SOFTYS PERU

UPDATE RESULTS 2019

2018 GREEN BOND

Softys Peru

Softys Peru (brand name for Productos Tissue del Perú S.A.C.) 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, Softys seeks to build sustainable leadership through its brands and its people, with a strong commitment and willingness to take on new challenges.

Softys Peru is the local subsidiary of Softys, itself a subsidiary of Empresas CMPC ("CMPC"), a Chilean-based company which produces and commercializes forestry, pulp, paper, tissue and personal care, and packaging products through its three business divisions: Pulp, Softys and Packaging. CMPC has industrial operations in Chile, Argentina, Uruguay, Mexico, Colombia, Ecuador and Brazil, as well as Peru.

CMPC´s Sustainable Commitment

For CMPC and all of its operations, sustainable development is considered essential for business growth. For that reason, CMPC Pulp (Softys Peru supplier for pulpwood) has both FSC® and PEFC® Chain of Custody Certifications to ensure that all pulp is sourced exclusively from sustainable plantations from origin to final destination.

Through these certifications and other green programs and initiatives, CMPC seeks to maintain harmonious operations in economic, social and environmental aspects. All mills and plants are constantly in close dialogues with their neighboring communities and encourage long-term agreements that integrate their operations with shared value programs.

On September 2019, CMPC publicly committed specific goals in contribution to areas of climate, water, waste and forest sustainability:

50% reduction

of its absolute greenhouse gases emissions (scope 1 + 2) towards 2030, being the baseline the 2018 level emissions. The Company´s total emissions last year were (CO2e) 7.6 million CO2 equivalent, while tier 1 and 2 emissions were 2.3 million tons CO2e.

Zero waste company by 2025

This goal is currently underway, searching for opportunities in reducing waste generation through improvements in our operations, the use of new technologies, innovative industrial processes and products, internal synergies and searching for new recycling and valorization options.

25% reduction

in industrial water use per produced ton towards 2025, being the baseline the 2018 consumption level. This includes its 43 mills in 8 Latin American countries. In 2018 CMPC used nearly 200 million cubic meters of water, out of which 85% were treated and returned to underground and surface sources, in improved sanitary quality with regard to the moment in which they were captured.

100 thousand hectares

The conservation and restoration of 100 thousand hectares towards 2030, in addition to the 325 thousand conservation and protection hectares the company owns in Chile, Argentina and Brazil.

Additionally, on July 2019 CMPC's CEO presented at the United Nations, the Forest sector SDG Roadmap developed through the World Business Council for Sustainable Development (WBCSD) with various participants of the forestry sector including CMPC, in order to determine the sector´s contributions to the Sustainable Development Goals.[1]

1. The Roadmap details can be viewed at: https://www.wbcsd.org/Sector-Projects/Forest-Solutions-Group/Resources/Forest-Sector-SDG-Roadmap

CMPC´s Green Financing

CMPC issued its first green bond in an international market in March of 2017 for the amount of USD 500 million. This was the first operation of its kind by a Chilean company in an international market. In October 2018, the Company issued a second green financing instrument for the amount of USD 30 million on the Peruvian Stock Exchange through its subsidiary Softys Peru, being the first green bond to be issued in Peru.

On July and September 2019, CMPC announced two new green finance instruments: i) a third green bond for UF2.5 million (approximately USD100 million) on the Santiago Stock Exchange, and ii) a syndicated green loan with Japanese banks for USD100 million.

This pioneering milestone clearly reinforces CMPC commitment to sustainable development, since it also complies with the standards established in the International Capital Market Association (ICMA) Green Bond Principles 2018 and the Loan Market Association (LMA) and Asia Pacific Loan Market Association (APLMA) Green Loan Principles 2018, that promotes market integrity in the market for green finance through directives that recommend transparency, disclosure and accountability.

The issuance of Green Financing Instruments 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 these instruments, CMPC hopes to continue increasing its investor base, in particular attracting those environmentally conscientious and socially responsible investors with a long term vision.

Softys Peru 2018 Green Bond

The 100 million Peruvian Soles (about 30 million US dollars) Green Bond issued on October 2018, were fully allocated for the refinancing of eligible green projects completed on the years 2015, 2016 and 2017, in the following categories:

- Energy Efficiency
- Pollution Preventing and Control
- Sustainable Water Management

In total, **about US$ 38,400,000** had been spend on eligible green projects.

ELIGIBLE GREEN PROJECTS BY CATEGORY	AMOUNT (US$)
Energy Efficiency / Pollution Preventing and Control / Sustainable Water Management	**33,000,000**
Cañete Paper Machine	33,000,000
Sustainable Water Management	**5,400,000**
Cañete Waste Water Treatment Plant	3,000,000
Cañete Clarified Water Recirculation	400,000
Santa Anita PP2 Water Treatment System	2,000,000
Total	**38,400,000**

SOFTYS PERU
2018 GREEN BOND PROJECTS

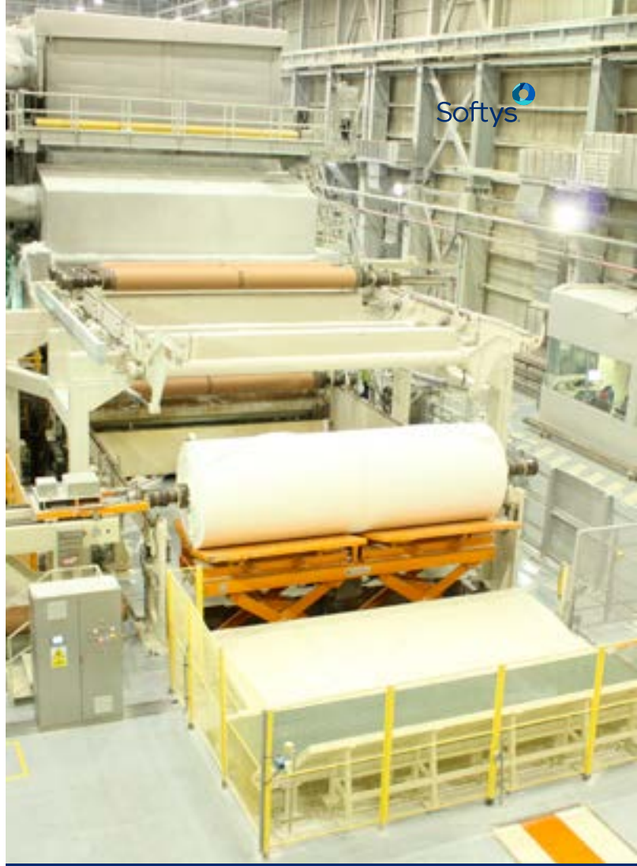
On October 2017, Softys Peru inaugurated a new state of the art tissue plant on the Cañete Province (about 150 km south of Lima), which involved an investment of more than US$140 million and allowed to increment the production capacity of tissue on 70%. The main factory of Softys Peru is located in the district of Santa Anita, in the city of Lima and has a tissue production capacity of approximately 74 thousand tons / year.

Cañete plant

CAÑETE PAPER MACHINE

The paper machine, unlike a conventional one, produces double-width paper, which means that for about 20% of extra energy it is capable of producing twice as much. It is also efficient in the use of water. On the other hand, the investment considered low levels of acoustic and atmospheric pollution that would help minimize impact compared to levels prior to the installation of the machine. These characteristics are part of the contract with the supplier, thus establishing standards of contamination significantly lower the local standard.

On July 2018 the Yankee cylinder (key component in the paper drying process) presented a failure that meant 77 days of downtime. On that occasion, the supplier recognized a welding problem and assumed the cost of repairs. Unfortunately, on June 2019 the Yankee cylinder presented a new failure that has seriously affected the production levels and the normal operation of the mill. Even though the supplier has recognized a manufacturing problem and will replace the cylinder, there is still uncertainty as to when the machine will finally operate at full capacity and according to its design parameters.



Impact measurement

Energy savings
0 %

Because of the event described above affecting production capacity, the MWh per tonne of paper has been affected significantly. The annual average energy consumption level of the machine is 4.58 Mwh/tonne. This is slightly above the level of the single-width paper machine of Santa Anita (4.30 Mwh/tonne), and far from our expectations for normal operations (2.5 Mwh/tonne).

Water savings
51 %

The average annual water consumption by the machine is 12.14 m3/tonne, which means savings of 12.86 (m3/tonne) considering the Softys Brazil Mogi Das Cruzes paper machine average of 25 m3/tonne. We consider it a benchmark because, similarly to the Cañete paper machine, it is designed to operate with 100% virgin fiber. Other paper machines across the Softys operations in various countries (including Softys Peru Santa Anita) are designed for producing mixed paper (from virgin + recycled fiber), which requires a higher level of water consumption.

We are aware that lower production levels may affect, in one way or another, the water savings, and normal operations are needed to have a certain evaluation of this indicator for the long term.

Particulate matter levels

PM2.5: 10.2 µg/m3
PM10: 21.95 µg/m3

These levels are about 80% lower than required by local regulations (50 µg/m3 for PM2.5 and 100 µg/m3 for PM10), meeting out goal of maintaining the same levels as prior to the installation of the machine.

CAÑETE WASTE WATER TREATMENT PLANT

Softys Peru 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.

In addition, Cañete's waste water treatment plant (WWTP) was built to exceed the most demanding water quality parameters comparable on a global scale. Among other indicators, the plant's effluent has significantly lower Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) levels than required by Peruvian law.

Impact measurement

Effluent Quality

COD: 14 mg/L

BOD: 4.8 mg/L

The effluent quality levels are on average at least 93% better than the local normative (COD: 200 mg/L BOD: 100 mg/L).

CAÑETE CLARIFIED WATER RECIRCULATION

As a second stage of 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 allowing for water recirculation.

Impact measurement

Water Recirculation

51 %

This represents savings of approximately 186,058 m3/yr.

Cañete Waste Water Treatment Plant

SANTA ANITA PP2 WATER TREATMENT SYSTEM

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.

Impact measurement

Effluent Quality

COD: 570 mg/L
BOD: 106 mg/L

The effluent quality levels are on average 43% better on COD and 79% better on BOD considering the local normative (COD: 1,000 mg/L BOD: 500 mg/L).

Water Recirculation

55-60 %

This is traduced in an estimate of 641,195 m3/yr of water reused.

REPORTS OF CHECK

MANAGEMENT´S ASSERTION REGARDING ALLOCATION OF FUNDS TO ELIGIBLE GREEN PROJECTS

Productos Tissue del Perú S.A.C. ("Softys Peru") is responsible for the completeness, accuracy and validity of the Softys Peru Green Projects Allocation Report (the "Report") as of October 31, 2019. Management asserts that as of October 31, 2019, the total proceeds from the October 23, 2018 issuance of the 6.625% Notes Due October 23, 2024 (the "Softys Peru 2018 Green Bond") have been released for expenditures previously incurred by Softys Peru for qualifying Eligible Green Projects in accordance with the 2018 Green Bond Principles and the accompanying Eligible Green Project Criteria.

Softys Peru

Type of engagement: Annual Review
Date: November 2019
Engagement Leader: Mayur Mukati, Project Manager, mayur.mukati@sustainalytics.com, +1 (647) 695 4156
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Introduction

In October 2018, Productos Tissue del Perú S.A.C. ("Softys Peru"),[1] a subsidiary of Empresas CMPC S.A. ("CMPC"), issued PEN 100 million (USD 30 million) in green bonds aimed at financing projects that improve the environmental efficiency of its paper plants. In November 2019, CMPC engaged Sustainalytics to review the projects funded through the issued green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Protisa Perú Green Bond Framework (the "Framework").

Evaluation Criteria

Sustainalytics evaluated CMPC (Softys Peru)'s projects financed between October 2018 to October 2019 based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds and Eligibility Criteria, while Table 2 list the associated KPIs.

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria
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.

Table 2: Projects and Key Performance Indicators

Projects	Description	Key Performance Indicators
Paper machine, Cañete	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%[2], 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	• Energy savings (MWh/tonne) • Particulate matter reduction (µg/m^3 yr) • Water savings (m^3/yr)

[1] Softys Peru is the brand name for Productos Tissue del Perú S.A.C.
[2] In comparison with the efficiency of a standard CMPC single-width tissue paper machine.

	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.	
Secondary water treatment system, Santa Anita	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.	• Water savings or reuse (m^3/yr) • Effluent quality improvement (mg/L yr)
Wastewater treatment plant, Cañete	In the interest of maintaining strong relations with local communities, Softys Peru 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. In addition, Cañete's waste water treatment plant was built to exceed the most demanding water 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.	• Effluent quality improvement (mg/L yr)
Clarified water recirculation system, Cañete	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.	• Water savings or reuse (m^3/yr)

Issuing Entity's Responsibility

CMPC was responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Softys Peru's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from CMPC employees and review of documentation to confirm the conformance with the Protisa Perú Green Bond Framework.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,[3] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of the green bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Protisa Perú Green Bond Framework. CMPC has disclosed to Sustainalytics that the net proceeds of the green bond were fully allocated as of October 2019.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2018-2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Green Bond Framework. For a list of projects financed by eligibility criteria, please refer to Appendix 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2018-2019 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework.	Projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

[3] Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Allocation and Impact Reporting by Category

Use of Proceeds	Projects	Amount allocated (USD)	Environmental Impact
Energy Efficiency / Pollution Prevention and Control	Paper Machine, Cañete	33,000,000	• Energy savings: 0%[4] • Water savings: 51%[5] • Particulate matter levels:[6] PM2.5: 10.2 µg/m^3 PM10: 21.95 µg/m^3
Sustainable Water Management	Secondary Water Treatment System, Santa Anita	2,000,000	• Effluent Quality:[7] COD: 570 mg/L BOD: 106 mg/L • Water Recirculation: 55-60%[8]
	Wastewater Treatment plant, Cañete	3,000,000	• Effluent Quality:[9] COD: 14 mg/L BOD: 4.8 mg/L
	Clarified Water Recirculation System, Cañete	400,000	• Water Recirculation: 51%[10]
Total		38,400,000	

[4] The Company has informed Sustainalytics that a machinery malfunction has affected the production levels, and therefore no energy savings have been achieved.
[5] Softys Peru considers the baseline to be 25 m^3/tonne for a similar paper machine designed to operate with 100% virgin fiber.
[6] Local regulations thresholds are 50 µg/m^3 for PM2.5 and 100 µg/m^3 for PM10.
[7] The effluent quality levels are on average 43% better on COD and 79% better on BOD considering the local regulation threshold at 1,000 mg/L for COD and 500 mg/L for BOD.
[8] This represents approximately 641,195 m^3/year of water reused.
[9] Effluent quality averages 93% better than the local regulations thresholds which are 200 mg/L for COD and 100 mg/L for BOD.
[10] This represents approximately 186,058 m^3/year of water reused.

Disclaimer

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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