

Second-Party Opinion

Empresas CMPC S.A. Green Finance

Evaluation Summary

Sustainalytics is of the opinion that the Empresas CMPC S.A. (CMPC) Green Finance Framework is credible and impactful, and aligns with the Green Bond Principles 2018, and Green Loans Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The seven green categories for eligible use of proceeds – (i) Eco-Efficient and/or Circular Economy Adapted Products, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Pollution Prevention and Control, (v) Preservation of Biodiversity and Restoration of Forest, (vi) Sustainable Forest Management, and (vii) Sustainable Water and Wastewater Management – are aligned with those recognized by the Green Bond Principles 2018, and Green Loan Principles 2018. Overall, the use of proceeds will, in Sustainalytics' opinion, have positive environmental impacts and advance the UN Sustainable Development Goals, specifically 6, 7, 11, 12, and 15.



PROJECT EVALUATION / SELECTION CMPC will establish a dedicated Sustainability Committee which will oversee the project selection process and will be chaired by the Chief Financial Officer and the Chief Sustainability Officer. Sustainalytics considers the project selection process, which includes C-level Executive involvement, to be in line with market best practice.



MANAGEMENT OF PROCEEDS CMPC has processes to track and earmark the net use of proceeds through an internal monitoring system. Pending allocation, proceeds will be invested in cash, cash equivalents and/or financial instruments. This is in line with market practice.



REPORTING CMPC intends to publish a Green Finance Instrument Annual Report on its website, until full allocation. The report will include the description and amount allocated to each eligible project, as well as relevant impact metrics. Sustainalytics views CMPC's annual allocation and impact reporting as aligned with market practice.

Evaluation date	May 2019
Issuer Location	Santiago, Chile

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Introduction

Inversiones CMPC S.A. (“Inversiones CMPC”, or the “Issuer”) was founded in 1991 as a wholly owned subsidiary of and financing vehicle for the vertically integrated forestry, pulp and paper company, Empresas CMPC S.A. (“CMPC”, or the “Group”). The Group produces and commercializes forestry, pulp, paper, tissue and personal-care, and packaging products to over 45 countries, globally. CMPC, founded in 1920, is headquartered in Santiago, Chile, with subsidiaries in Brazil, Argentina, Uruguay, Peru, Ecuador, Colombia, and Mexico.

In 2017, Empresas CMPC S.A. developed its CMPC Green Bond Framework, aligned with the four core components of the Green Bond Principles 2016, and became the first company in Chile to issue a green bond with eligible projects in the categories of sustainable forestry, sustainable water management, preservation of biodiversity and restoration of high conservation value forests, pollution prevention and control, and energy efficiency. As an expansion to eligible projects and financing instruments, CMPC, through Inversiones CMPC, has developed its Green Finance Framework (the “Framework”) in 2019 under which it intends to issue Green Financing Instruments (“GFI”), which include green bonds, green loans and other debt/financial instruments, and use the proceeds to finance or refinance, in part or in whole, existing or new green projects that are associated with the CMPC’s operations.

The Framework defines eligible green categories in the following areas:

1. Eco-Efficient and/or Circular Economy Adapted Products
2. Energy Efficiency
3. Green Buildings
4. Pollution Prevention and Control
5. Preservation of Biodiversity and Restoration of Forest
6. Sustainable Forest Management
7. Sustainable Water and Wastewater Management

A list of eligible projects for the 2019 GFI issuance is provided in Appendix 1.

CMPC engaged Sustainalytics to review its Green Finance Framework, dated May 2019, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP),¹ and the Green Loan Principles 2018 (GLP)². This Framework will be published on CMPC’s website.³

As part of this engagement, Sustainalytics held conversations with various members of CMPC’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of CMPC Green Finance Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the CMPC Green Finance Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Green Loan Principles are administered by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association, and are available at https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

³ CMPC Green Bond Framework will be uploaded on: <http://ir.empresascmpc.cl/English/Fixed-Income/Green-Bond-Reporting/default.aspx>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the CMPC Green Finance Framework

Summary

Sustainalytics is of the opinion that the CMPC Green Finance Framework is credible and impactful and aligns with the four core components of the GBP 2018, and the GLP 2018. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The seven use of proceeds categories are recognized as impactful by the GBP 2018, and the GLP 2018.
 - The eligible projects under the Framework will provide meaningful environmental contributions.
 - The Eco-Efficient and/or Circular Economy Adapted Products include acquisition of equipment for paper bag manufacturing. Sustainalytics recognizes that paper bags, produced from the pulp originally sourced from sustainably managed forests, will reduce the negative environmental impact of plastic bags to be replaced from various supermarket chains and departmental stores across the region.
 - CMPC's Green Buildings eligibility criteria includes a LEED Silver corporate building. Sustainalytics recognizes that LEED Silver for the building might not ensure the energy performance equivalent to buildings that attain higher levels of LEED certifications in order to align with market best practice. Nevertheless, Sustainalytics recognizes that CMPC's corporate building offers additional features that enhance social benefits for the multiple stakeholders,⁴ and also notes that CMPC obtained the FSC's Chain of Custody certification for wood-based products used within the building, therefore sourcing from responsibly managed forests. See Appendix 2 for additional details on the LEED certification scheme.
 - The Energy Efficiency, Pollution Prevention and Control, and Sustainable Water and Wastewater Management categories include projects that reduce negative environmental impacts of CMPC's operations through enhanced/efficient systems and processes such as reprocessing of woodchip knots, biofilter system, and effluent treatment.
- Sustainalytics recognizes that the Group obtained FSC and CERTFOR-PEFC certifications for its forestry projects to ensure responsible forest management practices are followed and maintained. Sustainalytics views such inclusion of FSC and PEFC certifications positively. See Appendix 3 for additional details on the certification scheme. Project Evaluation and Selection:
 - CMPC has a dedicated Sustainability Committee that will oversee the project selection process. The Sustainability Committee will be chaired by the Group's Chief Financial Officer and the Group's Chief Sustainability Officer, and will comprise of representatives from the Corporate Finance Department, the Sustainability Department, and other qualified personnel belonging to technical and financial departments of CMPC. Sustainalytics considers the project selection process, which includes C-level Executive involvement, to be in line with market best practice.
- Management of Proceeds:
 - CMPC's Sustainability Committee intends to track the net use of proceeds through an internal monitoring system. The amount equal to net proceeds for GFI will be earmarked for allocation to eligible projects. Pending allocation, the proceeds will be invested in cash, cash equivalents and/or financial instruments. This is in line with market practice.
- Reporting:

⁴ Empresas CMPC's corporate building has additional features that enhance social benefits for employees, visitors and others, such as through building's areas of a forest biotechnology laboratory; an experimental greenhouse; as well as a dedicated learning area for visiting students to enable their learning about sustainable forestry. NEPCon, CMPC Becomes First in Chile to Achieve FSC Project Certification: <https://www.nepcon.org/newsroom/cmpc-becomes-first-chile-achieve-fsctm-project-certification>

- CMPC intends to publish Green Finance Instrument Annual Report on its website, until full allocation. Sustainalytics views CMPC's annual allocation and impact reporting as aligned with market practice.
- The allocation reporting will include the description and amount allocated to each eligible project.
- The impact reporting may include, where feasible, quantitative and/or qualitative impact indicators, such as volume of plastic bags replaced (tons/year); reduction in steam and fiber consumption achieved (tons/year), annual energy savings in the corporate building (MWh/year), reduction of waste to landfill (tons/year), reduction of H₂S emissions in the atmosphere per year, restored/conserved hectares, CO₂ captured, water savings (m³ per ton or ADT), and effluent quality improvements (BOD or COD reduction in mg/L).

Alignment with Green Bond Principles 2018 and Green Loan Principles 2018

Sustainalytics has determined that CMPC Green Finance Framework aligns with the four core components of the GBP 2018, and the GLP 2018. For detailed information please refer to Appendix 4: Green Finance/Green Finance Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of the Framework to CMPC's sustainability strategy

Sustainalytics is of the opinion that CMPC has demonstrated a commitment to integrate sustainable practices into its business strategy and operations, as aligned with its mission and values, and to mitigate climate change through the following efforts as mentioned in its Integrated Report 2017.⁵

- In 2017, CMPC developed its Corporate Purpose statement with all of its departments, which stated "to conserve" environment, and to achieve "better living conditions" for present and future generations.
- CMPC determined ten key material issues in 2017 based on a review of information, analysis, benchmarking, and consultations with interest groups of internal and external stakeholders. Such material issues and/or opportunities included innovation, forest management, water, emissions, and biodiversity, and for each the Group measures its annual progress toward set goals. The Framework outlines eligible projects which will help the Group to increase its progress toward addressing the identified material issues.
- CMPC utilized the guidelines set by ISO 14064-1:2006 for quantification and reporting of greenhouse gas (GHG) emissions and removals at organizational level. It had voluntarily reported on indirect emissions associated with its management operations, along with electricity used, such as steel used, work-related travel, air travels, and transportation of fuels.
- The Group leverages technological solutions in their forestry activities, such as Light Detection and Ranging (LIDAR) techniques, and for simulation and analysis of fire propagation. Such applications allow CMPC to, among other things, evaluate the health of forests, protect it against wildfires and pests, and coordinate the deployment of resources as needed.
- The Group maintains its plantations and other forest operations while pursuing sustainable forest management practices through recognized certification schemes, such as FSC (including Chain of Custody) and CERTFOR-PEFC, for the protection of native forest and biodiversity and to ensure that responsible forest management practices are followed throughout the Group's operations such that "timber for industrial use is obtained exclusively from plantations that are completely traceable from origin to final destination."⁵ In 2018, the Group also confirmed that the wood used (more than 17 million m³ annually) originated from renewable plantations on eroded soils to enable renewing the soil and conserve the native forests. Additionally, the Group also restored 288 hectares of native forest cover in 2017.
- The Group has continued commitment towards the restoration of native forests, including management of micro-watersheds and areas for harvestable medicinal plants and non-timber products, creation and buffer zones between plantations and native forest zones, and conservation of High Conservation Value Areas (HCVA).

⁵ Empresas CMPC S.A. (CMPC), Integrated Report 2017:
http://s21.q4cdn.com/798526818/files/doc_financials/Integrated_report/Integrated-Report-2017.pdf

- The Group maintains a total of 34 biological HCVA extending over 21,459 hectares in Argentina, Brazil, and Chile that act as habitats of vulnerable birds and mammals. The Group has developed guidelines to manage and monitor such areas, including on the prohibition of fishing, hunting and logging within its confines; staff training on the protection of biological HCVA; and coordination with scientists and subject-matter experts to monitor critical conservation attributes.

Considering the above, Sustainalytics is of the opinion that CMPC's sustainability strategy and action demonstrate the importance it places on achieving positive environmental and social impacts. Sustainalytics also believes that CMPC's Framework is aligned with the Group's overall sustainability efforts and can support its commitment to responsible and sustainable operations.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from CMPC's Framework will be directed eligible projects towards that are recognized by market norms (GBP 2018 and GLP 2018) to have positive environmental impact, Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects include lack of sustainable forestry practices, increased exposure of local communities to adverse effects, and occupational health and safety.

Sustainalytics is of the opinion that CMPC can mitigate such risks through the following:

- CMPC has five Board of Directors' Committees "to promote the culture of compliance, integrity and transparency" within the Group, including the Ethics and Compliance Committee related to compliance with regulations and internal policies, as well as the Corporate Affairs Committee to define objectives and evaluate implementation of sustainability and community relations programs.
- CMPC also obtained OHSAS 18001 (Health & Safety Management System), ISO 14001 (Environmental Management System), and ISO 14011 (Guidelines for Environmental Auditing) for operations in various locations to maintain quality of its operations and reduce environmental impact.
- CMPC collaborated to control and mitigate wildfires in 2017 by providing emergency support of tankers, bulldozers, motorized and tower lookouts, as well as contributing 800 fire fighters, seven air tractors, airplanes, and eight helicopters to transport thousands of liters of water. CMPC also deployed campaigns and awareness programs/workshops to enhance community's knowledge about fire prevention and preventative forest management.

Due to the abovementioned enterprise-level and operational-level systems and processes, Sustainalytics believes that CMPC has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the use of proceeds categories.

Section 3: Impact of Use of Proceeds

The green use of proceeds will be used for financing or refinancing in the following seven eligible categories:

1. Eco-Efficient and/or Circular Economy Adapted Products
2. Energy Efficiency;
3. Green Buildings;
4. Pollution Prevention and Control;
5. Preservation of Biodiversity and Restoration of Forest;
6. Sustainable Forest Management; and
7. Sustainable Water and Wastewater Management.

These eligible categories defined in the CMPC Green Finance Framework are recognized as impactful by the GBP 2018, and the GLP 2018.

Impacts of GHG emission reductions in the forestry/forest product sector

The contribution of sustainable forest management to reduce forest degradation/deforestation and mitigate GHG emissions from the Agriculture, Forestry and Other Land Use (AFOLU) sector is supported by the IPCC. The IPCC has identified three primary strategies to mitigate GHG emissions from the sector⁶:

⁶ IPCC Assessment Report (AR5): https://www.ipcc.ch/pdf/assessment-report/ar5/wg3/ipcc_wg3_ar5_chapter11.pdf

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- (i) Reduction/prevention of emissions to the atmosphere by conserving existing carbon pools in soils or vegetation that would otherwise be lost or by reducing emissions of methane and other GHGs;
- (ii) Sequestration: enhancing the uptake of carbon in terrestrial reservoirs, thereby removing CO₂ from the atmosphere;
- (iii) Reducing CO₂ emissions by substituting fossil fuels or energy-intensive products for biological products.

The Group focuses on sustainable forest management, including recognized certification by FSC that contributes to GHG emissions reduction and the protection of carbon terrestrial sinks. Moreover, CMPC's investment in eco-efficient paper product (paper bags) is intended to replace fossil fuel-based products (plastic bags) in the market, contributes to strategy (iii) stated above.

Alignment with/contribution to SDGs

The UN Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. CMPC's GFI will advance the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Eco-Efficient and/or Circular Economy Adapted Products Pollution Prevention and Control	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, and resilience to disasters.
Preservation of Biodiversity and Restoration of Forest Sustainable Forest Management	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
Sustainable Water and Wastewater Management	6 Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

Conclusion

Empresas CMPC S.A. (CMPC) has developed the Empresas CMPC Green Finance Framework under which it is planning to issue Green Financing Instruments to finance and/or refinance eligible green projects that intend to deliver positive environmental outcomes. CMPC has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for the allocation and impact reporting.

Sustainalytics believes that the eligible categories are aligned with CMPC's overall sustainability strategy and efforts, and will also contribute to the advancement of UN SDGs, specifically 6, 7, 11, 12, and 15. Additionally, Sustainalytics believes that CMPC has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible green projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that CMPC is well-positioned to issue green bonds, green loans and other debt/financial instruments, and that CMPC Green Finance Framework is robust, transparent, and in alignment with the Green Bond Principles 2018, and the Green Loans Principles 2018.

Appendices

Appendix 1: CMPC Framework's List of Eligible Projects

Eligible Project Category	Project(s) included	Description
Eco-Efficient and/or Circular Economy Adapted Products	Retail Paper Bags Project - Chillan, Chile	The project involves the acquisition of a machine for the production of paper bags with a flexible handle, the production capacity of 36 million bags per year, and a new printing machine with a capacity of 600 mts./min. This project will provide an alternative to plastic bags whose consumption is expected to decrease in the short term in sectors such as: supermarkets, department stores, among others.
Energy Efficiency	Cost Reduction of Paper Machine 20 - Puente Alto, Chile	The project considers a reduction in steam consumption and fiber loss at the main paper machine in Puente Alto cardboard mill. It involves the replacement of trays, water receptacles, scrapers and coating of the press rollers, among others.
Green Buildings	Corporate Building - Los Angeles, Chile	CMPC built its new corporate headquarters in the city of Los Angeles, Chile with more than 5000 m2 in space and a capacity of 470 employees. It was built using the highest efficiency standards prioritizing the use of wood in its structure and infrastructure in order to take advantage of natural light. Additionally, there were thermo-insulation systems and efficient climate control installed in order to reduce energy consumption. This is the first building in the country to obtain an FSC® Chain of Custody Certification (Forest Stewardship Council) and the fourth in Latin America. Furthermore LEED (Leadership in Energy and Environmental Design) Silver Certification is currently underway.
Pollution Prevention and Control	Woodchip Knots Reprocessing - Laja, Chile	The reprocessing of knots accumulated during the processing of woodchips in the digester at Laja pulp mill. Additionally, it prevents woodchips from been sent to landfills.
	Environmental Pollution Reduction in Personal Care Conversion Lines - Puente Alto, Chile	Replacement and relocation of air filters in personal care products conversion lines of the Puente Alto mill with self-cleaning filtration equipment located outside the production building. Acquisition of equipment to compact material recovered from filters with a volume ratio of 40:1.
	Modernization of Steam System - Valdivia, Chile	The project consisted of developing an environmental impact assessment and the subsequent acquisition of a boiler for untreated forest biomass with the corresponding emissions abatement system, with a capacity of 30 tons of steam per hour to supply the steam demand of the Valdivia boxboards mill. This new state-of-the-art boiler replaced a thermal plant with higher atmospheric emissions.
	Installation of a Biofilter System in a Neutralization Tank - Laja, Chile	This project involves the installation of a new biological reactor that captures the emissions of hydrogen sulfide in a neutralization tank of the Laja pulp mill.
Preservation of Biodiversity and Restoration of Forest	Restoration of Native Forests and Conservation of Biodiversity	Expenses on typification, characterization and conservation of native forest, Native Forest Restoration Program (committed with FSC and CERTFOR) and maintenance of high conservation value areas (HCVA).
Sustainable Forest Management	Process of Planting/Replanting of Radiata Pine, Eucalyptus Nitens and Eucalyptus Globulus - Chile	Building forest base which captures and stores CO ₂ . This process includes producing and acquiring the seedlings, preparing the soil for the seedlings through subsoiling and harrowing, planting the seedlings, or protecting and maintaining the seedlings until harvest. The sustainable management of forest plantations is certified through CERTFOR-PEFC™ and FSC®.
	Process of Planting/Replanting - Brazil	Building forest base which captures and stores CO ₂ . This process includes producing and acquiring the seedlings, preparing the soil for the seedlings through subsoiling and harrowing, planting the seedlings, or protecting and maintaining the seedlings until harvest. The sustainable management of forest plantations is certified through CERTFOR-PEFC™ and FSC®.

Sustainable Water and Wastewater Management	Effluent Treatment Plant Improvement Project – Caieiras, Brazil	Improvement of the effluent treatment plant at the Caieiras tissue paper mill in order to improve the quality of discharge in the river well below the new requirements of the National Environmental Agency.
	System for the Recirculation and Recovery of Water - Zarate, Argentina	Recirculation and recovery of water in order to reduce the total consumption of the Zarate tissue paper mill.
	Effluents Plant, Chillan, Chile	The development of an environmental impact assessment and the subsequent construction of a waste to water plant with a primary chemical treatment and secondary biological filter in the Chillan paper sack mill.
	Effluent Treatment Plant - Laja, Chile	This project will allow the improvement of the operational efficiency of the effluent treatment plant at the Laja pulp mill and of the quality of its liquid discharge.
	Effluent Treatment Plant - Los Angeles, Chile	This treatment plant will replace the existing plant and will improve the quality of effluent of the Los Angeles remanufactured wood plant.

Appendix 2: Analysis of the LEED Certification Scheme

Certification	LEED⁷
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum
Areas of Assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>
Performance display	

⁷ USGBC, LEED: www.usgbc.org/LEED

Appendix 3: Sustainalytics' Assessment of FSC and PEFC Certifications

Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC), including PEFC's Latin American implementation as CERTFOR, are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

- (i) *Type of organization:* Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.
- (ii) *Indigenous People's Rights:* FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.
- (iii) *Sourcing wood from non-certified sources:* Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Empresas CMPC S.A. (CMPC)
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Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	CMPC Green Finance Framework
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Review provider's name:	Sustainalytics
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Completion date of this form:	May 2019
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Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	
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Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The seven green categories for eligible use of proceeds – (i) Eco-Efficient and/or Circular Economy Adapted Products, (ii) Energy Efficiency, (iii) Green Buildings, (iv) Pollution Prevention and Control, (v) Preservation of Biodiversity and Restoration of Forest, (vi) Sustainable Forest Management, and (vii) Sustainable Water and Wastewater Management – are aligned with those recognized by the Green Bond Principles 2018, and the Green Loan Principles 2018. Overall, the use of proceeds will, in Sustainalytics' opinion, have positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically 6, 7, 11, 12, and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

CMPC will establish a dedicated Sustainability Committee which will oversee the project selection process and will be chaired by the Chief Financial Officer and the Chief Sustainability Officer. Sustainalytics considers the project selection process, which includes C-level Executive involvement, to be in line with market best practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|--|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

CMPC has processes to track and earmark the net use of proceeds through an internal monitoring system. Pending allocation, proceeds will be invested in cash, cash equivalents and/or financial instruments. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

CMPC intends to publish a Green Finance Instrument Annual Report on its website, until full allocation. The report will include the description and amount allocated to each eligible project, as well as relevant impact metrics. Sustainalytics views CMPC's annual allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (*please specify*):

Information reported:

- Allocated amounts
 Green Bond financed share of total investment
- Other (*please specify*): description of each eligible project

Frequency:

- Annual
 Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (*please specify*):

Frequency:

- Annual
 Semi-annual
- Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings
- Decrease in water use
 Other ESG indicators (*please specify*): Annual sellable production of paper bags (tons/year); reduction in steam and fiber consumption achieved (tons/year), reduction of waste to landfill (tons/year), lower H₂S emissions in the atmosphere per year, restored/conserved hectares, CO₂ captured, and effluent quality improvements (reduction of BOD or COD in mg/L).

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Green Bond Annual Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Empresas CMPC S.A., Integrated Report 2017:
http://s21.q4cdn.com/798526818/files/doc_financials/Integrated_report/Integrated-Report-2017.pdf

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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