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S U S T A I N A B L E   E M P R E S A S   C M P C   S . A .  
D E V E L O P M E N T  
R E P O R T



# CMPC

Empresas CMPC is characterized by having a strong organizational culture, whose seal is keeping one's word, honesty, work well done and personal effort, values that are shared by the entire organization.

The growth of its operations, the diversification of products and markets, is the result of rigorous analysis, the professionalism, seriousness and long-term perspective of its business management.

Its commitment with the education of future generations, with the local communities and with the environment, reflects its flexibility to evolve and produce changes, true to its traditions but innovating when facing each new challenge.



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> PANORAMIC VIEWPOINT CALLED "LAGUNA LA POSADA" IN THE TREKKING TRAIL AT THE JORGE ALESSANDRI EDUCATIONAL PARK.

# Letter from the Chairman

It gives me great satisfaction to present the main events and figures of the operations of Empresas CMPC in the economic, social and environmental areas in 2012, and the headway we have made with the tasks of making balanced progress as an organisation in these three areas and reporting to our stakeholders.

Empresas CMPC has a deserved reputation of being reliable, professional, rigorous and having a long-term view, which has underpinned the growth of its operations and product and market diversification. The company has industrial operations in eight countries in Latin America and it markets quality products to around 30,000 customers in over 45 countries.

We have cutting-edge process technology and a timely upgrade of older processes, in addition to trained employees which are committed to complying with high safety standards, protection of people, consideration for the neighbouring communities and environmental care. Our commercial structures are customer-focused and have an integral logistics network that has enabled us to forge sound relations with global and diversified customers.

CMPC's greatest strength lies in its workers, many of whom work in the operation of complex productive processes. This workforce has grown 34% since 2007 to 15,915 people in 2012. 58% of the workers are represented by 50 unions in the company, including some of the oldest still operating in Chile.

With workers, joint committees and union representatives, we are driving risk prevention programmes in a resolute effort to reduce the work accident rate and protect workers' life and health. It is very satisfying that the accident rate, measured as the number of lost-time accidents per one hundred workers on average, dropped from 5.5 in 2006 to 2.9 in 2012, a 47% decrease that should be highlighted.

In 2007, 25% of the employees were working abroad, and this figure rose to 44% in 2012. This large increase requires us to attain a timely, direct, close and reliable communication. This will enable us to lead projects, mobilise teams, achieve interactivity and forge bonds that enhance and facilitate teamwork. I would like to highlight the CMPC People Programme, led by its development management, which seeks to bolster the organisational culture, as well as human and career development, and communication in the eight countries in which CMPC has operations.

In August 2012, we received the FSC certification for the stewardship of the forest lands and plantations of Empresas CMPC in Brazil, the same in December 2012 and May 2013 for Chile, ending a hard work focused on developing action to make the company's forestry operations compatible in the economic, social and environmental scopes. The actions to increase consultation of the neighbouring communities, seek long-term agreements with them and enhance the integration between productive tasks and our social support programmes are particularly important.

We believe that Forestal Mininco's responsibilities arising from the FSC certification have a favourable outlook with most communities, with whom the company staff has built up relations of trust and respect. The main community organisations include 520 Neighbours' Associations and 301 Mapuche communities with a total of 156,000 inhabitants; these figures reflect the scope of the task of engaging efficiently with these rural people, responding to their concerns and channelling their requests for support.

Community relations are a core element of CMPC's sustainable development,



and I therefore stress the importance of our programmes on local employment, educational support, adult training, productive development and recognition of the Mapuche culture. This task covers the urban communities near mills and the rural communities neighbouring the forest plantations.

The CMPC Foundation is the pillar of our community relations, whose mission since 2000 is to help improve the quality of education given to children in their early childhood, with the conviction that it is a decisive stage to increase their opportunities in the future. This task is undertaken by a team of 32 professionals and in 2012 benefitted over 10,000 children, 470 teachers and principals at 53 schools in 12 districts in Chile.

The Foundation uses a training model focused on teacher training, application workshops, consultancy in the classroom and for the principals of the schools, followed by rigorous assessment of the work done. The national education quality assessment (SIMCE) exam taken by pupils of language and mathematics in Chile show the constant progress made at the schools supported by the Foundation. Mathematics has exceeded the national average score for the second year running and we are close to achieving this in language.

Every year we develop cultural and outreach programmes in the districts of Nacimiento and Laja, which include cycles of cinema, concerts, theatre plays, children's story contests, workshops for adults and children in their winter and summer holidays, which jointly benefitted more than 10,000 people in 2012.

The Alessandri Educational Park has become one of the main public parks in



the Bío-Bío region, and each year offers free educational, cultural and recreational activities open to the entire community, which establish close bonds between CMPC and the inhabitants of the region. The Park had 160,000 visitors in 2012, with virtually 1.8 million visitors since it opened in 1993.

We are investing in biomass-based co-generation to help mitigate global climate change, and as part of this programme we have installed biomass boilers and their related turbo generators at the three pulp mills in Chile. In Brazil, we built a biomass boiler at the Caieiras tissue mill. We also established the subsidiary Bioenergías Forestales S.A. as the co-ordination body responsible to the United Nations for

the renewable energy generation projects of Empresas CMPC. The biomass therefore accounted for 70.9% of the total thermal and electric energy consumption of our operations in 2012.

CMPC Pulp has set a target of increasing the energy efficiency of its pulp mills by 20% by 2020. Such mills have the greatest energy consumption in the company, and it is therefore essential to achieve this objective. I should highlight that this initiative is the outcome of a programme to drive innovation, in which the pulp mill employees suggest ideas for projects which are turned into concrete proposals rigorously evaluated and then into projects that can be undertaken.

We are gradually making progress with the steady reduction of CMPC's water consumption and the organic content in the effluent returned to natural watercourses, which is a demanding objective in engineering and process innovation. We have reduced the water consumption per tonne of pulp and paper by 25% compared to 2004. This endeavour will gain great importance in the future, as the forest regions in the centre and south of Chile are becoming increasingly more water-stressed due to global climate change.

Besides undertaking action to maintain the FSC certification of our forest stewardship, we are committed to carry on making progress to obtain new FSC chain-of-custody certifications for our main products. Chain-of-custody is an efficient response to the growing demand of society for consuming products from sustainably managed forests, in which the environment and the biodiversity of natural ecosystems are protected, along with the provision of products and services for the local communities.

Moreover, we aim to maintain a high recycled paper consumption rate, which enables 43% of

CMPC's total paper production to be based on recycled fibres. Paper mills consumed 739,000 tonnes of recycled paper in 2012, and this figure has increased 3.9% on average a year since 2004 due to the growth of tissue and containerboard operations.

CMPC's forest resources in Chile include a surface area of 21% for protection and conservation purposes, composed mainly of native forest, basin protection areas, watercourses, endemic flora and fauna and high conservation value forests. This non-productive surface area is essential for the company's sustainable development. It includes a total of 11 high conservation value forests due to their biological features, on which 9,469 hectares of valuable Chilean endemic flora and fauna species are protected. We also protect 22 sites of Mapuche cultural interest and 274 water catchments, which we have now declared as high conservation value forests, because their main ecosystem feature is to provide drinking water for the local communities.

We are proud of the large progress we have made, but also aware of the challenges we have ahead. Society is making greater demands to develop sustainably our operations, whereby it is essential to innovate in the productive processes and prevent potential impacts, but also to be transparent, communicate, promote dialogue and support the development aspirations of our neighboring communities.



**Eliodoro Matte L.**  
Chairman  
Empresas CMPC S.A.

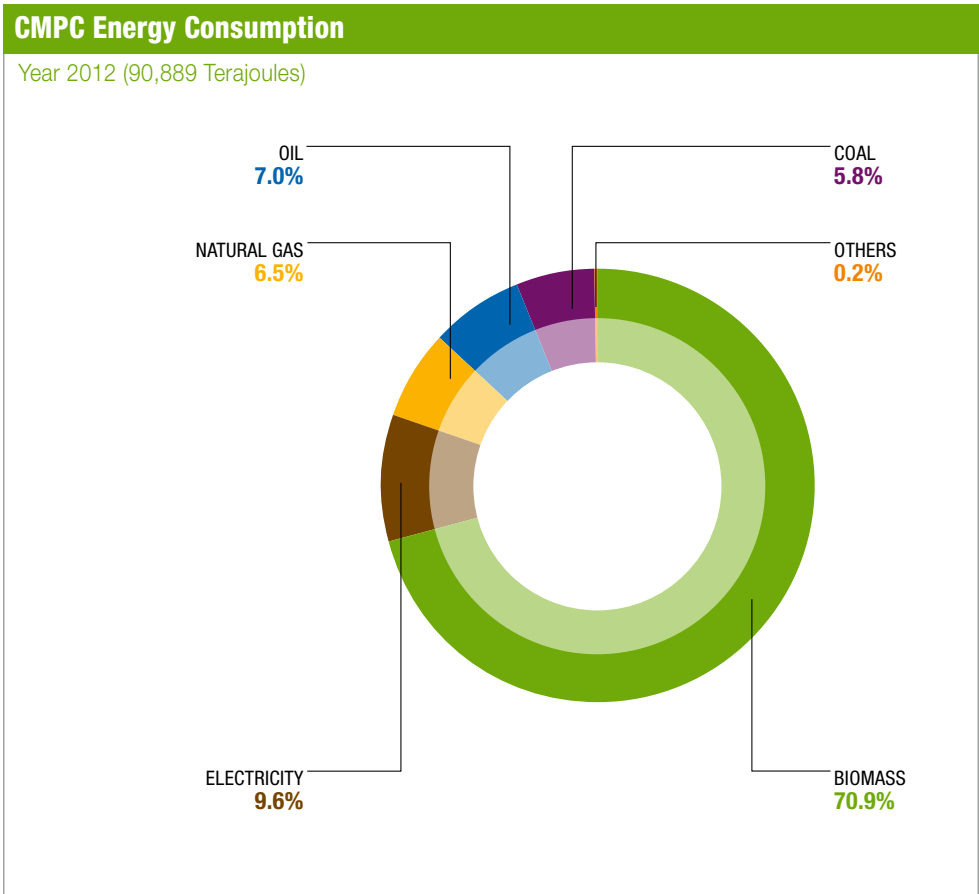
# CMPC's objectives for 2012-2014

## 1\_Increase renewable energy generation, reducing the purchase of fossil fuels and electricity.

> We seek to increase our renewable energy generation to help mitigate climate change, therefore we are developing an investment programme to install biomass-based boilers and their related turbo generators at each of the wood pulp mills in Chile. These units will reach their operating design rates in 2013.

> In Brazil, we built a biomass boiler at the Caieiras tissue mill. We also established the subsidiary Bioenergias Forestales S.A. as the co-ordination body responsible to the United Nations for the biomass-based energy generation projects of Empresas CMPC.

> Renewable energy sources like the biomass accounted for 70.9% of the total thermal and electric energy consumption of CMPC's operations in 2012, as shown in the graph below.



## **2\_Increase energy efficiency of pulp mills by 20% by 2020.**

> CMPC Pulp has set a target of increasing the energy efficiency of its wood pulp mills by 20% by 2020, with a combination of measures based on:

- » increasing the share of own energy generation on total consumption.
- » reducing overall energy consumption.
- » detecting and reducing energy losses.

> The pulp mills have the greatest energy consumption of Empresas CMPC, and it is therefore essential to achieve this objective. The projects that will make this possible include:

- » leveraging residual energy to pre-dry biomass and heat process water.
- » change equipment with low energy efficiency.
- » reduce water circuit losses.
- » increase the efficiency of equipment and motors.
- » change the lighting systems.

> All pulp mill employees are involved in this objective by suggesting ideas for projects individually or as a group, which are posted on the website [www.i-cel.cl](http://www.i-cel.cl) that is devoted to driving innovation in the company. These ideas are then turned into concrete proposals with the contribution of work teams and then into projects, which will be undertaken in the order deemed to help achieve the objective of efficiency, along with the investment amount and implementation time.

## **3\_Complement the FSC™ certification for the stewardship of renewable forest plantations in Chile and Brazil with the respective FSC™ chain-of-custody certification for products made by the company.**

> In August 2012, we received the FSC™ certification for the stewardship of the forest resources of Empresas CMPC in Brazil, the same in December 2012 and May 2013 for Chile. Besides undertaking action to maintain this important certification, we are committed to carry on making progress to obtain new FSC™ chain-of-custody certifications for our main products, i.e., lumber, pulp, paper and paper products.

> We currently have FSC™ chain-of-custody certification for: pine and eucalyptus pulp produced at the three mills in Chile, the boxboard produced at the Maule mill and tissue paper of the institutional line (away-from-home use) made by tissue subsidiaries in Brazil and Chile.

> The work done at each mill has been focused on generating a culture of commitment with demanding practices in the production process, which will enable us to gradually expand the coverage of FSC™ certified forest products.

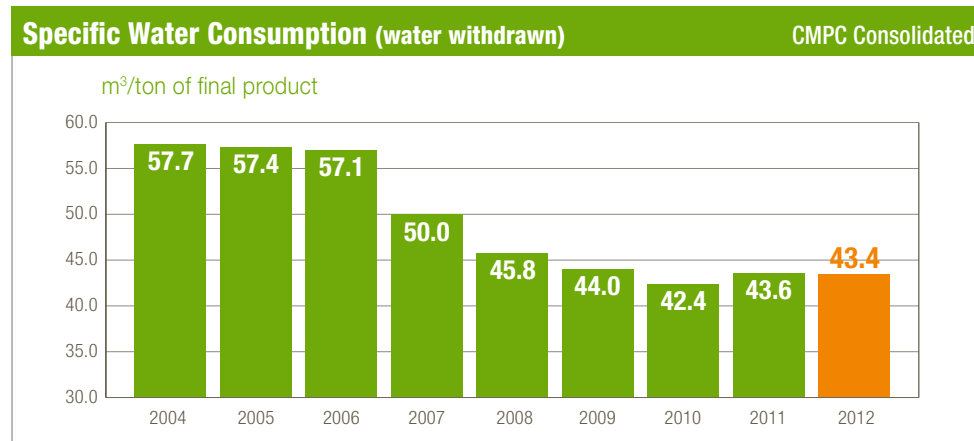
> Continuing this task, we aim to obtain the FSC™ chain-of-custody certification for processed lumber and plywood panels, mass consumption tissue paper (domestic use) and sanitary products like disposable diapers and women's sanitary towels produced by Tissue Chile, the containerboard of the subsidiary Papeles Cordillera and corrugated boxes.



#### 4 Reduce CMPC's water consumption and effluent volume by upgrading the older industrial processes.

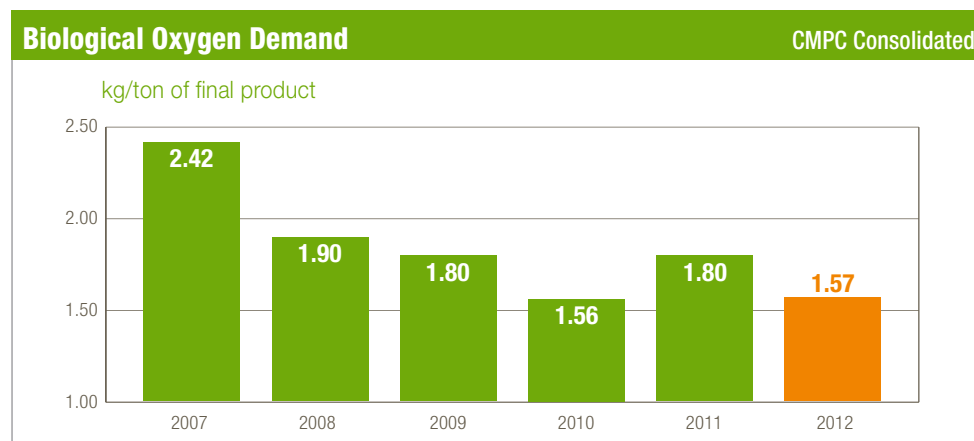
> We are committed to upgrading industrial

processes and adding new production lines with the best technology available. This decision has been essential to gradually make progress with the steady reduction of CMPC's water consumption, as shown in the graph below, expressed in m<sup>3</sup> per tonne produced.



> Despite the increase in consumption in the last two years, which shows this is a demanding objective in engineering and process innovation, this endeavour will gain great importance in the future, as the forest regions in the centre and south of Chile are becoming increasingly more water-stressed due to global climate change.

> Likewise, the operation of biological treatment plants has reduced the organic content of the treated effluent which is returned to natural watercourses. The main indicator, the biological oxygen demand, has dropped 35% over 2007, as shown in the graph below, expressed in kilograms per tonne produced.



# Profile and Structure of the Organization

## Profile of the Company

> Empresas CMPC S.A. is a public corporation founded in 1920, of private capital, distributed at 31 December 2012, in 2,219.4 million shares and 28,687 shareholders. The company is controlled by the Matte group, with 55.4% of the share capital.

> CMPC is one of the leading Latin American companies in the production and marketing of forest products, pulp, paper, tissue and paper products.

> CMPC has diversified sales of both products and markets: it sells its products in over 45 countries and 30,000 clients approximately.

> Solid financial structure:

- » One of the best non government-owned corporate risk qualifications in Chile and the highest of the forestry sector worldwide: qualification BBB granted by Standard & Poor's and BBB+ by Fitch Ratings.
- » Debt profile suited to the asset growth cycle.

> World class industrial assets.

> Sustainable advantage in costs in its different business segments.

> Organic and balanced growth.

> Successful track record and proven management capacity.

## Mission, Values and Ethics in Business

> CMPC's mission is to produce and market, on the basis of cultivated plantations, solid wood, pulp, paper, tissue and paper products, in a sustainable way over time, with superior and competitive quality, adding value to its shareholders and clients, and creating development opportunities for its workers and the local communities.

To achieve this purpose, CMPC:

> Develops strong business relationships with global and diversified clients, on the basis of a business structure focused on the client and equipped with an integrated logistics network.

> Applies the principle of Sustainable Development, contributing to the economic and social development of the countries where the company operates, while protecting the environment at the same time.

> Develops the talents and skills of its workers, achieving a strong identity, commitment and high performance in its work teams.

> Uses modern technology in its processes, which comply with high standards of safety and protection of people and the environment.

> Complies strictly with the laws and regulations in all the countries where it carries out its operations.

> Has a corporate culture based on the fulfillment of the given word, honesty, work well done and personal effort, values that are shared by the entire organization.

> Rejects child work and forced work, as well as any type of discrimination.

CMPC's Code of Conduct is an integral element of daily operations and is presented on pages 36-37 of this report.

**8,854** workers in Chile.

**7,061** workers abroad.

**Industrial operations** in Brazil, Argentina, Peru, Uruguay, Mexico, Colombia and Ecuador, in addition to Chile.

Forest reserves of **505,000** planted hectares in Chile.

**59,000** planted hectares in Argentina.

**120,000** planted hectares in Brazil.

Consolidated sales of **US\$ 4,759** million.

Assets of **US\$ 14,046** million.

Shareholder's equity of **US\$ 7,980** million.

**CMPC in Figures 2012**

## Corporate Governance

- > Empresas CMPC S.A. is regulated by Law 18,046 for Limited Companies and the Securities Market, and is subject to the regulatory authority of the Chilean Superintendence of Securities and Insurance.
- > The Company is led by a Board of Directors made up of seven members elected at the Annual General Meeting of Shareholders, who hold their seats for three years. Two members are independent of the controlling group.
- > The controlling group's policy is that their members do not hold senior executive positions in the company.
- > The Board of Directors meets on a monthly basis to evaluate and decide the development of the company in economic, social and environmental matters.
- > The shareholders may express their points of view on the company's performance in legally convened ordinary and extraordinary meetings.
- > All decisions taken by the Board of Directors that affect the corporate interests as well as any relevant fact are communicated to the regulatory authority, the stock exchanges and the public in general.
- > CMPC accounts are revised and certified by external auditors, approved by the Board of Directors and reported to the regulatory authority and the public in general.
- > CMPC is subject to the supervision of various authorities and regulatory agencies in the different countries in which it operates.
- > At [www.cmpc.cl](http://www.cmpc.cl), in the document Annual Report 2012, you will find a detailed description of the activities of the Board of Directors and the Committee of Directors in the year 2012, as well as the operations with related parties and different matters concerning the company's corporate governance, on pages 64 to 75.







JORGE GABRIEL LARRAÍN B.



MARTÍN COSTABAL LI.



BERNARDO MATTE L.



JORGE MARÍN C.



ERWIN HAHN H.



ARTURO MACKENNA I.



HERNÁN RODRÍGUEZ W.



GONZALO GARCÍA B.

### Board of Directors of Empresas CMPC

Chairman	Eliodoro Matte L.
Directors	Martín Costabal LI. Erwin Hahn H. Jorge Gabriel Larraín B. Arturo Mackenna I. Jorge Marín C. Bernardo Matte L.
Committee of Directors	Jorge Marín C. Erwin Hahn H. Arturo Mackenna I.

### Management

Chief Executive Officer	Hernán Rodríguez W.
General Secretary	Gonzalo García B.
Chief Financial Officer and Corporate Development	Luis Llanos C.



ELIODORO MATTE L.







- > CMPC is one of Latin America's main forest product manufacturers. Its most relevant products are: sawn and remanufactured wood, plywood, long and short fibre pulp, boxboard, corrugated paper, newsprint paper, tissue paper products, diapers, sanitary towels, corrugated boxes, multiwall paper bags and moulded pulp trays.
- > CMPC is divided into five subsidiaries: Forestry, Pulp, Paper, Tissue and Paper Products, which by being coordinated at a strategic level and sharing administrative support functions, work independently to serve several markets with different products and dynamics.

### Structure of the Organization

- > CMPC is an integrated forestry company structured as a Holding that operates through five Business Centers. The Holding is responsible for the strategic coordination and centralizes the functions of the areas of finance, corporate development, internal auditing, legal matters and the relationship with the media and investors.
- > The five business centers are: Forestry, Pulp, Paper, Tissue and Paper Products. Each one of them is organized as a limited company and has a Board of Directors made up of representatives of the controller, independent third parties and senior executives of the Company. Those boards meet on a monthly basis.
- > Each business center is managed by a Managing Director supervised by the Board and it has its own organization, with commercial, technical, personnel and operational structures.
- > The map on the following page shows the five business centers of CMPC in the different countries in which it carries out its operations.
- > At [www.cmpc.cl](http://www.cmpc.cl), in the document Annual Report 2012, you will find a detailed description of the operations of the five business centers and their supporting areas, as well as the business development, production figures, sales, investments and main projects, on pages 20 to 31, 38 to 61.

# International Presence of CMPC



presence in **8** countries

**5** business centers

## MEXICO

Tissue

3 Mills: Absormex

Paper Products

1 Paper Bag Plant: Forsac

## ECUADOR

Tissue

1 Mill: Protisa

## PERU

Tissue

1 Mill: Protisa

Paper Products

1 Paper Bag Plant: Forsac

## CHILE

Forestry

Plantations | 3 Sawmills | 2 Remanufacturing Plants

1 Plywood Plant

Pulp

3 Mills: Santa Fe (eucalyptus) | Laja (pine) | Pacifico (pine)

Paper

2 Folding Boxboard Mills: Cartulinas CMPC

1 Packaging Paper Mill: Papeles Cordillera

1 Newsprint Mill: Río Vergara

Paper Distribution: Edipac

Paper Recovery Centers: Sorepa

Tissue

2 Mills: Puente Alto | Talagante

Paper Products

4 Corrugated Boxes Plants: Envases Impresos  
Envases Roble Alto

1 Paper Bag Plant: Forsac

1 Moulded-Pulp Trays Plant: Chimolsa

## COLOMBIA

Tissue

2 Mills: Protisa

## BRAZIL

Forestry

Plantations

Pulp

1 Mill: Guaíba (Celulose Riograndense)

Tissue

3 Mills: Melhoramentos Papéis

## URUGUAY

Tissue

1 Mill: Ipusa

## ARGENTINA

Forestry

Plantations

Tissue

2 Mills: Papelera del Plata

Paper Products

1 Paper Bag Plant: Forsac

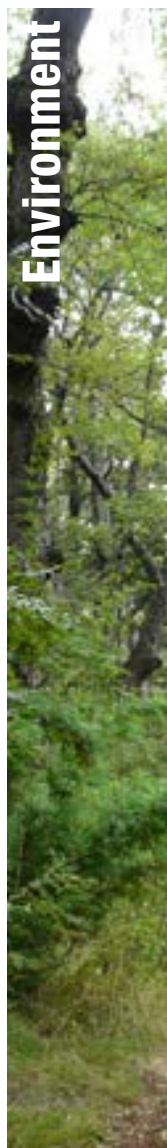
# Corporate Social Responsibility



> Social Responsibility constitutes an essential part of the CMPC's business model and is based on a culture of honest and responsible work, conducted with high safety standards and environmental care, whereby the company establishes long-term relationships with the communities where it runs its operations, through actions focused on improving the education received by their children and supporting initiatives that contribute to their social, cultural and economic development.



# CSR in CMPC



# Social Responsibility Policy

## Business Chain

- > CMPC contributes to the development of the countries where it works, bringing about employment and wealth.
- > It manages its business operations efficiently.
- > It produces and markets high quality products.
- > It establishes strong business relationships with customers and suppliers.
- > It participates in the market with quality products and competitive costs.
- > It provides clear, reliable and audited financial information.
- > It complies with legal, tax and market competition regulations.

## Workers

- > CMPC makes training and professional development opportunities available to its employees.
- > It puts great emphasis on risk prevention in complex industrial processes.
- > It establishes a very good working environment which in turn stimulates creativity and high performance levels.
- > It looks after its employees and their families by creating welfare programmes.
- > It fully complies with legal, social and employment regulations.

## Community

- > CMPC has an open doors policy, intended to create development opportunities for the communities where it operates.
- > It develops consultation, communication and engagement processes with neighbours and stakeholders.
- > It encourages the creation of job opportunities for local residents.
- > It supports the education of students from neighbouring communities.
- > It develops productive projects jointly with neighbouring communities, as well as training programs that foster the establishment of micro-enterprises and cooperatives.

## The CMPC Foundation

- > The CMPC Foundation actively supports the

education in communities where the company has operations.

- > It helps primary school children from state schools to improve their academic results.
- > It develops teacher training programs in the areas of Language and Mathematics and it runs school management workshops for principals.
- > It develops cultural projects, cinema sessions, plays, workshops for adults and children.
- > It runs workshops that teach mothers how to support their small children's development.

## Environment

- > CMPC bases the sustainable development of its production processes on the generation of renewable energy with biomass, the efficient consumption of water and raw materials, the use of recycled fibres and the technical management of its renewable forest plantations.
- > It certifies the forest plantations management and industrial processes.
- > It protects the biodiversity in 157,000 hectares of native forests and basin protection areas.
- > It fully complies with the environmental law.

## Dialogue with Stakeholders

> Due to the diverse nature of CMPC's business centers and the different realities of the neighboring communities, the way in which the company carries out its public relations is a reflection of that diversity. The educational programs developed by The CMPC Foundation and by The Jorge Alessandri Educational Park, the Good Neighborhood actions developed by Forestal Mininco and the permanent support to local communities by CMPC Pulp mills, are all examples of CMPC's proactive approach and unstinting support to actively contribute to both the community social and economic growth.

> As follows, there is a list of CMPC's interest groups and how the company relates with them:



### **Investors**

- > Ordinary and Extraordinary Shareholders Meetings.
- > Annual Financial Report, Quarterly Financial Statements and communication of essential and relevant issues.
- > Regular meetings, telephone conferences and corporate presentations.
- > Regular reporting to the regulatory authority and to the stock market.

### **Workers**

- > Coordination meetings with unions, collective bargaining, joint committees on health and safety at work, and training programmes.
- > Mi Papel Magazine; CMPC People website; corporate intranet; leisure activities for employees and their families.

### **Contractors**

- > Ongoing communication and training of contractors to ensure compliance with forest management certification, health and safety and environmental standards.

### **Customers**

- > Regular follow-up visits, after-sales assistance, regional encounters, attendance at meetings and seminars on the paper industry.
- > Newsletters at lumber, pulp and boxboard businesses.

### **Local Authorities**

- > Regular meetings between mill managers and local community authorities.
- > Meetings with government organisations to discuss issues on the company activities.
- > Coordinating the CMPC Foundation activities with local and regional educational authorities.
- > Taking part in public-private sector meetings, called by the local community authority, intended for supporting the local development by promoting entrepreneurship initiatives.

### **Local Communities**

- > The CMPC Foundation is aimed at supporting primary state school children for improving their performance in Language and Mathematics.
- > The Good Neighbourhood programmes, intended to create local employment, support school curriculum

and the Mapuche communities.

- > CMPC Pulp has developed programmes to help and support communities established in neighbouring areas from its pulp mills.
- > CMPC actively participates in traditional, agricultural and forest festivals, which take place every year in the communities.

### **Trade and business associations**

- > CMPC actively takes part in trade, business and industry associations, both in Chile and abroad, and is also an active member of bi-national chambers of commerce.
- > Participation in CorpAraucania, a public-private organisation whose objective is to foster the productive development in the La Araucania Region.

### **Universities and NGOs**

- > Research projects carried out by CMPC and universities, mainly intended to protect and conserve the native flora and fauna's biodiversity.
- > The water-quality monitoring programme in the Bío Bío River. This programme is carried out by CMPC, the Universidad de Concepción and several regional companies and industries.
- > The monitoring of the quantity and quality of the water associated with plantations and native forest in several micro-basins in the Bío Bío Region. This is a long-term project carried out by CMPC and the Universidad Austral de Chile.
- > The close collaboration with Etica en los Bosques, a non-governmental organisation, in initiatives intended to preserve and protect the native forests in the South of Chile.
- > Participation in the international project led by WWF, called New Generation Plantations, to define sustainable forest management practices.
- > Participation in technical committees of FSC™ Chile to develop specific proposals for forest plantations management.
- > The collaboration with CODEFF in protecting and restoring the habitat of the Huillín, or fresh-water otter.

## Relations with the communities around CMPC's forest lands

> CMPC owns 736,000 hectares of forest lands in Chile, with the productive area accounting for 579,000 hectares, and the protection and conservation area for 157,000 hectares. This forest resource is distributed in 103 districts of six of the country's regions, and the company has thousands of inhabitants as neighbours who live in hundreds of towns and little villages.

> Community relations are a key element for CMPC's sustainable development, as 156,000 inhabitants live in these communities, whose main organisations include 520 Neighbours' Associations and 301 Mapuche communities. These figures reflect the scope of the task of engaging efficiently with these rural people, responding to their concerns and channelling their requests for support.



> CMPC's forest resource is distributed in 103 districts of six of the country's regions, and the company has thousands of inhabitants as neighbours who live in hundreds of towns and little villages.

> There are four lines of action in Forestal Mininco's community relations:

### **1\_Getting the company's employees, their actions and forestry operations to be identified by the communities:**

> It has trained employees to deal with and resolve community concerns. Employee training includes: knowledge of the principles of FSC™ certification, protection areas, biodiversity and high conservation value forests, water conservation and weed control, forestry transport and care of roads, along with training on the Mapuche culture.

> Identification of forest estates, timber trucks and the machinery that provides services to Forestal Mininco.

### **2\_Preventing and mitigating negative impacts on the communities:**

> Making known the company's operations and conducting periodic community surveys in which forest work conditions and mitigation plans are agreed on.

> Two types of surveys are conducted: **{1}** expanded to all the districts every three years and **{2}** half-yearly surveys before the winter and summer forest operations in the communities in which there will be operations of over 7,500 m<sup>3</sup> of wood harvesting and transport, or gravel transport exceeding 4,000 m<sup>3</sup> for roads, or the establishment of plantations of over 100 hectares and always for those operations around Mapuche communities.

> Compliance with the community commitments is then checked.

> In 2012, Forestal Mininco's employees

surveyed 20,138 neighbours, which gave rise to 2,138 mitigation and social support requests, broken down as a percentage as follows:

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Access to firewood and non-timber forest products	29%
Maintenance of roads	22%
Regulation of timber truck traffic	20%
Training courses and workshops on productive development	7%
Hiring of local employment	6%
Estates administration	9%
Water availability and construction of water intakes	2%
Other contributions requested	6%

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### 3\_Involvement in community development by means of:

> Local employment at all forestry operations.

> Support of education with the work of the CMPC Foundation and granting scholarships to deserving pupils.

> Fostering fruit and vegetable production projects and the use of forest's products and services, such as the collection of non-timber forest products and grazing for livestock.

> Training courses for local communities aimed at fostering the emergence of small-sized enterprises.

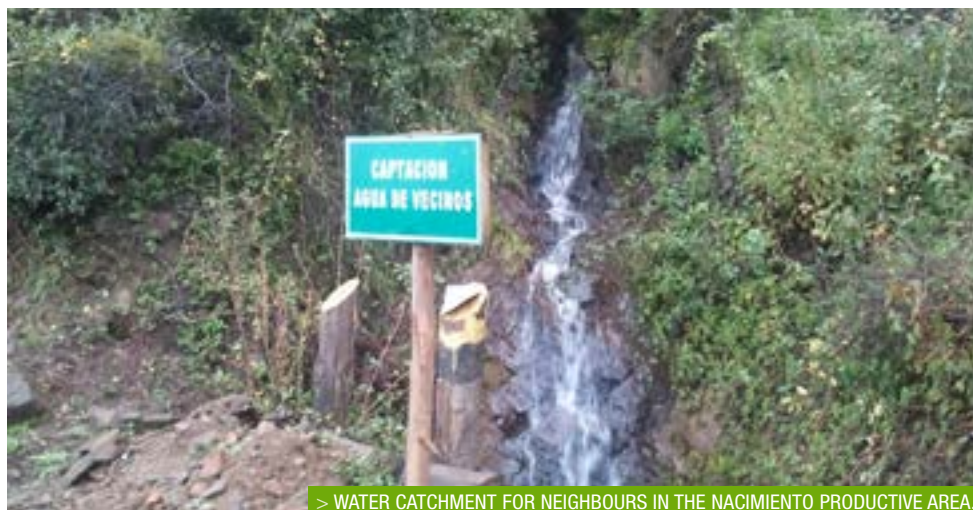
### 4\_Preventing and resolving possible community conflicts, preferably by direct negotiation, reaching agreements and following up on the agreed solutions.

> Giving priority to dialogue in possible disagreements.

> Having facilitators to reach agreements.



## 274 water catchments for the communities around CMPC's forest lands



> WATER CATCHMENT FOR NEIGHBOURS IN THE NACIMIENTO PRODUCTIVE AREA.

- > Forestry regions in the centre and south of Chile are becoming increasingly more water-stressed due to global climate change. The communities around CMPC's forest lands are not immune to this situation. In 2012, Forestal Mininco legalised access for its neighbours, protection and use of 274 water catchments on 191 forest estates in 46 districts in the country:
  - » Each watercourse is now part of a high conservation value forest (HCVF), which must be protected because its main ecosystem feature is drinking water.
  - » Each watercourse has an abstraction and management plan agreed on with the respective community, along with the protection and restoration of surrounding native vegetation and monitoring of the water quality.
  - » Each water catchment has a plan to conserve and enhance the installations, and these works are undertaken jointly with the neighbours.

PRODUCTIVE AREA	Nº OF WATER CATCHMENTS	PROTECTED SURFACE AREA (HECTARES)	Nº OF FOREST ESTATES
Talca	16	77	16
Cabrero	7	14	7
Los Ángeles	12	11	9
Nacimiento	74	328	39
Mulchén	18	40	13
Angol	34	591	24
Cañete	33	354	26
Pastene	40	88	26
Cautín	40	100	31
<b>TOTAL</b>	<b>274</b>	<b>1,603</b>	<b>191</b>



> Ongoing communication, dialogue and seeking of agreements are essential for the CMPC's relationship with its neighbouring communities.





# CMPC and its Business Chain



## Economic Performance

> Although the global economy had lower growth in 2012 than the previous year and the effects of global instability continued, there were also positive signs, highlighting the growth of some key markets for CMPC like Chile, Peru and Colombia, and greater activity in the United States real estate market.

> In this scenario of mixed signs, CMPC's results were affected by a drop in wood pulp export prices and higher production costs, which was partly offset by the higher prices of plywood panels and an increased sales volume of tissue products, the latter due to expanding this business in Latin America.

> The contribution of the wood pulp business therefore fell 39% on 2011, and the tissue and forestry businesses considerably increased their percentage contribution. This effect, aimed at stabilizing the company's operating revenue, was the outcome of the risk diversification strategy driven by CMPC.

### Economic Value Generated and Distributed

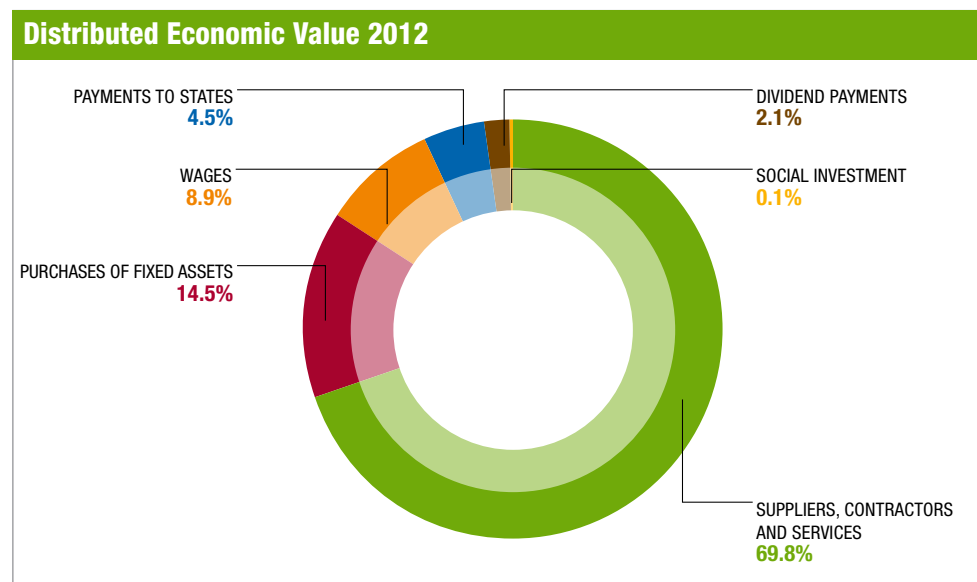
> CMPC generated economic value of US\$ 5.796 billion in 2012, a 2.7% year-on-year decrease, mainly explained by the lower effect

GENERATED ECONOMIC VALUE	MILLIONS OF US\$	
	2011	2012
Revenues Received	5,630.6	5,616.1
Sales of Fixed Assets and Others	44.4	15.4
Subtotal of Operating Income	5,675.1	5,631.5
Net Effect of Financing Activities	283.6	164.1
<b>TOTAL GENERATED ECONOMIC VALUE</b>	<b>5,958.7</b>	<b>5,795.6</b>

DISTRIBUTED ECONOMIC VALUE	MILLIONS OF US\$	
	2011	2012
Suppliers, Contractors and Services	4,095.2	4,037.0
Purchases of Fixed Assets	912.2	840.9
Wages	492.5	516.6
Payments to States	191.3	259.2
Dividend Payments	206.5	124.0
Social Investment	3.7	7.8
<b>TOTAL DISTRIBUTED ECONOMIC VALUE</b>	<b>5,901.4</b>	<b>5,785.4</b>
<b>TOTAL NET FLOW OF THE PERIOD</b>	<b>57.3</b>	<b>10.2</b>

of financing activities. The revenue attained was virtually the same as in 2011, as the lower export sales were offset by the higher local sales of subsidiaries overseas and those in Chile.

> The economic value distributed amounted to US\$ 5.785 billion, a 2% year-on-year decrease, on account of lower dividend payments and purchases of fixed assets.



### Payment to the National Treasury

> The payments made to the countries in which CMPC has operations are shown in the table below, which considers the consolidated figures of Chile, Argentina, Brazil, Peru, Uruguay, Mexico, Colombia and Ecuador. In

2012, such payments amounted to US\$ 259 million, a 35% year-on-year increase, mainly due to higher income tax payments and lower tax exemptions and credits.

PAYMENTS TO NATIONAL TREASURY	MILLIONS OF US\$	
	2011	2012
Income Taxes	109.5	127.6
Customs Duties	10.1	12.6
Net Value Added Tax (VAT) Paid	90.1	99.7
Property Taxes	7.8	8.8
Disallowed Expenses Taxes	0.7	0.1
Taxes on Financial Credits	5.5	7.6
Payments of Services Abroad	1.5	1.4
Commercial and Industrial Licenses	7.7	6.0
Minus Tax Exemptions and Credits	-41.6	-4.8
<b>TOTAL NET PAYMENTS TO NATIONAL TREASURY</b>	<b>191.3</b>	<b>259.2</b>

THIS INCLUDES CONSOLIDATED FIGURES OF CHILE, ARGENTINA, BRAZIL, PERU, URUGUAY, MEXICO, COLOMBIA AND ECUADOR.

## Contribution to public infrastructure

> The development of CMPC's operations is characterised by large-scale transport of raw materials and finished products, especially the delivery of high volumes of wood supplies to the mills. That is why every year the company invests in building roads, paving, bridge repair and stormwater works, as part of the requirements for the appropriate performance of its operations.

> The works that CMPC carry out not only raise the standard of the roads but also improve both the connectivity and the people's, from local villages, quality of life, which means a public benefit to the community. During 2012 CMPC invested US\$ 19 million in infrastructure, mainly in paving works carried out by Celulose Riograndense in the South Zone of the Guaiba city in Brazil.

INVESTMENT IN INFRASTRUCTURE	THOUSANDS OF US\$	
BY TYPE OF INFRASTRUCTURE	2011	2012
Roads	1,937	3,273
Paving	6,440	15,470
Bridge repair and stormwater works	331	308
Others	22	90
<b>TOTAL</b>	<b>8,730</b>	<b>19,141</b>

## Sanctions and fines

> In 2012 CMPC paid US\$ 284,000 in fines related to administrative, environmental and labour matters, mainly administrative fines in the Tissue business centre, corresponding to the operations in Brazil and Peru.

SANCTIONS AND FINES	THOUSANDS OF US\$	
BY BUSINESS CENTRE	2011	2012
Forest	78.4	1.1
Pulp	17.8	30.9
Paper	5.0	50.8
Tissue	-	136.9
Paper Products	2.9	36.0
Shared Services and Others	-	28.4
<b>TOTAL</b>	<b>104.1</b>	<b>284.2</b>



## Relationship with suppliers and contractors

> CMPC's suppliers' network comprises both national and foreign companies which provide raw materials, equipment and supplies, as well as specialised services for different areas.

> It is worth mentioning that in 2012, 1,461 Chilean contracting companies provided CMPC's forestry and industrial operations with specialised and intensive services of skilled labour, totalling 12,942 workers. Around 90% of these companies operate in a small and medium scale and are run by local businesses, making an important contribution to the local economic growth of the regions where the company has forest plantations and industrial operations.

> CMPC works closely with these contracting companies to achieve high standards in labour, health and safety, social and environmental issues. This collaboration is based on continuous improvement, ongoing

training, good rapport, and the emphasis on the adoption of a set of practices that represent the standards the company has on these matters. The following are of paramount importance for CMPC:

- » Compliance with labour and social laws, the creation of good working conditions and the total absence of child or forced labour.
- » Strict compliance with environmental legislation and with the high standards included in CMPC's environmental and safety systems, which are a requirement for its ISO 14001, OHSAS 18001, CERTFOR-PEFC and FSC™ certifications.
- » An ongoing communication with its contracting companies to ensure high performance standards are met and also to detect any deviation from the established procedures and correct it.



## Purchase of Goods and Services from Local Suppliers

> During 2012 CMPC purchased 39% of its goods and services from local suppliers, similar figure to the previous year, both influenced by the modernisation projects carried out in the pulp mills, which required major purchases from foreign suppliers.

> However, local suppliers provide CMPC

with products and quality services at a very competitive cost and delivery times compared to external non local alternatives. By supporting local businesses, the company contributes to the social and economic growth of the regions where its factories and operational centres are located.

PROPORTION OF PURCHASES OF GOODS AND SERVICES FROM LOCAL SUPPLIERS	% REGIONAL PURCHASING	
	2011	2012
BY BUSINESS CENTRE		
Forest	78%	68%
Pulp	28%	31%
Paper	37%	38%
Tissue	39%	35%
Paper Products	64%	61%
Shared Services and Others	94%	95%
<b>TOTAL</b>	<b>41%</b>	<b>39%</b>

BY COUNTRY	% REGIONAL PURCHASING	
	2011	2012
Chile	40%	36%
Argentina	50%	48%
Brazil	41%	39%
Peru	66%	64%
Uruguay	75%	73%
Mexico	30%	32%
Ecuador	23%	25%
<b>TOTAL</b>	<b>41%</b>	<b>39%</b>

A LOCAL SUPPLIER IS ONE LOCATED IN THE SAME PROVINCE OR REGION AS THE FACTORY OR HEAD OFFICE OF THE RESPECTIVE BUSINESS CENTRE.



## Generation of Forestry Enterprise

> CMPC fosters integration with the communities around its operations, which generates social and economic development opportunities. Regarding this, as of 2008 the company has driven two programs to foster the emergence of forestry enterprise initiatives: new third party-owned plantations and forest stewardship certification for small- and medium-sized forest owners.

### Forest Investment Program

> Forestal Mininco is developing a business model to encourage the participation of small- and medium-sized landowners (SMLs) in the forest productive chain. This program, called Forest Investment, amounted to 25,500

hectares of land as of December 2012, on which 203 SMLs are developing high value forest plantations with the technology, genetics, forestry and management support of Forestal Mininco.

> By means of this program, CMPC disseminates good environmental and plantation stewardship practices, landowners get revenue from the first few years of the growth of the forest on their lands, and commit the future timber production to the company.

> This program helps to stop the erosion of unproductive soil by establishing forests that renew the earth.





## Sustainable Forest Stewardship Certification Program for SMLs

> CMPC Pulp and Forestal Mininco are developing a program to certify the sustainable forest stewardship of SMLs, who supply CMPC's mills with timber. As of December 2012, 21 landowners with a surface area of 39,000 hectares had secured certification of the sustainable forest management standard CERTFOR-PEFC.

> The program enables CMPC to disseminate its good practices related with labor, environmental protection and community relations to certified landowners.

### PHOTO 1

> SPECIALISTS AUDIT THE LANDOWNERS ON THE PROGRAM ON ISSUES OF LABOR LEGISLATION, SUPERVISION OF OCCUPATIONAL HEALTH AND SAFETY STANDARDS IN FORESTRY OPERATIONS, ENVIRONMENTAL PROTECTION, FORESTRY AND MAPPING.

### PHOTO 2

> TRAINING FOR CERTIFIED LANDOWNERS ON TECHNIQUES OF CONTROLLING MINOR FOREST FIRES, GIVEN BY SPECIALISTS OF FORESTAL MININCO IN THE TERCERA MONTAÑA SECTOR OF THE DISTRICT OF LONGAVI.

### PHOTO 3

> TRAINING FOR CERTIFIED LANDOWNERS ON TECHNOLOGY OF FOREST FIREFIGHTING IN THE DISTRICT OF NACIMIENTO.





## Relationship with Customers

- > CMPC has around 30,000 customers which are companies operating in industries of different nature, both of manufacture as well as distribution and retail.
- > CMPC maintains a close link with their customers and is aware of the important role they play in the social rating and the economic success of the company. Generally speaking, this relationship involves the commercial aspects as well as the technical development of the company's products.
- > Through proactive credit policies that support the development of its customers' businesses, CMPC builds mutually beneficial relationships with its customers.
- > To constantly improve technical performance of its products, CMPC attends fairs and provides tailor made after sales support to its customers.
- > The labelling of CMPC products contains all the information required by the industrial field or other type of customer, according to the nature of the product and whether it is destined to industrial use or massive consumption.
- > The marketing and advertising of the Tissue products comply with the ethical standards set by the Self-regulatory Advertising Council and come into the line with the values and ethics of the company.

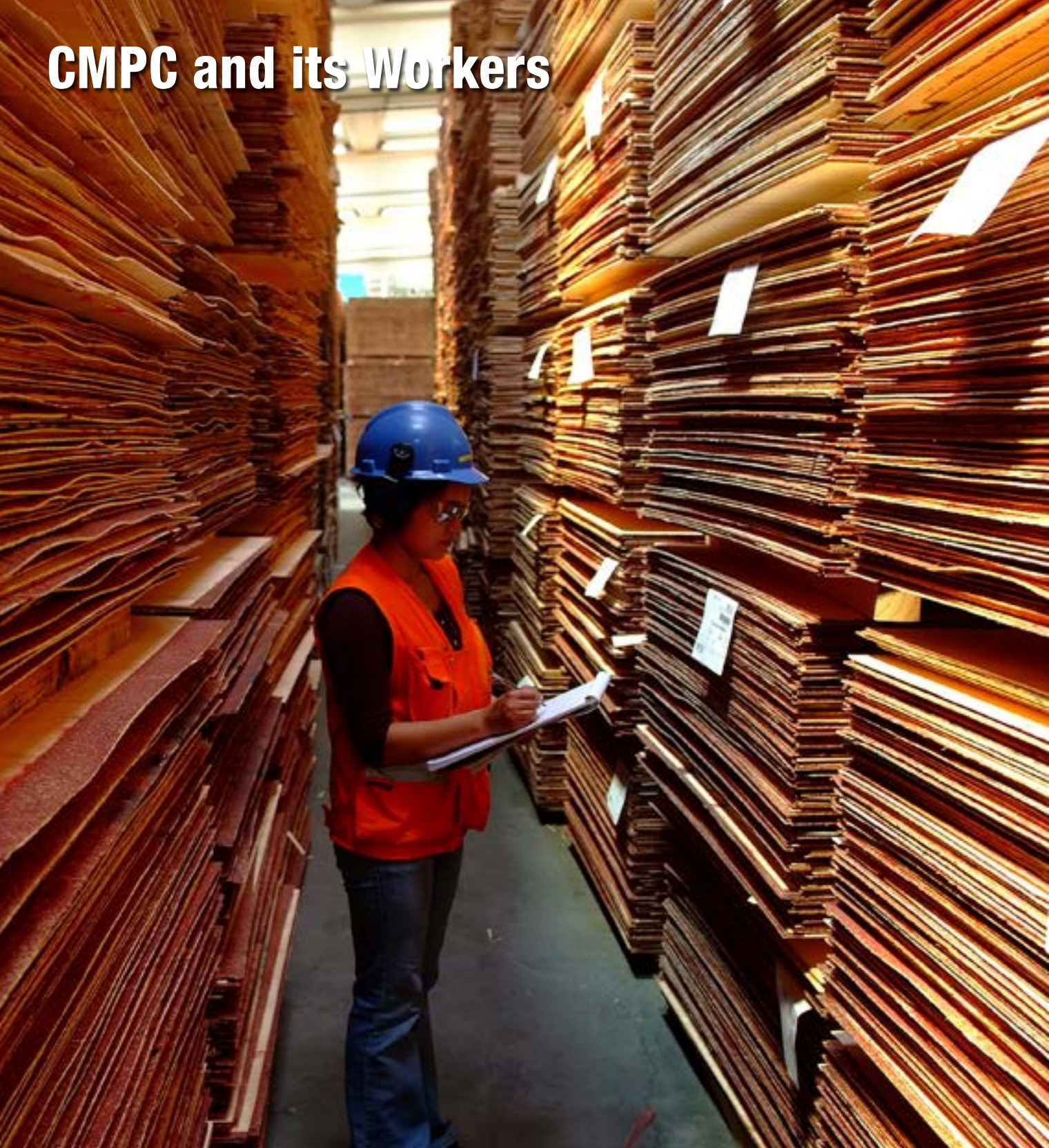
### Customers' Health and Safety

- > CMPC constantly monitors the impact that its products have - throughout their life cycle - on customers' health and safety. The analysis applies to tissue and sanitary products, folding boxboards and paper bags intended for food packaging.
  - » Tissue and sanitary products undergo stringent analysis of its components, including dermatological testing to ensure they are hypoallergenic and microbiological stability testing according to the safety requirements.
  - » Folding boxboard used in food packaging is HACCP certified and ISEGA approved, which makes it suitable to come in direct contact with food.
  - » Paper bags used in food packaging are also HACCP certified.





# CMPC and its Workers



> The CMPC People program aims to bolster the organizational culture, both in human and career development of employees and communication between the 8 countries where CMPC operates.

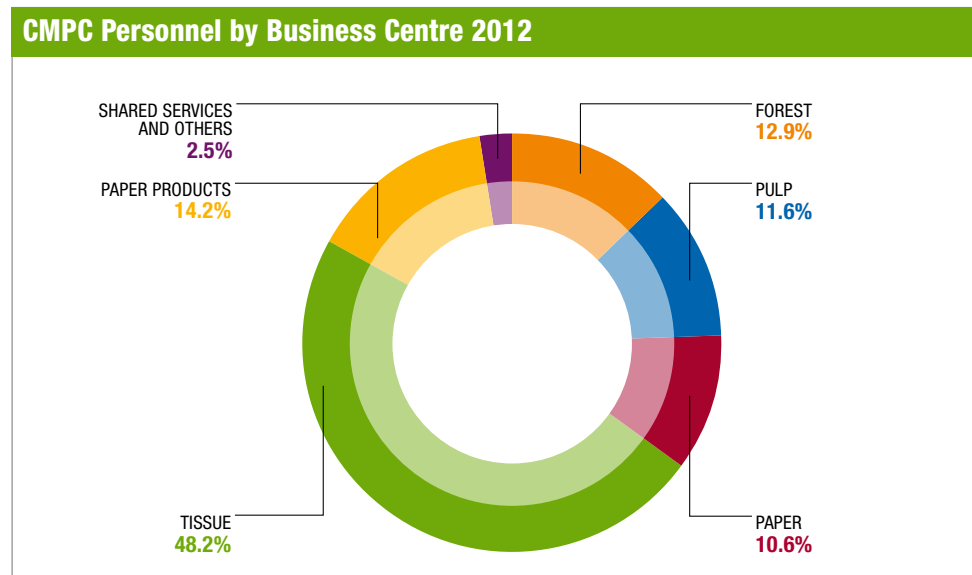


## Continuous increase in the number of CMPC employees in Latin America

> By the end of December 2012, a total of 15,915 people were employed by CMPC and its subsidiaries, 2.9% higher than in 2011. Such an increase – 452 people - was mainly due to the growth of the CMPC's operations in Mexico, Peru, Brazil and Chile.

> The employees from the Tissue business centre accounted for 48% of CMPC's total personnel. This business centre has industrial operations in 8 Latin American countries, as shown in the map on page 13.

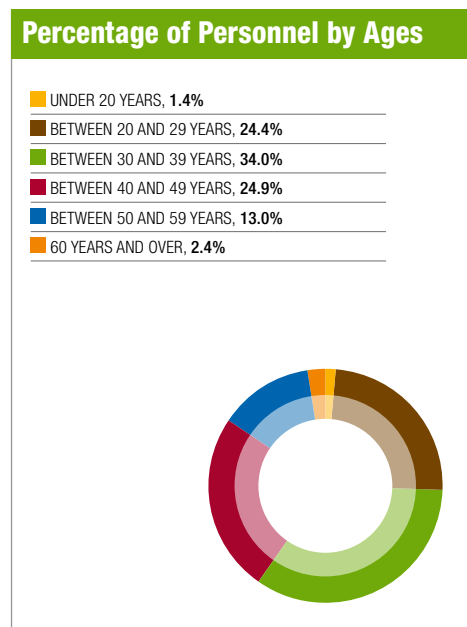
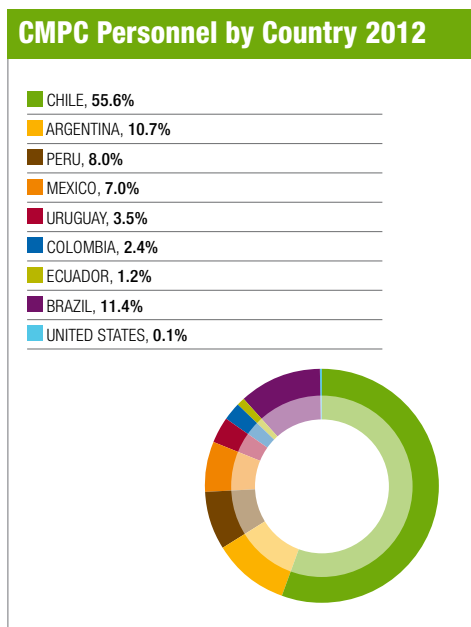
CMPC PERSONNEL (as of 31 December of each year)		
BY BUSINESS CENTRE	2011	2012
Forest	1,910	2,057
Pulp	1,837	1,847
Paper	1,791	1,683
Tissue	7,337	7,668
Paper Products	2,197	2,265
Shared Services and Others	391	395
<b>TOTAL</b>	<b>15,463</b>	<b>15,915</b>





> In 2012 employees for CMPC working abroad totaled 7,061 people, which represent 44.4% of the company's personnel. The figure is higher than in 2011: 6,766 employees worked abroad.

<b>CMPC PERSONNEL</b> (as of 31 December of each year)		
BY COUNTRY	2011	2012
Chile	8,697	8,854
Argentina	1,680	1,706
Peru	1,181	1,272
Mexico	1,004	1,110
Uruguay	550	561
Colombia	399	385
Ecuador	175	198
Brazil	1,768	1,818
United States	9	11
<b>TOTAL</b>	<b>15,463</b>	<b>15,915</b>



> The number of female employees grew from 10.8% in 2010 to 11.8% in 2011 and then by December 2012, it reached 12.5%. The highest number of female employees was observed in Ecuador, Colombia and Mexico with 33%, 31%

and 25% of female staff respectively.

> CMPC's personnel figures show a balance in the percentage of people employed in relation to age groups.



> Sustained increase of CMPC  
personnel working outside Chile:  
from 25% in 2007 to 44% in 2012.

# CMPC's Code of Conduct

> For CMPC, excellence in management includes upright conduct, responsible and loyal to each employee in the business chain. We are convinced that an ethical conduct promotes relationships of trust and credibility with our stakeholders. With this perspective, ethics is pivotal to our business strategy based on building strong and honest business relationships, which contribute to the growth of the Company, its employees and society.

The CMPC Code of Conduct is based on 5 General Principles:

- 1. RESPECT for people.**
- 2. Strict COMPLIANCE with the law.**
- 3. CARING for the environment.**
- 4. CONSIDERATION for the needs of the neighbours.**
- 5. LOYALTY when competing.**

## **1. RESPECT for people**

> CMPC respects and values all people with which it interacts, treating them with dignity, whether they are employees, contractors, suppliers, customers, facility neighbours, shareholders, among others.

> We value honesty, loyalty, trust and good faith. In addition, we care for health and integrity of people, and we are committed to providing a safe, hygienic and healthy environment in our facilities.

## **2. Strict COMPLIANCE with the law**

> CMPC values and respects the legal regulations that govern its activities. All the directors, executives and workers are committed to strict compliance with the law applicable to business development of the Company.

> This commitment includes compliance with all national and international norms and regulations,

applicable to all operations and transactions performed by CMPC subsidiaries.

## **3. CARING for the environment**

> CMPC values sustainable development, promoting care for the environment and natural resources so as not to affect future generations.

The directors, executives and workers are committed to respecting the environment and perform their duties in accordance with legal norms and market standards.

> CMPC protects the sustainable development of its processes through the generation of renewable energy from biomass, the careful and efficient consumption of water and raw materials, the use of recycled fibers and the certified management of its renewable forest plantations.

> We consider a constant mitigation of environmental impacts, while maintaining investment policies that promote a continuous improvement of CMPC production processes.

> CMPC is committed to the preservation of biodiversity through the conservation of existing native forest on their land, the protection of fauna and flora that are in danger of extinction and the identification, preservation and restoration of High Environmental Value Areas.

## **4. CONSIDERATION for the needs of the neighbors**

> CMPC values the building of a collaborative relationship with its neighbors in order to maximize the social benefits of its operations. Managers and executives are committed to progressing and developing neighboring communities. And due to this, we have an open and caring attitude towards our neighbors, constantly identifying with their needs, desires and possible collaborations.

> We place special emphasis on supporting education with the educative programs of the CMPC Foundation.

> The CMPC executives maintain special consideration for local employment level and to collaborate with the challenges of the authorities.

### **5. LOYALTY when competing**

> CMPC values free competition as the essence of the market economy due to the fact that it favors the development of more and improved products and services, at a lower price for customers.

> We seek to compete fairly, manufacturing and marketing quality products that adequately satisfy, and at a reasonable price, the needs of the consumer and clients.

> We are committed to the use of marketing and advertising practices that in no way causes deception or harm to the consumer, distributors and competitors, or which restricts competition.

> We are committed to the integrity in handling confidential and privileged information, strictly complying with the respective regulations. Public information provided by the Company is based on the principles of accuracy, reliability, timeliness and adequacy.

> We make commercial decisions based on sound administration practices that coincide with the best interest for the Company and not arbitrarily for personal interest or external pressures.

> The current Code of Conduct is available at [www.cmpc.cl](http://www.cmpc.cl), selecting Business Ethics.

### **Confidential Reporting**

> There is a confidential reporting website which is anonymous, so that if any situation were to arise in relation to this Code of Conduct, it will be investigated by the Manager of Legal Affairs of CMPC.

> It is accessed at [www.cmpc.cl](http://www.cmpc.cl), selecting Business Ethics and then, selecting Confidential Complaint, available to anyone interested.

### **Prevention of bribery and corruption acts**

> CMPC has a Prevention Model designed to prevent the commission of crimes related to bribery, money laundering, terrorism financing and acts of corruption, readily available at [www.cmpc.cl](http://www.cmpc.cl), selecting Business Ethics, and then selecting Prevention Manual. This is where the Prevention Model is found, which identifies both the common and sporadic activities of the Company, in which its context can generate or increase the risk of the commission of crimes previously described. There is also a link to send a confidential reporting by any person that has knowledge of said conduct.





## CMPC People Program

> The aim of the CMPC People program is to make CMPC a better workplace and is based on five strategic pillars: leadership, development, recognition, benefits and communication.

### Leadership

> We promote leaders who help build a better workplace and an organizational culture differentiated by leaderships based on trust, closeness and ongoing dialogue.

### Recognition

> We promote innovation, and we recognize and distinguish work teams with outstanding results, which are the outcome of motivation and passion for doing a good job.

### Benefits

> We care about the development of people in family, professional and social scopes. We understand that satisfaction generates bonds that help to bolster commitment and we therefore develop programs of benefits for our employees and their families.

### Development

> We are driving a system of individual objectives and action plans, which facilitate mobility and the development of competencies and skills of each employee, which are essential aspects for CMPC's future sustainability.

> CMPC's people management has a world-class technology platform.

### Communication

> Our company's growth in the last few years and the size it has reached requires us to attain timely, direct, close and reliable communication. This enables us to lead projects, mobilize teams, attain interactivity and build bonds that enhance and facilitate teamwork.

## Education and in-service training: a company at cutting-edge technology

> CMPC employees have achieved a high level of specialization and efficiency, 32% holds an academic degree, or finished tertiary education. A large proportion of our workers are qualified to carry out complex production processes.

> Low level of staff turnover: 1.8% monthly average in 2012, which compares with 1.7% in 2011 and 1.9% in 2010. CMPC offers its employees opportunities to develop a career within the company and encourages them to undergo training. CMPC also offers its employees job security, good working environment and additional benefits.

CMPC PERSONNEL 2012		DISTRIBUTION BY LABOR POSITION		
BY BUSINESS CENTRE	SENIOR MANAGEMENT	PROFESSIONALS AND TECHNICIANS	OPERATIVE PERSONNEL	TOTAL
Forest	21	694	1,342	2,057
Pulp	27	854	966	1,847
Paper	19	599	1,065	1,683
Tissue	62	2,080	5,526	7,668
Paper Products	31	385	1,849	2,265
Shared Services and Others	12	346	37	395
<b>TOTAL</b>	<b>172</b>	<b>4,958</b>	<b>10,785</b>	<b>15,915</b>

> In-service training is essential to guarantee the sustainability of the company's future businesses. Education and ongoing training, which go hand in hand with productivity improvements, also provide employees with a deep feeling of satisfaction.

> CMPC's in-service training programs are designed taking the long-term into account. This means ongoing training, and when new technology and industrial processes come in, additional reinforcement sessions are introduced. This proves especially useful when a new mill, paper machine or industrial process is being set up.

> In 2012, 262,106 hours were committed to staff training from all the areas in the company. This is one of CMPC's most outstanding achievements in this matter.

> 24% (out of 262,000 hours), was committed to staff from the company's operations abroad.

IN-SERVICE TRAINING HOURS 2012				
BY BUSINESS CENTRE	SENIOR LEVEL	MIDDLE LEVEL	OPERATIVE PERSONNEL	TOTAL
Forest	12,684	18,701	31,663	63,047
Pulp	3,273	9,319	49,160	61,752
Paper	4,621	16,404	26,927	47,952
Tissue	14,644	14,970	22,773	52,387
Paper Products	2,948	5,075	16,797	24,820
Shared Services and Others	1,074	10,773	301	12,148
<b>TOTAL</b>	<b>39,244</b>	<b>75,242</b>	<b>147,621</b>	<b>262,106</b>

THESE FIGURES DO NOT INCLUDE IN-SERVICE TRAINING COURSES GIVEN INTERNALLY IN THE MILLS WITH THEIR OWN STAFF.



## Innovation program at CMPC Pulp

- > CMPC Pulp is developing an innovation program to help maintain its long-term competitiveness. This program involves all company employees, motivating them to suggest ideas for innovation in various areas based on their competencies, knowledge, creativity and enthusiasm.
- > The website [www.i-cel.cl](http://www.i-cel.cl) was set up for this to promote innovation and serve as a communication channel for everybody working in the company, so this innovation program is built in an environment of collaboration.
- > Pulp mill workers suggest ideas for projects individually or as a group, which are posted on the website. These ideas then go through a selection and classification process; they are turned into concrete proposals with the help of work teams and then into projects that will be undertaken in an order that considers their contribution to the objective set of innovation, implementation timescale and investment, as the main factors.
- > The four innovation objectives being worked on for labor and technical issues are: **{1}** build a better work environment, **{2}** recognize the past stories of ingenuity, **{3}** increase energy efficiency and **{4}** increase operating efficiency.

## Close proximity to local communities

- > Because of CMPC's commitment to the communities where the company is present, it is of utmost importance that operations in these areas are led by high-ranked personnel who either come from these areas or have permanent residence in the communities situated near the company's facilities.
- > This improves CMPC's communication with neighboring communities and has a positive effect on taking part in activities related to the Corporate Social Responsibility, which the company carries out through the CMPC Foundation and the actions to support neighboring communities.
- > In 2012, 88% of CMPC's senior and middle managers came from or had permanent residency in the areas close to the company's operational plants. This figure is similar to that of 2010.
- > The previous percentage is due to the CMPC's policy of fostering an actual integration with local communities and of actively getting involved in their social and economic growth, through a close relationship with local authorities and neighborhood organizations.

## Trustworthy long-standing working relationships

> CMPC values a good working environment since it believes it has a positive effect on both individual and team work. The company's effective coordination with unions has been instrumental in establishing a continuous, proactive and transparent communication between management and CMPC's employees.

> Regular meetings, written communications and consultation with union representatives, have contributed to strengthen the mutual trust between the company and its workers, and have improved policies related to working conditions and employee benefits.

> There are 50 unions that represented 58%

of the CMPC's employees by December 31 2012. The oldest unions are:

- » The N°1 workers union of Papeles Cordillera, dating back from 1927, it is the oldest Chilean union.
- » The N°2 workers union of Papeles Cordillera, established in 1931.
- » The merged workers union of CMPC Laja Pulp Mill, follower of N°1 and N°2 unions that were established in 1961 and 1966 respectively.

**50** unions represent 58% of the workers.

PERCENTAGE OF UNION MEMBERSHIP		
BY BUSINESS CENTRE	2011	2012
Forest	64%	62%
Pulp	55%	56%
Paper	50%	54%
Tissue	60%	61%
Paper Products	59%	58%
Shared Services and Others	0%	7%
<b>TOTAL</b>	<b>59%</b>	<b>58%</b>

BY COUNTRY	2011	2012
Chile	59%	60%
Argentina	49%	49%
Brazil	90%	90%
Peru	15%	15%
Uruguay	84%	84%
Mexico	67%	74%
<b>TOTAL</b>	<b>59%</b>	<b>58%</b>



**68%** of workers are covered by a collective bargaining agreement.

> By the end of December 2012, 68% of CMPC's employees were covered by collective bargaining agreements currently in force.

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS		
BY BUSINESS CENTRE	2011	2012
Forest	68%	71%
Pulp	62%	65%
Paper	62%	59%
Tissue	71%	72%
Paper Products	68%	69%
Shared Services and Others	8%	9%
<b>TOTAL</b>	<b>68%</b>	<b>68%</b>

BY COUNTRY	2011	2012
Chile	64%	65%
Argentina	77%	76%
Brazil	96%	95%
Peru	40%	43%
Uruguay	100%	100%
Mexico	69%	76%
<b>TOTAL</b>	<b>68%</b>	<b>68%</b>

### CMPC's Employee Benefits

> Scholarships, school bursaries and sports activities for employees' children, as well as leisure activities for staff. Education, birth and death allowance.

> The company offers its employees loans to cover the cost of buying a house.

> CMPC has put into practice several healthcare programs for its employees,

such as immunization, preventive medicine, a welfare service, complementary health insurance, and discounted prescriptions, dental care and prescription glasses. CMPC employees can also get subsidized hospital and private care.

> Leisure and cultural activities for employees and their families, such as sports, drama, music and singing.

## Risk Prevention Policy: working towards a healthier and safer working environment

> At CMPC, advances in safety and occupational health have been achieved by a joint effort with the workers, their unions and other labor representatives. This work has experienced some significant advances over time:

- » Appropriate safety elements made available to employees, which allow them to carry on their daily activities safely.
- » Standard operations procedure manuals for employees.
- » Joint Committees, company-employees.
- » Healthcare and health insurance programs.

> 94% of CMPC's employees actively participated in joint committees dealing with Order, Hygiene and Safety in 2012. In Chile, these committees are established in accordance with Law N° 16,744. For the company's operations abroad, the most relevant aspects of the Chilean legislation have been homologated.

PERCENTAGE OF WORKERS REPRESENTED IN JOINT COMMITTEES		
BY BUSINESS CENTRE	2011	2012
Forest	98%	98%
Pulp	100%	100%
Paper	98%	99%
Tissue	86%	90%
Paper Products	95%	94%
Shared Services and Others	100%	100%
<b>TOTAL</b>	<b>92%</b>	<b>94%</b>

BY COUNTRY	2011	2012
Chile	99%	99%
Argentina	77%	76%
Brazil	100%	100%
Peru	67%	69%
Uruguay	100%	100%
Mexico	64%	87%
Colombia	100%	100%
Ecuador	100%	100%
<b>TOTAL</b>	<b>92%</b>	<b>94%</b>

## Risk Prevention Programs

> CMPC's Risk Prevention Programs are geared up to protect employees' life and health, neighboring communities and the environment. We also aim to protect our facilities and the operational continuity of our production processes.

> A special mention for the Zero Fault Program from CMPC Pulp and for the Corporate Safety System from CMPC Tissue. Both plans have essential elements in common:

- » They are inspired by the OHSAS 18,001 standard and integrate the management of environmental risks, protection of facilities and the coordination of emergency response with institutional and local authorities.
- » They emphasize the cultural change in employees, making them aware of the operational risks for both people and the environment.
- » They are designed to incorporate staff from all areas of the company.
- » Both plans are regularly revised and updated in terms of operational and emergency procedures.
- » These plans identify the areas in each

mill according to their risk level and allocate teams responsible for delivering a coordinated and prompt response.

## OHSAS 18001 at CMPC

> The following subsidiaries have the OHSAS 18001 certification:

- » Forestal Mininco
- » CMPC Maderas for its three sawmills, two remanufacturing facilities and a plywood mill.
- » CMPC Pulp for its Laja, Santa Fe and Pacifico pulp mills in Chile.
- » Papeles Cordillera
- » Cartulinas CMPC for its Maule boxboard mill
- » Tissue Chile for its Talagante and Puente Alto mills.
- » Tissue Argentina
- » Tissue Uruguay
- » Tissue Colombia for its Cali mill.

## Accident rate

> CMPC consolidated accident rate was 2.9 accidents with lost time per 100 workers in 2012, 12% down on the 3.3 accidents in 2011.





> Strong focus on risk prevention programs and OHSAS 18001 certification.

> Regarding safety and occupational health statistics, staff absence levels have remained low, with an average of 1.8%. In 2012, accidents totaled 449, a figure 11.6% lower than in 2011. 13,677 days were lost due to accidents, 0.7% more than in 2011.

SAFETY AND OCCUPATIONAL HEALTH STATISTICS						
BY BUSINESS CENTRE	2012					
	RATE OF ABSENTEEISM	N° OF CASES WITH PROFESSIONAL ILLNESSES	N° OF ACCIDENTS	DAYS LOST	N° OF FATAL ACCIDENTS	AVERAGE EMPLOYEES IN THE YEAR
Forest	3.3%	0	33	961	0	1,976
Pulp	2.4%	0	20	639	0	1,850
Paper	2.7%	0	37	762	0	1,755
Tissue	1.0%	3	246	9,026	0	7,510
Paper Products	1.8%	1	111	2,195	0	2,184
Shared Services and Others	2.6%	0	2	94	0	393
<b>TOTAL</b>	<b>1.8%</b>	<b>4</b>	<b>449</b>	<b>13,677</b>	<b>0</b>	<b>15,669</b>

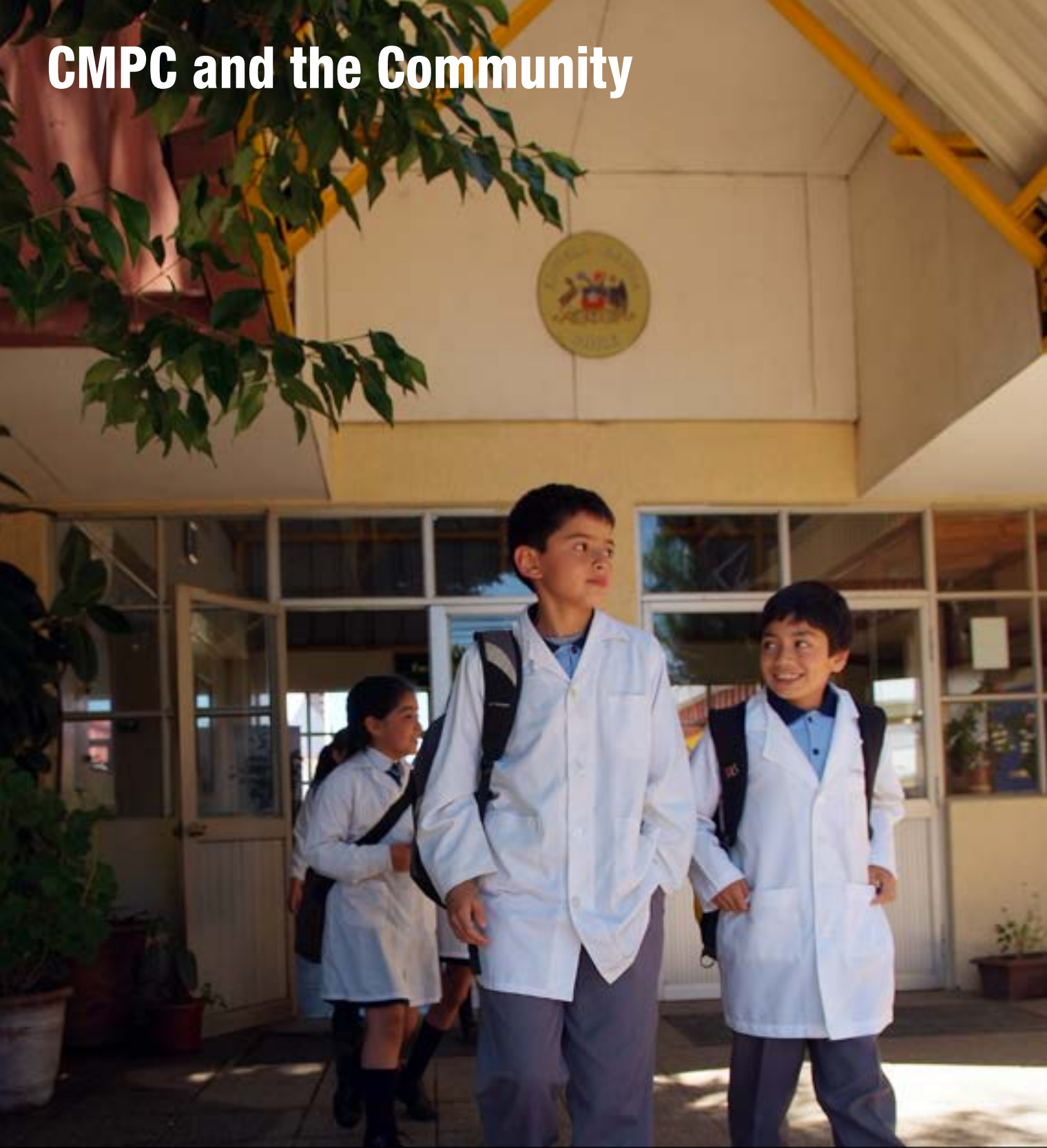
BY COUNTRY	2012					
	RATE OF ABSENTEEISM	N° OF CASES WITH PROFESSIONAL ILLNESSES	N° OF ACCIDENTS	DAYS LOST	N° OF FATAL ACCIDENTS	AVERAGE EMPLOYEES IN THE YEAR
Chile	2.7%	0	215	5,071	0	8,754
Argentina	1.1%	0	88	3,935	0	1,659
Brazil	0.6%	0	21	1,175	0	1,799
Peru	0.6%	0	42	530	0	1,238
Uruguay	1.0%	0	32	1,075	0	559
Mexico	0.1%	2	27	1,115	0	1,076
Colombia	0.3%	2	20	516	0	384
Ecuador	0.4%	0	4	260	0	189
<b>TOTAL</b>	<b>1.8%</b>	<b>4</b>	<b>449</b>	<b>13,677</b>	<b>0</b>	<b>15,669</b>

RATE OF ABSENTEEISM = TOTAL NUMBER OF DAYS WITH MEDICAL LEAVE OF ABSENCE / (AVERAGE NUMBER OF EMPLOYEES IN THE YEAR \* 365 DAYS)

> 47% decrease in the consolidated accident rate from 2006 to 2012.



# CMPC and the Community



> The education support programs of the CMPC Foundation benefitted over 10,000 pupils at 53 primary schools in 12 districts of Chile.

## The CMPC Foundation

> The CMPC Foundation completed 12 years of work in 2012 supporting the schools around the company's productive facilities, convinced that giving children a better quality of education in their early childhood raises their future opportunities and the quality of life of their communities too. The Foundation's work is undertaken by a team of 32 professionals and in 2012 benefitted over 10,000 children at 53 schools in 12 districts of Chile.

### Teacher training and school consultancy program

> The teacher training program of the CMPC Foundation is focused on improving language

and mathematics learning by children in pre-kinder to 4<sup>th</sup> grade of primary education, by enhancing the tools and knowledge of their school teachers and principals. The strategy used is based on a comprehensive training and counseling model, which aims to implement learning at each school through teacher training, application workshops, classroom and school management counseling and rigorous assessment of the work undertaken.

> The teacher training program is held at 47 schools in 12 districts in the Metropolitan, Maule, Bío Bío and Araucanía regions, supporting 470 teachers and principals, benefitting 10,205 pupils. The Foundation's



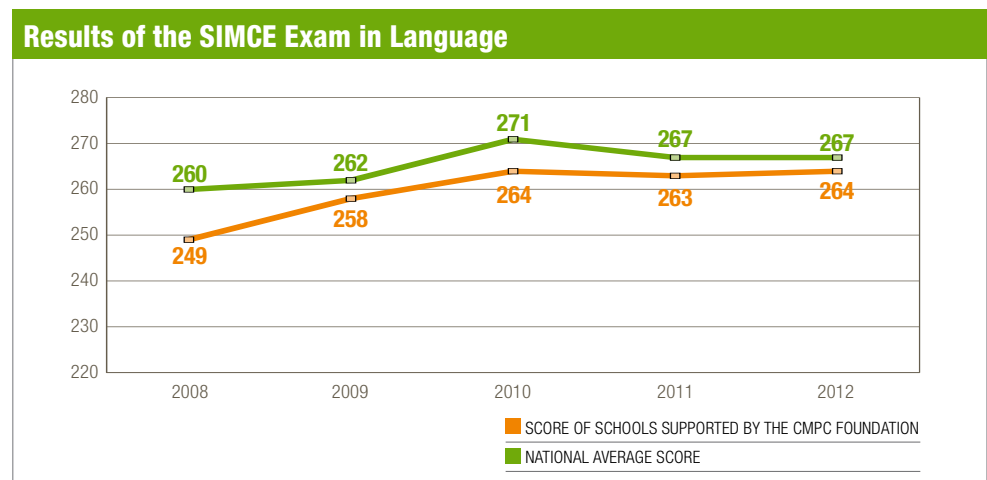
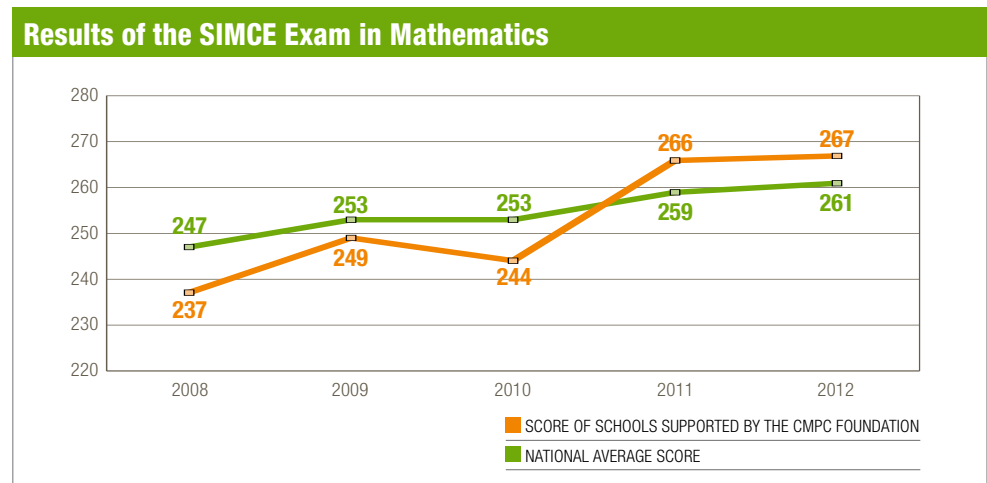
team of professionals devoted 4,883 hours to training, development, counseling and workshops, a 23% year-on-year increase.

> The language teacher training support program was completed in the districts of Laja, Nacimiento and Talagante for teachers of pupils in 5<sup>th</sup> to 8<sup>th</sup> grade of primary education, aimed at strengthening reading domain and reading comprehension of such pupils.

> A management course was also established for 86 principals at the Center for Advanced Training, Experimentation and Pedagogical Research of the Chilean Ministry of Education.

> The mathematics results of pupils at Foundation-supported schools were particularly encouraging, measured by the National Education Quality Assessment (SIMCE) Exam for pupils in fourth grade of primary education. 2012 was the second year running in which the average SIMCE score in mathematics at Foundation-supported schools exceeded the national average score.

> Regarding the results of the SIMCE Exam in language for pupils in fourth grade of primary education, the average score of Foundation-supported schools is improving and getting closer to the national average score.





**> We have made continuous improvement in the SIMCE exams at schools supported by the CMPC Foundation.**

### **Growing Up Together Program**

> This program – carried out in the district of Nacimiento – promotes the cognitive, motor and sociolinguistic development of children up to 6 years old, by the strengthening of effective practices of early stimulation that are developed both with their families and the educational centers.

> In total 662 children were benefited through the support to their mothers, fathers and guardians, as well as 81 educators and educational assistants from 4 schools, 2 kindergartens and 4 day nurseries.









## Cultural and outreach programs in Nacimiento and Laja

> Mass cultural events were held in the districts of Laja and Nacimiento: cycles of cinema, concerts, theatre plays and children's story contests with a total of 10,056 participants in 2012.

> Workshops for adults in Nacimiento and Laja throughout the year (entertaining dancing, singing and guitar playing, Arabian dance, technology, drawing and painting, photography and Latin American dance) and for children in Nacimiento during their winter and summer holidays (dancing, music and drawing). 256 adults and 125 children participated in 2012.

> Monthly workshops on local, regional and national folk music at 43 primary education schools in 29 districts, with the participation of 1,400 children.

### PHOTO 1

> AN ENTERTAINING PLAY FOR CHILDREN.

### PHOTO 2

> CELEBRATION OF INTERNATIONAL WOMEN'S DAY IN NACIMIENTO.

### PHOTO 3

> NEIGHBORS AND THEIR CHILDREN WATCHING A FILM AT THE LAJA PULP MILL DURING THE SCHOOL WINTER HOLIDAYS.

### PHOTO 4

> AWARD CEREMONY FOR THE CHILDREN'S STORY CONTEST AT LAJA.

### PHOTO 5

> NEIGHBORS AT A SINGING AND GUITAR PLAYING WORKSHOP AT LAJA.





## The Jorge Alessandri Educational Park

> The Jorge Alessandri Educational Park proposes as a mission, to spread the production, forestry and environmental management of Empresas CMPC, through free cultural and educational activities, open to the entire community.

> During 2012 the Park had a total of 160,156 visitors, a figure 4% higher than in

2011. Since its opening in 1993 the Park has received 1.752 million visitors.

> The Park features the following cultural and educational spaces:

» The Educational Trails and the Native Forest allow visitors to experience nature and enjoy a unique ecosystem.





**> The Jorge Alessandri Park had 160,000 visitors in 2012 and hosted multiple educational, cultural and recreational activities.**

- » In the Tree Hall, children learn about forestry and the production processes of wood, pulp and paper through play.
- » In the Educational Nursery visitors learn about the various tree species, and their forestry, medicinal and decorative uses.
- » The Trekking Trail of 3 kilometers long, allows physical exercise while enjoying nature and beautiful panoramic views.
- » At the Cultural Amphitheater artistic performances during the summer are presented, complemented with exhibitions at the central square and at the Extension Center.
- » The Artequin Museum provides an interactive educational proposal, to familiarize children with the main world artworks.





> PERFORMANCE BY THE SANTIAGO MUNICIPAL THEATER SYMPHONY ORCHESTRA IN THE GARDENS OF THE JORGE ALESSANDRI EDUCATIONAL PARK, PLAYING THE GREAT CLASSICS OF WORLD CINEMA MUSIC IN THE LAST 50 YEARS.



# The Good Neighborhood Actions

> CMPC seeks to generate opportunities of social, cultural and economic development for the communities around the company's forestry operations and mills. Forestal Mininco therefore has an open-door policy with the rural communities, focused on generating jobs, on educational support programs, recognition of the Mapuche culture, training and the development of productive projects, agreed on with the communities, which help to improve their quality of life.

> Moreover, CMPC Pulp is carrying out work to support neighbors of the 3 Chilean pulp mills in the districts of Nacimiento, Laja, San Rosendo, Collipulli and Renaico, highlighting the work with the district technical secondary schools, cultural and outreach activities, company facilities for use by the community and projects to support entrepreneurship.

> The main programs developed by CMPC Pulp and Forestal Mininco to such end are shown in the pages below.

## Technical Secondary School Support

> Pupils in the final year of secondary education at the technical secondary school of Nacimiento undertake workshops on industrial mechanics and electricity at the Santa Fe pulp mill, and some of them do the final practical experience of their annual study plan.

> Likewise, the Laja pulp mill has entered into a dual education agreement with the district technical secondary school, and the Pacifico pulp mill supports the Manzanares agricultural secondary school by funding agricultural and accounting consultancy relevant to the study plan.

### PHOTO 1

> 10 PUPILS FROM THE TECHNICAL SECONDARY SCHOOL IN NACIMIENTO DID THEIR FINAL PRACTICAL EXPERIENCE IN THE SUMMER, COMPLETING THEIR SECONDARY EDUCATION.

### PHOTO 2

> A TALK ON INDUSTRIAL SAFETY GIVEN TO SECONDARY EDUCATION PUPILS AT THE TECHNICAL SECONDARY SCHOOL IN NACIMIENTO.





## Facilities of CMPC Pulp at the service of the community

> CMPC Pulp has various facilities for cultural and recreational use, which it makes available to the community and its civil organizations by means of agreements with the municipalities. The culture centre and events hall at Nacimiento have a varied annual agenda of diverse community events, and there is also a gymnasium with a synthetic polysports surface, a football pitch and three tennis courts. The same occurs at the small fort and stadium at Laja.

> An old unused polyclinic was refurbished at Villa Mininco, turning it into a modern cultural centre open to the community, equipped with first rate facilities and equipment, i.e., two meeting rooms, a large hall, an area for barbecues and a kitchen. It has been essential to support the events of the neighbors' associations of Mininco, Huelehueico and Manzanares.



### PHOTOS 1 AND 2

> THE NEW CULTURAL CENTRE OF VILLA MININCO.



> Neighbors visit the Laja pulp mill.



### CMPC Mill Visits

> CMPC's productive facilities are visited by neighbors, social organizations, students and people from diverse institutions, who learn about the productive processes, the stringent employee protection standards and environmental care. Communication about the operations of modern wood pulp and paper mills is essential for good community relations.



## Programs to Foster the Productive Development of Neighboring Communities

> CMPC's Pacifico pulp mill and the Municipalities of Renaico and Collipulli are supporting 13 families in the sectors of Huehueico and Lolcura with their cultivation in greenhouses, plantations of walnut trees, wheat and alfalfa.

> 142 women of the district of Nacimiento attended a small enterprise training and development program, held by means of an agreement with the Ministry of Social Development and the NGO Entrepreneurial Action.

> BELOW, ONE OF THE ENTERPRISE WORKSHOPS, AND ON THE RIGHT THE WOMEN GRADUATION CEREMONY.





## Non-timber forest products collection

> Non-timber forest products include a variety of wild mushrooms, vegetables, fruit, aromatic and healing herbs, which grow in Chilean forests. It is estimated that the collection of these products provides employment to 220,000 people, 90% of whom are women.



> In 2000, the NGO Cultural Action Workshop launched a wild fruit collection program in six communities in the Bio Bio Region, encouraging the women collectors to organize themselves in committees, which later enabled processing plants to be built to add value to the products. About 50 dehydrated products are currently obtained and these have been exported for seven years.

> Forestal Mininco supports the work of 2,000 neighbors who collect the different non-timber forest products growing on the company's forest lands, authorizing their entry, teaching them safety and fire prevention measures, and giving them telephone contact for emergencies. In 2012, the collectors obtained 460 tonnes of products.

> Work started in 2012 with 40 women from the districts of Constitucion, Empedrado, Contulmo and Los Sauces for them to form committees of women collectors. They were trained as organized groups and on collection, handling, storage and dehydration techniques, with the specialized consultancy of the coordination committee of women collectors.

**> We held 245 training courses for the neighboring communities in 38 special fields, with 11,000 hours of teaching which benefitted almost 3,000 people, 86% of whom were women.**





## Neighbor Training Program

> The objectives of the training program are to provide new knowledge and enhance the skills of neighbors so they have the tools to develop and implement their productive ventures.

> In 2012, Forestal Mininco gave a total of 245 training courses to neighbors in 38 special fields, benefitting 2,902 people, of whom 2,495 were women. This training program entailed 11,000 hours of teaching.

> The 12 special fields with the greatest demand were:

- » Cooking and pastry making.
- » Soap making with natural products.
- » Mapuche weaving.
- » Dressmaking with sewing machine.
- » Hairdressing.
- » Managing organic production in greenhouses and orchards.
- » Basic wool knitting.
- » Preserving local produce.
- » Traditional Mapuche silverware.
- » Agricultural and livestock health management.
- » Conservation and dehydration of fruit and vegetables.
- » Hand-made dressmaking.
- » Chainsaw use and maintenance.





## Recognize and support the Mapuche culture



> We promote respect for the beliefs, customs and traditions of the Mapuche culture. We believe that by recognizing and supporting this ancestral culture will help to make it stronger, less prone to losing the vital energy of its language and cosmovision. Recording its customs, language and beliefs is our way of helping to conserve its cultural heritage.

### Mapuche basket weaving cultural rescue project

> With the support of Forestal Mininco and the Municipality of Cañete, 15 Mapuche craftswomen, symbolic of the Huentelolén area in the district of Cañete, organized themselves into the *Ñocha Malen* (Ñocha Woman) group. They had specialized counseling from the consultant Ideartesana to rescue traditional Mapuche objects made with ñocha (*Bromeliaceous greigia*

*sphacelata*) fibers and create new models using the ancestral technique but adapting this handicraft to daily life.

> The group of craftswomen has already managed to create and market a *Ñocha Malen* product line and defined a sales strategy.

> This initiative would not have been possible without a project to reproduce ñocha plants in nurseries or shaded areas set up on the property of the artisans. The initiative was launched in 2005 with the support of Forestal Mininco, and now has 100 nurseries mainly in the districts of Cañete and Contulmo.



#### ON THIS PAGE

> PARTICIPATION OF THE *ÑOCHA MALEN* GROUP IN THE ARTISAN FAIR IN SANTIAGO.



#### RIGHT PAGE

> THE CRAFTSWOMEN HAVE ATTAINED OBJECTS WITH MORE CONTEMPORARY AESTHETIC, BUT ALSO CLOSER AND WARMER, AND CREATED MORE COMMERCIAL MODELS WITHOUT OVERLOOKING THE FORMS AND FEATURES OF THE TRADITIONAL *ÑOCHA* BASKET WEAVING.



## Dyeing plant project

> The objective of this project is to rescue dyeing plants for the dyeing of natural lambswool undertaken by artisans of the Lafkenche communities in the district of Tirúa and Mapuche communities in the district of Chol-Chol.

> In 2012, Forestal Mininco worked with the

Lafkenche “Relmu Witrál” group of Tirúa, and determined the presence of 28 plants used for dyeing. A crucial stage was the plant propagating, with the focus on two symbolic species that provide blue and red colours, called “ventosilla” (*Argythamnia tricuspidata*) and “relbún” (*Galium hypocarpium*). This work was carried out at the Los Ángeles nursery of

### PHOTO 1

> ARTISANS OF THE “RELMU WITRAL” ASSOCIATION VISIT THE LOS ÁNGELES NURSERY.

### PHOTO 2

> SHAMROCK (*OXALIS ROSEA*) PLANTS AFTER BEING SEPARATED.





Forestal Mininco and it is a unique experience in Chile, which has reproduced key plants to achieve the shades required by the artisans for their dyeing work.

> In 2012, plants produced in the nursery were delivered to artisans of Relmu Witral and Fundación Chol-Chol, with a total of 610

plants of six species.

> In September 2012, a workshop was held on techniques of dyeing natural lambswool with 5 mordants to prepare the fibers, 7 dyeing plants and 4 colour fixers, which included experimentation with its different combinations in this ancestral dyeing process.

**PHOTO 3**

> "VENTOSILLA" (*A. TRICUSPIDATA*) CAPSULE FORMATION DETAIL.

**PHOTO 4**

> ARTISANS AT THE DYEING TECHNIQUE WORKSHOP.







> The dyed wool and the traditional weavings.



## Medicinal plants for Machis

> 18 Machis (healers) practice ancestral Mapuche medicine at the Intercultural Hospital in the district of Nueva Imperial, for which Forestal Mininco is working with medicinal plant collectors of the hospital to identify and protect the native vegetation sites where these plants grow. Plants were also donated to the nursery being set up on the hospital premises. Moreover, the company is working on restoring sites with medicinal plants declared as high conservation value forests for this social function.

### PHOTO 1

> WORK OF MEDICINAL PLANT COLLECTORS IN THE DISTRICT OF CHOL-CHOL.

### PHOTOS 2 AND 3

> PLANTS DONATED BY THE COMPANY TO FORM THE HOSPITAL'S NURSERY.

### PHOTO 4

> PLANTATION OF NATIVE SPECIES MADE BY THE MAPUCHE COMMUNITY AT MENOKO "EL CHEQUÉN", A WATER UPWELLING SITE IN THE DISTRICT OF ANGOL.



> We support the conservation of the Mapuche culture with programmes to rescue their traditional basket weaving, reproduce dyeing plants and plants for medicinal use.



# Education for Success Programme in Peru

> CMPC's subsidiary in Peru, PROTISA, along with the Municipality of the district of Santa Anita and the NGO Cedro, have held the "Education for Success" programme since 2010, which is aimed at getting children and teenagers to remain at school, who are at the same time starting to work and which is the main reason for school desertion and repetition.

> This programme benefits 150 pupils at three schools by means of workshops on remedial mathematics and language courses, given by teachers at the same schools. Likewise, tutoring and workshops on skills for life teach children about leadership, self-esteem, resolving conflicts and protection factors.

> The programme places great importance on making parents and guardians aware of the importance of education and respect for the rights of their children.

### PHOTO 1

> THE TEACHER TRAINING WORKSHOPS HELP THEM TO IMPROVE THEIR WAY OF TEACHING AND TO CREATE A GOOD LEARNING ENVIRONMENT IN THE CLASSROOM.

### PHOTO 2

> THE MAYORESS OF THE SANTA ANITA MUNICIPALITY AND THE DIRECTORS OF THE THREE SCHOOLS IN A PUBLIC ACTIVITY OF DISSEMINATING THE PROGRAMME.

### PHOTO 3

> THE REMEDIAL WORKSHOPS HAVE MANAGED TO GET 40% OF THE PUPILS IMPROVE THEIR MARKS IN LANGUAGE AND 24% OF THEM IN MATHEMATICS.



## Project to make accordions and train musicians in Brazil

> CMPC Celulose Riograndense, the Culture and Music Institute and the musician Renato Borghetti have run a project since 2010 to train young diatonic accordion players, and promoted the manufacture of these instruments, which is a real cultural rescue as they stopped being made in the 1980s due to their high cost.

> Over 50 accordions have been made in these three years, whose certified eucalyptus wood comes from the renewable plantations of Celulose Riograndense. Every year classes are given to 200 children and teenagers at Guaíba and four other cities in the state of Rio Grande do Sul.

### PHOTOS 1 AND 2

> THE WORKSHOP ON MAKING AND ASSEMBLING ACCORDIONS IS CURRENTLY RUN AT THE AUGUSTO MEYER STATE SCHOOL, WHERE YOUNG MUSICIANS ARE ALSO GIVEN THEORY AND PRACTICAL CLASSES.





# CMPC and the Environment



> Forest stewardship certified by FSC™ and PEFC for all CMPC's forest resources in Brazil and Chile. We are now seeking to extend our forest products which have the FSC™ chain-of-custody certification.



# Environmental Policy

1. We believe in the real application of the principle of sustainable development. Productive activities should be harmonized with the legitimate right of future generations to live in a suitable environment.
2. We believe in the ethical dimension that the care for the environment presents. Strict compliance with legislation is a duty. Operations should avoid damaging people and nature in general.
3. A good environmental management is an integral part of the forestry business. The soil, water quality and biodiversity should be protected in forestry work.
4. The company's activities should be carried out with high levels of excellence and every new project should incorporate environmental considerations from the outset.
5. The purpose of this environmental policy is to state explicitly the company's commitment in this matter to its shareholders, personnel, customers, suppliers, contractors and the community in general.
6. CMPC is concerned to provide its personnel with the necessary training so that these guidelines are assumed in practice and responsibly by every one of them.
7. CMPC should keep a detailed inventory of the environmental impacts of each of its operations, in the legal, physical and risk fields.
8. The company will employ throughout the organization a regular system of environmental audits to measure the effectiveness of the committed actions and resources.
9. As part of this environmental policy, we also commit to:

- a. Conceive and provide products and services that have no undue impacts on the environment.
- b. Promote the efficient use of energy, water and natural resources.
- c. Promote among contractors and suppliers respect for this environmental policy.
- d. Apply the precautionary principle when arise risk situations for the environment or people.
- e. Organize emergency plans in those processes where there may be significant risks.
- f. Contribute to the preparation of reasonable and necessary public policies for the protection of the environment.
- g. Promote research and development of environmentally-sustainable technology in the forestry sector.

**> 70.9% of the energy consumed by CMPC was generated with biomass in 2012.**



> BIOMASS UNLOADED ONTO THE MAIN CONVEYOR WHICH CONVEYS IT TO THE STOCKPILE AND MIXTURE BUILDING AT THE SANTA FE PULP MILL.

## The 5 core aspects of CMPC's environmental agenda

> The five priority work areas of CMPC's environmental agenda are: **{1}** develop certified renewable forest plantations, **{2}** replace fossil fuels with biomass, **{3}** efficient use of energy, water and raw materials, **{4}** certified industrial processes and **{5}** paper recycling, particularly highlighting:

- » Supply industrial processes with 100% certified and controlled origin timber from renewable plantations.
- » Increase the biomass-based energy generation.
- » Raise the efficiency of electric and thermal energy use.
- » Reduce water consumption and the liquid effluent volume.
- » Reduce the organic content of the liquid effluent returned to the aquatic environment.
- » ISO 14001 certification of productive processes.
- » FSC™ and PEFC chain-of-custody certification for forest products.
- » Maintain a high paper recycling volume.

**{** > We aim to increase the energy efficiency of pulp mills by 20% by 2020.

# Sustainable Forest Management of Plantations

## CMPC's Forest Resources in Chile

### > Productive Areas:

- » 505,000 hectares of renewable plantations.
- » 39,000 hectares of land to be planted.
- » 35,000 hectares of land used for administrative purposes, including roads, firebreaks, easements, livestock and agricultural areas, nurseries, seed production and testing areas, etc.

### > Protection and Conservation Areas:

- » 62,000 hectares of both native forest and vegetation.
- » 95,000 hectares for protecting basins, watercourses, flora and fauna and high environmental value habitats.

> All the timber consumed by CMPC comes from renewable and fast-growing plantations, which were mainly established on eroded land allowing the soil renewing and conserving natural forests. The sustainable management of these forest plantations is certified to guarantee protection of the native forest and the biodiversity, and that the timber for industrial use is exclusively obtained from controlled origin plantations, free from controversies and perfectly traceable from the forest to its final destination.

> In December 2012 and May 2013, Forestal Mininco obtained the FSC™ certification for the forest stewardship of all its plantations in Chile, completing a process that was started in 2009 and was focused on actions to make the economic, social and environmental scopes compatible with the company's forestry operations, particularly actions that increase consultation of the communities around the forest lands, seek long-term agreements with them and enhance the integration of productive operations and the social support programmes of Forestal Mininco.

> The responsibilities of Forestal Mininco arising from the FSC™ certification have a favourable outlook with most of the neighbouring communities, with whom

the company staff has built up relations of trust and respect. The main community organisations include 520 Neighbours' Associations and 301 Mapuche communities with a total of 156,000 inhabitants, and these figures reflect the scope of the task of engaging efficiently with this rural population, of responding to their concerns and channelling their requests for support.

> NON-CONFORMITY VERIFICATION AUDIT ON THE CARE OF PROTECTION AREAS IN THE NAHUELBUTA MOUNTAIN RANGE, CONDUCTED IN SEPTEMBER 2012.





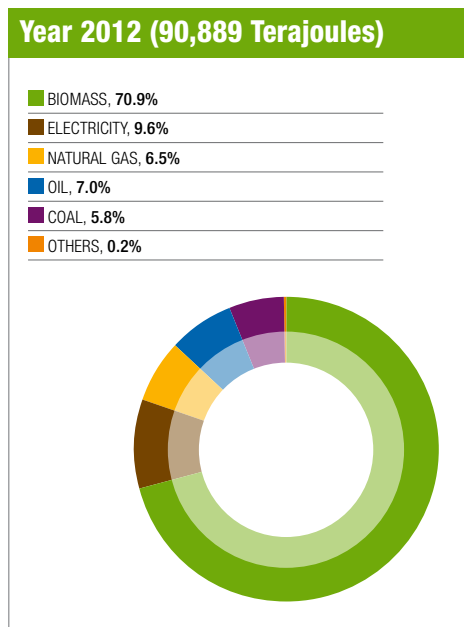
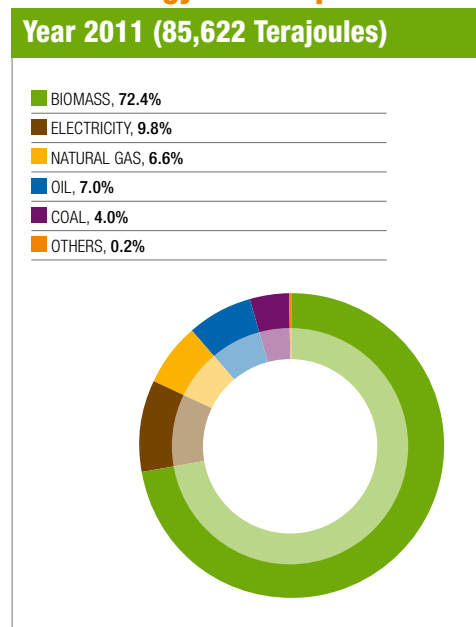
## Restoration of 8,738 hectares with Chilean native forest

- > As part of the commitments undertaken with the FSC™ certification, CMPC will restore 8,738 hectares with Chilean native forest species in a 15-year timescale, with the technical support of forest specialists and universities. This restoration will include:
  - » Increasing the surface area and forest stock in degraded areas, particularly regarding those species with conservation issues.
  - » Micro basins and watercourses which provide drinking water to the surrounding communities.
  - » Important areas for obtaining medicinal plants and non-timber forest products.
  - » Protection areas which enhance the connectivity between fragments of native forest which are important for maintaining the biodiversity.
  - » High conservation value areas and priority sites defined by the environmental authority in Chile.
  - » Create buffer areas between plantations and native forest zones.
  - » Recover other forest services, like recreation and landscape.



# Sustainable use of energy

## CMPC Energy Consumption



CMPC ENERGY CONSUMPTION	2011		2012	
	TERAJOULES	%	TERAJOULES	%
CMPC CONSOLIDATED				
Biomass	61,990	72.4%	64,453	70.9%
Electricity	8,411	9.8%	8,716	9.6%
Natural gas	5,658	6.6%	5,926	6.5%
Oil	6,006	7.0%	6,384	7.0%
Coal	3,410	4.0%	5,254	5.8%
Others	147	0.2%	156	0.2%
<b>TOTAL</b>	<b>85,622</b>	<b>100%</b>	<b>90,889</b>	<b>100%</b>

ONE TERAJOULE IS THE ENERGY EQUIVALENT TO 278 MWH.

> The pulp and paper production of CMPC used 90,889 Terajoules of energy in 2012, 70.9% of which was generated from renewable biomass. Another 9.6% was obtained from purchased electricity and 19.5% came from purchased fossil fuels, mainly oil, natural gas and coal. The latter feeds the auxiliary boiler of the Guaíba Pulp Mill in Brazil, facility where 50.9% of its energy requirements came from renewable biomass, unlike the 90% at the Chilean pulp mills.

> CMPC's total energy consumption in 2012 increased 6.2% on 2011, and was higher than the consolidated production increase of 4.4%, as this increase was in wood pulp, whose industrial process has a high energy demand.



## New Biomass Boiler at the Laja Pulp Mill

> The modernisation of the Laja pulp mill required investing in a new recovery boiler as the old one was reconverted to use biomass as fuel, helping to reduce the mill's dependence on oil. The biomass from forest harvests is a renewable source of energy and provides large environmental benefits by mitigating greenhouse gas emissions and

reducing acid rain. Tapping biomass has large technical challenges due to variations of critical aspects like moisture, and logistical factors due to the large volume of own and third-party origin, which needs to be collected, transported and processed at the mill.





**PHOTO 1**

> INSIDE THE BIOMASS STOCKPILE STORAGE BUILDING, SHOWING THE BIOMASS DROPPING FROM THE FEED CONVEYOR.

**PHOTO 2**

> SCREW DRIVE WHICH EXTRACTS THE BIOMASS FROM THE BOTTOM OF THE STOCKPILE AND FEEDS IT TO THE CONVEYOR BELT.

**PHOTO 3**

> BIOMASS MIXTURE TRANSPORTED BY THE CONVEYOR FROM THE STOCKPILE TO THE BOILER.



**PHOTO 4**

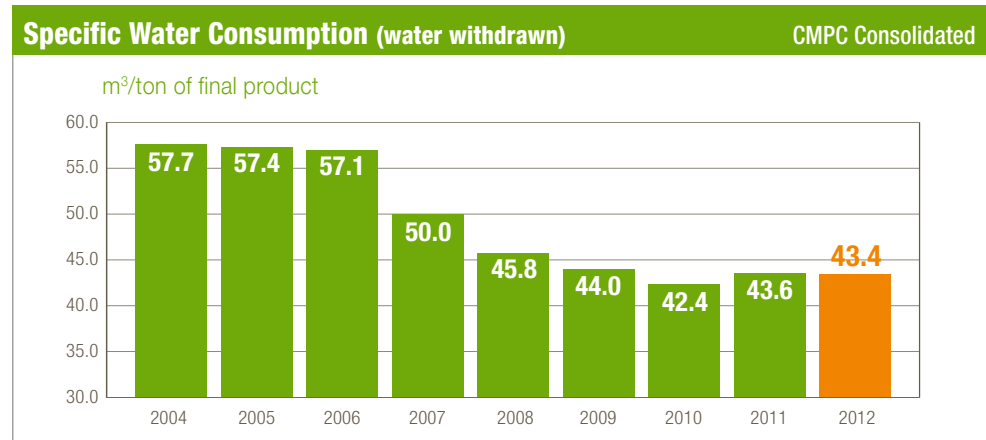
> BIOMASS BOILER N°3, WHICH PRODUCES 175 TONNES OF STEAM AN HOUR WITH A PRESSURE OF 44 KG/CM<sup>2</sup> AND TEMPERATURE OF 430°C.

**PHOTO 5**

> CONDENSATION AND EXTRACTION TURBO GENERATOR THAT CAN GENERATE 60 MW OF ELECTRICITY.



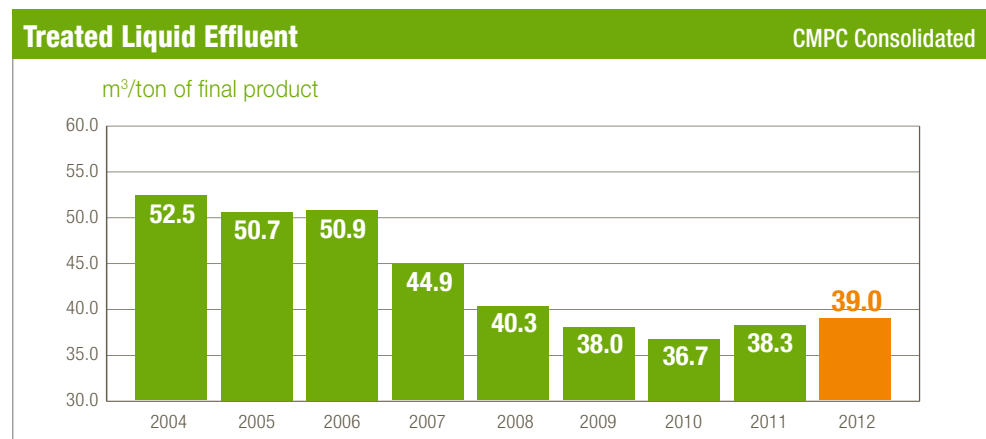
## Sustainable use of water



> In 2012, the average water consumption per ton of pulp and paper produced was 43.4 m<sup>3</sup> per metric ton of final product, similar to 2011. Both values were higher than in 2010, which shows that the objective of reducing CMPC's overall water consumption is a demanding task of engineering and

requires process innovation. In any case, this indicator dropped 24.8% over 2004, as a result of CMPC's efforts to increase the water consumption efficiency. Water consumption is measured as total water withdrawal including the makeup water for cooling purposes.

## Treated Liquid Effluent

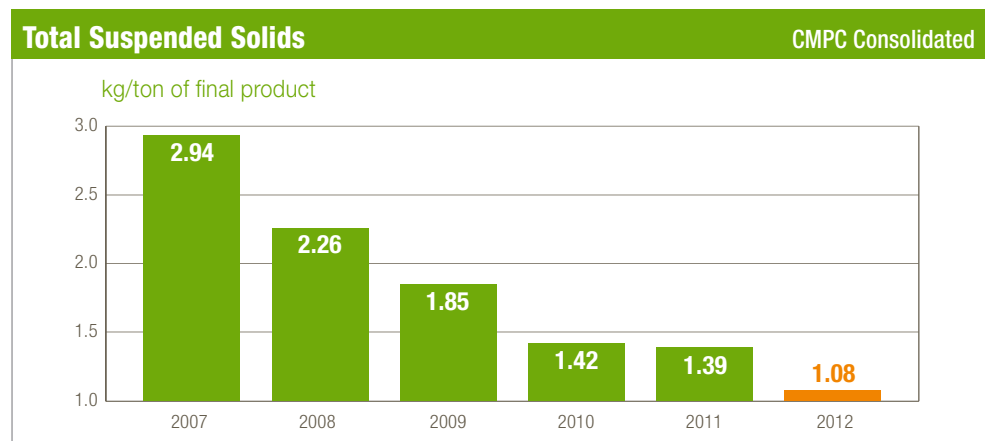
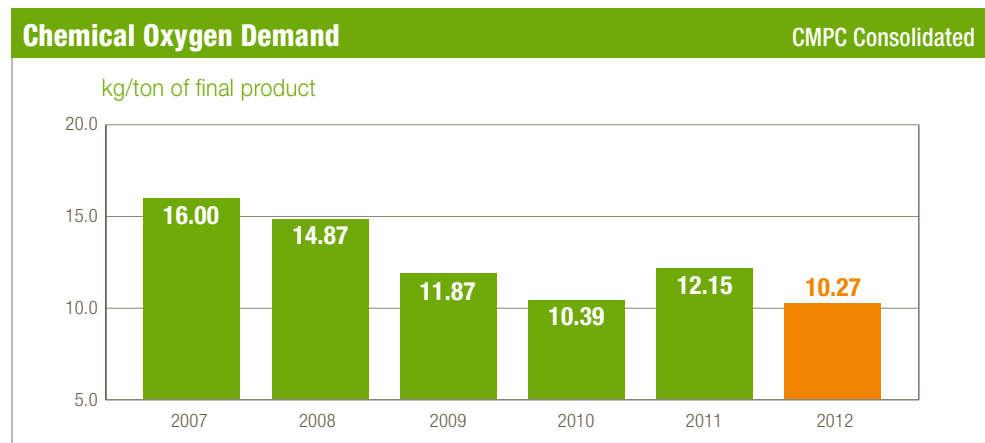
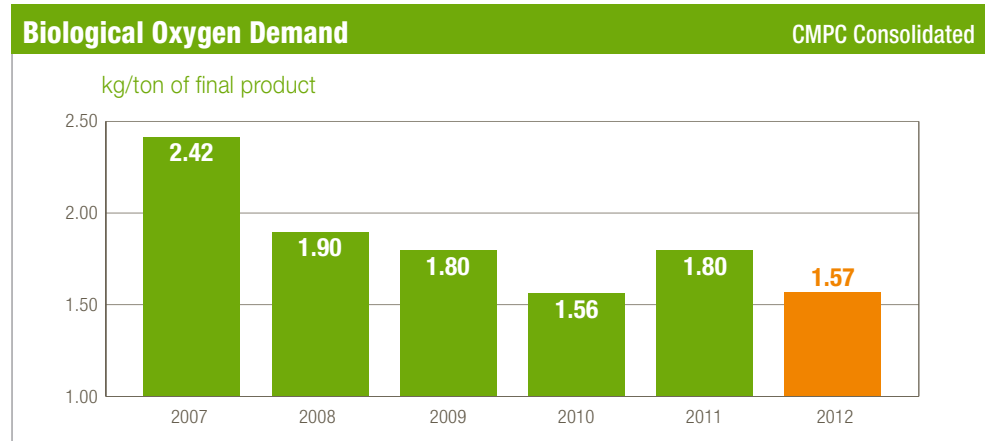


> In 2012, the liquid effluent generated per ton of pulp and paper was 39 m<sup>3</sup> per metric ton of

final product, a figure higher than in 2011, but dropping 25.7% on 2004.

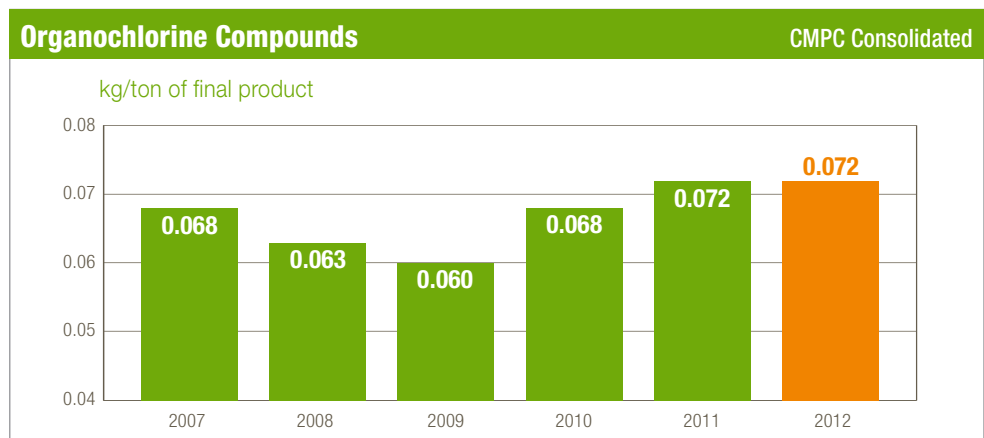
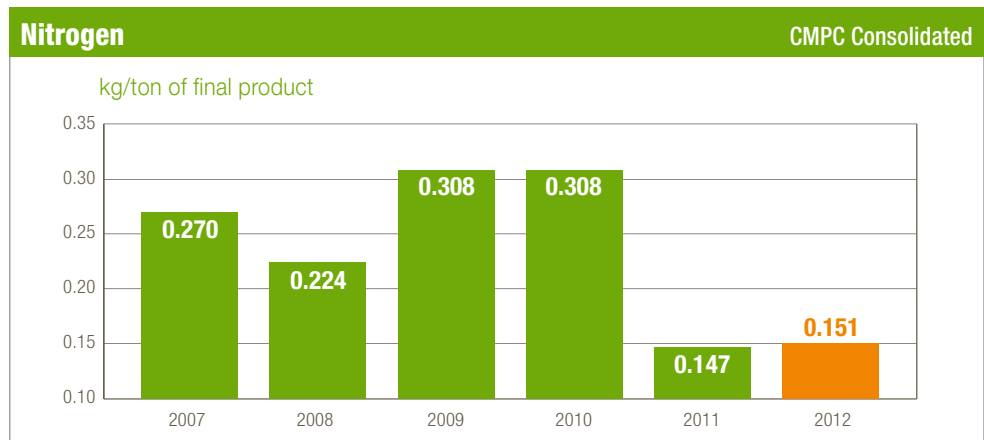
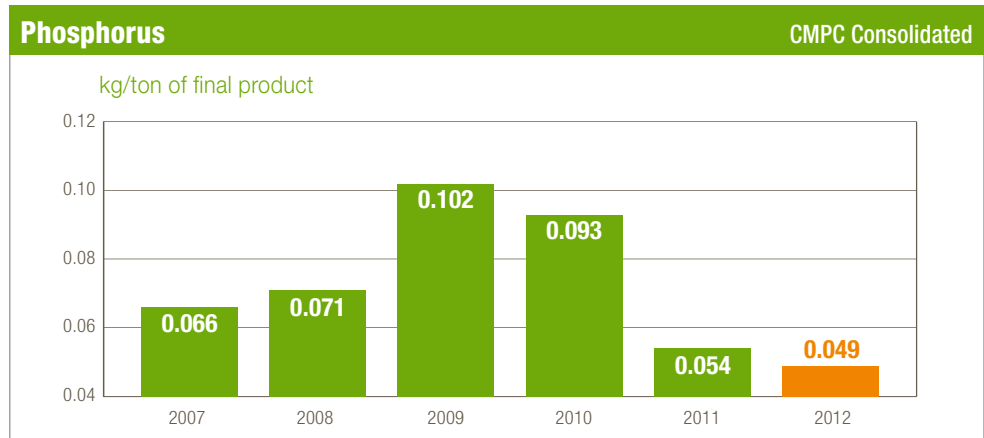
> In 2012, 4 of 6 effluent indicators dropped on 2011, as can be seen in the six graphs

below which characterize the company's consolidated effluent.





> We have reduced the water consumption per metric ton of pulp and paper produced by 25% on 2004.



## Diesel oil incident at the Laja pulp mill on 7 November 2012

- > During the commissioning phase of biomass boiler N°3, a diesel oil recirculation test was being made, which correctly entered the valve train of the burners but was erroneously conveyed to the steam connection, returning along the condensate drainage line to the gutters of the first floor of the boiler building and flowing towards the primary effluent treatment.
- > The alarm was given by personnel on the first floor of the boiler building at 18:05 hours and was confirmed by the operator of the bar screen at the entry of the primary effluent treatment. The emergency protocol was activated and at 18:12 hours the fuel started to be diverted to the effluent regulation pond where it was contained.
- > The entry of the effluent contaminated with diesel oil was then closed from the primary treatment to the bioreactors of the biological treatment. Here the fuel would have killed the microorganisms in charge of the process, generating another environmental problem.
- > In the next 30 minutes, the emergency went up the chain of command, and the head decided to fully shut down the Laja mill, which is a sequential process. At 19:45 hours, lime furnace N°1 was stopped and five minutes later recovery boiler N°6, the heart of the productive process.
- > A company specialised in this kind of emergency was hired, which at the end of 8 November started to remove the fuel and contaminated effluent from the regulation pond and primary treatment in a long and delicate filtering and recovery process.
- > The Laja pulp mill remained fully shut down for 10 days until the clean-up operation had been completed.

### PHOTO 1

> WORK STARTS TO RECOVER THE DIESEL OIL CONTAINED IN THE EFFLUENT REGULATION POND.

### PHOTO 2

> THE BARRIERS INSTALLED TO FILTER AND RECOVER THE DIESEL OIL.



## The lessons of the correct application of the precautionary principle:

1. Above all, the best thing is to prevent any possible accidents. However, if one occurs, the next best thing is to warn the consequences and prevent a cascade of impacts.
2. Not one single litre of diesel entered the bioreactors of the biological treatment, thereby preventing the death of the microorganisms that oxidize the active organic matter of the effluent. This would have created another environmental problem, by decomposing the whole volume in the two bioreactors and in the secondary clarifier.
3. Not one single litre of diesel reached the Bío-Bío River. As a first measure it was therefore necessary to decide on the total shut-down of the mill, due to the limited storage capacity of the effluent regulation pond.

4. An external company specialised in these emergencies filtered and recovered the diesel oil.

### PHOTOS 3 AND 4

> THE DIESEL OIL RECOVERED WAS STORED IN CONTAINERS TO DISPATCH IT TO A SPECIALISED DEPOSIT.

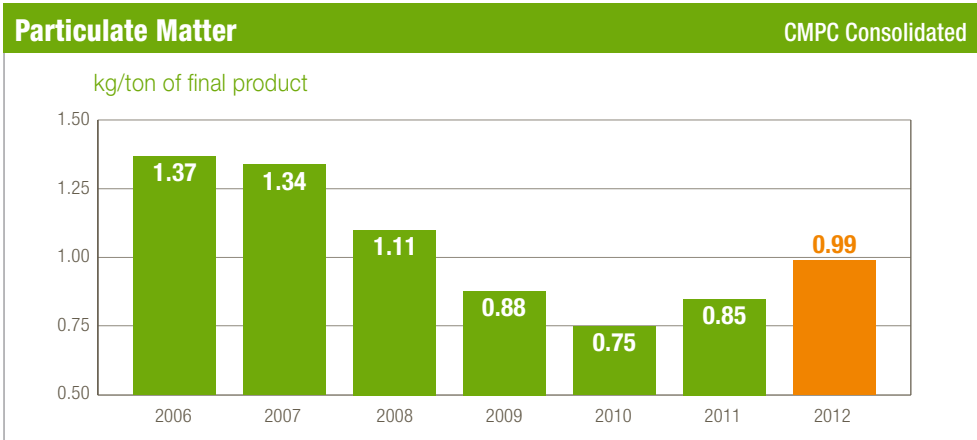




## Air Emissions

> Air emissions generated by combustion processes are made up of particulate matter and gases vented into the atmosphere, mainly sulphur dioxide (SO<sub>2</sub>) and nitrogen oxides (NO<sub>x</sub>). These emissions are periodically monitored and passed onto the environmental authority according to the current legislation.

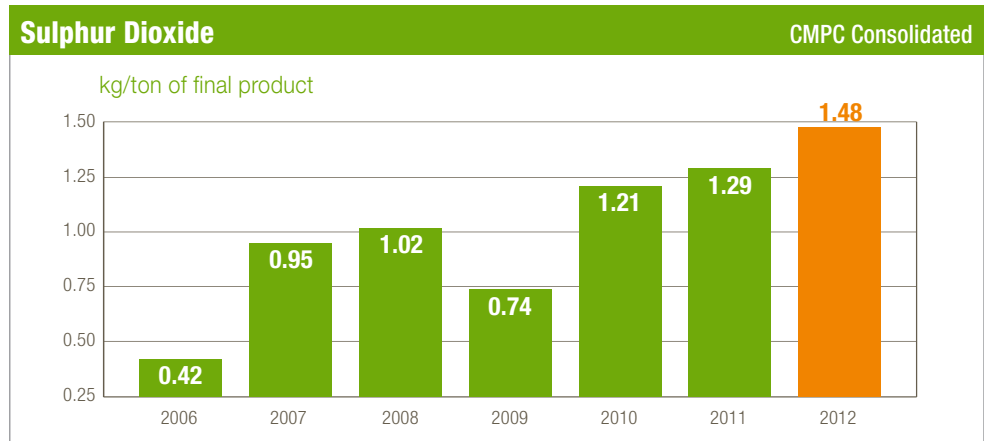
> The particulate matter emitted by the CMPC pulp and paper mills in 2012, was 0.99 kilograms per metric ton of final product, up in 16.5% regarding 2011, but down in 27.7% with respect to 2006, due to the increased availability of natural gas in Chile and the investment made in emission abatement equipments.



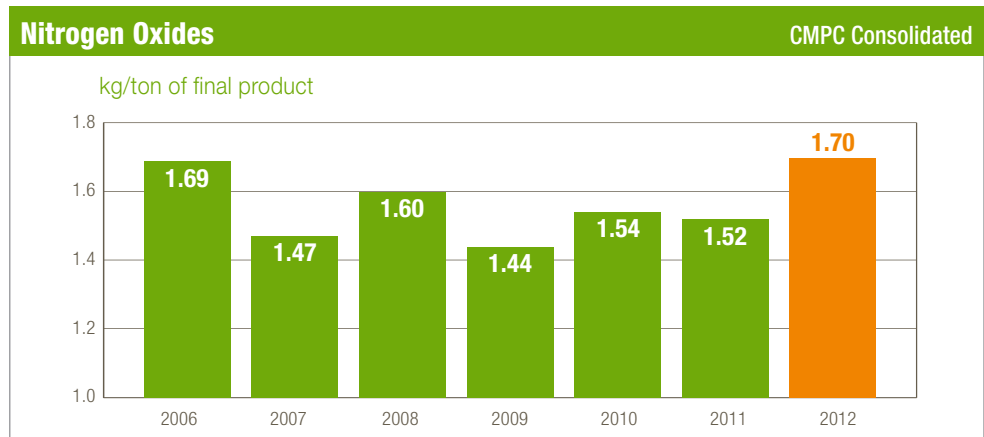
> AIR QUALITY MONITORING STATION IN THE CITY OF LAJA, WITH WHICH CMPC LOGS IMPORTANT DATA TO IMPROVE THE ENVIRONMENTAL PERFORMANCE OF THE NEARBY WOOD PULP MILL.



> The sulphur dioxide emission increased to 1.48 kilograms per ton of final product, which is twice over 2009, because the Guaiba Mill in Brazil uses coal on its auxiliary boiler and generates a high amount of SO<sub>2</sub>. Regardless of this facility, the consolidated value would be 0.58 kilograms per ton for the remaining CMPC mills in 2012.



> The nitrogen oxides emission totaled 1.70 kilograms per ton of product, with an increase of 11.8% over 2011.



## Solid Waste

SOLID WASTE			
	2011	2012	2012
CMPC CONSOLIDATED	TONNES	TONNES	%
<b>Hazardous Solid Waste</b>			
Sold or recycled	247	305	} 0.37%
Sent to specialized dumps	1,479	1,123	
<b>Non-Hazardous Solid Waste</b>			
Sold or recycled	57,066	56,119	} 32.5%
Sludge used to produce steam	40,039	70,740	
Sent to own landfills	123,846	153,984	} 67.2%
Sent to third parties' landfills	97,365	108,332	
<b>TOTAL</b>	<b>320,043</b>	<b>390,602</b>	<b>100.0%</b>

> The upper chart shows the metric tons of solid waste generated by CMPC's pulp and paper mills. In 2012 only 0.37% of the total solid waste was considered to be hazardous. Such a waste is subject to regulations established by the Decree N° 148 of 2003 by the Chilean Ministry of Health, stating that every factory has the obligation to declare, manage and carry out follow-up checks on the hazardous waste it generates.

> The remaining 99.63% of the waste was regarded as non-hazardous, 32.5% of which was recycled either as heating power for biomass boilers or for environmental purposes. Finally, 67.2% of the waste was taken to licensed landfills either owned by the company or by third parties, for the controlled disposal of it.

> CMPC Pulp is working on a project to reduce the solid waste from its 3 pulp mills in Chile. These wastes are sent to own landfills and represented a total of 144,583 tons in 2012. The aim of this project is reusing the solid waste in different categories, ranging from steam and power generation in biomass boilers, improvement of agricultural land and forest land, stabilizing material for roads, among others.





## High volume of paper recycling

RECYCLED PAPER CONSUMPTION			
IN THOUSANDS OF TONNES	2010	2011	2012
Mills in Chile	458	436	453
Mills in Argentina, Peru, Uruguay, Mexico, Colombia and Brazil	221	293	286
<b>TOTAL</b>	<b>679</b>	<b>729</b>	<b>739</b>

> In 2012, the consumption of recycled paper at CMPC's paper mills totalled 739,000 tonnes, with an average annual increase of 3.9% from 2004 to 2012, due to growth in tissue paper products and corrugated paper. This figure means that approximately 43% of CMPC's total paper production in Chile, Argentina, Peru, Uruguay, Mexico, Colombia and Brazil, was based on recycled fibres.

> Both the recycled and virgin fibres from forest plantations complement each other in papermaking; when paper is recycled the fibres lifetime becomes longer, thus leading to a better use of the forestry resources.

> Since the recurrent recycling processes cause the fibres to deteriorate, hence the need to incorporate virgin fibres into the paper production process, thus showing the complementary nature of both fibres.

> In Chile, Argentina, Peru, Mexico and Colombia, CMPC has organisations that specialise in recycling. These organisations carry out the recovery, sorting out, baling and delivery processes. After taking the used paper to the paper mills, this is turned into useful fibres, thus beginning a new lifecycle.

## The environmental and social benefits from CMPC's paper recycling process

- > Optimises the forest plantation cycle by using recycled instead of virgin fibres in papermaking.
- > Saves up energy since the process of producing recycled fibres from used paper consumes less energy than using wood to obtain virgin fibres.
- > It values both used paper and cardboard as raw material, consequently a market that fosters their collection through pricing is opened, preventing them from ending up in a landfill.
- > Reduces the amount of waste in landfills. Methane gas emission from waste decomposition is cut down.
- > It is a source of paid work to collectors in the cities.
- > Helps to keep the cities clean.

## ISO 14001 certification at CMPC

> The following subsidiaries have this certification:

- » Forestal Mininco.
- » CMPC Pulp for its Laja, Santa Fe and Pacifico pulp mills in Chile.
- » Celulose Riograndense for its Guaíba mill in Brazil.
- » Papeles Cordillera.
- » Cartulinas CMPC for its Maule and Valdivia boxboard mills.
- » Tissue Chile for its Talagante and Puente Alto mills.
- » Tissue Argentina.
- » Tissue Colombia for its Cali mill.

## Carbon capture on CMPC's forest plantations

> Current science recognizes the world's oceans, forests and agricultural land as "carbon sinks", due to their positive contribution to mitigating climate change by capturing the carbon dioxide generated by human activity.

> Carbon capture on CMPC's pine and eucalyptus plantations in Chile amounted to

around 4.8 million tonnes of CO<sub>2</sub> in 2012, measured according to the forest growth, reducing from this figure the annual timber harvest and the effect of forest fires, as these return carbon to the atmosphere. The accrued capture from 2008-2012 was virtually 25 million tonnes of CO<sub>2</sub>, measured in the same way. These values are shown in the table below.

CO <sub>2</sub> CAPTURE IN THE CHILEAN CMPC PLANTATIONS		
CO <sub>2</sub> TONNES	YEAR 2012	ACCUMULATED 2008-2012
Radiata Pine	3,485,982	14,466,133
Globulus Eucalyptus	524,894	4,328,815
Nitens Eucalyptus	757,980	6,095,003
<b>TOTAL</b>	<b>4,768,856</b>	<b>24,889,951</b>

## CO<sub>2e</sub> emissions of CMPC in Chile

> The emissions corresponding to scopes {1+2} of the GHG Protocol were 1,311,723 tonnes of CO<sub>2e</sub> for all CMPC's operations in Chile in 2012, and this figure can be compared favourably with the CO<sub>2</sub> capture on plantations in the country, indicated above.

## The Carbon Footprint of tissue paper and sanitary products

> The growing scrutiny of activities like energy generation, transport and industrial processes, all of which consume fossil fuels, has been structured in measuring the carbon footprint, which is the accounting of the greenhouse gases captured and emitted during the lifecycle of a product, expressed as carbon dioxide equivalent (CO<sub>2e</sub>).

> At CMPC we have measured the carbon footprint of pine and eucalyptus pulp, of boxboard, tissue paper and sanitary products, containerboard and corrugated boxes, based on the methodology of The Confederation of European Paper Industries (CEPI), which is adopted by CMPC's European customers. This methodology is compatible with that of the GHG Protocol, focused on measuring

emissions of carbon dioxide of fossil origin. This work was undertaken by a team of CMPC professionals with the technical consultancy from the University of Concepción through its Technological Investigation Institute.

> The results of tissue paper and sanitary products are shown in the table below, according to the GHG classification.

<b>CARBON FOOTPRINT OF TISSUE PAPER AND SANITARY PRODUCTS according to the GHG classification</b>		
FIGURES EXPRESSED IN KG CO <sub>2e</sub> / METRIC TON OF PRODUCT	TISSUE PAPER Kg CO <sub>2e</sub> / ton	SANITARY PRODUCTS Kg CO <sub>2e</sub> / ton
<b>Scope 1</b>		
> Carbon emitted in the production process for combustion in boilers	523	23
<b>Scope 2</b>		
> Carbon emitted during generation of purchased electric energy	486	213
<b>SUBTOTAL SCOPES 1 AND 2</b>	<b>1,009</b>	<b>236</b>
<b>Scope 3</b>		
> Carbon emitted in the production of chemical supplies, fuels and pulp at their plants of origin	420	1,225
> Carbon emitted in the import, collection and sorting of recycled paper	25	0
> Carbon emitted during transport of chemical supplies, fuels and pulp to the CMPC Tissue mills in Chile	60	184
> Carbon emitted during transport of tissue paper and sanitary products to CMPC's customers	16	16
<b>TOTAL FOSSIL CARBON EMITTED</b>	<b>1,530</b>	<b>1,662</b>

> The figures are given in kilograms of CO<sub>2</sub> equivalent (CO<sub>2e</sub>) per metric ton of product. Three greenhouse gases were measured: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O).

> Tissue paper includes that used in homes (toilet paper, kitchen towels, handkerchiefs and facial tissues), and away from home (institutional line). Sanitary products include disposable diapers and women's sanitary towels.

> The greenhouse gases emitted during the lifecycle of tissue and sanitary products were

measured from the cradle to the delivery to CMPC's customers. It should be particularly noted that the scope 3 includes the carbon footprint of raw materials, fuel, chemicals and wood pulp at their plants of origin and their transport to the CMPC Tissue mills in Chile. The record of these values differentiates this carbon footprint from the figures shown in other publications, which are restricted to scopes 1 and 2.

> Based on the above, the upper table shows the subtotal of scopes 1 and 2 to enable comparison with other carbon footprints.



# CMPC's Environmental Investments

CONSOLIDATED ENVIRONMENTAL INVESTMENTS	
IN MILLIONS OF US DOLLARS	2012
Renewable energy generation	58.1
Liquid effluent treatment	3.9
Solid waste management	6.3
Environmental safety of facilities and people, prevention and control	3.4
Energy and water savings	21.3
<b>TOTAL INVESTMENTS</b>	<b>93.0</b>

> The environmental investment programme of CMPC totalled US\$ 93 million in 2012. The bulk of this figure corresponded to projects on renewable energy generation at the Santa Fe and Laja pulp mills, and energy savings at the Maule boxboard mill.

> 60 MW GENERATOR AT THE LAJA PULP MILL, POWERED BY A TURBINE WHOSE HIGH PRESSURE STEAM IS PRODUCED WITH RENEWABLE BIOMASS.



## Biodiversity of CMPC's Forest Resources

> CMPC has 157,000 hectares in Chile allocated for the protection and conservation of the biodiversity, which are an essential equity for its sustainable development:

- » 62,000 hectares of native forest and vegetation.
- » 95,000 hectares to protect basins, watercourses, flora and fauna, and areas of high environmental value.

> This equity includes 11 high conservation value forests in Chile of 9,469 hectares in the Maule, Bío-Bío, Araucanía and Aysén regions. Valuable species of native Valdivian forest, native Maulino forest, ruil, pitao, araucaria, and also native fauna, like the huillín or southern river otter are conserved on them. These forests have conservation and special protection plans, and are given priority in the fire prevention and protection systems implemented by CMPC.



### Rucamanqui High Conservation Value Forest

- > **Protected species:** mainly oak, raulí (*Nothofagus nervosa*) and coigüe (*Nothofagus dombeyi*).
- > **Surface area:** 4,601 hectares.
- > **Location:** sections 3, 5 and 6 of the Rucamanqui estate in the upper basin of the Cholguán river, district of Tucapel, Bío-Bío region.
- > **Grounds:** the sector forms part of the “Biological Corridor of the Nevados de Chillán – Laguna del Laja” priority conservation site, declared by the Environmental Authority.



### Trongol High Conservation Value Forest

- > **Protected species:** native araucaria (*Araucaria araucana*) forest, ciprés de la cordillera, parrilla de nahuelbuta (*Ribes integrifolium*), oak, raulí (*Nothofagus nervosa*) and coigüe (*Nothofagus dombeyi*).
- > **Surface area:** 2,459 hectares.
- > **Location:** Trongol estate, district of Curanilahue, Bío-Bío region.
- > **Grounds:** this forest is part of the biological corridor which connects the “Quebrada de Caramávida” priority conservation site, declared by the Environmental Authority, to the Nahuelbuta National Park.





### Los Alpes High Conservation Value Forest

> **Protected species:** araucaria (*Araucaria araucana*), parrilla de nahuelbuta (*Ribes integrifolium*), and as native fauna the thicket degú (*rat*).

> **Surface area:** 807 hectares.

> **Location:** farms I and III of the Los Alpes estate, Araucanía region.

> **Grounds:** this forest is part of the “Purén” priority conservation site, declared by the Environmental Authority, and is part of the biological corridor which connects the “Quebrada de Caramávida” priority conservation site to the Nahuelbuta National Park.

### Hualos de Loanco High Conservation Value Forest

> **Protected species:** native Maulino forest with the presence of hualo or Maule oak (*Nothofagus glauca*), a species declared vulnerable, and fauna of the black woodpecker, a species declared in danger of extinction.

> **Surface area:** 701 hectares.

> **Location:** Proboste, San Pedro, Las Cañas II and IV estates, in the districts of Empedrado and Constitución, Maule region.

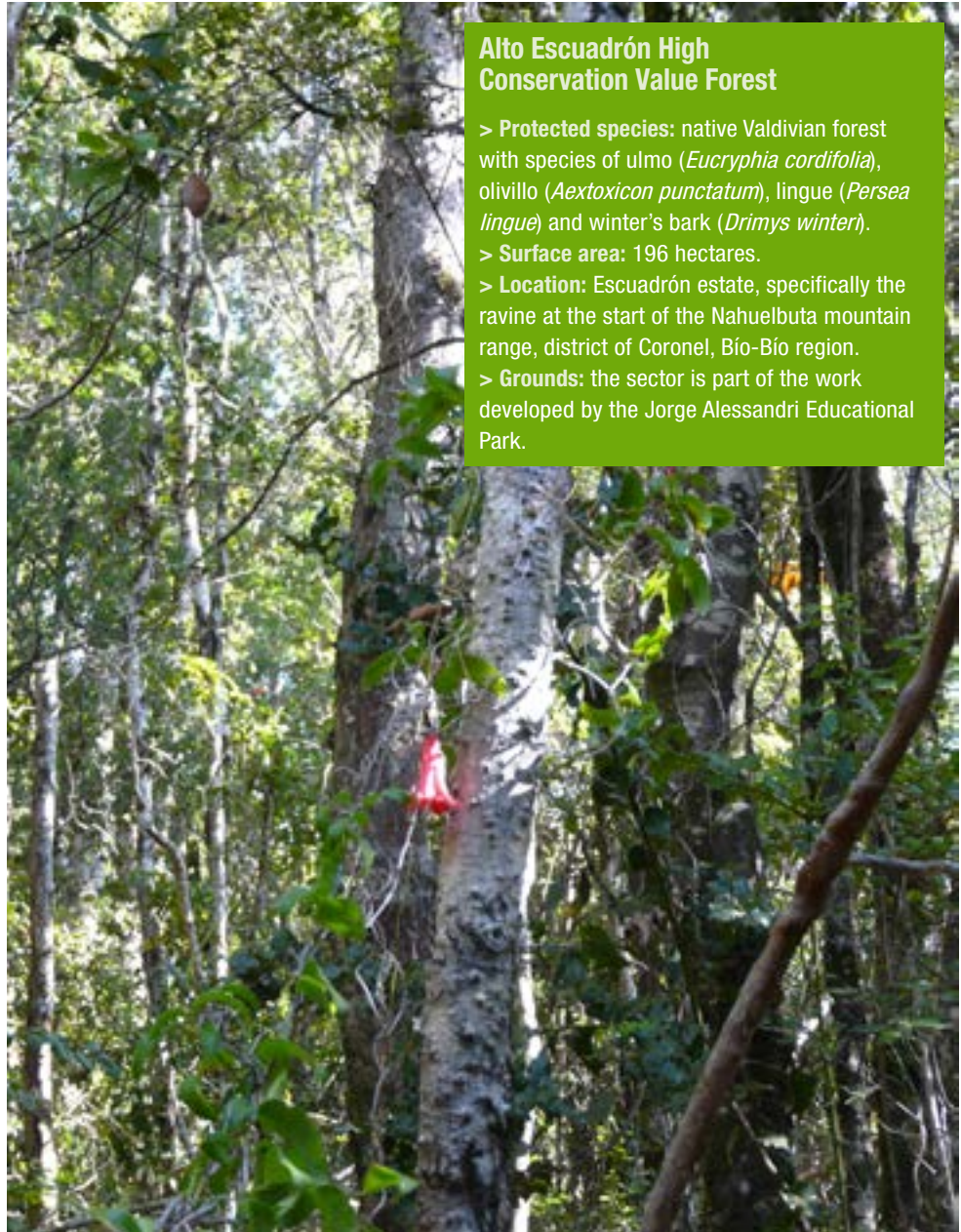
> **Grounds:** the sector forms part of the “Galumávida y Hualos de Loanco” priority conservation site, declared by the Environmental Authority.





### Cerro Castillo High Conservation Value Forest

- > **Protected species:** native lenga (*Nothogagus pumilio*) forest and fauna of the black woodpecker, a species declared in danger of extinction.
- > **Surface area:** 222 hectares.
- > **Location:** La Pradera, El Ñandú and La Esperanza estates, in the lower basin of the Blanco river, district of Coyhaique, Aysén region.
- > **Grounds:** the protected sector is next to the Cerro Castillo National Reserve and has high woodland regeneration as livestock is barred access.



### Alto Escuadrón High Conservation Value Forest

- > **Protected species:** native Valdivian forest with species of ulmo (*Eucryphia cordifolia*), olivillo (*Aextoxicon punctatum*), lingue (*Persea lingue*) and winter's bark (*Drimys winteri*).
- > **Surface area:** 196 hectares.
- > **Location:** Escuadrón estate, specifically the ravine at the start of the Nahuelbuta mountain range, district of Coronel, Bío-Bío region.
- > **Grounds:** the sector is part of the work developed by the Jorge Alessandri Educational Park.





### Los Ruiles de Empedrado High Conservation Value Forest

- > **Protected species:** native ruil (*Nothofagus alessandrii*) forest, a species of native flora endemic of Chile, declared in critical danger of extinction. It is ranked as the most endangered tree in the country regarding conservation.
- > **Surface area:** 136 hectares.
- > **Location:** El Desprecio estate, district of Empedrado, Maule region.
- > **Grounds:** the sector forms part of the “Bosques de Ruil y Hualo de Curepto” priority conservation site, declared by the Environmental Authority.



### Villa Las Araucarias High Conservation Value Forest

- > **Protected species:** araucaria (*Araucaria araucana*) copses, a species of native flora endemic of Chile and Argentina, classified as vulnerable regarding conservation.
- > **Surface area:** 125 hectares.
- > **Location:** Las Vacas, Magallanes and La Cabaña estates, in the districts of Lumaco and Carahue, Araucanía region.
- > **Grounds:** the araucaria stock in this area is genetically different from the stocks in the Nahuelbuta and Los Andes mountain ranges. This sector forms part of the “Villa Las Araucarias” priority conservation site, declared by the Environmental Authority.



### Huillín High Conservation Value Forest

- > **Protected species:** Chilean mammal, the southern river otter (*Lontra provocax*), declared in danger of extinction.
- > **Surface area:** 79 hectares.
- > **Location:** the protected area is about five kilometres on the Licancullín, San Francisco estates and others on the banks of the River Boldo or Queule and in the Mahuidanche wetlands, in the district of Toltén, Araucanía region.
- > **Grounds:** the sector forms part of the “Mahuidanche” priority conservation site, declared by the Environmental Authority.



### Pitao de Maitenrehue High Conservation Value Forest

- > **Protected species:** native pitao (*Pitavia punctata*) forest, a species of native flora endemic of Chile, declared in critical danger of extinction.
- > **Surface area:** 31 hectares.
- > **Location:** the pitao stock is on two sites of the Pitruquén and Los Barros estates, in the districts of Nacimiento, Bío-Bío region; and Angol, Araucanía region.
- > **Grounds:** this pitao stock has unique genetic features which differentiate it from other stocks located further north in Chile.





### La Cascada High Conservation Value Forest

- > **Protected species:** fauna of huemul (*Hippocamelus bisulcus*), the south Andean deer, a species symbolic of Chile, declared in danger of extinction.
- > **Surface area:** 112 hectares.
- > **Location:** La Cascada estate, in the district of Coyhaique, Aysén region.
- > **Grounds:** huemul protection area, a species declared a Natural Monument in Chile since 2006.

### Barbanegra Natural Reserve in Brazil

> It is a protected area of 2,400 hectares, declared as a Natural Heritage, located in the municipality of Barra do Ribeiro which was officially given to the community in March, 2010. With this initiative, CMPC Celulose Riograndense became a pioneer in the State, because although other private natural reserves exist, they are not as extensive and well preserved as this. The Barbanegra reserve is located on an Atlantic peninsula formed by a salt marsh and dunes, preserving endemic flora and fauna.

GRI INDICATOR		REPORTED IN	PAGE
<b>1. STRATEGY AND ANALYSIS</b>			
1.1	Statement of senior person responsible	Chairman's letter	2-4
1.2	Description of the main impacts, risks and opportunities	Chairman's letter CMPC Objectives for 2012 - 2014	2-4 5-7
<b>2. PROFILE OF THE ORGANIZATION</b>			
2.1	Name of the organization	Empresas CMPC S.A.	
2.2	Main brands, products and services	Brands related to tissue and sanitary products: Elite, Confort, Nova, Noble, Higienol, Sussex, Babysec, Ladysoft, Cotidian.	12
2.3	Operational structure	Structure of the organization	12
2.4	Headquarters' location	Santiago, Chile	
2.5	Countries in which the company operates	International presence of CMPC	13
2.6	Nature of ownership and legal form	Company's profile	8
2.7	Markets served	Sales in over 45 countries and 30,000 clients approximately.	8
2.8	Scale of the organization	CMPC in figures for year 2012	9
2.9	Significant changes during the period	There were no significant changes	
2.10	Prizes and distinctions received	CMPC Pulp received the National Award for Energy Efficiency for its programmes and investments designed to improve its energy consumption.	
<b>3. REPORT PARAMETRES</b>			
3.1	Period covered	Year 2012	
3.2	Date of the previous report	Year 2011	
3.3	Report presentation cycle	Annual	
3.4	Point of contact	Send us your opinion	100
3.5	Report's content definition process	The primary objective was to point out the essence of CMPC's business model and the relationship with its workers, corporate chain, local communities and the environment. The subjects were defined by reviewing the social and environmental performance of the year 2012.	
3.6	Coverage of the report	It includes the information of the entire business chain of CMPC.	12-13
3.7	Limitations of the report's scope or coverage	The concerns of our neighbours make it necessary for CMPC to develop actions that increase the consultation with the communities, promote the search for long-term agreements with them and improve the integration between productive activities and social programmes of the Company.	18-19
3.8	Inclusion of joint ventures	It includes the information of CMPC's entire business chain.	
3.9	Data measurement and bases for calculation	Methodologies and calculations have been standardized among the different subsidiaries, in a fluid process with rigorous internal verifications.	
3.10	Effect of restating information contained in previous reports	Improvements have been made in the way some indicators were measured, which produced minor changes in some figures reported in the year 2011.	
3.11	Changes in relation to previous periods	There were no significant changes	
3.12	Table of contents	GRI Index	96+
3.13	External verification	No external verification was made	
<b>4. GOVERNANCE, COMMITMENTS AND PARTICIPATION OF STAKEHOLDERS</b>			
4.1	Organization's governance structure	Corporate governance	10
4.2	Chairman of the Board	The Chairman of the Board of Directors is not an executive of CMPC	11
4.3	Independent Board members	Of the 7 members of the Board of Directors, two have been appointed by independent shareholders.	11
4.4	Mechanisms of shareholders and employees for making recommendations to the Board	The shareholders may express their points of view on the company's performance in legally convened ordinary and extraordinary meetings.	10



GRI INDICATOR		REPORTED IN	PAGE
4.5	Remuneration of directors and senior executives	The Directors do not have a variable remuneration for achieving objectives in the economic, social or environmental areas. The senior executives' remuneration is linked to performance.	
4.6	Procedures to avoid conflicts of interest in the Board	A Committee of 3 Directors, two of them independent of the controller, revises and pronounces on operations with related parties, examines the financial statements and the reports issued by external auditors.	10
4.7	Composition, qualifications and expertise of the members of the Board	Board members qualifications are determined by the shareholders at the Annual General meeting, who vote the candidates with proved competence and knowledge.	10
4.8	Mission, Values and Code of Conduct	Mission, values and ethics in business	8
		The CMPC Code of Conduct	36-37
4.9	Procedures of the Board of Directors to supervise the organization's economic, social and environmental performance.	Corporate governance	10
4.10	Evaluation of the Board's own performance	Corporate governance	10
4.11	Description of how the organization has adopted a precautionary principle	CMPC's environmental policy, especially the point 9.d	71
		Diesel oil incident at the Laja pulp mill: origin, reaction and lessons for the future	81-82
4.12	Social, environmental and economic programmes developed externally	CMPC has not subscribed formal commitments with global international initiatives in social, environmental or economic matters.	
4.13	Associations to which the organization belongs	CMPC is a member of the World Business Council for Sustainable Development; specifically, it integrates the Forest Solutions Group, which brings together 16 companies.	
4.14	List of stakeholders	This report highlights the progress made in consultations with neighboring communities, especially Mapuche communities, about their concerns with regard to the forestry operations.	18-20
4.15	Basis for selection of stakeholders		
4.16	Approach adopted for the inclusion of stakeholders		
4.17	Key topics and concerns arising through the participation of stakeholders	Recognize and support the Mapuche culture	62-67
		Relations with the communities neighbouring CMPC's forest lands	18-19
		274 water catchments for the local communities	20
		Relationship with suppliers and contractors	26
		The CMPC Foundation	47-51
		Good Neighbourhood Actions	55-61
		Protection and conservation of Biodiversity	90-95

ECONOMIC PERFORMANCE			
EC1	Economic value generated and distributed	Economic performance	23-24
EC2	Financial consequences and risks due to climate change	This calculation has not been made, although the contribution that CMPC makes towards the mitigation of climate change should be considered	87
EC3	Coverage of the organization's obligations due to social benefit programmes	CMPC complies with the system of social security obligations in all the countries in which it operates.	
EC4	Significant financial assistance received from the States	No significant financial assistance is received from the States.	
EC5	Range of wage ratios	Not reported	
EC6	Practices and purchases from local suppliers	Purchase of goods and services from local suppliers	27
EC7	Local hiring and resident managers	Local residency of senior management of the operations	40
EC8	Infrastructure investment and services provided for public benefit	Contribution to public infrastructure	25
		The Jorge Alessandri Educational Park	52-54



GRI INDICATOR		REPORTED IN	PAGE
<b>ENVIRONMENTAL PERFORMANCE</b>			
EN1	Materials used	Wood coming from renewable plantations	73
		Recycled paper consumption	86
EN2	Percentage of recycled materials used	Recycled paper consumption	86
EN3	Direct energy consumption	Sustainable use of energy	75
EN4	Indirect energy consumption	Not reported	
EN5	Energy savings	Not reported	
EN6	Products and services based on renewable energies	70.9% of the energy consumed was generated with renewable biomass	75
EN7	Reduction of indirect energy consumption	CMPC is operating two new biomass boilers to reduce its purchase of electricity and fossil fuels	5;75-77
EN8	Total water intake by sources	Sustainable use of the water	78
EN9	Water sources affected significantly	CMPC's water intake did not affect the water sources.	
EN10	Recycled and reused water	Sustainable use of water	78
EN11	Protected or high biodiversity areas	CMPC's forestry resources in Chile	73
		CMPC's forestry resources biodiversity	90-95
EN12	Impacts on biodiversity in protected areas	CMPC's role in the protection and conservation of biodiversity	90
EN13	Protected or restored habitats	High conservation value forests	90-95
EN14	Management of impacts on biodiversity	CMPC's role in the protection and conservation of biodiversity	90
EN15	Species whose conservation is threatened	In CMPC's forestry resources there are 5 species of native flora declared in danger of extinction and another two declared as vulnerable, which are protected. There are also two species of native fauna declared in danger of extinction and one species declared as vulnerable.	
EN16	Greenhouse gases emissions	Scopes (1+2)=1,311,723 tonnes of CO <sub>2e</sub> for the entire Chilean operations	87
EN17	Other indirect emissions of greenhouse gases	Scope 3 in the carbon footprint of tissue paper and sanitary products	88
EN18	Initiatives to reduce greenhouse gas emissions	Objective of increasing renewable energy generation	5
EN19	Ozone-depleting compound emissions	CMPC does not emit gasses that might affect the ozone layer.	
EN20	NO <sub>x</sub> , SO <sub>2</sub> and other air emissions	Air emissions	83-84
EN21	Total volume of liquid effluent	Treated liquid effluent	78-80
EN22	Weight of the managed waste	Solid waste	85
EN23	Most significant accidental spills	Diesel oil incident at the Laja pulp mill	81-82
EN24	Hazardous solid waste according to the Basel Convention	Hazardous solid waste	85
EN25	Water resources and habitats affected	No water sources or their related habitats were affected	
EN26	Initiatives to mitigate the environmental impact of products and services	CMPC's objectives for 2012-2014	5-7
		The 5 core aspects of CMPC's environmental agenda	72
		Energy generated with renewable biomass	75-77
		Sustainable use of the water	78
		High volume of paper recycling	86
EN27	Percentage of products recovered at the end of their useful life	Not reported	
EN28	Significant fines of an environmental nature	There were no significant fines of an environmental nature.	
EN29	Environmental impact from transport	Scope 3 in the carbon footprint of tissue paper and sanitary products	88
EN30	Environmental investments	CMPC's environmental investments	89
<b>LABOUR PRACTICES AND WORK ETHICS</b>			
LA1	Composition of workers	By business centre	33
		By country	34
		By type of employment	39
LA2	Total number of employees and average turnover	Low turnover level	39
LA3	Social benefits for full-time employees	CMPC's employee benefits	42
LA15	Reinstatement of women at work after maternity	CMPC does not condition the return to work after maternity.	
LA4	Percentage of employees with collective bargaining agreements	Employees covered by collective bargaining agreements	42
LA5	Minimum period of notice for organizational changes	Trustworthy long-standing working relationships	41
LA6	Workers in joint committees on safety and health	Risk prevention policy	43
LA7	Absenteeism, occupational diseases, days lost	Occupational health and safety statistics	44-45

GRI INDICATOR		REPORTED IN	PAGE
LA8	Training, education, risk prevention and control programmes	Risk prevention programmes	44
LA9	Health and safety topics covered in formal agreements with unions	Risk prevention policy	43
LA10	In-service training hours per category of employee	Education and in-service training	39
LA11	Continuous training programmes	Education and in-service training	39
LA12	Regular evaluations on performance and development	Not reported	
LA13	Personnel by genre and age	Personnel by genre and age	34
LA14	Wage distinctions by genre	CMPC does not make wage distinctions based on genre	

HUMAN RIGHTS			
HR1	Percentage and number of investment agreements with human rights clauses	CMPC extends its obligations in this matter to its suppliers. Nevertheless, no measurements are made.	26
HR2	Percentage of suppliers, distributors and contractors evaluated in human rights matters	CMPC extends its obligations in this matter to its suppliers. Nevertheless, no measurements are made.	26
HR3	Training of employees in human rights matters that are relevant to their activities	CMPC forbids any type of discrimination and conduct contrary to human rights. Nevertheless, no training courses are taught.	36-37
HR4	Incidents of discrimination	No incidents of discrimination have been recorded in the period.	
HR5	Activities in which the right to freedom of association is at risk	Trustworthy long-standing working relationships	41
HR6	Activities that involve child work	CMPC rejects any practice related to child work	8
HR7	Activities that risk forced or compulsory work	CMPC rejects any practice related to forced work	8
HR8	Percentage of the security personnel with training in human rights	CMPC extends its obligations in this matter to the security personnel. Nevertheless, no measurements are made.	
HR9	Incidents related to the rights of native tribes	Recognize and support the Mapuche culture	62-67

SOCIETY			
S01	Management of operational impacts on the communities	Relations with the communities neighbouring the CMPC's forest lands	18-20
S02	Corruption risks	Prevention of bribery and corruption acts	37
S03	Training in anti-corruption procedures	Prevention of bribery and corruption acts	37
S04	Measures in response to corruption incidents	Corruption acts prevention model	37
S05	Participation in the development of public policies	CMPC contributes to the development of public policies, participating actively through industrial associations in the stages of formal consultation that are established while proposed legislation is being discussed in Chile.	
S06	Financial contributions to political parties	Not reported	
S07	Lawsuits due to cases against free competition	None took place	
S08	Sanctions and fines monetary value	Sanctions and fines	25

PRODUCT RESPONSIBILITY			
PR1	Customers' health and safety impacts	Customers' Health and Safety	30
PR2	Incidents due to nonfulfilment of PR1	None took place	
PR3	Information required on the products	CMPC develops a complete labelling of its products, and informs its clients on the technical specifications including composition, raw materials, physical values in tests applied, quality standards and accredited health and safety certifications.	30
PR4	Number of nonfulfillments of PR3	None took place	
PR5	Customer satisfaction surveys	The CMPC Tissue business centre carries out periodic customer satisfaction surveys because its products are destined to massive consumption.	30
PR6	Adherence to marketing communications standards, including publicity, promotion and sponsorships	CMPC adheres to the principles of the National Association of Advertisers of Chile, related to freedom of speech in commerce, self-regulation and advertising ethics.	30
PR7	Number of incidents due to nonfulfilment of PR6	None took place	
PR8	Complaints regarding customer's privacy	None took place	
PR9	Significant fines related to products supply	None reported	



## We value your opinion

We are interested in knowing your opinion and comments about this document. Therefore, please contact Mr.:

Sebastián Garcés O.  
Public Affairs Assistant Manager, Empresas CMPC  
Email: [sgarceso@gerencia.cmpc.cl](mailto:sgarceso@gerencia.cmpc.cl)  
Telephone number: (56) (2) 2441 2267

Francisco Yuraszeck B.  
Studies Assistant Manager, Empresas CMPC  
Email: [fyuraszeck@gerencia.cmpc.cl](mailto:fyuraszeck@gerencia.cmpc.cl)  
Telephone number: (56) (2) 2441 2114



**EDITION:**

FRANCISCO YURASZECK B.  
EMPRESAS CMPC

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FRANCISCA BERNIER

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