



Sustainability Report



Empresas Copec's management model places sustainability at its center. Thanks to this, the Company connects, through concrete and long-term initiatives, economic development with the generation of social value and care for the environment.

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01

Letter from the Chief Executive Officer



“ **Our conviction is that embodying a transcendent corporate purpose, capable of putting the relationship with society at the core of business models, is an imperative for sustainability in the new era”.**

Dear Shareholders:

I am pleased to present to you Empresas Copec's fifth Sustainability Report, which reflects our commitment and that of our affiliates with sustainable management in the environmental, social and corporate governance fields.

This Report was prepared, as on previous occasions, under the GRI (Global Reporting Initiative) standard, it also collects our specific targets to achieve the United Nations Sustainable Development Goals. This reflects our concern to move forward in line with major global transformations, which today, more than ever, demand that we broaden our perspective.

We are going through times of disruption. In Chile, the health, social and economic crises overlap. The future is still very uncertain and the changes to which we have been subjected, both society and companies, make it impossible to project the evolution of the different businesses with the degrees of reliability that we did before. In the midst of this global environment that is being reconfigured, the reevaluation of the future scenario becomes a strategic tool for institutions.



Empresas Copec projects itself into the future with the necessary strategic flexibility to face huge challenges".

At a global level, citizens are demanding active involvement of the private sector to find solutions to the challenges that affect mankind. According to recent global studies, 56% of the public expect companies to provide financial support and relief to overcome the pandemic, and 65% believe that CEOs should take the lead rather than wait for government action.

In a survey on climate change and coronavirus, 67% of those asked globally said that companies should pay much more attention to the environmental variable. Meanwhile, 65% support a "green" economic recovery after the health crisis.

All this constitutes clear evidence of the new role that companies are being assigned.

Today more than ever, what is determining the positive evolution of trust in organizations is the way they understand their social role,

broadening their view from economic results to social benefits, from exclusively competitive to collaborative markets, and from the private sphere to partnerships with the public sector in the search for solutions for the community.

Our conviction is that embodying a transcendent corporate purpose, capable of putting the relationship with society at the core of business models, is an imperative for sustainability in the new era.

In this sense, our management model, the ability to create tangible benefits for society, the territories that host our operations and the quality of life of people are deeply rooted pillars in our organizational culture.

In the midst of this complex health crisis that has changed the country's priorities in a cross-cutting manner, our commitment to people's safety and health has meant, for each of the companies, stepping

up protection measures for employees and customers, while protecting the ability to continue delivering essential products and services for the operation of the country.

For Empresas Copec and its affiliates, people, employees, customers and suppliers are an essential part of our business purpose. That is why in 2019 social investment reached US\$ 18.9 million. Of this amount, 23% was earmarked to strengthen relations with the community through dialogue, engagement and strengthening of collaborative networks, seeking to generate projects that contribute to local development.

Affiliate Arauco is a good example of this. In this construction stage of the Arauco Mill Modernization and Expansion (MAPA) project it carries out several projects co-designed in a participatory manner with the community, seeking to contribute to the development of the communities through the generation of

infrastructure, equipment, productive capacities, education and culture. Amid the uncertain national economic scenario, MAPA's value chains are already contributing to stimulate local, regional and national economy. Additionally, and in order to finance this project, the affiliate issued two series of sustainability bonds in the international market worth US\$ 1,000 thousand. Thus, Arauco committed itself to invest an equivalent amount in green and social projects. It should be noted that this is Arauco's first sustainability bond and of its kind in Chile and Latin America.

Within this line of work, its relationship programs with indigenous peoples in Chile and Argentina have allowed, from a collaborative perspective, to identify common interests of great relevance, such as protection of forest conservation areas.

Affiliate Terpel, which has a Good Neighbor Policy, is playing an active role in the reconciliation in Colombia through its "Restoring Dreams" program, with reintegrated population, where more than 200 people were hired in 2019 that today put their capabilities at the service of customers in service stations across the country.

Copec and Terpel, for their part, carried out several training

initiatives in 2019 for their 10,190 and 14,358 attendants, respectively. Copec also promoted with its dealers a measure to guarantee in all its service stations, a gross salary above the legal minimum required.

Similarly, our suppliers are another key dimension of a sustainable management model. Therefore, 71% of total purchases in 2019 came from local companies, while transactions with small and medium-sized companies grew from 3% in 2017 to 15% in 2019.

In the case of Arauco, whose purchases from local suppliers amounted to US\$ 2,196 million in all the countries where it operates, purchases from small and medium-sized entrepreneurs grew from 27% in 2018 to 48% in 2019.

In environmental matters, Empresas Copec projects itself into the future with the necessary strategic flexibility to face huge challenges. This is particularly important in relation to natural resources and energy, the two main areas of our activity, closely linked to growth and productive development.

In this sense, the affiliate Arauco, for example, held in 2019 the fifth Open Innovation challenge, inviting employees

and externals to propose new ideas on bio-economy, in order to reuse and reduce the emission of waste in their operations, optimize processes and develop new products. The affiliate also made significant progress thanks to the agreement signed with the Massachusetts Institute of Technology (MIT) in 2018, with the goal of obtaining significant results in three of the projects that are being carried out today by 2020.

Meanwhile, as part of its Copec's development strategy based on a forward-looking approach, in which the energy transition and digitization will have a central role, the affiliate created the WIND (Working on Innovation and New Developments) innovation ecosystem, under the Development and Management Corporate Division, under which WIND Ventures is registered, a venture capital fund based in the city of San Francisco, United States, aimed at capturing and scaling ideas, projects and strategic ventures in the areas of mobility, energy and retail. Wind Garage, the innovation hub for the creation of new businesses based in Chile, was born from this same ecosystem.

Under this scheme, in 2019, Copec invested in smart energy storage companies, such as



Today more than ever, what is determining the positive evolution of trust in organizations is the way they understand their social role".

Stem, in the United States, and Ampere Energy, in Spain. In Chile, meanwhile, it acquired control of Flux Solar, a company engaged in engineering, development and sale of energy through photovoltaic panels. In this way, the company is shaping a comprehensive offering for the future of energy.

Abastible, on the other hand, created the Innovation and Technology Directorate in 2019 to study and analyse new trends in the liquefied petroleum gas and clean energy industry, as well as anticipate technological changes and identify business opportunities.

The search for innovative solutions is particularly important to the goal of moving towards a low-emission economy in order to face the climate change challenge.

To this end, Arauco set itself the goal of achieving carbon neutrality by 2020, becoming

the first forestry company in the world to achieve this milestone. It also pledged to adhere to Science Based Targets, a global initiative to reduce the carbon footprint.

The affiliate has continued to be self-sufficient and generate energy surpluses from forest biomass. Thus, in 2019, net surplus delivered by its facilities reached an annual total of 781 GWh. As part of this effort, the company submitted in 2019 the Environmental Impact Study to install 43 wind turbines for the Viento Sur Wind Park, located in the Biobío Region, a project that involves an investment of close to US\$ 250 million.

Meanwhile, Copec set a goal to reduce by 2030 its total emissions incorporating renewable energy, among other measures. To this end, through its Renova Program, it continues to promote the use of non-conventional renewable energy and energy efficiency systems in its service stations.

Additionally, Copec Voltex doubled the coverage of its electric vehicles charging network, which today makes it possible to travel over more than 1,400 kilometers of national territory, making it South America's largest fast charging network. Similarly, affiliate Terpel inaugurated Colombia's first charging point, which covers the more than 400-kilometer long route between Bogota and Medellin in its initial phase.

Additionally, Terpel set a goal to reduce its carbon footprint by 2025, introducing renewable energy in its operation and offsetting 10% of its emissions through tree planting projects.

In Chile, during 2019, Abastible began to implement an Energy Management System (SGE) at its Lenga plant, with the aim of ensuring continuous improvement in the use of energy.

For its part, Orizon carried out major environmental projects

intended to reduce consumption of seawater and improve its odor mitigation system, among others. In this way, the company ensures care and sustainability of marine resources and the environment.

Protection of biodiversity is another complementary path through which Empresas Copec and its affiliates move towards environmental sustainability. Today, 29% of Arauco's heritage is native forest, and the company has a restoration plan for 25 thousand hectares of land that have been seriously damaged by fires.

Expression of a vision that seeks to protect the environmental heritage as part of a necessary ecological balance is La Chimba wetland recovery project, conducted by Copec in cooperation with the Kennedy Foundation, and under which it was declared conservation area in 2019, in concert with the Maritime Authority and the Hydrographic and Oceanographic Service of the Navy (SHOA by its Spanish acronym).

There is no doubt that 2019 was a particularly challenging year for Empresas Copec, in which we had to focus our efforts with a sense of unity that demanded firm and committed leadership, allowing us to make decisions in a responsible and transparent manner.

To this end, our governance system continues to strengthen principles that ensure that each action is carried out from an ethical perspective, of personal integrity and in full respect of the established norms.

This has led, among other measures, to the incorporation of independent directors to the different boards of directors, and their continued training in areas including best governance practices, sustainability, inclusion, anti-corruption, regulatory framework and crime prevention, among others.


In this area, the Company began in 2019 the development of a Tax Policy, which contains a set of principles and rules that will govern the formulation and execution of the tax strategy, reflecting sustainable economic-financial management.

As I write these lines, our country faces one of the greatest challenges in its recent history. I am writing to you with concern, but also with the hope that Chile will once again find the sense of unity that is required, not only to overcome the emergency, but also to accelerate recovery and find a new path of development that is even more sustainable.

Each of the companies that form Empresas Copec continue

to make their best resources available to contribute to these objectives. They do so guided by a shared purpose, which finds its deepest roots in the commitment to Chile and its people.

I would like to thank all our employees, shareholders, directors and executives, and each one of the people who for more than eight decades have been protagonists of our history and have allowed us to carry out our mission day by day.



Eduardo Navarro
Chief Executive Officer
Empresas Copec

02

Who we are

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2.1

Who we are

Empresas Copec is a publicly held company engaged in two large business areas: natural resources, where it has clear competitive advantages, and energy, closely linked to growth and productive development of the countries.

The Company, with 85 years of experience, has a business model based on three basic tenets: ethics and corporate transparency, operational excellence and respect for the interests of its stakeholders. Thanks to this, Empresas Copec delivers attractive returns for its investors over the long term and contributes to the development of the countries where it operates.

The Company currently has major production platforms in Chile, Germany, Argentina, Brazil, Canada, Colombia, Ecuador, Spain, the United States, Mexico, Panama, Peru, Portugal, the

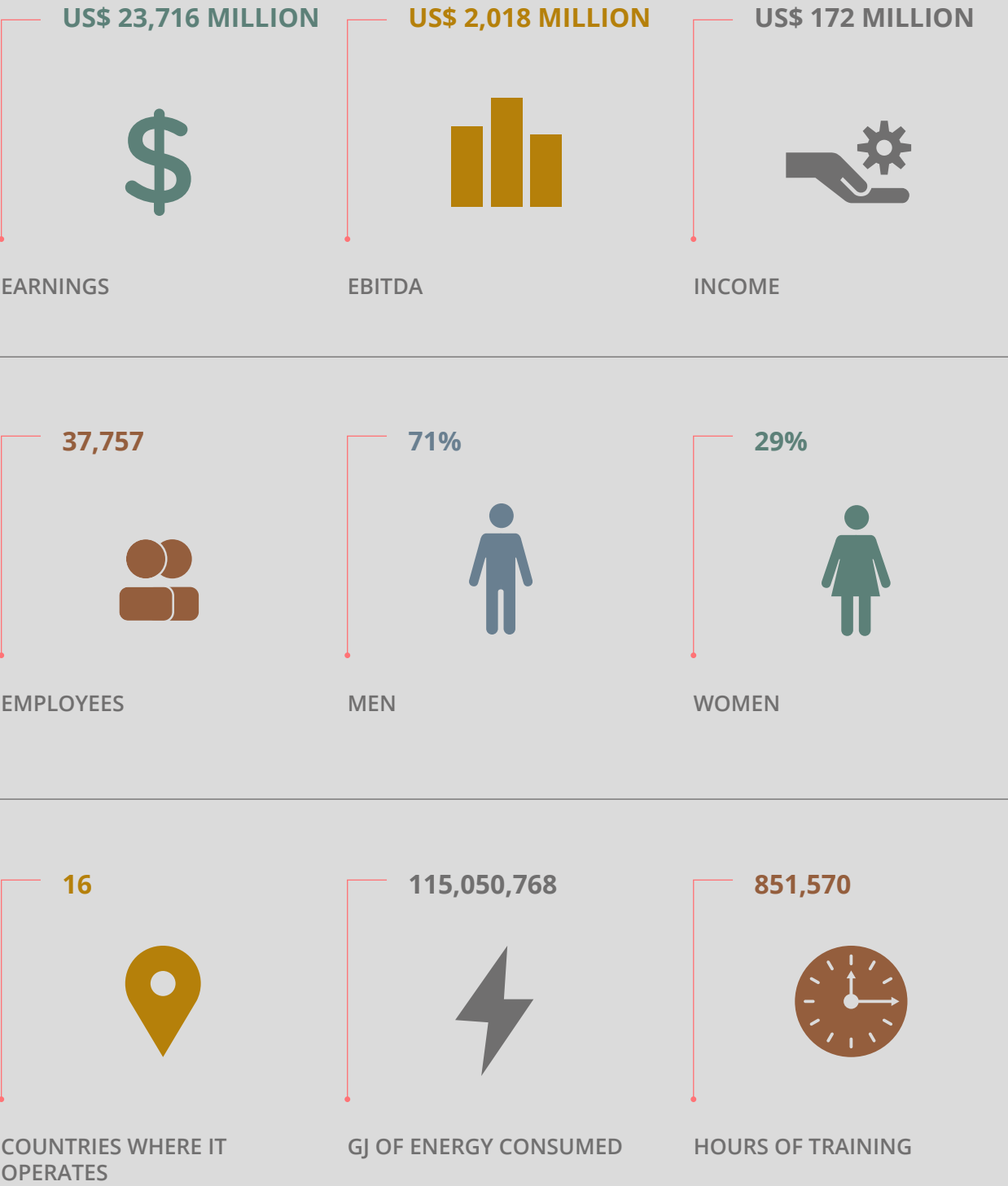
Dominican Republic, South Africa and Uruguay. Additionally, it sells its products in more than 80 countries across all five continents.

It should be noted that Empresas Copec is subject to the oversight of the Financial Market Commission (CMF¹ by its Spanish acronym) and its shares are listed on the Santiago Stock Exchange.

In Chile, the Company is part of the SPCLXIPSA² and the Dow Jones Sustainability Index Chile. Meanwhile, at the international level, it is a member of major indexes that recognize the environmental, social and corporate governance performance of companies, including the Dow Jones Sustainability Index MILA, the FTSE4Good Emerging Index and the MSCI Sustainability Index.

¹ www.cmf.cl
² SPCLXIPSA: Selective Stock Price Index. It measures price variations in the largest, most liquid Chilean companies listed on the Santiago Stock Exchange.

2019 Key figures



2.2

Principles and values

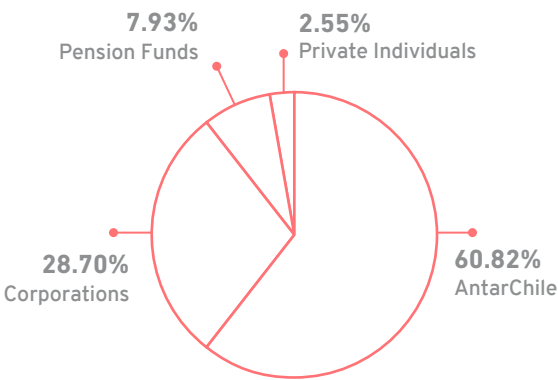
1. Contribute to society through the creation of the maximum value possible, sustainably benefitting shareholders, employees, suppliers, customers and communities where it is inserted, through efficient, responsible, innovative and quality management in all processes.
2. Promote sustainable use of natural and energy resources of the environment, investing in research, technological innovation and training, to progressively, continuously and systematically prevent and reduce the environmental impact of its activities, products and services.
3. Deliver to all customers, in a timely manner, quality products, in a sustained way over time, and encourage suppliers to become part of the value and quality chain.
4. Ensure safety and occupational health, seeking to continuously and progressively reduce risks to the safety of its operations and services.
5. Generate the conditions for the development of all members of the Company, promoting work environments based on respect, honesty, professional quality, training and teamwork.
6. Build permanent relationships and of mutual collaboration with the communities where the operations are located, supporting their development.
7. Maintain transparent and honest communication with the different players relevant to the Company.
8. Comply with current legislation, contractual obligations and other commitments that regulate business and, as far as possible, exceed established standards.
9. Deploy and apply systems and procedures that enable to manage business risks, regularly assessing performance in all processes and taking timely corrective measures as necessary.
10. Disseminate these commitments to employees, contractors and suppliers, getting this policy implemented with the collaboration and effort of all.
11. Work with dedication, rectitude, probity, excellence and be consistent with the values and policies of Empresas Copec.

2.3

Empresas Copec and its affiliates

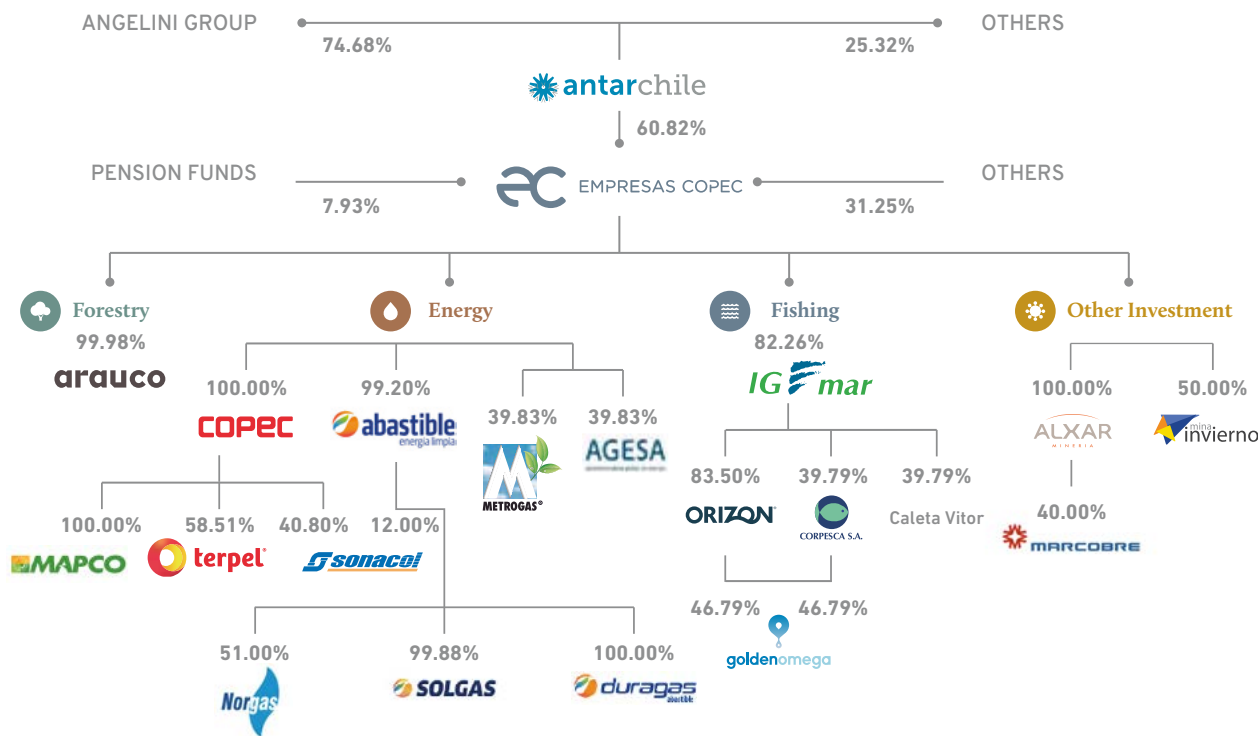
Ownership Structure

December 31, 2019



As of December 31, 2019, the Company had 6,700 shareholders and 1,299,853,848 common shares, all of the same value. Meanwhile, the percentage of shares that were not held by the controller reached 39.18%.

Corporate group structure



Major affiliates



Forestry Sector



www.arauco.cl

Arauco is one of Latin America’s leading forestry companies in terms of land area and yield of its plantations, pulp, wood and panel manufacturing. It is also a key player in the generation of clean and renewable energy in Chile.

The company has the highest standards of forest management and responsible operational management, allowing it to manufacture renewable and quality products that stand out

for their innovation and high added value.

These products are sold across all the five continents through representatives, sales agents and commercial offices in 26 countries. In 2019, and thanks to an efficient logistics and distribution chain, they reached more than 4,600 customers.

Empresas Copec owns 99.98% of Arauco.



Forestry Sector



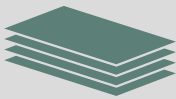
Hectares of forestry heritage

1.8
million hectares in Chile, Argentina, Uruguay and Brazil



Pulp mills

5 Chile
1 Argentina
1 Uruguay through a joint venture with Stora Enso



Panel mills

4 Chile	8 USA	Through a joint venture with Sonae	
2 Argentina	2 Mexico	4 Germany	2 Portugal
4 Brazil	2 Canada	2 Spain	2 South Africa



Sawmills

7 Chile
1 Argentina
1 Spain through a joint Venture with Sonae



Power plants

10 Chile
2 Argentina
1 Uruguay through a joint Venture with Stora Enso

Arauco

+4,600
customers

3.7 million
tons of pulp produced

18,119
direct employees

14.0%
female employees

3.8
accident rate



Energy Sector



www.copec.cl / www.terpel.com / www.mapcorewards.com

Copec distributes liquid fuels and lubricants in Chile. Through its affiliate Terpel, it markets liquid fuels and lubricants in Colombia, Panama, Peru, Ecuador and the Dominican Republic; vehicular natural gas in Colombia and Peru, and aviation fuel at the major airports in Colombia, Panama, Peru and the Dominican Republic. Also, through its affiliate Mapco, the company distributes liquid fuels through a network of service stations in the southeastern the United States, specifically in the states of Alabama, Arkansas,

Georgia, Kentucky, Mississippi, Tennessee and Virginia, all of them using the pay-at-the-pump (self-service) system.

It should be noted that Copec has a lubricants plant in Quintero, with the capacity to produce 124 million liters per year. Terpel, meanwhile, has a lubricants plant in Cartagena, with a production capacity of 122 million liters per year. In addition, both companies are authorized by US-based ExxonMobil to distribute the entire Mobil product portfolio.

Empresas Copec owns 100% of the Copec property.

On the other hand, and through Copec, Empresas Copec holds a 58.51% stake in Terpel and a 100.00% stake in Mapco.



Energy Sector



Service Stations

668 from Arica to Puerto Williams	100 in Ecuador
2,007 in Colombia	45 in Peru
152 in Panama	345 in USA



Convenience Stores

93 Pronto stores in Chile	41 in Panama	345 in USA
305 Punto stores in Chile	7 in Ecuador	
57 in Colombia	12 in Peru	



Plants

20 fuel storage plants in Chile, with a capacity of 523 thousand m³
1 lubricant plant in Quintero, Chile, with a capacity to produce 124 million liters per year
31 fuel storage plants in Colombia, with a capacity of 250 thousand m³
1 lubricant plant in Cartagena, Colombia, with a capacity to produce 122 million liters per year

Copec	Terpel	Mapco
+2,900 customers in Chile in the industrial and aviation fuel channel	+3,600 customers in Colombia, Panama, Peru, Ecuador and Dominican Republic in the industrial and aviation fuel channel	+107 million transactions per year in USA
10.3 million m³ of fuel sold in Chile	7.8 million m³ sold in service stations in Colombia, Panama, Peru and Ecuador	2.2 million m³ of fuel markets in USA
1,040 employees in Chile	3,401 employees in Colombia, Panama, Peru, Ecuador and Dominican Republic	3,422 employees in USA
28.6% female employees	45.2% female employees	65.1% female employees
0.20 accident rate	9.87 accident rate ³	4.70 accident rate

³Information only considers Terpel's operations in Colombia.





Energy Sector



www.abastible.cl / www.norgas.com.co / www.solgas.com.pe / www.duragas.com.ec

Abastible, in Chile, markets liquefied petroleum gas for residential and industrial use in cylinders and bulk; vehicular liquefied gas for taxis and business fleets, through Autogas service stations, and liquefied petroleum gas for ships under the Nautigas brand. In addition, the company offers its customers liquefied petroleum gas and solar power dual-use solutions to heat sanitary water; electric power solutions through liquefied gas-powered generators, and cogeneration, by means of microturbines, simultaneously producing electricity and useful heat, creating significant energy and maintenance cost savings. In addition, the company has a

maritime terminal that provides clean fuel wharfage services, reception and storage of liquefied petroleum gas.

In Colombia, through Norgas, it markets liquefied petroleum gas for residential, commercial and industrial use, and participates in the development of energy solutions. Additionally, it manufactures and sells cylinders and storage tanks through Cinsa; and transports bottled and bulk liquefied petroleum gas in trucks through Cotranscol. It is engaged in the liquefied petroleum gas distribution market through Montagas and Energas, where it holds 33.33% and 28.32% of its property, respectively.

For its part, in Ecuador, it markets liquefied petroleum gas for residential, commercial, industrial and vehicular use through Duragas; while in Peru it sells liquefied petroleum gas for residential, industrial and automotive use through the affiliate Solgas.

Empresas Copec holds a 99.20% interest in Abastible.

For its part, through Abastible, Empresas Copec holds a 51.00% interest in Norgas, 99.88% interest in Solgas and 100.00% interest in Duragas.



Energy Sector



Storage and bottling plants

10 in Chile	4 in Ecuador
25 in Colombia	9 in Peru 8 bottling and 1 storage plants



Number of cylinders

7.6 million in Chile	4.9 million in Ecuador
3.9 million in Colombia	4.2 million in Peru



Number of tanks

+64 thousand in Chile	+7 thousand in Colombia	+3 thousand in Ecuador	+8 thousand in Peru
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Distribution and sale network

20 sales offices and more than 1,300 distributors in Chile	2 customer service offices in Ecuador
20 distribution centers in Colombia	11 distribution centers and 500 distributors in Peru

⁴Information considered bottling and industrial customers.

Abastible

+2.8 million
customers in Chile⁴

499 thousand
tons of liquefied petroleum
gas sold in Chile

1,478
employees in Chile

22.7%
female employees

1.9
accident rate

Norgas	Duragas	Solgas
+115 thousand direct customers in Colombia	+17 thousand direct customers in Ecuador	+13 thousand direct customers in Peru
208 thousand tons of liquefied petroleum gas sold in Colombia	471 thousand tons of liquefied petroleum gas sold in Ecuador	569 thousand thousand tons of liquefied petroleum gas sold in Peru
1,694 employees in Colombia	386 employees in Ecuador	587 employees in Peru
20.4% female employees	14.8% female employees	18.1% female employees
0.4 accident rate	7.7 accident rate	1.8 accident rate





Fisheries Sector



www.orizon.cl

Orizon produces fishmeal and fish oil, frozen jack mackerel and canned fish, mainly sold under the San José, Colorado and Wirenbo brands.

The company also imports and sells tuna steaks under the San José and Colorado brands; rice and legumes under the San José brand; high-pressure avocado pulp from the Mexican-American company Megamex,

and products from the US firm General Mills, with its Nature Valley and Fiber One brands for cereal bars, Haagen-Dazs ice creams, Betty Crocker baking premixes and Old El Paso Mexican tortillas and sauces.

Empresas Copec, through Igemar, holds a 83.50% interest in Orizon.



Fisheries Sector



Coronel plants

2
fishmeal and fish oil manufacturing plants with a production capacity of 220 tons of raw material per hour

1
canning plant with a production capacity of 30 thousand boxes of 24 units jack mackerel cans per day

2
frozen food plants that produce 370 tones of frozen jack mackerel per day and 100 tons of cuttlefish per day



Coquimbo plants

1
fishmeal and fish oil manufacturing plant with a production capacity of 70 tons of raw material per hour

1
canning plant with a capacity to produce 5 thousand boxes of 24 units per day



Others

6
operational fleet ships with a total storage capacity 9 thousand m³

Orizon
+900 domestic and foreign customers
231 thousand tons of processed fish
534 employees
19.1% female employees
3.6% accident rate

2.4

International operational presence



Forestry



Energy



Fishing and other investments

2.5

Sustainability at Empresas Copec

Empresas Copec's Sustainable Management Model considers business development, care for the environment and generation of social and economic value for its counterparts as its main pillars.

The Company also has a Sustainability Policy⁵, which lays down the general principles and guidelines for the development of activities, in accordance with the highest sustainability standards in terms of transparency, integrity, continuous improvement, precaution and prevention, and protection and conservation of the environment. Additionally, it describes the roles and responsibilities of the Board of Directors, the CEO, staff, advisors and contractors for its fulfillment, reaffirming the company's ongoing commitment to responsible and sustainable business management.

It should be noted that, in the case of affiliates, it is their own Boards of Directors that must ensure compliance with their policies, in accordance with the nature of their businesses.

Empresas Copec and Sustainable Development Goals (SDGs)

Empresas Copec's business vision stems from the conviction that the long-term development of a company is closely related to building a sustainable future for all its stakeholders. The Company thus implements plans and programs with specific goals that are fully in line with the United Nations Sustainable Development Goals.

Each has specific goals to be achieved by 2030, and for this, governments, the private sector and civil society must be part of it.

Below are some of the initiatives developed by Empresas Copec and its affiliates that contribute to achieving the objectives of the 2030 Agenda.

These 17 goals are aimed at ending poverty, protecting the planet and ensuring prosperity for all as part of a new sustainable development agenda.



⁵<https://www.empresascopec.cl/wp-content/uploads/2019/12/Sustainability-Policy.pdf>



Environment Dimension

Arauco commits itself to achieve carbon-neutrality by 2020.



Copec announces that it will reduce its GHG by 2030 from the incorporation of NCRE.



Terpel is committed to reducing by 20% its emissions in Colombia.



Copec and Terpel invest in electromobility and new energies.



Bioforest conducts studies on adaptation to climate change.



Vía Limpia leads the comprehensive management of hazardous waste nationwide.



Maintenance of High Conservation Value Areas in Arauco.



Abastible's portfolio of efficient solutions.



Arauco Viento Sur Wind Park Project.



Integrated Management System of water resources from Arauco.



Development of the Arauco Dissolving Pulp Plant in Valdivia.



Social Dimension

Protection, prevention and combat programs Arauco forest fires.



Pandemic initiatives COVID-19 of Empresas Copec and its affiliates.



Strengthening of the Arauco campus and Dual Alternation Program.



Support for the Belén Educa Foundation, Enseña Chile, the Arauco Educational Foundation, Viva Leer and the Terpel Foundation.



Orizon crew training plan.



Economic Dimension

Modernization and Expansion of the Arauco Plant (MAPA).



Arauco's investment in E2E.



Agreement between Orizon and the Technological Center for Food Innovation.







Contribution of Empresas Copec to the Fundación Copec UC.



Stakeholders

STAKEHOLDERS	MAIN EXPECTATIONS	GUIDELINES	FORM OF ENGAGEMENT
Shareholders 	<ul style="list-style-type: none">ReturnTransparencyComprehensive risk managementOperation sustainability	<ul style="list-style-type: none">Ensure long-term value creation for shareholders.Keep shareholders informed about the different risks that may affect the Company.	Corporate website
			Investor website
			Stock Department
			Institutional magazine
			Annual Report and Sustainability Report
			Investor Relations area
			Social Media (LinkedIn and YouTube)
Investors and financial analysts 	<ul style="list-style-type: none">ReturnTransparencyComprehensive risk managementOperation sustainability	<ul style="list-style-type: none">Develop strong relationships with existing and potential investors, in order to help them to get to know the Company and to promote transparency.Keep investors informed about the progress of business, investments and projects, and of the different risks that may affect the Company.	Corporate website
			Investor website
			Local and international conferences
			Institutional magazine
			Annual Report and Sustainability Report
			Investor Relations area
			Social Media (LinkedIn and YouTube)
Employees 	<ul style="list-style-type: none">Employment: stability and developmentOccupational health and safetyReconciling work and family lifeHuman rights	<ul style="list-style-type: none">Prevent occupational accidents and illnesses.Foster work environments based on respect, honesty, professional quality and teamwork.Ensure the human development of all Company members, encouraging diversity, collaboration and ongoing training on sustainability.Comply with legal regulations on freedom of association.	Corporate website
			Institutional magazine
			Code of Ethics, Internal Code and other corporate documents
			In-house communication media including strategic alignment meetings, releases, newsletter, etc.
			Whistleblowing hotline
			Social Media (LinkedIn and YouTube)

STAKEHOLDERS	MAIN EXPECTATIONS	GUIDELINES	FORM OF ENGAGEMENT
Customers 	<ul style="list-style-type: none">Product and service qualitySatisfaction and complaintsInnovationMinimize negative impacts of the product	<ul style="list-style-type: none">Contribute to the development of operations that enable customers to achieve their own sustainability goals.Provide customers with a responsible and sustainable products and/or service offering.Strive to deliver innovative and quality products and services that meet customers' needs and expectations.	Corporate website
			Institutional magazine
			Social Media (LinkedIn and YouTube)
Neighboring communities 	<ul style="list-style-type: none">Minimize negative impacts of the operationLocal socio-economic developmentRegulatory compliance	<ul style="list-style-type: none">Develop the Company's activities in harmony with the social and environmental surroundings.Prevent and mitigate potential negative impacts caused by the Company's activities.Implement community engagement programs and projects that create value where the company undertakes its activities.	Corporate website
			Sustainability Report
			Institutional magazine
			Social Programs
Suppliers and Contractors 	<ul style="list-style-type: none">Timely paymentCompliance with conditionsFair treatmentDevelop joint projects	<ul style="list-style-type: none">Ensure timely payment of fair prices.Maintain a strictly independent relationship, always giving priority to benefit, quality, timeliness criteria that are in the Company's best interest.	Corporate website
			Institutional magazine
			Whistleblowing hotline
			Sustainability Report
Society 	<ul style="list-style-type: none">Regulatory complianceContribute to the country's developmentInnovationDialogue with stakeholdersCorporate ethicsClimate change	<ul style="list-style-type: none">Contribute to the development of the society through responsible, lasting and mutually collaborative relationships in areas such as education, innovation, housing and sports.	Corporate website
			Institutional magazine
			Annual Report and Sustainability Report
			Social Media (LinkedIn and YouTube)



Empresas Copec and its affiliates have a continuing concern to inform their stakeholders with maximum transparency about the different environmental, social and governance initiatives carried out.

In this vein, at the end of 2019, all affiliates within the scope of this report had a specific sustainability section on their websites.

It should be noted that in 2019, the affiliate Copec issued its first sustainability report.

Company	Link to the last Sustainability Report issued	Sustainability Report Edition Number
Empresas Copec	https://www.empresascopec.cl/wp-content/uploads/2019/11/Sustainability-Report-2018.pdf	4th
Arauco	https://www.arauco.cl/chile/wp-content/uploads/sites/14/2017/07/REPORTE_2019.pdf	17th
Terpel	https://www.terpel.com/Global/Sostenibilidad/informe_sostenibilidad_2019.pdf	12th
Copec	https://rscopec2018.libredeideas.cl/	1st

2.6

Main recognitions and certifications

Main recognitions received in 2019

1. **Empresas Copec, Arauco, Copec and Abastible** were honored in the Merco Talento ranking, which identifies the ability of companies to retain and attract talent in Chile.

2. **Arcoprime** obtained the Consumer Loyalty Award, given by consulting firm Alco and Praxis Experience Index to companies that have created the highest levels of loyalty and good experiences with their clients.

3. **Empresas Copec** was honored by Institutional Investor Magazine in the Pulp & Paper sector for the quality of its Investor Relations team, in the Best IR Professional and Best IR Team categories.

4. **Empresas Copec** was recognized in the Alas20 ranking in three categories: Leading Company in Corporate Governance, Leading Company in Sustainability and Leading Company in Investor Relations.

5. **Terpel** was honored by SAM as one of the 15 companies with the best sustainable performance in the retail industry, for progress made in economic, social and environmental matters.
6. **Orizon**, along with the rest of the jack mackerel fishing industry from the Atacama Region to the Los Lagos Region, obtained the Marine Stewardship Council (MSC) certification from the independent organization Lloyd's Register. This recognition guarantees sustainability, traceability and application of best practices.

7. **Abastible** was recognized by Chile3D, in the Liquefied Petroleum Gas category, as the most valued brand in its field.

8. **Copec** ranked first in the Service Station category of the ProCalidad National Customer Satisfaction Award.

9. **Copec and Abastible** received the RepTrack 2019 award, for the leadership of their corporate reputation in the fuel and energy sector, respectively.

10. **Terpel** was recognized by Merco Colombia as one of the 25 companies with the best reputation.

11. **Copec** received the Consumer Confidence Award in retail services category, given by the Experience and Services Center of the Adolfo Ibáñez University.
12. **Copec** was chosen as one the 50 most innovative companies in the country. This award is granted by the Best Place to Innovate Ranking with the sponsorship of CIET from the Adolfo Ibáñez University.

13. **Copec** was recognized in the categories: "Service Stations" and "Convenience Businesses" by Alco, which rewards the leading companies by industry.

14. **Empresas Copec** was ratified in the Dow Jones Sustainability Index Chile, Dow Jones Sustainability Index MILA, FTSE4Good Emerging Index and MSCI Sustainability Index, for its outstanding performance in the social, environmental and governance fields.

15. **Arauco** was recognized in the United States as Partner of the Year by Home Depot in the Construction Materials category.

Main certifications in force

Empresas Copec and its affiliates perform their operations and activities under the highest management standards and the most stringent international certifications, in order to guarantee top quality products, responsible use of resources, the least impact on the environment and value generation.



Forestry Sector

In Chile, Argentina, Brazil and Uruguay, Arauco manages its forests under responsible **forestry** management practices. At the end of 2019, the company had the following certifications:

- FSC standard for its operations in Chile, Argentina and Brazil.
- Additionally, the FSC Forest Management Certification was extended to Ecosystem Services for Parque Oncol in Chile (Forestal Arauco FSC) and of Argentina Swamps Yaguareté and Deer conservation.
- ISO 14001:2015 for Environmental Management System and OHSAS 18001:2007 for Occupational Health and Safety Management System in infrastructure, management and harvesting of forest plantations in Chile, Argentina and Brazil.
- In addition, forest management in Uruguay holds the FSC Responsible Forest Management certification, ensuring that the company's forests have been managed responsibly. This adds to the PEFC certification

through the implementation of the Uruguayan Standard for Sustainable Forest Management UNIT 1152.

- PEFC/CERFOAR certification for the Argentine operations.

Arauco's **pulp** mills are certified under the following standards:

- In Argentina, the Nueva Esperanza mill holds PEFC-Chain of Custody certification. Additionally, all mills in this country hold OHSAS 18001 Health and Safety certification.
- In Chile, the Arauco, Constitución, Licancel, Nueva Aldea and Valdivia mills hold updated ISO 9001 and ISO 14001, 2015 version, certifications. In addition, they hold Certfor Custody Chain Systems and FSC certification.
- The Uruguay mill holds the Chain of Custody certification, ensuring the use of wood from controlled, verifiable and acceptable sources in the production of pulp. In addition, the complex is certified under ISO 9001:2015,

ISO 14001:2015 and OHSAS 18001:2007 standards.

In the **wood** business, the following certifications are current:

- The plant management systems in Chile are certified to ISO 18001. In addition, these mills along with the plants in Argentina, Brazil and North America hold ISO 14001 and 9001, 2015 version, standards.
- In North America, all panel mills were FSC certified in 2019. In addition, US operations hold ISO 14001: 2015 and OHSAS 18001: 2007 certifications.



Energy Sector

Copec holds ISO 14001 certification for environmental management, in addition to ISO 14064 on the quantification of greenhouse gases.

Vía Limpia, an affiliate engaged in management of used oil and removal of hydrocarbon wastes, holds the ISO 9001:2018, ISO 14001:2004 and OHSAS 18001: 2007 certifications.

Terpel performs all its processes under the following certifications: The aviation fuels operation holds the comprehensive quality, safety and environmental certification NORSOK S-006, a norwegian standard for industrial safety, occupational health and environmental management. Additionally, it holds the ISO 9001, 14001, 18001, 45001 certifications, and complies with all the environmental regulations necessary to operate under the Joint Inspection Group (JIG) and ATA 103.

The lubricants plant in Cartagena, Colombia holds ISO 9001, 14001:2015 and OHSAS 18001:2007 certifications.



Fisheries Sector

The **Orizon** fishmeal and fish oil plants, located in Coquimbo and Coronel, hold the international IFFO-RS certification current, aimed at ensuring sustainable management of renewable natural resources and compositions of catches.

Additionally, the plants for human consumption earned Gluten Free certification from the Convivir Foundation, the official entity in Chile that protects the diet of celiac and gluten intolerant people.

In Peru, the lubricants plant in Callao is certified to ISO 14001:2015 and OHSAS 18001:2007. Additionally, transportation companies operate under ISO 9001, ISO 14001, OHSAS 18001 and BASC (Control and Safety Management System) certifications.

In Ecuador, **Duragas** holds the Environmental Management System certification in all its work centers, under ISO 14001 standard.

In Peru, **Solgas** runs its storage plant in Callao under ISO 9000, ISO 14000 and OHSAS 18000 certifications. In addition, five of its packaging plants hold ISO 14001 and OHSAS 18001 standard.

In Colombia, **Norgas** facilities hold legal compliance SIA certification, and ISO 9001 standard.

2.7

Risk rating

During 2019, Fitch Ratings confirmed the Company's classification in Level 1 category, and assigned AA- to its solvency. Similarly, on the national scale, the risk rating agency Feller Rate reaffirmed the rating and outlook granted to Empresas Copec, in First Class Level 1, and established its solvency rating in AA.

Regarding international ratings, Fitch Ratings maintained the Company's risk rating at BBB, while Standard & Poor's assigned a BBB- rating to Empresas Copec in May 2020.



Social crisis

2019 will be remembered for the great political and social challenges that different countries in the region have had to face. Peru, Ecuador, Colombia, and also Chile, have experienced large-scale citizen mobilizations, marked by a greater distrust of citizens towards the established order, and increasingly dynamic and diverse social demands.

In Chile, the social crisis that began in October affected people and companies in different ways and magnitude. It was a complex period, but also of great lessons.

For Arauco, one of the major challenges was solving safe movement of employees to and from their homes, due to route and road blocks and barricades, to ensure continued operations in its manufacturing plants. In this sense, it is worth noting the commitment and effort displayed by employees and unions, who were able to keep each of the company's facilities running.

For its part, Abastible had to provide emotional support and flexibility to its employees, and prepare contingency plans to assist distributors and maintain supplies for its customers. It is worth mentioning that many distributors were protected by neighbors in situations of violence. Certainly, an example

of the genuine concern and appreciation that the community has for the service provided by distributors every day.

Copec, meanwhile, worked to ensure continued operation at its service stations, in addition to maintaining supplies to public services, hospitals and customers, all against a backdrop where some facilities were vandalized and looted. Spontaneously, the company's internal teams organized to assist the affected service stations and voluntarily deliver boxes of food to attendants and managers.

On the other hand, Orizon experienced transportation and safety issues for its employees at its premises. In this case, plant operators organized work shifts with people from different areas and plants, in order to guarantee operational continuity.

In general, the measures taken by Empresas Copec and its affiliates, in this complex scenario, focused on guaranteeing the well-being of their staff. They included initiatives such as shuttle buses, teleworking for those who had problems getting to their offices, time flexibility programs, and even, in some cases, delivery of staple foods.

Additionally, Empresas Copec and its affiliates set up dialogue sessions to address openly and honestly the situation of the country and how to deepen corporate contribution to society. In the case of Arauco, conversations were held with direct employees and contractors, encompassing more than 30 thousand people. Thus, the "Arauco Dialoga" program created conversation and discussion groups, where experiences and proposals were shared to continue contributing to the development and progress of the country.



Health emergency

The global health crisis, started during the first quarter of 2020, has changed society's priorities and focus. Immediate consequences are visible in all areas: altered social connectivity, cities withdrawn into themselves, and activities such as work, education and entertainment, reduced or substantially modified.

The pandemic has drawn a scenario of enormous complexity that requires the convergence of all actors to protect people's lives, and at the same time, ensure that companies can continue to deliver their products and services.

Against this backdrop, Copec and Terpel have strived to maintain business continuity at their service stations and convenience stores Pronto, Punto and Altoque, even in those neighborhoods under confinement order. Also, they incorporated to their traditional offer of packed foods and snacks ready to go, basic necessities products, such as rice, noodles, milk, bread and ham, among others. Particularly, the articles of the new mix of Pronto outlets can be received at home, through delivery applications, guaranteeing the shipping of food when and where it is necessary.

On the other hand, Copec, in the Metropolitana Region, has a network of emergency service stations open during the curfew.

Meanwhile, Terpel launched the #ForOurFarmers initiative (#PorNuestrosCampesinosYo for its Spanish acronym), with which it seeks to help small Colombian producers affected by the logistical impossibility of mobilizing and marketing their crops during the pandemic, so that they can sell their products at service stations and convenience stores Altoque, without any intermediary, two days a week. It should be noted that some of these products will remain on sale in convenience stores.

In addition, as a result of a partnership with the UC Christus Health Network, Copec implemented a pilot project to decrease the risks of contagion. Sampling points for Covid-19 PCR testing in authorized areas were installed at four service stations, two in the Metropolitana Region, one in Valparaíso and the other in Temuco.

Furthermore, the affiliate is developing filters for masks based on nanotechnology, taking advantage of its experience in micro filtering technologies for fuels and lubricants. Currently, the last technical checks are being carried out to move on to the registration process at the Institute of Public Health, hoping that production begins in June and benefits health personnel who are working to control the pandemic.

Additionally, Copec agreed with the Ministry of Health in Chile on free delivery of fuel to supply all emergency ambulances of the Emergency Medical Attention Service (SAMU by its Spanish acronym) during the Covid-19 health crisis. With the same objective, Terpel committed to supplying fuel to the Association of Food Banks of Colombia (Abaco), to facilitate delivery of more than 108 thousand tons of food to the most vulnerable populations in that country, and to the airline Satena, to transport humanitarian aid, food and medical supplies to isolated points in the country. Meanwhile, Terpel's Altoque outlets will donate menus and give coffee and broth to the country's truck drivers, and the Pronto Copec stores will channel its contribution through the Food Network.

For its part, the Terpel Foundation designed a plan to reinforce the skills of children and young people, in mathematics, language and leadership, through educational content shared on social media.

Abastible, meanwhile, has implemented stringent health safety protocols in plants and distribution offices in order to prioritize the health of employees and their families while ensuring supply across the country. In addition, the company donated 315 rolling heaters and 7,735 liquefied petroleum gas loads to



heat 108 homes for the elderly and 215 centers and shelters managed by the Ministry of Social Development and Family.

Arauco, meanwhile, is implementing a Covid-19 Emergency Strategy that includes several actions related to health prevention, early detection, hospital and educational support. In addition, the necessary measures have been taken in all of its production facilities to protect the health and safety of its employees. For its part, through the Bioforest Research Center, an early detection unit specialized in the virus was made available to the authorities, consisting of a robot for RNA extraction that reduces detection times from three to four days to maximum four hours, processing 96 samples in two hours, almost five times more than the systems currently in service. The new equipment is administered by specialized staff from the Faculty of Chemistry

and Pharmacy of the University of Concepcion and benefits the Biobío community.

Additionally, Arauco began a massive sanitation process in more than 25 communes and 82 localities in the Maule, Ñuble, Biobío and Los Ríos regions, using forest machinery and portable spray pumps, in order to disinfect high traffic locations in rural or poor areas.

For its part, The Copec-UC Foundation pledged its support to finance the development of a prototype vaccine against Covid-19, led by Alexis Kalergis and a team of Chilean scientists who have spent more than 15 years of research in the area of respiratory diseases and who developed the first vaccine against the syncytial virus in Chile. The project also involves experts from the Pontifical Catholic University, the Millennium Institute on Immunology and Immunotherapy (IMI), the

Technological Consortium in Clinical-Molecular Biomedicine (BMRC) and Abbott laboratories.

Similarly, it is worth noting the contribution that Empresas Copec, along with other companies, made to the "Private Emergency Fund for Health in Chile" created by the Confederation for Production and Commerce (CPC). The fund has made it possible to acquire and dispose of medical supplies, diagnostic test kits, equipment and other medical instruments to face the health emergency.

Internally, and as a consequence of this health crisis, in each of the companies, new and efficient ways of organizing work have emerged, such as the incorporation of technological developments that allow supporting remote work and maintaining virtual contact between the teams, promoting conversations by videoconferences and digital platforms.



Emerging risks

Physical risks stemming from climate change

Taking into consideration the nature of Empresas Copec and its affiliates' businesses, one of the major emerging risks is their exposure to climate change, either due to phenomena that occur in one-off events or to long-term changes in climate models. Thus, extreme weather situations, natural disasters, weather events (including, but not limited to, hurricanes, droughts, tornadoes, frosts, storms and fires), and changes in temperature and rainfall bring with them greater unpredictability for the companies.

In the forestry business, for example, global warming not only affects growth cycles of forests, but also directly influences the availability or scarcity of water resources. Faced with scenarios of deep and prolonged droughts, such as those that hit Chile in recent years, the forestry and industrial operation is seriously affected, as happened at the Licancel mill in 2019, which was forced to halt operations due to the low flow of the Mataquito river. Additionally, large-scale fires in central and southern Chile, particularly during the summer of 2017, in part, are

other signs of alterations in climate-related phenomena.

In the fisheries sector, meanwhile, various scientific studies show that climate change influences marine ecosystems and the availability of species in different fishing areas, due to acidification and increased temperatures in the oceans, causing greater migration of fish and increasing mortality rates in less resistant species.

In short, climate change is likely to cause operational, financial and regulatory short-, medium- and long-term impacts on the business. Therefore, it is essential to create commitments to develop timely plans to manage these risks and, in addition, to make investments that mitigate those risks associated with alterations in weather patterns and their financial implications.

In this context, Arauco implemented several strategies, which, under a preventive approach, help deal with these impacts and adapt both its industrial and forestry processes. It updated its risk matrix in 2019, taking into consideration

the impact and result of global warming on its operations. In addition, it obtained the results of the Ecohydrology Project that underpin the affiliate's Water Strategy⁶, and programs that monitor the quality and availability of this resource.

Investments made by the affiliate during 2019 included improvements in the level of protection and fire fighting in order to safeguard its forest heritage. Those improvements were focused on programs to maintain and strengthen firefighters' technical skills and their equipment, initiatives that are part of the "de Raíz"⁷ program.

Additionally, through Bioforest⁸, studies on the adaptation to climate change were conducted, such as the first forecast of edaphoclimatic zones, using different scenarios, and the analysis of watershed management, biodiversity, ecosystems, wetlands coastal and threatened species, allowing, in turn, the development of initiatives to preserve or improve the current condition of the environment.

Orizon's Coquimbo and Coronel fishmeal and fish oil plants got certified to IFFO-RS standard, "The Fishmeal and Fish Oil Organization; Responsible Supply of The Marine Ingredients Organization", which guarantees their commitment to a responsible supply of raw materials and safe production. This adds to the Marine Stewardship Council (MSC) certification obtained for the jack mackerel chain of custody, which ensures the traceability of products from sustainable fisheries.

⁶Further information can be found on page 120 of this report.

⁷For further information, please see page 139 of this report.

⁸For further information, please see pages 100 and 120 of this report.



Changes in the market linked to climate change

Empresas Copec and its affiliates are also exposed to variations in the market resulting from climate change, specifically in relation to regulatory, political, legal and technological aspects, particularly those subject to changes in consumer preferences.

Most notably, the development of new legal and regulatory measures to promote the reduction of greenhouse gases and other carbon emissions have shaped sustainable management of companies, as these are major contributors to global climate change. For example, in Chile, the “Green Tax” that applies to installed thermal power in boilers and turbines came into force in 2019, which will be imposed directly based on the emission of pollutants starting in 2023, which will directly impact Arauco and Orizon.

In the fishing industry, expected effects of climate change have influenced the new Chilean Fisheries Law, where companies may require new investment in plants, technologies and

equipment to align regulatory expectations.

On the other hand, consumers and large industrial clients have started to put some pressure on energy companies, in pursuit of lower costs, emissions and environmental impacts. Thus, greater availability of alternative energy sources contributes to lowering the costs of the transition towards more environmentally friendly sources.

Copec, in this context, driven by a vision of the future, took strategic steps towards electromobility⁹ as an alternative to traditional liquid fuels and technologies complementary to the use of liquefied gas.

In light of expected changes in the mobility market, Copec decided to lead this transition as a comprehensive mobility company. To do this, it gave rise to a new business model, of an international nature, which aims to tackle this new challenge.

Through the New Mobility area, the affiliate implemented South America’s most extensive electric vehicle fast charging network in Chile, and Terpel began replicating this model in Colombia in 2019. Meanwhile, significant partnerships and key investments in segments including energy storage and energy efficiency systems have been made by the New Energies¹⁰ area.

Additionally, Abastible¹¹ has developed innovative and environmentally friendly projects for homes and companies, consolidating its strategic position in the supply of alternative energy products.

Arauco, for its part, has incorporated environmentally friendly solutions to mitigate its impacts as much as possible. Therefore, the company is self-sufficient in electricity and participates by providing excess energy from its industrial facilities into the energy matrix of the countries where it operates, being

⁹See page 105 of this report.

¹⁰For further information, please see pages 98 and 128 of this report.

¹¹For further information, please see page 107 of this report.



one of Chile's leading generators of Non-Conventional Renewable Energy (NCRE), with an installed capacity of 606 MW and 219 MW to be injected into the National Electric System (SEN).

It should be noted that Arauco has historically contributed to tackle climate change by certifying emissions reduction of forest biomass cogeneration projects in five mills in Chile and one in Uruguay (joint operation with Stora Enso). These facilities are registered under internationally recognized standards such as the Clean Development Mechanism "CDM", allowing to reduce around

650 thousand tons of CO₂ per year. Additionally, the Viñales cogeneration plant is registered under the “Verified Carbon Standard” (VCS).

Further details on the risks stated above and those of a financial nature can be found in Empresas Copec 2019 Annual Report, available on the Company's website.

03 Transparency

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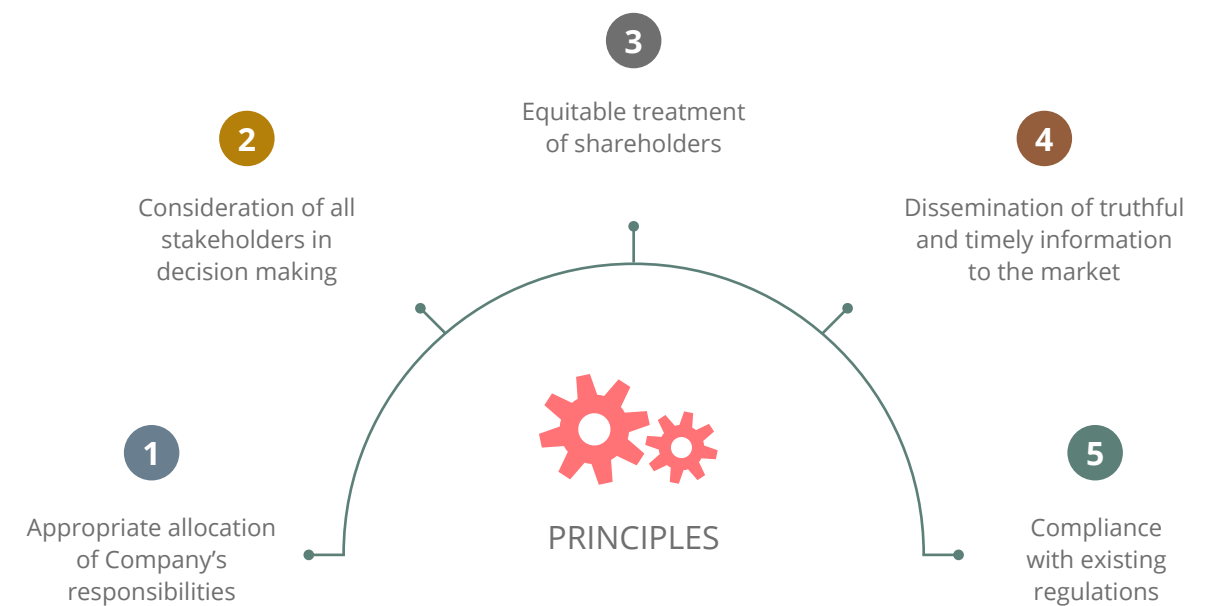
3.1

Corporate Governance

Principles of corporate governance

Empresas Copec's Corporate Governance aims to guarantee that all management, investment and productive action practices consider economic, social and environmental aspects, and translate into contributions that go beyond direct economic benefits.

To this end, the Company's governance is based on solid principles that ensure that each of the actions carried out adhere permanently to ethical management, personal integrity and full respect for the rules laid down. Those principles include:



Board of Directors structure

Empresas Copec’s main Corporate Governance body is its Board of Directors. It is made up of nine members, who are elected by the Ordinary General Shareholders' Meeting for three-year terms and, most of them are proposed by the controlling shareholder.

The members of the Board of Directors have an outstanding professional background and the ability to contribute to the development of the organization with complementary, independent and differing visions of the business environment. It should be noted that none of them hold executive positions in the Company.

Empresas Copec’s Board of Directors composition year-end 2019

Name	Position	Seniority	Independent¹
Roberto Angelini	Chairman	Since April 1986	No
Jorge Andueza	Vice-chairman	Since April 2011	No
Manuel Bezanilla	Director	Since April 2016	No
Andrés Bianchi*	Director	Since September 2007	No
Gabriel Bitrán*	Director	Since April 2016	Yes
Juan Edgardo Goldenberg*	Director	Since April 2005	No
Arnaldo Gorziglia	Director	Since April 2006	No
Andrés Lehuedé	Director	Since April 2018	No
Francisco León	Director	Since April 2018	No

¹Article 50bis of the Chilean Corporations Act No. 18,045, sets out the criteria of independence for members of the Board of Directors.
*Members of the Directors’ Committee.



Board of Directors

1. Roberto Angelini
Chairman
Industrial Civil Engineer
5.625.652-0

2. Jorge Andueza
Vice-Chairman
Civil Engineer
5.038.906-5

3. Manuel Bezanilla
Director
Lawyer
4.775.030-K

4. Andrés Bianchi*
Director
Economist
3.307.092-3

5. Gabriel Bitrán*
Director
Industrial Civil Engineer
7.033.711-8

6. Juan Edgardo Goldenberg*
Director
Lawyer
6.926.134-5

7. Arnaldo Gorziglia
Director
Lawyer
3.647.846-2

8. Andrés Lehuedé
Director
Commercial Engineer
7.617.723-6

9. Francisco León
Director
Civil Engineer
6.655.380-9

*Members of the Directors' Committee



Board diversity

	Number of people
Gender	
Men	9
Women	0
Nationality	
Chilean	9
Foreingner	0
Age range	
Below 30 years	0
Between 30 and 40 years	0
Between 41 and 50 years	0
Between 51 and 60 years	2
Between 61 and 70 years	2
Above 70 years	5
Seniority	
Less than 3 years	2
Between 3 and 6 years	2
More than 6 and less than 9 years	1
Between 9 and 12 years	0
More than 12 years	4

Responsibilities and working of the Board of Directors

Empresas Copec’s Board of Directors meets at least once a month and its main responsibilities are:



Define and assess the Company's general strategy on economic, social and environmental matters.



Analyze large investment projects.



Ensure effective and efficient risk management.



Supervise the executive management of the Company.



Monitor key operational and financial decisions.



Ensure representativeness of the financial statements.



Monitor compliance with the Law and the rules of self-regulation and the relationship with authorities and key market agents.



Select the Chief Executive Officer and review his performance, having powers to remove him and supervise his replacement.



Advise in the selection, review, development and compensation of the Company's senior executives.

Under the Company's bylaws, the Board of Empresas Copec meets ordinarily once a month. In 2019, the Board held 18 sessions, with an average annual attendance of 96%.

Name	Attendance (%)
Roberto Angelini	94%
Jorge Andueza	94%
Manuel Bezanilla	100%
Andrés Bianchi	100%
Gabriel Bitrán	89%
Juan Edgardo Goldenberg	94%
Arnaldo Gorziglia	100%
Andrés Lehuedé	94%
Francisco León	100%
Average	96%

The Board of Directors has a technology system that provides secure, remote, permanent access to all minutes and documents of all sessions for the last five years.



Training and evaluation of the Board of Directors

Training Days are carried out by the Company every year for the members of the Board of Empresas Copec to stay updated on issues including good governance practices, sustainability, inclusion, diversity, risk management, anti-corruption, regulatory framework, crime prevention, sanctions and conflicts of interest.

The topics addressed annually in each of these Training Days are previously approved by the Board of Directors and published on the Company's website, so that all stakeholders know the topic and date of the event.

In 2019, the following subjects were considered in this training plan:

- Analysis of new criminal responsibility for companies and their managers.
- Senior Management and the new Law 20,393. An opportunity to strengthen organizational culture.
- Access to Board of Directors' information.
- Beyond control and compliance: Board of Directors that add value.

During the last year, the members of the Board of Directors received, in addition, a Corporate Governance Compendium, a document prepared by the Corporate Governance Center of the Pontificia Universidad Católica which addresses key information on aspects including: Trends in Sustainability, National Case Law, Latest Trends in Corporate Governance and Risk Management in Organizations.

Activities related to the Crime Prevention Model and, particularly, the annual training on Law 20,393 are added to these training activities.

On the other hand, a performance assessment self-evaluation is conducted by the Board of Directors of Empresas Copec every two years in order to ensure continuous improvement. This process considers an individual, private and confidential consultation of each member on issues including operation, behavior and management of the Board of Directors. The next self-evaluation will take place in 2020.

Directors remuneration

In accordance with the provisions of article 33 of Law No. 18,046, remunerations of Board members are defined and approved every year at the Ordinary Shareholders' Meeting.

During 2019, monthly compensation amount to 300 UF for the members of the Board of Directors, 600 UF for the Vice-Chairman and 900 UF for the Chairman. Additionally, the members of the Directors' Committee received a monthly amount of 100 UF for their functions.

It should be noted that the members of the Company's Board do not have variable remuneration or incentive schemes such as bonuses, stock-based compensations, stock options or others.

Total remuneration received by Directors in 2019

Name	Position	Remuneration (UF)
Roberto Angelini	Chairman	10,800
Jorge Andueza	Vice-chairman	7,200
Manuel Bezanilla	Director	3,600
Andrés Bianchi	Director	4,800
Gabriel Bitrán	Director	4,800
Juan Edgardo Goldenberg	Director	4,800
Arnaldo Gorziglia	Director	3,600
Andrés Lehuedé	Director	3,600
Francisco León	Director	3,600

Shareholders Meeting 2019

Empresas Copec's eighty-fourth Shareholders' Meeting was held on April 24, 2019.

It was attended by 1,164,038,413 shares out of a total of 1,299,853,848 shares issued, accounting for a quorum of approximately 89.5% of the shares.

Others Committees od corpate governance

COMMITTEE	MEMBERS	MAIN RESPONSIBILITIES	SESSIONS IN 2019
 Directors' Committee	<p>Under article 50bis of Law 18,046, this Committee is chaired by the independent Director and is made up of three members elected by the Board of Directors.</p> <p>Current members are Andrés Bianchi, Gabriel Bitrán (Chairman) and Juan Edgardo Goldenberg.</p>	Analyze strategic issues; review reports submitted by external auditors and financial statements; and analyze the remuneration system for senior executives and operations with related parties, among others.	5
 Ethics Committee	<p>It is made up of three members, who are elected by the Board of Directors.</p> <p>Current members are Juan Edgardo Goldenberg, José Tomás Guzmán and Eduardo Navarro.</p>	Provide advice on ethics; define and promote the values and behaviors promoted in the Code of Ethics; propose to the Board updates and amendments to this Code; and support the Crime Prevention Officer in the different control activities carried out, mainly in the process of identification and analysis of complaints that apply to the Prevention Model, determination of investigations and potential imposition of sanctions.	1
 Information Security Committee	<p>It is made up of four members, who are chosen by the CEO.</p> <p>Current members are Pamela Harris, Rodrigo Huidobro, Fernando Marcone and Hernán Villagrán. The latter holds the position of Information Security Officer.</p>	Implement policies, rules and procedures established in the Information Security Model, and ensure compliance.	2

UNIT	MAIN RESPONSIBILITIES	DEPENDENCE
Crime Prevention Officer	Apply and supervise the proper operation of the Crime Prevention Model in accordance with the provisions of Law No. 20,393 and amending laws; and report to the Board of Directors every six months on compliance with the Annual Program, which includes dissemination and training activities and monitoring of associated controls, among others. As of 2018, the duties of the Officer are performed by a professional from the independent external audit company.	The Crime Prevention Officer reports directly to the Company's Board of Directors, and is appointed for a three-year term, and evaluates his/her performance on an annual basis.
Antitrust Compliance Officer	Implement the Antitrust Compliance Program in accordance with current regulations; identify current and potential risks faced by the Company; include internal mechanisms and procedures consistent with the commitment of compliance undertaken; and ensure the participation of the entire organization in the Program.	The Compliance Officer reports directly to the Company's Board of Directors, which evaluates its performance on an annual basis.
Internal Audit Unit	Evaluate the Company's internal control system and report to the Board of Directors every six months on the degree of compliance with the policies, regulations, rules, legal provisions or other legal requirements. The responsibilities of this unit are performed by professionals from an independent external audit company.	The Internal Audit Unit directly reports to the Company's Board of Directors.
Risk Management Unit	To comply with the Corporate Risk Management Policy and develop the plans and procedures necessary for the identification, assessment, monitoring, control and mitigation of both internal and external risks. Risk Management responsibility is performed by professionals from an independent external audit company.	The Risk Management Unit directly reports to the Company's Board of Directors.
Information Security Officer	Oversee that all employees comply with the policies, rules and procedures established in the Information Security Model.	The Information Security Officer reports directly to the Company's Information Security Committee.

Corporate Governance in affiliates

In recent years, Empresas Copec's affiliates have been promoting a series of good Governance Practices in order to strengthen transparency standards and guarantee decision-making that considers the widest spectrum of possible visions. Most notably, independent Directors where added to the different Board of Directors.

Terpel, for example, has a Board of Directors made up of seven regular members and seven alternates, 25% of whom are independent. Similarly, Abastible has a total of seven Directors, with five of them being independent.

Another practice implemented across the Boards of the affiliates is investing in training and retraining of their members in areas such as good governance practices, antitrust competition or fight against corruption.

Management

At Empresas Copec, implementing the corporate strategy and fulfilling the goals defined by the Board of Directors in the economic, social and environmental fields is the responsibility of the Chief Executive Officer, who leads a team of seven senior executives.

The CEO is appointed by the Board of Directors to implement the actions associated with the economic and social performance of the Company, as well as to take the necessary measures to meet annual goals. The Chief Executive Officer is responsible for reporting to the Board the results of the Company's performance.

The Chief Executive Officer's compensation is defined by the Chairman of the Company, who annually reviews the fixed remuneration and defines the variable remuneration. The latter is voluntary and is determined based on market aspects, financial performance, team leadership, achievements, conflict resolution and M&A operations, among other factors.

In addition, the CEO is responsible for submitting once a year to the Directors Committee fixed remunerations for all senior executives with their changes compared to the previous year, as well as a summary indicating

the percentile in which each executive rank according to his/her total remuneration and that of the market.

In this sense, senior executives' remunerations at Empresas Copec are also reviewed considering the market benchmark and individual performance. Meanwhile, variable remuneration does not consider environmental or occupational health and safety metrics, since the Company is a financial holding company and does not directly conduct commercial or productive operations.

It should be noted that it is Empresas Copec's policy that variable remunerations of the CEO and senior executives should not exceed 50% of their total remuneration. Additionally, no stock-based incentives or bonuses are granted.

No specific requirements for holding Company shares have been established for senior executives or for its directors.

Remuneration and bonuses received by the Company's executives during 2019 amounted to ThUS\$ 2,676 (ThUS\$ 2,822 in 2018). Variable compensation received accounted on average for 32.5% (33.5% in 2018) in the currency of payment.

Senior Management

- 1. **Eduardo Navarro**
Chief Executive Officer
Commercial Engineer
10.365.719-9
- 2. **José Tomás Guzmán**
Corporate Counsel and Secretary
of the Board of Directors
Lawyer
6.228.614-8
- 3. **Rodrigo Huidobro**
Chief Financial Officer
Industrial Civil Engineer
10.181.179-4
- 4. **Jorge Ferrando**
Chief Development Officer
Industrial Civil Engineer
12.059.564-4
- 5. **Sebastián Dittborn**
Director of Business Development
Civil Engineer
13.472.228-2
- 6. **Pamela Harris**
Director of Corporate Affairs
Industrial Civil Engineer
14.119.104-7
- 7. **Francisca Riveros**
Director of Communications
Journalist
13.635.013-7
- 8. **Cristián Palacios**
Director of Finance and IR
Commercial Engineer
13.234.980-8





Diversity in management

	Number of people
Gender	
Men	6
Women	2
Nationality	
Chilean	8
Foreingner	0
Age range	
Below 30 years	0
Between 30 and 40 years	2
Between 41 and 50 years	4
Between 51 and 60 years	2
Between 61 and 70 years	0
Above 70 years	0
Seniority	
Less than 3 years	4
Between 3 and 6 years	0
More than 6 and less than 9 years	0
Between 9 and 12 years	0
More than 12 years	4

3.2

Risk management

Empresas Copec has a Risk Management Policy that allows identifying and assessing potential impacts on its operations, as well as quantifying its effects, in order to monitor and mitigate them. As a result, the Company guarantees a better decision-making process and, consequently, the achievement of business objectives.

Its framework is based on ISO 31000:2009 principles, which aims to establish, formalize and implement a comprehensive risk management methodology; define

and establish their acceptable level; have the explicit approval of mitigation plans; conduct periodic evaluations of controls implemented, and keep all parties involved informed on the status and risk profile of the Company. It should be noted that all risks identified form the basis of the Company's Risk Matrix, which is known to the Board and the Directors' Committee.

In order to comply with this Policy and develop the plans and procedures necessary to identify, assess, monitor, control

and mitigate both internal and external risks, Empresas Copec has a Risk Management Unit, which directly reports to the Board of Directors of the Company and is made up of professionals from an external, independent auditing firm.

During 2019, the Risk Management Unit updated the Risk Matrix and implemented a comprehensive monitoring tool, in order to strengthen the processes and controls associated with the different risks identified in the Company.



Progress on Risk Management in affiliates

AFFILIATE	2019 MILESTONE
 Arauco	In order to prevent the occurrence or reduce the impacts that the facilities have, as a result or consequence of accidents, natural disasters, severe fires in plants, negative effects on the environment, social conflicts, among others, Arauco updated its operational and non-operational risk matrix, and defined different work plans.
 Copec	The Risk Management and Compliance area was created within the Legal and Corporate Affairs Department, which aims to implement a comprehensive risk system consistent with the organization.
 Terpel	Terpel has an Audit Committee responsible for monitoring and auditing performance of risk management at the corporate level, and for reporting its findings directly to the members of its Board of Directors. During 2019, the company designed a specific tool to manage socio-political, security and human rights risks.
 Abastible	In 2019, the risk and control matrices were updated and, through the Regional Alignment initiative, the maturity level of risk management of Abastible and its subsidiaries was self-assessed.
 Orizon	Risks defined as key by the Risk Committee in 2018 were assessed and addressed. Progress was also made in the identification of causes and impacts of seven additional significant risks and key risk indicators (KRI) were implemented.

Internal and external audit at Empresas Copec

Under the provisions of Law 18,046 on Corporations and the Company's Bylaws, it is the responsibility of the Ordinary Shareholders' Meeting to appoint independent external auditors to inspect accounting records, inventory, balance sheet and other financial statements of the Company for the year.

Considering that 2019 would be the fifth year in which the external audit would be conducted by PwC, it was decided to carry out, in early 2020, a new bidding process for external audit companies.

The Board and Committee of Directors proposed the rehiring of

PwC services to carry out the audit of the Company's Consolidated Financial Statements, which was presented and approved by the Ordinary Shareholders' Meeting held on April 22, 2020.

In addition, Empresas Copec has an Internal Audit Unit, responsible for assessing its internal control system and reporting to the Board every six months on the degree of compliance with the policies, regulations, rules, legal provisions or other legal requirements. This role is performed by an external, independent auditing company, which reports directly to the Board of Directors.



GOAL

Tax Policy

During 2019, Empresas Copec began to develop a Tax Policy, reflecting the Company's commitment to responsible economic-financial management and compliance with current tax laws. A set of principles and rules governing the formulation and execution of the Company's tax strategy will be embodied in this document.

3.3

Business ethics and regulatory compliance

Business ethics management

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

These principles and guidelines are contained in the Code of Ethics, which is reviewed and

updated by the Ethics Committee and approved by the Board every year, and made available to stakeholders on the Company's website.

In addition, all employees must renew their commitment to compliance and knowledge of the rules established in the Code of Ethics on an annual basis, by means of a signed statement.

Areas and principles addressed by the Code of Ethics

- 1

Personal Integrity
- 2

Work Environment and Safety in the Workplace
- 3

Honoring of Antitrust
- 4

Company Representation
- 5

Conflicts of Interest
- 6

Protection of Company Goods
- 7

Use of Company Goods for Personal Purposes Effects
- 8

Courtesies and Gifts
- 9

Supplier Relations
- 10

Sustainability and Environmental Conservation
- 11

Offenses under Law 20,393
- 12

Handling of Information
- 13

Accuracy of Information
- 14

Non-discrimination and Respect
- 15

Intellectual Property



Manual for handling of information

In addition to the provisions of the Code of Ethics on business ethics and regulatory compliance, Empresas Copec and Arauco have a Manual for Handling of Information of Interest to the Market, where the provisions on the use and/or disclosure of inside information, referred to in General Rule No. 270 of the Financial Market Commission, are laid out.

These guidelines are mandatory for Directors, Chief Executive Officer, senior executives and employees, as well as for external advisers and auditors who have access to inside information.

Information Security Model

Empresas Copec also has an Information Security Model containing the rules and procedures established by the Company to guarantee information security.

The Information Security Committee is responsible for this model, reporting directly to Empresas Copec's Chief

Executive Officer, and whose responsibility is to implement improvements and controls in the different processes, thus guaranteeing protection of the Company's information assets. Additionally, the Officer must oversee that all employees comply with the guidelines established in the Policy.

Conflicts of interest

In 2019, Empresas Copec issued its Conflict of Interest Policy, which lays down a procedure to identify and regulate potential situations that constitute or may constitute a conflict of interest, being mandatory for Directors, CEO, senior executives and employees. With this, the Company seeks to ensure that decisions are made protecting the interest of all shareholders.

Under the procedure laid down in this Policy and in the Code of Ethics, a person who is in a position to influence corporate policies or decisions and who, at the same time, has a significant investment or holds a management position in another company with which Empresas Copec has a business relationship, either directly or through his/her spouse or relatives up to the second degree of consanguinity, must refrain from making decisions that have a conflict of interest and to communicate its position to his/her supervisor or line manager.

Crime prevention, anti-corruption and antitrust

In line with the corporate purpose of guaranteeing strict compliance with the law in all its activities and operations, Empresas Copec and its affiliates Arauco, Copec, Abastible, Terpel and Orizon have Crime Prevention Models, which were subjected to an external recertification process in 2019 after new crimes were added to Law 20,393 and its amending laws.

Prevention Models are intended to avoid and reduce the risk of crimes referred to in Law 20,393 on Criminal Liability for Legal Entities and its amending laws. For this reason, all these models include a Crime Prevention Policy and a Crime Prevention Officer, who is primarily responsible for:

- Implement and inspect proper operation of the Crime Prevention Model under the provisions of Law 20,393 and its amending laws.
- Report to the Board every six months on compliance with the Annual Program, which includes dissemination and training activities and monitoring of associated controls, among others.

It is worth mentioning that Empresas Copec’s Crime Prevention Model is currently recertified by ICR Clasificadora de Riesgos Ltda. for the period from July 2018 to July 2020.

The Crime Prevention Officer reports directly to the Company's Board of Directors, and is appointed for a three-year term. Since 2018, this job has been performed by a professional from an external, independent auditing firm.

The Crime Prevention Models of Empresas Copec and its affiliates provide confidential, anonymous whistleblowing channels allowing employees and stakeholders to report potential violations of both these guidelines and those contained in the Code of Ethics.

During 2019, no complaints related to crimes referred to in Law 20,393 were received by Empresas Copec and its affiliates Abastible, Copec, Arcoprime and Orizon.

Company	Whistleblowing hotline
Empresas Copec	https://empresascopec.eticaenlinea.com/
Arauco	https://www.arauco.cl/chile/este_es_arauco/informacion-corporativa-y-politicas/#denunciaLavado
Copec	https://ww2.copec.cl/nuestra-empresa/canal-de-denuncia
Terpel	https://www.resguarda.com/terpel/inicio/main_es.html
Abastible	https://www.abastible.cl/gas-cilindro/canal-de-denuncias/
Arcoprime	https://www.prontocopec.cl/pronto/modelo-de_preencion/2017-05-25/131308.html
Orizon	https://www.canaldedenuncia.cl/cda/sercor/cdpages/inicio.aspx

Antitrust

For Empresas Copec and its affiliates, antitrust is key to develop their activities, and a guiding principle in their commercial policies. In this sense, the Company is convinced that antitrust promotes the creation of greater wealth, equal opportunities, higher efficiency in production and encourages innovation.

These guidelines, as well as their associated rules and procedures, are contained in the Antitrust and Competition Law Legal Compliance Guide, published by Empresas Copec in 2018. They are also detailed in the Antitrust Policy, a document that regulates and strengthens compliance with these principles and regulations.

The Antitrust Compliance Officer is responsible for the implementation of the Compliance Program, reporting directly to the Board of Directors and has within its functions to identify the current and potential risks faced by the Company, including internal mechanisms and procedures and ensuring Managers and Directors’ involvement in the program.

Progress on Antitrust in affiliates

AFFILIATE	2019 MILESTONE
Arauco	Update of the Compliance Program of Principles and Regulations on Antitrust aimed at promoting principles and encouraging continued and absolute respect for the rules that protect it.
Abastible	With the support of an external specialist, a training and awareness-raising session on antitrust and the corporate whistleblowing channel was held, targeting the Commercial Area.
Orizon	The company amended the Antitrust Policy, promoting its scope to Directors, executives, employees, suppliers and distributors.

Major internal frameworks at Empresas Copec and its affiliates

Company	Code of Ethics	Whistleblowing hotline	Crime Prevention Model	Handling Information of Interest to the Market	Antitrust Manual or Policy
Empresas Copec	Yes	Yes	Yes	Yes	Yes
Copec	Yes	Yes	Yes	Not apply	Yes
Arauco	Yes	Yes	Yes	Yes	Yes
Orizon	Yes	Yes	Yes	Not apply	Yes
Abastible	Yes	Yes	Yes	Not apply	Yes
Terpel	Yes	Yes	Yes	Not apply	Yes

% people trained in antitrust, anti-corruption, crime prevention and compliance with ethical standards	2017	2018	2019
Empresas Copec	100%	100%	100%
Copec	100%	34% ³	53%
Arauco	90%	N/D	N/D
Orizon	57%	84%	95%
Abastible	48%	33% ⁴	28%
Terpel	46%	23% ⁵	44%
Arcoprime	0%	21%	47%
Total	57%	31%	43%

³ Data modified from 2018 Sustainability Report, due to error in recording.
⁴Data modified from 2018 Sustainability Report, due to error in recording.
⁵Data modified from 2018 Sustainability Report, because it only included Colombian employees. In this report, all employees were considered.



Payments and contributions to third parties

Empresas Copec has a Community Contribution Policy that establishes as a general framework that contributions to be made benefit the country and, especially, its stakeholders. Therefore, the Company supports social, cultural, environmental, sports, artistic and scientific and technological dissemination initiatives, developed by legal entities and institutions that are formally incorporated and duly authorized to receive those contributions under current legislation.

On the other hand, and in accordance with the provisions of Law No. 20,900, the Company has not made contributions to political parties in recent years.

Empresas Copec makes contributions to important research and study centers in Chile: Centro de Estudios Públicos, Fundación Chile 21 and Fundación Libertad y Desarrollo, apart from being actively involved in the Sociedad de Fomento Fabril (Sofofa) and Icare. These contributions totaled US\$ 223,727 in 2019.

For its part, the affiliate Arauco actively contributes to 115 guild and social organizations in all countries where it operates, particularly in matters related to its business. It also has relationships with universities, news organizations, scientific centers, NGOs and local governments⁶.

The list of associations and guilds to which Empresas Copec and its affiliates contributed during 2019 can be found below.

⁶ Breakdown of the memberships and associations where the affiliate Arauco collaborates are detailed on pages 91, 162-165 of its 2019 Sustainability Report.

Associations and Guilds

Abastible

- Acción Empresas
- AIGLP (Ibero-American LPG Association)
- Chilean Chamber of Construction
- UC Innovation Center
- NPGA (National Propane Gas Association USA)
- Sociedad de Fomento Fabril (Sofofa)
- WEC Chile
- WLPGA (World LPG Association)
- Women in LPG (WINLPG)

Orizon

- ASIPAC
- ASIPEC
- Chamber of Commerce Santiago
- CeTA
- CPCC
- Emisario Coronel S.A.
- Inpesca
- Instituto de Investigación Pesquera S.A.
- Parque Industrial Escuadrón
- SONAPESCA

Arauco

- Acción Empresas
- Pulp and Paper Manufacturers Association, Argentina
- Argentine Forestry Association (AFOA)
- Trade Association of Forest Contractors (ACOFOR AG)
- Associação Sul-Mato-Grossense de Produtores e Consumidores de Florestas Plantadas (REFLORE)
- Association of Woodworking & Furnishing Suppliers
- Argentine Chamber of the Particleboard Wood Industry
- Chilean Chamber of Construction of Valdivia
- Chilean Argentine Chamber
- British Chilean Chamber
- Chilean North American Chamber of Commerce
- Colombo-Chilean Chamber of Commerce
- Peruvian Chamber of Construction
- Argentine Business Council for Sustainable Development (CEADS by its Spanish acronym)
- Forest Research and Experimentation Center (CIEF)
- Atlantic Forest Research Center
- Chilean Wood Corporation
- Advancement and Development Corporation of Arauco Province
- Industrial Corporation for the Biobío Regional Development
- Corporation for the Regionalization of Biobío (CORBIOBIO)
- Faculty of Exact and Natural Sciences, University of Buenos Aires
- GBI - Green Building Initiative
- Glue Laminated Timber Association of Australia
- Icare
- Instituto de Pesquisas e Estudos Florestais (IPEF)
- Regional Institute of Business Administration (IRADE by its Spanish acronym)
- North American Wholesale Lumber Association
- Pontificia Universidad Católica de Chile
- Prohumana
- UN Global Compact Chile
- Sociedad de Fomento Fabril (Sofofa)
- TECHO

Empresas Copec

- Argentine Union of Rural Workers and Stevedores
- Faculty of Economics and Business, University of Chile
- WMA - World Millwork Alliance
- Icare
- Sociedad de Fomento Fabril (Sofofa)

Copec

- Acción Empresas
- Advancing Convenience and Fuel Retailing
- AIA
- AIM
- AMCHAM
- ASIVA
- Chamber of Commerce Industry and Tourism of Coyhaique
- Chamber of Commerce, Services and Industries of Puerto Montt
- Chamber of National Tourism
- CEAT
- CIDERE BIO-BIO
- Engineers College of Chile
- CORBIOBÍO
- CPCC Puerto Montt
- Fuels Institute
- Icare
- IING
- IRADE
- SECRO
- SLOM

Terpel

- Colombian Petroleum Association (ACP by its Spanish acronym)
- Colombian Natural Gas Association (NATURGAS)
- Association of Ecuadorian Lubricant Producers (APEL by its Spanish acronym)
- Chamber of Commerce of Guayaquil
- Dominican Association of Industry Companies of Fuel (ADEIC)
- National Association of Businessmen of Colombia (ANDI)
- Panama Pacific Business Association (ADEDAPP)
- American Chamber of Commerce and Industries Panama (PANAMCHAM)
- Chamber of Commerce, Industries and Agriculture of Panama (CCIAP by its Spanish acronym)
- UN Global Compact Panama
- Association of the Hydrocarbon Industry of Ecuador (AIHE)
- UN Global Compact Colombia
- Colombian Network Against Child Labor
- The Association for Convenience and Fuel Retailing (NACS)

3.4

Investor relations

In order to appropriately assist and guide investors and analysts on the behavior of markets and the course of the Company's business, Empresas Copec has an Investor Relations Area.

It is made up of a team of three professionals, headed by the Director of Investor Relations Officer (IR), permanently available to assist investors and fluent in english. This team is responsible for timely reporting corporate results and issuing statements of interest to investors regarding the activities of the Company and its affiliates. In addition, it periodically submits to the Company's Board of Directors concerns and suggestions resulting from interactions with third parties.

For this purpose, it has various information delivery platforms, including in-person and telephone conferences, publications and

a website for investors (<https://investor.empresascopec.cl/>).

It also has save the date mechanisms through the web and electronic communications, whereby financial market stakeholders are informed on earnings reports release dates and dates of conferences. Likewise, next dates of press releases and distribution of dividends are informed on the website.

A new refreshed version of Empresas Copec corporate website and its investor site were launched in 2019, with modern and responsive design to facilitate the use of both spaces and improve browsing experience, providing faster, easier, more intuitive and safer interaction.

Finally, it should be noted that the Investor Relations Area for several

years, and as a good practice, has blocked for a period of two weeks all type of interaction with investors and analysts before disclosing corporate results, in order to safeguard the confidential and sensitive nature of this information, and to ensure that all stakeholders have access to the Company's communications at the same time.



In 2019 Empresas Copec was recognized by the Institutional Investor Magazine in the Pulp & Paper industry for the quality of its Investor Relations team, in the Best IR Professional and Best IR Team categories.



04

Sustained
Growth

102-7 / 102-10 / 201-1 / 206-1 / 419-1

Key economic figures 2019	79
Generated and distributed economic value	80
Main investments, expansion and internationalization	81
Fines and sanctions	83

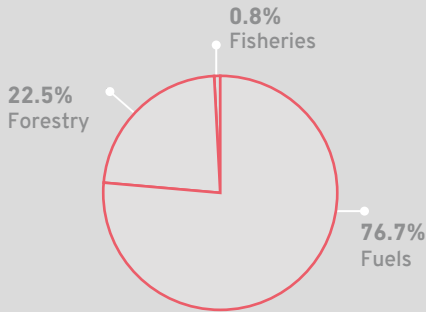
4.1

Key economic figures 2019

US\$ 172 million	US\$ 11,718 million	0.6	5.3 times
Profit	Market value	Leverage ratio ¹	Interest coverage ratio ²

Consolidated Sales

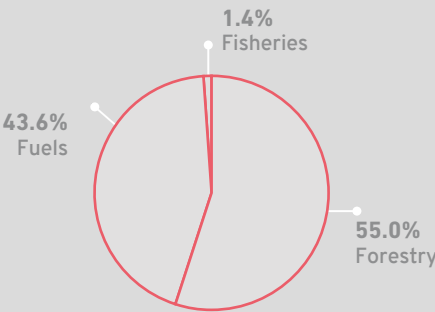
2019



Total: 23,716 million dollars

Consolidated EBITDA

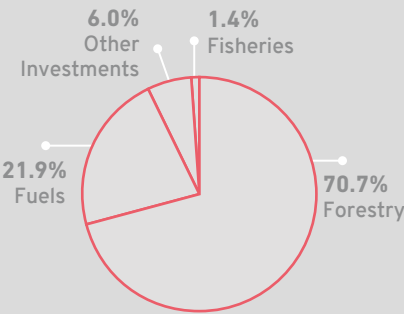
2019



Total: 2,018 million dollars

Consolidated Investment

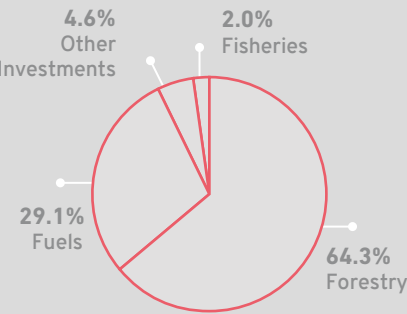
2019



Total: 2,058 million dollars

Consolidated Assets

December 31, 2019



Total: 25,168 million dollars

¹ Net financial debt divided by total equity.

² EBITDA divided by net financial expenses.

4.2

Generated and distributed economic value

In 2019, the economic value generated by Empresas Copec and its affiliates amounted to US\$ 23,716 million, 1.1% less than in 2018. This is mainly explained by a sharp drop in affiliate Arauco's income, as a result of lower pulp prices during 2019, and a decrease in affiliate Copec's margins, due to lower inventory valuation and sales at the industrial channel. This was slightly offset by an increase in Terpel's volumes and margins, along with higher lubricant sales in Colombia, Peru and Ecuador as

a result of the consolidation of the assets purchased from ExxonMobil. For their part, Abastible's affiliates in Colombia, Peru and Ecuador improved their operational performance, which was offset by a lower result in Chile.

Below you will find the Economic Value Generated and Distributed Statement³, and how it was distributed among the different interest groups.

Concept (in ThUS\$)	2017	2018	2019
Suppliers	18,283	21,110	21,938
Employees	914	983	983
Financial creditors	330	291	349
State	151	450	207
Community	16	17	13
Company withholding	659	1,119	226
Generated economic value	20,353	23,970	23,716

2019 was a challenging year for Empresas Copec, not only due to the global and local context, but also directly related to its operations and results. Yet,

investment totaled US\$ 2,058 million, keeping its focus on natural resources and energy, which concentrate more than 90% of the Company's business.

³ For its preparation, the figures contained in the audited financial statements of Empresas Copec, at the end of each year, were taken into account.

4.3

Main investments, expansion and internationalization

Chile and Latin America's first sustainable bond issuance

During 2019, Arauco issued two sustainable bonds in the international market, for 10 and 30 years, for a total of US\$ 1,000 million, divided into US\$ 500 million in each of its series. Being sustainable bonds, the affiliate commits itself to allocate an amount equal to the net proceeds to finance or refinance one or more environmental and/or social projects. It should be noted that it is Arauco's first sustainable bond and also of its kind in Chile and Latin America.

Progress on the Modernization and Expansion of the Arauco Mill (MAPA)

The MAPA project was designed to increase the production capacity of the Arauco complex by up to 2.1 million tons of pulp per year, incorporating cutting-edge technology and state-of-the-art environmental equipment, and injecting dynamism and funds into the local community. It is a project of great importance for Chile and the Biobío Region, and will require an investment of US\$ 2,350 million.

Additionally, this initiative includes the construction of a modern effluent treatment plant and

a cogeneration plant that, in addition to supplying renewable energy to the new operations, will allow for a surplus of up to 166 MW. At the end of 2019 and as scheduled, the project had progress of 31.5%, with MAPA expected to start production in the second quarter of 2021.

In addition to the project, an ecosystem research program and extensive monitoring plans (air, water, noise, among other aspects) are being developed, apart from encouraging active community involvement and promoting local job creation. For this purpose, the affiliate set up an Employability and Entrepreneurship (E+E) Agency, designed to centralize the recruitment and training process during the development of the project.

Viento Sur Wind Project

In 2019, Arauco filed the Environmental Impact Study for the Viento Sur Wind Park, located in the Biobío Region, a project that involves an investment of close to US\$ 250 million.

The park will consist of 43 wind turbines and will have an installed capacity of around 215 MW injecting 180 MW into the National Electric System, delivering clean energy for 540 thousand homes.

Construction of the Dissolving Pulp Plant

In December 2019, Arauco completed the construction of the dissolving pulp plant, located in Valdivia. This facility, unique in the country, produces a type of cellulose that is used as a raw material in the manufacturing of textile fibers such as rayon and viscose, and cellophane and filters, among other final products. With an investment of over US\$ 185 million, this facility will also be able to inject an additional 30 MW of electricity into the National Electric System.

International consolidation of the panel business

Affiliate Arauco started production on its panel mill in Grayling, Michigan, in February 2019, the largest Chilean investment in a production facility in the United States and the most modern in that country. The plant has a production capacity of 800 thousand m³ of particleboard per year and supplies the furniture and decoration industry in the Midwest of the United States and the Province of Ontario, in Canada. This initiative involved an investment of US\$ 450 million and made Arauco the leading panel producer in North America and the second largest worldwide.

In Mexico, and also in 2019, the affiliate acquired two industrial complexes in the cities of Durango and Zitácuaro owned by Masisa. The deal meant an investment of US\$ 168 million, consolidating Arauco as Mexico's largest wood panel producer and second worldwide, with 10.7 million m³ per year. The two industrial facilities combined have three particleboard lines (PB) with an annual installed capacity of 339 thousand m³; an MDF boards line of 250 thousand m³ per year; melamine laminates lines with an annual installed capacity of 309 thousand m³; a chemical plant to process resins and formalin and impregnation lines, and a network of 35 outlets that today make up Tablered Arauco.

— **Orizon agreement to produce mussels**

After entering the food distribution market through the representation of key foreign brands, Orizon signed an agreement with St. Andrews Smoky Delicacies S.A. and Empresa Pesquera Apiao S.A. in early 2019, to consolidate its production, process and production of mitilides and its marketing abroad.

— **Significant growth of the Voltex network and inauguration of Terpel-Voltex**

In Chile, Copec doubled in 2019 the coverage of Voltex, its network of fast electric chargers and the most extensive in South America, allowing electric vehicles to run for more than 1,400 kilometers. Additionally, affiliate Terpel inaugurated its first electric service point in Colombia, which will cover the Bogotá-Medellín route⁴ in its first stage.

— **Investment Plan 2020**

The Base Investment Plan for 2020 commits approximately US\$ 2,390 million, earmarked for growth and maintenance of the Company's productive activities. About 71.1% goes to the forestry sector, mainly due to the MAPA project, 22.3% to the fuel sector, 0.5% to the fisheries sector and 6.1% to other activities. Given the current contingency that may imply delays and postponements in projects, these figures are currently under review.

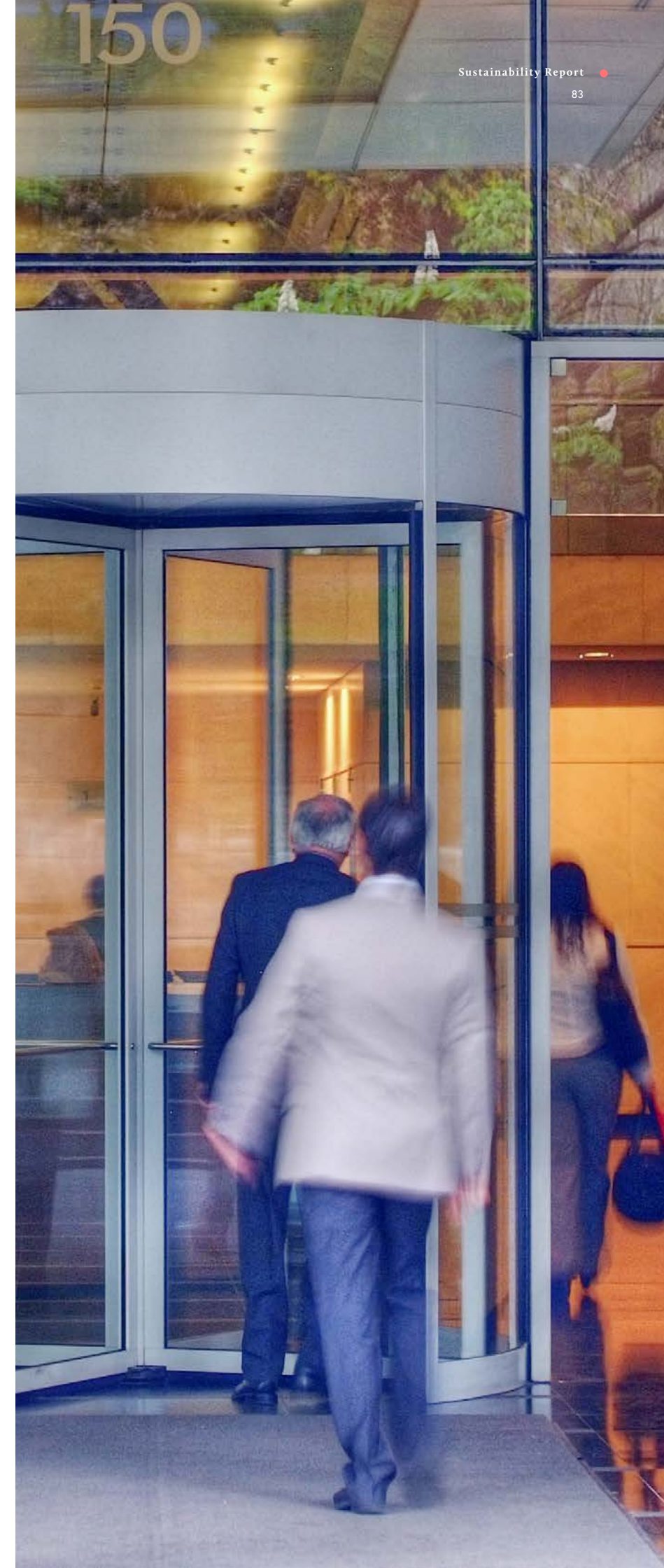
⁴More information on this project in Chapter Innovation and Digital Transformation, page 96.

4.4

Fines and sanctions

During 2019, affiliates Duragas and Solgas were sanctioned in their respective countries due to situations that occurred in exercises prior to the acquisition of their shares by Abastible. In the first case, the fine amounted to ThUS\$ 214 and was processed due to tax differences in the 2015 period. For its part, Solgas faced an administrative sanctioning procedure by the National Institute for the Defense of Competition and the Protection of Intellectual Property (Indecopi) for alleged collusive practices. The fine for Solgas would amount to US\$ 11 million, and the company is questioning the charges.

In Colombia, the Regional Autonomous Corporation of the Rios Negro and Nare Basins (CORNARE by its Spanish acronym) filed a sanction against affiliate Terpel for environmental contamination in 2012 during the aviation fuel supply operation. This sanction was notified in February 2019 and the fine amounted to ThUS\$ 352. It should be noted that Terpel initiated legal actions to revoke this sanction and recover the payment made, since there is no reliable evidence to demonstrate the causal link between its operation and environmental pollution.



05

Responsible management of the value chain

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At Empresas Copec and its affiliates, sustainable business management means sharing and promoting responsible practices in each linkage within the value chain. It is therefore important that suppliers, distributors and dealers maintain good economic, environmental and social performance, and thus transfer the best standards to customers.

5.1

Customers

During 2019, solutions and improvements were implemented in each affiliate that allowed them to continue delivering timely and quality products and services to their clients.

This is how Copec set up a Data Analytics area, made up of computer experts and data scientists, which seeks to better identify the needs, trends and preferences of customers, in order to design segment-specific solutions. In addition, the company has the “Llámanos” (call us) communication channel, the primary channel for complaints,

inquiries and suggestions, available throughout the year, 24 hours a day, delivering answers within 72 hours.

The commitment to maintaining customer satisfaction is complemented by the Mundo Copec - Latam Pass loyalty program, which offers the possibility of racking up miles when buying fuel, lubricants or products at Pronto stores, in addition to access to discounts in different products.

For its part, Terpel continued promoting its Club Terpel LifeMiles loyalty program in

Colombia, which awards miles for purchasing fuel and product at the Altoque convenience stores. Additionally, the Taxi Amigo Program in Peru, focused on improving customer experience with promotions and gifts such as newspapers, chocolates and presents on special dates. On the other hand, and in order to make payments easier, Terpel in Colombia introduce in 2019 QR code payments in an alliance with Finantech Mercado Pago, allowing customers to pay with debit or credit cards or money stored on the platform.

With regard to industrial customers, Copec maintained its offer of quality, safe and efficient products and services to SMEs and large companies, closing 2019 with more than 3,500 customers, 69% share in the mining sector and 47.6% in aviation. Copec is also a market leader in various categories of industrial chemicals. In particular in the case of Bluemax, a catalyst injected into exhaust gases to



GOAL

The QR code payment system was initially enabled at 16 service stations in Colombia, and by 2020 it is expected to be available at 300 points affiliated with the brand, in cities including Bogotá, Medellín, Cali, Manizales, Pereira, among others.



reduce emissions of nitrogen oxide (NOx), the affiliate grabbed 60% market share, with sales up 26%. In the case of Solvex, used in copper refining as an industrial solvent, production averaged 3.6 thousand m³ per month, closing with a 74% market share.

Additionally, in order to contribute to security and control of fuel management for its industrial customers, Copec strengthened customer support for users of the "Tarjeta Copec Transporte" (TCT) card, regardless of the fleet size. As a result, new companies were added, closing the year with 9,085 active customers. Customers of TCT Premium, an electronic system that is installed in pumps and tanks of trucks to control fuel consumption, rose 36.3%. The system is enabled in 186 service stations throughout the country.

Meanwhile, Terpel's Rumbo program, with more than 10 years of experience in

managing and controlling liquid fuels and VNG supply for transport fleets, offers three solutions for its customers: "Grandes Flotas", for companies with vehicle fleets using the main arterial roads in the country and require fuel management and control on each leg; "Mi Empresa", aimed at SMEs that manage vehicle fleets and need to have control over fuel consumption and "Comunidad Terpel", which provides access to benefits throughout the service station network thanks to a barcode card associated with a vehicle.

Pronto convenience stores, managed by Arcoprime, strengthened their planning, sourcing, management, layout and image by introducing business analytics and applied marketing tools. Additionally, in order to improve the self-service experience, the possibility of using digital devices without third-party intervention was incorporated into the payment process. On the other hand, in

2019 the company continued to promote the development of smaller formats such as Punto Express outlets, which debuted in Ñuñoa, Metropolitana Region, integrating a sales module, ATM and public toilet.

For its part, Abastible continued to consolidate its different commercial channels and strengthen its teams, grabbing 38.6% market share in Chile in 2019. As a result, the company positioned itself as the industry leader in LG for the fifth consecutive year. Additionally, in the field of energy solutions, the company increased sales of bulk liquefied petroleum gas for industrial, commercial and government entities. This proposal, beyond offering a specific service, strives to understand in depth the customers' needs in their projects, building an alliance in which Abastible delivers particular energy solutions and provides differentiating, more efficient and lower emissions technologies.

At Orizon, meanwhile, the sustained increase in the export market and direct relationship with distributors and customers has led to greater penetration of the San José brand around the world, with an important evolution particularly in Colombia, Panama and Peru. Similarly, and thanks to its commercial efforts, during 2019 total number of customers increased 42%, mainly on the national market.

Arauco, meanwhile, thanks to claims management systems implemented in its different businesses, has improved interaction with customers and allowed continuous improvement of operations, products and services. The survey carried out in 2019 to customers in Chile, Peru, Colombia, Argentina, Central America, North America, Korea and Europe, confirms the good perception of consumers about the company: 72% say that their relationship with Arauco is good or very good and 83% say that, in general, product quality is good or very good.

The efforts made by each company enabled to close the year with outstanding figures:



5.2

Dealers and attendants

The more than 560 Copec¹ and 1,810 Terpel dealers are considered strategic partners and key pieces of the affiliates' business, since they manage service stations under the umbrella of each brand. Given this key role, Copec and Terpel strive to provide them support in day-to-day management and develop long-term relationships.

In Chile, the affiliate has Copec Centro, an area under the Sales Management, which advises and provides training opportunities to dealers on technical and commercial matters. As a result, they have been able to share ideas, resolve concerns about image and service, computer or security systems, among other things, and define the guidelines for quality of service, customer experience and service protocols.

For its part, Terpel in Colombia, formed the Terpel Entrepreneurs Network (RET by its Spanish acronym), aimed at strengthening the relationship with dealers (partners or franchisees). It is a communication, advice, training, collaboration and innovation instance where spaces are created to carry out integration and leisure activities. One major milestone last year

was a dealer convention in Portugal, with a record number of attendees: more than 1,000 people representing 686 service stations from 94% of Colombia's departments. In addition, other training activities, national meetings and regional committees were held, where topics such as the inclusion of electric mobility and process automation, among others, were addressed.

It is worth mentioning the role that the attendants play in each service station with the customer. That is why Copec and Terpel carried out several training initiatives for their 10,190 and 14,358 attendants, respectively, in 2019.

Copec continued to carry out its so-called Pits incentive and benefits program, through which attendants earn "Pits Points" for the results of their personal reviews and its work team, considering factors such as service, image and promotion of campaigns.

Terpel, meanwhile, carried out comprehensive education and training programs aimed at attendants, administrators, store managers, drivers, and service



GOAL

Copec constantly cares for the communities in which its service stations are located throughout the country. That is why the company created a community engagement standard that is expected to be implemented during 2020.

station owners, totaling more than 101 thousand hours of training for 9,790 people in Colombia.

Additionally, in Chile and as a result of the social crisis in the last quarter of 2019, Copec assisted its dealer network with a series of measures to ensure employees' safety while guaranteeing the country's supply. The company implemented time flexibility, temporarily closed some service stations and distributed boxes with staple foods. In addition, Copec and its dealers agreed to pay a monthly guaranteed minimum wage of CLP\$ 500,000 gross at all its service stations, an initiative that involved the efforts of both parties.

It should be noted that Copec service stations play a key role as a source of work, employing a growing number of women and foreigners in recent years. At the end of 2019, 36% of the affiliate's attendants were foreigners and 17% were women.

¹ 85% of Copec service stations are operated through dealers and the remaining 15% through its affiliate Arcoprime.



5.3

Distributors

At Abastible, the business model is based on a joint operation with an important distributor network in all countries in which it is present, who are responsible for delivering quality products to final consumers. In Chile, there are more than 1,300 entrepreneurs from Arica to Coyhaique; in Ecuador there are around 830 people; and in Peru, they are 500.

In this area, major milestones in Chile during 2019 included launching a distributor segmentation program for the Metropolitana Region, expanding the service excellence program to other regions of the country, reaching a total of 300 distributors and delivering 430 vehicles for gas distribution in the form of leasing to distributors and transporters. In addition, during the social crisis in the last quarter, the company supported its suppliers facilitating access and protection of the product and making distribution hours and commercial sales conditions more flexible.

For its part, in Colombia, Norgas inaugurated the first LG solutions center in the country, aimed at strengthening the role of intermediaries, setting up

alliances with key providers, and offering customers and consumers comprehensive solutions.

Duragas, in Ecuador, organized a course on tax issues for distributors with a focus on regulatory compliance and the implementation of electronic invoicing. Trainings were carried out with the local tax authority (Internal Revenue Service), through 10 sessions, attended by 80% of all suppliers nationwide.

In the framework of an agreement subscribed between Solgas and its distributors, in order to contribute to the business of these entrepreneurs, 44 trucks were donated.

On the other hand, in the lubricants market, Copec has a network of 18 exclusive distributors from Arica to Punta Arenas. Meanwhile, during 2019 Terpel consolidated the new distribution network of Mobil and Terpel lubricants, offering quality and specialized products in each segment.



GOAL

As part of the truck donation program, Solgas expects to deliver 70 trucks in 2020.

5.4

Supply chain

Empresas Copec and its affiliates are firmly committed to their suppliers, which is reflected in fair and timely payment for their products and services and also, making sure that criteria of utility, quality, opportunity and budget are privileged in the selection processes. Furthermore, in all companies, efficiency and improvement processes are constantly implemented, as well as

relationships with suppliers, mainly those from the local environment of operations and SMEs. It is worth noting that Empresas Copec and some of its subsidiaries in Chile were awarded the Propyme Seal prior to 2019, the year when it was ruled that payment to small and medium-sized suppliers should be made within 30 days from receipt of the bill.

Total suppliers

2017	2018	2019
39,512	41,624	37,712



% of Purchases to SMEs (in US\$)	2017	2018	2019
Arauco	N/D	27%	48%
Abastible	6%	13% ³	16%
Copec	6%	3%	3%
Terpel	0%	13%	5%
Orizon	35%	21% ⁴	16%
Arcoprime	N/D	N/D	N/D
Empresas Copec	41%	22%	19%
Total	3%	12%	15%

% of Local Purchases (in US\$)	2017	2018	2019
Arauco	53%	67% ⁵	55%
Abastible	73%	72% ⁶	84%
Copec	74%	65%	63%
Terpel	90%	87%	97%
Orizon	N/D	14%	9%
Arcoprime	N/D	N/D	N/D
Empresas Copec	99%	98%	96%
Total	76%	73%	71%

During 2019, at a consolidated level, goods and services purchased from suppliers totaled US\$ 23,097 million, up 2.4% from 2018. Out of this amount, 15% were purchases from SMEs, higher than the previous period, mainly due the construction of Arauco’s MAPA project which required large purchases of supplies and equipment. It is worth noting that 71% of total purchases made during 2019 were made to local companies².

On the other hand, at a consolidated level, during 2019 the company carried out transactions with more than 37,700 suppliers, of which one in four was a SME. Meanwhile, 95% came from the area of operation of each affiliate.

% of SME Supplier	2017	2018	2019
Arauco	N/D	54%	N/D
Abastible	21%	10% ⁷	10%
Copec	60%	63%	64%
Terpel	73%	77% ⁸	61%
Orizon	56%	45% ⁹	35%
Arcoprime	N/D	N/D	N/D
Empresas Copec	51%	56%	49%
Total	55%	28%	23%

With regard to local suppliers, Arauco's policy is to prioritize that the supply of inputs, spare parts, equipment, raw materials and some services come mainly from suppliers in the areas where it carries out its forestry and industrial operations. Thus, during 2019, purchases from local suppliers were worth US\$ 2,196 million in all the countries where it operates.

For its part, the affiliate Arcoprime designed a procedure for the selection and audit of suppliers, in order to guarantee the quality of the raw materials and products that are supplied to its network of convenience stores.

% of Local Suppliers ¹⁰	2017	2018	2019
Arauco	N/D	N/D	N/D
Abastible	96%	99%	99%
Copec	97%	97%	96%
Terpel	97%	96%	96%
Orizon	N/D	35%	26%
Arcoprime	N/D	N/D	N/D
Empresas Copec	95%	95%	94%
Total	96%	85%	95%

² Local supplier is the one that is based in the same country.
³Includes data on Abastible in Chile and Peru. The percentage reported in 2018 is modified because Abastible Chile recalculated its data through a specific measurement.
⁴The percentage reported in 2018 is modified due to correction of data reported by the affiliate.
⁵The percentage is modified compared to what was reported in 2018 due to changes in the criteria of categorization of local suppliers.
⁶The percentage is modified compared to what was reported in 2018 due to changes in the criteria for categorizing local suppliers and due to the consolidation of data as a result of the merger of Norgas.

⁷Includes data on Abastible in Chile and Peru. The percentage reported in 2018 is modified because estimate reported by Abastible Chile was revised with a specific measurement.
⁸The percentage reported in 2018 is modified due to the correction of data reported by the affiliate.
⁹The percentage reported in 2018 is modified due to the correction of data reported by the affiliate.
¹⁰Local purchases are those made within the country where each facility is located.

Contractors

Another relevant interest group for Empresas Copec and its affiliates are contractors and their employees, who totaled 31,689 people at the end of 2019, up 9% from a year ago. This is mainly explained by the affiliate Copec incorporating into the measurement data related to all its contractor and its workers.

Number of contractors	2017	2018	2019
Arauco	21,208	23,673	22,890
Abastible	2,985	3,010	2,601
Copec	736	N/D	3,894
Terpel	1,763	1,755	1,755
Arcoprime	N/D	N/D	N/D
Orizon	590	616	548
Empresas Copec	1	1	1
Total	27,283	29,055	31,689

At Arauco, the largest share of contractors provides specialized services in the forestry business, including harvesting, transportation, and road construction, reaching 11,395 workers from 202 forest services providers in 2019.

Contractors are evaluated every month by the affiliate through certification processes where labor, environmental, financial and productivity aspects are reviewed. In the event gaps area identified, specific action plans are prepared, in agreement with the counterparty.



GOAL

In order to align contractors in the forestry area with the principles of Arauco, the affiliate will gradually implement a work model under the modality of "strategic partners", starting in 2020 in the aerial harvesting sector.



In 2019, Arauco continued its training process for service companies based on the efficient management philosophy. Work was done with wood haulers on the implementation of barriers to mitigate the probability of accidents caused by breaching safe distances. Likewise, with supervisors, progress was made in the "Safealing" Program, an initiative that seeks to develop health and security skills and enhance the role of supervision.

For its part, Orizon launched a special training program for new crew members in 2019. In its first version, 11 people began their training process, which will provide at the end of the activity qualified personnel for future reliefs in the fishing fleet. Content covered in the 148-hour training course include identification and nautical concepts and meteorology, maritime regulations, techniques for executing maneuvers and fishing operations and techniques for handling deck fishing systems, among others.

06

Innovation
and digital
transformation

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6.1

Management models
for innovation

For Empresas Copec and its affiliates, innovation plays a key role in business management since it is conceived as a differentiating variable that allows companies to anticipate and adapt to increasingly challenging and continuously evolving environments.

As such, affiliates have inserted themselves in the most important innovation ecosystems worldwide and, according to their own reality and context, have implemented new tools, methodologies and processes of cultural change in order to promote innovation and digital transformation. This has allowed them to position themselves as leaders in their industry while developing products and services that improve people's quality of life, in the countries in which they operate.

Arauco envisages innovation as a collaborative open process, through which ideas, technology, science and processes are combined to develop new and better solutions, and thus satisfying an increased number of needs.

Under this precept, Innova Arauco was founded in 2011, an area that seeks to inspire, connect and orchestrate innovation and entrepreneurship within the company, in order to create economic and social value. Its work model is based on three pillars: value creation for the company and its environment, development of innovation culture, and virtuous relationship with its innovation ecosystem. Products such as +Maqui and Miel de Ulmo were born here, in addition to the Me-Do design online platform and the Lookid didactic children's toy.

In 2019, the fifth Open Innovation challenge was held, through which company's employees and external partners were invited to propose creative ideas based on Bioeconomy with the aim of reusing and reducing waste emissions in their operations, optimize processes and create new products. A total of 430 ideas from 6 countries participated in this edition, highlighting the projects "Reengineering in waste", "Herb-E" and "Ashes: from waste to raw material".

At the same time, Arauco, along with the Massachusetts Institute of Technology (MIT), made significant progress in the projects that they began to develop thanks to the association agreement signed in 2018. Three of the projects that they are carrying out are expected to bear fruits by the first half of 2020.

For its part, the affiliate Terpel has the conviction that innovative ideas turned into reality are the ones that allow them to differentiate, transform, reinvent themselves and be remembered by its customers. To this end, the company designed and implemented an Innovation Management Policy that clearly lays out the guidelines to be followed by the organization in this area and that shapes the Innovation Management System called "Únicos". It is based on the Colombian Technical Standard NTC 5801:2008 and details the activities, processes and best practices in innovation around five focuses: Segment, Product, Brand and Communication, Networks and Memorable Experiences. In addition, it has the support of a group of more than 50 innovation mobilizers at the national level, in charge of replicating co-creation methodologies to solve daily challenges. As a result, this system has helped to produce efficiencies and continuous improvements while creating products and services designed for the people and their expectations.

Additionally, Terpel is an active member of the innovation committee of the National Association of Colombian Entrepreneurs in Bogota and signed the innovation pact led by Colciencias and the Colombian government. As a result of this effort, the affiliate was again certified by Icontec and the Bogota Chamber of Commerce for their good innovation practices.

At Copec, meanwhile, the concept of innovation was defined as a way of being an agile, collaborative, fast-reaction company, suitable to be the first to deliver good responses and new products, where digital and physical come together to be closer to the customer. In this way, the innovation strategy has two intervention focuses. The first, which refers to core business, seeks to deepen value creation in today's business. In this way, local teams in each of the countries in which it operates strive to create solutions to improve the customer experience and generate good operational results.

For its part, in the second focus, the challenge is to make progress in the company's new businesses and develop new value propositions. For this, the Corporate Development and Management Division, under the WIND concept -Working on Innovation and New Developments-, developed WIND Garage, an innovation hub, and WIND Ventures, a venture capital fund, aimed at having a modern, dynamic space to generate new, disruptive ideas, incubate them, make them grow and, where possible, evolve into a new business. WIND Garage is made up of a team that works with best practices, state-of-the-art techniques and specific management metrics, allowing it to give more speed to the evolutionary process providing new alternatives to the energy matrix in each of the countries in which Copec operates. In 2019, it invested in energy storage companies including US-based Stem¹, and Spain-based Ampere Energy². In Chile, meanwhile, control of Flux Solar³ was bought, an engineering company specializing in the development

and sale of energy through photovoltaic panels⁴.

At Abastible, innovation is defined as the ability to continue growing and building a leading company in the region, hand in hand with its employees and strategically focused on meeting present and future needs of customers. In 2019, the company founded the Innovation and Technology Directorate, with the aim of researching and analyzing new trends and cutting-edge technologies in the liquefied petroleum gas and clean energy industries, anticipating technological changes and identifying opportunities for business and products.

At the same time, the i-NOW program, an initiative that structures and systematizes innovation within the company, continued to enhance the culture of innovation through series of talks in plants and offices. In addition, it launched the fourth massive challenge "The Future Is You", aimed at improving and streamlining processes through solutions that incorporate the



use of exponential technologies. The winning idea was the so-called Cylinder Counter, a system that streamlines the cylinder inventory process using Artificial Intelligence. Its representative was the i-NOW ambassador Héctor Santos, operator of the Coyhaique Plant.

Another component of Abastible's innovation management model is the i-NOW Lab innovation laboratory, which in 2019 continued to develop projects to improve residential customers experience and make the company's operation more efficient. Prominent among them is the "Fast Track" system, which seeks to streamline and provide traceability to authorized discounts for distributors. For its

part, several optimization and automation projects are being developed in plants, leveraged by technologies such as artificial vision, IoT and augmented reality.

Additionally, in 2019, invention patents began to be filed for projects developed internally to capture value in internal developments, protect their intellectual property and promote exploratory work in new areas.

For its part, Norgas, Colombian affiliate of Abastible, implemented in 2019 a new Innovation Management System and the short-term focus was defined: Mobility, Electricity Generation and Energy Efficiency. In addition, progress was made in raising awareness among 100% of

employees in the i-NOW culture, generating more than 170 ideas, 42 of which are in the process of being reviewed for inclusion in the company's work plans.

¹ <https://www.stem.com/>

² <https://ampere-energy.com>

³ <https://fluxsolar.cl/>

⁴ Further information on these companies in the "Innovation in products and services for sustainable development" section of this chapter, page 104.

6.2

Support for innovation centers

Supporting specialized innovation centers is another way in which Empresas Copec and its affiliates seek to contribute to the development of innovative solutions that provide responses to the environmental, social and economic challenges of an increasingly dynamic and demanding environment.

Research and innovation to maximize productivity of forest and industrial resource

Bioforest is a research center of excellence unique in South America, built by Arauco to increase quality, performance and productivity of its forest plantations and the pulp and wood production process. It has 59 highly specialized researchers and an open collaboration technology network of experts. Additionally, Bioforest is engaged in a series of avant-garde national and international organizations in scientific, forestry and industrial knowledge, in areas such as genetics, site productivity, plant protection, wood properties, biodiversity of native vegetation, among others.

During 2019, in the forestry sector, Bioforest developed a new genetic material and started a pine and eucalyptus hybrid program. In addition, it performed the first projection of edaphoclimatic zones using different climate change scenarios; completed an ecohydrological project that seeks to shape Arauco's water strategy; conducted modelling of monthly flow rates and growth of plantations, and managed to identify the fungus that caused leaf damage in the araucarian Araucaria.

On the other hand, in the cellulose area, work was done on streamlining dissolving pulp production process

at the laboratory level and on procedures to measure its quality. Furthermore, progress was made in the implementation, on a pilot scale, of electrochemical technology for the treatment of effluents and processes for the generation of products from solid waste.

Finally, in the field of wood, studies were made of formaldehyde-free adhesives for particle board and MDF, and of adhesives from natural raw materials. Additionally, the production and treatment of thermo-modified plywood was investigated to increase hardness and elasticity of the sawn wood.



Strategic alliance for scientific and technological development in Chile

The Copec-Universidad Católica Foundation⁵ is a pioneering private collaborative organization in Chile seeking to promote research and development of solutions that respond to problems of importance to society. This institution encourages and supports applied research to create value in the natural resources sector; promotes strategic alliances to strengthen and encourage innovation in this area, and disseminates advances in science and technology to the national community.

The above becomes a reality thanks to three lines of action. The first are three annual competitions: the Regular R&D+i Competition, which awarded UF 12,000 to four projects in its

2019 version; the R&D+i Contest for Young Researchers, which convened 82 initiatives from universities, research centers, companies and individuals from all over the country in 2019, and the Contest for Higher Education Students "Apply your idea", where prizes were awarded to 11 projects aimed at solving problems in the field of natural resources. It is worth mentioning that the winning teams of researchers in these competitions receive support throughout the life of their project through entities such as the Advisory Council, the Commercial Committee and various Support Committees, made up of executives from Empresas Copec and outstanding academics from the Pontificia Universidad Católica.

Another line of action is technology diffusion and innovation activities, the most important being International Seminars. Added to this is the Copec-UC Private Investment Fund⁶, which has the support of Corfo and which provides financing through capital for industrial scale-up projects based on technological developments and with strong growth potential.

Likewise, the Copec-UC Foundation entered into an alliance with MBA-UC to promote the projects supported by the Foundation through a mentoring program that provides aid for the commercial development of the projects.

⁵ <https://fcuc.cl/>

⁶ www.fondocopecuc.cl



Inspire, connect, orchestrate: Culture and environment of innovation and entrepreneurship

The UC Anacleto Angelini Innovation Center⁷, belonging to the Vice-Rectorate for Research of the Pontifical Catholic University, was founded to generate knowledge and applied innovation that address the needs of the country. It is a multidisciplinary meeting point linking the academy, with companies and the public sector aligned with excellence in knowledge creation and transfer and training of people. Empresas Copec and its affiliates have collaborated with this Center since its inception, which had more than 100 partner companies and more than 270 financed projects at the end of 2019.

The Innovation Center encompasses outstanding

initiatives such as the Chilean Innovation Network (RICh by its Spanish acronym), which connects 80 organizations in the country in this area, and the Business Research, Development and Innovation (R&D+I) Laboratory. Today, the Center jointly works with the 18 faculties of the Pontifical Catholic University carrying out R&D contracts and projects on commission; it has a network of partners from various industries; it has strengthened the innovation ecosystem, offering support to entrepreneurs in their different stages of development, and it carries out a range of activities on mega trends, disruptive technologies and innovation experiences.

⁷ <https://centrodeinnovacion.uc.cl/>

Collaborative work between Orizon and the Technological Center for Food Innovation in the Coquimbo Region

The Technological Center for Food Innovation (CeTA by its Spanish acronym)⁸ is a public-private non-profit corporation that seeks to develop sophisticated, sustainable foods in Chile. To do this, it has four innovation centers and the National Pilot Network. Product generation and adoption of new technologies processes are therefore streamlined, integrating capacities of the country's major universities and technology centers.

The affiliate Orizon will start collaborating with this initiative in 2020, becoming part of the first national center specialized in seafood in the Coquimbo Region, also it is part of its Board of Directors. For this purpose, a 1,000 m² plant will be lent to CeTA to install its pilot node in the north of the country and, thus, promote innovations specifically focused on seafood.

⁸ <https://cetalimentos.cl/>

6.3

Innovation in products and services for sustainable development

Concrete contributions to the decarbonization of the energy matrices in Chile and Colombia

During 2019, important alliances and investments were made by Copec aimed at strengthening the businesses of the future.

On the one hand, the affiliate purchased 13.5% of Ampere Energy, a leading Spanish-based manufacturer of second-generation electric batteries for residential customers. Thanks to this agreement, Copec will join Ampere's Board of Directors, made up of investors and professionals with an outstanding track record in the energy industry. In a first stage, the agreement between Copec and Ampere Energy considers starting activities in Chile and Colombia, to expand them later to other countries.

Ampere's innovative technology allows users to store energy generated in their homes, through photovoltaic panels or wind turbines, for example, to cover all or part of their energy consumption, also offering the option of re-injecting their surplus to the electric grid. Distributed generation helps optimize electricity demand, improve service in saturated areas, decrease transportation losses, lower costs and reduce CO₂ emissions.

Another of the affiliate's purchases during the year was the acquisition of 9% of the capital of the US-based Stem, a pioneer and leader in Artificial Intelligence-driven energy

storage for commercial and industrial customers.

Finally, in Chile, Copec purchased 80% of Flux Solar, an engineering company specializing in the development and sale of energy through photovoltaic panels for residential and industrial projects. During the second half, Copec and Flux Solar launched South America's first off-grid charger at the SQM Salar del Carmen site, which is entirely supplied by solar energy captured through photovoltaic panels and which has a lithium batteries backup system.

Leadership in latin american electromobility

Anticipating the demand for electric vehicles, in less than a year Copec rolled out the most extensive fast charging network in South America. It is Copec Voltex, which connects 1,400 kilometers from the Coquimbo to La Araucanía regions.

Additionally, in 2019, the affiliate, along with ProCobre, launched the "Electroruta del Cobre", an initiative that will provide fast charging infrastructure to electric vehicles in Antofagasta, Calama and San Pedro de Atacama. Thus, for the first time in these three cities, cars will be able to complete full charge in just 20 minutes. This strategic alliance contributes to the country's goal

to have 100% of public transport and 40% of private vehicles electric-powered by 2040.

Additionally, Copec Voltex entered the industrial segment installing, in alliance with Codelco and Buses Hualpén, a charging point in Calama for electric buses for the workers of the mining company.

Finally, through a public-private alliance with the Santiago Metropolitan Regional Government, Copec inaugurated a charging point for electric vehicles in Cerrillos, marking the start of the Metropolitan Public Charging Network, which will total 104 points in 2020, in the 52 communes of the region.

Likewise, in 2019, a key milestone took place for the affiliate Terpel and a historic step for Colombia: the first point of service for electric charging was launched, under the Terpel Voltex brand that, in its first stage, will connect the Bogotá-Medellín route with charging points every 100-120 kilometers and is expected to start operating during the first quarter of 2020. In later stages, the towns of Santa Marta, Barranquilla, Cartagena, the Cundiboyacense highlands, Girardot and Cali will be added.



GOAL

In Chile, during 2020, new charging points will be enabled with the aim of accelerating the energy transition process, bringing electromobility closer to more people. For this purpose, a robust charging infrastructure, with free access and permanent availability (24/7) will be installed, generating the necessary conditions to spread electromobility in the country. Chargers will be located in spaces for public use such as parks, municipalities and civic centers. The points of the network will have two charging outputs, with a power of 22kW, offering a charging time that can vary between two to four hours



GOAL

Terpel's goal is to have 30 charging points for electric vehicles, distributed throughout Colombia, by the end of 2020.



Creating a new way to live

E2E⁹ is a joint venture between Arauco and the Belgian company ETEX Group that offers industrialized wooden construction solutions with the latest technology, high precision, the highest standards and environmentally friendly. During 2019, it opened its first production plant in Chile, with a capacity to manufacture 1,000 homes or apartments per year. One of his first projects are five residential buildings in Concepción, the first to be built of wood in the country, and 394 semi-

detached houses in the town of Casablanca.

Additionally, an agreement signed to purchase Tecverde's assets in Brazil, Latin America's most automated wood industrialization plant with sales of more than 2,000 units per year, was a key milestone for this company. This acquisition will allow E2E to position itself as a key player in the continent in the industrialized housing construction market.

⁹ <http://www.e2echile.com/>

Efficient solutions portfolio for commercial and industrial customers

Abastible offers customized solutions based on each customer's requirements through a portfolio of ultra-efficient thermal power plants, heat pumps, cogeneration (electricity-heat), trigeneration (electricity-heat-cold), optimization of steam thermal power plants, and generation of photovoltaic solar thermal and electrical energy, together with base or backup electrical power generation for isolated urban or rural areas.

In 2019, the company designed a comprehensive thermal energy solution for a customer's production system at the fishing industry under the ESCO Vapor¹⁰ business

model, where Abastible designs, finances, implements and operates steam generation equipment. On the other hand, an energy efficiency project was carried out in Easter Island that will also improve environmental indicators of a customer in the hotel sector under the ESCO Ahorros Compartidos (shared savings) business model, where Abastible receives part of the savings realized and the remaining is cost reduction for the customer. In the Electrical Development Area, the company consolidated itself as a provider of distributed photovoltaic generation facilities, launching several projects, and began its electricity retailing activities.

In Colombia, Abastible's affiliate Norgas made significant progress in developing new solutions for its customers. Regarding mobility, a work route was established to validate the Nautigas model in the Magdalena River basin. Meanwhile, in the area of electricity generation, two new business models were built for companies: generation with any fuel gas and generation with photovoltaic solar energy. In the first one, more than 1.6 GWh were generated, produced with more than 436 thousand kilograms of LG, and the first 100%-LG power generation megaproject was structured in Colombia.

¹⁰ Energy Service Companies.



GOAL

The five-year agreement enters into force in July 2020 and will allow Copec to reduce its annual CO₂ emissions by 19,850 tons, or 11.8% of its total carbon footprint of the operation.



GOAL

Muevo, transparency and innovation in every purchase

During 2020, Copec launched Muevo, an application to allow customers to view the status of their fuel load in real time, apply discount coupons or promotions, pay from the mobile phone, assess service quality and tipping, in addition to pay for products in convenience stores Pronto and access the service station search engine, all in an easy, agile and transparent way.

Clean energy supply

Copec and Cerro Dominador, one of the world's most innovative solar thermal projects and renewable energy generator in the Atacama desert, signed a PPA (Power Purchase Agreement) for the clean energy supply for the 72 largest service stations of the affiliate, almost all of the Copec-Voltex electric charging

network, and for eight of its 16 plants in the country. In this way, Copec continues to make progress in the process of supporting the national energy transition, which for the company, means diversifying its value proposition to the market and systematically raising its environmental standards.

New uses for traditional raw materials

During 2019, Arauco reached 100% completion of its Dissolving Pulp project at the Valdivia Mill. This pioneering initiative in Chile allows the company to produce the raw material needed to manufacture textile fiber, which is used to produce various fabrics thanks to its

softness, shine, purity and high capacity to absorb water, as well as the versatility of uses both in the production of fabrics and in products for hygienic and medical use. Thanks to this solution, Arauco is promoting a new use for cellulose and diversifying its offer to the market.

6.4

Digital transformation

Digital transformation offers great potential to different business areas to stay competitive in an increasingly challenging world. In this sense, it is key that new technologies are integrated with best practices, innovation and concern for the quality of products and services, to be able to capture opportunities that generate an impact.

Digital communication

Empresas Copec launched its corporate magazine in digital format for the first time, enabling to expand its reach to stakeholders in Chile and abroad. As a result, during this period, the two editions sent under this new format were read by 7,394 people in 33 countries.

Additionally, the Company launched in 2019 a new and refreshed version of its corporate and investor website, with a modern, responsive design and good web usability, attributes that allow for a better browsing experience and faster, easier, more intuitive and more secure interaction.



Optimization of digital distribution and transformation processes

Prominent among technological projects rolled out by Orizon in 2019 is the route and tracking optimization and intelligent planning project using GPS devices, a program that has enabled real time monitoring of shipments. Additionally,

in December the company launched an e-commerce platform that, in its first stage, will market its products among its employees. This pilot project will allow gaining the know-how to start selling to the public in the short term, through a B2B portal.

Opportunities that create businesses

In order to enhance management of a comprehensive offer in fuels, lubricants and other products and services, Copec's new commercial structure created business opportunities that give priority to digital transformation. An example of this is the administrative standardization process that the Industrial Services area carried out during 2019 based on the Sismo model (Spanish acronym for Integrated Maintenance and Operation Management System), which promotes a cultural change that puts the customer at

the center of management, according to the best international experiences. To do this, Sismo standardizes and optimizes a series of processes through the digital control of all the services that Copec delivers to its customers, on its own behalf and through third parties.

In the Lubricants area, Copec developed its own digital sensorization system that allows the level of the tanks to be measured online, without human intervention. This is how IO Energy was born, a tank sensorization solution.



Digital transformation teams available to the business

In 2019, Arauco founded the Digital Center, encompassing professionals specialized in Data Scientist, UX UI Designers, Agile Coach and DevOps Engineers, and the company's IT unit, with the aim of supporting business in the development of digital projects, applying tools including Big Data & Analytics, artificial intelligence, IoT (Internet of Things), among others.

The Digital Center operates under the work cells format made up of specialists from the business, the Digital Center and the systems area. These teams operate based on the agile methodology, which aims to execute projects quickly and

flexibly, delivering value early and responding in a timely manner to business needs.

During 2019, a total of seven initiatives were carried out in Chile. The process began with two lighthouses, one of them in the Trupán Cholguán Mill of the Wood Business, and the other in the Nueva Aldea Mill of the Pulp and Energy Business.

For its part, Terpel created its Digital Acceleration Office, in order to detect and adopt opportunities in the market and innovate in products and methodologies that allow better service to affiliated stations and end customers.

Meanwhile, Copec created the Data Analytics area, made up of computer experts and data scientists in order to explore opportunities and challenges in capturing immediate information and in-depth data analysis; optimize business decision making, and improve the design of marketing strategies.

This team joins Kaleu, Copec's digital transformation project, started in 2018, which seeks organizational adaptability, the design of experiences and the generation of a culture of innovation within the company.

07

Responsible
environmental
management

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7.1

Environmental
management systems

Sustainability is at the core of Empresas Copec's management model, connecting through concrete and long-term initiatives, economic development with social value creation and care for the environment. Along this line, affiliates have environmental management systems, policies, and improvement and monitoring programs that are focused on comprehensive care for the environment, sustainable management of resources and reduction of global emissions.

One of Arauco's major milestones in 2019 was setting up the Internal Environment Superintendence for the pulp business, aimed at supporting the mills, conducting environmental audits, systematizing environmental resolutions and studying root causes of environmental incidents. For its part, the affiliate Copec continued to implement the actions emerging from the environmental audit performed in 2018, focused on transferring know-how and internalizing operability of environmental issues to plant managers, in addition to formalizing standards and continued improvement procedures.

During 2019, at a consolidated level, US\$ 61.5 million were invested in environmental improvements, down 38% from a year ago. This decrease is mainly explained because the affiliate Arauco in 2018 made extraordinary disbursements to increase the performance of the

emission abatement equipment and installed a new electrostatic precipitator in the pulp mill of the Horcones complex. Copec, meanwhile, demanded lower amounts for the start-up of the fire-fighting networks in its plants and the installation of foam proportioners, which is expected to be completed in 2020.

This was partially offset by Orizon's increased investment, which installed evaporative condensers in the cold room of the frozen food plant in order to reduce seawater consumption and minimize the risk of leakages, and by Abastible, which set up warehouses for waste and hazardous substances in plants and in the Maritime Terminal.

ENVIRONMENTAL INVESTMENT (IN US\$)

Company	2017	2018	2019
Arauco	88,900,000	94,700,000	56,400,000
Abastible	496,503	342,906	450,551
Copec	904,000	595,000	365,422
Terpel	1,644,147	2,629,085	2,729,003
Arcoprime	N/D	N/D	168,366
Orizon	273,424	172,940	1,370,000
Empresas Copec	-	-	-
Total	92,218,074	98,439,932	61,483,341



GOAL

During 2020, Arauco will move forward to a preventive culture where environmental aspects are part of planning at all levels of the organization. In addition, it will continue working on the standardization of operational criteria and on incident and environmental emergency management, environmental risks control and mitigation and updating of environmental commitments and KPIs.

7.2

Energy

ENERGY CONSUMPTION 2017 (IN GJ)

Company	Fuel consumption - Non-renewable	Fuel consumption - Renewable	Power purchases for electricity, heating, cooling and steam	Power generation for electricity, heating, cooling and steam	Power sale for electricity, heating, cooling and steam	Total energy consumption
Arauco	13,370,000	87,600,000	340,000	-	2,070,000	99,240,000
Abastible	13,431	-	58,558	-	-	71,989
Copec	1,758,727	-	150,119	-	-	1,908,846
Terpel	86,419	-	576,471	-	-	662,890
Arcoprime	13,132	-	132,500	-	-	145,632
Orizon	833,179	-	89,297	-	-	922,476
Empresas Copec	-	-	249	-	-	249
Total	16,074,888	87,600,000	1,347,194	-	2,070,000	102,952,082

ENERGY CONSUMPTION 2018 (IN GJ)

Company	Fuel consumption - Non-renewable	Fuel consumption - Renewable	Power purchases for electricity, heating, cooling and steam	Power generation for electricity, heating, cooling and steam	Power sale for electricity, heating, cooling and steam	Total energy consumption
Arauco	11,180,000	91,220,000	330,000	-	2,230,000	100,500,000
Abastible ¹	26,497	-	57,546	-	-	84,043
Copec ²	1,585,752	-	359,541	-	-	1,945,293
Terpel ³	57,685	-	1,783,554	-	-	1,841,239
Arcoprime	13,853	-	173,883	-	-	187,736
Orizon	858,751 ⁴	-	86,249	-	-	945,000
Empresas Copec	-	-	243	-	-	243
Total	13,722,538	91,220,000	2,791,016	-	2,230,000	105,503,555

¹Power consumption in Ecuador is modified including from this year onwards consumption of diesel and gasoline.
²Power consumption is modified due to methodological adjustments made in the calculations by the affiliate.
³Terpel's power consumption in the Dominican Republic is modified to consider electricity purchases made in operations at airports.
⁴Power consumption is modified from what was reported in 2018 because, from this report onwards, data on storage centers and fleet is included.

ENERGY CONSUMPTION 2019 (IN GJ)

Company	Fuel consumption - Non-renewable	Fuel consumption - Renewable	Power purchases for electricity, heating, cooling and steam	Power generation for electricity, heating, cooling and steam	Power sale for electricity, heating, cooling and steam	Total energy consumption
Arauco	10,279,530	99,843,578	3,732,989	-	3,389,709	110,466,388
Abastible	247,909 ⁵	-	50,679	-	-	298,588
Copec	1,570,548	-	199,559	-	-	1,770,107
Terpel	75,506	-	1,487,946	-	-	1,536,452
Arcoprime	29,335	-	93,734	-	-	123,069
Orizon	746,872	-	82,052	-	-	828,924
Empresas Copec	-	-	239	-	-	239
Total	12,949,702	99,843,578	5,647,198	-	3,389,709	115,050,768

During 2019, total energy consumption raised 9% from 2018, due mainly to a methodological change by the Abastible affiliate in Colombia, which started to include the use of fuel in its calculation. This was partially offset by lower consumption by Terpel, as a result of photovoltaic systems installed in supply plants and service stations, and by Orizon, related to the sale of its operations in Puerto Montt, Los Lagos Region.

It is worth noting that Arauco produces clean, renewable energy from forest biomass to supply its industrial plants and generates surpluses that are injected into

the energy matrix. Therefore, and considering the Clean Development Mechanism (CDM) of the Kyoto Protocol, the affiliate has invested in additional generation capacity, above the industry's customary practice. In Chile, the company is one of the largest producers of Non-Conventional Renewable Energy (NCRE), with an installed capacity of 606 MW and 219 MW that are delivered to the National Electric System (SEN by its Spanish acronym). In Argentina and Uruguay, the affiliate has power stations with an installed capacity of 82 MW and 91 MW, and surpluses of 8 MW and 50 MW, respectively.

In addition, Arauco recovers inorganic compounds that are part of the biomass exploitation process.

⁵Starting in 2019, Abastible subsidiary in Colombia considered fuel consumption for transportation.



POWER GENERATION CAPACITY AND INJECTION INTO ARAUCO'S ENERGY MATRIX (IN MW)

Country	Maximum Installed Capacity	Maximum Power Generated	Internal Consumption	Injection into the Energy Matrix
Chile	606	481	272	219
Argentina	82	71	63	8
Uruguay ⁶	91	90	39	50

During 2019, net excess power delivered by Arauco mills totaled 781 GWh, 18% less than 2018, mainly explained by lower operational availability of the mills during the year. In Chile, excess power generation accounted for nearly 1% of the National Electric System (SEN)'s total generation and installed power accounted for 1% of the overall system.

On the other hand, improvements were made by the affiliate in its plywood mill located in the town of Arauco, in order to use the energy from steam generated in the process and thus reducing power consumption. As a result, energy demand dropped 30% in 2019. Meanwhile, in its North American mills, the energy intensity indicator (kWh/m³)

continued to improve, achieving an average reduction of 5% over the baseline of 2015. Additionally, at the St. Stephen mill in North America, a comprehensive energy management system was implemented, allowing to improve electrical use per m³ produced by 22%, between 2015 and 2019.

⁶Arauco owns 50% through Montes del Plata.

Viento Sur Wind Park

At the same time, Arauco continued developing its Viento Sur wind park project, which is in the environmental impact assessment stage, and consists of the construction and operation of a wind power generation farm in the Biobío Region, including 43 wind turbines and a total installed capacity of 215 MW.

The power generated will be transferred to a high-voltage electrical substation, which is part of the project, from where it will be connected, through a 60-kilometer long electric transmission line, to the Arauco Mill substation to finally deliver the energy to the National Electric System (SEN).

On the other hand, in Chile, Abastible began implementing an Energy Management System (SGE) at its Lenga Plant, aimed at ensuring continuous improvement in the use of energy through established procedures and methods. In Colombia, Norgas continued to deploy its efficient water and energy use plan started in 2018, covering its plants and reservoirs.



GOAL

Upon completion of the Energy Management System integration project at the Lenga Plant, which is scheduled for 2020, Abastible expects to obtain ISO 50001 certification, reaffirming its commitment to a systematic approach to energy efficiency and security.



Terpel, meanwhile, has a natural resource control program that promotes efficient use of water and energy. In each work center (plants, airports and factories) specific objectives were set and awareness campaigns were conducted to speed up its implementation. At the end of 2019, three plants and two service stations in Colombia had photovoltaic systems for power generation.

Copec, for its part, through the Renova Program, promotes the use of non-conventional renewable energy and energy efficiency systems in service stations, incorporating LED lighting, wind, solar or geothermal energy into its network. During 2019, 21 facilities had wind energy, 10 with photovoltaic panels, 4 with solar thermal panels and 2 with geothermal energy.



GOAL

Copec seeks to reduce 34% consumption from non-renewable energy sources by 2030, taking 2018 as the baseline.

7.3
Water

WATER CONSUMPTION 2017 (THOUSAND M³)

Company	Surface Water	Groundwater	Municipal Supply	Total Consumption
Arauco	159,500	3,100	3,300	165,900
Abastible	2	67	91	160
Copec	N/D	N/D	N/D	N/D
Terpel	-	-	1,182	1,182
Arcoprime	-	-	925	925
Orizon	10,480	-	311	10,791
Empresas Copec	-	-	-	-
Total	169,982	3,167	5,809	178,958

WATER CONSUMPTION 2018 (THOUSAND M³)

Company	Surface Water	Groundwater	Municipal Supply	Total Consumption
Arauco	158,100	5,000	3,500	166,600
Abastible	2	51	137 ⁷	189
Copec	N/D	N/D	N/D	N/D
Terpel	5	67	1,567	1,639
Arcoprime	-	-	1,058	1,058
Orizon ⁸	9,995	-	398	10,394
Empresas Copec	-	-	-	-
Total	168,102	5,118	6,660	179,880

⁷Data reported in 2018 is modified to include measurement of a Norgas plant and the volume reported by Duragas is corrected.

⁸Data reported in 2018 is modified because the water supply area that distributes and controls consumption of operations is formalized.

WATER CONSUMPTION 2019 (THOUSAND M³)

Company	Surface Water	Groundwater	Municipal Supply	Total Consumption
Arauco	154,400	3,400	1,500	159,300 ⁹
Abastible	2	23	115	140
Copec	N/D	N/D	N/D	N/D
Terpel	3	47	748	798
Arcoprime	N/D	N/D	N/D	N/D
Orizon	11,859	-	398	12,257
Empresas Copec	-	-	-	-
Total	166,263	3,470	2,762	172,495

During 2019, water consumption at a consolidated level fell 4%, mainly due to improvements carried out by Terpel in Colombia in its rainwater harvesting infrastructure and harnessing in airport operations. Added to this is a decrease in the consumption of groundwater in Arauco, due to the execution of the last stages of the Dissolving Pulp Project at a pulp mill in Valdivia, Chile. Meanwhile, Abastible reduced consumption in Chile after repairing a groundwater meter at the Maipu Plant, accounting for 80% of groundwater consumption. This decrease was partly offset by an increase in Orizon consumption due to the standardization of metrics at the Coquimbo plant.

Arauco has an Integrated Management System for water resources focused on proper management and protection of watercourses. In addition, the company constantly monitors the availability of the resource in the basins that supply its facilities and, to this effect, a water management strategy, called Water Challenge, was designed, which is based on four pillars: Knowing, Manage, Contribute and Communicate.

The first pillar seeks to promote knowledge about the basins, forests and plantations in the company's forest heritage and, to do this, Bioforest produces studies to feed the hydrological models that allow the dynamics of water

in the territory to be represented. The “Manage” pillar, meanwhile, encourages the application of knowledge gained on water resources management, in order to avoid affecting water quality and contribute to supplying neighboring communities. The “Contribute” pillar seeks to improve drinking water supply. Finally, the “Communicate” pillar encourages development of several communication actions, including training sessions, seminars or scientific tours, among others, to report different findings, initiatives and projects focused on water conservation, in addition to providing information to the internal public, neighbors, academia, NGOs, authorities and general public opinion.

⁹Arauco water consumption in Mexico is not included.



7.4

Biodiversity

The preservation of ecosystems and the protection of biodiversity are priority axes in management. It is for this reason that they invest in various preservation programs and research studies in these areas every year.

Arauco's Biodiversity and Ecosystem Services Policy¹⁰ emphasizes the assessment and management of the potential effects of production on biodiversity, applying the highest international standards for responsible forest management in its operations. In addition, the affiliate has continuous monitoring and evaluation systems.

Additionally, 29% of the affiliate's forest heritage is made up of native forest and, therefore, it is conserved under the guidelines from the sectorial authority and the recommendations of scientific organizations. Thus, the company protects, preserves and restores native forest. In Chile, for example, these lands are managed as private parks open to the public, High Conservation Value Areas (HCVAs¹¹) or protected areas. Regarding restoration of native forest, the

company has a restoration plan, which considers more than 25 thousand hectares declared as replaced after 1994, and other important sectors of native vegetation, as well as lands affected by fires, prioritizing those spaces that, together, maximize environmental and social contribution of restoration. Thus, during 2019, part of the Natri property in the Arauco commune was incorporated into the plan, where there are several amphibians of high conservation value and it is a potential area of presence of Darwin's fox.

In Argentina, meanwhile, nearly 45% of the forest heritage are natural areas composed of native forest, HCVAs, ecological belts, wetlands, drainage areas and protective forests, which are protected as defined in its Native Forest Management Plan. It should be noted that, in that country, the native forest area increased due to the implementation of the Water Basin Recovery Program, through which, between 2003 and 2019, more than 3,300 hectares became part of protective forest areas.

In Brazil, the company owns 98 thousand hectares of native forest, which are protected¹² and are considered Permanent Preservation Areas and Legal Reserve. This means that these hectares can only be managed for environmental preservation and research, in order to maintain continue HCVAs, fauna and flora monitoring; monitor and control hunting, fishing and forest fires, and ensure their regeneration and restoration.

Arauco's forest heritage includes culturally relevant locations for the Mapuches and other communities, in addition to areas aimed at contributing to environmental education and the recreation of the population in parks for public use, such as Parque Oncol in Valdivia and Parque Coyanmahuida in Concepción.

Additionally, Arauco has areas dedicated to conservation connected through protection areas around water courses. These remaining patches of vegetation act as biodiversity repositories in central zone of Chile, so that continued efforts are made to monitor and detect the presence of flora and fauna

AREA OF NATIVE FOREST AND HCVA

Country	% of Native Forest over Forest Heritage	HCVAs (in ha)	Number of Biological HCVAs	Number of Social, Cultural or Religious HCVAs
Chile	26%	59,516	37	90
Argentina	45%	55,267	16	31
Brazil ¹³	40%	10,434	10	7
Total		125,217	63	128

threatened species, with specific protective measures in place in case of their potential discovery or sighting. The most critical and significant areas have the status of High Conservation Value Area and are classified according to their attributes in biological HCVs, ecosystem and cultural services. The company has HCVAs distributed across 125 thousand hectares of heritage, 63 biological and 128 social, cultural or religious. HCVAs identification and classification should follow the premises of FSC Principle 09 and PROFOREST Guidelines. Likewise, together with communities and specialists, it seeks to identify new HCVAs with social characteristics.

During 2019, Arauco developed several biodiversity protection programs, including a research

agreement signed with the University of Concepcion, in Chile, on the study and conservation of the Valdivia Gayana species, a small subshrub, unique in its kind and native, present in five HCVAs in the area. This adds to studies on fauna and flora in the Brazilian HCVAs Vale do Corisco, whose results suggest that the area is a transition between different types of vegetation and has the capacity to house species of animals and plants relevant to the region, while being considered a national geo-touristic point due to the Corisco waterfall¹⁴.

Meanwhile, affiliates Copec and Terpel have programs in place that seek to minimize the impact on the environment of their fuel storage and distribution processes.

¹⁰<https://www.arauco.cl/wp-content/uploads/2017/07/politica-biodiversidad.pdf>

¹¹They are exceptional or critically important forest areas, where identification, management and monitoring practices are performed, in order to maintain or increase their conservation value.

¹²Brazilian Forest Code (Federal Law 12,651/2012).

¹³Brazil has a total of 15 HCVAs. Two of them meet biological and social AAVC characteristics at the same time.

¹⁴For more information about Arauco's biodiversity protection initiatives, the list of species included in the IUCN Red List and the national lists of conservation sighted in the company's heritage, see page 154 of the Arauco 2019 Sustainability Report.



In particular, Copec started in 2018, in cooperation with the Kennedy Foundation, a project to recover La Chimba wetland, a four-hectare ecosystem located in the northern area of the city of Antofagasta. This project seeks to achieve permanent legal protection of the wetland and develop research and follow-up activities, while implementing promotion, development and dissemination of social or environmental initiatives. As a result, in 2019 the site was declared a conservation area in conjunction with the Maritime Authority and the Hydrographic and Oceanographic Service of the Navy (SHOA by its Spanish acronym), and an application to designate it as Urban Wetland was submitted to the Ministry of the Environment. In addition, water extraction from the

wetland was prohibited and, in relation to the ecological diagnosis, 11 species of vascular plants, 5 of algae, 15 of invertebrates and 45 of vertebrates were found. For its part, in terms of awareness, and in cooperation with the neighbors, several environmental education and coastal cleanup activities and monitoring procedures were organized by the inhabitants of the surrounding areas. At the same time, efforts were made to recover the El Bato Wetland near the Lubricant Plant in Quintero and aquatic surveillance plans were implemented at the company's maritime terminals.

Orizon, meanwhile, is part of Coronel's Program for Environmental and Social

Recovery (PRAS), which brings together the social, private, governmental and regional sectors, and seeks to implement concrete activities regarding pollution, the company-community relationship and the improvement of urban spaces. Additionally, in June 2019, the Coquimbo and Coronel fishmeal and fishoil plants were audited under the IFFO-RS standard, "The Fishmeal and Fish Oil Organization; Responsible Supply of The Marine Ingredients Organization", certification with a strong emphasis on management of renewable natural resources and the composition of their catches. Both plants maintained their certification until 2020.

7.5 Climate change

Empresas Copec's affiliates measure their carbon footprint on an annual basis, considering the standard set by the GHG Protocol.

GHG EMISSIONS 2017 (IN tCO₂eq)

Company	Direct Emissions (Scope 1)	Indirect Emissions (Scope 2)	Other Emissions (Scope 3)
Arauco	1,241,591	472,196	2,505,345
Abastible	16,686	N/D	N/D
Copec	62,009	70,280	73,701
Terpel	3,276	17,277	249,816
Arcoprime	3,362	34,079	4,659
Orizon	58,238	8,423	N/D
Total	1,385,162	602,255	2,833,521

GHG EMISSIONS 2018 (IN tCO₂eq)

Company	Direct Emissions (Scope 1)	Indirect Emissions (Scope 2)	Other Emissions (Scope 3)
Arauco	1,206,859	480,782	2,901,478
Abastible ¹⁵	137,432	N/D	N/D
Copec ¹⁶	50,680	39,873	77,742
Terpel ¹⁷	3,865	20,323	34,740
Arcoprime	N/D	17,589	4,829
Orizon ¹⁸	60,739	8,493	N/D
Total	1,459,575	567,060	3,018,789

¹⁵Data reported in 2018 is modified after consolidated data from all countries was included.

¹⁶Data reported in 2018 is modified due to changes made after Copec's CFP certification.

¹⁷Terpel's carbon footprint does not consider the Dominican Republic in Scope 2 and does not include Panama in Scope 3.

¹⁸Data reported in 2018 is modified to include emissions from storage and transport.

GHG EMISSIONS 2019 (IN tCO₂eq)

Company	Direct Emissions (Scope 1)	Indirect Emissions (Scope 2)	Other Emissions (Scope 3)
Arauco ¹⁹	N/D	N/D	N/D
Abastible ²⁰	17,331	N/D	N/D
Copec	52,566	23,173	70,410
Terpel	5,079	22,707	41,403
Arcoprime	1,670	10,910	2,404
Orizon	53,051	9,244	N/D
Total	129,698	66,034	114,217

In 2019, Arauco measured its carbon footprint for the year 2018, totaling 4.5 million tons of CO₂ equivalent (tCO₂eq.), up 9% from a year ago, mainly due the new Montenegro and Ponta Grossa Brazilian mills. Additionally, the company partially replaced fuel oil #6 (FO6) with natural gas in boilers and lime kilns, in Nueva Aldea and Arauco pulp mills, thus reducing direct greenhouse gases emissions.



GOAL

Arauco's carbon footprint will be subject to external assessment in 2020.

¹⁹Arauco's carbon footprint is calculated after the date of issue of this Sustainability Report.
²⁰Data does not include Abastible footprint in Ecuador.



Forests play a key role in the planet's sustainability, since CO₂ capture in Chile is estimated to have the potential to contribute up to 37% to the emission reduction required by 2030. Similarly, responsible management of forests and plantations can be a key solution to address the urgent

challenges of climate change as it is the largest existing biological infrastructure and the best CO₂ catcher, even more so considering that deforestation and degradation of these forests account for about 20% of global CO₂ emissions.



GOAL

In this context, during 2019, Arauco committed to achieving carbon neutrality in 2020, which, in addition to being a concrete step to address the climate crisis, positions the affiliate as the first forestry company worldwide to achieve this important milestone.



GOAL

Arauco has made a commitment to adhere to Science Based Targets, a global initiative that seeks for companies to adopt a path of decreasing their emissions on a scientific basis, and thus limit the Earth's rising temperature. To achieve this goal, the company will promote improvements that will reduce greenhouse gas emissions in its operations while increasing CO₂ captures through native forests and plantations.

Arauco, in addition, has historically contributed to fight climate change thanks to its cogeneration projects using residual forest biomass, with five mills in Chile and one in Uruguay (joint operation with Stora Enso). These facilities are registered under internationally recognized standards such as the Clean Development Mechanism (CDM), and reduce annually around 650 thousand tons of CO₂. Additionally, the Viñales cogeneration project in Chile is registered under the Verified Carbon Standard (VCS).

The affiliate also promotes several scientific research programs on climate change, in cooperation with universities, public institutions and NGOs; and conducts environmental monitoring related to biodiversity, atmospheric emissions, monitoring of basins, water bodies, and research programs related to compliance with environmental commitments.

Meanwhile, the affiliate Copec designed in 2019 its climate change strategy, setting a goal and work plan to reduce its

carbon footprint. It establishes the company's major lines of action, which will be a drive towards new mobility and new energies; carbon neutrality in 2030; waste reduction; supporting its service station and industrial customers to understand and reduce their CO₂ footprint, and protecting ecosystems. Major breakthroughs of the year were linked to improvement in information systems for calculating emissions and Circular Economy workshops, where 70 employees contributed ideas and became aware of these issues.



GOAL

Copec set the goal of reducing its total GHG emissions by 2030 compared to 2018, in line with the Science Based Target. To this end, work will be done in reducing the carbon footprint of fuel transport, electricity consumption in its facilities and the generation of waste in its operations.



In Colombia, Terpel verified measurement of its carbon footprint and, to compensate and reduce it, designed and implemented tree planting projects and the use of alternative energy in the workplace.

Additionally, Terpel offset 21,307,990 gallons of Bioacem fuel through 214,673 tCO₂eq in carbon credits related to manufacturing to help mitigate the footprint of industrial customers. In Peru, meanwhile, the company promoted among freight companies switching to VNG, which lead to a decrease in the CO₂ emissions indicator from 2.0 to 1.4 Kg CO₂ per kilometer traveled.



GOAL

Terpel set the goal of reducing its carbon footprint by 2025, in terms of direct emissions. To do this, it will add a growing number of alternative energies in its consumption and will offset 10% of greenhouse gas emissions that, eventually, are generated through tree planting projects.

Terpel, also, identifies the risks associated with climate change and implements controls throughout its supply chain; carries out improvements in the energy efficiency of its work centers; it has an environmentally friendly product offering; promotes responsible fuel consumption, and adheres to global initiatives and standards in this field, besides aligning with the commitments undertaken by the Colombian government in the Paris Climate Agreement.

7.6

Other emissions

OTHER EMISSIONS 2017 (IN TONS)

Company	NOX	SOX	VOC	PM10	CO	TRS	PM2,5
Arauco	10,841.0	2,558.0	2,119.0	4,084.0	7,055.0	30.0	N/D
Abastible	N/D	N/D	N/D	N/D	N/D	-	N/D
Copec	N/D	N/D	N/D	N/D	N/D	-	N/D
Terpel	1,217.8	63.9	-	46.2	N/D	-	27.1
Arcoprime	N/D	N/D	N/D	N/D	N/D	N/D	N/D
Orizon	244.3	114.4	3.6	20.3	N/D	-	N/D

OTHER EMISSIONS 2018 (IN TONS)

Company	NOX	SOX	VOC	PM10	CO	TRS	PM2,5
Arauco	9,704.0	2,390.0	2,106.0	5,609.0	7,262.0	35.0	N/D
Abastible	3.3	0.2	469.0	0.0	0.05	-	N/D
Copec	1.9	0.1	52.7	-	2.2	-	N/D
Terpel ²¹	520.0	127.2	N/D	28.0	70.0	-	28.0
Arcoprime	N/D	N/D	N/D	N/D	N/D	-	N/D
Orizon	775.8	199.5	57.5	62.3	162.0	-	N/D

OTHER EMISSIONS 2019 (IN TONS)

Company	NOX	SOX	VOC	PM10	CO	TRS	PM2,5
Arauco ²²	9,441.0	2,235.0	6,459.0	1,447.0	7,779.0	N/D	N/D
Abastible	3.7	0.2	1,121.0	0.2	0.5	-	N/D
Copec	1.8	0.1	51.3	0.1	-	-	-
Terpel ²³	610.4	276.5	N/D	50.0	N/D	-	30.0
Arcoprime	N/D	N/D	N/D	N/D	N/D	-	N/D
Orizon	590.5	179.0	43.0	48.6	122.4	-	N/D

²¹Data only considers Terpel's operations in Peru and the Dominican Republic.

²²Arauco's VOC and PM10 emissions consider only the wood business. The increase in VOC emissions compared to that reported in previous years responds to the incorporation of the operation of US panels in the scope.

²³Data only considers Terpel's operations in Peru and the Dominican Republic.

Arauco continually monitors TRS gas emissions from pulp mills, in addition to operational controls carried out to minimize odor events that may occur when these gases come into contact with the atmosphere. For its part, atmospheric emissions of particulate matter are controlled through mitigation equipment, such as gas scrubbers and electrostatic precipitators with close to 100% efficiency. Meanwhile, emissions from lumber mills, sawing process and remanufacturing, are minimized by bag filters.

In 2019, and as part of the affiliate's investment plan, performance of TRS emission abatement equipment at the Nueva Esperanza Mill in Argentina was improved through upgrades. In addition, a new electrostatic precipitator was installed in the recovery boiler 2 of Arauco Pulp Mill in Chile.

At the same time, a training program was implemented for the community, to get neighbors involved in monitoring and control of odors. Despite efforts made by the affiliate, during 2019 a bad odor event occurred at the Licancel Mill due to the venting of non-condensable gases (CNCG), leading


to complaints from neighbors. To mitigate this environmental incident, operations were halted to correct deviations and eliminate the cause of these vents.

It should be noted that in Chile, the green tax went in force in 2017 and is levied on emissions from stationary sources²⁴. As a result, Arauco had to pay more than US\$ 6.2 million for Particulate Matter, SO2, NOx and CO₂ emissions produced by two turbo-generators, eight power boilers and six recuperators from its pulp and energy business.

For their part, Copec and Terpel generate emissions of volatile organic compounds (VOCs) that are produced both by storing fuel in tanks and in the process of supplying trucks at the loading table. For the first process, Copec put in place mitigation mechanisms, including floating roofs and membranes and, in the case of supplying trucks at the Maipu plant, a Vapor Recovery Unit (VRU)²⁵ was included, and a Vapor Burning Unit was installed in Concón.

The affiliate Orizon, meanwhile, made several investments in 2019 to reduce odor generation,

including upgrading its incineration system of non-condensables, changes in the sections of seawater adduction pipelines, optimization of onboard fishing treatment and the installation of evaporative condensers in the cold room of the frozen food plant.



GOAL

Orizon plans to implement an oil to gas switching project in Coronel's boilers. The project will be executed in 2020 and it is expected to come online by 2021. This initiative is expected lead to an 80% decrease in the level of MP10, 40% of NOx, 90% of SOx and 18% of CO₂.

²⁴Law 20,780 from 2014.

²⁵The VRU is a closed system that captures vapors emitted by supplying the trucks at the loading table and vapors recovered at service stations, transforming them back into liquid gasoline that is diverted to storage tanks. This technology allows recovering 0.5 liters for each cubic meter dispatched, or an equivalent to 24 trucks per year.

7.7

Waste

Hazardous and non-hazardous waste management is focused on efficient management of removal, transport and disposal processes, complying unrestrictedly with current regulations and implementing measures to minimize generation.

HAZARDOUS WASTE (IN TONS)

Company	2017											Total
	Total	Reuse	Recycle	Compost	Recovery	Incineration	Deep-well Injection	Security Landfill	Landfill	On-site Storage	Others	
Arauco	9,880.00	-	-	-	-	-	-	-	-	11,543.00	-	11,543.00
Abastible	471.79	7.20	-	-	-	48.80	-	-	-	467.00	187.60	710.60
Copec	N/D	-	-	-	-	-	-	779.78	-	-	-	779.78
Terpel	1,289.29	7.30	10.30	2,281.00	1.06	21.90	0.00	-	8.56	451.90	970.55	3,752.57
Arcoprime	N/D	-	-	-	-	-	-	89.01	-	-	-	89.01
Orizon	63.00	-	-	-	-	-	280.39	-	-	-	-	280.39
Empresas Copec	-	-	-	-	-	-	-	-	-	-	-	-
Total	11,704.08	14.50	10.30	2,281.00	1.06	70.70	280.39	868.79	8.56	12,461.90	1,158.15	17,155.34

Company	2018											Total
	Total	Reuse	Recycle	Compost	Recovery	Incineration	Deep-well Injection	Security Landfill	Landfill	On-site Storage	Others	
Arauco	9,880.00	-	-	-	-	-	-	-	-	11,543.00	-	11,543.00
Abastible	471.79	7.20	-	-	-	48.80	-	-	-	467.00	187.60	710.60
Copec	N/D	-	-	-	-	-	-	779.78	-	-	-	779.78
Terpel	1,289.29	7.30	10.30	2,281.00	1.06	21.90	0.00	-	8.56	451.90	970.55	3,752.57
Arcoprime	N/D	-	-	-	-	-	-	89.01	-	-	-	89.01
Orizon	63.00	-	-	-	-	-	280.39	-	-	-	-	280.39
Empresas Copec	-	-	-	-	-	-	-	-	-	-	-	-
Total	11,704.08	14.50	10.30	2,281.00	1.06	70.70	280.39	868.79	8.56	12,461.90	1,158.15	17,155.34

Company	2019											Total
	Total	Reuse	Recycle	Compost	Recovery	Incineration	Deep-well Injection	Security Landfill	Landfill	On-site Storage	Others	
Arauco	11,543.00	-	-	-	-	-	-	-	-	12,718.00	-	12,718.00
Abastible	710.60	29.00	1.00	-	-	38.00	-	641.64	-	39.00	161.00	909.64
Copec	779.78	-	-	-	-	-	-	1,258.25	-	-	-	1,258.25
Terpel ²⁶	3,752.57	702.94	-	4,320.27	-	8.93	-	-	3.48	450.57	0.69	5,486.88
Arcoprime	89.01	-	-	-	-	-	-	183.75	-	-	-	183.75
Orizon	280.39	-	216.27	-	-	-	-	86.65	-	-	-	302.92
Empresas Copec	-	-	-	-	-	-	-	-	-	-	-	-
Total	17,155.34	731.94	217.27	4,320.27	-	46.93	-	2,124.83	3.48	13,207.57	161.69	20,859.49

²⁶Hazardous waste does not include the Dominican Republic.

NON-HAZARDOUS WASTE (IN TONS)

Company	2017	2018									Total
	Total	Reuse	Recycle	Compost	Recovery	Incineration	Deep-well Injection	Landfill	On-site Storage	Others	
Arauco	467,869.00	-	-	100,707.00	-	-	-	398,012.00	-	-	498,719.00
Abastible	394.90	-	1,181.07	105.71	-	-	-	187.45	51,66	-	1,525.89
Copec	N/D	-	-	-	-	-	-	167.1	-	-	167.1
Terpel	7.71	0.94	1.47	-	-	-	49.50	2.79	-	-	54.69
Arcoprime	2,473.74	-	38.90	-	-	-	-	1,487.00	-	-	1,525.90
Orizon	2,094.38	-	577.20	-	-	-	-	5,918.00	-	-	6,495.20
Empresas Copec	-	-	-	-	-	-	-	-	-	-	-
Total	472,839.73	0.94	1,798.64	100,812.71	-	-	49.50	405,774.34	51.66	-	508,487.78

Company	2019										Total
	Reuse	Recycle	Compost	Recovery	Incineration	Deep-well Injection	Landfill	On-site Storage	Others		
Arauco	65,633.00	0.10	69,709.00	48.096,00	146,042.00	-	213,731.00	-	-	-	543,211.10
Abastible	48.70	1,227.59	-	-	-	-	122.30	59.29	-	-	1,457.88
Copec	-	52.00	-	-	-	-	394.00	-	-	-	446.00
Terpel	0.23	2.79	-	-	-	-	2.07	60.31	-	-	65.40
Arcoprime	-	195.30	17.40	-	-	-	956.50	-	-	-	1,169.20
Orizon	-	454.26	-	-	107.28	-	2,115.72	-	-	-	2,677.26
Empresas Copec	-	-	-	-	-	-	-	-	-	-	-
Total	65,681.93	1,931.64	69,726.40	48,096.00	146,149.28	-	217,321.99	119.60	-	-	549,026.84

At a consolidated level, hazardous waste generation rose 22% and non-hazardous waste generation grew 8%, mainly due to an increase in Arauco's waste, a growing number of Copec's work centers and the consolidation of Terpel's lubricant operations in Colombia, Peru and Ecuador, as a result of the purchase of ExxonMobil's assets.

In the case of Arauco, major non-hazardous industrial waste from the pulp business is ash, sand, solid waste from the causticization process, lime carbonate, sludge from effluent treatment plants and dirty crusts, among others. During 2019, 39% of them were recovered thanks to various external partnerships. Recovered wastes or new by-products are mainly used to produce concrete

and cement; soil improver; pH for forestry and agricultural land; and the production of fertilizers and micro-fertilizers. In the wood business in Chile, a recycling project for plastic strap waste was implemented in 2019, which is processed by a third party and then sent to a supplier to incorporate it again into the manufacturing process.

Meanwhile, regarding hazardous waste from the pulp industry, the company recovers used oils, transforming them into an alternative fuel for boilers. During 2019, Arauco installed pilot waste recovery plants inside its production facilities, as well as operational upgrades for the effective recovery of crusts to be used as biomass.



GOAL

In the pulp business, Arauco externally recovered 39% of its non-hazardous industrial solid waste during 2019, and expects to reach its 50% target in 2020.



A non-hazardous waste sorting project was implemented by the affiliate Abastible at its Maipu Plant and its Headquarters in 2019. The initiative consists of separating waste by type and transferring it to a company for subsequent recycling or reuse. As a result, the company seeks to significantly reduce the impact on the environment and reduce delivery of waste to landfills.

For its part, Copec has an initiative that aims to take charge of the waste generated in convenience stores, based on three areas of work: recycling waste generated by its customers and from the store's operation; switch product packaging to eco-packaging, and composting. At the end of 2019, this initiative had been implemented in 34 stores.

With regard to customer waste, the company managed to recycle 212 tons, seven times higher than in 2018. Of this total, 76% was cardboard and paper and the remaining was plastics, glass,

metal and tetra pack. On the other hand, in the eco-packaging area, packages, hot dog holders, sauce wells, plastic plates and cutlery, among others, were replaced with products made with eco-friendly materials, such as wood, paper, bagasse and recycled PLA3, with an estimated 136 tons replaced per year. In addition, plastic straws and caps were removed and customer garbage bags and waste bags were replaced with bags made of biodegradable materials.

Lastly, in the composting line, a pilot plan was implemented in the Pronto store at the Las Condes service station, an initiative that, given its good results, will be replicated in the next few years in more than 30 locations.

In this context, it should be noted that in December 2019, Pronto Copec received the "bye straws" seal from the Chilean Ministry of the Environment, for having failed to deliver five million plastic straws in a year and a half.



Via Limpia: National leader in comprehensive management of hazardous waste

Coppec' affiliate Via Limpia provides consultancy, transportation and storage services and final disposal of hazardous and non-hazardous waste from Arica to Punta Arenas, offering a responsible and highly specialized solution for the removal of used lubricating oils, greases, packaging, water and solid. Waste is disposed of in authorized destinations, for subsequent storage, recycling or final disposal.

Its fleet meets the highest quality and safety standards,

with information technologies that allow ongoing monitoring and traceability, from the customer's request to the final disposition and corresponding document management (Standard DS 148/2003 MINSAL Generator-Transport- Final Destination). The company has a management system certified to ISO 9001, ISO 14001 and OHSAS 18001 standards and its highly qualified team assures customers regulatory compliance and traceability of their waste.

Finally, Orizon is part of the Clean Production Agreement along with other fishing companies in the area, reaffirming its commitment to reducing waste. Through this program, companies participate in beach cleanup activities in order to contribute to a trash-free environment and raise awareness in neighboring communities on protection of the aquatic environment.

7.8

Effluents

Monitoring liquid industrial waste from plants is another key pillar of the companies' operational management.

Accordingly, Arauco has in all its pulp facilities technology for primary and secondary treatment of its liquid effluents. In addition, there is a permanent tertiary treatment for the Valdivia Plant. Also, the plants of the lumber business treat their effluents, either in the pulp mill systems or in their own systems.

In addition, in the first half of 2019, the new effluent plant of the Arauco complex came online, thus replacing the aerated lagoon with a new one of activated sludge. This allowed improving

the effluent treatment standards of the current pulp mill and its expansion defined under the MAPA project. On the other hand, the company has rigorous operational controls in the process area to ensure proper operation of the treatment plants at its facilities. Additionally, in the Licancel and Nueva Aldea complexes, and in cooperation with Bioforest, studies were started to assess reuse of effluents treated for fertigation in forest and agricultural lands.

In Argentina, the Piray Complex treats its effluents in a biological reactor, settler and equalization lagoon, to be later discharged to the Los Angelitos stream. Meanwhile, the Chemical Division

Plant discharges effluents into the Paraná River, after receiving biological treatment. Panel mills in Brazil and North America have biological treatment and their effluents are discharged to nearby rivers or to nearby water treatment systems.

THOUSAND M³ OF EFFLUENTS

Company	2017	2018	2019
Arauco	130,300	132,400	136,041
Orizon	12,812	13,365	13,505
Terpel	540	956	147 ²⁷
Abastible	22	6	7
Total	143,674	146,627	149,700

²⁷Information considers only Terpel's operations in Ecuador.

7.9

Spills

Product spills are one of the major environmental risks in fuel distributors’ productive operations. Thus, Terpel and Copec have contingency plans in place to respond timely in the face of this type of incident, with contingency plans, emergency brigades and conducting simulation exercises and training to prepare staff to face such situations. The aim is to minimize the impact on the environment and the risk to people's safety while investigating and learning from the events.

In this context, Terpel conducted in 2019 best practice talks, issued rules of conduct, installed tank overfill alarms and began the construction of mini-dams with a minimum capacity of 2,000 gallons in the tanks that receive the fuel through pipelines.

In terms of spills, a total of 16 events occurred at Terpel, dumping 43 m³ of fuel. It should be noted that no spill has occurred in the operations in Ecuador and Peru over the past two years.

Meanwhile, three spill episodes originated in Copec, all of them generated by the overturning of trucks by contractor companies. As a consequence, 12.7 m³ of fuel were spilled in route, promptly removed after activating all emergency and remediation protocols.

Arauco, for its part, did not record any spill that caused significant impact to water courses or natural habitats. However, five events²⁸ occurred that affected soil in a limited and minor way, which were quickly contained and removed in a timely manner. Waste generated as a result of the mitigation of these spills was managed and disposed of in authorized places.

In the case of Abastible's operations in Chile, Colombia, Peru and Ecuador, like the Orizon plants, there were no spill incidents in their operations during 2019.

Heritage protection and forest fire prevention

In Arauco, to protect the company's forest heritage and support neighbors, programs for the protection, prevention and combat of forest fires have been developed and implemented. The goal is to reduce the probability of fire occurrence and manage fuel to minimize the risk of spreading.

In Chile, the fire prevention and combat plan is structured around five specific areas:

1. Prevention, which is embodied in education and awareness initiatives for residents and employees. Specifically, in 2019, more than 700 workshops were held in schools, with close to 17,000 children who participated, and almost 400 activities were carried out to disseminate prevention measures, reaching more than 15,000 adults. Additionally, the company supported the Community Prevention Network, an organization that brings together the work of 336 Local Prevention Committees in which residents, authorities and companies participate.

2. Detection and preventive patrolling on alert days, aims to strengthen early fire identification tasks through new technological tools, such as a new fire station, equipped with modern technology such as fixed cameras, 360° robot cameras, among others. In addition, the company coordinates its operations online with other public and private protection centers in the country.

3. Stepping up combat contemplates maintaining different types of air and ground resources to contain fires quickly and in their initial phase; deploying night combat brigades, and progressively increasing combat capacity with water, both on land and with aircraft of different capacities.

4. Emergency management means that during fires all resources are equipped with online connection technology and integrated under a data management and reportability computing platform in an Incident

Command System that facilitates effective decision-making.

5. Fuel management involves establishing a structural protection network throughout the territory where Arauco is present, to create barriers and control points for combat teams, meaning, shelterbelts in inhabited areas adjacent to plantations and industrial forestry centers.

Arauco's plantations and facilities in Argentina and Brazil have emergency response models similar to those in Chile. Additionally, the heritage protection program is made up of forest rangers and area managers, who provide significant logistical support to the forest fire program and other areas. Finally, the plant protection program aims to avoid economic damage due to pests in the forest heritage and includes surveillance, diagnosis and control.

²⁸At the Arauco Plant, three events were recorded (1,800 m3 dumped effluent), one at the Licancel Mill and another event at the Puerto Esperanza Mill.

08

Commitment
to the
community

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8.1

Social investment

Empresas Copec and its affiliates seek to continually contribute with concrete initiatives that create a positive impact on people's well-being and quality of life.

During 2019, the contribution for the development of these initiatives reached US\$ 18.9 million, 17.0% less than the amount invested a year ago. Of that amount, 23% was allocated to strengthen community relations and 40% to several educational projects.

Community Investment (in US\$)	2017	2018	2019
Arauco	12,772,000	13,933,950	9,980,000
Abastible	158,128	433,981	970,411
Copec	4,860,496	5,515,982	5,179,894
Terpel	1,970,443	1,827,355	1,769,736
Orizon	74,998	18,270	48,324
Arcoprime	39,157	29,837	2,233
Empresas Copec	1,134,447	1,065,842	984,750
Total	21,009,669	22,825,217	18,935,347



8.2

Relationship and support to neighboring communities

Empresas Copec and its affiliates promote permanent dialogue, participation and the development of collaborative networks with communities, seeking to create mutual growth and shared value projects. In addition, the companies strive to detect and minimize the potential negative impacts of their operations and look for opportunities to contribute to local development.

Along this line, Arauco has a relationship strategy that encourages collaboration and the development of partnerships to contribute to the local development of the areas where its facilities are located.

Thus, in the forestry area, participatory monitoring was implemented to ensure that operations are performed in accordance with what was agreed in the community consultation processes.

Additionally, in Chile, in order to understand the perception of its neighbors regarding the present and future of their localities, the company applies the Local Reputation Index (INRELA by its Spanish acronym) in priority communities, compiling relevant information for business management.

Relationship program with indigenous communities in Chile and Argentina

The relationship program with the Mapuche people of Arauco in Chile, developed from a participatory process, lays down the mechanisms linking the company and 404 indigenous communities in four regions of the country from a shared value approach and prioritizing common long-term interests. Additionally, in 2019, the Training Plan for Arauco employees

focused on the Mapuche culture and skills for intercultural relationship, covering more than 200 people directly related to these communities.

Also, the company provided support to the Aitue Foundation, whose work is focused on supporting knowledge and public policies related to the indigenous peoples of Chile.

On the other hand, in Argentina, Arauco has a relationship program aimed at creating a link between the company and the Mbya Guaraní community, facilitating access and use of the resources that they traditionally occupy within the company's assets. As a result, more than 20 High Conservation Value Areas (HCVAs) of mutual interest have been identified.



Developing the community at the MAPA project

During the construction phase of the MAPA project, and in order to promote employability, entrepreneurship and human capital, Arauco implemented a series of initiatives focused on four priority communes in the Biobío Region (Arauco, Lota, Los Álamos and Curanilahue).

On the one hand, the E+E Agency was founded to enhance local entrepreneurship and make it compatible with the needs of employees and contractors, while enhancing employability in the area. As a result, as of December 2019, 27% of the staff in the project was local hiring (Arauco: 689 people; Los Álamos: 67 people; Curanilahue: 197 people; Lota: 524 people), and about 80% was from the Biobío Region.

Similarly, the affiliate has developed training programs and coordination projects aimed at satisfying the provision of accommodation and food services, fostering entrepreneurship in the area and encouraging others to make the decision to offer services with a long-term development view, meeting the requirements for the mill.

On the other hand, MAPA has a wide portfolio of local development projects designed together with the community within the framework of the citizen participation process and subsequent collaborative work processes. These projects aim to provide infrastructure, equipment, productive development, education and

culture, contributing to local development with a shared value construction view, thus benefiting communities, including indigenous peoples.

In total, the company will promote 30 social projects, including the construction of a wastewater treatment plant in Laraquete, rural drinking water projects in Horcones and Chillancito, the delivery of sports equipment, improvement of common areas, and support for the development of artisanal fishing and at least nine neighborhood centers in different locations in the Arauco commune, among others.

Another remarkable initiative to support the Arauco community is the “Recolectores del Bosque” program, which benefits more than 400 non-timber forest products (NTFPs) gatherers across 20 communes in Chile. The program aims to encourage, disseminate and promote the professionalization of gatherers as a responsible and sustainable economic activity. For this purpose, associative and articulated works are carried out between different actors, strengthening their abilities, delivering entrepreneurial and innovation tools to production processes and contributing to local development.

On the other hand, the “Desafío Agua” program, developed to design and implement projects for access to water for human consumption, has benefited 27 thousand people in 44 communes, through 131 projects, including upgrading of drinking water systems in communities and schools, engineering designs, hydrogeological studies, among others.

Another flagship initiative of Arauco in Chile is its Housing program, that provides support to direct employees, workers from service providers and their families in applying for public subsidies and help in the search and assessment of land for

housing. Thus, during 2019, 216 new homes were handed over, the construction of 714 homes started and 2 projects were applied for subsidy. Since the beginning of the program, 1,750 houses have been built.

For its part, Copec has a socio-community management system which seeks to go beyond regulatory requirements and contribute to improving the quality of life of people living close to its 14 fuel and lubricant storage plants. This methodology also includes risk indicators, regulatory compliance, social capital and socio-community impact. Additionally, Copec has projects for the benefit of the community close to mining and industrial sites, which are developed jointly with customers.

Similarly, Terpel has a Good Neighbor Policy, which lays the foundations for its social investment strategy, sets the objectives, schedule, budget, instances and people responsible for management, as well as the conditions for implementation and the criteria for action. This guideline applies to all those responsible for the relationship with communities near the company's operations in Colombia.

Additionally, Terpel has an active role in reconciliation and peacebuilding in Colombia, and

for this reason it designed the “Restoring Dreams” program, which for six years has maintained different work fronts with reintegrated people. As a result, employment opportunities are created in service stations, support is provided to set up micro-enterprises and productive projects, and trade fairs are organized to promote their products and services. In 2019, more than 200 people were hired at service stations and over 50 businessmen took part in trade fairs.

Meanwhile, Duragas, Ecuadorian affiliate of Abastible, conducted in 2019 a social baseline study in two localities where its packaging plants operate, to identify fields of action in which the company could work with communities. In Santo Domingo, the situation of the Río Verde community was analyzed to prepare community relationship and intervention plans that best suits their needs. In Guayaquil, a study was conducted to find out the situation of the legalization of the settlements of the Jardines del Salado community, and the situation of land use in areas adjacent to El Salitral offices. For its part, Solgas, in Peru, developed tree planting projects and health campaigns for neighbors to the Ventanilla plant.

Orizon has a community relationship policy that requires permanent links with the

communities next to its facilities and with the artisan world linked to the fishing activity, in order to understand the needs of the population on time and identify development opportunities for their neighbors, such as community organizations, craft unions, suppliers, neighborhood boards, among other actors. During 2019, annual work plans were drafted whose main axes included the participation in the Coronel Environmental and Social Recovery Program; support in cultural, social and religious festivities in the area, and coastal edge cleanup and Christmas activities for children from different community organizations. Additionally, the company provided canned food to two nursing homes, and to a center for the prevention and risk of alcoholism and drug addiction.

It should be noted that Orizon signed in October 2019 an agreement with the Rekaba Foundation to support the collection and recycling of disused industrial nets. The agreement includes the development of a recycling workshop for surrounding communities and support for an enterprise in the town of Lebu, Biobío Region, for the collection, cleaning and recycling of nets.



8.3

Donations and contributions to society

During 2019, Abastible worked with the Ministry of Social Development and Family in the Winter Plan and Blue Code, which activates a network of shelters to provide accommodation, food, clothing and medical care to the homeless. The company delivered 1,500 refills of 15 kg liquefied gas and 60 rolling heaters, contributing to the heating and hot water provision for shelters across the country. Additionally, and within the framework of the social context in Chile, in November, the affiliate delivered 1,000 boxes of food to

external workers in recognition of their commitment.

Annually, Orizon contributes with the Hogar de Cristo and Las Rosas foundations and, since 2019, joined the pilot program of the National Fisheries Society (Sonapesca) to support 21 children and teenage who live in the “Oscar Pereira” center, in the Coquimbo Region, which is part of the Sename network. The initiative seeks to contribute by delivering healthy food, improving infrastructure and accompanying integral development of children.



8.4

Contribution to education

Promoting quality education

For 13 years, Empresas Copec and its affiliates have supported the Belen Educa Foundation¹, providing funding and actively participating in its projects. This institution has 11 educational institutions in vulnerable districts of the Metropolitan Region and 1 school in the Los Ríos Region, encompassing more than 14 thousand students.

Prominent among the initiatives carried out is the Mentoring Program, an instance designed to guide four- grade students in their professional development, where executives from Empresas Copec and its affiliates meet monthly with students for one hour.

For the third consecutive year, a group of 12 executives from Empresas Copec and its affiliates participated in the keynote talks program, visiting 350 students from the last

four years from the Cardenal Jose María Caro School, in La Pintana. On this occasion, the students had the opportunity to listen to experiences, receive advice and clarify concerns about issues related to decision-making, vocation, career and employment.

At the same time, the Anacleto Angelini Fabbri Scholarship is awarded each year to the most outstanding student in each institution to finance their higher education in a Technical Training Center or a Professional Institute. In 2019, the scholarship was awarded to eight students graduated from the Foundation schools, in recognition of their effort, perseverance and commitment. It should be noted that 98 other students have obtained this benefit in previous years, 38 of which are already graduated.

¹ www.beleneduca.cl



Collective leadership programs in education

In 2019, Empresas Copec continued to support Enseña Chile², an institution that selects and trains young professionals who wish to dedicate their first working years to teaching in vulnerable schools, in order to build a network of change agents capable of impacting the educational system. At the end of 2019, more than 150 thousand students had benefited from Enseña Chile across nine regions of the country.

Arauco, for its part, contributes to education through the Arauco Educational Foundation³, an organization

that designs and implements teacher training programs in the Maule, Biobío and Los Ríos communes, in order to provide better development opportunities to children and youth. Throughout its 30 years' experience, 79 education programs have been carried out in 34 communes, benefiting 575 schools and more than 101 thousand boys and girls. In addition, since 1981, the company manages the Arauco, Constitución and Cholguán schools, which together have more than 1,200 students. These institutions are open to the community and, year after

year, are recognized nationally for their academic performance and excellence.

In Brazil, Arauco supports the Continuing Teacher Training Program, which aims to help maintain and/or improve the Basic Education Development Index (IDEB by its Portuguese acronym). In 2019, the Program was implemented in 14 municipalities with 2,857 teachers who participated. Also in Brazil, in six different municipalities, the affiliate contributed to the environmental awareness of 650 students from the municipal network.

Dual training: education and practical training

Through a strategic alliance between the affiliate Arauco and Duoc UC, the Campus Arauco was founded, a training center that links education with practical training in the workplace, seeking to create technical professional training alternatives. In 2019, the second generation of 130 students graduated with degrees in Maintenance, Administration and Risk Prevention, and the first generation of 37 students graduated with a degree in Maintenance under the dual modality. It should be noted that in 2019 this dual training modality was expanded to the Duoc UC San Andrés Concepcion Campus and the Nueva Aldea and Trupán Cholguán complexes.

On the other hand, and in order to train the staff who

will operate the new Line 3 of the Arauco Mill, the company implemented the MAPA Training Program. To date, nearly 190 employees have been trained for the Operation area, providing them with the necessary tools to meet the challenge of the start-up of the plant.

Similarly, Orizon has agreements in place with a series of training institutions in specialty fields related to the industry to do internships or theses, with the aim of receiving students so that they can complete their academic and professional training. In the framework of the Dual Alternation Program and in conjunction with Duoc UC, the feasibility of implementing this model in technical courses in

Electromechanics Maintenance and Electricity and Industrial Automation started to be analyzed. This analysis has been positive, which will allow the dual alternation model to be implemented in the company starting next year.

Additionally, Orizon signed in 2019 a collaboration agreement with the Education and Training Center of the Universidad Católica del Norte - CEDUC, to strengthen ties for the development of joint collaboration projects aimed at improving the skills and abilities of the company's human capital and enhance the employability of future technicians graduated from CEDUC, by doing their internships in the different departments of the company.

² www.ensenachile.cl

³ www.fundacionarauco.cl



Encouraging reading in Chile

Copec's commitment to the community, education and culture was consolidated in 2011 with the "Viva Leer"⁴ program together with La Fuente Foundation, eventually becoming the largest reading promotion initiative in the country. Its purpose is to impact reading habits to children and youth in the country. The program has three lines of action: selling books at service stations, setting up school libraries in vulnerable schools

and open to the community, and writing digital stories.

In 2018, a second stage of the construction of school libraries was launched, which includes 45 new libraries throughout Chile in 5 years. During 2019, the project was implemented in three schools, thus consolidating a network of 94 libraries, with 180 thousand books and 41 thousand families and students benefited.

Similarly, the "Cuento Contigo" web platform seeks to spur interest in literature and the parent-child emotional bonding through a free platform that offers 21 interactive digital stories.

⁴www.vivaleercopec.cl

Educating to transform lives

For 15 years, through the Terpel Foundation⁵, the affiliate has sought to improve the quality of education in the Colombian territory and particularly of those children and young students in vulnerable conditions. In 2019, more than a million people were benefitted, carrying out five high-impact educational programs that aim to strengthen skills in vulnerable children and youth.

Some outstanding initiatives of the Foundation are:

1. The "Diseña el Cambio" (Design the Change) program aims to offer children and young people the opportunity to express their own ideas to impact the world and put them into

practice, enhancing socio-emotional competencies of students from official educational institutions.

2. The "Escuelas que Aprenden®" (Schools that Learn) program seeks to strengthen educational institutions in managerial, academic, pedagogical-didactic and community issues, particularly in mathematics and language.

3. The "Lider en Mi" (Leader in Me) program is a leadership reinforcement model incorporated in the educational activities of primary school children.

4. The "Aventura de Letras" (Adventure of Letters) program aims to build libraries in official educational institutions, and implement activities that contribute to promoting reading in children and young students.

5. The "Mi Futuro Ahora" (My Future Now) program is an education fund designed to support technical, technological and technical-labor training of service station attendants, clerks of Altoque or their children, financing up to 80% of their education and providing psychosocial and economic support to the beneficiaries until their graduation.

⁵www.fundacionterpel.org

8.5

Corporate volunteering

Company	2017		2018		2019	
	Number of participants	Volunteer Hours	Number of participants	Volunteer Hours	Number of participants	Volunteer Hours
Arauco	400	N/D	300	N/D	191	1,934
Abastible	95	2,075	762	1,607	450	2,061
Copec	-	-	144	576	79	632
Terpel	527	14,723	724	7,566	790	7,130
Orizon	27	126	38	318	40	295
Empresas Copec	5	30	7	42	19	102
Total	1,054	16,954	1,976	10,109	1,569	12,154
Average volunteer hour		1.65		3.07		2.70

During 2019, 1,569 employees of Empresas Copec and its affiliates participated in corporate volunteering initiatives.

One of them is the charitable activity carried out by employees of Empresas Copec with vulnerable children on the occasion of Christmas, aimed at raising money to support “Las Creches” foster home for girls and teenagers at social risk, from 5 to 18 years. The money raised was used to buy goods including kitchen hoods, mixers, cutlery, clothes and books.

For its part, Terpel focused its volunteering efforts on improving infrastructure of eight educational institutions and two libraries in Colombia, benefiting more than 8,800 students. In addition, employees worked on the recovery of

spaces for citizens, by cleaning beaches, and on activities to promote diversity and inclusion together with the Best Buddies Foundation, specialized in supporting people with cognitive disabilities.

In Chile, 30 Abastible employees helped repair a soccer field of the “Campos de Batalla” Sports Club near the Maipu Plant, in the Metropolitana Region, working on the perimeter closing and repairing bleachers. Additionally, contributing to the Ministry of Social Development and Family's Winter Plan and the Blue Code, 60 employees participated in volunteering activities, visiting and sharing with the residents of 12 shelters throughout the country.

Similarly, Duragas organized two volunteering days. The first

was aimed at the Soldaditos de Dios Foundation, a foster home for children suffering from cancer, where, in addition to collaborating with toys and infrastructure, volunteers carried out leisure and recreational activities. The second activity consisted of visiting and accompanying elderly people from the San Jose nursing home.

Through the Acerca Redes Foundation, the affiliate Arauco in Chile encourages employees to participate in corporate volunteering projects with competitive grants from the company. Thus, in 2019, 43 competitive grants were awarded with 191 workers participating and 1,934 volunteer hours.

In Mexico, Arauco volunteers participated in rescue activities

in public areas, reforestation, and environmental awareness in areas near the industrial complexes in Durango, Lerma and Zitácuaro. In Argentina, for its part, through a Call for Initiatives, the affiliate invited employees to propose concrete actions to positively transform the community. Thus, teams from different areas proposed 18 volunteering actions, from which three winning ideas were selected to be carried out in 2020.

Finally, Copec launched the “Somos Voluntarios” (We are Volunteers) program, and the first intervention was carried out by the NGO “Un Techo para Chile”, where 72 employees participated in the reconstruction of a community center in the district of Lampa, Metropolitana Region. In addition, and in midst of the country's social crisis, employees from the Copec corporate building visited and accompanied workers from service stations that were looted, distributing sandwiches, drinks and sweets, both to dealers and attendants.



09

Committed employees

102-8 / 102-41 / 401-1 / 403-1 / 403-2 / 404-1 / 404-2 / 404-3 / 405-1 / 407-1 / 412-1

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At Empresas Copec and its affiliates, development and professional growth of its employees is a priority in their management. Therefore various initiatives are implemented every year promoting professional training, teamwork and good interpersonal relationships. Likewise, companies are firmly committed to occupational health and safety of their employees, as evidenced by the Sustainability Policy and corporate values.

Respect for the dignity of people and rejection of discriminatory attitudes on the basis of race, religion, gender, age, sexual orientation, nationality, marital status and disability, must take precedence both in relations with employees and in selection processes. To guarantee compliance with this commitment, the companies have effective channels to file complaints and make queries, while ensuring protection of people's identity.

9.1

Job creation and promotion of diversity

HEADCOUNT BY COMPANY

Company	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Arauco	13,521	1,858	15,379	14,745	2,507	17,252	15,528	2,591	18,119
Abastible	2,684	753	3,437	3,258	808	4,066	3,302	843	4,145
Copec	675	254	929	712	263	975	743	297	1,040
Terpel	1,560	1,339	2,899	1,588	1,379	2,967	1,864	1,537	3,401
Arcoprime	1,674	2,898	4,572	2,050	3,047	5,097	2,382	2,912	5,294
Orizon	682	273	955	793	318	1,111	432	102	534
Empresas Copec	23	7	30	19	7	26	21	8	29
Total	20,819	7,382	28,201	23,165	8,329	31,494	24,272	8,290	32,562

Consolidated headcount at the end of 2019 was 32,562, 3% higher than a year ago. This increase is mainly explained by the integration of ExxonMobil's lubricants business into Terpel Ecuador and Peru, partially offset by reduced headcount at Orizon after temporary workers and employees associated with the

mytilids production and marketing operations were excluded from the headcount in 2019, when these assets were transferred to St. Andrews Smoky Delicacies SA and Empresa Pesquera Apiao SA.

On the other hand, at a consolidated level, women held 25% of the jobs, particularly in

the affiliates Arcoprime and Terpel, where this rate rose to 55% and 45%, respectively. The highest number of women was concentrated in technical and professional positions, reaching 31%. At the executive level, meanwhile, this rate was 18%, down 1% compared to a year ago.

HEADCOUNT BY POSITION

Company	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Executives and Managers	82%	18%	81%	19%	82%	18%
Professionals and Technicians	71%	29%	69%	31%	69%	31%
Other Employees	75%	25%	75%	25%	77%	23%
Total	74%	26%	74%	26%	75%	25%

It should be noted that Empresas Copec and its affiliates have selection methods that allow identifying, attracting and retaining the best talents for each position, according to the challenges of the business. For example, in Empresas Copec and Terpel it is good practice that in all final selection processes, at least one of the candidates is a woman. For its part, Arauco has a Recruitment and Selection Policy that favors equal opportunities and provides a standard that promotes transparency, efficiency and equity in all selection processes, both externally and internally, guaranteeing to fill vacant positions with the best and most suitable candidates, according to the profiles and values of the company. Abastible, meanwhile, seeks to enhance gender equality, in order to empower women who work in the liquefied petroleum gas industry,

encouraging career development and accompanying them during all the challenges they face, in operations in Chile, Colombia , Ecuador and Peru.

During 2019, the companies carried out several initiatives focused on the role of women at work. Notable among them is Abastible's female leadership program, aimed at enhancing diversity and inclusion of women in the company, and generating a culture that values gender complementarity in work teams. This program started with conversation spaces with executives and talks with well-known public figures, which were attended by more than 120 employees. Additionally, the program seeks to promote female professional development through personal training plans and inclusion in predominantly male areas and teams.

Likewise, Abastible developed a program to create a culture of "Parental Co-responsibility", which seeks to promote appreciation of shared roles in the family. To do this, the "Active Paternity" benefit was implemented, which allows men to participate in the care and attachment process of their children. This benefit includes 2 hours' reduced working hours, taking half day leave for well-child checkups and special permits for sickness care. In its first year, 80% of the employees who became a father made use of this benefit.

Regarding age group, 40% of employees were 40 years of age or older and 35% were between 30 and 40 years of age. Compared to 2018, the percentage of young people under 30 years remained constant at 25%.

HEADCOUNT BY AGE

	2017	2018	2019
Less than 30 years	25%	25%	25%
Between 30 and 40 years	36%	33%	35%
Older than 40 years	39%	42%	40%

Headcount by country

Mexico and USA

	Men	Women	Total
2017	1,373	299	1,672
2018	1,558	307	1,865
2019	2,189	435	2,624

Panama

	Men	Women	Total
2017	466	555	1,021
2018	436	561	997
2019	454	607	1,061

Ecuador

	Men	Women	Total
2017	348	77	425
2018	364	86	450
2019	421	102	523

Peru

	Men	Women	Total
2017	557	376	933
2018	614	381	995
2019	761	486	1,247

Other countries

	Men	Women	Total
2017	106	32	138
2018	78	15	93
2019	78	16	94

TOTAL HEADCOUNT PER YEAR

	Men	Women	Total
2017	20,819	7,382	28,201
2018	23,166	8,328	31,494
2019	24,272	8,290	32,562

Colombia

	Men	Women	Total
2017	1,833	773	2,606
2018	2,272	852	3,124
2019	2,330	863	3,193

Brazil

	Men	Women	Total
2017	2,619	381	3,000
2018	2,563	310	2,873
2019	2,501	306	2,807

Uruguay

	Men	Women	Total
2017	215	106	321
2018	458	228	686
2019	432	194	626

Argentina

	Men	Women	Total
2017	1,365	129	1,494
2018	1,396	139	1,535
2019	1,567	146	1,713

Chile

	Men	Women	Total
2017	11,937	4,654	16,591
2018	13,427	5,449	18,876
2019	13,539	5,135	18,674

Regarding the type of employment relationship, during 2019, the percentage of employees with indefinite contracts increased to 94% at a consolidated level.

TYPE OF CONTRACT

	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Indefinite contract	92%	83%	92%	86%	95%	93%
Fixed-term contract	8%	17%	8%	14%	5%	7%

At Empresas Copec and its affiliates, recruitment and selection policies seek to promote equal opportunities, based on principles of transparency, fairness and non-discrimination, both for external and internal candidates.

In terms of inclusion, it should be noted that 1.1% of all employees at a consolidated level were persons with disabilities at the

end of 2019, up from 2018. Of this total, 74% were men.

In this context, it should be noted that the companies have implemented initiatives that promote labor inclusion. Particularly noteworthy is Arauco's Inclusion Program, which provides support and benefits in addition to those assigned at the state level to employees with disabilities.

Additionally, Terpel and Copec signed partnerships with the Best Buddies Foundation to include people with cognitive disabilities into its staff and support them in the integration process, as well as provide the company with knowledge in adapting selection processes, training of teams and in the effective recruitment of people with a disability.

NUMBER OF EMPLOYEES WITH DISABILITIES

Company	2017	2018	2019
Arauco	120	214	209
Abastible	14	24	31
Copec	1	2	5
Terpel	12	19	22
Arcoprime	0	51	71
Orizon	7	8	20
Empresas Copec	0	0	0
Total	154	318	358
% of Total	0.5%	1.0%	1.1%



GOAL

In order to contribute to the development of diverse work environments, the affiliate Copec will draft a Diversity and Inclusion Policy.

Regarding remuneration criteria, the companies consider ethical and technical principles when assigning value to a position, allowing to comply with the principles of internal equity and external competitiveness. Every year, each company reviews its compensation structure, seeking to align income levels with the dynamics of the labor market in each country, also considering the development opportunities of each person in relation to their performance.

Empresas Copec and its affiliates compensate their employees with market-competitive salaries and benefits and with salaries that exceed the National Minimum Wage in each of the countries where it operates. It should be noted that the minimum wage paid by Empresas Copec in 2019, excluding bonuses and other variables, was equal to 228.8% of Chile's minimum gross salary, which was CLP\$ 301,000 as of December 31, 2019.



9.2 Recruitment, turnover and internal mobility

During 2019, at a consolidated level, 5,099 people were hired, down 13% from a year ago. Of this number, 27% were women. Meanwhile, 4,573 employees left the company, 25% of which were women.

On the other hand, the hiring rate, which measures the number of hires against the number of employees on the payroll as of December 31 of each year, was 19%, while the turnover rate, which is the accumulated number

of employees who leave against the number of employees on the payroll at the end of year, was 17%.

HIRING RATE¹

Company	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Arauco	N/D	N/D	7%	18%	37%	21%	15%	17%	15%
Abastible	16%	24%	30%	22%	19%	21%	21%	25%	22%
Copec	10%	7%	9%	11%	10%	11%	10%	16%	12%
Terpel	28%	37%	32%	28%	43%	35%	33%	41%	36%
Orizon	13%	12%	12%	5%	7%	6%	9%	23%	11%
Empresas Copec	26%	0%	20%	0%	0%	0%	19%	13%	17%
Total	4%	9%	12%	18%	34%	21%	17%	25%	19%

TURNOVER RATE²

Company	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Arauco	N/D	N/D	0%	11%	15%	11%	14%	17%	14%
Abastible	12%	16%	20%	14%	18%	15%	21%	17%	20%
Copec	7%	8%	7%	6%	6%	6%	7%	6%	6%
Terpel	21%	27%	24%	31%	47%	39%	25%	34%	29%
Orizon	6%	7%	6%	8%	8%	8%	23%	34%	25%
Empresas Copec	22%	0%	17%	11%	0%	8%	14%	0%	10%
Total	3%	7%	5%	12%	23%	15%	16%	22%	17%

¹Due to business dynamics, the affiliate Arcoprime monitors its hiring rate with other indicators, therefore, they are not included in the same table.

²Due to business dynamics, the affiliate Arcoprime monitors its turnover rate with other indicators, therefore, they are not included in the same table.

Additionally, it should be noted that of the positions available during 2019, 26% were filled by internal applicants.

POSITIONS FILLED WITH INTERNAL APPLICANTS³

Company	2017	2018	2019
Arauco	70%	N/D	31%
Abastible	18%	28%	21%
Coppec	88%	59%	49%
Terpel	13%	12%	13%
Orizon	20%	22%	13%
Empresas Coppec	0%	0%	44%
Total	36%	23%	26%

It is worth noting the talent management and professional development programs performed by the companies. Arauco, for example, fosters and supports its employees in their search of better opportunities for professional development within the company, strengthening management’s commitment to identify candidates with an adequate performance and potential. Thus, during 2019, 1,238 people took on new responsibilities,

mostly in Chile and Brazil, thanks to promotions and internal competitions.

For its part, Abastible and its affiliates carried out the first regional public internal competition, through which several development, training and visibility actions were performed. This led to 25% increase in the number of positions filled by internal employees, compared to the previous year.

In Colombia, Terpel's “Developing Talent” program, aimed at reducing the learning curve and retaining talent, allowed 150 people to receive promotions and 74% of all vacancies were filled by internal employees. Additionally, the “Talent Gauge” app was implemented, which allows evaluating organizational skills and values, and providing a more comprehensive, neutral and anonymous view of candidates who apply for internal job openings.

³Internal mobility in 2019 and 2018 was calculated as the number of internally filled positions/(number of internally filled positions + the total number of hires).

9.3

Occupational health and safety

Empresas Coppec and its affiliates are committed to protecting safety and health of all its employees and external staff or contractors who work at its facilities. Therefore, they implement programs and policies that ensure a safe work and the well-being of people, focusing on the development of a culture of protection and care.

Arauco has a security management model called “Together for a better life”. This model is based on three principles: Empowered Employees, Safe Teams and a Job Well Done; and its purpose is to promote the constitution and operation of teams where employees play a leading role in their own protection and the safety of their colleagues. At the same time, a Safe Team that is part of the company, provides conditions for a Job Well Done, meaning, safe and productive. At the end of 2019, 1,841 Safe Teams

had been established in Chile, Argentina, Brazil and Mexico.

At the same time, and with the same purpose, Arauco develops several prevention programs such as handling of High Potential Incidents (HIPOs); implementation of Corporate Operational Standards (EOC by its Spanish acronym) and key security rules; strengthening security leaderships, such as cascading safety, safety contacts and Safe Align; audits and security campaigns, among other things.

Abastible, meanwhile, published its regional handbook containing process safety standards and is part of its Management and Operational Integrity Model, which aims to identify improvement opportunities to ensure safety of people and processes. The implementation

phase of the model started in 2019, leading to better fire plans, risk assessment, lockout and tagout of equipment under maintenance, and change management, among others. This adds to the implementation of practical and entertaining security campaigns, such as "0+zero", "+Security" and "The challenge of security".

The above adds to a stringent Safety Management System, which sets out requirements for storage, transport and delivery of liquefied petroleum gas, and a Transport Emergencies Integrated System, in order to prevent accidents in the transportation process of products and prepare the company for potential emergencies.

Additionally, during 2019, Abastible defined the containment loss indicators, classified as



GOAL

Arauco will continue working to promote a culture of Well-Done Work nad prevent High Potential Incidents. It will also expand the scope of the EHSM SAP project to all countries, a unique global tool used in the incident management process. Additionally, the affiliate will implement the “Together for a Better Life” model in the United States and Canada, and carry out controls associated with the Alcohol and Drug Policy.

Tier 1, Tier 2 and Tier 3 according to the severity of the leak, both in its facilities and that of its customers, in order to generate traceability in the incident reporting and investigation processes, and identifying improvement opportunities in operational processes and implementing a safety culture.

In Colombia, Norgas achieved the certification from OHSAS 18001 to ISO 45001 and implemented, within the "Live Safety" program, five practices identified as critical: work permits, lockout and tagout of hazardous energy, change management, identification of operational hazards and contractor management. In addition, interventions in the manual handling of loads were carried out with the participation of 715 employees, in order to reduce the loading effort on average.

Affiliate Orizon, for its part, implemented a Crisis Management Model in order to define a framework for action that ensures the prevention

and management of situations that put personnel, operational continuity and the company's image at risk.

Copec, meanwhile, has the Environment, Prevention and Security division, responsible for conducting a cross-sectional analysis of security breaches, investigating possible incidents and adopting concrete measures for a “zero fault” model. Specifically, in the transport of fuel, the company has digital systems that allow drivers to be monitored, in order to determine the level of drowsiness, distraction and micro-sleep events. In addition, since 2018, Copec has implemented a telemetry system that allows online stock control and prevents overfilling events. At the same time, in the lubricants plant, the storage system for hazardous substances in the quality control laboratory was improved and devices for fire control were installed.

On the other hand, in its service stations, Copec has a team of external advisers, who in 2019 held 25 workshops attended

by 70 employees, where the risk levels of the different activities were re-evaluated and a series of measures that will be implemented in the period 2020-2021 were defined, in order to reduce the residual risks of operations.

Finally, Terpel has an occupational health and safety management system (SGSST by its Spanish acronym) that seeks to prevent accidents at work and occupational diseases, and to create healthy life and work habits including: self-care, timely reporting of news in health and safety, and physical activity in the workplace. This system allows identifying hazards, assessing and controlling agents and risk factors, and ensuring compliance with laws, rules and regulations.

The affiliates are supported by 174 Joint Health and Safety Committees, whose main role is to identify, analyze and prevent accidents and occupational diseases. They are made up of representatives of the companies and the employees.

JOINT HEALTH AND SAFETY COMMITTEES

Company	2017	2018	2019
Arauco	29	33	67
Abastible	24	24	23
Copec	5	9	7
Terpel	5	5	5
Arcoprime	54	68 ⁴	67
Orizon	4	5 ⁵	4
Empresas Copec	0	1	1
Total	121	145	174

Company	Loss Rate (Employees)			Accident Rate (Employees)		
	2017	2018	2019	2017	2018	2019
Arauco	N/D	N/D	N/D	4.4	3.2	3.8
Abastible						
Chile	68.5	18.8	37.2	3.3	2.4	1.9
Peru	68.2	21.8	13.5	1.1	2.3	1.8
Colombia	-	0	0	0.4	0.5	0.4
Ecuador	145.0	99.7	143.8	19.0	7.9	7.7
Copec	12.1	1.3	6.0	0.7	0.4	0.2
Terpel ⁶	6.8	9.0	18.2	7.4	5.6	9.9
Arcoprime	54.6	66.1	40.5	4.0	4.1	3.2
Orizon	45.9	29.1	75.9	2.2	2.6	3.7
Empresas Copec	0.0	0.0	0.0	0.0	0.0	0.0

⁴Data reported in 2018 is modified due to a recording error.

⁵Data reported in 2018 is modified due to a recording error.

⁶Data only includes Terpel operations in Colombia.

During 2019, Arauco recorded a 22% increase in the Frequency Index (FI) and a 22% drop in the Severity Index 3 (IG3), compared to 2018. Its lost time injury rate was 3.8 with 183.1 days lost per million hours worked. In addition, in 2019, 8 facilities had achieved more than a year without accidents. However, in this same period, the company had to regret the death due to an occupational accident of a contractor worker who was working as Line Chief Strober at the Antumapu contractor company.

For its part, Copec ended 2019 with an increase in the AMIK Transport indicator, which reached 0.31 incidents per million kilometers transported and 7.0 incidents per million cubic meters shipped (AMM3 Plants).

Regarding fatal work accidents, Copec had to regret the death of a contractor driver, who was on his way to fuel the service station located in San Pedro de Atacama. It is worth mentioning that the rest of the affiliates and Empresas Copec did not suffer fatalities during 2019.

Company	Loss Rate (Contractors)		Accident Rate (Contractors)	
	2018	2019	2018	2019
Arauco	N/D	N/D	N/D	N/D
Abastible				
Chile	122.6	40.0	6.6	2.9
Peru	10.2	5.1	1.0	0.8
Colombia	N/D	N/D	0.0	N/D
Ecuador	4.7	15.2	0.8	1.0
Copec	N/D	26.9	N/D	2.1
Terpel	2.2	4.0	0.8	0.4
Arcoprime	N/D	N/D	N/D	N/D
Orizon	N/D	N/D	N/D	N/D
Empresas Copec	0.0	0.0	0.0	0.0

9.4

Human rights and freedom of association

Respect for internationally agreed Human Rights is a non-negotiable value at Empresas Copec and its affiliates. Therefore, the Company's Human Rights Policy seeks to encourage active cooperation with stakeholders to responsibly relate to the social and human development of the country. This policy clearly states Empresas Copec's commitment to freedom of association of its employees, full rejection of child and forced labor

and discrimination in all its forms, along with respect for existing legal standards and desire to promote safe work environments.

For its part, Terpel also has a Human Rights Policy in line with the core international instruments and is applicable both to the operations it carries out in Colombia and the other countries where it is present, and to its stakeholders.

At the end of 2019, Empresas Copec, Abastible, Copec, Terpel, Arcoprime and Orizon had 21 unions, representing 16% of all employees. Meanwhile, Arauco in Chile had 31 unions in its businesses.

Company	2017		2018		2019	
	No. of Unions	Unionization rate	No. of Unions	Unionization rate	No. of Unions	Unionization rate
Arauco	36	30%	43	37%	31 ⁷	N/D
Abastible	6	27%	6	28%	6	28%
Copec	3	50%	3	52%	3	49%
Terpel	1	2%	1	1%	2	2%
Arcoprime	6	4%	4	3%	5	5%
Orizon	6	58%	6	57%	5 ⁸	63%
Empresas Copec	0	0%	0	0%	0	0%
Total	58	24%	63	28%	52	16% ⁹

⁷Data only includes Arauco unions in Chile.
⁸The number of unions decreased due to the sale of mytilid production and marketing operations in Puerto Montt.
⁹It does not consider Arauco's employees since the number of unionized people was not available.

Additionally, during 2019, negotiation processes were carried out with the unions of Arauco and Orizon, as established by local legislation, most of them being early agreements.

On the other hand, the number of employees covered by collective agreements reached 50%.

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS

Company	2017	2018	2019
Arauco ¹⁰	63%	40%	58%
Abastible	43%	40%	41%
Copec	96%	97%	98%
Terpel	77%	76%	70%
Arcoprime	4%	3%	3%
Orizon	10%	81%	85%
Empresas Copec	0%	0%	0%
Total	52%	40%	50%

¹⁰Data only includes employees from Chile and Argentina.



9.5 Career development

Empresas Copec and its affiliates work to create spaces that allow its employees to grow and develop while creating value for the organization and its environment. To do this, each company has training and career development programs.

During 2019, 85% of people received training, higher than

a year ago. For its part, 75% of female staff was trained at least once a year, while in the case of men, it was 88%. On the other hand, each employee received an average of 26.2 hours of training, which meant an investment of close to US\$ 3.4 million, 24% higher than in 2018.

PERCENTAGE OF EMPLOYEES TRAINED

Company	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Arauco	51%	51%	64%	67%	86%	47%
Abastible	84%	88%	90%	89%	88%	88%
Copec	81%	85%	89%	92%	88%	90%
Terpel	100%	100%	100%	98%	100%	100%
Arcoprime	N/D	N/D	71%	67%	83%	76%
Orizon	70%	44%	57%	32%	91%	73%
Empresas Copec	100%	100%	95%	100%	100%	100%
Total	58%	47%	73%	74%	88%	75%

In 2019, the affiliate Arauco developed a Technical Training model that seeks to prepare employees for the challenges of the industry, raise the technical level and improve performance. The model is based on the implementation of ongoing and continuous training programs leveraged to new learning methodologies, where internal

knowledge and skills are used. In its first edition, it contributed to the development of 4,189 employees in Chile, Brazil and Argentina.

At the same time, the company created the “Red Forma” program, where operators themselves are tutors of their coworkers, thus promoting learning processes based on

knowledge and experiences in the forestry sector. During 2019, 450 employees took part in this program. Additionally, as part of the Red program, the Trainer of Trainers program was implemented, aimed at transferring knowledge and experiences in the workplace. In its first year, 140 tutors were trained.

Abastible, meanwhile, continued to work with the Management Team Strengthening program, through the development and implementation of the One Team Certificate plan.

In Colombia, Norgas has had the Corporate University for three years, looking to strengthen its employees' skills through strategies in knowledge management and leadership training. During 2019, 88 people graduated from the first commercial excellence

diploma course with a focus on professional sales of LG was held. At the same time, a seedbed plan was launched for the sales force, which seeks to enable them to become trusted consultants for customers. Additionally, partnerships were created with specialized institutions for training in logistics courses, which were attended by nearly 70 employees.

Terpel, meanwhile, has a virtual Class T training platform, through which language programs,

technical and leadership courses are taught, offering employees the opportunity to develop additional skills beyond those of the position they hold. In addition, the affiliate set up the Leadership School, a four-month program that includes modules such as "Conversation Management", "Emotional Management" and "Leader Trainer", among others. Twenty heads of the lubricants plant and 28 regional heads attended this school.

During 2019, Orizon signed a collaboration agreement with the Education and Training Center of the Universidad Católica del Norte (CEDUC), which establishes among its main agreements to strengthen ties for the development of joint collaboration projects, aimed on the one hand at improving skills and capacities of the affiliate's human capital and, on the other hand, to enhance the employability of future professional technicians with degrees at the center, through the development of their internships in the different areas within the company.

Performance review

Every year, Empresas Copec and its affiliates conduct formal performance (or skill, in the case of Copec) reviews, recognizing those employees who stand out for their performance and, in some cases, providing opportunities for internal mobility. At a consolidated level, in the last three years, the number of people evaluated grew from 48% to 51%.

Arauco, for its part, has a performance management model that assesses five skills, with special emphasis on the quality of the assessment and feedback, in order to foster a high-performance culture in all the countries where it operates. The process consists of a self-evaluation stage and another

stage where leaders assess their team performance, whose results are calibrated in order to ensure consistency in the criteria used, ending with a feedback stage.

In 2019, the company unified this process in all the countries where it operates and implemented the same platform (success factors) to manage people processes in an integrated manner. In addition, the Talent Review program was implemented, focusing on drafting and monitoring of individual development plans that allow talent to be managed for outstanding performances and to address gaps in the case of the lowest.

Orizon, on the other hand, conducted a performance review

pilot involving 72 employees from the executive level. Meanwhile, Abastible continued the regional implementation of the Performance Management model at the executive and supervisor levels. Specifically, in the affiliate Norgas, assessment of the Management Committee was maintained under Lencioni's model and individual coaching activities and skills strengthening workshops were conducted.

Meanwhile, the affiliate Terpel conducted its evaluation process in Colombia and the Dominican Republic, with the aim of drafting action plans to reduce the gaps in the employees' skills.

MAPA Training Program

The MAPA Training Program, which seeks to prepare 190 people to work in the Operations area of the new Line 3 of the Arauco Mill and face the challenges of the mill start-up, was realized by hiring staff two years before the mill comes online, so that they take part in an intensive training stage. This, from its design and implementation, has the

collaboration of actors such as Duoc UC, institutions of the Biobío Region and specific areas of the affiliate. This program has been promoted by the Dual methodology, combining the applied theoretical part and on-the-job learning and recovering internal know-how along with the use of new technologies through process simulation.

PERCENTAGE OF EMPLOYEES EVALUATED

Company	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Arauco	N/D	N/D	54%	N/D	N/D	63%	73%	75%	73%
Abastible	16%	28%	19%	18%	19%	19%	21%	22%	21%
Copec	N/D	N/D	98%	89%	89%	89%	83%	82%	83%
Terpel	59%	34%	48%	67%	45%	57%	51%	32%	42%
Arcoprime	N/D	N/D	49%	N/D	N/D	49%	0%	0%	0%
Orizon	16%	8%	14%	12%	7%	10%	17%	0%	13%
Empresas Copec	43%	57%	47%	95%	100%	96%	95%	100%	97%
Total	30%	29%	48%	38%	38%	53%	56%	35%	51%

9.6

Work climate

A good work climate facilitates the development of employees and contributes to having more motivated teams, which is essential to meet challenges. In addition, it allows identifying strengths and improvement opportunities and providing leaders with information allowing

them to optimize management. That is why climate surveys are essential to make a good diagnosis of the effectiveness of the programs implemented in each of the areas of human management.

Company	2017		2018		2019	
	% of Answers	% of Favorability	% of Answers	% of Favorability	% of Answers	% of Favorability
Arauco	79%	71%	77%	72%	74%	80%
Abastible						
Chile	86%	83%	88%	88%	89%	89%
Peru	82%	79%	87%	81%	95%	86%
Colombia	100%	95%	98%	94%	91%	96%
Ecuador	98%	92%	99%	93%	98%	95%
Copec	89%	74%	91%	76%	91%	76%
Terpel	Not conducted	Not conducted	81%	66%	Not conducted	Not conducted
Arcoprime	83%	N/D	84%	N/D	89%	84%
Orizon	92%	69%	100%	73%	Not conducted	Not conducted
Empresas Copec	Not conducted	Not conducted	Not conducted	Not conducted	Not conducted	Not conducted



It is worth mentioning that Orizon measures the work climate every two years, and the next survey will be conducted in late 2020. Meanwhile, Abastible, Arcoprime and Terpel conducted their surveys in 2019, under the Great Place to Work methodology, while Copec uses the People First methodology.

Arauco, meanwhile, measures the organizational climate through an annual survey, which contains 64 questions that allow employees to express their opinions of the company, its teams and the quality of leadership. This survey has already been positioned as a highly participatory and confidential process and, during 2019, it was conducted in Chile, Brazil, Argentina, Mexico, United States and Canada, and in the different commercial offices worldwide.



GOAL

Terpel made a commitment to increase its favorability index to 68% by 2020, in addition to maintaining good bonding index levels (73.5, very satisfactory) and improving the commitment index (affection and brand pride), which is 62.6, insufficient. To this end, actions will be carried out such as the dissemination of results companywide, support for specific interventions in vice presidencies and management, and corporate identity communication campaigns such as “Vivamos Terpel”.

Similarly, by 2020, Arauco took on the challenge of maintaining a good organizational climate in all the countries where it operates and, thus sharing good organizational practices and timely addressing the gaps that may be detected in some areas. For this purpose, the different communication channels will be constantly reinforced, such as the corporate intranet, the informative videos “Voces Arauco”, emails, television screens, bulletin boards and video streaming presentations by key leaders of the company.

10 About this report

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For the fifth consecutive year, Empresas Copec publishes its annual Sustainability Report, maintaining its commitment to transparency and responsibility with its stakeholders. This document was prepared in accordance with the criteria and content of the Global Reporting Initiative (GRI) Standards launched in 2016 and seeks to publicize its performance in the economic, social and environmental dimensions for the period from January 1 to December 31, 2019.

Scope

The document includes the impacts of the operations of Empresas Copec in each of the countries where it operates and, unless otherwise indicated, consolidates information from the following affiliates: Arauco, Abastible, Copec, Terpel, Orizon and Arcoprime, that is, those companies where the Company has more than 50% ownership.

Definition of content

This report has been prepared in accordance with the Core option of GRI Standards (Global Reporting Initiative.)

To structure the document and prioritize the topics to be included in the 2019 Sustainability Report, the principles of Completeness, Materiality, Including Stakeholders and Sustainability Context of the GRI Standards were taken into consideration.

Regarding the identification of the contents, on the one hand, the material aspects reported in previous years, the strategic objectives and the main events of the year for both Empresas Copec and its affiliates were analyzed. On the other hand, from the external perspective, the concerns, questionnaires and queries raised by national and international investors and market analysts were

incorporated. The result of the materiality process is presented in table on page 178.

Based on these two dimensions, the material or relevant issues to be included in this document were defined, as well as their degree of coverage, that is, where the impacts are generated.

The process to draft the report was led by Empresas Copec Corporate Affairs Division, responsible for collecting and consolidating the data of each of the companies. The document was internally validated by the same division.

¹Previous reports at <https://www.empresascopec.cl/en/categoria-publicacion/sustainability-report/>

Information gathering methodology

The quantitative information incorporated in this Report has been compiled by teams from each of the affiliates. The qualitative information resulted from the collection of internal documentation and specific interviews with executives representing each company. The techniques and bases for the measurement of the data, as well as the significant changes relative to previous periods, are detailed throughout the Report in the corresponding cases.

The information incorporated in this document has not been subject to verification by a third party. However, the information was prepared by the responsible areas of each company, and consolidated in the matrix, by a specialized team.

For further information about this report, please contact:

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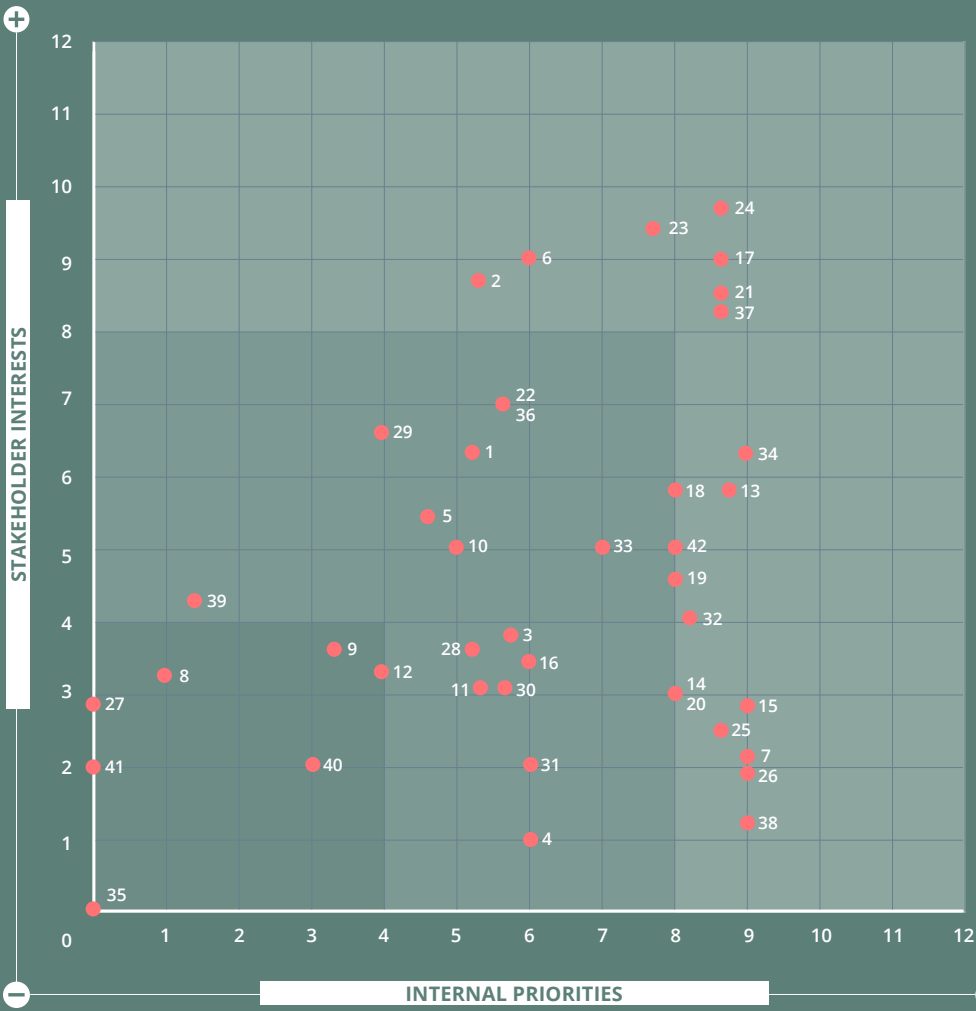
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Consolidated materiality

As a result of the study of relevant topics (materiality) carried out for this Report, the following topics and the level of relevance at the level of Empresas Copec and each of the affiliates were identified.



1. Water

2. Biodiversity

3. Training

4. Certifications

5. Working environment

6. Energy consumption

7. Regulatory compliance

8. Human rights

9. Career development

10. Supplier and partner development

11. Local socioeconomic development

12. Diversity and equal opportunities

13. Own Headcount and Contractors

14. Consumer and community education

15. Operational efficiency
16. Effluents and Spills

17. Emissions and Climate Change

18. Salary Equity

19. Renewable energy

20. Tax Strategy

21. Ethics - Antitrust - Anti-corruption

22. Environmental Management / Responsibility

23. Risk management

24. Corporate Governance

25. Innovation and New Solutions

26. Internationalization

27. Freedom of Association and Collective Bargaining

28. Public Policy
29. Environmental Production and Services

30. Community Relations

31. Relationship with indigenous peoples

32. Investor Relations

33. Senior Executives Remuneration

34. Profitability / Economic Growth

35. Reputation / Awards

36. Solid waste

37. Health and security

38. Customer satisfaction

39. Information Security - Cyber Attacks

40. Product safety

41. Child labor

42. Transparency

Topic	Priority for stakeholders	Empresas Copec	Arauco	Copec	Terpel	Abastible	Orizon	Arcoprime	Chapter in the Sustainability Report
Water	Medium		●				●		07
Biodiversity	Medium		●	●	●		●		07
Training	Medium	●	●	●	●	●	●	●	09
Certifications	Medium		●			●	●		02
Working environment	Medium	●	●	●	●	●	●	●	09
Energy consumption	Medium		●	●		●	●		07
Human rights	Medium	●			●				09
Career development	Medium	●	●	●	●	●	●	●	09
Supplier and partner development	Medium		●	●	●	●		●	05
Local socioeconomic development	Medium		●	●	●		●		04
Diversity and equal opportunities	Medium	●	●	●	●	●		●	09
Own Headcount and Contractors - Employment	High	●	●	●	●	●	●	●	09/05
Consumer and community education	High	●	●	●	●			●	05/08
Operational efficiency	Low		●	●		●	●	●	05
Effluents and Spills	Medium		●	●	●		●		07
Emissions and Climate Change	High		●	●	●	●	●		07
Salary Equity	High	●	●	●					09
Tax Strategy	Medium	●							03
Ethics - Antitrust - Anti-corruption	High	●	●	●	●	●	●	●	03

Topic	Priority for stakeholders	Empresas Copec	Arauco	Copec	Terpel	Abastible	Orizon	Arcoprime	Chapter in the Sustainability Report
Environmental Management / Responsibility	Medium	●	●	●		●	●		07
Risk Management	High	●	●	●	●	●	●	●	03
Corporate Governance	High	●	●	●	●	●	●	●	03
Innovation and New Solutions	Medium	●	●	●	●	●	●	●	06
Internationalization	Medium	●	●	●	●	●			04
Freedom of Association and Collective Bargaining	High		●	●	●	●	●	●	09
Public Policy	Low	●	●	●		●	●		03
Environmental Production and Services	Medium			●		●		●	07
Community Relations	Medium		●	●		●	●	●	08
Relationship with Indigenous Peoples	Low		●						08
Investor Relations	High	●							03
Senior Executives Remuneration	Medium	●	●						03
Profitability / Economic Growth	High	●	●	●	●	●	●	●	04
Solid waste	Medium		●		●		●	●	07
Health and Security	High		●	●	●	●	●	●	09
Customer Satisfaction	Low		●	●	●	●	●	●	05
Information Security - Cyber Attacks	Medium	●		●		●		●	03
Product safety	Low			●	●	●	●		05
Transparency	High	●	●		●				03

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