

ESG ANNUAL REPORT

2019

FROM THE ECONOMIC, SOCIAL AND ENVIRONMENTAL PERSPECTIVES



INDEX

1

LUMIN AND ITS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

PAGE 2

2

THE ECONOMIC VIEW OF SUSTAINABILITY

PAGE 7

3

THE ENVIRONMENTAL VIEW OF SUSTAINABILITY

PAGE 11

4

THE SOCIAL VIEW OF SUSTAINABILITY

PAGE 15

5

MAJOR ESG PROJECTS

PAGE 20

A close-up photograph of a human hand with light skin touching the rough, textured bark of a tree trunk. The background is a blurred outdoor scene with green foliage and a blue sky. A green rectangular box is overlaid on the left side of the image, containing white text.

1.

LUMIN AND ITS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT



A company is deemed sustainable when it can generate economic, environmental and social value in the short and long term, thereby contributing to improve the well-being and quality of life of present and future generations, within the environment in which it carries out its activities.

This 2019 Annual Report seeks to account for the sustainability of LUMIN, based on the survey of the economic, environmental and social variables of the activities carried out by the company, taking as reference the triple bottom line, which seeks to define the sustainability of a company in regard to the three Ps: people, planet, profit.

This work is structured in three chapters: i) **the perspective of sustainability from the economic** point of view, integrating the value chain, markets, investment, employment, vendor development and governance

ii) the perspective of environmental sustainability, considering the actions linked to climate change mitigation such as carbon sequestration projects, the approach to biodiversity and water and energy management, prevention, safety and security and health policies, and knowledge management linked to these issues; iii) the perspective of social sustainability, which incorporates the analysis of the 14 projects of corporate social responsibility and link with the community that LUMIN supported in 2019, the human management work and labor relations, the transversal approach of topics such as gender equality and disability, labor internship programs, continuing education and collaborator training.

This report summarizes the variables surveyed and subsequently links them to the contribution the company makes to the achievement of the Sustainable Development Goals. At the same time, it analyzes the ESG practices (Environmental, Social and Governance) that LUMIN Uruguay has integrated through its principles and practices to its activities in its businesses, as well as the commercialization of its products, labor relations, socio-environmental responsibility and link with local institutions

SUSTAINABLE DEVELOPMENT AND THE TRIPLE “BOTTOM LINE” APPROACH

“Sustainable Development is that development that meets the needs of the current world without compromising the ability of future generations to meet their own needs.”

Brundtland Report,
Our Common Future, 1987.





ENVIRONMENTAL

Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Lumin includes in its principles and values caring for the environment, managing biodiversity, protecting from pests and diseases, managing water resources and bioenergy. Advisory commissions have been integrated at the territorial level, as well as activities for fire prevention. LUMIN also carries out the Carbon Sequestration Project, committed to mitigating climate change.



SOCIAL

Actions related to working conditions, including child labor and human rights; relationship with communities, conflict resolution; security and health; employee relations and diversity.

Lumin includes in its principles and values issues related to people and bonds with society, also in its Codes of Ethics both in Commercial Policies and for its employees, including issues of labor rights, conflict resolution, health and safety, diversity, equity, etc. In turn, ESG projects include direct activities with the communities in the areas of health, well-being, education, care, culture, gender, sports, infrastructure, disability, among others. Labor internships and continuous training and training of its employees are also encouraged.



GOVERNANCE

Actions related to policies and executive ethics, bribery, corruption, lobbying, diversity and structure of the boards, fiscal strategies.

Lumin includes in its principles and values, as well as in its Manuals and Codes of Ethics, for its executives, employees, clients and suppliers; policies and guidelines related to corruption, bribery, entertainment, professional conduct, compliance with laws and regulations, etc. Its board has an active participation and is linked with more than 50 institutions at the national and local levels and integrates the directory of relevant local institutions.

SOURCE: PREPARED
BY THE AUTHORS
BASED ON A PRI.



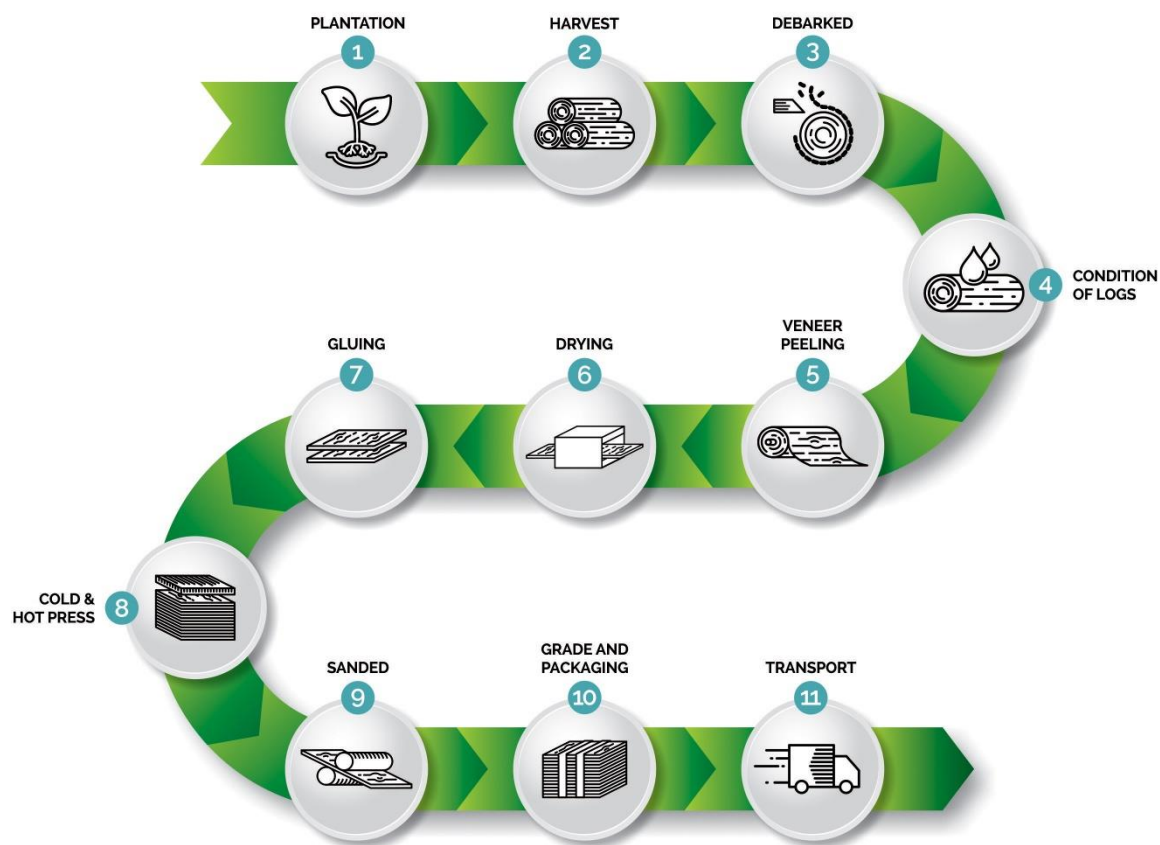
2. THE ECONOMIC VIEW OF SUSTAINABILITY

2. THE ECONOMIC VIEW OF SUSTAINABILITY

Lumin, in its 20 years of experience in Uruguay, has established itself as a leading company in forestry and forest products. The main value of the company is in the creation of value from the forest, with a vertically integrated project, from the purchase of the land, the production of the seedlings, to the obtaining of the final product. The value of the integrated chain is exactly what makes the business value.

Lumin is a solid wood forestry project, with an intensive management of the forests to obtain a final product of quality. In this sense, the business invests a lot in forests, where not only the volume per hectare matters, but also taking care of the individual yield of the tree. In this context, the industrial plant makes sense as the way to extract value from that primary phase of the process. In turn, it is a labor-intensive project, with a great impact at the local level, due to the supply chain and suppliers it generates, to which are added the contractor companies or new investment projects.

From the point of view of the final product and the markets, the segmentation and diversification strategy allows access to different markets and seeks to deepen production and sales in those niches that generate greater added value, demanding a sustainable product.



RELEVANT ECONOMIC AND BUSINESS VARIABLES

4

Impact on job creation and characterization of its workers

As of December 2019, there **were a total of 723 people working at Lumin**, mainly in the departments of Tacuarembó, Rivera, Cerro Largo, Treinta y Tres and Montevideo. **Of this total, 73 work in the company's forestry area (54 monthly and 19 day laborers) and 650 in industry (50 monthly and 600 day laborers).** **Added to this are the companies hired seasonally for forest maintenance (pruning, plantations, etc.) that vary.** There are between 300 and 500 people depending on the periods. With the new project, between 70 and 100 new jobs would be added

1

Forest value chain in which Lumin is inserted and its various work areas

The integrated value chain within **the mechanical transformation of wood is what makes the business value**: nursery, genetic improvement, forestry heritage, industrial plant, energy cogeneration plant, logistics and transport.

2

Main products and clients

Within the solid wood market, Lumin has a strategy of segmentation, diversification and globalization of markets, for which it has generated a product with high added value, which allows it to position itself in higher value market niches, which are the products of appearance. It is currently working on sustainable products such as TPR (tropical replacement panel). In 2019, **it had a total sales volume of approx. 230,000 m3 with a total of 96 clients, distributed 48% to the US market, 32% to Mexico, 12% to the rest of Latin America and 7% to Europe.**

3

Investments made and planned

In the last 20 years, the company's forestry project has generated a sustained flow of investment in both the forestry heritage and the industrial part. The company is currently executing an investment of **approx. 30 million dollars** for the construction of a third line, **THIN PEEL** focused on a new product with higher added value that requires more qualified labor.

5

Development of local and regional suppliers (contractor system, SMEs).

During 2019, the company contracted **605 supplier companies**, both for the plant and the new project and providing goods, services and supplies.

6

Governance of the firm and main stakeholders.

Lumin has a governance with high participation of its board of directors **and its map of actors and interest groups involve more than 50 institutions from the local and national environment**, apart from the ecosystem of local supplier companies. Lumin is a member of the board of directors of the Society of Forest Producers, the Union of Exporters of Uruguay and the Uruguay-United States Chamber of Commerce.

RELEVANT ECONOMIC AND BUSINESS VARIABLES



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



Strengthen the means of implementation. (Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships)



3.

THE ENVIRONMENTAL VIEW OF SUSTAINABILITY

3. THE ENVIRONMENTAL VIEW OF SUSTAINABILITY

Lumin prioritizes an environmentally sustainable business model, both in its forest management and in its industrial processes. In forests, the perspective of sustainability is reflected in the forestry practices adopted and in the environmental management of the lands, which is reflected in the environmental certification processes, as well as the various controls and research studies carried out in the lands that show the care of biodiversity and ecosystems. In the industrial process, wood fibers from its own forests are used and a very small percentage from third-party forests, but with a very strict procurement policy in terms of environmental standards

The health and safety policies reflect the work done in these areas and the way the company manages throughout its chain, including good practices for its suppliers and contractors. This is reflected in the Health and Safety Plans, and in the forest fire prevention systems.

Finally, it is worth highlighting the contribution that **Lumin** has made in all these years linked to the generation of knowledge and research on its lands. There are many publications, scientific articles and undergraduate, graduate and doctoral theses that use data and studies carried out on the company's premises, generating a positive externality in the dissemination of knowledge both nationally and internationally. This in turn is generating information and knowledge not only for the present, but with a long-term perspective for future generations.



SURVEYED ENVIRONMENTAL VARIABLES

1

Actions related to the environment and climate change

Lumin works with environmental management systems and other specific practices for the sustainable management of its forests. It has the PEFC Forest Certifications in the Forest Management System and in Chain of Custody and FSC © C002169, in Chain of Custody. It participates in the Forest Protection Commission of the Society of Forest Producers for the management of pests and diseases.

Lumin is developing a carbon sequestration project, and during 2019 the first sale of bonds was made for 22,250 vcu (tonne of coal equivalent).

2

Risk prevention and safety

Regarding the prevention of risks and safety, both the industrial and forestry areas have Health and Safety Plans, achieving 9 years without accidents for employees in the forestry area, and reaching the goal of 100% corrective actions solved and zero fatalities in the industrial sector. Lumin is part of the Fire Protection System, integrating the Grupo Forestal del Norte and Grupo del Sureste.

3

Waste and pollution management

LUMIN has a Solid Waste Management Plan, establishing the destination of each waste resulting from its industrial processes, such as wood waste, lubricating oils, chemical product containers, etc.

4

Management of biodiversity, water and energy

Regarding the management of biodiversity, LUMIN has a General Management and Conservation Plan, which is carried out by two independent technicians based on the periodic monitoring of 6 relevant field management units. Regarding the use and management of water, two basins are monitored, while water quality monitoring is done at other points through bioindicators. Regarding energy use, LUMIN uses wood waste to generate bioenergetic fuel for its boiler and the remainder is sold to the national electricity grid. LUMIN technicians are part of the Commissions for Protected Landscapes in Rivera, Treinta y Tres and Cerro Largo.

5

Generation of knowledge

One of the flagship investigations of the company is the “Quantification of the Environmental Effects of Forestry in Uruguay”, which has been developing since 2000 at the La Corona property, generating climatic and hydrological information, and with the participation of more than 20 researchers from Uruguay and the United States, as well as numerous undergraduate, postgraduate and doctoral theses. Other scientific publications and Flora and Fauna Guides have also been developed taking as input surveys carried out on the company's premises. Likewise, during 2019, more than 120 students and 10 teachers of the Forest Engineering studies at the University of the Republic visited the facilities and premises of the company, as well as those for the Forest Technologist course of studies.

SURVEYED ENVIRONMENTAL VARIABLES



Ensure availability and sustainable management of water and sanitation for all.



Ensure access to affordable, reliable, sustainable and modern energy for all.



Ensure sustainable consumption and production patterns.



Take urgent action to combat climate change and its impacts



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

4.

THE SOCIAL VIEW OF SUSTAINABILITY





LUMIN's actions' impact on society constitutes a relevant factor when analyzing the social sustainability of the company. This implies analyzing its link with the communities in which LUMIN carries out its forestry and industrial activities, permanent support to local institutions both at the governmental level and civil associations, lines of work related to care, health, education, culture, among others.

When LUMIN defines its role within social action, it positions itself as an actor in the community, and this is reflected in its approach to the company's Corporate Social Responsibility actions: "One of LUMIN's main objectives is to implement a Social Responsibility business policy that allows the development and maintenance of appropriate levels of communication and participation with the environment in which we operate, in a sustained manner throughout the different stages of the project".² In this sense, the company continued to support activities linked to the communities and with an impact on their local development, as well as on specific issues, such as gender and disability.

² SOURCE WWW.LUMIN.COM/INSTITUCIONAL/RESPONSABILIDAD

4. THE SOCIAL VIEW OF SUSAINABILITY

The role of the company's human resources, its managers, collaborators, and the employees of its supplier companies and contractors should be emphasized regarding responsibility with the creation of value at an economic, social and environmental level. Without them, it would not be possible, regardless of the strategic guidelines that the company may have.

This necessarily implies a corporate management style and transmitting this new view that requires commitment from all parties to support the organization, both in terms of social responsibility and compliance with labor and human rights, as well as its socio-environmental impact.



2

Human Management of Lumin collaborators, issues of labor rights, conflict resolution, health and safety, diversity, equity, etc.

LUMIN has developed a Code of Ethics and Business Conduct that governs the relationship of the company's employees, as well as contractors and suppliers, in topics such as conflict resolution, health and safety, human rights, etc. During 2019, recommendations were implemented on labor regulations associated with the law on sexual harassment in the workplace and on the promotion of the work of people with disabilities. From the point of view of labor negotiation, the current agreement in the Salary Council was maintained, and meetings with the union are held periodically through the Bipartite Commission.

1

Community relationship actions, institutional strengthening and impact on local development.

Throughout 2019, LUMIN has supported 15 projects involving to local communities, through support to institutions, educational centers, health centers, cultural activities, among others. These projects are grouped into three large areas:

1) **Health**, Wellbeing and Care (ARCOIRIS, APADISTA, COPHADIM Care Center, Rivera Hospital Lactation Room, Basic Cardiac Rehabilitation Programs, Friends of Sports Association of Rivera, Celeste Foundation); 2) **Education and Culture** (Project Learning Treet, Tacuarembó Technical School, Caraguata High School, Departmental Library, Heritage Day, Earth Lessons Program) and 3) **Infrastructure and City** (Sports court in La Matutina neighborhood, Bus stop in the city of Tacuarembó, Parque Oriental in Rivera).

4

LUMIN work internships and staff training activities

During 2019, 9 work internships were carried out in the company, favoring first work experiences in most cases. For LUMIN, continuous training and education of its workers is essential, for which nearly 80 courses have been held for both the forestry and industrial areas.

3

Actions related to gender and diversity

LUMIN has become a business reference in the cross-cutting themes of gender and diversity. In the case of gender equality projects, we have worked within the framework of the Principles of Female Empowerment (WEPS). We are one of the leading companies in the ranking at the national level, which is reflected in being one of the winners of the "The Talent has no Gender" award, recognizing the advances and good practices implemented by the company. Regarding the issue of disability in the workplace, LUMIN has been proactive in the implementation of said law, generating awareness days with its workers, and hiring two people with hearing disabilities in the nursery area, favoring learning sign language for their supervisor and co-workers.

RELEVANT SOCIAL AND HUMAN MANAGEMENT



Ensure healthy
lives and promote
well-being for all at
all ages.



Ensure inclusive
and equitable
quality education
and promote
lifelong learning
opportunities for
all.



Achieve gender
equality and
empower all women
and girls.



Reduce inequality within
and among countries
(empower and promote
the social, economic and
political inclusion of all,
irrespective of age, sex,
disability, etc.)



Make cities and
human settlements
inclusive, safe,
resilient and
sustainable.

5. MAJOR ESG PROJECTS



RAINBOW *ARCOIRIS*

RAINBOW (ARCOÍRIS) is a project that is part of the National Care System of Uruguay, and, in particular, of the Always Centers, an initiative that integrates unions, companies and the State to improve living and working conditions. This project covers a stage of the child's life, under 3 years of age, with a flexible and rotating schedule, favoring co-responsibility in raising children and the insertion of women in the labor market.

During 2019, RAINBOW Arcoíris cared for 70 boys and girls in two shifts, with 6 groups distributed in levels 1, 2 and 3, both in the morning and in the afternoon. Of these, 80 percent were children or grandchildren of LUMIN workers, and the rest of the quotas were covered by children from the community. It has a team made up of 23 people, 10 educators, a psychologist, a social worker, and music teachers.



2019 was the year of consolidation of the service and the team with great support from the families and institutions that support the Center. One of the prioritized lines was the incorporating of the gender approach, first to the team through a specific training and starting with concrete activities, with focus on co-responsibility.

RAINBOW Arcoíris has been recognized as a reference model at the national level, which can be replicated for other experiences and companies, adapting them to their reality.



WIN-WIN

A milestone in LUMIN's gender equality policies has been its adherence in December 2018 to the Women Empowerment Principles (WEPs) within the framework of the Win-Win program: Gender equality is a good business, implemented by UN Women in association with the International Labor Organization (ILO) to promote equality gender equality through the private sector. These Principles are a set of good business practices that promote equality between women and men in all management areas, proposing the creation of development opportunities for women within companies, their participation in leadership and decision-making, equal pay for equal work, and generation of offers of training, training and continuous professional development.

By subscribing, Lumin pledged to continue strengthening its equality policies between men and women and to translate them into concrete and measurable actions in the short and medium term.

In this context, from the signing of these principles, the self-diagnosis survey was carried out on January 22, 2019, resulting in a 57 percent. From that moment on, work was carried out on reinforcing some lines, such as updating the supplier code, incorporating data broken down by sex, inclusive language, training on gender issues at the community level, etc. Later that year, in October 2019, the result increased to 80 percent, with an improvement of 40 percent compared to the previous number. The average in Uruguay of companies adhering to the WEPs is 23 percent, for which LUMIN is clearly in the highest percentage, within the companies considered to be Leaders.



Su Puntaje Es

80%

Líder

¡Su compañía va por excelente camino! La igualdad de género no sólo es reconocida como un derecho humano, pero se valora como un factor de éxito empresarial. Su empresa ha tomado medidas para establecer las políticas, implementar, medir e informar sobre su progreso. Los líderes se han comprometido a la rendición de cuentas en todos los niveles. Otras empresas se beneficiarán de su experiencia así que esperamos que comparta su historia. ¡Continúe con el buen trabajo y siga maximizando los impactos positivos para las mujeres y las niñas!



WIN-WIN

One of the high points of this process of incorporation of the gender approach in the company was LUMIN's participation in the Award: "Talent has no gender, based on WEPs Principles". The evaluation committee was composed of representatives of the Inter-American Development Bank, the European Union and UN Women. URUPLY S.A. (LUMIN) was one of the winning companies within of the category multinational companies.

The Evaluation Committee highlighted that this award is a recognition of the progress and good practices carried out by LUMIN in the field of gender equality and complementarity labor. They also considered it was fundamental to promote the company experience regarding the promotion of equality gender in the workplace to the business community and society in general.



The
coordinator
of the Win-
Win Program

"Lumin is like the best student in the class. First, because it is a large company, they were able to quickly implement concrete activities. Second, because they are away from the capital and they prove it can be done. Third, because they took the subject for real. When they showed how they advanced with the self-diagnostic tool, they were very consistent and did their homework very well. It shows in the results. It is inspiring for other companies".

OFFICES IN
SOUTH AMERICA

MONTEVIDEO

José Agustín Iturriaga 3589
CP 11300, Montevideo.
Tel: + 598 2623 4470
Fax: +598 2623 4374

TACUAREMBÓ
PLYWOOD MILL

Ruta 5 km 400.5,
CP 45000, Paso del Manco,
Tacuarembó.
Tel: +598 463 22 200 /
463 27 012
Fax: +598 463 22 200
Interno 224

TACUAREMBÓ

18 de Julio 256
CP 45.000, Tacuarembó,
Tel: +598 463 29 341 /
463 27 012
Fax: +598 463 24 978

CERRO LARGO

Agustín de la Rosa 765,
CP 27000 Melo, Cerro
Largo.
Tel: +598 464 30081 /
464 29 054 / 098938794
Fax: +598 464 30081

RIVERA

Agraciada 828,
CP 40000, Rivera.
Tel: +598 462 38 881 /
462 36 429
Fax: +598 462 38 881