

## Letter from the Chief Executive Officer



**Empresas Copec decided in 2018 to assume a global commitment to harmonize three core elements: economic growth, social inclusion and environmental protection".**

### Dear Fellow Shareholders,

I am pleased to present Empresas Copec's fourth Sustainability Report, which sets out the economic, social, environmental and corporate governance performance of our company and its affiliates during 2018, sharing achievements and challenges in each of these areas.

This document has been prepared under the GRI (Global Reporting Initiative) standards, one of the most commonly used worldwide for sustainability reporting.

For Empresas Copec, the practice of reporting sustainability criteria and progress of its activities began in 2015. This, as a way to deepen ties with our stakeholders and systematize our commitment to a sustainable operational and corporate task. In 2016 we took a new step, introducing the concept of economic value generated and distributed, which allowed us to quantify the company's contribution to the different counterparts, as well as to the economies of the countries where Empresas Copec's subsidiaries operate. In 2017, meanwhile, we consolidated a reporting model that, balancing environmental and social aspects, reflected the company's willingness to create shared value.

Along the path we have travelled over these years, our affiliates have played an increasing role in the great challenges for sustainable development, where global issues such as climate change and energy transition have become urgent tasks. An example of this are the New Mobility solutions developed by Copec; or the growing capacity to self-supply with clean energy from the forestry affiliate, which finds its most recent and significant expression in the Modernization and Extension of Arauco Mill project; among others.

With this look, Empresas Copec decided in 2018 to deepen its commitment to economic growth, social inclusion and environmental protection. Thus, the Company joined international efforts to achieving the United Nations Sustainable Development Goals, SDGs. They were defined in 2015 by 193 Member States as part of a new sustainable development agenda for 2030. This report has incorporated the specific contributions that Empresas Copec and its affiliates are carrying out in this area.

We move forward toward that goal, guided by a shared purpose and driven by the conviction of our people, the people of Empresas Copec, who put their creativity and daily effort at the service of a culture of sustainability.

2018 has been a particularly demanding period with regard to environmental issues. During the year, a total of US\$ 98.4 million was invested in this issues, 6.7% more than in the previous year.

For example, Arauco, whose forest heritage plays the natural role of capturing CO<sub>2</sub> from the atmosphere and releasing oxygen into the air reducing the carbon footprint, in terms of energy delivered net surpluses for a total of 951 GWh, 6% higher than in 2017, accounting for nearly 1.3% of the total generation of the National Electric System.

Copec, meanwhile, continued to make progress in its Renova program, which seeks to incorporate non-conventional renewable energy and energy efficiency systems in its service stations network. Thus, during 2018, it installed new photovoltaic panels and wind turbines to supply its stations.

Terpel, meanwhile, has undertaken to reduce CO<sub>2</sub> emissions of its processes at 10% by 2025. In Colombia, the company managed carbon credits with 112 customers, accounting for 11.2 million gallons neutralized per month. And, also in Colombia, Abastible's affiliate Inversiones del Nordeste deployed an energy management system that resulted in 39% reduction in its annual power consumption.

Golden Omega, meanwhile, as part of its commitment to ocean sustainability (SDG 14), launched in 2018 the Zero Plastic Waves campaign, which seeks to mitigate this oceanic pollution in northern Chile by cleaning beaches and raising awareness among the population regarding this issue.

On the other hand, for Empresas Copec and its affiliates, innovation, infrastructure investment and associativity have always been fundamental engines for creating sustainable value (SDG 9 and 17).

Thus, in 2018, Copec took strategic steps in electromobility marking a true turning point in its history, which was synthesized in the signing of the Public-Private Electromobility Agreement, a key milestone at the country level.

Consequently, at the beginning of 2019, it expanded its Copec Voltex charging network for electric vehicles, with 23 fast charging spots, both inside and outside its service stations, in addition to a series of projects to accompany its industrial customers in the gradual process of energy transition.

For its part, the efforts made by Abastible made it worthy of the "Innoweeks" Award, from the SAP innovation center, for its consistent work to advance in the task of identifying and monitoring its cylinders.

For Empresas Copec, in addition, providing support to researchers and entrepreneurs is part of its historical commitment to the country's development. Therefore, it has important alliances, such as the Copec-UC Foundation and the UC Anacleto Angelini Innovation Center, which had more than one hundred partner companies and more than 270 funded projects at the end of 2018.

In terms of investment, 2018 will go down in our history as the year in which Arauco started the MAPA Project, which will increase its production capacity to 2.1 million tons of pulp a year, with cutting-edge equipment and a new effluent treatment plant. An unprecedented effort that implies a strong social and economic push for the territory, with a US\$ 2,350 million investment in the Biobío Region.

Additionally, Arauco began this year the citizen's participation process for the future Viento Sur wind farm, also



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in the Biobío Region, which will involve an investment of around US\$ 250 million to install up to 43 wind turbines with 200 MW installed capacity, enough to power 540 thousand homes.

This process involved 128 meetings with neighborhood councils and mapuches communities, visits to eight schools and three health posts, and 18 communication campaigns with workers, reaching a total of 3,789 people.

Establishing permanent and mutually collaborative relationships with the communities and territories that host our operations (SDG 11) is at the core of our corporate culture. Only in this way the purpose of creating shared value can be authentically fulfilled. That is why US\$ 22.4 million was invested in 2018 for the development of this type of efforts, 5.3% more than in 2017.

On the other hand, improving the lives of people, of communities, is at the basis of true development. And to this end, guaranteeing inclusive, equitable and quality education that promotes opportunities for all (SDG 4) is essential.

For this purpose, Copec, for example, in line with its "Viva Leer" reading promotion program, launched in 2018 its project "Abre un libro, abre tus alas" (Open a book, open your wings), to bring reading closer to people deprived of liberty and their families by donating 346 thousand books.

Orizon, meanwhile, signed an important collaboration agreement with the Education and Training Center of the Universidad Católica del Norte, aimed at improving the skills and abilities of its employees, and enhancing the employability of future professional technicians through the development of their internships across the different areas of the company.

Today, companies must have sufficient adaptive capacity and response speed to face the challenges of the environment. Acting strategically in this new global reality implies developing a viable system of relationship with our different stakeholders, a governance structure capable of transforming potential risks into development opportunities.

To this end, affiliated companies increased the number of independent directors in 2018. Thus, for example, Terpel today has a Board of Directors where 25% of its members are independent. Abastible, meanwhile, increased the number of directors to a total of seven, four of which are considered independent.

Similarly, the participation and representation of broad sectors of society in our affiliates is one of the keys to proper understanding the environment. In this sense, Arauco became part of the Inclusive Business Network (REIN, for its Spanish acronym), to encourage the work of people with disabilities. Terpel, within the framework of its "Amigos del Alma" program, links people with disabilities and helps them develop communication skills, leadership and work habits. Abastible, meanwhile, launched its Inclusion and Diversity Policy and put in place a Diversity Program for the inclusion of migrants, people with disabilities and women.

At the end of the second decade of the 21st century, Chile and the world are undergoing profound transformations in all dimensions of human activity.

Our country is getting ready to host two world-class events: the Asia-Pacific Economic Cooperation Forum APEC 2019 and the United Nations Climate Change Conference COP 25. Both meetings will take place in a framework of great consensus: our civilization is challenged by climate change. It is an unavoidable and urgent challenge, of which we must all be a part: citizenship, public bodies and, certainly, private sector.

Each of the efforts outlined in this report, made by the people of Empresas Copec who contributed in them and whom I deeply thank, are our way of helping to face this challenge. They are an expression of our way of writing a story today that can be told in the future. They are the implementation of ideals that aim to build a reliable future.

**EDUARDO NAVARRO**  
Chief Executive Officer  
*Empresas Copec*