SONAE ARAUCO
Taking wood further

Carbon Neutrality

Contributing to the creation of a sustainable future,
with wood-based solutions

V2W
Value2Win

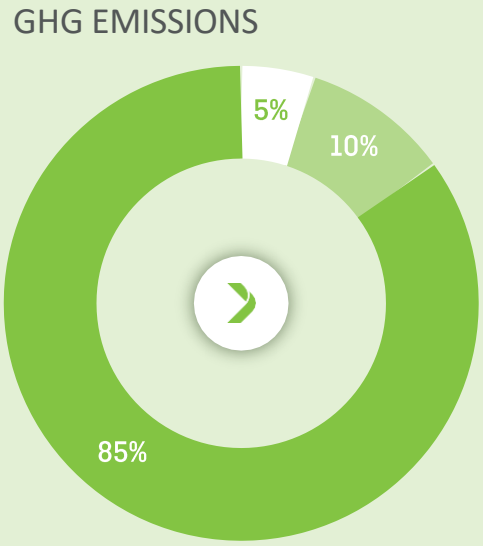
1. Intro

Sonae Arauco is aligned with the Paris Climate Agreement's goal of limiting global warming to 1.5 °C above pre-industrial levels, to halve emissions by 2030 and reach net zero carbon emissions by the middle of the century. Sonae Arauco Carbon Neutrality Program is a tailor made decarbonization roadmap to inform Sonae Arauco's carbon neutrality ambition. In line with this commitment, we are starting to implement and monitor several mitigation actions to decarbonize our activity regarding carbon neutrality by 2040 (scope 1 and 2) and a strong effort to decarbonize our value chain (scope 3) until 2050, under our commitment to tackle the climate crisis.

2. Sustainable Features

- Climate Perception: a company committed to carbon neutrality signals a formal pledge to reduce Greenhouse Gas (GHG) emissions and achieve a decarbonized activity;
- Long-Term Climate partnership: engaging with a company dedicated to carbon neutrality allows a shared commitment, efforts and benefits to the climate journey;
- Wood products: as a renewable, reusable and recyclable material, wood-based panels allow the decarbonization along the construction, furniture and interior design value chain.

3. Figures



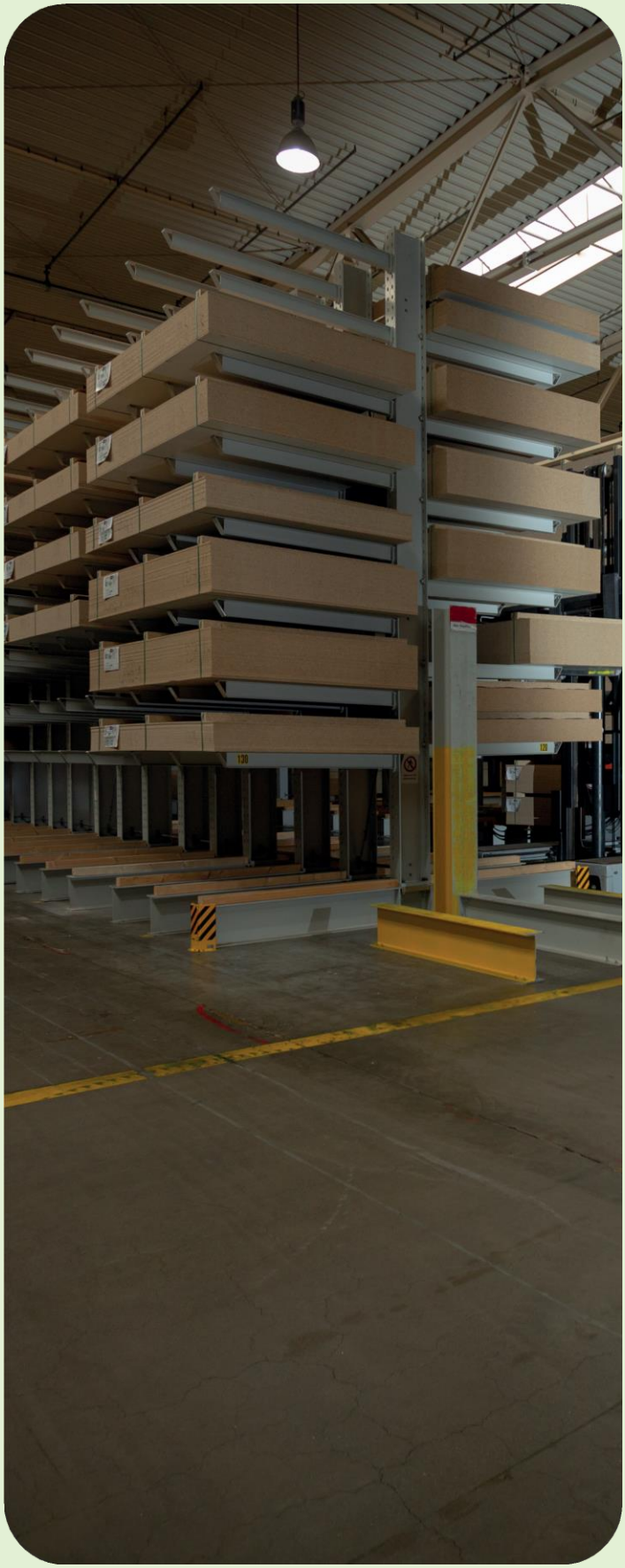
Scope 1 (direct emissions from owned or controlled sources by the group)

Scope 2 (indirect emissions from the generation of purchased or acquired electricity, steam, heating and cooling consumed by the group)

Scope 3 (all other indirect emissions - not included in Scope 2 - that occur in the group's value chain, contemplating both upstream and downstream emissions)

4. Customer value

- Brand Reputation: associating with climate responsible suppliers has a positive impact on brand perception.
- Mitigating climate change: partnering with a carbon-neutral supplier supports a company's efforts to reduce its overall carbon footprint.
- Regulatory Compliance: with the increasing climate change regulations demand, collaborating with a carbon-neutral committed supplier helps to ensure compliance with standards and regulations.
- Carbon Footprint: access to products with calculated carbon footprint; access to carbon emissions of the product.
- Climate partnership: our work for decarbonization will help our clients in their own decarbonization journey.
- Access to lower carbon products and services: e.g., ecoefficiency of transport services with Backhauling or route optimization.
- Sharing knowledge in climate: knowledge exchange and capacity building with our clients are critical for the low carbon business model and supply chain.



- Carbon Neutrality commitment & ambition: work for GHG emissions reduction; to achieve lower/negative carbon footprint products; to supply carbon storage products – wood products inherently store carbon absorbed during tree growth:

  - **Scope 1 & 2** — Reduce corporate emissions by at least 58.8% by 2033 from the base year 2019, and then keep reducing emissions according to a trajectory in line with 1.5°C temperature increase scenario.
  - **Scope 3** — Develop a framework of policies, action and targets until 2025.

Key Pillars	GHG reduction levers
Reducing corporate emissions (Scope 1, 2 & 3) 	◦ Green energy – PPAs, RE in-situ, green electricity purchase ◦ Improving energy efficiency – energy efficiency plan ◦ Phasing out fossil fuels – gas phase out, increase biomass use, process electrification ◦ Electrifying mobile sources – switch to electric vehicles (fleet), procurement of electric forklifts / loader
Decarbonizing product offer (Scope 3) 	◦ Shifting toward more sustainable raw materials – increase of recyclable wood, adoption of bio-based resins ◦ Working with suppliers to decarbonize upstream transportation ◦ Implementing more circular business models - increasing the lifetime of the products' use; working with value chain to increase in recycling rates / decrease in landfill rates
Decarbonizing logistics (Scope 3) 	◦ Supplier selection based on ESG criteria ◦ Working with suppliers - cooperating with forwarders and haulers on the topic of alternative lorry drives

5. Case Study

Decarbonization with Renewable Energy

Sonae Arauco has signed a power purchase agreement (PPA) to install photovoltaic panels at the Linares industrial unit. The project, already under implementation in 2023, foresees an installed capacity that will enable the production of around 12% of the electricity consumed annually at this industrial unit.

Linares is the first photovoltaic energy production project for self-consumption, as part of a series of initiatives planned for the company's different industrial units. In Iberian plants, in the medium-term future, the expected impact is that in 2025 30% of the energy consumed will be photovoltaic energy.

In Germany, a wind power purchase agreement (PPA) was concluded for Germany which came into force on April 1, 2024. It will supply the plants in Nettgau, Meppen and Kaisersesch with green energy*, covering around 15 percent of the consumption of the German Sonae Arauco plants.

Under the implementation of Sonae Arauco Carbon Neutrality Program, we will address different initiatives to tackle our GHG emissions and to push for decarbonization:

- **Scope 1**: (direct emissions from owned or controlled sources by the group) - investments and measures to increase renewable energies and energy efficiency, electrification of our motor vehicles (company fleet, forklifts and machines), etc.
- **Scope 2**: (indirect emissions from the generation of purchased or acquired electricity, steam, heating and cooling consumed by the group) – speed up our strategy to a transition to renewable energy sources: new in-house photovoltaic power generation plants, PPA and selection of green electricity providers.
- **Scope 3:** (all other indirect emissions - not included in Scope 2 - that occur in the group's value chain, including both upstream and downstream emissions) – we have under assessment a large set of different measures to decarbonize upstream and downstream emissions.

* As for the Beeskow plant, it already produces its energy from biomass.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