

Chairman's Statement



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Dear Shareholders:

In this Annual Report of Empresas Copec we record what the past year was like. 2021 was a challenging year, an example of how dizzying times are in today's world, which is not governed by predictable trajectories, but by highly disruptive changes, in this case associated with the pandemic, climate emergency, technological evolution, and social and geopolitical instability. It is also an opportunity to share with you some thoughts on the national situation and to tell you about our major initiatives in all business areas.

Last year, the organizational structures we have been designing to face these ups and downs were put to the test. And we were able to move forward, with everyone's effort, developing our purpose, in this complex and highly uncertain context.

Before addressing our activities, I would like to make a heartfelt remembrance to those who are no longer with us, extending my condolences to those who have been affected by the pandemic. We have experienced firsthand the pain caused by Covid-19, with human losses,

both directly in our subsidiaries and in the families of our employees. Their safety has always been a priority for us, so we have promoted huge prevention efforts in each of our companies to avoid putting people's health at risk, while at the same time seeking to continue playing, day by day, the important role of our companies in society, and doing so in an uninterrupted manner. Therefore, I must point out that the pandemic highlighted the virtues of an organization such as ours, which was able to adapt very quickly, profoundly change its way of doing things, and contribute to preventing contagions and deploying the vaccines that today have us hopeful that we will soon be able to overcome the health emergency.

The pandemic gives me the opportunity to share with you a reflection that seems relevant to me in the context of the deep institutional review that Chile is currently facing, and in which some of the certainties that we thought we had, and even the forms of institutional organization that have contributed to the prestige of our country, are being challenged.

Far from placing ourselves in the threatening position in which large companies are often pigeonholed, we

have remained faithful to our vocation for change, to the will to do things well, thinking of others, and how to satisfy the needs of everyone -clients, employees, suppliers, shareholders and the community as a whole- in the best possible way, harmoniously reconciling the different interests. We are convinced that private companies, which at the end of the day are nothing more than a group of individuals organized around shared values and a common purpose, play a key role in society, articulating the available resources, which are always scarce, to best meet the real needs of people, while creating great social, environmental and economic value in the communities in which we operate.

We are part of an ecosystem that includes also thousands of smaller suppliers, tens of thousands of employees and their families. We therefore find it paradoxical that large companies are sometimes criticized simply for being large. Private companies that become large, in most cases, do so because they have done well. Or do we not want these small entrepreneurs to succeed and grow into large companies?

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As such, we are inspired to provide the best consumer experiences; to provide formal jobs with opportunities for individual improvement; to lead best practices in all areas; to develop healthy, long-term relationships with our partners; to push the boundaries of what is possible through innovation; and to address major societal challenges, such as climate change, through partnerships that are as broad and diverse as possible.

It is also paradoxical that those of us who are locally labeled as large are viewed so differently in the international context, as we are compared, positively, to the giants against whom we compete, beyond our borders. Becoming a multinational company based in Chile, with productive operations in 16 countries and competing successfully in more than 80, has taken us decades of effort and sacrifice. We are therefore concerned about the direction that the political debate has been taking in our country, in which the fragile institutional balances of checks and counterweights, which are undoubtedly perfectible but indispensable for success, and which have been achieved through an equally long and meticulous process of incremental adjustment, are threatened in their deepest bases.

As always, we feel called to build a better country, and to be part of the solution to the legitimate social demands that have driven this process. But unfortunately, today we are seeing how the discussion seems to have gone astray, expert voices have ceased to be heard, and the debate

has been captured by a zero-sum logic, which has an inherent risk of dividing us even more and, incidentally, scaring away the necessary resources to implement the longed-for reforms. We firmly believe that an institutional framework that encourages responsible agreements, based on evidence and rational discussion, with technical excellence and inspired by the common good, is the best way to continue building a country in which public policies endure and in which we all feel called to continue developing our life projects in harmony, placing all our capabilities at the disposal of a better shared future.

I call on you to channel all this transformative energy in a constructive, hopeful, conciliatory way, and to put aside ideological passions. We offer once again our collaboration in this process. Because we want to be part of the solutions. I am confident that there is still time to change course.

At the international level, we have also been confronted with a more uncertain scenario, in which both the ravages of Covid-19 and geopolitical tensions have disrupted logistics chains and have introduced new sources of volatility to commodity prices. On top of this, there is also an inflationary phenomenon unprecedented in recent times, as a result of the numerous stimuli and the post-pandemic recovery.

In the midst of this challenging scenario, Empresas Copec posted record results

in 2021 in all its business lines, the best reflection of our companies' resilience and capacity to adapt. We achieved earnings of US\$ 1,781 million, almost 10 times more than in 2020, a particularly difficult year. EBITDA, which is more closely related to the cash generation capacity of our activities, was US\$ 3,453 million, up 92% from the previous year. These figures are a result of increased mobility and activity associated with easing of lockdown measures, higher prices for all cellulose fibers and timber, the improved performance of fishing, and the start of operations of Mina Justa, together with the non-recurring effects of asset sales during the year. These results enabled us to increase dividends paid by the company, which reached US\$ 797 million in the last 12 months.

In addition, these results allowed us to reduce our debt, in line with our policy of maintaining a robust financial position, in order to better face these times and, at the same time, to be able to take advantage of potential opportunities that may arise. Indeed, the strengthening of the balance sheet has been such that the level of net financial debt has decreased from a peak of 4.6 times EBITDA, reached in mid-2020, to 2.1 times at the end of 2021. This has been recognized by financial markets, allowing us to raise funds and commit new lines of financing during this fiscal year, under very favorable conditions, thus supporting our management.

Beyond the positive performance of all business lines, there were two specific

factors that were crucial to achieve this improvement: the asset sales completed in 2021 and the gradual completion of the large investment projects we have been engaged in over the last few years.

Indeed, we have been pursuing divestment processes of some large-scale logistics infrastructure assets that our fuel operations have been developing for decades to ensure optimal operation of their supply chains. This is a type of asset that is more attractive today for a different investor profile than ours, less prone to reinvestment, and with lower profitability requirements, which opens space for value creation, allowing our companies to focus on those activities where we have more competitive advantages.

Specifically, during 2021 Abastible completed the sale of its 36.25% stake in Gasmar, a key company in the liquefied gas logistics, as it represents the main gateway for this fuel to Chile. This deal, for an approximate amount of US\$ 118 million and which recorded a pre-tax profit of more than US\$ 100 million, closes the cycle started in 2004 with the entry into this joint venture, which provided a safe and efficient supply, which will now be possible to continue accessing as a customer in an even more economical way.

In the same vein, Empresas Copec is still considering the potential sale of its holdings in Sonacol, Metrogas and Agesa, sales which, if completed, will make visible the value of important assets in our portfolio and free up resources for new investments.

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Meanwhile, ARAUCO agreed during the past year to sell forestry properties for a total value of approximately US\$ 385 million, with a profit of approximately US\$ 193 million. The agreement also involved the subscription of contracts for the supply and preferential purchase option of timber, firefighting services and transitory services for the administration of forestry properties and management of operational tasks, in order to continue guaranteeing our subsidiary's access to forest resources in a more efficient manner. In addition, ARAUCO sold Forestal Los Lagos SpA for US\$ 48 million.

In terms of investments, I would like to highlight the main initiative we are carrying out, ARAUCO's MAPA project, which includes the closure of line 1 of the mill's production line, the modernization of line 2 and the construction of line 3, with a production capacity of 1.5 million tonnes of pulp per year, and which closed the year with 91.6% progress. This is a major engineering project, with cutting-edge technology and state-of-the-art environmental equipment, of enormous importance for our country and the Biobío Region, involving resources of the order of US\$ 2,850 million and whose construction has been carried out under strict sanitary conditions as a result of the pandemic.

MAPA will renew and increase efficiency and productivity of ARAUCO's oldest facilities, boosting total pulp production capacity by more than 30%. The investment also includes a cogeneration

plant that, in addition to supplying renewable energy to 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.

MAPA is the largest investment in the Company's history and the largest project currently underway in Chile, injecting dynamism and resources into the local community, in the heart of our forestry activities. It has been more than ten years since it began to take shape. Its development has required the harmonious contribution of men and women from the most diverse fields of knowledge: engineers, scientists, technicians and specialists, as well as health professionals who, in the adverse scenario of the pandemic, made it possible to take forward the enormous challenge of building with an unequivocal focus on the health and safety dimensions. MAPA project has been an important source of employment, and will continue to be so in its operational phase. It will require inputs from hundreds of small and medium-sized suppliers, also prioritizing local hiring, and will make it possible to continue creating new forest mass, with the consequent contribution to carbon absorption.

This is what business activity is like: a complex set of very different activities, developed in harmony, that faces risks, but that comes out ahead, that allows the development and contribution of

thousands of talents, and that advances spontaneously, with a sum of synergic wills that are coordinated behind the purpose of generating wellbeing for all. Let us take care of, protect and promote this enormous source of human, environmental and economic value that allows nations to permanently improve the quality of life of all. May we witness the beginning of many projects like the one we are concluding today. Constructions that are unmistakable signs of trust and commitment to the future of the country.

Another significant investment, which was completed during 2021, is the Mina Justa metallic mining project, driven by our affiliate Alxar Internacional together with the Breca Group, a prestigious Peruvian conglomerate. This is a world-class development, in a privileged location on the southern coast of Peru, with 432 million tonnes of mining resources and an attractive exploration potential for future growth, for which the capabilities of these two business groups have been harmoniously complemented under a common vision.

Although construction suffered some delays due to the pandemic, and the start-up has had some setbacks typical of this type of initiative, shipments have been rising and Mina Justa is expected to reach its maximum production capacity during the first half of 2023, achieving a rate of 150,000 tonnes of fine copper per year.

In addition to these two major investment projects, there are numerous other

initiatives, details of which can be found in the different sections of this Annual Report, and which are part of the same long-term vision that has been the focus of our way of doing business, laying the foundations for our future growth. Thus, total investment in 2021 reached US\$ 2,068 million, of which 95% was concentrated in the main businesses, the forestry and fuels sectors, an emphasis that confirms our permanent focus on natural resources and energy.

The start-up of Mina Justa and MAPA are the closing of a cycle of major investments, which will give way to the new phase of development that we have been outlining for the future. Because these are times of change not only for Chile and the world, but also for Empresas Copec.

Today's society demands that private companies go far beyond the responsibility of creating immediate economic value. We have always understood that our actions cannot be independent of the environment, and today we know that, more than ever, we must make our own the challenges of the countries where we operate, where we can contribute to their solution. To this end, we have been making progress in expanding the channels of interaction with society to incorporate the knowledge spread outside our companies. We have made an effort to open our doors wider and wider and to be progressively more permeable to the demands of the different stakeholders, who are the ones

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that, being inserted in the different social strata, allow us to understand, more and more deeply, what society expects from us. In this sense, our investor base, which is increasingly heterogeneous, sophisticated and interconnected, provides us with a critical and constructive view of what we do, through multiple communication channels, and helps and encourages us to redefine our course.

Among these challenges, the climate emergency is certainly the main one. Our future as a species depends on restoring the health of natural systems, taking advantage of the solutions that nature itself offers us. Forests, the power of the wind or the sea, and sunlight, are all key elements of the biological infrastructure that must be enhanced for the energy transition. Empresas Copec is in a privileged position to lead these changes.

We know very well the natural technology of forests, which ARAUCO plants, and which in addition to generating a series of benefits for the water cycle, is one of the essential strategies highlighted at COP26 to reduce carbon in the air. The subsidiary became the first forestry company in the world to certify its carbon neutrality in 2020, with a net carbon absorption of 2.5 million tonnes per year. It also made new commitments to reduce its emissions by 2030 through increasingly environmentally friendly production processes.

The subsidiary Copec, for its part, presented a Climate Change Declaration this year, setting out a path to achieve

carbon neutrality by 2030 and to accelerate an increase in the share of renewables in its energy offering. Convinced of our crucial role in leading electromobility, Copec Voltex is already not only the most extensive network of electro-chargers in South America, but also the largest electro-terminal operator for public transport in the world outside China. Copec is also giving a strong boost to its innovation area, participating as a strategic investor in start-ups with disruptive and diverse business models, operating in different latitudes, through its Silicon Valley-based venture capital fund Wind. At the same time, it develops experiments with new products and ways of operating, through its Innovation Garage in Santiago, with a global outlook and the express mandate to challenge the core business. Thus, today Copec is complementing its traditional activity with solar energy, batteries, energy consumption optimization systems based on artificial intelligence or electrolyzes to produce hydrogen at low cost.

Where others define themselves as suppliers of a specific product, the value offer of our subsidiaries in the world of energy is based on an excellent service, an agile understanding of changes and the generation of the best consumer experience, relying on the strength of each of the brands, and anticipating the energy needs of their customers to meet them with comprehensive solutions for the future.

And we have so many initiatives to highlight. Thus, with the same purpose

of contributing decisively to the energy transition, Abastible developed a service that allows certifying energy efficiency and emissions reduction through blockchain technology, making it easier for its customers to promote this type of projects.

These are just a few examples of what we are doing to address this challenge, which extends far beyond our corporate borders, but which we feel called to lead. Within our companies we also find similar actions in the areas of zero waste, protection of surrounding ecosystems, water management, substitution of firewood and plastics, preservation of fishery resources and traceability, among others.

And all this is because we have always understood that nature is an indispensable ally for human development, and we must not only take care of it, but also enhance it.

This more comprehensive view of our business activities, in which we see ourselves as a relevant social player, is also what encouraged us to take on the challenge of taking on the development of Inmobiliaria Las Salinas. This project is a unique example of what an integral business activity should be, which goes beyond its own responsibilities, by transforming a land affected by the oil industry of yesteryear into an environmentally and energetically sustainable avant-garde neighborhood, designed with the contribution of world-renowned architects, which seeks

to give Viña del Mar a unique space, with a strong emphasis on social and community spaces. It is therefore beyond comprehension that a decade has passed since the international competition was held to define the Master Plan, and we are still not allowed to move forward, with the consequent harm to all the neighbors and the city in general. It is hard to understand the sense of putting so many obstacles in the way of a project of this type, which has the technical support of outstanding scientists and universities, both local and international. Instead of having opted in the past to make a quick deal, selling a huge and attractive piece of land, we dreamed instead of bequeathing a neighborhood of the future to an area where our first major facilities were located.

In 2021, we also closed the chapter of what was our affiliate Mina Invierno, which had stopped operations at the end of 2019, as we transferred our 50% interest to our partner Inversiones Ultraterra, leaving it fully financed to meet all its environmental and other commitments. We look back with both pride and sadness at a company that we founded as a bridge to the energy transition, that operated with the highest standards of sustainable mining, and that played a key role in the country's energy supply while the renewable electricity generating parks were being built. In this case, it was the extreme slowness of justice that prematurely put the tombstone to this exceptional mining

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operation, which would have substituted in an efficient and less polluting way the coal that Chile must import today at a very high cost from distant origins, in times when the winds of war in Europe have reminded us of the importance of energy security and independence. We have been waiting for more than two years for a ruling that has not yet arrived, when all the jobs and this important source of supply have already been lost.

Meanwhile, our fishing companies have continued to project themselves as participants in the world of nutrition, either through the development of sophisticated food supplements with attractive nutritional properties, production of protein concentrates from alternative sources to those of the sea, or through forays into the world of food service and e-commerce. All this, under a long-term view, focused on sustainability and technological innovation.

A key factor in our success in addressing all these transformations, in such a changing environment, has been strengthening our corporate governance structure. Its objective is to ensure efficient and timely, yet transparent and sustainable, management in each of our areas of activity, consistent with our values and principles, and spanning all latitudes. Each company's strategic definition has been in the hands of the board of directors, and it is through them, as well as our executives and employees, that guidelines and decision-making and monitoring systems are being provided to our increasingly global companies. By way of example,

this year we published our corporate diversity and inclusion policy, which adds to the catalog of policies, manuals and procedures that regulate very relevant matters for a modern corporation that must face new challenges.

In this sense, we have continued to make progress in incorporating independent board member with diverse profiles, promoting the operation of more specific committees, relying on training and external evaluations, adding new and more effective instances of control and risk management, implementing corporate policies of transversal application, systematizing the 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 2021" award, granted by the Santiago Stock Exchange, in conjunction with EY, for the third consecutive year, and the first place among the holding companies in the MERCO ranking.

In this regard, I invite you to read the new chapter on sustainable management that we have included in this Report, as well as our Annual Sustainability Report. It details the commitment of Empresas Copec and its affiliates to excellence in environmental, social and corporate governance management. This, through concrete contributions, financial resources, human capital, technology, innovative capacity and management, as well as continuous contributions focused on education, innovation, culture,

sports and social housing, among others. Efforts materialized for decades through pioneering institutions in their respective fields, including Copec-UC Foundation, the UC Anacleto Angelini Innovation Center, the Arauco Foundation, Belén Educa, Enseña Chile and Elemental. These principles also extend throughout our value chains, supporting suppliers and counterparts, mostly SMEs.

The most selective and prestigious international indexes that highlight companies for their performance in environmental, social and governance matters, such as DJSI, both in Chile and in MILA, FTSE4Good Emerging Index and MSCI Sustainability Index, have endorsed this long-term approach and close relationship with the environment, ratifying Empresas Copec's inclusion. We were also selected for the first time to be included in the S&P Global Sustainability Yearbook, where we were also distinguished as an "Industry Mover" for our significant progress compared to the previous year.

All of the aforementioned initiatives are evidence of the relevance of the ever-closer link between business and society, an indissoluble bond that is becoming more and more visible and indispensable. We feel called upon to deliver in the best possible way all that is expected of us, with will and energy. We believe that this has been the case in the past, but we are aware that today, more than ever, the environment challenges us and demands more from us.

And we are available to do so. We have the will, the resources and the capabilities to continue to be an extremely important player in the generation of well-being for the countries and communities in which we operate. We only ask to be welcomed sensibly and without prejudice.

Ladies and gentlemen, this is the summary of fiscal year 2021. A year out of the ordinary, with excellent results, but where we had to overcome countless challenges, both for our export businesses and for those more closely linked to local activity. A year in which we restored our financial strength, thanks in part to exogenous factors, but also to the improved performance of our operations and the permanent support of you, our shareholders, and that of all our directors, executives and employees, whom I acknowledge and deeply thank for their commitment and dedication.

A year in which we saw each other's faces again in three dimensions, and in which we hope that humanity can soon overcome the pandemic. A year in which, whether teleworking, in the case of some of us, or doing it in person with health safeguards, we kept our companies running uninterruptedly, fulfilling their work in society on time.

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We have learned once again that challenges are overcome by all of us, with everyone's collaboration. Looking together towards the same horizon is what allows us to move forward. To move forward in a spirit of unity, on the fertile ground of shared values, towards a common purpose. Moving forward with what has worked well, but at the same time questioning our paradigms, and always thinking about how we can do it better, where we can contribute more.

In our day-to-day work, companies manage to bring together very diverse talents, coming from multiple fields of expertise, putting them at the service of proposing the best solutions for the different problems we face, based on the expert knowledge and skills of each one of them. Thus, joining wills, sharing a purpose, in a constructive way, we lead the changes to advance towards a better future.

Talents, skills, solutions, values, will and purpose. This is the way of doing business that we advocate. This is the seal of Empresas Copec.



Roberto Angelini
Chairman

