

Arauco



Leveraging The Cloud opportunities with SAP



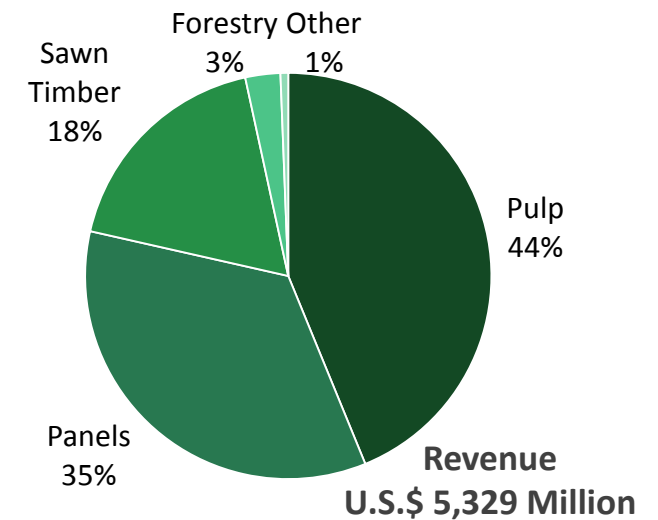
Fernando Santos

Corporate CIO – Chief Information Officer







Fernando.santos@Arauco.cl

Arauco is a world-class player in the forestry products industry with regional operations and global reach

- Part of Empresas Copec holding (#3 in Chile in market cap)
- Not a publicly traded company
- SEC-registered. In the US bond market since 1995
- Largest forestry company in Latin America
- One of the world's lowest cost producers
- We sell to over 80 countries
- High potential for sustained growth and profitability
- Forest: Largest owner of forestry land in the Southern Cone
- Pulp: Number two in the world in terms of market pulp capacity
- Panels: Ranked #1 in capacity in North America and #3 worldwide
- Energy: Renewable, environmental friendly energy producer
 - Arauco is self-sufficient in electricity consumption



Five strategic business segments in a diversified operational footprint

	FORESTRY	PULP	PANELS	SAWN TIMBER	ENERGY
	1,110,569 Ha	5 mills 2,882,000 ADt	4 mills MDF: 515,000 m ³ PB: 300,000 m ³ HB: 60,000 m ³ Plywood: 710,000 m ³	8 sawmills 4 remanufacturing facilities	10 Power Plants 606 MW
	263,386 Ha	1 mill 350,000 ADt	2 mills MDF: 300,000 m ³ PB: 260,000 m ³	1 sawmill 1 remanufacturing facility	2 Power Plants 78 MW
	144,392 Ha		2 mills MDF: 1,255,000 m ³ PB: 310,000 m ³		
	50% of 229,772 Ha	50% of 1,300,000 Adt			50% of 120 MW
 			8 mills MDF: 1,499,000 m ³ PB: 1,424,000 m ³		
TOTAL	1,633,233 Ha	3.9 million Adt	6.6 million m³	2.9 million m³	744 MW

Investments > Latest investments

Jaguariaiva Expansion

Brazil

Brownfield panel line

Start up: 1Q/2013

Total capex: US\$ 162 M



Plywood Reconstruction

Chile

Reconstruction of Nueva Aldea's plywood mill

Start up: Dec 2013

Total capex: US\$ 186 M



Montes del Plata

Uruguay

50% JV with Stora Enso

Includes port and energy plant

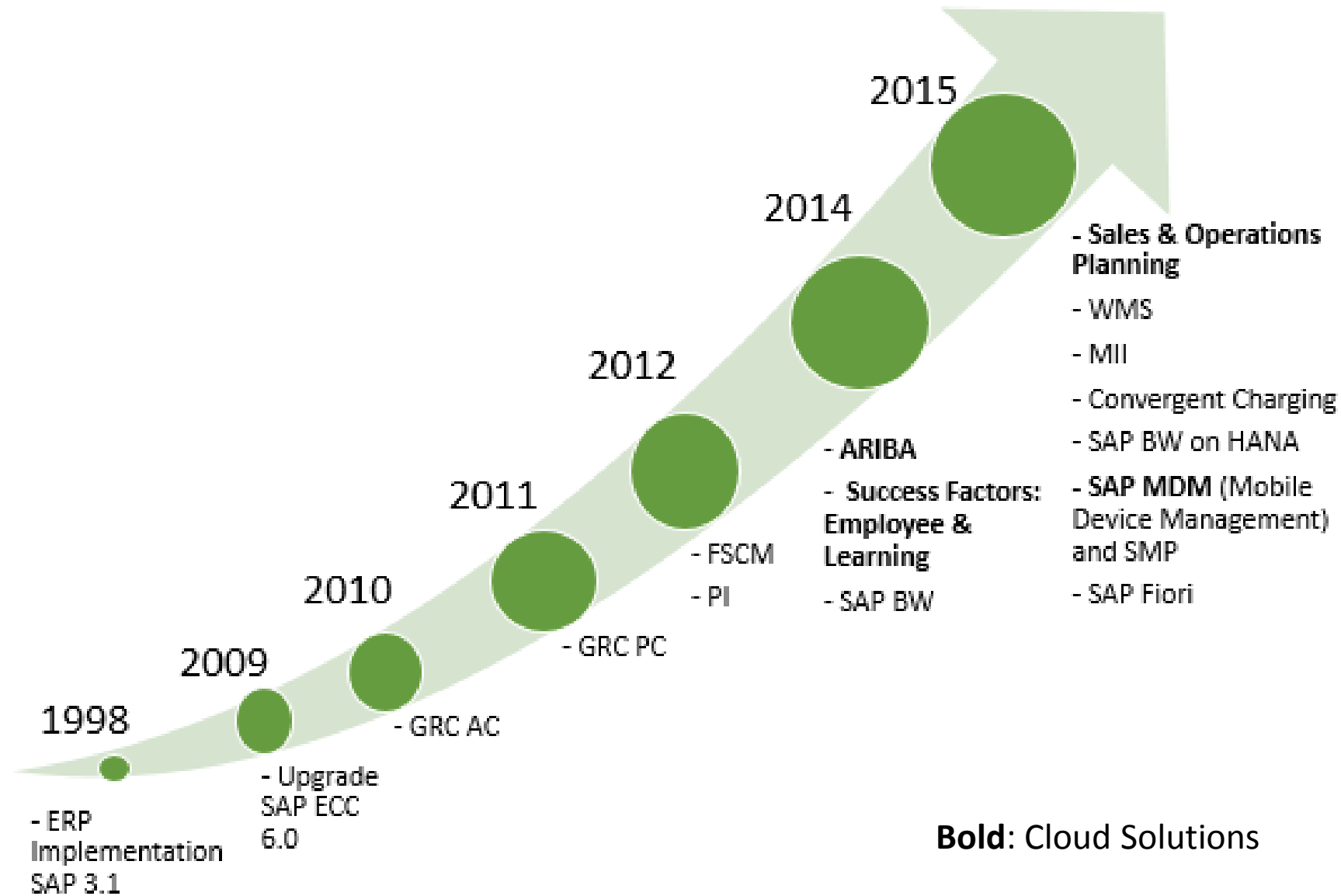
Start up: June 2014

Total capex: US\$ 2,500 M

- ✓ The highest private investment in the history of Uruguay
- ✓ The first shipment was done in July 2014



Arauco SAP Roadmap



successfact[♥]rs™
An SAP Company

PERSONAS **ARAUCO** | 

Our motivation to do something

40.500
workers around the world

13.576 Directly workers
26.934 Indirectly through contractors

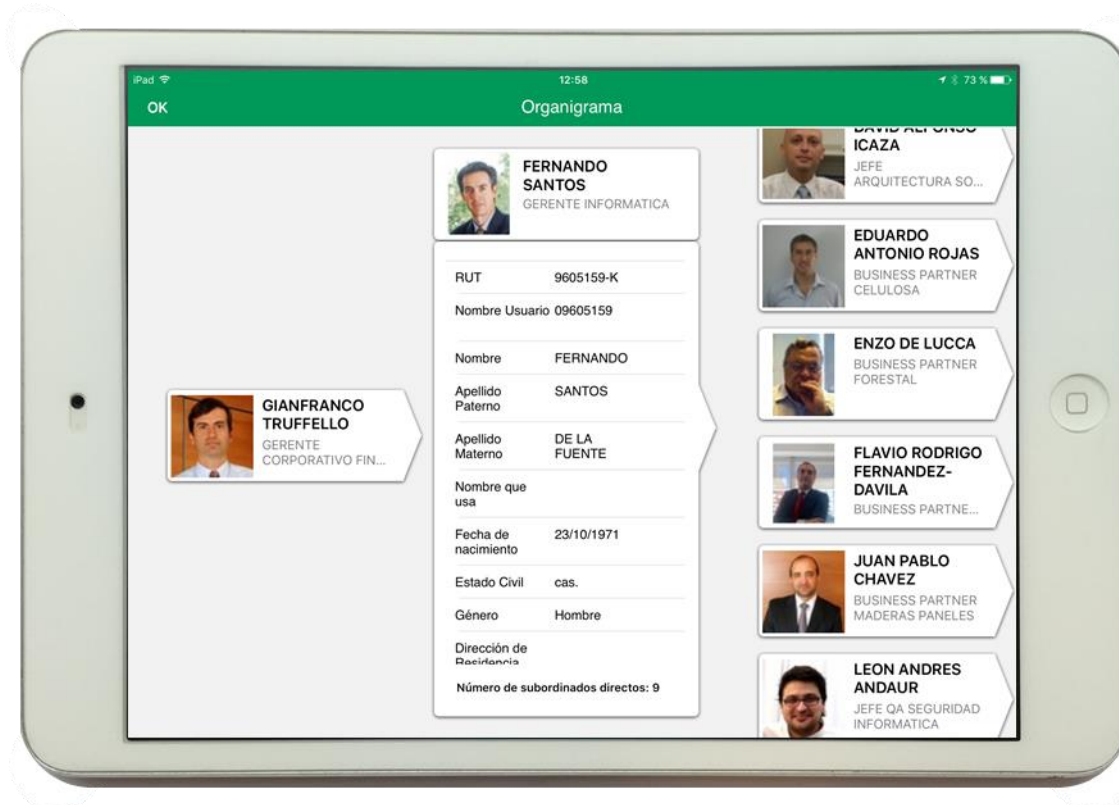
					
Administration	SAP-PA	SAP-PA	POPULIS	External	External
Goals & Performance	OpenAgora	OpenAgora *	Manual	OpenAgora	OpenAgora
Learning	In-house	External	In-house	Manual	Manual
Recruiting	External	External	Manual	Manual	External
Payroll	External	External	External	Manual	External

Subsidiaries and Business
Line with different
platforms, external
services or manual work

The chosen solution

CHILE

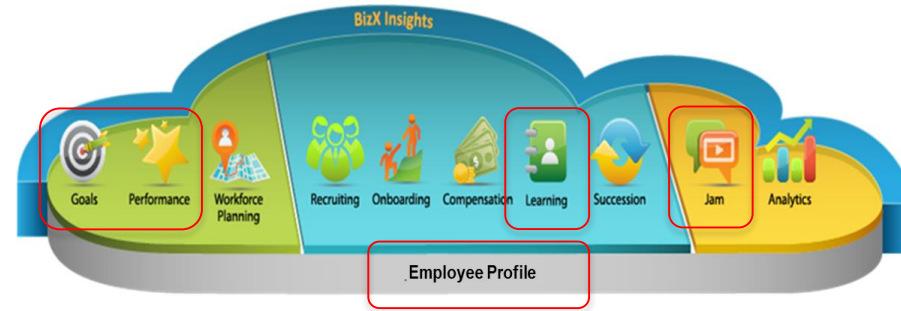
- Employee Profile (8.500 users)
- Learning in PULP (1,500 users)
- Pilot of Jam
- Working in Performance
- **ORGANIZATION CHART**



Next steps

CHILE

- Learning implementation for all Business Lines PULP, PANELS, FOREST (8,500 users)
- Performance & Goals Implementation



USA

- Evaluating Employee Central, Recruiting, Onboarding, Succession and Compensation

ARGENTINA

- Evaluating Learning for all Business Line

Sales & Operations Planning

Project: Panels & Sawn Timber business at Chile

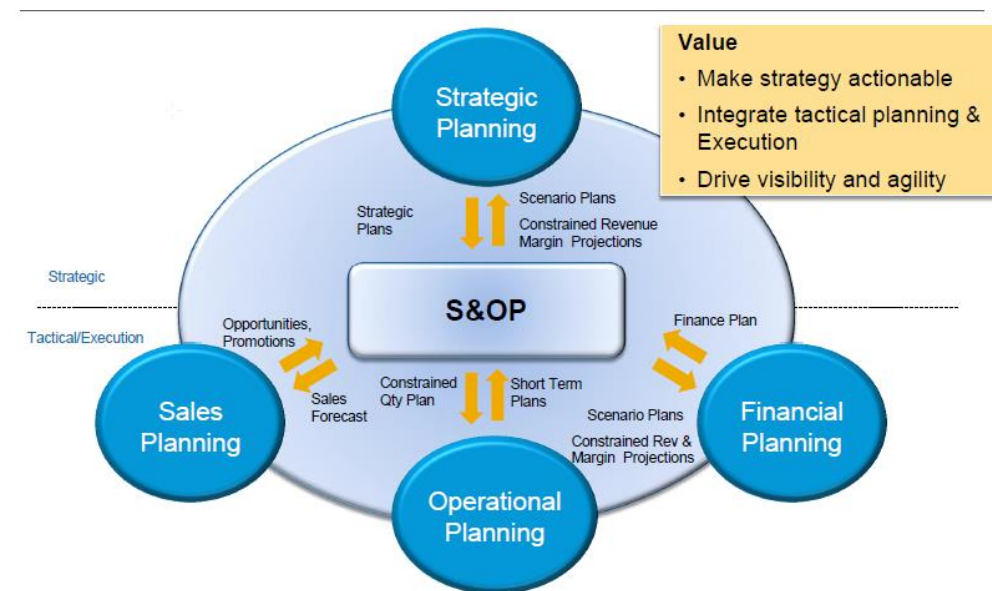


Powered by

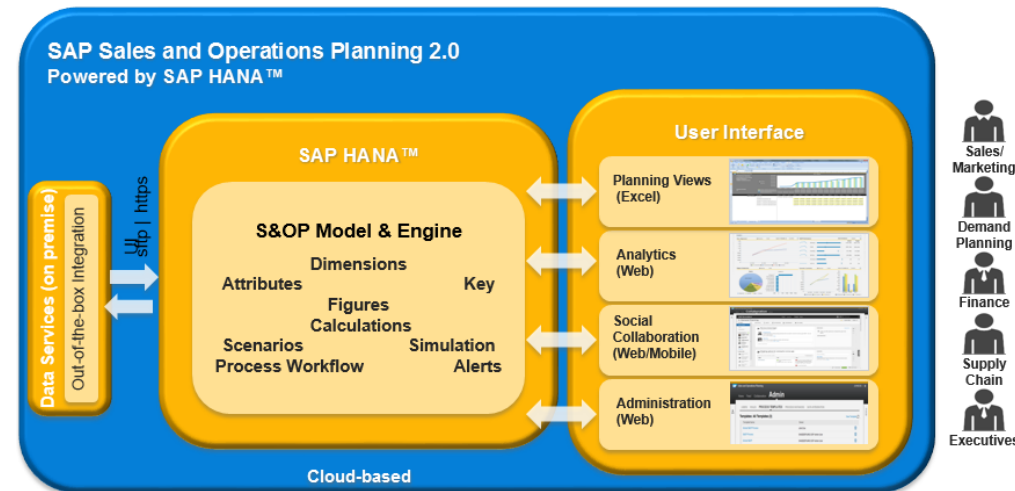
SAP HANA

Our motivation to do something

- *Low security with critical information files.*
- *Demand Planner data input: Manual process, high dependency in MS excel. Takes 2 days.*
- *KAM's spend almost a day to complete the sales forecast. Little time to review the numbers.*
- *It's very hard to identify errors in the process.*
- *The Sales plans are not stored in a formal system. (MS Excel spreadsheets)*



The chosen solution



• First implementation in Latin-America

- ✓ Collaborative and demand management tool.
- ✓ Integration with other information sources.
- ✓ Simulation capacity of planning scenarios with sales information, margins and costs.
- ✓ Native integration with Microsoft Office.

The chosen solution

Actually the solution provides:

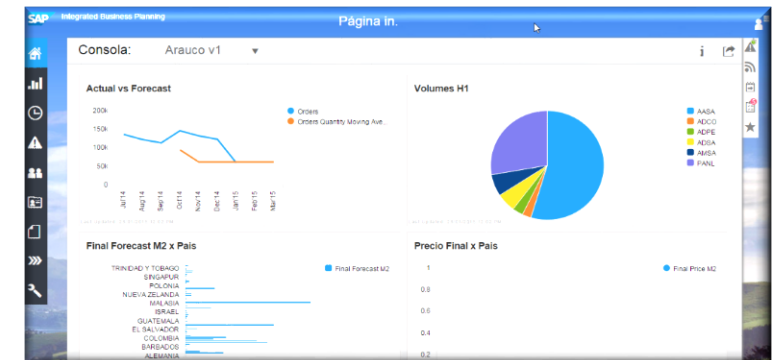
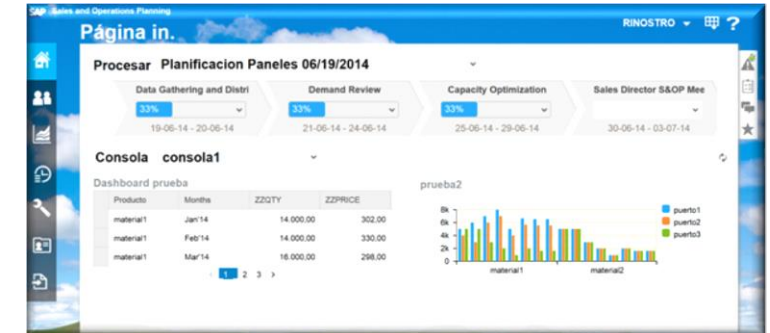
- ✓ Automatic process that consumes virtually no time.
- ✓ You can only enter data validated by the demand planner, avoiding inconsistencies.
- ✓ KAM's productivity improved 50%.
- ✓ No data handling errors.
- ✓ Sales plans are stored in the system.

Benefits:

- ✓ Improved sales margins: USD \$ 324.000/year.
- ✓ Great improvement in sales team productivity

Next steps

- Expand the tool to other countries.
- Integration with BW to improve reporting
- Evaluation of Integrated Business Planning to connect planning with production process



Arauco E-Procurement Progress



Our motivation to do something

4.190_{MMUSD}
Payments for goods and services 2014

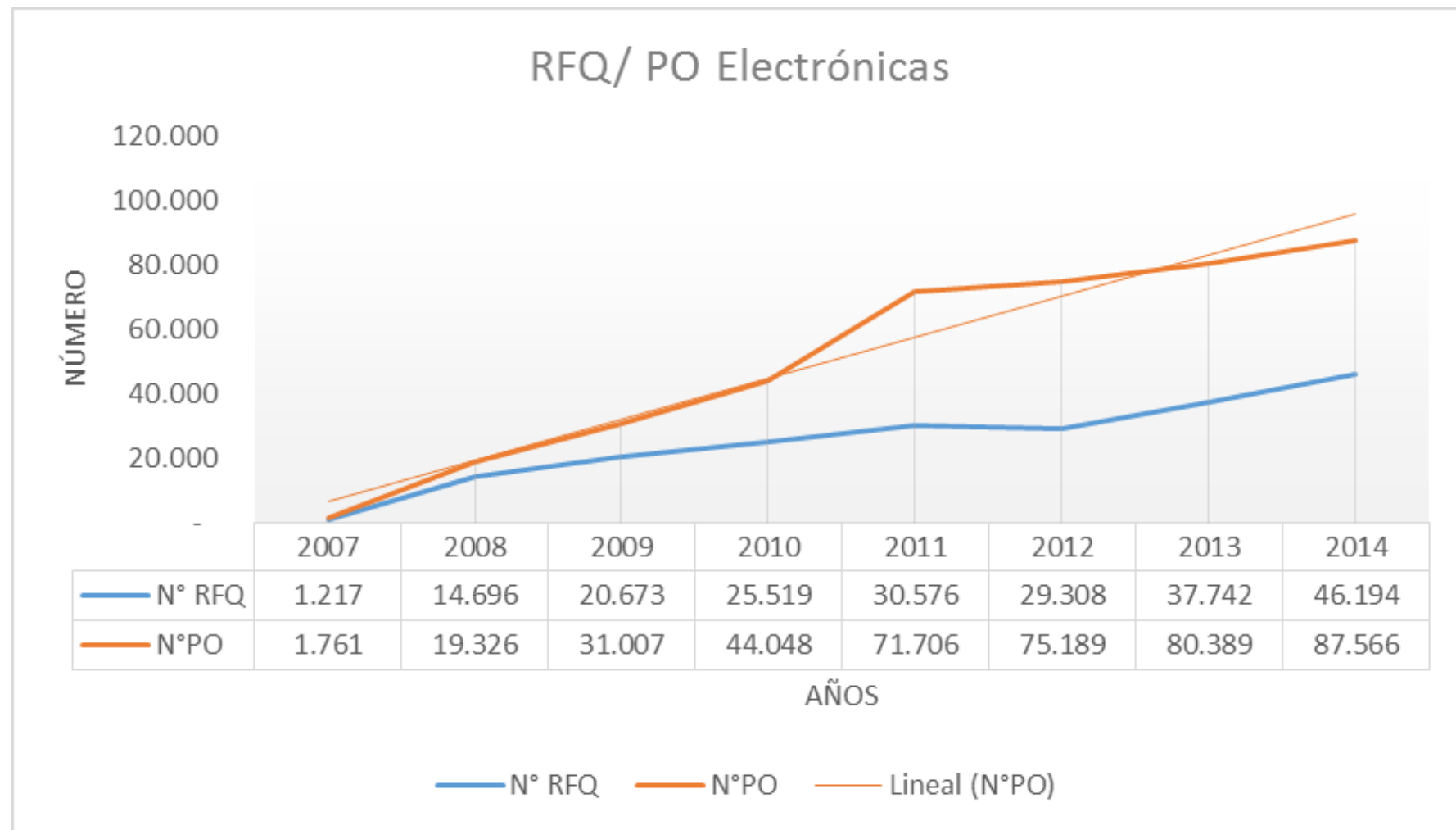
5.940
Suppliers in 2014

152.1_{MMUSD}
Spare parts inventory in 2014

The chosen solution

YEAR **2007**

QMarket y Supply Centre



The chosen solution

YEAR 2013
ARIBA Sourcing for **Services**



RFP EVENTS					E AUCTION EVENTS			
Year	Events	Invited suppliers	Participating suppliers	Spend USD	Events	Invited suppliers	Participating suppliers	Spend USD
2014	2.100	9.369	5.445	509.116.734	-	-	-	-
2015 *	2.082	8.250	6.048	287.203.209	3	15	3	5.770.158
TOTAL	4.182	17.619	11.493	796.319.943	3	15	3	5.770.158


* January – September 2015

The chosen solution



We use solutions
to **Operational
Sourcing** and
**Operational
Procurement**.




 Process in use with Ariba/Quadrem

Next steps

1. Migration from QMarket to **Ariba Spot Quote**
2. Growing in sourcing
3. APC Implementation (Catalog)
4. Invoicing



 New Process to implement in 2016

Over **1500 Mobile devices**

Smartphones and machine-to-machine devices

Growing number of **BYOD** devices

Growing number of **mobile Apps**

- SAP Fiori already deployed
- Success factors mobile Apps already being used
- Starting several SAP SMP Developments

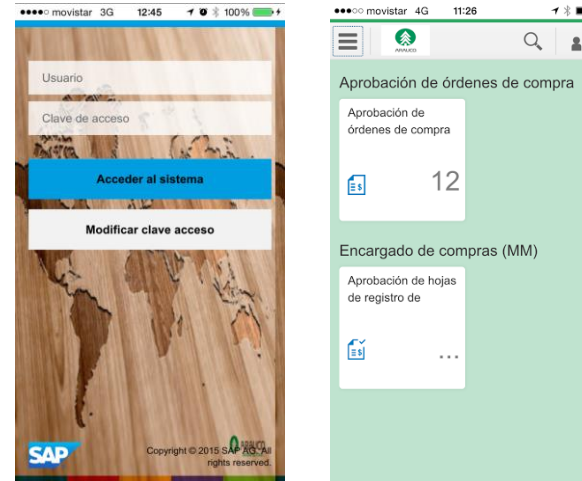
SAP Fiori Implementation

- **Actually implemented**

- ✓ Approve purchase orders
- ✓ Approve service entries

- **Next Steps:**

- Tracking of Purchase Order
- Tracking of Sales Orders
- Load Measurement Point Maintenance
- Creating maintenance notice / approval of maintenance notifications
- Close Maintenance Orders



750 users

3 Countries

Spanish, English and Portuguese

Developing Mobility with SAP: MDM and SMP

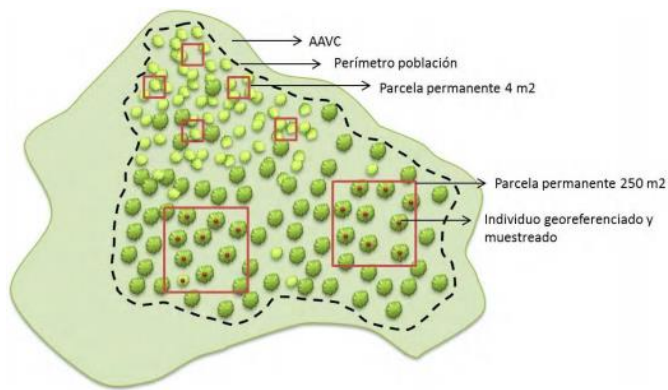
- **MDM: Mobile Device Management (Afaria Cloud)**
 - ✓ **Implemented for 600 Devices at Chile**
 - Protecting user data in case of theft or loss.
 - Administration of Mobile Apps: Deployment, updates, etc.
- **SAP SMP Implementation (SAP HCP – HANA Cloud Platform)**
 - New Corporate platform to develop mobile Apps
 - Mobile Services give us the opportunity to build business applications where if the connectivity is an issue, the “offline” option is available
 - SAP HCP Services: Quickly connect business apps




Developing Mobility with SAP: MDM and SMP

- Opportunity: Mobile App to manage forest operation information**

- Administrate information with geo-referencing info. : Operational Issues, animal sightseeing info., local communities info, etc.
- Improve information management to ensure compliance (FSC Certification)
- Digital forms to reduce paperwork and improve productivity




LISTA DE CHEQUEO / PROGRAMA DE MONITOREO AAVC
UNIDAD AGUA Y BIODIVERSIDAD

Nombre AAVC:				Fecha:				Hora:			
Sector / UTM:				Evaluador:				Empresa:			
Predio:											
Área de Patrimonio:											

N°	APLICABLE A TODOS LOS AAVC	SI	NO	NA	N°	FAUNA PRIORITARIA	SI	NO	NA
1	Vías de acceso para llegar al AAVC se encuentran en buenas condiciones.				18	Se observa huellas, fecas de especies de fauna prioritaria (utilizar guía de huellas).			
2	Hay evidencia de presencia de terceros en el AAVC.				19	Se observa presencia de perros o animales domésticos en el AAVC.			
3	Hay evidencia de daño actual por efecto de corta ilegal de especies nativas.				20	Se observa evidencia de ganado en el AAVC, y/o especies invasoras como jabalí, visón, castor.			



Lessons Learned

- Management of cloud solutions: Upgrades can be painful without governance
- Single Sign on: Start early
- Budgeting / Expenses considerations
 - Capex vs Opex: Be careful with low investment and new Opex
 - Who pays the bill? IT or the internal customer?
- SAP Go-To-Market strategy for Cloud Solutions: Sell “in advance” vs Free-Try and Pay-Per-Use as you grow
- Flexibility: You should be able to grow and reduce number of users/licences
- For Innovation and Complex scenarios, SAP Premium Support is recommended

Questions



Leveraging The Cloud opportunities with SAP



Visit www.arauco.cl for more information

Fernando Santos

Corporate CIO – Chief Information Officer

Fernando.santos@Arauco.cl