



# Chairman's statement

**» 2020 WAS A PAINFUL, CHALLENGING AND STRANGE YEAR, FOR EVERYONE, WHICH WILL SURELY REMAIN IN OUR MEMORIES FOR A LONG TIME. A YEAR IN WHICH WE WERE ABLE TO MOVE FORWARD, WITH EVERYONE'S EFFORT «.**

## US\$ 191 million

profit during 2020

### DEAR SHAREHOLDERS,

I am writing to you to present the Company's Annual Report, through which we give an account of the past year. 2020 was a painful, challenging and strange year, for everyone, which will surely remain in our memories for a long time. A year in which we were able to move forward, with everyone's effort, promoting the economic, social and environmental value creation goals we have set for ourselves.

It is impossible not to begin these lines by pausing to reflect on the pain caused by the human losses due to the pandemic, which, unfortunately, also hit our companies. We have witnessed the huge prevention efforts and ability to adapt in each of our companies, so as to be able to continue to play their role in society uninterrupted, and without putting people's health at risk. However, we had to face illness - and even death - from our own collaborators. We extend heartfelt condolences to the families of those who have left us, and also to all those who have suffered firsthand or very closely the ravages that Covid-19 has left us.

The pandemic became, throughout 2020, the protagonist of our business areas, affecting the way we do things, due to necessary distancing between people, which also led to lower economic activity levels around the world and an unprecedented deployment of fiscal measures. All this, moreover, against a political backdrop characterized by a challenged institutional framework and a lack of consensus on how countries should conduct themselves.

Directly related to our activities, although a lower operating result marked the balance sheet for the year, as a result of low forest product prices and the impact of Covid-19 in all our businesses, we made a US\$ 191 million profit, US\$ 19 million more than in 2019, which was impacted by significant impairments and losses in associated. EBITDA, meanwhile, was US\$ 1,802 million, 11% less than the previous year. While this is a major decline, the figure shows the cash generation capacity of our

activities even in a context such as this. This is also evidence of a strategic business design capable of adapting to changes in the environment, while maintaining financial prudence as a principle.

The decline in operating figures came at a time when we were facing substantial investments. For this reason, and in order to maintain investment grade in the subsidiaries' risk ratings, we proposed our shareholders to amend Empresas Copec's dividend policy, in order to strengthen the financial position to better face these times. Everyone's effort was necessary.

Along the same lines of strengthening the balance sheet, during the year we continued to make progress in cost control measures, and delaying lower priority investments. Additionally, we promoted divestment processes of some large-scale logistics infrastructure assets developing over decades by our fuel operations, to ensure optimal performance of their supply chains. They are assets that today no longer fulfill a strategic role, and that are more attractive for an investor profile different from ours, less inclined to reinvestment, and with lower profitability requirements, opening space for value creation and enabling our companies to focus on those activities where we have more competitive advantages. In addition to interests in Gasmar and Sonacol, Empresas Copec is considering a potential sale of its shares in Metrogas and Agesa. All these sales, if materialized, will make it possible to make visible the value of important assets in our portfolio and, at the same time, will help to improve the Company's cash position during this period in which we are carrying out strong investment efforts.

Even in these times of volatility and uncertainty, financial markets have remained open to our companies. This year we were able to raise funds under very favorable conditions, including an international loan of US\$ 360 million for this parent company, a concrete demonstration of markets' trust in our management capacity, as well as in the philosophy and principles that guide our business actions.

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Similarly, in order to strengthen ARAUCO's financial position —affected by funding requirements for various projects, in addition to facing one of the longest periods of low pulp prices in recent decades — in May a capital increase was agreed for this affiliate of up to US\$ 700 million, of which US\$ 250 million materialized during 2020.

This capital injection has allowed ARAUCO to move forward with its MAPA project, aimed at increasing production capacity in this industrial complex to 2.1 million tons of pulp per year, with cutting-edge technology and state-of-the-art environmental equipment. This is a project of paramount importance for our country and the Biobío Region, involving around US\$ 2,350 million in funds. This is the largest investment in the company's history and the largest project currently underway in Chile, providing thousands of direct and indirect jobs, and injecting dynamism and resources into the local community, in the heart of our forestry activities.

Construction of MAPA under pandemic conditions has been a huge challenge. In coordination with authorities, contractors and subcontractors, actions have been taken and plans have been adopted, creating protocols and reorganizing work systems to meet the toughest health standards. Thanks to these measures, which allowed testing, tracing and conduct active search for Covid-19 cases and, with this, isolating and mitigating potential outbreaks, the project reached 70% progress at the end of 2020, and start-up is estimated to take place at the beginning of the fourth quarter of 2021.

MAPA will renew and increase efficiency and productivity of ARAUCO's oldest facilities, expanding total pulp production capacity by more than 30%.

The investment also includes a cogeneration plant that, in addition to supplying renewable energy the new operations, will provide a surplus of up to 166 MW of electric power for Chile. In addition, another 180 MW of environmentally friendly capacity will be provided by the Viento Sur Wind Park in the same area.

Beyond our borders, another major investment is that of our affiliate Alxar Internacional, which continued to push the Mina Justa metallic mining project, whose construction will involve a US\$ 1,600 million total investment. This is a world-class development, in a privileged location on the southern coast of Peru, which we have carried out together with Breca Group, a renowned Peruvian conglomerate, through its mining arm Minsur. Mina Justa has an estimated 432 million tons of mineral resources, an average annual production of more than 100 thousand tons of fine copper, and an attractive exploration potential for future growth.

Although construction faced some delays, due to the pandemic, fast change in health protocols allowed the company to close the year with 98% progress and more than 4 thousand employees at the site. Mina Justa is currently completing commissioning work and starting its ramp-up, with the production of its first commercial batches.

Mina Justa responds to the challenge of finding new growth areas that harmoniously integrate to our activities in the field of natural resources, relying on the competitive advantages offered by our region and where we can add value from knowledge acquired in other ventures. Based on our experience,

### » MINA JUSTA RESPONDS TO THE CHALLENGE OF FINDING NEW GROWTH AREAS THAT HARMONIOUSLY INTEGRATE TO OUR ACTIVITIES «.

we promote opportunities that pose similar challenges to those we have already tackled, with financial profiles similar to those we have already mastered, and that are at the same time prudent risk exposures and interesting potential growth paths.

In a constantly and fast changing environment, boosting flexibility in our companies is more valuable than ever, so we have been opening ourselves to the search for new partnerships, similar to Mina Justa, in order to bring together the capabilities needed to continue growing efficiently and sustainably. Our broader geographic presence and our operation in a more global environment naturally lead us to seek partners where there is compatibility of interests, complementary skills and a common vision, which in turn allows us to access all the local talent and knowledge in the different latitudes where we operate.

In addition to these two major investment projects, there are several other initiatives, whose details can be found in the different sections of this Annual Report, and which are framed within the same long-term vision that has been at the core of our way of doing business, laying the foundations for future growth. Thus, total investment in 2020 reached US\$ 2,160 million, with an emphasis that confirms our ongoing focus on natural resources and energy, as more than 95% was concentrated in the main businesses, the forestry and fuels sectors.

Keeping our sights set on the long term implies, as we said, adapting our strategies to changing external conditions and their projection over time. This is how we have been making progress in incorporating the knowledge spread in our investor base, who are increasingly sophisticated and interconnected, and provide us with a critical and constructive vision of what we do, through various permanent communication channels with them. Likewise, we strive to open the doors and be increasingly permeable to the demands of the different stakeholders, who are the ones who, being inserted in the different social strata, allow us

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to understand, more and more deeply, what society expects from us.

Indeed, at Empresas Copec we feel part of the contemporary trend that expects private companies to go beyond the responsibility of creating immediate economic value. We have always understood that the long-term vision that characterizes us cannot be independent of our environment. We have spent decades expanding the boundaries of what has traditionally been considered doing business, extending our scope of action far beyond the productive and commercial focus, making our own the main challenges of the countries in which we are present.

Among the various lessons that we, the private sector, have learned is that people expect companies to contribute with solutions, as much as the State, and that both institutions collaborate in the search for greater wellbeing for all.

In this sense, it is important to highlight the huge contribution that companies, as well as unions, are making to deal with the challenging scenario that has been established during this health, social and economic crisis. Efforts of all our companies, for example, to ensure welfare of their employees and continuity of jobs; to understand at the right time what were the most pressing needs of the communities that are part of our value chain; to help SMEs, public health services; to maintain the continuity of logistic supply chains, and so much more.

I would also like to highlight the support we provided, through the Copec-UC Foundation, to the team of Dr. Alexis Kalergis, a UC vaccine specialist, in the attempt to develop a Chilean

vaccine against coronavirus. This is a daunting task of global scope from which we could not withdraw ourselves. Contributing to the scientific capacity, developing local knowledge in this emergency, will be vital to face a disease that will accompany us for many years and others that may come. This same university, and this same professional team, after signing an agreement with a Chinese laboratory, have been responsible for having carried out the Phase 3 clinical trials of the vaccine that today is giving hope to an important part of the Chilean population to achieve greater certainty of immunity. It is impossible to forget the signing ceremony of this agreement in the middle of last year. Impossible not to recognize the importance of financing talent and collaborating with our science.

Once the emergencies have passed, private companies will continue to play a key role. It will be the turn of economic recovery. And the requirement now is that it be a sustainable recovery, because we all want to rebuild, but we also want to take advantage of the opportunity to rebuild a better world now.

In this regard, it is worth noting a milestone that we are proud of this year: ARAUCO's certification as a carbon neutral company, becoming the first forestry company in the world to achieve this goal. A target that we announced in this same letter just a year ago, and which means demonstrating, with the highest standards, that carbon dioxide captured by the company is greater than the emissions produced with its global production. The difference, a net absorption of 2.6 million tons of CO<sub>2</sub> per year, is a very concrete contribution to the planetary challenge of climate change.

This reflects the conviction that it is possible to continue creating shared value and, at the same time, protecting, caring for and improving natural resources, which are the focus of Empresas Copec's activities.

Under this same approach, our affiliates in the energy sector have taken up the challenge of the

**» OUR AFFILIATES IN THE ENERGY SECTOR HAVE TAKEN UP THE CHALLENGE OF THE ENERGY TRANSITION TO MORE RENEWABLE SOURCES «.**

energy transition to more renewable sources. Where others are defined as suppliers of a specific product, the value offer of our subsidiaries is based on excellent service, an agile understanding of changes and the creation of the best consumer experience, relying on the strength of each of the brands, and anticipating the energy needs of their customers in order to meet them with forward-looking solutions. This is the perspective, for example, of Abastible, which today provides its customers with global and sophisticated energy solutions, taking care of efficiency and sustainability at the same time.

The various and simultaneous disruptive innovations in forms of mobility and collaborative transportation technologies, as well as changes in user preferences, make up an unprecedented scenario, which pose not only a challenge but also an attractive opportunity for Copec and its affiliates. For example, Copec has South America's largest electro-chargers' network, and this year inaugurated the largest electroterminal in Chile, with 57 high-power chargers for a fleet of 215 electric buses of the Metropolitan Mobility Network. For its part, Terpel did the same in Colombia, starting operations of its first charging terminal, under the Terpel Voltex brand, to serve electric buses of the Public Transportation Service in Bogotá.

Little by little we are entering a new, dynamic and changing world, in which these different technologies and preferences coexist, and where the state of development of our companies enables them to offer their customers the possibility of moving as they prefer, whatever the energy they choose, and always with the Copec seal of service quality.

To achieve this, it is more important than ever to reinforce the commercial leadership that our companies have sustained with the will to push the frontiers of technological progress, inserting themselves even further into the innovation ecosystem, with a global perspective and the clear mandate to challenge the core business, whether through technology transfer, proprietary developments or the acquisition of new capabilities through investments in pioneering start-ups in the field. Thus, generation via photovoltaic panels, new delivery apps for convenience stores, or the use of big data techniques for intelligent energy storage, are already part of our fields of action.

Innovation also requires challenging traditional boundaries of markets, expanding product portfolios and adding more and more value to our raw materials. In this regard, ARAUCO started operations in 2020 of its first dissolving pulp mill in Valdivia, with an expected production of 550 thousand tons per year and an investment of close to US\$ 190 million. Given the unique design of this facility, conversion to this new type of material was very efficient, at a fraction of the cost of modifying any other mill in the industry, and with a production process that meets high environmental standards, making ARAUCO the only company in the country to produce this type of pulp. In this way, we are innovating in our production and commercial processes to enter a rapidly growing market and driven by factors other than those of traditional pulp, enabling us to build a more robust business model in this area. At the same time, we provide an environmentally friendlier product than its substitutes, which are highly intensive in the use of land and water.

Dissolving pulp is added to the thousands of different products that ARAUCO produces, for specific applications, in a wide variety of markets, with ever-increasing added value. We have gone from different types of panels, or moldings of different sizes, to products such as Vesto, with antimicrobial properties, or the prefabricated panels of the new E2E mill, cut to size for each project, based on digital blueprints.

This same vision, raised towards broader horizons, has also encouraged our fishing companies to conceive themselves not so much as actors in this industry, but as players in the world of nutrition, whether through the development of sophisticated food supplements with attractive nutritional properties, foray into protein concentrates production from alternative sources to those of the sea, or entering the world of e-commerce. As an example, the nutraceutical and organoleptic quality of Golden Omega's products, in their different formats, is so high that most of its customers in 35 countries, use the company's logo as a symbol of quality.

We have gradually consolidated our position as a multinational company, with a productive presence that spans 16 countries and commercial activities in more than 80 countries. Over the years, we have built a more balanced portfolio that is less exposed to what happens in a particular geography or business. At the same time, we continue to focus on those activities where we can make a difference with leading positions in the long term, creating greater economic and social value for our shareholders, employees and the communities that embrace us, wherever we are.

A key factor in our success in this expansion has been the strengthening of our corporate governance structure, which seeks to ensure efficient and timely, yet transparent and sustainable management, in each of our areas of activity, consistent with our values and principles, in all latitudes. The strategic planning has been in the hands of our team of directors, and it is through them, as well as our executives and employees, that we are responding to the need to provide proper guidelines and decision and monitoring systems to our increasingly global companies.

In this sense, we have continued to make progress in the incorporation of independent directors with different profiles, promoting the operation of more specific committees, relying on training

and external assessments, adding new and more effective instances of control and risk management, implementing cross-application corporate policies, improving access and timely delivery of information and its transparency, among many other initiatives. All these governance efforts have been recognized on multiple occasions, including the "La Voz del Mercado 2020" award, granted by the Santiago Stock Exchange, along with EY.

I invite you to read our Annual Sustainability Report, which details the commitment of Empresas Copec and its affiliates to excellence in environmental, social and corporate governance management. This, through concrete contributions, whether through financial resources, human capital, technology, innovative capacity and management, in addition to permanent contributions focused on education, innovation, culture, sports and social housing, among others. Efforts materialized for decades through pioneering institutions in their respective fields, such as the Copec-UC Foundation and its Venture Capital Fund; the UC Anacleto Angelini Innovation Center; the ARAUCO Foundation, Belén Educa, Enseña Chile and Elemental.

We believe that this long-term approach and deep connection with the environment is the basis for having been ratified by selective international indexes that highlight companies for their performance in environmental, social and governance matters, as prestigious as DJSI, both

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in Chile and MILA, FTSE4Good Emerging Index and MSCI Sustainability Index.

These indices recognize that business and society are increasingly closely intertwined, and that this indissoluble bond is becoming more visible and indispensable. We feel called upon to put all our efforts, will and energy into delivering everything that is expected from us. We believe that this has been the case in the past, but we are aware that today, more than ever, the environment challenges us.

Ladies and gentlemen, this is the summary of the 2020 financial year. A year that tested us, first in human terms, due to the health crisis associated with the pandemic, but also in business terms, with a perfect storm that challenged both our export businesses and those more closely linked to local activity. However, it was a year in which we were able to continue moving forward steadily, thanks in part to the solid position we were in, but also to your continued support and that of all our directors, executives and employees, whom I recognize and deeply thank for their commitment and dedication.

Months that have also left us many lessons, and that surprised us with the huge capacity of human beings to adapt and face adversity. Almost a year ago, we met for the first time at the Shareholders' Meeting through screens, and this is how we have also held our Board of Directors' meetings in 2020. And this is also how, whether through remote working, in the case of some of us, working in person with health protection measures, we kept our companies running uninterrupted, while at the same time ensuring the physical and psychological well-being of all our employees.

We recognize in our actions that concern for others must be the basis of any business action. Just as we did not want to fail our employees, and we protected their health and jobs, we did not want to disappoint our clients, and we strive to continue providing them with quality products and services at competitive prices and in a timely manner. Because it is this will that allows us to understand concerns, needs and expectations of our partners. The one that urges us not only to care for, but also to improve the environment. The one that calls us to think about how we can develop and strengthen our supply chain, giving them more tools and opportunities, and thus create a virtuous circle. The one that motivates us to promote new ideas that allow us to increase the well-being of our customers and also of those around us. The one that invites us to contribute to the growth of the communities in which we are inserted, and also forces us to get involved in the great challenges of society.

At a time when our country is embarking on a profound debate about its new institutional framework, we invite everyone to approach it with empathy, and we hope that as Chileans we can identify and reach a consensus on the founding bases of our future coexistence. We hope that along the way we can rebuild trust in order to build a broad consensus that will give rise to a common vision of the Chile we want, where the desires and projects of all can flourish.

Our country's recent history should fill us with pride. Based on common purposes, we have made strides, like few nations in the world, to reduce poverty, improve the scope and quality of education, and open more job and development possibilities, previously unthinkable, to all Chileans. But it is also true that an important part of the population remains in fragile situations, and that, in addition, this same drive for development has been creating new needs, a greater eagerness to continue improving the quality of life, a natural demand for additional sources of welfare and security.

**» WE MUST OPEN DIALOGUES AND LISTEN TO EACH OTHER, BUT ALSO GIVE ENOUGH SPACE TO THOSE EXPERT VOICES THAT WILL BE ABLE TO ILLUMINATE THE COURSE IN MATTERS THAT ARE INHERENTLY COMPLEX «.**

Our country must keep up with this challenge, and today we have a huge historic opportunity to address it in a spirit of unity and shared values. We must open dialogues and listen to each other, but also give enough space to those expert voices that will be able to illuminate the course in matters that are inherently complex. We must be willing to move forward with what has worked well, to redouble these efforts, to strengthen these initiatives and policies. But we also need to be open to question our paradigms, to rethink our certainties, to reach new agreements.

Because if there is one thing we have clearly learned, it is that challenges are overcome by all together, with everyone's collaboration. At Empresas Copec, we are available for this. Count on us to help build an even better country.



**Roberto Angelini**  
Chairman

