



Letter from the Chief Executive Officer

102-14

DEAR FRIENDS:

I am pleased to present the sixth Empresas Copec Sustainability Report, in which we set forth our management and that of our affiliates in the social, environmental, economic and corporate governance areas.

This 2020 Report was prepared under the GRI methodology and also incorporates new perspectives and international standards, in line with current transparency and quality of information requirements on sustainability, such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). The equation is simple: more standards, more information and more transparency for better decision making.

This certainly responds to a constantly evolving concept of sustainability in line with deep, fast transformations that societies are undergoing, especially in recent times when the planet has faced one of its deepest crises.

The pandemic has tested everyone's resilience. Despite the deep sorrow for the victims of the coronavirus, we have also been able to bring out the best in ourselves. We have learned the value of collaboration, solidarity and empathy. We have learned that we are part of a delicate network in which we depend on each other.

Although during this extraordinary period, our main efforts have been focused on contributing, in the countries where we are present, to overcoming the impacts of this health crisis, we have continued to incorporate the highest environmental standards in our operations, to develop initiatives allowing us to face the effects of climate change and, of course, to adapt to a new reality for our employees and customers.

In particular, at Empresas Copec we have continued to move forward guided by a business strategy based on a comprehensive vision of sustainability, ensuring that each of our actions are capable of creating social,



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economic and environmental value. We are focused on today's challenges and also those of tomorrow. This is where introducing the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD) becomes particularly important. This series of recommendations, created in 2015 in the wake of the Paris Agreement, seeks to provide investors with more information on those companies that are best prepared to address the risks and opportunities of climate change.

In addition, we also include in our analysis of relevant or material issues the Sustainability Accounting Standards Board (SASB) standards, specific metrics that seek to better explain how aspects of sustainability have financial relevance. Given the nature of our operations, we are using the indicators related to the Oil & Gas - Refining & Marketing, Forestry Management and Pulp & Paper Products industries.

This path we have taken as a Company to strengthen our corporate transparency standards also considers greater inclusion for better decision making. Thus, for example, the presence of women on our different boards of directors has grown steadily. Currently, in our Abastible subsidiary, 29% are women;

14% at Orizon, and most recently, at our Shareholders' Meeting, two new female board members were incorporated, one of them as an independent director.

We are convinced that companies with a strong sense of purpose and a long-term focus, where diversity is key, are navigating this crisis better and will be able to face the complexities of the future more robustly.

2020 was also a year of great progress in terms of environmental management systems for Empresas Copec. At the consolidated level, the Company and its affiliates invested US\$ 67.3 million in environmental improvements, a 9.3% increase from the previous year.

The affiliate Copec, in line with its sustainability strategy, created a new environmental management structure for of its entire operation. Terpel developed a new technological tool that facilitates the consolidation of its entire environmental management system. Orizon, for its part, along with launching its Sustainability Strategy and the Quality, Food Safety and Environment Policy, developed a new environmental management program that establishes its priorities in this area.

Empresas Copec's various efforts to carry out concrete actions to address climate change reached a milestone of enormous significance in 2020. The subsidiary ARAUCO, fulfilling a commitment made in 2019, became the first forestry company worldwide to be certified as carbon neutral. In other words, the carbon dioxide it captures exceeds the carbon dioxide it emits.

On its way to accelerate the energy transition, Copec is strongly promoting new energies through an innovation platform that incorporates a comprehensive offer of distributed generation, marketing of renewable energies, smart storage and massification of charging solutions for electromobility. Thus, in 2020, Copec Voltex inaugurated the world's largest electroterminal outside China, in Maipú, which is contributing to democratize the benefits of electromobility in public transport, reducing CO_{2eq} emissions by 38,000 tons per year and mobilizing more than 600,000 people per day.



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Abastible, meanwhile, has developed a full portfolio of efficient energy solutions, including the optimization of steam thermal power plants, heat pumps, cogeneration projects and thermal and photovoltaic distributed generation. And in Colombia, Terpel established the goal of reducing its carbon footprint by 10% by 2025, incorporating more and more alternative energies in its operations and offsetting its emissions through reforestation projects.

In terms of innovation, the different affiliates of Empresas Copec have deployed new technologies, enabling them to push the limits in their respective industries, optimizing processes, improving products and services, and making concrete contributions to society.

For example, with the aim of connecting different initiatives to combat the effects of Covid-19, Innova Arauco opened its platform to the public, generating new capabilities and energizing the Chilean innovation ecosystem. Projects including smart thermometers, hospital kits, masks with filters or the use of drones to sanitize, to name a few, emerged from this initiative.

Abastible, meanwhile, launched the "Legado Creativo i-NOW 2020" initiative, as an invitation to reactivate and strengthen creativity, with a focus to solve problems arising from the crisis. Terpel, in turn, created the Innovation and Disruption Committee to share good practices for economic rebound in each of the countries where it operates.

Empresas Copec witnessed the historic alliance between the Universidad Católica and the Sinovac laboratory to evaluate the development of a vaccine against Covid-19 in our country. These studies will be carried out by a group of scientists from the Millennium Institute, headed by Dr. Alexis Kalergis, who for several years have been supported by the Fundación Copec-UC for the study of various vaccine prototypes and, during 2020, received an additional contribution for the study of a vaccine against this new virus.

In terms of investments, the Modernization and Expansion of the Arauco Mill (MAPA) project, the largest project in the company's history, will run 100% with clean energy, with excess being injected into the grid. During the year, the project reached 70% completion and is expected to begin operations at the beginning of the last quarter of 2021.

ARAUCO also produced, for the first time in Chile, dissolving pulp, which has great environmental advantages, by converting the Valdivia mill into a reversible facility, that is, one capable of also producing paper pulp. The affiliate also completed acquisition of a majority stake in Odd Industries, an expert in Industrial Artificial Intelligence (IAI), which will enable it to establish development tools to help mitigate climate change.

Similarly, during the period Copec launched its digital platform Muevo, designed to bring the shopping experience at service stations directly to the customer's cell phone. This is very valuable in a scenario where physical distance is still necessary.

Another key investment is that of our affiliate Alxar, which continued to promote the Mina Justa project,



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whose construction will total US\$ 1.6 billion, and which is currently completing its commissioning work and starting its ramp-up, with the production of its first commercial batches.

In terms of our support to communities, as the crisis unfolded, we made significant donations and concrete contributions to the communities. To mention a few, ARAUCO focused its efforts on hospital and educational support for local communities; Copec took its vocation of service to a new level with its "Copec al servicio de Chile" program, which involved donations of fuel for emergency vehicles; Abastible supported the most vulnerable groups with a series of donations, in collaboration with its network of distributors; Orizon, meanwhile, was able to maintain the production chain for the benefit of the country's food security, and delivered its products to the Banco de Alimentos del Mar, to go to the aid of senior citizens.

Empresas Copec also maintained its strong commitment to quality education, mainly through programs carried out by Enseña Chile, Fundación Belén Educa or Fundación Educacional Arauco. We understand that creating opportunities for all is part of our purpose of promoting inclusion without distinctions.



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Thus, in 2020, Empresas Copec and its subsidiaries' investment in supporting communities totaled US\$ 22.8 million, 21% more than in 2019.

All these important breakthroughs, which are materializing our vision of building a reliable and sustainable future for all, have been worthy of recognition by the main indicators at a global level.

Among others, in addition to joining the Dow Jones Sustainability Index Chile for the fifth consecutive year, and the DJSI MILA Pacific Alliance for the third time, the Company secured a "B" rating in the Climate Change program of the Carbon Disclosure Project (CDP), and was also included in the FTSE4Good Index Series and the MSCI Sustainability Index, which evaluate the environmental, social and corporate governance performance of the world's major listed companies.

On the other hand, it is important to note that today ARAUCO, Abastible, Copec and Orizon are preparing sustainability reports, in order to better communicate their business management.

We are certainly proud of what we have achieved, but at the same time we are aware of the great challenges that lie ahead. Our country continues to face enormous difficulties, and will soon begin a constituent process that will rewrite the framework of our coexistence in society for the coming decades.

Companies have a lot to contribute, which is why we must be part of this force for change that seeks to build a better future for all and ensure that the benefits of responsible corporate action effectively reach all our stakeholders.

Eduardo Navarro
Chief Executive Officer

