

	<p><b>arauco</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>1 to 11</p>
---	--	--	-----------------------------------

## **FINANCIAL CRIME PREVENTION POLICY**

### **I. OBJECTIVE**

The overall objective of the Financial Crime Prevention Policy for Arauco Wood Products, Inc., Arauco Panels USA LLC, Flakeboard Company Limited and Flakeboard America Limited, (hereinafter Arauco North America) is to convey to all officers and employees of Arauco North America, an unambiguous message of opposition to the commission of any criminal act and the desire of the Company to combat them.

This Financial Crime Prevention Policy demonstrates the Company's commitment to unwavering vigilance to prevent the commission of crimes, and to develop a corporate culture of ethics and honesty.

### **II. SCOPE**

This policy is approved and administered by the Board of each company of Arauco North America and the Financial Crime Prevention Model, hereinafter FCPM, established herein, shall apply to all companies doing business as Arauco North America.

The scope of the FCPM includes shareholders, executives, managers, representatives or those who carry out management and supervision activities in Arauco North America, as well as individuals under the direction or supervision of the aforementioned persons.

### **III. GENERAL RULES OF THE FINANCIAL CRIME PREVENTION MODEL (FCPM)**

All executives and employees of Arauco North America must comply with the laws and regulations in force in the countries in which we operate. In particular, it is expressly prohibited to facilitate money laundering, finance terrorist activities, violate trade sanctions, or tolerate any form of corruption, including fraud, bribery (domestic or foreign) or the receipt of illegally obtained goods.

- 1) Arauco North America shall ensure compliance with its duty of direction and supervision through the proper operation of the FCPM, whereby they shall promote the prevention of the commission of the crimes of money laundering<sup>1</sup>, financing of terrorism,<sup>2</sup> fraud<sup>3</sup>,

---

<sup>1</sup> **Money Laundering:** Money laundering is the process by which criminals attempt to conceal the illicit origin and ownership of the proceeds of their unlawful activities. By means of money laundering, criminals attempt to

	<p><b>ARAUCO</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>2 to 11</p>
---	--	--	-----------------------------------

transform the proceeds from their crimes into funds of an apparently legal origin. The *Money Laundering Control Act of 1986* was designed to achieve the four objectives below:

1. To establish money laundering as a prosecutable federal offense
2. To mandate civil and criminal penalties for violating the *Bank Secrecy Act of 1970*
3. To prohibit the ability of consumers who structure transactions that are met to evade currency transaction report filings
4. To require banks and financial institutions to develop and maintain Bank Secrecy Act procedures, recordings and compliance policies.

In Canada, the objective of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* is:

- (a) To implement specific measures to detect and deter money laundering and the financing of terrorist activities and to facilitate the investigation and prosecution of money laundering offenses and terrorist activity financing offenses
- (b) To respond to the threat posed by organized crime by providing law enforcement officials with the information they need to deprive criminals of the proceeds of their criminal activities, while ensuring that appropriate safeguards are put in place to protect the privacy of persons with respect to personal information about themselves
- (c) To assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering, and the fight against terrorist activity; and
- (d) To enhance Canada's capacity to take targeted measures to protect its financial system and to facilitate Canada's efforts to mitigate the risk that its financial system could be used as a vehicle for money laundering and the financing of terrorist activities.

<sup>2</sup> **Terrorist Financing:** Terrorist financing refers to activities that provide financing or financial support to individual terrorists or terrorist groups. The U.S. Code of Federal Regulations defines terrorism as "the unlawful use of force and violence against persons or property to intimidate or coerce a government, the civilian population, or any segment thereof, in furtherance of political or social objectives.

Officially known as the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, the "USA Patriot Act" is intended to help government agencies detect and prevent possible acts of terrorism, or sponsorship of terrorist groups. While parts of the *USA Patriot Act* expired on June 1, 2015, the *USA Freedom Act* was passed into law the next day, which renewed the expired parts until 2019.

<sup>3</sup> **Fraud:** Fraud is the deliberate deception to secure unfair or unlawful gain, or to deprive a victim of a legal right. Fraud itself can be a civil wrong, a criminal wrong, or it may cause no loss of money, property or legal right but still be an element of another civil or criminal wrong. The purpose of fraud may be monetary gain or other benefits.

Regulations regarding fraud are defined in *US Code Title 18, Chapter 47*.

Canada Section 380(1) of the Criminal Code provides the general definition for fraud in Canada. Under this section, everyone who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretense, defrauds the public or any person of any property, money or valuable security or any service,

- (a) is guilty of an indictable offense and liable to a term of imprisonment not exceeding fourteen years, where the subject-matter of the offense is a testamentary instrument or the value of the subject-matter of the offense exceeds five thousand dollars; or
- (b) is guilty:

	<p><b>ARAUCO</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>3 to 11</p>
---	--	--	-----------------------------------

bribery<sup>4</sup> (domestic or foreign), sanction<sup>5</sup> violations, as well as the receipt of illegally obtained goods<sup>6</sup>.

---

(i) of an indictable offense and is liable to imprisonment for a term not exceeding two years, or  
(ii) of an offense punishable on summary conviction, where the value of the subject-matter of the offense does not exceed five thousand dollars.

<sup>4</sup> **Bribery:** Under this policy, “bribe” means, directly or indirectly, offering, giving or receiving money, gifts or anything of value to influence someone to do something that is improper, in violation of his or her duty or illegal, or to secure an improper advantage.

- Improper payments includes bribes, kickbacks, excessive gifts or entertainment, or anything of value improperly offered, given or received
- Anything of value means any form of benefit, and includes, but is not limited to, cash, gifts, entertainment, donations, services or discounts

In the United States, the *Foreign Corrupt Practices Act (FCPA)*:

- 1) prohibits individuals and businesses from bribing foreign government officials in order to obtain or retain business
- 2) imposes certain record keeping and internal control requirements, and
- 3) prohibits individuals and companies from knowingly falsifying books and records or circumventing or failing to implement a system of internal controls.

The *Corruption of Foreign Public Officials Act (CFPOA)* is the Canadian legislation implementing its obligations under the UN Convention against Corruption. The *CFPOA* makes it a criminal offense for persons or companies to bribe foreign public officials to obtain or retain a business advantage.

Under the *CFPOA* bribery provision, a person commits an offense if he/she, in order to obtain or retain an advantage, gives, offers or agrees to give or offer a benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official (a) as consideration for an act by the official in connection with the official’s duties, or (b) to induce the official to use their position to influence any acts of the foreign state or public international organization.

The *CFPOA* applies to bribery of foreign public officials when the offense is committed in whole or in part within Canada. Its provisions also apply to offenses committed outside Canada by a Canadian citizen, permanent resident, or an entity organized under Canadian law.

The *UK Bribery Act 2010* is in some respects similar to the *FCPA*. There are, however, three crucial differences:

- 1) In contrast to the *FCPA* which applies only to the corruption of foreign officials, the *Bribery Act* includes bribes offered or given to any person.
- 2) Although the *Bribery Act* contains a stand-alone offense of bribery of a foreign public official, this offense does not require a corrupt intent on the part of the briber. An offense of bribing a foreign public official is committed under the *Bribery Act* by a person if (i) he intends to influence the foreign public official in his capacity as such, and (ii) he intends to obtain or retain business or an advantage in the conduct of business, and (iii) the payment/advantage is not permitted or required by the written law applicable to the foreign public official.
- 3) It is an offense under the *Bribery Act* to request, to agree to receive, or to accept a bribe. The *FCPA*, on the other hand, applies only to persons giving or offering a bribe and not to those accepting one.

<sup>5</sup> **Sanctions:** Sanctions are penalties or other means of enforcement used to provide incentives for obedience with the law, or with rules and regulations.

	<p><b>ARAUCO</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>4 to 11</p>
---	--	--	-----------------------------------

- 2) The Chief Compliance Officer (hereinafter CCO) of Arauco North America shall serve as liaison between the Crime Prevention Officer (hereinafter CPO) of Celulosa Arauco y Constitución S.A. and Arauco North America and its boards.

The boards of Arauco North America, along with the CCO and the Crime Prevention Officer of Celulosa Arauco y Constitución S.A., shall administrate the Financial Crime Prevention Policy in North America.

---

The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

<sup>6</sup> **Receipt of Illegally Obtained Goods:** In the United States, receipt of stolen property is a federal crime under *18 USC §2315*, defined as knowingly receiving, concealing, or disposing of stolen property with a value of at least \$5,000 that also constitutes interstate commerce (transported across state lines).

A person can be found guilty of that offense only if all of the following facts are proven:

- The person received or concealed or stored or disposed of items of stolen property
- The items were moving as, or constituted a part of, interstate commerce
- The items had a value in excess of \$5,000
- The person acted knowingly and willfully

All US states also have laws regarding receipt of stolen property, however, there usually is no minimum dollar amount in many jurisdictions, and the requirement in Federal law regarding interstate commerce does not apply. Also, in many states, the burden to prove criminal intent is not as stringent or is nonexistent. This means that one can be charged with the crime, usually a minor degree of felony, even if the person did not know the item in question was stolen.

The *Criminal Code of Canada* covers three offenses:

- 1) Possession of property obtained by crime
- 2) Trafficking in property obtained by crime
- 3) Possession of property obtained by crime for the purposes of trafficking

The basic definition for the possession offense (which is almost identical in wording for the trafficking offenses) is as follows: Every one commits an offense who has in his possession any property or thing or any proceeds of any property or thing knowing that all or part of the property or thing or of the proceeds was obtained by or derived directly or indirectly from:

- (a) the commission in Canada of an offense punishable by indictment; or
- (b) an act or omission anywhere that, if it had occurred in Canada, would have constituted an offense punishable by indictment.

	<p><b>ARAUCO</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>5 to 11</p>
---	--	--	-----------------------------------

- 3) The FCPM establishes control practices and activities in the Company's business development, promoting an environment of prevention and detection of risks of the crimes included in this policy.
- 4) Arauco North America shall make all efforts to ensure compliance with all laws, rules and procedures, particularly those relating to money laundering, terrorist financing, fraud, sanctions, bribery and the receipt of illicit goods.
- 5) The FCPM shall be reviewed by the CCO annually, or when relevant changes in business conditions occur.
- 6) The FCPM shall be communicated to all employees of Arauco North America. Employees of the organization have an obligation to:
  - a. Ensure compliance with the law, internal regulations and other company policies and procedures, and
  - b. Comply with this Financial Crime Prevention Policy.

Employees who fail to adhere to this policy may be subject to disciplinary action, up to and including termination.
- 7) Arauco North America should comply with the Financial Crime Prevention Policy.
- 8) Powers of the Chief Compliance Officer (CCO):
  - a) The CCO, in the execution of his/her duties, shall have autonomy with respect to the administration of the legal entity, its owners, partners, shareholders and controllers.
  - b) In the performance of his/her job, the CCO shall report directly to the CPO of Celulosa Arauco y Constitución S.A. and deliver to the CPO every six months, and annually to the Boards of Arauco North America, a report on the status of various activities related to the implementation and effective operation of the FCPM during the respective period. If the CCO becomes aware of any situation that could be characterized as a crime, he/she must notify the CPO and the Boards in a timely manner so that appropriate measures may be taken. Also, the CCO and/or the Boards shall suggest to the CPO the measures that it deems necessary or appropriate to prevent such situations.
  - c) The administration of the legal entity shall provide the CCO with sufficient means and powers to perform his/her functions, which implies that the CCO shall have an annual budget provided by the President, that he/she may engage external consultants that he/she deems necessary to fulfill his/her mission, and may request

	<b>ARAUCO</b> Arauco North America Financial Crime Prevention Policy	<b>Date</b> December 1, 2017	<b>Page</b> 6 to 11
---	---	---------------------------------	------------------------

that the President increase the budget in extraordinary and founded cases. Arauco North America will provide the CCO with the material resources necessary for the performance of his/her duties. With these resources, the CCO must render an annual accounting to the Boards.

- d) The CCO has direct and unrestricted access to all areas of the organization, in order to perform or coordinate the execution of the following activities:
- i. Make specific investigations.
  - ii. Facilitate the monitoring of the crime prevention system.
  - iii. Request and review information for the execution of his/her duties.

	<p><b>arauco</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>7 to 11</p>
---	--	--	-----------------------------------

## **ROLES AND RESPONSIBILITIES**

### **1) Board of Directors of Arauco North America**

- a) Endorse the designation of the Chief Compliance Officer for a renewable term of 3 years.
- b) Approve the policies that establish the general norms and the Financial Crime Prevention Model.
- c) In conjunction with the Chief Compliance Officer, administrate the Financial Crime Prevention Model.
- d) Provide the necessary and reasonable means and resources for the Chief Compliance Officer to fulfill his/her roles and responsibilities related to the Financial Crime Prevention Policy.
- e) Evaluate annually the administration and effective operation of the Financial Crime Prevention Model.
- f) Upon detection of any criminal act included in this Financial Crime Prevention Policy, the Boards shall determine and take such measures as it deems necessary and appropriate, and shall ensure the implementation of effective measures to prevent a recurrence of same act.
- g) Replace the Chief Compliance Officer, as directed by the CPO.

### **2) Chief Compliance Officer (CCO)**

- a) Exercise the role of CCO according to the appointment of this position by the Crime Prevention Officer of Celulosa Arauco y Constitución S.A.
- b) In accordance with rules established by the Crime Prevention Officer, ensure the proper establishment and operation of the FCPM developed and implemented for Arauco North America.
- c) Inform the Crime Prevention Officer of Celulosa Arauco and Constitución S.A. on a semiannual basis, and the Boards of Arauco North America annually, on the status of the FCPM and on matters within its competence.

	<p><b>ARAUCO</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>8 to 11</p>
---	--	--	-----------------------------------

- d) Carry out the activities entrusted to him/her by the Crime Prevention Officer in relation to matters within his/her competence.
- e) Establish and comply with the Policy and FCPM, and make suggestions to the Crime Prevention Officer and/or to the Boards to develop and implement any other policies and/or procedures that it deems necessary to supplement and provide support and effectiveness to the existing FCPM.
- f) Ensure the updating of the Policy and the FCPM, in accordance with the regulatory changes and changes in the business environment of the entity.
- g) Identify and analyze risks. This process will be conducted at least annually or when relevant changes occur in applicable laws or in business conditions. This activity is reflected and documented in the crime risk and controls matrix<sup>7</sup> of Arauco North America.
- h) Supervise that the internal processes and activities of the company have effective controls to prevent the risk of crime and keep a record of compliance and enforcement of these controls.
- i) Seek the effectiveness of the adopted FCPM and its compliance with laws and other regulations, informing the Crime Prevention Officer and to the Boards of Arauco North America the necessity and advisability of its modification.
- j) Participate and supervise the training of employees in North America on the Policy, FCPM and the applicable laws.
- k) Document and safeguard evidence regarding the crime prevention activities.
- l) Provide extensive collaboration in the FCPM certification process, as appropriate.
- m) Follow the recommendations or instructions that emanate from the certification process or regulators.
- n) Ensure the dissemination and communication of the FCPM to Company employees and service providers, which will allow employees and suppliers to execute its tasks or duties in a way that prevents the commission of crimes. Also, it will be appropriate to

---

<sup>7</sup> **Crime risk and controls matrix:** The matrix documents the risks related to fraud, bribery, corruption, money laundering, financing of foreign terrorism and violation of trade sanctions, as well as controls necessary to mitigate such risk. It includes the monitoring activities that the Chief Compliance Officer carries out in order to supervise compliance with those controls.



	<p><b>ARAUCO</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>9 to 11</p>
---	--	--	-----------------------------------

suggest modifications to these internal rules that it considers pertinent to increase the prevention of the aforementioned crimes. For this task of communication and dissemination, the Chief Compliance Officer shall receive support from the Vice President of Human Resources, and the legal area. This dissemination and communication should cover the entire organization at least annually.

- o) Receive complaints from the fraud reporting channel<sup>8</sup> in conjunction with the Crime Prevention Officer of Celulosa Arauco and Constitución S.A.
- p) In the event of detection of an act that may be considered a crime included in this Policy, the Chief Compliance Officer must make a presentation to the Crime Prevention Officer, so that the latter may determine whether to include legal authorities. In cases where the CPO deems it necessary, it may request the assistance of the Ethics Committee of Celulosa Arauco and Constitución S.A. to prepare such presentation.
- q) Based on credible investigation reports, recommend the application of disciplinary measures to the Crime Prevention Officer.
- r) Participate, as appropriate, in the claims, complaints or judicial actions that the Company decides to undertake in relation to the crimes included in this Policy and provide all the records that the Company possesses or of which it has knowledge.
- s) Support the Crime Prevention Officer with the conduct of internal investigations regarding the Whistleblower Hotline.

Regarding this matter, the Crime Prevention Officer will have the following duties:

1. Receive the complaint and notify the President of Arauco North America and the CEO of Celulosa Arauco y Constitución S.A.
2. If after the internal investigation, the Crime Prevention Officer concludes that there are reasonable grounds to suspect that any of the financial crimes mentioned in this Policy have been committed, the CPO has the responsibility to notify the Board of Arauco North America who will decide whether the matter should be reported to the legal authorities.
3. Depending on the results of the investigation, the CPO may recommend the application of sanctions.

---

<sup>8</sup> **Fraud reporting channel:** Medium by which workers or third parties to the organization can make their complaints regarding apparent violations to codes, regulations, policies, procedures and other internal and external norms.

	<p><b>arauco</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>10 to 11</p>
---	--	--	------------------------------------

### 3) Management

- a) Support the Chief Compliance Officer, ensuring unrestricted access to information and people, as well as coordinating the activities of the FCPM in areas that are required to inform the Chief Compliance Officer of any observed situation related to non-compliance with this Policy and procedures related to the FCPM.
- b) Ensure compliance with the controls established in the Crimes Risk Matrix.
- c) Report emerging risks related to the crimes included in this Policy to the Chief Compliance Officer.

### 4) Internal Audit

The Crime Prevention Policy will be audited by the internal audit area of Celulosa Arauco and Constitución S.A., and it will have the following duties:

- a) Evaluate, through its activities, compliance with the controls established in the FCPM.
- b) Deliver all information required by the Chief Compliance Officer for the performance of his/her duties in relation to the operating performance of the FCPM.
- c) Report emerging risks related to the crimes included in this Policy to the Chief Compliance Officer.

### 5) Ethics Committee

- a) Support the CPO in the process of analyzing complaints that relate to the FCPM.
- b) Support the CPO in the process of deciding and designating those responsible for conducting investigations or other procedures, based on the evaluation of non-compliance with the FCPM and potential indicators of the commission of crimes.

	<p><b>arauco</b></p> <p>Arauco North America Financial Crime Prevention Policy</p>	<p><b>Date</b></p> <p>December 1, 2017</p>	<p><b>Page</b></p> <p>11 to 11</p>
---	--	--	------------------------------------

- c) Support the CPO in the process of recommending sanctions to the Board of Directors, the product of investigation<sup>9</sup> reports submitted by the complaints received.
- d) Upon detection of an act that may be legally defined as a crime, the Ethics Committee, at the request of the CPO, must evaluate, together with the CPO, to define whether to report such claim to the legal authorities.

#### **6) All employees, consultants and contractors**

- a) Comply with the provisions of the FCPM, as applicable to them.
- b) Every employee of the Company shall have the responsibility to immediately report that he or she has become aware of any act constituting, or may constitute, one of the crimes mentioned in this Policy. The respective complaint shall contain all the information needed to launch an investigation into the facts denounced<sup>10</sup>.
- c) Inform, by means of the defined channels, the facts that may violate the law and/or the instructions contained in this document.
- d) Report to the Chief Compliance Officer, the emergence of new risks related to the crimes included in this Policy.

### **IV. FINAL PROVISIONS**

Arauco North America must comply with the laws and regulations in the United States and Canada, as well as other countries where we conduct business. In particular, it is expressly prohibited to facilitate money laundering, finance terrorist activities, violate trade sanctions, or tolerate any form of corruption, including fraud, bribery, or the receipt of illegally obtained goods.

---

<sup>9</sup> **Investigation:** Corresponds to the efforts made by the Crime Prevention Officer, in conjunction with the administration of Celulosa Arauco and Constitución S.A.

<sup>10</sup> For more information regarding the complaint procedures, consult the "Fraud Reporting Procedures of Celulosa Arauco and Constitución S.A." located on the Company website.