

### In gratitude

To all of the employees of Aglomerados Cotopaxi who work with integrity, passion, and commitment to PLANT THE WAY TO A BRIGHTER FUTURE.

### Report profile

GRI 102-51, GRI 102-52. For the first time<sup>1</sup>, we are making our Aglomerados Cotopaxi S.A. Sustainability report available to our stakeholders. It collects relevant information on our economic, social, and environmental operation for the year 2021.

GRI 102-50, GRI 102-54. Scope and limits.

This report has been made in conformity with the Essential Option of the GRI<sup>2</sup> standards, covering the period between January 1st and December 31st, 2021.

The reported financial information comes from our financial statements, audited by an independent firm. The non-financial information follows the orientations of the Institute for Social and Ethical Accountability, as per the last version of the AA1000 norm and therefore the principles of inclusiveness, materiality, and response capacity for the AA1000 2008 APS.

GRI 102-46. Content.

To determine the content of this report, we have applied the four principles established by the GRI for this: stakeholder inclusion, sustainability context, materiality, and exhaustiveness.

This is the result of the collaboration with the people responsible for the management of the principal areas of our company, who prepared the information presented.

GRI 102-56. Verification.

This document has not been subject to an external verification process by a third party, however, much of the economic, environmental and social data has been audited externally and in an independent manner as part of the processes we undergo annually.

GRI 102-53. Questions and additional information. In the case of questions or in the need of additional information please contact:

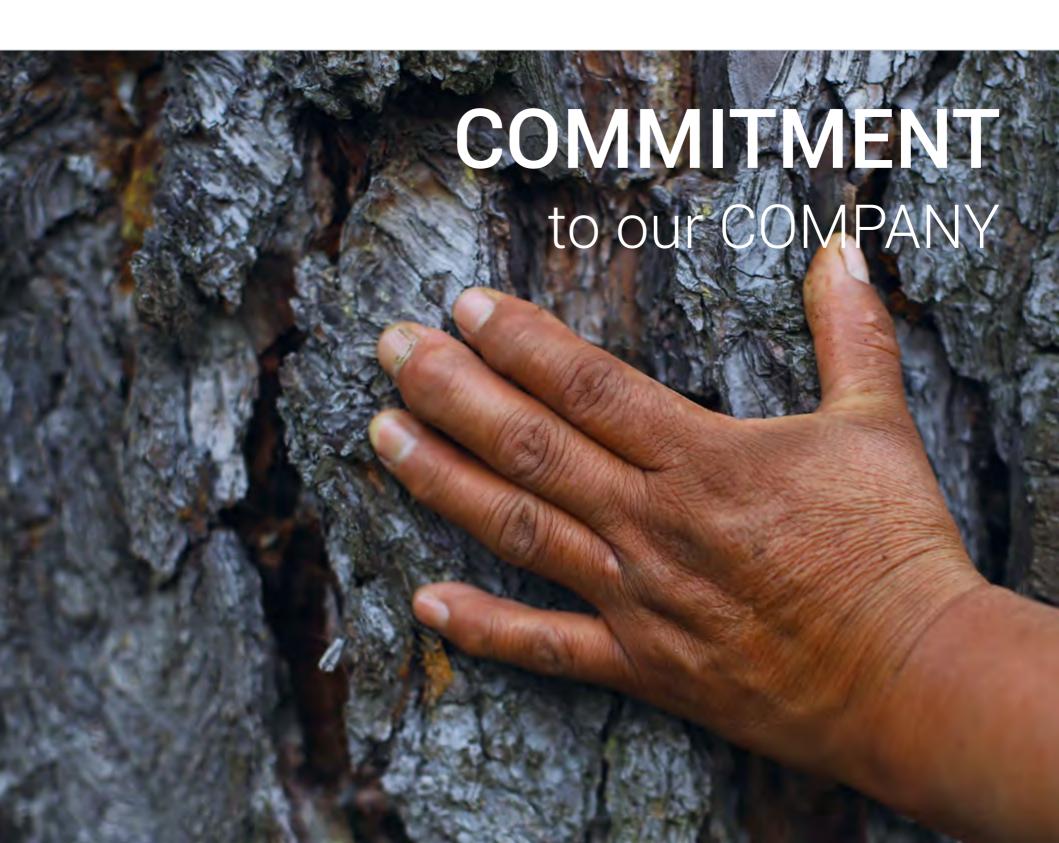
Isabel Arteta Durini Sustainability Coordinator iarteta@cotopaxi.com.ec +593 99 314 9002

<sup>&</sup>lt;sup>1</sup> GRI 102-51/GRI-52 we intend to present our results and advances in sustainability biannually.

<sup>&</sup>lt;sup>2</sup> GRI: Global Reporting Initiative.

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## 1. Planting for the future®

GRI 102-14. It is a privilege and a pleasure to share with you our first Sustainability Report. It has been a huge effort that has only been achieved thanks to the commitment and support of all of those who make Aglomerados Cotopaxi. In the process of building this Report, we have reviewed our history, our values and our vision of the future, which has led me to reflect that, a document as important as this one, should have been published many years ago. Aglomerados Cotopaxi carries in its essence several of the sustainability concepts that are mandatory for any company that wants to have a positive impact on society.

Aglomerados Cotopaxi has been dedicated to planting and sustainably managing its forests since its constitution more than 44 years ago. The vision of the founding shareholders was always that the forestry plantations are the best source of raw material, and that legacy continues today. Forestry plantations are renewable, generate a series of environmental and social benefits, and each day we continue to discover new attributes and positive impacts of the plantation. Aglomerados Cotopaxi, in its eagerness to manage its plantations in the best possible way, obtained

We are **walking steadily** to strengthen our conviction for sustainability

the FSC (Forest Stewardship Council) certification allowing independent third parties to evaluate the good environmental, social and economic practices in our forests. We decided to obtain the FSC certification voluntarily in 2011, not because markets or consumers demanded it, but because doing things in the best possible way is perfectly aligned with our values.

The COVID'19 pandemic changed the world in ways we never could have imagined. The challenge of moving forward has been enormous for people and companies. In Aglomerados Cotopaxi we lived very difficult times. However, the way we faced the crisis always privileged the preservation of employment, the care of the physical and emotional health of employees and the continuity of operations. The crisis also enriched us with many lessons: we learned to be more humane, to work better as a team, to relate more to nearby communities, to be closer to family, and to value the simple aspects of life. In Aglomerados Cotopaxi we seek to be a positive actor in the community; we decided to be a vaccination center that served about six thousand people with two doses, and again applied the booster shot. We also decided to open a part of our forests to the public, so that people

could leave their confinement to walk, ride a bicycle, appreciate the landscape, and above all, enjoy nature.

We are walking steadily to strengthen our conviction for sustainability. Recently, together with shareholders, the board and collaborators, we defined a purpose that guides us on the journey initiated by the founders. In our board of directors we are privileged with the collaboration of two women with great experience in sustainability, who guide and inspire us on this path. We have signed an agreement with scientists and academia to measure the carbon fixation in our plantations, the carbon footprint of our operations, and achieve the declaration of carbon neutrality. We continue to learn and improve on good practices and are excited about what we can achieve in the future.

This first Sustainability Report seeks to inform our stakeholders, in a clear and transparent way, of the long road traveled, the efforts made, and the aspirations we have. The task ahead is challenging and demanding. However, I am convinced that our track record assures us that we have the ability to maximize the value created for society.

Bernardo Pérez M. General Manager



## 2. Corporate governance



### 2.1 Decision making

GRI 102-1, GRI 102-5, GRI-102-10, GRI 102-18, GRI 102-40. Aglomerados Cotopaxi was incorporated in 1977 in the city of Latacunga as a limited liability company, domiciled in the parish of Tanicuchi, Latacunga, in the province of Cotopaxi. In the year 2000, Aglomerados Cotopaxi increased its capital and reformed its bylaws. These changes define its corporate purpose in afforestation and reforestation, the use of forestry resources, industrialization in all its forms and production, marketing in national and international markets, import and export of all products for human use and consumption. The company is governed by the General

Shareholders Meeting and is managed by the Board, the Chairman of the Board, the Executive President, the Chief Executive Officer and the General Manager.

### General Shareholders Meeting

The decisions that fall within the competence of the General Shareholders Meeting are very broad, they refer to decisions on the distribution of dividends, reinvestments or how to face large investments if necessary.

Shareholder	Percentage	Capital
BOSQUES TROPICALES S.A. BOTROSA	3.92%	NATIONAL
EMPRESA DURINI INDUSTRIA DE MADERA CA EDIMCA	3.62%	NATIONAL
LEDEX TRUST	28.30%	NATIONAL
GRUPO MADERERO EMPRESARIAL GEM CORP. SLU	24.19%	FOREIGN
SOCIEDAD ADMINISTRADORA DE INVERSIONES SA ADINSA	34.08%	NATIONAL

#### Board

The decisions of the Board of Directors determine the direction of the company, what we do and where we are going. For the Board of Directors it is essential that the administration of the business has the freedom to act within the main strategic guidelines that this body defines and within the framework of the values of the company.

The Board is composed of the Chairman of the Board, the Executive President, three principal directors and three alternate directors, who replace the principal directors in their absence. The Board of Directors forms committees for specialized management decisions on critical issues.

The only permanent committee is Audit and Risk Assesment, which, due to its necessary operational independence, reports only to the Board of Directors. The other committees that may be required are ad hoc, and respond to specific situations for which the company needs managerial support.





The main decisions of the Board of Directors in 2021 dealt with:

- market growth, value added products.
- strategic planning for the post pandemic reality (environmental, social and economic).
- review of the financing and leverage strategy in the face of the changes that the the world has experienced.
- formalization and use of the sustainable management that we have always done.
- monitoring of management systems.
- decisions on supply management in the face of changes in the logistic chain (increase in inventories in the short term, and increase in productive capacity in the medium term).

### 2.2 Investments

GRI 203-1. In recent years we have allocated a representative amount to infrastructure investments for the improvement and innovation of our industrial operations. A relevant project, significant at a financial level, and a differentiator for our production, was the sawdust burner. This investment made between 2018 and 2019 improved energy efficiency and reduced production costs.

We have also made investments in the resin dispenser to reduce its consumption and optimize our economy and environmental care. With resin being the second raw material input after wood in the manufacture of our particle board and MDF, the savings have been significant.

In 2018 we began investing in infrastructure and importing machinery, which led to our new line of value added products line, selling its complete production since 2020. The transformation of MDF boards adds value to our products, which we export to new market niches.

In addition to the investments in our industrial area, we have acquired machinery for the forestry area of Aglomerados Cotopaxi. The harvest has become lighter, more efficient and we have reduced our environmental impact in the process.

	2018	2019	2020	2021
TOTAL INVESTMENT IN INFRASTRUCTURE	2,880,575	2,009,251	585,028	943,022
SIGNIFICANT INVESTMENTS				
MDP press table	502,305			
Sawdust burner	432,853	27,409		
Resin dispenser	466,040	10,506		
Bell Machines	236,096			
Volvo Loader				192,515
Value added products plant	1,858	1,116,466	360,754	291,784
Loading dock for finished product		102,711		
New warehouse	231,247	47,334	1,500	
Ecuaboiler Boiler	79,278			
Drill planter				32,450



### 2.3 Risks

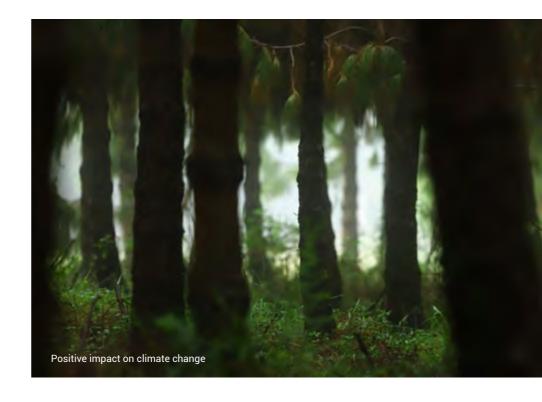
The Audit and Risk Assessment committee builds a risk matrix on the basis of the strategic planning of Aglomerados Cotopaxi. It consists of the following four steps that allow its operation:

- Risk identification according to the strategy
- Risk assessment
- Risk disaggregation
- Finally the Board of Directors establishes the level of risk it wants to assume, and seeks the best management path, either by mitigation, by transfer of risk (insurance), or by decision to live with those risks that are typical of the business<sup>1</sup>.

### 2.4 Challenges

GRI 102-13, GRI 415 (103-2, 103-3).

We have joined our peers in spaces that allow us to influence in a collegiate way on challenges and topics of interest that we understand of, because they are linked to the business of our company. Sustainable forestry management, wood production, issues related to the management of industries in the Province of Cotopaxi, and at a national level, and of course, to the export of our products are all topics that invite us to sit down with similar businesses to find opportunities for growth.



As an acting part of these alliances, through recommendations, promotion of good practices or proposals in situations of change, we support the generation of public policies when we are summoned<sup>2</sup>. We believe that together we find more lasting solutions.

GRI 205 (103-2, 103-3), GRI 205-1, GRI 205-2, GRI 205-3. On matters related to anti corruption, Aglomerados Cotopaxi controls, as part of its process and internal audit, its most critical issue in the matter by ensuring the traceability of 100% of the wood purchased from third parties. 100% of all timber purchase operations, are legal and are revised biannually.

The Code of Conduct is known and signed by all our employees. While integrity is a value of the company that permeates throughout our organization, we do not give specific training in this regard. In 2021, we had no cases of corruption.

<sup>2</sup>GRI 415-1. In 2021, Aglomerados Cotopaxi did not make any contributions to political parties, nor to political representatives. This is not a practice of our company.

<sup>&</sup>lt;sup>1</sup> GRI 201-2. To date, we have not developed an analysis of financial implications and other risks and opportunities arising from climate change.









## Ecuadorian Association of Wood Industrialists AIMA

Aglomerados Cotopaxi was one of the founding partners of AIMA in 1976, when a group of visionary entrepreneurs already saw in sustainability and sustainable management of forests the main prop for the development of the sector. Being the pioneer company in the development of Pine forest plantations, it focused directly on the development of productive chains. Form 2017 to 2021, the equanimous and committed leadership with the entire sector, on the part of Aglomerados Cotopaxi in the presidency of the Board of Directors of AIMA, allowed progress in multiple projects for the benefit of our affiliated companies, which belong to all the links of the productive chain. In 2021 we consolidated a proposal, worked on for the past 3 years, together with different actors in the sector, a proposal that was presented to the National Government, and has been the axis of AIMA, in favor of the Sustainable Forestry Industry.

## Chamber of Industrialists of Cotopaxi CIEC

The primary objective of the CIEC is to join the sustainable development goals of the province of Cotopaxi, and its seven counties. To achieve this, it is essential to have a long term private investment, which boosts industrial activity, generates employment, respects the environment, contributes to the different levels of government, and strengthens community organization. Aglomerados Cotopaxi is an outstanding company, that since 1978 has contributed significantly to these objectives. The CIEC has counted on the unconditional support of Aglomerados Cotopaxi in community work, such as the COVID 19 VACCINATION PLAN, which reached its goal of immunization to the rural population and generated the confidence of the surrounding community. This has laid the foundations for a more extensive collaboration program with public entities, which will strengthen education, health and safety programs.

## Sustainable Forestry Management Corporation COMAFORS

COMAFORS is an organization whose objective is to contribute with a proposal of public policies to improve sustainable forestry management processes in the country, and contribute to the mitigation and adaptation of climate change.

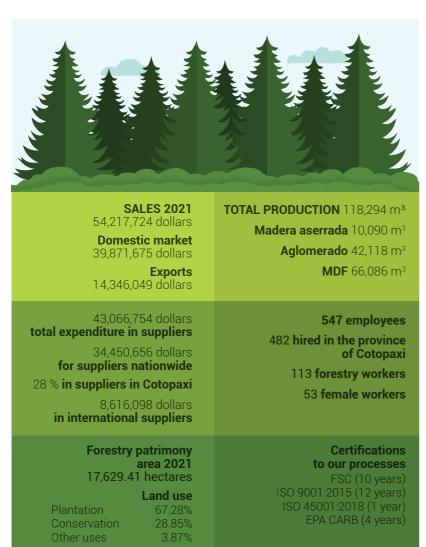
- Participation in public policy process: construction processes of forestry development regulations.
- Relationship with local actors: in these spaces we work on discussion of forestry regulations, plant health programs, and demonstration of good practices of sustainable management.
- SACHA AWARD: Aglomerados Cotopaxi has actively participated in the four application and award processes, presenting projects that have been recognized. ReverdeSer: project in Latacunga that aims at forestry restoration of degraded areas in the periphery of the county.

### Ecuadorian Federation of Exporters FEDEXPOR

Aglomerados Cotopaxi is a fundamental partner of the Ecuadorian Federation of Exporters FEDEXPOR. its decisive involvement in the union activity has been reflected in the exercise of the Presidency of the Board of Directors of the Federation for three periods in the last 15 years, which, without a doubt generated a radical change in institutional growth with an innovative vision. for the strengthening and development of Ecuador's non-oil exports. The resilience demonstrated in the pandemic by Aglomerados Cotopaxi, both in the creation of new export product lines, as well as in its involvement in the management of the vaccination plan, was an example to be followed by other exporters in the country.

## 3. Big figures

## 3.1 Relevant figures GRI 102-7



### 3.2 Economic performance

GRI 201 (103-2, 103-3), GRI 201-1. The strategic plan with its short and long term objectives, is what feeds the creation of the balanced scorecard, and defines the points of special interest for management. On the basis of these elements the company's budget is built, and its resources managed.

Our financial management plans using budgets and process goals fulfilled in previous years, as a reference. For this reason, our control mechanisms are based on:

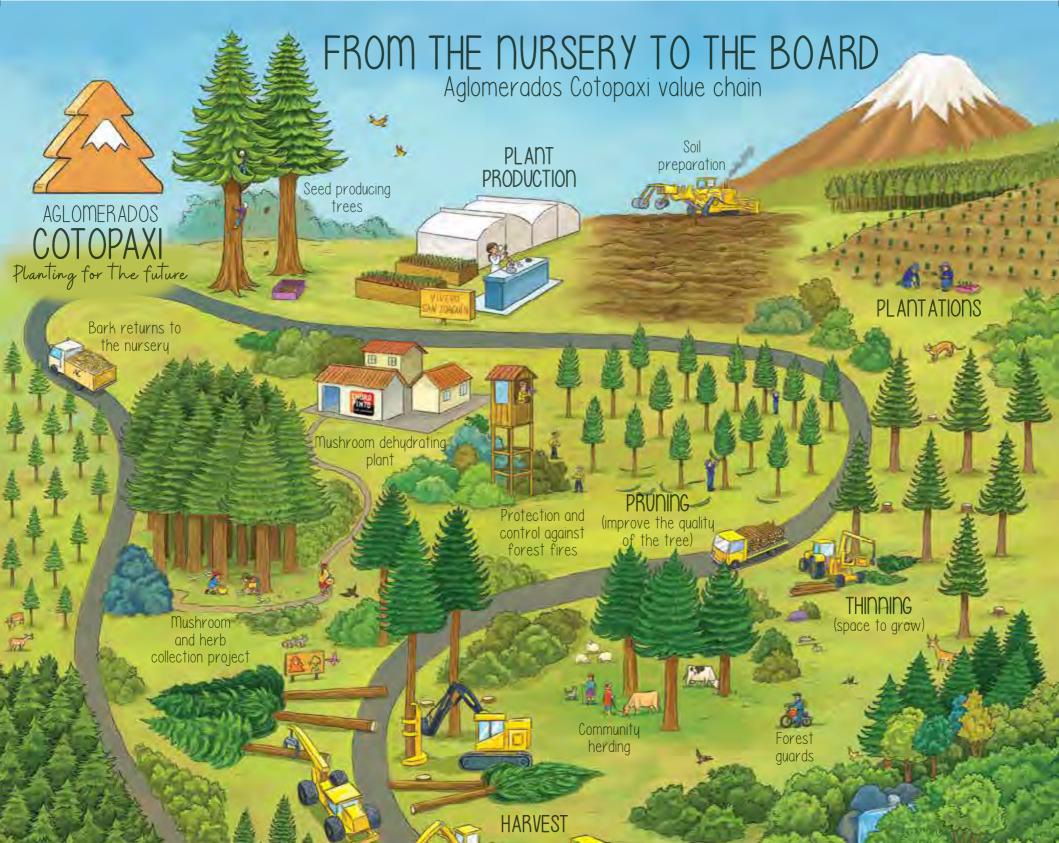
- Process management
- Internal and external audits
- Financial and risk policies

As a result of the pandemic, we have had to face the increase in prices and lower availability of goods and raw materials. However, in the financial field, Aglomerados Cotopaxi exceeded the objectives it had set in sales, margin and profit for the year 2021. This trend continued in the 18 months after the pandemic lockdown, and was mainly due to this being our first full year with production of the new line installed in 2020.

We are proud to report that in 2021, Aglomerados Cotopaxi achieved a AAA risk rating granted by Global Ratings. We are listed on the Quito Stock Exchange through the issue of bonds that we have honored, in their entirety, in quarterly payments. Below, we present the display of our main financial results<sup>3</sup>.

Total revenue	54,217,	725
	MDF	21,571,90
	MDP	22,536,47
	Solid wood	3,023,55
	Added value	7,738,60
	Other operation	-652,81
DISTRIBUTED ECONOMIC VALUE		
Investor payment	-	
Creditor payment	11,328,	428
Payment suppliers	43,066,	754
Total expenditure o	on domestic suppliers	34,450,6
Total expenditur	e on foreign suppliers	8,616,09
Total expen	nditure on suppliers of	5,167,08
the	e province of Cotopaxi	
Public administration	2,530,	840
Employees	6,027,	491
Business operation	16,979,	929
Community and environment	291,	454
RETAINED ECONOMIC VALUE		
EBITDA	9,194,	832
Net profit	4,812,	640
Re-investment	2,000,	000

<sup>&</sup>lt;sup>3</sup> GRI 102-45. The financial information presented is related to Aglomerados Cotopaxi S.A.





## 5. Outstanding Projects of 2021

### 5.1 Outstanding projects

For those matters that deserve special interest and are outside our ordinary administration, we implement projects that, if successful and represent a necessary improvement for Aglomerados Cotopaxi, are incorporated into our process management. These are the projects that to date have an advance of more than 70% and have been valuable for the sustainability of our company.

AXIS	STRATEGIC GROUP	PROJECT	DESCRIPTION	RESULT	ADVANCE
	Reduction of biomass consumption  Increase in the use of our own biomass		biomass used for cauldrons and achieve a		100%
le e			Take advantage of branches and pruned tips of the forestry process that generated a surplus of 1500m³ in decomposition within the forest	y process that generated a surplus of	
Environmental	Energy efficiency	Dust consumption in the burner	Reduction of fuel use by substitution with wood dust	Finalized	100%
Б		Slat Wall dust recovery	Dust generated as a result of a grooving process that was not returned by the supplier to Aglomerados Cotopaxi	Project in progress	80%
		Change from common to LED luminaries in industrial plant	Improve the quality of lumens in the workplace, and decrease the cost of lighting by 40%	Finalized	100%

	Water	Repowering of the wastewater treatment plant	Installation of physical and chemical treatment operation to increase the life of the filtration membranes without compromising the quality of the effluent.	Design and new DAF technology ready.	70%
	Vaccination program		Support the health care of employees, family and community, reactivate productive activities, facilitating the inoculation of 10300 doses.	Finalized	100%
	with you h		Promote that 94 employees finish highschool, improve their self esteem and knowledge	Finalized	100%
Social	Working environment (conditions)  Increased production of MDF-CARB  Implementation of 5S methodology		environment (conditions) Increased production of (33% of the total produced) which generates		<b>75</b> %
			Establishment of 5S methodology in industrial, forestry and support processes, to generate safe and healthy workplaces.	Project in progress (Phase 1,2 and 3 completed) Standardization in process	70%
Economical	Mejoramiento Continuo	Six Sigma	Methodology for the management of continuous improvement. Includes the training of collaborators and the publication of the manual in the process management system.  Reduction of financial imp the improvement of the improvement increase increase custome satisfactions.		70%
Economical	Financial	Issuance of long term bonds	With a AAA rating risk qualification we went public in 2020 and 2021, we issued long term bonds for \$6 million dollars	90% of the emission ends in 2023, another part ends in 2024 and 2025	100%

### 5.2 Sustainability plan 2022 - 2024

In order to understand the status of Aglomerados Cotopaxi in relation to international sustainability standards, evaluate our current management and be able to project ourselves into the future in this area, in 2021, with the guidance of a consulting group, we carried out a process of identification of material aspects with the participation of our main stakeholders<sup>4</sup>. Based on these relevant issues, we made a diagnosis of our management. These two inputs, together with the participation of the company's Board of Directors, and its administrative leaders, allowed us to build our current sustainability plan. Below is a brief summary of the results that will permeate our organization's process and activities over the next three years.

Efficient productive processes the towards its stakeholders.  Promote our circular economy management and promote differentiating environmental standards in our current and future operations.	at manage the impact of the compan  Certify our CARBON FOOTPRINT	Manage our SUPPLIERS with organized and supported processes.		
·	 at allows the supply to the industry, w nanagement of excellence.	ith a positive environmental		
Ensure, with sustainability criteria, a growth in the volume of wood supply for production.	Maintain the management of the territorial organization of the forestry patrimony.	Measure and validate the CARBON SEQUESTRATION of	Implement a communication strategy that allows	
Ensure excellence in the management of biodiversity in our operations.	Maintain our community relations programs.	our forestry plantations, including conservation areas.	us to communicate our forestry,social and productive	
Maintain our responsibility towar the area mark a visible difference	rds people, so that the professional re in the long term.	lationships we maintain in	practices.	
Differentiate ourselves by our best labor and occupational health and safety practices towards our forestry workers.	Promote the inclusion of women in our organization.			
Include diversity and inclusion indicators in the management of Human Talent.	Promote LOCAL ENTREPRENEURSHIP associated with our line of business.	health and safety in all of the company operations.		

## 6. Contribution to Sustainable Development

GRI 102-12, GRI 102-16. Although we have not formally adhered to the United Nations Global Compact (UNGC), the international initiative that leads business sustainability in the world, throughout our career, we have incorporated into our strategy and operations its



10 universal principles related to human rights, work, the environment, and the fight against corruption.

Likewise, our actions and practices in forestry and industrial matters represent, without a doubt, a contribution to the implementation of the Sustainable Development Goals approved in September 2015 within the framework of the United Nations 2030 Agenda.



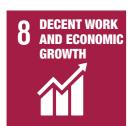
We are aware of the importance of contributing effectively to the fulfillment of this set of objectives that lead us towards a more sustainable development. We know that we cannot work on all of the SDGs at once, so this year we focused primarily on the following:



We have a robust community engagement program with communities in our area of direct influence. We act in health, education, economic development and social dialogue programs.



We promote improvements in occupational safety in our production processes and focus on preventive health programs. We supported and participated in the vaccination process of our employees, their families and the communities close to our operations.



We maintain high rates of local recruitment at the provincial level.
We offer long term work, with respectful treatment and fair compensation, both in our industry and in our forestry plantations.



We use most of the tree for the manufacture of our products. The remainsof the harvest and the residues of the production process (biomass) are used to generate renewable energy, promoting a circular economy.



Our forestry plantations have a large capacity to capture greenhouse gasses. Our business contributes positively to improving air quality. Forestry plantations are hydrological regulators and prevent droughts and erosion by excess precipitation.

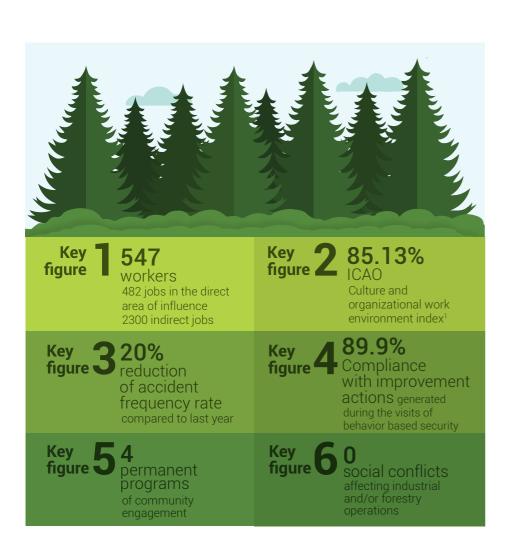


Our forestry plantations and their conservation areas, are managed with sustainable forestry practices and are certified by the Forest Stewardship Council. We aim to maintain an average biodiversity in our forestry patrimony.

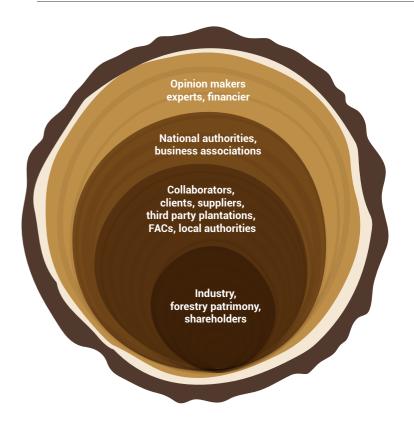


## 1. Key figures





#### Stakeholders



<sup>&</sup>lt;sup>1</sup> The ICAO Culture and organizational work environment index, measures the level of satisfaction of our collaborators in six pillars: quality, goal achievement, work environment, listening to the client, family and innovation.

## 2. Management of our people

### 2.1 Culture

### Vision, purpose and values

GRI 102-16. We aspire to become a benchmark in sustainability and business excellence, to be recognized by our customers as the best option for forestry products and services. The purpose of Aglomerados Cotopaxi is to contribute to the development of a sustainable society; generating forestry products and services that meet the needs of our customers.

Our values remain unchanged throughout our company's history, they guide our decision making, and are an essential part of our culture. Integrity: We always do the right thing.

Passion: We love what we do.

Austerity: We take care of the company's resources as our own.

Compromise: We fulfill our dreams.

The effort that, as a company, we have maintained over 43 years, prioritizes that we get to know the needs of our current and future customers in depth; that we know that it is fundamental to have competent, aligned and committed personnel; that having and agile, highly efficient and environmentally responsible operation is essential for our permanence, and that this will allow us to have the support of a favorable social network. Only in this way will we achieve sustained profitability in the future.

Our vision, purpose and values have been integrated into the company's standards in order to make them enforceable and make them into organizational practices. Our Code of Conduct, the Internal Work Regulation, the Purchasing Process and Suppliers, and the standardized Procedure internally aligned to the BASC Certification, are various examples of the commitments we have taken.



### 2.2 Local recruitment

### **Employment**

GRI 102-3, GRI 202 (103-2, 103-3). Our forestry and industrial operations are located in the Central Highlands of Ecuador in the province of Cotopaxi<sup>2</sup>. In this rural area the main sources of employment are agribusiness, floriculture, tourism and others with less impact in terms of hiring personnel; the above mentioned activities offer employment opportunities mainly at an operational level.

<sup>2</sup> We are located in the neighborhood of Lasso, near the city of Latacunga, in the province of Cotopaxi.

Aglomerados Cotopaxi S.A. has positioned itself as a locally recognized employer that offers stable and long term work, respectful treatment and an adequate work environment.

In the area, we are the company with the largest area of forestry plantations, and their corresponding operational activity, thus our staff requirement is significant in the surroundings. Our policies and procedures are developed with the purpose of having the right personnel in the appropriate position, promoting the development of our employees, generating integral well being, and being a source of sustainable employment in the surrounding areas and communities of direct influence.



88,48% of our collaborators are from the province of Cotopaxi

GRI 401 (103-2), GRI 202-2. We make efforts to promote local hiring. For the recruiting of new collaborators, in our search, we favor the hiring locally, both at a provincial and national level, in that order, with the purpose of stimulating socioeconomic development of our area of direct influence<sup>3</sup>. On this basis 88.48% of our collaborators are from the province of Cotopaxi. However, nationality is not a discriminatory factor.

Within our organizational structure, we consider as high ranking executives those responsible for a macro process, whose management directly impacts the results of the company, and the fulfillment of the strategy. The industrial manager and the assistant manager of

logistics services have been hired in the area of direct influence, and correspond to 16.7% of this category of executives.

GRI 102-8. This approach allows us to present the categorization of our human talent<sup>4</sup>:

Aglomera Cotopa <b>Å 54</b>	axi	Indefinite contract \$\mathbb{453}\$	Emergency contract <b>90</b>
Industrial 362	Quito	10유   2유	4 음 1 1 음
	Cotopaxi	263유   7유	69 음 1 1 음
	Ambato	1유   0유	3 음 1 0 음
Forestry 113	Quito	7유   1 A	0유   0 A
	Cotopaxi	98유   4 A	1유   0 A
	Ibarra	2유   0 A	0유   0 A
Administrative <b>72</b>	Quito	11 유   12 유	1음   7음
	Cotopaxi	21 유   13 유	1음   2음
	Ambato	1유   0 유	0음   0음

<sup>&</sup>lt;sup>3</sup> GRI 402-1. Our line of business is born from our forestry properties, distributed mainly in the province of Cotopaxi, and relies on its own industrial facilities located in the same place, so what is related to minimum notice periods on operational changes does not apply.

<sup>&</sup>lt;sup>4</sup> The company only has full time employees, that work, 40 hours per week. Due to the pandemic, in the company, we took advantage of the emergent contract established by the Ministry of Labor. The information comes from the company's internal system and is declared to the Ministry of Labor.

### Forest collaborators

AC1 (GRI 103-2, GRI 103-3). After more than four decades of work, we now have 17,600 hectares of our own forests, with a territorial order based on the proper management of culturally modified landscapes, with forestry plantations, conservation areas, small agricultural areas and infrastructure. Our plantations allow us to employ 101 full time forestry employees, including staff in operational and administrative areas and, with their support, ensure the compliance of our forestry management.

The forestry area of Aglomerados Cotopaxi, is known for its excellence in the care of its plantations. All forestry employees are part of our payroll, and we also rely on the services of suppliers, specialized in specific areas of forestry management. Due to the type of work, the conditions are different from those of the industrial area: the forestry collaborators work single eight hour days shifts outdoors in our plantations, and do not perform rotating shifts, with the exception of the harvesting staff who have two shifts<sup>5</sup>. We always guarantee adequate work clothes, personal protective equipment, transportation to access the sites, and food in order to ensure optimal working conditions and a harmonious and welcoming environment.

The company, in congruence with its business principles and according to its geographical location,

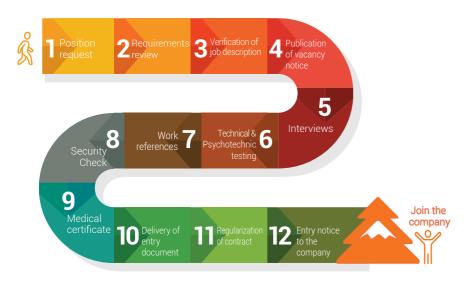
prefers the hiring of personnel from the area of direct influence. The hiring of forestry collaborators promotes local employability, well being, reactivation of the economy and promotes a better quality of life, by guaranteeing, the proximity of the operations to the home of the employees.

<sup>&</sup>lt;sup>5</sup> One forest guard a week does a third shift to take care of the harvesting forestry machinery.

### Hiring and dismissal

We comply with all current legal hiring requirements and with all the labor benefits required of Ecuadorian companies. The management for the coverage of vacancies is carried out based on a selection process that, when completed, supports the business objective, which is to have suitable personnel who possess skills and meet the necessary requirements for an optimal performance, guaranteeing compliance with the strategic objectives of the company<sup>6</sup>.

### Selection process



GRI 401-1. In 2021 we had 43 disengagements<sup>7</sup> and hired 49 new employees for the creation of new jobs and also for replacements.

Hiring new employees allows us to incorporate new skills into the organization. The average turnover during 2021 was 0.68%; which compared to the global benchmark of voluntary rotation (7%) shows we have a very low turnover.

#### Labor inclusion

GRI 405 (103-2, 103-3). Consistent with our business principles, and consistent with our Hiring Policy, we don't allow, participate in, or accept activities that in any way promote or cause discrimination among our employees. Neither in the hiring of new workers, nor in the disengagement of personnel, discriminatory elements will be considered acceptable. Aglomerados Cotopaxi considers as discriminatory elements or criteria those based on: ethnicity, gender, age, disability, creed, political afiliation and sexual orientation.

<sup>&</sup>lt;sup>6</sup> Depending on the position and process, the vacancy is announced through various job portals, labor networks or internal communication media. We encourage the growth of our collaborators through vertical movement opportunities or other company processes.

GRI 408 (103-2, 103-3), GRI 408-1. In Aglomerados Cotopaxi we consider that child labor should be excluded from our employment options, since it prevents the educational development of children, and masks the real needs of the vulnerable population; for this reason, under no circumstance we allow child labor in our operation, forests, or in the hiring of external services. We focus on offering quality work to adults committed to their future and that of our company.

Detail of the 43 dismissals in 2021: 33 men and 10 women. 36 belong to the province of Cotopaxi and 7 to the province of Pichincha. According to the line of work: 24 correspond to industrial, 4 to forestry and 15 to administrative

We have **21** collaborators with disabilities or who have relatives with a high degree of disability

In the category of hiring people with disabilities (above 30% of disability), or who have relatives with a high degree of disability (first degree of consanguinity relative, with a disability greater to 30%, and who depends economically on the collaborator), we have 21 of our collaborators. The activities performed by them, allow them to have an effective performance, from which they contribute to the operation of their work areas.

We also support the inclusion of young personnel, following the regulation of the Ministry of Labor of Ecuador, under the figure of Young Employment (18-26 years), as long as it is the first job<sup>8</sup>. We comply with the law of internships in the business sector and training guides in workplaces. The interns and students receive benefits that are fully covered by the company.

GRI 405-1 The company has an organizational structure that unfolds from management into operational levels. The distribution of personnel in the different lines of work is presented next:

### Staff distribution

<b>2021</b>	gen	der	Total	20	age 30 - 50	+ 50
Management Industrial	<b>1</b>	0	<b>1</b>	- 30 <b>0</b>	1	0
Forestry	3	0	3	0	3	0
Administrative	8	0	8	0	6	2
Department l			10	7	0	2
Industrial Forestry	11 4	1	12 5	1 0	8 4	3
Administrative	9	4	13	2	9	2
Coordination	)					
Industrial	1	3	4	3	1	0
Forestry	0	0	0	0	0	0
Administrative Supervision	0	7	7	1	6	U
Industrial	25	0	25	1	19	5
Forestry	7	0	7	0	5	2
Administrative	3	6	9	2	5	2
Operative						
Industrial	312	8	320		200	24
Forestry Administrative	94 16	4 19	98 35	7 6	79 24	12 5
TOTAL	494		547	(21.8%)	(67.6%)	(10.6 %)
	(90.3%)	(9.7%)		(21.8%)	(67.6%)	(10.0%)

<sup>8</sup> In 2021 there were 7 young people under this figure.

### **Benefits**

With the objective of guaranteeing well being and offer better working conditions for all of its employees, regardless of the area of work, Aglomerados Cotopaxi implements initiatives and gives monetary benefits (those established by law), and non-monetary (tied to the emotional salary), which are described below:

### **Monetary**

Wage compensation complies with the principle of maintaining external competitiveness and internal equity, exceeding the sector minimums set by the government. To promotea culture of high performance, 85% of the workers receive a fixed salary, plus a variable component, while 15% recieve only the fixed salary.

Incentives or short term bonuses for the compliance of projects associated with their level of responsibility (Managers, bosses) approved by the General Management.

Benefits required by law: 2 additional salaries, saved funds in social security and profit distribution according to the yearly performance of the company.

### Non- monetary

Subsidy of 100% of life and accident insurance costs, applies to all lines of work, and 75% for health insurance that applies to administrative personnel.

Subsidy of 50% of the cost of meals in the company's dining room.

Coverage of 100% of the costs of uniforms.

Coverage of 100% of the cost of transportation hired by the company.

Coverage of 100% of dental and psychological service offered by the company for employees and family.

Access to the grocery store within the company facilities.

Option to enter the company's savings and credit unions for employees and former collaborators.

Birthdays at home.

Redistribution of summer schedules (june, july and august), with the exception of staff with rotating shifts.

Recognition of student excellency for children of collaborators9.



<sup>&</sup>lt;sup>9</sup> Employees voluntarily enroll their children in the social work area and at the end of the school year, the students with the best averages receive laptops or other school supplies depending on the grade achieved.

GRI 202-1, 405-2. Through different actions, such as the timely payment of salaries, legal benefits, wellness programs, corporate events, internal championships, recognition programs and development programs, we generate a sense of belonging and commitment in our employees. The company's salary compensation is made of a fixed salary, variable salary, short term bonuses and overtime.

The initial salary for any new first level employee corresponds to the unified basic salary set by the government, plus the variable component, which places us above the sectoral salary. There is no difference between genders, or any other attribute; all new operational level personnel have the same salary.

When analyzing the pay gap by gender, we find that the wages are equitable and fair, always aligned with our philosophy<sup>10</sup>.

Level	Ratio (%)
Operational	+1
Supervision	+ 7
Coordination	+17
Departament heads	- 11



### 2.3 Organizational Development

### Organizational environment

GRI 401 (103-3, 103-2), GRI 103-3. In order to know the level of satisfaction of our employees related to quality, goal achievement, work environment, active listening to the client, family and innovation; we rely on the Culture and Organizational Work Environment Index (ICAO). We review the results of the measurements in the committee

<sup>&</sup>lt;sup>10</sup> Pay gap by gender= (mean female wage / mean male wage) x 100.

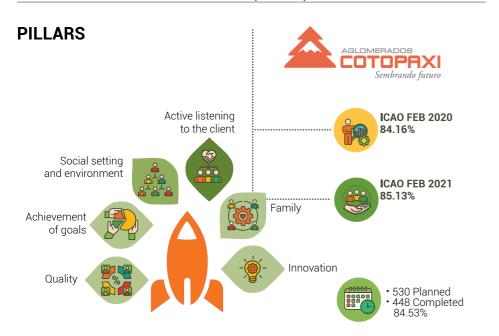
and other management meetings, in order to draw up improvement plans by process lines. In addition to this methodology, well-being surveys are carried out.

ICAO measures six pillars. Over the past three years we have progressively improved our overall results. This year, as in previous measurements, the pillar with the best result was goal achievement. Our collaborators, supported by the means that the company puts at their disposal, were able to reach 91.22% of the proposed objectives<sup>11</sup>.

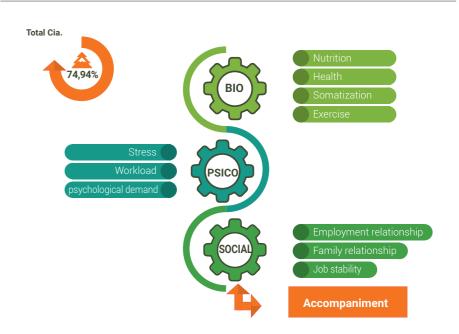
The well-being survey, applied for the first time this year, achieved a result of 76.94%. It measures aspects in personal areas and in human relationships<sup>12</sup>.

# Our collaborators were able to reach 91.22% of the proposed objectives

## Culture and Organizational Work Environment Index (ICAO)



### Well-being survey pillars



<sup>11</sup> Detailed results 2021 by pillars: Quality 87.19%, Achievement of Goals 91.22%, Social setting and environment 87.03%, Active listening to clients 84.25%, Family 82.73%, Innovation 81.43%.

<sup>&</sup>lt;sup>12</sup> Detailed results 2021 by pillars: Bio 71.82%, Psico 74.92%, Social 79.8%, Support 88.73%

### Performance management Evaluation

GRI 404-3. Through evaluation methodologies, we identify collaborators with potential, we promote their job stability, their vertical, horizontal or depth growth; allowing us to have adequate and competitive talent in the appropriate positions. The process and information, which is generated on an annual basis, applies to all levels of the organizational structure, from management to operational levels; which allows us to promote a culture of high performance. We have two evaluation methodologies, in the administrative areas we evaluate the employees based on achievement of management objectives, skills and potential; in the operational positions we evaluate the employees by the activities registered in the job description and skills.

The two methodologies are applied by levels according with the following graph:

General management

Sud Line Managers

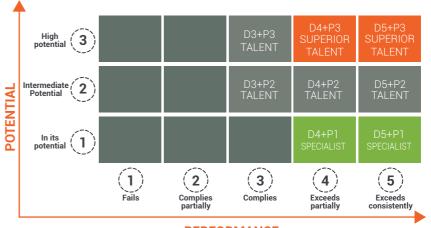
Sud Line Managers

Analysts

The processes have different phases: performance planning and definition of objectives, compliance monitoring, self evaluation, evaluation, calibration and forced curve, feedback, development indexes. This allows us to promote a culture with a focus on results, a development process tailored to our employees, and make sure their contribution to the company strengthens the strategy.

#### Potential matrix

From 2017, the year of the first implementation, we have sought improvements in order to have a flexible evaluation process that, at the same time, allows us to focus on a culture of high performance. The information from the evaluation process allows us to complete the potential matrix<sup>13</sup>.



#### **PERFORMANCE**

<sup>&</sup>lt;sup>13</sup> The company evaluation process starts in the last quarter of the year, and finishes with the feedback on the first quarter of the following year. In 2020-2021, 471 employees (281 industrial, 94 forestry, and 96 administrative) went through this process. The cases that were not evaluated were due to situations such as internships, less than 6 months in the company, trial period and the like.

After finishing the calibration phase, we start the feedback stage and definition of development indexes for our collaborators.

This process is carried out in a meeting with each collaborator, in which strengths and opportunities for improvements are identified. We establish development indexes through the 70/20/10<sup>14</sup> methodology, that allows closing gaps and supporting the employee through an alignment of expectations and fulfillment of commitments.

#### Personnel training

GRI 404 (103-2, 103-3), GRI 404-1, GRI 404-2.

For us, matching the strategic demands of each job with the aptitudes of the collaborators is essential. Therefore, we analyze the gaps between future needs and current aptitudes to plan the annual training schedule, without disregarding legal requirements, norms and certifications. According to the survey of training needs undertaken in 2020, during 2021, 9,060 hours of training were given, achieving an average of 16.6 hours of training per worker<sup>15</sup>. For all the hierarchical levels and in all the processes of the company there is a budget allocated for the development of technical and soft skills<sup>16</sup>. All the requirements are registered in the Annual Training Plan, we consider the fulfilled activities carried out in the expected time.

#### Evaluation and effectiveness of training

Workshops are evaluated in a survey that scores the degree of satisfaction of the participants with respect to the content, instructor performance and logistics. In case of massive training a representative random sample of the participants perform of the evaluation. The results are made available to the internal facilitator for feedback and improvement. In the case of external facilitators, if the results of the evaluation are satisfactory feedback is provided to maintain the level of service. When the results are unsatisfactory feedback is provided to define action and implement plans to close gaps and accomplish the objective of the event.

On the other hand, to evaluate the effectiveness of the training or formation programs; the application of what has been learned to the workplace, and how the worker integrates learning and improves target practices are evaluated. If necessary, in certain trainings, the instructor verifies the level of acquired knowledge through the application of exams or technical tests.

<sup>&</sup>lt;sup>14</sup> 70% on-the-job training, 20% coaching, and 10% formal instruction.

<sup>&</sup>lt;sup>15</sup> The data is total, since in the different training events we have a diverse population, we summon collaborators from different processes and we do not segregate the information by line of work. For evidence of compliance with the Training Plan, we perform monthly status updates in the same document. At the moment we have reached 661 individuals in the different training events, considering some people can attend several events.

<sup>&</sup>lt;sup>16</sup> GRI 404-2. The company does not carry out programs to help business transition, but it does develop quality skills in its workers throughout their professional career in Aglomerados Cotopaxi.



We have different programs through which we implement practices to attract, keep, and develop our employees

To summarize, Aglomerados Cotopaxi has different programs through which it implements practices to attract, keep and develop its employees, according to the identified needs. This year we focused on quality issues and practices, critical for our operations. In addition, we have promoted development programs tied to the strategy that foster processes of continuous improvement and quality in all the organization levels:

- Technical or development training such as: Leadership, Six Sigma, Innovation, Ambassadors of Change, Integral Brigades, Cotopaxi Crece Contigo (obtaining high school diploma for employees of different processes of the company).
- Process of identification of substitutes for critical positions 2021 (Management and direct reports).
- Development plans for the company's talents identified in the potential matrix resulting from the annual performance evaluation.

# 3. Occupational safety and health

3.1 COVID-19

#### **COVID-19 Mitigation**

GRI 403 (103-2, 103-3). In order to mitigate the effects of the pandemic in the health of our team, we developed a contingency plan to avoid the infection and spread of COVID-19, thus supporting the reactivation of productive activities. Case identification and the health care of our employees were at the center of the decision making. The Management Committee identified four fronts of analysis and responsibility for daily decision making at the height of the pandemic.

- People: biosecurity protocol, solidarity basket, virtual entertainment activities (yoga, cooking), communication plan focused on three aspects: psychological, work and family.
- Production: Improvement in production efficiencies and product availability.
- Financial: care and management of resources.

#### Commercial: secure provisioning for our customers

We handled procedures for identifying and managing suspect, probable and confirmed cases. For the confirmation or ruling out cases, we used PCR or antibody tests that allowed us to activate biosafety protocol when necessary. In 2020 there were 64 cases among our direct collaborators and 56 cases in 2021. We had no fatalities, but we are sorry for the losses that did occur in the families of our collaborators.

Our industrial and forestry operations ensured their functioning with the implementation of biosecurity and capacity protocols. For our administrative positions, we defined measures that supported the continuity of the operations. When possible, the collaborators worked from home, and then throughout the year, the progressive return was implemented with all the necessary biosecurity protocols to reduce the risk of contagion.

# Support of vaccination program of the government of Ecuador

Upon learning of the initiative of the national government for the import and distribution of vaccines and the need for support of private companies. Aglomerados Cotopaxi, promoted the signing of alliances with industrial companies in the province, with the purpose of initiating

COVID-19 VACCINATION PLAN							
POPULATION							
Workers & family members	1,516	1,480					
Community	1,167						
Edimca/ Suppliers	646	602					
Additional companies	1,827	970					
Total	5,156	3,052					

the vaccination plan for its collaborators, families and the community in general. Our management made it possible for 8,212 doses to be delivered for protection against COVID-19.

## 3.2 Health and Safety Management

GRI 403 (103-2, 103-3). Our industrial safety department and occupational health department focus on prevention,

so we can trust the workplaces are safe and healthy<sup>17</sup>. The purpose of the preventive work we carry out is to safeguard the integrity of the workers of the industrial plant, administrative personnel, forestry workers, as well as the assets of the company.

In addition to compliance with national legislation and international agreements on occupational health and safety (OHS), we ensure that we comply with our internal policies.

- Our OHS objectives and goals focus on the search for continuous improvement of the company, which guarantees the reduction of exposures to occupational risk factors.
   Actions include both the industrial and forestry part, of without sacrificing the quality of the product and the reduction environmental impacts.
- We comply with the commitments suscribed voluntarily.

This year we have monitored particulate matter and occupational noise throughout the industrial plant, also lighting in maintenance areas and ergonomic issues in critical work stations.

<sup>&</sup>lt;sup>17</sup> Preventive medicine is the approach of the health management in our company. Under this concept, the percentage distribution of work is focused 80% in our Health Surveillance Plan, and 20% in curative management. Preventive management defines annual morbidity as the main indicator, this is reported monthly, and highlights the number of medical attentions per month, by area and by diagnosis. This information allows us to identify preventive and corrective actions, in case the indicators are not at the acceptable levels and require immediate action.

The surveillance plan is contemplated according to the needs of the company and the criteria of the responsible doctor. It defines objectives, monitoring and compliance based on each of its programs, fully covering the company's staff.

We have a medical dispensary in our facilities for employee use whenever required. The dispensary serves to address primary care situations. If the employee requires further analysis, exams, or consultations that we cannot provide, they are transferred to an external health facility.



Following our procedures and annual planning <sup>18</sup>, we carry out monitorings in order to keep track of the different exposures to which workers are subjected. The results of the monitoring are analyzed in order to propose improvement actions, and to offer the required personal protective equipment. The results are communicated to management, departament heads in charge of the processes, and also to the Joint Health and Safety Committee.

#### Behavior Based Security (BBS)

Aglomerados Cotopaxi has the firm decision to offer its employees the safest possible environment for the development of their activities. Thus, since June 2021, we are implementing this program to improve the safety in behaviors of our employees. We are aware that this program requires a cultural change in all of us who make at Aglomerados Cotopaxi, since it demands from supervision visits with observation and suggestion capacity, to changes in daily work routines. We are fully confident that with the 2457 hours of training per year dedicated to (BBS), we have started with momentum, and we are all developing awareness of individual responsibility for the safety of all.

Among other aspects of BBS:

- We started with the noise reduction program in our operations, measuring it in 100% of the industrial plant, and identifying critical areas. Of the five zones that are outside tolerable levels, four will be protected with soundproof walls, and the fifth will be relocated; all in the first quarter of 2022.
- We implemented a fire protection system in the value added lines, MDF, sanding and sorting, guaranteeing the response to possible adverse events.
- We executed the project to improve the suction in the chipboard line, by placing extraction systems for formaldehyde<sup>19</sup> and therefore reduced the exposure of our collaborators to the chemical. These conditions are constantly monitored and maintained within the permissible exposure limit established by OSHA (Occupational Safety and Health Administration), which indicates a weighted maximum concentration of 0,75 ppm on average, during the eight hour work shift and 40 weekly hours, on the majority of the production lines. This project will continue throughout the following year to control emissions that exceed the limits at critical points of the MDP and MDF line.

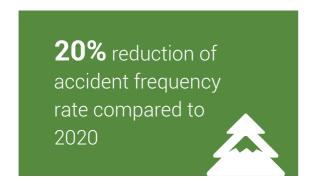
<sup>18</sup> Annual monitoring plan 2021: occupational noise, radiation, ionizing radiations, formaldehyde, lighting of administration areas in the Quito offices, measurement of particulate matter, and psychosocial risk assessment.

<sup>&</sup>lt;sup>19</sup> Formaldehyde-based resins are used in the manufacture of engineered and composite wood products used in cabinets, countertops, trim, furniture, shelving, stair systems, flooring, wall cladding, support beams and trusses, and many others. furniture and structures for the home. Adhesives that make use of formaldehyde as a fundamental element are exceptional bonding agents, providing high-quality performance that is very economical.

It has been very important to follow BBS's recommendations regarding the safety culture program. By giving each of the process leaders direct responsibility for the safety of their teams, the conditions of the workplaces have improved, and advanced awareness in the self protection of the employees is evident.



GRI 403-2, GRI 403-3. After continuous work that seeks to improve the processes for the safety of our employees, we have achieved the following results in Occupational Health and Safety for the year 2021.



#### 2021 results in Occupational Health and Safety

No. of Persons	No. of disabling Accidents		No. of Incidents	Days ( Disabil		rson-hours worked
574	13		32	596	1,2	55,886.97
Person-ho industrial trainii	safety	improvement actions Culture generated in BBS complian		BBS Sat Culture Pro ompliance, planned v	Program ce, weekly	
5,863	.92	(comp	<b>89.9</b> liance targe 80)	et	<b>86.12</b> (compliance tal 85)	
Accident frequency rate <sup>20</sup>		Incident frequency index <sup>21</sup>		Sever inde		SI/FI risk rate
2.07 (there is a 20% reduction compared to 2020)		(We ha incider	10 Id more Its than 020)	94.9 (Accident more seve in 202	s were ere than	45.8



<sup>&</sup>lt;sup>20</sup> Accident frequency rate=(number of accidents x 2000000 / total person-hours worked)

<sup>&</sup>lt;sup>21</sup> Incidental frequency index=(number of incidents x 200000 / total person-hours worked)

<sup>&</sup>lt;sup>22</sup> Severity rate=( number of days lost x 1000 / total person-hours worked.

#### 3.3 Internal committees

GRI 102-41, GRI 403-1, GRI 403-2, GRI 403-4.

In accordance with the law we have a Joint Health and Safety Committee<sup>23</sup> at work, in addition we rely on the 5S Committee of order and cleanliness<sup>24</sup>. Both committees fulfill their responsibility to conduct safety visits aimed at reducing the exposure to risks and improving the work environment. With the development of the Behavior Based Security Program, we established the BBS Committee<sup>25</sup>, with the commitment to make visits to evidence safe and unsafe behaviors of the workers.

### Health and safety training

This year we celebrate the election of the new joint committee. This group, which develops its activities hand in hand with industrial safety, carried out an information campaign, with messages in canvases about self care for industrial and forestry areas, and, in digital form, in the company's media for administrative personnel.

The 5S program has been promoted by the committee of the same name, closing the first two S - classify and

organize - and starting the third. So, all of the factory and the nursery comply with the corresponding labeling; the production plant is standardized up to the third S, and the staff is empowered in terms of organization and cleanliness.



¡Great 5´S shindig!



 $<sup>^{23}</sup>$  The Joint Health and Safety Committee is made up of 12 workers, 50% as representatives of the employer, and the other 50% representing the workers.

<sup>&</sup>lt;sup>24</sup> 5S Committee of order and cleanliness is made up of approximately 21 workers with equitable representation from our entire organization.

<sup>&</sup>lt;sup>25</sup> BBS Committee is made up of 68 workers with representativeness of the entire company. This is not a committee that analyzes results, just the people who make the visits.

We raise needs and concerns in different spaces of the organization, these allow us to establish opportunities for improvement, including the annual training plan. In 2021 we discussed issues directly related with our line of business, specifically mechanical, physical, ergonomic and chemical risks; psychosocial risk and training on the emergency plan. We also review health issues such as,immunizations, nutrition, and drug use, sexual and reproductive health and emotional work<sup>26</sup>.

#### 3.4 Forest collaborators

AC1 (GRI 103-2, GRI 103-3). The forestry collaborators<sup>27</sup> of Aglomerados Cotopaxi are employees with an indefinite contract, and have long term work and all lawful benefits. They have an 8 hour workday, and transportation to the forest plantations according to the place where their work is scheduled. At the end of their workday, the transport service takes them as close as possible to their homes. Our forestry staff does not have camps in the workplaces as they return home every afternoon.

For the forestry operations, the workers have mobile stations that provide comfort and safety on the job,

<sup>&</sup>lt;sup>27</sup> GRI 408 (103-2, 103-3), GRI 408-1. The company does not hire minors within its operations. As part of the sustainability strategy, a risk identification matrix has been programmed to develop to identify the risks of child labor based on the list of contractors and suppliers.



<sup>&</sup>lt;sup>26</sup> These trainings are directly coordinated by the SST as part of the prevention program, and are not added to those coordinated by Human Talent.

specially for eating and rest times; water is always available in large bottles in the workplace.

The provision of personal protective equipment is carried out in accordance with the requirements of each job, and the identified risks, as well as the compliance with the security protocol.

The APIR Risk Matrix<sup>28</sup> allows us to evaluate the particular risks of the activities of the forestry operations, therefore, each area has a supply of clothes and personal protection equipment appropriate for the different activities, which are renewed according to their wear and use.

# 3.5 Specialized service providers Specialized services

AC2 (GRI 103-2, 103-3). We hire specialized services to support our regular operations. In this context, we have a shared commitment in which we make sure to hire companies responsible for the safety of their workers. Our suppliers, make sure to comply with our health and safety requirements to minimize the risk exposure of their personnel. In Aglomerados Cotopaxi we have control and monitoring practices that ensure compliance with the rules by service providers. This has allowed it to contribute to a culture of safety and reliability in the day to day activities of service providers.

The purpose of these conditions is to safeguard the integrity of the workers of our specialized service providers while performing the contracted service, and ensure compliance with occupational safety and health standards. For this reason, our suppliers are subject to prior compliance with safety requirements and internal controls, both in engineering as in personal protection.

Specific actions that are carried out in our operations:



The external staff has access to the services we have in Aglomerados Cotopaxi, such as bathrooms, sinks and refreshments, access to our repairshops, medical care, advice on SST, among others.

This year, all our suppliers received the Safety Manual for specialized service providers, while the transportation

<sup>&</sup>lt;sup>28</sup> The APIR Risk Matrix (aspects, dangers, impacts and risks), based on a Colombian standard (GTC45), identifies and evaluates risks, calculates exposure, and measures the probability of an accident and its possible consequences. This process rates the risk as improvable, acceptable with changes or not acceptable, and includes risk control (eliminating, replacing, placing engineering or administrative controls and use of protective equipment).

group received training in industrial safety and the use of personal protection equipment. Additionally, we implemented a new requirement for suppliers who perform high risk work, either at height or in confined spaces, by having them go through a medical check up to ensure they are in good health conditions to perform these types of tasks.

In Aglomerados
Cotopaxi we have
control and monitoring
practices that ensure
compliance of the rules
by service providers



# 4. Local economic development

# 4.1 Relationship with the communities

GRI 203 (103-2, 103-3), GRI 413 (103-2, 103-3), GRI 413-1, GRI 431-2. Aglomerados Cotopaxi gives preference to people from local communities for employment opportunities, and purchase or provisions of goods and services for the company's operations. The area of direct influence is defined by various factors of relationship and connection, "adjoining" being the most important characteristic. In this context, we have several organizational instances, ranging from a neighborhood to a cooperative, passing through a legal commune; we refer to all of them as Adjoining Associative Forms.

Supported by the annual report of the social environment, the possible impacts of the operations are identified, and managed as per the descriptions in the conflict management manual and other documents of the company, such as the community relations process and the forestry management plan.

Our social and environmental impacts are addressed in the Environmen Management Plan of our industrial plant and the Forestry Management Plan, which are reported annually to FSC and the Environment Director of the Decentralized Autonomous Government of Cotopaxi. We carry out public consult, visits and socialization of our social programs, to generate and receive opinions. Regarding the reception of complaints and claims, we maintain an informal communication process, by communicating directly with those involved, who come to us with absolute trust.

GRI 102-42, GRI 102-43, GRI 102-44. Every five years, we carry out a socio-economic characterization study on our area of direct influence, which allows us to have demographic information, and collect a set of testimonials and perceptions. This information guides the planning of our projects, and serves as a base for productive technical actions of forestry and industrial activity, which we follow rigorously, with the purpose

of avoiding impacts or actions that disturb the daily life of the Adjoining Associative Forms (AAF), in particular, and the local communities in general. As of 2021 we have identified 22 AAFs, with a total population of 5,032 inhabitants, located in the parishes of Aláquez, Mulaló, Pastocalle, Tanicuchí and Chugchilán.

The social dynamics of our surroundings and community interaction style that we maintain in Aglomerados Cotopaxi makes the bond with the community permanent. This practice has allowed us to maintain a favorable social network and guarantee the normal functioning of the industrial and forestry operations. The projects we execute are also a great opportunity for connection, that allows us to keep fluid communication channels, and strengthen the goodwill of the community towards our operations. We promote a mutual social auditing to avoid negative impacts with our neighboring communities<sup>29</sup>.

# 4.2 Community engagement programs

GRI 413 (103-2, 103-3) GRI 413 (103-2, 103-3), GRI 203-2, GRI 408 (103-2, 103-3), GRI 408-1, GRI 411 (103-2, 103-3). Our Community Relations process is based on the precautionary approach of the Forest Stewardship Council (FSC) principle 4. We respect the human rights and social rights of local communities, particularly the indigenous - we make sure to allow community customs to coexist with our business practices. We do not tolerate child labor in our facilities, nor in community outreach projects; however, we respect the custom of family access to spaces related to water care, shepherding and firewood collection. No child is allowed to transit without a responsible adult in our forestry operations. These practices have ensured that so far we do not have any related claims.

The relationship with local communities is based on an approach of transformation from conflicts to collaborative processes, and it is executed through our health, education, economic development and social dialogue programs; from these, the projects and relationship activities with the local communities emerge. We regret to inform that the pandemic caused by COVID-19 made it impossible for us to execute projects closely linked to the schooling of children in our area in 2020 and 2021. These projects were carried out on an annual basis and had a significant impact in our community relations, we look forward to execute them again on 2022.

<sup>&</sup>lt;sup>29</sup> GRI 411-1. To date we have not received complaints for violations of rights of indigenous peoples, the neighboring populations are mestizo and indigenous according to their self determination,





#### Health

• Delivery of food rations, face masks, rubbing alcohol to communities.

Annual caravan of oral and visual medical attention for children

100 medical attentions with **2,000** dollars of investment (not carried out in 2020 and 2021 due to the pandemic)

#### Education

• Connected and safe: donation of products for community internet space

**4,500** dollars for one community

• Bike Park: bike trails and hikes within our forest plantations.

**70,000** dollars and **12,827** visits

• Forest imaginary: educational walk through our forests.

**200** children with **2,000** dollars of investment (not carried out in 2020 and 2021 due to the pandemic)

 Improvement of educational infrastructure through in- kind donations of our products.

**9,000** dollars for one community per year (not carried out in 2020 and 2021 due to the pandemic)

### **Economic development**

• Communitary shepherding: use of spaces in our forests for shepherding of farm animals from neighboring communities

135 families with savings of 1,800 dollars per family

• Churopinto Dehydrated products: a local enterprise that supplies from non-timber products collected in our plantations.

16 families with an investment of 2,000 dollars and sales of 2,000 dollars

#### Social dialogue

• Water Governance: Subscription of agreements with irrigation and potable water boards, in order to ensure the harmonious use of a shared resource

**27** signed agreements

# Health program<sup>30</sup>

Medical Caravan Project

Once a year, we serve the entire school age child population of a parish in the area of direct influence.

We carry out medical consultations for visual

and oral health, with the support of an institution specialized in mobile health brigades, and in coordination with the corresponding Parish Government.

In the years 2020 and 2021 the annual health caravan was not carried out to prevent contagions during the pandemic. However, we promoted health care with the delivery of face masks, rubbing alcohol and information to promote biosafety standards and food rations to 1,119 families; this activity was carried out with a funding of USD 10,000 from Finance in Motion and a counterpart from Aglomerados Cotopaxi of USD 3,500 dollars.

**Educational program** 

### Forest Imaginary Project

This project aims to build a forestry culture in children in the area of direct influence. In a playful way we made a tour through all the stages of forestry cultivation, visiting the seed in the nursery, the planting of trees in the field, the pruning and thinning activities, until we reached the final harvest of

trees. Important aspects of the visit are the water sources and the activities for their conservation within the forestry plantations.



# Improvement of Educational Infrastructure

Through the donation of our Fibraplac and Duraplac boards and solid wood, every year with the exception of 2020 and 2021,

we contribute to the improvement of the educational infrastructure of the area of direct influence; this work is carried out with the labor contribution of parents.

During 2021, due to the pandemic we minimized donations to educational institutions. However, we support proposals for post-pandemic economic reactivation through donations to decentralized governments of the province with company products for an equivalent of 9,808.66 dollars.



#### Connected and Safe Project

We signed an agreement with Plan Internacional Ecuador, and supported the project "Connected and Safe Communities" that aims to bring connectivity to communities with difficult access to this service; generating a permanent

and safe space for boys, girls and teens who need access to quality internet, thus promoting the development of digital skills.

Due to COVID-19 pandemic, we have not been able to execute some permanent community relations projects in 2020 and 2021.



Aglomerados Cotopaxi donated desks, chairs and bases for electronic devices for 34 individual workspaces to the communities of Langualo Grande and San Ramón, for a referential amount of 4,500 dollars.



#### Bike Park Project Aglomerados Cotopaxi

Forestry plantations are a sustainable alternative for wood consumption in the world; forestry cycles generate a wide

variety of valuable environmental goods and services, such as carbon fixation, water regulation, landscape, among others. Aglomerados Cotopaxi´s *Bike Park* takes advantage of this possibility to provide the community with entertainment and fun spaces within 1,300 hectares of the San Joaquín forestry property; while achieving the creation of environmental and communication spaces, through the concepts of responsible forestry management and access to the ecosystem services of plantations.

All the spaces of the *Bike Park* have been built with wood from our forest's crops, which subtly introduces the visitor to the world of sustainable use of cultivated wood.

The *Bike Park* has more than 30 kilometers of tracks, segmented by levels, that can be used both by professionals with years of experience, as well as by beginner cyclists and their families. And for those who prefer to enjoy nature on foot, there are wonderful trails along which to experience the forest and some

conservation areas. A place that has environmental education and recreation as an objective, and also offers excellent service to all its users.

Aglomerados Cotopaxi's *Bike Park* started operations in March 2020. During 2021, investments close to 70,000 dollars were made for the development and maintenance of the tracks, both for bicycles as well as for walks, playgrounds, service and food areas. 12,827 people visited the *Bike Park* throughout the year 2021. We also support the organization of adventure competitions in our plantations, such as: Proyecto Aventura, Sierra Loma, Vuelta al Cotopaxi, and Cotopaxi above 4000.

Aglomerados Cotopaxi Bike Park course map





## Social Dialogue Program



### Water Governance Project

About 15,000 people, organized in Irrigation Boards, from the parishes that border the forestry patrimony of Aglomerados Cotopaxi, receive from the Ecuadorian State the

authorization for the use of water sources for human consumption, irrigation and animal watering.

These sources are born from, or cross through our forestry properties. In this context, the Water Governance project emerges, as a space for the use of a shared resource and the full exercise of rights of water users, and ours as owners of the land.

This project is based on:

- The subscription of an agreement in which the basic conditions for the exercise of rights are established.
- Water monitoring and the measurement of flow rate to determine the health of catchment areas.
- The coordination of activities, mainly for the maintenance and improvements of the infrastructure.
- Joint decision making in the context of a management committee.

 Permanent socialization in the General Assemblies, with special emphasis on the monitoring results.

Of the 47 water systems or boards that have their catchments in the lands of Aglomerados Cotopaxi, 27 governance agreements have been signed until the end of 2021. Signing of these agreements respond to the needs of the beneficiary communities.



## **Economic Development Program**



### **Dehydrated Mushrooms Project**

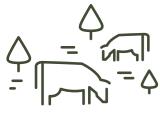
This project uses non-timber forest products collected within our forest plantations, such as boletus mushrooms (suillus luteus), medicinal and aromatic herbs such as the horsetail

(equisetum myriochaetum) and zunfo (Clinopodium nubigenum). The harvest products, after a dehydration process, are packed for marketing,

In 2021, this project was consolidated by supporting the development of the Churopinto dehydrated products brand, for the direct marketing of dehydrated mushrooms, medicinal and aromatic herbs in combination with dehydrated fruits and natural sweeteners.

This project benefits 16 families in the Santa Catalina de Churopinto community. In 2021, Aglomerados Cotopaxi made an investment of 2,000 dollars and the community was able to market, from September, about 2,000 bags of 15 grams of herbal tea and 150 bags of dehydrated mushrooms for an amount close to 2,000 dollars.

## Communitary shepherding

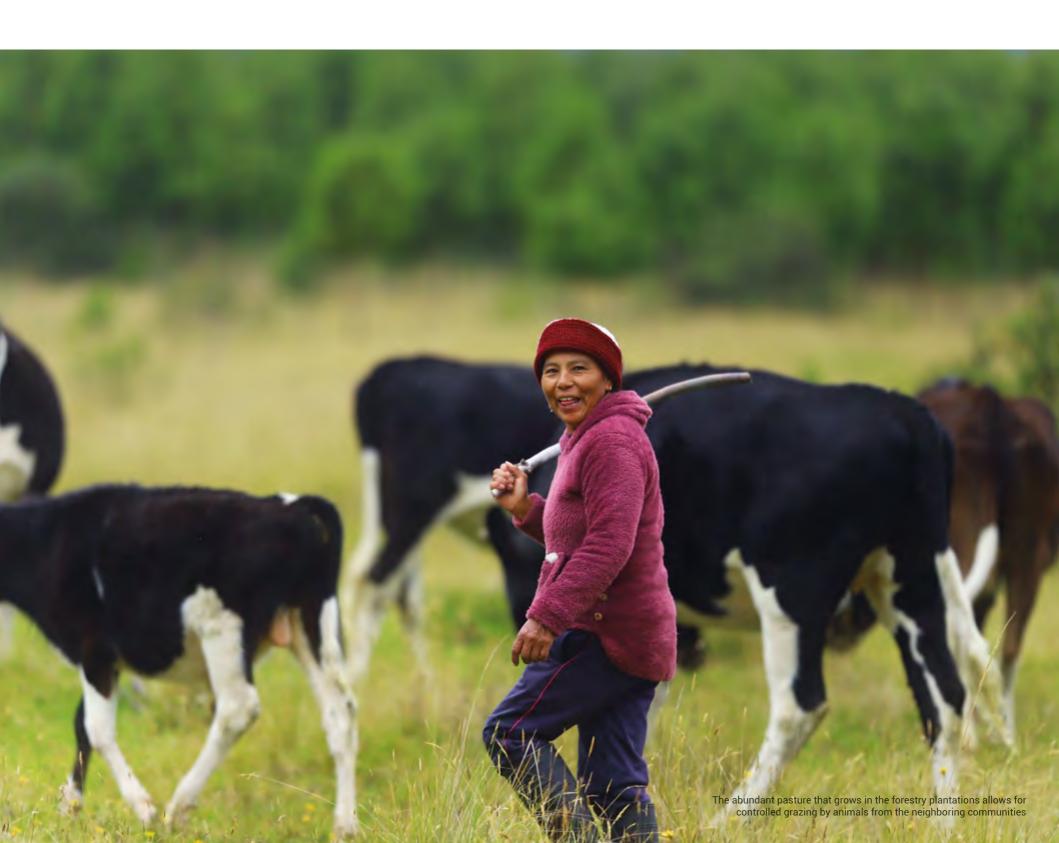


This project contributes to the economy of families neighboring the forestry plantations. We facilitate community shepherding for the fattening of small livestock in certain spaces when our forestry plantations are older than



eight years. The beneficiary families sign a document with agreements and commitments that they must fullfil while carrying out their shepherding activities on the grounds of Aglomerados Cotopaxi. In this way, each family saves a value close to 1,800 dollars per year, by not buying fodder at the market, especially in the summer months.

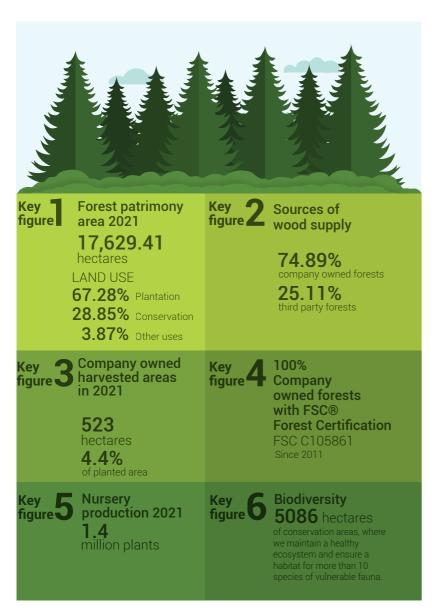
During 2021, 800 hectares have been allocated to this project, benefiting 135 families with community shepherding.



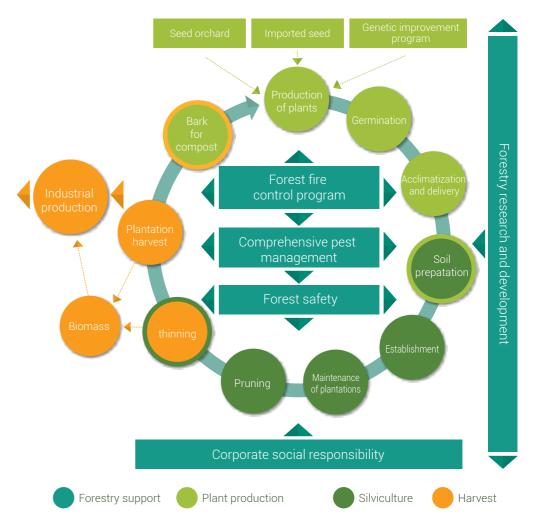


# 1. Key figures





### Plantation forest management



# 2. Territorial planning

#### 2.1 Sustainable Forest Plantations

We have 44 years of sustainable forest management. This encompasses the management and use of renewable forestry resources so they maintain the biodiversity, productivity and potential to fulfill relevant environmental, economic and social functions, now and in the future, locally, nationally and on a global scale, without causing harm to others. The bases that guide our activity are:

**Economic:** The guaranteed supply of wood from responsibly managed forestry plantations in a sustainable manner to the industry.

**Social:** Forestry management includes a culturally appropriate relationship with community participation, ensuring the economic and social well being of its workers and local communities in the long term.

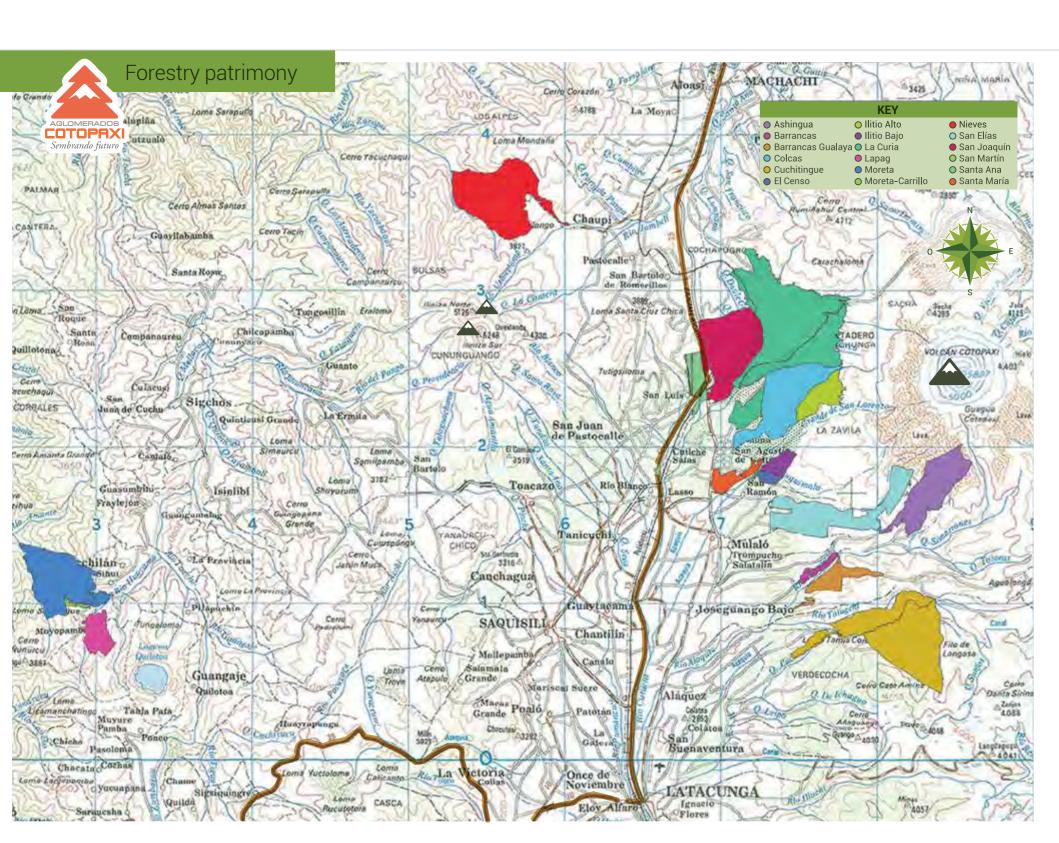
**Environmental:** The responsible management of the forestry patrimony of Aglomerados Cotopaxi contributes to maintain and improve the conditions of biodiversity, regulations of the water cycle, protection and recovery of degraded soils, wildlife refuge, carbon sequestration, mitigation of greenhouse gasses and climate change, taking care of the landscape and giving access to recreational areas

More than **28%** of the forest patrimony is destined to conservation areas

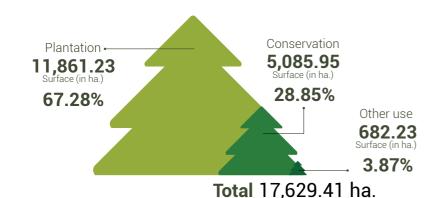
### 2.2 Forest patrimony

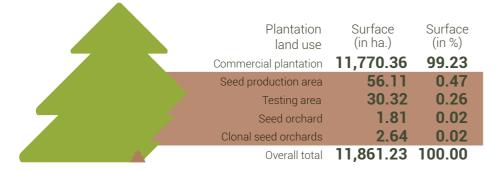
GRI 102-2, GRI 304-1, GRI 304-3, AC 3.1. The properties that make up the forestry patrimony of Aglomerados Cotopaxi are distributed in the county of Latacunga and Sigchos, in the province of Cotopaxi in Ecuador. We maintain 17,629.41 hectares, and we allocate more than 28% for conservation areas¹. All the properties are registered in the Ministry of the Environment, Water and Ecological Transition and the Ministry of Agriculture and Livestock. The forestry properties belong to Aglomerados Cotopaxi and are duly titled. Over the years, the company has bought land with degraded soils and overexploited by agricultural and livestock activities to form its own patrimony of forestry plantations.

<sup>&</sup>lt;sup>1</sup> This surface area does not include: i) the area of pastures and crops (81.49 ha), ii) areas where the company cannot exercise its right of use (69.92) and, iii) 123.72 ha of gravel extraction. A total of 275.13 excluded hectares.



#### Land use





The total area of commercial plantations has a volume of  $1.1 \ MM$   $m^3$  of wood, and given the fact the plantations are in a sustained cycle of growth, this would allow a maximum use of  $640 \ hectares$ , with a harvest volume of approximately  $180.000 \ m^3$ .



On August 17, 2021, Aglomerados Cotopaxi signed a gratuitous bailment with the Ministry of the Environment for an area of 5 hectares for the installation of infrastructure for the administration, park rangers and access control checkpoint to the Cotopaxi National Park. The duration of the contract is for 15 years; it is worth mentioning that the area of the national park begins at 8.5 km away from the Caspi control at 3,600 meters above sea level.

## 2.3 Plant production

The plant production is carried out in the San Joaquín forestry nursery and has a maximum production capacity of 3 million plants per year, it has a greenhouse of 4,000 square meters, and an outdoors acclimatization area of 10.000 square meters.

The pine genetic material used for the reproduction comes from our orchards and seed production areas, which have had a selection process of more than 20 years in our forestry plantations.

In the case of eucalyptus we are establishing the seed production areas, so we still source from imported seeds.

The substrate used for planting is pine bark<sup>2</sup>, that comes from the debarking of the sawmill and from the MDF<sup>3</sup> line of Aglomerados Cotopaxi's industrial plant; efficiently taking advantage of a byproduct of the production lines.

- <sup>2</sup> The substrate uses the bark that has a composting process that lasts approximately three months.
- <sup>3</sup> Medium Density Fibreboard.



#### **Species**

The main species of our plantation are *Pinus radiata* and *Pinus patula*, some of the areas are already in the third planting rotation. On the other hand the *Eucalyptus nitens* plantations correspond to the first rotations in our patrimony.

#### Water

GRI 303 (103-2, 103-3), GRI 303-3, GRI 303-5. Our forestry plantations do not use irrigation water, they are maintained with rain water and with the moisture that the soil retains, only our nursery needs water for its production. Within the properties there are small farmland sections that have permits granted by the National Water Secretariat, for the utilization of the assigned water. (See chart "Land use" p. 62)

In the nursery, the water used for the irrigation process and fertilizer application, comes from the San Joaquín watershed<sup>4</sup> that supplies a reservoir of 316 m<sup>3</sup>.

In 2021, 1.4 million plants were produced with a consumption of 466 m<sup>3</sup> of water.

# 2.4 Growth of our plantations

AC 3.1. The type of soil where the forestry plantations are located is of volcanic origin, and in general has an

average level of fertility, in addition the soil structure and the climate conditions prevent hydric or eolic erosion processes. On the other hand, to improve the fertility and availability of nutrients for forestry species, controlled release fertilizers are used in the initial stage of the plantations.

The machinery used both in the preparation of the land and in the stage of forestry harvest, is designed to minimize the possible impacts of clearing and soil erosion. In addition, the machinery allows safer processes for the personnel and is more efficient in the productivity of the tasks.

To obtain a good development of forestry plantations, it is necessary to carry out a series of silvicultural activities; such as land preparation, establishment, maintenance, silvicultural management of the plantation and forestry protection. All of these activities are carried out by the staff of the Forestry Management area, which has many years of preparation and experience in these tasks.

The preparation of land is carried out in a mechanized way with a harrow, which allows improvement of the structure of the soil, and therefore increases the productivity of the plantations, weed controls are carried out before the establishment of the plantation.

<sup>&</sup>lt;sup>4</sup> The concession has a flow rate of 18 liters per second.

Once the land is prepared, seedling establishment is carried out manually in the winter season.

Maintenance begins between 6 months to 1 year after the plantation was established, and consists of removing weeds that compete with seedlings for water and nutrients. This activity is done up until 2 years in pine and 1 year in eucalyptus. The silvicultural management is responsible for pruning and thinning the pine. Pruning is carried out around 5 years, and consists of cutting the branches of the lower part of the tree; depending on the growth productivity it can be pruned up to 4 meter in height. This task improves the quality of the trees, and therefore improves the quality of the wood that will be obtained while also avoiding the spread of forest fires and controlling certain plagues. The thinning seeks to reduce the density of the plantation, cutting the smallest or poorly shaped trees, approximately 10 years after planting, in this way, the final volume is concentrated in the best trees. The wood that comes out of thinning is also used in the industry. This activity is frequently performed by a specialized service provider. He is an example of a local worker that has grown with us.

Forestry protection is carried out throughout the life of the plantation, it consists mainly of the prevention and combat of forest fires, protection against possible plagues, and trespassing protection of the properties. Regarding the control of forest fires there is an entire physical structure and trained personnel. For the plagues, an integrated management is carried out which consists

in avoiding the appearance and spread of possible plagues. The trespassing protection is carried out by motorized forest guards, who control the accesses to the property, avoiding the unauthorized entry of people, or damage to the property.

#### Combat of forest fires

AC 3.2. Fire season commonly occurs in the summer months, from June to September, although in recent years, events have occurred outside of these dates. In the 2021 fire season, due to favorable weather conditions, we only had 15 days of yellow alert, with 17 foci detected near the forestry patrimony, and 2 within it, affecting 10,55 hectares of forestry plantation and 5,90 hectares of other uses. It is worth mentioning that the 2 events within the forestry patrimony happened outside the regular season of forest fires; however, due to the solid program of protection and firefighting and the commitment of the forest brigades, the affectation was not larger.

Since 2002, Aglomerados Cotopaxi, together with the Juan Manuel Durini Forestry Foundation, have implemented a program of protection and fire fighting. Since 2008, the forestry management unit has been responsible for this management, and follows the instructions for the prevention and fight of forest fires, and the annual plan of forest fires.

All the personnel of the fire brigades, composed of the company's forestry workers, have been trained by experts



from Chile. We have four observation towers at strategic points in our forestry plantations, from which, during the fire season, our observation guards can detect at a long distance the source of the fires, and in coordination with the fire station send the land fire brigades.

A fire protection program was implemented since **2002** 

# 2.5 Wood supply

GRI (103-2, 103-3), GRI 301-1, GRI 301-2, AC 3.3. Since the birth of our operations, the basis for the growth of our patrimony has been the purchase of land near the industrial plant located in Lasso. In recent years, we have diversified our wood supply by promoting afforestation agreements on third party lands. The current supply strategy is to provide approximately 75% of wood from our own plantations, and the remaining 25% through purchase from third party forests. In this way, we promote the forestry business between different suppliers or plantation owners. This practice seeks to promote the creation of new forests in our country.

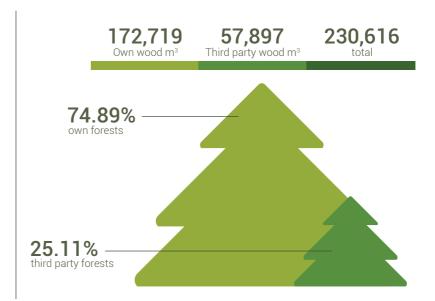
In the case of the use of our plantations, the commercial thinning and final harvest are carried out through mechanized and semi-mechanized systems, according to the topography and size of the trees. From the harvested wood, practically 100% of the tree is used, the trunk is cut and sized according to the categories needed by the industrial plant, in addition, the branches and the residue

of the operations is processed as chips for biomass that is used as renewable fuel for the cauldrons of the industrial plant. The harvest wood reaches the plant's wood yard in independently owned transport, where it is organized and sorted for consumption on production lines. This process is the responsibility of the forestry management.

#### Wood sourcing 2021

Aglomerados Cotopaxi is supplied 100% from renewable sources with wood from forest plantations. We do not use wood from another origin or source for our industrial

In 2021, the total supply of the production of Aglomerados Cotopaxi was 230,616 m<sup>3</sup>, of which 74.89% corresponds to wood from our own plantations, with a harvest area of 523 hectares and 481 of thinning.





Wood consumption in

- Sawmill MDF



# 3. Management of our forests

# 3.1 External certification of our good practices

GRI 102-11, GRI 102-12, GRI 102-56, AC3 (103-2, 103-3). Since 2011, we have adhered to the management system of FSC® Forest Stewardship Council®, with the purpose of validating our good practices of responsible forest management and environmental care, as well as to generate and manage a favorable social network. We maintain a faithful commitment to comply with the principles and criteria of FSC®, each of which introduces a precautionary approach in our management, that is, all the activities that are carried out must consider the three principles of sustainability promoted by FSC® to maintain or improve good forestry practices.

This process involves decision and leadership. Over ten years ago when we took this long term commitment, we aligned our Systems Management Policy, the Forestry Management Plan<sup>5</sup> and its corresponding Manual to



make them part of the company's processes. We have guidelines for all the activities that take place in our forestry patrimony.

In 2011 we received the first external audit by the certifying authority *Control Union*, who verified compliance with FSC® principles and criteria, and we obtained the FSC C105861 Certificate, for a duration of five years, with annual followup audits. The recertification is done every five years.

The scope of the Forestry Management Plan is at least one rotation, that is 20 years, and the period set for the review is every five years, it can be modified or updated when significant or important changes are found. Modifications must be registered and reported to the FSC contact person.



La marca del manejo foresta responsable

#### FSC® Certification

Aglomerados Cotopaxi Forestry Plantations

FSC® certification is based on 10 general principles of forestry management, that contemplate economic, social and environmental aspects.

- Principle 1. Compliance with Laws with all laws, regulations, treaties, conventions and agreements.
- Principle 2. Workers Rights and Employment Conditions: Maintaining or improving the social and economic well being of the workers.
- Principle 3. Indigenous Peoples' Rights: Identify and support the rights of Indigenous People to own and use the land and its resources.
- Principle 4. Community Relations: Maintaining or improving the social and economic well being of the local communities.
- Principle 5. Benefits from the Forest: Maintaining or improving the long term economic, social and environmental benefits of the forest.
- Principle 6. Environmental Values and Impacts: Maintaining or restoring its ecosystem, biodiversity, resources and landscapes.
- Principle 7. Management Plan: Have a management plan, implemented, monitored and documented
- Principle 8. Monitor and Assessment: Demonstrate progress towards meeting management objectives.
- Principle 9. High Conservation Values: Maintaining or improving the attributes that define this type of forest.
- Principle 10. Execution of Management Activities: Plan and manage plantations in accordance with FSC principles and criteria.

#### Third party lands

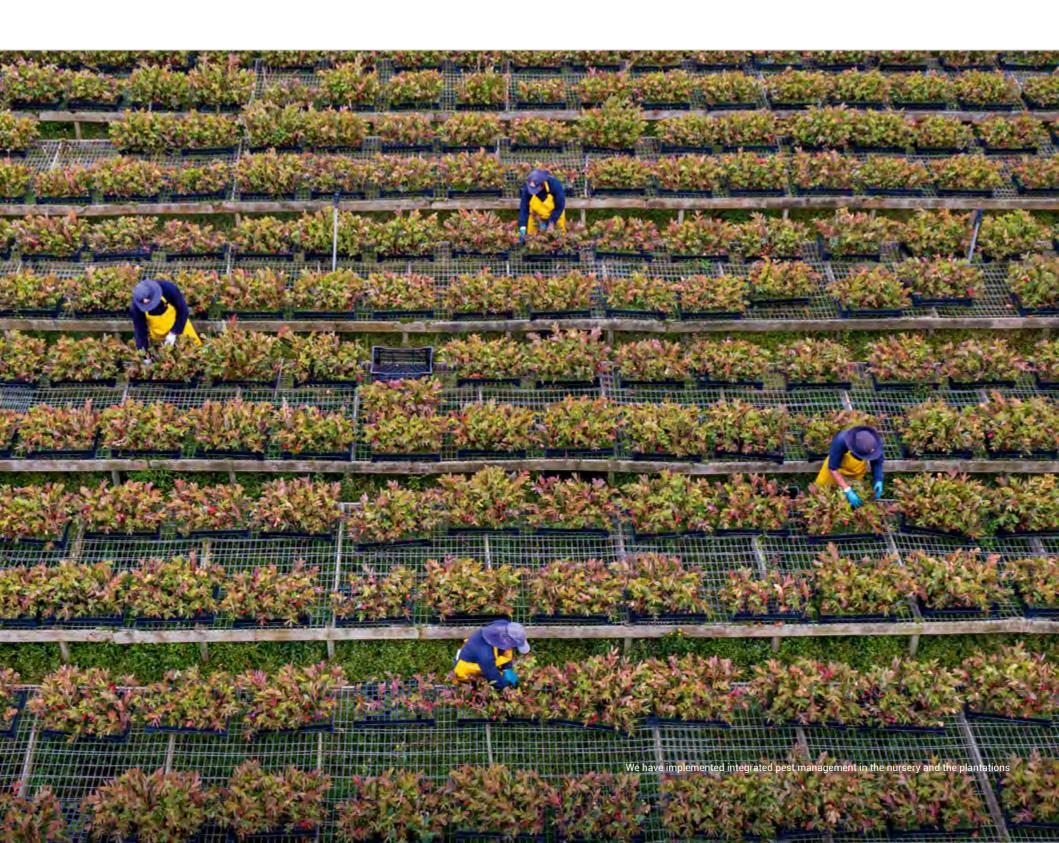
Based on FSC® Partial Certification Policy 20-002, we have declared under this figure the properties over which we do not have full control of use of long term property, or when it comes to forest agreements on third party lands.

The forestry management for these lands is the same one that is carried out in our own lands, since everything is part of the forestry patrimony of Aglomerados Cotopaxi.

#### Audit findings

In order to comply with FSC® regulations, an external audit is requested from the certifying body, Control Union, which is carried out by the audit team and local experts. In 2020 a minor Non-Conformity and two Observations were raised. These focused on compliance of principle 8: monitoring and assessment and the sections that request validation in the monitoring of fauna indicator species. To close the Minor Non-Conformity, a public consultation process was carried out, which was executed in November 2021, with the presence of internal and external stakeholders, such as local authorities, academia, opinion leaders, neighbors of the area of direct influence, to present the monitoring program and its results. The observations raised are points of attention indicated by the auditor, and the company has a period of 12 months to evaluate their implementation. Despite not being a requirement, we set a deadline to resolve the observations, and thus avoid that they rise to Non-Conformities in future audits

In 2021, the follow up audit was not carried out, due to the state of sanitary emergency that the country experienced in the second semester, therefore, the certifying entity granted us the extension of the validity of the certificate for one additional year, for this reason, the follow up audit will take place in 2022.



## 3.2 Integrated pest management

AC 3.4. Aligned with the principles 6 and 10 of the FSC® standard, we follow strict policies for the use of pesticides. The use and application of chemicals is part of the precautionary approach of our Integrated Pest Management Plan.

In nursery and plantations we carry out an integrated pest management, we monitor the potential causative agents of damage and their natural controllers. Based on damage indexes, we proceed with the use of biological products, and only, when the indexes reach a high level we apply chemicals. We use biological products in phytosanitary controls for fungus and insect damage. In the nursery we apply products based on beneficial microorganisms that control pathogens, and in the case of insects, we use cultural work and friendlier methods such as traps for their control.

Chemicals are mainly used in the initial stage of planting to eliminate competition for water, light and nutrients against weeds. For that purpose we do a pre and post planting chemical weeding, and whenever possible we use a mechanized application with a gable to minimize the risk to the people. For the use of backpack pumps, we provide our forestry workers with personal protective equipment, with the corresponding training for its safe use, followed by periodic controls of cholinesterase level<sup>6</sup>.

Pesticides containers are triple washed, sorted and pierced, and then returned to suppliers for final disposal.

The FSC® pesticide policy establishes a categorization of Highly Hazardous Pesticides, based on eight toxicity elements, which are classified in the following categories:

- 1. Prohibited products
- 2. Very restricted products
- 3. Restricted products

For the use of the products belonging to list 2 and 3, we develop an environmental and social risk assessment matrix where we determine the impact and corresponding action plan.

## 3.3 Ecosystem services

GRI 203 (103-2), 303-1. The ecosystem services provided by the territorial management of forestry patrimony, such as the joint management of water basins, the carbon capture, the care of conservations areas, and the availability of recreation spaces, among others, are managed under a precautionary and sustainable approach. Aglomerados Cotopaxi encourages the use of these services through its community relations programs, with the purpose of promoting a positive socio environmental impact<sup>7</sup>.

<sup>&</sup>lt;sup>6</sup> The tests for cholinesterase level measure the effect of exposure to certain pesticides and agrochemicals, ensuring proper monitoring of toxicity.

<sup>&</sup>lt;sup>7</sup> Review details in the chapter of Responsibility toward people, within the subchapter of Community Relations.

In 2017, together with Condesan and the Ministry of Agriculture, represented by Undersecretary of Forestry Production, we assumed an agreement, which aimed to complement efforts for the implementation of a pilot project, to determines carbon sequestration in forest species Pinus spp and Eucalyptus spp, and thus generate information that helps the adaptation and mitigation of climate change through the strengthening of silvicultural management, thus obtaining a balance against carbon emission in the long term.

In 2021, an agreement was signed with the University of the Americas, with the purpose of updating this information, as well as GHG emissions in the industry, with the purpose of obtaining the verification and implementation of the carbon neutrality management system, and adherence to the Ecuadorian Zero Carbon Program (PECC).



## 3.4 Awards and Recognitions

At the national level we stand out for our forestry management. Once our practices have been validated by the Ministry of Environment Water and Ecological Transition of Ecuador, we received the Forest Green Dot Recognition, which is considered by that institution as a mechanism that "encourages fairer and more responsible marketing"

Forest Green Dot
forest plantations of
Aglomerados Cotopaxi

RECONOCIMIENTO
FORESTAL

Recognition

processes that will benefit the communities that depend on forests" and involves companies in the process for the control of legal wood<sup>8</sup>.

The Sustainable Forest Management Corporation, COMAFORS, through the Sacha Awards initiative, seeks to recognize various actors that carry out good forestry practices throughout the country; focused on sustainability commitment of forestry management, forestry plantations, with their products and services; in this sense, Aglomerados Cotopaxi has received the following recognitions:

#### **Awards**

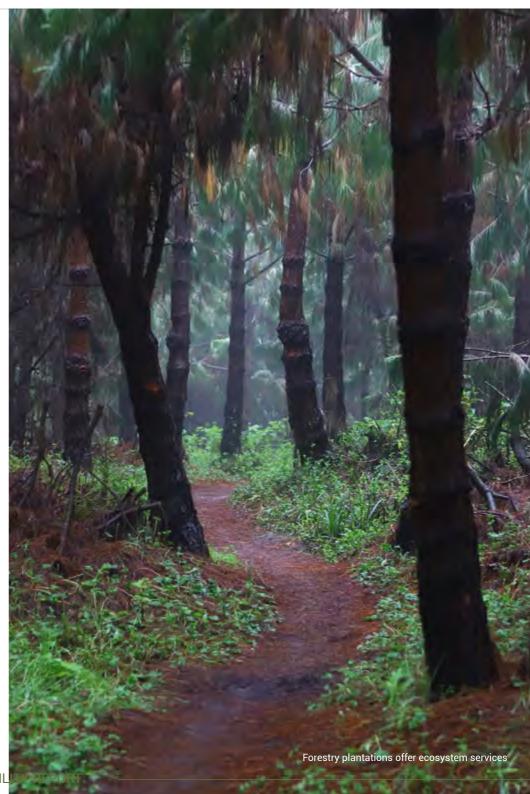
- Rumiñahui General Recognition.
   First place. Collection and commercialization of the Suillus luteus mushroom.
- Sacha Award 2015. First place. Forestry research. Integrated pest management.
- Sacha Award 2015. Second place. Water governance project for community utilization.
- UN Global Compact. Recognition of SDG 6.
  Governance of water as a high value of conservation.
- Sacha Award 2021. Sacha United. Recognition of the Aglomerados Cotopaxi's Bike Park. Sacha Hero: Forestry Manager Aglomerados Cotopaxi.
- Sacha Award 2021. Sacha United and natural born leader. Recognition to Aglomerados Cotopaxi for the management of the Covid-19 pandemic. Sacha Hero: General Manager Aglomerados Cotopaxi.

The Sacha United gathers positive testimonies about the history of those who promote the best practices of sustainable landscape management, and their contribution in the fight against climate change. For its part, Sacha United and Natural born leader, recognizes those men and women who have managed to transcend adversities, and have left a mark on the conservation and responsible management of the forests during the pandemic.

<sup>8</sup> See https://www.ambiente.gob.ec/ministro-presento-el-plan-de-fomento-al-manejo-forestal-sostenible-y-el-reconocimiento-punto-verde-forestal/

All management processes of the forestry area of Aglomerados Cotopaxi, are governed on the basis of management and operational indicators. In our continuous search for excellence, the industrial activity of our company, follows the ISO 9001:2015 quality standards; Health and Safety at Work, are governed under the ISO 45001:20189 standard, and adoption of the guidelines of the control and safety management system, under the criteria of BASC: Business Alliance for Secure Commerce.

<sup>9</sup> GRI 304-2. To safeguard ecosystem services. Aglomerados Cotopaxi carried out the identification of risks and impacts that may arise from forestry operations and processes, based on the environmental policy and management executed in the company, which indicates that Environmental APIR forms must be completed, where the Aspects, Processes, Impacts and Risks can be evaluated. In addition, the official document developed for FSC, called Forestry Management Plan, indicates the management to maintain or minimize these impacts and its precautionary approach based on the indicators of FSC principle 6 and established protocols.



# 4. Biodiversity



#### 4.1 Healthy ecosystem

GRI 304 (103-2, 103-3), 304-1, 304-4. The areas owned by Aglomerados Cotopaxi are clearly defined with geographical and legal boundaries. The company does not develop operations within the protected areas of the National System of Protected Areas of Ecuador (SNAP), although part of its forestry patrimony borders the Cotopaxi National Park, El Boliche National Recreation Area, Los Ilinizas Ecological Reserve, which is evidenced in maps and property deeds.

The conservation areas that are within the forest heritage total 5,085.95 hectares. In accordance with FSC® principles, 3,842.01 hectares of our properties have been declared under the due process of public consultation, as areas with High Conservation Value, especifically AV1 for its diversity of species, AV4 for basic ecosystem services and AV5 for community needs. This process is carried out to cover the precautionary approach based on the specifications of FSC® Principle 9 High Conservation Values, Principle 8 Monitoring and Evaluation with regards to the maintenance and care of these values, and also Principle 4 for the relations with the communities. All

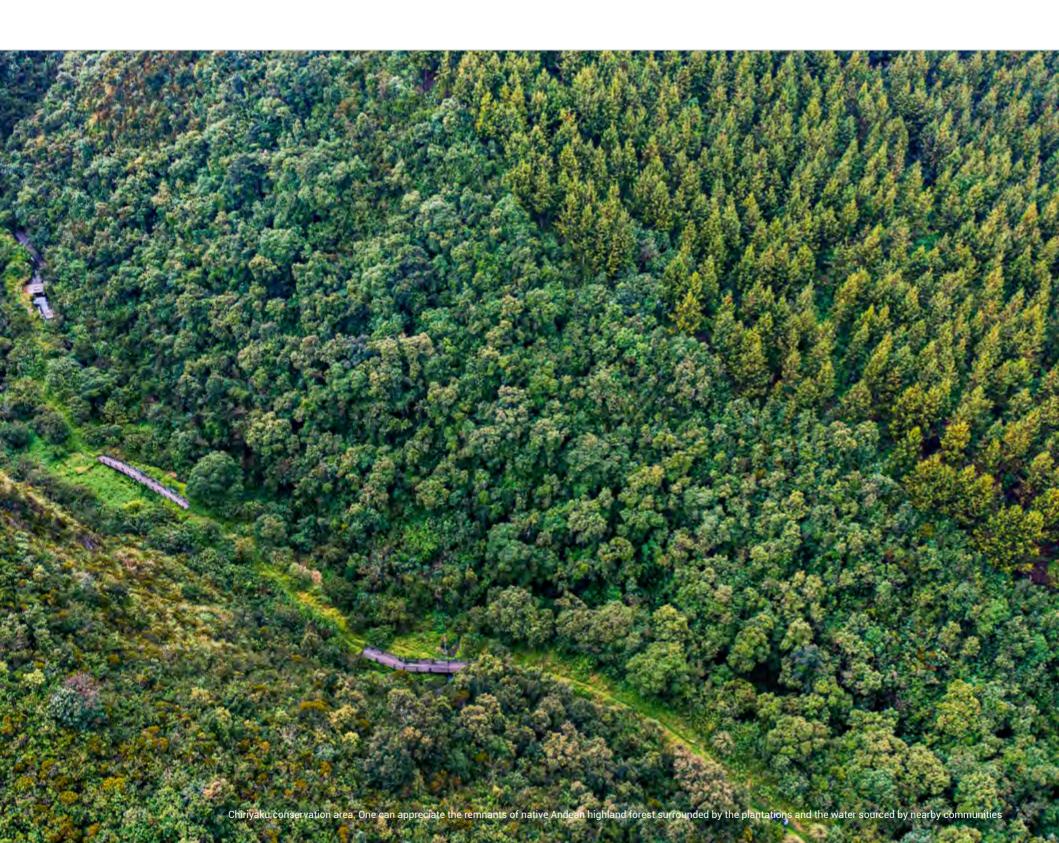
aspects that are required to meet FSC® criteria have been included in our Monitoring Program that annually verifies the compliance of social and environmental indicators.

Our pine and eucalyptus plantations promote the development of the flora and fauna which is representative of the Ecuadorian Andes. In 2010, we set up a baseline of the biological components of our plantations defined in the Environmental Impact Study of our forest activity. In this context, we identified representative fauna of the Andes, ecological processes, sources and water riverbeds, restructuring and conservation of organic soil,  $\mathrm{CO}_2$  capture, and a medium wild life diversity, which has been maintained until the last monitoring carried out in 2021.

Based on the initial results, we decided to conduct an annual wildlife monitoring, and a general monitoring every five years. Thus, the next biological monitoring was carried out in the month of may 2016, and the last one in 2021. The methodology applied to monitor the fauna is from direct surveys through capture, and indirect surveys through recognition of footprints, feces and regurgitated<sup>11</sup>; for the minor flora linear transects and direct identification were applied in random routes.

<sup>10</sup> Our environmental impact studies are carried out by independent individuals, in accordance with the provisions of the country's Environmental Authority.

<sup>&</sup>lt;sup>11</sup> The pellets are balls formed by undigested food remains regurgitated by certain birds.



In 2021, we developed the public consultation process of AVC1 and the Monitoring Program in the month of November. Based on what is required by FSC® we put into consideration, of the interested parties, the results of the management in these areas. This process had favorable results and we received recommendations to implement in an action plan in the coming years.

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In June a general update of the Biological Monitoring was carried out, confirming the presence of key species. The results of the biological monitoring confirm that the ecosystem is healthy in all areas studied, and allows us to conclude that the plantations are a refuge for wildlife.

# 4.2. Wildlife refuge

Our forest plantations maintain an average diversity in wild flora and fauna. The fauna follows a behavior of ecological opportunism, and rotates throughout the plantation in search of food and shelter. For the large mammals, the entire planted area is their living space as they have no habitat preferences, but they are inclined to sites without human presence. Their population is high because they have no predators, and the puma is

occasionally present. The number of amphibians and reptiles have maintained, but with low populations, due to the eruption of the Cotopaxi volcano.

Likewise, the biological monitoring updated this year, has allowed us to confirm that the protection of the conservation areas of our properties - remnants of high Andean forests and ravine vegetation, is fundamental for the maintenance and ecosystem balance, since it is in these sites that the major diversity of birds is concentrated within the forest patrimony of the company. The maintenance and conservation of these natural environments depends on the future of the species that inhabit there, and those that could visit the place in times of migration.

As for the minor flora, the Asteraceae family was registered in all of the sampling points, in addition to presenting itself as the one who contributed with more species in all the sites. The presence of seven endemic species was recorded and, in order to know the changes in the richness of the registered flora, we made comparisons between the current results and those of 2010, demonstrating a similar diversity.

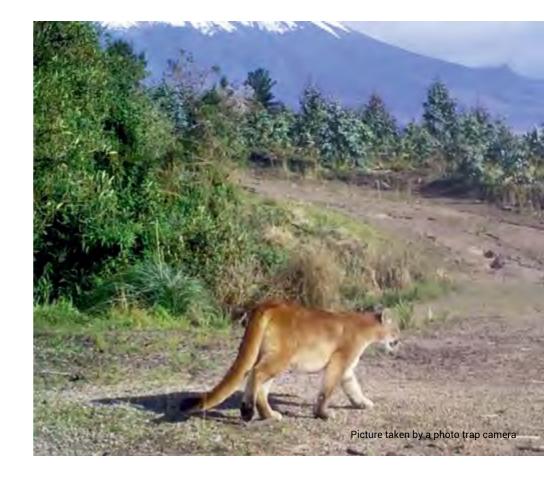
#### Wild Mammals GRI 304-4

In general, the forest area of Aglomerados Cotopaxi S.A. presents a heterogenous landscape, due to the coexistence of natural vegetation of the Andean forest and pine and eucalyptus plantations, which form a matrix of varied refuges for some species of wild mammals. Ensuring that these sites have limited human presence, we register a greater diversity than agricultural ecosystems.

The conservation status of species registered in the field shows that our forests are home to four species that are Evaluated category (NE). While at the international level,

Given the need to continue with the studies to understand the dynamics of the population of different species, a research project was implemented in October 2021 as a pilot plan using camera traps to monitor animals.

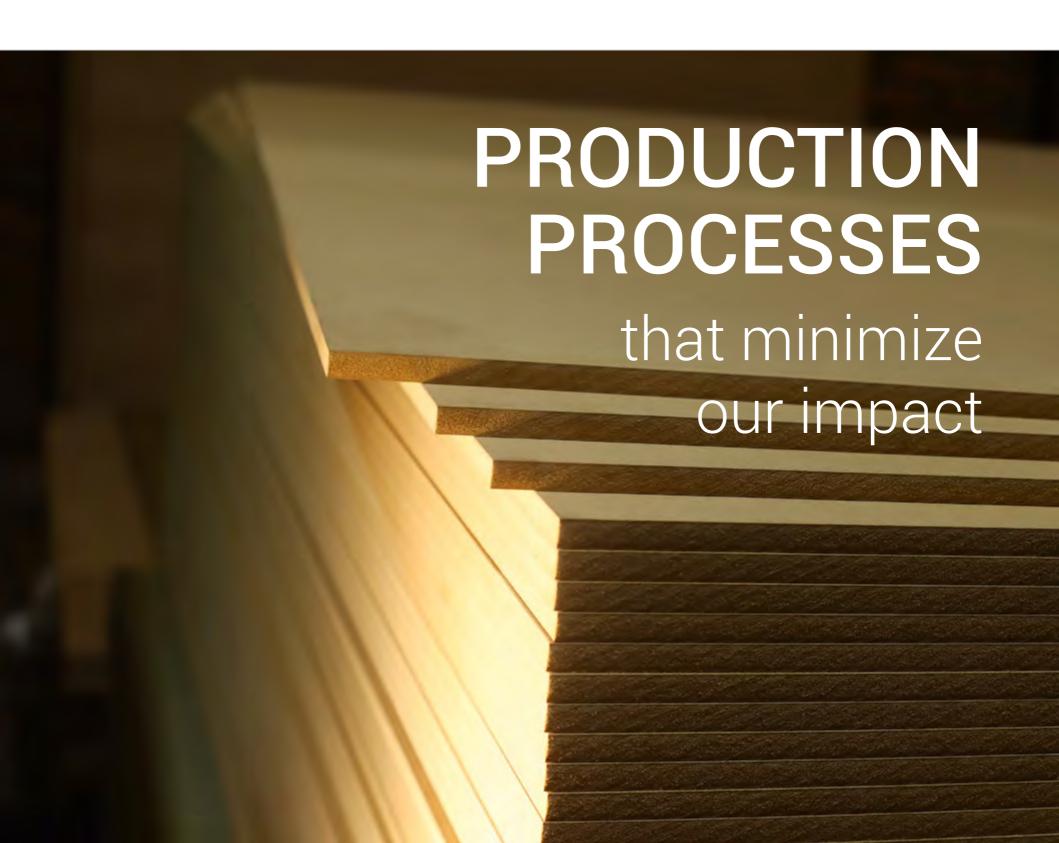
At the moment, the same key species have been identified, thus confirming the results.



according to the Field Guide to Mammals of Ecuador<sup>12</sup> in the Vulnerable category (VU), one specie in the Near Threatened category (NT), eight species in the Least Concerned category (LC), and one specie in the Non according to the IUCN Red List of Threatened Species (2021), the presence of two species in the Vulnerable category (VU), ten species in the Least Concerned category (LC) and two species in the Non Evaluated category (NE) is evident, as well as three species in Appendix II of the CITES category<sup>13</sup>.

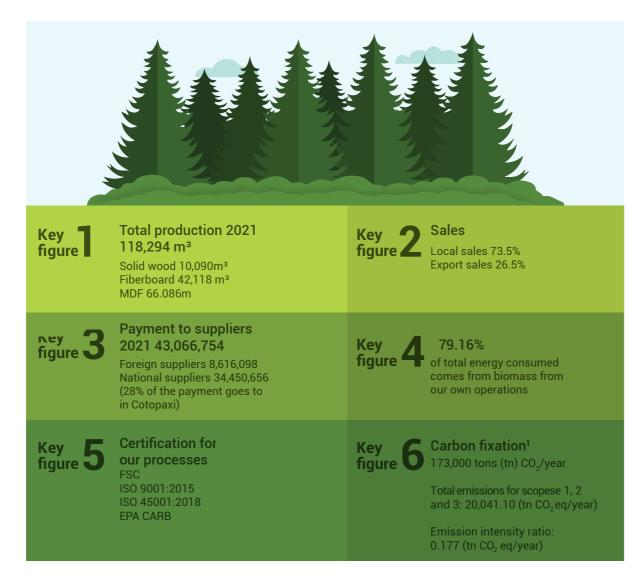
<sup>&</sup>lt;sup>12</sup> SimBioE - Ecoscience Ecuadorian Foundation for Ecological Studies. Ministry of the Environment - IUCN Regional Office for South America, 2001

<sup>&</sup>lt;sup>13</sup> Convention on International Trade in Endangered Species of Wild Fauna and Flora.



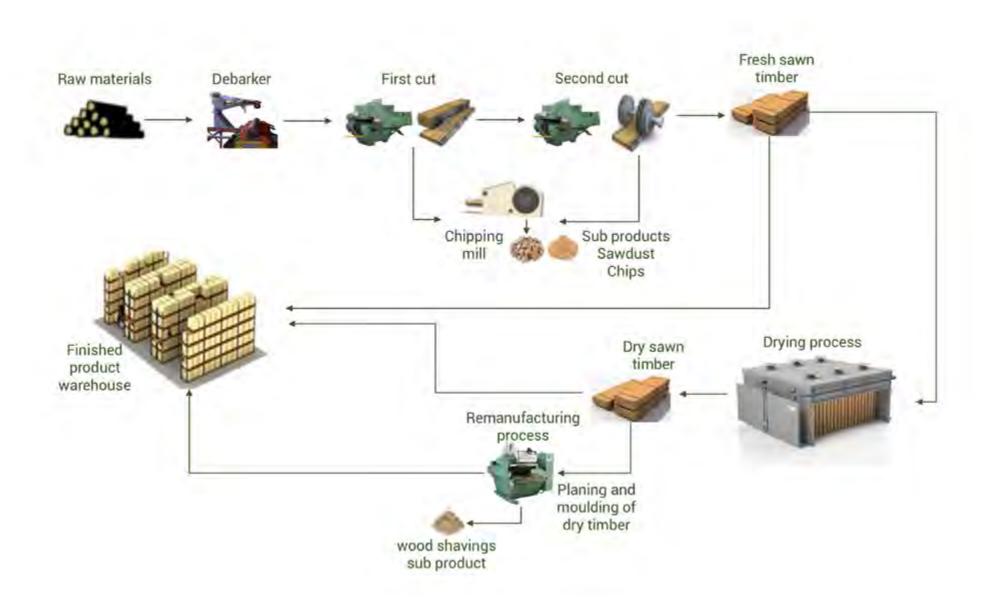
# 1. Key figures



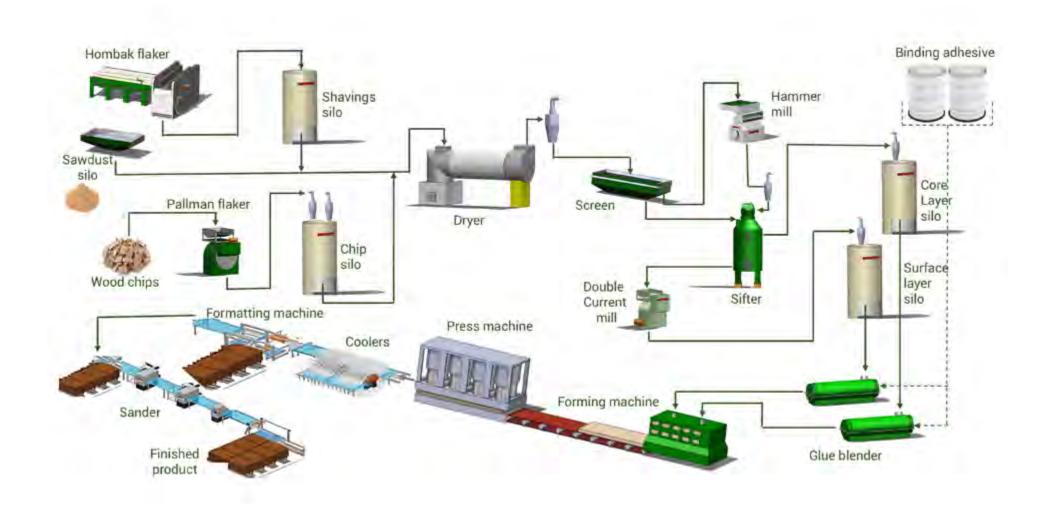


<sup>1</sup> Data from 2017 and 2018. During 2022 we will establish a systematic approach to measure carbon fixation and footprint and get it verified.

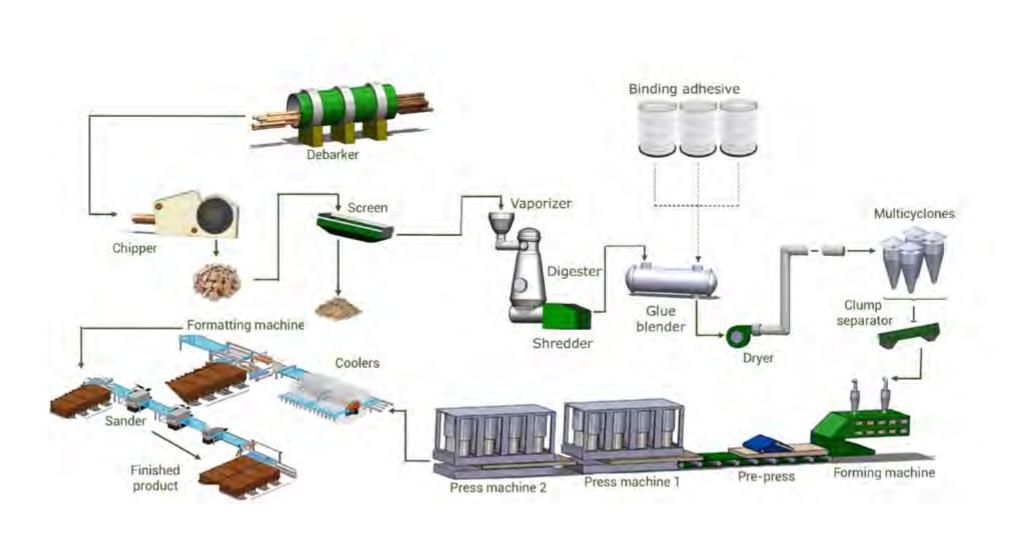
# Production process MADERAS COTOPAXI



# Production process MDP DURAPLAC



# Production process MDF FIBRAPLAC



# 2. Our operations

# 2.1. Timber industry

GRI 102-2, GRI 102-9. The business of our company consists of the industrial elaboration of wooden boards in accordance with the sustainable planting of pine and eucalyptus<sup>2</sup> forests. We source from our own certified plantations and wood from external sources, whose traceability we know. We produce particleboard (MDP), medium density fiberboard MDF mouldings and and solid wood products.

The plant works for 24 hours, with the exception of the sawmill, that works only one 8 hour shift.

In 2021 we produced 10,090 m³ of solid pine wood products; 42,118 m³ of particleboard and 66,086 m³ of MDF boards.

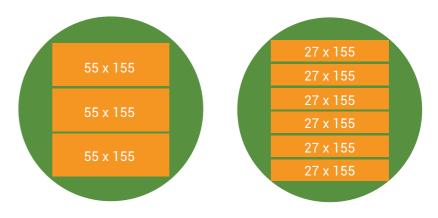
#### Solid wood MADERAS COTOPAXI

Our solid wood unit has a sawmill with a capacity of 770m³/month, with a single production work shift³. We transform tree logs into dry lumber mainly to meet the demand for industrial packaging in Ecuador; our primary product is pallet kits for banana exports. We seek to make the most of each piece, while still removing

wood that does not meet the specifications of quality and dimensions

To carry out the sawmilling process, cutting schemes are designed according to the products requested by our customers, seeking to take the most out of the log. In the attached scheme, the products are represented in orange, for which we mark the dimensions; the green section that does not allow product generation, becomes chips and sawdust to be used in other products and energy generation processes, thus taking advantage of all the wood that enters the factory.

#### Cutting schemes for a log with 24 cm. diameter



<sup>2</sup>GRI 301-2. To date, we do not use recycled materials within our production processes.

<sup>&</sup>lt;sup>3</sup>The work shifts of the workers in Ecuador are eight hours a day for five days a week.



This production line is strategic for the company. It allows the consumption of the logs that are at the base of the tree, and that have been subjected to pruning. These logs have a better quality in terms of knots, curvature and conicity, and are used in the sawmill process since they allow to obtain products of optimal quality. The sawmill delivers byproducts to the board lines at more competitive prices and in a timely manner, diversifying the use of forestry plantations. The products of the sawmill allow us to be part of the logistics chain of export of the Ecuadorian agro-industrial products with our production of pallets, which comply with the International Standard for Phytosanitary Measures ISPM No.15 (Heat Treatment (HT)). In addition, we offer value added products such as varied decorative wall coverings, laminated beams, wooden ceiling and wood strips.

#### Particleboard DURAPLAC

The particleboard line is the oldest of our operations. In 1979, we imported the first machines for the production and surfacing of these wooden boards from Germany. In 1996, we again invested to install a second press that would allow the boards to have a wood veneer overlay.

The particleboard is manufactured from a mixture of woods that are selected according to their characteristics of diameter and quality. Manufacturing begins with the grinding of the wood logs to obtain chips and particles



that are deposited in the wet silos, then extracted and dried by contact with hot air. The dry particles are separated between fine material and coarse material and then stored in dry silos according to their size. The next stage is gluing, which consists of impregnating these materials with a mixture of resin, catalyst, paraffinic emulsions and water. At the end of this process, the board is assembled with the fine and coarse material, in specific proportions and layers. In the final stage of this process, the board is pressed at a given pressure and

temperature, for a precise time. All boards go through a strict quality control, and random samples are analyzed in our laboratory. Finally, the boards enter a sanding process to give the surface a smooth final texture.

#### MDF FIBRAPI AC

The third and most versatile of our products is the medium density wood fiberboard, MDF. It was in 1997 that Aglomerados Cotopaxi made this important investment by installing the largest MDF line in the Andean region in Ecuador. We accompanied the incorporation of the new line with a strong publicity and training campaign in the use of the new boards in Colombia, Ecuador and Peru, which has meant that, since 1999, the total production of MDF is sold in the domestic market or exported.

The only MDF plant in Ecuador is the plant of Aglomerados Cotopaxi. The characteristics of this product allows for it to be treated like solid wood. For the production of MDF boards , the quality of the raw material is fundamental; from selected logs, wood fibers are extracted, for which bark free chips are required. The chips are subject to a steam softening process that allows the lignin chains, a substance that unites the fiber in their natural state, to break and then be subjected to a mechanical force extracts the moisture from the wood chips, before continuing with the defibering process.



The product obtained in this process, wood fiber, has the appearance of cotton or wool. The fibers are mixed with resins of formaldehyde urea or melamine formaldehyde urea, plus paraffin components. It is here that a mattress of wood fiber and resin is formed. This mattress is pressed in a similar way to the particleboard, thus generating the agglutination of the fibers and forming the board. Finally, a saw precisely cuts the measurement of the board for sale and then it goes through the sanding process to give it a smooth finish.

Since 2018, as part of a strategy to diversify products, we have invested in machinery and infrastructure to have a new production line, and in March 2020, Aglomerados Cotopaxi starts a line of MDF products with added value to meet the demand of North American markets. In a short time (one year), this line has positioned itself as a product of very good quality and service. The products are made from boards with low formaldehyde emissions, certification, EPA-CARB. The line has an installed capacity of 21.501m³/year.

# 2.2 Quality Management

GRI 102-12, GRI 416 (103-2, 103-3). Aglomerados Cotopaxi is strongly committed with three transverse processes: Safety, Occupational Health and Process Quality Processes; in order to ensure them, we maintain a management system<sup>4</sup> that includes:



"Aglomerados Cotopaxi S.A. has both a Quality Management system and an Occupational Health and Safety system certified, according to the ISO 9001 and 45001 norms, by SGS.

#### Characteristics of our processes

GRI 102-2, GRI 416 (103-2, 103-3), GRI 416-1, GRI 416-2. As part of our management system, all internal processes follow the aforementioned quality standards. Additionally, we have a formaldehyde emission control management system, required by the EPA-CARB emissions certification, which applies only to those MDF products that we export to the United States and Canada. Approximately 15% of our total annual production corresponds to products that conform to the formaldehyde emission requirements of the EPA-CARB certification<sup>5</sup>. As this EPA-CARB certification is a market demand, the remaining 85% of our production does not require it. During the pressing process, formaldehyde emissions are evident, because the application of heat polymerizes the resin and evaporates part of its components. Formaldehyde emissions from boards in the following stages, such as cooling, surfacing and use, show a decreasing trend, due to natural stabilization processes.

All our products have a technical data sheet and material safety data sheets MSDS (Material Safety Data Sheet), especially of the resins used in the production process.

<sup>&</sup>lt;sup>4</sup> The company evaluates monthly management indicators by processes (quality, productivity, performance).

<sup>&</sup>lt;sup>5</sup> Four years ago we obtained the EPA-CARB Certification. As a result of the program of quarterly follow up external audits carried out by an expert auditor, in March 2021 we went through the only case on non-compliance we have had, due to a possible alteration of the formaldehyde emissions assessment method that had to be reevaluated, and we complied again in April 2021.

Combining what we have learned from the certifications and our efforts to protect the health and security of our employees, we have been making improvements to minimize the concentration of formaldehyde in critical points of our operations.

Formaldehyde<sup>6</sup> Formaldehyde is a fundamental chemical element in the production of hundreds of items that improve everyday life. Only a minimal, or non-existent amount of formaldehyde remains in the final products used by consumers. Formaldehyde based resins are used for the manufacture of composite and engineering wood products used in cabinets, countertops, mouldings, furniture, shelves, ladder systems, floors, wall coverings, beams and supporting trusses, and in many other furniture and structures for the home. Glues that use formaldehyde as a fundamental element are exceptional bonding agents that provide high quality performance and are very economical. The wood products industry uses formaldehyde-based resins in a wide range of panels and products.

The U.S. Department of Housing and Urban Development (HUD) has had, for a long time, rules limiting formaldehyde emissions from wood products used in prefabricated homes.

#### Quality complaints

GRI 417-2. Finding non-compliance allows us to calibrate, improve and correct our production processes. Throughout the year we rely on independent auditors and, as part of our Process Management System, we attend and respond to complaint reports within the company's continuous improvement processes<sup>7</sup>.



<sup>&</sup>lt;sup>6</sup> Edited information from https://www.chemicalsafetyfacts.org/es/formaldehyde/

Complaints are issued by technical support to product managers, and are coordinated with the quality area to finally register them in our systems. Once the information is reviewed, we work with the process leaders for the application of action plans to follow or immediate corrective actions.

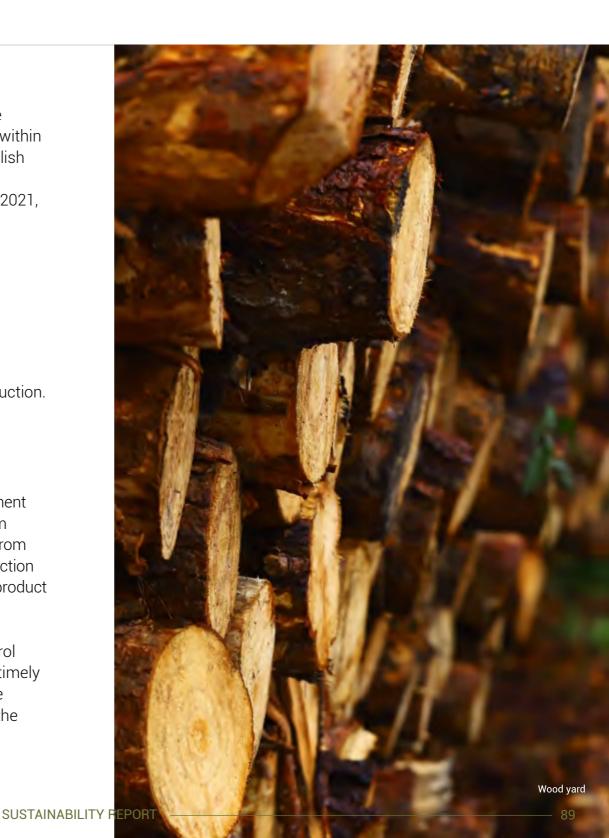
Complaints generated from the Customer Service Center are addressed through processes defined within our management system. This allows us to establish comprehensive action plans to solve the causes according to the production standard. In the year 2021, we registered claims for a volume of 82.53m³ of product, equivalent to 0.076% of the production volume of particleboard and MDF.

In the case of sawmill products, solid wood may have natural defects, or there may be process defects, so the finished product is classified and sold according to quality, into three categories. In 2021, complaints did not exceed 0.02% of production.

## 2.3 Supply chain

GRI 102-9, GRI 204 (103-2, 103-3). The main element of our boards and solid wood products comes from our forestry plantations or from the wood we buy from third party cultivated forests. In addition, our production processes need many other materials to obtain a product ready for sale.

From sourcing to efficient consumption, we control production costs and spending. We manage the timely supply under reasonable costs, in order to ensure timely production and support the availability of the final product.



These objectives are executed through a process structure around:

- Qualification of our suppliers according to their importance in relation to the company's processes and their subsequent registration.
- Establishment of efficient and structured purchasing processes that meet the needs of the internal customer in terms of quality, agreed delivery time and quantity, always seeking the best cost-benefit ratios.
- Evaluation of the performance of our suppliers of strategic products and or services.

GRI 204-1. We have domestic and international suppliers, and we sell our products in Ecuador and other countries of the American continent. In addition, as with the hiring of our staff, when acquiring products or services, we also seek to generate a local impact.

GRI 308 (103-2) GRI 308 (103-3). Our strategic suppliers are qualified under different evaluation criteria according to the needs of the business. The main criteria evaluated are quality characteristics, compliance in delivery and product characteristics or service purchased.

When it comes to the management of environmental impacts associated with our production processes, we place special emphasis on the validity and compliance of the environmental permits of our suppliers, especially related to hazardous waste destruction services, water monitoring and transport of special waste, before the corresponding authorities.

Provisioning of costs and expenses 2021				
Category	Valor en USD	Percentage vs. 100% total provisioning expenditure	% of expenditure in the province of Cotopaxi	
Domestic goods & services	\$ 34,450,656.00	80%	28%	
Imported goods & services	\$ 8,616,098.00	20%		
Total	\$ 43,066,754.00	100%		
Total expenditure on suppliers in Cotopaxi \$9,487,089.00  Value included in domestic goods & services				

We place **special emphasis** on the validity and compliance of the environmental permits of our suppliers

<sup>&</sup>lt;sup>8</sup> GRI 408-1: Suppliers of Aglomerados Cotopaxi are always legally constituted companies, which minimizes the risk of child labor, these companies are responsible for complying with Ecuadorian law on the matter. From the company's experience, no risk of child labor has been identified among its suppliers.

<sup>&</sup>lt;sup>9</sup> GRI 308-1, GRI 308-2: In 2021, we did not evaluate new suppliers under environmental criteria.

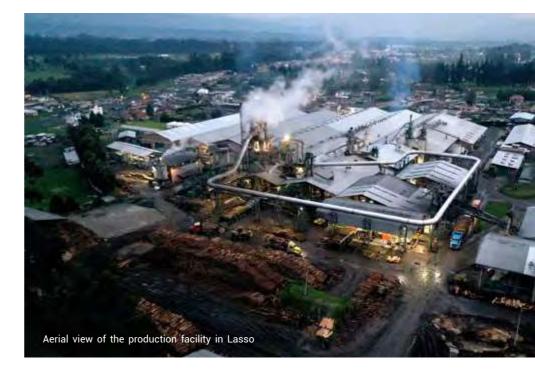


# 3. Environmental management of our production processes

# 3.1 Environmental management

GRI 102-11, GRI 303 (103-2, 103-3), GRI 306 (103-2, 103-3), GRI 307 (103-2, 103-3). The management of Aglomerados Cotopaxi is part of our motto: planting for the future, which shows our commitment to do business and generate wealth without compromising the opportunities of future generations. We seek assurance and continuous improvement in the quality of processes and products, as well as in the care of people and the environment<sup>10</sup>.

The company's commitment is based on long term responsible forestry management through compliance with FSC policies and principles, and on prevention, management and mitigation actions to minimize the environmental impacts of our productive activities, without neglecting community outreach programs.



The environmental management system is managed under the ISO 14001 principles<sup>11</sup>. With these guidelines we can undertake a permanent analysis of current practices for the implementation of improvements in all environmental aspects. It allows to control consumption, management of solid waste, discharges and emissions into the air, as well as mitigating environmental risks. The standardization provided by the norm, highlights the benefits of the implementation of new alternative technologies in the use of renewable resources.

<sup>10</sup> There are internal and external audits to verify compliance with the quality, health and safety standards reported in the management system.

<sup>11</sup> The ISO 14001 helps to manage and identify the environmental risks that may occur internally in the company while carrying out its activity. With the identification and management of the risks achieved with this standard, both risk prevention and environmental protection are taken into account, following the legal regulations and socioeconomic needs required for compliance. See https://www.nueva-iso-14001.com/2018/04norma-iso14001-que-es/

Being a company that depends on the cycles of nature for its growth and endurance we address the precautionary principle in our daily activities. We understand the responsibility for the prevention and permanent monitoring of environmental legislation, which is why after the approval of the Environmental Impact Study, we signed an Environmental Management Plan (EMP) of the project "Aglomerados Cotopaxi Industrial Plant", that allowed the environmental authority to issue the Environmental license that authorizes all our operations<sup>12</sup>.

The objective of the EMP is to prevent, minimize and control negative environmental aspects and impacts, through documentation, practices, and specific actions. Within the EMP we find the following chapters:

- Impact Prevention and Mitigation Plan.
- Contingency Plan.
- Training Plan.
- · Occupational Health & Industrial Safety Plan.
- · Waste Management Plan.
- · Community Relations Plan.
- · Rehabilitation Plan of affected areas.
- · Abandonment Plan and delivery of the Area.
- Monitoring Plan

Our environmental license obliges us to:

- Comply with the provisions of the Expost Environmental Impact Study and the approved Environmental Management Plan.
- Submit to the Ministry of the Environment the environmental audits of compliance with the Environmental Management Plan.
- Be responsible for the activities carried out by our specialized service providers, on site.
- Use, in the execution of the project, processes and activities, technologies and methods that, as far as possible, prevent or mitigate negative impacts on the environment.

**GRI 102-42**. The area of influence of our industrial operations is determined in the EMP, and is shown in the following map of the county of Latacunga in the province of Cotopaxi<sup>13</sup>:



#### Particulate matter

operations is the community of the area of direct influence. Particulate matter, the result of the production of boards, is one of the main identified concerns. We maintain open communication in order to receive complaints and claims from the community. Constant communication with the adjoining community has allowed us to study the best engineering adaptations to achieve greater efficiency in the equipments and reduce the impact of particulate matter.

<sup>12</sup> The area of social responsibility is responsible for collecting complaints from individuals or communities, and to direct them to the leaders of the processes responsible for the requested improvement. GRI 307-1 Aglomerados Cotopaxi has not received fines or sanctions from the Environmental Authority during this year.

<sup>&</sup>lt;sup>13</sup> More details of the GRI 102-42 and 102-43 content on stakeholder relations can be found in Chapter 2 of this Sustainability Report 2021.

The resources allocated for the prevention, management and mitigation of pollution are part of our EMP, and include activities that are the responsibility of the company's environmental services. This includes, among others, monitoring activities for the analysis of air quality, gas emissions into the atmosphere, noise emission control, pollutant dispersion models, water quality control for discharge and comprehensive solid waste management.

#### 3.2 Use of materials

GRI 301 (103-1, 103-2), GRI 301-1. In the operations for industrial processes, raw materials are used, mostly, from our forestry plantations, resins and overlays, which respond to the needs of each production lines. The boards, mouldings and solid wood products manufactured by us do not contain recycled materials, however, the way in which the processes are designed allow us to use, in a very efficient way, all the parts of the harvested trees. The waste from the solid wood line is directed to the MDF and particleboard lines, where it becomes part of the boards. Waste from the MDF line, which is generated by sorting the wood chips prior to shredding and in the final cuts, passes to the particleboard line, and any waste from the particleboard line, along with the sawdust, is incorporated into the biomass used for thermal power generation.

Given the characteristics of the finished product, no further packaging is required for distribution.

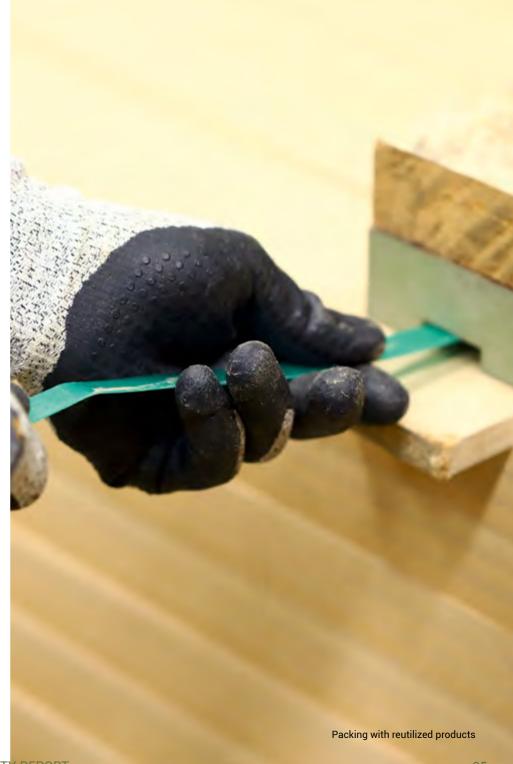


The packaging of solid wood products is the simplest, since they do not need pallets, only a few pegs in the lower part, and plastic ties (reused), since they are delivered only in the domestic market. The boards are grouped on platforms according to the requirements of the customers, they are attached with PET plastic ties, they are lined with plastic film and mounted on pallets that facilitate the loading on to the trucks for the local market, or containers for export.

Mouldings are a more difficult product to stack, so each order is packed in groups, wrapped in plastic and mounted on sled pallets. However, by grouping into smaller packages, they allow us to use the following recycled materials:

- 1.To protect the mouldings, before tying them with plastic ties, slotted leftovers of the cutting process of the MDF board are used.
- 2. The plastic ties that return to the plant from the domestic market are joined together in shorter strips and reused in moulding packages (as well as solid wood).
- 3. The base of the moulding packages is built from wooden pegs from the sawmill (just like solid wood).

The consumption of materials is controlled from the supply warehouse, together with the purchasing department and the wood yard. Each of these areas receives the requirements by production line and dispatches only the product that will be used during production. In this way, waste is minimized and inventories are replenished to maintain minimum necessary stocks.



CATEGORY	CLASSIFICATION	DESCRIPTION	ANNUAL MASS OR VOLUME 2021	USE
	renewable	wood from forestry plantations	384,787 ME	fundamental component of the products
Raw material	renewable	sawmill byproducts	21,850.18 ME	MDF and particleboard component
	renewable	MDF byproducts	14,204.05 ME	particleboard component
	renewable	wood veneer	971,760.7 m <sup>2</sup>	overlays
Materials and	non-renewable	melamine paper	6,610,252.1 m <sup>2</sup>	overlays
components	non-renewable	calcium carbonate	346,000 kg	coating
	non-renewable	resin	10,535,155 kg	fundamental component of the products
	renewable	biomass	40,186.85 tn	thermal generation
	non-renewable	diesel	176,257.01 gal	thermal generation and mobilization/transportation
Related materials	non-renewable	gasoline	40,744.14 gal	mobilization/transportation
	non-renewable	lubricants	11,707 gal	machinery and mobilization
	renewable and reusable	lids	16,570 (units)	packaging of all products (12% recovered by return from the local market)
	renewable and reusable	bases	8,285 (units)	packaging material
Packaging material	renewable and reusable	cardboard	7,150 kg	packaging material
	non-renewable	plastic film	10,697 kg	packaging material
	non-renewable and reusable	PET plastic hoops	1,588,000 m	(7% recovered by return from the local market, welded, and reused in smaller packaging)

#### 3.3 Water and effluents

GRI 303 (103-2, 103-3), GRI 303-2, GRI 303-3, GRI 303-5. Aglomerados Cotopaxi is supplied by the public potable water system and natural water sources on which we have permits for utilization. The water catchments are used for the forestry nursery and the parts of the patrimony dedicated to agricultural activities and not in our plantations, since these are maintained with rain water. In the industrial facilities, the use is for steam generation and for production processes that need the resource. Finally, our administrative offices, kitchen, medical dispensary and forestry house use potable water.

The potable water consumption for Aglomerados Cotopaxi was 4.794 m³ in 2021. As for the use of water awarded by the State, in the industrial plant, we have permission to use the Ramos well for human and industrial consumption and the Cuilche well for irrigation. The intensity of consumption in production processes stood at 4.6 l/s. In this context, the consumption from natural water sources is managed by manual gauging, the water enters directly from the supply tank to the production lines. The annual estimate of use is made on the basis of the calculation of consumption and by differences for each process; thus assuming that in 2021 we used 16.7 m³/h of well water¹⁴.

In all of the forestry properties we have a total of 200 hectares that are not dedicated to plantations, but have

other uses. In these extensions we have permits of water utilization for agricultural use.

GRI 303-4. Spills from operations are treated in accordance with our commitment to environmental compliance. We maintain a wastewater treatment system, monitor the quality of the treated water we discharge into the sewer system and the sludge resulting from the process. The operation process of the wastewater treatment plant includes the following steps: centrifugation, nanofiltration and reverse osmosis. The sludge from the centrifuge is incorporated into the biomass and the organic concentrate that comes out from the nanofiltration and the osmosis is destined for forestry properties.

#### 3.4 Waste

GRI 306 (103-2, 103-3), GRI 306-1, GRI 306-2. On site solid waste generation results from our production activities, maintenance of activities and medical dispensary residues; we treat waste and classify it into two categories, non-hazardous solid waste and hazardous solid waste.

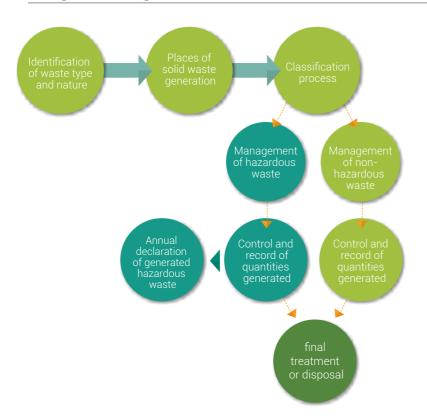
We carry out an integral management of the waste in the areas in which it is generated; the disposal of the waste in marked containers allows an adequate separation and at the same time facilitates the treatment by licensed

<sup>&</sup>lt;sup>14</sup>We do not record the total volume of water used in the production process, nor by process line, since we do not have flow meters at the entrance of the water supply concession.

waste contractors. We ensure the proper management of solid waste from its generation to its final disposal or treatment<sup>15</sup>.

Aglomerados Cotopaxi receives the services of several qualified waste contractors, always choosing those that offer the least environmental impact and the greatest responsibility in their work. In the future we want to improve the use of our waste through a circular economy approach.

#### Integral management of solid waste



#### Recycled material

GRI 301-3, GRI 306-3, GRI 303-6 The three types of non-hazardous solid waste identified in the table below are recycled or reused outside or facilities through a qualified artisanal waste contractor who holds the respective environmental permit for waste removal, sale and processing. In 2021, he collected 75,409 kg of recycled material from our facilities. As mentioned in the table above, the packaging of mouldings and pallets uses plastic ties returned by local customers, which must be welded for reuse. In addition, the leg strips, lids and bases that return to us are also reused.

Recycled material	Weight
Paper & cardboard	12,250 kg
Metal (scrap)	60,059 kg
Plastic	3,100 kg
TOTAL	75,409 kg

<sup>&</sup>lt;sup>15</sup> As part of the obligations, the Environmental Management Plan describes the Solid Waste Management Plan where activities are established to minimize the generation, control of volumes through generation registries, adequate temporary storage in sealed containers marked for separation and classification in areas destined for removal by licensed waste contractors.

#### Hazardous waste

The operations generate hazardous waste, which is categorized and delivered for its respective treatment or incineration by the technical environmental contractors.

Within our solid waste minimization plan, at the end of 2021, we implemented measures such as the 5S program and focused training by the head of the environmental departament, to reduce cardboard contaminated by hydrocarbons as a result of its handling in the

maintenance area. Now, materials or spare parts leave the warehouse without cardboard, unless it is essential for the protection of the product.

GRI 306-5. The table "Disposal of hazardous solid waste" details all the waste produced in 2021, classified and coded according to the MAATE standard. Aglomerados Cotopaxi is registered with the authority as a generator of hazardous solid waste, so it must annually present the amount of waste generated and its final destination.

Disposal of hazardous solid waste 2021					
Type of hazardous solid waste		Total kg generated 2021	Type of treatment or final disposal		
1. Used mineral oil filters	NE-32	384 kg	Heat treatment/ Incineration		
2. Used and spent mineral oils	NE-03	306 kg	Heat treatment / Incineration		
<ol> <li>Luminaires, lamps, fluorescent tubes, used energy saving light bulbs containing mercury</li> </ol>	NE-40	115 kg	Physical treatment / Crushing / Extraction + Encapsulation		
<ol> <li>Absorbent material contaminated with hydrocarbons-rags, cloth, sawdust, absorbent barriers and other absorbent solid materials</li> </ol>	NE-42	4,064 kg	Heat treatment / Incineration		
5. Oil sludge	NE-36	4,341 kg	Heat treatment / Incineration		
6. Used batteries containing Hg, Ni, Cd or other materials that exhibit hazardous characteristics	NE-08	88 kg	Chemical treatment: stabilization or solidification + final disposal.		
7. Sharp objects that have been used in the care of human beings (vaccination campaign)	Q.86.05	100 kg	Heat treatment / Incineration		
<ol><li>Bio active hazardous waste resulting from medical care provided in medical centers of the companies</li></ol>	NE-10	6 kg	Heat treatment / Incineration		
<ol><li>Materials or supplies that have been used for medical procedures that have been in contact with bodily fluids</li></ol>	Q.86.07	24 kg	Heat treatment / Incineration		
10. Containers contaminated with hazardous materials	NE-27	122 ka	Heat treatment / Incineration		



# 3.5 Energy and biomass

GRI 302 (103-2, 103-3). The efficient use of energy sources, prioritizing the reduction of the use of fossil fuels and maximizing of the use of renewable fuels define the management<sup>16</sup> of energy in Aglomerados Cotopaxi. We seek to obtain the best use of resources, which is reflected in both our industrial and forestry practices.

Our management is based on the collection of data<sup>17</sup> and its analysis. We record the consumption of renewable fuels (biomass) and non-renewable fuels by fixed sources and mobile sources, allowing the organization to take action in the event of an increase in energy consumption, and base decisions aligned with its objective of making investments that improve the efficiency of the MDF, particleboard, sanding, surfacing and value added board lines. In addition, we collect data on biomass consumption in cauldrons to evaluate the effectiveness of projects related to their use<sup>18</sup>.

In order to reduce our consumption and our impact, we have made investments and have projects that will be developed in the medium and long term:

 Purchase of a dust burner to reduce diesel consumption.

- Purchase of transformer for the MDF line.
- Purchase of capacitor banks for the mouldings and LED lighting lines.
- Project "Efficient use of biomass" and control of the efficiency of cauldrons (started in 2020): in order to optimize the use of biomass as a fuel for the generation of thermal energy.
- Six Sigma project "Biomass" to control the humidity of biomass and reduce consumption.
- Change of traditional luminaires in industrial buildings to LFD luminaires

Energy consumption is reported to all those responsible for the production processes, including the head of electrical maintenance, who monitors the consumption of electrical energy to take timely actions in case of increases. In turn, the measurements of renewable fuels obtained by motor services serve for the consumption forecast in subsequent months sent to the wooden patio in order to supply the cauldrons with the necessary amount of biomass for their operation. These results serve as indicators to determine the efficiency of projects related to the use of biomass.

Fossil fuel measurements are sent to the purchasing area, which performs an analysis of monthly consumption and proceeds to purchase only the fuel required to maintain stock levels.

<sup>&</sup>lt;sup>16</sup>We rely on continuous improvement processes following the Kaizen methodology, with the purpose of fulfilling our commitment to the environment.

<sup>&</sup>lt;sup>17</sup>We carry out daily measurements of energy consumption through the readings of the energy and power meters located throughout the industrial plant and the information collected is validated with the regulatory body, the Electrical Company of the Province of Cotopaxi (ELEPCOSA). Measurements of renewable fuels are made by quantifying the material used, such as biomass, by fixed combustion in sources. The dust of cutting saws, sander added value line is quantified by mass balances based on theoretical calculations of the removal of boards in each process. Fossil fuel consumption measurements are made daily using volume readers in fuel storage tanks throughout the plant, and also the volume of fuel purchased each month is tracked.

<sup>&</sup>lt;sup>18</sup> For the management of energy consumption, the company has allocated economic and human resources in order to monitor and control energy consumption. Similarly, a budget has been allocated for the execution of energy improvements projects.

The analysis of the energy consumption of the company is carried out by each responsible process, and actions are taken to reduce consumption in the future.

Below, we present the relevant results of our energy management for the year 2021:

GRI 302-119

NON-RENEWABLE FUELS YEAR 2021			
FUEL UNIT CONSUMPTION			
DIESEL	MWh/year	6,513.14	
GASOLINE	MWh/year	1,450.42	
LPG	MWh/year	8.07	

RENEWABLE FUELS YEAR 2021			
FUEL	CONSUMPTION		
BIOMASS	MWh/year	111,787.30	
WOOD DUST	MWh/year	33,683.31	

ELECTRICAL ENERGY CONSUMPTION <sup>20</sup> YEAR 2021			
SECTOR	CONSUMPTION		
INDUSTRIAL PLANT AND ADMINISTRATIVE OFFICE	MWh/year	30,281.50	
NURSERY AND FARMS	MWh/year	39.64	

TOTAL ENERGY CONSUMED YEAR 2021				
TOTAL ELECTRICAL ENERGY CONSUMED	MWh/year	183,763.38		

#### GRI 302-3

		TYPE OF ENERGY			
UNIT	NON-RENEWABLE	ELECTRICAL ENERGY	RENEWABLE	TOTAL	
MWh/year	7,971.63	30,321.14	145,470.6	183,763.38	
m³/year	118,293	118,293	118,293	118,293	
MWh/m³	0.07	0.26	1.23	1.55 <sup>21</sup>	
	MWh/year m³/year	MWh/year 7,971.63 m³/year 118,293	UNIT         NON-RENEWABLE         ELECTRICAL ENERGY           MWh/year         7,971.63         30,321.14           m³/year         118,293         118,293	UNIT         NON-RENEWABLE         ELECTRICAL ENERGY         RENEWABLE           MWh/year         7,971.63         30,321.14         145,470.6           m³/year         118,293         118,293         118,293	

<sup>&</sup>lt;sup>19</sup> GRI 302-2. AAglomerados Cotopaxi does not keep track of energy consumption outside the company, both in upstream and downstream activities. GRI 304-4. This being the first reporting year, the measurement of reductions has not been considered.

<sup>&</sup>lt;sup>20</sup> Aglomerados Cotopaxi generates its own thermal energy by burning biomass and dust (renewable fuels). In its production processes, it does not make use of refrigeration. It generates steam for its production processes through the combustion of biomass and dust (renewable fuels), already accounted for in the tables presented.

<sup>&</sup>lt;sup>21</sup> The m³ produced in MDF, particleboard and solid wood in 2021. The electrical energy intensity ratio only covers consumption within the company.

To calculate the energy consumption of renewable fuels, the following heat power values were considered for each type of fuel.

	HEAT POWER FROM NON-RENEWABLE SOURCES		
FUEL	HEAT POWER (kJ/kg)	HEAT POWER (MWh/kg)	
DIESEL	42,300.00	0.0118	
GASOLINE	45,118.73	0.0125	
LPG	49,651.53	0.0138	

	HEAT POWER FROM RENEWABLE SOURCES		
FUEL	HEAT POWER (kJ/kg)	HEAT POWER (MWh/kg)	
MDF BARK	6,884.65	0.0019	
MENDEZ BARK	9,537.93	0.0026	
MOULDING DUST STOREHOUSE	18,607.17	0.0052	
CATEGORY 1 CHIPS	10,223.77	0.0028	
JAMPA PINE CHIPS	10,223.77	0.0028	
FIRE WOOD FOR CAULDRONS	10,223.77	0.0028	

GRI 306-4. Of special interest is the effort we devote to the use of waste that is not intended for recycling or disposal. The remnant of wood, dust and sawdust are used within our production processes for the generation of thermal energy, grouped under the term biomass and also used as components of our products.

BIOMASS CONSUMPTION IN CAULDRONS	TONS
Vyncke 1, Vyncke 2 (Sawmill) Biomass consumption	30,808.80
Beneke Cauldron Consumption of biomass and wood dust	9,378.06
MSM May Burner Consumption of wood dust	6,516.85
Total biomass / wood dust consumed	46,703.70

Our cauldrons consume significant amounts of biomass; this supports reducing electric power costs for the company and the environmental impacts of our operations.

We have started a circular economy pilot project, to use the ashes that result from the combustion of cauldrons. The intention is that, due to their heat power, they are used for the manufacture of cement.



Diesel volume reduced by combustion of sawdust in the particleboard line								
Mass of sawdust per year	tn/year	6,516.85						
Total dust generated energy per year	MWh/year	33,683.31						
Volume of diesel replaced by dust per year	gal/year	910,200.81						

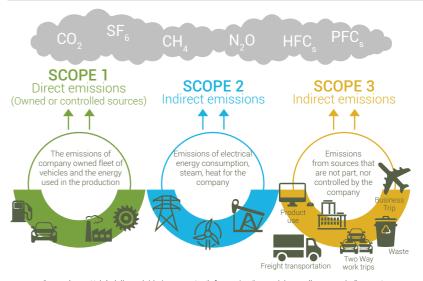
The use of sawdust as a replacement for diesel for thermal power generation in the particleboard line dryer burner has reduced diesel consumption by approximately 910,000 gallons per year, and  $\mathrm{CO}_2$ eq emissions from fossil fuels. The emissions generated by sawdust in the sanding process are biogenic. The use of waste in the production processes such as sawdust for energy generation is part of the circular economy within the manufacturing processes of wood panels.

#### 3.6 Emissions

GRI 305 (103-2, 103-3). Maintaining emissions levels below the maximum permissible limits established in the Ecuadorian environmental regulations and mitigating environmental air pollution, are commitments of the company. With the support of a certified laboratory we carry out measurements and monitoring of fixed combustion sources according to the frequency established in the EMP<sup>22</sup>.

A relevant initiative that has had a strong impact in our environmental management was the measurement of emissions under the *Greenhouse Gas (GHG) Protocol* carried out in 2019 with data from 2018. This exercise was developed in-house and considered standard compliant estimates for fossil fuels and biomass consumption in mobile and fixed emissions sources (scope 1), purchased electric energy (scope 2), and energy use in upstream and downstream transport and distribution (scope 3). After this exercise, no measurements have been made again since the company has not undergone relevant changes in this area. We will measure the carbon footprint of the year 2021 in 2022<sup>23</sup>.

Mapping of scopes 1, 2 and 3 according to the GHG protocol



Source https://globalclimateinitiatives.com/es/informacion/las-emisiones-directas-e-indirectas/

<sup>&</sup>lt;sup>22</sup> In Aglomerados Cotopaxi, the management of emissions is carried out under the same responsibility and management of energy.

<sup>&</sup>lt;sup>23</sup> GRI 305-5. . A reduction plan will be established after the study to be carried out in 2022, with the goal of obtaining the verification of the footprint on a yearly basis.

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4. The base year in which emissions are estimated is 2018 because Aglomerados Cotopaxi was in normal operating conditions and surroundings were stable. In 2020, a new line of value added products was installed; however, there are

no significant changes in the machinery involved for the calculation of emissions, since no new fixed sources of generation were required, using the existing ones with an insignificant energy consumption. Below is a summary of the base year 2018 emissions calculation.

Emissions scope 1	CO <sub>2</sub>		CH <sub>4</sub>		N <sub>2</sub> O	HAP	CO <sub>2</sub> eq
SOURCE		(tn/year)	(tn/yea	•)	(tn/year)	(tn/year)	(tn/year)
FIXED SOURCES	(	9,879.53	9.53 3.52		1.77	4.38	10,494.98
MOBILE MACHINERY		1,866.35	6.35 0.19		0.05	NA	1,885.38
TOTAL BIOGENIC EMISSIONS	9	9,679.63 3.51		1.76		NA	10,290.85
TOTAL FOSSIL FUELS		2,066.25	0.20		0.06	NA	2,089.51
TOTAL EMISSION	1	1,745.87	3.71		1.82	4.38	12,380.36 <sup>24</sup>
Emissions scope 2 <sup>25</sup>		CO	)2	CH₄		N <sub>2</sub> O	CO <sub>2</sub> eq
SOURCE		(tn/year)		(tn/year	)	(tn/year)	(tn/year)
TOTAL ELECTRIC ENERGY EMISSIONS		14,295.02		0.29		0.23	14,372.23
Emissions scope 3 <sup>26</sup>		CO <sub>2</sub>		CH₄		N <sub>2</sub> O	CO <sub>2</sub> eq
SOURCE		(tn/year)		(tn/year)		(tn/year)	(tn/year)
FINISHED PRODUCT TRANSPORT TO PORT OR POINT OF SALE		2,470.71		0.05		0.04	2,482.86
TRANSPORTATION OF WOOD AND BIOMASS		652.63		0.01		0.01	655.84
TRANSPORTATION OF EMPLOYEES		440	0.40	0.00		0.00	440.66
TOTAL IN BIOGENIC EMISSIONS		0.00		0.00		0.00	0.00
TOTAL IN FOSSIL FUELS		3,563.74		0.06		0.05	3,579.36
TOTAL EMISSIONS		3.563	0.74	0.06		0.05	3,579.36 <sup>27</sup>

<sup>&</sup>lt;sup>24</sup> Biogenic CO<sub>2</sub> emissions, in metric tons of CO<sub>2</sub> equivalent amount to 10290.85 in CO<sub>2</sub>eq/year and are part of the total emissions.

<sup>&</sup>lt;sup>25</sup> An estimate of reported emissions was made using the U.S. Environmental Protection Agency (EPA) emission factors, row 236. A correlation was also made with the government report 2019 CO<sub>2</sub> "EMISSION FACTOR OF THE NATIONAL INTERCONNECTED SYSTEM OF ECUADOR", with the calculation parameter of the United Nations Framework Convention on Climate Change (UNFCCC), and the consumptions duly recorder by each source where the values were similar to those declared.

<sup>&</sup>lt;sup>26</sup> The value mentioned includes the transport of finished product (downstream) and transport of wood and biomass (upstream), as well as the transport of employees.

<sup>&</sup>lt;sup>27</sup> Of the total mentioned, there are no biogenic emissions.

Finally, the intensity ratio of emissions generated by the company is 0.177 tn CO<sub>2</sub> per year<sup>28</sup>.

TOTAL EMISSIONS (SCOPE 1, 2 AND 3)	(tn CO <sub>2</sub> eq/year)	2,0041.10
TOTAL VOLUME PRODUCED	(m³/year)	11,3502.51
INTENSITY RATIO OF EMISSIONS	(tn CO <sub>2</sub> eq/year)	0.177

In the same year in which the emissions measure-ments were made in scopes 1, 2, and 3, the sequestration of  $CO_2$  in forestry plantations of Aglomerados Cotopaxi was measured, resulting in a capture of 173 thousand tons of  $CO_2$  per year.

Considering that the company's emissions are lower than the capture of  $\mathrm{CO}_2$  from forests and the commitment to reducing emissions in the future, we are confident in achieving Carbon Neutrality verification in 2022, using 2021 as a base year.

The constant emissions observed in the highest part of the multicyclones at the end of the drying process in the MDF line correspond to steam, a product of the evaporation of the water retained in the wood. This is because the fiber enters the drying process with a humidity greater than 120% on a dry basis and leaves the drying process with a humidity of between 10 and 13%.

The emissions coming out of the cauldrons chimneys are biomass fuel gasses and board dust. These emissions are biogenic (part of a natural circular process of capture and emission), and are not considered greenhouse gasses within international protocols. Only in the particleboard burner do diesel fuel gasses come out when enough dust is not available.

Both in the multicyclones and in the chimneys of the cauldrons, there are also emissions of particulate matter, which is, in all cases, lower than the limits of the Ecuadorian standard.

The applicable legislation establishing the Maximum Permissible Limits (MPL) of the fixed sources of emissions into the atmosphere in: particulate matter, nitrogen oxide and sulfur dioxide, according to the type of fuel, has its origin in Appendix 3 of Book VI of the Unified Text of the Secondary Legislation of the Ministry of the Environment, Standard of Air emission from fixed sources, according to the Ministerial Agreement No.097, Official Registry No.387.

<sup>&</sup>lt;sup>28</sup> The data in this table belongs to 2018, the year in which the emissions analysis was carried out. Annual differences in production do not produce significant alterations.



# 4. Product

# 4.1 Our brand

GRI 102-2. We have built the Aglomerados Cotopaxi brand based on a product of superior and consistent quality. The service we provide to our customers seeks to understand their needs and maintain their stocks with a fair market price and reliable supply. Additionally, we want our customers, and especially the end users, to know that we are responsible with the environment, the social surroundings and the local economic development, while keeping them as the center of our business.





	Corporate	Message	Content of announcement
AGLOMEPADOS COTOPRXI Sembrando futuro	Aglomerados Cotopaxi	We are an Ecuadorian, forestry industry, planting for the future since 1978	History of Aglomerados Cotopaxi. General information (location, workers, etc.)
	Sustainability		
	Environmental	We take care of the environment, thinking on the long term	Patrimony data (hectares, species, etc.) Forestry Cycle Using water as a shared resource Forestry benefits ( CO <sub>2</sub> uptake, flora and fauna, etc.)
	Social	We care about the well being of the community	Information form the adjoining community Community programs  Bike Park and races within the patrimony
	Economical	We contribute to the economic development of the country and the sector	Direct labor (families) / foreign currency suppliers Support for small companies (donations, training)
	Quality in processes		
	Certifications	We innovate constantly and responsibly	Certifications obtained by the company
	Fashion and trends		
	Products	We create fashion and trends with quality products	General product portfolio

Looking to the medium and long term, we continuously define marketing and communication plans, in order to inform, exhibit the brand, and with the main objective of creating value for our market segment and thus strengthening solid relations for the future<sup>29</sup>.



<sup>&</sup>lt;sup>29</sup> Our notoriety indicator has grown from 66% in the first half of 2019 to 77% in the first half of 2021.

To do this, we focus on understanding the characteristics of our target client and the different profiles of users through in depth research that helps us identify their needs, motivations, frustrations and other behavioral and emotional qualities on which valuable actions are generated.

### **TARGET CUSTOMER B2B**



# SPECIALIZED DISTRIBUTOR

# **USER PROFILES**



#### **TECHNICAL USER-CARPENTER**

**GENERAL DESCRIPTION** 

Furniture industry, professional or master carpenter who has a shop or transformation tools



### **USER DESIGNER-ARCHITECT**

**GENERAL DESCRIPTION** 

Professional or expert in interior design with a focus on a combination of environments



#### **GENERAL DESCRIPTION**

Homeowner with the need to remodel or to acquire wood furniture



### **POTENTIAL USER STUDENT**

**GENERAL DESCRIPTION** 

Student of architecture, interior design or related fields, specialicing in interior design





# 4.2 Our products

The Aglomerados Cotopaxi brand includes different commercial brands according to the different line of products we offer.



**FIBRAPLAC** For our medium density wood fiberboard (MDF), both standard and moisture resistant.

- Natural Fibraplac
- Fibramela (melamine overlay)
- Fibrachapa (veneer overlay)
- Fibraplac ultramatte
- Fibraplac megamatte
- Fibraplac sealed
- Fibraplac veined
- Fibraplac slotted
- Fibraplac carb
- Fibraplac light
- Fibraplac forte





**DURAPLAC** For wood particle board, both standard and moisture resistant.

- Duraplac raw
- Duramela (melamine overlay)
- Durachapa (veneer overlay)





- Industrial packaging
- Laminated beams
- Brushed wood
- Decorative wall coverings





- Raw moulding
- Plaster coated moulding

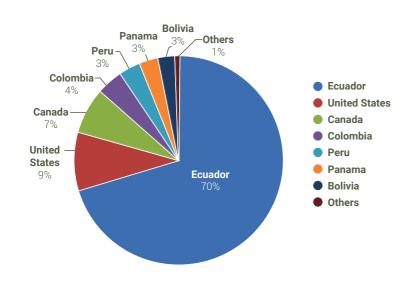


Product portfolio (https://www.cotopaxi.com.ec/productos)

# Ecuadorian products for the world

GRI 102-6. Nationally and internationally, we have established business relationships based on direct sales or through commercial agents in the private sector of several countries. If we compare the proportion of the sales volume of the local market during 2021 with 2019, we can see that the supply of the local market is very similar. We are convinced that we must take care of and maintain the service to the local market. Where we had to make changes to respond to the difficulties of the pandemic and post-pandemic was in the composition of our export market.

# Volume distribution by country in 2021





Mainly, our customers and their offer of products are categorized in the following way:

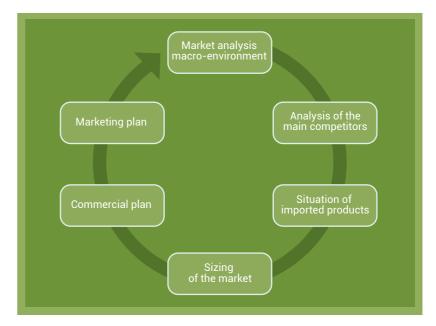
Mainly, our customers and their offer of products are categorized in the following way:						
	Authorized Large Industrial distributors surfaces Packaging					
Wood boards	Х	Х				
Mouldings	X					
Solid wood	Х	Х	х			

# 4.3 We reach our customers

GRI 417 (103-2, 103-3). In order to achieve our strategic objectives, we build an annual plan based on a broad analysis of the market and its influential elements, which leads to commercial and marketing objectives and budgets<sup>30</sup>.

During 2021, the marketing plan focused on consolidating our existing business relationships, and strengthening the export market for value added products. We continued with the visits, especially in the local market, and kept all our communication channels open striving to satisfying the market demands in the best way. With the logistic limitations of imports, we made great efforts to meet the needs of the market, with our production.

Also, we accessed exhibition spaces within the premises of our distributors, to be able to communicate better with the final users.



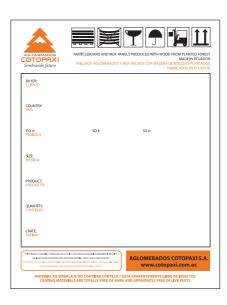


<sup>&</sup>lt;sup>30</sup> GRI 417-3: In 2021 we have had no cases of non compliance related to marketing communications.

# Labeling

GRI 417-1. Due to the physical characteristics of our products, dimensions and weight, and considering they are items that will be manipulated and transformed, their packaging and labeling is basically industrial and consists of pallets, content guides, and edge printing. Only certain products, whose presentation is more compact, have slightly more detailed labeling<sup>31</sup>. Thus, we follow a labeling for local sale and distribution under minimum customer requirements<sup>32</sup>. For the export product, a template that identifies the characteristics of the order and the product. And specifically for the MDF EPA CARB products, we meet the minimum mandatory requirements of the norm.

For exports, we use labels with the following information:



# Quality

We communicate to our customers the characteristics of use and the standards that the product meets; in addition to technical specifications, advantages and recommendations for use and handling.



<sup>&</sup>lt;sup>31</sup> The mouldings have an automatic packaging and labeling process, and our custom boards have design labels.

<sup>&</sup>lt;sup>32</sup> At the moment, product labeling is carried out through the guides and Kanban cards.

# Glossary of terms or phrases

# AAA Risk Rating (granted by Global Ratings):

Corresponds to the security titles whose issuers and guarantors have an excellent payment capacity of principal and interest on the agreed period and terms, which is estimated not to be affected in the face of possible changes in the issuer and its guarantor, in the sector to which it belongs and in the economy in general.

Adjoining associative forms: communes, cooperatives, neighborhoods, settlements in the condition of neighbors that share boundaries with forestry patrimony or the industrial plant.

Ambassadors of Change: positive informal leaders who are considered mentors in the company, and have the mission of facilitating culture workshops, communicating and implementing human talent management initiatives.

**Area of direct influence**: geographical area adjacent to the company's operations, delimited in the environmental and forestry management plans.

Asteraceae Family: one of the largest families of the plant kingdom with around 20,000 species, among which are trees, shrubs and herbaceous plants, with a worldwide distribution.

Baseline of the biological component: is the characterization of the current state or situation of the area with respect to the biological components of terrestrial communities. In this sense, the study of the biological baseline has focused on collecting information and necessary data from biological components such as flora, fauna, macro-invertebrates, reptiles, in a way that allows the analysis and support of the environmental and social impacts.

Behavior based security: proactive methodology of continuous improvement applied to security that aims to minimize unsafe behaviors and reinforce safe behaviors, encouraging their repetition until appropriate attitudes are achieved in a framework of respect and commitment.

**Biomass**: Biomass is the organic matter, of plant or animal origin, which can be used as a source of energy. Biomass is one of the types of renewable energy, as it is possible that its source can be replaced or regenerated, either naturally or artificially.

Calibration and forced curve: review of performance evaluation results through a committee where each process leader socializes the individual evaluation results and objectively ratifies the qualification and potential or is modifies it according to the criterion or consensus reached.

**Carbon sequestration**: an environmental service based on the ability of the trees to absorb and store atmospheric carbon in the form of biomass.

Capacitor banks: they are energy accumulators that allow to improve the power factor of an electrical system making it more efficient.

Carbon footprint: represents the total volume of greenhouse gasses (GHG) produced by the economic and daily activities of human beings.

Carbon neutrality: quantitative balance between greenhouse gas emission (GHE) from a set of activities of a human group and those actions to reduce them or compensate them (executed by the same human group), so the result is equal to zero.

**Carbon fixation**: capture and storing carbon in carbon reservoirs, such as forests or soils, to keep carbon out of the atmosphere.

**Catalyst**: a substance that can be added to a reaction to increase the reaction rate without being consumed in the process.

**Community relations**: process of linking with stakeholders, especially the Adjoining Associated Forms.

Compliance follow-up: within the initial phase of the performance management process, each leader or

immediate supervisor plans spaces to follow up on the achievement of the objectives established by employees.

Conicity: the difference between the largest diameter and the smallest diameter with in the length of a log. If the difference is very large, it is considered a defect for the sawmilling process.

**Critical practices**: fundamental activities for the operation of the company.

**Curvature**: relationship between the arch of a log and its total length, it is considered a defect for the sawmilling process.

**Dry base**: Is the ratio between the mass of water contained in a material and the dry mass of the same sample material.

**Dry silos:** construction designed to store dry wood particles and protect it from environmental factors.

**Dust burner**: combustion system that allows the mixture of wood dust plus air to be used to generate a flame and produce thermal energy.

**Emotional salary**: is the non-monetary and additional reward the employee receives for his work. It is associated with the satisfaction of personal, professional and family needs to improve their quality of life.

Forestry activities: are the various operational actions that are carried out throughout the wood production cycle to achieve an adequate management based on productivity for the best use of the resources that are extracted from trees, such as wood.

Forestry operations: set of activities applied during different stages of development of a forestry plantation, from the establishment to the final harvest. These activities are essential to achieve the objectives of wood production and ecosystem services of plantations. The planning and execution of the activities consider the characteristics of the site, the species and the technology available to minimize the impact to the ecosystem.

**Forestry workers**: term used by sustainability indicators to refer to the employees working in the forestry area of the company, at any level.

Formaldehyde urea: components of basic or standard urea resins used to manufacture wooden boards.

Formaldehyde urea melanin: basic components of urea resins whose moisture resistance properties are greater than a standard one.

FSC Certification: The Forest Stewardship Council, better known by its initials (FSC), is a non-governmental accreditation and certification organization based in Bonn, Germany. FSC's official mission is to "promote

environmentally appropriate, socially beneficial and economically viable management of the world's forests" Individuals or organizations interested in the sustainable consumption of wood, paper and other forestry derivatives, can obtain an FSC certification for their products. FSC certification is also used to demonstrate sustainable forest management. It also defines the best practice for the supply chains of a forestry product, from the forest to the factory to the customer. FSC certification can also demonstrate the ecosystem services provided by forests: biodiversity, water, soil, carbon and leisure.

**Gender ratio**: indicator that allows measuring equity between women and men in various aspects such as salary, benefits, among others.

**Greenhouse Gas (GHG) Protocol**: is the most used international tool for the calculation and communication of emissions inventory.

Greenhouse gasses: are those gasses that accumulate in the Earth's atmosphere and absorb the energy of the Sun. They are considered responsible for global warming because of their excessive accumulation in the atmosphere. They are emitted naturally and by human activity.

High performance culture: Is the ability of organizations to achieve effective performance and meet the established strategic objectives.

Horizontal growth: growing within the organization by holding a position in the same hierarchy in another area or process.

**In-depth grow**: grow within the organization by holding the same position, but taking on more responsibilities in the same area or process.

Integration of ecological factors: are environmental, ecological factors, or any factor, abiotic or biotic, that influences the living organisms. Abiotic factors include ambient temperature, the amount of sunlight and the pH of the water and soil in which an organism lives.

**Integral brigades**: group of collaborators properly trained to act before, during and after an emergency.

Jampa: byproduct of the sawmill process of crescent shape, resulting from cutting the edges of logs or trunks.

Kanban cards: it is a fundamental element of the Lean methodology, it is a visual reference of the flow of materials or activities in a production process, it helps maximize the efficiency of a system.

**Knots**: area of woody scar-like tissue left by the development of a branch, the properties of which are different from those of the wood that surrounds it.

Laminated beams: horizontal sections of wood joined lengthwise by fingerjoint (special tongue and groove)

and glued together by their faces, intended for loadbearing or decorative structures.

**Lignin chains**: group of organic polymers that form important structural materials in the supporting tissues of wood and bark.

Macroprocess: within process management, is the process of greatest aggregation, which contains several individual processes. The macroprocess allows understanding, at the highest level, the general structure of a process and its functionality within the organization.

Mama Negra: a festival, declared Intangible Cultural Heritage of the State in October 2005, that is celebrated in September and November each year in Latacunga,



Cotopaxi province. It is a sample of popular folklore, cultural mixture and syncretism between various Ecuadorian, Spanish and African cultures.

The Mama Negra festival has indigenous, African and Hispanic features evidenced in the large number of characters, costumes, masks, dances, food and drinks throughout the festival, which is starred by the whole town as a comedy theater.

Bibliographic reference: Sandoval, C. "Historia de la Mama Negra".

**Manual establishment**: the manual planting of seedlings, where the planter, with the help of a tool, opens a hole and introduces the plant, on a prepared ground.

Nanofiltration: effluent treatment system by physical-mechanical principle for the separation of solids by means of membranes of 250 microns.

Paraffinic emulsions: it is a heterogeneous mixture of paraffin in the liquid state and certain stabilizing liquids whose chemical properties manage to keep the mixture in a liquid state over time. It's applied in the production process is to increase the moisture resistance of the boards.

Particulate matter: mixture of liquid and solid particles of organic and inorganic substances, which are suspended in the air.

**Pellets**: are balls formed by remains of undigested foods regurgitated by some carnivorous birds.

**Performance planning**: agree on individual SMART objectives and clarify behavior expectations aligned to the values of the company.

Reverse osmosis: tertiary treatment process of wastewater through a system of membranes, managing to separate material that is in the water on the side of the membrane (concentrated) and on the other side a diluted solution is obtained, low in dissolved solids (permeate).

**Shaft**: trunk or log of a tree, already cut for consumption in the wood industry.

**Six Sigma**: management model that seeks to reduce variability in processes in order to improve the quality, costs, and/or cycle times of a product or service, which significantly impacts customer satisfaction.

**Slatt wall**: MDF fiberboard with a series of cuts and grooves through the entire board. The dust resulting from these cuts is recovered and used as fuel in the dust burner.

**Sieve**: mechanical element that consists of a frame with a perforated mesh, and that through vibratory movements serves to separate material in different sizes.

**SMART Objectives**: these are accurate and easy to communicate goals or performance indicators. The initials stand for specific, measurable, achievable, realistic and timed.

**Soft technical skills**: interpersonal traits that allow you to relate, adapt and contribute in an environment.

**Strips**: different pieces of solid wood or MDF of dimensions below 60mm square or rectangular used as elements for construction, DIY or decoration, indoors or outdoors

Substrate (used for sowing): it is the means of physical support that allows a good development of the roots of the plants. The one used in Aglomerados Cotopaxi originates from the disposal of the debarking process in the industry, composted and enriched according to the needs of each variety and the container in which it will be used.

Technical competences (hard): technical or cognitive knowledge, which can be measured by technical tests or practical cases to validate the level of experience and knowledge.

Types of soil: there are several types of soils and each one has a particular characteristic. Soils can be classified according to their structure or according to their physical characteristics.

**Vertical growth**: grow within the organization occupying a position of greater hierarchy and responsibility in the same area or process.

**Water erosion**: erosion of the earth's surface due to the effect of water.

Wet silos: construction designed to store wet wood particles and protect them from environmental factors.

**Wind erosion**: erosion of the earth's surface due to the effect of wind.

# List of acronyms

AAF: Adjoining Associatives Forms.

AIMA: Ecuadorian Association of Wood Industrialists.

APIR: Risk matrix, Aspects, Hazards, Impacts and Risks.

BMH: Benchmark Holdings.

BASC: Business Alliance for Secure Commerce.

BBS: Behavior Based Security.

CARB: California Air Resources Board.

**CITES**: Convention on International Trade in Endangered Species of Wild Fauna and Flora.

COMAFORS: Sustainable Forest Management Corporation.

CO<sub>2</sub>eq: Carbon dioxide equivalent.

**CSC**: Customer Service Center.

EMP. Environmental Management Plan.

**EPA**: Environmental Protection Agency.

**EZCP**. Ecuador Zero Carbon Program.

FMP. Forestry Management Plan.

FSC: Forest Stewardship Council.

GHG: Greenhouse Gas.

**HCV**: High Conservation Values.

**HUD**: U.S. Department of Housing and Urban Development.

ICAO: Culture and Organizational Work Environment Index.

**IUCN**: International Union for Conservation of Nature.

LC: Species of the Least Concerned Category.

MPL: Maximum permissible limits.

**MAATE**: Ministry for the Environment, Water, and Ecological Transition.

MDF: Medium Density Fiber Board.

MSDS: Material Safety Data Sheets. Basic safety information for a product.

**NE**: Not evaluated category.

NT: Species in the Near threatened category.

OHS: Occupational Health and Safety.

**OSHA**: Occupational Safety and Health Administration. U.S.Department of Labor Occupational Safety and Health Administration.

**SNAP**. National System of Protected Areas of Ecuador (in English).

**UNFCCC**: United Nations Framework Convention on Climate Change.

VU: Vulnerable.



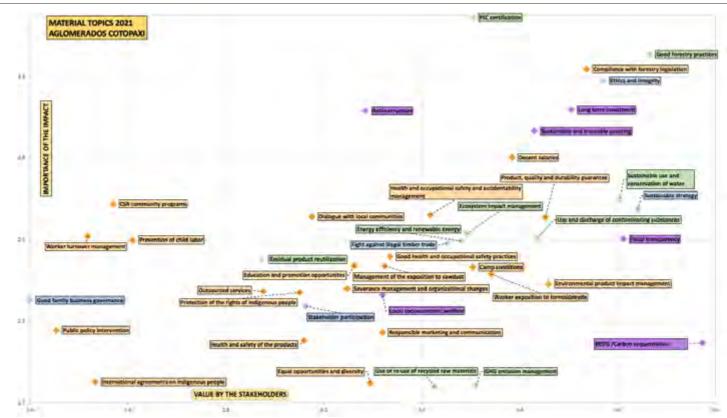
# Materiality topics

GRI 102-46. To write this sustainability report, we developed a materiality study. This study gathers the most significant economic, environmental and social impacts of the organization, as well as the topics that have a substantial influence on the value placed on us, and the decisons of our stakeholders. To carry out this study, during the 2nd trimester of 2021, we undertook an exhaustive dialogue process with a representative

sample of our internal and external stakeholders, who expressed their expectations as to the information that should be presented.

The results of the study are presented in the following section, through a double entry matrix. The horizontal axis presents an evaluation of the principal impacts of the organization on sustainable development and the vertical axis shows the priority of such topics for our stakeholders.

GRI 102-44, GRI 102-47, GRI 103-1 (all of the material topics identified and reported).



The material topics identified are presented in the following chart. For each one we have established:

boundaries, how the company is involved and the corresponding limitations to the information available.

	Value scale: Null =	0 / Lov	v = 0-1 / Medium = 1-2 / High = 2-3 / Ve	erv hiah = 3-4	Levels of i	mportance I3-1 a.		mits of the materia 46 a. / GRI 103-1	l topics
SCOPE	AREA	# T	TOPIC	GRAPHIC LABEL	Importance of the impac	Value by the stakeholders	Where does the material topic impact occur? GRI 103-1 b.i.	Implication of the company in the impact of the material topic GRI 103-1 b.ii.	Limitations GRI 103-1 c.
	Materials	T12	Use or re-use of recycled raw materials in the production process.	Use or re-use of recycled raw materials.	1.78	3.23	AC	Direct	None
	Energy management	T13	Energy efficiency and use of renewable energy in the production process.	Energy efficiency and renewable energy.	2.50	3.28	AC	Direct	None
	Water management	T14	Practices for the sustainable use and conservation of water.	Sustainable use and conservation of water.	2.70	3.61	AC	Direct	None
	Biodiversity and ecosystemic impacts	T15	Ecosystem impact management (landscape, flora and fauna).	Ecosystem impact management.	2.53	3.29	AC	Direct	None
Environmental	Emissions	T16	GHG emission management in the face of climate change.	GHG emission management.	1.79	3.31	AC	Direct	None
	Effluents and residues	T17	Use and discharge of contaminating substances to the environment in the productive processes and in plantations.	Use and discharge of contaminating substances.	2.50	3.44	AC	Direct	None
		T18	Residual product management in the forestry and productive processes.	Residual product reutilization.	2.40	2.88	AC	Direct	None
	Good forestry practices	T19	Good forestry practices	Good forestry practices.	3.41	3.67	AC	Direct	None
		T20	Adherence to the FSC (Forestry Stewardship Council) principles and criteria.	FSC certification.	3.59	3.30	AC	Direct	None
	Child labor	T32	Preventive measures agains child labor in general and, specifically, in the collection of wild plants.	Prevention of child labor.	2.50	2.61	AC	Direct	None
Social / Human Rights	Rights of indigenous	Т33	Adhesion to international agreements in the matter, such as the Ecuadorian Principles or the Indigenous people free and informed previous consent.	International agreements on indigenous people.	1.80	2.53	AC	Direct	None
	people	T34	Respect and protection of the rights of indigenous people in the matters of soil use, land use and water.	Protection of the rights of indigenous people.	2.24	2.95	AC	Direct	None
Social /		T35	Positive dialogue, permanent collection of expectations.	Dialogue with local communities.	2.61	2.98	AC	Direct	None
Communities	Human Rights	T36	CSR programs.	CSR community programs.	2.68	2.57	AC	Direct	None

	Value scale: Null =	0 / Lov	v = 0-1 / Medium = 1-2 / High = 2-3 / Ve	ery high = 3-4	Levels of imp		Boundaries and lin	nits of the materia 46 a. / GRI 103-1	l topics
SCOPE	AREA	# T	TOPIC	GRAPHIC LABEL	Importance of the impac	Value by the stakeholders	Where does the material topic impact occur? GRI 103-1 b.i.	Implication of the company in theimpact of the material topic GRI 103-1 b.ii.	Limitations GRI 103-1 c.
		T21	Worker turnover management.	Worker turnover management.	2.52	2.52	AC	Direct	None
		T22	Compensation system and decent salaries.	Decent salaries.	2.90	3.38	AC	Direct	None
	Employment practices	T23	Decent living conditions in work camps (forestry).	Camp conditions.	2.37	3.30	AC	Direct	None
		T24	Outsourced service practices (forestry and transportation services).	Outsourced services.	2.25	2.88	AC Contractors	Direct and indirect	None
0 : 1/	Labor relations	T25	Severance management and organizational changes that affect the work force.	Severance management and organizational changes.	2.26	3.05	AC	Direct	None
Social / Labor practices		T26	Health and occupational safety practices among workers, outsourced help, independent workers and farm hands.	Good health and occupational safety practices.	2.42	3.13	AC	Direct	None
	Health and occupational safety	T27	Health and occupational safety and accidentability management.	Health and occupational safety and accidentability management.	2.62	3.22	AC	Direct	None
		T28	Management of the exposition to sawdust.	Management of the exposition to sawdust.	2.37	3.12	AC	Direct	None
		T29	Worker exposition to formaldehyde.	Worker exposition to formaldehyde.	2.33	3.34	AC	Direct	None
	Education and development	Т30	Education and promotion opportunites.	Education and promotion opportunites.	2.38	3.06	AC	Direct	None
	Diversity and equal oppportunity	T31	Equal opportunities and diversity.	Equal opportunities and diversity.	1.80	3.10	AC	Direct	None
Social / Society	Public policy	T37	Practices on public policy intervention and the corresponding accountability (lobbying).	Public policy intervention.	2.06	2.45	AC	Direct	None
	Environmental product certifications	T38	Product impact management. Environmental accreditations and certifications for the product.	Environmental product impact management.	2.29	3.46	AC Clients	Direct and indirect	Downstream
	Health and safety of clients	T39	Health and safety of the products.	Health and safety of the products.	2.01	2.96	AC Clients	Direct and indirect	Downstream
Social / Product	Product quality	T40	Product, quality and durability guarantee.	Product, quality and durability guarantee.	2.61	3.45	AC	Direct	None
responsibility	Marketing and information for the client	T41	Responsible marketing and communication. Product and condition information.	Responsible marketing and communication.	2.05	3.12	AC	Direct	None
	Regulatory compliance	T42	Compliance with legislation and regulation in forestry matters.	Compliance with forestry legislation.	3.34	3.54	AC	Direct	None

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### **Sustainability Consulting**

Proterra Consultores S.A.

# Writing

Proterra Consultores S.A. Colaboradores Aglomerados Cotopaxi

### Editing

Colaboradores Aglomerados Cotopaxi Isabel Arteta

### Style correction

Adriana Grijalva

### Photography and videos

Sidartha Agencia de Comunicación

# Cover and product photography

Aglomerados Cotopaxi

# Illustration From the nursery to the board

Guido Chavez

# Graphic design and layout

Rossana Costa

# Printing

Grupo Impresor

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