

MASISA

Corporate Policy

Sustainable Development

INDEX

1.	INTRODUCTION.....	3
1.1.	Purpose.....	3
1.2.	Scope	3
1.3.	Definitions	3
2.	POLICY DESCRIPTION.....	4
2.1.	Vision, Values and Business Principles Declaration	4
2.2.	Leadership Route.....	5
2.3.	Consistency across MASISA departments	6
1.	RESPONSIBLE FOR ITS IMPLEMENTATION AND FOLLOW-UP	7
2.	VALIDATION.....	7
3.	CHANGE CONTROL.....	7
4.	RELATED DOCUMENTS.....	7

1. INTRODUCTION

1.1. Purpose

To guarantee sustainable development in all the investments made by the Company and for its stakeholders, based on the Triple Bottom Line theory, the principles of the 2030 Agenda for Sustainable Development and the IFC Environmental and Social Performance Standards.

1.2. Scope

Applies to all the companies and/or investments controlled by MASISA, whereby the Company holds a majority stake or is in entirely responsible for the management of the business.

1.3. Definitions

- **Sustainable development:** development that meets the needs of present generations without compromising the possibilities of future generations (Principle 3, United Nations Rio Declaration of 1992), guaranteeing equilibrium between economy, environment and social welfare.
- **Triple Bottom Line:** a theory that seeks, comprehensively and simultaneously, to maximize financial, social and environmental performance. The actions carried out in the environmental and social spheres aim to generate economic value and sustainability for the company's business in the short, medium and long term, in accordance with the business principles and framework of action of the company. All this is reflected in the Sustainability Strategy that is proposed by the Sustainable Development Council and approved by the Company's Board of Directors.
- **2030 Agenda for Sustainable Development:** it is a civilizing agenda that places dignity and equality at the center. Approved in September 2015 by the United Nations General Assembly, it establishes a transformative vision towards economic, social and environmental sustainability and considers 17 Sustainable Development goals.
- **IFC Environmental and Social Performance Standards:** It refers to certain commitments, duties, and responsibilities regarding environmental and social sustainability issues. The Performance Standards are guidelines for the IFC's clients to identify, prevent, mitigate and manage social and environmental risks.
- **Social license:** the Company's business acceptance by the interested public or "stakeholders" (shareholders, employees, clients, contractors and suppliers, neighboring communities, civil society, government, universities, among others). This license is achieved by a transparent and continuous communication and relationship with different stakeholders affected both in a negative or positive way by the company's business. This requires participation, dialogue and consultation that allow us to identify, understand and provide responses to perceptions and expectations, as well as to establish relations of mutual benefit and achievement of goals.
- **Stakeholders:** people or organizations that are affected by the operation of the company, positively or negatively, and that exert some influence on it (R. Edward Freeman, 1984).

- **ASG Criteria (environmental, social and corporate governance):** sustainability Scorecard (SSC) developed by Grupo Nueva and inspired by the Kaplan and Norton Balanced Scorecard, which incorporates, in addition to the usual dimensions, the social and environmental dimensions that are a guiding tool to define and measure the Triple Bottom Line goals. Its indicators, together with the environmental and social governance indicators, constitute key elements for monitoring and reporting MASISA's Sustainability Strategy to the Company's governance bodies.

2. POLICY DESCRIPTION

- MASISA is committed to managing its business in a sustainable manner, seeking to maximize the financial, social and environmental results of its operations. To do this, it incorporates social and environmental variables as an integral part of its business strategy, through ESG criteria (environmental, social and corporate governance) in its governance indicators, operating through the Triple Bottom Line theory. In this context, social responsibility (through community relations) is understood as a responsible, transparent and ethical interaction with our neighboring communities and stakeholders. In no case should it be interpreted as philanthropy.
- The Company's sustainability policy and actions in relation to social and environmental matters are based on the 2030 Agenda for Sustainable Development and the IFC Environmental and Social Performance Standards, which seek to obtain a social license.
- MASISA's Sustainability Strategy is approved by the Board of Directors, which periodically receives a report on the implementation and evaluation of the strategy from the General Manager.
- There is a Sustainable Development Council led by the General Manager, made up of senior managers, who propose MASISA's medium and long-term Sustainability Strategy. It defines policies, programs and goals to ensure that MASISA achieves world-class social, environmental and health and safety management standards. Likewise, this Council identifies and reports emerging issues; and supports the executives of MASISA and its affiliates in meeting their goals. It also monitors compliance with the Company's commitments under the United Nations Global Compact Principles, the Sustainable Development Goals of the 2030 Agenda and the IFC Environmental and Social Performance Standards.
- The General Manager, the Operations Manager and the SMS and Community Relations Managers, define the environmental, social, and health and safety goals for the community. They are also in charge of the implementation of the necessary actions to achieve already defined goals, programs, projects and measures. Likewise, they propose in-house or external monitoring strategies and impact assessments.

2.1. Vision, Values and Business Principles Declaration

- MASISA's Vision and Values define the ethical, socially responsible and environmentally friendly business behavior of the Company, in the same way that it recognizes its stakeholders.
- The Business Principles Declaration translates this Vision and Values into guidelines for action. These include commitment to assessing financial return and new investments; corporate and individual conduct; relations with stakeholders; and issues related to health, safety and the environment.
- This Principles Declaration demonstrates MASISA's commitment to the United Nations Global Compact, the Sustainable Development Goals of the 2030 Agenda and the IFC Environmental and Social Performance Standards.
- The Vision, the Values and the Business Principles Declaration define the long-term vision of MASISA and the understanding of its role in society.

2.2. Leadership Route

MASISA's Sustainability Strategy must consider implementing three levels of management: Basic, Strategic and Development.

- **Basic level of management:** includes the management of impacts derived from the operation, which is a continuous work and is based on transparent and respectful dialogue with the stakeholders. It involves compliance with local legislation (legal license) and trust from the stakeholders (social license), but also seeks to achieve preventive management of risk and control operational impacts (environmental, social and economic) in the area of influence and in the value chain. This is managed mainly at the operational level. It seeks to generate a return in the short term, thus ensuring the sustainability of operations in the long term.
- **Strategic management level:** a strategy that offers business opportunities in the solution of environmental and/or social problems. It is with this level of management that companies develop market differentiation programs, based on their social and environmental performance, to carry out leadership actions. It is born from the participatory construction of a strategic sustainability agenda of MASISA – which is developed mainly in the Sustainable Development Council. This level generates a return in the medium term.
- **Development Management Level and Creation of Shared Value:** a step towards the vision of “there are no successful companies in failed societies”. It is the project of building common visions of local development with the stakeholders of the territory, in order to carry out all our work with a long-term vision towards a goal of common sustainable human development, which includes environmental, social and social security issues.

Here the company is one of many interested parties, not the central one, and its task is to facilitate, coordinate and support the process rather than direct it. This level generates a long-term return.

To implement these three levels of management, MASISA companies use:

- Integrated Management System SMS (health, environment and safety) that integrates health and safety management for the community, to avoid or minimize risks and impacts to the health and safety of the local community during the useful life of the project, derived from both usual and unusual circumstances, guaranteeing that the safeguarding of people and property is carried out legitimately, avoiding or minimizing the risks to the safety and physical integrity of the community.
- The SMS system is integrated into the Risk Management System and the Sustainability Scorecard.
- Social, environmental, health and safety management manuals are documents developed in consistency with management systems, which include corporate standards and measurement and reporting processes.
- The implementation of management systems and manuals pursue healthy, safe and clean operations, with positive environmental, social and economic impacts; international health and safety standards; and environmental management with financial value or “eco-efficiency”.
- Decisions that pursue healthy, safe and clean operations, with good social management and community relations, environmental management and health and safety management for the community, with positive impacts on the stakeholders that can be measured and reported.

- Responsible forest management certification is required for forestry operations, industrial chain of custody and controlled wood operations, as indicated by the FSC standards.
- Social Management and Community Relations, which seeks, through a transparent, responsible and constructive relationship with the stakeholders located in the territories where Masisa's operations are inserted, to obtain/maintain the social license and contribute to the development of the territory.
- MASISA understands the social responsibility of companies as the administration of the positive or negative effects of the company's operations on the stakeholders throughout its value chain. Once the company has established the appropriate processes to ensure its social license, it initiates leadership actions for offering new standards to the industry and/or society, which are at the strategic management, development and shared value creation levels.

2.3. Consistency across MASISA departments

The commitment to the integration community social, environmental, health and safety issues in decision-making requires crosscutting actions for all the Company's employees and executives. This requires that the following departments of the company implement the following.

- Corporate Governance: A governance strategy based on strict standards of business control, ethics and transparency, in order to create and preserve value for the company and its shareholders, customers, employees, the community and other stakeholders. All of the foregoing aligned with the Business Principles and the Sustainability Strategy.
- Legal: MASISA companies ensure compliance with the environmental, health and safety legislation of the countries where they operate, as well as the requirements of International Agreements or Treaties signed by such countries. On an annual basis, the Managers of each operation must send a personal communication to the General Manager certifying their verification of this compliance, as provided for in the MASISA Legal Department Policy.
- Risks and crisis management: Internal control system that ensures the identification and monitoring of social risks and environmental risks, in accordance with the Business Principles Declaration, both at the company and at the country's level. MASISA applies the Risk Management System (SAR) for this purpose.
- Corporate Communications: Adequate communications and crisis management process that considers environmental and social issues. For this, MASISA has a Communications Policy and a Crisis Management Manual.
- Finance: Generate greater profitability and increase the value of the company considering the ASG criteria (environmental, social and corporate governance issues) in decision-making. For this purpose, a control management system that integrates five dimensions is used: finances, customers; processes and technology, human resources; environment and society. Additionally, investments, new projects, joint ventures, alliances and other business decisions of the group's companies are managed, in a manner consistent with MASISA's strategy and principles.
- Human Resources: The performance evaluation of Masisa's employees, as well as the selection, induction, training and culture construction processes, are consistent with the Triple Bottom Line theory. Our Business Principles are aligned with the United Nations Global Compact Principles and the Sustainable Development Goals of the 2030 Agenda and are reflected in the Human Resources policies.
- Operations: This includes strategies, policies and manuals that are in line with this sustainability policy.

3. RESPONSIBLE FOR ITS IMPLEMENTATION AND FOLLOW-UP

Position	Application	Follow-up
Board		X
General Manager	X	X
Sustainable Development Council	X	X
Department Managers	X	
SMS and Community Relations Management	X	

4. VALIDATION

Function	Name	Position	Date
Reviewed by	Margarita Celis	Social and Environmental Management Leader	March 2022
	Reinaldo Gallegos	SMS and Community Relations Manager	April 2022
Approved by	Alejandro Carrillo	General Manager	April 2022
Effective date: April 2022		Version: 04	

5. CHANGE CONTROL

Reason	Responsible	Date
Corporate Policy and Procedures Adaptation SMS Management and Community Relations	Reinaldo Gallegos	January 2021
Review and improvement of policy based on the IFC Environmental and Social Performance Standards	Reinaldo Gallegos	April 2022

6. RELATED DOCUMENTS

- United Nations Guiding Principles on Business and Human Rights.
- United Nations Global Compact Principles.
- Sustainable Development Goals of the United Nations 2030 Agenda.
- Actions Framework, Ethics and Business Conduct Policy
- IFC Environmental and Social Performance Standards.