



PROTISA PERU

# GREEN BOND FRAMEWORK

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## **1. INTRODUCTION TO PROTISA PERU**

Protisa Peru (“Protisa”) is a leading company in the manufacturing, marketing and distribution of tissue and sanitary products, focused on offering consumers the best personal hygiene products to improve their quality of life with innovative products for each stage of their development. As one of the leading companies in the mass consumption market in Peru, Protisa seeks to build sustainable leadership through its brands and its people, with a strong commitment and willingness to take on new challenges.

Protisa is a subsidiary CMPC Tissue, itself a subsidiary of Empresas CMPC (“CMPC”), a Chilean-based major producer of tissue paper in Latin America and worldwide. CMPC has industrial operations in Chile, Argentina, Uruguay, Mexico, Colombia, Ecuador and Brazil, as well as Peru.

Like CMPC, Protisa, considers that business growth must be underpinned by sustainable development, which promotes practices and initiatives that ensure a good future for its clients, employees and communities where it operates.

Additionally, CMPC Pulp is the wood pulp supplier for Protisa, the main raw material in tissue production. CMPC Pulp has both FSC® and PEFC® Chain of Custody Certifications, which assures the pulp is obtained exclusively from plantations that are traceable from origin to final destination. Through these and other certification programs, CMPC ensures harmonious operations between economic, social and environmental aspects. All mills and plants maintain close dialogues with their neighboring communities and encourage long-term agreements that integrate their operations with shared value programs in order to preserve forest assets.

## **2. RATIONALE FOR PROTISA PERU TO ISSUE A GREEN BOND**

Protisa, as the issuer of the Green Bond, and as a subsidiary of CMPC, defines its corporate purpose, as follows:

CMPC’s mission is to produce and sell wood, pulp, paper and tissue products in a sustainable manner using man-made tree plantations, thereby ensuring superior quality and competitiveness, adding value to both its shareholders and clients, and creating opportunities for personal development and growth of its employees and local communities alike.

To accomplish its mission, CMPC has adopted various policies among which stand out:

- To apply the principles of Sustainable Development, contributing to the economic and social development of the countries it operates in, and minimizing any potential impact on the environment.
- To use modern technology in all its processes, achieving high standards of safety and personnel protection while enhancing operational efficiency.
- To strictly adhere to all the laws and regulations pertaining to each country the company currently operates in.

In relation to the company’s social responsibility initiatives, the two corporate values that form the basis of and guide the community relations of CMPC are: respect for the individual and consideration of the needs of the communities adjoining its operations. Since the start of our operations in Peru, the company has allocated human and financial resources towards several initiatives, campaigns and programs to establish communication and create bonds with local communities.

CMPC understands that facing global challenges such as climate change and transitioning towards a low carbon economy requires a wide range of solutions such as this one. The issuance of a Green Bond as a financial tool will further support CMPC’s business strategy and allow to finance and refinance projects with a focus on sustainability. In addition, through this bond, CMPC hopes to continue increasing its investor base, attracting especially those environmentally conscientious and socially responsible investors with a long term vision.

### **3. PROTISA PERU GREEN BOND FRAMEWORK**

Protisa is committed to playing an important role in the development of the Green Bond market in Peru by highlighting its ability to channel more investments towards climate change mitigation and other relevant environmental initiatives.

This Green Bond Framework has been created to facilitate transparency, disclosure, and integrity of Protisa’s Green Bond issuance as recommended in the Green Bond Principles 2018 published by the *International Capital Markets Association (ICMA)*. The Green Bond Principles introduce voluntary process guidelines for best practices when issuing Green Bonds and in alignment with these, the Framework is based on the following four pillars:

1. Use of Proceeds
2. Project Evaluation and Selection Process
3. Management of Proceeds
4. Reporting

#### **3.1 Use of Proceeds**

The proceeds will be used to fund eligible projects, which have had expenditures in the last 36 months prior to the issuance and/or will incur such expenditures over the next 12 months. All projects must be associated with the plants owned and operated by Protisa.

An amount equivalent to proceeds of Protisa’s Green Bond issuances will be allocated to financing and/or refinancing one or more “Eligible Green Projects”.

Eligible Green Projects are defined as: <b>Category as per GBP 2018</b>	<b>Eligible Green Projects</b>
Energy Efficiency	This includes the financing of, or investments in, projects that contribute to a reduction of energy, per unit of output.
Sustainable Water Management	Expenditures related to sustainable water management projects, such as the reduction of water consumption in industrial processes, systems facilitating reuse of water in industrial processes, and the implementation of technologies and systems that improve the quality of treated water; reduction of organic content and volume of effluent.
Pollution Prevention and Control	This includes the financing of, or investments in, projects that contribute to preventing and controlling pollution such as reducing the chemicals used in manufacturing processes.

For a list of model projects please refer to Appendix I.

### **3.2 Project Selection and Evaluation Process**

CMPC will establish a Sustainability Committee chaired by the Chief Financial Officer and the Chief Sustainability Officer. The Sustainability Committee will be comprised of representatives of the Corporate Finance Department, the Sustainability Department and qualified persons belonging to the technical and financial departments of the subsidiary Protisa Peru. The Sustainability Committee will oversee the selection of projects, acquisitions and investments and review the allocation of funds. For the selected projects and/or acquisitions, the business units are responsible for ensuring the compliance with the requirements for the Use of Proceeds, preparing the audit documents and gathering the necessary evidence to facilitate the external audit check.

### **3.3 Management of Proceeds**

By the end of each calendar year, the Net Proceeds of the issuance will be reduced by the amounts invested in Eligible Green Projects in the given annual period. Pending the full allocation to Eligible Green Projects, the issuer will hold the balance of Net Proceeds not already allocated to Eligible Green Projects within the treasury of the company, invested in cash, cash equivalents and/or financial instruments. In addition, Protisa will implement an internal monitoring process of its projects.

### **3.4 Reporting**

Until the Net Proceeds are allocated in full to Eligible Green Projects, or later in the case of any material changes to the list of Eligible Green Projects, the issuer will provide to investors on an annual basis:

Eligible Category	Name of the Project	Result Indicators
Energy Efficiency / Pollution Prevention and Control / Sustainable Water Management	Paper machine, Cañete	Energy savings (MWh/tonne) Particulate matter reduction ( $\mu\text{g}/\text{m}^3$ yr) Chemical use reduction (tonne/yr) Water savings ( $\text{m}^3/\text{yr}$ )
Sustainable Water Management	Secondary water treatment system, Santa Anita	Water savings or reuse ( $\text{m}^3/\text{yr}$ ) Effluent quality improvement ( $\text{mg}/\text{L}$ yr)
	Waste water treatment plant, Cañete	Effluent quality improvement ( $\text{mg}/\text{L}$ yr)
	Clarified water recirculation system, Cañete	Water savings or reuse ( $\text{m}^3/\text{yr}$ )

### Allocation Reporting

i. The full list of Eligible Green Bond Projects, with their respective descriptions and the amount of proceeds allocated to each one, will be available in the Protisa Green Bond Annual Report. In addition, in case of any problems with an Eligible Green Project, CMPC will provide investors with information on key issues at stake and actions put in place by CMPC.

### Impact Reporting

ii. Information on the environmental outcomes of the Eligible Green Projects will be made available on <http://ir.empresascmpe.cl> around the date of the publication of the Protisa Green Bond Annual Report.

## **3.5 External Review**

### **3.5.1 Second Opinion**

CMPC has appointed Sustainalytics to assess the positive environmental impact of its Green Bond Framework. Sustainalytics applies its own methodology in line with market norms and the Green Bond Principles 2018 guidelines to carry out this assessment. The results are

documented in Sustainalytics' Second Party Opinion, which refers to the current Green Bond Framework in its entirety.

### **3.5.2 External Verification**

Annually, until the Net Proceeds are allocated in full to Eligible Green Projects and later, in case of any material changes in the list of Eligible Green Projects, one of the external auditors of the issuer is expected to deliver a report on (i) the compliance, in all material respects of the Eligible Green Projects, with the set of environmental criteria approved both by CMPC and Sustainalytics, and (ii) whether the amount of the Green Bond proceeds allocated to Eligible Projects is consistent with data from the underlying accounting records.

#### 4. APPENDICES

##### Appendix I

Project Name	Location	Description	Eligible Green Bond Category
Paper Machine	Cañete	<p>The paper machine in Cañete, unlike conventional tissue paper machines, produces double-width paper (the only one of its kind in Peru). This in combination with the latest advances in technology allow for an energy consumption reduction of over 42%<sup>1</sup>, which is in line with current European standards. It is also efficient in the use of valuable resources such as water while requiring less use of chemicals in the processes. In addition, the investment considered a reduction in atmospheric pollution, reaching high standards that significantly exceed the applicable law. These characteristics were considered in the design of the machine in conjunction with the supplier, and were regulated by contract.</p>	<p>Energy Efficiency</p> <p>Pollution Prevention and Control</p> <p>Sustainable Water Management</p>
Secondary Water Treatment System	Santa Anita, Lima	<p>The plant implemented several upgrades of its wastewater treatment process, which led to the incorporation of a secondary treatment system. As a result, the water quality of the plant's effluent is considerably better than required by Peruvian law, for indicators such as Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD). This further allows the recirculation of a significant amount of water back into the process, reducing fresh water consumption.</p>	<p>Sustainable Water Management</p>
Waste Water Treatment Plant (WWTP)	Cañete	<p>Protisa in the interest of maintaining a strong commitment with local communities, invested in a waste water treatment system that discharges into the ocean, despite having environmental permits to discharge into a local river under less stringent water quality standards.</p> <p>In addition, Cañete's waste water treatment plant was built to exceed the most demanding water</p>	<p>Sustainable Water Management</p>

<sup>1</sup> In comparison with the efficiency of a standard CMPC single-width tissue paper machine.

		<p>quality parameters comparable on a global scale. Among other indicators, the plant's effluent has significantly lower BOD and COD levels than required by Peruvian law.</p>	
<p>Clarified Water Recirculation System</p>	<p>Cañete</p>	<p>As a second stage of the Cañete's WWTP project Ultra Filtration and Reverse Osmosis systems were added, which contribute to the reduction of water conductivity in the manufacturing process, therefore increasing water recirculation.</p>	<p>Sustainable Water Management</p>