

# *It's Parque Arauco time!*

Sustainability Report 2016



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# A Message from Our Executive Vice President

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## A Message from Our Executive Vice President



It is my pleasure to present our second sustainability report, which reflects our company's environmental, social and corporate governance performance in 2016.

This was a year of significant accomplishment in which we continued to record strong growth, opening seven new shopping centers, acquiring two properties and expanding three existing assets. Our GrossLeasable Area (GLA) rose 15.7% to 947,000 square meters while profit attributable to equity holders of the parent was up 16.7%, totaling Ch\$70,114 million for the year.

This year, we worked hard to consolidate our sustainability strategy. We strengthened our team and created an Executive Sustainability Committee, which regularly briefs the Board of Directors on its progress. In 2016, we identified and prioritized action areas to help organize and strengthen our sustainability efforts in three areas: environmental management, social management and corporate governance.

In environmental management, we hired a specialist consulting firm to apply standard criteria in establishing a baseline for energy and water consumption, greenhouse gas emissions and waste in Chile, Peru and Colombia. We also continued building

environmentally friendly shopping centers, like InOutlet Premium Lurín in Peru and Parque La Colina in Colombia, which opened in 2016.

In terms of social management, we have made strides on a community relations policy that will apply to new projects as well as existing operations. We also supported foundations and community organizations by donating space in our shopping centers. Finally, we established two social management priorities—inclusion and support for local and emerging entrepreneurship—and observed some early progress on both issues.

In corporate governance, we professionalized our risk management tools and conducted internal campaigns to reinforce the importance of ethical behavior at our company. We also worked on redefining our mission, values, corporate purpose, and strategic objectives, which will guide our actions over the long term.

I cannot recap the year without mentioning two painful events that shook our operations: the unfortunate robbery at Parque Arauco Kennedy in Chile, in which a subcontracted security

*We strengthened our team and created an Executive Sustainability Committee, which regularly briefs the Board of Directors on its progress.*

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guard lost his life, and the tragic fire in Peru affecting one of our Larcomar tenants, where four employees died.

These terrible situations strengthen our determination to continue improving personal safety and security standards. Regarding the serious crime problem in Chile, I have personally spoken to senior public officials, expressing our concern and desire to work on a coordinated action plan to improve security standards at our shopping centers. In response to the fire, we hired one of the leading international “safety and security” experts to implement an action plan for Chile, Peru and Colombia that focuses on protecting all persons who visit or work at our shopping centers.

Without a doubt, we have great challenges ahead and much work still remains. We look to the future optimistically, making strides toward our corporate purpose of creating spaces that contribute to improving people's lives. We focus on making the decisions necessary for that to happen and plan to continue providing transparent accounts of our progress.

**JUAN ANTONIO ÁLVAREZ**  
*Executive Vice President  
Parque Arauco S.A.*





12.10 hrs.  


[ 02. ]

# Our Company

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Parque Arauco:  
Performance, Milestones  
and Accomplishments

**CORPORATE PURPOSE**

To create spaces that contribute to improving people's lives

**MISSION**

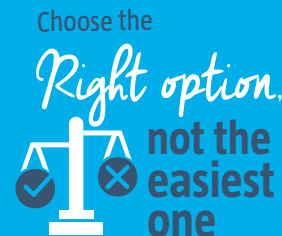
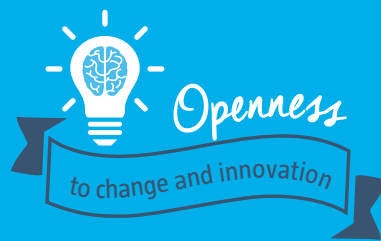
To be leaders in developing and operating real estate assets, through profitable and sustainable growth that generates value for our stakeholders

**PILLARS OF OUR CULTURE**

Happiness / Excellence

**OUR STRATEGIC OBJECTIVES**

Growth / Profitability / Sustainability

**OUR VALUES**

We redefined our purpose, mission and corporate values in 2016. The process was based on:

- An internal survey, conducted by the Generación Empresarial foundation; employees from different divisions in Chile, Peru and Colombia participated.
- An analysis of real estate development trends, the principles that have identified us as a company and the strategic perspectives that drive our business. The highest levels of corporate leadership and each Country Manager participated in the process.

# Parque Arauco

## [ Presence and Portfolio ]

We develop and operate multi format (primarily commercial) real estate assets. More than three decades of experience have earned us a place among the regional industry's leading companies. We offer four shopping center formats:

- **Regional:** shopping centers with GLA<sup>1</sup> greater than 20,000 m<sup>2</sup>.
- **Neighborhood:** shopping centers with GLA between 6,000 and 20,000 m<sup>2</sup>.
- **Outlet malls:** shopping centers located outside cities that offer clothing and goods at discounted prices.
- **Strip centers:** shopping centers with GLA of less than 6,000 m<sup>2</sup>.

Our tenants include department stores, home improvement stores, supermarkets, restaurants, movie theaters and various types of small retailers.

While our corporate offices are located in Santiago, Chile, we also operate in Peru and Colombia.

**OUR PORTFOLIO CONTAINS COMMERCIAL REAL ESTATE ASSETS IN DIFFERENT CITIES AND PROVINCES IN CHILE, PERU AND COLOMBIA.**

We have  
**6** regional shopping centers,  
**4 outlets**  
and **14 strip centers**

The average age of the assets in our portfolio is  
**17 years**

**Total GLA**  
**424,000 m<sup>2</sup>**

Occupancy rate:  
**96.7%**

# Chile

### Antofagasta Region

Arauco Express (Antofagasta)  
Arauco Express (Calama)

### Coquimbo Region

Arauco Premium Outlet Coquimbo

### Valparaíso Region

Arauco San Antonio  
Arauco Premium Outlet Curauma  
Arauco Express (Viña del Mar)

### Metropolitan Region of Santiago

Parque Arauco Kennedy  
Arauco Estación  
Arauco Quilicura  
Arauco Premium Outlet Buenaventura  
Arauco Express (11 strip centers in Santiago)  
Arauco Maipú

### Biobío Region

Arauco Chillán  
Arauco Premium Outlet San Pedro

<sup>1</sup> GLA - Gross Leasable Area: the sum of all areas available for lease



We have

**6** regional shopping centers,  
**8** neighborhood shopping centers  
**2** outlets  
and **2** strip centers

The average age of the assets in our portfolio is **5** years

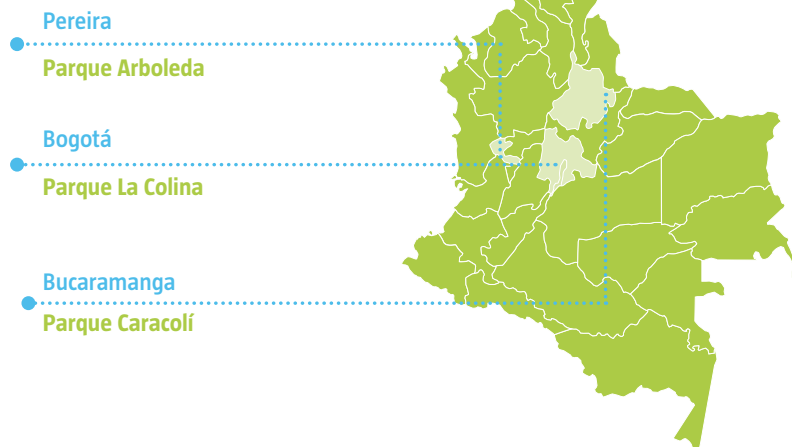
**Total GLA**  
**380,000 m<sup>2</sup>**

Occupancy rate:

**92.6%**



# Colombia



We have  
**3** regional  
shopping  
centers in  
Colombia

The average age  
of the assets  
in our portfolio  
is **3** years

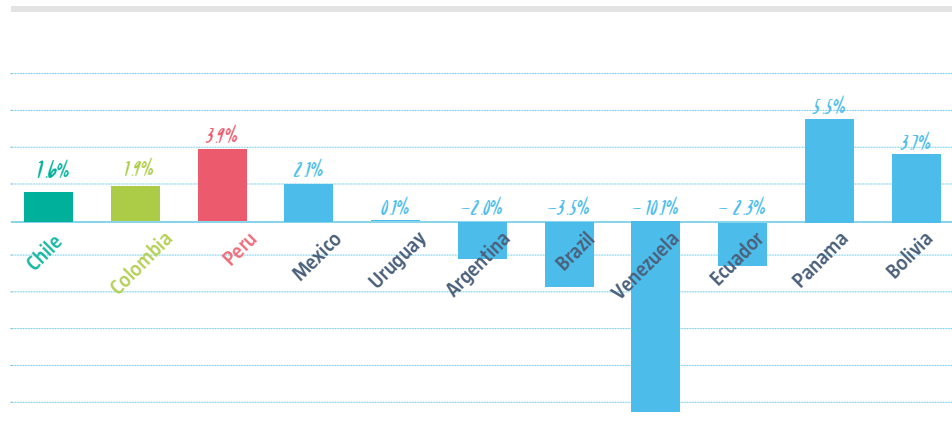
Total GLA  
**143,000 m<sup>2</sup>**  
Occupancy rate:  
**91.6%**



# Market Conditions and Economic Performance

Despite Latin America's weak macroeconomic outlook, the countries where we do business recorded above-average performance. Retail sales continued to grow, albeit more slowly than in recent years.

## GDP GROWTH IN LATIN AMERICA



Source: Bloomberg

Our 2016 results remained positive in all three countries.



## ECONOMIC INDICATORS

Direct economic value generated	Unit	2015	2016
Revenue	MCh\$	146,211	160,134
Finance income	MCh\$	3,538	6,907
Share of profit (loss) of associates	MCh\$	8,296	9,814
<b>Total direct economic value generated</b>	<b>MCh\$</b>	<b>158,045</b>	<b>176,855</b>

Direct economic value distributed	Unit	2015	2016
Cost of sales <sup>3</sup>	MCh\$	15,078	18,120
Administrative expenses <sup>4</sup>	MCh\$	14,788	15,316
Wages	MCh\$	18,654	19,563
Finance costs	MCh\$	30,190	36,389
Taxes <sup>5</sup>	MCh\$	8,210	12,165
Donations and social contributions	MCh\$	168	224
Dividends paid	MCh\$	24,570	29,287
<b>Total direct economic value distributed</b>	<b>MCh\$</b>	<b>111,658</b>	<b>131,064</b>

Total economic value retained	Unit	2015	2016
<b>Total direct economic value generated</b>	<b>MCh\$</b>	<b>158,045</b>	<b>176,855</b>
<b>Total direct economic value distributed</b>	<b>MCh\$</b>	<b>111,658</b>	<b>131,064</b>
<b>Total economic value retained</b>	<b>MCh\$</b>	<b>46,387</b>	<b>45,791</b>

<sup>3</sup> Excludes wages

<sup>4</sup> Excludes donations and financial contributions

<sup>5</sup> Includes current tax; excludes property tax and VAT.

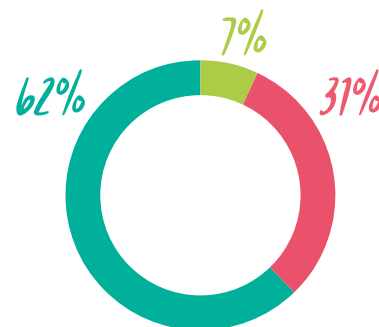
The rates of GLA penetration per inhabitant in the countries where we operate remain below those of developed countries, which could present growth opportunities in our line of business.

Given the economic and market context, we have increased relative investment outside of Chile and, consequently, diversified our business.

Our strategic objectives focus on profitable, sustainable growth. Our efforts to diversify formats, earn revenue from several countries and attract retail customers from different socioeconomic strata are a reflection of those concepts.

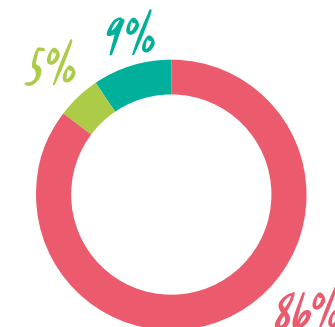
### DIVERSIFICATION BY COUNTRY (% OF REVENUE)

Chile Peru Colombia

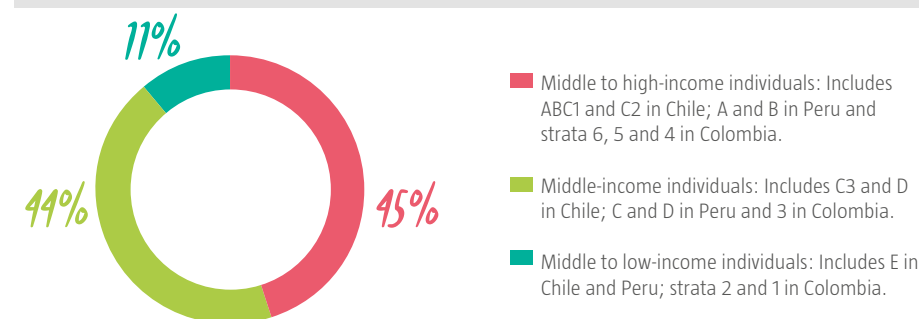


### DIVERSIFICATION BY FORMAT (% OF REVENUE)

Regional Neighborhood Outlets and strip centers



### SOCIOECONOMIC DIVERSIFICATION OF OUR RETAIL CUSTOMERS (% OF REVENUE)





G4-9

## OTHER IMPORTANT FACTS AND FIGURES

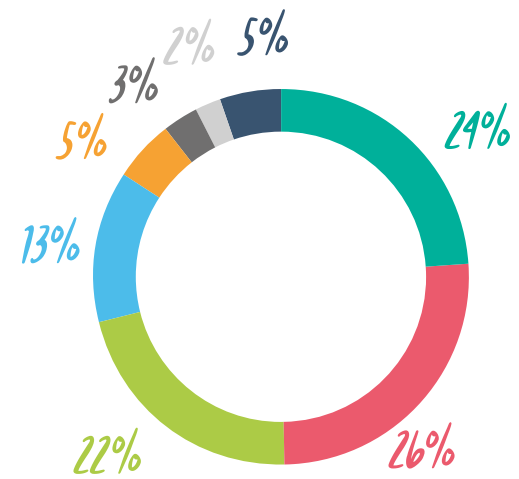
Parque Arauco	Unit	Chile		Peru		Colombia	
		2015	2016	2015	2016	2015	2016
Number of employees	Individuals	239	271	228	246	51	54
Revenue	MCh\$	91,638	99,496	44,882	49,531	9,689	11,107
EBITDA	MCh\$	67,511	73,005	28,521	31,933	4,495	5,558
Profit (attributable to equity holders of the parent)	MCh\$	53,100	65,888	10,387	7,484	-3,400	-3,258
Total assets	MCh\$	949,581	1,124,002	535,208	573,869	177,684	253,116
Total liabilities	MCh\$	614,809	736,066	211,865	216,630	68,821	107,363
Total equity	MCh\$	334,772	387,937	323,342	357,239	108,864	145,753
Equity attributable to equity holders of the parent	MCh\$	309,747	354,801	251,121	269,498	95,503	130,078



G4-7

## OWNERSHIP STRUCTURE

- Foreign investment funds
- Local pension funds
- Local mutual funds
- Controlling group
- The Said Yarur family
- Other shareholders
- Securities brokers
- The Abumohor family



# 2016 Highlights

## JANUARY

- Opened InOutlet Premium Lurín, located on the southern periphery of Lima. The shopping center features 8,500 m<sup>2</sup> of GLA for renowned local and international brands.



## APRIL

- Acquired 100% stake in Sercenco—the Peruvian company that owned Lima's Jesús María shopping center (14,000 m<sup>2</sup>GLA)— for US\$16.1 million (enterprise value).
- Opened Arauco Premium Outlet Coquimbo in northern Chile. The shopping center, our fourth premium outlet in the country, has 6,000 m<sup>2</sup> of leasable space and features 25 prominent international brand stores.



## OCTOBER

- Announced investment of US\$211 million in the new phase of expanding Parque Arauco Kennedy in Santiago, Chile. The project includes construction of the Hilton Santiago Las Condes, the flagship brand's first in Chile, a convention center, new retail space and 700 new parking spaces.
- Completed the bond issuance for UF 5 million, (approximately US\$200 million, equivalent to 19% of the company's financial obligations). The placement rate was the lowest in Chilean history for a corporate (excluding financial and state) issuer offering a term greater than 10 years.

## MARCH

- Acquired 16.7% of Inmobiliaria Mall Viña del Mar S.A. for a total of 50% of the company that owns Viña del Mar's Marina Arauco and Boulevard Marina Arauco as well as Mall Curicó in the Maule Region.
- Successfully conducted our second capital increase for US\$100 million to fund projects in Chile, Peru and Colombia. Current shareholders subscribed 98.1% of shares.

## MAY

- Opened MegaPlaza Express Jaén in Peru, featuring GLA of more than 14,500 m<sup>2</sup>.



## DECEMBER

- Opened Parque La Colina, our third regional shopping center in Colombia and our first shopping center in the capital city of Bogotá. With an investment of approximately US\$ 224 million, it offers more than 64,000 m<sup>2</sup> of leasable area, making it one of the country's 10 largest shopping centers.
- Signed a deal to purchase 100% of the Chilean company, Bulevar Rentas Inmobiliarias S.A. for US\$60 million (enterprise value). Through this deal, we acquired the Arauco Coronel shopping center, our first regional shopping center in the greater Concepción area, with GLA of 30,000 m<sup>2</sup>.

# 2016 Awards and Recognition



» First Latin American real estate company, and one of only 21 companies in Chile to be listed on the Dow Jones Emerging Markets Index.

» Best Capital Markets Strategy 2016, *Latin Finance* magazine.

» Best Investor Relations Small Caps, *Revista Capital*.

» Ranked 2<sup>nd</sup> in two categories: Expansion and Internationalization and Best Financial Operations, *Diario Financiero's* 2016 Best Businessman and Company awards.



» Named Peru's Best Commercial Real Estate Developer at the Euromoney Real Estate Awards.

» Second largest jump on the Transparent Chile 2016 ranking. Special recognition: Company that made the greatest strides in sustainability reporting and 2<sup>nd</sup> in corporate governance reporting.

» A leader in the investment and real estate sector, according to *Chile Reporta*, a report assessing the degree and depth of financial and extrafinancial reporting by companies traded on the IPSA. (Deva España, Universidad Adolfo Ibáñez and *Diario El Pulso*).



» First time nominee in all ALAS 20 award categories. Third place winner in the category of Leader in Investor Relations. José Said Safie was recognized as in the category of Director of a Sustainability Leader.



» No. 35 on Chile's Best Place to Work ranking, rising four spots from last year.

» No. 16 on Peru's Best Place to Work ranking among companies with between 30 and 250 employees.



» No. 23 on MERCOSUR's ranking of Chile's top 100 companies in corporate responsibility, an improvement from our 45th place in 2015.



13.30 hrs.

[ 03. ]

# Sustainability Priorities and Vision

Our Sustainability Strategy,  
Work Areas, Stakeholders and  
Materiality.

# Eduardo Pérez Marchant

Corporate Finance Manager  
Parque Arauco S.A.



We hear the word sustainability more and more frequently in the business world. The Chilean Superintendency of Securities and Insurance (SVS), the supervisory body that oversees entities on Chile's security market, recently published a standard on disclosures of sustainability practices. Santiago Exchange, Chile's main securities exchange, recently created a sustainability index comprised of companies with good environmental, social and corporate governance practices. Leading trade organizations, such as the Chilean Federation of Industry (SOFOFA), reward corporate sustainability. In this context, we naturally ask ourselves: Why should a company like Parque Arauco be concerned with sustainability?

There is growing evidence to support a causal relationship between a company's sustainability investment and its financial performance. One example is "Corporate Sustainability: First Evidence on Materiality" by Khan, Serafeim and Yoon. Concern for sustainability minimizes potential negative impacts—like operational, reputational and legal risks—that could directly affect profitability and future prospects. Furthermore, concern for sustainability could appeal to today's more conscientious consumer or help attract and retain talent wishing to work at sustainable companies. We also see this in the growing number of investors with whom we meet periodically who are seek-

ing companies with business models that integrate environmental, social and governance factors. They are increasingly convinced that including sustainability in investment decisions leads to better investment portfolio performance.

The process of devising a sustainability strategy has been laden with challenges. One of the first questions we asked ourselves was: how important should sustainability be within the corporate strategy? From that point, we led a process of redefining our corporate purpose, mission and strategic objectives. Ultimately, we set sustainability as one of Parque Arauco's three strategic objectives, with growth and profitability as the other two.

Integrating all areas of the company was fundamental to defining Parque Arauco's sustainability strategy. The Board of Directors, the company's highest governance body, began by committing to strategically manage sustainability by analyzing quarterly progress reports on the plan. Since we are determined to develop a sustainability strategy that is integrated with our businesses, not parallel to them, collaboration between divisions in Chile, Peru and Colombia was also essential.

Our sustainability plan has been developed on the premise that you cannot manage that which you cannot measure. Companies clearly have economic, social and environmental impacts. It is important to determine which are the most significant so they can be measured and, in turn, managed. Parque Arauco is quite sophisticated in terms of measuring our economic impact; we are convinced that we significantly contribute to the economic wellbeing of the countries where we do business. We still have a long way to go, however, in terms of measuring our social and environmental impact. Thoroughly understanding our impact helps us make decisions that maximize positive effects while minimizing negative impact. This enables sustainability to become part of Parque Arauco's long-term strategy. This Sustainability Report provides an account of our efforts to deepen our understanding of the social and environmental impact of our shopping centers.

Ours is a long-term business. As such, our corporate strategy must focus on generating long-term value. We are convinced that sustainability plays a fundamental role and we will continue to work with conviction to contribute to Parque Arauco's profitable and sustainable growth.



*Ximena Bedoya*  
Head of Sustainability  
Parque Arauco S.A.

The challenge of creating and consolidating Parque Arauco's Corporate Sustainability Area has been a progressive transformation from specific, isolated practices to an organized plan with a company-wide agenda in social, environmental and corporate governance matters.

Our efforts to integrate sustainability into business areas is one example of Parque Arauco's strategic emphasis and understanding of the issue. The matter is also reflected in a corporate structure that places the Sustainability Area under the oversight of the Corporate Finance Division, which is accustomed to using long-term indicators and works from a perspective of measuring and generating value in everything we do.

There is an important precedent of self-assessing our processes and redoubling our efforts to meet stakeholder expectations and the real estate industry's highest standards, not just in Latin America, but throughout the rest of the world.

We applied to the Dow Jones Sustainability Index (DJSI) and used the process as a tool for systematizing and recording our practices. That simultaneously enabled us to identify gaps and opportunities in areas directly related to our industry and business.

In other words, we used the DJSI application process to diagnosis and self-assess our performance, comparing our operations to sustainability trends and industry best practices as we also strive to identify opportunities for continued improvement. This has contributed important perspective, but we needed to complement it with our stakeholders' viewpoint. Thus, we have created several opportunities to interact with employees, leaders of social organizations, suppliers, financial analysts, sustainability experts and representatives from neighboring communities.

These have included working breakfasts, meetings, on-line surveys, studies, interviews and opportunities to listen to and understand their expectations and the material impacts of our business operations on them.

This process gave rise to a work strategy with three priority areas: **generating social value, responsible operation of our shopping centers, and commitment and leadership in decision making.**

Lines of action arising from each of these priorities enable us to make concrete progress on the priority aspects in our work agenda, which is tied to the different areas of the company.

Equally important has been the participation and involvement of teams and business areas as well as the company's senior leadership. We understand that the success of our sustainability strategy is dependent on the conviction of those working for the company each day.

Finally, we are aware that we operate in a context of challenges that transcend the countries where we operate and that sustainability has a broader meaning, connected to global concerns like those established by the United Nations, through its Sustainable Development Goals (SDG).

In that sense, we go beyond the principles of the UN Global Compact to tie our sustainability priorities to the SDGs most relevant to our business and our operations. We plan to continue making strides toward concrete contributions in the priority areas presented in this chapter of the report.

We know that much remains to be done, but we are focused on continuing to move forward. Through this sustainability report and other opportunities for engagement, we hope to regularly communicate our progress to stakeholders.



Three integrated concepts frame our strategic objectives, which drive our performance and define future prospects:

## Growth

Our growth orientation is clear and Parque Arauco has the platform and experience to lead the region's real estate development industry.

A great deal of our efforts concentrate on leveraging business opportunities.

**In 2016, the grand opening of seven new properties, the acquisition of one property and the expansion of three properties drove total GLA up 15.7% to 947,000 m<sup>2</sup>.**

## Profitability

We focus on adding and operating real estate assets that are successful as a result of their location, design, commercial offering and operations model.

Despite the challenges inherent to our sector, proper capital allocation, operating efficiency and careful financial management have enabled us to build a profitable business.

**EBITDA rose 9.9% from 2015, totaling MCh\$110,495 in 2016. At 69%, the consolidated EBITDA margin showed a slight improvement over the 68.8% recorded in 2015.**

## Sustainability

The long-term nature of our business and the type of investments we make require us to commit to a sustainability-framed management model.

Our commitments to stronger corporate governance and responsible management of operational and financial risks, caring for the environment and natural resources and working closely with neighboring communities guide our culture and day-to-day decision making.

**Our work in sustainability has made us the first Latin American real estate company on the Dow Jones Sustainability Index (DJSI) Emerging Markets and earned us a spot on the Chile Index.**

We have identified and prioritized three action areas and new work areas in order to organize and progressively strengthen our sustainable development.



## FIGURES AND PROGRESS FOR EACH PRIORITY AREA AND ISSUE

Action area	Work area	Progress
Generating social value	Strengthening ties with neighboring communities	<ul style="list-style-type: none"> <li>• We worked with Fundación Casa de la Paz, a community relations specialist, to establish and design a formal community relations policy and strategy addressing shopping center construction and operations. We hope to finalize and implement our policy in the coming year. The pilot plan for social management and serving neighboring communities that we implemented during construction of Parque La Colina<sup>6</sup> is one example of our progress in this area.</li> <li>• We defined and approved a policy on corporate donations. While the Board approves the social investment budget annually, the Sustainability Committee is responsible for reviewing and approving each social contribution made throughout the year. We made progress in aligning social contributions with priority work areas in our sustainability strategy.</li> <li>• We contributed to neighboring communities, strengthening ties through a continued offering of activities open to the public free of charge. This year, we hosted more than 650<sup>7</sup> activities in Chile, Peru and Colombia.</li> <li>• We continued allowing social organizations to use our space to share their work and impact with our customers and visitors. In 2016, more than 28 foundations and social organizations made use of these spaces.</li> </ul>
	Social integration at our shopping centers	<ul style="list-style-type: none"> <li>• We continued offering internships for persons with cognitive disability. Twelve young people took part in the initiative in 2016—double the number of 2015 participants. We moved toward a deal with Fundación Coanil to implement the program in other shopping centers and cities in Chile in 2017.</li> <li>• We continued carrying out our agenda of activities to raise customer and visitor awareness of inclusion. Our shopping centers hosted more than 15 inclusive activities, including the Inclusive Theater Festival at Mall Arauco Maipú and workshops and art exhibits for children with cognitive disability in Peru.</li> </ul>
	Support for local and emerging entrepreneurship	<ul style="list-style-type: none"> <li>• We organized more than 20 traveling small business fairs at our shopping centers to promote local products and emerging entrepreneurs from Chile, Peru and Colombia.</li> </ul> <p>More than 340 small-scale entrepreneurs benefited this year.</p>

<sup>6</sup> For additional information, see page 54.

<sup>7</sup> Includes sports, cultural and entertainment activities as well as social inclusion events.

## FIGURES AND PROGRESS FOR EACH PRIORITY AREA AND ISSUE

Action area	Work area	Progress
Responsibly operating our shopping centers	Managing working conditions within our value chain	<ul style="list-style-type: none"> <li>• We continued working to understand and identify criteria for selecting our operations' important suppliers and strengthening those relationships. We compiled a list of labor, social and environmental criteria to be applied when evaluating four strategic bids for the Peru and Colombia operations.</li> <li>• For 2017, we have challenged ourselves to create and implement a survey and assessment model that measures our strategic suppliers' social and environmental indicators.</li> </ul>
	Managing the environmental impact of shopping center construction	<ul style="list-style-type: none"> <li>• We participated in organizations that promote sustainable construction.</li> <li>• We chose to serve on the Chilean Board of Directors for the Green Building Council.</li> <li>• We applied sustainable construction criteria to our projects, resulting in developments like Parque La Colina and InOutlet Premium Lurín in Peru.</li> </ul>
	Managing the environmental impact of shopping center operations	<ul style="list-style-type: none"> <li>• We worked with Poch, a consulting firm specializing in environmental issues, to conduct an environmental survey of our main shopping centers in order to establish a baseline and performance indicators for Chile, Peru and Colombia.</li> <li>• We visited our main shopping centers to identify opportunities for improvement and designed an environmental management plan to be implemented in 2017.</li> <li>• We began a study to identify and prioritize the risks climate change may pose to our main shopping centers and projects.</li> </ul>

Action area	Work area	Progress
Commitment and leadership in decision making	Ethics and good corporate governance	<ul style="list-style-type: none"> <li>• We worked with an expert consultant and member of the Center for Corporate Governance at Universidad Católica de Chile to assess our corporate governance practices. The company was analyzed using the best local and international standards.</li> <li>• We conducted an internal survey, in conjunction with the Fundación Generación Empresarial, a leader in values and corporate ethics. Nearly 300 employees actively participated in the initiative.</li> <li>• We worked with Fundación Generación Empresarial to set up virtual platforms featuring games involving ethical dilemmas. The objective was to encourage internal interest and involvement in good practices as well as prevention of ethical risks. We will continue developing these games in 2017.</li> </ul>
	Managing and monitoring risk	<ul style="list-style-type: none"> <li>• We strengthened the team responsible for identifying and managing internal risks.</li> <li>• We established the Executive Risk Committee, comprised of the Controller, Corporate Chief Financial Officer, Finance Manager and the Corporate Legal Manager as well as the Risk Auditor.</li> <li>• We started a project to strengthen top-down monitoring, identification and assessment of risk factors in each department within the Chile Division. The process will be implemented in Peru and Colombia in 2017.</li> <li>• We established a priority action plan to meet high standards of security and wellbeing for any person within our shopping centers or operations. This process aims to create a management system based on the best international standards of safety and security for our entire operation.</li> </ul>
	Attracting and retaining talent	<ul style="list-style-type: none"> <li>• We measured and managed our workplace climate and environment in Chile, Peru and Colombia. We came in at number 35 on Chile's Great Place to Work 2016<sup>8</sup>, an improvement from last year's rank of 39. The Chile and Colombia teams were assessed together. In Peru, we ranked 16<sup>th</sup>.</li> <li>• We supported internal mobility. Twenty-five percent of 2016 vacancies were filled internally, involving approximately 47 employees in Chile, Peru and Colombia.</li> <li>• We have a varied and complete offering of extralegal benefits that aim to positively impact issues like: work-family balance, health and wellness, as well as employee motivation and a good working environment.<sup>9</sup></li> </ul> <p>In 2017, we will continue to apply to the Great Place to Work ranking as well as create opportunities to consolidate our culture and working environment.</p>

8 Excludes figures from Sociedad de Inmuebles Panamericana S.A. in Peru.

9 For a detailed list of benefits offered to our team of employees, see page 103.

# Our Stakeholders

We strive to have good relationships with our stakeholders by creating opportunities for open, honest and comprehensive communication.

Stakeholders are defined as those organizations or social groups that have the most influence or impact on our business. As such, we have established formal communication channels in order to ensure ongoing contact with them.

STAKE- HOLDERS	»	Shareholders and Other Capital Market Representatives		Trade Groups, Chambers and Associations		Authorities and Public Entities		Communities	
			Frequency		Frequency		Frequency		Frequency
How We Interact	»	Shareholders' meetings	Annual	Meetings, assemblies and work groups	Monthly	Through trade associations and work groups	Monthly	Meetings with neighborhood councils	As necessary
		Annual Report	Annual			Meetings and reports requested by the SVS and other regulatory bodies.	As necessary	Through foundations and social institutions	Monthly
		Corporate website	Daily			Corporate website	Daily	Meetings with community representatives through the municipalities	As necessary
		Meetings and conference calls with investors	Quarterly			Annual Report	Annual	Sustainability Newsletter	Quarterly
		Other extraordinary meetings	As necessary			Sustainability Report	Annual		
		Corporate e-mail	Quarterly						

STAKE- HOLDERS	»	Suppliers		Customers/Users		Tenants		Employees	
			Frequency		Frequency		Frequency		Frequency
How We Interact	»	Contact form on the web site	Daily	Call center	Daily	Each division's commercial area meets with potential new tenants	As necessary	Intranet	Daily
		Invitation-only meetings and bid evaluations	As necessary	Shopping center information desks	Daily	Each division's commercial area meets with current tenants to discuss growth opportunities, expansion and contract renewal.	As necessary	Corporate e-mail	Daily
		Meetings to learn about and explore potential new suppliers	As necessary	Shopping center websites	Daily	Each shopping center website	Daily	Meetings and one-on-one feedback sessions.	As necessary
		Direct contact for operational issues through the corresponding contract administrator	As necessary	Corporate website	Daily			Breakfasts to present strategic issues	Monthly
		Direct supplier service hotline: • Chile: +56 22 299 0777 (Hours: 8:00 to 18:30) • Peru: +51 1 610 4643 (Hours: 6:00 to 15:30) • Colombia: + 57 1 322 1645 (Hours: 6:00 to 15:30)	Daily	Social networks: Facebook, Instagram, Twitter, Pinterest	Daily			Organizational climate survey	Annual
				Satisfaction survey and measuring indicators	Quarterly			Events and celebrations	Monthly
				Detalle digital magazine	Daily			Sustainability Newsletter	Quarterly
		Sustainability Newsletter	Quarterly	Sustainability Newsletter	Quarterly				

# Social Networks

Social networks and digital communication have facilitated our contact with customers, visitors and users.

The marketing area in each country is responsible for managing this platform in addition to external advertising campaigns.

Social Networks	Chile	Peru	Colombia
Followers on Facebook	More than 747,000	More than 1,095,000	More than 195,000
Followers on Twitter	More than 9,400	More than 56,000	More than 4,000
Followers on Instagram	More than 36,000	More than 29,000	More than 12,000
Visits to our website in 2016	113,424,920	31,221,993	8,202,653

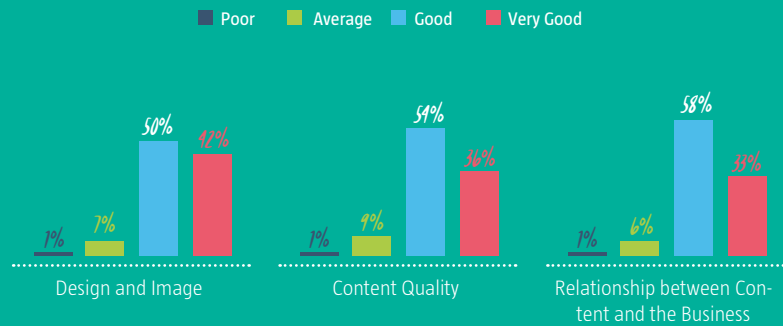


# Stakeholder Feedback Sessions on Relevant Issues

## WE INTERVIEWED OUR STAKEHOLDERS TO LEARN ABOUT THEIR SUSTAINABILITY-RELATED PRIORITIES FOR PARQUE ARAUCO

We created an online survey as one of the tools for identifying the material issues in this report. There were 140 respondents in Chile, Peru and Colombia, including employees, NGOs, suppliers and securities market representatives. Their viewpoints and recommendations were taken into account during the materiality analysis presented in the chapter on sustainability priorities and vision. These respondents also shared their opinion on the relevance of the issues presented in our 2015 report.

## CRITERIA FOR REVIEWING THE 2015 SUSTAINABILITY REPORT



## INTERNAL STUDIES OF OUR SHOPPING CENTERS' CUSTOMERS AND NEIGHBORS

### COLOMBIA:

To learn more about our visitors' habits and perceptions of our shopping centers, we conducted nearly 800 personal interviews in Parque Arboleda and Caracolí, lasting approximately 30 minutes each.

Interviews were conducted randomly of men and women over 25 years of age who had visited the city's shopping centers within the last 15 days.

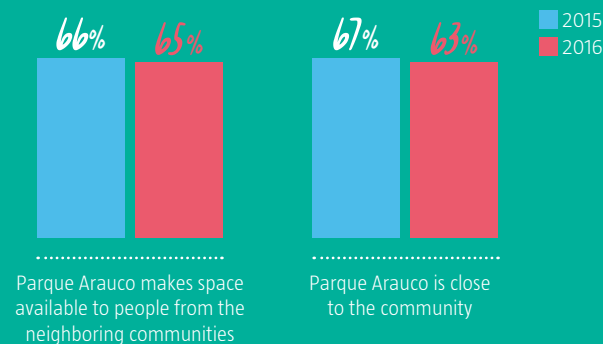
The study showed that nearly 71% of interviewees were very satisfied with our shopping centers.

### CHILE:

In 2016, the Chile Division marketing team interviewed 6,079 visitors at Parque Arauco Kennedy, Arauco Maipú, Arauco Estación, Arauco San Antonio, Arauco Chillán and Arauco Quilicura shopping centers.

The results showed that approximately 66% of our visitors were very satisfied with our shopping centers.

## VISITORS THAT COMPLETELY AGREED:



As a company, we have challenged ourselves to continue strengthening our relationship with neighboring communities. To that end, we have worked on a community relations strategy throughout 2016.

## THE SOCIAL MANAGEMENT PLAN FOR CONSTRUCTION OF PARQUE LA COLINA IN COLOMBIA

The construction specifications for any new project include a community relations area, which is responsible for mitigating and responding to the main impacts of our project from design to completion.

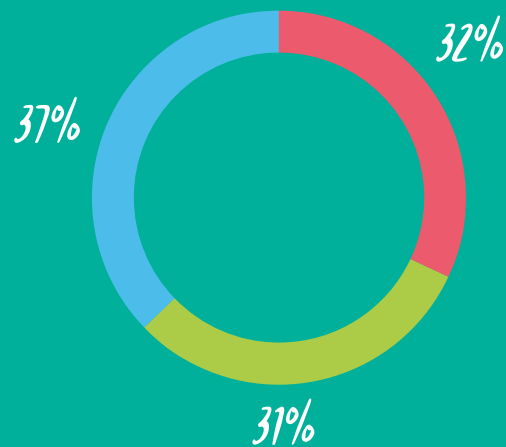
We partnered with Constructora Colpatria to implement a social service plan to manage questions and respond to comments from neighbors while the shopping center was under construction.

More than 15 formal meetings were held with representatives from the community and municipality.

These meetings focused primarily on presentation of the project, questions about vehicle transit, safety and access, construction schedules, among other issues.

### MEETING TOPICS

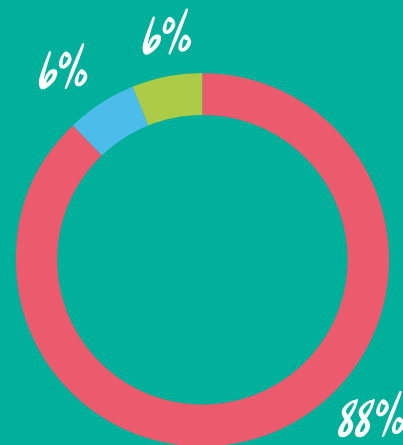
Work schedule and other  
Presentation of the project  
Mobility, transit, safety and ease of access to the surrounding areas



Several stakeholders, including local authorities and a school located near the project, participated in these meetings.

### TYPE OF MEETING PARTICIPANT

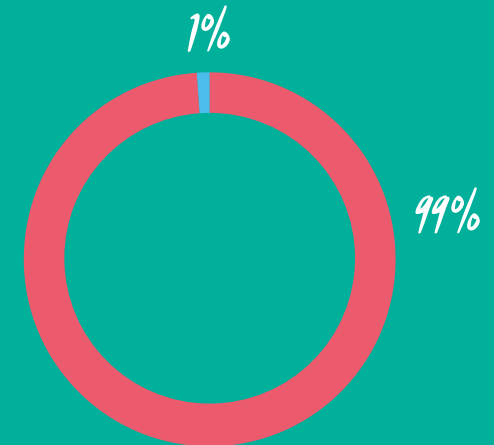
Neighborhood organizations  
Local authorities  
Nearby school



Between 2014 and 2016, the neighboring community submitted 308 requests for information and inquiries, 306 of which have been processed and closed.

### STATUS OF REQUESTS

Closed cases  
Open cases



# About the Sustainability Report

The information herein includes data from the operations at Parque Arauco's corporate offices in Santiago, Chile, as well as operations located in Chile, Peru and Colombia. However, the chapter on the environment prioritizes those assets with the greatest GLA in each country<sup>10</sup>.

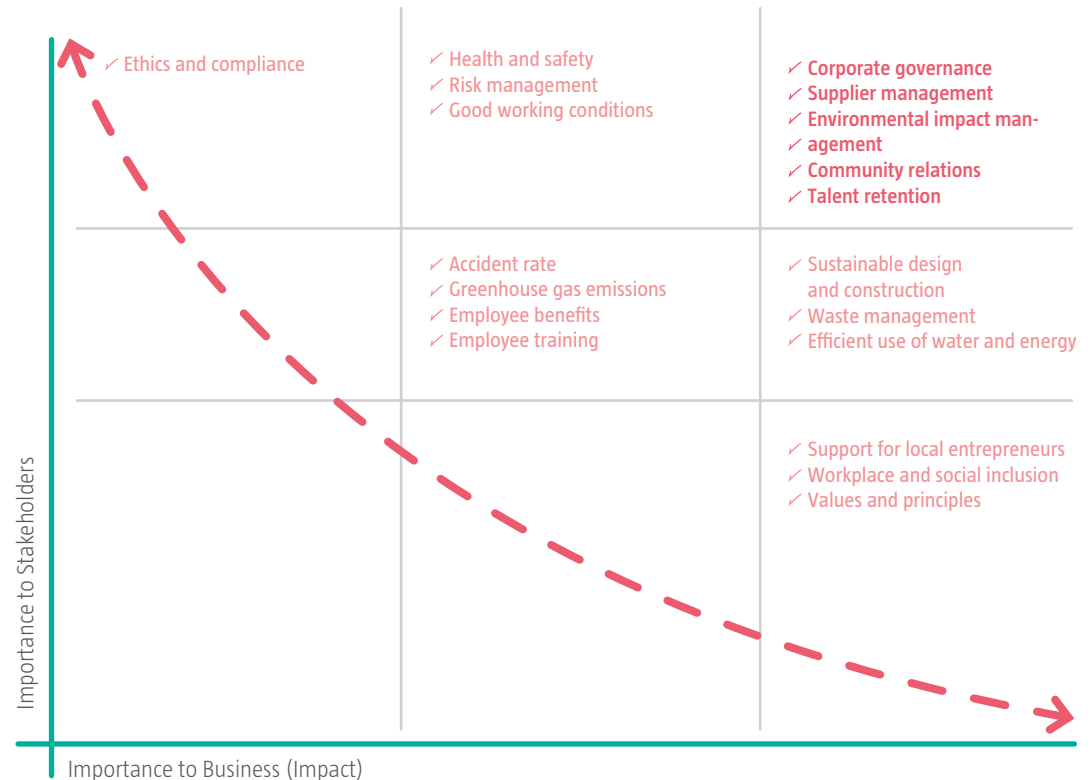
## IDENTIFYING AND DEFINING MATERIAL ISSUES FOR THE CONTENT OF THIS REPORT

We analyzed information from six different sources to identify the priority issues for the content of this Sustainability Report:

1. We compared best practices and relevant issues from the real estate rental industry in Latin America and around the world.
2. We reviewed the specific indicators from the GRI-G4 sector supplement, Construction and Real Estate Sector Disclosures.
3. We examined priority issues considered in the Dow Jones Sustainability Index for real estate companies.
4. We analyzed the results of the 2016 Barometer on Values and Business Ethics survey.
5. We reviewed our 2016 press appearances and contrasted the type of issues covered in the media.
6. We invited stakeholders in Chile, Peru and Colombia to participate in our online materiality survey.

Using the results as a parameter, we prioritized issues on the basis of frequency of mention or relevance for our stakeholders, contrasting the issue's ties to or impact on our business. We identified the most important issues in order to define the content of our report, then created a materiality matrix that illustrates the results of the entire process.

## MEETING TOPICS



<sup>10</sup> Explanatory notes will be provided for cases or indicators in which some calculation or scope criteria other than the aforementioned was exceptionally applied.

The following table shows the relevance of the issues prioritized in the materiality matrix for Parque Arauco's internal and external audiences.

Area	Relevant Issue	Internal Audience			External Audiences
		Chile	Peru	Colombia	
Corporate governance	Ethics and compliance	X	X	X	X (all stakeholder groups)
	Values and principles	X	X	X	
	Risk management	X	X	X	
	Health and safety	X	X	X	X (suppliers)
	Accident rate	X	X	X	X (suppliers)
Suppliers and contractor management	Working conditions	X	X	X	X (suppliers)
Environmental impact management	Sustainable design and construction	X	X	X	
	Waste management	X	X	X	
	Greenhouse gas emissions	X	X	X	
	Efficient use of energy and water	X	X	X	
Community ties	Workplace and social inclusion	X	X	X	X (communities)
	Support for local entrepreneurship	X	X	X	X (communities)
Retaining talent	Employee benefits	X	X	X	
	Employee training	X	X	X	





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G4-16

## Organizations in which the Company Participates and Principles to which We Adhere

- » International Council of Shopping Centers
- » Chilean Chamber of Shopping Centers
- » Chilean Chamber of Construction
- » Chilean Chamber of Commerce
- » Chilean Institute for Rational Business Management, ICARE
- » Chilean Federation of Industry (Sofefa)
- » Generación Empresarial
- » Unión Social de Empresarios Cristianos
- » Santiago Chamber of Commerce
- » Smart Building Chile, a project supported by the Chilean Development Corporation (CORFO) and the Chilean Chamber of Commerce
- » Chilean-Peruvian Business Council
- » National Advertising Association (ANDA)
- » Direct and Digital Marketing Association, Chile (AMDD)
- » National Merchants Federation of Risaralda (Fenalco Risalda)
- » Peruvian Shopping Center Association (ACCEP)
- » Chile Green Building Council
- » National Merchants Federation of Colombia (Fenalco)
- » Bucaramanga Chamber of Commerce, Colombia



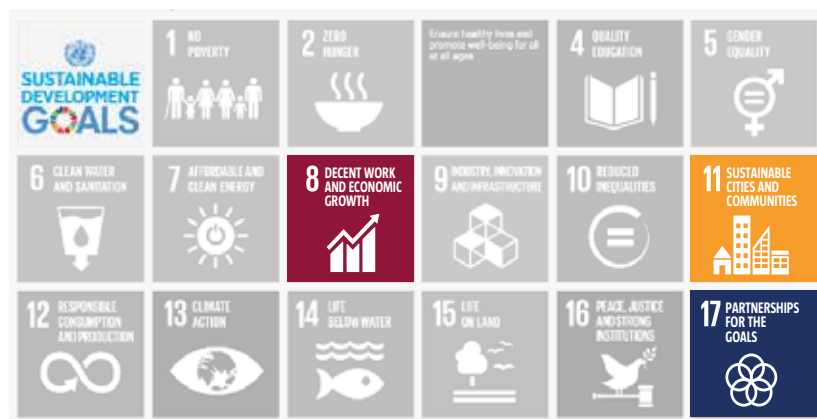
Adhering to the principles of the Global Compact since December 2015, in Chile we participate in the spaces and efforts proposed by the network.

We began identifying the UN Sustainable Development Goals (SDGs) that are most closely related to our operations and the action plans we have set from a sustainability perspective.

Over the next three years, we plan to extend this exercise with action plans and metrics to monitor our progress.

Internal analysis using SDG<sup>11</sup> Compass methodology revealed that the following SDGs were most connected to the foundations of our corporate sustainability strategy:

## OBJETIVO S DE DESARROLLO SOSTENIBLE



### Link to Parque Arauco's Sustainability Efforts

#### Generating social value

Support for local and emerging entrepreneurship

Strengthening ties with neighboring communities

#### Responsibly operating our shopping centers

Managing working conditions within our value chain

Managing the environmental impact of shopping center construction and operations

#### Commitment and leadership in decision making

Attracting and retaining talent

Cooperation and open, ongoing contact with our stakeholders and partner institutions contribute to progress on the priority action areas for our strategy.

<sup>11</sup> Sustainable Development Goals



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# Ethics and Good Corporate Governance

Our Board and Executives, Ethical  
Culture, Compliance and Risk  
Management

# Board Structure and Responsibilities

We are a publicly traded corporation, overseen by a nine-member Board of Directors. The directors serve three-year terms and may be subsequently re-elected.

Board members make strategic decisions while monitoring the creation of sustainable value (economic, social and environmental) and the development of our plan. Likewise, the Board of Directors is charged with reviewing and managing all potential business risks, and requesting and evaluating information in a timely manner in order to mitigate and/or resolve potential gaps that may arise.

As of year-end 2016, none of the directors held executive positions at Parque Arauco.

- |   |  |   |   |  |
|---|--|---|---|--|
| <b>1 José Said Saffie</b><br><i>Chairman</i><br>Bachelor of Laws<br>Chilean National ID: 2.305.902-9<br>Attendance in 2016: 91.6%<br>Monthly stipend: UF 200                            | <b>3 Orlando Sáenz Rojas</b><br><i>Director</i><br>B.S. in Civil Engineering<br>Chilean National ID: 3.599.669-9<br>Attendance in 2016: 91.6%<br>Monthly stipend: UF 100                               | <b>5 José Domingo Eluchans Urenda</b><br><i>Director</i><br>Attorney<br>Chilean National ID: 6.474.632-4<br>Attendance in 2016: 100%<br>Monthly stipend: UF 100                                     | <b>7 Luis Hernán Paul Fresno</b><br><i>Independent Director</i><br>B.S. in Civil Engineering<br>Chilean National ID: 7.289.965-2<br>Attendance in 2016: 100%<br>Monthly stipend: UF 100 | <b>9 Guillermo Said Yarur</b><br><i>Director</i><br>B.S. in Civil Engineering<br>Chilean National ID: 6.191.544-3<br>Attendance in 2016: 100%<br>Monthly stipend: UF 100 |
| <b>2 Salvador Said Somavía</b><br><i>Director</i><br>Bachelor of Business<br>Administration<br>Chilean National ID: 6.379.626-3<br>Attendance in 2016: 91.6%<br>Monthly stipend: UF 100 | <b>4 Juan Carlos Lobos Pérez</b><br><i>Independent Director</i><br>Bachelor of Legal and Social<br>Sciences<br>Chilean National ID: 4.567.869-5<br>Attendance in 2016: 100%<br>Monthly stipend: UF 100 | <b>6 Rafael Aldunate Valdés</b><br><i>Independent Director</i><br>Bachelor of Business<br>Administration<br>Chilean National ID: 5.193.449-0<br>Attendance in 2016: 100%<br>Monthly stipend: UF 100 | <b>8 René Abumohor Touma</b><br><i>Director</i><br>Financial Investor<br>Chilean National ID: 3.065.693-8<br>Attendance in 2016: 75%<br>Monthly stipend: UF 100                         |  |



# Other Information Regarding the Board of Directors



<b>Educational background</b>	33.3% attorneys 22.2% business administration 33.3% civil engineering 11.1% other
<b>Experience</b>	100% have experience in the countries where Parque Arauco operates (Chile, Peru and Colombia) 100% have real estate sector experience 22.2% have experience in academia
<b>Nationality</b>	11.1% Peruvian 88.8% Chilean
<b>Civic institutions</b>	33% participate in civic institutions 22.2% work as a university professor or have ties to academic institutions
<b>Years on the Board</b>	33.3% have served more than 12 years 22.2% have served between 7 and 9 years 22.2% have served between 3 and 6 years 22.2% have served less than 2 years

As part of the orientation process for new directors, each director is given a set of documents, policies and updates that describe our performance, financial indicators and operations in detail. New directors are also instructed on their obligation to uphold all aspects of the Code of Conduct, including guidelines related to conflicts of interest.

In addition to the orientation program, documentation relevant to the performance of their functions is available on a digital platform. Every member of the board has reviewed ethics-related issues, good business practices and anti-corruption when evaluating amendments to, approving or updating the Code of Conduct, the Crime Prevention Model or the Antitrust Manual, among other documents.

Board compensation is approved each year at the annual general shareholders' meeting.

# Independence and Our Directors

Parque Arauco's criteria for appointing and electing board members are set forth in the Law of Corporations (No. 18,046) and company bylaws.

We are governed by the Corporations Law, which sets forth the conditions for our directors to be considered independent. The following are guidelines for independent directors serving on corporate boards:

1. May not have any financial, professional, credit or business connection, interest in or dependence on the Company or other companies within the same group, its parent company, or senior executives at any of the aforementioned. Nor may they have served as directors, managers, administrators, high-level executives or consultants.
2. May not have any kinship relationship, up to the second degree by blood or marriage, with any of the individuals referred to in the previous point.
3. May not have been a director, manager, administrator or senior executive of non-profit organizations that have received significant contributions or donations from the individuals listed in point 1.
4. May not have been a partner or shareholder with direct or indirect control over 10% or more of the capital of entities that have provided legal or consulting services for significant amounts; or external auditors for the individuals referred to in point 1 or for the Company's principal competitors, suppliers or customers; or served as director, manager, administrator or senior executive of these entities.

To be considered independent, directors must have met all these requirements for the 18 months prior to their appointment.





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# Directors' Committee

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Our Directors' Committee<sup>12</sup> met 12 times in 2016. It is structured as follows:

Director	Independent Member	Attendance between April and December 2016	Monthly Stipend for Committee Participation
Luis Hernán Paul Fresno	Yes	100%	UF 65
Rafael Aldunate Valdés	Yes	100%	UF 65
Guillermo Said Yarur	No	100%	UF 65

The committee's functions are as follows:

1. Evaluate independent auditors' reports, the statement of financial position and the financial statements presented to shareholders.
2. Prepare an annual management report with the main recommendations for shareholders.
3. Review and monitor certification under Law 20,393.
4. Evaluate proposed external auditors and risk rating agencies before being evaluated by the Board and subsequently presented at the respective shareholders' meeting.
5. Evaluate information on related party transactions in accordance with the Corporations Law.
6. Analyze and approve risk methodology.
7. Additionally, the Committee is responsible for everything required by law and company bylaws as well as specific tasks assigned to it by the shareholders or the Board.
8. Thorough review of the remunerations system and compensation plans for the company's managers, senior executives and employees.
9. Monthly meeting with the internal audit team to monitor and follow up on the main findings.

12 Table data reflects the Directors' Committee appointed in April 2016.

# Leaders in Management

Our senior executives consider the economic, environment and social impact of the initiatives and projects presented to the Board of Directors for analysis. The teams also account for these variables as they undertake projects to generate sustainable value for all stakeholders.

	Name	Position	Education	Nationality
1	Juan Antonio Álvarez	Executive Vice President	Attorney	Chilean
2	Claudio Chamorro	Corporate Chief Financial Officer	Business Administration	Chilean
3	Duncan Grob	Corporate Legal Manager	Attorney	Chilean
4	Marco Henríquez	Corporate Audit Manager and Controller	Public Accountant	Chilean
5	Carolina Galletti	Corporate Human Resources Manager	Business Administration	Chilean
6	Andrés Torrealba	Country Manager, Chile Division	Business Administration	Chilean
7	Eduardo Herrera	Country Manager, Peru Division	Industrial Engineer	Peruvian
8	Juan Pablo Romero	Country Manager, Colombia Division	Business Administration	Colombian



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# Executive Committees

Executives reporting to our Executive Vice President lead committees that address issues like risk, sustainability and corporate ethics in Chile, Peru and Colombia from an interdisciplinary and comprehensive perspective.

## Risk Committee

This committee is comprised of the Controller, Corporate Chief Financial Officer, Corporate Finance Manager, Corporate Legal Manager, and the Risk Auditor (secretary).

The committee meets quarterly. Its main responsibilities or objectives are to:

- Disseminate and uphold the company's risk management commitment throughout the entire organization.
- Provide guidelines to reduce risk exposure, offer opportunities and encourage risk monitoring initiatives from the Office of the Controller.
- Monitor and assess action plans created by the divisions and/or individuals responsible for the company's processes.

## Sustainability Committee

Comprised of the Corporate Chief Financial Officer, Corporate Finance Manager, Corporate Legal Manager, and the Corporate Head of Sustainability.

The committee's main responsibilities are to:

- Monitor progress on the action areas and priorities set forth in the sustainability strategy in the countries where we operate.
- Prepare information on and present the milestones or most relevant issues regarding implementation of the Sustainability Plan to the Board of Directors.
- Analyze and approve donation requests; carry out the approved social assistance and contribution proposals in Chile, Peru and Colombia.

In 2016, the Board of Directors heard four presentations on the progress and implementation process for the different sustainability initiatives at Parque Arauco's different divisions, internal development, current potential opportunities and their relationships to financial, environmental and social matters.

These presentations expand the Board of Directors' collective knowledge of the practical aspects of sustainability and broaden its interest by establishing direct and indirect connections with business management and development.

## Ethics Committee

Comprised of the Corporate Human Resources Manager, the Controller and the Corporate Legal Manager. This committee lends support, objectivity and rigor to the process of investigating reports received through our complaint hotline, Ethics Point.

This committee reviews reports and the results of inquiries, depending on the facts established for each case. The process ends in a report containing conclusions and measures to be adopted as a result of the complaint.

# Culture of Ethics and Compliance

We work to strengthen an internal culture where each decision is guided by values and aligned with the importance of business ethics. A series of internal tools facilitate and define the reference framework, as well as the processes for following-up, monitoring and supporting teams:

## 1. OUR CODE OF BUSINESS CONDUCT: *Doing the Right Thing*

This document is distributed to all Parque Arauco employees and is permanently available on the company intranet.

It specifies basic, non-negotiable behavior, whether acting individually or collectively, that is applicable to all members of our organization, including directors and representatives of our subsidiaries. The main points of the document are:

- » Compliance with laws, standards and regulations
- » Conflicts of interest
- » Use of insider information
- » Antitrust and commercial law
- » Use of confidential information
- » Fraud and integrity of information
- » Asset protection
- » Bribery, money laundering and terrorism finance
- » Political donations or campaign contributions
- » Harassment and discrimination
- » Consumption of tobacco, alcohol and illegal drugs
- » Compliance
- » Reporting conduct violations and illegal behavior

In addition to receiving the Code of Business Conduct, new employees take an on-line orientation course that presents the Code of Conduct's main items in a unique, engaging manner.

Each of the course's 13 modules provides a theoretical and practical presentation of a chapter of the Code of Business Conduct.

A brief evaluation at the end of the course verifies understanding of the information.



## 2. SURVEYS AND EDUCATIONAL ACTIVITIES ON ETHICS AND VALUES.

In 2016, we launched two online instruments created by Fundación Generación Empresarial ([www.generacionempresarial.cl](http://www.generacionempresarial.cl)) designed to help us understand the perception and evolution of our values-based culture and everyday application of ethics in decisions across organizational levels and teams in Chile, Peru and Colombia.

### 2016 BAROMETER ON VALUE AND BUSINESS ETHICS <sup>13</sup>

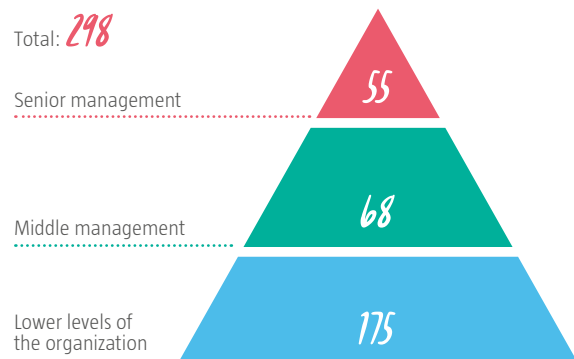
Online survey of the teams' opinions and encounters related to defining, experiencing and communicating values; preventing and monitoring behaviors, as well as risk and ethical conflicts.

**298** people responded to the survey in Chile, Peru and Colombia

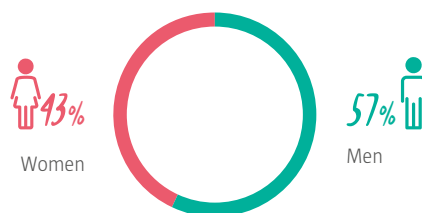
**457** Number of surveys sent<sup>14</sup>

### SURVEY RESPONDENT PROFILE

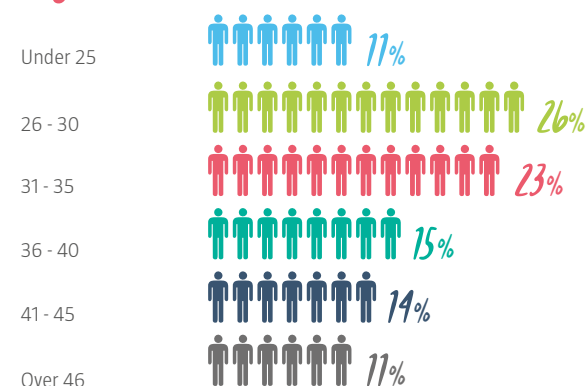
#### Position within the Company



#### Gender

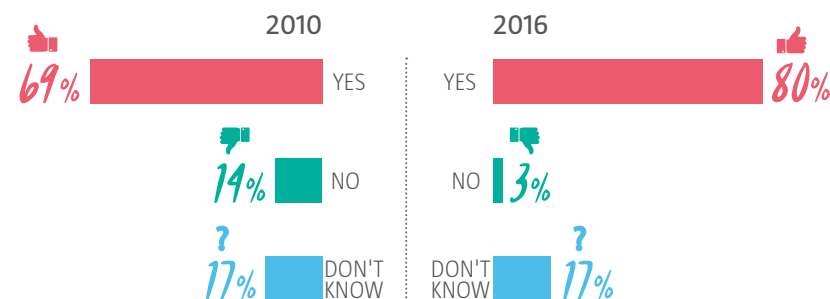


#### Age Group



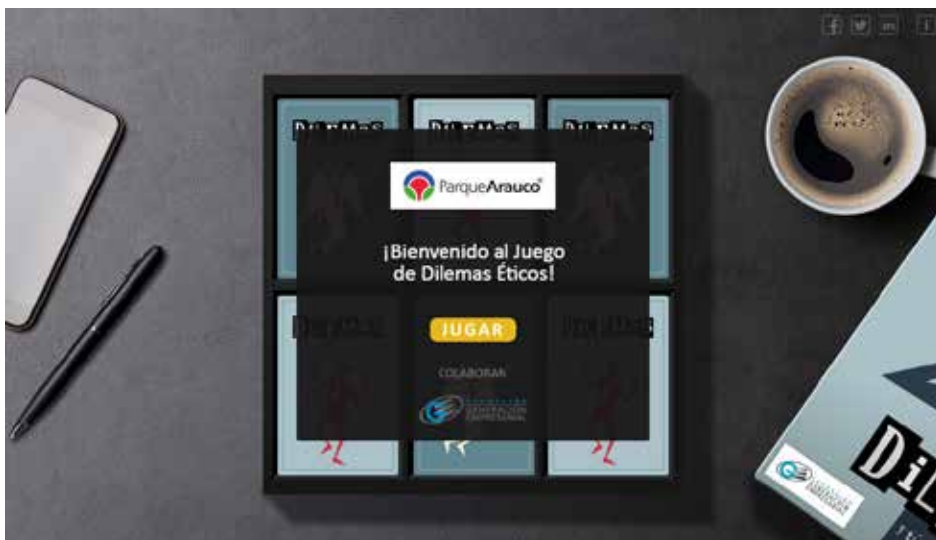
### SAMPLE QUESTION AND CHANGE SINCE THE MOST RECENT INTERNAL SURVEY (2010)

At your company, are people guided by principles and values as they accomplish their goals and objectives?



<sup>13</sup> Excludes figures from Sociedad de Inmuebles Panamericana S.A. in Peru.

<sup>14</sup> The Barometer on Values and Business Ethics was distributed to all Parque Arauco S.A. employees, with the exception of those employed by Sociedad Inmuebles Panamericana S.A. in Peru (MegaPlaza).



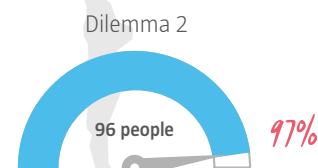
## VIRTUAL ETHICAL DILEMMA GAMES

This game platform poses different ethics scenarios related to our business. Players select possible paths or behaviors from a set of alternatives. In 2016, the dilemmas focused on use of confidential information, influence peddling to achieve objectives and practices related to engaging with competitors.<sup>15</sup>

TOTAL NUMBER OF PLAYERS THAT  
SIGNED ON TO THE PLATFORM FOR  
EACH ETHICAL DILEMMA:

305

Percentage of players who selected the response aligned  
with Parque Arauco values on the first attempt:



<sup>15</sup> The ethical dilemma games were available to all Parque Arauco S.A. employees, with the exception of those employed by Sociedad Inmuebles Panamericana S.A. in Peru (MegaPlaza).

### 3. COMPLAINT HOTLINE: ETHICSPPOINT

Our complaint channel is open to our stakeholders: customers, tenants, users, employees, suppliers, investors, shareholders, neighbors and the community in general. We use it to anonymously and confidentially receive information on irregularities, misuse of company assets or resources, abusive behavior, violations of current law or breaches of corporate policy.

We are committed to ensuring adequate and effective follow-up of these complaints in order to uphold the highest standards of ethics and integrity.

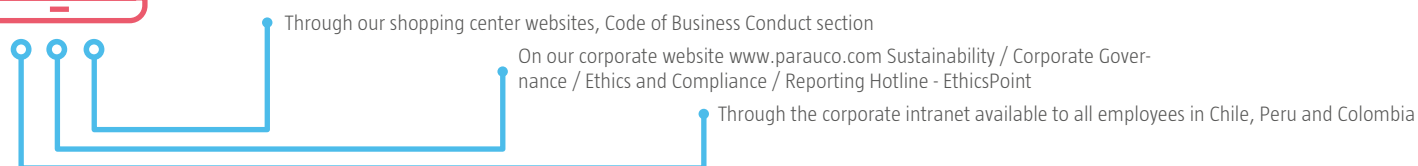
This tool is operated by an international supplier, NAVEX, and is Safe Harbor-certified through the US Department of Commerce.

The Ethics Committee analyzes all complaints received through EthicsPoint and decides whether to open an investigation or request additional information. Each case receives follow-up.

Investigation results are periodically reported to the Executive Vice President and Directors' Committee.



## How to access the complaint channel:



### COMPLAINTS FILED THROUGH ETHICSPPOINT IN 2016

Type of complaint



Complaint status as of year-end 2016



Filer identification

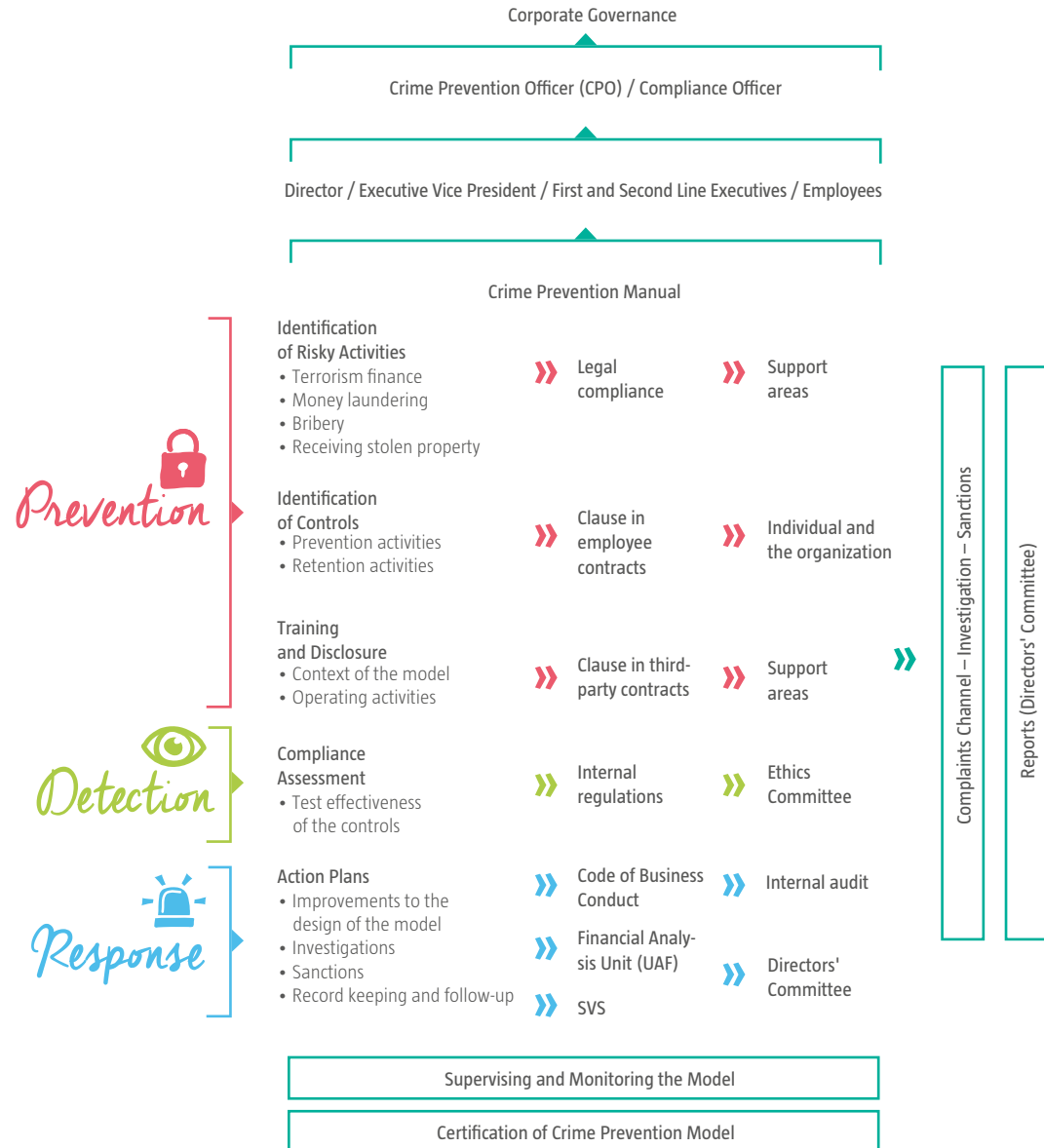


# Crime Prevention Model

Our Crime Prevention Model consists of ongoing monitoring through controls on processes and/or situations that could pose a risk in terms of the provisions of Law 20,939, which refers to:

- » Money laundering
- » Terrorism finance
- » Bribery of a public national or foreign official.
- » Receiving stolen property (added with Law No. 20,931)

Our crime prevention model involves the following process:





#### COMPLIANCE WITH LAW NO. 20,393

As part of our Corporate Governance Model and in compliance with Law No. 20,393 on Criminal Liability for Legal Entities, the Corporate Controller and Internal Audit Division send out a quarterly conflict of interest declaration form that is mandatory for all Parque Arauco employees.

On the other hand, in 2016, each and every Parque Arauco employee received an online course on Law No. 20,393, addressing the following crimes:

1. Money laundering
2. Terrorism finance
3. Bribery of a public national or foreign official
4. Additionally, Law No. 20,931 modifies Law No. 20,393, and incorporates the crime of receiving stolen goods

In addition to being a requirement of our crime prevention model, the course aimed to educate all employees on the scope of the law and which crimes are punishable in order to assure our alignment with the law.

# Risk Management and Monitoring

Our Controller and Internal Audit Division oversee the policy and process that establishes controls, revision and follow-up of the risks to which we are exposed. We strive to uphold the principle of precaution and anticipate situations that could threaten the sustainability of our operations or the stakeholders with which we interact.

## OPERATIONS AND RISK MANAGEMENT MODEL

Our Operations and Risk Management Model involves the following process:



The methodology used to gather, analyze and rate risks is in alignment with the Parque Arauco Risk Methodology, which is a combination of COSO and ISO 31,000 methodologies.



On that basis, our internal control and management map classifies risks into three categories, each of which is directly or indirectly associated with environmental, social or economic aspects of the operation.

## 1. General Risks

General risks, also called environmental risks, are the result of external factors that can trigger important changes in the foundations of the objectives and business strategy. This category includes issues related to:

- Competition
- Customer needs
- Technological innovation
- Sensitivity
- Shareholder relations
- Capital availability
- Sovereign or political risk
- Legal and regulatory risks
- Industry risks

## 2. Information Risks

Information risks are related to the handling, reliability and backing up of data or information relevant to the company's strategic decision making. This category includes issues related to:

- Setting prices
- Commitments undertaken
- Preparing reports
- Context and environmental analysis
- Business portfolio
- Valuation
- Measuring performance
- Planning
- Life cycle
- Business model

## 3. Process Risks

Process risks are those that are inherent to management of the business. They are issues that affect the company's value creation:

- Operational risks
- Financial risks
- Regulatory risks
- Technological risks
- Integrity risks





### EXPANDING RISK MONITORING

In 2016, teams from the Chile Division began a project to strengthen monitoring, identification and evaluation of risk factors from a top-down perspective in each area. The project is designed to serve as a tool for ongoing management and reinforce the culture of risk-based management and anticipation—an aspect key to the company's sustainability over time.

We identified and verified the prevalence of concentrated risk factors in the Chile Division through an exhaustive survey. Forty-six people responded, including the Country Manager; management and team members from the commercial, engineering and projects, marketing, shopping centers, service and infrastructure, development, outlets and strip centers areas, as well as the legal and human resources areas.

Furthermore, we determined the probability of occurrence and the impact in the event of occurrence for each risk factor. We also established work plans and management priorities for each of the areas involved.

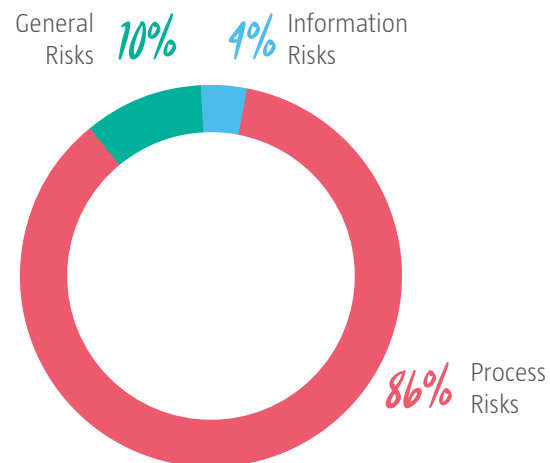
The same methodology will be applied in the Peru and Colombia Divisions.

We concluded that the main risk factors in Chile are:

### PROJECT OBJECTIVES AND APPROACHES

1. Anticipate and respond to market opportunities; address the business's potential shortcomings.
2. Protect current assets and expand growth opportunities.
3. Create value for the business.

### RISKS



# Our Risk Management Efforts Emphasize Safety and Protecting People

People are the heart of our operations. Regardless of their role within our shopping centers, their protection and safety from potential risk is a priority in our decision making. We work each day to strengthen standards that guarantee their protection and prevent risk situations.

In the last half of 2016, we established a priority action plan to set high standards of security and wellbeing for any person within our shopping centers or operations. The process aims to develop a system for our entire operation based on the best safety and security standards.

To create this system, we have partnered with DuPont, which is world-renowned for its experience in *"Safety and Security"* management. DuPont has reviewed certain assets in our portfolio, particularly in Peru and Colombia. Among the issues examined in this process are:



For the other shopping centers, we will continue to hire consultants with internationally renowned experience and reputation in these areas. The objective is to identify a baseline for our entire operation and, on that basis, establish a plan to meet the new standards we set as mandatory in all locations where we do business.

For the Chile Division, in order to continue improving these aspects, we formed the Safety and Security Unit, which reports to the country's Services and Infrastructure Area. We drafted a work plan aligned with corporate strategy to improve monitoring, standardization, support and consolidation of operating practices that safeguard the people in our shopping centers.



17.00hrs.

[ 05. ]

# Generating Social Value

Integration and Social Inclusion,  
Strengthening Community Relations,  
Local and Emerging Entrepreneurship  
and Contributions or Donations.

Our sustainability strategy expresses the priority of generating social value in three complementary action areas:



*Strengthening ties with  
neighboring communities*



*Social integration  
at our shopping centers*



*Support for local and  
emerging entrepreneurship*





## Strengthening Ties with Neighboring Communities

The heart of our business is developing and managing our real estate assets that serve as hubs of economic development and become part of community life.

We know that we must go beyond an innovative commercial offer that fits the characteristics and needs of the area. Our spaces bring together thousands of people seeking services, entertainment, gathering places and community life.

Parque Arauco's real estate portfolio is diverse in terms of countries and formats. Our projects are alive; they evolve and benefit the people that use them. Importantly, we are more than just real estate developers. Since we also manage the projects, we have a long-term vision for the places we choose to invest.

During the pre-construction development stage, while the project is being conceptualized, we ensure that the infrastructure of our future assets integrates and adds value to the surroundings and neighboring communities.



Parque Arauco Kennedy, 1985.



Parque Arauco Kennedy, 2016.

## EXAMPLES OF OUR INFRASTRUCTURE'S SOCIAL INTEGRATION



*More than 13,000 m<sup>2</sup> of public park space at the Parquela Colina shopping center*

The design and development of our portfolio's largest project in Colombia includes 13,000 m<sup>2</sup> of green space adjacent to the shopping center.

This park has strengthened the existing ecological network comprised of other smaller nearby parks, which complement and integrate the recreational offering. Our park features approximately 770 m<sup>2</sup> of playground equipment and entertainment for children of all ages, nearly 6,000 m<sup>2</sup> of smaller sitting areas as well as rest and contemplation areas for older adults.

The park also offers approximately 7,000 m<sup>2</sup> of green and permeable<sup>16</sup> areas that were planted in accordance with a plan by Jardín Botánico José Celestino Mutis de Bogotá in hopes of creating a habitat for birds and others species.

The shopping center shares a building with Santiago's Estación Central. We are responsible for conservation and care of a portion of this historical Chilean building.

Estación Central, the country's main train station, was designed by Gustave Eiffel in the late XIX century. Since its beginnings, it has been southern Chile's entryway to the country's capital city. Thanks to its architecture and historical importance to Santiago, it was declared a national monument (category: historic monuments) in June 1983.

This same space also offers metro and inter-city buses that connect people from rural, less populated areas with the heart of the Chilean capital.

*Arauco Estación in the heart of one of Chile's historical monuments*



<sup>16</sup> Water permeable pavement, enables water to seep into the ground or be caught and retained in subsurface layers for subsequent reuse or disposal.



## COMMUNITY RELATIONS DURING CONSTRUCTION

As a company, we strive to maintain open and ongoing relationships with our neighboring communities. Working in conjunction with external companies participating in the construction process, we have made strides in establishing proactive contact in early phases of project development.

### SOCIAL MANAGEMENT PLAN AT PARQUE LA COLINA

From the very beginning of the construction process, we required Constructora Colpatría to include a Social Management Plan to handle neighbors' observations and inquiries in a timely manner.

The 31-month plan (April 2014 to December 2016) included a permanent liaison for social issues, responsible for managing areas like:

- Coordinating and implementing the Social Management Plan.
- Participating on social, socio environmental and/or technical committees.
- Attending to and monitoring permits.
- Maintaining an ongoing relationship with the different project areas.
- Preparing presentations for scheduled community meetings.
- Overseeing the community service point.
- Drafting and sending informational memos.
- Training project personnel.
- Responding to and resolving citizen observations and inquiries.
- Taking part in community activities.

The following are highlights of the Social Management Plan:

- » **Information Program:** This program included presentations on the project's characteristics and scope to neighboring communities. The Social Management Plan and mitigation measures were also presented.
- » **Community Service Program:** This program formalized communication mechanisms and ensured appropriate and timely resolution of the inquiry-response process.
- » **Disclosure Program:** This program included an inventory of the properties adjacent to the spaces to be intervened. This program aimed to assess—objectively and on a case-by-case basis—any inconveniences that the construction could cause for neighboring lots. It also included publication of the procedure for escalating complaints as well as the established community information channels and provided updates on project characteristics and progress.
- » **Construction Personnel Training Program:** This program provided general information about the project to construction personnel in order to align the Social Management Plan, criteria and community service channels.



The designated social liaison periodically reported to our project team on the progress in terms of the established plan, the next steps for maintaining high service standards and case resolution.

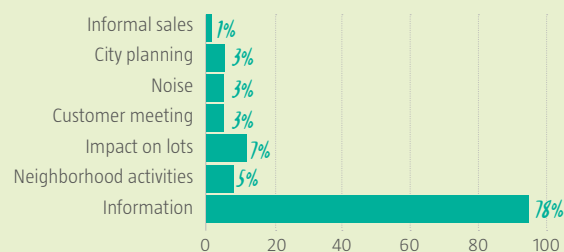
Total number of meetings with the community between 2014 and 2016	16
Total number of meetings with the community in 2016	4
Total number of community requests between 2014 and 2016	308
Total number of community requests in 2016	117

All requests received in 2014 and 2015 were closed or satisfactorily addressed.

**Of the 117 request received in 2016, 98.3% were closed or satisfactorily addressed; 1.7% are still being processed.**

In 2016, requests were primarily for information, as illustrated below:

#### TYPE OF REQUESTS RECEIVED IN 2016



## COMMUNITY RELATIONS DURING OPERATIONS

Implicit in the management of each of our shopping centers is the commitment to maintain and strengthen channels of communication with communities, authorities and area representatives from the beginning of shopping center construction through operations.

We empower the leaders at our shopping centers, called Center Managers, so that they can respond to community inquiries and suggestions with a willing, proactive and responsible attitude.

In 2016, we finalized an agreement with Casa de la Paz to develop a community relations policy for our operations in Chile, Peru and Colombia. This Chilean NGO has more than 30 years of experience and is dedicated to optimizing dialog and ties between different sectors, among other issues.

In the diagnostic and policy design phase, we have reviewed international best practices by companies that develop infrastructure projects around the world. We hope to establish and implement these guidelines in 2017 with the support of the teams that build and operate our shopping centers in the different business divisions.

### Some important figures regarding our ties to the community:

#### Number of Projects Added in 2016



#### Total Investment in Projects Added in 2016<sup>17</sup>



#### Number of Regional Shopping Centers



<sup>17</sup> Total investment in all shopping centers and formats developed in Chile, Peru and Colombia, from project beginning to end.

<sup>18</sup> These six regional shopping centers represent 88% percent of total GLA in Chile.

<sup>19</sup> These six regional shopping centers represent 69% percent of total GLA in Peru.

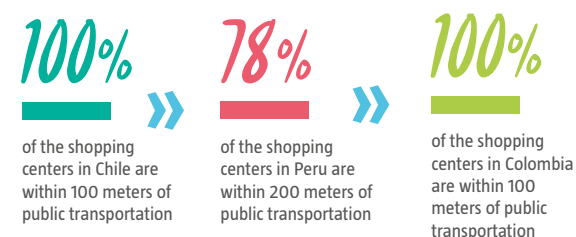
## Number of Stores



## Number of Bicycle Rack Spaces



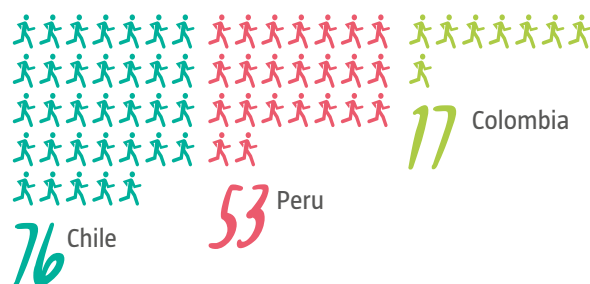
## Distance between Shopping Centers and Public Transportation



## Percentage of Regional Shopping Centers Offering Special Infant Feeding Rooms



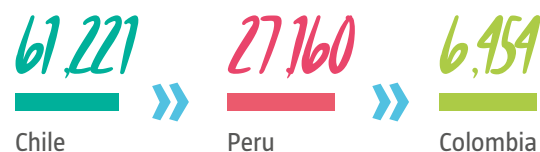
## Number of Free Sports and Healthy Living Activities Hosted at Our Shopping Centers



## Total Number of Entrepreneurship Fairs



## Approximate Number of Participants at Free Community Activities in 2016



## FREE ACTIVITIES HOSTED AT OUR SHOPPING CENTERS

### *Zumba at Arauco Maipú*

In 2016, Arauco Maipú hosted activities to promote healthy living. Each Saturday morning, free Zumba classes were held for the neighboring community. On Sunday, November 20, a well-known dancer led a Zumba Party featuring different variations of the discipline and several classes throughout the day. More than 3,400 participants seized the opportunity to spend time together and promote healthy living through outdoor exercise in 2016.



### *Family Bike-a-thon at Arauco Quilicura*

To promote healthy living and bring families together through exercise, Arauco Quilicura hosted a family bike-a-thon in the area around the shopping center. Open to all ages, the outdoor event aimed to draw entire families to Quilicura's main avenues. Seven hundred of the mall's neighbors came out for sports and healthy recreation.

### *Exhibit at Parque Lambramani*

In July, Parque Lambramani hosted a free exhibit, *Star Museum*, featuring 15 statues of characters from well-loved movies, like Star Wars, Harry Potter, and E.T.



### *A New Cultural Space in Larcomar*

In July 2016, a new space for art was opened in Larcomar. The Modern Art Room opened its doors with a free photography exhibit entitled, *Understanding the World without Words*, offering a comprehensive overview of the world of photography by artists from Centro de la Imagen, Peru's main photography promotion organization.



# Spaces with a Social Purpose

In 2016, we continued donating shopping center space where social organizations and foundations can share their cause and social campaigns through direct contact with our customers and visitors.

This is one way we support organizations that, in many cases, are directly related to the surrounding area, thereby strengthening local ties. For example, we support several firefighter brigades and partner with municipalities on local service programs.

In 2016, 28 foundations participated in this initiative; in 2015, we supported 33 organizations. Parque Arauco provided approximately 1,300 m<sup>2</sup> of space for this type of activity in the last year.

## FREE ACTIVITIES HOSTED AT OUR SHOPPING CENTERS



### *Support for the Metropolitan Blood Center at Arauco Estación*

This organization periodically organizes blood drives at our shopping centers to raise community awareness on the importance of responsible, regular blood donation.

In 2016, Arauco Estación contributed free space for 7 blood drives, collecting a total of 946 donations.

Through this initiative, which began in 2013, 2,800 visitors to our shopping centers have made voluntary donations to a network of 24 public hospitals in Santiago, Chile.



### *Parque Caracoli in Bucaramanga Participated in The Empty Project for Second Straight Year*

We made an entire store available so that customers and visitors could learn about eight charities that benefit underprivileged communities in the city and drop off cleaning supplies, clothing or food.

A total of more than 67,000 items were donated, a 114% increase in customer contributions compared to last year's campaign.

The beneficiaries of this project were: Fundación Salvar, Fundación Amigos de la Foscá, Fundación Romelio, Fundación Hope, Fundación Caridad Animal, Fundación Ideales, Organización Mica and Fundación Meis.

# Social Integration at Our Shopping Centers

We strive to make our shopping centers places that promote awareness of inclusion and access to opportunities for persons with different or special abilities or conditions.

We have made strides in promoting and creating opportunities for involvement and interaction that focus primarily on persons with cognitive disability. Initiatives in this area include:

## *Over 40 Young People with Down Syndrome Have Participated in the Internship Program at Parque Arauco Kennedy in Chile*

Our partnership with Colegio Especial Paul Harris and the Municipality of Las Condes prepares these students for their working lives by creating opportunities to support logistics tasks in the food court, in short shifts alternated with special training.

Since its beginning, more than 40 young people with Down Syndrome have taken part in this initiative. In 2016, we doubled the number of participants relative to the prior year, offering protected work internships to 12 young people.

Additionally, through the agreement signed with Fundación Coanil, the project will be replicated in shopping centers throughout Chile, including Chillán, Maipú and Quilicura in 2017.



## *Fine Arts Workshops for Children with Disabilities at Our Shopping Centers in Arequipa, Ica and Cajamarca in Peru*

Free art workshops, averaging about two hours each, were hosted at our shopping centers. The color, tracing and drawing activities aim to gradually improve the psycho motor abilities of children with physical and cognitive disabilities.

The institutions selected for the process were: Unámonos Association (Arequipa), Centro de Atención Integral Aprender (Ica) and Fundación Angelitos Camino al Paraíso (Cajamarca).

## *Inter-Municipal Theater Festival by Persons with Disabilities at Arauco Maipú*

We partnered with the entity responsible for inclusion issues at the Municipality of Maipú to host the 11<sup>th</sup> Inter-Municipal Theater Festival by persons with some type of disability. The festival featured ten plays by different theater companies; each drew an audience of approximately 500 people.

This free event was an opportunity to promote and encourage culture and the arts as a tool for inclusion that brings together performers and their audience.



## *Parque Arauco Chile's Inclusive Meaningful Christmas Matching Gift Drive*

In 2016, we partnered with Fundación Descúbreme and its network of 26 foundations that care for children with some type of cognitive disability, most of whom are in vulnerable situations.

Parque Arauco customers and employees celebrated Christmas at these institutions. The multi-week campaign in our shopping centers in Chile raised more than 2,700 gifts, which were distributed at events organized for the children, as well as family members, therapists and teachers.

## *I Run for Inclusion*

This was the city of Arequipa's first race for inclusion of persons and children with different abilities.

The initiative aimed to strengthen values like respecting differences and inclusive education. Organized by Parque Lambramani in conjunction with Club de Arequipa, the race attracted more than 700 people.



# Support for Local and Emerging Business

We know that our shopping centers are strengthened by more and better entrepreneurial proposals offering quality products to all types of customers.

We are known for our diverse business mix of carefully selected brands, many of which are international and first arrive in Chile through our spaces. There is a great opportunity to turn new entrepreneurial ventures into successful proposals that impact and develop the local economy.

In this sense, we host fairs and activities in our shopping centers that encourage micro entrepreneurs to improve and publicize their products. In 2016, the majority of entrepreneurs participated free of charge, harnessing the flow of thousands of people who visit our shopping centers each day in order to exhibit their products.



## *Mercadito Echinuco Entrepreneurial Fair at Parque Arauco Kennedy and Arauco Maipú*

Different exhibitors offering products from all over Chile. The fair, sponsored by Fundación Echinuco and the Technical Cooperation Service (Sercotec), supports entrepreneurs and small businesses throughout Chile.

In 2016, we hosted four Echinuco markets—three in Parque Arauco Kennedy and one in Arauco Maipú. Twenty-five exhibitors participated in each. A total of nearly 100 entrepreneurs exhibited and sold craft products, food, jewelry, leather and wool from different regions of Chile.



## *We Supported 80 Micro-Entrepreneurs at Fundación Banigualdad's Emprendiendo Juntos Fair*

We fund the micro entrepreneurship fair for those beginning business plans through the support they receive from Fundación Banigualdad.

Products were exhibited by eighty entrepreneurs from municipalities between Chile's Coquimbo and Los Lagos regions—95% of whom are women and 71% of whom are heads of household. More than 3,000 people attended the fair.

These initiatives provide stimulus for families starting business ventures, many of whom are from rural areas.

One of the entrepreneurs shared her opinion on the event: "Thank you for this wonderful opportunity. It really helped me refine my work, meet extraordinary people and create networks."

Marcela Ortiz  
Notebook binder



## *Latin Trends. Supporting the Best Latin American Designers*

The organizers of Latin Trends worked with Parque Arauco Kennedy to put on the fifth version of this well-known fair. Thirty brands by Latin American designers from Argentina, Chile, Brazil, Costa Rica, Colombia and Peru shared their products and presented their proposals, which incorporate local raw materials like wool, natural linen and alpaca.

# Other Social Contributions and Donations

Our contributions and donations are focused on social causes that are increasingly tied to our sustainability strategy. Our corporate donation policy explicitly states that we do not make political contributions. All donations are approved by the Executive Sustainability Committee.

In 2016, we supported 44 organizations and foundations, making nearly Ch\$224 million in donations and social contributions.

Donation and Social Contributions Budget in 2015	Donation and Social Contributions Budget in 2016
Ch\$ 167,885,629	Ch\$ 224,431,581

Beneficiary Organization or Foundation
Maipú firefighters
Hogar de Cristo
Unión Social de Empresarios Cristianos
Centro de Estudios Públicos
Sociedad Protectora de Ciegos Santa Lucía
PUC (Servicio País)
Corporación Idea País
Fundación Mano Amiga
Fundación Educacional el Nosedal
Support for the Peruvian Embassy in Chile
Support for the Colombian Embassy in Chile
Padre Hurtado School in Chillán
Fundación Las Rosas
María Ayuda
Fundación Chile Unido
Corporación para Ciegos
Corporación Yo Mujer
Uniapac
Fundación Banco de Ropa
Fundación Paso a Paso
Fundación Banigualdad
Fundación Luz for blind children
Chilean Federation of Industry (Sofofa)
Maipú firefighters
Municipality of San Antonio Cultural Corporation

Santuario Nacional de Maipú
Quilicura firefighters
Unión Comunal Neighborhood Association No. 4, from Maipú
Padre Hurtado School in Chillán
Make-a-Wish Foundation
San Pedro de la Paz firefighters
Calvo Mackenna Hospital
Roberto del Río Hospital
Sotero del Río Hospital
Félix Bulnes Hospital
Fundación Descúbreme
SOFOFA - Business Council, Chile Chapter
Chilean-Peruvian Business Council
Fundación Crea +
Art workshops for children from: Unámonos, Angelitos Camino al Paraíso and the Centro de Atención Integral Aprender
Cajamarca firefighters
Damas del Distrito de La Molina
Foundation for Assistance of Abandoned Children



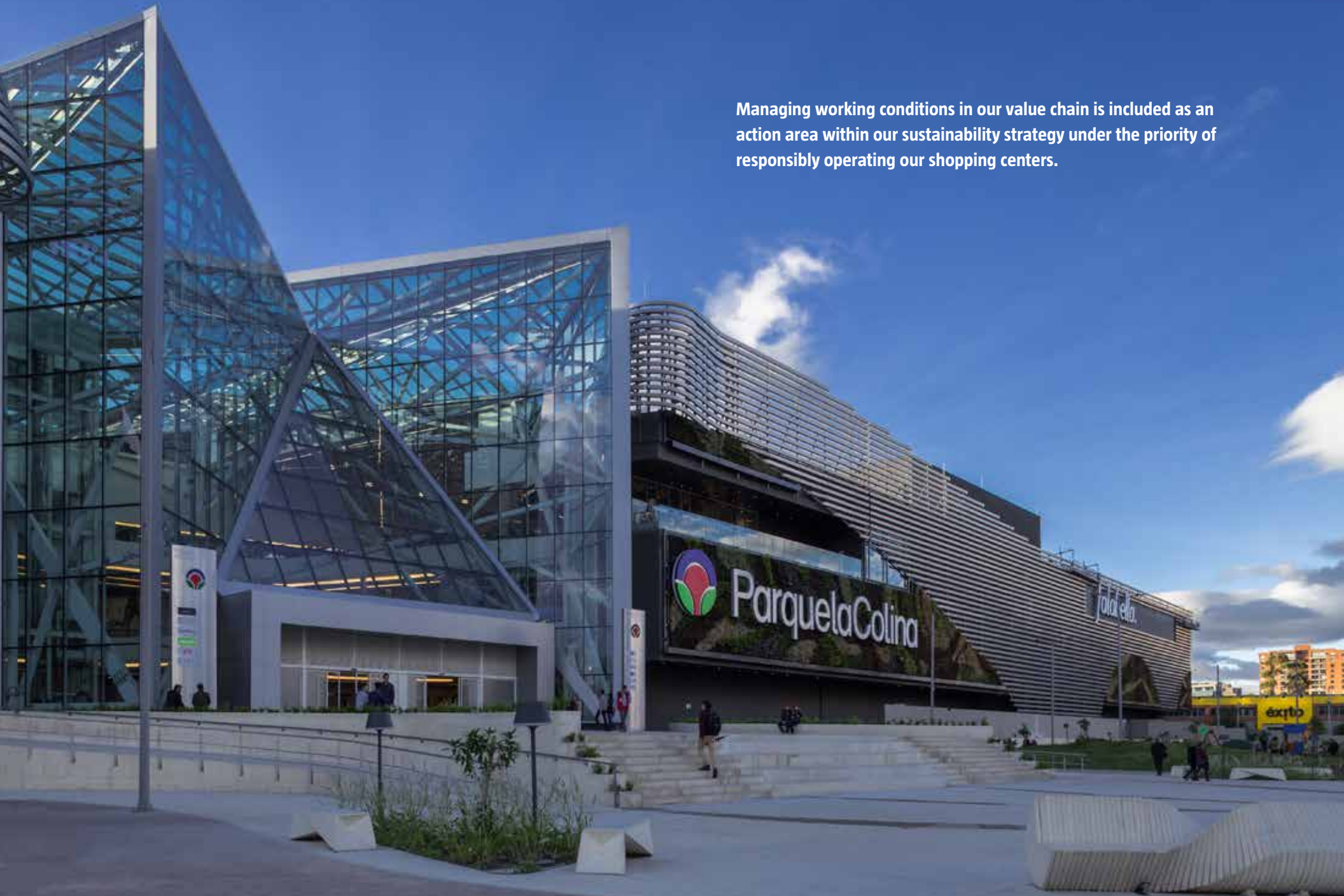
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## Managing Working Conditions within Our Value Chain

Our Value Chain, Suppliers and Their Wellbeing

Managing working conditions in our value chain is included as an action area within our sustainability strategy under the priority of responsibly operating our shopping centers.



# Composition of Our Value Chain

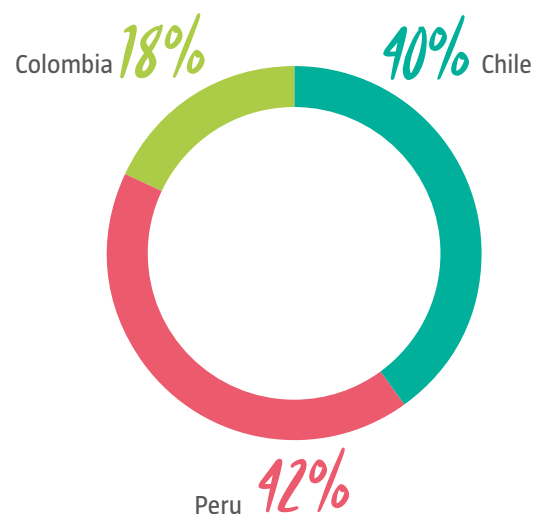
Our suppliers are key partners in developing and launching our business. They are an important part of our relationship with shopping center tenants and visitors.

We have approximately 3,600 registered suppliers<sup>20</sup> for our operations in Chile, Peru and Colombia.

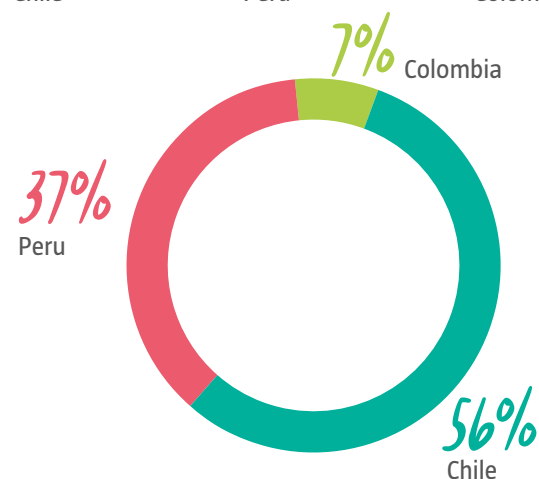
In 2016, payments to suppliers reached Ch\$88.5 million<sup>21</sup>, 7.4% higher than the prior year (Ch\$82.0 million).

Since payments to our construction suppliers are directly associated with expansion of our project portfolio, they may vary from year to year without correlation. In 2016, payments to construction suppliers totaled Ch\$121.6 million (Ch\$115.6 million in 2015).

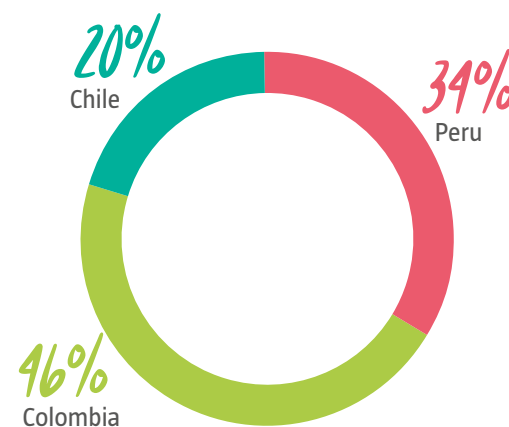
## NUMBER OF SUPPLIERS



## 2016 PAYMENTS TO SUPPLIERS



## 2016 PAYMENTS TO CONSTRUCTION SUPPLIERS



<sup>20</sup> At least one payment transaction recorded during the year.

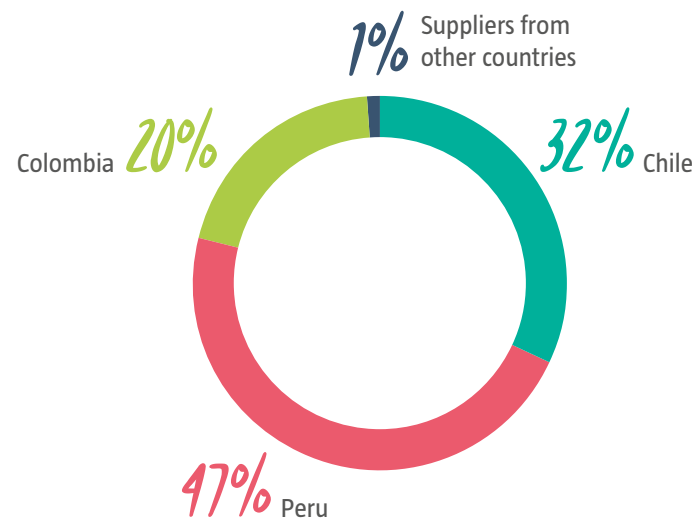
<sup>21</sup> Includes payment to suppliers for activities related to shopping center operations. Does not include payment of construction companies for activities related to new shopping center development.

# Our New Suppliers

In 2016, our supplier base grew by 1,660. Of those, 99% were located in the countries where we operate.

Our strategic suppliers are proportionally distributed in capital cities and other regions or provinces. In many cases, our operations support local development of small and medium enterprises in mid-sized cities.

## LOCATION OF OUR NEW SUPPLIERS



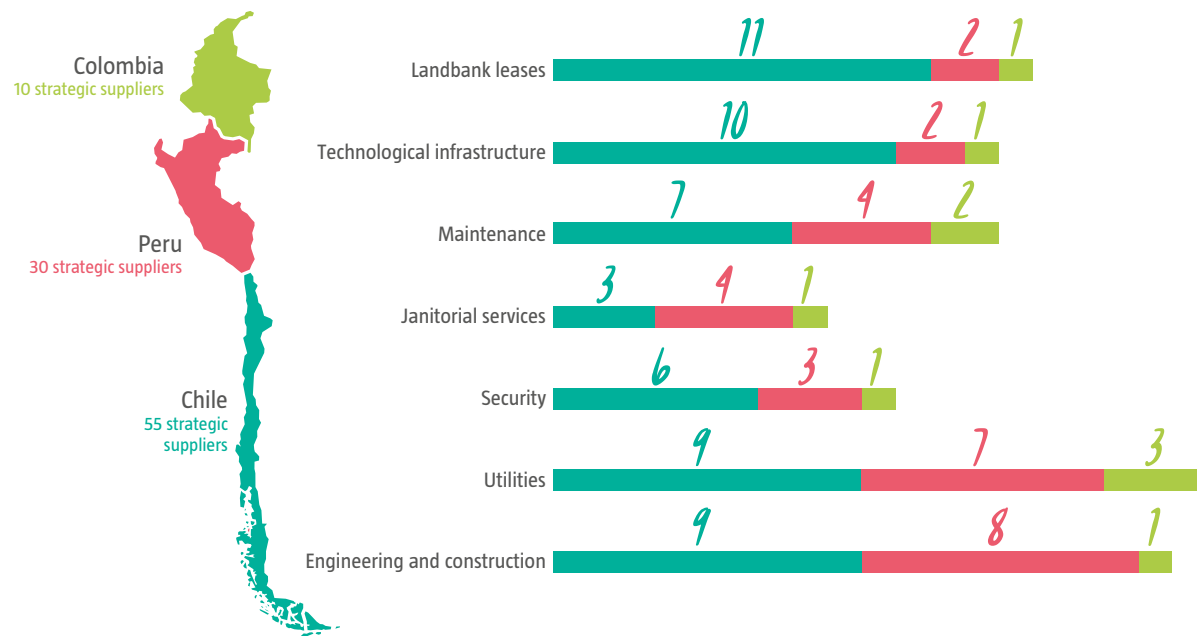
# Criteria for Identifying Strategic Suppliers

This year, we continued consolidating, identifying and classifying our strategic suppliers. The degree to which our three criteria are met determines the supplier's relevance in our operation.





We used this classification system to determine that we have 95 strategic suppliers in the three countries:





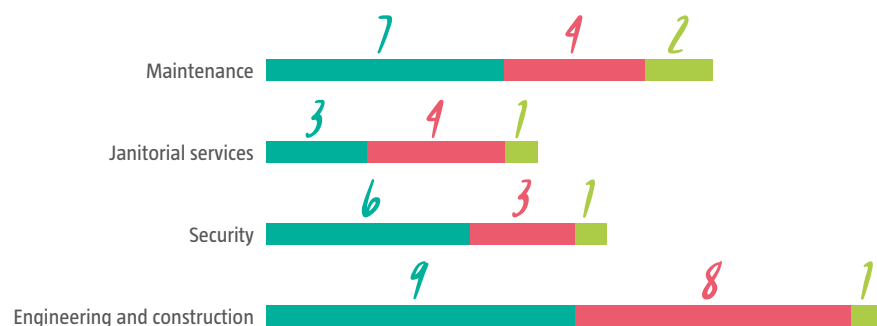
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G4-LA14

# Critical Suppliers with Social and Environmental Impact

/ 70

Of this group of strategic suppliers—due to the number of persons involved or the role they play at our operation—construction, maintenance, janitorial service and security companies are most directly and significantly linked to social and environmental impacts.

This subset of the operation's strategic suppliers is comprised of 49 companies in the three countries where we operate.



# Considerations in Assessing, Selecting and Managing Suppliers

Selecting good suppliers plays a decisive role in the short- and long-term quality of our operational performance and development. We are working to establish organization-wide criteria that apply from the beginning of the supplier selection process through phases after the services are provided.

To that end, the Regional Services Areas drafted a new purchasing policy in 2016. The new policy addresses general criteria for all operations and sets forth guidelines for selecting new suppliers:

- a.** Companies legally authorized to distribute/render the required products and/or services; companies with verifiable experience in the field.
- b.** Companies that meet Parque Arauco S.A. transparency policies regarding conflicts of interest which can arise from kinship, family relationships or personal interests.
- c.** Companies with high environmental, social and corporate governance standards that are aligned with those of Parque Arauco S.A.
- d.** Companies that exceed the financial risk assessment parameters required by Parque Arauco S.A. to guarantee fulfillment of commitments.
- e.** Companies whose methods of competition are ethical and that do not participate in any type of unfair competition.
- f.** Companies with a policy meant to uphold all local laws of the country where its products are distributed and/or its services are rendered.

When Parque Arauco opens a bidding process, bids are evaluated using a matrix of broad spectrum parameters, including: the economic bid, business stability and soundness, proof of good practices towards employees, among others.



# Some Assessment Criteria Applied in Strategic Bidding Processes:

1. **Economic bid**
2. **Financial behavior:** Payment behavior, regulatory compliance, liquidity, credit status, among others.
3. **Soundness:** This criteria is comprised of two aspects, each of which is awarded equal weight in the assessment.
4. **Location:** The company's country of origin, location and base presence in the city where the operation is located.
5. **Operations:** This criteria is comprised of two aspects, each of which is awarded equal weight in the assessment.

For each of Parque Arauco's 12 bidding processes this year, we assessed and selected suppliers according to criteria that included labor practices.

Business Experience:	Employee Relations:
Years of work	Number and frequency of actions or initiatives promoting wellbeing
Number of employees	Formal personnel selection process
Turnover rate (last two years)	Training offered
Record and proof of procedure manual application	Wage growth
Planning and formal descriptions of positions within the workforce	

Control Mechanisms:	Response Capacity:
A team that guarantees supervision of the service and compliance with human resources issues.	Response to absences
Assessment of indicators and historical analysis of the company	Sufficient support staff for operations on weekends and holidays, as necessary
Ongoing application of a control mechanism check-list established by the operation	

As of year-end 2016, 12.6% of our strategic suppliers had been selected through bidding processes and assessed using our matrix of broad-spectrum parameters that include some criteria related to labor practices.

# Pilot Program for Assessing Suppliers with Social and Environmental Criteria

In order to add more specific social and environmental criteria to the supplier assessment process, we developed a pilot program in 2016. From early stages of the selection process, we gathered information on practices, social and environmental criteria of the participating companies.

As a result, in Colombia and Peru we were able to select suppliers for critical services, like janitorial services and security, that are more mature and advanced in terms of socially and environmentally responsible practices.

**Some social and environmental practices and standards considered in selection of the janitorial and security services are:**



## SECURITY SERVICE SELECTED IN COLOMBIA:

- Has a Human Rights Policy that includes training of team members.
- Presents social and environmental performance through a sustainability report and has adhered to the United Nations Global Compact since 2014.
- Participates in the International Labor Organization's SCORE-ILO program for training on good practices in competitiveness and working conditions.
- Has an ISO 9001-certified Quality Management system and an OHSAS 18001-certified Occupational Health and Safety Management system.



## SECURITY SERVICE SELECTED IN PERU:

- Has an internal training program that includes issues like behavior-based security, service and complaint management techniques, occupational health and safety, among others.
- Offers workers an annual training program.
- Has an ISO 9001-certified Quality Management system, an ISO 14001-certified Environmental Management System and an OHSAS 18001-certified Occupational Health and Safety Management system.
- Ranked 5<sup>th</sup> in Great Place to Work's Best Large Workplaces in Latin America



## JANITORIAL SERVICES SELECTED IN COLOMBIA:

- Has a social management plan and a formal workplace relations committee designed as a tool for addressing issues of wellbeing, equality, protection of its employees' fundamental rights and freedom of expression.
- Has an employee wellbeing program focused on aspects like: quality of life, health promotion and prevention, recreation and sports, as well as social events and celebrations.
- Has an ISO 9001-certified Quality Management system, an ISO 14001-certified Environmental Management System and an OHSAS 18001-certified Occupational Health and Safety Management system.



## JANITORIAL SERVICE SELECTED IN PERU:

- Has an environmental policy linked to operating objectives and targets.
- Offers training on mitigating environmental impact through the appropriate use of cleaning products.
- The training plan for Parque Arauco Peru shopping centers included an average of 4.2 hours per person carried out between October and December 2016.



This year we made strides on incorporating environmental and social criteria into the supplier selection process. Specifically, 33.3% of the 12 bidding processes conducted in 2016 were based on assessments that addressed social and environmental impact.

We want to continue improving this aspect, defining social and environmental criteria from the early stages of the process of selecting new critical and strategic providers for our operation.

Thus, we have adapted a methodology that provides more in-depth measurement of social and environmental indicators for the practices in our value chain.

We will implement this process in 2017, prioritizing suppliers that are critical to operations (janitorial services, security, maintenance and construction).

Then, we will establish a baseline with which to monitor and help manage gaps and opportunities in order to improve the sustainability of the most strategic segment of our value chain and, in parallel, determine criteria for selecting new strategic suppliers.

The criteria we have in mind for analysis are:

#### OTHER CRITERIA IN OUR SUPPLIER CONTRACTS:

Our strategic supplier contracts include terms of service that include obligations related to:

- Upholding labor, social security and workplace safety standards
- Compliance with internal standards for each shopping center and internal procedures
- Mandatory use of safety equipment
- Coordination of safety training
- Obligation to report any risk to worker health and safety
- Up-to-date payment of compensation, social security and severance indemnities
- Minimum working age is 18 years old
- Compliance with Law No. 20,393
- Security meetings
- Compliance with Law No. 16,744 and Health and Safety regulations
- Compliance with anti-corruption regulations

Leadership Structure and Practices	Labor Standards and Practices	Human Rights	Environmental Safety and Practices
<ul style="list-style-type: none"> <li>• Mission, values and purpose</li> <li>• Composition of highest body of governance</li> <li>• Audit and internal audit reports</li> <li>• Public reports of social/environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>• Salary and compensation conditions</li> <li>• Standards of wellbeing</li> <li>• Internal promotion and training</li> <li>• Climate surveys and means of assessing performance</li> </ul>	<ul style="list-style-type: none"> <li>• Prevention and handling of situations that violate fundamental rights, including: discrimination, abuse, child labor, restrictions on free association or collective bargaining</li> <li>• Social inclusion practices, access to opportunities and support for vulnerable communities</li> </ul>	<ul style="list-style-type: none"> <li>• Certifications or formal health and safety programs</li> <li>• Management systems or formally developed environmental practices</li> </ul>



20.00 hrs.  
S

[ 07. ]

# Managing the Environmental Impact of Our Shopping Centers

Sustainable Design,  
Construction and Operation

G4-22  
G4-23

# Chile

Environmental performance, both in construction and operation of our real estate assets, is a fundamental action area of our sustainability strategy.

In 2016, we began surveying and measuring our energy and water consumption, waste production and greenhouse gas emissions. We strive to continue strengthening development and management practices at our shopping centers in Chile, Peru and Colombia so that they exceed legal requirements.

The indicators in this chapter are based on the shopping centers with the greatest GLA in each country.



## 113,500m<sup>2</sup>

**Parque Arauco Kennedy**  
Opened in 1982



## 28,500m<sup>2</sup>

**Arauco San Antonio**  
Opened in 2009



## 73,500m<sup>2</sup>

**Arauco Maipú**  
Opened in 1993



## 32,000m<sup>2</sup>

**Arauco Quilicura**  
Opened in 2013



## 32,000m<sup>2</sup>

**Arauco Chillán**  
Opened in 2007



## 25,500m<sup>2</sup>

**Arauco Premium Outlet Buenaventura**  
Opened in 2012



## 66,500m<sup>2</sup>

**Arauco Estación**  
Opened in 2008



110,000m<sup>2</sup>

MegaPlaza Norte  
Opened in 2006



28,000m<sup>2</sup>

MegaPlaza Chimbote  
Opened in 2012



8,500m<sup>2</sup>

InOutlet Premium Lurín  
Opened in 2016



29,500m<sup>2</sup>

Parque Lambramani  
Opened in 2010



26,500m<sup>2</sup>

Larcomar  
Opened in 2010



16,500m<sup>2</sup>

MegaPlaza Cañete  
Opened in 2013



30,500m<sup>2</sup>

El Quinde Cajamarca  
Opened in 2015



36,500m<sup>2</sup>

El Quinde Ica  
Opened in 2015



14,500m<sup>2</sup>

Jesús María  
Opened in 2016



7,500m<sup>2</sup>

InOutlet Premium Faucett  
Opened in 2013



# Colombia



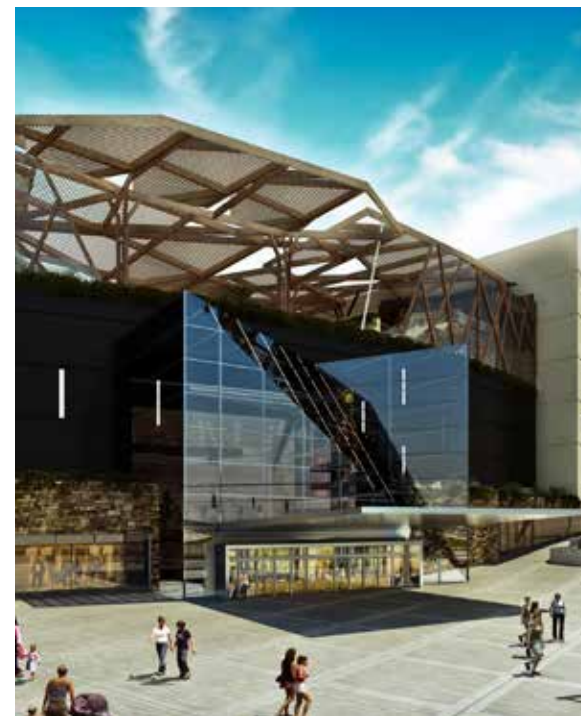
40,500m<sup>2</sup>

Parque Arboleda  
Opened in 2010



64,000m<sup>2</sup>

Parque La Colina<sup>22</sup>  
Opened in 2016



38,500m<sup>2</sup>

Parque Caracolí  
Opened in 2013

<sup>22</sup> Parque La Colina opened on December 6, 2016. Thus, for the purposes of this sustainability report, only data associated with construction will be included.

# Environmental Practices during Construction

The engineering and projects area teams are responsible for implementing new developments and determining the type of initiatives that will frame the design and construction of each shopping center. Some of the areas considered in the development of our shopping centers include:

## 1. *Placing the Shopping Center in Areas with High Connectivity and Use of Public Transportation*

Also includes spaces to encourage the use of bicycles or low-emission cars.

## 2. *Unique Design*

Adapted to the characteristics of its surroundings and future development conditions. We consider, for example, specific aspects like landscaping or pedestrian routes used by the neighboring communities before the project.

## 3. *Water and Energy Efficiency Alternatives*

We assess efficiency alternatives based on the type and size of each project and design shopping centers so that their operations optimize natural resources and reduce impact.

## 4. *Identification and Assessment of Project Impacts*

Bearing in mind the type and format of the shopping center, we have added consulting services and external studies to ensure compliance with local regulations on specific issues.

## 5. *Construction Practices and Definitions*

One example is the use of high durability, high quality materials; designing processes for recycling or supplier use of local inputs.

We are the first company in Chile to earn LEED Silver certification for the design and construction of a shopping center. Earned by our Arauco Quilicura shopping center, this recognition was the result of putting the standards we have applied in other projects to the test.

We intend to continue making strides in this direction as sustainable construction practices are applied to future portfolio developments.





# Arauco Quilicura Achievements

## Location

Proximity of shopping center to public transportation

**400 meters**

## Construction inputs and waste

Percentage of materials used in construction of Arauco Quilicura that were made or extracted within a radius of 800 kilometers

**43%**

Percentage of materials used in the construction that were recycled

**75%**

## Features of the operation

**11%**

Savings in energy consumption between 2015 and 2016

**80**

Bicycle rack spots

**21**

Preferential parking for low-emissions cars

## 2016 Initiatives

In order to continue improving efficiency of shopping center operations, two energy efficiency projects were carried out in 2016:

- 1. LED lighting:** 800 bulbs in the garland lighting in the shopping center's main foyer were replaced with LED lighting. The project resulted in monthly savings of approximately 4,700 KWh.
- 2. Automatic on and off sensors for lighting:** Light sensors regulate energy consumption by turning themselves on and off depending on the quantity of natural light detected from outside. Furthermore, they regulate the intensity of interior light, keeping lighting levels steady.

# Recent Openings and Sustainable Construction Features:

## PARQUE LA COLINA IN BOGOTÁ, COLOMBIA:

We began building this shopping center in 2014 and opened it in mid-December 2016.

### ⚡ Energy Consumption Savings

In accordance with the Parque La Colina energy model, we expect to save at least 17% of the baseline proposed by ASHRAE <sup>23</sup> 90.1-2007.

We have incorporated several strategies in order to achieve this savings:

- High efficiency motors
- High thermal insulation standards
- Bioclimatic ventilation in common areas
- LED lighting in all common areas
- Including light and equipment efficiency clauses in the tenant manual

### 💧 Water Savings

We want to reduce our potable water needs by 35% relative to the baseline established by the EPA <sup>24</sup>.

In order to do so:

- We installed water-efficient faucets, toilets and urinals.
- Landscaping in all green areas used native and adaptive plants in order to reduce watering requirements compared to other types of species.
- We included a rainwater collection and treatment system to ensure that the park is watered entirely with rain water.



### Waste Management during Construction

Through waste management companies, we were able to recycle 99% of generated waste, like metal scraps, plastics, cardboard, wood, paper, glass and organic waste.



### Use of Materials with Recycled Content

In order to reduce the impact of extracting and processing new materials to build Parque La Colina, 32.4% of the budget was invested in materials with recycled content. In particular, the steel was 100% post-consumer recycled <sup>25</sup>; 4% of the concrete was pre-consumer recycled <sup>26</sup>—both were supplier-certified. The park is watered with recycled water.



### Locally Sourced Purchases

In order to increase the demand for materials and products extracted and/or produced in the region and reduce the environmental impact of transport, 83% of the materials budget for the construction of Parque La Colina was invested with local suppliers with inputs from within 800 km of the project.

<sup>23</sup> Founded in 1894, ASHRAE, a technological association for buildings, has more than 50,000 members around the world. The association and its members focus on developing systems for buildings, energy efficiency, indoor air quality and sustainability within the industry. According to its own definition, through research, standards writing, publishing and continuing education, ASHRAE shapes tomorrow's built environment today.

<sup>24</sup> EPA <sup>24</sup> 1991 is a US environmental law passed in 1992. Its main objectives are energy efficiency and oil reduction in the matrix, responsible water use and waste management. In terms of water use, the regulation establishes parameters for monitoring and reducing expense, through design and requirements for water in sanitary artifacts. These were applied in the design and construction of Parque La Colina shopping center.

<sup>25</sup> Post-consumption recycled content is defined as waste from consumers, the majority of which comes from residential and domestic recycling programs. To be considered post-consumption, material must have served a useful purpose on the market before being reused or be recycled waste from construction or demolitions.

<sup>26</sup> Pre-consumption (also called post-industrial) recycled content is waste from processes that the industry has sold or traded on the market. This definition does not include waste from the production process itself since these elements are normally reintegrated into the same process.

## INOUTLET PREMIUM LURÍN, LIMA, PERU:

We began building this shopping center in January 2015 and opened it in January 2016.

### ⚡ Energy Consumption Savings

In an effort to use resources efficiently, we have installed low-energy lighting and air conditioning that have reduced our consumption by nearly 12.92% relative to the baseline.

### 💧 Water Savings

We are interested in reducing our water consumption. To do so:

- Watering systems using gray water were designed to recover 100% of potable water.
- Thanks to the characteristics of the sanitary artifacts used, potable water consumption was reduced by 47% in 2016.

### ♻️ Waste Management during Construction

We implemented a strategy for recycling plastics, metal, plaster, card board, ceramic, stone, wood and other particle board produced during construction of InOutlet Premium Lurín. These materials were redirected to manufacturing processes or waste and debris recycling programs.

### 🔄 Waste Management during Operations

For waste reduction, transportation and final disposal during the operations phase of InOutlet Premium Lurín, we conducted a study to identify the five greatest types of recyclable waste. The results were as follows: paper, cardboard, glass, plastic, organic waste and metal.

- The InOutlet Premium Lurín design includes a room for storing and recycling waste produced in offices, services and stores.
- There are waste collection points with three types of containers (plastics, organic waste and recyclables) in our shopping centers' common areas.



# Environmental Practices during Operations

Our challenge to design and build sustainable projects is complemented with proper management of the natural resources required to operate the shopping centers after opening.

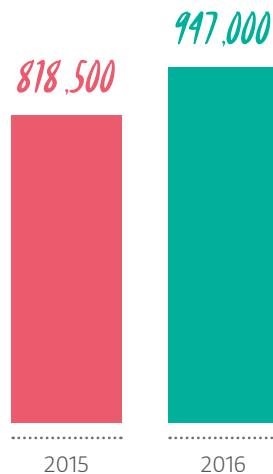
In 2016, we partnered with POCH, a consulting firm specializing in environmental management, with offices in Chile, Peru and Colombia, to survey environmental indicators associated with waste, energy and water consumption, and greenhouse gas (GHG) emissions.

The objective was to consolidate and centralize information in order to establish a baseline using environmental indicators. Furthermore, we will be able to establish a metric and priority-based, organization-wide management model from a comprehensive, long-term perspective.

In 2016, an environmental management team was formed in Chile, thus improving performance in this area.

It is important to mention that Parque Arauco grew considerably this year with leasable area up 15.7%, reaching 947,000 m<sup>2</sup>. This jump explains the increase in our environmental indicators.

GLA m<sup>2</sup>





G4-EN15  
G4-EN16  
G4-EN18  
G4-22  
G4-23

## Climate Change<sup>27</sup>

In late 2016, we began gathering information that could provide additional elements with which to understand and evaluate the potential effects of climate change on our shopping centers.

We hired expert consultants to study some of our assets currently in operation as well as projects being built in certain zones in Chile, Peru and Colombia. Background information and projections were reviewed on a case-by-case basis.

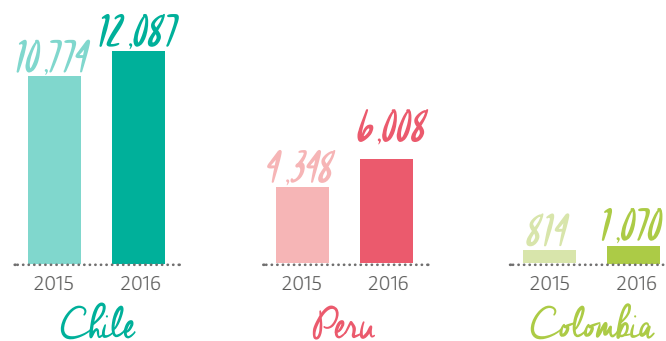
Analysis included assets with total GLA of more than 485,000 m<sup>2</sup>. The study endeavored to review some potential risks related to the challenges that the countries had described in national memorandums and to analyze potential effects of specific issues that could affect our operations located in risk areas, for example, variations in the price of energy, carbon taxes, availability of water or risks associate with climate events.

<sup>27</sup> The 2015 data was recalculated on the basis of the 2016 survey.  
Furthermore, the 2015 scope differed from that of 2016.

## Carbon Footprint

We measured the carbon footprint (scope 1 and 2) of all the shopping centers included within the scope of this chapter. In 2016, our emissions rose 20% to 19,165 tons CO<sub>2e</sub>.

TONS OF CO<sub>2e</sub>





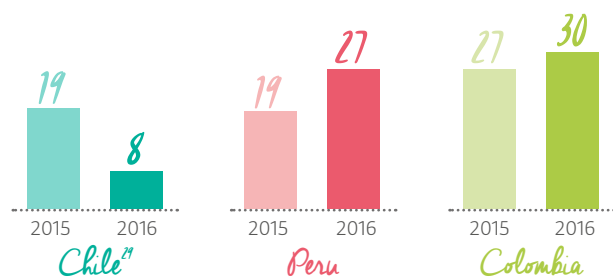
G4-EN15  
G4-EN16  
G4-22  
G4-23

## DIRECT EMISSIONS (SCOPE 1)

Direct emissions are those generated by the use of fossil fuels, release of refrigerant gases or chemical reactions during production processes.

Our direct emissions<sup>28</sup> are attributable to diesel consumption (to fuel emergency generator and fire systems). We do not use other fossil fuels in our processes.

### TONS OF CO<sub>2e</sub>



We know that the increase in our greenhouse gas emissions reflects electricity consumption at our new shopping centers. Consequently, in 2017 we are going to create efficiency committees in Chile, Peru and Colombia that will be led by the corporate sustainability team.

These committees will be charged with aligning the three countries in terms of energy and water efficiency; the objective is to encourage efficiency initiatives in our shopping centers.

<sup>28</sup> For this first year, release of refrigerant gases during replacement were not included due to lack of information.

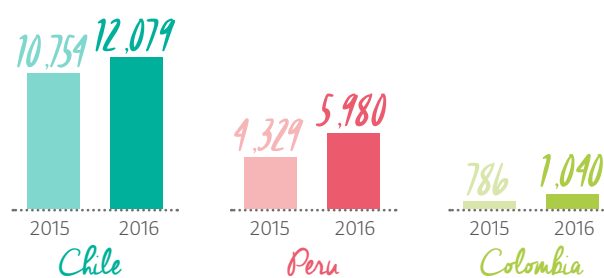
<sup>29</sup> There is a discrepancy in the prior year's data in Chile because release of refrigerant gases during replacement were not included due to lack of information.

## INDIRECT EMISSIONS (SCOPE 2)

Scope 2 emissions are those released by the producer of the energy required by the organization. Thus they depend on the quantity of energy consumed and the energy mix from the network serving the organizations.

In 2016, our emissions associated with the purchase and use of electrical energy were 19,099 tons of CO<sub>2e</sub> up 20% from 2015.

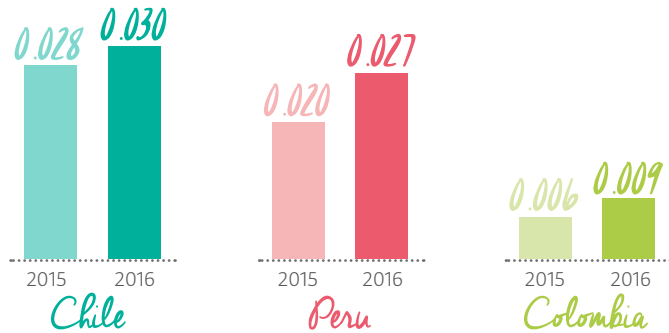
### TONS OF CO<sub>2e</sub>



# Greenhouse Gas Emissions Intensity

Parque Arauco's indicator for intensity of greenhouse gas emissions is calculated by placing the emissions generated over the number of square meters in the common areas of our shopping centers.

## TONS OF CO<sub>2e</sub>/m<sup>2</sup> COMMON AREAS



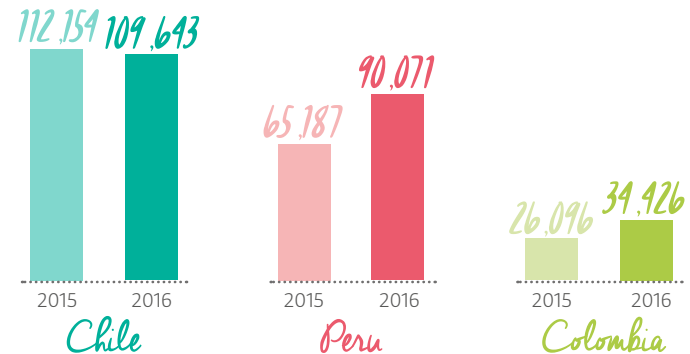
# Energy Management and Consumption

We have made a commitment to pursuing efficient energy consumption in our facilities and buildings. Our greatest electricity consumption is tied to lighting and air conditioning systems at our shopping centers.

We also supply energy to most of our tenants. Since it is billed on a monthly basis, we can distinguish between shopping center (common areas) and tenant consumption in order to identify the greatest consumers and implement specific optimization initiatives.

In 2016, Parque Arauco's total consumption was 234,140 GJ, 15% higher than 2015.

## GJ



Our electricity and fuel consumption are detailed on the following pages.



G4-22  
G4-23

# Electricity Consumption at Parque Arauco<sup>30</sup>



The electricity used in Parque Arauco is from:

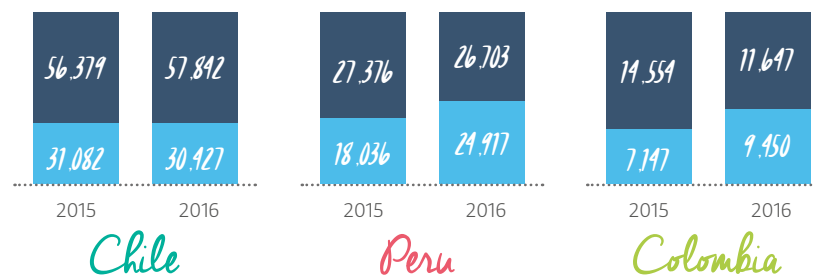
- Chile: Central Interconnected System (SIC)
- Peru: National Interconnected Power System (SEIN)
- Colombia: National Interconnected System (SIN)

The electricity consumption in Parque Arauco's common areas in 2016 was 64,794 MWh, 15% higher than the prior year.

## MWh

Electricity consumption in common areas

Electricity consumption by tenants



30 The 2015 data was recalculated on the basis of the 2016 survey.

# Parque Arauco Fuel Consumption<sup>31</sup>

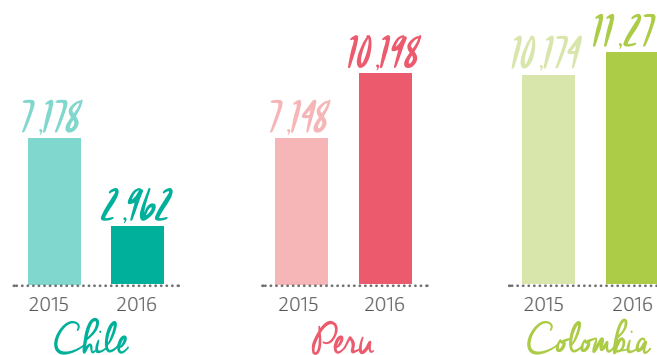


Diesel consumption is attributable to emergency generators in all our shopping centers.

They are not permanently in use and most of the consumption takes place during testing, which is part of regular maintenance procedures in order to ensure they work properly when needed.

In 2016, a total of 24,437 liters were consumed.

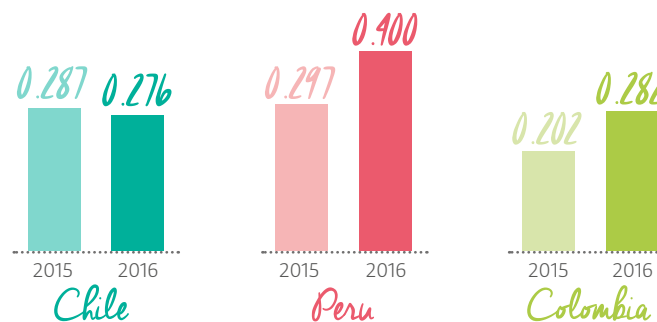
## LITERS



## Energy Intensity

Parque Arauco's energy intensity indicator is calculated by placing the energy consumed over the number of square meters in the common areas of our shopping centers.

## PARQUE ARAUCO GJS / m<sup>2</sup> COMMON AREAS



31 The 2015 data was recalculated on the basis of the 2016 survey.

# Water Management and Consumption

Knowing that water is a scarce resource is a tremendous motivator to use it responsibly and efficiently.

The main uses of water in our shopping centers are:

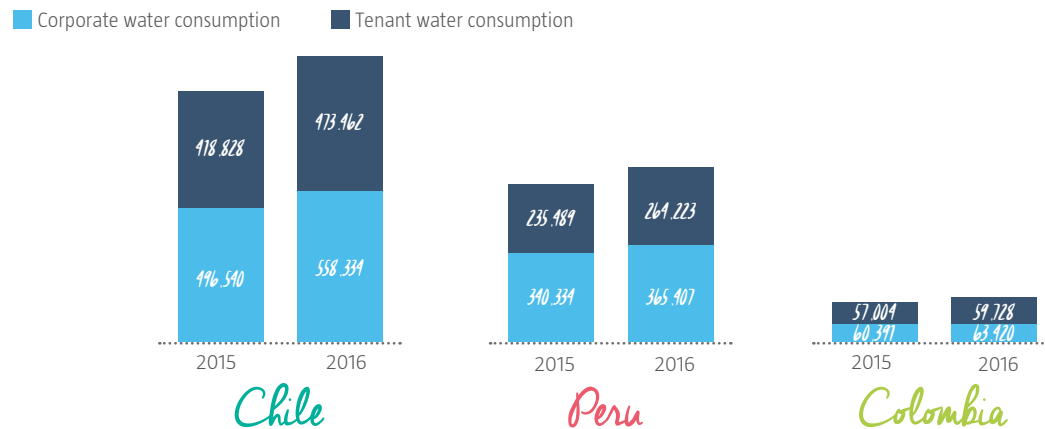
- Public restrooms
- Landscaping
- HVAC systems
- Trash rooms

The water used in our shopping centers is mostly from the potable water main; however, we have gradually begun developing an initiative to recover and reuse naturally available water. The projects involve rainwater collection in the cities of Pereira and Bogotá, Colombia.

## WATER CONSUMPTION<sup>32</sup>:

Water consumption in Parque Arauco's common areas was 993,848 m<sup>3</sup> in 2016.

m<sup>3</sup>



Parque Arboleda was built with a rainwater collection system and treatment plant in order to harness this natural resource.

In 2016, 6,679 m<sup>3</sup> of rain water was collected, representing nearly 10% of the water used in Parque Arauco Colombia's common areas, sanitary networks and service area maintenance.

32 The 2015 data was recalculated on the basis of the 2016 survey.



G4-EN23

# Managing Our Waste

Waste management has gradually taken shape at our shopping centers, as we strive to identify the type and quantity of waste we produce.

We have challenged ourselves to raise employee awareness on this issue so that, in the short term, a disposal and separation process will allow our waste to be recycled. Through this type of initiative, we aim to contribute to our stakeholders and protect the environment.

Our shopping centers have progressively incorporated more extensive waste management techniques. Currently, our janitorial services dispose of waste and provide regular reports.

The waste generated at our shopping centers is similar to domestic waste; therefore, it is ultimately disposed of at the landfill closest to the shopping center.

In 2016, we generated a total of 13,402 tons of waste, 41% more than in 2015.

Non-Hazardous Waste	Unit	2015	2016
Chile	tons	6,374	8,869
Peru	tons	2,244	2,153
Colombia	tons	889	2,380
<b>Total</b>	<b>tons</b>	<b>9,507</b>	<b>13,402</b>

The cardboard used by tenants is recycled at most shopping centers. In 2016, 1,288 tons—approximately 10% of total waste generated in the three countries—were recycled.

Recycling	Unit	2015	2016
Chile	tons	785	973
Peru	tons	457	185
Colombia	tons	153	130
<b>Total</b>	<b>tons</b>	<b>1,395</b>	<b>1,288</b>

## Recycling at Our Offices in Chile:





In 2012, our offices implemented a recycling program to support Fundación San José. The foundation uses the funds from paper recycling to purchase the supplies necessary to serve thousands of vulnerable newborns in its shelters. To increase internal recycling awareness, we signed a contract to develop a more comprehensive office waste collection and final disposal program in 2016.

The program will include separate collection of aluminum, plastics, paper and electronic materials. The initiative will be implemented in 2017 through Rembre, a certified B Corporation.

Each year, we will donate 50% of the value of the recycled materials to foundations that support social projects. Rembre also works alongside municipalities to include independent recyclers in the value chain. These individuals receive bonuses for the quantity of waste collected from the participating companies, simultaneous producing environmental and social impact.



### SUPPORT FOR FUNDACIÓN SAN JOSÉ - CHILE

		Total Kg of paper		
2012	450	=	 98 Bottles	 148 Diapers
	✓		✓	✓
2013	270	=	 59 Bottles	 89 Diapers
	✓		✓	✓
2014	641	=	 140 Bottles	 211 Diapers
	✓		✓	✓
2015	361	=	 79 Bottles	 119 Diapers
	✓		✓	✓
2016	1,714	=	 375 Bottles	 565 Diapers
	✓		✓	✓
Total	3,436		751	1,132

# Biodiversity

Our commitment to protecting the environment is reflected throughout the life cycle of our projects. When selecting land on which to build new shopping centers, we analyze the direct and indirect environmental impacts of developing and operating our assets.

Our shopping centers are built in urban areas in accordance with local building codes and regulatory requirements. Studies on direct and environmental impact show that, at this time, we do not have a direct impact on species or the biodiversity of any region in particular.

None of our shopping centers are located near or in protected areas and/or unprotected areas with high biodiversity value. Furthermore, at this time, we do not have plans to develop in such areas.





21.00 hrs.

[ 08. ]

# Attracting and Retaining Talent

Programs and Description of  
Our Working Environment,  
Health, Wellbeing and  
Benefits.



**Excellence is our habit;  
happiness is our calling**

We know that the people on our team play an essential role in the growth, development and success of our business. That is why our organizational culture is based on two concepts: **excellence and happiness.**

These foundations of corporate values underpin all employee-related processes, from recruitment, selection, compensation, training initiatives, recreation and family, social and work life activities, to development everywhere our businesses operate.

## Excellence

This foundation of our corporate values is related to the aim that employees give their best to their roles within our team. That is why study in detail the work history, academic history and professional experience of those who are interested in joining our team. Similarly, we look into other issues related to the individual's ability to reach the objectives set and values aligned with our organization.

## Happiness

This foundation of our corporate values is related to the objective of maintaining a good working environment and internal development. From the beginning of the selection process, candidates must demonstrate authentic concern for people, especially if they are to oversee teams. We know that people are happier when they have close supervisor and peer relationships based on respect and concern.

G4-10  
G4-LA1

# Our Employees

Through our recruitment processes, we aim to attract and select talented professions whose skills and individual values are aligned with our corporate culture. We pay careful attention to the profile, skills and abilities of those interested in joining our team in order to ensure that the working environment continues to motivate and inspire our daily work.

## WE HAVE 571 EMPLOYEES IN CHILE, PERU AND COLOMBIA.

Corporate policy is to offer indefinite contracts. The human resources area analyzes exceptions on a case-by-case basis and we have had to hire some people on fixed-term contracts. In 2016, only 1% of our workforce was in that situation. Of those, half were offered indefinite contracts upon fulfillment of their fixed-term contract.

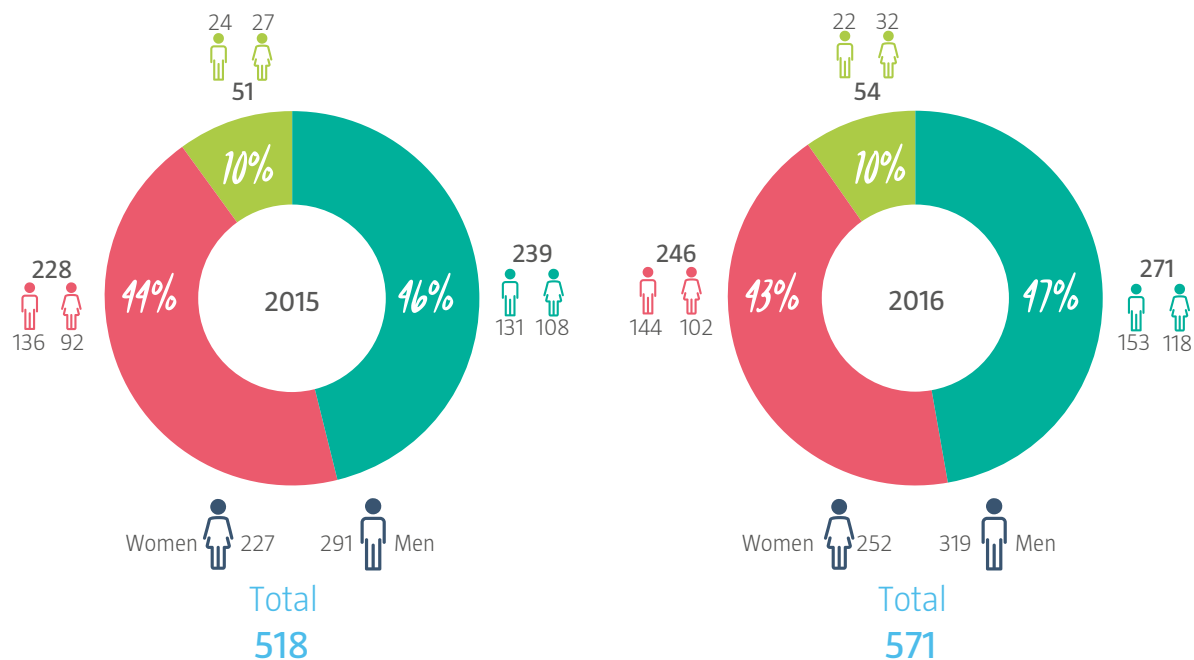
## OUR WORKFORCE INCREASED BY APPROXIMATELY

# 10%

COMPARED TO 2015

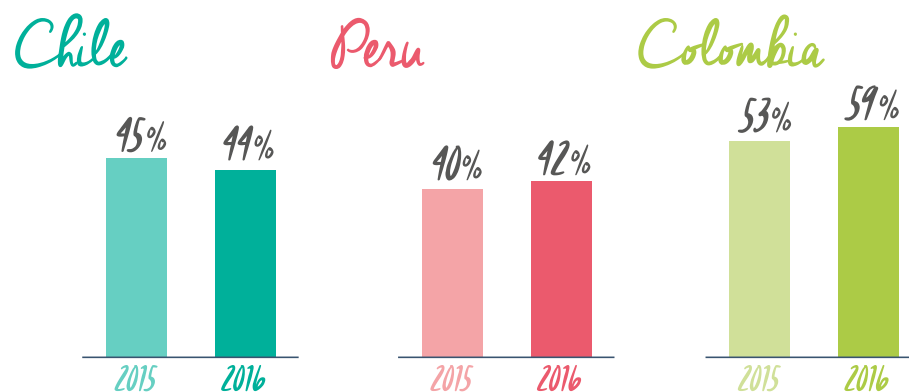
## PARQUE ARAUCO WORKFORCE

Chile Peru Colombia



Regarding the proportion of men to women and the change in this figure: 43.8% of Parque Arauco's workforce was female in 2015; this figure grew to 44.3% in 2016. The following figure shows the breakdown by country.

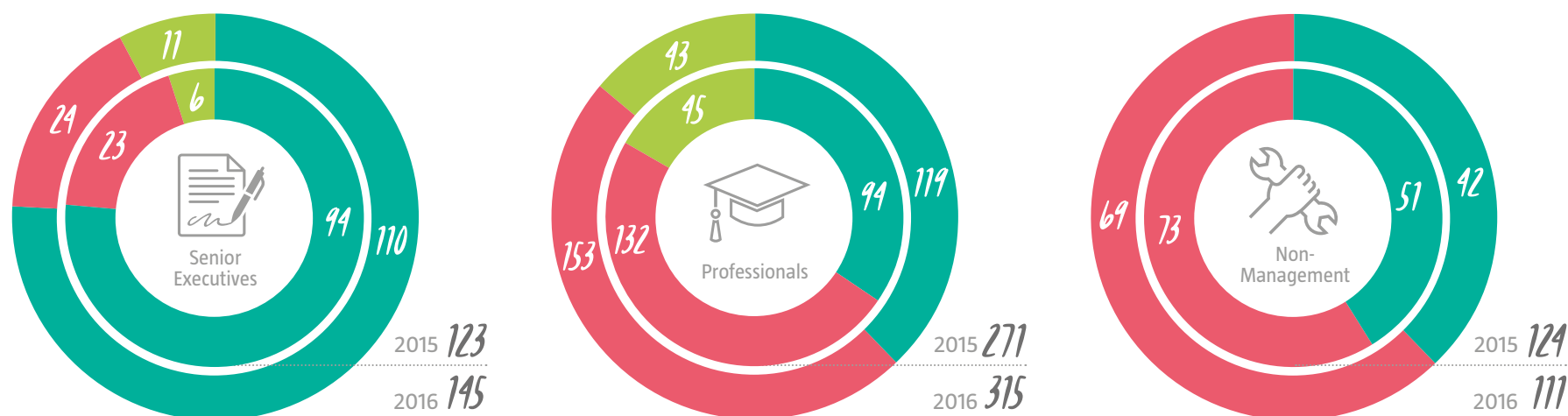
### WOMEN IN OUR WORKFORCE



A breakdown of our workforce by type of position among our employees reveals that the majority are professionals and executives.

### PARQUE ARAUCO WORKFORCE BY TYPE OF POSITION

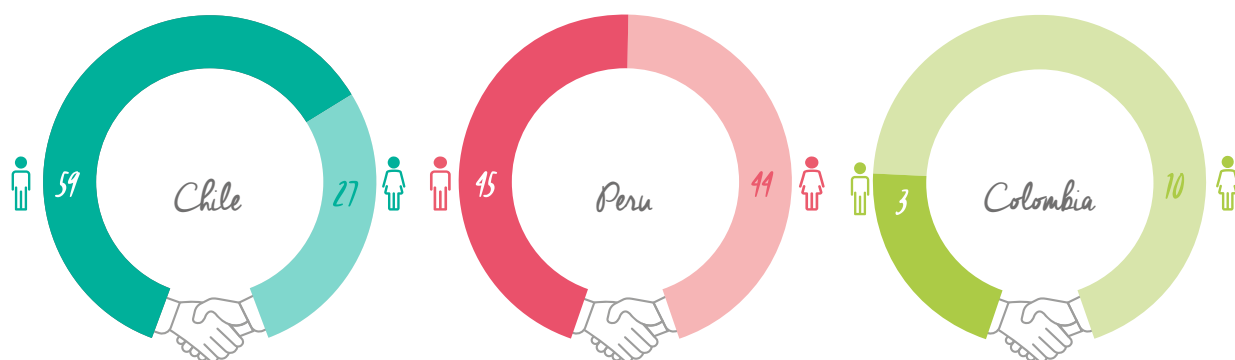
Chile Peru Colombia



# Our New Employees

This year 188 new employees joined the company, expanding our workforce by 32.9%.

## NEW HIRES 2016



The turnover rate in 2016 was 25%, primarily due to the new needs and position profiles arising from structural changes as a result of new acquisitions in Peru and significant growth.

It is also important to note that the acquisitions in different locations last year triggered certain changes in the process of putting together a team of people.

Turnover was broken down as follows:

Turnover Rate	2015				2016			
	Chile	Peru	Colombia	Total	Chile	Peru	Colombia	Total
Annual turnover, voluntary resignations	12%	10%	8%	11%	10%	6%	11%	9%
Annual turnover, other	8%	9%	8%	9%	9%	24%	15%	17%
Overall annual turnover	20%	20%	16%	20%	20%	30%	26%	25%

# Compensation and Competitiveness

We strive to meet the demands of a globalized, competitive labor market. In terms of compensation, in addition to external competitiveness, we use special tools to ensure we are safeguarding internal fairness and offering competitive compensation.

Our compensation model is based on Global Grading Systems (GGS) standards, which structure compensation by assigning positions to levels based on the following elements:

## Size of business by:

- Billing
- Number of employees
- International scope of performance
- Diversity of products and/or services

## Position level is determined by:

- Assistance required by the function
- Knowledge
- Professional experience
- Leadership
- Contribution to the business strategy

To divide positions into levels, we use a questionnaire that addresses criteria like functional knowledge, business knowledge, leadership, autonomy, problem solving, nature of the impact and interpersonal skills. All of these criteria are added together to determine the level of the position and help define referential market compensation.

The overall ratio of average base salary for women relative to men for the entire company is:

Type of Position	Chile		Peru		Colombia	
	2015	2016	2015	2016	2015	2016
Executives	61%	64%	66%	80%	68%	51%
Area Managers and Professionals	90%	106%	102%	109%	98%	154%
Non-Management	93%	118%	90%	104%	0	0

In terms of salary differences between sexes, it is important to note that there is no salary gap between men and women among new hires. Men and women earn exactly the same salary when they are hired for the same positions.

Importantly, a significant part of the salary gap at the executive level is due to the greater proportion of men at our organization's highest executive levels.



# Our Work Environment, the Seal that Places Us among the Best Places to Work

We foster and measure a good work environment in Chile, Peru and Colombia with several initiatives, all of which are tied to the foundations of our corporate values: excellence and happiness.

According to the results of the 2016 Great Place to Work survey, 85% of our employees are satisfied with Parque Arauco, an increase of five percentage points compared to 2015.

*What is Great  
Place To Work?*



Great Place to Work studies and analyzes matters of business management, leadership and organizational climate. Its methodology has been applied to numerous companies with employees in different countries around the world that operate in a variety of industries.

*Our Participation in the  
Ranking of the Best Places  
to Work*



In this annual ranking, Parque Arauco's Chile and Colombia divisions are combined. Thus, the results reflect realities in both countries.

In 2016, we came in at number 35 on the Chilean ranking of the best places to work, up four spots from 2015 (39).

The Peru Division is surveyed independently using the same Great Place to Work methodology. We placed 16<sup>th</sup> among the best places to work in Peru in 2016. We earned 11<sup>th</sup> place in 2015. Our goal is to continue striving to be one of the best companies on the Peruvian labor market.

# Promotion and Career Development

Internal promotion is one of the primary drivers of professional development at Parque Arauco. Any time there is a vacancy, we first consult internal profiles to determine whether there are candidates with the skills and experience necessary for the position. We do this to motivate and inspire employees to do their jobs well and offer internal career development.

After identifying potential internal candidates, an evaluation is performed to corroborate that the placement would be beneficial to the employee and the company.

**Thus, 25% of the search processes in 2016 were filled internally, developing the careers of approximately 47 employees in Chile, Peru and Colombia.**

Promotions	Men	Women	Total
Chile	16	13	29
Peru	7	9	16
Colombia	1	1	2
<b>Parque Arauco</b>	<b>24</b>	<b>23</b>	<b>47</b>

## PERFORMANCE EVALUATIONS

In order to offer opportunities that really contribute to our employees, we have performed annual 360° skill evaluations for the past several years. The methodology included comprehensive questionnaires for self-assessment as well as vertical and horizontal (peer- and supervisor-) feedback. This performance appraisal was based on our entire mission – vision – pillars – values – company competencies structure. Since we began revising these concepts in 2016, we did not conduct the skill evaluation. A new methodology aligned with our new conceptual structure is currently under development.

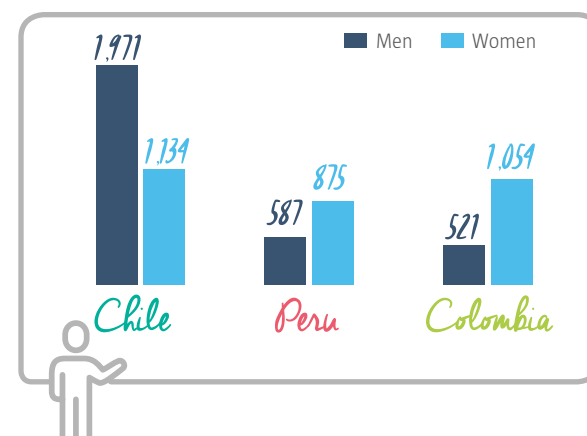
As a result, a new methodology that reflects new trends has been developed. Through it, we seek to assess both skills and performance via the concept of contributing to the organization. All Parque Arauco personnel will be appraised as a function of their contribution to the organizational objectives, using the values considered essential to our performance (which we currently being reassessed).

## TRAINING

In our internal process for surveying training needs, areas take responsibility for updating and developing their team. Each has an assigned training budget, which may be used for courses and education as well as team attendance at relevant conferences and seminars that encourage and optimize their development.

In 2016, our employees received an average of 11 hours of training each<sup>33</sup>, down slightly from the prior year's 12 hours. However, the number of employees benefiting from training increased from 130 in 2015 to 390 in 2016.

## TRAINING HOURS



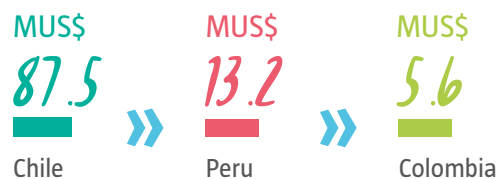
33. Inversiones Panamericana S.A. was not included in the 2016 training log.



Furthermore, in 2016, investment in training grew 38.2%, from Ch\$76.9 million in 2015 to Ch\$106.3 million in 2016.

Investment in training by country was broken down as follows:

#### TRAINING INVESTMENTS, BY COUNTRY



#### GROWTH AND TRAINING INITIATIVES INCLUDED:

**1) Specific Training on Professional Skills:** These initiatives aim to continue building the professional profile of the employee. They include English classes at our offices and updates on specific IT tools, both of which are fully funded by the company.

**2) Financial Aid:** Each year, employees that have been with Parque Arauco for at least one year may apply for financial aid for university or technical studies. These scholarships are conditioned upon academic excellence.

Financial aid is also available to our employees' children who earn good grades at the elementary, secondary and university levels.

Between 2015 and 2016, 30 employees have benefited from financial aid offered by Parque Arauco, while 48 of their children have received economic support for elementary, secondary and higher education.

Number of Beneficiaries of Scholarship Financial Aid	2015		2016	
	Employees	Children of Employees	Employees	Children of Employees
Chile	4	10	4	6
Peru	n/a	n/a	2	9
Colombia	8	10	12	13



## Recognizing Excellence in Peru

In 2016, the Academic Excellence Award program, which had already been implemented in Chile and Colombia, was expanded to Peru.

The program rewards employees who stand out and earn good grades while studying at universities or technical institutions.

Benefits can also be extended to the children of employees in elementary, secondary, technical institutions and universities. These students are eligible for a scholarship at each grade level:



### FOR EMPLOYEES:

- S/4,500 for academic excellence in a university degree program (one-time payment)  
Requirements: Grade of 15 or higher on the first semester report card
- S/2,200 for academic excellence in a technical degree program (one-time payment)



### FOR EMPLOYEES' CHILDREN:

- Three awards of S/650 for academic excellence in elementary school  
Requirement: Grade of 16 or higher on the first semester report card
- Three awards of S/1,200 for academic excellence in secondary school  
Requirement: Grade of 16 or higher on the first semester report card
- Three awards of S/1,800 for academic excellence in university degree programs  
Requirement: Grade of 15 or higher on the first semester report card



## Workshop on the Importance of Quality Service

In 2016, 100% of the personnel from our Regional Service Center took part in the Service Quality Workshop. This included 46 employees from the following areas:

- Customer and contract management
- Supplier management
- Financial process and treasury management
- Information technology

An external company offered this 12-hour workshop, which took place in two off-premise sessions featuring fundamental theoretical and practical training as well as group and individual tasks.

This workshop reinforced our principle of excellence not as something that occurs occasionally, but rather something that defines us and is present in everything we do.

# The Benefits of Working at Parque Arauco

We offer a series of benefits that aim to maximize wellbeing and quality of life for the people on our team:



Meal and transportation stipends



Bonus for the birth of a child



A celebration and recreation program that includes:

- Celebrating birthdays with a gift and an afternoon off
- Intranet contests with fun prizes
- End-of-year party
- Celebrating work team accomplishments with a lunch or dinner
- On Fun Friday Parque Arauco puts on a special event just for the sake of having a good time



National holiday bonuses



Annual performance bonus that is tied entirely to the corresponding division's or company's results



Christmas bonus and additional stipend for children



Child care bonus

(Available when the employee chooses not to use the child care center where Parque Arauco has a corporate contract that covers 100% of the monthly fee.)



The Take Care of Ourselves program (*Cuidémonos*) aims to provide employee health care benefits and special offers. Benefits include:

- Full or partial coverage of premiums for group health, dental, life and catastrophic insurance.
- Preventative medical and eye check-ups.
- Special agreements and discounts with health centers, optical stores, pharmacies and gyms. (These vary by country.)
- Fruit and healthy snack baskets: Twice a week, we provide employees with fresh fruit during the workday. They also have access to vending machines.
- Fitness activities vary by country, but include yoga classes, walks, bicycle rides, soccer tournaments and others.



Vacation bonus



Allowances for death of an employee



Subsidy for March expenses



Allowances for death of a spouse or child



Marriage bonus

The expense related to these voluntary initiatives increased significantly (24%) compared to 2015. These funds were used primarily to aid and benefit employees.

# Health and Wellbeing of Our Employees

We are concerned about our employees' health, as such we dedicate effort to prevention, wellbeing and self-care.

In 2015 and 2016, 100% of our workers returned to work after maternity leave. Furthermore, there were no fatal or serious accidents involving our employees in 2015 and 2016.

On the other hand, In accordance with the labor and safety legislation in each country where we operate, 100% of our employees are covered by health and safety committees.



## Chile



**We are in full compliance with legislation with three Joint Committees on Workplace Safety that serve 100% of our workforce.**

## Peru



**Eighteen people representing different shopping centers and operations participate on the Health and Safety Committee that serves our entire workforce.**

## Colombia



**A total of seven people serve on the workplace relations committees based in Bogotá, Bucaramanga and Pereira, which serve the entire division. This figure includes COPASS (Joint Committee on Safety and Health in the Workplace) in Bogotá and a representative that performs COPASS functions in the other cities.**

Twenty percent of Parque Arauco employees in Chile are members of the union. There are no unionized groups in Colombia or Peru, but that is in full compliance with the law.



[ 09. ]

# Closing Remarks and GRI Table

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22.00 hrs.



G4-28  
G4-29  
G4-30  
G4-31

## REPORT FEATURES

Parque Arauco's second Sustainability Report complements our Annual Report and lends continuity to our first Sustainability Report, published in 2015. This report contains information for the period between January 1 and December 31, 2016, including a summary of our strategy and priorities as well as our performance regarding the economic, social and environmental matters that are most relevant to our business.

The information presented herein is based on the Global Reporting Initiative's G4 standard Core option, with an annual reporting period.

The Corporate Sustainability Area was responsible for producing this report in close collaboration with the company's different corporate areas and country divisions. External assurance was provided by PricewaterhouseCoopers (PwC).

The indicators that include monetary figures were calculated using the 2016 average exchange rates listed below:

<b>676.74</b>	<b>3.36</b>	<b>3,051.98</b>
Ch\$/USD	PEN/USD	COP/USD

## Contact and Feedback

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(A free translation from the original prepared in Spanish)

Santiago, April 5<sup>th</sup>, 2017

Messrs. Shareholders and Directors  
Parque Arauco S.A.

### **Independent Professionals Report**

We have reviewed the 2016 Sustainability Report of Parque Arauco S.A. for the year ended December 31, 2016. Parque Arauco S.A. management is responsible for the 2016 Sustainability Report.

Our review was performed in accordance with the attestation work standards established by the Chilean Institute of Public Accountants. A review is substantially less in scope than an exam, the objective of which is the expression of an opinion regarding the 2016 Sustainability Report. Consequently, we do not express such an opinion.

Within the scope of our work we reviewed the adequacy and implementation of the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI G4).

In addition, we performed the following procedures:

- work planning according to relevance and volume of the information presented in the 2016 Sustainability Report draft;
- understanding of the materiality process conducted by Parque Arauco S.A., the material aspects identified, management approaches and selected indicators, in accordance with the "core" option under the GRI G4;
- interviews with different company executives responsible for the information in the 2016 Sustainability Report;
- verification, based on selected testing, that the data included in the 2016 Sustainability Report is consistent with the documentary evidence reviewed and/or comes from verifiable supporting information sources;
- verification that the financial information included in the 2016 Sustainability Report is derived from accounting records or from audited financial statements as of December 31, 2016, audited by another firm of independent auditors.

The verified and the unverified indicators are detailed on pages 108 to 111 of the 2016 Sustainability Report.

Based on our review, we have no knowledge that the 2016 Sustainability Report of Parque Arauco S.A., for the year finalized as of December 31, 2016, is not presented in all its material aspects, in accordance with the "core" option of the sustainability reporting guidelines G4 of the Global Reporting Initiative.

Colin Becker

# GRI Index

## GENERAL STANDARD DISCLOSURES

Indicator No.	Description	Page or Link	External Assurance
<b>STRATEGY AND ANALYSIS</b>			
<b>G4-1</b>	Statement from the most senior decision-maker of the organization.	4	✓
<b>G4-2</b>	Description of organization's key impacts, risks, and opportunities.	46, 47, 48	✓
<b>ORGANIZATIONAL PROFILE</b>			
<b>G4-3</b>	Name of the organization	8	✓
<b>G4-4</b>	Primary brands, products, and services.	8	✓
<b>G4-5</b>	Location of the organization's headquarters.	8	✓
<b>G4-6</b>	Countries where the organization operates.	8, 9, 10	✓
<b>G4-7</b>	Nature of ownership and legal form.	14, 34	✓
<b>G4-8</b>	Markets served.	8, 9, 10, 11, 12	✓
<b>G4-9</b>	Scale of the reporting organization.	8, 9, 10, 11, 12, 13	✓
<b>G4-10</b>	Break down of the organization's employees.	93, 94	✓
<b>G4-11</b>	Percentage of total employees covered by collective bargaining agreements.	104	✓
<b>G4-12</b>	Description of the organization's supply chain.	44, 45, 46	✓
<b>G4-13</b>	Any significant changes during the reporting period (size, structure, ownership).	15	✓
<b>G4-14</b>	Whether and how the precautionary approach or principle is addressed by the organization.	46, 47, 48	✓
<b>G4-15</b>	List of sustainability charters, principles or initiatives to which the organization subscribes.	31, 32	✓
<b>G4-16</b>	List of memberships in associations and national or international organizations to which the organization belongs.	31, 32	✓
<b>MATERIAL ASPECTS AND BOUNDARIES</b>			
<b>G4-17</b>	List of entities included in the organization's consolidated financial statements.	Financial Reports	✓
<b>G4-18</b>	Explanation of the process for defining report content and the Aspect Boundaries.	29, 30	✓
<b>G4-19</b>	List of all the material aspects.	29	✓
<b>G4-20</b>	Whether the aspect is material within the organization.	29, 30	✓
<b>G4-21</b>	For each material aspect, report the aspect boundary outside the organization.	29, 30	✓

<b>G4-22</b>	Effect of any restatements of information provided in previous reports.	76, 77, 78, 84, 85, 87, 88, 89	✓
<b>G4-23</b>	Significant changes from previous reporting periods in the scope and aspect boundaries.	76, 77, 78, 84, 85, 87, 88, 89	✓
<b>STAKEHOLDER ENGAGEMENT</b>			
<b>G4-24</b>	List of stakeholder groups engaged by the organization.	25	✓
<b>G4-25</b>	Basis for selection of stakeholders with whom to engage.	25	✓
<b>G4-26</b>	Organization's approach to stakeholder engagement.	25	✓
<b>G4-27</b>	Key topics and concerns that have been raised through stakeholder engagement.	27	✓
<b>REPORT PROFILE</b>			
<b>G4-28</b>	Reporting period.	106	✓
<b>G4-29</b>	Date of most recent previous report.	106	✓
<b>G4-30</b>	Reporting cycle (annual or biennial)	106	✓
<b>G4-31</b>	Contact point for questions regarding the report or its contents.	106	✓
<b>G4-32</b>	GRI Content Index	108, 109, 110, 111	✓
<b>G4-33</b>	External assurance for the report	107	✓
<b>CORPORATE GOVERNANCE</b>			
<b>G4-34</b>	Governance structure of the organization, including committees of the highest governance body.	34, 37, 39	✓
<b>G4-36</b>	Executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	38	✓
<b>G4-38</b>	Composition of the highest governance body and its committees.	34, 35, 36	✓
<b>G4-39</b>	Whether the Chair of the highest governance body is also an executive officer.	34	✓
<b>G4-41</b>	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	34, 36	✓
<b>G4-43</b>	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	39	✓
<b>G4-47</b>	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	39	✓
<b>G4-51</b>	Remuneration policies for the highest governance body and senior executives.	35	✓
<b>ETHICS AND INTEGRITY</b>			
<b>G4-56</b>	Description of the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	7, 40	✓

## SPECIFIC STANDARD DISCLOSURES

Aspect	Indicator	Description	Page or Link	External Assurance
<b>CATEGORY: ECONOMIC</b>				
<b>Economic performance</b>	<b>Management approach.</b>		11, 12, 13	✓
<b>Economic performance</b>	<b>G4-EC1</b>	Direct economic value generated and distributed.	11, 12, 13, 63	✓
<b>Economic performance</b>	<b>G4-EC4</b>	Financial assistance received from government.	Parque Arauco does not receive any type of economic support from government entities.	✓
<b>Procurement practices</b>	<b>G4-EC9</b>	Proportion of spending on local suppliers.	79, 80, 81, 82	✓
<b>CATEGORY: THE ENVIRONMENT</b>				
<b>Materials</b>	<b>Management approach.</b>		79, 80, 81, 82	✓
<b>Materials</b>	<b>G4-EN2</b>	Percentage of materials used that are recycled.	79, 80, 81, 82	✓
<b>Energy</b>	<b>Management approach.</b>		86, 87, 88	✓
<b>Energy</b>	<b>G4-EN3</b>	Energy consumption within the organization.	86, 87, 88	✓
<b>Energy</b>	<b>G4-EN5</b>	Energy Intensity	88	✓
<b>Water</b>	<b>Management approach.</b>		89	✓
<b>Water</b>	<b>G4-EN8</b>	Total water withdrawal by source.	89	✓
<b>Water</b>	<b>G4-EN10</b>	Percentage and total volume of water recycled and reused.	89	✓
<b>Biodiversity</b>	<b>Management approach.</b>		92	✓
<b>Biodiversity</b>	<b>G4-EN11</b>	Operational sites owned, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	92	✓
<b>Emissions</b>	<b>Management approach.</b>		84, 85	✓
<b>Emissions</b>	<b>G4-EN15</b>	Total direct greenhouse gas emissions by weight. (Scope 1)	84, 85	✓
<b>Emissions</b>	<b>G4-EN16</b>	Total emissions, indirect greenhouse gas emissions by weight. (Scope 2)	84, 85	✓
<b>Emissions</b>	<b>G4-EN18</b>	Greenhouse gas emissions intensity.	84, 86	✓
<b>Effluents and waste</b>	<b>Management approach.</b>		90, 91	✓
<b>Effluents and waste</b>	<b>G4-EN23</b>	Total weight of waste by type and disposal method.	90, 91	✓
<b>Compliance</b>	<b>Management approach.</b>		No significant fines or sanctions were assessed upon our operations for regulatory violations.	✓
<b>Compliance</b>	<b>G4-EN29</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		✓
<b>Supplier environmental assessment</b>	<b>Management approach.</b>		70, 73, 74	✓
<b>Supplier environmental assessment</b>	<b>G4-EN32</b>	Percentage of new suppliers that were screened using environmental criteria.	70, 73, 74	✓

CATEGORY: SOCIAL PERFORMANCE				
Subcategory: Labor Practices and Decent Work				
Employment	Management approach.		95, 96, 97	✓
Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region (location).	95, 96, 97	✓
Employment	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	103	✓
Employment	G4-LA3	Return to work and retention rates after parental leave, by gender.	104	✓
Occupational health and safety	Management approach.		104	✓
Occupational health and safety	G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees for management and employees	104	✓
Training and education	Management approach.		100, 101, 102	✓
Training and education	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	100, 101, 102	✓
Training and education	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	100	✓
Diversity and equal opportunity	Management approach.		35	✓
Diversity and equal opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	35	✓
Equal remuneration for women and men	Management approach.		98	✓
Equal remuneration for women and men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	98	✓
Supplier assessment for labor practices	Management approach.		70, 73, 74	✓
Supplier assessment for labor practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	70, 73, 74	✓
Labor practices grievance mechanisms	Management approach.		43	✓
Labor practices grievance mechanisms	G4-LA16	Number of grievances filed, addressed, and resolved through formal grievance mechanisms.	43	✓
Subcategory: Society				
Supplier assessment for impacts on society	Management approach.		71, 72, 73, 74	✓
Supplier assessment for impacts on society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	71, 72, 73, 74	✓
Product and service labeling	Management approach.		27	✓
Product and service labeling	G4-PR5	Results of surveys measuring customer satisfaction.	27	✓
PARQUE ARAUCO'S OWN INTERNALLY-DEVELOPED INDICATORS				
Social inclusion	PA-IS01	Describe social inclusion initiatives.	60, 61	✓