

Empresas CMPC S.A.

Empresas CMPC S.A.'s ratings reflect its position as the third largest market-pulp producer globally and the second largest tissue producer in Latin America. The ratings also reflect the company's low cost structure, which allows it to generate strong operating cash flows during market downturns. The ratings are also supported by CMPC's consistently solid liquidity position, low refinancing risk and significant forestry investments.

The Stable Outlook incorporates the expectation that CMPC's net leverage ratio will remain close to 2x during the next three years. CMPC's rating is consistent with net leverage ratios of between 2.0x and 3.5x throughout the market pulp pricing cycle.

Key Rating Drivers

Strong Business Position: CMPC has a strong position in market pulp, with an annual production capacity of hardwood and softwood pulp of 4.3 million tons. Pulp and forest division sales generated 65% of the company's 2020 EBITDA, making the company highly exposed to the cyclical pulp market. CMPC is also the second largest tissue producer in Latin America, with a leading position in Chile, Peru, Argentina and Uruguay, and has a growing presence in markets such as Brazil and Mexico.

CMPC's strong market position in tissue, which accounted for 30% of EBITDA during 2020, is the result of its products strong brand equity, low production-cost structure and strong distribution network. The company is also the largest producer of packaging paper, boxboard, corrugated boxes and multiwall bags in Chile. Its bio-packaging products division accounted for an additional 11% of EBITDA.

Sustainable Competitive Advantage: CMPC has one of the industry's lowest cost structures, which allows it to generate strong operating cash flows during market downturns, ensuring its long-term competitiveness. During the second quarter of 2021, the company's cash cost of production was USD175 per ton for hardwood pulp and USD321 per ton for softwood, which placed it firmly in the lowest quartile of the cost curve.

Elevated Pulp Prices: The market pulp industry is cyclical, and the cash flow volatility and unpredictability act as rating constraints. Pulp prices have increased sharply during 2021 after two challenging years, due to supply and logistical constraints caused by mill closures, maintenance downtime and container shortages. Fitch projects average Bleached Eucalyptus Kraft Pulp (BEKP) prices of USD650/ton in 2021, a 41% increase from USD460/ton in 2020. The upward movement of prices is expected to generate strong operating cash flow for CMPC, over the rated horizon.

Stronger CFFO in 2021: CMPC is expected to generate about USD1.8 billion of EBITDA in 2021 and USD1.6 billion in 2022. Cash flow from operations (CFFO) is projected at USD1.1 billion during 2021 and 2022. This compares favorably with the USD948 million of EBITDA and USD581 million of CFFO reported in 2020. CMPC's FCF should be negative USD140 million in 2021, as the company announced dividend payments of 100% of distributable income.

For 2022, dividends are expected to return to 30% of distributable income, and FCF is projected to be USD140 million. Fitch's base case projections considers investments of USD600 million in 2021 and USD800 million in 2022, including the investments in Guaiba II expansion.

Leverage to Remain Low: CMPC's net leverage will be lower, due to the recovery of pulp prices to about 2.0x in 2021 from 3.4x in 2020, per Fitch's calculations. Investments of USD530 million in

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Local Currency IDR	BBB	Stable	Affirmed Aug. 13, 2021
Long-Term IDR	BBB	Stable	Affirmed 13 Aug 2021
National Equity Rating	Primera Clase Nivel 1(chl)	—	Affirmed Aug. 13, 2021

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Applicable Criteria

- [Corporate Rating Criteria \(December 2020\)](#)
- [National Scale Rating Criteria \(December 2020\)](#)
- [Parent and Subsidiary Linkage Rating Criteria \(August 2020\)](#)

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BioCMPC Project is not expected to materially affect the company's leverage. Fitch believes CMPC's capital structure could absorb small acquisitions in the tissue business with a limited impact on leverage ratios. Fitch projects net leverage to remain close to 2.0x during the next three years, absent any material acquisition.

Substantial Forestry Assets: CMPC's significant forestry holdings is a key credit consideration that continues to support its investment-grade credit profile. The company owns about 1.3 million hectares of land throughout Chile, Brazil and Argentina, where the company has developed about 758,000 hectares of forestry assets. The plantations are valued at USD3.4 billion. The nearly ideal conditions for growing trees in the region make these plantations extremely efficient by global standards, and gives the company a sustainable advantage in terms of cost of fiber and transportation costs between forest and mills.

Parent Subsidiary Rating Linkage: Inversiones CMPC is a wholly owned subsidiary of CMPC. All of Inversiones CMPC's debt is unconditionally guaranteed by CMPC. Its ratings have been linked to those of CMPC through Fitch's "Parent and Subsidiary Rating Linkage Criteria."

Financial Summary

(USD 000, as of Dec. 31)	2019	2020	2021F	2022F
Operating EBITDA (Before Income From Associates)	1,122,691	947,674	1,824,316	1,582,994
Readily Available Cash and Equivalents	615,038	891,031	1,008,623	923,455
Total Debt With Equity Credit	4,020,044	4,124,849	4,380,959	4,158,447
Cash Flow from Operations	510,089	580,601	1,133,820	1,103,478
Total Net Debt with Equity Credit/Operating EBITDA (x)	3.0	3.4	1.8	2.0

F - Forecast.

Source: Fitch Ratings, Fitch Solutions.

Rating Derivation Relative to Peers

CMPC is third largest market pulp producer globally, after Suzano S.A. (BBB-/Stable) and Celulosa Arauco y Constitucion S.A. (Arauco; BBB/Stable). Similar to Latin American pulp producers Arauco and Suzano, CMPC's pulp production cash costs are among the lowest in the world, ensuring its long-term competitiveness. CMPC and Arauco are rated higher than the Brazilian peers, due to a more diversified regional and business profile with operations in the more stable tissue and boards segments, respectively. Suzano has a significant size advantage in the fragmented pulp market; however, with lower geographic and product diversification than its Chilean peers.

Pulp price recovery will allow pulp producers to generate stronger operating cash flow, improving deleveraging capacity. CMPC's leverage is lower than Suzano that is also deleveraging after the merger with Fibria Celulose S.A., and Arauco and Klabin S.A. that are in a period of high investments. Liquidity is historically strong for pulp producers, and CMPC has strong access to debt and capital markets. CMPC and Arauco's operating margins are lower than the Brazilian companies, as they operate in lower-margin business segments such as boards and tissue.

Navigator Peer Comparison

Issuer	Business profile										Financial profile			
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Sector Trend	Company's Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility				
Celulosa Arauco y Constitucion S.A.	BBB/Sta	a+	bbb	bbb	bbb	bbb	bbb	bbb+	bbb	bbb+				
Eldorado Brasil Celulose S.A.	BB-/Sta	bb+	bb-	bbb	bbb	bb+	bbb	bbb-	bbb-	bb-				
Empresas CMPC S.A.	BBB/Sta	a+	bbb	bbb	bbb	bbb+	bbb	bbb+	bbb	bbb+				
Klabin S.A.	BB+/Sta	bbb	bbb	bbb-	bbb-	bbb	bb+	bbb	bb	bbb-				
Suzano S.A.	BBB-/Sta	bbb	bbb	bbb	bbb	bbb+	bb+	bbb+	bbb-	bbb				

Source: Fitch Ratings.

Importance: Higher (Red), Moderate (Blue), Lower (Light Blue)

Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Sector Trend	Company's Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility
Celulosa Arauco y Constitucion S.A.	BBB/Sta	4.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0
Eldorado Brasil Celulose S.A.	BB-/Sta	5.0	3.0	7.0	7.0	5.0	2.0	7.0	6.0	3.0
Empresas CMPC S.A.	BBB/Sta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Klabin S.A.	BB+/Sta	2.0	2.0	1.0	1.0	2.0	0.0	2.0	-1.0	1.0
Suzano S.A.	BBB-/Sta	1.0	1.0	1.0	1.0	2.0	-1.0	2.0	0.0	1.0

Source: Fitch Ratings.

Legend: ■ Worse positioned than IDR, ■ In line with IDR, ■ Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Average net debt/EBITDA ratio remain below 2.0x throughout the pulp price cycle;
- Sustained net debt at CMPC of less than USD2.750 billion.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Average net debt/EBITDA ratio above 3.0x throughout the pulp price cycle;
- Sustained net debt at CMPC of more than USD4.0 billion;
- Deterioration in macroeconomic conditions that weakens demand for the company's tissue businesses as well as prices.

Liquidity and Debt Structure

Strong Liquidity: CMPC has historically maintained strong cash position. As of June 30, 2021, CMPC had USD1.5 billion of cash and marketable securities and total debt was USD4.5 billion. The company has a manageable debt maturity profile, with cash covering debt maturities for the next three years. Financial flexibility is enhanced by the potential sale of forestry assets and/or less strategic assets, if necessary, and USD300 million of an unused revolving credit facility.

As of June 30, 2021, total debt was comprised of senior notes (87% of total debt), working capital lines (9%), loans from Brazilian Development Bank (BNDES) (2%), and others (2%). Fitch expects CMPC to continue to preserve an extended debt amortization profile and strong liquidity, and to use FCF to reduce debt.

ESG Considerations

CMPC has an ESG Relevance Score of '4' for Exposure to Environmental Impacts as Chilean forestry companies are exposed to forest fire risk, which has a negative impact on the credit profile and is relevant to the ratings in conjunction with other factors.

CMPC has an ESG Relevance Score of '4[+]' for Environment - Energy Management as the company sells excess energy to the grid from cogeneration based upon a renewable resource, which has a positive impact on the credit profile and is relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturities

Liquidity Analysis

(USD 000)	2021F	2022F	2023F	2024F
Available Liquidity				
Beginning Cash Balance	891,031	408,623	(76,545)	(448,549)
Rating Case FCF After Acquisitions and Divestitures	(138,518)	137,344	189,638	291,663
Total Available Liquidity (A)	752,513	545,967	113,093	(156,886)
Liquidity Uses				
Debt Maturities	(343,890)	(622,512)	(561,642)	(652,454)
Total Liquidity Uses (B)	(343,890)	(622,512)	(561,642)	(652,454)
Liquidity Calculation				
Ending Cash Balance (A+B)	408,623	(76,545)	(448,549)	(809,340)
Revolver Availability	0	0	0	0
Ending Liquidity	408,623	(76,545)	(448,549)	(809,340)
Liquidity Score (x)	2.2	0.9	0.2	-0.2

F - Forecast.

Source: Fitch Ratings, Fitch Solutions, Empresas CMPC S.A.

Scheduled Debt Maturities

(USD 000)	12/31/20
2021	343,890
2022	622,512
2023	561,642
2024	652,454
2025	111,787
Thereafter	1,832,564
Total	4,124,849

Source: Fitch Ratings, Fitch Solutions, Empresas CMPC S.A.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer Include

- Third-party pulp sales volume of around 3.7 million tons during 2021–2022;
- Average net hardwood pulp prices of USD650 per ton in 2021 and USD600 per ton in 2022. A spread of USD150 per ton between hardwood and softwood pulp in 2021, falling to USD100 per ton in 2022;
- Average tissue sales volume of 800,000 tons during 2021–2022;
- Investments of USD600 million in 2021 and USD800 million in 2022, including the BioCMPC Project;
- Dividends of 100% of net income in 2021 and 30% of net income in 2022.

Financial Data

(USD 000, as of Dec. 31)	Historical			Forecast		
	2018	2019	2020	2021	2022	2023
Summary Income Statement						
Net Revenue	6,274,472	5,670,277	5,286,927	6,121,340	5,937,340	5,859,515
Revenue Growth (%)	22.0	(9.6)	(6.8)	15.8	(3.0)	(1.3)
Operating EBITDA (Before Income from Associates)	1,816,183	1,122,691	947,674	1,824,316	1,582,994	1,399,362
Operating EBITDA Margin (%)	28.9	19.8	17.9	29.8	26.7	23.9
Operating EBIT	1,356,970	622,787	423,789	1,303,625	1,049,389	861,301
Operating EBIT Margin (%)	21.6	11.0	8.0	21.3	17.7	14.7
Gross Interest Expense	(215,970)	(178,483)	(185,250)	(202,568)	(206,017)	(199,957)
Pretax Income (Including Associate Income/Loss)	880,197	221,262	51,656	996,057	738,373	556,344
Summary Balance Sheet						
Readily Available Cash and Equivalents	967,504	615,038	891,031	1,008,623	923,455	951,451
Total Debt with Equity Credit	3,959,886	4,020,044	4,124,849	4,380,959	4,158,447	3,996,805
Net Debt	2,992,382	3,405,006	3,233,818	3,372,336	3,234,992	3,045,354
Summary Cash Flow Statement						
Operating EBITDA	1,816,183	1,122,691	947,674	1,824,316	1,582,994	1,399,362
Cash Interest Paid	(185,779)	(166,084)	(174,886)	(202,568)	(206,017)	(199,957)
Cash Tax	(228,426)	(403,014)	6,173	(87,155)	(184,593)	(139,086)
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	0	0	0	0	0	0
Other Items Before FFO	(204,833)	(161,554)	(207,363)	(150,000)	(150,000)	(150,000)
FFO	1,217,761	411,694	580,450	1,399,594	1,057,384	925,319
FFO Margin (%)	19.4	7.3	11.0	22.9	17.8	15.8
Change in Working Capital	(100,949)	98,395	151	(265,773)	46,094	19,496
Cash Flow from Operations (Fitch Defined)	1,116,812	510,089	580,601	1,133,820	1,103,478	944,815
Total Non-Operating/Nonrecurring Cash Flow	0	0	0	–	–	–
Capex	(379,505)	(417,739)	(331,019)	–	–	–
Capital Intensity (Capex/Revenue) (%)	6.0	7.4	6.3	–	–	–
Common Dividends	(118,966)	(202,883)	(16,730)	–	–	–
FCF	618,341	(110,533)	232,852	–	–	–
Net Acquisitions and Divestitures	31	(341,226)	(12,437)	–	–	–
Other Investing and Financing Cash Flow Items	(183,694)	18,922	2,902	0	0	0
Net Debt Proceeds	(299,928)	80,371	52,676	256,110	(222,512)	(161,642)
Net Equity Proceeds	0	0	0	0	0	0
Total Change in Cash	134,750	(352,466)	275,993	117,592	(85,168)	27,996
Leverage Ratios (x)						
Total Net Debt with Equity Credit/Operating EBITDA	1.6	3.0	3.4	1.8	2.0	2.2
Total Debt with Equity Credit/Operating EBITDA	2.2	3.6	4.4	2.4	2.6	2.9
FFO Leverage	2.9	7.2	5.5	2.8	3.3	3.6
FFO Net Leverage	2.2	6.1	4.3	2.1	2.6	2.7
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	(498,440)	(961,848)	(360,186)	(1,272,339)	(966,134)	(755,177)
FCF After Acquisitions and Divestitures	618,372	(451,759)	220,415	(138,518)	137,344	189,638
FCF Margin (After Net Acquisitions) (%)	9.9	(8.0)	4.2	(2.3)	2.3	3.2
Coverage Ratios (x)						
FFO Interest Coverage	7.4	3.4	4.3	7.8	6.1	5.6
FFO Fixed-Charge Coverage	7.4	2.8	3.6	7.8	6.1	5.6
Operating EBITDAR/Interest Paid + Rents	9.8	5.5	4.6	9.0	7.7	7.0
Operating EBITDA/Interest Paid	9.8	6.8	5.4	9.0	7.7	7.0

(USD 000, as of Dec. 31)	Historical			Forecast		
	2018	2019	2020	2021	2022	2023
Additional metrics						
CFO-Capex/Total Debt with Equity Credit (%)	18.6	2.3	6.1	12.2	7.3	7.9
CFO-Capex/Total Net Debt with Equity Credit (%)	24.6	2.7	7.7	15.8	9.4	10.3

CFO - Cash flow from operations.

Source: Fitch Ratings, Fitch Solutions, Empresas CMPC S.A.

How to Interpret the Forecast Presented

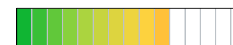
The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

FitchRatings

Empresas CMPC S.A.

ESG Relevance:



Corporates Ratings Navigator
Generic

Factor Levels	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Sector Competitive Intensity	Business Profile			Financial Profile			Issuer Default Rating
					Industry Profile	Market Position	Diversification	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+	■	■									A+
a	■	■									A
a-	■	■									A-
bbb+	■	■	■	■	■	■	■	■	■	■	BBB+
bbb	■	■	■	■	■	■	■	■	■	■	BBB Stable
bbb-	■	■	■	■	■	■	■	■	■	■	BBB-
bb+	■	■									BB+
bb	■	■									BB
bb-	■	■									BB-
b+	■	■									B+
b	■	■									B
b-	■	■									B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		↑	Positive
■	Higher Importance	↓	Negative
■	Average Importance	↕	Evolving
■	Lower Importance	□	Stable

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Operating Environment

aa-	Economic Environment	bbb	Average combination of countries where economic value is created and where assets are located.
a+	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'
b-			
ccc+			

Sector Competitive Intensity

a-	Industry Structure	bbb	Larger number of competitors with some track record of price discipline in downturns.
bbb+	Barriers to Entry/Exit	bbb	Moderate barriers to entry. Incumbents are generally strongly established but successful new entrants have emerged over time.
bbb	Relative Power in Value Chain	bbb	Balanced relative bargaining power with suppliers and customers.
bbb-			
bb+			

Market Position

a	Market Share	a	Top-three player in most markets or leader in a well defined and protected niche.
a-	Competitive Advantage	bbb	Some competitive advantages with reasonably good sustainability.
bbb+	Operating Efficiency	bbb	Return on invested capital in line with industry average.
bbb			
bbb-			

Profitability

a	FFO Margin	bbb	12%
a-	EBIT Margin	bbb	12%
bbb+	FCF Margin	bbb	2.50%
bbb	Volatility of Profitability	bbb	Volatility of profits in line with industry average.
bbb-	EBITDA Margin or EBITDAR Margin	bbb	20% or 20%

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity	bbb	One year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bbb+	FFO Interest Coverage or FFO Fixed Charge Cover	bbb	4x or 4x
bbb	FX Exposure	bbb	Some exposure of profitability to FX movements and/or debt/cash-flow match. Effective hedging in place.
bbb-	Op. EBITDA/Interest Paid or Op. EBITDAR/Interest Paid+Rents	bbb	7x or 4.5x

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

a-	Management Strategy	bbb	Strategy may include opportunistic elements but soundly implemented.
bbb+	Governance Structure	bbb	Good CG track record but effectiveness/independence of board less obvious. No evidence of abuse of power even with ownership concentration.
bbb	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bbb-	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb+	Financial Sponsor Attitude (LBO only)	n.a.	

Industry Profile

a-	Long-Term Growth Potential	bbb	Mature industry. Traditional markets may be under some pressure but opportunities arise in new markets.
bbb+	Volatility of Demand	bbb	Demand volatility in line with economic cycles.
bbb	Threat of Substitutes	bbb	Facing substitutes of comparable quality but switching costs are significant.
bbb-			
bb+			

Diversification

a-	Geographic Diversification	bbb	Some geographical diversification but imbalance between growth and mature markets.
bbb+	Product/End-Market	bbb	Exposure to at least three business lines or markets but with some performance correlation.
bbb			
bbb-			
bb+			

Financial Structure

a-	FFO Leverage or FFO Adjusted Leverage	bbb	3.5x or 3.5x
bbb+	FFO Net Leverage or FFO Adjusted Net Leverage	bbb	3.0x or 3.0x
bbb	(CFO-Capex)/Total Net Debt With Equity Credit (%)	bb	7.5%
bbb-	Total Debt With Equity Credit/Op. EBITDA or Total Adjusted Debt/Op. EBITDAR	bbb	3.0x or 3.0x
bb+	Funding Structure (LBO only)	n.a.	

Credit-Relevant ESG Derivation

Empresas CMPC S.A. has 2 ESG rating drivers and 10 ESG potential rating drivers				Overall ESG	
	key driver	0	issues		
+	Energy management			5	
	Impact of climate change and extreme weather events on assets and operations	driver	2 issues	4	
	GHG emissions; air quality				
	Waste and hazardous materials management; ecological impacts; product design & lifecycle management; supply chain management - product	potential driver	10 issues	3	
	Customer privacy; data security; product quality and safety; customer welfare; selling practices and product labeling	not a rating driver	2 issues	2	
	Impact of labor negotiations and employee (dis)satisfaction; supply chain management - labor; employee diversity and inclusion				
			0 issues	1	

Showing top 6 issues
For further details on Credit-Relevant ESG scoring, see page 3.

Credit-Relevant ESG Derivation

Empresas CMPC S.A. has 2 ESG rating drivers and 10 ESG potential rating drivers

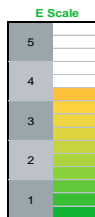
- ➔ Empresas CMPC S.A. has exposure to energy productivity risk which, in combination with other factors, impacts the rating.
- ➔ Empresas CMPC S.A. has exposure to extreme weather events which, in combination with other factors, impacts the rating.
- ➔ Empresas CMPC S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.
- ➔ Empresas CMPC S.A. has exposure to waste & impact management risk and supply chain management but this has very low impact on the rating.
- ➔ Empresas CMPC S.A. has exposure to customer accountability risk or product quality/ethical marketing risk but this has very low impact on the rating.
- ➔ Empresas CMPC S.A. has exposure to labor relations & practices risk or supply chain management risk but this has very low impact on the rating.

Showing top 6 issues

				Overall ESG Scale
key driver	0	issues	5	
driver	2	issues	4	
potential driver	10	issues	3	
not a rating driver	2	issues	2	
	0	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	GHG emissions; air quality	Diversification; Profitability; Financial Structure; Financial Flexibility
Energy Management	4	Energy management	Diversification; Profitability; Financial Structure; Financial Flexibility
Water & Wastewater Management	2	Water and wastewater management	Diversification; Profitability; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	3	Waste and hazardous materials management; ecological impacts; product design & lifecycle management; supply chain management - product	Diversification; Profitability; Financial Structure; Financial Flexibility
Exposure to Environmental Impacts	4	Impact of climate change and extreme weather events on assets and operations	Diversification; Sector Trend; Profitability; Financial Structure; Financial Flexibility



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

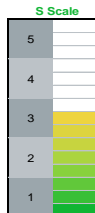
The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

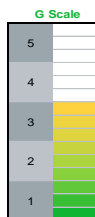
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Human rights; relationships with communities and/or land right holders; access and affordability	Management and Corporate Governance; Company's Market Position; Diversification; Profitability; Financial Flexibility
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Customer privacy; data security; product quality and safety; customer welfare; selling practices and product labeling	Management and Corporate Governance; Sector Competitive Intensity; Company's Market Position; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction; supply chain management - labor; employee diversity and inclusion	Operating Environment; Diversification; Profitability; Financial Structure; Financial Flexibility
Employee Wellbeing	3	Employee health and safety	Diversification; Profitability; Financial Flexibility
Exposure to Social Impacts	3	Shifting social preferences; social resistance to major projects or operations that leads to delays or cost increases	Operating Environment; Sector Trend; Company's Market Position; Diversification; Profitability



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

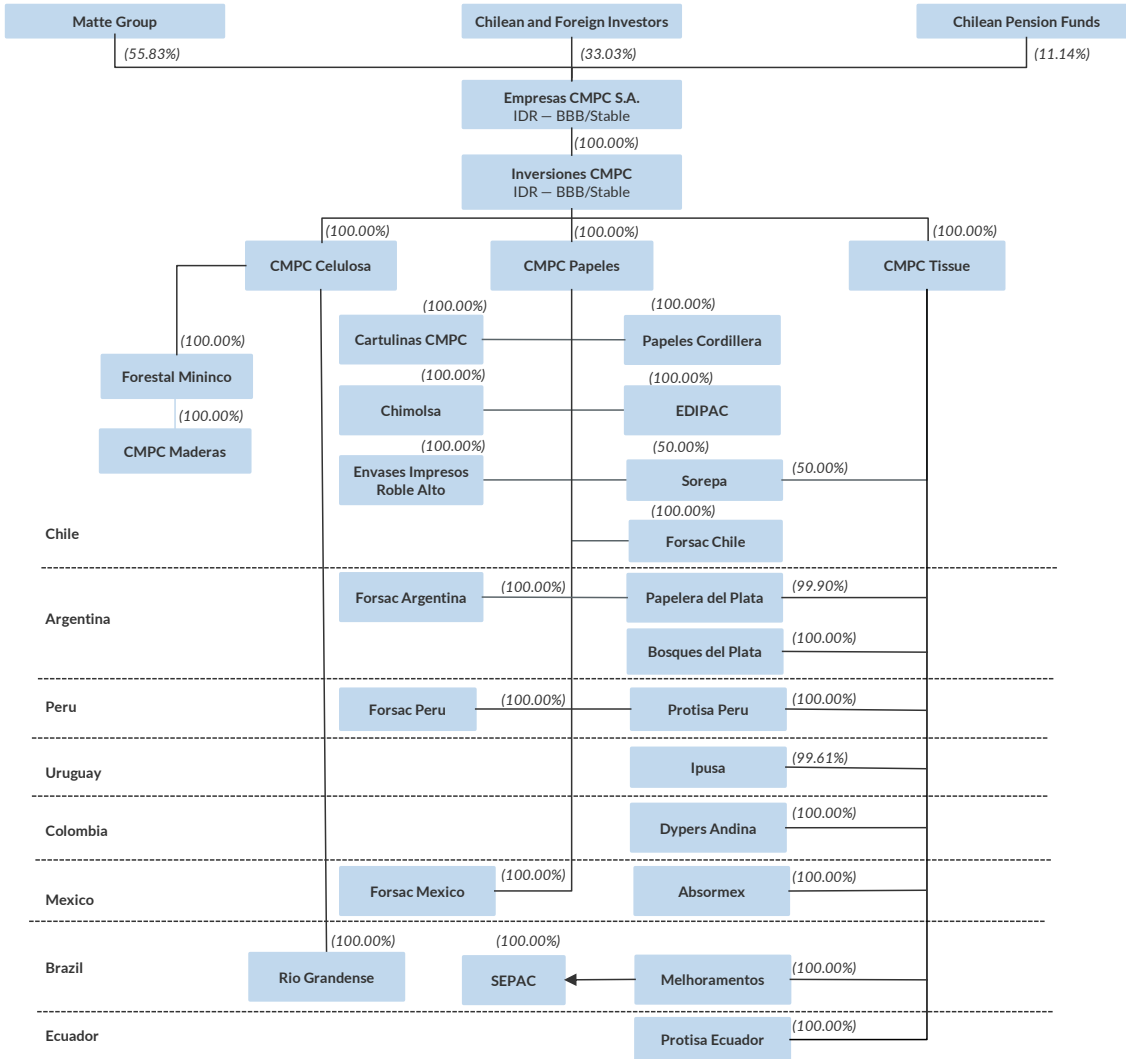


CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Inrelevant to the entity rating but relevant to the sector.
1	Inrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram

Simplified Organizational Structure – Empresas CMPC S.A.

(As of June 30, 2021)



IDR – Issuer Default Ratings.
Source: Fitch Ratings, Fitch Solutions, Empresas CMPC S.A.

Peer Financial Summary

Company	Issuer Default Rating	Financial Statement Date	Operating EBITDA (Before Income from Associates) (USD Mil.)	Readily Available Cash and Equivalents (USD Mil.)	Total Debt With Equity Credit (USD Mil.)	Cash Flow from Operations (USD Mil.)	Total Net Debt with Equity Credit/Operating EBITDA (x)
Empresas CMPC S.A.	BBB						
	BBB	2020	948	891	4,125	581	3.4
	BBB	2019	1,123	615	4,020	510	3.0
Celulosa Arauco y Constitucion S.A.	BBB	2018	1,816	968	3,960	1,117	1.6
	BBB	2020	990	1,065	6,064	1,144	5.0
	BBB	2019	1,051	1,560	5,985	617	4.2
Suzano S.A.	BBB	2018	1,802	1,076	4,582	1,350	1.9
	BBB-	2020	2,775	1,749	15,230	2,150	4.9
	BBB-	2019	2,554	2,332	16,816	2,011	5.8
Klabin S.A.	BBB-	2018	1,867	6,578	9,583	1,445	1.7
	BB+	2020	881	1,267	5,627	962	5.0
	BB+	2019	909	2,415	6,564	799	4.7
Eldorado Brasil Celulose S.A.	BB+	2018	1,102	1,819	5,727	480	3.8
	BB-	2020	354	184	1,494	297	3.7
	BB-	2019	485	223	1,691	398	3.1
	B	2018	744	214	1,895	599	2.4

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

(USD 000, as of Dec. 31, 2020)	Notes and Formulas	Reported Values	Sum of Adjustments	- CORP - Factoring	Other Adjustments	Adjusted Values
Income Statement Summary						
Revenue	—	5,286,927	—	—	—	5,286,927
Operating EBITDA	(c)	673,905	273,769	—	273,769	947,674
Operating EBITDA After Associates and Minorities	(d) = (a-b)	673,905	273,769	—	273,769	947,674
Operating EBIT	(e)	123,615	300,174	—	300,174	423,789
Debt and Cash Summary						
Total Debt with Equity Credit	(f)	4,043,849	81,000	81,000	—	4,124,849
Readily Available Cash and Equivalents	(j)	891,031	—	—	—	891,031
Not Readily Available Cash and Equivalents	—	0	—	—	—	0
Cash Flow Summary						
Operating EBITDA After Associates and Minorities	(d) = (a-b)	673,905	273,769	—	273,769	947,674
Preferred Dividends (Paid)	(k)	0	—	—	—	0
Interest Received	(l)	8,852	—	—	—	8,852
Interest (Paid)	(m)	(174,886)	—	—	—	(174,886)
Cash Tax (Paid)	—	6,173	—	—	—	6,173
Other Items Before FFO	—	66,406	(273,769)	—	(273,769)	(207,363)
FFO	(n)	580,450	—	—	—	580,450
Change in Working Capital (Fitch-Defined)	—	6,151	(6,000)	(6,000)	—	151
Cash Flow from Operations (CFO)	(o)	586,601	(6,000)	(6,000)	—	580,601
Non-Operating/Nonrecurring Cash Flow	—	0	—	—	—	0
Capex	(p)	(331,019)	—	—	—	(331,019)
Common Dividends (Paid)	—	(16,730)	—	—	—	(16,730)
FCF	—	238,852	(6,000)	(6,000)	—	232,852
Gross Leverage (x)						
FFO Leverage	(i-g)/(n-m-l-k)	5.4	—	—	—	5.5
Total Debt with Equity Credit/Operating EBITDA ^a	(i-g)/d	6.0	—	—	—	4.4
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	6.3	—	—	—	6.1
Net Leverage (x)						
FFO Net Leverage	(i-g-j)/(n-m-l-k)	4.2	—	—	—	4.3
Total Net Debt with Equity Credit/Operating EBITDA ^a	(i-g-j)/d	4.7	—	—	—	3.4
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	8.1	—	—	—	7.7
Coverage (x)						
Operating EBITDA/Interest Paid ^a	d/(-m)	3.9	—	—	—	5.4
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	4.3	—	—	—	3.6
FFO Interest Coverage	(n-l-m-k)/(-m-k)	4.3	—	—	—	4.3

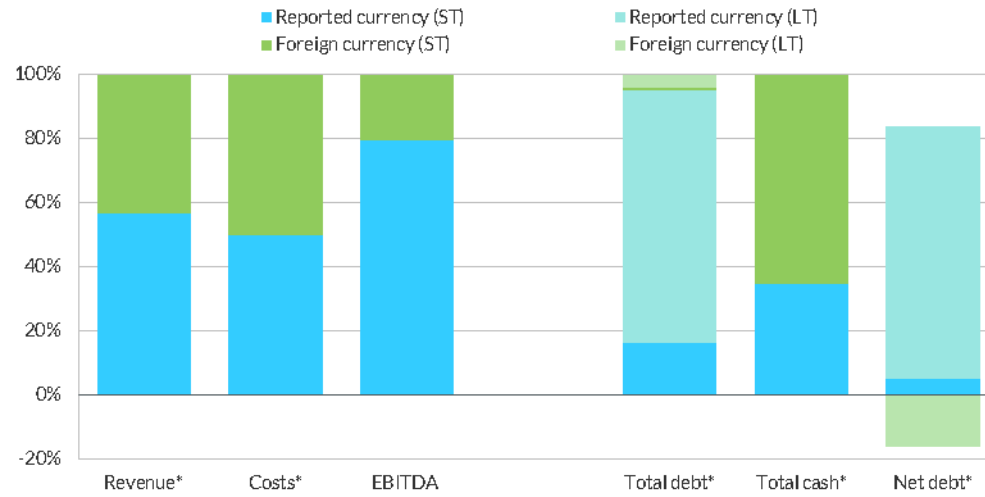
^aEBITDA/R after dividends to associates and minorities. CFO – Cash flow from operations.
Source: Fitch Ratings, Fitch Solutions, Empresas CMPC S.A.

FX Screener

About 57% of CMPC's revenues are denominated in U.S. dollars and 25% in Chilean pesos and Brazilian reais, while about 50% of costs are denominated in U.S. dollars and 37% in Chilean pesos and Brazilian reais. The depreciation of local currencies has a positive effect on the company's margins and leverage.

Fitch FX Screener

(Empresas CMPC S.A. – BBB/Stable, LTM Jun-21, USDth)



* Post hedge, absolute figures displayed are Fitch's analytical estimates, based on publicly available information

Source: Fitch Ratings

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