

Results of the First Human Rights Due Diligence Process at CMPC





In 2024, CMPC began implementing its first human rights due diligence process. This initiative aligns with the United Nations Guiding Principles on Business and Human Rights (UNGPs), which state that companies should have human rights policies, due diligence mechanisms, and remediation mechanisms to address human rights risks.

To oversee this effort, CMPC formed a task force composed of managers from the Sustainability, Risks and Compliance, Public Affairs, Procurement, Labor Relations, and Environment, Health, and Safety departments. This group integrated the recommendations and results into the Company's risk management program. The program's governance structure is both hierarchical and collaborative to ensure comprehensive management. The Corporate Risk and Compliance department designs and updates the program, with its implementation periodically reviewed by the Risk Committee. Internal Audit provides independent assurance of controls. Specialized committees, such as the Sustainability and Audit committees, oversee specific areas like ESG risks and compliance. The primary responsibility falls on the Chief Executive Officer and principal executives, with the Board of Directors ultimately overseeing the global strategy and using this information for informed decision-making.

Scope of the Process

For the first phase of this due diligence process, the Human Rights Task Force decided to focus on CMPC's forestry operations in the Biobío Region of Chile. The plan is to continue with the remaining operations and the production cycle once this phase is complete. Specifically, the process covered a representative sample of operations that supply the Santa Fe mill, including providers of goods and services for nursery, establishment, harvest, and transport processes. The task force will use the results and experience from this initial process to determine which operational segment and country to address next, and how to potentially incorporate organic and inorganic projects.

Stakeholder Groups

The stakeholder groups engaged during the due diligence process were in-house employees, contractor employees, suppliers and communities. A total of 111 interviews were conducted and a survey was completed by 256 in-house and contractor employees.

The information gathered from stakeholders showed their recognition of CMPC's and its teams' efforts to identify and mitigate human rights risks, particularly highlighting the territorial management area, which is a key part of the value chain considered in the process.

Regular company communication mechanisms, such as the anonymous complaint line, community relations management, prior consultations for worksites, and forestry certification processes, help to incorporate information from affected stakeholders into the risk management program.

Grievance Hotline

CMPC has a complaint line¹, which is a channel for reporting acts or behaviors that violate or could violate the Company's principles, corporate standards, or current laws. This channel is available in Spanish, Portuguese, and English for directors, principal executives, employees, suppliers, clients, neighbors, and other third parties, and it guarantees the confidentiality of information provided while allowing for anonymous reports.

The complaint line is promoted through internal communications, digital platforms, e-learning courses, workshops, and talks. For third parties, it is available on the corporate website, in the supplier code of conduct, and in contracts and commercial agreements.

An evaluation of the complaint line, conducted as part of the due diligence process, found that it meets the vast majority of UNGP requirements. Additionally, the evaluation revealed that direct communication between managers and communities, as well as the phone number provided on trucks, are recognized as effective channels by communities.

Results

The due diligence process collected potential impact hypotheses, which were compared against existing work teams and controls. This led to the identification of potential risks and the evaluation of additional controls.

In line with common industry risks, potential risks were identified in areas such as sanitary conditions and connectivity at worksite facilities; occupational accidents or illnesses; impact on communities from harvesting, transport, and/or road activities; labor conditions of contractor and supplier workers; diversity and inclusion, harassment or violence from third parties; and other related issues. The effectiveness of existing control measures for these risks was also evaluated to establish the need for complementary controls.

For example, for potential risks related to the quality of life of communities due to the use of roads, the implemented measures were found to be sufficient to control these risks. Communication processes with stakeholders, such as prior consultations for worksites and community relations actions, along with measures like the Critical Route Analysis and the Worksite Intervention and Risks Form (IRF), allow for communication of identified impacts and mitigation measures.

For cases where new measures were needed, action plans were created and integrated into the risk management program.

¹ <https://lineadenuncia.cmpc.cl/Denuncias>

The following are examples of findings from the evaluation of control measures:

Findings	Additional Measures
Potential risk of affecting the labor conditions of contractor workers.	Improvement plan for nursery infrastructure for contractor workers to improve ergonomic conditions.
Potential risk of affecting the quality of life and health of community members due to road, harvest, and/or transport activities.	Update procedures with the contractor fleet to ensure compliance with commitments in prior worksite consultations.
Potential risk of being unable to access grievance mechanisms due to connectivity difficulties.	Improve connectivity and provide "Respectful Work Environments" training that includes promotion of the complaint line to nursery employees.

The results and actions taken to mitigate identified risks provide insights that will lead to further actions, such as continuing to strengthen the promotion of the complaint line and maintaining continuous contact with stakeholders.

The results of the human rights due diligence process and the measures taken to address areas for improvement will be shared with stakeholders through presentations and by sending information to participants. To ensure access to this information, especially considering connectivity challenges in some production processes, the results will be presented in person.

Remediation

If a human rights violation of any stakeholder group is identified, the remediation process will involve investigating the impact and its scope, and determining the appropriate remediation measures. The policies and procedures related to the involved process will also be reviewed and adjusted as necessary to prevent similar situations in the future.