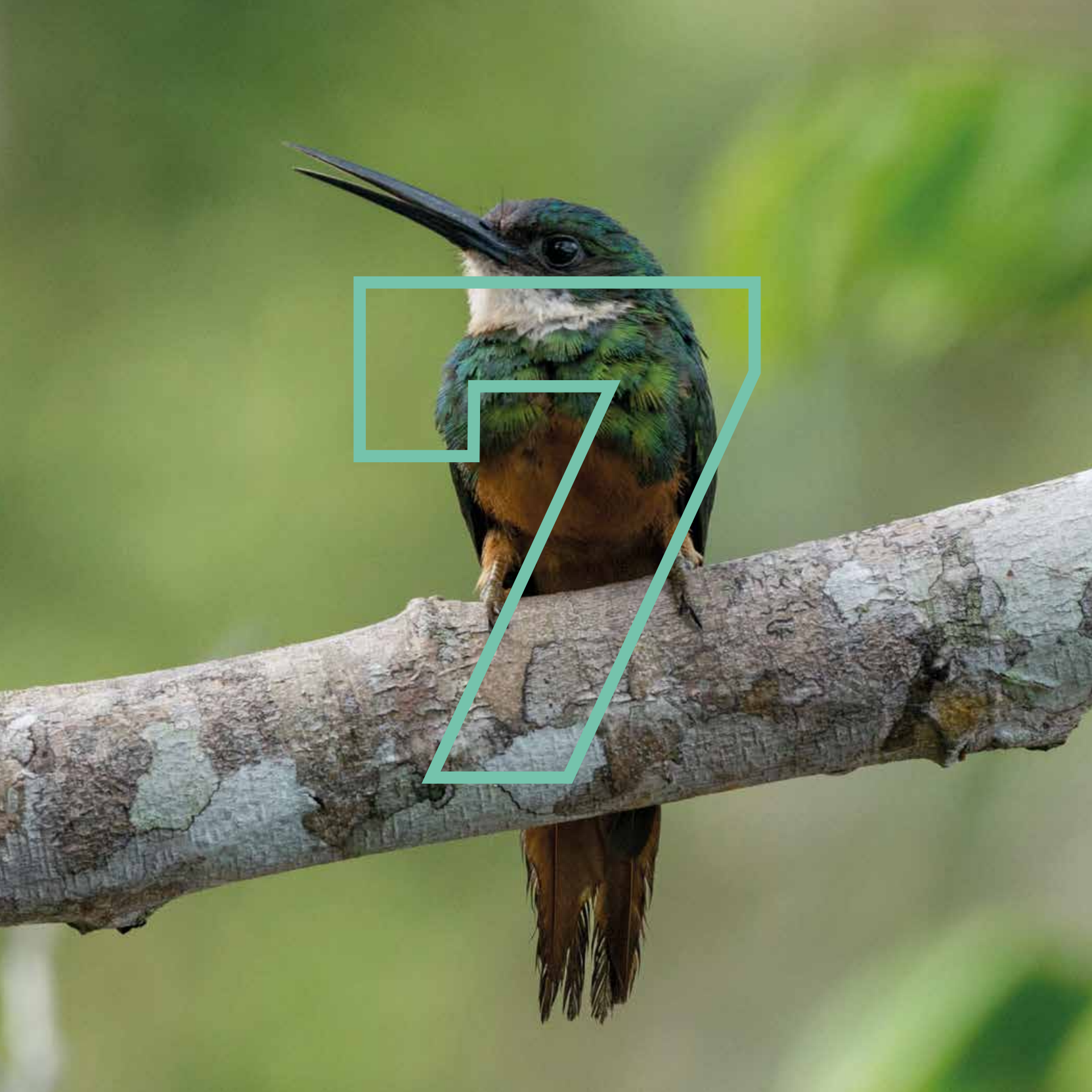
In North America, ARAUCO offers input into the National Formaldehyde rulemaking process, the CARB ATCM rulemaking process, the Composite Panels Association (CPA), and LEED workshops.

## **memberships**

ARAUCO actively participates in more than 98 trade associations and social organizations in the countries where it is present. The company also engages with universities, communication media, scientific centers, NGOs, and local governments.

(Refer to Memberships list in Appendices, page 188).





environmental

arauco

**management**



**ENVIRONMENTAL**

management





ARAUCO is a company that produces and manages renewable

forest resources and an important part of the sustainability of its business lies on its ability to make timely decisions that will have an impact on its future, while always having a long-term vision. In addition, by working with renewable resources its operational management is closely tied to the ecosystems where the company is established.

Trees are the greatest biological infrastructures on the planet and the best capturers of CO<sub>2</sub>. Additionally, responsible management of plantations reduces the pressure on natural forests. In this context, a preventive environmental management, the manufacture of products based on renewable resources, a 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.

Given the commitment made to contribute to climate change mitigation, the company announced in September 2019 it would take on the challenge of certifying its carbon neutrality. A year later, ARAUCO became the first forestry company to achieve this milestone.

What was considered? That the sum of CO<sub>2</sub> captured by plantations, by the native forest, and carbon stored in products was equal to or greater than the sum of carbon footprint greenhouse gas (GHG) emissions and forest fire emissions. The result was a surplus of 2,599,753 tons CO<sub>2</sub>e.

The method used to demonstrate carbon neutrality was conducted in accordance with the Neutrality Protocol guidelines produced by Deloitte; the calculation process of the carbon capture of forests and its storage in forest products was

audited by Price Waterhouse Coopers.

This certification is a real and significant contribution to face the global climate crisis and is the result of decades-long work that includes the implementation of efficiencies at an operational level, the promotion and generation of biomass-based clean and renewable energy in the company's production processes, permanent improvements and the addition of new technologies in its operations and processes, waste reduction, responsible forest management of the forestland in Chile, Argentina, and Brazil, and the manufacture of products made from wood that have the ability to store the carbon that remains fixed for many years, which varies according to product type and life cycle.

(Refer to Net Emissions 2018 and carbon retention in products in Appendices, pages 180 and 181).



**CAPTURES BY  
PLANTATIONS AND  
CARBON STORED IN  
PRODUCTS + CAPTURES**



**CAPTURES BY  
NATIVE FOREST**



**GREATER IN  
ABSOLUTE  
TERMS**



**ARAUCO'S  
CARBON  
FOOTPRINT**



**FIRE  
EMISSIONS**





The Company's challenges include to continue to move forward in the reduction of greenhouse gas emissions by producing more clean renewable energy, replacing fossil fuels, and continue to increase reusing the byproducts of industrial processes, among others.

Additionally, during 2020 ARAUCO the commitment letter of adherence to the Science Based Targets, a global initiative that calls on companies to adopt a path toward science-based emissions reduction and limit the planet's rising temperature. Work is currently being done on these commitments and their validation.

The company also joined Race to Zero in the carbon neutral category, a global campaign by COP26 that mobilizes the leadership and support of businesses, cities, regions, and investors for a carbon neutral, healthy, resilient, and fair recovery that creates jobs, unblocks inclusive and sustainable growth and reduces the risk of future shocks.



# ENVIRONMENTAL MANAGEMENT

## forestal



For ARAUCO, the forestry activity plays a key role in the sustainable development of the planet.

In regard to its forestland management, ARAUCO adheres to responsible forest management in compliance with the highest international standards on environmental, social, and financial matters. Its maximum strategic priorities are soil protection; the conservation and improvement of biodiversity conditions and the ecosystem balance in the territories; and the protection of water quality and quantity.

The above can be achieved if the social and environmental value of forests is provided, due to the prioritization of ecosystem services; dialogue and

engagement with neighbors, teachers, authorities, communities, the tourism sector and company professionals; and social and economic development that will create opportunities for the territory.

The company maintains an ongoing Monitoring and Assessment System to establish work plans and specific actions for continuous improvement. Also, in Chile, as well as in Argentina and Brazil, ARAUCO participates in the Forestry Dialogue, which joins forestry businesses, NGO's, universities, and other stakeholders to promote effective actions associated with forestry production, broadening the scale of environmental conservation and restoration efforts, generating benefits for Dialogue participants and society in general.

- FSC® Forest Management follow-up audits were conducted both on-site and remotely due to the pandemic, in Chile, Argentina and Brazil for the different standards. The certifications were maintained in all the three countries.

- In Argentina, the company was recertified to the FSC® standard for another five years.



**MILESTONES**





## native forest protection and value proposition

Environmental protection, caring for biodiversity and ecosystem services are necessary conditions for a sustainable development and are the foundation of ARAUCO's Biodiversity and Ecosystem Services Policy.

29% of ARAUCO's forestland accounts for native forest. In Chile, Argentina, and Brazil it is protected, preserved, restored, and/or managed while always bearing in mind biodiversity conservation, the guidelines of sector authorities, scientific research and cooperation with the community or environmental organizations based on the no-conversion commitment, fauna and flora monitoring, censuses of threatened species, safeguarding protection areas, and the identification, management, and monitoring of High Conservation Value Areas.

Part of this forestland is managed as private parks open to the public, High Conservation Value Areas (HCVAs),

and protected zones. In addition, these areas are identified on maps and any interventions that could damage them are prevented through monitoring activities.

With regard to forest management, ARAUCO maintains the no-conversion of native forest commitment in addition to the company's restoration program, which in the future will allow it to increase forest remnants, favoring among other things, threatened species, areas that are essential for biodiversity or of great importance to communities and other stakeholders.

The native forest restoration program in Chile includes three lines of work: of the more than 25,000 ha (61,776 acres) that have been designated as converted after 1994, 7,563 ha (18,688 acres) have been advanced on since 2012 to date; 15,000 ha (37,065 acres) of native forest affected by fires, of which over 80% have recovered their coverage,

and in some cases matching coverage levels prior to the fire; and 10,000 ha (24,710 acres) of coverage in protection zones.

ARAUCO's main objective is to initiate restoration processes in areas that are relevant for biodiversity or ecosystem services, which raises a great challenge since it requires an integrated perspective of the territory in order to first, identify the great restoration sites, and then determine the specific site's strategy at a local scale.

In Argentina, about 45% of the forestland are natural areas consisting of native forests, HCVAs, ecological strips, wetlands, drainage areas and protective forests. Actions developed in these areas are fundamentally for forestland protection, research, conservation, and environmental education, in service of native forest environmental values determined by their location, biological



diversity and provision of environmental services, all of which is expressed in a Native Forest Management Plan. This plan includes studies to organize and implement actions for conservation and sustainable use, which have been developed with different institutions, researchers, and experts.

In addition, the company implements an active and/or passive 16-year restoration plan for 3,300 ha (8,154 acres) of native forest associated with the protection of water basins and other critical or sensitive areas such as steep slopes, watersheds, water courses, and biological corridors needed to prevent landscape fragmentation.

In Brazil, 78,000 ha (192,742 acres) of native forest are conserved by the Brazilian Forestry Code (Federal Law 12.651/2012) and are designated as Permanent Preservation Areas and Legal Reserves. As such, they cannot be commercially managed, only environmental preservation and research can be conducted. Thus, the company maintains monitoring activities for HCVA's, controls hunting and fishing; prevents wildfires and monitors the regeneration and restoration of certain areas.

Restoration areas are grouped in the Degraded Areas Restoration Plan Catalog (PRAD) that includes all the

qualitative and quantitative information regarding the zones. In late 2020, 61 points had been counted. Of these, 31 have been completed and the rest continue to be monitored. With the sale of the Tunas de Paraná forestry assets, where most of the points were focused, there are currently 8 points being monitored.



## ecosystem services

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

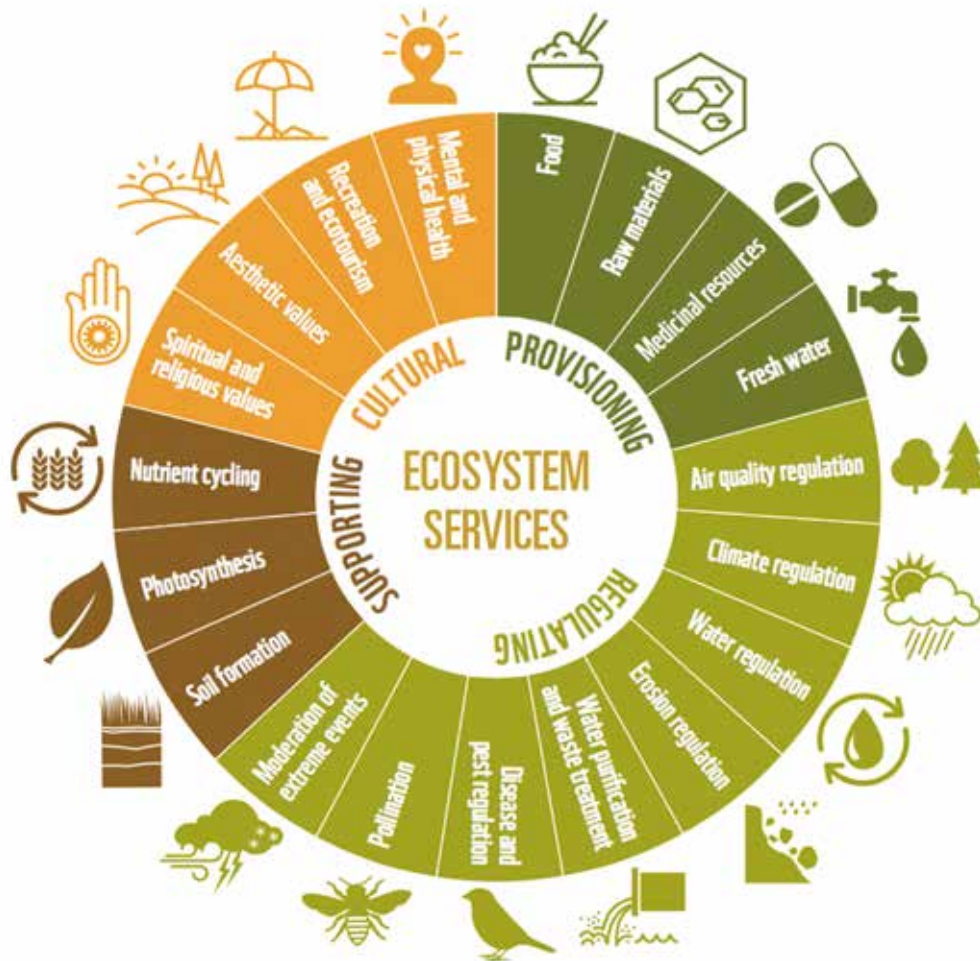
The richness of the landscapes contained in native forests and plantations lies in the ecosystem services they provide, such as food, forest products, and water; timber and non-timber forest products; regulation

services (control of floods, droughts, soil degradation, air quality, climate, and diseases), supporting services (soil formation and nutrients cycle) and cultural values and services (recreational, spiritual, religious, and other non-material benefits).

Within the framework provided by the Biodiversity and Ecosystem Services Policy, ARAUCO has characterized the primary services associated with its forestland in several programs, such as ARAUCO's global carbon balance, which includes plantations and native forests; the identification of sites

that are culturally relevant for the Mapuche people and other communities (contribution to environmental education and people's recreation in public parks such as Oncol Park in Valdivia, and Coyanmahuida Park in Concepción), and the Program for Gatherers of Non-timber Forest Products including mushrooms, food plants, wild berries from trees and shrubs, edible seeds and stems; plant species for medicinal, chemical or pharmaceutical purposes; plant fibers and others.







A report and diagnosis of the forestland was prepared for native forest management, within the framework of the specific agreement ARAUCO signed with Universidad Austral de Chile to generate knowledge regarding the productive and economic capability, environmental value, and social benefits of native forest management. Among other things, the first stage of the study concludes that considering the more than 200,000 ha of native forest existing in Chile's forestland, there is a significant forest area with high potential for management, determined by the application of several screenings associated with the minimum size of stands, slopes, exclusion of protected species, distance from roads, proximity to other native forests, minimum coverage, and other aspects, arriving at a preliminary figure of more than 6,000 ha of maximum priority for management.





**IN 2020, THE FSC®  
FOREST MANAGEMENT  
CERTIFICATION FOR  
THE ECOSYSTEM  
SERVICES STATEMENT  
WAS EXTENDED  
TO INCLUDE TWO  
SYSTEMS IN CHILE AND  
TWO IN ARGENTINA:**

- Huemul Ecosystem Services in the Ñuble mountain range associated with the protection of habitat ecosystem service for the Huemul species in HCVA “Huemules of Ñuble” (*Hippocamelus bisulcus*). This endangered species is the world’s southernmost deer and has been declared a Natural Monument in Chile.
- Water provision ecosystem service for the community of Forel in Constitución under the water basin protection category, in Chile.
- Conservation of palm species *Euterpe edulis* in the Paranaense rainforest/ Upper Paraná Atlantic Forest Ecoregion in Argentina.
- Conservation of Monte Blanco in the Paraná Delta and Islands Ecoregion in Argentina that includes scrubland and gallery forests.

## biodiversity monitoring

ARAUCO protects threatened species that have been surveyed and sighted in its forestland. The biodiversity strategy involves improving knowledge through monitoring activities and engagement with researchers; sharing, communicating, and working together with relevant stakeholders and local actors, and protecting through best practices in management and specific activities when required.

Forest plantations managed under a certified forest management scheme contribute to the sustainment of biodiversity because they are combined with native forests and are harvested every one or two decades depending on the tree species, thus creating an appropriate environment for the migration of most species.

This is basically achieved by the sustenance and consolidation of the forest vegetation cover; the native forest, natural monument species, and High Conservation Value Areas,

in an integrated mosaic that sustains biodiversity values, flora and fauna, other ecosystem services such as water and others that provide social value, and the economic support necessary for the sustainability of forest management.

Areas including native or protected vegetation are distributed in patches of different sizes that are connected by protection zones located alongside water bodies. These remnant sections of vegetation are repositories of the biodiversity of Chile's central zone and plantations frequently act as buffer zones for the biodiversity they contain. A relevant part of the management of biodiversity and ecosystem services where ARAUCO maintains operations is to ensure these remnant vegetation areas are safeguarded.

In Argentina, 45% of the forestland accounts for natural areas distributed among large mountains and biological corridors that compose an integrated forest landscape. In Chile, there are

conservation areas connected by protection zones located alongside water bodies. These areas become true repositories of biodiversity. In order to preserve these spaces, the company carries out constant monitoring of flora and fauna in native forest remnants as well as forest plantations, and there are specific protection measures in place in case of findings or sightings of such species.

A relevant part of biodiversity and ecosystem services management is aimed at safeguarding these areas in accordance with the Biodiversity and Ecosystem Services Policy. This document places emphasis on the assessment and management of possible effects of production on diversity, through research programs and management protocols for biodiversity and ecosystem services.

In this sense, the challenge for the forestry business is to keep and enhance the biodiversity in ARAUCO's forestland.

(Refer to IUCN Red List Species in Appendices, page 183).

# MILESTONES

- Hyperspectral flight to develop a biodiversity map using the spectral signature of native species. The first pilot was carried out in Chile in 2020 in part of the Caramávida HCVA and the first results will be obtained in 2021.
- ARAUCO will provide all its monitoring images from its camera traps to the Wildlife Insights international platform, to make this information available to all people interested in conservation.
- Installation of bioacoustics devices in tree canopies at Caramávida, Chile, in association with Huawei and NGOs Rainforest Connection and Ética en los Bosques to carry out real time monitoring of biodiversity and identify illegal activities.
- Indicators of the Yaguareté (jaguar) population in the San Jorge and Campo Los Palmitos area in Argentina demonstrate the importance of these sites for species conservation in the region. It is estimated that about 35 individuals are using this land as part of their living space, accounting for 30% of the total estimated Yaguareté population in the Green Corridor of the Misiones province.
- Monitoring activities conducted in 3,500 ha (8,648 acres) to learn about the fauna and floral resources used by the Mbya Guaraní communities in areas designated as High Conservation Value Areas in the Misiones province, in Argentina, to establish a baseline to ensure biodiversity in the area.
- Monitoring of birds and amphibians began in Argentina, by introducing recorders in regular monitoring activities of flora and fauna.
- The Sustainable Beekeeping Program for the production of honey on company sites was reinforced through the “Forest Guardian” scheme and the promotion of bee species conservation in Argentina.
- In Argentina, ARAUCO joined the #OneMillionTrees campaign by NGO “Semana del Árbol”, which aims to drive the urban planting of native species in regions of influence.
- Agreement with the Atlantic Forest Research Center (CelBA) in Argentina for the Yaguareté (jaguar) monitoring project, which seeks to learn about the habitat and habits of this species.
- The Institute of Subtropical Biology (IBS) initiated monitoring of social HCVAs with attributes 5 and 6 in ARAUCO’s area of influence in Misiones, Argentina.

A vertical photograph of a forest interior. A large, textured tree trunk is visible on the right side. From the left, long, thin strands of Spanish moss hang down, partially obscuring the view. The background is filled with lush green foliage and other trees, creating a dense canopy.

## high conservation value areas (hcva)

ARAUCO's forestland contains multiple social and environmental values, some of which are especially significant and critical, 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 at broadening the attributes that define high values for biological HCVs, ecosystem services, and cultural services.

The company has HCVAs distributed in 133,000 ha (328,650 acres) of forestland. The identification and characterization of HCVAs must follow the premises of FSC® Principle 09 and the PROFOREST Guides, which describe the identification method of attributes and areas. Public consultations are conducted with the community and experts to identify HCVAs that have social characteristics.

(Refer to Native Forest and High Conservation Value Areas (HCVA) in Appendices, page 182).

- Scientific publication by Muñoz-Ramírez et al. (2020) on Neotropical Ichthyology, 18(1) 2000-2013. The work documented the Diplomistidae family of freshwater fish in the Carampangue and Laraquete basins, two coastal watersheds of the Nahuelbuta mountain range in Chile and marks the first record of this family in coastal basins.

- First pilot carried out to monitor the Huemul with thermal cameras at HCVA Huemules de Ñuble, in Chile.

- Entry of agreements with research institutions (CONICET, INTA, universities) for the development of programs associated with conservation and sustainable production in Chile.

- Hectares added to HCVA's Los Palmitos, Valle del Alegría and Piray - San Pedro, in Argentina, to ensure connectivity with surrounding conservation areas, for a total of 9,173 ha (22,666 acres).

- In Piray, Argentina, 896 ha (2,214 acres) were designated as "Area of Interest for the Kurupaity Community".

- Implementation of a Conservation Plan for the Piray - San Pedro Reserve area in Argentina to conserve a significant portion of combined rainforest in order to maintain the conditions of the nucleus habitat and main corridor of different flora and fauna species.



## forestland protection and forest fire prevention

The company has a forest fire prevention and protection program in Chile whose main objective is to reduce the occurrence of wildfires and if they do happen, to manage their burning in order to reduce fire propagation. The primary aspect in this process is social fire prevention through education and dissemination of the use of fire; burning management; and a coordinated response from different public and private institutions.

With regard to education and dissemination, the company develops a plan for neighbors, workers and organizations present in the territory that seeks to educate and raise awareness on fire prevention. This

work involves educating on prevention measures, including about 400 activities developed in the areas of highest occurrence, disseminating the message to more than 15,000 adults, and supporting the Community Prevention Network. This organization manages preventive work in 345 Local Prevention Committees where neighbors, local authorities, Conaf, the Fire Department, Police Department, and businesses, among others, develop joint work in 81 of the country's municipalities.

Additionally, for burning management ARAUCO has created a structural network for protection in all the territory, establishing barriers and control points through fire protection belts in inhabited

areas next to forest plantations and industrial forestry centers where fuel breaks and a buffer strip (a plantation where preventive silvicultural actions are implemented) are annually maintained, in addition to forestland protection conglomerates, whose objective is to reduce propagation and facilitate firefighting.

Lastly, in order to achieve a coordinated response, surveillance patrols are conducted on red alert days due to high temperatures, winds, and poor humidity; community crews have been assembled to work in close coordination with the Fire Department; and simulation training for emergencies is being provided.

In Argentina, ARAUCO has a fire detection and warning system in place. If a fire is confirmed, Operation Centrals immediately coordinate the allocation of the necessary resources for its control; impacts are then analyzed, as well as measures that need to be improved or implemented. The most relevant actions that are carried out are the interaction with neighbors; preventive silviculture with the construction and maintenance of firebreaks to reduce the propagation of fire; surveillance cameras for immediate detection; the Education in Schools plan; participation in the Iguazú Forest Protection Consortium with other forestry companies of the region to carry out preventive activities

and coordination for fire detection and combat; the Volunteer Firefighters Agreement, and the consolidation of fire protection belts for industries and facilities owned by the company and third parties.

In Brazil, the actions taken to prevent forest fires include training for fire combat leaders and crews; a contact and support network with other forestry companies for surveillance and firefighting; campaigns, communication with neighbors, and environmental education. In addition, in the locations of Mato Gross do Sul, Mahal and Novo Oeste, the company has joined the REFLORE (Associação Sul Mato-Grossense de Produtores e

consumidores de florestas plantadas) campaign for fire combat, which develops education campaigns in communities and on highways with other businesses in the region. In 2020, over 6,409 ha (15,836 acres) in Mato Grosso do Sul were affected by fires due to unfavorable weather conditions and a severe drought.

(Refer to Fire Protection Plan Resources in Appendices, page 184).

## water management

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

In Chile, over 700,000 people do not have access to a safe source of drinking water. Considering the rise in the demand for water from people in populated areas, there are national and international institutions researching the availability and management of this

resource and studies conclude that the main problem of water availability today is associated with management and infrastructure matters.

Though all plant species consume water, forest masses possess several positive effects, such as retaining moisture, reducing the loss of soil, regulating the temperature of water flows, promoting infiltration, and improving the quality of water for a better supply of drinking water. In summary, forests and plantations have beneficial effects on the hydrological cycle.

For the past five years, ARAUCO has been developing a Water Management Strategy called Water Challenge, which is based on four pillars: Learn, Manage, Contribute and Communicate.

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

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

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







program that promotes collaborative work, providing a quality response that is faster and has benefitted over 25,000 people.

Finally, through the Communicate pillar, ARAUCO develops several communicational actions such as training sessions, seminars or scientific tours, and others, to inform about different findings, initiatives, and projects focusing on water conservation, in addition to facilitating the information to internal audiences, neighbors, researchers, NGOs, authorities, and the public opinion in general.

Ultimately, the great challenge has been to consolidate an economy based on

renewable resources. This requires ensuring a proper balance between the different ecosystem services and biodiversity, water being one of the core elements for this equilibrium.

In Argentina, the company carries out actions to recover water basins and other critical or sensitive areas associated with steep slopes, watersheds, and water courses, and/or biological corridors necessary to provide continuity and prevent landscape fragmentation. In 16 years, over 3,300 ha (8,154 acres) have been recovered. In addition, the company marks and monitors water sources located in operation areas where local

communities are present, it implements free, prior and informed consultation, and protects water sources in indigenous communities located in the company's areas of influence.



# MILESTONES

- In Chile, 138 projects have been implemented, directly benefitting 12,897 people.
- Organization of a forest hydrology session with the participation of national and international experts to discuss the advances and gaps of knowledge in forest hydrology. In addition, Bioforest published in specialized journals.
- Design and implementation of a training program on the hydrological cycle and forest plantations, which included videos for self-training and presentations led by Dr. Roberto Pizarro, director of the UNESCO lecture on Hydrology, which was presented to more than 100 workers in Chile.
- Presentation of the Water Challenge program in the 2020 Water Congress, where ARAUCO presented its Water Strategy to researchers and representatives of other production sectors in Chile.
- The guidelines for the “Identification, protection, and monitoring of permanent protection zones for water courses” were updated in the search for management best practices.
- Protection for groundwater sources in indigenous communities in the company’s area of influence in Argentina. During 2020, a masonry reservoir was built (of bricks and local stones) to store water and drainpipes were installed. A storage tank was also set up for the Isapy I Poty, one of 27 indigenous communities of the Mbyá Guaraní people with which the company engages in the Misiones province.
- In Argentina, initiation of markings and monitoring of wetlands located in operation areas and/or areas where there are local communities.
- A study of water table dynamics in plantations began in the Central Region (Paraná river delta) in Argentina.
- Implementation of a hydrological early alert system for the delta region in Argentina, contributing information to improve the hydrodynamic models of the region’s rivers and streams.
- In Brazil, monitoring of drainage basins in terms of water quality and availability. To date, there is no record of any significant impact on the water from forest management.







## landscape

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

In Argentina, the company considers the landscape as one of the variables that dictate the path to take when planning its operations, not only from a visual perspective but as a group of ecosystems that interact in response to the influence of the interaction of soils, climate, geology, topography, biota, and human influences in the basin; the latter based on the use of soil, on infrastructure, and how the landscape is inhabited.

- **Implementation of the Araucaria System in Chile, Argentina and Brazil, which consolidates forestland information at a corporate level through the use of the most advanced technological tools in geomatics, thus providing timely and quality information at all levels of the organization.**

- **In Argentina, the company identified the sites of interest in forestland areas that could be used by communities for sports, tourism, recreational, educational, scientific or cultural purposes.**



# MILESTONES

## soil management

Forest soils are the resource of highest value for ARAUCO and great for carbon sequestration. Because they accumulate water and nutrients, they are the foundation for the development and growth of the company's plantations and the production of its sites. The existence of a vegetation cover, whether from plantations or native forests, helps generate a foliage and radicular cover that protects forest soils from erosion.

Aware of the importance of soils, ARAUCO avoids leaving them uncovered for a long time after a forestry harvest, which is why establishment activities are carried out immediately after harvesting.

In addition, the erosive effects of water on soils are reduced by managing forestry harvesting waste within the stand and mitigation activities are carried out if there are impacts on soils from production tasks. The work is oriented, as is the case, to recover soil structure and protect it from erosion processes in areas of risk, with techniques to regulate and control surface runoff.

The company uses the best silvicultural practices in all its operations, with the purpose of preventing significant impacts and conserving the soil's own characteristics in order to maintain and/or improve productivity.

## MILESTONES



- In Chile, research development and monitoring work was carried out to strengthen silvicultural best practices that ensure the conservation or improvement of the soils' environmental and productive characteristics.
- In Argentina, monitoring of disturbances in forest harvesting by collecting information on physical and chemical indicators (visual and quantifiable) as established in the protocols.
- In Argentina, a soil monitoring system was defined to be implemented and maintained.

## environmental research

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

- In Chile, through Bioforest, cooperation with national universities was consolidated with the support of Fondecyt/1171560 Project, for the development of pilot projects on water consumption of plant species.

- Publication of three scientific articles on Bioforest's Ecohydrology project in Chile.

- In Argentina, development of the Mono caí (*Sapajus nigritus*) project with the Institute for Subtropical Biology and CONICET to conduct an ecological and behavioral evaluation of this species and how it has been recently affected by pine plantations on company land.

- Monitoring of birds and amphibians through the addition of voice recorders in the regular monitoring of flora and fauna was initiated.



## MILESTONES



# ENVIRONMENTAL MANAGEMENT

at industrial  
facilities

**E**nvironmental management in industrial processes is an essential aspect of ARAUCO's sustainability strategy and is part of its daily activities. Its primary objective is to strengthen an environmental culture, environmental monitoring, management and continuous improvement, and compliance with environmental regulations, especially with regard to odors, air emissions, and liquid and solid waste. In addition, the company has embraced the challenge of optimizing its compliance with operational criteria by continuously improving its standards.

In 2020, the company invested

**US\$  
62  
MILLION,**

in the implementation of several environmental improvements at company plants, investment projects for energy optimization, control and management of hazardous liquids, and investments for waste management.

## environmental monitoring

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

The company's pulp mills implement monitoring, surveillance and/or environmental research programs to properly follow-up on the quality of

water bodies that receive effluents, both fluvial and marine. These programs are carried out according to the frequency and timelines previously determined by environmental authorities. The result of monitoring activities, as well as specific environmental information, is provided to environmental authorities as established in the respective Environmental Qualification Resolutions (RCAs). Environmental monitoring activities are carried out for the company's Pulp and Timber business areas.

Additionally, the company's own monitoring and research activities are strengthened by incorporating the opinion of third-party experts who

contribute complementary background information regarding the ecosystem in which the company operates. Such is the case of the public-private roundtable developed with fishermen in areas next to Nueva Aldea's underwater outlet pipe and the Carampangue wetland in Arauco, Chile, and the monitoring program for the Cruces river wetland in Valdivia led by Universidad Austral de Chile.

## waste management

ARAUCO's main objective in waste generation and management is to reduce, reuse and recycle to transform, so that through valorization waste can be used once again in different types of products.

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

In the Pulp business, ARAUCO carries out the valuation of its non-hazardous

industrial waste through different transformation processes. The end result is a product that can be used in different production processes, such as the manufacture of cast-concrete and cement; soil and PH improver at forestry and farming sites, and the production of fertilizers and micro fertilizers.

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

The wood products business segment has outlined a strategy to increase the percentage of recycling and reuse, while reducing the amount of waste that goes to final disposal. To this end,

the company is developing a treatment process for the co-processing or revaluation of non-recyclable waste.

In order to advance in waste reduction and contribute to emissions reduction as well, the Pulp business works to increase the percentage of non-hazardous industrial waste valuation to reach the 55% goal. Waste valuation is also relevant as a way to reduce final disposal and increase the life of deposits and use of resources found in waste. The Timber business works on the valuation of bark (organic waste) that results from its production processes.

(Refer to Hazardous waste and non-hazardous waste in 2020 in Appendices, page 185).

# MILESTONES

- In the Pulp business segment, an average 38% of non-hazardous solid waste was valued. The main products from valuation were base substrate, soil improver, alkaline soil amendments, and others. In addition, organic waste valuation reached 65%.
- Construction of the first center for internal waste valuation at Constitución pulp mill, in Chile. This is a pilot initiative in the Pulp business for the reuse of industrial waste.
- The Puerto Esperanza pulp mill in Argentina signed agreements with INTA (Institute of Nutrition and Food Technology, in Chile) and the Ministry of Ecology to use ash and other waste as soil amendments.
- The wood products business segment in Brazil significantly reduced waste processing for disposal destination thanks to the support of the Inter-American Development Bank.

- The Arauco Plywood mill in Chile reduced the generation of hazardous waste from spray containers from 11.6 to 7.4 annual tons.
- Nueva Aldea Sawmill in Chile carried out a project to recover waste oil by using a microfiltration process that removes impurities, allowing the oil to be reused for its original purpose, which is to lubricate chains.
- In United States, a research was initiated in relation to waste revaluation and the reduction of the wood waste that is sent outside the company's facilities in order to enhance its onsite reuse to generate power.
- Durango Plant in Mexico made progress in a paper milling project.
- The chemical plant in Mexico reduced the delivery of hazardous waste by 50%.

## 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 meets its own energy needs, providing a supply to its plants, contributing an energy surplus to the country's power grid, and in the company's recovery boilers specifically, in addition to generating energy it recovers inorganic compounds that are part of the process. ARAUCO also promotes greater efficiency in its processes in order to reduce energy consumption and improve its environmental performance.

## MILESTONES

- In North America, the company has continued to reduce its energy consumption for the last three years, with a general drop of 11% kWh/m<sup>3</sup> in production with regard to the base line of 2018.
- Albany PB Plant (Duraflake) in the United States joined the Energy Management System of Energy Trust of Oregon to reduce energy consumption.
- By focusing on the use of air compressors in 2020, Prime Line in the United States saved about 281,200 kWh of power a year.
- St. Stephen MDF in North America implemented the ISO 50.001 Energy Management System (EnMS). The plant's objective is to become certified in Q2 2021.
- In Argentina, Puerto Piray MDF Plant completed the installation of multicyclones for the treatment of ash emissions in the biomass boiler of its power plant.
- Arauco Plywood Mill in Chile implemented a system to detect blocks, generating steam consumption savings in the range of 119 tons a month.



## water management

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

- Implementation of a pilot project to water forest plantations with treated effluents at Licancel Pulp Mill in Chile, during the 2019-2020 summer season.
- Implementation of a water recirculation project at Licancel Pulp Mill in Chile.
- In Chile, Arauco Plywood Mill reduced the water consumption of its production process and Trupán Plant conducted industrial testing to determine the feasibility of reusing some of its liquid waste (LIW).
- In Mexico, improvements were made to correct water leaks and reuse it in processes.



(Refer to Total water consumption in Appendices, page 185).

## MILESTONES

## wastewater

A large part of the company's industrial plants generate liquid industrial waste, which is duly treated and permanently monitored to ensure the proper emission levels, which are regulated by specific environmental standards and include scientific research programs. These programs involve sampling and the measurement of environmental variables by laboratories that are recognized by the authority.

Also, through operational improvements in industrial facilities the company aims to strengthen and increase the

reliability of the spill control systems to ensure that potential spills are contained and prevent their arrival at the wastewater treatment system. This safeguards the stability of the company's treatment systems and improves their environmental performance.

All the company's woodpulp mills include primary and secondary effluents treatment, and two of them include an additional tertiary treatment: Valdivia on a permanent basis, and Nueva Aldea, when effluents are discharged into the river instead of the ocean.

Plants in the wood products business segment also treat their wastewater, whether in woodpulp mill systems or in their own, such as biological reactors, activated sludge, sedimentation tanks and/or equalization basin, to then be discharged into the system or properly disposed of. Teno Mill and El Colorado Sawmill have physical-chemical treatment systems that include recirculation and zero discharge.

(Refer to Wastewater in Appendices, page 185).

- Definition of operational standards or criteria across all woodpulp facilities, as well as a detailed revision of operational procedures for process areas.

- Construction started on a new underwater pipeline for Arauco Mill, which is part of Project MAPA.

- Reuse of wastewater at Licancel Woodpulp Mill through the partial recirculation of effluents at the same facilities and the use of fertigation on forestry sites.

- Spill control systems were surveyed at all woodpulp facilities in order to identify opportunities for improvement that will increase their reliability.

- In Brazil, the construction of a wastewater treatment plant was approved for the Ponta Grossa unit, as well as the implementation of an equalization tank at the LIW treatment plant in Pien.

- Moncure MDF Plant in North America implemented a wastewater system that discharges into municipal pipelines, increasing plant productivity and reducing the load to other disposal destinations.

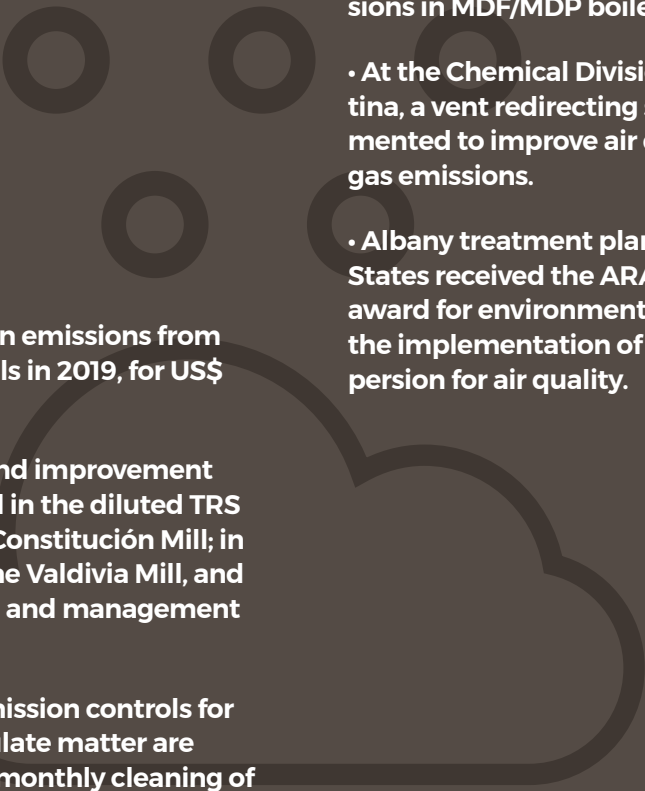
## air emissions and odors

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

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

In addition, as part of the company's investment plan, relevant investments continue to be made either to improve the performance of emission abatement equipment or to install new equipment, such as a new electrostatic precipitator for recovery boiler 2 at Arauco Pulp Mill in Chile.

# MILESTONES

- 
- In Brazil, an expert on biomass burning was hired to support and suggest actions for process improvements to reduce VOC emissions in MDF/MDP boilers and dryers.
  - At the Chemical Division Plant in Argentina, a vent redirecting system was implemented to improve air quality and reduce gas emissions.
  - Albany treatment plant in the United States received the ARAUCO North America award for environmental innovation with the implementation of best practices in dispersion for air quality.
  - Payment of green tax on emissions from fixed sources in pulp mills in 2019, for US\$ 6.3 million
  - In Chile, adjustments and improvement projects were developed in the diluted TRS gas scrubber system at Constitución Mill; in the digesters valves at the Valdivia Mill, and in the TRS gas collection and management system at Arauco Mill.
  - In Mexico, voluntary emission controls for Total Suspended Particulate matter are carried out through the monthly cleaning of cyclones' battery and combustion chamber; optimal condition of seals; monthly maintenance of chamber, drying, and ventilator systems, among others.





## leaks and spills

In 2020, there were no spills having significant impacts on water courses or natural habitats.

## environmental research

ARAUCO permanently maintains Environmental Monitoring Programs to contribute to knowledge. Some of these programs are voluntary commitments (PREGA, PIMEX, Monitoring of the Cruces river wetland) conducted

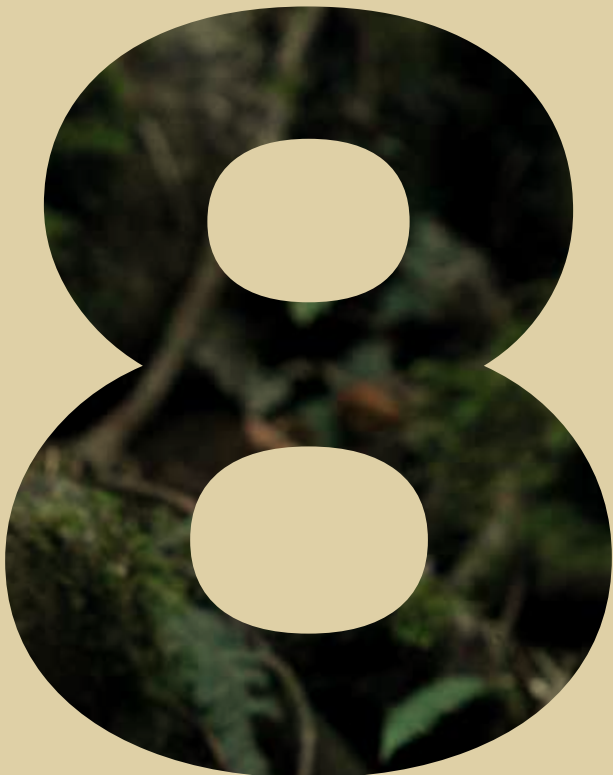
by universities and/or university consortia, ensuring that the results are appropriately interpreted according to the quality standards provided by the Authority, thus broadening the scientific knowledge on the ecosystems where they are developed, in addition to sharing relevant scientific and technological knowledge with the community.





scopes

arauco



This is ARAUCO's thirteenth consecutive Sustainability Report, presenting information on the company's economic, social and environmental performance for the period between January 1 and December 31, 2020. This report was prepared in accordance with Global Reporting Initiative (GRI) G4 guidelines and the GRI Standards Core option. This report is also a communication of progress of the company's commitment to the Global Compact and Sustainable Development Objectives.

Consolidated information regarding the industrial and forestry operations of Chile, Argentina, Brazil, Mexico, the United States and Canada was reviewed, compiled, and presented to prepare this document. The performance of Montes del Plata and SONAE ARAUCO operations are excluded because this

report only informs on partnerships in which the company exercises control; however, operations and projects of Montes del Plata and SONAE ARAUCO are described when appropriate.

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

This report was prepared in accordance with the GRI Standards Core option. The company did not hire an external body to validate 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 organizational climate survey results.

External sources of information were revised, including issues raised by the company's stakeholders, particularly those identified through ARAUCO's Local Reputation Index (Inrela). Last, news articles published in print media, digital media, and social networks were also reviewed.

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

Critical aspects that were identified:

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



# appendices

**arauco**



**Forestland Distribution by Use**  
**(In hectares of December 2020)**

Country	Pine	Eucalyptus	Other Species	To Be Planted	Native	Other Uses	General Total
Chile *	498,986	196,780	1,947	57,523	296,504	56,720	1,108,460
Argentina **	92,023	19,120	19,544	8,962	119,973	4,712	264,334
Brazil***	52,239	57,588	170	10,172	74,239	7,058	201,466
Uruguay****	150	82,811	363	5,793	4,930	40,495	134,542
Total general	643,398	356,299	22,024	82,450	495,646	108,985	1,708,802

\* Includes 80% of Forestal Los Lagos.  
 \*\* Includes Alto Paraná Plantations and FAPLAC.  
 \*\*\* Includes 100% of AFB, 80% of AFA, 100% of Mahal, 100% of Novo Oeste, 52% of Vale de Corisco.  
 \*\*\*\* Includes 50% of Montes del Plata land and plantations.

**Woodpulp production by type of product (in ADMT)  
(By December 31, 2020)**

Product	2018	2019	2020
Bleached Pine (BSK=BKPR+BKPT)	1,448,600	1,290,113	1,104,260
Bleached Eucalyptus (BEK)	1,672,241	1,823,931	1,858,941
Unbleached Pine (UKP)	522,395	452,761	450,876
Fluff	147,824	154,657	146,331
Dissolving Pulp (DP)			160,372
<b>Total</b>	<b>3,791,060</b>	<b>3,721,462</b>	<b>3,720,780</b>

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







**Production by type of product in 2020  
(Thousands of m³)**

MDF	3,001,820
PB	2,463,261
GREEN WOOD	2,465,566
DRY WOOD	1,759,111
PLYWOOD	547,725
REMANUFACTURING	380,772
HB	10,618,256

## Energy generation capacity and delivery to the power grid (By December 31, 2020)

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

## Financial indicators (US\$ millions)

	2018	2019	2020
Sales	5,955	5,329	4,733
EBITDA	1,851	1,147	1,072
EBITDA Margin	31.1%	21.5%	22.6%
Net Income	727	62	25
Financial Debt	4,510	6,050	6,194
Net Financial Debt	3,434	4,490	5,129
Financial Costs	215	274	268
Investments	920	1,350	1,852
Net Debt/EBITDA	1.86	3.91	4.79
EBITDA/Interests	8.62	4.19	3.99

## Economic value generated and distributed by December 2020 (US\$ millions)

	2018	2019	2020
Total income			
Net sales	5,955	5,329	4,733
Income from financial investments	21	33	29
Income from sales of fixed and intangible assets	5	6	30
Economic value generated	5,981	5,368	4,792
Operational cost / production cost*	3,000	3,053	2,618
Payment to capital suppliers	947	1,178	790
Wages and benefits	563	628	598
Taxes**	227	535	42
Investments in the community***	14	10	15
Economic value distributed	4,751	5,404	4,062
Economic value retained	1,230	-36	739

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

\*\* Includes expenses from income tax.

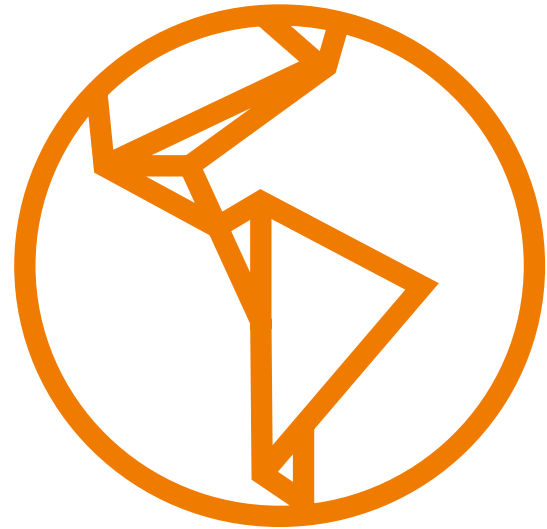
\*\*\* Includes donations, contributions, and scholarships.



Purchases from local suppliers in 2020

	Purchases from local suppliers (US\$ millions)	% of total purchases from ARAUCO suppliers in 2020
Chile	850	33%
Argentina	194	87%
Brazil	204	79%
North America	425	90%
Mexico	110	89%





efficiency

**GLOBALIZATION AND**

# PEOPLE OF excellence

## Workforce

Workforce	2018	2019	2020
Employees	17,252	18,119	17,551
Indirect contract workers (contracting companies)	23,673	22,890	20,625





ARAUCO employees  
by type of contract and country

Country	Type of contract					
	Men		Women		Total	
	Indefinite	Fixed term	Indefinite	Fixed term	Indefinite	Fixed term
Chile	8,506	267	1,328	19	9,834	286
Argentina	1,449	155	149	6	1,598	161
Brazil	2,482	3	298	2	2,780	5
Mexico	536	-	109	-	645	-
North America	1,334	-	243	-	1,577	-
Other	432	19	214	-	646	19
Total	14,739	444	2,341	27	17,080	471

Recruits and discharges in 2020

Workforce	Men	Women	Total
Recruits	888	28	1,016
Discharges	1,850	458	2,308



### Number of people trained

	2019		2020	
Number of people trained	Men	Women	Men	Women
Executives and managers	104	12	22	2
Professionals and technicians	4,945	674	4,327	405
Other employees	8,230	536	4,366	160
Total	13,279	1,222	8,715	567





Number of employees who participated in a performance evaluation

	Men	Women	Total
2019	10,284	1,664	11,948
2020	12,047	1,823	13,870

Organizational Climate Indicators

	2018		2019		2020	
	Participation	Global outcome	Participation	Global outcome	Participation	Global outcome
Chile and sales offices	94%	75	85%	80	90%	80
Argentina	72%	67	71%	76	88%	78
Brazil	92%	75	91%	81	92%	83
North America	79%	68	67%	71	80%	71
Mexico	-	-	86%	86	94%	88

## Unions in Chile

### CELULOSA ARAUCO Y CONSTITUCIÓN S.A.

1	Sindicato de Trabajadores N° 1 Empresa de Celulosa Arauco S.A.
2	Sindicato de Trabajadores de la Empresa celulosa Arauco y Constitución S.A Planta Licancel
3	Sindicato de Trabajadores Celulosa Arauco y Constitución S.A., Planta Constitución
4	Sindicato de Trabajadores Celulosa Arauco y Constitución S.A., Planta Valdivia
5	Sindicato de Trabajadores Celulosa Arauco y Constitución S.A., Planta Nueva Aldea
6	Sindicato Línea 3 Arauco*

### MADERAS ARAUCO S.A.

7	Sindicato de Trabajadores Los Mallines
8	Sindicato de Trabajadores de Aserradero Horcones I
9	Sindicato de Trabajadores Planta El Colorado
10	Sindicato N° 1 Aserraderos Los Coigües Ltda.
11	Sindicato N° 2 Aserraderos Los Coigües Ltda.
12	Sindicato de Trabajadores N° 2 Tres Pinos
13	Sindicato Planta Horcones II
14	Sindicato de Trabajadores Planta Terciado, paneles Arauco S.A.
15	Sindicato Paneles Arauco Establecimiento Nueva Aldea
16	Sindicato de Trabajadores de Aserradero Nueva Aldea
17	Sindicato Establecimiento Empresas Paneles Arauco S.A. N° 1 Planta Teno

### MADERAS ARAUCO S.A. (Cont'd.)

18	Sindicato de Trabajadores de Aserradero El Cruce
19	Sindicato de Empresa Remanufactura Viñales
20	Sindicato Industrial AASA Remanufactura Viñales
21	Sindicato N° 1 de la Empresa Industrial Maderera Viñales (Inmavi)
22	Sindicato de Trabajadores de Empresa Bioenergía Viñales
23	Sindicato de MDF Paneles Arauco S.A. Planta Trupán
24	Sindicato HB, Paneles Arauco S.A. Planta Cholguán
25	Sindicato de Trabajadores N°1 De Molduras de Paneles Arauco S.A. Planta Trupán Cholguán
26	Sindicato N°1 Las Raíces Ltda.
27	Sindicato de Empresa Aserraderos Arauco S.A. Planta Cholguán
28	Sindicato Aserraderos Arauco Planta Remanufactura Cholguán
29	Sindicato de Trabajadores Forestal Arauco S.A, Zona Constitución de Vivero Quivolgo
30	Sindicato de Trabajadores N°2 Vivero Arauco, Zona Constitución
31	Sindicato de Trabajadores Forestal Arauco S.A, Zona Arauco
32	Sindicato de Trabajadores Forestal Arauco S.A, Zona Arauco de Empresas Sotro sur Ltda N° 3
33	Sindicato de Trabajadores Forestal Arauco S.A, Zona Valdivia de Vivero Los Castaños

\*Created in January 2021





# HEALTH AND SAFETY

## occupational

Accidents frequency rate  
by business area and country

	Forestry	Woodpulp	TIMBER	Consolidated
Chile	3,0	3,0	4,0	3,6
Argentina	1,8	6,4	2,5	2,6
Brazil	1,3	-	1,3	1,2
North America	-	-	2,4	2,1
Mexico	-	-	4,1	4,4
Consolidated	2,7	4,4	2,7	3,2

## Occupational accident indicators in 2020 (Including employees and contract workers)

	2019	2020
LD from occupational accidents	12,529	12,404
Total recordable incident rate (with and without LT)	2,029	1,789
Number of LTI (Lost Time Incidents)	357	320

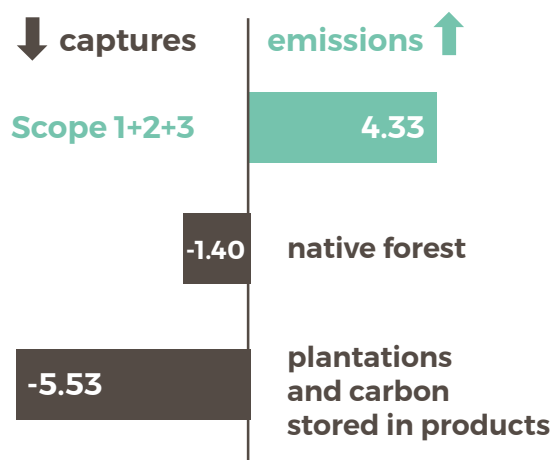
## No. and representation of workers in joint committees

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

# environmental MANAGEMENT

ARAUCO attained neutrality by 2018, generating 2,599,753 tonnes of CO<sub>2e</sub>.

**Net emissions -2,59 MMTCO<sub>2</sub>**



Carbon retention in products

Type of product	Average ifetime (years)
Sawn timber	35
Sawn timber furniture	30
Wood pallets	6
Plywood	30
MDF and panels	30
Paper	2





IUCN Red List Species

Category	Chile		Argentina		Brazil	
	Fauna	Flora	Fauna	Flora	Fauna	Flora
Critically endangered	13	7	-	1	5	1
Endangered	45	21	3	2	11	14
Vulnerable	40	16	35	-	31	11
Nearly threatened	11	10	15	2	42	7
Minor Concern	19	18	137	1	566	266
Provincial protection	-	-	9	7	-	-



### Fire Protection Plan Resources

Type of resource	Chile	Argentina	Brazil
Lookout towers		27	14
Surveillance and prevention staff	125	22	99
Fire crews	130	6	21
N° of fire fighters and tower staff	1,404	41	250
Trucks	74	2	14
Skidders	10	0	0
Airplanes	2	0	0
Helicopters	21	0	1
Supporting vehicles		8	27

Hazardous waste and non-hazardous in 2020

	Hazardous waste 2020 (ton/year)	Non-hazardous waste 2020 (ton/year)	Total
Woodpulp	1,348	439,960	441,308
Timber	4,328	198,370	202,698





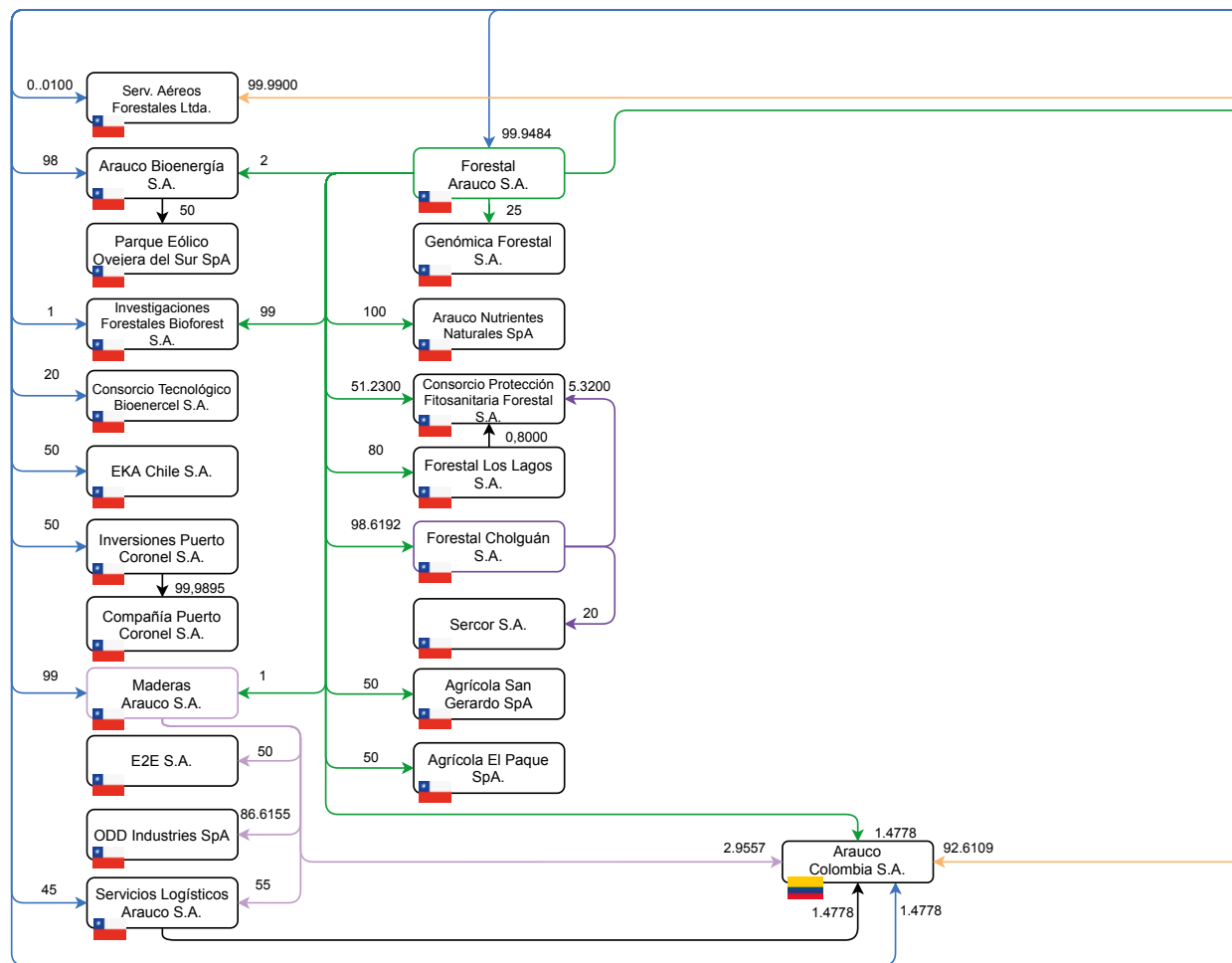
Wastewater  
(million m³)

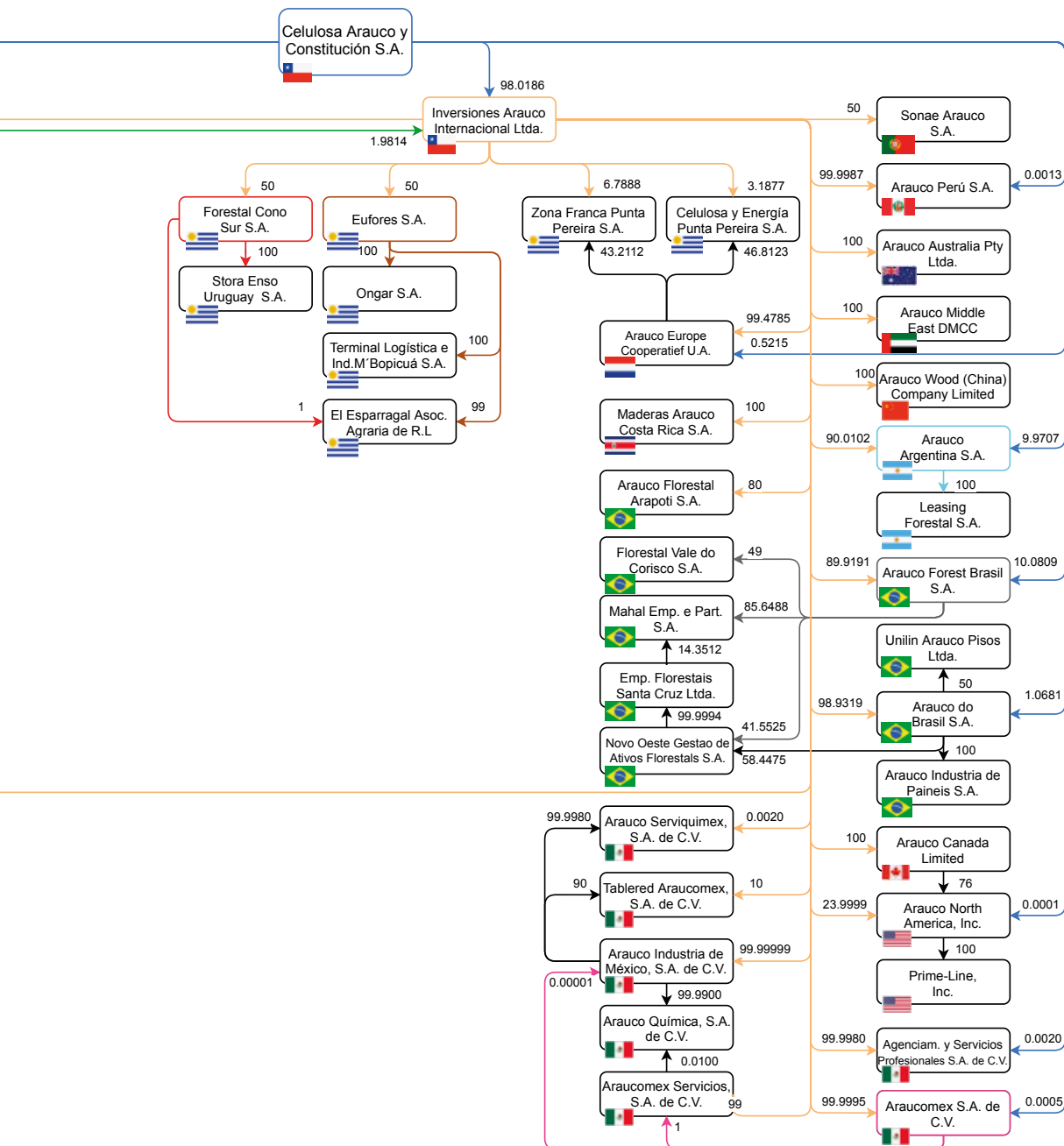
Negocio	2018	2019	2020
Celulosa	127.7	131.6	137.9
Maderas	5,.5	4.5	3.9

# subsidaries

## AND SHARES

### by 12/31/2020









## Argentina

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

- Fundación Vivienda Digna
- Una Nochebuena para Todos
- Fundación Mediterránea
- Fundación Vida Silvestre Argentina
- Reserva Yaguaroundí
- Reserva Curindy
- Administración de Parques Nacionales
- Aves Argentinas-Asociación Ornitológica de La Plata Guira Oga
- Asociación Amigos de Guapoy
- Unión Argentina de Trabajadores Rurales y Estibadores  
**www.uatre.org.ar**
- Comité de Cuenca Hídricas del Arroyo Tabay
- Comité de Cuenca Hídricas del Arroyo Tupicúa
- Consorcio Forestal Corrientes Norte
- Asociación de Bomberos Voluntarios de Libertad
- Colegio de Ingenieros Forestales
- APF - Aglomerado Productivo Forestal Misiones y Corrientes.  
(We participate in the APD through AFoA. At present, APSA assists in a research project related to Plagues Comprehensive Management).
- Asociación Civil Consejo de Manejo Responsable de los Bosques y Espacios Forestales
- CEADS (Consejo Empresario Argentino para el Desarrollo Sostenible)  
**www.ceads.org.ar**

## **Australia**

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

## Chile

- Asociación de Industriales del Centro, Región del Maule  
[www.asicent.cl](http://www.asicent.cl)
- Junta de Adelanto del Maule, Región del Maule  
[www.juntaadelantodelmaule.cl](http://www.juntaadelantodelmaule.cl)
- Acción Empresas  
[www.accionempresas.cl](http://www.accionempresas.cl)
- Cámara Chilena de la Construcción de Valdivia  
[www.cchc.cl](http://www.cchc.cl)
- Cámara Chileno Argentina  
[www.camarco.cl](http://www.camarco.cl)
- Cámara Chileno Brasileña de Comercio  
[www.camarachilenobrasileña.cl](http://www.camarachilenobrasileña.cl)
- Cámara Chileno-Británica de Comercio  
[www.britcham.cl](http://www.britcham.cl)
- Cámara Chileno-China de Comercio, Industria y Turismo  
[www.chicit.cl](http://www.chicit.cl)
- Cámara Chileno Norteamericana de Comercio  
[www.amchamchile.cl](http://www.amchamchile.cl)
- Cámara de Comercio Italiana de Chile  
[www.camit.cl](http://www.camit.cl)
- Cámara de Comercio e Industria de Valdivia  
[www.cciv.cl](http://www.cciv.cl)
- Cámara de la Producción y del Comercio Biobío  
[www.cpcbiobio.cl](http://www.cpcbiobio.cl)
- Controladora de Plagas Forestales  
[www.cpf.cl](http://www.cpf.cl)
- Corporación de Adelanto y Desarrollo de la Provincia de Arauco  
[www.corparauco.cl](http://www.corparauco.cl)
- Corporación Chilena de la Madera  
[www.corma.cl](http://www.corma.cl)
- Corporación para el Desarrollo Productivo de La Araucanía  
[www.corparaucania.cl](http://www.corparaucania.cl)
- Corporación por el Desarrollo de Valdivia

[www.codeproval.cl](http://www.codeproval.cl)

- Corporación Industrial para el Desarrollo Regional del Biobío  
[www.cidere.cl](http://www.cidere.cl)
- Fundación Belén Educa  
[www.beleneduca.cl](http://www.beleneduca.cl)
- Fundación Integrare  
[www.integrare.cl](http://www.integrare.cl)
- Icare  
[www.icare.cl](http://www.icare.cl)
- Red Pacto Global Chile  
[www.pactoglobal.cl](http://www.pactoglobal.cl)
- Sociedad de Fomento Fabril  
[www.sofofa.cl](http://www.sofofa.cl)
- Pontificia Universidad Católica de Chile  
[www.uc.cl](http://www.uc.cl)
- Universidad de Chile, Facultad de Economía y Negocios  
[www.fen.uchile.cl](http://www.fen.uchile.cl)
- Visión Valdivia  
[www.visionvaldivia.cl](http://www.visionvaldivia.cl)
- Asociación Gremial de Contratistas Forestales / ACOFOR AG  
[www.acoforag.cl](http://www.acoforag.cl)
- Corporación Privada de Desarrollo de la Región del Biobío / CORBIOBIO  
[www.corbiobio.cl](http://www.corbiobio.cl)
- Instituto Regional de Administración de Empresas / IRADE  
<https://irade.cl>

## Colombia

- Fedemaderas  
[www.fedemaderas.org.co](http://www.fedemaderas.org.co)
- Cámara Colombo-Chilena de Comercio  
[www.colombochilena.com](http://www.colombochilena.com)

## **North America**

- Association of Woodworking & Furnishing Suppliers  
**[www.awfs.org](http://www.awfs.org)**
- Composite Panel Association  
**[www.compositepanel.org](http://www.compositepanel.org)**
- North American Wholesale Lumber Association  
**[www.lumber.org](http://www.lumber.org)** **[www.nawla.org](http://www.nawla.org)**
- WMA - World Millwork Alliance  
**[www.worldmillworkalliance.com](http://www.worldmillworkalliance.com)**
- North American Building Material Distribution Association  
**[www.nbmda.org](http://www.nbmda.org)**

## **Mexico**

- Asociación Nacional de Fabricantes de Tableros de Madera A.C.  
**[www.anafata.com.mx](http://www.anafata.com.mx)**
- Asociación Nacional de Importadores y Exportadores de Productos Forestales A.C.  
**[www.imexfor.com](http://www.imexfor.com)**
- Cámara Mexicana-Chilena de Comercio e Inversión  
**[www.camaramexicanachilena.com.mx](http://www.camaramexicanachilena.com.mx)**
- Cámara Nacional de la Industria de la Madera  
**[www.cnim.mx](http://www.cnim.mx)**

## **Peru**

- Cámara Peruana de la Construcción  
**[www.capeco.org](http://www.capeco.org)**

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(o Covenant)

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# CONSTITUTION

legal

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 notary public 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 (Santiago Land Record Office). The respective extract was also published in the Official Gazette 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: N° 042, July 14, 1982
- Coordination and General Oversight: Communications Assistant Manager
- Report production: Myriam Mellado, Soledad Vial, Patricio Moraga
- Photography: ARAUCO Archive
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