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CHIEF EXECUTIVE'S STATEMENT





I am pleased to present Empresas Copec's third Sustainability Report, a document that consolidates the work carried out by our affiliates in social, environmental, economic and corporate governance matters for our 2017-year results.

Its purpose is to account for the efforts we carry out at creating sustainable value in each of our business areas.

Sustainability reporting originates in the late 80's, a period which was solely focused on the environmental dimension of sustainability. Throughout the last decades, the model evolved at the pace of social change along with expectations that arose from the business world. In less than 40 years it went from being an option to becoming an imperative, as productive development became increasingly connected to environmental and social challenges (which now concerns us all).

Extending benefits to diverse and complex counterparties, safeguarding our ecosystem and responding to today's ethical standards, which is demanded by a hyperconnected world, are part of today's management requirements. This mandate has been part of Empresas Copec's DNA from its beginnings and is manifested through its commitment in contributing to our country's development and achieving its main challenges.

Our goal is that this lifetime commitment becomes more known and valued by our counterparties. A sustainable future is a common task, and with each report, we mark our company's commitment

in achieving such goal. Therefore, with determination, flexibility, long-term vision, and with the necessary humbleness, we will continue learning and improving towards achieving this objective.

This report, as well as the preceding ones, are part of the Global Reporting Initiative (GRI) model, which is used by more than 10,000 companies around the world for preparing their sustainability reports.

Through it we can account on how in 2017 our affiliates have continued to take advantage of opportunities, which have been aimed at multiplying social and economic benefits in the territories they are located, through numerous housing, startup programs and shared value development projects, as well as initiatives linked to education, culture and sports.

Among them, the work agreement signed by Arauco with the Chilean Government stands out. Within the context of the devastating fires that affected our country in 2016-2017, this agreement takes advantage of the experienced gathered while carrying out the Sustainable Reconstruction Plan of Constitución (PRES), which was used to rebuild the towns of Santa Olga, Los Aromos and Alto Los Morán.

Additionally, Arauco gave life to the "De Raíz" Forest Renewal Plan which was co-designed with communities, authorities and international experts. The Plan sets four action lines to address the challenges posed by global change as well as those created by the largest rural fire in our country's history.

dynamic reality that encourages us to adapt, driving us to permanently raise our standards, and pushing us to anticipate social demands through innovation and by creating new user-driven models. 55

For its part, Abastible created an alliance with Fundación Reforestemos Patagonia to help raise greater awareness regarding environmental care, bringing attention to the consequences of indiscriminate forest biomass consumption, deforestation and fires, among others. In addition, it keeps on helping Red de Alimentos and other institutions committed with solidarity actions.

Meanwhile, Copec has renewed the Viva Leer Program, which on its first phase built 75 school libraries, which are open to the community throughout Chile, benefiting more than 34,000 students and their families. On its second phase, Viva Leer will enable 45 new libraries within a five-year period, and will continue promoting reading habits, through editorial collections, which will be available in their service stations network.

One of Empresas Copec's historic focuses has been aimed at helping improve educational standards. Our companies continue delivering, together with financial resources, time, experience and guidance to institutions such as Enseña Chile, whose benefits are perceived by more than 60,000 students; and Belén Educa, who possesses 12 schools of which 13,000 students come from vulnerable districts.

Another fundamental dimension in the way we carry out our activities is by putting our research skills, our applied technology and continuous training at promoting the sustainable use of natural and energy resources. Our fuel affiliates carried out a series of environmental improving investments during 2017. Terpel stands out for reducing its energy consumption, thus, modifying its overall consumption figures. In Chile, its parent company, Copec, implemented an energy-saving plan that adds to that of Renova Copec, whose objective is to increasingly reduce its environmental footprint in Service Stations.

For more than 20 years, Arauco has been producing energy from forest biomass. Currently, the company's operations are not only self-sufficient at an energetic level, but they also produce surpluses that are delivered to the National Electric System.

The company has positioned itself as one of the main clean energy producers in Chile.

Efficiently managing water resources, monitoring and protecting biodiversity, along with the urgent challenges that climate change poses are also central issues on Empresas Copec's agenda. In 2017, Abastible and Orizon started measuring their carbon footprint, joining Copec, Terpel and Arauco. All the affiliates follow the GHG Protocol standard established for this matter.

Far from being one-time actions, all these efforts are part of an increasingly dynamic reality that encourages us to adapt, driving us to permanently raise our standards, and pushing us to anticipate social demands through innovation and by creating new user-driven models.

All affiliates are making systematic efforts to incorporate new technologies and digitalizing their commercial and productive processes. Arauco began in 2017, the reconversion project of the Valdivia plant, which will allow it to produce textile pulp, a product of high added value, improving its competitiveness in the cellulose global industry. Copec and Abastible, for their part, upgraded their software solutions to respond to new consumption demands, offering customers more practical, comfortable and safer shopping experiences.

On a national scale, the Fundación Copec - UC and the Innovation Center UC - Anacleto Angelini consolidate themselves as a virtuous ecosystem for innovation. The Innovation Center launched the first R & D + I Business Laboratory with Corfo's support. Similarly, it created the Chile Innovation Network, RICh, which brings different innovation centers in Chile together around the common objective of strengthening innovative drive. Fundación Copec, therefore, continues the route that began 15 years ago, a period throughout which it has supported 98 research fields, offering technical, commercial and financial support, amounting to more than MMCh\$ 7,000, with patents granted, some of which have already generated royalties.

of the road covered during this last period. It is satisfying to point out how much we have advanced, always seeking to reconcile responsible growth, corporate vision and sustainability. 99

The underlying fact behind all these initiatives is that in 2017 all our affiliates showed sustained growth.

In Chile, the Board recently approved the Modernization and Expansion draft of Planta Arauco, MAPA, of US\$2,350 million, which represents the largest investment carried out in the company's history. MAPA will consolidate Arauco as the second pulp exporter in the world, producing economic, social and environmental benefits for the Biobío region and the country.

In Mexico, the company agreed to purchase Masisa's assets in three industrial complexes located in Chihuahua, Durango and Zitácuaro, as well as in Ponta Grossa and Montenegro, in Brazil.

In the United States, Arauco advanced in building its panel plant in Grayling, Michigan.

Copec, for its part, successfully concluded its business integration process with ExxonMobil in Colombia, Peru and Ecuador. This will allow strengthening its competitive position in these strategic markets of the South Pacific Coast, thanks to the world leading brand in lubrication technology. The process was marked by regulatory, technical, operational and human resource challenges, but was carried out successfully.

Copec also continues making strong progress in consolidating Mapco's operations in the United States, a challenging market that provides huge opportunities, in terms of growth as well as in learning.

Abastible continued developing the infrastructure that is needed to meet its customer's requirements in Chile, Colombia, Ecuador and Peru. The affiliate has set itself the challenge of becoming a world-class regional company and so far, it strongly heads towards that goal.

Behind each one of these initiatives is the invaluable work carried out by all our employees, who are Empresas Copec's driving force. By the end of 2017, our workers, at a consolidated level, reached more than 34,000 people, of which 10,000 or more are women. Consequently, our companies have understood the essential role they play, and therefore they have undertaken the commitment aimed at promoting training instances that deliver key skills, so that our employees can efficiently perform their duties.

In fact, last year 676,274 hours of training were delivered to our team members.

This is an overall look at some examples of the road covered during this last period. It is satisfying to point out how much we have advanced, always seeking to reconcile responsible growth, corporate vision and sustainability.

In this context, we appreciate our presence in the Dow Jones Sustainability Index Chile, FTSE4Good Emerging Index, MSCI Sustainability Index and, since 2017, in the Dow Jones Sustainability MILA Index.

At Empresas Copec we know we have the capacity to timely figure out signals by means of designing strategies with adaptive capacity that guarantee sustainable prosperity for shareholders, customers, workers, suppliers and communities.

I appreciate the efforts carried out by all those who participated in preparing this report and especially those in charge of continuously improving the indicators included herein. This is a material whose quality improves year by year, registering the work we carry out through conscious business activity criteria, that is, Empresas Copec's criteria.

Eduardo Navarro Beltrán Chief Executive Officer

hief Executive Officer Empresas Copec



Empresas Copec is characterized by its business strategy that focuses on delivering an attractive level of profitability to its investors in the long term, and by contributing to not only Chile's development, but also to that of the other countries where it operates, using practices that are based on the best sustainability.

The Company is involved in two major areas of activity: natural resources, in which it has clear competitive advantages, and in energy, closely linked to the growth and productive development of countries.

In the forestry sector, it is present through its affiliate Arauco, which produces market pulp, panels, sawn wood and energy, and is also the company with the largest forest heritage in South America.

It also participates in distributing liquid fuels, lubricants and liquefied gas through its affiliates Copec, Mapco, Terpel, Abastible, Duragas, Solgas, Inversiones del Nordeste, Sonacol and its associate Metrogas.

Empresas Copec participates in the fishing business through its affiliate Igemar, present in the northern and central-southern areas of the country, producing fishmeal and fish oil, preserves, frozen and Omega 3 concentrates.

In addition, it is involved in metallic mining, through Alxar; in coal mining, through Mina Invierno, and in the real estate business, through Inmobiliaria Las Salinas.

In each of these areas, the company promotes the relevant investment programs to increase the scale of its operations, expand its borders, take advantage of synergies and ensure the sustainability of its activities.

Empresas Copec has important production platforms in Chile, Germany, Argentina, Brazil, Canada, Colombia, Ecuador, Spain, the United States, Panama, Peru, Portugal, the Dominican Republic, South Africa and Uruguay, and markets its products in more than 80 countries in five different continents.



2.1. MISSION AND VISION



MISSION

Empresas Copec is a world-class company, which seeks to provide an attractive long-term return for its investors and contribute to the development of Chile and of the countries where it undertakes its productive and commercial operations.

To achieve this, it mainly invests in energy and natural resources, and generally business areas where it can create sustainable value. While undertaking its operations, it strives to be a good citizen and look after and honor the interests of shareholders, employees, partners, suppliers, customers, communities and all the parties with whom it is in some way involved.

Empresas Copec performs its productive and commercial operations with excellence, and all its decisions are carried out according to the highest ethical and transparency standards.

VISION

Contribute to society by generating the greatest value possible, which sustainably benefits shareholders, employees, suppliers, customers and the communities around its operations, by means of efficient, responsible, innovative and quality management in all its processes.

Promote the sustainable use of the natural and energy resources of the environment, investing in research, technology innovation and training to gradually, continually and systematically prevent and reduce the environmental footprint of its activities, products and services.

Provide to all customers quality products continually over time, motivating its suppliers to participate in its value and quality chain.

Safeguard safety and occupational health, striving to continually and steadily reduce the safety risks of its operations and services.

Create conditions for the development of all the people who belong to the company, promoting a workplace of respect, honesty, professional quality, training and teamwork.

Forge permanent relations of mutual collaboration with the communities around its operations, supporting their development.

Maintain transparent and honest communication with the different major players for the company.

Comply with the regulations in force, contractual obligations and other commitments regulating its business and, whenever possible, exceed the standards established.

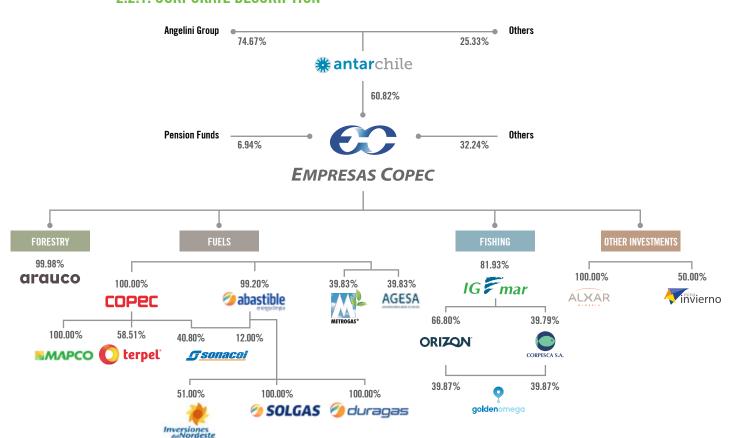
Have and apply systems and procedures to manage the business risks, regularly assessing performance in all the processes and adopting the timely corrective action needed.

Disseminate these commitments to its employees, contractors and suppliers, getting this policy implemented with everybody's collaboration and effort.

Work with dedication, correctly, honestly and with excellence, and to be true to the values and policies of Empresas Copec.

2.2. EMPRESAS COPEC AND ITS SUBSIDIARIES

2.2.1. CORPORATE DESCRIPTION



2.2.2. OWNERSHIP STRUCTURE





www.arauco.cl

Arauco is one of the leading forestry companies in Latin America in terms of its area and plantations yield, pulp, wood and panel manufacturing, as well as being an increasingly relevant player in generating clean and renewable energy.

The company offers a wide variety of renewable and quality forest products, which create solutions aimed at improving people's lives in the paper, building, packaging, furniture and energy industries.

Its products are marketed in five continents, through representatives, sales agents and commercial offices present in 33 countries, and an efficient distribution and logistics chain, which in 2017 enabled the delivery of its products via 240 ports, reaching more than 4,120 customers.

The company stands out due to the fact that its facilities and forest heritage are certified under the highest national and international standards related to corporate governance, environment, quality, health and safety protection and responsible forest management.

Empresas Copec owns 99,98% of Arauco's property.

hectares in Chile,

Argentina, Uruguay and Brazil

28 panel

7 wood pulp

9 sawmills

11 power generating plants

of the forest heritage is native

m³ of panels produced in Chile, Argentina, Brazil, USA, Canada, Spain, Portugal, Germany and South Africa

tons of pulp produced in Chile, Argentina and Uruguay

2.6 million

m³ of timber produced in Chile, Argentina and Spain

installed capacity in Chile, Argentina and Uruguay



www.copec.cl/www.terpel.com

Copec markets and distributes fuels and lubricants in Chile. Through its affiliate Terpel, it markets and distributes liquid fuels in Colombia, Panama, Ecuador and Peru, and natural gas in Colombia and Peru. It also supplies aviation fuel at the main airports in Colombia and in the Dominican Republic. Meanwhile, in the United States, through its affiliate Mapco, it operates in the service stations and convenience stores network in the southeast of the country, specifically in the states of Alabama, Arkansas, Georgia, Kentucky, Mississippi, Tennessee and Virginia.

The business strategy is focused on offering the consumer a quality and differentiated service, within a modern and friendly infrastructure.

Empresas Copec owns 100.00% of Copec's property.

On the other hand, and through Copec, Empresas Copec owns 56.51% of Terpel's property. 644

service stations between Arica and Puerto Williams

2,234

service stations in Colombia, Ecuador, Panama and Peru 9.8 million

7.2 million

m³ of fuels sold in Colombia

346

service stations and convenience stores in United States



www.abastible.cl

Abastible commercializes liquefied gas for residential and industrial use in cylinders and in bulk; it supplies liquefied vehicle gas to taxis and companies' fleets through Autogas service stations; it supplies liquefied gas to vessels under the Nautigas brand and offers dualuse solutions for liquefied gas and solar energy for heating sanitary water. The company is currently one of the main distributors of liquefied gas in the Chilean market and is the third largest distributor in South America.

In Colombia, it owns Inversiones del Nordeste, a company that commercializes liquefied gas for residential and industrial use, through the companies Asogas, Gasan, Norgas, Colgas de Occidente and Gases de Antioquia. In addition, it owns 33.33% and 28.22%, respectively, of the gas distribution companies Montagas and Energas.

Meanwhile, through its affiliate Duragas, it commercializes liquefied gas for residential, commercial, industrial and vehicular use in Ecuador, and through the affiliate Solgas, it commercializes liquefied gas for residential, industrial and vehicular use in Peru.

Empresas Copec owns 99.20% of Abastible's property.

On the other hand, through Abastible, Empresas Copec has 50.59% ownership of Inversiones del Nordeste, 99.20% in Solgas and 99.19% in Duragas.

10 storage and bottling plants

472 thousand tons of liquefied petroleum gas sold in Colombia

3.7 million of cylinders in Colombia

4 plants
of storage and
packaging in Ecuador

426 thousand tons of liquefied petroleum gas sold in Ecuador

4 million of cylinders in Peru

6.5 million bottles in Chile

26 plants of storage and packaging in Colombia

215 thousand tons of liquefied petroleum gas sold in Colombia

4 million of cylinders in Ecuador

7 plants
of storage and
packaging in Peru

518 thousand tons of liquefied petroleum gas sold in Peru



www.orizon.cl

Orizon produces fishmeal and fish oil, frozen jack mackerel, mussels and cuttlefish, and canned fish and Chilean mussel, which are all marketed under the Atlas, Colorado, Lenga, San José and Wirenbo brands. In addition, the company sells canned tuna under the Colorado and San José brands, and rice and legumes under the San José brand.

This wide range of products stands out for its quality and nutritional value and they are developed under demanding quality and safety standards. Fishmeal, fish oil and preserves are mostly sold within the domestic market, while frozen products are sold mainly in Russia, Spain and Chile.

Empresas Copec, through Igemar, holds 54.73% of Orizon's ownership.

of fishmeal and fish oil which have a total production capacity of 290 tons of feedstock per hour

plant

of canning products in Coronel, with a capacity to process 20,000 boxes per day

plant

of frozen products in Coronel, with a production capacity of 420 tons of product per day

of canned and individual quick freeze products (IQF) in Puerto Montt, with a production capacity of 200 tons of frozen products and 2,000 canned food boxes per day

of frozen products in Coquimbo, capable of processing 100 tons of products per day

1 plant

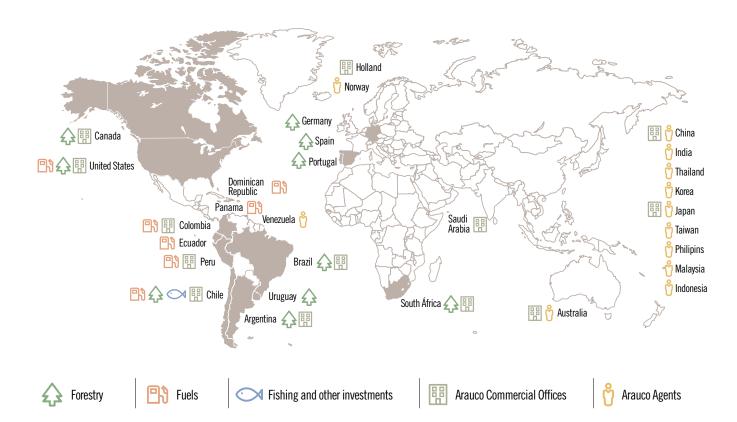
of canned food products in Coquimbo, capable of producing 5,000 boxes per day, of 24 units each

393 hectares

of operating concessions in Los Lagos Region for the cultivation of mussels

tons of fish processed

2.3. INTERNATIONAL PRESENCE



2.4. MAIN FIGURES

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2.5. SUSTAINABILITY IN EMPRESAS COPEC

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Empresas Copec's Corporate Sustainability Policy establishes the general principles and guidelines for developing activities that are in accordance with the highest sustainability standards in terms of transparency, integrity, constant improvement, precaution and prevention, and protection and conservation of the environment.

It also outlines the roles and responsibilities for its compliance of the Board, General Management, personnel, consultants and contractors, reaffirming the Company's and its affiliates' permanent commitment to responsible and sustainable business management.

It should be noted that Empresas Copec's Board is responsible for ensuring compliance with this Policy and for following up on the main sustainability initiatives. Likewise, the affiliates' Boards must ensure compliance with the Policy within the framework of their respective companies.

Details of the Sustainability Policy are available on the following website: http://www.empresascopec.cl/wp-content/uploads/2016/02/Sustainability-Policy.pdf

| STAKEHOLDERS | GUIDELINES | FORM OF ENGAGEMENT | |
|----------------------------------|---|--|--|
| Shareholders | Ensure long-term value creation for shareholders. | Corporate website | |
| | Keep shareholders informed about the different risks that may affect the | Investor website | |
| | company. | Share department | |
| | | Mobile app | |
| | | Institutional magazine | |
| | | Email / telephone | |
| | | Investor Relations area | |
| Investors and financial analysts | Forge sound relations with current and potential investors, with the aim of helping them to get to know the company and promoting transparency. | Corporate website | |
| | neiping them to get to know the company and promoting transparency. | Investor website | |
| | | Mobile app | |
| | | Conference call | |
| | | Email/telephone | |
| | Keeping investors informed about the progress of business, investments | Presentation of results | |
| | and projects, besides the different risks that may affect the company. | Press release | |
| | | National and international conferences | |
| | | Meetings | |
| | | Investor Relations area | |
| Employees | Prevent work accidents and occupational diseases. Foster a work environment of respect, honesty, professional quality and teamwork. | Corporate website | |
| | Safeguard the human development of all the company's members, fostering diversity, collaboration and ongoing training on sustainability. Comply with the legal regulations on freedom of association. | Institutional magazine | |
| | | Code of Ethics | |
| | | Internal regulation | |
| | | Other corporate documents | |
| | | Whistleblowing hotline | |
| Customers | Contribute to the development of operations that enable customers to achieve their own sustainability goals. Provide customers with a responsible and sustainable product and/or service offering. | Corporate website | |
| | Strive to deliver innovative and quality products and services that meet customer needs and expectations. | | |
| Host communities | Develop company activities in harmony with the social and environmental surroundings. | Corporate website | |
| | Prevent and mitigate the possible negative impacts caused by the company's activities. | Institutional magazine | |
| | Implement community engagement programs and projects that create value in the areas where the company undertakes its activities. | Email / telephone | |
| Suppliers and contractors | Safeguard the timely payment of fair prices. | Corporate website | |
| | Maintain a strictly independent relationship, always giving priority to factors | Institutional magazine | |
| | of profit, quality, opportunity and budget that are in the company's best interests. | Email / telephone | |
| Society | Contribute to the development of society by means of responsible, | Corporate website | |
| | permanent and mutually collaborative relations in areas such as education, innovation, housing and sports. | Institutional magazine | |
| | | Annual Report | |

2.6. CERTIFICATIONS AND RECOGNITIONS

102-12

2.6.1. CERTIFICATIONS

Arauco has ISO and OHSAS International Certifications in all of its industrial facilities, and permanently implements training plans to enhance its management in risk prevention, compliance with safety standards, the identification of possible contingencies and the use of prevention tools, among others. Likewise, the company's forestry assets in Chile, Argentina, Brazil and Uruguay are managed under Responsible Forest Management practices and are mainly intended to meet their own industrial needs. These forests are managed in a sustainable manner and the processes of production are certified in accordance with the highest standards worldwide. During the year 2017, the 4th FSC® follow-up audit was successfully carried out (Forestal Arauco FSC License Code: FSC - C108276) in Chile; in Argentina the PEFC Certification in Forestal Misiones was obtained and in Brazil, the CERFLOR-PEFC Certification.

Terpel holds the ISO, OHSAS and NORSOK Certifications for the commercialization, transportation, operation and fuel supply, in addition to the ISO and OHSAS for the production, marketing and distribution of lubricants.

Duragas' operations were certified under the ISO 14,001 standard, as well as Solgas' operations in Peru. The latter, in its Callao storage facility, was simultaneously accredited in three international standards: ISO 9.001, for quality management; ISO 14.001, for environmental management, and OHSAS 18.001, for operational health and safety.

Orizon has the Aquaculture Stewardship Council Certification (ASC) for its cultivation centers in Puerto Montt and in the Plant's chain of custody, which guarantees their consumers, buyers and marketers that their products meet the highest standards in sustainability, quality, social and environmental security matters. Furthermore, the company has the IFFO-RS Certification for its Coquimbo and Coronel flour plants, whose main purpose is to ensure the sustainability of fishery resources.

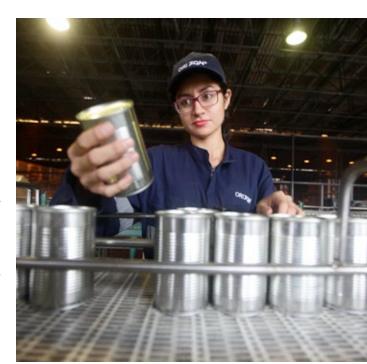
2.6.2. RISK RATING

During 2017, the risk rating company Feller Rate reaffirmed the rating and outlook granted to Empresas Copec, ratifying them in First Class Level 1. Likewise, it established in AA- its classification of solvency.

Similarly, Fitch Ratings confirmed the Company's classification in category Level 1, and assigned AA- to its solvency.

Regarding international classifications, both Standard & Poor's as Fitch Ratings established the risk classification BBB.

For its part, Fitch Ratings confirmed the classification of Terpel in AAA for its soundness and profitability.



2.6.3. RECOGNITIONS

01.

EMPRESAS COPEC

Was nominated as one of the leading companies in terms of Sustainability, Corporate Governance and Investor Relations, according to the ALAS20 ranking carried out in Chile, Peru, Colombia and Mexico.

04.

SONACOL

For the 7th year in a row, was certified in the Competitive Company Program of the Mutual de Seguridad ", with the "PEC Excelencia" qualification.

07.

TERPEL

Was recognized as one of the top 100 companies with the best corporate reputation, according to the Empresas y Líderes Colombia 2017 Merco ranking. It also received the Investor Relations (IR) recognition from the Colombian Stock Exchange, for providing legal, financial and commercial information in a transparent, timely and truthful manner.

02.

ABASTIBLE

Earned the first place in the National Customer Satisfaction Award, in the Bottled Gas Sector category, and it was recognized as one of best companies with service experience, according to the latest Praxis Xperience Index Ranking..

05.

INMOBILIARIA LAS SALINAS

Obtained the LEED ND V4 sustainability certification (Leadership in Energy and Environmental Design), thus becoming the 3rd project in the world and the first in America to earn this standard. Additionally, the Master Plan earned the Honor Award in Analysis and Planning, from the Boston Society of Landscape Architects, for the avant-garde design and landscaping architecture planning.

08.

MINA INVIERNO

Received the 2017 National Mining Society Award, in the medium-scale mining category, for its contribution to sector development.

03.

COPEC

Earned the first place in "Service Stations" of the National Consumer Satisfaction Award, and was recognized as one of the ten companies with the best Corporate Reputation, according to the 2017 RepTrak Chile study.

06.

METROGAS

Earned the first place of the ProCalidad National Service Award, in the Piped Gas category. It was also recognized by the Corporate Reputation Monitor, Merco, for its social responsibility and corporate governance practices.

09.

ORIZON

Received a 3-year certification from the Aquaculture Stewardship Council (ASC), for its crop centers in Puerto Montt and the Plant's chain of custody. Thanks to this certification, the company guarantees its consumers, buyers and marketers that its products meet the highest Sustainability, Quality, Safety, Social and Environmental standards.



3.1. CORPORATE GOVERNANCE

102-18 / 102-22 / 102-23 / 102-24 / 102-26 / 102-27 / 102-28



The principles that govern the Corporate Governance behavior and functioning of Empresas Copec Corporate seek to ensure that their management practices, investment and productive actions all consider economic, social and environmental aspects that can translate into contributions that go beyond direct economic benefits and with what is established by legal regulations.

Among them, the following stand out:

- **Promote transparent** and efficient markets consistent with the rule of law;
- Assign and correctly monitor responsibilities between the different authorities;
- Protect the rights of all shareholders to facilitate their exercise and ensure fair treatment;
- Permanently promote strategic advice;
- The constant concern for management to be effectively monitored by the Board, and for the latter to represent the interests of all shareholders.

These principles constitute the basis of the company's management and are common to each of its affiliates, which translates into a certain method of doing business that is marked by a particular concern for creating sustainable value, endorsing reflective and informed decision-making, with a long-term vision, and a permanent commitment to social, human and economic development.

3.1.1. CORPORATE GOVERNANCE STRUCTURE¹

The Board is Empresas Copec's main corporate governance body structure. It consists of nine members, who are elected every three years in the respective Shareholders' Meeting. Each one of them has a distinguished career, a certain professional and ethical level, contributing to the organization with complementary and independent visions.

It should be mentioned that the members of the Board do not hold executive positions in the Company and were elected at the Ordinary Shareholders' Meeting in April 2016.

¹ For more information about the Corporate Governance of Empresas Copec and its role, consult the 2017 Annual Report page 27.

BOARD OF DIRECTORS

Tomás Müller Sproat Director Business Engineer 4.465.942-5

Gabriel Bitrán Dicowsky* Director Industrial Civil Engineer 7.033.711-8

Roberto Angelini Rossi Chairman Industrial Civil Engineer 5.625.652-0

Jorge Andueza Fouque Vice Chairman Civil Engineer

5.038.906-5



Arnaldo Gorziglia Balbi Director Attorney

3.647.846-2

Andrés Bianchi Larre* Director

Economist 3.367.092-3

Juan Edgardo Goldenberg Peñafiel* Director Attorney 6.926.134-5

Carlos Hurtado Ruiz-Tagle Director Business Engineer 2.300.859-9

Manuel Bezanilla Urrutia Director

Attorney 4.775.030-K



The Directors meet at least once a month with the aim of defining and evaluating the Company's general strategy, and lead it towards fulfilling its economic, social and environmental objectives; they analyze large investment projects and ensure effective and efficient risk management; they supervise the Company's executive management and monitor fundamental operational and financial decisions. Over the course of 2017, 16 Board sessions were held and an average attendance of 92% of its members was recorded.

In addition, the Board is responsible for ensuring compliance with Corporate Governance Practices. These include a policy for hiring, induction processes, training and nomination of Directors, a compensation policy, compensation and incentives for managers and senior executives and the general manager or senior executives' replacement procedure, among other things. All of these policies are outlined in the document "Corporate Governance Procedures", which can be found on Empresas Copec website².

Within the framework of the abovementioned, in 2017, the Board participated in an improvement program centered on good corporate governance practices, which focused on the following topics: Sustainability in Corporate Governance; Sustainability Challenges; New Challenges of Corporate Communication and the Role of the Board; Beyond the Role of Compliance: Boards that add value; and Major Investment Projects and M&A Operations. In addition to this, the Directors received a Corporate Governance Compendium prepared by the Corporate Governance Center of the Pontificia Universidad Católica de Chile that included relevant documentation on Trends in Sustainability; National Jurisprudence; Latest Trends in Corporate Governance; and Risk Management in Organizations.

On the other hand, and with the aim of ensuring the continuous improvement of its operation, the Board has a self-assessment procedure for its performance. For this, each Director individually responds to a series of questions related to the operation, behavior and management of the Board, delivering their responses in a private and confidential manner. It should be noted that this questionnaire was prepared by an external consultant and that the evaluation is carried out on a biennial basis, corresponding to a new application in 2018.

The remunerations of the members of the Board are defined and approved annually at the Ordinary Shareholders' Meeting, as established by Chilean legislation. During 2017, they amounted to a monthly amount of 300 UF for Directors, 600 UF for the Vice President and 900 UF for the President. It is important to mention that the Company's Directors do not have incentive plans such as bonuses, or compensation in shares, or stock options or others in which they could participate (in the 2017 Annual Report the breakdown of the perceived remunerations was presented).



For more information on Corporate Governance Procedures consult: http://www.empresascopec.cl/wp-content/uploads/2016/02/Corporate-Governance-Procedures1.pdf

The Corporate Governance of Empresas Copec also comprises a set of Board committees and support units:

ORGAN

DESCRIPTION

Directors' Committee

This Committee is constituted by three members, according to article 50 bis of the Law No. 18,046. During 2017, its members met 10 times in order to analyze strategic issues, review the reports submitted by the external auditors and the financial statements, as well as to analyze the remuneration systems of executives principal, and transactions with related parties. Additionally, in 2017 the Committee commissioned an external company to conduct a Best Practices Study on the operation of Directors Committees.

Ethics Committee

This Committee is constituted by three members, who are elected by the Board of Directors, with the main objective of providing advice in matters of ethics and define, promote and regulate the correct behavior of workers, safeguarding that it is consistent with the principles established by the Company, in particular in the Code of Ethics. Further, Its responsibility is to support the Officer Responsible for the Prevention of Crimes in the different control activities carried out, mainly in the identification process and analysis of complaints that apply to the Prevention Model, the determination of investigations and the possible application of sanctions in this regard. The Committee meets once year, unless there is a complaint.

Information Security Committee

The Information Security Committee is constituted by three members, who are chosen by the CEO. It meets quarterly, with the objective of implementing the policies, rules and procedures established in the Security Model of the Information, and ensure compliance. In 2017, the Committee focused its efforts on improvement of the Company's Business Continuity Plan and Policies, Rules and Procedures for Information Security, in order that they respond in a better way to the new reality of the Company.

Offense Prevention Officer

The Prevention Officer is appointed by the Company's Board of Directors, for a period three years, in order to apply and monitor the proper functioning of the Offense Prevention Model. It meets semiannually with the Board to inform the compliance in the Annual Program, which includes dissemination and training activities concerning important aspects of the Offense Prevention Model and Law No. 20,393 and monitoring of associated controls, among others. It is worth mentioning that the Offense Prevention Model of the Company was recertified by ICR Clasificadora de Riesgos Ltda. for the period between November 2016 and July 2018.

Internal Audit Unit

It is the unit in charge of evaluating the internal control system of the Company and of giving Security to the Board on the degree of compliance with policies, regulations, norms, legal dispositions or other legal requirements in said system. The Directory meets with the head of the Internal Audit Unit to review the program and the results of the reviews. The functions of this unit are performed by the audit company KPMG.

Risk Management Area

The Risk Management Area is carried out by a company external to the Company, which belongs to the same business group, which reports the results of its revisions to Board of Directors and Committee.

SENIOR MANAGEMENT

102-19 / 102-20 / 102-35 / 102-36

Eduardo Navarro Beltrán

Chief Executive Officer

Commercial engineer 10.365.719-9

Jorge Ferrando Yáñez

Corporate Research Manager

Industrial civil engineer 12.059.564-4

2_ José Tomás Guzmán Rencoret Corporate counsel and secretary to the Board Lawyer 6.228.614-8

5_

Pamela Harris Honorato

Head of Corporate Affairs

Industrial civil engineer 14.119.104-7

Rodrigo Huidobro Alvarado Chief Financial Officer

Industrial civil engineer 10.181.179-4

Cristián Palacios González

Director of Investor Relations and Investments

Commercial engineer 13.234.980-0



The CEO is appointed by the Board with the purpose of implementing the actions associated with the Company's economic and social performance, as well as adopting the necessary measures to comply with the annual goals. The CEO is responsible for presenting the Company's management results to the Board on a monthly basis.

It is worth mentioning that the Board has a replacement procedure for the CEO and the main executives to facilitate the proper functioning of the Company. This procedure can be found in the document "Corporate Governance Procedures" available on the Empresas Copec website³.

For its part, and in order to properly align the management quality and the Company's main executives' priorities with the Company's medium and long-term objectives, the Board has defined a Compensation Policy that considers the following:

The CEO's remuneration is defined by the President of the Company, who, once a year, evaluates the fixed remuneration and defines the variable remuneration. The latter is voluntary and is determined based on market aspects, financial performance, team leadership, milestone achievements, conflict resolution, M&A operations, among other factors.

On the other hand, the CEO presents the fixed remunerations of all the main executives and their variations with respect to the previous year to the Directors' Committee once a year. Likewise, it exhibits a summary table which displays the percentile in which each executive is located, according to its total remuneration, in relation to the market. It should be noted that all senior executives' remunerations are also reviewed considering the market benchmark and individual performance.

Empresas Copec, being a financial holding, does not have direct commercial or productive operations, which is why the environmental or safety and operational health metrics are not taken into consideration. In addition, as part of the Company's policy, the CEO's and the senior executives' variable remuneration must not exceed 50% of their total remuneration, and no incentives or bonuses are granted in the Company's shares.

During 2017, the remunerations and bonuses received by executives amounted to US\$ 2,685 (US\$ 2,289 in 2016), who on average received variable compensations that equaled, in their payment currency, to 33.9% of the compensation received during the year (32.3% in 2016).

3.1.2. CORPORATE GOVERNANCE IN AFFILIATES

During 2017, Empresas Copec's affiliates continued to make progress in terms of good Corporate Governance practices. In this sense, the Corporate Governance Committee, which brings professionals from different companies together, continued to meet once every three months with the purpose of sharing practices, policies and procedures.

One of the most significant advances, in terms of governance, has been the increase in the number of independent directors in the affiliates' Boards. For example, Terpel has a Board composed of seven main members and seven alternate members, 25% of whom are independent. For its part, Abastible increased its number of directors to a total of seven members, four of whom are considered independent.

3.2. RISKMANAGEMENT

102-29 / 102-30

Empresas Copec has a Risk Management Policy that establishes concepts, definitions, tools and processes through which internal or external business risks can be identified, categorized and evaluated, together with defining control measures that are necessary for mitigating and monitoring them.

It is the Board and the General Management who monitor and supervise compliance with this Policy. In the meantime, the Risk Management Unit is responsible for identifying and monitoring risks, assigning their impact and occurrence probability, and periodically auditing the compliance controls that have been established. It is important to note that the risks contained in the Policy form the Company's Risk Matrix basis, which is known to the Board and the Directors' Committee. Empresas Copec's risk management system was developed using the ISO 31,000 international standard guidelines as reference.

In 2017, a Policy update was carried out due to the incorporation of new controls⁴ and the Crisis Committee was set up with the aim of defining action plans in the event of possible conflicts.

For its part, Abastible began a standardization of corporate processes at a regional level, and its Audit and Risk Committee approved the Risk Control and Management Policy and the Strategic Risks Matrix.

³ For more information on Corporate Governance Procedures consult: http://www.empresascopec.cl/wp-content/uploads/2016/02/Corporate-Governance-Procedures1.pdf

For more information on Risk Management consult: http://www.empresascopec.cl/wp-content/uploads/2018/04/Risk-Management-Policy.pdf

Copec, meanwhile, created the Internal Control Committee, chaired by Copec's Executive Vice President and integrated by the General Manager and area managers to monitor compliance with the action plans, which are committed to strengthen the control systems, as well as to mitigate or resolve risks detected in the auditing processes.

Terpel carried out an internal evaluation of the company regarding prevention, money laundering and terrorist financing control. Thanks to this, the affiliate implemented a Best Practices Manual to mitigate potential risks of corruption and transnational bribery, in which it establishes the general guidelines that should be adopted in dealing with this matter.

On the other hand, Arauco continued to carry out specific work plans to prevent the occurrence of or reduce the facilities' impacts. All this within its Risk Management Policy framework, its Corporate Risk Management Framework and its Corporate Risks Matrix, a model based on the ISO 31,000 Risk Management international standards and the COSO ERM, and ISO 22,301 Standard for the business continuity plan cases.

3.3. ETHICAL MANAGEMENT AND NORMATIVE COMPLIANCE

102-16 / 102-17 / 102-25 / 205-2 / 205-3 / 415-1

In Empresas Copec and its affiliates, adherence to ethical principles, personal integrity and full respect for established standards is a fundamental pillar that guides the conduct of each of its Directors, executives and employees.

These principles and guidelines are contained within the company's Ethics Codes, and it is the responsibility of the Directors, executives and workers to know, comply and enforce these provisions. This document is made available to each worker when they are first hired.

It is important to note that the Ethics Code clearly establishes the procedure that ought to be followed in the event of conflicts of interest, to ensure that decisions are taken by those who have the power to do so and who are impartial to the situation.

In addition, Empresas Copec and Arauco have a Manual for Managing Information of Interest for the Market, which establishes the provisions regarding the use and/or disclosure of privileged information referred to by the General Provision No. 270 of the Securities and Insurance Commission (today known as Commission for the Financial Market). These provisions are mandatory for Directors, General Manager, managers, employees and advisors that have access to privileged information, and external auditors.

On the other hand, all companies have Crime Prevention Models, that is, systems that prevent the occurrence of money laundering crimes, terrorism financing, bribery or concealment within the organization. The models are composed of a Crime Prevention Policy, an organizational structure that provides support, control procedures and a whistleblowing channel. The latter is confidential and anonymous and allows any person who has information about an act or event that indicates a breach of current regulations or departs from the principles established in the Ethics Code, to directly report to the Company's highest level. The channel was designed in such a way as to ensure the anonymity of the complainant.

| COMPANY | CODE OF ETHICS | WHISTLEBLOWING HOTLINE | OFFENSE PREVENTION MODEL | ETHICS COMMITTEE | SENSITIVE INFORMATION MANUAL |
|----------------|-------------------|---------------------------|--------------------------------|---------------------|------------------------------|
| Empresas Copec | • | • | • | • | • |
| Arauco | • | • | • | • | • |
| Copec | • | • | • | • | Not apply |
| Orizon | • | • | • | • | Not apply |
| Abastible | • | • | • | • | Not apply |
| Terpel | • | • | • | • | Not apply |

During 2017, Empresas Copec's Ethics Code was reviewed and updated by the Ethics Committee and approved by the Board. The current version of this document is available on the corporate website in both Spanish and English. In addition, the company implemented improvements to the Whistleblower Channel to allow members of the Board to access it in a secure, remote and permanent manner, and allowing the complainant to know the status of their complaint.

For its part, Arauco continued working on the follow-up and monitoring of its Crime Prevention Model in Chile, updated the risk matrix and incorporated new controls. Meanwhile, in its foreign affiliates, actions towards implementing prevention models were intensified, for which Crime Prevention Officers were appointed in the United States, Colombia, Brazil, Argentina and Mexico. A policy was developed based on local legislation and controls were created to mitigate the risk of committing the crimes contemplated under Law No. 20,393. At the same time, Arauco implemented a system for registering conflicts of interest between its employees and officials of State entities or companies.

The affiliate Copec outsourced the ethical complaints channel to ensure the confidentiality, security and anonymity of the complainant, and thus encourage greater use of this tool.

Finally, it should be mentioned that in 2017, Empresas Copec recertified its Crime Prevention Model, and the affiliate Arauco received its second review report by the external certifier's part, which ended without further observations.

3.4. FREE COMPETITION AND NORMATIVE COMPLIANCE

206-1

For Empresas Copec and its affiliates, free competition is a guiding principle in developing its commercial activities in the markets in which it participates. In this sense, the Company is convinced that free competition promotes the generation of greater wealth, equal opportunities, greater production efficiency and encourages innovation.

These concepts are all embodied in the Free Competition General Policy approved by Empresas Copec's Board, which establishes the principles and rules that must be followed and rigorously guarded by all the Company's members, whether it be directors, executives or workers

For their part, affiliates Arauco⁵, Copec, Orizon⁶ and Abastible⁷ have rigorous and duly updated free competition policies, in line with the principles set out in the corporate policy. In addition, as part of their procedure, they train executives and workers in this matter.

In this sense, it is worth highlighting the effort made by Abastible, who since 2016 has been implementing a specific free competition program that incorporates the assessments of risks, the design of specific work plans, training for all personnel and the diffusion of best practices, among other elements.

Complementary to this, the company formed a Free Competition Committee composed of members of the Board, the General Manager, the Legal Manager and the person in charge of Internal Control, with the purpose of resolving cases, adapting guidelines and supervising the Manual's correct compliance.

⁵ For more information about Policies and Procedures of Free Competition consult: https://www.arauco.cl/chile/wp-content/uploads/sites/14/2017/07/Programa-de-Cumplimiento-de-Principios-y-Regulaciones-de-Libre-Competencia-1.pdf

⁶ For more information about Policies and Procedures of Free Competition consult:

http://web.orizon.cl/wp-content/themes/orizon2017/pdf/gobierno-corporativo/Politica_de_Libre_competencia_Orizon.pdf

For more information about Policies and Procedures of Free Competition consult:

ror more information about Policies and Procedures of Free Competition consult:

http://www.abastible.cl/wp-content/uploads/2017/05/Manual-del-Programa-de-Cumplimiento-de-los-Principios-y-Regulaciones-de-Libre-Competencia.pdf

COMPANY

PERCENTAGE OF EMPLOYEES TRAINED IN FREE COMPETITION, ANTI-CORRUPTION, OFFENSE PREVENTION AND COMPLIANCE WITH ETHICAL STANDARDS IN 2017

| Empresas Copec | 100.0% |
|-----------------------|--------|
| Copec | 100.0% |
| Terpel ⁸ | 100.0% |
| Arauco | 90.0% |
| Abastible | 64.2% |
| Orizon | 56.6% |

In terms of diffusion and training, both Empresas Copec and its affiliates carried out training and update programs in free competition, anti-corruption, crime prevention and compliance with ethical standards matters.

In particular, Empresas Copec trained its employees in Principles and Free Competition Regulations Compliance, and on risks associated with Money Laundering crimes, Corruption, Bribery, Conflict of Interest and Fraud. The objective of these trainings was to deepen, through a practical approach, their knowledge on regulations, anticorruption methods and procedures, detection of potential conflicts of interest and interrelation with some stakeholders.

For its part, Arauco continued to develop diffusion programs via e-learning on crime prevention; these programs are contemplated in Law No. 20,393, covering 90% of the officials defined as subject to training, and established new diffusion strategies to be developed in 2018. The company also conducted a campaign to spread the Ethics Code, which will continue in 2018. It is worth mentioning that this campaign is currently being carried out in Chile, to continue later in the United States, Brazil and Argentina.

Abastible, meanwhile, implemented specific workshops on ethical dilemmas that helped to align and integrate corporate values in everyday decision-making and provided tools to discern accordingly in labor dilemma cases. Likewise, and as part of the Free Competition Rules and Regulations Compliance Program, the company trained employees and distributors to prevent regulation violations and provided quidelines and basic recommendations on how to act.

Finally, in terms of contributing to the community, Empresas Copec and its affiliates have a strict policy that establishes guidelines for gathering donations and contributions, focusing on initiatives that are

related to social, cultural, environmental, sports, artistic, scientific and technological diffusion. Thus, these are carried out by legal entities and institutions that are formally incorporated and duly authorized to receive such contributions under the current legislation. In said policy, which guides the collaboration decisions, donations concepts, sponsorships and minor contributions are distinguished, as well as the procedure to be followed for their granting. In 2017, Empresas Copec did not make any contributions to political parties.

3.5. INVESTOR RELATIONS

In Empresas Copec, there exists an Investor Relations Area whose purpose it is to assist and guide investors and analysts in their queries related to the markets behavior and business' progress. Likewise, it is responsible for making periodic presentations on results and for issuing communications on matters that may be of interest to investors. For this, it has multiple communication tools, its website being one of the most used platforms, http://investor.empresascopec.cl, where information is permanently updated in Spanish and English. In addition, a specific mobile application for investors and analysts has been added, which publishes the Company's most relevant results and news.

The investor relations team seeks to permanently implement practices of excellence into its actions, the following standing out in particular:

- A professional team: The investors' area has a team headed by an Investor Relations Assistant Manager (IR), composed of three professionals, with permanent availability to serve investors.
- Report for the Board: As procedure, the IR area periodically presents the Board with a report that contains the main concerns and suggestions that are revealed in the interactions with investors and analysts (road shows, telephone conferences, presentations or others).
- Timely communication: Prior to conducting telephone conferences, interested parties can access the presentation, which contains the main topics that are to be discussed. In addition, spaces for questions at the end of each meeting are included in the agenda, with the aim of clarifying any questions that the attendees may have.

⁸ Corresponds only to information from Colombia.

- Incorporation of sustainability issues into the presentations' agenda: During the presentations and in the road shows carried out in 2017, specific topics related to the company's sustainable management were included, such as community relations, the environment, biodiversity and certifications specific to each sector.
- **Upcoming events agenda:** With the aim of achieving a good attendance rate to the information presentation sessions, "save the date" mechanisms have been implemented through the web, the app and electronic communications. Through these mechanisms, financial market stakeholders are notified of the next key dates regarding the publication of results or conference calls, and are also provided with the details to get in touch.
- Lock-up period: One of the most important Corporate Governance practices implemented in managing relationships with investors was the establishment of a lock-up period. This means that there are no meetings or telephone conversations with investors two weeks before the report results. This voluntary practice was implemented with the aim of safeguarding all confidential or sensitive information related to the Company's financial results.
- Implementation of IR's best practices from participating in the IR Academy: As a result of the formal IR team training in specific international instances, new top practices began to get installed, such as the improvement of corporate presentations, making better efforts to identify potential foreign investors and the implementation of push notifications systems for smartphones.

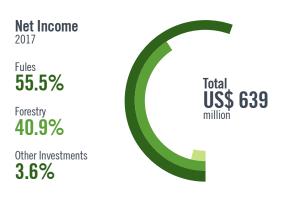
On the other hand, the Shareholders Meetings are instances in which the informed participation of all shareholders is actively promoted, ensuring their right to speak and vote and ensuring that management and investment decisions consider shareholders' minority interests. For some years now,
Empresas Copec has been included in important international rankings, which account for the Company's performance in environmental, social and corporate governance areas.

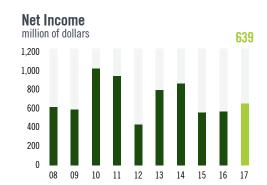
The effort made to establish a true sustainability culture, one that has been strengthened and perfected over time, has been reflected in a tangible fact, which is of great interest for investors and other stakeholders: the incorporation of Empresas Copec in the following International sustainability indexes:

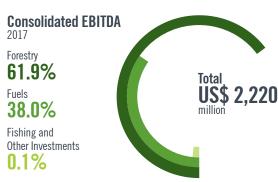
- DJSI Chile: The Dow Jones Sustainability Index applies a survey among IGPA's (General Stock Price Index of the Santiago Stock Exchange) best companies, assigning them a place in the most sustainable companies in the long-term ranking.
- DJSI MILA: This is the DJSI version for the Pacific Alliance countries. It includes the stock exchange of Colombia, Peru, Mexico and Chile, which form the Latin American Integrated Market.
- MSCI Emerging Markets: Through this specific index, Morgan Stanley Capital International evaluates the sustainability performance of the stock markets of 21 emerging countries, including Chile.
- FTSE4Good: It was created by the London Stock Exchange with the collaboration of UNICEF. For elaborating its indexes, it uses information provided by the Ethical Investment Research Service.



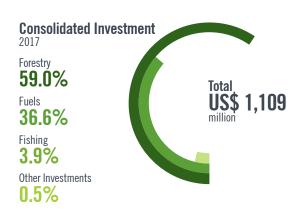
4.1. ECONOMIC HIGHLIGHTS 2017

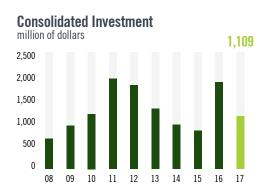


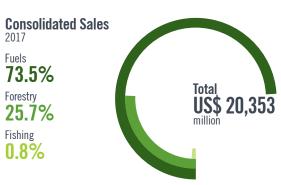














4.1.1. ECONOMIC VALUE GENERATED AND DISTRIBUTED9 201-1

The Economic Value Generated and Distributed Statement shows how Empresas Copec and its affiliates have generated value and how this value has been distributed among the different interest groups. In its preparation, the figures contained in Empresas Copec's audited financial statements were considered at the end of 2017 (primary source).

In 2017, the economic value generated reached US\$ 20,174 million, which shows an increase of 21.8% with respect to the previous year. This increase is mainly explained by the higher revenues of the affiliate Arauco in all of its business lines, as a result of higher prices and volumes of sales. The foregoing was partially offset by a lower operating result of the affiliate Copec, due to a reduction in margins and a lower inventory revaluation effect in Chile.

Particularly in 2017 there was a decrease in Employee distribution with respect to 2016, as a result of executing Arauco's organizational structure simplification plan, which involved the consolidation and centralization of functions, in order to reduce position levels and eliminate duplicate tasks or those that added little value. This generated an almost 9% reduction of the affiliate's total personnel.

On the other hand, lower amounts paid in taxes are a consequence of the tax reforms carried out in Argentina and the United States, which influenced Arauco's results favorably. Meanwhile, the increase experienced by the company in terms of tax retention is mainly because the affiliate Orizon recorded an impairment loss on certain assets associated with flour, frozen and canned plants located in Coquimbo, Coronel and Puerto Montt, due to market conditions, fishing availability and production.

4.1.2. ISSUANCE OF ARAUCO BONDS

In October 2017, Arauco placed two bond series in the North American market, one for a term of 10 years, for the amount of US\$ 500 million, and another for a 30 years term, for the amount of US\$ 400 million. The rates achieved were 3.875% and 5.500%, respectively. The placement proceeds were used to repurchase a part of the bonds issued by the company in the United States.



State 0.7%

Community 0.1%

1.7% State

1.5%

Community

0.1%



⁹ The Company does not specifically monitor environmental spending.

4.2. EXTENSIONS AND INTERNATIONALIZATION

102-1C

Empresas Copec has a productive presence in 15 countries and three continents. In this way, the Company has configured a more balanced portfolio, less vulnerable to what may happen in a particular geography, and in which more stable businesses, such as fuel and wood, represent a more relevant proportion. During 2017, Empresas Copec continued taking solid steps towards the operational internationalization of its activity areas, with a focus on natural resources and energy, and at the same time maintaining its willingness to continue investing in Chile.

38.1% of the noncurrent assets are abroad

48.8% of the direct employees are foreigners

47.0% of the sales come from its foreign subsidiaries

During 2017, almost half (48.5%) of the consolidated investment was allocated to operations abroad.

Detailed below are the milestones of the main internationalization and expansion processes.



4.2.1. INTERNATIONALIZATION OF ARAUCO: MEXICO, THE UNITED STATES AND BRAZIL

The affiliate Arauco continued to strengthen its operational internationalization process significantly. In 2017, the company acquired the entirety of Masisa do Brasil for an approximate amount of US\$ 103 million. The main assets involved in this operation are two industrial complexes located in Ponta Grossa (Paraná) and in Montenegro (Rio Grande do Sul), with a line of MDF boards with an installed capacity of 300,000 m³ per year, a line of MDP boards with an installed capacity of 500,000 m³ per year, and four melamine coating lines with a total installed capacity of 660,000 m³ per year.

In addition, in 2017 Arauco agreed to purchase Masisa's assets in Mexico in three industrial complexes located in Chihuahua, Durango and Zitácuaro. With this, the company will add three agglomerate lines with an installed capacity of 519,000 m³ per year, a line of MDF boards of 220,000 m³ per year, three melamine coatings lines, a chemical plant for resins and formalin, and a line of plating. The materialization of this operation, which considers an investment of US\$ 245 million is subject to a series of conditions precedent common in this type of operations and it is estimated that it should take place during 2018.

In the United States, Arauco made progress in building its panel plant in Grayling, Michigan, which will have a production capacity of 800,000 m³ of wood panels per year. The investment will reach US\$ 400 million and it is estimated that it will begin operation at the end of 2018. It is worth noting the positive reception that this project has had on local communities and the authority, which carried out a rigorous but very expeditious approval process.

4.2.2. ENLARGEMENT AND REGIONAL CONSOLIDATION OF ABASTIBLE

During 2017, Abastible continued to develop the necessary infrastructure in the region to provide its customers with an efficient, timely, innovative and safe service in the four countries where it operates in South America.

This is how, in Colombia, the affiliate Inversiones del Nordeste inaugurated, together with other Colombian distributors, a new maritime import terminal in Cartagena, with a storage capacity of 720 tons of liquefied gas. This installation began operating in November 2017 and marked the first time that Colombian private companies directly imported this product.

Meanwhile, in Peru, the affiliate Solgas began building a third liquefied gas storage area in its Ventanilla packaging plant, located in the Callao Region. Thanks to this project, which requires an investment of US\$ 18 million, the company will be able to expand its storage capacity by 50%. It is estimated that this facility will start operating in the second half of 2019.

In parallel, after the departure of Repsol from the GLP markets in Peru and Ecuador, the essence of the brand was redefined for Solgas and Duragas, whose objective it was to mark the beginning of a new stage in these countries, reaffirming the organization's commitment to the needs and preferences of its customers. In addition, Solgas Pro and Duragas Pro were incorporated, which are divisions in charge of generating energy solutions for companies, industries and commercial buildings that have fuel storage tanks for their distribution in bulk.

In Chile, Abastible expanded the filling capacity of its Osorno Plant from 850 cylinders per hour to 1,050 cylinders per hour. Likewise, it began the expansion works for its filling Plants in Concón and Lenga, increasing the productive capacities from 900 to 1,350 cylinders per hour, and from 1,000 to 1,200 cylinders per hour.



4.2.3. OPERATIONS EXTENSION OF ARAUCO IN CHILE

In Chile, regarding the Modernization and Expansion of the Arauco Plant (MAPA) project, after several years, the Supreme Court ratified that the environmental process assessment of the Project fully complied with the required standards, thus allowing its reactivation. This allows preparing all the necessary background information for the Board's technical and economic evaluation of this initiative, which involves close to US\$ 2,500 million. In the meantime, the company made progress in the implementation of the new state-of-the-art biological effluent treatment system in the Nuevo Horcones Industrial Complex, works that will require a total investment of US\$ 160 million, and that will be completed in 2018.

In addition, Arauco announced that it will complete the Pulpa Textil project at the Valdivia Pulp plant, an initiative which considers an investment of US\$ 185 million and which is aimed at producing a type of pulp used as an input for a variety of products, such as textile fibers, cellophane paper and filters. It should be noted that this project will use the same process and facilities as the Valdivia Pulp Mill and only introduces some adjustments for the manufacture of the textile pulp.



4.2.4. OPENING OF THE COQUIMBO PLANT

Orizon began the San José canning plant operations in Coquimbo, which had been closed since 2013. This facility, which required an investment of close to US\$ 1 million in this stage, is capable of producing 180,000 boxes of jack fish canned products per year.

4.2.5. COPEC SIGNS A REGIONAL AGREEMENT WITH EXXONMOBIL

At the end of 2016, Copec and ExxonMobil reached an agreement for the production and distribution of lubricants of such brand in Chile, Colombia, Ecuador and Peru. In Colombia, this initiative was subject to the approval of the local regulatory authorities, who in early 2018 delivered the necessary conditions to authorize the integration between Terpel and ExxonMobil in the country.

This agreement totals an investment of US\$ 747 million and considers the preparation and distribution of Mobil's lubricants in Colombia, Ecuador and Peru; the acquisition of the processing plants (blending) of Callao and Cartagena are added to the Quintero Plant in Chile to form a robust regional network for producing Mobil's lubricants; ExxonMobil's fuel distribution business in Ecuador; and the exclusive claim for the operation and commercialization of fuels at the Jorge Chávez International Airport in Lima.

4.2.6. MAPCO'S CONSOLIDATION

Since 2016, Mapco has been implementing a series of improvements to consolidate its presence in the North American market and provide customers with a higher quality service. This is how in 2017, the company made improvements to its technological platform, which allowed giving greater stability to the operation of the stores. Meanwhile, in October, it inaugurated the offices of the Operational Support Center, located in Franklin, Tennessee, using a modern space concept that seeks to optimize collaborative work.

4.2.7. SALE OF THE TERPEL OPERATION IN MEXICO

Terpel sold all of its compressed natural gas commercialization operation to the Mexican company Prana Gas (through service stations in Mexico) for a total of US\$ 26.6 million. This decision was made after a thorough analysis of the Mexican competitive and regulatory scenario, and the developing opportunities that the company had in said market and in the region.

4.3. FINES AND PENALTIES

307-1 / 419-1

For Empresas Copec and its affiliates, unrestricted compliance with current legislation and regulations is a necessary condition for carrying out business.

During 2017, the quantity and amount of significant penalties decreased with respect to the previous year. Abastible received a fine of US\$ 1.5 million from the Electricity and Fuels Superintendence.

Meanwhile, Empresas Copec, Arauco, Copec, Orizon and Terpel did not register any significant fines during 2017.





Empresas Copec and its affiliates are constantly involved so as to ensure that in its supply chain, value is generated for all its participants. That is why companies implement initiatives that promote their suppliers and distributors development and, at the same time, provide their customers with goods and services that meet demanding quality and safety standards.

5.1. CUSTOMER SECURITY AND LOYALTY



5.1.1. SERVICE STATIONS SECURITY

Copec has continued incorporating improvements in the safety of its service stations. One of the main investments was the installation of cash collection machines that operate with an innovative system of securities custody, to through which the money is inaccessible to third parties, even for the concessionaries. Additionally, these machines are safeguarded by a security module, alarms and surveillance cameras.

During 2017, these collection machines were installed in numerous service stations. With this, to date there is already 250 operating machines.

Likewise, Copec and Terpel service stations have extensive security plans to protect the physical integrity of clients, workers and concessionaries. Among other elements, the stations have contingency plans to act in a timely manner at the occurrence of a possible spill and minimize the impact that can generate in the environment and its safety. Also there are permanent trainings for attendants, carriers and suppliers.

5.1.2. CUSTOMER SATISFACTION

The constant concern that affiliates have for customer and clients' satisfaction is shown in the investments made, the various programs implemented and the monitoring of key indicators in this area.

Copec makes important efforts in order to constantly improve customer experience. This is how, year after year, it leads the brand recall, preference and habituality segments in various brand image studies. Moreover, on the highway, Copec reaches an 88% preference by motorists.

Specifically, in 2017, Copec's alliance with Latam reached five years of existence and the customers' evaluation has been very positive. It should be remembered that this alliance allows service stations Pronto network customers to earn miles according to the total value of their purchases and to use them to travel in or out of Chile.

At the same time, Copec has a communication channel "Llámanos", which is a multi-platform system to channel complaints, queries and suggestions from customers. The system is available every day of the year and 24 hours a day and responds to requirements within a maximum period of 72 hours.





For its part, Abastible has developed different initiatives aimed at the needs of each consumer segment: packaging, in bulk and distributors.

In this context, in 2017 a diagnosis linked to end customers and distributors' experience in buying products and services was made. Based on the results, service strengthening strategies were developed. Regarding the bulk gas segment, 28 initiatives were designed with the aim of improving the customer's interaction with each of the service points. With this, the company can monitor service attention and detect those channels that require reinforcement. The efforts made in recent years allowed Abastible to obtain the first place in the National Customer Satisfaction Award, in the Bottled Gas Sector category, and it was recognized as one of the best companies in service experience, according to the latest Praxis Xperience Index Ranking.

Terpel, meanwhile, seeks to offer its customers significant experiences in each of its businesses, products and service lines. Among them is the Club Terpel LifeMiles fidelity program, which allows customers to obtain miles for trips in and out of Colombia. In addition, for this same purpose, during 2017, training programs in quality service and incentive programs for those who work in service stations were reinforced. Specific evaluations were designed for the service through an incognito client format and, thanks to a new Integral Attention Center, the company improved communication and service for clients, through a single specialized contact point. This channel allows attending and managing requirements associated with programs such as Rumbo Terpel, Club Terpel LifeMiles, a help desk and transportation monitoring, among others. This has resulted in significant improvements in Terpel's customer satisfaction levels in the service station, vehicular natural gas and lubricant segments.

On the other hand, Arauco has strict labeling and marketing processes for its products, so that customers are always informed about the characteristics, composition and technical specifications of the products they purchase. In 2017, the company also implemented a digital strategy that seeks to integrate and arrange the different platforms, with the aim of having a more direct relationship with customers, end users and the community.

In addition, Arauco has Claim Management Systems for its different business areas. Through them, the company responds to its customer's requirements, monitors and improves operations, products and services. During 2017, a customer satisfaction survey was conducted in North America, South Korea and Argentina. From 435 answers, it was concluded that 85% of those surveyed rated Arauco in general terms as good or very good, while 86% considered that the commercialized products are of good or of very good quality.

5.1. SUPPORT TO CONCESSIONARIES AND DISTRIBUTORS

5.2.1. RELATIONSHIP WITH CONCESSIONAIRES

Historically, Copec and Terpel have worked under concessionaire models, that is, independent businessmen who are in charge of managing a service station under respective brands. They are, therefore, a fundamental axis for the success of the fuel distribution business.

As part of the model, both affiliates seek to develop lasting relationships with concessionaires, offering development opportunities, empowering their teams and supporting continuous and efficient improvement processes.

In 2016, as a way of demonstrating Copec's commitment with the concessionaires' development, it launched the technological platform SITES, a modern technological architecture developed by the company for managing and operating service stations.

This platform is made available to all concessionaires and allows centralizing the information of the different operative applications (such as electronic invoicing and means of payment) and products (such as electronic load ring control), as well as optimizing the chain services and speeding up both the work done by employees and the payment process. SITES also provides concessionaries with online monitoring and remote support services for quick problem solving. During 2017, SITES maintained an excellent evaluation by the concessionaires and it was implemented in 240 service stations, totaling 570 installations (almost 90% of the network).

For its part, Terpel has the Entrepreneurs Network (RET) composed of 1,015 entrepreneurs, who participate in various initiatives that are aimed at promoting teamwork, sharing technical knowledge and the industry's news, and receiving the necessary training for providing their services. Among the activities developed by RET during 2017, the executive training course taught by Universidad de los Andes for 128 concessionaires, and the annual meeting between concessionaires and suppliers to share experiences, in which 723 people participated, stand out. In addition, the company launched a certificate program in commercial abilities and lubrication techniques in which more than 820 lubricators were trained in 270 sale points nationwide.

5.2.2. RELATIONSHIP WITH DISTRIBUTORS

Abastible has an extensive network of distributors made up of more than 1,300 entrepreneurs. For the company, each of them is an important strategic partner, for this reason it supports them in developing their businesses through various initiatives.

As a way of strengthening direct communication with them, Abastible re-launched the Familia Naranja website (www.familianaranja. com). Through this channel, the affiliate ensures itself a more fluid relationship, allowing orders to be made more expeditiously and for financial information to be passed on in a simple and orderly manner. As a result of this initiative, 74% of connected distributors place their orders through the portal, which corresponds to 83% of cylinder sales.

To deliver an excellent service, another key factor is the connectivity with users and customers. For this reason, Abastible had more than 1,600 smartphones in delivery trucks and the "Aplicación del Repartidor" was promoted, with the challenge of reducing delivery times. Thanks to these tools, distributors have the possibility of optimizing their own routes and achieving higher efficiency levels.

5.3. CLOSE TO EMPLOYEES

Copec has over 7,000 employees in its 204-1 service stations network. With them in mind, the affiliate created PITS, an incentives and benefits program that seeks to strengthen employees' link with the company and to reinforce work teams' commitment and customer service skills. This allows employees to accumulate "PITS Points" according to their personal evaluations results and those of their work team. For this, factors such as service, image and campaign promotion are taken into consideration. Over the course of 2017, 6,469 employees accumulated PITS points, 3,565 exchanged products and more than 1,300 participated in the various associated campaigns.

Terpel, meanwhile, offers comprehensive training programs and training to service station employees through the Escuela de Isleros and the Escuela de Administradores.

During 2017, 7,956 isleros and 596 administrators were trained in Colombia, Ecuador and Panama, in areas such as customer service and service excellence. Likewise, in Colombia, the Escuela de Tiendas was implemented to strengthen the skills of convenience store personnel.



5.4. GROWTH WITH THE SUPPORT OF SUPPLIERS

204-1

For Empresas Copec and its affiliates, it is essential to ensure that suppliers and contractors receive a fair and timely payment for their products and services, in addition to maintaining strict independence relationships in their selection, by always prioritizing utility, quality, opportunity and budget criteria.

5.4.1. PROMOTING LOCAL PURCHASES

To support local development, Arauco works with different suppliers in areas where it has forestry and industrial operations. They provide the company with quality products and services such as supplies, spare parts, equipment, raw materials, amongst other things.

For its part, Terpel has adopted a commitment to prioritize local purchases in all regions where it is present to generate income and employment in the immediate surroundings where its operations are carried out.

In Chile, it should be noted that most of Empresas Copec's and its affiliates' suppliers correspond to small and medium-sized enterprises (Pymes), which reflects its commitment to promoting a more transversal development. In 2017, the percentage of local Pyme suppliers reached by Copec was 60%, Orizon at 56%, Empresas Copec at 51% and Abastible at 21%.

Given the above, companies carry out processes to ensure timely payment to their suppliers. In this regard, Empresas Copec has set a goal, during 2018, to certify its payment process to suppliers as a way of guaranteeing that the payment for the products or services provided by Pyme companies is to be made within a maximum time period of 30 days, from receipt of the invoice.

5.4.2. SUPPLIER EVALUATION

Arauco offers its contractor companies a series of programs aimed at increasing the competitiveness of their services and also helps them to develop their operations in a safe and productive manner. At the same time, it develops initiatives to ensure that contractor companies comply with adequate working conditions and according to the company standards, such as performance evaluation, work climate surveys and training in topics such as personnel selection, internal communications, rights and labor obligations.

In addition, the affiliate implemented an 800-telephone line, which allows contractors and their employees to directly raise concerns, queries, complaints or claims.

A special investment area for developing good relations with contractor companies and their personnel consists of social management programs that are aimed at supporting worker's welfare and quality of life and that of their families in aspects such as housing, leveling of studies, ophthalmological, dental, kinesthetic operations and others.

The affiliate Terpel implemented a series of tools that promote and facilitate compliance by suppliers with corporate standards and improve their relationship with the company. One of the most outstanding initiatives of the year was the partnership with the Universidad Externado de Colombia and the United Nations Global Compact, the Colombia network, to train its transport providers in the First Steps Program in Corporate Social Responsibility. The training focused on promoting economic, social and environmentally responsible management in the country's small and medium-sized companies and in their supply chains.

To strengthen service providers' transportation skills, Terpel implemented the Escuela de Conductores Terpel, which during 2017 trained a total of 1,685 drivers with an average of 4 hours of training. It focused on aspects related to road behavior and accident reduction. In addition, the certificate programs for drivers were maintained, reaching a total of 238 drivers trained in the skills of handling freight vehicles during the year.

5.4.3. SUPPLIER EVALUATION

During 2017, the affiliate Terpel evaluated a total of 1,100 suppliers with the aim of mitigating significant risks that could be generated in terms of environmental management, maintenance, working conditions, reputational aspects or safe transportation practices. For those suppliers that received a low score, specific improvement plans were designed. On the other hand, 74 suppliers participated in a specific survey to measure their satisfaction level regarding policies, procedures and communication with the company.

Arauco, meanwhile, has a management evaluation program for contractor companies, which considers environmental, safety, production, labor compliance, innovation and financial situation factors. The evaluation is carried out on a monthly basis and it is used to detect opportunities for improving performance and achieving an adequate compliance level with agreement commitments.

For Orizon, it is fundamental to preserve its long-standing relationship with artisanal fishermen, who provide an important part of the raw material that is processed in the IV and VIII regions.

The company provides them with support so that they can make improvements to their boats and fishing nets, as well as providing all of the technical and information transfer that is needed to improve managing artisanal fishing efforts and for preserving raw materials and the environment.

CINNOVATION



Innovation is part of Empresas Copec's and its affiliates' business vision - that is why initiatives in this subject are constantly being promoted. Undoubtedly, innovation, technology and scientific research are fundamental elements that allow responding to the market's requirements, customers and the community in a timely and efficient manner, and thus contribute to the country's social and economic development.

6.1. ASSOCIATIVITY FOR INNOVATION

102-13

The Anacleto Angelini UC Innovation Center¹⁰ is a space that fosters the encounter and interaction between academia and business, with the aim of generating knowledge and applied innovations that respond to the country's specific needs. In this center, companies, organizations, academics, researchers, students, entrepreneurs and representatives of the public sector who wish to promote a pro innovation and entrepreneurship culture, are able to participate. One of the main milestones of the Center during 2017 was the launching of the first Laboratory of Studies and Analysis of Business R & D + i with the support of the Production Development Corporation (CORFO), which had the aim of helping to define policies and innovation practices in the public and private sector, contributing with data related to Research, Development and Innovation from the private world to a national level. In addition, the Chile Innovation Network, RICh, was launched in September. It was created by the Anacleto Angelin UC Innovation Center with the aim of bringing together centers and initiatives dedicated to innovation of all types and sizes, through a web and face-to-face platform.

The initiative is also led by the CPC (Confederation for Production and Commerce), the Asech (Entrepreneurs Association of Chile), the Comunidad de Organizaciones Solidarias and Systema B.

For its part, the Fundación Copec - Universidad Católica¹¹ is a strategic alliance between Empresas Copec and the Pontificia Universidad Católica de Chile, created to promote scientific and technological development in the country. Its mission is to promote research and to develop solutions that respond to problems that are relevant to society, through strategic public-private partnerships formed specifically for this purpose. In addition, it is a diffusion entity where the most significant scientific and technological advances in the natural resources' area are promoted. Annually it hosts the National Contest for Developing Natural Resources Projects, the Young Researchers Project Contest, and the Contest for Higher Education Students: "Aplica tu idea", delivering technical, commercial and financial support to various initiatives. In addition to this, there is a Private Investment Fund, which is managed by the General Fund Manager Security, and is supported by Corfo which provides



capital to projects based on technological developments projects with a strong potential of growth.

In 2017, the Foundation held its 13th International Seminar: "Alimentación 3.0", which was focused on diffusing the advances on Functional Ingredients and Natural Additives.

At the same time, the Bioenercel Technology Consortium is an institution whose objective it is to develop technologies that will allow the development of second generation biofuels from cellulose. The affiliate Arauco participates in this together with other companies in the sector, universities and the Fundación Chile.

The Polo Viñatero is a Technology Transfer Group developed by the affiliate Arauco and the National Institute of Agrarian Innovation (INIA) that seeks to bring together various producers of the Ránquil and Portezuelo area with the aim of improving the productivity and quality of the area's vineyards, training farmers and improving competitiveness.

AcercaRedes is an initiative also promoted by Arauco with the objective of establishing spaces far from large urban centers that promote associativity between local entrepreneurs, companies and technical, productive, professional, cultural, academic, corporate and commercial organisms within the districts, the region and the country, as a way of promoting their development based on collaboration.

¹⁰ For more information about the Innovation Center consult: http://centrodeinnovacion.uc.cl

¹¹ For more information about the Fundación Copec - UC consult: http://www.fcuc.cl/

6.2. SPECIALIZED INNOVATION CENTERS

Arauco created the Innovarauco program in 2011 with the aim of systematizing innovation and entrepreneurship within the company, and thus creating economic and social value, in addition to generating attractive commercial products. In this context, Arauco's innovation strategy operates under the Arauco Innovation Model (MIA), which revolves around three axes: new value offers, sustainability and social impact and disruptive innovations. This is how products have been born within this model's framework adding value to the native forest, such as + Maqui and Miel de (Ulmo Honey), as well as the innovative design proposal called Me-Do and the Lookid didactic children's toy. Likewise, Innovarauco promotes the development of activities that foster an innovative spirit; in this category, the implementation of four prototypes linked to the Innovation challenge "How to be a more agile and efficient company" stood out in 2017.

Additionally, Arauco has established Bioforest, a center for scientific and technological research that conducts studies aimed at making the genetics of plantations thrive, as well as the quality of wood, the productivity of land and controlling pests and diseases. In addition, it is concerned with improving production processes, such as the manufacturing of boards, studying the physical-mechanical properties of products, developing new solutions and designing treatments that can add value to the company. The organization is made up of 112 people, among whom 61 researchers stand out, 18 of whom have Doctorate degrees.

To the foregoing, Arauco Digital LAB is added, a Digital Strategy program created to accelerate the adoption and to deepen the understanding of the impact of new technologies in business through initiatives such as the automation of production processes, data analysis, and start-up of new applications and computer tools, to name a few.

6.3. STRUCTURE FOR INNOVATION

For the affiliate Abastible, innovation, rather than being an end in itself, is the ability to continue growing and building a leading company in the region with its employees' support. This is how the i-NOW program was born, through which Abastible structures and systematizes innovation, as well as taking advantage of the enormous innovation potential that exists in its workers, distributors, customers and suppliers. Additionally, thanks to this program, a series of tools, participation channels, training activities, methodologies, workshops and a team dedicated to strengthening innovation management in the company are made available to the organization. During 2017, the affiliate formed a network of 40 I-NOW ambassadors throughout the country, whose mission it is to be the program's representatives in each area and encourage the participation of all workers. Employees from all over the country participated in the first challenge, contributing a total of 429 ideas. Within the corporate training program, workshops on Innovation and Creativity Certification for managers and supervisors were held. In the new business solutions field, a project incubator, I-NOW LAB, was created, whose mission it is to develop agile and efficient projects for residential, industrial or commercial clients.

6.4. INNOVATION APPLIED TO PRODUCTS AND SERVICES

During 2017, Empresas Copec and its affiliates continued applying innovative projects and solutions to their management with concrete contributions to the economic, environmental and social development of their environments.

6.4.1. DISSOLVING PULP

With an investment of US\$ 185 million, Arauco initiated a project in 2017 to reconvert the Valdivia plant in Chile and therefore established the first dissolving plant based on cellulose in the local market. It is a project that will allow innovating with products of greater added value, in an increasingly competitive global pulp market context, using the same process and facilities and introducing some adjustments for the manufacture of textile pulp. This product is used for different applications in the textile, food, cellophane and flexible packaging industry, among others. The production's main destination will be China, which represents 75% of the world's pulp textile growth. In addition, the project will allow for the delivery of more electricity to the Central Interconnected System (SIC), with a surplus of approximately 55 MW.

6.4.2. ABASTIBLE INNOVATES FOR A BETTER CUSTOMER SERVICE

In its constant quest to satisfy the particular needs of all its customers and looking for the best ways to simplify the process of requesting bottled liquefied gas, Abastible launched an innovation in Chile that allows the execution of such process with the push of a button. It consists of an IoT device (internet of things) that can be placed in any part of the house. By the end of 2017, more than 13,300 buttons had been delivered, averaging 110 deliveries per day.

6.4.3. ARAUCO - ETEX GROUP AGREEMENT

One of Arauco's most outstanding milestones of the year was signing a strategic alliance with Etex Group, a global expert in dry building to develop new wood building solutions for houses, buildings and the building market, with the aim of improving the habitability and sustainability of buildings. This new business proposes an initial investment of US\$ 6 million, with the possibility of being extended to US\$ 15 million, and it is part of the global challenge that involves having sustainable building systems.

6.4.4. INNOVATION IN LUBRICANTS

One of Terpel's innovation focuses has been in the lubricants field, where, since 1982 work has been done to find more efficient and friendly solutions for the environment. During 2017, the company launched Terpel Celerity 25W50 Grueso for customers with fourstroke moto-cars and moto-taxis, who carry out heavy work and travel a considerable number of kilometers. In addition, the new Terpel synthetic Oiltec 5W30 was launched, suitable for light gasoline vehicles, modern engines and those of high performance. For its part, the Terpel Maxter 15W-40 Advanced lubricant, designed for protecting and lubricating modern diesel engines, received Volvo and Renault's approval.

Likewise, the La Silla del Cambio Terpel Celerity initiative, in which 300 mechanics participated in the collection of 44,000 labels, was awarded in the Lápiz de Acero national design competition where the affiliate received the first place in the P.O.P. category, being recognized for innovation and its eco-environmental design.

6.4.5. INNOVATIVE APPLICATIONS FOR CUSTOMERS

PagoClick is Copec's pioneer application that allows its users to pay for fuel with their smartphones. Renewed in 2016, the innovative platform guarantees a simple, comfortable and safe use. PagoClick not only provides convenience when purchasing, it is also classed as a more secure payment system, since it avoids the handling of cash or cards. Over the course of 2017, PagoClick continued to grow in coverage until it reached almost the entire Copec network, with more than 570 adhered service stations. Throughout the year, their total transactions, active clients and new enrollments continued to grow.

During 2017, the affiliate Copec, through an agreement with Banco de Chile, incorporated the possibility of paying for fuel through "Mi Pago", the bank's exclusive mobile application, which transforms the phone into a "virtual wallet". With this alliance, Copec confirms its commitment to technological innovation and its firm willingness to offer new payment methods that make life easier for its customers

Also, in this year Abastible launched a new application for smartphones and tablets, facilitating the purchase of gas at home through these devices. In this way, the company offers an easy-to-access shopping alternative and opens a new sales space for bottled or tank liquefied gas customers, from Arica to Coyhaique. One year after its creation, the application downloads doubled, exceeding 150,000, which positions it as the most requested application within this industry in Latin America.

6.4.6. INNOVATION FOR CARGO TRANSPORTATION

TCT Premium is a pioneering service in Chile for controlling the consumption of freight transport fleets in a precise, safe and easy to use manner. The main advantage of this system is that it gives customers the certainty that all of the fuel that they have actually paid for ends up in the fuel tanks of their fleet.

For this, an electronic ring system is installed, which is attached to the inlets of fuel tanks on each truck; when trucks are filled with diesel at the authorized service stations with this system, they send a radiofrequency signal to the corresponding fuel pump nozzles' reader. Only when the system certifies that the vehicle has been previously validated does the fuel flow; if this step is not met, the load is not authorized.

Officially launched last year, TCT Premium ended 2017 with a 28% annual growth, with 172 authorized Copec service stations, 162 customers and 1,260 trucks with rings installed.

Another of the tools developed by Copec is Neotac, a self-management system and fuel consumption control for industrial facilities. The main clients of this sophisticated work tool are transport companies that have loading points for their fleets within their terminals or logistics centers. After a successful pilot plan in 2017, the sales force began adding clients to Neotac. In total, 16 facilities were completed, representing 11% of total transportation sales.



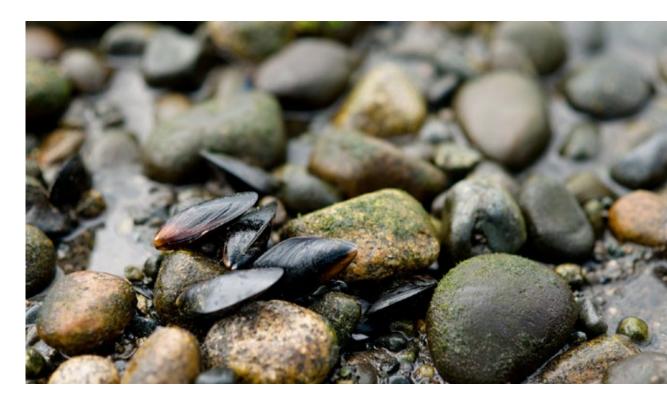


Empresas Copec maintains a solid commitment to safeguarding the environment, which is embodied in its corporate vision: "Promote the sustainable use of the environment's energy and natural resources, investing in research, technological innovation and training to prevent and progressively reduce, continuously and systematically the environmental impacts of its activities, products and services".

For their part, each of the affiliates carry out actions that go beyond regulatory compliance and involve developing sustainable businesses, an active collaboration with national agencies and authorities, and contributing to the preservation of ecosystems. These include environmental monitoring production facilities through the monitoring and control of various indicators associated with aspects such as inputs, raw materials, waste, water consumption, emissions and energy, among others, depending on their most significant impacts.

During 2017, Arauco and Terpel invested US\$ 88.9 million and US\$ 1.6 million in environmental improvements, respectively. On another note, Abastible made improvements focused on standardizing environmental management in the region's different countries and for this purpose it implemented a specialized software, ISOTools, which will allow the company's key environmental aspects to be managed - monitoring them and implementing continuous improvement actions.

Orizon obtained the "Aquaculture Stewardship Council" (ASC) certification for a period of three years, for its cultivation centers and chain of custody for the Puerto Montt plant. This external certification guarantees consumers, buyers and marketers that the products meet the highest standards in terms of sustainability, quality, safety, social and environmental performance. In addition to this, the IFFO-RS Certification obtained by Orizon in 2016 for its flour plants in Coquimbo and Coronel can be added, whose main purpose it is to ensure the sustainability of fishery resources.



7.1. ENERGY

| COMPANY | 2017 | | | |
|--|-----------------------------------|-------------------------------|----------------------------|-----------------------------|
| (in GJ) | NON RENEWABLE FUEL CONSUMPTION | RENEWABLE FUEL CONSUMPTION | ELECTRICITY CONSUMPTION | TOTAL ENERGY CONSUMPTION |
| Arauco | No Information | No Information | 21,000,000 | 21,000,000 |
| Copec ¹² | 590,320 | - | 282,619 | 874,271 |
| Terpel ¹³ | 86,419 | - | 576,471 | 662,890 |
| Orizon | 34,773 | - | 85,708 | 120,481 |
| Abastible | 1,634 | - | 47,905 | 49,539 |
| Empresas Copec | - | - | 249 | 249 |
| Total | 713,146 | - | 21,992,952 | 22,707,430 |
| COMPANY | 2016 | | | |
| (in GJ) | NON RENEWABLE FUEL CONSUMPTION | RENEWABLE FUEL CONSUMPTION | ELECTRICITY CONSUMPTION | TOTAL ENERGY CONSUMPTION |
| Arauco | No Information | 9,000,000 | 21,400,000 | 30,400,000 |
| Copec ¹² | 584,593 | - | 210,831 | 795,424 |
| Terpel ¹³ | 58,723 | 57,442 | 476,494 | 592,659 |
| Orizon | 40,841 | - | 84,990 | 125,831 |
| Abastible ¹⁴ | 1,505 | - | 47,612 | 49,117 |
| Empresas Copec | _ | _ | 266 | 266 |
| 10 10 10 10 10 10 10 10 10 10 10 10 10 1 | | | | |

In terms of energy efficiency, in 2017, the affiliate Copec implemented an energy saving plan in the Pronto store network, consisting in the installation of Breezair air cooling systems (vaporized water curtains), and a LED bulbs lighting replacement project.

For its part, Terpel installed 120 solar panels in Colombia to supply the Cogua (Cundinamarca), Báscula (Cundinamarca) and Melgar (Tolima) service stations. In Ecuador, the affiliate carried out a good practices' awareness program in energy consumption, as well as one for replacing traditional lighting with LED technology, both in administrative offices and at service stations.

In Arauco, improvements were made to reduce energy consumption through the installation of monitoring equipment and natural gas flow meters, together with replacing the luminaire model in production areas and warehouses, specifically in the Araucaria Plant, in Brazil, and in the Eugene, Malvern, Bennettsville and St. Stephen Plants, in North America.

¹² Only environmental information of Copec in Chile is included.

¹³ Unlike the 2016 Sustainability Report, in Colombia only gasoline consumption was included for mobile sources.

¹⁴ Information about Abastible, Duragas and Solgas.

The Green Dryer Capital Project was implemented at the Duraflake Plant, in North America, which will increase the drying system's efficiency through an ecological process. In addition, the Plant began participating in the Energy Trust of Oregon (ETO) Project, with the purpose of replacing warehouses' lighting with LED lamps, achieving an approximate energy consumption reduction of 48,000 kWh per year, which translates into a reduction of 23 tons of greenhouse gases. Complementarily, in North America, the company reduced its electric power consumption by 8% with respect to the 2015 baseline and set a goal for reducing this consumption by 5% for 2020.

Renova Copec



Renova Copec was born in 2008 with the aim of contributing to the reduction of the environmental impact of service stations by using technologies compatible with the environment and the efficient use of resources.

For this, the company has installed different technology in service stations that transforms the energy of the sun, wind and earth into electrical or caloric energy. Throughout Chile, the network has wind turbines, solar thermal panels, photovoltaic solar panels and climate control systems based on geothermal energy. Thanks to these devices, it is possible to reduce the stations' electrical or thermal consumption, generating savings and an overall cleaner operation.

4

Arauco: Production of clean and renewable energy

For over two decades, Arauco has undertaken the challenge of producing clean and renewable energy from forest biomass. For this, the company has been investing in additional power generation capacity, above the usual industry practice. As a result, the company not only self-supplies electricity, but also provides its industrial plants' surplus to the energy matrix of the countries in which it operates. In this way, the affiliate has become one of the main Non-Conventional Renewable Energy (ERNC) generators in Chile with an installed capacity of 606 MW and a capacity of 209 MW to be contributed to the National Electric System (SEN). For its part, Arauco has power generation plants in Argentina and Uruguay, where the installed capacity is 78 MW and 82 MW, respectively.

In Chile, energy generation reached a total of 3,071 GWh, having sold a total of 1,504 GWh, 3.3% less than in 2016. The production surplus in Chile was 900 GWh, representing 1.2% of the National Electric System's total generation. Meanwhile, in Argentina and Uruguay, power generation was 523 GWh and 1,283 GWh, respectively.

7.2. WATER

WATER CONSUMPTION (MILLION m³)

| COMPANY | 2016 | 2017 |
|----------------|-------|-------|
| Arauco | 165.2 | 164.9 |
| Orizon | 9.4 | 10.8 |
| Terpel | 1.1 | 1.2 |
| Abastible | 0.1 | 0.1 |
| Empresas Copec | 0.0 | 0.0 |
| Total | 175.8 | 177.0 |

At a consolidated level, water consumption increased by 1%, which can be explained by Orizon's Coronel Plant's greater consumption in using the odor abatement systems.

In Orizon's case, the water used in its processes comes mostly from surface sources, and in no case corresponds to other organization's residual or groundwater. Meanwhile, in the affiliates Terpel and Abastible, 96% of the water resource comes in from the municipal water supply.



7.2.1. WATER MANAGEMENT IN THE FOREST BUSINESS

Water is an input of great relevance in Arauco's production processes, so there are several initiatives put in place to improve its usage. For example, in Chile's sawmills, the waters used in the drying wood process are recirculated, while the pulp plants reuse the water from the boilers and cooling systems. In Argentina, the MDF and the Energía Piray Plant implemented a system for reusing liquid effluents treated in the flocculant preparation, and in the Araucaria Plant in Brazil industrial wastewater is reused, reaching a use that nears 50% of the effluent generated.

Likewise, for Arauco it is key to correctly monitor the availability of water resources in the basins from which their facilities are supplied. In some pulp mills, such as Nueva Aldea and Valdivia, the respective authorities force adopting measures regarding the productive processes, if the flow rate of the water sources decreases below the ecological level.

Given all the above, the company has an Integrated Management System for water resources, which is aimed at correctly managing and protecting water courses. In this respect, the challenge in Chile has been to promote and collaborate with academia, NGOS and other interested parties in debating options for managing water course buffer zones or protection zones, relying on the learnings acquired over the last 5 years as well as acknowledging the concerns of the local stakeholders. In addition, Arauco has identified all of the sectors in which there is water withholding by local communities, allowing for the anticipation of potential scarcity problems.

During 2017, the company continued carrying out actions to recover watersheds and other sensitive areas in Argentina, adding 48 hectares that were not affected by production and that have been added to the riparian areas' recovery process. In this way, over a period of 14 years, 3,179 hectares have already been recovered.

In Brazil, meanwhile, since 2011, a continuous monitoring of watersheds program has been conducted, which seeks to evaluate the effects that land use and forest management operations have on the availability, quality and consumption of water.

7.3. BIODIVERSITY

304-1/304-2/304-3

For Empresas Copec and its affiliates, preserving ecosystems and protecting biodiversity are priority axes. For this, affiliates have implemented initiatives linked to both the protection of biodiversity and promoting research in these areas.

More specifically, the affiliate Arauco has a Biodiversity and Ecosystem Services Policy and a Biodiversity Monitoring Program that includes: protecting the native forest; implementing areas of High Conservation Value (AAVC); protecting and respecting biodiversity present in the forest heritage; and developing programs for preventing and fighting forest fires and protecting property. Furthermore, its forest assets in Chile, Argentina, Brazil and Uruguay are managed under Responsible Forest Management practices and the production processes are certified with the highest standards worldwide.

7.3.1. BIODIVERSITY MONITORING

Arauco makes great efforts to identify biodiversity (species, ecosystems, wetlands, among others), developing appropriate plans for managing and monitoring them. The most critical and significant sectors are assigned a High Environmental Value Area (AAVC) status. In addition, the presence of endangered species of flora and fauna is monitored in forest plantations, and there are specific safeguard measures put in place for eventual findings or sightings of these species in productive sectors.



7.3.2. AREAS OF HIGH VALUE OF CONSERVATION

Arauco have made efforts to define Areas of High Conservation Value (AAVC), that is, areas that have extraordinarily significant or critically important values. Within them, the company upkeeps programs oriented on the knowledge of ecosystems and of protecting endangered species, as well as for conserving religious and cultural sites of local and indigenous communities. Comprehensive controls are carried out in each AAVC to avoid hunting, illegal harvesting and forest fires, and to keep records of any sightings of endangered species of flora and fauna. In 2017, in Brazil, a new AAVC was included in Novo Oeste (Mato Grosso do Sul) and Vale do Corisco's AAVC was expanded by 369 hectares.

| COUNTRY | HECTARES OF NATIVE FOREST | % OF NATIVE FOREST/ | HECTARES OF AREAS OF HIGH | AAVC | | |
|----------------------|------------------------------|---------------------|------------------------------|------------|----------------------------------|--|
| | | FOREST WEALTH | CONSERVATION VALUE | BIOLOGICAL | SOCIAL, CULTURAL OR RELIGIOUS | |
| Chile | 207,590 | 19% | 59,803 | 37 | 91 | |
| Argentina | 118,400 | 45% | 55,772 | 16 | 31 | |
| Brasil ¹⁵ | 98,697 | 40% | 10,610 | 10 | 6 | |

¹⁵ Brazil has 15 AAVC in total, one of them has biological and social AAVC characteristics at the same time.

7.3.3. RESEARCH FOR SAFEGUARDING BIODIVERSITY

Empresas Copec, through its affiliates, promotes scientific research development that contributes to the harmonious development of its businesses with the environment. Specifically, in the forestry sector, the Bioforest scientific-technological research center develops and applies the best technologies to maximize the productivity of forest and industrial resources in the Forestry, Pulp and Wood business areas. During 2017, it focused its efforts on generating information to reduce the impact on affected plantations during the 2016-2017 fire season and on optimizing processes to improve the quality of forest products.

7.3.4. ALLIANCES FOR PROTECTING BIODIVERSITY 102-13

One of the main lines of action of Empresas Copec's affiliates has been to establish agreements with other relevant actors in each country with the intent of working in favor of conserving biodiversity. For example, in both Chile and Brazil, Arauco participates in the Forest Dialogue, an occasion that brings together different forestry companies, NGOS, and other interested parties with the aim of discussing relevant forestry issues and promoting actions associated with conservation, environment restoration and the improvement of relations with local communities.

For its part, Copec joined the Latin American Society of Maritime Terminal Operators (SLOM), which is an entity that promotes the best practices in this area. The company, aware of its responsibility in caring for aquifers where it unloads and dispatches fuels, has advanced with concrete plans to adopt high global safety standards in its maritime terminals.





During 2017, Orizon conducted various hydro biological studies and research activities with technical bodies, both private and public, with the aim of making their fishing operations compatible with the care and sustainability of marine resources and the environment. In addition, the company participates in the Fisheries Research Institute (Inpesca), a private non-profit organization that depends on the Fisheries Research Corporation, whose main objective entails developing studies on the main national fisheries and their impact on the coastal marine environment In this same line, the company participates as an active member and maintains a fluid exchange of scientific information with the International Fishmeal and Fish Oil Organization (IFFO).

7.4. CLIMATE CHANGE

305-1/305-2/305-7

COMPANY DIRECT EMISSIONS (SCOPE 1) (t CO2e) 2016 2017

Orizon 56,846 58,238 Copec¹6 50,670 49,180 Abastible 17,016 16,686 Terpel¹² 2,457 3,049 Total 126,989 127,153

INDIRECT EMISSIONS (SCOPE 2) (t CO2e)

| 2016 | 2017 |
|--------|--------|
| 8,353 | 8,423 |
| 41,520 | 37,344 |
| N.D. | N.D. |
| 23,560 | 14,707 |
| 73,433 | 60,474 |

Regarding emissions, it is important to highlight that, as of 2017, all affiliates have begun to measure their carbon footprint, taking into consideration the standard established by the GHG Protocol. In Abastible's case, the measurement involved direct emissions, while Orizon also included indirect ones. Copec, Terpel and Arauco, on the other hand, have continued to carry out this measurement in the three scopes¹⁸.

More specifically, Arauco made its carbon footprint measurement for 2015 and 2016, concluding that the largest emission's volume was concentrated in Chile, where the company has more industrial facilities, and in North America. This consecutive measurement over the last three years has allowed for an improvement in the knowledge of the company's emission profile, establishing the basis for defining reduction initiatives. In the Cellulose business in particular, part of fuel oil # 6 has been replaced by tall oil in some lime kilns. At the same time, the Wood business is actively working to reduce the amount of resins used per cubic meter produced and, in the Forestry business' case in Chile, a pilot project was designed to reduce transportation emissions, which has been supported by the Chilean Agency of Energy Efficiency for training contractors.

It is important to point out that Arauco's forest heritage fulfills the natural function of carbon storage, capturing CO_2 from the atmosphere and releasing oxygen into the air. By doing so, the company helps to reduce greenhouse gases and to mitigate their impacts.

On the other hand, Orizon has initiated improvements in their engineering designs and in their search for more efficient production strategies to regulate the atmospheric pollutants emitted by their boilers and generators, considering the installation of abatement systems for polluting gases, fuel changes, hydro cyclones systems for particulate material, atmospheric dispersion studies, among others. These measures will allow it to respond better to the new Environmental Decontamination Plan of the city of Concepción, which will take effect in January 2020. Meanwhile, at the Coquimbo plant, coal-fired boilers have stopped operating, in order to generate less emissions into the air and thus reduce the payment of green taxes.



For the third consecutive year, Copec certified its carbon footprint operations in Chile, thus complying with the ISO 14064-1 international standard: 2006 (according to which organizations voluntarily verify their reports on the quantification of greenhouse gas emissions).

This measurement, which has been consistently carried out since 2012, considers the storage of fuels in plants, their distribution and delivery to customer's tanks or service stations.

¹⁶ Only the emissions of its operations in Chile are included in the calculation of the Carbon Footprint.

 $^{^{7}}$ Only emissions from Terpel's operations in Colombia and Panama are included in the calculation of the Carbon Footprint.

¹⁸ Scope 1: emissions from facilities that are owned by the organization / Scope 2: emissions from purchased electric power / Scope 3: emissions from the value chain (service providers).



Regarding the measurement of other emissions (scope 3), that is, those that are not owned or directly controlled by the company (such as air or ground transportation of officials, supplies and waste, among others) is it is important to note that, in Arauco's case, 65% of its greenhouse gas emissions come from this scope.

Over the course of 2017, the affiliate Copec experienced a 12% increase in its emissions in Chile whilst Terpel had a 5% reduction.

| COMPANY | OTHER EMISSIONS (t CO ₂ e) | OTHER EMISSIONS (t CO ₂ e) | |
|---------|--|---------------------------------------|--|
| | 2016 | 2017 | |
| Copec | 65,900 | 73,701 | |
| Terpel | 36,357 | 34,670 | |
| Total | 102,257 | 108,371 | |

7.4.1. GEI EMISSION REDUCTION PROJECTS

Arauco has five generation plants in Chile and one in Uruguay (Joint venture with Stora Enso) registered as projects to reduce Greenhouse Gas (GHG) emissions under the Clean Development Mechanism of the Kyoto Protocol, which allows the annual reduction of around 650,000 tons of CO₂. Additionally, the Viñales cogeneration project is registered under the "Verified Carbon Standard" (VCS), having been its first emission in January 2017 for 96,119 Verified Carbon Units (VCUs).

During 2017, Arauco sold 602,121 CERs under the CDM standard in the voluntary market and 493,659 CERs under the CDM standard to Vattenfall Energy Trading Netherlands N.V. On the other hand, the company issued 457,309 CERs under the Clean Development Mechanism (CDM) standard, reaching an accumulated net emission of 3,956,502 CERs. With this, up to 2017, Arauco has contributed by 7.36% in reducing emissions in the energy generation projects from residual biomass category, under the CDM standard worldwide.

7.4.2. ABASTIBLE'S SOLUTIONS FOR CLEAN ENERGY AND ENERGY EFFICIENCY



To give comprehensive answers to customers' energy requirements, Abastible decided to give innovation a leading role. To this end, the affiliate began to offer a broad portfolio of energy solutions to its customers in the Chilean market, which include cogeneration systems, Liquefied Natural Gas (LNG) plants, Liquefied Petroleum Gas (LPG) generation, climatisation system, ultra-efficient boilers, heat pump solutions, and solar solutions for different industries.

Under this context, Nautigas can be found - a clean solution for the salmon industry that involves converting engines in order to save resources in fuel, reduce wastes and protect the marine environment by eliminating spillage risks.

In this same line Solargas is found - a new division responsible for promoting solutions that take advantage of the sun's natural energy, using it to heat sanitary water and fluids for industrial processes. The solar collectors are complemented with the use of liquefied gas. Thanks to this mix, savings of up to 70% in annual liquefied gas costs are generated and at the same time, the environmental footprint is lessened.

On the other hand, cogeneration systems simultaneously produce electrical and thermal energy, achieving savings of up to 18% in energy costs and 84% in CO2 level emissions. This technology has already been delivered to industries located in isolated places, such as hotels or fruit companies.

In addition, in 2017, Abastible was awarded the tender for developing an efficient energy solution for the Hospital de los Ángeles, an initiative promoted by the Chilean Energy Efficiency Agency (ACHEE) for highly complex hospitals. The project includes the incorporation of ultra-efficient boilers, steam management systems, and modulating burners, which increases energy efficiency use by 33% and savings of more than 3.5 GWH/year in generating sanitary water and heating. In addition to this, in May of the same year, the tender for Hospital de Copiapó was added.



7.5. OTHER EMISSIONS

In the fishing sector, one of the main environmental impacts is odor emissions. For this reason, during 2016, Orizon began carrying out odor studies in its Coquimbo and Coronel plants to minimize the negative impacts of its operations on neighboring communities and to incorporate early technologies to mitigate and control these emissions. Thus, the company is evaluating and generating a strategy based on foreign regulations jointly with Ekométrica and The Synergy Group (TSG) to work on defining the Odorant Emission Rate (TEO) in Chile.

| OTHER EMISSIONS - ORIZON | TONS | TONS |
|--|--------|--------|
| | 2016 | 2017 |
| so _x | 220.88 | 244.27 |
| NO _x | 113.82 | 114.39 |
| Contaminantes orgánicos persistentes (COP) | 0 | 0 |
| Contaminantes del aire peligrosos (HAP) | 0 | 0 |
| Material particulado (MP) | 18.53 | 20.28 |

| ATMOSPHERIC EMISSIONS | ARAUCO ¹⁹ BUSINESS | TONS | TONS |
|-----------------------|----------------------------------|-------|--------|
| | UNITS | 2016 | 2017 |
| SO ₂ | Pulp and Wood | 2,193 | 2,560 |
| NO _x | Pulp and Wood | 9,027 | 10,935 |
| TRS | Pulp | 27 | 30 |
| МР | Pulp and Wood | 3,394 | 4,140 |
| cov | Wood | 2,313 | 2,115 |
| со | Wood | 7,845 | 6,647 |

For its part, Arauco continuously monitors the TRS gas emissions from pulp mills and has implemented operational controls to minimize odor events associated with the venting of these gases into the atmosphere. In 2017, the company developed the final implementation stage and start-up process of the TRS gas collection and treatment systems, both diluted and concentrated, which will be operating during the first quarter of 2018 in all of the plants in Chile. This project involved an investment of US\$ 33 million dollars and will allow a 50% reduction in venting emissions. Meanwhile, in the Nueva Aldea Plant, technologies for odor abatement were implemented, with an investment of US\$ 8.5 million.

In the wood business, improvements are being implemented for the electrostatic precipitator's efficiency for the Trupán Plant in Chile and Moncure MDF in North America by installing a bio filter that will control the formaldehyde and methanol emitted by the MDF dryers, which would significantly reduce emissions. Likewise, in the United States, emission capture systems will be installed into all plants, which will reduce events during the operation, stops and start-ups.

In the meantime, as a means of controlling particulate matter emissions, Arauco has mitigation equipment in its different plants, such as gas scrubbers and electrostatic precipitators. Specifically, in wood plants, particulate material emissions from the sawing and remanufacturing processes are captured by bag filters and then reused as biomass fuel.



¹⁹ The atmospheric emissions of SO2, NOx and MP of 2017 for the pulp mills in Chile were calculated according to the requirements established in Resolution ex. №55/2018 SMA regarding the monitoring, reporting and verification of emissions from fixed sources subject to the green tax.

7.6. RESIDUES AND EFFLUENTS

306-1/306-2/306-3

The final disposal of hazardous and non-hazardous waste in each of Empresas Copec's affiliates is carried out in compliance with current regulations, while at the same time minimizing their actual generation.

In 2017, Abastible carried out the first waste registry with the purpose of having a baseline for implementing a minimization and responsible management strategy.

Vía Limpia



Vía Limpia, Copec's affiliate, offers solutions to customers' problems in handling used oil and removing wastes that contain hydrocarbons. They have high safety technology trucks that remove used lubricants, greases, containers, water and solids free of charge, and which are then disposed of in environmentally certified destinations for their storage, recycling and final liquid and solid waste (hazardous and non-hazardous) disposal.

Vía Limpia operates from Arica to Punta Arenas, even in isolated locations, and always with strict adherence to environmental standards, in addition to being certified under ISO 9001: 2008, ISO 1400: 2004 and OHSAS 18001: 2007.

Over the course of 2017, more than 15 million liters of oil waste, 8 million kilos of solid waste and 5.5 million kilos of contaminated water with hydrocarbons were removed.

For its part, Arauco has management plans for hazardous and nonhazardous waste in each of its facilities, which comply with current regulations and ensure their proper disposal.

In the Cellulose business' case, non-hazardous waste mainly corresponds to ash, sand, solid residues from the caustification process, lime carbonate, sludge from treatment plants, effluents,

barks unfit to be burned and others, which are disposed of mostly in their own non-hazardous waste deposits. During 2017, 22% of the by-products that could be disposed of were sent to external companies so that they could revaluate them for alternative uses, such as improving their agricultural land or composting, to name a few.

In Brazil, Arauco allocated most of the ashes and sludge generated in its operations to composting (about 74% of the total waste). Of them, 1,406 tons of compound were used in their forests and 11,980 tons in the plant's interior for leveling.

On the other hand, Terpel recycled 4,498 drums in the lubricants factory and thus avoided producing 83.1 tons of hazardous waste. In addition to this, Terpel's Used Oil Collection program in Panama acts as an initiative that seeks to raise awareness on the environmental impacts of inadequate waste management.

In 2017, about 681 tons of used oil were collected. Meanwhile, Orizon signed an agreement with Bureo Net Positiva, an expert company in recycling plastic, to deliver its disused nets so that they can be reused in the manufacturing of sustainable products, such as skates or lenses.

COMPANY HAZARDOUS RESIDUES GENERATED (TONS)

| | 2016 | 201/ |
|-------------------------|--------|--------|
| Arauco | 11,191 | 9,880 |
| Terpel | 1,034 | 1,139 |
| Abastible ²⁰ | 317 | 423 |
| Orizon | 177 | 63 |
| Total | 12,719 | 11,505 |

COMPANY NON HAZARDOUS RESIDUES GENERATED (TONS)

| | 2016 | 2017 |
|-------------------------|---------|---------|
| Arauco | 499,158 | 467,869 |
| Orizon | 14,219 | 15,135 |
| Terpel | 1,800 | 1,694 |
| Abastible ¹⁹ | 277 | 371 |
| Total | 515,454 | 485,069 |



In terms of liquid industrial waste, Arauco is constantly monitoring them to ensure that emission levels are within what is defined and regulated by specific environmental regulations. In this sense, all cellulose facilities include primary and secondary treatment for their liquid effluents, and two of them incorporate tertiary treatment. In parallel, the wood business plants also treat their effluents, either in their pulp mills systems or in their own systems. An important milestone in this aspect was the building of the Arauco Horcones Cellulose effluent treatment Plant, which involved an investment of US\$ 166 million and which is part of the MAPA project.

| COMPANY | THOUSANDS OF M ³ EFFLUENTS | THOUSANDS OF M ³ EFFLUENTS | |
|-----------|---|---|--|
| | 2016 | 2017 | |
| Orizon | 8,867 | 12,811 | |
| Arauco | 134,900 | 130,300 | |
| Terpel | 477 | 540 | |
| Abastible | 25 | 22 | |
| Total | 144,269 | 143,674 | |

During 2017, a 0.4% decrease in industrial liquid waste generation was registered.

7.7. SPILLS

Fuel spills constitute one of the main environmental risks in productive operations. For this, Terpel and Copec have contingency plans that allow them to act in a timely manner in the event of a possible fuel spill. Their affiliates have emergency brigades and carry out simulations and trainings to prepare their personnel for these situations and, thus, minimize the impact on the environment and the people's safety.

During 2017, Arauco experienced three minor treated effluent spills incidents in Chile, all without significant environmental effects. One of them occurred in Arauco Horcones Celullose Plant's internal facilities and two minor incidents in Nueva Aldea Cellulose Plant's emissary. In addition, at the Puerto Esperanza Cellulose Plant in Argentina, the overflow of a weak black liquor storage pond occurred, a small percentage of the liquid reaching the Paraná River. The situation was duly controlled, and the relevant authority was informed.

In Copec's case, there was a spill of 1,300 gallons in the city of lquique, which were contained within a parapet. In Terpel, there were 61 minor spills, making a total of 29,123 gallons. In addition, Abastible had to face the fall of one of its distributor trucks loaded with liquefied gas, an incident that was immediately remedied with no damage caused to people or the environment.

7.8. SOLUTIONS AND PRODUCTS THAT ARE ENVIRONMENTALLY FRIENDLY

The development of innovative solutions and products that minimize the negative impact on the environment counts as an important course of action for affiliates. Some of the initiatives that were implemented during 2017 include the following:



With the aim of helping to improve Chileans' quality of life, and as a way of promoting access to the use of clean energies, Abastible has held an agreement with the Ministry of the Environment for promoting the wood-burning heaters replacement program since 2015. Since then, the initiative has been implemented in several cities in the south of the country, particularly in areas where contamination by particulate material from firewood use had reached worrying figures. In 2017, the affiliate was awarded the tender for the replacement program in Coyhaique, which is added to those of Chillán and Chillán Viejo. In this context, Abastible has made nearly 300 replacements, in addition to numerous installations in Family Health Centers (CESFAM), rural posts, schools and foundations.

Thanks to this initiative, the population has access to a heating alternative with a calorific power that is 244% greater than certified firewood, as well as being a clean fuel, without generating indoor pollution. The liquefied gas is the natural substitute for firewood and is the cheapest and most efficient alternative, as verified by a study made by the Intelis analysis center and the Faculty of Economy and Business of Universidad de Chile.



For its part, the affiliate Copec has a BlueMax production plant in Maipú, a solution composed of 67.5% demineralized water and 32.5% high purity urea. This catalyst, which is injected into the exhaust gases of diesel engine vehicles, reduces more than 80% of the nitrogen oxide (NOx) polluting emissions. During 2017, Copec increased its annual sales volume by 34%, reaching a 54% market share.

Copec also launched its Satellite Regasification Plant (PSR) at the Carozzi plant in Teno in 2017, thus, initiating its first steps towards the Liquefied Natural Gas (LNG) business.

LNG is a fuel that at -160°C can be packed into a liquid state to be transported in special trucks. Then, in the PSR, environmental radiators vaporize it so that, back in its gaseous state, it feeds boilers, furnaces or burners through an internal distribution network. It is a cleaner fuel significantly reducing ${\rm CO_2}$, MP, NOX and ${\rm SO_2}$ emission levels.



For Empresas Copec, business development must always go hand in hand with creating opportunities and generating value. That is why the company and its affiliates maintain a solid commitment to sustainable development, promoting a social investment strategy that seeks to carry out concrete initiatives that create a positive impact on the well-being of people and their quality of life.

During 2017, efforts were focused on supporting and promoting economic and social development through housing programs, entrepreneurship promotion, the generation of shared value projects and the promotion of education, culture and sports.

At a consolidated level, the contributions made by Empresas Copec and its affiliates for developing these initiatives reached US\$ 21.2 million, 4.6% higher than the amount invested in 2016. All of these contributions were approved by the respective Boards, as established by the Corporate Governance Policies in force regarding donations and sponsorships.

| COMPANY | COMMUNITY INVESTMENT 2016 (US\$) | COMMUNITY INVESTMENT 2017 (US\$) |
|----------------|--|--|
| Arauco | 13,000,000 | 13,000,000 |
| Copec | 1,815,794 | 4,860,496 |
| Terpel | 1,962,003 | 1,970,443 |
| Empresas Copec | 2,898,000 | 1,134,447 |
| Abastible | 537,000 | 158,128 |
| Orizon | 58,519 | 74,998 |
| Total | 20,271,316 | 21,198,512 |

8.1. CONTRIBUTION TO LOCAL DEVELOPMENT

203-1 / 413-1

Maintaining constant, transparent and early dialogue with communities is essential for detecting and minimizing the possible negative impacts of operations, and for finding opportunities to increase local development contributions. This is how strategies and plans for community relations have been developed, which are specific to the needs of each community.

In 2017, the affiliate Copec began to implement a management system for the community's relationships with its fuel storage plants. It is estimated that in 2018 the community relationship strategy design will have been completed. In parallel to this, the company carried out the building of a sports field in the town of Quintero and participated in the 2017 Telethon for the seventh year running, contributing a donation of \$ 400 million, a record figure for the company.

Meanwhile, the affiliate Abastible reaffirmed its commitment to the Food Network through economic and professional contributions. This important private non-profit organization has the purpose of receiving, managing and distributing free food to solidarity social organizations in the Metropolitan Region. Additionally, the company and its employees made contributions to institutions committed to solidarity action, such as Hogar de Cristo, Fundación Las Rosas, Fundación María Ayuda, Fundación Esperanza, Congregación Salesiana and Techo. At the same time, Abastible proposed a project to the authority to fully finance the installation of a pedestrian crossing with a traffic light at the Camino a Melipilla/Cerro Sombrero intersection, a corner which is close to the Maipú packaging plant. This initiative seeks to reduce the number of accidents that have occurred there in recent years, thus protecting the well-being of the district's residents, as well as the plant's workers and those of other industries in that sector. In 2017, the sectorial permits were processed, and the project planning was validated with other companies that have underground networks, so that they can be put into operation in 2018.

The affiliate Orizon maintains a close connection with communities and the surrounding environment of where it carries out its activities. During 2017, the company supported various activities in the area where its facilities operate, including the Coronel Environmental and Social Recovery Program (PRAS), the clean-up of the coastline, sports promotion and alcoholism and drug addiction prevention.

Likewise, Orizon made direct contributions to various foundations linked to the elderly, children and young people at social risk, educational institutions, artisanal fishermen, neighborhood associations and to the victims of the Santa Olga fires.

The company also reached an important milestone after more than two years of continuous work with the Council for Environmental and Social Recovery (CRAS), in which the community's civil representatives, the public sector coordinated by the Ministry of Environment, and representatives of the municipality's business sector participated and collectively agreed upon the final document of the Coronel Environmental and Social Recovery Project, which will be presented to the Executive and which will signify a great contribution in improving the quality of life of those who work and reside in Coronel.

Finally, and as part of the linking and integration initiatives with the community, Orizon began works on opening the first Sales Room in the Coronel Plant. This room, which will be operational in 2018, aims to expand the marketing coverage of its products and to promote healthy eating.

8.1.1. ARAUCO REBUILDING PLANS

Constitucion's Sustainable Rebuilding Plan (PRES) is an initiative developed jointly by Arauco, the Municipality of Constitución and the Ministry of Housing and Urban Development, to tackle the rebuilding of Constitución, one of the cities most affected by the earthquake and tsunami in February 2010. Thus, within this program's framework, the building and implementation of the Municipal Library, the Mutrún Stadium, the Cultural Center, the Nautical Dock, the Escuela Enrique Donn Müller, the Headquarters of the 1st Fire Station, stretch of Costanera Echeverría and the Tempered Swimming Pools project (which takes advantage of the Cellulose Plant's residual heat) have been carried out.

In parallel, and after the fires that occurred in the 2016-2017 season, Arauco signed a work agreement, together with the Government of Chile, for rebuilding the towns of Santa Olga, Los Aromos and Alto Los Morán, in Constitución. This plan considered various programs associated with drinking water supplies, civil works, protection strips and firebreaks.

8.1.2. HOUSING PLANS

Arauco's Workers and Community Housing Program (PVT) in Chile has as its main objective to promote access to housing for workers, service provider companies' employees and families located in the company's area of influence, supporting them by accompanying them in applying to public subsidies, in contracting with third-party experts and in searching and technically evaluating land. In addition, Arauco actively participates in the program, contributing to building high quality villas with wood innovation and excellence standards in districts where there is little residential offer. To date, homes have been built in the towns of Curanilahue, Yungay, San José de la Mariquina, Constitución and Los Alamos, totaling 1,355 homes built and 399 homes under construction.

On the other hand, the affiliate Copec collaborates with Elemental, a think-and-do tank developed by Pontificia Universidad Católica and a group of professionals, whose mission it is to reduce poverty and to improve the quality of life of families by installing urban projects of public interest and social impact. To date, it has developed social housing projects in Antofagasta, Concepción, Copiapo, Iquique, Rancagua, Santiago, Temuco, Tocopilla, Valparaiso, Valdivia and Yungay, as well as in Mexico and Switzerland.



8.1.3. RAÍCES PROJECT

The Raíces Project is an initiative of the affiliate Copec, which seeks to promote and rescue the local identities of the different places that are homes to its service stations, through exterior and technological walls that show the attractions of each area: tourism, culture, history, nature and the particularities of its people. In addition, since 2016 and with the aim of improving the experiences of its on-road customers, the company has incorporated terraces and green spaces in Pronto's "Kioskos", allowing families to rest in the shade during their travels. In 2017, the Pronto Arauco-Horcones store was added, ending the year with a total of 22 facilities. In addition, the interior of Pronto's Kioskos of Los Vilos, Tabolango, Socos, Copiapó, Los Angeles, Trafún and Puerto Montt were redeveloped, completing 15 remodeled stores throughout Chile.

8.1.4. POLO VIÑATERO

Viñatero Polo is a Technology Transfer Group driven by the affiliate Arauco and the National Institute of Agrarian Innovation (INIA), which seeks to bring together various producers in the Ránquil and Portezuelo area with the aim of improving the productivity and quality of the area's vineyards, training farmers and improving competitiveness. This Shared Value project brings together 5,500 small producers from 11 districts of the area, providing them with support and at the same time allowing for the restoration of the vines that gave rise to Chilean wine in traditional strains, such as Moscatel, Cinsault and País. The challenge that Arauco set for itself involved supporting these communities to improve the quality of the strains, expanding their options in the market and enhancing the valley as a whole.

8.1.5. "DE RAÍZ" FOREST RENEWAL PLAN

The Arauco "De Raíz" Forest Renewal Plan aims to address the challenges that the company faced after the fires experienced during the 2016-2017 season in Chile and that led to Arauco's loss of 72,000 hectares of forest plantations and 15,000 hectares of native forest.

This plan was carried out with more than 50 professionals, who integrated 14 technical teams and worked on designing measures that seek to reduce the occurrence of fires, along with protecting inhabited areas and the natural heritage. The plan's focus is to strengthen prevention and reduce the occurrence of fires; decrease the risk of large-scale fire spread; protect inhabited areas and industrial complexes; strengthen the combat model; recover affected plantations, native forests and contribute to neighboring communities' quality of life.

The plan now has 14 concrete measures jointly defined by communities, authorities, public and private institutions and international experts, and an Integrated Prevention and Combat Strategy composed of the following components:

- Installation of a Community Prevention Network, which articulates the creation of Local Prevention Committees where neighbors, authorities and companies work together to prevent fires.
- Strengthening fire combat, through the injection of new resources to quickly and directly contain outbreaks in their initial phase, increasing air and land resources, adding night combat brigades and increasing water capacity by 40%.
- Designing protection belts that redesign the way forest plantations are structured in neighboring inhabited areas, where a short combustible strip is maintained, and preventive forestry actions are carried out.
- Implementing a structural protection network, which aims to reduce the spread, facilitate combat and limit the impact through a short combustible network.



8.1.6. ABASTIBLE'S REFORESTATION PROGRAM

The affiliate Abastible made an alliance with the Fundación Reforestemos Patagonia to contribute to raising awareness on environmental care and the serious problems that are associated with unconscious consumption of forest biomass, fires, deforestation, among other things. This initiative, which is part of the Ministry of the Environment's replacement program in Coyhaique, implies that the company will plant a tree for each beneficiary that replaces its wood-fired heater for a liquefied gas one.

8.1.7. RECONCILIATION PROGRAM

Over the course of 2017, the affiliate Terpel maintained its commitment with the reconciliation process in Colombia through its Restaurando Sueños program. This initiative tackles three work areas: supporting productive projects, volunteering with ex-combatants and collaborating with people's enterprises in the reintegration process. During this period the organization supported three new projects in Florencia (Caquetá), reaching a total of six benefited initiatives.

In parallel, Terpel supported the National Government in implementing 26 reincorporation zones, by supplying fuel, which involved the company adapting the existing infrastructure for storage and dispatch.

8.2. CONTRIBUTION TO QUALITY EDUCATION

For Empresas Copec, its commitment to education is materialized by its collaboration with institutions such as Enseña Chile and Fundación Belén Educa.

Enseña Chile selects and trains young professionals who wish to devote their first working years to teaching in vulnerable schools, in order to build a network of change agents, with the conviction and perspective to make an impact on the educational system, first from the experience in the classrooms and then from different sectors. Enseña Chile has supported more than 60,000 students from 106 educational establishments, in the regions of Aysén, Biobío, La Araucanía, Los Ríos, Los Lagos, Metropolitan, Tarapacá and Valparaíso.

Foundación Belén Educa has 12 educational establishments located in vulnerable districts of the Metropolitan Region, and provides quality education to 13,000 students whilst permanently encouraging families' commitment to their children's education. The Company and its affiliates support the Foundation through financial resources and actively participate in various initiatives, such as the Tutoring Program and Master Lectures. The aim of The Tutoring Program is for executives to transmit to high school seniors the importance of continuing their studies in order to become good

professionals, while Master Lectures allow for executives to visit a school of the Foundation in order to talk and give guidance to high school students. In addition to this, the Anacleto Angelini Fabbri Scholarship is awarded each year to the most outstanding student of each institution, which finances their entire career in a Technical Training Center or a Professional Institute. Moreover, Orizon works with the Foundation in carrying out the "Por una Vida más Sana" campaign, aimed at educating students on healthy eating habits and providing parents with tools that promote a healthy lifestyle. Over the course of 2017, a total of 30 executives from Empresas Copec and its affiliates participated in the Tutoring Program.

On the other hand, the affiliate Arauco directly administers the Arauco, Constitución and Cholguán schools, which are establishments that have been recognized nationally for their performance and academic excellence.

Meanwhile, Orizon has continued to support school sponsorship programs and vulnerable school projects in Coronel and Chonchi. Likewise, it has maintained its commitment to the area's industrial schools and universities in which it operates, in order to give its students the possibility of carrying out professional internships and degree theses.







Fundación Educacional Arauco

Founded 28 years ago, its goal is to establish teachers at the center as essential actors in educational changes. Its focus has been to strengthen teacher's skills and practices in order to improve their students' learning. Since its creation, the Foundation has taught its programs in 34 districts of Chile, benefiting more than 575 schools and 5,100 teachers, annually serving close to 100,000 students. To implement teacher development programs, the Foundation has established public-private partnerships with the Ministry of Education and municipalities, carrying out work in which all involved actors contribute.

Campus Arauco



The Higher Education Center Campus Arauco developed from an alliance between Arauco and the Professional Institute Duoc-UC, which provides excellence education under the dual education system to young people in in the Province of Arauco, in the Biobío Region. The institution has more than 30 teachers and 18 collaborators, as well as a Training Center to train Arauco's workers. It was inaugurated in 2016, becoming the first major project in Chile that integrated technical and vocational higher education with private enterprises.

The first students enrolled in this modality began the dual learning process under the following degrees, Electricity and Industrial Automation Technician and Electromechanical Maintenance (Industries major) Technician. The on-the-job model allows students to learn both in the classroom and in Arauco's industrial facilities. By the end of 2017, the center had 591 students, 129 of whom participated in the dual model.

Fundación Terpel



The Terpel Foundation seeks to promote education, new ideas, positive leadership and the transformation of environments that benefit communities, acting as an important ally on the road for quality education in Colombia.

One of the Foundation's emblematic programs is DISEÑA EL CAMBIO, a global contest for educational institutions that encourages children and young people to express and realize their own ideas on how to change the world, transform their environments and implement innovative and sustainable solutions to the community's problems. In 2017, the first comparative measurement for the proficiency test was carried out, which showed that the 249 students evaluated were perceived by their teachers as leading students and that they have made progress in their leadership skills with respect to the tests results carried out before starting the process. With this, there are already 131 developed projects and more than 39,000 students involved. Another of the Foundation's actions is ESCUELAS QUE APRENDEN®, an initiative that aims to strengthen leadership in the institutional management of schools to improve the effectiveness of the teaching process of mathematics and language for primary school children. Over the course of 2017, the program reached 59 educational institutions, ending the year with over 2,500 teachers and 140,000 benefited students. EL LÍDER EN MÍ® is a leadership strengthening program aimed at teachers and professionals in Colombia's official schools. During 2017, 1,026 teachers and 160 principals from 83 institutions had the opportunity to participate in this initiative, financed and executed by Fundación Terpel. The program surpassed 126,000 beneficiaries.

There is additionally the ¡AVENTURA DE LETRAS! program, whose main objective it is to provide official educational institutions with school libraries and to implement activities that help promote reading in children and young students. In 2017, the cities of Quibdó (Chocó), Buga (Valle del Cauca) and Facatativá (Cundinamarca) received donations from three libraries and impact tests were carried out to see the program's progress in the cities of Montería (Córdoba), Cúcuta (Norte de Santander) and Neiva (Huila).

Finally, Fundación Terpel has designed an education fund called MI FUTURO AHORA. This fund seeks to support up to 80% of technical, technological and technical-labor training careers for service station employees (or their children) who participate in Terpel's PITS Program. It also provides beneficiaries with psychosocial and economic support until the moment they graduate. During 2017, 193 living expenses were delivered to 332 fuel dispatchers, Terpel stores' personnel or their families, located in Colombia's 84 municipalities.





Another outstanding initiative in favor of quality education in Chile is the Viva Leer Program of the affiliate Copec, which seeks to encourage reading in the country. In its first stage, the program included a collection of books, which were sold directly in service stations; the creation of a volunteers network within the company; the implementation a virtual platform to support schools, families and the community, and the donation of 75 open school libraries that are located in places from Arica to Punta Arenas, benefiting more than 34,000 students and families. In 2018, the company will renew this program, committing to the inauguration of 45 new libraries over a period of five years.

8.3. CORPORATIVE VOLUNTEERING

Over the course of 2017, Empresas Copec and its affiliates participated in a number of corporate volunteering initiatives.

| COMPANY | 2016 | | | 2017 |
|-------------------|-------|--------------------------|--------|--------------------------|
| | HOURS | VOLUNTEERS PARTICIPATING | HOURS | VOLUNTEERS PARTICIPATING |
| Terpel | 1,590 | 514 | 14,723 | 527 |
| Abastible | - | - | 2,075 | 95 |
| Orizon | 51 | 66 | 126 | 27 |
| Empresas Copec | 30 | 5 | 30 | 5 |

These included activities carried out by Terpel, in which 527 volunteers and their families participated in enhancing facilities, and took part in recreational, environmental and reconciliation activities.

Additionally, Terpel Panama designed, structured and executed the following five programs aimed at making viable good social, economic and environmental practices in this country:

VAÍTO program (name for water in the Emberá indigenous language) that dealt with the cleaning of beaches and protecting water resources.

BACURÚ program (name for tree in the Emberá indigenous language) that involved planting trees, protecting natural reserves and cleaning green areas.

"PANAMA ES NUESTRA" program, which contributed to improving educational quality and infrastructure.

Reconcilia program, which is aimed at the socioeconomic reincorporation of young people at social risk as employees of convenience stores.

Terpel Program en mi Comunidad, which is in favor of the rights of children and adolescents in vulnerable conditions.

8.4. RELATIONSHIP WITH ABORIGINAL PEOPLES

411-

Arauco has a Relationship Program with the Guarani communities, with the aim of creating a link between the company and the community within a framework in which the Mbya Guaranni culture is respected and access and utilization of the resources that they traditionally occupy within the company's premises is facilitated.

Likewise, Arauco has a Relationship Policy with the Mapuche communities²¹ in Chile. This policy seeks to establish dialogue and consultation practices, as well as resolution and controversy management mechanisms that take the proper elements of the Mapuche culture into consideration; it aims to know and manage the land requirements of the Mapuche communities with which they relate; to promote knowledge and education on the various aspects of the Mapuche culture within the company; to maintain a constant dialogue and consultation process with the intent of identifying the impacts, concerns and opportunities of their operations; and together with the communities establish the ways to manage them; identifying religious, cultural and economic interest sites of Mapuche communities, which are within their forest heritage.



of children and adolescents in valuerable conditions.



Empresas Copec and its affiliates have various initiatives to promote the development and professional growth of its employees. Likewise, and as is expressed in its sustainability policy and its corporate values, the Company maintains a firm commitment to occupational health and safety.

In addition, Empresas Copec and its affiliates seek to generate the appropriate conditions for the development of all its members, promoting work environments based on values, such as respect and honesty, as well as professional quality, training, teamwork and good interpersonal relations.



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As of December 31st, 2017, Empresas Copec's personnel for this scope is composed of 23,629 workers, 8.5% higher than the one recorded at the end of last year. Out of the total workers, 19.0% are women and 49.2% correspond to foreigners.

HEADCOUNT BY COMPANY

| COMPANY | 2016 | 2017 | % CHANGE | | | |
|----------------|--------|--------|----------|--|--|--|
| Arauco | 14,239 | 15,379 | 8.0% | | | |
| Abastible | 2,861 | 3,437 | 20.1% | | | |
| Terpel | 2,720 | 2,899 | 6.6% | | | |
| Orizon | 1,014 | 955 | (5.8%) | | | |
| Copec | 910 | 929 | 2.1% | | | |
| Empresas Copec | 28 | 30 | 7.1% | | | |
| Total | 21,772 | 23,629 | 8.5% | | | |











HEADCOUNT BY COUNTRY AND GENDER

| COUNTRY | 2016 | | | | 2017 | | |
|--------------------------|-------|--------|--------|-------|--------|--------|--|
| | WOMEN | MEN | TOTAL | WOMEN | MEN | TOTAL | |
| Chile | 1,779 | 10,496 | 12,275 | 1,756 | 10,263 | 12,019 | |
| Colombia | 734 | 1,363 | 2,097 | 773 | 1,833 | 2,606 | |
| Brazil | 232 | 1,698 | 1,930 | 381 | 2,619 | 3,000 | |
| Argentina | 136 | 1,372 | 1,508 | 129 | 1,365 | 1,494 | |
| Mexico and United States | 255 | 1,041 | 1,296 | 299 | 1,373 | 1,672 | |
| Panama | 493 | 392 | 885 | 555 | 466 | 1,021 | |
| Peru | 327 | 544 | 871 | 376 | 557 | 933 | |
| Ecuador | 75 | 349 | 424 | 77 | 348 | 425 | |
| Uruguay ²² | 112 | 232 | 344 | 106 | 215 | 321 | |
| Others | 34 | 108 | 142 | 32 | 106 | 138 | |
| Total | 4,177 | 17,595 | 21,772 | 4,484 | 19,145 | 23,629 | |

The growth of personnel in 2017, in comparison to the previous year, is mainly because of the affiliate Abastible's higher level of hiring due to their need to create high standard teams that favor the standardization of initiatives in the different countries where it is presently located, with the aim of strengthening the team and promoting the necessary internal changes. Alongside this is the increase in the number of employees of the affiliate Arauco in its operations in the United States and Brazil.

Contractor workers

By the end of 2017, the companies that made up Empresas Copec had the collaboration of 25,379 people 23 , a figure 0.5% higher than the personnel hired in 2016.

The affiliate Arauco has a significant number of contractor workers and, therefore, has implemented tools for its proper management and involvement. For example, on a monthly basis, the company certifies compliance of the labor obligations of contractor and subcontractor companies through OVAL, an organization certified by the National Standardization Institute²⁴.

In addition, Arauco guarantees the well-being of the contractor's workers, demanding from these companies' salaries higher than the national minimum wage, as well as life insurances for all workers who provide services to the company's works, facilities and operations.

CONTRACTOR WORKERS

| COMPANY | 2016 | 2017 |
|----------------|----------------|--------|
| Arauco | 22,165 | 21,208 |
| Abastible | 918 | 1,082 |
| Orizon | 412 | 590 |
| Terpel | 1,760 | 1,763 |
| Сорес | No Information | 736 |
| Empresas Copec | - | - |
| Total | 25,255 | 25,379 |

²² It includes 50% of the Montes del Plata endowment in Uruguay, a joint venture with the Swedish-Finnish company Stora Enso.

²³ The figures for 2017 include the contractors of Arauco, Terpel, Copec (in Chile), Orizon and Abastible (Chile and Ecuador).

²⁴ More information on the management of contractors in the chapter "Support for the Value Chain".



9.2. EQUAL OPPORTUNITIES AND PROMOTING DIVERSITY

405-1

Empresas Copec and its affiliates endorse having teams of diversity, as different opinions and contributions are considered fundamental for the business' success. Within this framework, during 2017, there was an increase in the number of females assuming positions of responsibility. At the managerial level, this rate increased by 35% and at the professional-technical level by 50%.

| JOB CATEGORY ²⁵ | 2016 | | 2017 | |
|-------------------------------|-----------|-----|-------|-----|
| | WOMEN MEN | | WOMEN | MEN |
| Managers | 15% | 85% | 17% | 83% |
| Professionals and technicians | 25% | 75% | 28% | 72% |
| Other employees | 16% | 84% | 14% | 86% |

In relation to the age range, 41% of the total employees are over 40 years of age, and 38% are between 30 and 40 years of age. The percentage of people under 30 remained consistent at 21%.

| AGE RANGE ²⁵ | 2016 | 2017 | RELATIVE IMPACT 2017 |
|-------------------------|--------|--------|----------------------|
| Older than 40 years | 8,878 | 9,638 | 41% |
| Between 30 and 40 years | 8,018 | 8,890 | 38% |
| Younger than 30 years | 4,464 | 4,803 | 21% |
| General Total | 21,360 | 23,331 | |

Empresas Copec and its affiliates respect the dignity of people and reject any discriminatory attitudes-based on race, religion, gender, age, sexual orientation, nationality, marital status and disability considerations. This applies to both existing employees and new job applicants.

In this sense, arbitrary discrimination cannot be part of the recruitment or hiring processes, nor for the defining of employment terms and conditions, such as the tasks that are to be performed, training, remuneration, benefits, promotions, transfers and internal discipline. To guarantee compliance with this commitment, the Company and each of its affiliates have made effective channels available to its employees so that they can carry out their complaints with a guarantee that the complainant's identity will remain hidden.

²⁵ In Orizon, only personnel with an indefinite contract were considered.

In particular, Arauco, in Chile, is part of the Inclusive Business Network (REIN), a private group that is dedicated to strengthening inclusion. Over the course of 2017, the company implemented specific programs for this purpose; for example, it involved students that had cognitive, motor and visual disabilities to carry out their professional practices in Santiago and in the Nueva Aldea complex, and hired people with disabilities thanks to an alliance with Quillón's OMIL, as well as their work with Aramark. In Brazil, for its part, the company has 84 employees with disabilities who work in the company's different areas, respecting their individuality and limitations with the aim of promoting the development of each one of them.



During 2017, Copec added approximately 2,000 employees of foreign origin to its service stations network in Chile, thus making up 21% of the total number of workers in this network. In addition, in recent years, the company has been incorporating more women in zone chairperson positions, which have historically been occupied by men.

| COMPANY | EMPLOYEES WITH DISABILITY 2016 | EMPLOYEES WITH DISABILITY 2017 |
|----------------|--------------------------------------|--------------------------------|
| Arauco | 69 | 119 |
| Abastible | 14 | 14 |
| Terpel | 4 | 12 |
| Copec | 0 | 1 |
| Orizon | 0 | 7 |
| Empresas Copec | 0 | 0 |
| Total | 87 | 153 |

Abastible, for its part, signed an alliance with Fundación Emplea del Hogar de Cristo, an institution responsible for the training and preparing people with disabilities, migrants and women heads of households from vulnerable sectors to join the workforce. Fundación Teletón evaluated Abastible's facilities to determine its adaptation level for incorporating people with disabilities.

Terpel, meanwhile, reaffirmed its collaboration with the Best Buddies Foundation and extended the employment inclusion program to people with cognitive impairment. With this, by the end of 2017, the company had three employees with special abilities in Terpel's main office and in Antioquia's regional office.



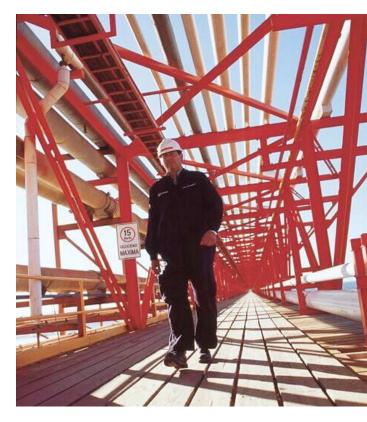
9.3. MINIMUM WAGE

Empresas Copec and its affiliates remunerate their employees with salaries above the National Minimum Wage in each of the countries where it operates.

It should be noted that the minimum remuneration paid by Empresas Copec during 2017 was 130% higher than Chile's gross minimum wage, which reached ThCh\$ 270,000 for the period dating from July 1st to December 31st, 2017.

9.4. ROTATION AND INTERNAL MOBILITY

Empresas Copec and its affiliates develop specific processes aimed at attracting those people with the abilities and skills that are necessary to perform successfully in the different roles. In 2017, at a consolidated level, 3,291 employees entered the company, consisting mainly of men.



NEW CONTRACTS RATE²⁶

| COMPANY | 2016 | | | 2017 | | |
|--------------------|-------|------|-------|-------|------|------------|
| | WOMEN | MEN | TOTAL | WOMEN | MEN | TOTAL |
| Arauco | N.D. | N.D. | 11% | N.D. | N.D. | 7 % |
| Terpel | 43% | 33% | 37% | 37% | 28% | 32% |
| Abastible | 18% | 45% | 39% | 24% | 32% | 30% |
| Empresas Copec | 14% | 24% | 21% | 0% | 26% | 20% |
| Orizon | 5% | 6% | 6% | 12% | 13% | 12% |
| Copec | 20% | 7% | 11% | 7% | 10% | 9% |
| New Contracts Rate | 18% | 9% | 18% | 16% | 8% | 14% |

In relation to the turnover or exit rate, there was a 1% decrease with respect to 2016, considering voluntary and involuntary terminations.

²⁶ New hiring rate = Total income for the year / Endowment at the end of the year

ROTATION RATE

| COMPANY | 2016 | | | 2017 | | |
|----------------|-------|------|--------|-------|------|-------|
| | WOMEN | MEN | TOTAL | WOMEN | MEN | TOTAL |
| Arauco | N.D. | N.D. | (0,6)% | N.D. | N.D. | 0,1% |
| Terpel | 31% | 19% | 24% | 27% | 21% | 24% |
| Abastible | 17% | 28% | 25% | 15% | 21% | 20% |
| Empresas Copec | 14% | 10% | 11% | 0% | 22% | 17% |
| Copec | 7% | 8% | 8% | 8% | 7% | 7% |
| Orizon | 2% | 4% | 3% | 7% | 6% | 6% |
| Rotation Rate | 13% | 6% | 7% | 11% | 5% | 6% |

In terms of internal mobility, Empresas Copec and its affiliates promote and support their employees' interests in searching for better professional development opportunities within the company. When it comes to vacancies, internal recruitment is always prioritized, having generated opportunities for a total of 1,188 employees over the course of 2017. Particularly in Terpel, the International Mobility program was implemented, which opens up the possibilities of work experience in other countries for its employees, enabling them to move from Colombia to Chile, Panama and Peru. This required logistical support, immigration procedures, inductions and guaranteeing emotional benefits for employees and their families for adapting to new environments.

9.5. HEALTH AND LABOR SAFETY

403-1/403-2

Protecting worker's safety and occupational health constitutes a central concern for both Empresas Copec and its affiliates. In that respect, 2017 was marked by the implementation of significant improvements for reducing specific risks in the different operations.

For its part, Abastible began working with AON Risk Solutions, an English company specialized in the industry to develop an excellence and operational integrity model. Consistent with its strategic plan, this model began to be implemented into all of the region's countries in order to maintain a single risk management standard, one that is recognizable and replicable. For this, a diagnostic phase was carried out, through which all of Abastible's operations in South America were evaluated, based on twelve criteria: leadership, risk assessment, incident investigation, operations, maintenance, design and engineering, services with third parties or contractors, skills, change management, emergencies and continuous evaluation and monitoring. This allowed for the building of risk matrixes for all processes and enabled plans and programs to be generated in order to manage each one of them. Likewise, objectives were established considering the European parameters in these matters and local and regional indicators were also defined.

Particularly, in Chile, 18 risk and environment management indicators were defined, with specific goals and monitoring processes, while at the regional level, four indicators will be evaluated, which will be monitored through the ISOTools. In addition, a reporting and incident investigation model was established in order to comply with the current legislation and to diffuse corporate-level events. On the other hand, Duragas prepared fire risk studies for the Montecristo and Guayaquil plants, and quantitative risk studies for four packaging plants nationwide, all with the purpose of strengthening the safety of the facilities and contributing to the continuous improvement of them.



Within the entry into force in Chile of Law No. 20.949 (Lev del Saco) framework, which reduces the maximum weight that a person can handle in manual loading and unloading operations from 50 to 25 kilos - Abastible created an Integral Manual Loading Plan with the objective of promoting and maintaining good practices under conditions that protect workers' health and quality of life. This plan, which is aimed at over 1,000 people (employees and contractors), establishes the use of large carts for moving and handling cylinders inside the plants and in its transportation to distributors. In addition, it considers the installation of access ramps for carts in 100% of the packaging trucks, a significant improvement to the facilities' infrastructure and allowing a more expedite circulation. Similarly, on-site trainings were carried out, where manuals and technical guides were delivered in Spanish and in creole, along with reinforcement videos. Complementarily, and with this same purpose, the automation of the palletizing system Maipú's Plant began, significantly reducing the handling of manual loading in this installation.



Safe transportation

Copec delivers a safe and timely fuel supply to thousands of customers thanks to the correct management of its distribution chain, which includes storage plants, service stations and hundreds of transportation trucks, among others. This is how, year after year, the company carries out improvements to its systems and processes in order to minimize security risks. In 2017, Copec began the certification process of its maritime terminals so as to comply with the new obligations established by the authority and to improve the operational and safety standards of these infrastructures.



Transcom has a fleet of trucks that are equipped with security systems that include outdoor cameras, GPS geolocation, ABS brakes, stability control and panic buttons for drivers. In 2017, the company acquired 15 trucks with active safety systems, consisting of cameras, sensors and an automated gearbox that mitigates the risks of accidents by sending the driver sound alarms when there is a danger of collision with other vehicles, people or motionless objects; untimely lane changes or for detecting lateral objects in blind spots.

Arauco, meanwhile, defined a corporate security management model called "Juntos por una vida mejor", which is based on the empowerment of work teams, so that they can assume a more protagonist role in their own safety. Moreover, in all of the company's facilities in Chile, a Health and Quality of Life promotion program called "Cultura Sana" was implemented, which aims to promote conditions that allow for all worker's healthy and integral development.

On the other hand, the affiliate Orizon was highlighted by the Chilean Security Association as the safest company in the fishing industry, an achievement met by the growing investment in Occupational Health and Safety.



| COMPANY | OWN PERSONNEL | | | | |
|----------------|--------------------|--------------------|--|--|--|
| | ACCIDENT RATE 2016 | ACCIDENT RATE 2017 | | | |
| Abastible | | | | | |
| Chile | 3.66 | 3.28 | | | |
| Ecuador | 0.027 | 0.19 | | | |
| Colombia | 0.003 | 0.003 | | | |
| Peru | 0.914 | 1.136 | | | |
| Terpel | | | | | |
| Colombia | 0.12 | 0.08 | | | |
| Orizon | | | | | |
| Chile | 0.041 | 0.022 | | | |
| Copec | | | | | |
| Chile | 0.65 | 0.65 | | | |
| Arauco | | | | | |
| Forestal | 0.012 | 0.011 | | | |
| Celulosa | 0.008 | 0.008 | | | |
| Empresas Copec | 0.0 | 0.0 | | | |

During 2017, Arauco achieved a decrease of 5.6% in the frequency index, an increase of 2.8% in the severity index 1 and an increase of 31.6% in the severity index 2.

Copec, meanwhile, recorded positive figures in terms of accident rates. With approximately 77.6 million kilometers traveled, there were 35 accidents (AMIK accident rate: 0.45 accidents per million kilometers traveled, including third-party liability accidents). On the other hand, in the plants the average incident rate reached 0.008 per million liters, 30% less than in 2016 (completing 4 consecutive years of decline).

On the other hand, during the same period, Arauco regretted to announce the occupational fatality of a worker in the Valdivia Cellulose Plant and of three workers of service provider companies.

It is worth mentioning that the rest of Empresas Copec's affiliates did not suffer any fatalities during 2017.

Affiliates have the support of 118 Joint Hygiene and Safety Committees, who have the role of identifying, analyzing and preventing hazardous accidents and occupational diseases.

| COMPANY | OWN PERSONNEL | | | | |
|---------|---------------|-------------------|--|--|--|
| | | SINISTRALITY RATE | | | |
| | 2016 | 2017 | | | |

| | 2016 | 2017 |
|----------------|------|------|
| Abastible | | |
| Chile | 68% | 69% |
| Ecuador | 43% | 145% |
| Colombia | 0% | 0% |
| Peru | 124% | 168% |
| Terpel | | |
| Colombia | 8% | 9% |
| Orizon | | |
| Chile | 39% | 46% |
| Сорес | | |
| Chile | 12% | 12% |
| Arauco | | |
| Forestal | 51% | 48% |
| Celulosa | 31% | 319% |
| Empresas Copec | 0% | 0% |



| TERPEL | ARAUCO | ABASTIBLE | COPEC | ORIZON |
|-----------|--------|-----------|-------|--------|
| 54 | 29 | 24 | 7 | 4 |
| | | | | |

9.6. HUMAN RIGHTS AND FREEDOM OF ASSOCIATION

102-41 / 407-1 / 412-1

Empresas Copec and its affiliates respect internationally agreed-upon Human Rights both in their operations and in their supply chain.

Empresas Copec's Ethics Code makes it clear that the company rejects child labor, harassment and discrimination in all of its forms; it promotes work environments that are based on safe work, respect, honesty, professional quality, training and teamwork; and adheres with strict compliance to the legal regulations on freedom of association.

For its part, the affiliate Terpel has a Human Rights Policy, which is aligned with the following main international instruments: the Universal Declaration of Human Rights, the Declaration of the International Labor Organization (ILO) on Fundamental Principles and Rights at Work, the Principles of the United Nations Global Compact and the Guiding Principles on Business and Human Rights. This Policy stipulates the guidelines for respecting human rights in all its actions and relations with stakeholders. Likewise, during 2017, the company made progress in developing a Due Diligence process for human rights. For this, in Panama the main threats and violations risks were identified, and complaint mechanisms were evaluated.

Arauco, meanwhile, is adhering to the Global Compact initiative in Chile, thus demonstrating its unrestricted commitment to Human Rights.

9.6.1. LABOR RELATIONS

Developing harmonious relations with trade union organizations in each country is a common value shared by all companies. One of the main negotiation instruments are collective agreements that cover a significant percentage of employees. During 2017, there was a 6% increase in the number of employees covered by these agreements at a consolidated level.

% EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS

| COMPANY | 2016 | 2017 |
|----------------|------|------|
| Arauco | 52% | 63% |
| Terpel | 75% | 77% |
| Abastible | 50% | 43% |
| Copec | 99% | 96% |
| Orizon | 62% | 65% |
| Empresas Copec | 0% | 0% |
| Total | 57% | 63% |



UNIONIZATION

| COMPANY | N° OF UNIONIZED WORKERS | N° OF UNIONS | % UNIONIZATION | N° OF UNIONIZED WORKERS | N° OF UNIONS | % UNIONIZATION |
|---------------------|-------------------------------|-----------------|-------------------|-------------------------------|-----------------|-------------------|
| | | 2016 | | | 2017 | |
| Abastible | 883 | 6 | 31% | 937 | 6 | 27% |
| Arauco | 7,586 | 34 | 53% | 9,326 | 36 | 61% |
| Copec ²⁷ | 479 | 3 | 53% | 469 | 3 | 50% |
| Orizon | 304 | 5 | 30% | 380 | 6 | 40% |
| Terpel | 114 | 2 | 4% | 45 | 1 | 2% |
| Empresas Copec | 0 | 0 | 0% | 0 | 0 | 0% |
| Total | 9,366 | 50 | 43% | 11,157 | 52 | 47% |

During 2017, Abastible focused on developing protocols with each of the unions in Chile, defining issues of concern, priorities, deadlines and ways of working, in order to prioritize responsibilities and expectations, and indicators, in order to promote bipartite dialogue in a transparent, constructive and standardized manner.

Copec, for its part, participated for the first time in the annual evaluation carried out by the Fundación Carlos Vial Espantoso, an entity that promotes excellence labor relations "based on respect and trust between management and workers, as equity and progress generators". The measurement, which is carried out through interviews and consultations with workers, unions and executives, placed the company among the 8 best companies out of nearly 70 participants. In addition, Copec closed a successful collective bargaining with its three unions; it held more than 20 meetings with the intent of sharing the company's main results and talks were given to union leaders under Chile's labor reform framework.

On the other hand, Transcom, Copec's affiliate, successfully concluded the collective bargaining process with the driver's union for a period of 3 years. And Orizon closed a collective negotiation that was satisfactory for all parties involved.



9.7. EMPLOYEE DEVELOPMENT

The integral development of employees is undoubtedly a priority issue. Therefore, companies have implemented various initiatives in the fields of training and career development.

9.7.1. TRAINING

Empresas Copec and its affiliates consistently promote their employees' growth through various training and development programs that contribute to building excellence teams prepared to address the increasingly demanding and competitive challenges of the industries.

% TRAINED EMPLOYEES

| COMPANY | | 2016 | | | 2017 | | | |
|---------------------|----------------------|--------------------|-------|----------------------|--------------------|-------|--|--|
| | WOMEN CAPACITADAS | MEN CAPACITADOS | TOTAL | WOMEN CAPACITADAS | MEN CAPACITADOS | TOTAL | | |
| Arauco | 57% | 56% | 56% | 51% | 51% | 51% | | |
| Abastible | 95% | 100% | 100% | 88% | 84% | 85% | | |
| TERPEL | 91% | 98% | 95% | 100% | 100% | 100% | | |
| Copec ²⁸ | 75% | 80% | 79% | 84% | 81% | 82% | | |
| Orizon | 44% | 59% | 55% | 44% | 70% | 62% | | |
| Empresas Copec | 100% | 100% | 100% | 100% | 100% | 100% | | |
| Total | 74% | 68% | 69% | 77% | 63% | 65% | | |

On average, each of Empresas Copec's and its affiliates workers received a total of 28.6 hours of training during 2017 (a figure that was maintained with respect to 2016), and the average expenditure was US\$ 384.4 per worker.

| COMPANY | | 2016 | | | 2017 | <u> </u> | | |
|----------------|------------------|------------------------------|--|------------------|------------------------------|--|--|--|
| | TOTALES HOURS | AVERAGE TRAINING HOURS | AVERAGE EXPENSE PER WORKER (US\$) | TOTALES HOURS | AVERAGE TRAINING HOURS | AVERAGE EXPENSE PER WORKER (US\$) | | |
| Arauco | 286,156 | 20.1 | No Information | 301,820 | 19.6 | No Information | | |
| Abastible | 143,607 | 50.2 | 280.1 | 202,491 | 58.9 | 202.9 | | |
| Terpel | 96,623 | 35.5 | 386.4 | 78,609 | 27.1 | 403.9 | | |
| Orizon | 61,088 | 60.2 | 137.9 | 49,651 | 52.0 | 170.3 | | |
| Copec | 35,645 | 39.2 | 1.015.7 | 42,768 | 46.0 | 1.203.1 | | |
| Empresas Copec | 338 | 12.1 | 4.381.3 | 935 | 31.2 | 742.8 | | |
| Total | 623,457 | 28.6 | 403.4 | 676,274 | 28.6 | 384.4 | | |

²⁸ Only the figures from Chile are included.

Arauco has a participatory training strategy in its business areas that allows for the sharing of the best practices in terms of technical training and improving information reports on the training processes. During 2017, the company carried out the training program "Gestión en la Madurez de los equipos" in Chile, which was aimed at the company's leaders, and a new technical training model based on skills was created for the pulp business. Meanwhile, in Brazil, the leadership and the communicating leader program was extended to all the heads and sub-heads.

The affiliate Copec, on the other hand, within the Programa Crecer framework, carried out the sixth skills gap evaluation for almost all employees, with the objective of designing joint action plans to promote personnel work development according to each position's profiles. In 2017, the implementation of the Commercial Leadership program continued, which is aimed at the commercial area's heads to strengthen leadership skills and customer orientation. This process was carried out through personalized coaching that included individual interventions in the teams and on field visits to clients. It should be noted that Copec has increased its personnel training by more than 7,000 hours and has increased the number of undergraduate and postgraduate scholarships available to its employees and families. Also, during the year, the company deepened the content of the courses to stimulate their practical application within the working day, highlighting leadership people development courses for the management area and training related to personnel management, accountability, technical regulations, operational safety or computer safety for the other areas.

In Terpel, 15% of their personnel participated in leadership training activities, while in Inversiones del Nordeste, Abastible's affiliate in Colombia, Universidad Corporativa IN was launched as a strategy to vitalize management knowledge. By the end of the year, 95% of employees had already completed at least one course.

Abastible, on the other hand, selected, through a potential indicator and specific variables model, a group of highly evaluated employees to participate in a Talent Program, through which it sought to provide relevant opportunities for development, mobility and recognition. At the same time, in Colombia, Peru and Ecuador, the recruitment of people with high potential to carry out the same program in 2018 was endorsed.



9.7.2. PERFORMANCE EVALUATION

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For carrying out employee's integral development, designing career plans according to their profiles and the business' needs is fundamental. In order to do so, companies have implemented mechanisms that allow defining their function's objectives and monitoring their respective progress.

In 2017, Orizon implemented a pilot performance evaluation plan, which involved 120 employees (Managers, assistant managers and heads). Copec, on the other hand, has a Skills Evaluation Program that seeks to generate specific action plans from evaluating employees.

| EMPRESA | EVALUATED EMPLOYEES 2016 | EVALUATED EMPLOYEES 2017 |
|----------------|--------------------------------|--------------------------------|
| Copec | 98% | 98% |
| Arauco | 37% | 54% |
| Terpel | 47% | 48% |
| Empresas Copec | 43% | 47% |
| Abastible | 21% | 21% |
| Orizon | 0% | 13% |
| Total | 37% | 48% |

9.7.3. ORGANIZATIONAL CLIMATE

In all Empresas Copec's affiliates, organizational climate monitoring programs are carried out to determine the commitment level that employees have with their work and with the company's development.

This instrument of measurement allows for the evaluation of how each of the company's employees feels about a multitude of factors that affect their working life. At the same time, it serves as a basis for designing concrete work plans in areas that show weaknesses.

| COMPANY | % RESPONSES 2016 | % RESPONSES 2017 | | |
|-----------|------------------|---------------------|--|--|
| Abastible | 96% | 94% | | |
| Arauco | 83% | 59% | | |
| Copec | 0% | 89% | | |
| Orizon | 50% | 63% | | |
| Terpel | 36% | 53% | | |

In 2017, the Organizational Climate Survey was applied to all Arauco workers in Chile, Brazil, Argentina and in the commercial offices of Mexico, Colombia and Peru.

Also, in November 2017, the survey was applied to the affiliate Copec, with the participation of 824 workers (90% of the personnel) who responded in an entirely anonymous and confidential manner to over 150 questions. Overall, the survey showed 73.6% of positive results in terms of work environment (a rise of 3.4% in respect to the previous period and 9.5% compared to the first measurement made in 2010). It also highlighted the gradual decrease in negative responses (8.3% less in 2017 compared to 2010).

In Inversiones del Nordeste, 67 specific work plans were developed to positively impact the work environment. In addition, for the first time, a corporate culture measuring process was developed.

In Orizon, meanwhile, the third version of the climate survey was applied.





10.1. PROCESS DESCRIPTION

The third Sustainability Report published by Empresas Copec contains the information related to the annual management of the Company between January 1 and December 31, 2017, in economic, social and environmental matters.

For the elaboration of this document they were taken as reference the new standards of the Global Reporting Initiative (GRI, for its acronym in English), which were released during 2016. It should be noted that this report has been prepared in accordance with the Core option of the GRI Standards.

This report provides an account of the performance of Empresas Copec and its subsidiaries Arauco, Copec, Terpel, Abastible and Orizon (i.e., those companies of which the Company owns more than 50%).

The information is presented in a consolidated and disaggregated manner by company. Since the companies are in different states of maturity regarding the monitoring of indicators of sustainability, in each aspect the level of coverage is indicated of the data presented.

The process of preparing this Report was coordinated by the Corporate Affairs Area of Empresas Copec, counting on the active participation of each of the affiliates. The review and Validation of content is the responsibility of Corporate Affairs Area of Empresas Copec. Finally, it should be noted that this document has not been verified externally.

MATERIALITY PROCESS_

In the elaboration of this Sustainability Report it was fulfilled with each of the GRI principles, both in relation to the definition of the contents as regards the assurance of the quality of the information incorporated.

To determine the contents of the Sustainability Report the results of the interviews made to the main executives of Empresas Copec and its affiliates were taken into consideration. Starting of these meetings were identified the milestones, impacts and most relevant aspects in each of the companies during the period (internal analisis).

On the other hand, were taken into account questionnaires and queries raised by one of the main stakeholders of the Company: investors and analysts of market (external analysis). Based on these two dimensions the material or relevant issues to be included were defined in this document, as well as its degree of coverage, that is, in where the impacts are generated.

The techniques and bases for measuring the data, as well as significant changes relative to previous periods, will be informed throughout the Report in the corresponding chapters.

10.2.1. CONTACT INFORMATION

For further information about this report, please contact:

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Director of Corporate Affairs of Empresas Copec
Email: pamela.harris@empresascopec.cl

RELEVANT ASPECTS

| CONTENT | RELEVANCE | EMPRESAS COPEC | ARAUCO | COPEC | TERPEL | ABASTIBLE | ORIZON |
|------------------------------------|-----------|-------------------|--------|-------|--------|-----------|--------|
| Innovation | Medium | | | | | | |
| Corporate Governance | High | | | | | | |
| Risks Management | Low | | | | | | |
| Ethics | High | | | | | | |
| Anticorruption | High | | | | | | |
| Unfair Competition | High | | | | | | |
| Investor Relations | High | | | | | | |
| Extensions | Medium | | | | | | |
| Expansion and Internacionalization | Medium | | | | | | |
| Adquisition practices | Medium | | | | | | |
| Economic Performance | High | | | | | | |
| Economic Compliance | Low | | | | | | |
| Customer Satisfaction | Low | | | | | | |
| Services Stations Security | Medium | | | | | | |
| Energy | High | | | | | | |
| Biodiversity | Medium | | | | | | |
| Effluents and Residues | Medium | | | | | | |
| Emissions | High | | | | | | |
| Water | Medium | | | | | | |
| Education | Medium | • | | | | | |
| Contribution to Social Development | Low | • | | | | | |
| Community Engagement | Medium | | | | | | |
| Indienous Community Engagement | Low | | | | | | |
| Occupational Health and Safety | High | • | | | | | |
| Labor Development | High | • | | | | | |
| Training | Medium | • | | | | | |
| Diversity | Medium | • | | | | | |
| Human Rights | Medium | | | | | | |
| Freedom of Association | High | | | | | | |

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Corporate Name:

Empresas Copec S.A.

RUT-

90 690-000-9

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