

Compliance Program
Principles and Regulations on Free Competition
Celulosa Arauco y Constitución S.A.

2013

Message from the Chairman of the Board and the Executive Vice-President

Free competition among economic agents is, undoubtedly, one of the cornerstones for the correct and natural functioning of markets.

For this reason, there are various legal rules that seek to ensure and guarantee healthy, honest and intense competition between the agents that develop business activities in each country's various markets. Thus, the legal regime ultimately seeks to safeguard free private initiatives for all companies, the promotion of economic activities, and to provide greater opportunities for consumers.

In light of the above, in its permanent commitment to comply with all aspects of the legal systems in which the company operates, Arauco has adopted the respect for Free Competition as one of its fundamental principles, as is expressly recognized by our Code of Ethics.

For Arauco it is not only decisive to prohibit and reject any conduct in breach of Free Competition, Arauco has also assumed the commitment to promote an actual Free Competition culture within the company that allows all of our workers to familiarize themselves with the relevant legal framework, as well as to encourage the good practices that should be followed in this regard.

For these purposes, we have developed this Compliance Program of Principles and Regulations on Free Competition that systematizes, organizes and addresses several initiatives that the company has already been promoting to guarantee the observance of such regulations.

The development of this Compliance Program was commended by the Board to its Secretary and General Counsel, who used as a guide the Promotion Guidelines No. 3 issued by *Fiscalía Nacional Económica de Chile* (Chile's National Economic Prosecutor) that contain orientations and suggestions in relation to the contents of these compliance programs.

Thus, we hereby initiate the Compliance Program of Principles and Regulations on Free Competition. We are certain that this is an important step towards our

objective of promoting these principles and encouraging permanent compliance with the legal rules that protect them.

Manuel Enrique Bezanilla Urrutia
Chairman of the Board

Matías Domeyko Cassel
Executive Vice-President

Introduction

Arauco and Free Competition

For Celulosa Arauco y Constitución S.A. and its affiliates (henceforth “Arauco”), Free Competition is an essential basis for the development of the markets in which it operates. In this regard, the company is convinced that Free Competition allows the generation of more wealth, equal opportunities, greater productive efficiencies and increased innovation.

Given the relevance of this issue, the Board of Arauco has included it in its Code of Ethics, which means that all employees of the company must observe the principles of Free Competition.¹

Additionally, on June 26th, 2012, the Board instructed the Management to prepare a Compliance Program on Free Competition Regulations, based on the guidelines issued by *Fiscalía Nacional Económica de Chile* (Chile’s National Economic Prosecutor) and international best practices.

Arauco’s General Counsel is the person in charge of developing and overseeing the appropriate implementation of this Compliance Program, and shall be fully autonomous and independent in this mandate, being required to render account to the Board at least once a year.

Likewise, Arauco’s General Counsel is entitled to retain expert counsel for the implementation and management of the Program, thereby granting him the tools to identify and mitigate the risks associated with the protection of Free Competition.

Arauco currently has a series of initiatives that seek to achieve a better understanding and respect of the principles of Free Competition. Therefore, following the advice of the *Fiscalía Nacional Económica de Chile*, we have decided to

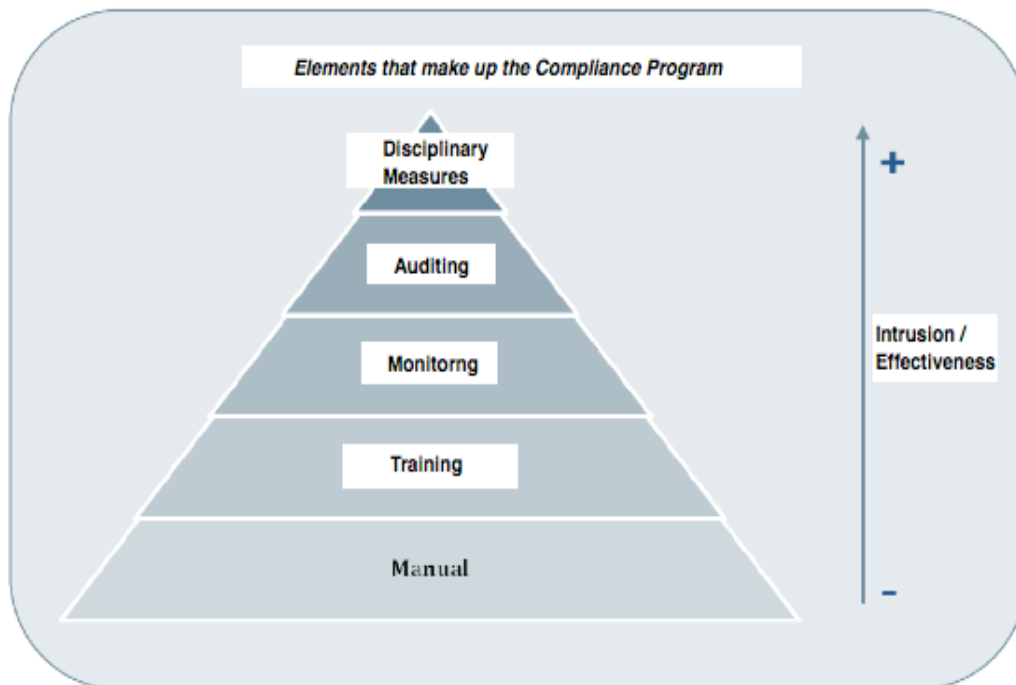
¹ Arauco’s Code of Ethics indicates that the company promotes and respects Free Competition, not only to strictly fulfill applicable legal guidelines, but also as a healthy business practice and a fundamental principle which must govern all aspects of its business dealings. Free Competition stimulates efficiency and creativity, allowing the establishment of fair and equitable relationships with the parties with which we conduct business, mainly comprised by clients and goods and services suppliers.

organize such initiatives in a single program, which facilitates monitoring of them, adding some additional measures, and following best managing practices in this regard, both domestic and international.

Pursuant to Promotion Guidelines No. 3 issued by *Fiscalía Nacional Económica de Chile* (FNE), an effective Free Competition Compliance Program should meet at least four requirements:

- (i) A real commitment to compliance with Free Competition regulations;
- (ii) The identification of current and potential risks faced by the company;
- (iii) Inclusion of internal mechanisms and procedures that are consistent with these commitments, and;
- (iv) The involvement of Executives and/or Directors in the Compliance Program.

Moreover, in accordance with the same Promotion Guidelines, the following are the elements that may be included in a Compliance Program:



This Compliance Program has been developed in observance of FNE Promotion Guidelines No. 3, taking into account the specific characteristics of Arauco's business and the specific risks to which the company may be exposed.

According to the opinion of our external competition counsel, this Compliance Program complies with each and all of the requirements established by the FNE, and it includes all of the elements that this institution has determined as necessary.

Chapter I

Arauco's Free Competition Policy

1. Scope

This Policy is applicable to all of Arauco's employees and those of its affiliates in all of the countries in which the company operates ("Arauco Personnel").

2. General Policy

It is Arauco's policy to comply, without restriction, with all laws and regulations on Free Competition (i.e., competition or antitrust laws) of all the jurisdictions in which it develops its operations and businesses, and in any country in which it has sales or commercial relationships.

Arauco rejects any business or activity in contravention of such laws and regulations.

Chapter III of this Compliance Program explains general concepts related to Free Competition, governing laws and regulations, and the potential legal consequences that could result in the event of their breach (including, in some countries, potential criminal liabilities).

It is Arauco Personnel's duty to know these concepts and to observe at all times the principles explained in Chapter III.

In case of questions regarding the scope or practical application of regulations on Free Competition, Arauco Personnel shall submit an inquiry via the mechanisms described in Chapter II, thereby obtaining the necessary clarifications or instructions.

3. Relationships with Current or Potential Competitors

Arauco Personnel must decide, based on the best market alternatives, which products will be produced and delivered, to whom they will be sold, in which amounts, at what prices, and subject to which terms and conditions will be commercialized.

It is strictly forbidden to look for or enter into verbal or written agreements with current or potential competitors, if they are contrary to free competition law. Likewise, the selection of clients and suppliers must always be performed independently, never based on unlawful agreements with competitors.

In order to avoid the appearance of improper conduct, Arauco Personnel should not participate in private or public discussions with current or potential competitors in connection with the following matters (“Confidential Information on Free Competition”), unless otherwise authorized by the corresponding Legal Affairs Division:

1. Prices, discounts, margins, promotions or other sales terms and conditions;
2. Practices or trends of prices of suppliers, wholesalers, distributors and clients;
3. Bids, the intention to bid, or bidding procedures;
4. Projected production volumes;
5. Earnings or projected earnings margins;
6. Costs and projected costs;
7. Market shares;
8. Promotional, business and marketing plans;
9. Selection, rejection or relationship termination with clients or suppliers;
10. Refraining from selling or purchasing from certain individuals or companies (boycotts);
11. Credit conditions;
12. Freight charges or royalties; or
13. Allocations of territories, clients, lists of clients or client’s particular business.

It is also forbidden to unlawfully disclose or exchange Arauco's confidential information with Arauco's current or potential competitors.

Additionally, certain precautions must be taken when Arauco Personnel meet with competitors in a manner other than through legitimate commercial contacts, such as meetings with competitors that are also suppliers or clients, in relation to potential corporate transactions, or at industry conferences, commercial association meetings or other legitimate assemblies.

If any current or potential competitor asks Arauco Personnel to be a party to an illegal or questionable agreement, or if they are invited to illegally discuss, exchange or share confidential information, Arauco Personnel shall adopt the following measures:

1. Inform the party that it shall not discuss this matter;
2. Abandon the meeting immediately, evidencing such circumstance, if possible, in the minutes of the corresponding meeting; and
3. Immediately inform the corresponding Legal Affairs Division regarding the incident at hand.

In their relations with actual or potential competitors that Arauco's Personnel maintains within trade associations, they shall abide with the principles and provisions set forth in the preceding paragraphs.

It is relevant to mention that the provisions of this section do not prevent Arauco from executing collaboration agreements or joint ventures with its competitors, when such is done in pursuit of legitimate interests that do not violate competition regulations. However, considering that such agreements could involve regular interaction with competitors, Arauco's Legal Affairs Division shall always be informed of them, and it shall adopt all necessary measures to avoid the risks that may threaten Free Competition and applicable competition laws.

4. Relationship with Clients and Distributors

Fair commercial treatment shall be given to all distributors, traders, customers, and other entities with whom Arauco deals. The contractual clauses, requirements and

obligations shall be proposed, agreed and complied in an objective and impartial manner.

Arauco and its Personnel shall oversee that their commercial practices and competitive actions do not infringe Free Competition, nor that they appear to do so. Therefore, and with the purpose of acting preventively, Arauco Personnel shall act with due precaution and consult the corresponding Legal Affairs Division before engaging in any behavior that could encompass any of the following types of conduct:

- Attempting to limit the rights of Arauco's suppliers to sell to Arauco's competitors or to limit the right of its clients to purchase from Arauco's competitors;
- Executing agreements or understandings with distributors or traders with regards to the price that they shall collect from their clients;
- Offering different prices, discounts or other terms to clients or suppliers that exhibit similar characteristics or conditions;
- Demand that a client purchase Arauco products as a requirement to purchase a second Arauco product;
- Unjustifiably deny the sale of products that are regularly sold to other clients.
- Agreeing on contractual clauses or terms that could be considered disproportionate or abusive with regards to the counterparty.

5. Concentration Operations

Mergers, acquisitions, joint ventures and acquisition of assets and securities with voting rights could result in eventual Free Competition issues and, in some cases, result in information disclosure obligations (for instance, pre-merger notification requirements under the Hart-Scott Rodino Act in the United States of America or the Competition Act in Canada).

Arauco Personnel shall request the advice of the corresponding Legal Affairs Division when considering such activities.

6. Arauco Personnel's responsibility in term of complying with legal regulations

All Arauco Personnel shall comply with:

- (1) Laws and regulations that are applicable in the corresponding jurisdictions, and
- (2) Arauco's applicable policies, including, without limitation, those comprised in this document and any other specific policy that applies to them.

Moreover, Arauco Personnel shall apply due diligence to prevent infringements of laws, regulations and policies applicable to their business and jurisdiction, including any request for advice from their superior or the corresponding Legal Affairs Division, as applicable.

7. Cooperation with investigations conducted by Competition/Antitrust authorities

Arauco Personnel shall fully cooperate with all requests issued by Competition/Antitrust authorities. The existence of any request of this type must be communicated to Arauco's General Counsel for the direction of the process for responding to the authority in question.

The foregoing also applies in case that the request is issued by a Court of Justice.

8. Operations in new jurisdictions

Arauco's growth policy can trigger various investments, as is the case when deciding to conduct industrial operations in new countries. In this event, the company shall oversee that Arauco's operations in said country comply with the applicable competition laws and regulations of that country.

9. Sanctions in the event of detecting actions or omissions contrary to Free Competition Principles

In the event that Arauco Personnel are found to have participated in conduct infringing on these Free Competition principles, or otherwise violating the competition laws of the applicable jurisdiction, the Ethics Committee shall request an investigation of the matter, proposing the sanction to be applied, which could include the dismissal without severance (for example, in Chile) or the dismissal without expression of cause (as is the case for Argentina).

The foregoing is because the principles included in the Ethic Codes, which in turn include the provisions referring to Free Competition principles, are fundamental part of labor agreements.

Within this context, Arauco's employees shall be particularly careful, even in drafting their letters, emails or other written media, in order to avoid a third-party reading that could be interpreted as a proposal or an act that infringes Free Competition.

Chapter II

System for Inquiries and Reports

Inquiries

In the event that there are questions regarding the scope or practical application of the Free Competition regulation, or with regards to a concept included in this Compliance Program, Arauco Personnel shall submit their inquiry, in order to obtain the necessary clarification, guidance or instruction.

Inquiries may be submitted to each country's Legal Affair Division, or to Arauco's General Counsel, at the discretion of the person presenting said inquiry.

Inquiries may be submitted via telephone or email.

When inquiries refer to the legislation of countries other than Chile, Argentina, Brazil, Canada or the United States of America or to actions that shall be executed in, or render their effects outside of, said countries, such inquiries shall be submitted to Arauco's General Counsel.

Reports

Arauco Personnel have the obligation to report any event, act or circumstance that they have become aware of, in the exercise of their duties, that is an infringement of Free Competition.

Reports may be made through the following three mechanisms, at the discretion of the reporting party:

- (i) telephone or email communication to the Legal Affair Division at each country;
- (ii) telephone or email communication to Arauco's General Counsel; or
- (iii) through the Reports Procedure related to infringements to the Ethics Code, which is published on the company's website.

It is relevant to mention that this last procedure ensures the confidentiality and anonymity of the reporting party (if requested), and guarantees that there shall be neither retaliation nor discriminatory measures against the worker that submits the report.

Chapter III

Free Competition Regulation

Regulation and principles of Free Competition, as well as their application to daily operations and decisions, are complex matters which many times are not fully understood in their comprehensive scope. Thus, it is highly relevant that Arauco's executives and workers know and adequately comprehend the principles and laws that govern this matter in the countries where they conduct their activities.

By virtue of the above, we believe that addressing the fundamental principles pertaining to this matter would be beneficial.

What is Free Competition?

Many legal systems (such as in Chile or Brazil) do not define "Free Competition". In fact, the scope of what is considered "Free Competition" has been the subject of widespread debate, both domestically and internationally.

Nevertheless, in simple terms, it may be stated that the concept of "Free Competition" refers to the natural rivalry that exists amongst the various companies that compete in the same market. Hence, "Free Competition" would exist when the various agents that participate within a certain market act independently from one another, each of them seeking to increase their respective market shares and/or profits - in the short, medium or long term - free from any illegitimate circumstances that harm some or favor others.

Therefore, Free Competition should be deemed to be free markets, where buyers and sellers autonomously interact with each other for the purpose of efficiently assigning economic resources which, by definition, are always limited.

Free Competition laws and regulations in the countries where Arauco conducts its business are generally designed to promote it and to protect productive efficiency, barring the performance of certain acts and conduct whose purpose or effect is to limit, restrict, warp or distort competition or the access to the market damaging the general public interest.

What defines a Free Competition violation?

The law forbids and penalizes any party that engages in any conduct or agreement that prevents, restricts or hinders Free Competition, or which tends to produce such effects.

The specific determination of the acts or omissions that could constitute a violation to Free Competition regulations can vary between the various countries, but the general principles that govern these regulations are fairly similar.

An aspect that should be taken into account when assessing whether a given conduct goes against Free Competition is the effect that such conduct produced or the purpose sought. In this sense, any form of conduct that prevents, restricts or hinders Free Competition may be unlawful, as may be any type of conduct which tends towards or whose purpose is to produce such effects.

Free Competition laws and regulations do not require a specific form or manner of execution in order to constitute a Free Competition violation. For instance, unwritten agreements between competitors, as well as tacit agreements, could be deemed to be infringements of the regulations that protect Free Competition. Likewise, the exchange of information that is sensitive for competitiveness could be construed as being an illicit action. The analysis carried out by the competition authorities is strongly oriented by the potential effects of, or the purposes sought by, the act in question.

How can we know whether conduct infringes Free Competition?

Certain actions or omissions are, as a general rule, unlawful. However, in other cases, the assessment of whether a given action is illegal in light of the Free Competition regulations is a complex task, which involves the analysis of specialized legal and economic issues.

Among the most evident cases of anticompetitive behaviors is collusion between competitors, carried out with the purpose of obtaining improper economic advantages (such as raising prices or restricting output) or of excluding other competitors.

Several other types of conduct - both coordinated with other competitors and unilateral - can also be considered a violation of competition regulations.

For this reason, in some cases it is impossible to formulate beforehand a clear rule that allows us to ascertain with certainty whether a given action could be considered a Free Competition violation.

Accordingly, Arauco's workers should always refrain from carrying out any action that they believe could have potential anticompetitive effects.

What is the course of action when it is unclear as to whether a certain act infringes on Free Competition principles and rules?

When in doubt as to whether a certain action or omission could be contrary to Free Competition regulations, Arauco's workers must always refrain and immediately consult with the local Legal Affairs Division or with Arauco's General Counsel, who may provide advice in order to clarify any questions in this regard and can jointly determine if the specific act or omission must not be executed, if it can be executed or if certain measures must be adopted along with the conduct in order to ensure compliance with the regulations that protect Free Competition.

Is it true that only written agreements can infringe Free Competition?

No. **Any deed, act or agreement** that goes against Free Competition violates its principles and rules, whether or not any of them are set forth in writing. In this sense, Free Competition infringements can be perpetrated via individual actions, informal agreements, telephone conversations, e-mails, information exchanges or even through mere omissions (for instance, an arbitrary denial to sell a product to a client).

Insofar as an agreement or act may be deemed illegal, it is irrelevant whether or not it has been set forth in writing. Therefore, not only a written agreement, but any form of agreement or understanding—whether explicit or tacit—can be deemed to be illegal.

This means that even an agreement that has not been expressly adopted - such as an agreement adopted through suggestions or signals between two competitors - could be called into question (for instance, an agreement reached via the publication of implicit messages in the newspaper).

What consequences could arise from conduct that is contrary to Free Competition?

The sanctions established by the laws and regulations governing Free Competition are extremely serious, both for the company as well as for the individuals involved.

For instance, in Chile, fines can amount to approximately US\$ 29 million in the case of collusion, and to approximately US \$19 million regarding other conduct.

In Argentina, the applicable fines can amount to a maximum of AR\$ 150,000,000, and, for repeat offenders, fines can be doubled. Furthermore, in the event that certain requirements set forth by the law are breached, penalties of up to AR\$ 1,000,000 (approximately US\$ 203,000) per day can be applied.

In the United States, a company accused of criminal violations of the US antitrust laws may be fined up to twice the amount of the illgotten gains from the illegal conduct, or twice the loss suffered by the victims of the conduct. In addition, individuals involved in illegal conduct may face up to 10 years in prison in addition to significant fines. Violators of the US antitrust laws may also face civil lawsuits—either by the government regulators or private claimants—seeking damages up to 3 times the loss suffered by victims of the alleged conduct.

In Canada, the penalty for participating in an illegal agreement to fix prices, allocate markets or reduce output is a maximum fine of C\$25 million or, in the case of an individual a maximum fine of C\$25 million, up to 14 years in prison or both. The penalty for illegal bid-rigging is a fine in the discretion of the court or, in the case of an individual a fine in the discretion of the court, up to 14 years in prison or both. Violators of Canada's competition law may also face civil lawsuits seeking single damages for the loss suffered by victims of the alleged criminal conduct. The Competition Tribunal also has the ability to issue administrative monetary penalties where the Tribunal finds that a company has engaged in certain non-criminal conduct (e.g. abuse of dominance).

These sanctions may not only affect the companies, but also directors, officers, managers, agents, attorneys, executives or employees that have participated in the infringement. It is relevant to mention that in some jurisdictions - such as Chile - the law provides that any fines imposed to individuals may not be paid by the

legal entity at which they worked, or by any other entities belonging to the same business group, or by the partners or shareholders of either one.

Besides the fines, the authorities of each country are entitled to impose other measures designed to correct, prohibit or prevent violations of Free Competition laws, such as the amendment or termination of acts and agreements, the modification and dissolution of companies, etc.

In several jurisdictions, the law sets forth criminal penalties for those who willfully violate Free Competition regulations (for instance, Brazil, the United States of America and Canada).

Why is “collusion” frequently referred to as anticompetitive conduct?

Unlawful agreements between competitors are normally considered one of the most serious violations, because of the gravity of the damages that they can cause.

However, Arauco’s employees must also take into account that the conduct penalized by Free Competition laws include the performance of unilateral actions.

Normally, this type of conduct shall be penalized if the party performing certain unilateral actions has market power such that it is considered "dominant", and to the extent that said conduct is an abuse of a dominant position.

Are all agreements between competitors illegal?

No. There are agreements – such as some collaboration or joint venture agreements – that are perfectly valid and can even promote Free Competition and generate several market efficiencies (for instance, certain agreements for the development of new technologies).

One of the most relevant aspects to bear in mind when analyzing whether an agreement between competitors could be called into question, is the aim pursued by the agreement, or the effect that it could produce in the market.

If the agreement grants market power to its participating competitors, and its purpose or effect is to violate Free Competition, the agreement could be questioned.

Thus, Arauco's workers should absolutely refrain from entering into unlawful agreements with competitors. When in doubt regarding the lawfulness of a potential agreement, the Legal Affairs Division should be consulted.

Besides collusive agreements, what other conduct may be deemed to be contrary to Free Competition?

As indicated, there is no catalogue describing with precision every conduct against Free Competition, since what it is prohibited, in broad terms, is any deed, action or agreement that prevents, restricts, limits or impairs Free Competition, or which tends to produce such effects. In addition, regulations vary depending on the applicable country.

Nonetheless, the following actions serve as examples of potential Free Competition violations in certain countries:

- Price discrimination, i.e. charging different prices to customers who are placed in the same objective position.
- Bid-rigging
- Unjustified refusal to deal, i.e. the refusal to sell goods, provide services, or in general to deal with whomever so requires, without reasonable justification.
- Imposition of tying and bundling, in order to condition or the sale of one product to the acquisition of another in which the purchaser was not independently interested.
- Imposition of abusive procurement conditions, such as resell prohibitions, unjustified restrictions to the use of goods or services, etcetera.
- Imposition of resell prices, whereby distributors are forced to resell the acquired products at a certain price.
- Allocation of market quotas or zones, which, in simple terms, takes place when the supplier shares out or divides the market between its distributors.
- Creation of artificial barriers that prevent or impair the entry of new

competitors to a certain market.

- Predatory pricing policies
- Unfair conduct, such as misleading advertising, abuse of trademarks, or harassing or boycotting competitors, provided that such actions aim to achieve, preserve or increase a dominant position.
- Subjecting the purchase or sale to the condition of not using, acquiring, selling or supplying goods or services produced, processed, distributed or marketed by a third party.

Any Arauco employee that is unclear regarding any of these matters must consult the corresponding Legal Affairs Division.

Which are the public entities involved in the preservation of Free Competition?

Chile: The entities to which the preservation of Free Competition has been entrusted by Law are mainly two: the *Tribunal de Defensa de la Libre Competencia* (Antitrust Court), which is the specialized and independent court responsible for preventing, correcting and sanctioning anti-competitive behaviors; and the *Fiscalía Nacional Económica de Chile* (Chile's National Economic Prosecutor), whose main functions are the commencement of investigations and the representation of the public's general interest in the economic order before the Antitrust Court and other courts of justice.

Argentina: The *Ley de Defensa de la Competencia* (Defense of Competition Act) orders the creation of a *Tribunal Nacional de Defensa de la Competencia* (National Antitrust Court) in order to apply and control compliance of the law. However, the referred Court has not been created yet. Therefore, the authority regarding Free Competition affairs in Argentina is the *Comisión Nacional de Defensa de la Competencia* (National Commission for the Defense of Competition), which is responsible for preliminary investigations, while the *Secretario de Comercio Interior* (Secretary of Commerce) is the one called upon to issue the corresponding decisions, prior opinion given by the National Commission for the Defense of Competition.

Brazil: The *Consejo Administrativo de Defensa Económica* (CADE) (Administrative Council of Economic Defense) is the entity responsible for the application of the competition laws within the administrative realm in Brazil. It is an agency related to the Ministry of Justice, composed by the *Tribunal Administrativo de Defensa Económica* (Administrative Court of Economic Defense), a General Superintendent and a Department of Economic Studies. The CADE has the support of the Federal Prosecutor and a specialized Federal Attorney General (Pro CADE).

United States of America: The application and enforcement of Free Competition laws is the responsibility of two governmental entities, the Federal Trade Commission (FTC) and the Antitrust Division of the Department of Justice (DOJ). Moreover, it is fairly common that Free Competition matters are subject to private litigation in the United States (Private Antitrust Litigation). In other words, in the United States private citizens who are affected by anticompetitive behaviors under the Free Competition laws are able to claim damages in court.

Canada: The application and enforcement of the Competition Act is the responsibility of the federal Competition Bureau, led by the Commissioner of Competition. Where, as a result of a Bureau investigation, the Commissioner believes that there is sufficient evidence to establish that a criminal offence has been committed, he refers the matter to the Public Prosecution Service of Canada, an independent agency having responsibility for the assessment and initiation of federal prosecutions. Where the Commissioner believes that a party has contravened one or more of the non-criminal provisions of the Competition Act, he files an application with the Competition Tribunal. The Tribunal is an administrative tribunal consisting of a rotating panel of lay and judicial members with expertise in business, economics and the law, and has exclusive jurisdiction to hear and determine non-criminal matters under the Competition Act.

What actions or omissions are prohibited for Arauco's employees pursuant to the Free Competition laws and regulations?

People who work at Arauco must at all-times act in accordance with the Free Competition laws and regulations of the country in which they work. Notwithstanding, Arauco Personnel must have special regard with respect to the following principles, avoiding any action or omission that may breach them and which may be deemed a violation of a Free Competition regime:

- a) Agreements with competitors and other conduct in concert with competitors must be avoided, including the exchange of information, which violate the applicable Free Competition laws.
- b) Abuse of dominant position is forbidden.
- c) Establishing predatory Pricing is prohibited.
- d) Unfair Competition practices is also prohibited.
- e) Special consideration should be taken in case of mergers or when acquisitions occur.

Beyond the above-mentioned examples, Free Competition regulations in different countries commonly contain lists of prohibited behaviors which are not exhaustive, which means that any conduct that restricts or limits Free Competition, that impairs access to a market or which gives rise to a dominant market position, in detriment to the Free Competition principles, will be punished.

What can be done if you are unsure whether an activity to be undertaken is contrary to the Principles and Regulations of Free Competition?

There are some delicate areas where it is necessary to undertake a proper analysis prior to determining whether Free Competition laws and regulations may be breached.

As already expressed, if any of Arauco's employees are unsure as to whether an activity to be undertaken may or may not be contrary to Free Competition regulations, they must contact, through the Manager of their respective area, the Legal Manager of their country or Arauco's General Counsel, who may suggest the applicable measures to eliminate or mitigate the associated risks which we would face in case of violation of the competition laws.

The following examples are situations that could give rise to Free Competition violations, depending on the circumstances:

- a) Joint activities with current or eventual competitors.
- b) Activities in industry-specific trade unions where competitors gather.
- c) Contractual limitations imposed by suppliers or customers.

- d) Exclusivity or non- compete clauses.
- e) Suggestions of prices to distributors.
- f) Pricing or rebate policies that entail differences in favor of different customers or suppliers.
- g) Merger or acquisition of companies or important assets.

Chapter IV

Training and Communication Program

Every year Arauco's General Counsel shall prepare an agenda of programs and training sessions on Free Competition affairs. This agenda must include at least the following:

- a) A biannual lecture on Free Competition addressed to the Board members of Celulosa Arauco y Constitución S.A.
- b) A biannual lecture on Free Competition addressed to the Corporate Managers of Celulosa Arauco y Constitución S.A.
- c) Communication programs on Free Competition affairs addressed to the Workers.
- d) Training sessions addressed to task forces composed of people of similar hierarchy and exposed to similar risks.

For the implementation of the programs and training sessions, Arauco's General Counsel may procure external advisors he may deem convenient.

Chapter V

System of Verification of Compliance with Free Competition Laws

Internal Program

Arauco's General Counsel shall elaborate an internal program aimed to detect risks associated with the Free Competition regulations. To this effect, he may hire Free Competition experts, especially within the economic and legal areas.

This task shall be conducted in all the countries where the company has productive activities and relevant sales. The first identification work shall be conducted in Chile during 2014. Thereafter, it shall be conducted in the United States of America, Canada, and Argentina during 2015. Once the foregoing is completed, it shall be conducted in Brazil during 2016.

The stages of this Program are the following:

- a) Research.
- b) Identification of risks.
- c) Determination of the mitigation measures regarding such risks.
- d) Audit of compliance with such mitigation measures.

Program and Reports

The Program shall have important input into the reports that may be made by Arauco Personnel or third parties having knowledge of an eventual violation to the Principles of Free Competition.

Chapter VI
Other Relevant Aspects of this Compliance Program

Annual Reporting to the Board

Arauco's General Counsel shall report to the Board regarding the implementation status of this Program at least once a year.

Identification of contractual matters that must consider the Free Competition Principles

When applicable, the contracts entered into by the company must contain the clause of Free Competition Defense that has been drafted by the Legal Affairs Corporate Division.

Annual Performance Assessment

The violation of the Free Competition Principles and this Program shall be considered when assessing the performance of the company's workers.