

Our Vision

To be a global leader in the development of sustainable forest products.

Our Business

To maximize the value of our forests, integrating excellence in responsible forestry with efficient industrial transformation to produce value-added products that meet or exceed the expectations of our global customers.

Our Values

• Safety

Safety Always Comes First: People's safety is a priority in all our decisions. Only in this way is a job well done. Our goal is zero accidents.

• Commitment

We Work with Passion: We embrace challenges, and work energetically to meet them. ARAUCO's people are hard-working and honest – our word is our bond.

• Excellence and Innovation

We Want to Be the Best: We are leaders in what we do because we challenge our own capabilities. We are demanding when setting our goals, and efficient and innovative in achieving them.

• Teamwork

Together We Are More: We respect our people, value the contribution that each makes, and know that by working as a team, we can advance more quickly and go further. We recognize our limitations and ask for help.

• Good Citizenship

We Respect our Surroundings and We Create Value: We act with a long-term perspective. Through our work,

we contribute to social well-being, and show respect for our neighbors and the environment.

Our Commitments

- To maximize returns to our shareholders through the efficient, responsible and effective management of all our processes, employing systems and procedures that maximize value.
- To promote the sustainable use of all natural resources, investing in research, technological innovation and training to continuously and systematically reduce the environmental impacts of our activities, products and services.
- To provide all of our customers with a sustainable supply of high-quality products and services and encourage all of our suppliers to embrace ARAUCO's values and commitment to quality.
- To protect the safety and occupational health of our employees and our contractors' workers by continuously seeking to reduce safety risks in our operations and services.
- To create conditions that foster the career development of all members of our company, promoting a work environment based on respect, honesty, professionalism, training and teamwork.
- To build permanent, collaborative relationships with communities in which we have operations, taking into account their concerns and needs in our decisions and in supporting their development.
- To maintain transparent and honest communication with all our stakeholders.

- To comply with all laws and other commitments that regulate our business and, where possible, to surpass established standards.
- To develop and implement systems and procedures to manage the risks of our business, to regularly evaluate our performance in all our processes, to take necessary corrective measures, and to provide transparent and timely information about our progress to relevant stakeholders.
- To inform our workers, contractors and suppliers about these commitments, and to foster understanding of these commitments through training and engagement, thereby ensuring that this policy is implemented collaboratively and collectively.

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We invite you to visit the following
ARAUCO websites:

www.arauco.cl
www.araucosoluciones.cl
www.fundacionarauco.cl
www.foroabierto.cl

You can also follow us on Twitter:

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[@Arauco_cl](https://twitter.com/Arauco_cl) (or www.twitter.com/Arauco_cl) or "like" us on Facebook
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2011 Sustainability Report



material NOBLE

EFICIENTE en la construcción

LA MADERA

ARBOLES

Construir en madera tiene un impacto positivo en el ahorro de energía y ayuda a la reducción del calentamiento global



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We are particularly proud of steps taken during 2011 to build trust and strengthen our long-term relationships with the communities near our operations. We also have consolidated all of our social programs under a new umbrella, the Integrated Sustainable Development Model (MIDES), enabling us to better manage and measure the effectiveness of these programs.



Message from the **Chairman of the Board**

GRI 1.1

The rapid growth of the forest industry in recent years has redefined the role its leaders will play in the years to come.

ARAUCO's vision of being a global leader in the development of sustainable forest products requires that we weave responsible forest management and optimal resource utilization into the fabric of our company DNA and into all levels of our operations, from plantations through the manufacture and delivery of value-added products to meet our customers' needs.

Sustainability is the central pillar of our business strategy, and is the foundation upon which we are building our leadership position in three areas: globalization and growth; the empowerment of people; and environmental stewardship.

In each of these areas, we have incorporated innovation, high standards, open engagement and transparency with the community, and collaboration with our stakeholders to put people at the heart of our efforts – starting with our own workers and their families while keeping in mind the needs of future generations.

During 2011, we strengthened our global position with investments in world-class facilities that will perform to the most



demanding of technical and environmental standards. In Chile, we expanded our Nueva Aldea pulp mill, and built the Teno panel mill and the Viñales bioenergy plant. In Uruguay, ARAUCO and our partner, Stora Enso, began construction of the Montes del Plata pulp mill. In Brazil, we continued building Line II at the Jaguariáiva MDF plant. Lastly, through the acquisition of assets, were able to strengthen our presence in the United States and Brazil, two very competitive markets.

These investments were linked by a common goal: the creation of value for the company. Experience has taught us that this goal is consistent with our business vision, and is central to our continued growth as a global leader in the development of sustainable forest products.

As part of our industry leadership, we have fostered the development of joint initiatives that involve various civil-society actors in decision-making, and make the participation of communities a core value. We helped develop and implement the Sustainable Reconstruction Plan (PRES) in Constitución, employed a facilitated consultation process (Hybrid Forums) as part of our efforts toward obtaining FSC forest management certification, and held multiple "Open Houses" to provide an opportunity for dialogue with people in local communities about our business practices and projects. During 2011, more than 12,900 people participated in consultation processes initiated by ARAUCO, a milestone without precedent in the forestry industry and, perhaps, in Chile.

Our workers and their families are our priority, and were the starting point for the consultation processes we have implemented. During 2011, our efforts were focused on facilitating the professional development of our people and nurturing their



talents to help us meet the challenges we face as a growing company.

We are particularly proud of steps taken during 2011 to build trust and strengthen our long-term relationships with the communities near our operations. We also have consolidated all of our social programs under a new umbrella, the Integrated Sustainable Development Model (MIDES), enabling us to better manage and measure the effectiveness of these programs.

During 2011, we continued our long-standing support for the ARAUCO Educational Foundation. Since 1989, the foundation has worked continuously to foster improvement in the quality of education and support cultural programs in the Maule, Bío-Bío and Los Ríos Regions. These programs provide support for municipal education, which translates into greater opportunities for children and young adults. Since its creation, the Foundation has developed programs in 33 municipal districts, benefitting 557 schools, 4,750 teachers and other education professionals, and, through them, more than 85,740 children they teach each year.

The environment is one of the most sensitive aspects of sustainability, and an area of growing social awareness. During 2011, we took the very important step of involving people from a wide range of interest areas – NGOs, environmental experts, university professors, scientists, and interested citizens – in monitoring the impacts of our operations. In addition, we reduced our consumption of production inputs, lessened the environmental impact of all our businesses, and increased the number of Conservation and Protected Areas and Zones that exist both within and outside our forest properties.

We recognize that our primary responsibilities as an industry leader are to apply the precepts of sustainable forest management to the use of our resources, to maintain an unfailing commitment to protect native forest, and to make wise and efficiently use of all of the fiber we harvest from our plantations. This vision is reflected in our practices and business decisions. During 2011, we invested in world-class assets that incorporate latest-generation technology, including electricity co-generation plants that use forest residual biomass as fuel. Through our Bioforest unit, we carried out a range of environmental research programs, and, by expanding our capacity to produce clean energy, we hope to continue participating in the carbon credit market in which we have placed 1,070,788 Emissions Reduction Certificates to date. These initiatives demonstrate, in part, the adoption of more-demanding environmental policies and certifications in all of our operations, including Clean Production, Chain of Custody, Waste Management, ISO 9000 and ISO 14000 protocols.

Today, more than ever, we face global challenges that require the engagement of multiple actors in open dialogue to generate ideas that provide innovative, collaborative and effective solutions.

Our vision of engagement and collaboration provides the road map that guides us in maximizing the value of our forests, being efficient in their transformation into value-added products, making investments that contribute toward our sustainable long-term growth and empowering us to respect the needs of our environment.

May God continue to accompany us and guide us in our achievements and projects.

José Tomás Guzmán Dumas
Chairman of the Board
of Directors ARAUCO

ARAUCO currently operates in five countries, has commercial offices in 11 markets, sells its products in more than 70 countries, and enjoys a position of international leadership as a supplier of wood pulp and panels.



Matias Domeyko
Chief Executive Officer
ARAUCO

During 2011, our challenge was to grow and strengthen our position globally. Remaining true to the business vision we have maintained for more than 40 years, we continued on our path of sustainable growth through efficiency, innovation, and best practices, supported by a dialogue with our workers, the people of local communities, and interested stakeholders.

Two important milestones were achieved during 2011 that strengthened ARAUCO's position as global leader: construction was started on the Montes del Plata industrial complex in Uruguay; and a panel mill was acquired in Moncure, North Carolina, in the United States.

Work on Montes del Plata - a joint venture with Stora Enso - is progressing. This represents the largest foreign investment to date in Uruguay, and the principal investment in its forestry industry. The new industrial complex will include a pulp mill (1.3 million metric tons/year), a port facility, and a power boiler, representing an investment of more than \$ 1,900 million.



Brazil also is a critical market in our globalization strategy. During 2011, we continued to invest in our operations in Brazil, which provide the company with a fast-growing plantation forest resource.

In December 2011, we announced the acquisition of a panel mill in Moncure, North Carolina, in the United States. This acquisition strengthens our presence in the U.S., one of the forest product industry's most competitive markets, and expands our productive assets beyond Latin America. This plant will provide our company with MDF, particleboard, and melamine-laminated panel products.

Simultaneously, ARAUCO placed a ten-year bond in the United States, raising US\$ 500 million at the lowest interest rate in company history. This was an important vote of confidence for ARAUCO in one of the world's principal financial markets.

In addition to building our presence internationally, we also invested in our operations in Chile through the upgrading of existing assets, in new assets to support our leadership position, and in expansion into new market segments.

We invested US\$ 150 million to increase capacity of the Nueva Aldea pulp mill to an annual output of more than one million metric tons. In addition, construction is underway on our Teno Panel Mill, which will have an annual output of 300,000 cubic meters. This new facility will create 350 jobs. The Teno Technical Training School has enrolled local young people, principally from the Maule Region, to receive training prior to the plant's start-up.

Our energy business, Arauco Bioenergía, embodies a strategic decision, adopted



more than 20 years ago, to use renewable energy sources, particularly biomass, as a means of attaining energy independence. In addition to supplying power to meet the company's own needs, this decision has helped Chile by providing power to meet the country's energy needs.

In early 2012, we will start operating the new Viñales bioenergy plant. Equipped with the most modern technology, it will have very low atmospheric emissions. The plant will have the capacity to generate 41 MW of electricity, of which up to 31 MW will be delivered to Chile's Central Inter-connected Grid (SIC).

Viñales is the latest addition to ARAUCO's 11 electricity-generation plants, nine of which use biomass as fuel. Together, the Bioenergía plants have a total installed capacity of 643 MW and can deliver 204 MW to the Chilean grid. This is the equivalent to the annual energy consumption of a city of more than 300,000 homes.

Our growth model requires us to strive to establish long-term relationships of trust with interested stakeholders in each of the markets in which we have facilities. ARAUCO currently operates in five countries, has commercial offices in 11 markets, sells its products in more than 70 countries, and enjoys a position of international leadership as a supplier of wood pulp and panels.

We are a global company that makes a priority of people, including our workers and the people in the communities near our operations. An example of our 2011 efforts to engage stakeholders is the consultation process undertaken as part of our pursuit of FSC Forest Management certification for all our forestry opera-



Cristián Infante
President & Chief
Operating Officer
ARAUCO

tions. During 2011, we mounted several initiatives in Chile for formal and informal dialogue. These included an extensive series of Open Houses, housing forums, facilitated stakeholder consultations (Hybrid Forums), and forestry management plan consultations. During the year, more than 12,900 people participated in these different sessions.

As an example, the consultative group participating in our hybrid forum on Forests of High Conservation Value decided that social, cultural and environmental variables alike should be considered when identifying conservation areas. The company responded by increasing its designated conservation areas in Chile from 3,000 to 62,000 hectares (from 7,400 to 153,200 acres), including areas with sites of cultural and religious importance to the Mapuche community.

As part of our focus on worker relations during 2011, we carried out our second Work Climate Survey in Chile, and implemented our first such surveys in Argentina

and Brazil. Based on the feedback received, we developed action plans at the corporate level and for each of our regional work teams. We also evaluated our workers' performance, and put particular emphasis on our Talent Formation, Training and the Operational Excellence Programs.

During 2011, we expanded our Integrated Sustainable Development Model (MIDES) company-wide, including to operations in Brazil and Argentina. This required analyzing each of the social programs in place and establishing a new methodology for measuring their impacts.

One of initiatives of which we are particularly proud is the Sustainable Reconstruction Plan (PRES) in Constitución. In 2011, ARAUCO received the Good Corporate Citizen Prize from the American Chamber of Commerce (AmCham) for its role in the success of this public-private initiative to create a framework for the sustainable reconstruction the city of Constitución following the earthquake and tsunami of February 27, 2010.

We increased our focus on innovation during 2011 through the establishment of the ARAUCO Innovation Model. This initiative fosters the systemic generation of projects that add value to the company, through products, management programs, or projects that deliver benefits to communities. During the year, ARAUCO's Innovation initiative sponsored meetings that brought together more than 150 managers and executives from different areas and work teams. In less than one year, program participants generated 936 potential innovation projects of which 121 were classified as having a high potential impact. Nineteen of these were selected for implementation during 2012.

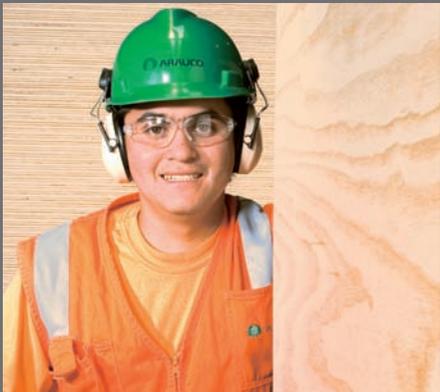
Bioforest, our technological research center, invested US\$ 7 million during 2011 to investigate new methods for increasing the quality, productivity and yields of our forests, to protect biodiversity, and to improve the process of making wood pulp.

High-efficiency process improvements made during 2011 resulted in progress toward meeting critical environmental challenges. Of particular importance was our progress in reducing water consumption. Through the increased use of recycled water at our pulp mills, and reduced consumption of this resource in our panel factories, significant savings were realized as high as 21%, in the case of the Nueva Aldea panel plant.

During 2011, we measured our carbon footprint for the second time, in this case for the calendar year 2009. We then calculated the greenhouse gas (GHG) emissions per unit of output for each of the company businesses.

Working from a stable foundation of globalization and growth, human development, and environmental responsibility, we were able in 2011 to deepen our international presence without losing sight of our vision for the forest industry, which is anchored in sustainable forest management. Our openness to dialogue and our willingness to learn and adapt will pave the way for new, innovative, joint initiatives that will better equip us to face the immediate and long-term challenges of our industry. Consistent with our values and our industry leadership, ARAUCO signed-on to the UN Global Compact during 2011, publicly confirming our commitment to anti-corruption practices, the environment, labor relations and human rights.

In closing, we would like to express our sincere thanks to each and every one of our workers and collaborators for their unflagging efforts and support throughout the year. Their work has been fundamental in the results we have achieved, and is at the core of ARAUCO's continued global leadership in the development of sustainable forest products.



Scope

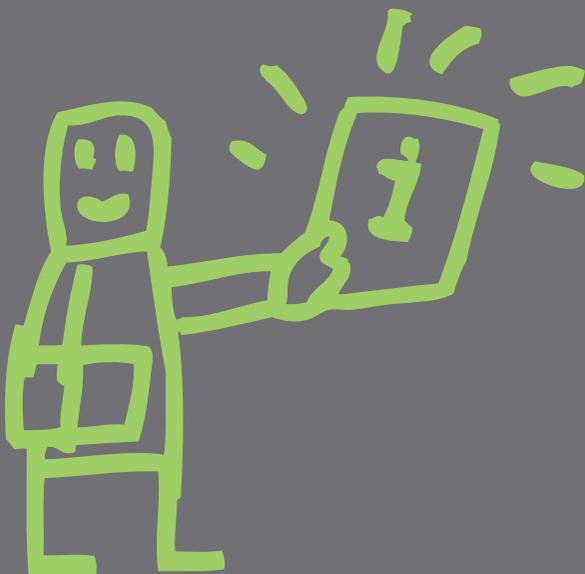
GRI
3.1-3.11

This is the sixth annual Sustainability Report published by Celulosa Arauco y Constitución S.A. (ARAUCO). This Report was prepared in accordance with the G3.1. Guidelines of the Global Reporting Initiative (GRI)¹. It contains information about the economic, social and environmental performance of ARAUCO's operations in Chile, Argentina and Brazil. Although the Report covers the time period between January 1st and December 31 2011, information about forest fires in Chile at the beginning of 2012 has been included due to their impact on operations, the company, its people, and the environment. These forest fires affected forest plantations and ARAUCO's Nueva Aldea panel mill.

GRI
4.17

Material Issues (In Order of Priority)

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| 94 | Indirect Economic Impacts |
| 106 | Biodiversity |
| 109 and 113 | Water |
| 87 | Community |
| 105 | Raw Materials - Value Chain |
| 72 | Labor Relations |
| 98 | Indigenous Rights |
| 94 | Investment and Procurement Practices |
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| 115 | Emissions |
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(1) www.globalreporting.org

Defining Report Content



Relevant content for the ARAUCO 2011 report was defined using a new process with four components. For the first time, the company held two workshops for managers from its various businesses in Chile and Brazil to identify key issues facing the company. To gauge public opinion, 1,824 press articles relating to the company and the forestry industry were reviewed as well as 446 comments made by stakeholders as part of the consultation process for obtaining FSC Forest Management certification. In addition, 100 stakeholders participated in a consultation specifically about the company's 2010 Sustainability Report.

During this process, 12 issues were mentioned most frequently and were used to define the relevant topics for this Report.

The scope of the Report was reviewed in accordance with the GRI methodology to identify which companies should be included. As a result of this review, the Report includes companies in which ARAUCO holds more than a 50% ownership stake.

Data measurement and calculations for environmental and social indicators followed GRI guidelines. Economic indicators were reported using internationally accepted accounting standards, such as Form 20-F and the International Financial Reporting Standards (IFRS)².

ARAUCO's Sustainability Report covers operations in three countries, and financial information is presented in U.S. dollars.

In order to ensure the transparency and traceability of the information reported, the company retained the services of a consultant specializing in GRI guidelines and protocol. A list of the written sources consulted and the names and credentials of the people who participated in providing the indicators can be found in the appendix to this Report.

Application Level

The Report has been self-evaluated as compliant with GRI Application Level B.

Report Distribution

This year, 3,000 copies of the Report were printed in Spanish and 700 in English, using FSC-certified paper. Information that already has been published in other reports or is available on the company's website is duly indicated.

(2) The economic information is available on the company's website.



GOOD DESIGN

arquitectura responsable
únicamente de
plantaciones forestales
manejadas de forma
sostenible
biomasa Forestal
Innovación sostenible = diseño de vanguardia
Tecnologías amigas del medioambiente
Innovación sostenible
AHORRO energía
DISEÑO EMOCIONAL
ARAUCO ♥ FUTURO

arquitectura DEMOCRÁTICA
DISEÑOS AMABLES
arquitectura tecnológicamente
avanzada respetuosa con el entorno
Y con el medioambiente
Belleza
CO2
PENSADORES
INNOVADORES

LOS MUEBLES
DE MADERA
AYUDAN A REDUCIR
EL CAMBIO CLIMÁTICO
PLANTACIONES
FORESTALES
SOSTENIBLES

FUTURO CONTEMPORARY DESIGN
RESPONSABLE
CALIDAD DE VIDA
TECNOLOGÍA PUNTA
RESPECTO POR EL MEDIO AMBIENTE
INNOVACIÓN SOSTENIBLE

Procedimientos de vanguardia en biotecnología
herramientas para el cuidado de la biodiversidad
CALIDAD PRODUCTIVIDAD RENDIMIENTO
BIOFOREST
CENTRO CIENTÍFICO TECNOLÓGICO DE
EXCELENCIA MUNDIAL
RESPONSABILIDAD
SOSTENIBLE

INVESTIGAR Laboratorio
Observar Medir Comparar Examinar Probar Analizar Repensar Investigar Resultados
INNOVACIÓN SOSTENIBLE
PRECIO-CALIDAD COMPETITIVA EN EL MERCADO



Respetamos el Planeta
ZONAS
que destacan por su
BIODIVERSIDAD
374.000 hectáreas de BOSQUES NATIVOS
Protegido
conservado
Parque
a la Co

MEJOR CALIDAD DE VIDA PARA LAS PERSONAS
CENTRAL DE COGENERACIÓN
MEDIANTE BIOMASA



PLANTAS DE COGENERACIÓN
ELÉCTRICA MEDIANTE BIOMASA
Registradas bajo el Mecanismo de
Desarrollo Limpio del
Protocolo de Kyoto

nuestras Soluciones SOSTENIBLES son la
nueva forma de enfrentar las necesidades
actuales. RESPONDIENDO EL PLANETA
VALOR AMBIENTAL

AREAS DE ALTO
VALOR AMBIENTAL
BIODIVERSIDAD
seguridad
SOLUCIONES
SOSTENIBLES
Respetamos
a las com
vece

RESPONSABILIDAD
AMBIENTAL
Respetamos a las generaciones futuras
herramientas
comunes
CASAS fácilmente
Ampliables
CASAS CONFORTABLES



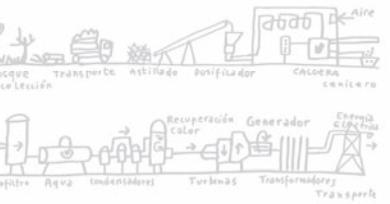
CO2
Belleza
Respetamos
el Planeta

EDUCACIÓN
Y acceso a la CULTURA
de nuestras comunidades
vecinas

SOLUCIONES SOSTENIBLES

Belleza

MÁS construcción en MADERA + MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO - MENOS CO2 EN LA ATMÓSFERA - REDUCCIÓN DEL CAMBIO CLIMÁTICO



ARAUCO ♥ LIFE
CELULOSA RESPONSABLE
CELULOSA SOSTENIBLE
PRINCIPAL PRODUCTOR DE CHILE Y UNO DE
LOS MÁS IMPORTANTES DEL MUNDO.

Respetamos a las generaciones futuras
AHORRO DE ENERGÍA
EN ADQUISICIÓN Y TERMINO
NUESTROS MATERIALES
NUESTRAS MADERAS
Y PANELES
eficiente para
INDUSTRIALIZAR
nuestras MADERAS
y paneles
eficientes para
industrializar!



ALTO VALOR AMBIENTAL
DURABILIDAD
COGENERACIÓN CON BIOMASA
Innovación sostenible GARANTIZADA CON CERTIFICACIONES Y ESTÁNDARES INTERNACIONALES
ARAUCO ♥ PLANET

LA MADERERA



soluciones eficientes
material NOBLE
LA MADERA

Bosque nativo PROTEGIDO CONSERVADO AUTOABASTECIDO
EFICIENTE en la construcción
construir en madera
Desarrollados para lograr una mayor RAPIDEZ de construcción

ARBOLES MADERA
NUESTRAS MADERAS
Fáciles de trabajar
herramientas comunes
CASAS fácilmente Ampliables
CASAS CONFORTABLES

INVESTIGAR Laboratorio
Construir en madera tiene un impacto positivo en el ahorro de energía y ayuda a la reducción del calentamiento global

Sustainability Strategy

Sustainability Strategy
Challenges: 2011

2011 Objectives and 2012
Commitments



Since 1996, the company has grown its business globally and adopted international sustainability standards for its different business areas and markets. In addition, it has taken stakeholder opinions into account in its decision-making process.

Sustainability Strategy

ARAUCO's sustainability strategy is anchored in the belief that a responsible company must maximize value for its shareholders and for people, communities and the environment as well.

For more than 40 years, ARAUCO has pursued its vision of becoming a global leader in the development of sustainable forest products. During this time, ARAUCO has evolved into one of the forest industry's premier companies in terms of forest area, production efficiency, and product quality.

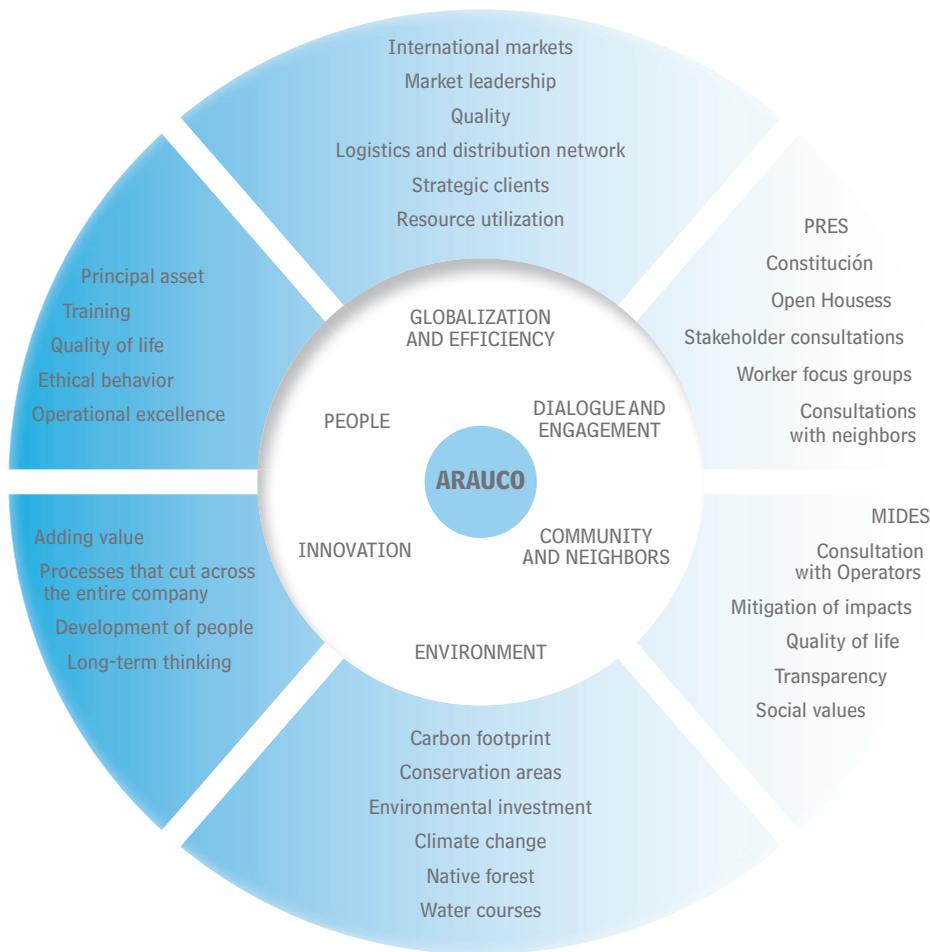
By integrating excellence in responsible forest management with efficient production to deliver value-added products that meet its global customer's needs, ARAUCO maximizes the value of its forests and maintains its leadership position in sustainability. Continued leadership presents companies with a stream of new challenges to increase efficiency and productivity and to respond to new demands placed on them by society and the context in which they operate. These challenges include transparency, the inclusion of stakeholders, a commitment to protect and conserve the environment, maintaining good labor relations, the development of people, formal processes for dialogue with the community and compliance with new regulations and international standards.

ARAUCO is addressing these challenges with a conviction that an ongoing dialogue with stakeholders is a necessary condition for the success of its business.

The criteria that guide our leadership in sustainability are globalization, the ability to adapt to change, diversification of production, capacity for innovation, environmental stewardship, the development of knowledge, and transparency with local communities and stakeholder networks. It is precisely these criteria on which the company has focused in recent years.

Since 1996, the company has grown its business internationally, and has adopted stringent standards to help it compete sustainably in its various markets. In addition, it has taken stakeholder opinions into account in its decision-making process, notably in the private-public consultative initiative to develop a plan for the rebuilding of the city of Constitución (PRES), the facilitated consultation process (Hybrid Forums) used during ARAUCO's process of seeking FSC forest certification, and Open Houses and other initiatives through which ARAUCO engaged workers and members of neighboring communities in dialogue about its operations. In 2011 alone, more than 12,900 people participated in this dialogue and consultation process.

ARAUCO also instituted creative and innovative initiatives to encourage dialogue within the organization. Focus groups were held with workers following publication of the results of the Work Climate Survey. Hundreds of ideas also were proposed by employees and workers through the Operational Excellence Program. In addition, initiatives such as the Worker Housing Program were developed internally to enhance the quality of life of the company's workers (employees, contractor workers and their families). During 2011, the company placed particular emphasis on the development of human capital, one of its most important assets, through technical skills and human relations training programs.



For ARAUCO, increased emphasis on dialogue, transparency, and the development of human capital has resulted in a process of organizational learning that permeates the company, both in Chile and abroad. The company is engaged in a constant quest to understand how to improve the ways in which it conducts business. In ARAUCO's view, there is no contradiction between creating social and environmental value and creating business value. Indeed, it is necessary to implement business projects that balance different agendas and provide sustainable solutions that embrace the interests and vision of society.

Toward this end, the fundamental role of innovation has multiple permutations: innovation to increase efficiency; innovation to satisfy customers' needs; innovation to improve dialogue and consultation with stakeholders; innovation to solve the difficulties that arise in these processes; innovation in addressing the community's requirements and the company's social, economic and environmental impacts on its surroundings; and innovation to make the most of the relationship among all parties in order to establish processes that generate useful information.

Sustainability Strategy Challenges in 2011

- **Globalization and efficiency:** As a result of its growth, ARAUCO is now able to compete in an international market that demands greater quality, better services, competitive delivered costs and global marketing. Through the efficient, responsible and capable management of its processes, ARAUCO seeks to maximize the value of its businesses. During 2011, the company strengthened its global position through investments in new production plants, the acquisition of assets, and the start-up of new facilities.
- **Focus on people:** ARAUCO's people are one of its principal assets. Training and equipping personnel with the tools necessary to address new challenges has been one of the foundations of the company's work in recent years. During 2011, to better understand its workers' expectations, ARAUCO conducted Work Climate Surveys in Chile, Argentina and Brazil, implemented Talent Formation and Training programs, continued its Operational Excellence Program, and administered performance evaluations in order to incorporate improvements into each employees' performance objectives. The company also gave priority to dialogue and engagement with its workers and neighbors through the continued development of the Hybrid Forums as a tool for improving practices, by providing ongoing educational support for children and young people, and through its support for public-private partnerships that include PRES Constitución, programs for fishing and Mapuche communities, and the ARAUCO Cup (a sporting competition for which more than 3,000 people registered in 2011).
- **Environmental performance:** For ARAUCO, optimization of its sustainable forest resource is key driver that is present throughout all of its production cycles. The initiatives implemented to ensure the sustainability and optimal use of available resources resource often cut across all businesses areas, and seek to comply with the highest international standards. In 2011, the company made progress in involving multiple stakeholders in the monitoring of its operation's environmental impacts. ARAUCO's businesses made process and policy changes that resulted in a reduction in the consumption of production inputs, minimization of environmental impacts, and the expansion of conservation and protected areas. At the same time, the company continued to evaluate its operations against rigorous international management standards such as ISO, OHSAS and Chain of Custody.



ARAUCO seeks to maximize the value of its business through efficient management.



In 2011, the company strengthened its position in the global market with investments in new production plants, the acquisition of assets, and the start-up of new facilities.

ARAUCO adheres to robust international management standards, including:

- **ISO 14001.**
- **OHSAS 18001.**
- **ISO 9001.**
- **CERTFOR Sustainable Forest Management (Chile).**
- **Chain of Custody (PEFC, FSC).**
- **ISO 17025.**

2011 Objectives and 2012 Commitments

| Sustainability Aspect | 2011 Objective | 2011 Performance | Compliance | 2012 Commitments |
|------------------------------|---|---|------------|---|
| Globalization and Efficiency | Construction and operation of Viñales thermal co-generation plant, Chile. | Construction was completed and plant was started-up for the first time with oil. | ✓ | Energy generation will start operation around mid-March. |
| | Construction of particleboard plant in Teno, Chile. | Construction work proceeding on schedule. 80% of work completed. | ✓ | Inauguration expected in 2012. |
| | Construction of Montes del Plata pulp mill and associated installations, Uruguay. | Construction began as scheduled with workforce of 3,400. 25% of work completed as of December 2011. | ✓ | Visitors Center will start operations in first half of 2012. Camps and hostels will reach full occupancy in mid-2012, serving 7,000 workers. |
| | Construction of Line II at MDF plant in Jaguariáiva, Brazil. | Construction proceeding on schedule. | ✓ | Start-up in first half of 2012. |
| | Implementation of Arauco Sustainable Solutions website in Argentina and Brazil. | Implementation of Sustainable Solutions website completed in Argentina and Brazil. | ✓ | |
| | Construction of melamine line in MDF plant in Piray, Argentina. | Construction proceeding on schedule. | ✓ | Start-up in March 2012. |
| | Development of the Arauco Innovation Model through initiatives on new value propositions, operational efficiency, sustainability and social impact. | <p>Native forest: Generation of greater value in plantations and protected areas in all countries.</p> <p>Wood pulp: Support for development of world-class suppliers.</p> <p>Panels: Identification of market opportunities for value-added plywood.</p> <p>Sawmills: Implementation of Operational Excellence 2.0 Program.</p> <p>Social: Implementation of social projects that generate sustained value.</p> <p>Use of wood in construction: Promotion of development of secondary wood industry.</p> | ✓ | Evaluation of project prototypes. Funding of selected projects. |
| | | | | Start-up of Wood Pulp Laboratory in Chile. |
| People | Consolidation of Performance Management Program at all levels of the organization. | A 29% improvement over 2010. More than 1,300 professionals participated in the Performance Management Program. | X | Implementation of new Performance Management Program for all professionals. |
| | Implementation of Talent Program with people identified in 2010. | Program implemented through Diploma in Management for three modules: Company; English; and Technical Training. | ✓ | Completion of Diploma for three new Management Modules, two levels of English and the Technical Training Program taught by the plant. |
| | Implementation of modules of the first cycle of Leaders Training Program for 500 individuals from different areas of the company. | First cycle of programs implemented for development of leadership skills for 991 participants with 534 hours of training. | ✓ | Development of a Skills Training Program in which some 1,500 people from all business units will participate, receiving 36 hours of training with a focus on Performance Management, Communications, Feedback and Recognition. |
| | Incorporation of Argentina and Brazil into Operational Excellence Program and consolidation of programs developed in Chile. | Program was expanded to these countries and important results were achieved in Chile. | ✓ | Implementation of first Inter-Plant Operational Excellence competition in Panels business. Targets include involvement of 40% of workers in generation of ideas, Operational Excellence meetings and/or improvement projects. In the forestry area, targets include expansion of the system to property and supply units and ongoing implementation of operating system with at least 60% participation of workers and contractors. |
| | Addition of 45 new scholarships to Academic Excellence Scholarships Program. | Forty-five new scholarships were added for a total of 144 scholarships. | ✓ | Addition of 60 new scholarships for a total of 205. |

| Sustainability Aspect | 2011 Objective | 2011 Performance | Compliance | 2012 Commitments |
|--------------------------------|--|--|------------|--|
| People | | | | Ongoing communication of cross-business Action Plans and those specific to each business unit that were designed after the Work Climate Survey in Chile. |
| | | | | Implementation of Action Plans to improve gaps identified in the Work Climate Survey in Argentina. |
| | | | | Increase participation to 138 people in Argentina's Leaders Training Program. |
| | | | | Announce results of Work Climate Survey in Brazil and define Action Plans. |
| | | | | Implementation of induction processes for e-learning in Brazil. |
| | | | | Completion of human resource management model in Brazil within framework of DPB (Development, Performance and Benefits) concept, using Work Climate Survey and 360° Performance Evaluation as sources of data. |
| Safety and Occupational Health | Implementation and training in Corporate Operational Standards (EOC), established in 2010, Chile. | 491 people trained in 2011: a total of 7,856 man-hours of training. | ✓ | Ongoing training for workers in Corporate Operational Standards (EOC). |
| | | | | Conduct first meeting of ARAUCO's Joint Management-Worker Health and Safety Committees. |
| | | | | Develop a MASSO system (Environmental and Occupational Health and Safety Program) for logistics operations in Argentina. |
| | | | | Develop a technical standard for transport vehicles and fuel storage in forestry area in Argentina. |
| | | | | Develop a technical standard for contracting freight transport services in Argentina. |
| | | | | Incorporate Forest Management Delta Unit and contractors of Forest Management Unit into OHSAS 18001 system in Misiones, Argentina. |
| | | | | Ongoing application of global policy of giving priority to collaborators' health with focus on prevention and quality of life in Brazil. |
| | | | | Develop health and safety procedures that involve all levels of the organization in Brazil. |
| Neighbors and Community | Implementation of Integrated Sustainable Development Model (MIDES) and evaluation of contribution of programs to development of areas near company operations. | Identified all social programs and began evaluation of a methodology for measuring impacts in Chile. Began orientation process to the program in Argentina and Brazil. | ✓ | Evaluation of social initiatives in Chile. Submit a proposal for strengthening the company's territorial development through shared value in those areas where it is being implemented. |
| | Implementation of Worker Housing Program (PVT). | PVT launched with program's presentation in Maule, Bío-Bío y Los Ríos Regions. Identified company land suitable for construction and conducted topographic studies. 1,057 houses are being built in Constitución, Curanilahue and San José de la Mariquina out of total of 9,000 houses to be built between 2012 and 2016. | ✓ | Construction of an average of 2,250 houses annually beginning in 2012. |
| | | | | Publication and publicizing of Policy on Relations with Mapuche Communities in Chile. |
| | | | | Promotion of mapping of stakeholders in Chile. |

2011 Objectives and 2012 Commitments

| Sustainability Aspect | 2011 Objective | 2011 Performance | Compliance | 2012 Commitments |
|---------------------------|---|--|--|--|
| Neighbors and Community | | | | Standardize, measure impacts and frequency and improve communication tools to attain an equilibrium among economic, social and environmental development using GRI guidelines, ISO 2600 standards and FSC forest management principals in Argentina. |
| | | | | Ongoing implementation of Sembrar Program with emphasis on shared-value actions in Brazil. |
| | | | | Develop discussion tables to provide a framework for a Social Investment Program in Brazil. |
| | | | | Develop local suppliers and contractors in Brazil. Establish training programs for generating increased income for the community with participation of other companies and stakeholders. |
| | | | | Launch programs to improve productivity of suppliers in Brazil, fostering the generation of shared value for the company, local suppliers and the community. |
| | | | | Develop initiatives In Brazil such as promotion of volunteer programs, family agriculture projects and incentives for young people to remain in rural areas. |
| Environmental Performance | Complete work in coastal wetlands with the creation of a network with the academic community and NGOs in Chile. | Participated in developing Tubul-Raquí Wetland Conservation Program with Public-Private Working Group to evaluate saline conditions using sensors; organized Seminar on Coastal Wetlands in conjunction with Catholic University and the Ministry for the Environment; presented study on "Coastal wetland and its effect as a result of the earthquake" in the Region VIII Limnology Congress; will continue studies of Itata coastal wetland and ongoing implementation of programs in Mataquito, Iloca and Maule. | ✓ | Increase awareness of this work through publication of Book on Coastal Wetlands, bringing together a wide range of information about coastal area aquatic systems. Publish two scientific working papers in specialized journals and one general magazine - to be done by the company. Implement monitoring of minimum number of aspects to be evaluated in wetlands associated with the company's properties and/or in its area of influence. |
| | | | | Develop management and monitoring programs in five High Conservation Value Areas in Chile. |
| | Improvements in management of biodiversity in Arauco do Brazil plantations. | Strengthened the fauna and flora and hydrology monitoring network to evaluate forestry operation impacts and took remedial action to restore to initial state if required. | ✓ | Expand monitoring to forestry areas in Tunas Do Paraná, Adrianópolis and Mato Grosso do Sul. |
| | Adopt FSC best forest management practices. | In Chile, FSC Forest Management audit postponed in order to complete consultation process. | X | Implementation of Best Forest Management Practices projects in Chile, identified as part of consultation process for obtaining FSC Forest Management certification. FSC Forest Management audits in Chile and Argentina. |
| | | | Develop and publish Biodiversity Policy. | |

| Sustainability Aspect | 2011 Objective | 2011 Performance | Compliance | 2012 Commitments |
|---------------------------|----------------|------------------|---|---|
| Environmental Performance | | | | Develop diploma course for Montes del Plata supervisors and MASSO team in pulp business in Chile. |
| | | | | Close Arauco pulp mill landfill. |
| | | | | Maintain current Chilean water consumption standards in panels business. |
| | | | | Complete conversion equipment that uses ozone-depleting substances in panels business in Chile. |
| | | | | Reduce environmental impacts of sawmill business in Chile by 40% resulting from spills, incipient fires and accidents causing damage to property. |
| | | | | Implement a plan to identify optimum carbon footprint level in sawmill business in Chile. |
| | | | | Reduce generation of hazardous waste by 5% in sawmill business in Chile. |
| | | | | Implement plastic container recycling program in canteens at all Alto Paraná facilities. |
| | | | | Deeper application of preventive tools in forestry operation in Argentina. |
| | | | | Include Delta Forest Management Unit in OHSAS 18001 management system in Argentina. |
| | | | | Include forest contractors in OHSAS 18001 management system in Misiones Forest Management Unit. |
| | | | | Implement differentiated health service program for Delta Forest Management Unit in Argentina. |
| | | | | Obtain ISO 14001 certification for Araucaria plant in Brazil. |
| | | | | Develop water balance for panel operations in Brazil to identify specific points for improvement and to maintain level of consumption once Line II of MDF at Jaguaraiá starts up. |
| | | | | Include forestry business in waste management program in Brazil. |
| | | | | Reduce energy and water consumption and reduce effluents for all new facilities in Brazil in 2012. |
| | | | | Complete hydro biological monitoring for forestry area in Brazil. |
| | | | Close internal landfill for ash in Brazil and develop a better management plan. | |



GOOD DESIGN

ARQUITECTURA RESPONSABLE
La madera proviene únicamente de plantaciones forestales manejadas de forma sostenible
biomasa Forestal

innovación sostenible = diseño de vanguardia
TECNOLOGÍAS AMIGAS DEL MEDIO AMBIENTE
INNOVACIÓN SOSTENIBLE

INNOVACIÓN SOSTENIBLE
MEJOR CALIDAD DE VIDA PARA LAS PERSONAS
CENTRAL DE COGENERACIÓN MEDIANTE BIOMASA

LA ENERGÍA MÁS CONTINUADA EN NUESTROS PAÍSES INDUSTRIALES ES LA LIMPIA Y RENOVABLE A PARTIR DE BIOMASA FORESTAL

RESPECTAMOS EL PLANETA
que destacan por su BIODIVERSIDAD
374.000 hectáreas de BOSQUES NATIVOS

RESPECTAMOS A LAS COMUNIDADES VECINAS
MÁS CONSTRUCCIÓN EN MADERA
MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO
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SOLUCIONES EFICIENTES
MATERIAL NOBLE
BOSQUE NATIVO PROTEGIDO CONSERVADO AUTOABASTECIDO

LA MADERA
CONSTRUIR EN MADERA TIENE UN IMPACTO POSITIVO EN EL AHORRO DE ENERGÍA Y AYUDA A LA REDUCCIÓN DEL CALENTAMIENTO GLOBAL

FUTURO RESPONSABLE
TECNOLOGÍA PUNTA
RESPECTO POR EL MEDIO AMBIENTE
INNOVACIÓN SOSTENIBLE

INVESTIGAR Laboratorio
OBSERVAR MEDIR COMPROBAR EXAMINAR PRUBAR ANALIZAR REPENSAR INVESTIGAR RESULTADOS

RESPECTAMOS EL PLANETA
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INVESTIGAR Laboratorio

ARQUITECTURA eficiente energéticamente

PLANTAS DE COGENERACIÓN ELÉCTRICA MEDIANTE BIOMASA
Registradas bajo el Mecanismo de Desarrollo Limpio del Protocolo de Kyoto

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PROCEDIMIENTOS DE VANGUARDIA EN BIOTECNOLOGÍA
HERRAMIENTAS PARA EL CUIDADO DE LA BIODIVERSIDAD
CALIDAD PRODUCTIVIDAD RENDIMIENTO

BIOFOREST
CENTRO CIENTÍFICO TECNOLÓGICO DE EXCELENCIA MUNDIAL
RESPONSABILIDAD SOSTENIBLE

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INVESTIGAR Laboratorio

Company Profile

Business Strategy

Risks and Challenges

Public Issues

Corporate Governance

Code of Ethics

Senior Management

Awards and Distinctions



In recent years, ARAUCO has strengthened its logistics network, creating an integrated solution that, today, allows it to sell its products in 71 countries around the world.

Company Profile

ARAUCO's business strategy emphasizes efficient management and the optimization of resources in order to serve the present and future needs of its customers.

GRI
2.1
2.3
2.4
2.5
2.6

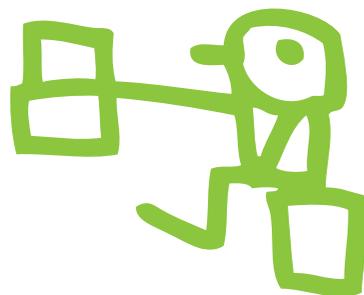
ARAUCO is a privately held, non-traded, Chilean company subject to certain information and disclosure requirements which apply to traded companies. It was established in September, 1979 through the merger of Celulosa Arauco S.A. and Celulosa Constitución S.A., which were founded by the Chilean government's Economic Development Agency (CORFO)³. The legal name of company is Celulosa Arauco y Constitución S.A.

Empresas Copec S.A., a holding company whose main interests are in the forestry, fuel distribution, fishing and mining sectors, owns 99.7% of ARAUCO's shares. Today, ARAUCO is one of the region's leading forest products companies, with 1,647,547 hectares (4,070,000 acres) of land in Chile, Argentina, Brazil and Uruguay, is one of the world's top-ten wood pulp producers, with an output of 3.2 million metric tons per year, and is a world leader in the manufacture of panels.

The company serves customers in 71 countries through its commercial offices, its distribution business (which has a commanding position in Latin America), and its sales representatives. ARAUCO offers a range of high-quality, sustainable forest products for the paper, construction and furniture industries. These are manufactured to the highest international management standards, and with minimal environmental impact. The company has commercial offices in 11 countries and production plants in Chile, Argentina, Brazil, Uruguay, and the United States. Chile accounts for 76.6% of the company's assets and 76.1% of its revenue.

In recent years, ARAUCO has strengthened its logistics network, creating an integrated solution today that allows it to take its products to 218 ports in 62 countries. This sea and ground network also enables it to guarantee stable and timely supply to distribution centers and points of sale in Europe, Asia, North America, Oceania and Latin America.

ARAUCO faces increased competition in all its markets and across all its product lines. Its business strategy leverages important scale economies and synergies in both its production and marketing processes. The high productivity and rapid growth of its plantations, the strategic location of its plants and their proximity to ports, and the use of the latest technology, scale economies, and research to increase quality and productivity, have transformed ARAUCO into a leader on the world market.



A 99.97% stake in ARAUCO is held by Empresas Copec.

ARAUCO's shareholders

Number of Shares and Stake in Company (%)

Empresas Copec S.A.
113,127,605 Shares
99.97805%

Chilur S.A.
24,746 Shares
0.02187%

Antarchile S.A.
95 Shares
0,00008%

**218
Ports**

The company's products are shipped to 218 ports around the world.



(3) www.corfo.cl

Global Presence

A Presence in 71 countries



GRI
2.7
2.8

Chile

- 1.1 million hectares (2.7 million acres)
- 5 Pulp Mills
- 8 Sawmills
- 3 Panel Mills
- 5 Remanufacturing Plants
- 9 Energy Plants

Argentina

- 257,720 hectares (636,500 acres)
- 1 Pulp Mill
- 1 Sawmill
- 2 Panel Mills
- 1 Remanufacturing Plant
- 2 Energy Plants

Brazil

- 173,079 hectares (427,500 acres)
- 2 Panel Mills

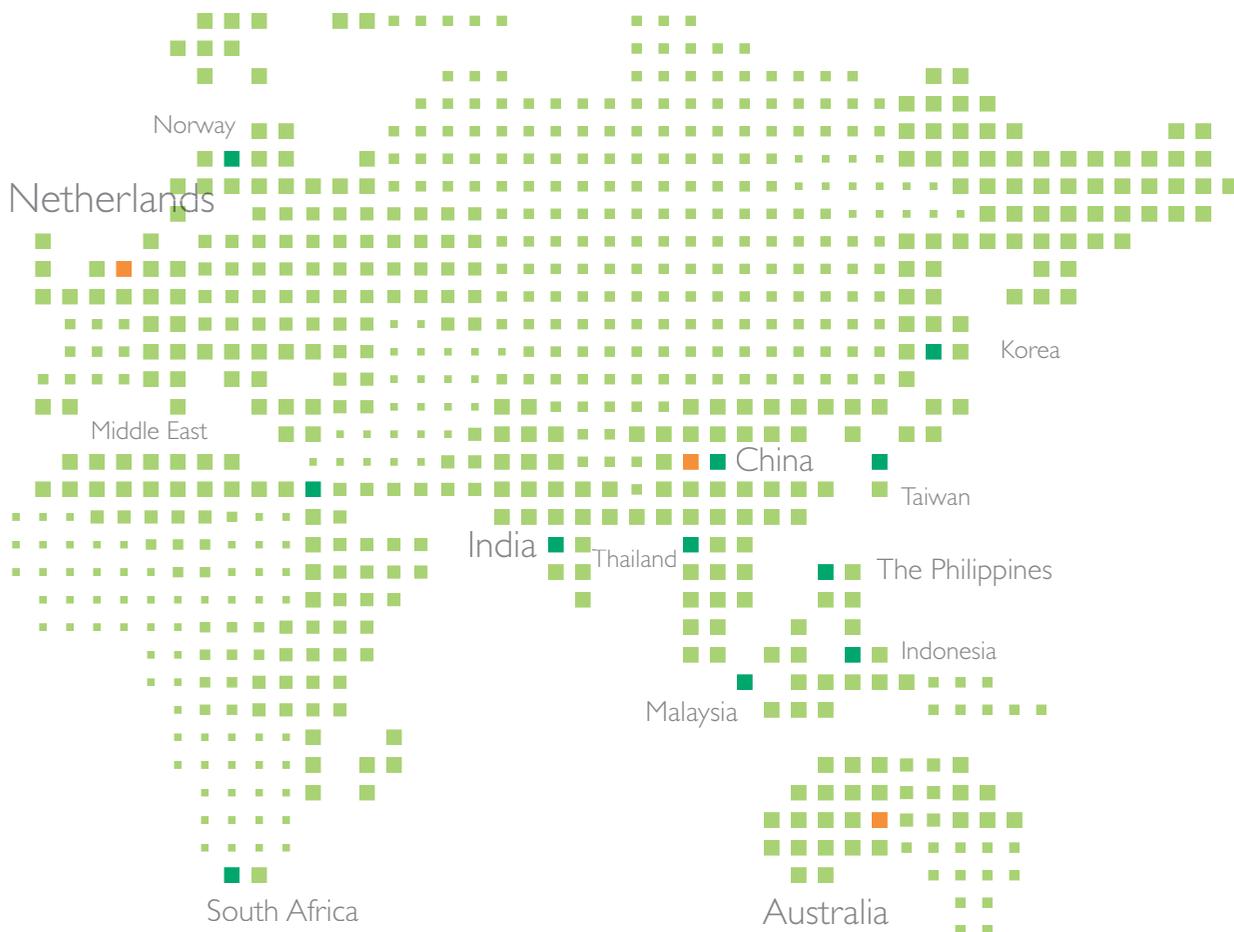
Uruguay

- 132,663 hectares (327,700 acres)

Business Strategy

ARAUCO exercises efficient, responsible and capable management of all its processes, applying systems and procedures that maximize the value of its forest plantations based on sustainable forest management practices and optimal use of their products. To this end, ARAUCO:

- **Manages its operations** from an economic, environmental and social perspective.
- **Improves forest plantation growth rates and quality** through responsible forest management techniques.
- **Invests capital** in its industrial operations to reinforce its competitive advantages through scale and scope economies and gains in efficiency and productivity.



- Commercial Offices
- Production Plants
- Sales Agents

- **Optimizes logistics operations** in the transport, dispatch and storage of its products and in its distribution business in order to better serve its markets.
- **Emphasizes marketing** of its products in new market segments.
- **Seeks to safeguard worker** safety and occupational health.
- **Contributes to the economic and social development** of communities near its operations.
- **Applies the best practices and technologies** available in the industry to protect the environment.
- **Complies with all laws** and other commitments that regulate its businesses.

Annual Capacity

Wood pulp
3.2 million ADt

Sawn Timber
2.7 million m³

Panels
2.9 million m³

Energy
643 MW

Innovation

Innovation is a key component of ARAUCO's business practices, and is one that has been continually emphasized throughout the company's 45 years of history as part of a strategy for growth and leadership in sustainability. Innovation has been embedded, in one way or another, in every project, activity, and business area of the company. Today, innovation is even more important in reinforcing ARAUCO's vision. The company has begun to address innovation systemically, professionally, and with a specific methodology in order to add value to the company over the medium- and long-term.

At the end of 2010, the company created the ARAUCO Innovation Model (MIA), along with a structure to support the process of innovation. This new structure includes an Innovation Council in which senior management participates, an Innovation area within the company and an Innovation Committee formed by managers representing the different parts of the company.

During 2011, the Committee employed new systematic processes adapted from a world-class innovation methodology to address challenges and to generate ideas and projects in shared networks.

ARAUCO Innovation Model

The goal is to evolve an innovation model that is sustainable and can be replicated in order to:

- a) Boost the company's value proposition and create new opportunities for growth.
- b) Approach innovation on the basis of three strategic pillars: productivity, social values, and environmental responsibility.
- c) Promote the development of people who exhibit initiative and an interest in innovation.

At the end of 2011, ARAUCO identified broad innovation challenges relating to six areas of company interest:

- Challenge of innovation in the sawmill business: To give a new boost to the Operational Excellence Program, now in place for over seven years.
- Challenge of innovation in native forests: To increase the economic, social and environmental value of the more than 300,000 hectares (741,000 acres) of native forest and protected areas that the company owns in Chile, Argentina and Brazil.
- Challenge of innovation in the panels business: To identify market opportunities for value-added plywood.
- Social innovation: To implement social projects which generate sustained value.
- Challenge of use of wood in construction: To seek ways to generate a secondary wood industry, particularly in construction.
- Challenge of innovation in wood pulp: A program to develop Model Industry Suppliers focusing on plant operation

and maintenance, in order to enhance contractors' work through a collaborative approach and their early involvement in detecting and defining opportunities.

An open process was used to address these issues. Work teams that included company and outside personnel were formed to augment the talent available for innovation. Two consultancy companies, DBF Innovation Lab and Pragmaxion, were also engaged.

By the end of 2011, the work process, which involved the collaborative efforts of 150 people, had generated 936 potential innovation projects. These were evaluated and culled to 121 projects with high-impact potential, based on criteria such as the feasibility of their implementation, strategic alignment, resource requirements, scale-up potential, possible direct impact, and indirect benefits. Nineteen of these projects were selected for implementation during 2012.

In the coming year, the development teams will focus on moving these projects from ideas to prototypes. In this way they will learn as much as possible, at minimum cost, about the best implementation alternative for each initiative, and will then be able to validate (or refute) the basic assumptions for the success of each project⁴.



⁽⁴⁾ For further information about these issues and details of the ARAUCO Innovation Model, please visit www.innovarauco.cl and @innovarauco.

Risks and Challenges

GRI
1.2

ARAUCO has identified the principal factors that could affect its performance. These are set out in Form 20-F of the *Securities and Exchange Commission*⁵ and in the company's international bond placement prospectuses, which are regularly reviewed and evaluated. These risk factors include:

Business/Financial Factors:

- Fluctuations in the market price of products.
- Global competition for its products.
- Economic recession, particularly in Asia and the United States, and possible decline in demand for its products.
- Politically based restrictions on international free trade and economic conditions in principal export markets.
- Exposure to earthquake, flooding or tsunami damage to assets in Chile, given its location in a seismic area.
- Disposition of significant tax claims in Argentina.
- Material disruption of production facilities as a result of natural disasters and contingencies such as interruptions of energy supply, equipment failure, labor problems and other operational difficulties.
- Credit risk.

Environmental Factors

- Environmental regulations and the cost of responding to environmental contingencies and liabilities.
- Impact of regional weather and global climate change.
- Forest fires.
- Pests and phytosanitary diseases.
- Stricter environmental emissions norms.

Social Factors

- Labor disputes.
- Safety and occupational health management.
- Relations with neighboring communities.
- Interruption of operations by third-parties.
- Relations with authorities.

Public Issues

GRI
1.2

During 2011, the Chilean press reported on a number of events related to the company:

- **Air Emissions:** Malodorous air emissions were released from the Nueva Aldea Industrial Forestry Complex due to the opening of a valve for 21 seconds. As a result, 233 children were reported to have been evacuated from the Laguna Avendaño School in Quillón. The Health Ministry's Regional Office and the Ñuble health authorities subsequently inspected the complex and took samples of gases in order to establish the nature of the emissions. ARAUCO contacted the school community to explain the situation, indicating that such events are unusual as are weather conditions that would permit the emissions to reach Quillón. The spread of the odor occurred due to a thermal inversion and the lack of wind. Operationally, the situation was immediately corrected and the authorities were informed.

(5) www.sec.gov

ARAUCO assesses and manages the financial, environmental, and social risks of its operations, including:

- **Fluctuations in prices.**
- **Changes in climate.**
- **Interruption of operations by third parties.**

19 innovation initiatives

ARAUCO Innovation Model.
At year-end 2010, the company created the **ARAUCO Innovation Model.**

In 2011, **ARAUCO's Innovation Committee** worked to address concrete challenges, using a collaborative innovation methodology to generate ideas and define new projects.

150 individuals participated in the development of innovation projects.



- **Civil suit:** In 2005, Chile's Council for the Defense of the State filed a case against Celulosa Arauco y Constitución S.A. in the First Civil Court of Valdivia to establish civil responsibility for environmental changes in the Carlos Andwanter Nature Sanctuary during 2004. This case is currently following its normal course. ARAUCO, in defense of its position, has presented all the necessary evidence to help the court establish judicially that its industrial operations were not responsible for the changes observed in the Nature Sanctuary and in the Río Cruces wetland.
- **Fine for a liquid waste discharge:** The Chilean Supreme Court upheld a fine imposed on ARAUCO's Valdivia Plant by the Water Services Superintendency (SISS) in 2004. In October 2011, the court ratified the sanctions imposed by the SISS on the Valdivia Plant for infringement of the environmental regulation in place at the time of the incident on liquid industrial waste discharge. ARAUCO will comply with the Supreme Court's ruling.
- **Injunction:** The Teno Committee for Defense of the Environment filed a Writ of Amparo (injunction) against the installation of the MDP Panel Mill in the Teno municipal district of the Curicó Province. The First Chamber of the Talca Appeals Court rejected the request for a preliminary injunction filed by a group of neighbors, and the same Court subsequently ruled against the injunction, a decision that was upheld by the Supreme Court.
- **Law suit:** ARAUCO and Logro, a company providing services for the construction of the MDP panel mill in Teno, were both named in a lawsuit brought by assembly workers who were dismissed for participating in an illegal strike at the site by 400 workers.

Corporate Governance

GRI
4.1
4.2
4.3

The Board of Directors of Celulosa Arauco y Constitución S.A. is the senior body responsible for the company's administration. Its mission is to maximize the company's value, directing its businesses in a socially, environmentally and economically responsible manner. The Board has nine members, each of whom holds office for three years, and none of whom hold an executive position in the company.

Directors*

| Members | Position |
|------------------------------|----------------------|
| José Tomás Guzmán Dumas | Chairman |
| Roberto Angelini Rossi | First Vice-Chairman |
| Manuel Bezanilla Urrutia | Second Vice-Chairman |
| Carlos Croxatto Silva | Director |
| Jorge Andueza Fouque | Director |
| Alberto Etchegaray Aubry | Director |
| José Rafael Campino Talavera | Director |
| Eduardo Navarro Beltrán | Director |
| Timothy Purcell | Director |

(*) The Board was appointed in April 2010 and its term of office runs until 2013.

GRI
4.4
4.6
4.9

The Board meets periodically with the Chief Executive Officer (CEO) and the President & Chief Operating Officer (COO) who provide updates on the company's management and its different businesses.

The directors, executives and workers of the company and all of its subsidiaries must adhere to the vision, values, commitments and guidelines of the company's Code of Ethics. In addition, ARAUCO's Market Disclosure Manual identifies the situations that could result in conflicts of interest. The General Business Practices Policy sets limits on the company's operations with related parties⁶. Under Chile's Corporation Law, ARAUCO must hold a Shareholders' Meeting at least once a year in which shareholders have the right to express their opinions and, on matters submitted for decision, to vote.

Code of Ethics

ARAUCO's Code of Ethics⁷ establishes the principles and policies of behavior that are to guide the decisions and actions of every employee in Chile, and in all the other countries where the company has a presence. To ensure its implementation, the Board of Directors appoints an Ethics Committee which meets periodically. In 2011, this committee's members were the Board's Second Vice-Chairman and the company's CEO, President and COO and Legal Affairs Manager.

Ensuring the ongoing validity of this Code of Ethics requires that it be updated to reflect changes in circumstances. During 2011, ARAUCO introduced a modification that includes matters related to Law 20.393 – a company's criminal responsibility in cases of bribery of local or overseas public officials, asset laundering, and the financing of terrorism. In response to the introduction of this law, the company identified the possible risks to its operations and included the provisions for a Crime Prevention Model required by this new law.

In addition, the following measures were taken to update the company's Code of Ethics during 2011:

- Law 20.393 is being incorporated into the company's Internal Order, Hygiene and Safety Regulation.
- Work contracts are being modified to permit implementation of the Crime Prevention Model, a process that requires the signing of specific appendices.
- The creation of special intranet and internet sites to provide information about this law and the way in which the Crime Prevention Model will work throughout ARAUCO.
- The appointment by the company of a Head of Crime Prevention.

Human Rights

GRI
HR 4
HR 5
HR 6
HR 7
HR 9
HR 10
HR 11

ARAUCO's Code of Ethics states that the company promotes and values personal dignity, rejecting attitudes of discrimination on the grounds of race, religion, gender, age, nationality, descent, marital status, disability, etc., against its employees and candidates for jobs. The prohibition on arbitrary discrimination includes the recruitment process, hiring, and the terms and conditions of employment including training, remuneration, benefits, promotion, transfers, discipline and treatment. Particular mention is made of the company's rejection of sexual harassment.

ARAUCO's Board of Directors seeks to:

- Maximize the company's value.
- Manage the business from a social, economic, and environmental perspective.
- Interact with stakeholders.

ARAUCO has 9 Corporate Management Areas.

In 2011, the position of Chief Executive Officer was created, with the responsibility for:

- Incorporating the highest corporate governance standards.
- Strengthening the company's position in the global market.

ARAUCO's Board of Directors has 9 members.



(6) Further information about Corporate Governance is available on the company's website.
(7) The complete version of the Code of Ethics is posted on www.arauco.cl

One of the company's mandates is to fully adhere to the laws in each country in which it operates. ARAUCO rejects any practice relating to child or forced labor as is confirmed by its ratification of the principles of the UN Global Compact. In 2011, no cases of abuse of human rights were detected nor were there any activities by or for the company involving episodes of forced or non-consensual work in any of the three countries covered by this Report.

Complaints Procedure

A procedure has been established in each country for reporting activities and/or conduct that violate the company's Code of Ethics. The Complaints Procedure is a confidential and anonymous mechanism that can be used by company workers and other stakeholders in matters relating to adherence to the Code of Ethics.

Formal complaints can be made either in writing or electronically, and are sent to the Secretary of the Board of Directors.

GRI
SO 2

Anti-Corruption Practices

Both the company's Code of Ethics and its Complaints Procedure seek to reduce and eliminate any risk of corruption. In addition, the company has implemented an internal procedure that includes three spheres or levels of action. This risk-based procedure is comprised of more than 1,500 different controls for the company's different subsidiaries, which are reviewed and evaluated annually through internal and external audits. To date, no deficiencies have been detected that are of concern, either individually or as a whole. Many of these controls relate directly or indirectly to issues of fraud and corruption⁸.

Senior Management

GRI
2.9

ARAUCO's Board of Directors appoints the company's senior management which is responsible for implementing measures relating to the company's economic, social and environmental performance as well as labor relations and safety and occupational health.

During 2011, in response to the growth of its business and strategic vision, the company strengthened its management structure, moving toward greater specialization and the highest international standards for corporate governance through the creation of the position of Chief Executive Officer. Matías Domeyko, formerly the company's General Manager, was appointed to this new position and Cristián Infante, formerly Corporate Manager for Management and Development, was appointed the President & Chief Operating Officer.

GRI
DMA

The company's senior management comprises nine Corporate Managers. Four of these positions – the managers of Forestry, Wood Pulp, Panels and Sawmills – are responsible for the company's different lines of business, with the remaining five providing functional support. The Corporate and Commercial Affairs Manager coordinates Environment, Safety and Occupational Health, Community Relations, Marketing and Innovation, Communications, Distribution and Logistics Services. The Comptroller is responsible for company structuring, accounting and tax planning and compliance, internal auditing and risk management. The Human Resources Manager is responsible for attracting and developing personnel of excellence aligned with the culture and sharing the company's vision. The Legal Affairs Manager is responsible for the company's legal affairs, and the Finance Manager has responsibility for Corporate Finance, Treasury, Credits and Collection, Management Control, Procurement, IT Systems and Insurance.

⁽⁸⁾ For information about the company's anti-corruption internal control model, see www.arauco.cl

Senior Management



Matías Domeyko
Chief Executive Officer



Cristián Infante
President and Chief
Operating Officer



Franco Bozzalla
Senior Vice-President
Woodpulp



Antonio Luque
Senior Vice-President
Sawn Timber



Alvaro Saavedra
Senior Vice-President
Forestry



Gonzalo Zegers
Senior Vice-President
Panels



Charles Kimber
Senior Vice-President
Commercial & Corporate
Affairs



Camila Merino
Senior Vice-President
Human Resources



Robinson Tajmich
Senior Vice-President
Comptroller



Gianfranco Truffello
Chief Financial Officer



Felipe Guzmán
General Counsel

Awards and Distinctions

GRI
2.10

During 2011, both ARAUCO and its executives were recognized for their contribution to sustainability, not only for the social and environmental projects and investments that were implemented, but also for the safety of the company's workers and its operations.

SOFOFA-Capital: Social Responsibility Prize 2010 in the Large Company category (Chile).

ARAUCO received this award for its company-wide, permanent commitment to social responsibility, its solid business track record, compliance with legal responsibilities, and good labor relations.

Good Corporate Citizen Prize 2011 (Chile).

The Chilean-American Chamber of Commerce (AmCham)⁹ presented this prize to ARAUCO for its Sustainable Reconstruction Program (PRES) in Constitución. This award is given to the Corporate Social Responsibility programs of Chilean companies that target communities in which they operate, and seek to draw attention to high-impact innovative initiatives for value creation that incorporate social, environmental and economic aspects.

Best Businessperson Prize 2011 (Chile).

Roberto Angelini, ARAUCO's First Vice-Chairman, received this award from the Diario Financiero newspaper for his distinguished role in business abroad and in the mining sector.

Association of Architects Offices (AOA) Businessperson Prize (Chile).

Roberto Angelini, ARAUCO's First Vice-Chairman, was awarded this prize for his contribution to the development of a model of sustainable architecture through PRES Constitución.

Annual Security and Emergency Response Training Center (SERTC)¹⁰ Prize (United States).

The Horcones wood pulp mill received this distinction for its successful response during the post-earthquake emergency, principally for the handling of chemical products. This was the first time the prize had been awarded to a company outside the United States.

Chile's National Training and Employment Service (SENCE) recognized ARAUCO Panels as the company in the Bío-Bío Region that provided the most training for its workers (Chile).

This distinction recognizes the value of the company's efforts through the training and learning program that it developed as part of its High-Performance Culture project.

Prize for the best stand in the "100 Showrooms" trade fair (Chile).

ARAUCO was recognized for the best stand design, assembly and innovation, at this trade fair targeting architects, designers and decorators.

⁽⁹⁾ www.amcham.cl

⁽¹⁰⁾ The Security and Emergency Response Training Center (SERTC) trains and certifies Units for Response to Emergencies with Hazardous Substances and is considered the best center of its type in the world by the international chemical emergencies community.

Outstanding Chilean Investor in Argentina Prize (Argentina).

Alto Paraná received this award for its contribution to development in Argentina. The award also highlighted the performance of the company's manager, Pablo Mainardi, for the help provided to Chile in the aftermath of the 2010 earthquake and tsunami.

Prize for Agricultural Excellence 2011 in the category of the Best Forestry Company (Argentina).

Alto Paraná was presented with this award by the La Nación newspaper and Banco Galicia for its efficient, responsible and capable management.

Prize for Operational Innovation (PIO) 2011 (Chile).

The Viñales remanufacturing plant received the fourth place award in this competition.

The National Safety Council distinguished the Panels business unit (Chile).

The company was recognized for:

- Completing one million man-hours of work without workplace accidents.
- "Effort in Risk Prevention," an award to companies that have successfully reduced their annual accident frequency rate by at least 25% as compared to the average for the previous consecutive two years.
- Achieving the lowest accident frequency rate in its group-category. This achievement earned the Panels business the National Safety Council Prize.

Certification as a Partner Company of the UN Millennium Development Goals (Brazil).

The Paraná Federation of Industries distinguished ARAUCO for its work and achievements towards achieving the Millennium Development Goals.

Public recognition as a Partner Company of the School Community Program (Brazil).

The Mayor of Curitiba presented this distinction to ARAUCO for its participation in the School Community Program developed by the city's local government.

Public recognition for the company's participation in the Pescar Foundation (Brazil).

ARAUCO was recognized as the company making the greatest contribution toward increasing this NGOs network of job-training Education Centers in the State of Paraná.

Company
Profile
2011

Sustainability Report



ARAUCO develops different products in order to meet its customers' needs.





GOOD DESIGN

innovación sostenible = diseño de vanguardia
TECNOLOGÍAS AMIGAS DEL MEDIO AMBIENTE

biomasa Forestal AHORRO energía
DISEÑO EMOCIONAL ARAUCO ♥ FUTURO

FUTURO CONTEMPORARY DESIGN RESPONSABLE

TECNOLOGÍA PUNTA + RESPETO POR EL MEDIO AMBIENTE = INNOVACIÓN SOSTENIBLE

INVESTIGAR Laboratorio

observar medir comprobar examinar probar Arreglar Repensar investigar resultados

INNOVACIÓN SOSTENIBLE = PRECIO-CALIDAD COMPETITIVA EN EL MERCADO

MEJOR CALIDAD DE VIDA PARA LAS PERSONAS

CENTRAL DE COGENERACION MEDIANTE BIOMASA

14 ENERGÍA más sustentable en nuestras plantas industriales es limpia y renovable a partir de biomasa forestal

BIOMASA

RESPONSABILIDAD AMBIENTAL

las mejores prácticas y tecnologías disponibles en la industria

SOLUCIONES SOSTENIBLES

MÁS construcción en MADERA + MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO - MENOS CO₂ EN LA ATMÓSFERA

LA MADERA

material NOBLE

LA MADERA

Construir en madera tiene un impacto positivo en el ahorro de energía y ayuda a la reducción del calentamiento global

LA MADERA

Desarrollados para lograr una mayor RAPIDEZ de construcción

LA MADERA

Construir en madera

DEMOCRÁTICA DISEÑOS AMIGABLES

Arquitectura tecnológicamente avanzada respetuosa con el entorno y con el medio ambiente

Belleza

Procedimientos de vanguardia en biotecnología herramientas para el cuidado de la biodiversidad CALIDAD + PRODUCTIVIDAD + RENDIMIENTO

BIOFOREST

CENTRO CIENTÍFICO TECNOLÓGICO DE EXCELENCIA MUNDIAL

RESPONSABILIDAD SOSTENIBLE

arquitectura eficiente energéticamente

PLANTAS DE COGENERACION ELÉCTRICA MEDIANTE BIOMASA

Registadas bajo el Mecanismo de Desarrollo Limpio del Protocolo de Kyoto

BIODIVERSIDAD

Respetamos el Planeta

seguridad

Soluciones sostenibles

CO₂

CASAS cómodas Ampliables

Belleza

Respetamos el Planeta

LA MADERA

MÁS construcción en MADERA + MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO - MENOS CO₂ EN LA ATMÓSFERA

LA MADERA

Respetamos a las generaciones futuras

CO₂

Todas nuestras producciones en sistemas con mínimo impacto

Belleza

Los muebles de madera ayudan a reducir el cambio climático

PLANTACION FORESTAL SOSTENIBLE

Respetamos el Planeta

BIODIVERSIDAD

374.000 hectáreas de BOSQUES NATIVOS

seguridad

Soluciones sostenibles

CO₂

CASAS cómodas Ampliables

Belleza

Respetamos el Planeta

LA MADERA

MÁS construcción en MADERA + MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO - MENOS CO₂ EN LA ATMÓSFERA

LA MADERA

Respetamos a las generaciones futuras

Globalization and Efficiency

Financial Results

Investments

Businesses

- Forestry
- Wood Pulp
- Panels
- Sawn Timber
- Bioenergy

Principal Brands



During 2011, ARAUCO maintained a leadership position in its global markets, and reported sales of US\$ 4,374 million.

Globalization and Efficiency

Globalization not only means exporting product and establishing a permanent presence in more countries, but also the effective management of resources, processes and procedures to meet internationally recognized standards.

GRI
EC 1

During the past year, ARAUCO took concrete steps to strengthen its global position through a major investment in Uruguay, acquisition of a panel mill in the United States, and the construction of a second MDF line at its plant in Jaguariáiva, Brazil. In Chile, the company reaffirmed its presence with the expansion of its Nueva Aldea pulp mill and the construction of the Teno panel mill and the Viñales bioenergy plant. In all, ARAUCO invested US\$ 1,164 million in the acquisition and maintenance of assets in its different businesses.

In 2011, ARAUCO's sales were US\$ 4,374 million, up by 16% from the previous year; while profits, at US\$ 621 million were down by 11% due to higher costs and an increase in expenditures for administration and sales. As a result, the company reported EBITDA⁽¹⁾ of US\$ 1,308 million.

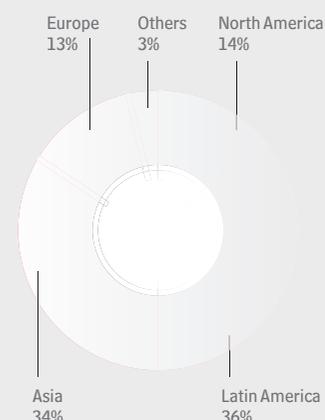
Financial Indicators

(US\$ million)

| Indicator | 2009 | 2010 | 2011 |
|--------------------------|-------|-------|-------|
| Sales | 3,097 | 3,767 | 4,374 |
| EBITDA | 766 | 1,390 | 1,308 |
| EBITDA margin | 24.7% | 36.9% | 29.9% |
| Net income | 305 | 701 | 621 |
| Financial debt | 3,203 | 3,450 | 3,213 |
| Net financial debt | 2,669 | 2,406 | 2,897 |
| Financial costs | 194 | 208 | 196 |
| Investment | 722 | 688 | 1,164 |
| Total debt/EBITDA | 4.2 | 2.5 | 2.5 |
| Net debt/EBITDA | 3.5 | 1.8 | 2.1 |
| EBITDA/interest payments | 3.9 | 6.7 | 6.7 |

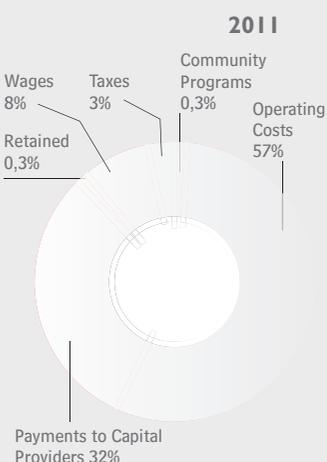
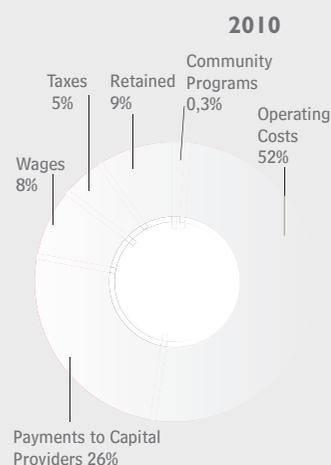
ARAUCO's Sales by Market, 2011

(% of total = US\$4,374 million)



ARAUCO: Distribution of Revenues

(%)



(1) EBITDA: Earnings before Interest, Taxes, Depreciation and Amortization.

In 2011, the economic value generated by ARAUCO was US\$ 4,414 million, 57% of which was operating costs and 32% was payments to capital providers. The largest difference from the prior year was in the economic value retained which, in 2011, was 0.25% of sales as compared to 8.72% in 2010.

Economic Value Generated and Distributed

(US\$ million)

| GRI EC 1 | Indicators | 2009 | 2010 | 2011 |
|-------------|--|--------------|--------------|--------------|
| | Net sales | 3,113 | 3,767 | 4,374 |
| | Income from financial investments | 19 | 16 | 25 |
| | Income from sale of physical and intangible assets | 6 | 12 | 15 |
| | Economic value generated | 3,139 | 3,795 | 4,414 |
| | Operating costs/cost of production ⁽¹⁾ | 1,820 | 1,958 | 2,507 |
| | Payments to capital providers ⁽²⁾ | 1,076 | 1,000 | 1,389 |
| | Wages and benefits | 197 | 295 | 341 |
| | Taxes ⁽³⁾ | 54 | 198 | 152 |
| | Investment in community ⁽⁴⁾ | 6 | 12 | 14 |
| | Economic value distributed | 3,152 | 3,464 | 4,404 |
| | Economic value retained | 13 | 331 | 11 |

(1) Sales costs net of depreciation and wages.

(2) Payments to debt holders represented 87.4%, 84.1% and 79.0% for 2009, 2010 and 2011, respectively.

(3) Includes capital gains tax.

(4) Includes donations, contributions and scholarships.

Investments

Five projects had a significant bearing on the company's globalization strategy in 2011:

- In the largest single private investment in Uruguay's history, ARAUCO and Stora Enso¹², through their Montes del Plata joint venture, announced plans for an investment of US\$ 1,900 million to build a pulp mill with a capacity of 1.3 million metric tons per year, a port facility, and an energy plant. Construction began in June and, at the end of December, was about 25% complete.
- In Chile, construction of the US\$ 137 million Teno panel mill in the Maule Region continued on schedule. Construction of the Viñales bioenergy plant, also in the Maule Region, was completed, representing an investment of US\$ 105 million.
- In November 2011, Centaurus Holding S.A., in which Arauco Forestal Brasil S.A. holds 49% and Klabin S.A. the remaining 51%, acquired 100% of Brazil's Florestal Vale do Corisco ("Vale do Corisco"). Vale do Corisco has assets that consist of 107,000 hectares (264,400 acres) of land located in the State of Paraná, of which 63,000 hectares (155,700 acres) have been planted. The total price for 100% of Vale do Corisco was US\$ 474 million.
- In Brazil, ARAUCO continued construction of Line II of the 500,000 m³ MDF plant in Jaguariaíva, representing an investment of US\$ 180 million.
- Through its Arauco Panels USA subsidiary, the company acquired a panel plant in Moncure, North Carolina. With a 330,000-m³ MDF production line, a 270,000 m³ particleboard line and two melamine-laminating lines, this facility is considered a top-tier plant and a regional leader in the panel business.

GRI
2.9

(12) www.storaenso.com

ARAUCO's Businesses

ARAUCO's Installed Capacity, As of December 31, 2011

GRI
2.3

| Country | Forestry ^(****) | Wood Pulp | Panels | Sawn Timber | Energy |
|----------------------|--|--------------------------|---|---|---------------------|
| Chile | 1,111,085 hectares (2,745,500 acres) 4 Nurseries 11 Sawmills and Panel Plants: 4.5 million m ³ | 5 mills 2,862,080 ADt | 3 Mills ^(**) Plywood: 800,000 m ³ MDF: 515,000 m ³ Hard Board: 60,000 m ³ | 8 Sawmills 5 Remanufacturing Mills Green timber: 2.45 million m ³ Remanufactured timber: 409,200 m ³ Dried timber: 1.98 million m ³ | 9 Plants 565 MW |
| Argentina | 257,720 hectares (636,800 acres) 2 nurseries | 1 Mill 350,000 ADt | 2 Mills MDF: 300,000 m ³ Particle Board: 260,000 m ³ | 1 Sawmill 1 Remanufacturing Mill Green timber: 320,000 m ³ Remanufactured Timber: 65,000 m ³ Dried timber: 320,000 m ³ | 2 Plants 78 MW |
| Brazil | 173,079 hectares (427,700 acres) 1 Nursery | | 2 Mills MDF: 715,000 m ³ Particle Board: 270,000 m ³ | | |
| Uruguay [*] | 132,663 hectares (327,800 acres) 14 Nurseries (1 owned and 13 rented) | | | | |
| Total | 1,674,547 hectares (4,1137,800 acres) 21 Nurseries 11 Mills ^(***) | 6 Mills 3,212,080 ADt | 8 Mills 2,920,000 m ³ | 9 Sawmills 6 Mills Remanufactured Green timber: 2,770,000 m ³ Remanufactured timber: 474,200 m ³ Dried timber: 2,302,000 2,302,000 m ³ | 11 Plants 643 MW |

(*) Total plantation area includes 50% of the plantations in the Montes del Plata joint venture with Stora Enso.

(**) On 2 January 2012, a fire destroyed 100% of the plant located in the Nueva Aldea Industrial Forestry Complex, with an output of 450,000m³/year. The company announced that it will be rebuilt and expect to have the new facility on line by August 2013, with a capacity of 350,000 m³.

(***) Includes 8 chip plants with a capacity of 426,940 m³, 2 logging plants with a capacity of 4,050,000 m³ and an impregnating plant with a capacity of 24,000 m³.

(****) Includes 80% of Forestal Los Lagos; 50% of the land and plantations of Montes del Plata and 80% of Forestal Arapoti.

Forestry

ARAUCO's forests are the foundation of its business. Its pine and eucalyptus plantations are among the fastest-growing in the world. Their products (eucalyptus logs, pulpwood and pine logs) are used to supply the company's wood pulp, sawn timber and panels businesses and its energy plants.

ARAUCO owns nearly 1.7 million hectares (4.2 million acres) of land in Chile, Argentina, Brazil and Uruguay. Of this total, more than 20% is native forest, which is conserved and protected for present and future generations (see pg. 106).

These assets are sustainably managed in accordance rigorous international standards. ARAUCO's forest management is supported by ongoing research and innovation for the efficient and optimum use of its plantation forest resource.

In all, ARAUCO invested US \$612 million during 2011 in the acquisition of assets and the maintenance of its forests.

US\$ 1,164
million

In 2011, ARAUCO's investment in its facilities totaled US\$ 1,164 million.

Projects on which significant progress was made achieved during 2011 include:

- **Construction of the Montes del Plata Industrial Complex.**
- **Teno Panel Mill.**
- **Construction of the MDF Line II at Jaguaríaiva.**
- **Acquisition of the Moncure MDF and particleboard plant in the United States.**

During 2011, the company planted 76,000 hectares (187,800 acres) and harvested 49,000 hectares (121,100 acres), which provided 19.6 million m³ of logs and chips. An additional 8.6 million m³ of logs and chips were acquired from third parties and the company's own industrial installations. Out of the available total, 23.1 million m³ went to ARAUCO's wood pulp mills, panel mills and sawmills, while 2.9 million m³ was sold to third parties.

In the long term, the company's goal is to reach equilibrium between planting and harvesting at around 67,000 hectares (165,500 acres) per year.

GRI
PR 1
PR 2

Land Ownership by Use, 2011

| Country | Pine | Eucalyptus | Other Species | Total Plantations | To be Planted | Native Forest | Other Uses | Total |
|--------------|--|--|--|--|---|--|--|--|
| Chile ** | 611,108 ha. (1,510,100 acres) | 128,851 ha. (318,400 acres) | 3,314 ha. (8,200 acres) | 743,273 ha. (1,836,700 acres) | 27,673 ha. (68,400 acres) | 201,418 ha. (497,700 acres) | 138,721 ha. (342,800 acres) | 1,111,085 ha. (2,745,500 acres) |
| Argentina * | 104,422 ha. (258,000 acres) | 10,857 ha. (26,800 acres) | 12,026 ha. (29,700 acres) | 127,305 ha. (314,600 acres) | 14,259 ha. (35,200 acres) | 112,704 ha. (278,500 acres) | 3,452 ha. (8,500 acres) | 257,720 ha. (636,800 acres) |
| Uruguay *** | 15,903 ha. (39,300 acres) | 59,605 ha. (147,300 acres) | 199 ha. (500 acres) | 75,706 ha. (187,100 acres) | 5,541 ha. (13,700 acres) | 7,070 ha. (17,500 acres) | 44,346 ha. (109,600 acres) | 132,663 ha. (327,800 acres) |
| Brazil **** | 55,503 ha. (137,200 acres) | 22,495 ha. (55,600 acres) | 152 ha. (400 acres) | 78,150 ha. (193,100 acres) | 16,298 ha. (40,300 acres) | 69,194 ha. (171,000 acres) | 9,437 ha. (23,300 acres) | 173,079 ha. (427,700 acres) |
| Total | 786,936 ha. (1,944,600 acres) | 221,808 ha. (548,100 acres) | 15,690 ha. (38,800 acres) | 1,024,434 ha. (2,531,500 acres) | 63,770 ha. (157,600 acres) | 390,386 ha. (964,700 acres) | 195,956 ha. (484,200 acres) | 1,674,547 ha. (4,137,800 acres) |

(*) Includes Alto Paraná and FAPLAC plantations.

(**) Includes 80% of Forestal Los Lagos.

(***) Includes 50% of land and plantations of Montes del Plata.

(****) Includes 100% of Arauco do Brasil and 80% of Florestal Arapoti.

Certifications

During 2011, ARAUCO continued its use of third-party auditors to verify compliance with its commitments to foster continuous improvement in the company's environmental management efforts. In 2011, ARAUCO's forestry business in Chile completed nearly a decade of compliance with the ISO 14001, OHSAS 18001 and CERTFOR Sustainable Forest Management and Chain-of-Custody Standards.

In both Chile and Argentina, work continued in preparing for FSC Forest Management Certification audits. In Chile, efforts were focused on stakeholder engagement and consultation, a critical step in the forest certification process. The primary focus of the dialogue in this process was the development of proposals to mitigate the impact of the company's operations through improved practices. An important development in 2011 was the company's decision to postpone the full certification audit until certain issues could be more fully addressed.

As a result, the company has begun to implement projects and measures to improve its sustainable forest management practices relating to harvesting, road construction, the environment, stakeholder consultation and engagement, communication and labor relations. ARAUCO is also working to strengthen the company's organizational structure¹³.

In Argentina, the company has been working toward obtaining FSC Forest Management Certification since 2005. During 2011, ProYungas Foundation¹⁴ completed their study of the company's Alto Paraná properties in Misiones entitled, Improvement and Zoning of Native Forests. As a result of this study, the company set aside more than 46,000 hectares (113,700 acres) of native forest as Areas of High Conservation Value. During 2011, the ProYungas Foundation and the Center for Atlantic Forest Research (CelBA) also carried out an analysis of the areas included in the Water Basin Reco-

(13) Further details of these projects are available on www.foroabierto.cl and www.arauco.cl

(14) www.proyungas.org.ar

very Program and made recommendations for their management. Based on these results, an additional 300 hectares (740 acres) of very environmentally-sensitive land (banks of streams, steep slopes, etc.) were added to the Water Basin Recovery Program. A total of nearly 2,800 hectares (6,900 acres) of company property has been committed to this conservation and restoration program since 2004.

In 2012, Alto Paraná plans to conduct a new FSC Forest Management Certification audit of its holdings in the Misiones area. These holdings would be divided into two forest management units, one of which could be certified as compliant with the FSC Controlled Wood standard and the other with FSC Forest Management standards.

Milestones 2011

- The process toward obtaining FSC Forest Management certification for company property in Chile and Argentina continued. In Brazil, the Campo do Tenente and Morungava forest units completed their eighth year of operation in certified compliance with FSC standards.
- QMI SAI Global conducted a third-party audit against ISO 14001, OHSAS 18000 and CERTFOR Forest Management and Chain of Custody standards for the company's forestry subsidiaries in Chile.
- Implementation of reforestation programs continued in Chile and Argentina.
- In Chile and Brazil, the area set aside for protection and conservation was expanded. In Argentina, Alto Paraná continued to develop conservation programs with an emphasis on monitoring (see pg. 108).
- Arauco do Brazil implemented hydro-biological monitoring programs to evaluate the impact of its forestry operations on water basins.
- On 31 December 2011, a forest fire, which lasted several days, affected 8,000 hectares (19,800 acres) of plantations and forest belonging to Forestal Celco S.A., a company subsidiary in Chile.

Question from the Community

“Why does ARAUCO want to obtain FSC certification when it already has CERTFOR certification?”¹⁵

“FSC principles are consistent with ARAUCO's sustainability strategy. Certification to FSC standards represents an important step forward in the company's certification and learning process, and would add value to ARAUCO's products. Other certification protocols, such as CERTFOR,

have been very important in helping the company implement continuous improvement management systems. We believe this learning experience has helped the company prepare for certifications that have broad international acceptance, such as FSC, which is recognized in the global market and by stakeholders worldwide. We also believe that the FSC certification will add value to our social programs, as it is a framework that stakeholders understand and approve.”



(15) See FAQ on www.arauco.cl

ARAUCO
invested
US\$ 612 million
in its Forestry
business.

23% of ARAUCO's
land holdings is
native forest.



Projects reflecting
best practices in
forest management
will be implemented
in Chile and
Argentina.



Bioforest: **Research for continuous improvement.**

Protection of natural resources has been a cornerstone of ARAUCO's sustainability strategy. Through Bioforest, the company's research center, biotechnology procedures are used to find innovative ways to increase the quality, productivity and yield of the company's forest plantations, as well as to develop plans for the care and protection of more than 350,000 hectares (864,900 acres) of native forest that are part of the company's forest ownership.

Since its beginning 21 years ago, Bioforest has become ARAUCO's scientific and technological research arm, and is unique in South America.

Bioforest is equipped with biotechnology laboratories, climate-controlled greenhouses for the clonal production of pine and eucalyptus, and farms for the controlled cross-breeding eucalyptus. In addition, Bioforest collaborates with national and international organizations that are leaders in technological innovation in forestry and wood-pulp science.

For 2012, Bioforest's principal challenge is to achieve the ten-year goal of increasing pine plantation growth rates in Chile by 25% and Eucalyptus globulus growth rates in Chile by 40%. Another important goal is to continue improving plantation fiber to increase its utilization and value in the end product.

Wood pulp

ARAUCO was the second-largest producer of market pulp in the world in 2011, with a 5.2% market share. The pulp business is intensely competitive, and is characterized by its diversity of players. In 2011, world-wide pulp production capacity totaled 61,000,000 metric tons.

At its five mills in Chile and one mill in Argentina, ARAUCO produces bleached and unbleached long-fiber pine pulp and bleached short-fiber eucalyptus pulp. These are used in making paper, tissue, packaging material, filters, fiber cement products and other specialty products such as dielectric papers. The fluff pulp produced by the Alto Paraná mill is used in diapers and feminine-hygiene products.

The company has 3.2 million metric tons of installed pulp capacity. Its products are distributed to more than 350 customers around the world through the company's own offices and through sales agents who represent ARAUCO in more than 35 countries, principally in Europe and Asia. In these countries, the company has achieved a competitive position due to the quality of its products and its logistics capability in responding to customers' requirements.

In 2011, the company's pulp sales were US\$ 2,061 million, representing 47% of ARAUCO's consolidated sales. Investments in operational improvements totaled US\$ 252 million. The company also invested US\$ 7 million in Bioforest for research, up by 15% from the previous year. A significant portion of this amount was invested in the construction of the new Bioforest pulp laboratory.

Pulp Production by Product

(ADt's)

| Producto | 2009 | 2010 | 2011 |
|-----------------------------------|-----------|-----------|-----------|
| Bleached Pine (BSK = BKPR + BKPT) | 1,627,338 | 1,163,459 | 1,458,204 |
| Bleached Eucalyptus (EKP) | 866,484 | 670,785 | 843,738 |
| Unbleached Pine (UKP) | 407,904 | 420,675 | 406,431 |
| Fluff | 97,926 | 110,154 | 107,507 |

An ADt is equivalent to 1 metric ton of pulp with a maximum 10% humidity content.

Milestones 2011

- Bioforest opened its Technology for the Development of Processes, Pulp Products and Industrial Environment Laboratory, a facility that is unique in South America.
- The potential for reducing water consumption in the pulp production process was evaluated, and protocols were developed for reducing consumption of chemicals in the bleaching stage.
- The pulp output of the Nueva Aldea mill in Chile was expanded to 1 million metric tons per year.
- The Arauco II pulp mill in the Horcones complex was restarted after a 339-day stoppage caused by the earthquake and tsunami of 27 February 2010.
- Representatives of Montes del Plata signed an investment contract with the Uruguayan government for the construction of their pulp mill complex, and confirmed that it is an investment of US\$ 1,900 million.
- The Celulosa Arauco Suppliers program was launched as a model for collaboration between the company and its suppliers with a focus on mutually beneficial growth.

Panels

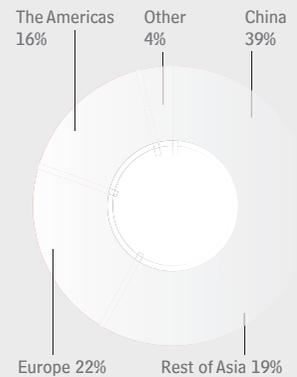
ARAUCO's integrated business model is supported by a commercial strategy that includes in-depth knowledge of the market and a broad network of sales representatives and sales offices serving the furniture and construction industries.

The Panels Business produces plywood, particleboard (PB), medium density particleboard (MDP), medium-density fiberboard (MDF), hardboard (HB) panels, and moldings for sale to the furniture and construction industries on five continents. Its products are sold under the AraucoPly, Trupán, TruChoice Arauco, Faplac, Cholguán and Durolac brand names.

In 2011, sales of melamine-laminated products increased, further supporting the company's focus on value-added products. At the end of 2011, the company acquired a panel mill in Moncure, North Carolina, in the United States. This plant has an annual capacity of 330,000 m³ of MDF, 270,000 m³ of particleboard, and two melamine-laminating lines. In Chile, construction continued on the Teno mill, the most modern of its type in South America, for the production of MDP. In Brazil, construction continued on Line II of the Jaguariáiva MDF plant, which is expected to start operations in the first half of 2012.

Pulp Sales, 2011

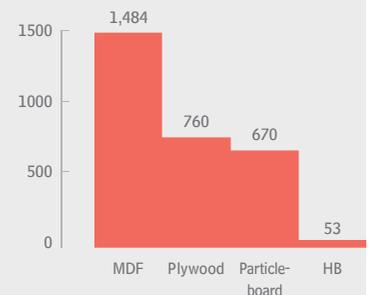
(% of total = US\$ 2,061 million)



Capacity of 3.2 million ADt/year

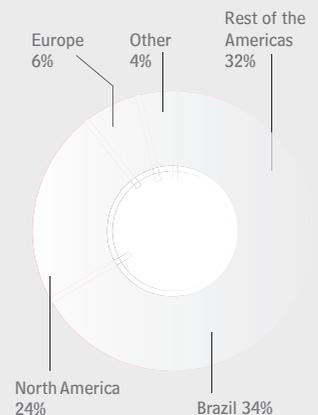
Panel Production by Type of Product, 2011

(Thousands of m³)



Sales of Panels by Market, 2011

(% of total = US\$ 1,274 million)



Panel sales were US\$ 1,274 million in 2011, accounting for 29% of ARAUCO's consolidated sales. The main market for panels was Brazil, which represented 34% of total sales. Investments in this line of business totaled US\$ 233 million.

Milestones 2011

- ARAUCO acquired a panel mill in Moncure, North Carolina, in the United States.
- Construction of the Teno panel mill was 86% complete at year-end.
- A new collection of melamine-laminated products produced in Argentina was launched. Targeting the Chilean, Peruvian and Colombian markets, the product line includes new designs, and a textured line inspired by nature, called "Nature".
- Operational improvements were made, including maintenance of electrical systems in HB production and control systems in Chile, adjustments to the effluent plant in Piên, and the replacement of tanks and improvements in resin storage capacity in Araucaria, Brazil.
- In Chile, Paneles Arauco obtained Clean Production certification from the Chilean Wood Industry Corporation (CORMA)¹⁶. The objectives of this standard are to promote technological innovation and the implementation of best practices to reduce solid and liquid waste and atmospheric emissions, to provide more efficient energy and water use, and to reduce workplace accidents and occupational illnesses.
- In January 2012, a fire completely destroyed the panel mill at the Nueva Aldea Industrial Forestry Complex in Chile. The panel plant had an annual output of 450,000 m³.
- The particleboard plant in Curitiba, Brazil, was closed.
- Construction continued on Line II of the Jaguariáiva MDF plant.



Responsible Marketing

In order to ensure the safety of its products, ARAUCO complies with the industry's highest norms and standards.

The processes and products subject to international regulations include:

- **MDF Panels:** Formaldehyde emissions from panel products sold in different markets must meet certain standards. In the United States, the company's panels comply with the California Air Resources Board (CARB) standards for formaldehyde emissions from MDF and finished products that contain this material. ARAUCO also complies with similar standards that exist in Europe, Japan and Australia.
- **MDF moldings sold under the TruChoice Arauco brand name:** Since January 2011, these products comply with the CARB Phase 2 formaldehyde emissions standards (less than 0.11 ppm measured using the ASTM E133 test method). This was accomplished well before the compliance deadline.
- **MDF Panels:** ARAUCO's panels comply with specific regulations in accordance with European Emissions Regulations (EI) and Australian, New Zealand (ANZ) and Japanese (JAS) norms.



(16) www.corma.cl

Sawn Timber

ARAUCO is the southern hemisphere's leading producer of sawn timber. The company's eight sawmills in Chile and Argentina have an installed capacity of 2.7 million m³ of green wood and 474,000 m³ of remanufactured wood.

In 2011, sawn timber sales were US\$ 732 million, accounting for 17% of the company's total sales. ARAUCO's sawn wood and remanufactured wood products are sold in 38 countries, targeting the new demands of the furniture, packaging, construction, and remodeling industries. The company's main export markets for these products are Asia and North America, which account for 35% and 32% of sales volume, respectively. In 2011, investment in fixed assets for the Sawn Timber business totaled US\$ 78 million.

Milestones 2011

- The Processes Management program was consolidated to better control productivity, yields and costs, and operating indicators were upgraded in all of the sawmills in Chile and Argentina.
- In Chile, the modernization of the El Colorado sawmill was completed, representing an investment of US\$ 19 million.
- In the second half of the year, the Viñales sawmill attained the production levels that had been planned based on the investments completed to date.
- In Chile and Argentina, operational and commercial efficiency increased over the previous year.
- Sawmills and manufacturing plants in Chile received "Healthy Company" certification from the Health Ministry for implementing preventive and health promotion measures that surpass legal requirements.

ARAUCO Sustainable Solutions Program

ARAUCO's Sustainable Solutions Program was developed to increase awareness among architects, furniture makers, construction companies and the public in general, of the benefits of building with wood products. The program provides technical information and guidance to help ensure that projects are implemented safely, efficiently, and in an environmentally-friendly manner. The program supports the company's distribution, business which offers a broad range of products at each point-of-sale in the various markets that it serves.

This Program has been deployed in 128 point-of-sale locations in Argentina, Brazil, Peru and Colombia, offering technical information and product exhibits by the major distributors. Information also is provided through a virtual platform, including the website www.araucosoluciones.com, which saw an increase in the number of visitors from 14,000 in 2010 to 30,000 in 2011, and in social media such as Facebook, YouTube, Flickr and Twitter. Through these channels, users can access books, manuals and videos. Another example of information provided is the "Cómo Hacer" (How To) series, which is distributed at points-of-sale in the various markets, and which includes four types of content: construction; projects; furniture making; and suggestions.

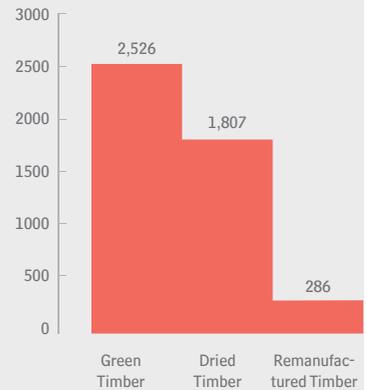


Product Labeling

ARAUCO's products are in full compliance with the labeling and product information requirements in all the countries in which they are marketed. The company's labels provide information about the characteristics, composition, and technical specifications of its products and, where required, the country of origin. The technical specifications are indicated in the quality certificate, together with the documentation required for their import into each country in which they are to be sold. There were no reports of compliance issues in 2011.

Sawn Timber Production, 2011

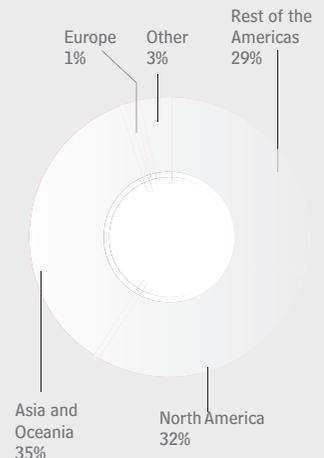
(Thousands of m³)



ARAUCO
invested US\$ 78 million in its Sawn Timber business

Sales of Sawn Timber, 2011

(% of total = US\$ 732 million)



The Sustainable Solutions Program has 30,000 users and 128 retail outlets.

Bioenergy

In Chile, ARAUCO operates nine electricity generating plants. Seven of these facilities are co-generation plants (simultaneously producing electricity and steam), which are fueled with forestry biomass obtained from the byproducts of the company's forestry processes and harvesting operations. This results in the clean, efficient and reliable production of energy from an Alternative Renewable Energy (ARE) source. The company's other two plants are back-up turbines that use diesel and/or natural gas as fuel.

As of December 2011, ARAUCO had an installed capacity of 565 MW in Chile, which supplied the energy needs of the company's production facilities and enabled the company to deliver a surplus of 195 MW into Chile's Central Interconnected Grid (SIC), an amount adequate to meet the electricity demands of 90,000 households.

In 2011, ARAUCO's power plants in Chile produced more electricity than in 2010, a total of 2,644 GWh. However, the company's consumption also increased to 2,206 GWh. As a result, the net surplus delivered into the SIC dropped to 426 GWh, down from 512 GWh in 2010. This change reflected higher energy consumption by the company's plants as operations returned to normal after the 2010 earthquake and tsunami.

ARAUCO also has two co-generation plants in Piray and Esperanza in Argentina, with a total installed capacity of 78 MW. These facilities supply the electricity and thermal energy needs of the company's operations.

Milestones 2011

- ARAUCO and Nordjysk Elhandel, a Danish energy trading company, signed an agreement for the sale of 100,000 carbon credits, worth US\$ 520,000, at current prices.
- The resumption of operations at the N° 2 production line in the Celulosa Arauco mill, after its stoppage as a result of the February 2010 earthquake, enabled the Horcones Industrial Forestry Complex to stabilize its electricity deliveries to the SIC.
- The new N° 4 power boiler thermal project in the Horcones Industrial Forestry Complex started operation.

New bioenergy plant: Viñales

Viñales will be the company's eighth biomass-fueled co-generation plant in Chile, and continues ARAUCO's strategy of using renewable sources to supply its energy needs. This new fa-

cility will have a capacity of 41 MW, of which a maximum of 31 MW can be delivered to the Central Interconnected Grid (SIC). The Viñales plant will consume 2.4 million m³ of forest biomass waste annually, the equivalent of removing approximately 96,000 truckloads of waste from the environment.

Energy Generation, 2011

| Plant | Starting Date for Delivery of Surplus into SIC | Installed Capacity | | Output (GWh) | | | | | |
|------------------------|--|--------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | MW | % of Total | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| CHILE | | | | | | | | | |
| Arauco | 1996 | 127 | 22% | 653 | 586 | 622 | 631 | 372 | 760 |
| Constitución | 1996 | 40 | 7% | 229 | 223 | 223 | 231 | 171 | 222 |
| Licancel | 2004 | 29 | 5% | 127 | 56 | 121 | 120 | 110 | 136 |
| Valdivia | 2004 | 140 | 25% | 559 | 617 | 597 | 655 | 601 | 488 |
| Nueva Aldea (Panels) | 2004 | 30 | 5% | 208 | 215 | 233 | 230 | 217 | 237 |
| Cholguán | 2003 | 29 | 5% | 185 | 187 | 219 | 197 | 210 | 226 |
| Nueva Aldea (Woodpulp) | 2006 | 136 | 24% | 101 | 522 | 707 | 787 | 648 | 563 |
| Horcones | 2004 | 24 | 4% | 6 | 60 | 7 | 2 | 7 | 12 |
| Nueva Aldea 2 | 2006 | 10 | 2% | 1 | 9 | 0 | 0 | 0 | 0 |
| Total Chile | | 565 | 100% | 2.069 | 2.475 | 2.729 | 2.853 | 2.336 | 2.644 |
| ARGENTINA | | | | | | | | | |
| P. Piray | 2002 | 38 | 49% | 199 | 178 | 146 | 178 | 199 | 225 |
| P. Esperanza | N/A | 40 | 51% | 311 | 310 | 311 | 289 | 302 | 290 |
| Total Argentina | | 78 | 100% | 510 | 488 | 456 | 467 | 500 | 515 |

Note: In 2011, the installed capacity of the Arauco plant included a new 31 MW turbo-generator.

Principal Brands

GRI
2.2

ARAUCO invests in resources, technology and training in order to provide its customers with excellent products and service. ARAUCO's corporate brand symbolizes leadership, credibility, innovation, quality, sustainability, and reliability in its different product brands¹⁷.

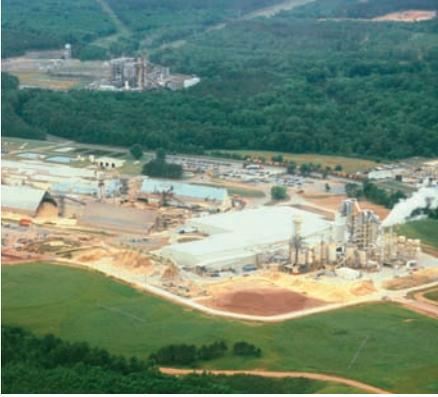
| <p>The company's product brands have a common thread, providing relevant and differentiated attributes which are important to its customers in reaching their purchasing decision.</p> | | <p>Corporate Brand</p>  | | <p>They also represent a value-benefit proposition for the customer.</p> <p>The role of the product brands is to differentiate, extending the corporate brand to new and important market segments.</p> | | | |
|--|-------------------|--|-----------|---|---------|-----------------------------|-----------|
| Wood pulp | | Panels | | Timber | | Mouldings | |
| ECF Bleached Radiata Pine Kraft | Arauco BKP | Plywood | ARAUCOPLY | Dry Timber for Construction | MSD | MDF, Finger-joint and Solid | TRUCHOICE |
| ECF Bleached Eucalyptus Kraft | Arauco EKP | MDF | TRUPAN | Laminated Wood | HILAM | | |
| Unbleached Radiata Pine Kraft | Celco UKP | Particleboard | FAPLAC | Clear Wood Coating | DECOFAZ | | |
| ECF Bleached Taeda Pine Kraft | Alto Paraná BKP | Hardboard | CHOLGUAN | | | | |
| Bleached Taeda Pine Fluff Kraft | Alto Paraná FLUFF | Hardboard and Painted MDF | DUROLAC | | | | |

(17) More details about the products of each business in relation to market needs are available on www.arauco.cl

Globalization and Efficiency 2011

Sustainability Report

Sustainability Report | 2011



ARAUCO is a global company with assets in Chile, Argentina, Brazil, Uruguay, and the United States.





GOOD DESIGN

arquitectura responsable
únicamente de
plantaciones forestales
manejadas de forma
sostenible
biomasa Forestal
Innovación sostenible = diseño de vanguardia
Tecnologías amigas del medioambiente
Innovación sostenible
AHORRO energía
DISEÑO EMOCIONAL
ARAUCO ♥ FUTURO

arquitectura tecnológicamente
avanzada respetuosa con el entorno
y con el medioambiente
DISEÑOS AMABLES
PENSADORES
INNOVADORES

CO2
Belleza
Todas nuestras
productivas en
con sistemas cer
minimo impacto

con el Planeta
FUTURO CONTEMPORARY DESIGN
RESPONSABLE CALIDAD de vida
Tecnología punta
RESPECTO POR EL MEDIO AMBIENTE
INNOVACIÓN SOSTENIBLE

Procedimientos de vanguardia en biotecnología
herramientas para el cuidado de la biodiversidad
CALIDAD PRODUCTIVIDAD RENDIMIENTO
BIOFOREST
CENTRO CIENTÍFICO TECNOLÓGICO DE
EXCELENCIA MUNDIAL

LOS MUEBLES
DE MADERA
AYUDAN A REDUCIR
EL CAMBIO CLIMÁTICO
Parques
a la Co

INVESTIGAR Laboratorio
Observar Medir Comparar Examinar Probar Analizar Repensar Investigar Resultados
INNOVACIÓN SOSTENIBLE
PRECIO-CALIDAD COMPETITIVA EN EL MERCADO
MEJOR CALIDAD DE VIDA PARA LAS PERSONAS
CENTRAL DE COGENERACIÓN
MEDIANTE BIOMASA

RESPONSABILIDAD
SOSTENIBLE
arquitectura
eficiente energéticamente

PLANTACI
FORESTAL
SOSTENIBLE
Respetamos el Planeta
ZONAS
que destacan por su
BIODIVERSIDAD
374.000 hectáreas de BOSQUES NATI
Protegido
conserva

PLANTAS DE COGENERACIÓN
ELÉCTRICA MEDIANTE BIOMASA
Registradas bajo el Mecanismo de
Desarrollo Limpio del
Protocolo de
Kyoto
nuestras Soluciones SOSTENIBLES son la
nueva forma de enfrentar las necesidades
actuales. RESPONDIENDO EL PLANETA
VALOR AMBIENTAL

AREAS DE ALTO
VALOR AMBIENTAL
Biodiversidad

seguridad
SOLUCIONES
SOSTENIBLES
Respetamos
a las com
vece

RESPONSABILIDAD
AMBIENTAL
Respetamos a las generaciones futuras
herramientas
comunes
CASAS fácilmente
Ampliables
CASAS CONFORTABLES

CO2

EDUCACI
Y acceso a la cult
de nuestras comuni
vecinas

SOLUCIONES SOSTENIBLES
Belleza
Respetamos
el Planeta

Respetamos
el Planeta

REDUCCIÓN DEL CAM
REDUCCIÓN DEL CAM

MÁS construcción en MADERA
MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO
MENOS CO2 EN LA ATMÓSFERA
Respetamos a las comunidades vecinas
MÁS construcción en MADERA
MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO
MENOS CO2 EN LA ATMÓSFERA
REDUCCIÓN DEL CAM

CELULOSA RESPONSABLE
CELULOSA SOSTENIBLE
PRINCIPAL PRODUCTOR DE CHILE Y UNDE
LOS MÁS IMPORTANTES DEL MUNDO.

CASAS BONITAS
ESTRUCTURAS
RESISTENTES
LIVIANAS
NATURALES
ARAUCO
CASAS SEGU
Responden muy bien

DURABILIDAD
COGENERACIÓN
CON BIOMASA
ARAUCO ♥ PLANET

ahorro de
energía
en adquisicion
tercera
eficiente para
INDUSTRIALIZAR
NUESTROS MATERIALES
Fabricados bajo
Procesos de
ALTA TECNOLOGÍA
desarrollados
para lograr
una mayor
RAPIDEZ DE CONSTRUCCIÓN

BOSQUES NATIVOS
CULTIVO cosecha
CIRCULO VIRTUOSO
plantación
COMERCIALIZACIÓN

LA MADERA
material
NOBLE
Bosque nativo
PROTEGIDO
CONSERVADO
AUTOABASTE

EFICIENTE
en la construcción
ARBOLES
MADERA

ARAUCO ♥
MADERA

LA MADERA
Construir en madera tiene un impacto positivo en el
ahorro de energía y ayuda a la reducción del calentamiento
global
INVESTIGAR Laboratorio

Faciles de
trabajar
herramientas
comunes
CASAS fácilmente
Ampliables
CASAS CONFORTABLES

CONSTRUIR
en madera

Engagement and Dialogue

Tools for Dialogue with
ARAUCO's Principal
Stakeholders

Dialogue with the
Community

Commitments
to External Initiatives

Memberships



During 2011, ARAUCO's initiative to engage interested in stakeholders in Chile in open dialogue showed substantial and measurable results.

Part of ARAUCO's sustainability strategy, this process engaged more than 12,900 people in various dialogues initiated by the company.

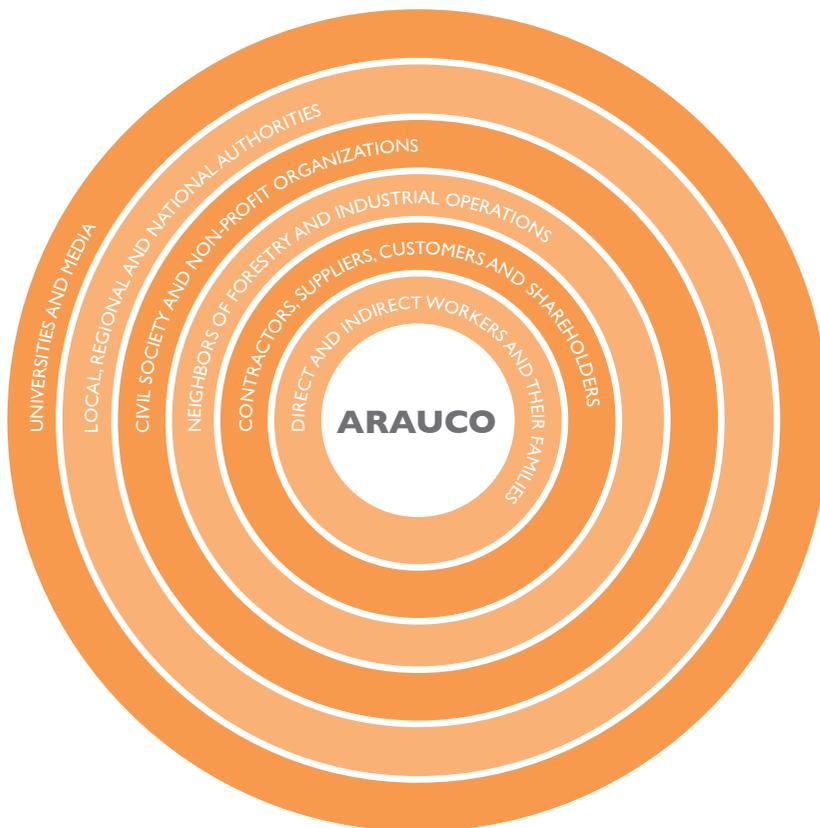
Engagement and Dialogue

ARAUCO identifies stakeholders in Chile, Argentina and Brazil, based on the geographic location of its operations and the characteristics and impacts of each of its product lines manufactured in that area.

GRI
4.14
4.15

ARAUCO has embraced a new reality that ongoing dialogue with stakeholders is a necessary condition for the success of its business.

During 2011, ARAUCO's initiative to engage interested stakeholders in Chile in open dialogue showed substantial and measurable results. Part of ARAUCO's sustainability strategy, this process engaged more than 12,900 people in various dialogues including Open Houses, housing forums, opportunities for conversation, forest management plan consultations, and a facilitated discussion process (Hybrid Forums) used as part of ARAUCO's process of seeking FSC certification. Through the use of all these tools, the company sought to better understand stakeholders' expectations. During 2012, as part of the company's continuing consultation process (for obtaining FSC certification in Chile), stakeholders will be identified in all geographic areas and for each product line of its business.



12,900
People

12,900 stakeholders participated in dialogue and consultations with ARAUCO.

37 Open Houses.

17 forest management plan consultations.

66 sessions of Hybrid Forum working groups.

23,000 visitors to the company's plants and parks.

15 public meetings.

More than 3,900 stakeholder opinions received.



Tools for Dialogue with ARAUCO's Principal Stakeholders in 2011

| GRI 4.16 | Stakeholder Type | Tools | Initiatives in 2011 |
|-------------|--|---|--|
| | Customers | <ul style="list-style-type: none"> - Satisfaction surveys - Interviews - Feedback sessions | |
| | Civil society | <ul style="list-style-type: none"> - Creation of Public Affairs Areas in Argentina and Brazil in 2011. - Community consultations, Open Houses, Hybrid Forums. - Meetings with interested parties. - Sustainability Report. - Volunteer programs. - Outreach program and guided tours. - Programs of support for education. - Other tools. | <ul style="list-style-type: none"> - In Chile, Argentina and Brazil, the forestry operation carried out community consultations. - Open Houses and large-group meetings in Chile and Argentina. |
| | Investors and Shareholders | <ul style="list-style-type: none"> - Annual Shareholders' Meeting. - Quarterly conference calls. - Annual Report/Form 20-F. | |
| | Contract Workers, Contractors and Suppliers | <ul style="list-style-type: none"> - www.arauco.cl - Sustainability Report. - Internal meetings and Open Houses. - Performance evaluations. - Training activities. - Joint Management-Worker Health & Safety Committees. - Work Climate surveys. - Focus groups. | <ul style="list-style-type: none"> - In Chile, a performance evaluation was conducted with the forestry area staff and a new program to improve communications was implemented. - A Program for Effective Relations was launched in Chile. - Operational Excellence projects were implemented in Chile, Argentina and Brazil. |
| | Local, Regional and National Government bodies and authorities | <ul style="list-style-type: none"> - www.arauco.cl - Sustainability Report. - Development of local projects. - Direct interaction. - Outreach programs. | <ul style="list-style-type: none"> - Participation in working groups and public events. |

Dialogue with the Community

GRI
4.17
SO 1

In Chile, Argentina and Brazil, the company has methodologies in place for consultation and dialogue. In Chile during 2011, the company took a new approach to managing stakeholder relations by conducting a survey of stakeholder needs and expectations.

Chile

PRES Constitución

At the PRES Constitución Open House, the company provided information on the progress of the plan's 36 projects. In meetings with neighborhood associations, trade unions and professional associations, more than 2,035 members of the community participated in this process.

2010 Sustainability Report Feedback Sessions

Meetings were organized with 100 representatives of civil society in Chillán and Valdivia to obtain input on how ARAUCO could improve its sustainability reporting.

Public meetings with workers and civil society representatives

Twelve meetings with workers and contractors and two meetings with representatives of civil society took place in Concepción and Valdivia. These meetings were attended by a total of 1,042 people, and 446 written comments were submitted by the attendees.

Hybrid Forum Theme Forums (*)

Hybrid Forums, a facilitated consultation methodology that the company adopted in 2010¹⁸, brings together a group of people with different expertise concerning controversial topics. In 2011, two Theme Forums were added to the four that had been established in 2010. The Native Forest Theme Forum held eight consultation sessions, and the Landscape Scale Planning and Soil and Water Management Theme Forum held 11 consultation sessions during 2011.

* Further information can be found on www.arauco.cl and www.foroabierto.cl
 (18) The Hybrid Forum methodology and the process of FSC certification are described in greater detail in the 2010 Sustainability Report.

Open Houses (*)

During 2011, 5,823 people from 44 different localities participated in this initiative, and over 3,000 surveys were received (see page 61).

Forest Management Plan Consultation and Engagement Process

This process was established to provide information to neighbors who feel that they are impacted by the company's forestry operations. These sessions also provide ARAUCO employees an opportunity to listen to stakeholder views. During 2011, 17 consultations were held, involving more than 200 people.

Housing Forums

Housing Forums serve as vehicles for coordinating activities with the community and company workers who participate in housing programs in Chile. Eight meetings took place in Constitución and Arauco, with a total of 200 participants.

Open meetings and focus groups

In 2011, Organizational Climate Surveys were conducted in Chile, Argentina and Brazil. The survey results for Chile were reported in ten meetings attended by a total of 2,310 workers. Subsequently, 85 focus groups were conducted, at which 1,236 participants were able to voice their concerns, and help the company develop plans for improvement. In Argentina, a similar process of meetings took place, with more than 70 people participating in 11 workshops. The survey results for Brazil were still being analyzed at the time of this report.

Argentina

In Argentina, ARAUCO conducted a two-day meeting with interested parties. Of the 70 persons attending, most had expertise in environmental issues (academics, researchers and government officials). During a field visit on the second day, stakeholders expressed their concerns about clear-cutting, the use of agrochemicals, and the monitoring of flora and fauna. The company took note of their comments and developed a work plan to address these concerns.

Brazil

ARAUCO's business operations in Brazil have been engaged in ongoing consultation process with neighboring communities for several years. In 2003, the company initiated a systematic process of stakeholder engagement, and has incorporated this into its framework for FSC forest management certification, which promotes third-party consultation. Every year, the company conducts a review of issues that have been identified by stakeholders. In order to better align its social programs with external expectations, ARAUCO holds consultations with the community and joint planning sessions with municipal governments, authorities, other companies in the region, NGOs, and other associations.

GRI
4.16

Social Networks and Guided Tours

In all three countries, procedures are in place for responding to inquiries received through company websites, by telephone, and through social networks such as Facebook, YouTube, Flickr and Twitter. In addition, operations in each country have specific programs for guided tours of their plants, industrial complexes and parks that are open to the community. During 2011, the company had 23,277 visitors and received the following inquiries:

- The 800-370-222 telephone hotline received 3,018 calls
- The website www.araucosoluciones.com had 26,383 visits and received 695 comments.
- The website www.foroabierto.cl had 8,612 visits and received 197 comments
- The website www.arauco.cl had 435,201 visits.

473,214
Visits

The company's online forums and stakeholder comment pages received 473,214 visits.

ARAUCO participates in more than 100 organizations.

It adopted the UN Global Compact.

It joined the Santiago Climate Exchange.



Guided Tours of ARAUCO Plants and Parks in 2011

| Location | Number of Visitors |
|------------------------|--------------------|
| Chile | |
| Licantén | 156 |
| Cholguán | 70 |
| Nueva Aldea | 2,759 |
| Arauco | 410 |
| Los Ríos | 280 |
| Oncol Park | 11,740 |
| Coyanmahuida Park | 4,000 |
| Coyanco Lagoon | 2,500 |
| Argentina | |
| Industrial Zárate Park | 144 |
| Chemical division | 45 (*) |
| Aserraderos Piray | 112 |
| MDF Piray | 305 |
| Forestry operation | 440 |
| Brazil | |
| Arapoti | 49 |
| Campo do Tenente | 153 |
| Jaguariaíva | 33 |
| Tunas do Paraná | 81 |
| Total | 23,277 |

(*) Refers to pulp mill.



Hybrid Forums

Through the use of the Hybrid Forum¹⁹ methodology, the company was able to better understand and address issues based on different internal and external perspectives. This process was first used in 2010 as a vehicle for the stakeholder consultation required for FSC forest management certification. Six Theme Forums were created during 2011. A summary of activity and issues addressed during the year is shown in the following table:

ARAUCO Theme Forum Activity and Issues Addressed During 2011

| Theme Forum | Launch Date and Participants | N° of Sessions in 2011 | N° of Proposals | N° of Invitees | Issues Addressed |
|--|---|------------------------|-----------------|----------------|--|
| Labor Relations | September 2010; Union leaders, lawyers, experts on labor issues, forestry worker representatives, leaders of social organizations, contractors and company employees | 10 | 16 | 8 | <ul style="list-style-type: none"> - Clear definition of ARAUCO's Labor Relations Model for forestry area, - ARAUCO's annual meeting for labor and business development of forestry sector. - Development of a common System of Coordination of Forestry Operations for all the company's subsidiaries that encourages an open dialogue between ARAUCO and contractors. - Training program for union leaders. - Program to support labor reconversion and programmed retirement of over-55 employees performing heavy work, among other issues. |
| Mapuche Communities | November 2010; Representatives of Mapuche communities and company employees | 16 | 18 | 26 | <ul style="list-style-type: none"> - Develop knowledge of Mapuche culture within ARAUCO forestry companies. - Creation of local consultation and validation mechanisms for Mapuche people. - Promotion of dialogue as principal tool for resolving conflicts with communities. - Fostering process of productive inclusion. |
| Local Development | November 2010; Representatives of leaders of social organizations, academics, representatives of social and rural NGOs and of the Arauco Educational Foundation and company employees | 10 | 14 | 2 | <ul style="list-style-type: none"> - A new approach to local development based primarily on stakeholder engagement was proposed. - The company and stakeholders committed to goals and results that are agreed upon by all. The proposals were reflected in development of the MIDES program. |
| Forests with High Conservation Value | November 2010; Representatives of environmental NGOs, academics, experts in biodiversity, persons familiar with Mapuche culture and company employees | 11 | 4 | 13 | <ul style="list-style-type: none"> - Extensive expert validation of the company property selected as high conservation value forest. - Monitoring. - Participative management. |
| Landscape Scale Planning and Soil and Water Management | April 2011; Academics, ecologists, leaders of social organizations, consultants and company employees | 11 | 16 | 11 | <ul style="list-style-type: none"> - Management of biodiversity. - Increase in research projects. - Leadership in creation of opportunities for dialogue. - Coordination of private and public activities in priority basins/ landscapes, among other issues. |
| Native Forest | June 2011; Academics, NGOs, experts in forest certification and native forest issues, representatives of Mapuche community and from the company | 8 | - | 11 | <ul style="list-style-type: none"> - Determine the area of native forest and scrubland that has been converted to plantation use since 1994. Validate with third-parties the methodology used by the company and the findings of this assessment. |

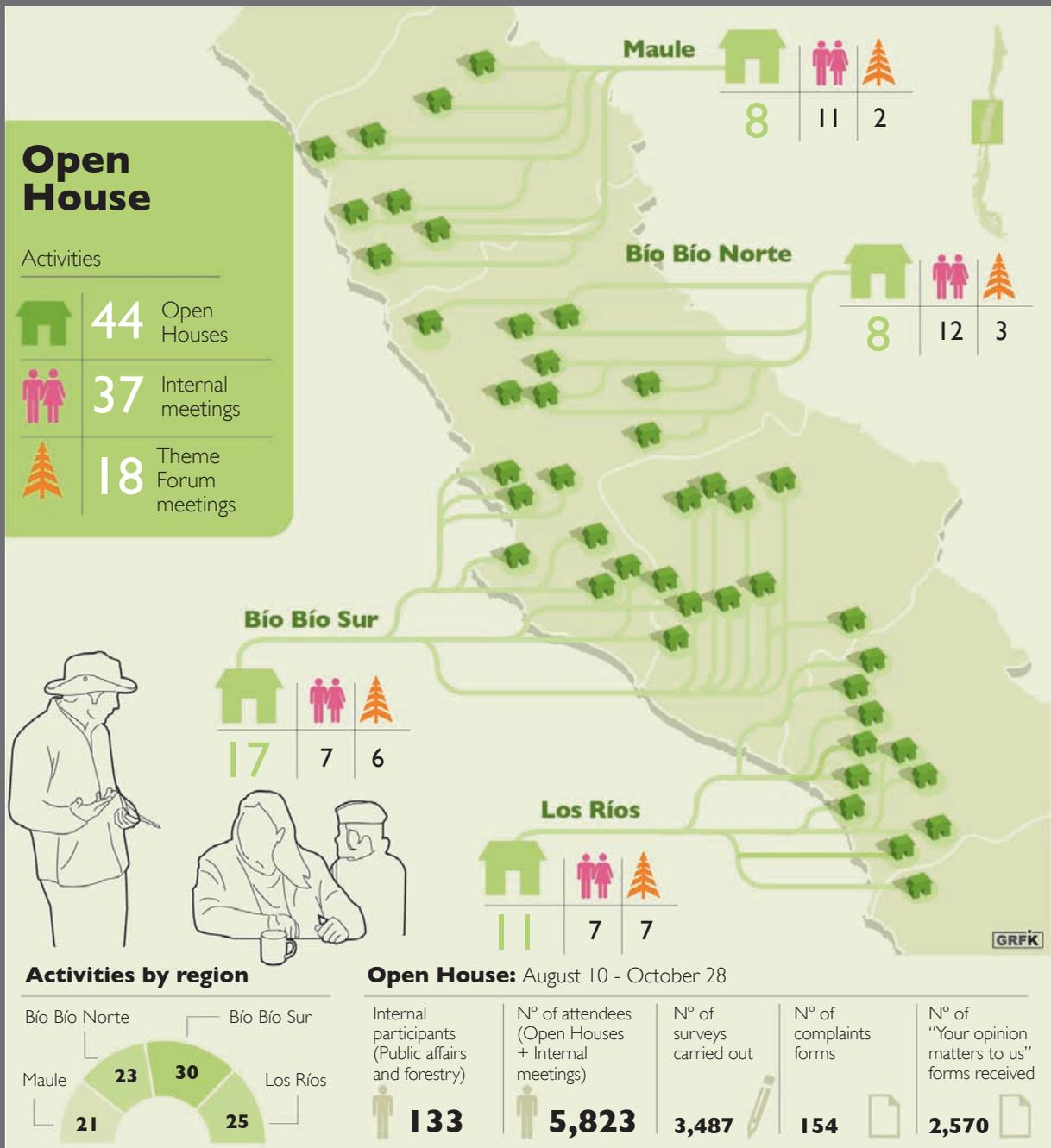
(19) For further information, see www.foroabierto.cl and www.arauco.cl

Open Houses: An Example of Dialogue

Between August and October 2011, ARAUCO organized Open Houses in Chile as a part of the consultation process required in seeking FSC forest management certification. Open Houses²⁰ were held in communes, towns, and villages near the company's industrial and forestry operations, and each was open to the public for two days.

ARAUCO held Open Houses in 44 places between the Maule and Los Lagos Regions, and also organized 36 Internal Meetings with workers in camps, nurseries, and other installations. In total, 5,823 people participated in this form of dialogue.

The resulting information and comments were categorized and aligned with the environmental and social aspects of the company's planned forestry operations, taking into account the impacts perceived by the communities and the commitments made to resolve these issues.



(20) For more information visit www.arauco.cl and www.foroabierto.cl

Commitments to External Initiatives

GRI
4.11
4.12

ARAUCO maintains ongoing relations with academic institutions, NGOs and business and professional associations with which the company seeks to collaborate in a multi-sector network. During 2011, the company strengthened its commitment to these external initiatives.

UN Global Compact

During 2011, ARAUCO ratified its adherence to the UN Global Compact²¹. This initiative requires that companies incorporate ten universal principles that focus on human rights, labor relations, the environment, and combating corruption into their management goals and objectives. As part of its commitment to the UN Global Compact's environmental principle, which is based upon Article 15 of the Rio Declaration, ARAUCO expanded its conservation zones in Chile and Argentina (see pg 108)²².

Santiago Climate Exchange

ARAUCO, along with seven other companies, became a founding partner of SCX²³, the southern hemisphere's first Climate Exchange. Launched in 2011, this exchange seeks to reduce greenhouse gas emissions in Chile and Latin America by establishing a market for trading carbon credits.

Reconstruction of Facilities for the Marine Research of Excellence Program and the Nueva Aldea Complex Marine Environment Monitoring Program

ARAUCO participated in the reconstruction of facilities for two research programs. The original facilities were destroyed by the tsunami which struck in February, 2010. In addition, the company continued its sponsorship of research by these two scientific institutions.

GRI
SO 5

Public Policy Participation

ARAUCO participates in discussions about issues related to its business and all aspects of its Sustainability Strategy. The company also participates in various business associations in Chile, through which it makes its positions known about regulation that could affect its operations and economic performance. These include the Chilean Wood Industry Corporation (CORMA)²⁴ and the Manufacturers' Association (SOFOFA)²⁵.

In Argentina, Alto Paraná actively participates in the Argentine Forestry Association²⁶; the Association of Wood Pulp and Paper Producers²⁷, the Forest Stewardship Council (FSC) and its National Initiative in Argentina, voicing its opinion in the development and implementation of public policies.

Arauco do Brazil makes its positions known through business associations at the national level, including the Association of Forest Plantation Producers (ABRAF)²⁸ and the Brazilian Wood Pulp and Paper Association (Bracelpa)²⁹ and, in the Paraná region, through the Paraná Association of Forestry-Based Companies (APRE).

ARAUCO's Memberships Around the World

(See annex)

| | |
|--------------|-----------------|
| Chile 44 | United States 6 |
| Argentina 24 | Mexico 4 |
| Brazil 18 | Colombia 3 |
| Uruguay 9 | Australia 1 |

GRI
4.13

Memberships

ARAUCO actively participates actively in more than 100 business and social organizations in Chile, Argentina, Brazil, Uruguay, Mexico, the United States, Colombia and Australia. In addition, it has relations with universities, the media, scientific centers, NGOs and local governments.

(21) www.pactglobal.cl / (22) Article 15 of the Rio Declaration refers to the application of the precautionary approach to environmental issues. (23) www.scx.cl / (24) www.corma.cl / (25) www.sofofa.cl / (26) www.afopa.org.ar / (27) www.afcparg.org.ar / (28) www.abraf.com.br / (29) www.bracelpa.org.br

Engagement and Dialogue 2011

Sustainability Report

In 2011, ARAUCO organized Open Houses in 44 towns and villages in Chile through which it held talks with representatives of neighboring communities and workers.



Our People

Training

Performance Management

Work Climate Surveys

Employee Benefits

Operational Excellence
Program

Diversity and Equal
Opportunity

Company-Labor Relations

Layoffs



ARAUCO's training plans are focused on the personal development of employees, and on the development of their technical skills. During 2011, the company provided 205,273 worker-hours of training for its employees in Chile.

Our People

ARAUCO seeks to create conditions that are conducive for its employees' development by fostering a workplace based on respect, high professional standards, and teamwork. To this end, the company focuses its effort primarily on personal and professional development of employees using training programs and a well-known, widely-used formal performance evaluation process

At ARAUCO, the primary goal of human resource management is to promote professional growth and development that is aligned with the company's strategies for globalization, innovation, and growth. During 2011, ARAUCO conducted Work Climate Surveys to identify the company's strengths and opportunities for improvement.

GRI
3.11

The Human Resources function was restructured in 2011 to provide a company-wide perspective in the development of policies and programs. In this new structure, the Corporate Human Resources Manager now reports directly to the President and CEO, with business area human resource managers reporting to the corporate Human Resources department.

As of December 31, 2011, ARAUCO had 9,688 direct employees and had created 25,456 jobs through its contractors. In Chile, the general turnover rate was 9% in 2011. In Argentina and Brazil, the turnover rate was negative since the number of people hired the company exceeded those leaving the company.

Total Workforce

GRI
LA 1

| Category | 2009 | 2010 | 2011 |
|----------------------|---------------|---------------|---------------|
| Company employees | 8,095 | 9,034 | 9,688 |
| Contractors' workers | 26,893 | 26,670 | 25,456 |
| Total | 34,988 | 35,704 | 35,144 |

Company Workforce by Employee Category (as of December 31st)

| | | | |
|----------------------------------|--------------|--------------|--------------|
| Executives | 298 | 302 | 300 |
| Professional and technical staff | 2,606 | 3,086 | 3,478 |
| Workers | 5,191 | 5,646 | 5,910 |
| Total | 8,095 | 9,034 | 9,688 |

Turnover

GRI
LA 2

| Country | Total | Women | Men |
|-----------|-------|-------|-----|
| Chile | 9% | 10% | 9% |
| Argentina | -3% | 2% | -4% |
| Brazil | -2% | 10% | -4% |

Turnover = Attrition minus hires divided by total workforce as of December 31, 2011.

ARAUCO's people are its principal asset.



35,000
Workers

9,688
Direct jobs

25,456
Indirect jobs



Training

GRI
LA 10

ARAUCO provides ongoing worker education and training in order to foster personal growth and develop the skills and knowledge required to address the company's strategic challenges.

During 2011, ARAUCO's conducted 287 training courses and delivered a total of 205,273 worker-hours of training to its employees in Chile.

Training courses for professionals and section heads focused on personal development, while technicians and equipment operators in each of the company's business areas received technical training. Programs implemented in 2011 included English proficiency and effective public presentations for young professionals, a Diploma in Company Management in the wood pulp business, an Effective Relations course in the forestry business, a Diploma in Company Management in the panels business, and a Diploma for Supervisors in the sawmill business. A total of 988 people were trained through these business area programs.

GRI
LA 11

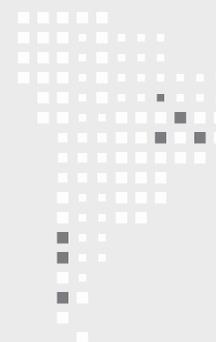
Among the important training initiatives in Chile was the Teno training program, which led to a Diploma in Industrial Operations and Maintenance. This program delivered 1,022 hours of training per participant, and was designed to help prepare people from communities near the new Teno Panel Mill for employment once the plant begins operating. Out of the 180 people who participated in this program, 105 were hired by ARAUCO. In addition, this training program helped improve the overall employability of the people from these neighboring communities.

In Argentina, the principal courses conducted in 2011 focused on a new company-wide process for identifying talent within the organization, and on the design and implementation of development plans to ensure the availability of the trained personnel needed to achieve the company's targets. In addition, the Leaders Training Program, a "middle-management school," was launched. In 2011, 94 managers from all areas of the company participated in the program, which has a 2012 enrollment goal of 138 participants.

Training in Brazil during 2011 focused principally on the Training Plan implemented by the company's Quality, Environment and Safety areas, and on the company's Professional Development Plan, which was established as a result of the 2010 Performance Evaluation of all company's employees. During the year, the Executive Profile Summary was introduced as part of the company's Personnel Development Program. The purpose of this program is to identify strategic positions and create an internal bank of talent. In addition, all of the company managers and assistant managers participated in an executive coaching program. During 2011, the company provided a total of 114,639 hours of training.



| Training Indicators | Chile | Brazil | Argentina |
|--|---------|---------|-----------|
| N° of participants | 2,155 | 1,699 | 132 |
| Executives | 39 | 33 | 32 |
| Professional and Technical Staff | 1,513 | 612 | 79 |
| Workers | 599 | 1,054 | 21 |
| Percentage of Total Workforce Receiving Training | 38% | 83.8% | 5% |
| Worker-Hours of Training | 205,273 | 114,639 | ND |
| Average Effective Hours of Training | 95.43 | 67.47 | ND |
| N° of Technical Courses | 132 | 68 | ND |
| N° of Courses in Soft Skills | 30 | - | ND |
| N° of General Training Courses | 125 | 353 | ND |
| N° of Courses (Total) | 287 | 421 | ND |



708 training courses in Chile and Brazil.

Performance Management

GRI
LA 12

In Chile, ARAUCO utilizes a three-step Performance Management process to enhance employee development and align employees' skills with the company's strategic objectives. This process consists of a self-evaluation by the employee, an evaluation by his or her immediate supervisor, and a review by an evaluation committee. In 2011, 1,339 employees participated in this process.

In Argentina, 880 employees (51.2% of the workforce) received Performance Evaluations. In addition, each of the company's managers and assistant managers received a "360° Evaluation", through which they are reviewed by both their peers and direct reports.

In Brazil, all workers participated in the Performance Evaluation process, and each manager and assistant manager received a "360° Evaluation



Performance evaluations and Work Climate Surveys identify opportunities for improvement.

ARAUCO's Use of Performance Evaluations in 2011

| Country | Employees Evaluated in 2011 | | % of Total Workforce |
|-----------|-----------------------------|-------|----------------------|
| | Women | Men | |
| Chile | 310 | 1,029 | 24.1 |
| Argentina | 163 | 717 | 51.2 |
| Brazil | 157 | 1,588 | 100 |

Work Climate Survey

One of ARAUCO's commitments is to create conditions that are conducive to its employees' development by fostering a workplace based on respect, honesty, high professional standards and teamwork. During 2011, the company conducted Work Climate Surveys in Chile, Argentina and Brazil.

In Chile, 4,732 people (85% of the workforce) participated in the survey. Results revealed that that "workplace environment" and "safety and occupational health" were the highest-rated survey categories, each with an 83% approval. "Company effectiveness", "individual effectiveness", and "commitment" all had approval ratings above 56%. However, the approval rate in all categories was lower than in the company's 2008 survey, with the overall approval rating down by 13 points.

105 people were hired by the company through its Teno Training Program.

The company held a number of discussion and feedback sessions to help members of its workforce better understand the results of the survey. Survey findings were presented at ten large-group meetings that were led by ARAUCO's President and CEO. A total of 2,310 people attended these meetings. The company also conducted 85 focus group sessions to provide the opportunity for discussion of the survey results. A total of 1,236 people participated in these sessions.

The company developed action plans, based on the results of the survey and focus-group input, to address the particular needs of each business area and corporate goals. Action plans included developing a mechanism to link performance management to compensation policy, defining an integrated training system for different position levels, implementing a corporate recognition program, designing a new internal communications system, and developing measures to strengthen company culture.

In Argentina, 1,143 employees (or 67% of the workforce) responded to the Work Climate Survey. The results were presented to all areas. In the fourth quarter of 2011, the company conducted 11 workshops with management teams to draw up improvement plans. In 2012, the company will implement these action plans to narrow the gaps identified.

In Brazil, the Work Climate Survey was conducted in November 2011. Results were still being processed at the time of this report.

GRI
LA 3

Employee Benefits

The company's full-time workers receive different benefit packages depending on the country in which they work and their level of responsibility.

a) Meals

In Chile, workers with both "at-will" and fixed-term contracts are provided meals in the company's canteens or cash food allowances. Similarly, in Argentina and Brazil, meals are provided by the company.

b) Healthcare and Life Insurance

In 2011, ARAUCO offered its workers in Chile free influenza vaccinations. Some 72% of its workers participated in the voluntary program. The company also offers free life insurance, as well as two insurance policies to which workers must contribute. In Brazil, an influenza vaccination program was implemented in all company units, medical check-up programs were updated, and a special health plan was designed for company executives.

c) Academic Scholarships

In 2011, ARAUCO awarded 73 Academic Excellence Scholarships to children of its workers in Chile, helping them pursue higher education. A total of 144 worker families now receive this benefit.

Operational Excellence Program

The company's Operational Excellence Program, which helps promote a culture of innovation and encourages workers to propose solutions to improve efficiency and the workplace³⁰ was expanded to Argentina and Chile during 2012.

⁽³⁰⁾ The Operational Excellence Program is described in detail in the 2010 Sustainability Report.

In Argentina, 315 ideas were proposed, resulting in the implementation of 39 successful projects. In Brazil, one improvement project was completed, 21 additional projects were being implemented, and 12 projects were in the development stage.

Operational Excellence Program, 2011

| Business Area | Ideas Presented | Successful Projects | N° of People Trained, 2011 | N° of People Trained Since Launch of Program |
|----------------|-----------------|---------------------|----------------------------|--|
| Forestry | 1,686 | 25 | 2,835 | 3,259 |
| Wood Pulp (*) | 86 | 32 | 20 | 1,660 |
| Panels (**) | 1,117 | 94 | 1,037 | 5,499 |
| Sawmills (***) | 402 | 188 | 2,947 | 4,609 |
| Total | 3,291 | 339 | 6,839 | 15,027 |

(*) To November of each year.

(**) Consolidated for Chile, Argentina and Brazil.

(***) Consolidated for Chile and Argentina.

Diversity and Equal Opportunity

GRI
LA 13
LA 14

Members of ARAUCO's Board of Directors are selected on the basis of their ability to fulfill the required responsibilities and functions. Diversity, with respect to such factors gender, age or ethnic group, is not taken into account.

In ARAUCO, 89.9% of the company's total workforce are male. In all three countries where the company operates, compensation is determined by responsibility, position, and function without regard to gender.

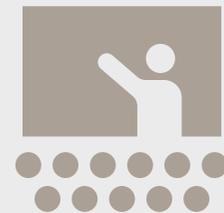
Gender Diversity by Employee Category

| | 2010 | | 2011 | |
|----------------------------------|------------|--------------|------------|--------------|
| | Women | Men | Women | Men |
| CHILE | | | | |
| Executives | 14 | 171 | 18 | 182 |
| Professional and Technical Staff | 302 | 1,177 | 333 | 1,285 |
| Workers | 321 | 3,219 | 360 | 3,538 |
| Total Chile | 637 | 4,567 | 711 | 5,005 |
| ARGENTINA | | | | |
| Executives | 17 | 194 | 24 | 194 |
| Professional and Technical Staff | 132 | 551 | 136 | 473 |
| Workers | 18 | 857 | 10 | 883 |
| Total Argentina | 167 | 1,602 | 170 | 1,550 |
| BRAZIL | | | | |
| Executives | 0 | 33 | 1 | 32 |
| Professional and Technical Staff | 103 | 459 | 122 | 487 |
| Workers | 35 | 1,168 | 30 | 1,143 |
| Total Brazil | 138 | 1,660 | 153 | 1,662 |

85 dialogue and feedback sessions were held with workers in Chile.

3,299
Ideas

3,299 ideas for operational improvements.



15,000 people were trained in Operational Excellence.

The company's full-time workers receive a range of benefits, including:

- **Meal service.**
- **Healthcare and Life Insurance.**
- **Academic Scholarships.**

Maternity Leave

During 2011, the Chilean government enacted Law N° 20.545³¹, modifying regulations on maternity leave and providing for parental postnatal leave. Four female ARAUCO employees took advantage of this benefit, which became effective at the end of the year, and all remain with the company.

Under Argentine law, women are entitled to 45 days of prenatal leave and 45 days of postnatal leave. In 2011, 15 ARAUCO employees exercised this right, and 13 subsequently returned to positions they held prior to taking leave.

In Brazil, women are entitled to 120 days of leave and men to five days. In 2011, ten women and 83 men exercised this right, all of whom subsequently returned to work.

Company-Labor Relations

In Chile, 58% of ARAUCO's workers are covered by collective bargaining agreements, in Argentina, 49% (843 workers), and in Brazil, 100%.

In all three countries, the relationship that the company has established with its unions is based on dialogue and regular meetings. In Chile, as in Argentina and Brazil, ARAUCO respects its employees' right to freedom of association.

| Country | Percentage of Workers Covered by Collective Bargaining Agreements |
|-----------|---|
| Chile | 58% |
| Argentina | 49% |
| Brazil | 100% |

Question from the Community ³²

“What do you plan to do to guard against anti-union practices by contractors?”

“We work on a regular basis with various organizations related to forestry labor. We listen, and we work to help prevent practices that infringe upon workers' rights. To this end, we are developing a number of measures to help contractors meet this challenge.

One example is the publication and distribution of a compendium of workers' duties and rights which highlights, among other points, the right to freedom of association. We also provide a simple and easy to understand multimedia presentation for new hires. The availability of toll-free telephone hotline numbers at all of our facilities makes it easier and faster for workers and the community to register complaints which can then be investigated by ARAUCO”.

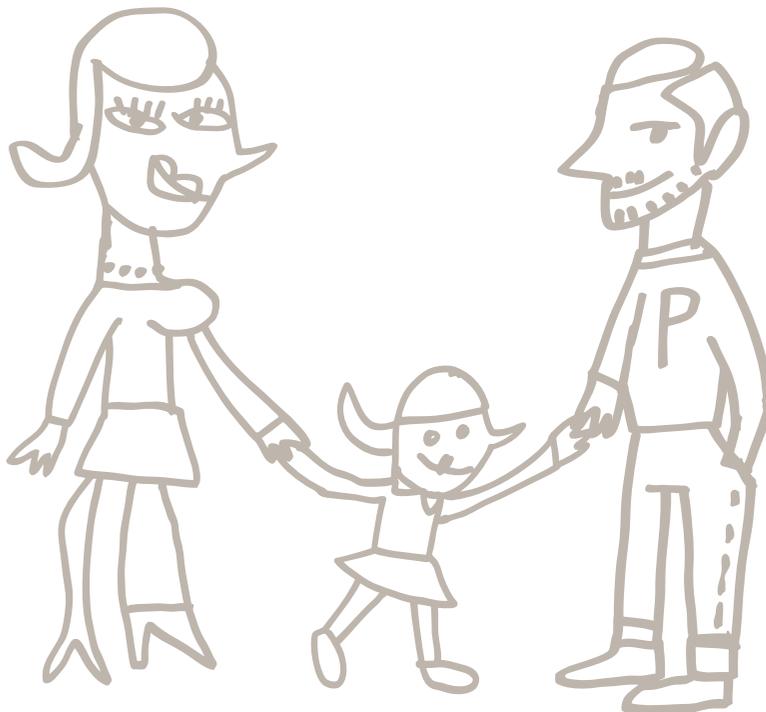
(31) Law 20.545 extended postnatal leave for women employees from 84 days to six months and allows them to transfer part of this leave benefit to the father. All women are free to choose between 12 weeks' full-time leave with 100% of the corresponding benefit (with an upper limit of 66 unidades de fomento) or 18 weeks' half-time leave with 50% of the benefit.

(32) See FAQ on www.arauco.cl

Layoffs

GRI
LA 5

The company provides special supplementary payment to furloughed workers when an operation is closed down. During 2011, the closure of the particleboard plant in Curitiba, Brazil, resulted in the layoff of 80 workers. Workers with up to four years of service received a one-time payment, while those with more than four years of service received an additional 25% per year of service, a six-month extension of medical and dental coverage, and reimbursement of expenditures for medicine.



58% of ARAUCO's workers in Chile are covered by collective bargaining agreements.



ARAUCO respects its employees' right to freedom of association.

The 800 telephone hotline makes it easier for workers and the community to ask questions or communicate concerns to company.

Our People 2011

Sustainability Report

During 2011, training courses for professionals and section heads focused on personal development, while technicians and equipment operators in each of the company's business areas received technical training.



In 2011, 390 people from the company's forestry business in Chile were trained in a program entitled, "The Management of Effective Relations", which was offered for the first time this year. This program is designed to foster effective communications practices, strategies, and skills and to encourage feedback and the management of differences and conflicts by developing relationships among company personnel, workers, contractors, and the community.





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únicamente de
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Tecnologías amigas del medioambiente
Innovación sostenible
AHORRO energía
DISEÑO EMOCIONAL
ARAUCO ♥ FUTURO

arquitectura tecnológicamente
avanzada respetuosa con el entorno
y con el medioambiente
DISEÑOS AMABLES
PENSADORES
INNOVADORES

Belleza

CO2

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productivas en
con sistemas cer
minimo impacto

con el Planeta
FUTURO CONTEMPORARY DESIGN
RESPONSABLE CALIDAD de vida
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RESPECTO POR EL MEDIO AMBIENTE
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VALOR AMBIENTAL



Respetamos el Planeta
ZONAS
que destacan por su
BIODIVERSIDAD
374.000 hectáreas de BOSQUES NATI

BIOMASA
Respetamos a las generaciones futuras

AREAS DE ALTO
VALOR AMBIENTAL
Respetamos a las generaciones futuras

BIODIVERSIDAD

RESPONSABILIDAD AMBIENTAL

herramientas
comunes
CASAS fácilmente
Ampliables
CASAS CONFORTABLES

seguridad

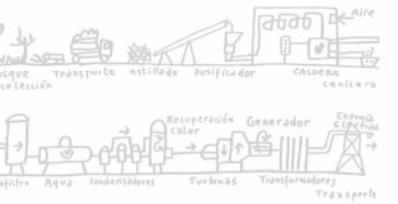
SOLUCIONES SOSTENIBLES

SOLUCIONES SOSTENIBLES

Belleza

EDUCACION

MÁS construcción en MADERA + MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO - MENOS CO2 EN LA ATMOSFERA - REDUCCIÓN DEL CAMBIO CLIMÁTICO



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CELULOSA SOSTENIBLE
PRINCIPAL PRODUCTOR DE CHILE Y UNDE
LOS MÁS IMPORTANTES DEL MUNDO.

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ALTO VALOR AMBIENTAL
DURABILIDAD
COGENERACION
CON BIOMASA
ARAUCO ♥ PLANET

LA MADERA



material NOBLE
LA MADERA

BOSQUE NATIVO
PROTEGIDO
CONSERVADO
AUTOABASTECIDO

EFICIENTE
en la construcción

ARBOLES

INVESTIGAR Laboratorio
Construir en madera tiene un impacto positivo en el
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global

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MADERA
Fáciles de
trabajar
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comunes
CASAS fácilmente
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CASAS CONFORTABLES

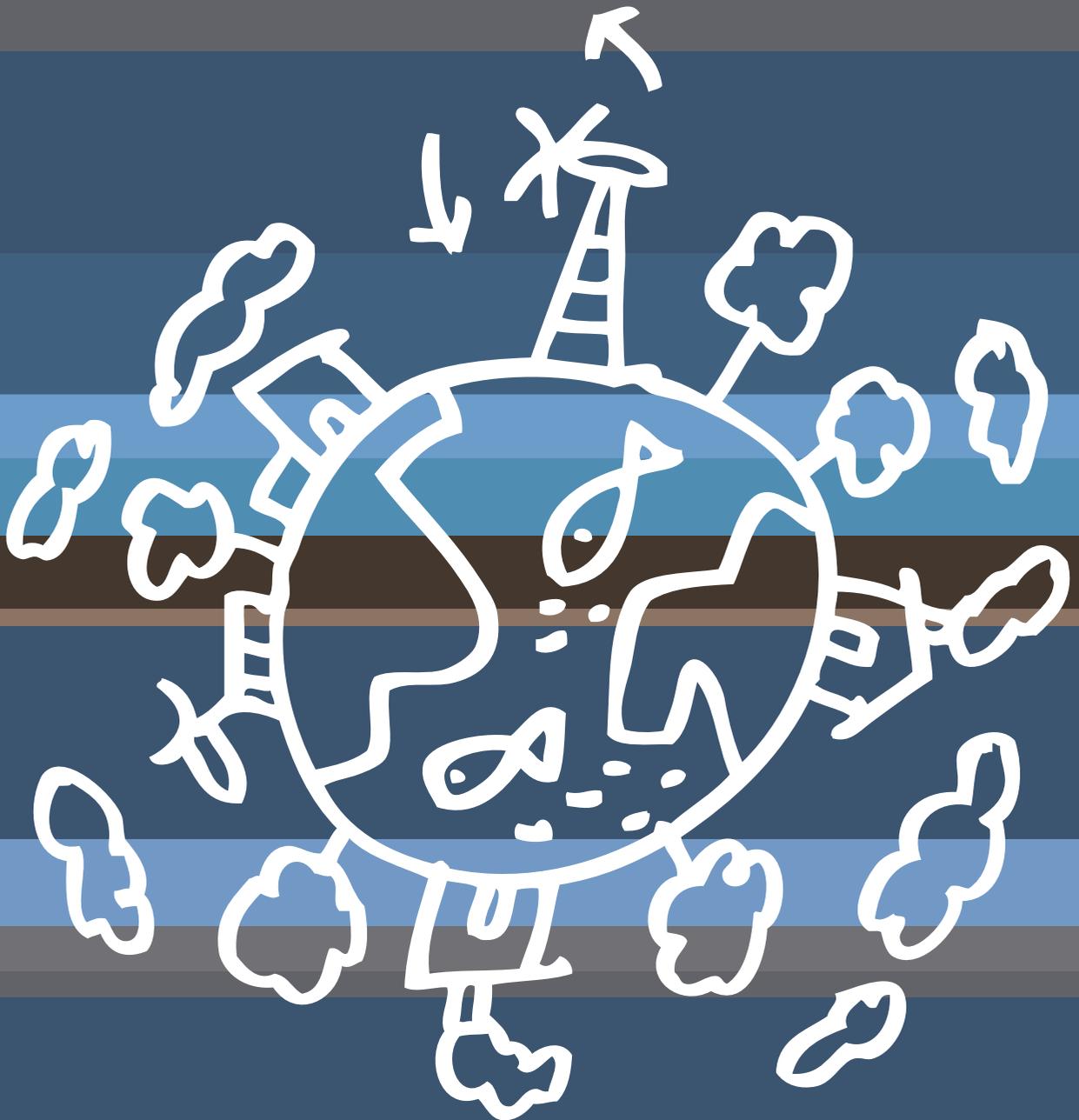
Safety and Occupational Health

Consolidated Performance

Occupational Health

Joint Management-Worker Committees

Programs for Contractors



ARAUCO's principal safety indicators for 2011 showed improvement over the previous year. In particular, the Lost Time Accident Frequency Rate was 25% lower than in 2010.

Safety and Occupational Health

The improvement in the company's safety indicators reflected the systemization of its procedures, the implementation of standards, and ongoing training toward achieving the goal of zero lost-time accidents.

GRI
LA 7

The company's Environment, Quality, Safety and Occupational Health Policy (abbreviated MASSO in Spanish) highlights the importance of maintaining accident-free work environments, ensuring conditions that do not result in occupational illness, and guaranteeing that workers have the tools, safety equipment, and training needed to carry out their tasks properly.

This policy is implemented on a daily basis under the company's Corporate Operational Standards, Corporate Management Standards, the best practices for forestry and industrial operations, and management systems used in each of ARAUCO's business areas. These standards and practices apply not only to ARAUCO's own workers but also, where relevant, to those of contractors. Although all of the company's workers are responsible for daily safety management, the Corporate Environment, Safety and Occupational Health area is responsible for implementing the policies and measures required to maintain safety standards.

The success of the company's ongoing efforts in this field is reflected in the drop in the frequency and severity of lost-time accidents. However, the target of zero fatal accidents was not met in 2011. The company is strengthening its efforts to prevent this type of accident.

Consolidated Performance

ARAUCO's principal safety indicators for 2011 showed improvement over the previous year. The Lost-Time Accident Frequency Rate³³ for 2011 was 4.1, 25% below that of 2010. Similarly, the number of lost-time accidents dropped by 19%.

Milestones 2011

GRI
LA 8

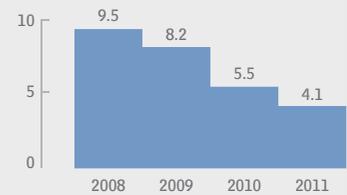
Chile

Preparation of job profile description for Risk Prevention Advisors. ARAUCO, with support from Fundación Chile³⁴, defined the technical and behavioral skills required for this position and developed a job-performance standard. A technical and behavioral training program was designed and initiated in October. This training program will run for a full year. The risk prevention advisors of contractors to ARAUCO's forestry business were included in this program.

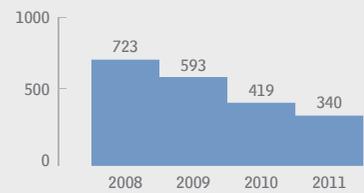
Training in Corporate Operational Standards. Seven training courses on the company's Corporate Operational Standards were conducted. A total of 491 people received 7,856 worker-hours of training in this area.

ARAUCO strengthened its policies and practices as part of its effort to achieve zero lost-time accidents.

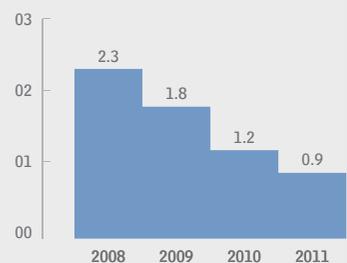
Last Time Frequency Rate



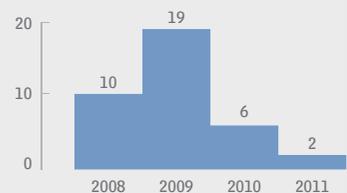
N° of Lost Time Workplace Accidents



Accident Rate



N° of Fatal Cases*



(*) In 2009, an helicopter operated by a third party suffered an accident in the Maule Region of Chile, while combating a forest fire. The pilot and 12 fire fighters were killed.

(33) The Lost Time Accident Frequency Rate is the number of lost-time accidents per million worker-hours.
(34) www.fundacionchile.com

Training for auditors in Management Standards. ARAUCO trained 140 auditors from all areas of the company in the Environment, Safety and Occupational Health (MASSO) management standards in order to equip them with the tools needed to conduct audits properly. A total of 2,240 worker-hours of training was provided.

Argentina

MASSO Management Standards. Implementation of the MASSO Management Standards is a priority to ensure better preventive practices in every operation. Individuals with responsibility for implementation of each of the MASSO Corporate Performance Standards attended informational and training workshops on auditing. Simultaneously, the first follow-up audit of the implementation of these Standards in each involved area was conducted.

In addition, training on Corporate Operational Standards was completed in all of the company's plants and forest management units in Argentina.

Brazil

Training of maintenance operators and technicians. These courses focused principally on topics such as first-aid (5,881 worker-hours of training) and regulatory norms (7,244 worker-hours of courses). All plant employees participated in general health and safety courses and first-aid workshops. Information also was provided about the Health, Safety, Environment and Quality Education Program, for which 2,787 worker-hours of training was provided.

Information campaigns and training courses for workers. These courses addressed safety prevention and self-care topics. The Florestal Arapoti and Forest Brazil companies also included the families of workers and members of communities in some of these training-related activities.

Occupational Health

During 2011, six cases of occupational illnesses were diagnosed, an 84% reduction from the level reported in 2010. This drop reflects the education and self-care programs implemented by operational units. During the year, noise-protection training was provided in Constitución (Chile). In addition, the company's Epidemiological Program for hearing damage was launched, and each field worker's hearing was tested.

In Chile, Bioforest implemented an ergonomic campaign known as "3Ps for Your Health" – referring to problems, prevention and procedures – and installed posters at work stations to reinforce beneficial work habits.

In Argentina, a major step toward enhancing the level of healthcare services provided in each the company's units was taken with the consolidation of provider services under a single contract. In doing so, ARAUCO ensured access to uniform, higher-quality healthcare service for all of its employees and contract workers.



In Brazil, principal health-and-safety activities in 2011 included: an update of medical check-up programs; implementation of an Influenza Vaccination Program and health campaigns in all the company's operations; an audit of the medical plan and emergency plan; a review of the health-service contracts for ARAUCO contractors; and the implementation of a Rehydration Program for forestry operations.

GRI
LA 6

Joint Management-Worker Committees

ARAUCO has joint management-worker health and safety committees in all of the countries in which it operates. The function of these committees is to identify, evaluate, and prevent safety and occupational health risks in the company's operations³⁵.

During 2011, extended meetings were held with the health and safety committees of contractors to the forestry business in Chile to explain member responsibilities and the functioning of these committees.

Programs for Contractors

Each of the company's business areas evaluates and implements measures to help contractors and their workers comply with safety and occupational health standards. In Chile, one of the key activities in this area is the Competitive Company Program (PEC), developed by the company's wood pulp business. The PEC supports contractors' safety and occupational health management systems and, in turn, is underwritten by Mutual de Seguridad, a workplace health and safety insurance company. The PEC involves 166 companies that provide services to ARAUCO's pulp mills in Chile.

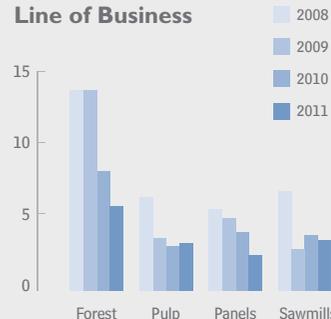
This program was strengthened and expanded during 2011 through diagnostic audits and the certification of participating companies. In addition, a plan for ongoing support was developed to guide companies towards compliance with ARAUCO's Safety and Occupational Health Standards.

In Argentina, Contractors' employees are included along with company workers in all training activities, health campaigns and the monitoring of MASSO performance indicators.

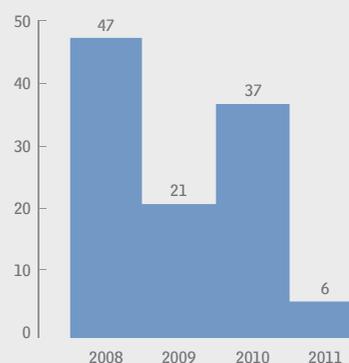
In Brazil, workers hired by contractors participate in the same health and safety programs as company workers. The most important achievement for operations in Brazil during 2011 was the absence of a single fatal accident. For 2012, the challenge is to improve the health and safety performance of short-term contractors.

ARAUCO takes a preventive approach to safety.

Frequency Rate by Line of Business



N° of Occupational Illnesses



Rates include the company's industrial and forestry operations in Chile, Argentina and Brazil as well as Bioforest, Arauco Distribución and the Engineering and construction area. In 2011, workers at the company's administrative offices in Chile, Argentina and Brazil were also included.

Workforce Representation on Health & Safety Committees

| Country | % |
|------------------------|-------|
| Chile ¹ | 100% |
| Argentina ² | 91.0% |
| Brazil ³ | 100% |

- (1) Joint committees and working groups in production facilities and forest operations; includes representation by ARAUCO employees and workers hired by contractors.
- (2) Safety committees in production facilities and forest operations; includes representation by ARAUCO employees and workers hired by contractors.
- (3) Includes representation by ARAUCO employees only.

(35) In Chile and Brazil, the creation and operation of these committees is regulated by law. In Argentina, these committees are not required by law and their creation is voluntary.

Safety and Occupational Health 2011

Sustainability Report



ARAUCO takes a preventive approach to safety.





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eficiente energéticamente
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Protegido
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PLANTAS DE COGENERACIÓN
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herramientas
comunes
CASAS fácilmente
Ampliables
CASAS CONFORTABLES

CO2
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CONTRIBUIMOS
EDUCACIÓN
Y acceso a la CULTURA
de nuestras comunidades
vecinas

SOLUCIONES SOSTENIBLES
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el Planeta

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RAPIDEZ DE CONSTRUCCIÓN

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LIVIANAS
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CASAS SEGURAS
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DURABILIDAD
COGENERACIÓN
CON BIOMASA
ARAUCO ♥ PLANET

BOQUES NATIVOS
CIRCULO VIRTUOSO
plantación
Cosecha
Comercialización
Industrialización

ALTO
VALOR
AMBIENTAL

LA MADERA
material
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BOSQUE NATIVO
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ARAUCO ♥

Neighbors and Community

Community Programs
in Chile

Community Programs
in Argentina

Community Programs
in Brazil

Indirect Economic
Impacts



The mission of the ARAUCO Educational Foundation, established in 1989, is to support municipal education and access to the arts and, in so doing, provide children and young adults with greater opportunities for success in the future. The Foundation assists and trains teachers at municipal schools in the Maule, Bío-Bío and Los Ríos Regions.

Neighbors and Community

ARAUCO seeks to build trust and ongoing, mutually beneficial relationships with all interested stakeholders in order to create sustainable, long-term value.

ARAUCO's sustainability strategy is anchored in the belief that a responsible company must not only create value for its shareholders, but for its workers, neighboring communities, and the environment as well.

During the second half of 2010, ARAUCO launched a new initiative, the Integrated Sustainable Development Model (MIDES). The goals of the initiative are to build trust and strengthen the company's long-term relationships with the communities near its operations, to foster the sustainable use of resources, and to maintain an ongoing dialogue with all the various sectors of society.

In 2011, ARAUCO invested US\$ 10.2 million in community programs, principally in Chile.

This chapter describes the company's work with neighboring communities in Chile, Argentina, and Brazil, highlighting the most important programs in each country.

Community Programs in Chile

GRI
SO 1
SO 9
SO 10

During 2011, ARAUCO's Integrated Sustainable Development Model (MIDES)³⁶ took root company-wide, as a result of company's emphasis on its implementation in Argentina and Brazil, as well as in Chile. In order to evaluate each of the existing programs in Brazil and Argentina, it was first necessary to define a methodology for measuring impact. This proved particularly challenging, as programs in these countries had no parallel in Chile, and, therefore, there was no measurement standard that could be drawn upon.

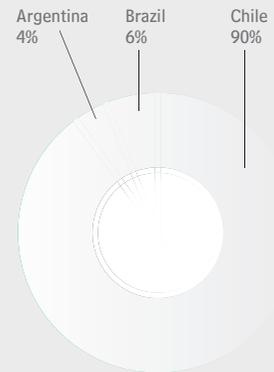
MIDES initiatives fall into three categories: Involvement Programs, Social Investment Programs and Territorial Plans. Each type of initiative furthers the MIDES goal of creating and maintaining long-term, mutually beneficial relationships with a range of stakeholders.



(36) For further information, see www.arauco.cl

ARAUCO's Investment in the Community, 2011

(% of total = US\$ 10.2 million)



US\$ 10.2
million

ARAUCO invested US\$ 10.2 million in community programs.

ARAUCO uses its MIDES structure to manage programs that benefit communities.

Initiatives under MIDES focus on:

- **Social Investment Programs.**
- **Engagement Programs.**
- **Territorial Plans.**

Integrated Sustainable Development Model MIDES in Chile

| Investment Programs | Engagement Programs | Territorial Plans |
|---|---|--|
| These programs seek to create social value in nearby communities through projects that create lasting benefits and facilitate access to a better quality of life. | These programs provide vehicles for dialogue and open communication, and are intended to build ongoing relationships between the company and various stakeholders | These plans are on-the-ground investment Programs that are based on local participation, and which focus on a defined geographic area. |
| Milestones in 2011 | Milestones in 2011 | Milestones in 2011 |
| Programs for Supply Chain Development. | Forestry Operations Consultation. | PRES-Constitución |
| Programs for Fostering Local Employment. | United-by-Sports Program. | |
| Support for Education and the Arts. | Launch of Social Investment Funds. | |
| ARAUCO Housing Program. | Outreach Programs. | ARAUCO Plan |
| Relations with Mapuche Communities. | Volunteer Activities. | |
| Programs for Native Forests and Areas of High Conservation Value. | Hybrid Forums. | |
| Product Compatibility and Diversification. | | |

MIDES projects include sports activities, housing programs, social investment funds, volunteer activities, programs to strengthen relations with Mapuche communities, and other initiatives. This chapter focuses on initiatives in three program areas of particular importance to the company, either because of the number of people who benefitted from these initiatives, or because the initiatives represent a new way of working with communities.

I. Support for Education and the Arts

For more than two decades, ARAUCO has implemented projects that seek to improve educational quality and access in communities near its operations through the Arauco Educational Foundation³⁷, through the operation of private schools financed by the company, and through support for specific cultural initiatives.

a) Arauco Educational Foundation

Arauco Educational Foundation was established in 1989. Its mission is to support municipal education and access to the culture and, in so doing, provide children and young adults with greater opportunities for success in the future. The Foundation assists teachers at municipal schools in the Maule, Bío-Bío and Los Ríos Regions, and strengthens their capabilities through the design and evaluation of in-service training programs. Since its creation, the Foundation has developed programs in 33 municipal districts in the three regions, benefitting 557 schools, 4,750 teachers, and the more than 85,740 taught by these instructors.

During 2011, the Arauco Educational Foundation implemented the following programs:

- Interactive Program for the Development of Rural Primary Education.
- Young People's and Children's Orchestra Programs.

(37) For further information, see www.fundacionarauco.cl

- Program of Support for Cross-cutting Objectives in Education.
- Self-Esteem and Strengthening of Teaching Teams Program.
- Early Reading and Writing Program.
- “Roots,” a Mathematics Program.
- “Arauco Reads”, a Provincial Reading Stimulation Program.

The Foundation continually evaluates the effectiveness of its programs. During 2011, it evaluated the Early Reading and Writing Program (LET) and found that 86% of the children in the program had attained the expected reading level, compared to 64% in 2008 when the program was launched. This 22% increase is considered statistically significant.

The Scope of Arauco Educational Foundation Activities

| Region | Municipal Districts | Schools | Teachers | Pupils |
|--------------------------|---------------------|------------|--------------|---------------|
| Maule | 4 | 55 | 277 | 3,693 |
| Bío-Bío | 7 | 130 | 826 | 11,192 |
| Los Ríos | 4 | 61 | 364 | 4,838 |
| Total 2011 | 15 | 246 | 1,467 | 19,723 |
| Total (1989-2011) | 33 | 557 | 4,750 | 85,740 |

b) Schools

ARAUCO finances and operates the Arauco, Constitución and Cholguán schools which serve pupils from early childhood through the age of 18. Based upon student test scores in both the national Education Quality Measurement System (SIMCE) and the National University Entrance Exam (PSU)³⁸, these are among Chile’s best-performing schools.

Results in the National University Entrance Exam (PSU), 2010-2011

| School | Average Score in PSU | Highlights |
|--------------|----------------------|---|
| Arauco | 673 points | Second best school in the Bío-Bío Region and one of the ten best countrywide. |
| Cholguán | 638 points | Third highest score among privately-run state-subsidized schools in the Bío-Bío Region and among the ten highest countrywide. |
| Constitución | 603 points | |

c) Promotion of the Arts

As a complement to the Foundation’s work, ARAUCO also invests in programs to increase access to the arts. During 2011, these projects included:

| Geographic Area | Project |
|-------------------------|---|
| Maule | - Strengthening and support of the Talca Young People’s Orchestra. |
| Arauco | - Reading stimulation in the Arauco Province. - Strengthening of the Curanilahue Young People’s Orchestra. - Study of cultural needs and expectations of the Arauco Province. - Agreement with the Arauco Ayekafe Orchestra. |
| Mehuín, Los Ríos Region | Installation of 15 computers and a high-speed satellite internet connection in the computer center; training programs in digital literacy, Web 2.0, and Microsoft Office for community leaders, entrepreneurs, Mapuche leaders, and young people from the area. |



Since its inception, Arauco Educational Foundation has helped **4,000 teachers and their 85,000 students.**

In 2011, the Arauco Educational Foundation published:

- “Final Report on the Interactive Program for the Development of Primary Education”.
- A study of educational and cultural perceptions, needs, and expectations in Teno. This study was conducted in conjunction with the University of Chile’s Center for Advanced Research in Education.
- A study of the cultural benefits of participation in the Curanilahue Orchestra.

Strategic Alliances

In 2011, the Arauco Educational Foundation formed strategic partnerships with “Red de Escuelas Líderes” and “Elige Educar” programs.

(38) The results are available on www.simce.cl and www.demre.cl



Some of the cultural initiatives implemented in 2011 were launched in response to the impact of the February 2010 earthquake and tsunami. The goal of these initiatives was to help mitigate the effects of these events on the locality, and on the company itself, as a business which is part of the community.

Presentation of the Mauchos³⁹ documentary. This documentary, directed by Ricardo Larraín and Sebastián Moreno, is set in Constitución and describes how the inhabitants of the Maule basin have rebuilt their homes, streets, schools and lives after the earthquake and tsunami. Since a large number of ARAUCO employees were affected by this disaster, company workers, and their families were invited to the premiere, along with various regional authorities. The documentary also was shown to more than 3,000 people in different parts of Chile.

Launch of the book, Nuestro Terremoto (Our Earthquake). Written by Alfredo Sepúlveda through an alliance between the Alberto Hurtado University and the Ediciones B publishing house, *Nuestro Terremoto* is a testimony to the unity, commitment, and solidarity shown by ARAUCO's workers in dealing with the February 2010 earthquake and tsunami.

Patrick Steeger, visual artist. As part of its permanent support for the arts and culture, ARAUCO underwrites the work of Patrick Steeger, who produces sculpture using the company's products as his main material. Mr. Steeger holds an art degree from the Catholic University of Chile, and studied Public Sculpture at the Escola Massana in Barcelona.

2. Housing Programs

ARAUCO promotes access to housing among its own workers, those of contractors, and vulnerable families in areas near its operations by managing land for housing development and by providing technical assistance for applicants for state housing subsidies.

In order to support and manage this work efficiently, ARAUCO has established an internal department led by a housing expert who reports to the company's Corporate Social Responsibility area. Together with two social-assistance professionals, this department is responsible for coordinating housing projects and for liaison with Elemental, the architecture firm hired by ARAUCO to develop social housing⁴⁰. A third professional will be hired to conduct technical inspections.

During 2011, eight consultations, using the Hybrid Forum protocol, were held to coordinate individual projects with the community. A total of 200 people attended the sessions, seven of which were held in Constitución, with one in Arauco. In addition, an Assemblies and Participative Workshops program was launched and a technical preparation plan was developed to train and support program beneficiaries in expanding and finishing their homes according to their needs and resources.

Worker Housing Plan

In Chile, ARAUCO has established a Worker Housing Plan (PVT) with a goal of providing 9,000 homes for company and contractors' workers and their families between 2012 and 2016. The plan calls for the construction, in 30 municipal districts, of 6,000 homes with a value of US\$ 25,367 and 3,000 homes with a value of at least US\$ 46,123. An average of 2,250 houses are planned for construction each year in housing complexes that comply with livability standards set by ARAUCO.

(39) The inhabitants of the Maule Region are known as Mauchos.

(40) Elemental has experience in the construction of social housing and, in 2011, received the Holcim prize for sustainable construction for its role in the PRES Constitución Program (www.holcim.com).

During 2011, the PVT was presented to workers in all of the target areas (Maule, Bío-Bío Norte, Bío-Bío Sur and Los Ríos). The company designated sections of land to be used in meeting program demand in each area. A centralized land information system was established, and topographic studies conducted on land suitable for building showed that there is sufficient land for 75% of the planned demand. At present, 1,057 houses are being built in the Constitución, Curanilahue, and San José de la Mariquina municipal districts.

ARAUCO also launched a Carpenter Training School during 2011, to provide additional support for its housing projects. This initiative seeks to create local jobs through the construction of worker housing complexes, and promotes the use of wood as a sustainable building material. By the end of 2011, 80 people had been trained in carpentry. ICAFAL, the construction company contracted to build ARAUCO's worker houses plans to train an additional 600 individuals.

Collaboration Agreement with Un Techo para Chile (A Roof for Chile): Arauco Province without Tent Cities

During 2010, ARAUCO and the Un Techo para Chile Foundation⁽⁴¹⁾ developed a program to provide affordable housing for families who were living in tent cities in Arauco Province. A number of social housing complexes are to be constructed through this program. During 2011, the first foundations were poured in the El Esfuerzo Unido complex, which will provide homes for 135 families, the Las Golondrinas complex (69 families), and the Un Sueño para Vivir complex (64 families).

ARAUCO Land Earmarked for Housing

Under the provisions of partnerships established with municipal governments in the areas in which it operates, ARAUCO set aside company land for use in housing projects. The company has signed a partnership agreement with the Lota municipal district, and two separate agreements with the Curanilahue municipal district.

3. Social Investment Funds

In 2011, ARAUCO implemented its first social investment funding program. Communities can apply for funds to finance infrastructure and needed equipment. The funds are available to all social organizations in the municipal districts in the company's defined areas of interest.

Applications for funding are evaluated by a jury consisting of individuals from inside and outside the company. Proposed projects are reviewed according to a set of award criteria that includes: participation in implementation by the organization presenting the project; verification that the project reflects a real community need; and third-party participation in the project. During 2011, 143 projects were proposed, and 36 were awarded funding.

ARAUCO's Worker Housing program has plans to build a total of:



9,000 homes
between 2012
and 2016

A Carpenters Training School was launched in 2011 as part of ARAUCO's Worker Housing Program, and will provide skills-training for 600 people.

1,057 homes are currently being built.

Company-owned land has been set aside in areas near ARAUCO's operations for the construction of worker housing.

(41) www.untechoparachile.cl

Social Investment Funds

| Region Benefitted | N° of Projects | Description of Typical Projects | Total Amount (US\$) |
|-------------------|----------------|--|---------------------|
| Los Ríos | 7 | Construction of toilets in the Neighborhood Association's center. Expansion of a school dining room. | 10,800 |
| Bío-Bío Sur | 7 | Repair of neighborhood center. Construction of a pergola on an educational trail. | 11,111 |
| Bío-Bío Norte | 10 | Construction of changing rooms at the Renacer Bureo Bajo sports club. Protection of windows at the Las Rosas sector community center. | 10,344 |
| Maule | 12 | Support for implementation of rural drinking water distribution network. Infrastructure for public playground. | 10,381 |

Community Programs in Argentina

The goals of Alto Paraná's social programs in Argentina are to foster sustainable environmental and social development for present and future generations; to protect biodiversity; to reduce social inequality; and to generate economic, social and environmental value.

During 2011, Alto Paraná formalized its community relations initiatives and refined its Corporate Social Responsibility efforts to align with ARAUCO's corporate Mission, Vision, and Commitments.

Alto Paraná's Corporate Affairs area was restructured in 2011 to integrate the business vision into all of the business units and to foster a greater commitment to meeting the company's objectives. A new Institutional Relations area was established, and the position of Institutional Communications Manager was created to coordinate institutional communications within Public Affairs. The key task of this new team is to help improve community relations and strengthen Alto Paraná's public image.

Argentina's Social Programs are intended to:

- Foster ties with stakeholders, and create opportunities for closer relations and joint initiatives for the conservation of environmental and cultural resources;
- Strengthen dialogue and relationships with various stakeholders in order to develop new sustaina-

ble social, labor and cultural initiatives in the region where Alto Paraná operates; and

- Build ongoing, collaborative relationships with local communities and to support their development while taking their concerns and needs into account in decision-making.

The company's principal community programs support educationally focused NGOs through direct underwriting or through the Alto Paraná Foundation.

Primary/Secondary/Higher-University Education Scholarships Project: Alto Paraná supports student education at institutions that apply to its scholarship program. During 2011, 30 scholarships were awarded.

Orphans Project: Alto Paraná Foundation provides monthly financing for the Uruguay Civil Association, which works closely with the Piecitos Colorados School for orphaned children.

Disabled Children Project: Alto Paraná Foundation also supports the Píncel Mágico Civil Association, which helps disabled children from Puerto Esperanza.

School Books and Other Donations: Volunteers from different areas of Alto Paraná collected food, school materials and school books for some 1,500 children at schools in Misiones.

Other Activities in 2011

| Activities with the Community | Description of Activity |
|--|---|
| Agreement with Equidad Foundation for recycling computers. | Alto Paraná supports campaigns, led by the Equidad Foundation, for collecting old computers. |
| Labor Skills Training. | Specific labor skill training programs were implemented for company workers. |
| Guided tours of company operations in the Misiones Region. | Each year, tours are organized for primary, secondary and technical school students interested in learning about the company's production processes. In 2011, more than 1,000 students participated in these tours. |
| Sponsorships. | The company makes financial donations to regional and municipal festivals, cultural events, annual celebrations, and other community events. |

Community Programs in Brazil

A Corporate Affairs area was created in 2011 to strengthen ARAUCO's ongoing relationship with communities and to engage stakeholders in open and transparent dialogue.

In Brazil, ARAUCO contributes to the sustainable development of the communities near its operations through its *Sembrar* (To Sow) program. This initiative focuses principally on:

- Education (including the arts and the environment);
- Training and income generation; and
- Health and quality of life.

Each of these initiatives bears a direct relationship to one of the eight Millennium Development Goals defined by the United Nations to eradicate hunger and poverty, promote equality, and safeguard the sustainability of the environment.

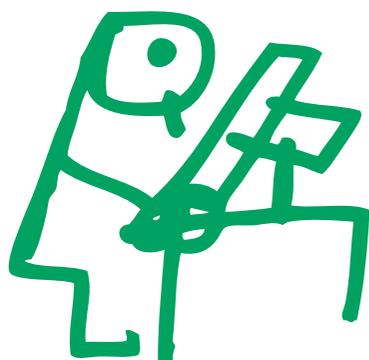
More than 20,000 people participated in the Solidarity Marathon organized by Alto Paraná in Argentina.



Alto Paraná donated 1,200 native trees to its workers to mark the International Year of Forests.

In Brazil, ARAUCO is working to strengthen relations with communities.

In Brazil, the work of the company's Sembrar Program is monitored in meetings held every two weeks.



The principal program implemented in Brazil is the “Pescar Project”. Developed in partnership with the Pescar Foundation, the project seeks to train socially vulnerable young people and help them find employment. During 2010 and 2011, 44 young people participated in this initiative in the Curitiba, Jaguariaíva and Piên municipal districts. The company’s longer-term emphasis through the project is on: developing new partnerships with suppliers and customers; increasing opportunities for employment of the young people who have completed job training; offering internships during job training as “Young Apprentices”, in accordance with legal requirements; and strengthening participation in voluntary activities by the company’s workers. Some 44% of pupils graduating from this program have found employment.

In 2011, Arauco do Brazil also implemented other initiatives as part of its Sembrar program:

Education, Arts and Environment

| Project | Objectives | Milestones 2011 |
|--------------------------|---|--|
| Environmental Education | To increase familiarity with educational and environmental protection concepts, and to counteract misinformation about forestry activities. | The program took place in the Do Cerrado Park in Jaguariaíva, and was attended by 1,472 people. |
| Incentives for Education | To encourage young people and adults to complete their studies, preparing them for the labor market and generating income. | The program was launched in Tunas do Paraná, and 255 people participated. The level of schooling of forestry workers increased by 35%. |

Training and Income Generation

| | | |
|--|---|---|
| Craft Offices | To provide marketable skills by training people without expertise or a trade. | Family income has increased by an average 27%. During 2011, 39 people participated. |
| Digital Inclusion | To promote digital awareness among young people and adults in impoverished communities. | The program was expanded to new areas. During 2011, 322 people participated. |
| Organic Agriculture | To foster ecological agricultural practices among rural farmers. | Participants’ quality of life improved by 100%. |
| Guaranteed Minimum Procurement by Sawmills | To guarantee purchases from local businesses to help ensure their sustainability. | During 2011, 232 people benefitted from this effort. The program had a 262% impact in terms of maintaining and/or creating jobs, as compared to 2010. |

Health and Quality of Life

| | | |
|-------------------------|---|--|
| Family Health Program | To promote health through education about prevention. | Implemented pilot project in Piên with 6,251 people. |
| School Vegetable Garden | To promote quality of life through a healthy diet. | Implemented for the first time; 87 participants. |

Indirect Economic Impacts



ARAUCO has not calculated the impact of initiatives that contribute to the community. However, metrics are available for those initiatives that foster local job creation, expand the number of local suppliers, and improve the quality of life, as many of these initiatives are part of social programs the company supports in Chile, Argentina, and Brazil.

a) Supplier Development



ARAUCO promotes the practice of preferencing procurement from local suppliers in its areas of influence in Chile, Argentina, and Brazil.

Local Procurement, 2011

| Country | Local Procurement (US\$ million) | % of Total Procurement |
|-----------|----------------------------------|------------------------|
| Chile | 798 | 65% |
| Argentina | 40 | 37% |
| Brazil | 65 | 62% |

Figures for previous years are not shown, as 2011 is the first year for which this table is presented with consolidated information. Procurement is considered local when the subsidiary, industrial plant or office acquiring the goods or services does so in the same region in which it is located.

ARAUCO has maintained a Local Supplier Development Program since 2009, and has created Local Development Councils to identify, train, prepare, and manage suppliers. In addition, the company is part of the board of directors of the Integrare Foundation, which fosters the development of an integrated corporate procurement platform for small and micro businesses⁴².

During 2011, specific initiatives were implemented by two of the company's businesses:

Model Pulp Business Suppliers Program. This new model of collaboration between the company and its suppliers focuses on mutually beneficial growth.

Panels Suppliers Business Improvement Plan. Certificates of Chilean Norm N° 2.909 were awarded to ARAUCO suppliers. This Norm establishes the minimum requirements for implementing a management system that allows a company to lead and direct its own business efficiently. Twenty eight small and mid-sized service suppliers participated in this initiative.

b) Infrastructure

ARAUCO acted as a leader and coordinator of the Constitución Sustainable Reconstruction Plan (PRES). In a process taking more than a year, a master plan was designed with the participation of the town's inhabitants. This plan contained a portfolio of 37 projects covering five areas: housing; infrastructure; energy; the development of and equipment for public spaces; and the diversification of the town's economy.

As of year-end 2011, tourist promenades at the Los Patos and Los Gringos beaches had been constructed, and the Gilda Bernal School had been reopened. In addition, ARAUCO contributed US\$ 600,000 to build Mutrún Stadium.

Within the framework of a public-private partnership, ARAUCO donated freezers and three fishing boats with gear to the Bío-Bío fishermen's association. In addition, ARAUCO and the municipal governments of Ránquil and Coelemu signed an agreement to pave four segments of road (a total of eight kilometers) that cross the two municipal districts. This represents an investment of US\$ 2 million.

In 2011, Alto Paraná in Argentina donated a latest-generation X-ray machine to the Puerto Esperanza Hospital in Misiones. Since 2007, it has also participated in equipping a first-aid room in the Primary Healthcare Center in Puerto Libertad.

c) Local Employability

In Chile, 312 women received ARAUCO scholarship awards in 2011. Two hundred women from Tringlo, Puile, Estación Mariquina and Huifco in the Mariquina municipal district, and 100 women from Mehuín received various vocational training and 12 Mapuche women participated in a weaving workshop.

US\$ 903
million

ARAUCO's procurement from local suppliers in Chile, Argentina, and Brazil totaled US\$ 903 million in 2011.



ARAUCO implements a range of initiatives that deliver indirect economic benefits to communities. These include:

- **Supplier development.**
- **Infrastructure improvements.**
- **Job- and skills-training, leading to greater employability.**
- **Support for improvements in the quality of education.**
- **Promotion of tourism, sports, and leisure activities.**
- **Environmental protection.**

(42) The Integrare Foundation is a non-profit business association that promotes and facilitates work opportunities for minority groups in society such as disabled and indigenous people, immigrants and women entrepreneurs in order to increase and improve their participation in the country's economic activity (www.integrare.cl).

From the start of construction at the Teno Panel Mill, ARAUCO has taken factors other than economics into account. The company has supported the creation of a Training School at which 180 people from the surrounding area have been trained in technical skills needed to work in the plant or in other economic sectors. This training leads to certification in Industrial Operation and Maintenance for the Teno mill. The company hired 105 graduates of this program in 2011.

Alto Paraná organized a carpentry workshop at the N° 366 Rural School in Puerto Libertad.

In Brazil, a number of projects are being implemented to increase local employability. The Pescar Project, for example, seeks to help vulnerable young people find employment. (see page 94).

d) Education

For the past 22 years, ARAUCO has supported improvements in the quality of municipal education in Chile through the Arauco Educational Foundation. The Sembrar Program, created to promote the positive psychosocial development of children less than six years of age, was completed during 2011. The program was conducted for four years in Coelemu and Quillón, and for three years in Ninhue, with a total enrollment of 1,900 children. Along with Ediciones UC, ARAUCO also supported publication of the book *Pruebas de Comprensión Lectora and Producción de Textos* (Tests of Reading Comprehension and Production of Texts) for pupils of 10-13 years of age.

In Argentina, the Alto Paraná Foundation supports the management of educational establishments in the Misiones Province. The Lapachos School, for example, is open to the community, and is a model of educational standards and infrastructure. The company also makes a monthly contribution toward curriculum enhancements at the Nuestra Señora de los Milagros School, operated by the Piray Educational Civil Association in Puerto Piray, Misiones. In cooperation with the Argentine Union of Rural Workers and Dockers, the company offers Literacy Program for workers of forestry contractors living on farms owned by the company. Alto Paraná employees participate in the literacy training program.

In Brazil, more than 14,000 children have benefitted from the company's Environmental Education Program which has generated concrete impacts in terms of changes in behavior and greater environmental awareness.

e) Tourism and Recreation

The company provided financial support for the Multi-Sport Summer Program in Mehuín. Designed for young people between the ages of 6 and 16, the program offered swimming, tennis, and volleyball classes, as well as bicycle motocross and football competitions.



In 2011, the ARAUCO Cup, a competition for amateur football (soccer) teams, attracted a total of 3,170 participants, including children, teenagers, and adults.

In Argentina, one of the most important activities of the year was the Solidarity Marathon, which attracted more than 20,000 participants. This event, as well as the Piray bikeathon, contributes to sports education, children's health, culture, and tourism.

In Brazil, modern dance and judo projects have had a positive impact for more than 320 young people, resulting in improvements in their school results (15%), school attendance (25%), and a greater level of responsibility (92%).

f) Environment

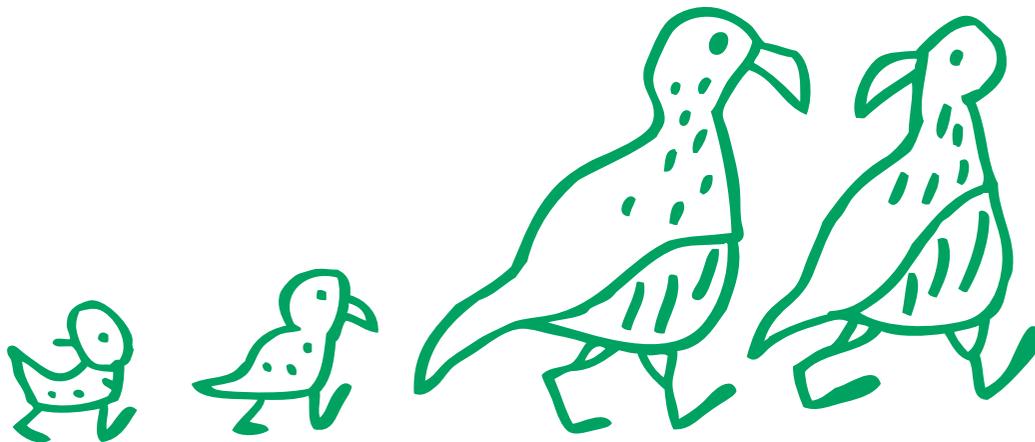
In 1989, ARAUCO opened Oncol Park to the community in Chile. One of the most visited parks in Valdivia (in the Los Ríos Region), it contains 754 hectares (1,860 acres) of Valdivian forest (designated as one of the planet's environmental hotspots), recreational trails and recreation and observation centers. In 2011, 11,740 people visited the park.

The Coyanmahuida Park, close to the city of Concepción in Chile, is one of the last remaining areas of the region's native forest. During 2011, it was visited by 4,000 people.

ARAUCO and Chile's National Forest Service (CONAF)⁴³ signed an agreement to promote reforestation through plantation forests created through partnerships between private companies and small landowners in the Libertador Bernardo O'Higgins, Maule and Bío-Bío Regions. Under this agreement, ARAUCO provided small producers with 100,000 seedlings. The company also distributed 301,200 trees to communities for various reforestation projects.

In Argentina, Alto Paraná promoted a school-based Tree Adoption Program, involving children in the planting of native species in their towns. In addition, as part of the International Year of Forests, the company distributed 1,200 native tree plants to personnel at Alto Paraná in the Misiones Region.

In Brazil, more than 500 people participated in the Organic Vegetable Garden Project, with a significant impact on their quality-of-life and health.



Located on Oncol Hill, 28 km from the city of Valdivia, Oncol Park is a privately owned, protected reserve that was created by ARAUCO in 1989. ARAUCO has opened this park to the public. Activities in the park include hiking, camping, and forest-canopy tours.

In 2011, the Park received 11,740 visitors: 9,402 adults and 2,338 children. Seven percent of these visitors were from foreign countries and 42% from the Valdivia area.



Visitors to Oncol Park

| Year | Nº of Visitors |
|------|----------------|
| 2005 | 8,515 |
| 2006 | 10,640 |
| 2007 | 14,024 |
| 2008 | 12,690 |
| 2009 | 13,359 |
| 2010 | 11,160 |
| 2011 | 11,740 |

(43) www.conaf.cl

Commitment to Mapuche Communities, Chile

The area of Chile in which ARAUCO has its industrial and forestry operations is home to a number of different Mapuche communities. In the belief that an ongoing, trust-based, mutually beneficial relationship with the Mapuche communities is an essential part of its sustainability strategy, the company has embarked upon a learning process, one that it has strengthened in recent years.

The company recognizes that the vital and dynamic culture of Mapuche communities exists in the present, not just in the past. It is a different culture, with its own specific world view, which is symbolically incorporated into the company's activities through Mapuche Communities ceremonies and beliefs. This culture calls for a relationship based on an approach and differentiation in line with its particular nature. It requires forms of dialogue, mechanisms for consultation, and the management and settlement of controversies that incorporate their own particular cultural elements. In addition, the company recognizes that Mapuche communities have a relationship to the land and the space they inhabit that is of a cultural nature.

In this context, ARAUCO has developed a registry protocol, identifying 277 Mapuche communities living in the immediate vicinity of its properties. These communities can be affected by company operations; have some tie with company properties due to the presence of sacred or ceremonial sites, burial grounds, or water extraction points;

and have ties in terms of other activities (such as local development and entrepreneurship projects) of a cultural and/or religious nature, of a social nature and/or because of the extraction of non-wood forestry products from the company's properties.

In 2010, as part of the process of obtaining FSC Forest Management certification, ARAUCO created the Mapuche Forum, bringing together people with different expertise in, and experience with, the Mapuche world. This Forum has opened the way to a new stage in the company's relationship with Mapuche communities, one that is anchored in trust and committed to listening to each other's needs from a practical perspective.

In mid-2010, in a bid to increase understanding of the Mapuche culture within the company, ARAUCO launched a program of talks and workshops on the values and history of the Mapuche people. This program continued in 2011, with a total of seven training talks on topics that included ethnogenesis, territorial spaces and diversity, the Mapuche people's relationship with space and nature, the indigenous system of knowledge, and the Mapuche world view.

At the same time, a process of ongoing consultation was launched to identify the impacts of company's operations on Mapuche communities, to respond to their concerns, and to identify opportunities for the joint resolution and manage-

ment of these issues. This will, for example, permit identification of sites on ARAUCO's land that have religious, cultural, or economic importance for the communities, and will lead to the establishment of access criteria and mechanisms for their protection.

In addition, the company has drawn up a Policy on Relations with the Mapuche People that seeks to promote knowledge and learning within the company about the different aspects of the Mapuche culture. This new policy also provides for a process for dialogue and an ongoing consultation in order to identify the impacts of its operations, concerns, and opportunities and, together with the communities, to establish the way in which the impacts are managed. The new policy also includes guidance on how to identify sites of religious, cultural, and economic importance for Mapuche communities on Forestal Arauco's land, to understand and manage the land requirements of the Mapuche communities with which the company interacts, and to establish forms of dialogue and mechanisms of consultation, resolution, and management of controversies that incorporate elements of the Mapuche culture.

In an aspect of its activities related to this policy, ARAUCO also seeks to foster synergies with local economic activity in the areas around its operations, and to foster and develop entrepreneurship within Mapuche communities.

Neighbors and Community 2011

Sustainability Report



Neighbors and Community 2011

Sustainability Report



ARAUCO promotes access to housing for its own workers, for contractors' workers, and for vulnerable families in its area of influence. Between 2012 and 2016, 9,000 homes will be built.





GOOD DESIGN

arquitectura responsable
únicamente de
plantaciones forestales
manejadas de forma
sostenible
biomasa Forestal
Innovación sostenible = diseño de vanguardia
Tecnologías amigas del medioambiente
AHORRO energía
DISEÑO EMOCIONAL
ARAUCO ♥ FUTURO

arquitectura tecnológicamente
avanzada respetuosa con el entorno
y con el medioambiente
DISEÑOS AMABLES
PENSADORES
INNOVADORES

Belleza



FUTURO CONTEMPORARY DESIGN RESPONSABLE

TECNOLOGÍA PUNTA + RESPETO POR EL MEDIO AMBIENTE = INNOVACIÓN SOSTENIBLE

INVESTIGAR Laboratorio

observar medir comprobar examinar probar Arreglar Repensar investigar resultados



arquitectura eficiente energéticamente

Procedimientos de vanguardia en biotecnología
herramientas para el cuidado de la biodiversidad
CALIDAD + PRODUCTIVIDAD + RENDIMIENTO

BIOFOREST

CENTRO CIENTÍFICO TECNOLÓGICO DE EXCELENCIA MUNDIAL

RESPONSABILIDAD SOSTENIBLE

LOS MUEBLES DE MADERA AYUDAN A REDUCIR EL CAMBIO CLIMÁTICO

PLANTACIONES FORESTALES SOSTENIBLES

Respetamos el Planeta
ZONAS que destacan por su BIODIVERSIDAD

374.000 hectáreas de BOSQUES NATIVOS

BIODIVERSIDAD

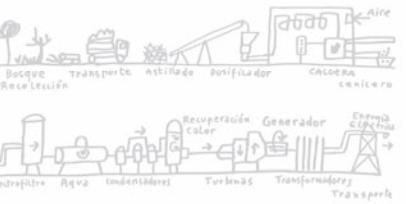
Protegido y conservado

RESPONSABILIDAD AMBIENTAL

se gestionan eficientemente incorporando valores, compromisos y estándares internacionales
USAMOS LAS MEJORES PRÁCTICAS Y TECNOLOGÍAS DISPONIBLES EN LA INDUSTRIA

SOLUCIONES SOSTENIBLES

MÁS construcción en MADERA + MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO - MENOS CO2 EN LA ATMÓSFERA = REDUCCIÓN DEL CAMBIO CLIMÁTICO



CELULOSA RESPONSABLE

CELULOSA SOSTENIBLE
PRINCIPAL PRODUCTOR DE CHILE Y UNO DE LOS MÁS IMPORTANTES DEL MUNDO.

ARAUCO ♥ LIFE
Respetamos a las generaciones futuras
AHORRO DE ENERGÍA EN ADQUISICIÓN Y TERMINO
eficiente para INDUSTRIALIZAR
NUESTROS MATERIALES
Fabricados bajo procesos de ALTA TECNOLOGÍA
desarrollados para lograr una mayor VELOCIDAD DE CONSTRUCCIÓN

nuestras MADERAS y paneles
eficientes para industrializar!

BOSQUES NATIVOS
Los árboles cuando crecen capturan CO2
Cuando la madera se quema o desmenuza libera el CO2



ALTO VALOR AMBIENTAL

arquitectura sostenible GARANTIZADA CON CERTIFICACIONES Y ESTÁNDARES INTERNACIONALES
ARAUCO ♥ PLANET

LA MADERA

BOSQUE NATIVO PROTEGIDO CONSERVADO AUTOABASTECIDO

EFICIENTE en la construcción



LA MADERA



Construir en madera tiene un impacto positivo en el ahorro de energía y ayuda a la reducción del calentamiento global

ARBOLES
NUESTRAS MADERAS
MADERA



Environmental Performance

Forestry Area

Water Management

Industrial Area

Carbon Footprint and
Climate Change

Environmental Research

Environmental Indicators



ARAUCO manages the biodiversity contained within its properties by identifying and protecting High Conservation Value Areas, implementing conservation programs, and monitoring endangered species of flora and fauna.

Environmental Performance

For ARAUCO, the concept of environmental responsibility implies the development of initiatives as part of a strategy of efficient management that incorporates values, commitments, risk management, and standards, along with the implementation of the best practices and technologies available in the industry.

GRI
EN 30

ARAUCO's environmental management is anchored in the company's Environment, Quality, Safety and Occupational Health Policy, which seeks to continuously and systematically reduce or prevent negative environmental impacts⁴⁴. The company also has in place Corporate Standards for environmental, quality, safety and occupational health performance that are based on international standards. In order to achieve its objectives in these areas, the company makes ongoing investments to optimize processes and reduce its environmental impacts. During 2011, ARAUCO invested US\$ 23.4 million in four main areas: the control and management of gases and hazardous liquids from its industrial processes; expansion of landfills for solid industrial waste; optimization of energy use; and construction of outfall pipes for treated effluent. Of this total, US\$ 18.6 million was spent in Chile, US\$ 41,000 in Argentina, and US\$ 4.7 million in Brazil.

US\$ 23
million

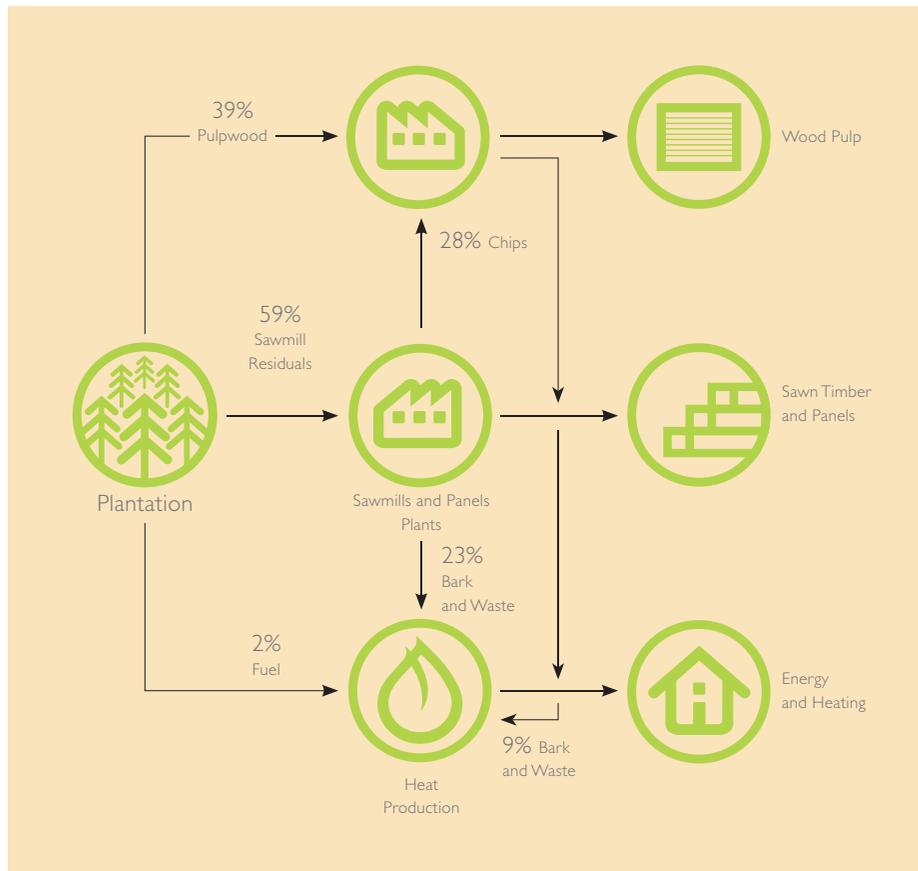
ARAUCO invested US\$ 23 million in environmentally related improvements to its facilities.



ARAUCO's environmental management is anchored in its Environment, Quality and Occupational Safety Policy.

GRI
2.3

Forestry and Industrial Business Cycle



(44) Para conocer la Política de Medioambiente, Calidad y Seguridad y Salud Ocupacional visite el sitio corporativo: www.arauco.cl

Each of the company's businesses manages its risks and impacts based on its location and surroundings and the production processes used. This chapter addresses the principal environmental impacts of the four main businesses. In the forestry area, the focus is on biodiversity, water management, soil, the landscape, and fire prevention. For the pulp, panels and sawmill businesses, the principal environmental impacts are energy consumption, water management, discharges, spills, and waste. Information is also provided on the company's 2009 carbon footprint assessment, and on environmental indicators for key production inputs and outputs for each of the four business areas.

Forestry Area

GRI
EN 1
EN 2

The company maximizes the value of its plantation forests through the optimal use and efficient transformation of the forest resource, both in its industrial processes and for generating energy. ARAUCO embraces Sustainable Forest Management practices and is at different stages of implementation of certification (to Chile's CERTFOR standard and/or to the Forest Stewardship Council standard) in each country where it owns forests. During 2011, the company strengthened its programs for monitoring and conserving biodiversity in Chile.

GRI
EN 11
EN 12
EN 13
EN 14
EN 15

Programs for Management and Conservation of Biodiversity

ARAUCO manages the biodiversity contained within its properties by identifying and protecting Areas of High Conservation Value, implementing conservation programs, and monitoring endangered species of flora and fauna. The company maintains programs to prevent hunting, illegal harvesting, and forest fires. In addition, ARAUCO monitors endangered species, and records sightings in a Natural Heritage Information System. Native forests account for 23% of the company's total landholdings.

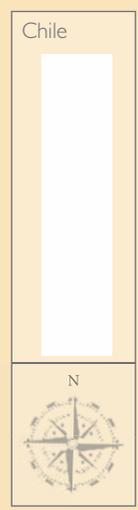
ARAUCO's plantations and native forests in Chile are located in the Valdivian rainforest which stretches from the Maule Region in the north to the Southern Ice Fields. This multi-layered evergreen forest is considered a priority eco-region for biodiversity by the World Wildlife Fund (WWF)⁴⁵.

During 2011, the company approved the expansion of its designated Areas of High Conservation Value in Chile from 3,000 hectares (7,400 acres) to 62,835 hectares (155,300 acres). In expanding this area, the company took into account social and cultural values, as well as environmental ones, and the area added includes sites with high cultural value, related principally to Mapuche communities. The decision to add these new areas resulted from the work of the High Conservation Value Forests and the Mapuche Hybrid Forum working groups (see page 60).

In Argentina, Alto Paraná owns 110,000 hectares (271,800 acres) of the Paraná Jungle ecosystem in Misiones Province, which are set aside for the conservation of native forest. This ecosystem also is on the WWF list of priority biodiversity eco-regions. Of the total 110,000 hectares, 46,000 hectares (113,600 acres) are grouped in five conservation blocks that strengthen Misiones Province's network of protected areas, while the remainder forms a series of biological corridors that connect the large conservation blocks and protect water courses.

(45) The Global 200 Ecoregions: A User's Guide, Washington DC, World Wildlife Fund, 2000, 33 pp.

**Areas of High
Conservation Value:
ARAUCO Chile**



In Brazil, 56,425 hectares (139,400 acres) of the company's land are designated as Conservation Areas, of which one - the 218-hectare (540-acre) Barra Mansa Natural Protection Private Reserve in Arapoti - is considered a High Conservation Value Forest.

ARAUCO's Key Biodiversity Holdings *

| Country | Native Forest (hectares / acres) | Areas of High Conservation Value (hectares / acres) | Species Identified on IUCN List ⁴⁶ | |
|-----------------|-------------------------------------|---|--|------------|
| | | | Fauna | Flora |
| Chile (**) | 201,418 / 497,700 | 62,835 / 155,300 | 79 | 162 |
| Argentina (***) | 112,704 / 314,100 | 45,964 / 113,600 | 28 | 9 |
| Brazil (****) | 69,194 / 171,000 | 56,425 / 139,400 | 30 | 3 |
| Total | 964,700 | 408,300 | 137 | 174 |

(*) ARAUCO's forestry land comprises plantations, native forest and land to be planted and for other uses.

(**) Includes 80% of Forestal Los Lagos.

(***) Includes Alto Paraná and FAPLAC plantations in Argentina.

(****) Includes 100% of ABF and 80% of Forestal Arapoti.

Conservation Programs

ARAUCO maintains conservation programs in Chile, Argentina, and Brazil through which it protects more than 165,000 hectares (408,300 acres) of forestland⁴⁷. Located within the company's plantation forest holdings, this forest land is designated as Areas of High Conservation Value, which are particularly rich in biodiversity and are home to threatened or endangered species.

During 2012, ARAUCO collaborated with third-parties to continue programs for the protection of the fauna and wetlands on the company's land in Chile.

- a) A consortium of universities started research in native forest on company land in order to verify the presence of amphibians in the Coastal Mountains. By the end of the year, 20 species had been identified, most of which were classified as in critical and/or vulnerable status by the IUCN.
- b) The nest of a rufous-tailed hawk (*buteo ventrali*), only the 16th recorded in the world, was sighted on company land in the Bío-Bío Region.
- c) A Bi-Regional Memorandum of Understanding was signed to extend the area for research on Darwin's fox, a species in danger of extinction. Research on this fox, which lives in the Nahuelbuta Mountains, has been ongoing since 2000. Representatives of both the public and private sectors will participate in this continuing work.
- d) A High Conservation Value Area Management and Monitoring Plan for the Name Swamp, in the Maule Region, was designed and implemented. In addition, progress was reported on research in the Tubul-Raqui Wetland in the Bío-Bío Region, an area affected by the February 2010 earthquake and tsunami.
- e) ARAUCO was invited to talk about its wetland work at the Fifth Pan-American Regional Meeting of the Ramsar Convention, which took place in Jamaica at the beginning of December 2011. The company received this invitation because of its wetland work and the need for the representation of Chilean business in the meeting. The company's presentations at the Meeting were entitled, "Approach of Chilean Companies to Management of Wetlands" and "Climate Change in the River Mataquito Basin and its Implications for the River Mataquito Wetland" (see page 117).



(46) International Union for Conservation of Nature (IUCN), www.iucn.org

(47) Information about the Biodiversity Conservation Programs was presented in the 2010 Sustainability Report.

f) A proposal was developed for the Huemul Conservation Plan. This plan is designed to increase protection measures and involve the local community in conservation in this area of the Nevados de Chillán Mountains.

In Argentina, the company, in partnership with the ProYungas Foundation, conducted a study for the Improvement and Zoning of the Alto Paraná Heritage Native Forest in Misiones. The purpose of this study was to evaluate the state of the forest and make recommendations for its management. The study examined large conservation blocks, ecological corridors, and the forests protecting water courses and slopes, and included consultations with experts. As a result of this work, and as a precautionary measure, the company designated all of the large forest blocks - totaling 46,000 hectares (113,600 acres) - as Areas of High Conservation Value.

During 2011, the company also continued to implement three programs for the protection of native forest and areas of high environmental value in Argentina. The first of these programs is designed to protect and restore more than 110,000 hectares (271,800 acres) of native forest reserves that have been established as protective corridors between agricultural crops and rivers. The second program seeks to restore all of the riparian areas in Alto Paraná Province. A third program is designed to create awareness among students at schools in northern Misiones of the importance of preserving native species by planting trees.

In Brazil, the company improved the quality of monitoring and work plans to more closely align its forest management practices with the FSC standards. One of the milestones of the year was the implementation of hydrological monitoring to evaluate the impact of forestry operations on watersheds.

In addition, the company enhanced the scope of its field audits to include the gathering of information about fauna and flora and the monitoring of mitigation efforts related to the impacts of forestry operations (erosion, runoff and landscape and ecosystem impact).

Question from the Community⁴⁸

“How long are you going to carry on planting pine and eucalyptus? Until there’s no native forest left?”

“ARAUCO’s policy is that it will not convert, or encourage the conversion, of native forest into forest plantations. In 2003, ARAUCO made a public commitment to protect native forests and prevent their conversion. In addition, FSC forest

management standards forbid the conversion of native forest. The company’s commitment is complemented by a land-buying policy that expressly discourages conversion by third parties. The company’s strategy is to protect and conserve the native forest it possesses -- which represents almost one-fourth of its total land holdings -- turning it into an asset that is ever more valuable for the company and society”.

(48) See FAQ on www.arauco.cl

Cultural and religious sites on company-owned land in Chile are protected.

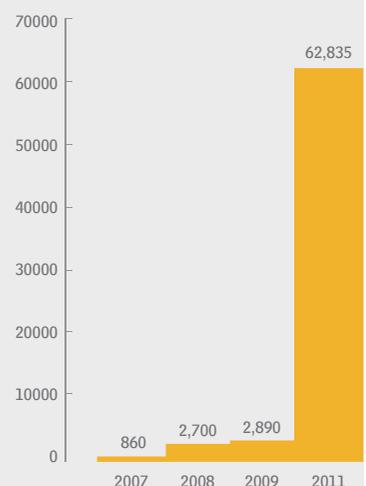
165,000 Hectares

165,000 hectares (408,000 acres) within the company’s plantation forests are protected under ARAUCO’s conservation programs.

Five High Conservation Value Areas will be priorities in Chile in 2012:

| Area | Hectares |
|-------------------------|---------------|
| Ciénagas del Name | 412 |
| Huemules de Ñuble | 12,331 |
| Quebrada de Caramávida | 23,755 |
| Bosque Valdiviano Oncol | 2,405 |
| Calcupil de Tomén | 459 |
| Total | 39,362 |

Area Conserved in Chile (hectares)



Water Management

Initiatives in Chile

During 2011, Bioforest, as part of its ongoing Forest Hydrology Program, developed a model of the hydrological network in all of the company's forest plantations. Ten watersheds and their watercourses are monitored in order to evaluate the quantity and quality of water in each watershed and to determine the effects of the harvest (in this case the 2010-2011 harvest) on the water and on each watercourse.

Initiatives in Argentina

In Argentina, all of the areas included in the Watershed Recovery Program were evaluated to determine the status of the recovery efforts and develop management recommendations. This study was conducted on behalf of the company by the ProYungas Foundation and the Atlantic Forest Research Center, and encompassed an area of more than 300 hectares (740 acres) of very environmentally sensitive land (stream banks, steep slopes, etc.). The area of watershed now being restored totals more than 2,700 hectares (6,700 acres).

Initiatives in Brazil

In Brazil, the results of hydrobiological monitoring were incorporated into the evaluation of the company's forestry operations on watersheds.

Landscape-Scale Management and Soils

ARAUCO's soil management efforts seek to minimize the impact of forestry operations at the landscape level. The goal of the company's management program is to implement integrated land-use planning, taking into account biodiversity, the hydrography, community concerns, cultural values, and local economic factors.

The company also works to avoid soil loss as a result of post-harvest soil disturbance and movement. Actions taken to reduce soil erosions include removing waste and ensuring that the soil is not left uncovered. In order to reduce the risk of forest fires, the company limits the area subject to burning. This reduces both the impact on the soil and the area potentially affected by fires.

Stakeholders have expressed concern about clear cutting. Technical studies in Chile and other countries have found that this practice has little impact in terms of soil loss due to erosion. However, in response to stakeholder concerns, ARAUCO has opted to modify its harvesting method, taking into account landscape variables.

Forest Fires

Forest fires are one of the principal risks for ARAUCO's plantations. To prevent and control fires, the company's forestry area has adopted international fire prevention and suppression standards, and maintains its own fire-fighting brigades, latest-generation measurement and control systems, and efficient infrastructure.

In Chile, ARAUCO has the country's largest private fire prevention and protection program, with a team of 772 firefighters and a budget for the 2011-2012 forest-fire season of almost US\$ 20 million. During 2011, Chilean firefighters received training in the International Standard on Fire Fighting, a 128-hour course administered to 51 people. Twenty-two of the participants qualified as Level 2 Crew Leaders and became 2011-2012 training instructors.

ARAUCO also makes special efforts to instill a culture of fire prevention in the community. Company forestry employees regularly provide information and mount prevention campaigns to increase environmental awareness and publicize information about forest-management techniques (shredding harvest waste, pruning and removing tree branches and constructing firewalls). This is of prime importance, as 70% of the fires that affect company forests start on third-party land. In 2011, ARAUCO's fire protection units in Chile gave talks in more than 320 schools, to a total of 11,600 students.

In Argentina, fire prevention programs are implemented in conjunction with experts from the National Fire Management Plan, the Provincial Fire Management Plan, and the Ecology Ministry of

the Misiones Province. In addition, the company conducts fire-prevention programs for children and young people attending rural schools.

In Brazil, the company's fire-fighting team receives continuous training, and the company's forestland is protected by their ongoing vigilance and informal fire-fighting agreements with neighboring areas. During the 2011 season, there were no fires on the company's land, and company forestry personnel actively participated in prevention programs with the community and government institutions.

ARAUCO equipment for protection against forest fires

| | Watch Towers | Preventive Inspection | Brigades | Firefighters | Trucks | Skidders | Airplanes | Helicopters |
|-----------|--------------|-----------------------|----------|--------------|--------|----------|-----------|-------------|
| Chile | 134 | 19 | 88 | 772 | 40 | 2 | 8 | 12 |
| Argentina | 17 | 2 | 8 | 40 | 10* | - | - | - |
| Brazil | 9 | 9 | 8 | 415 | 9** | 4 | - | - |

* Includes tanker and brigade trucks

** Includes trucks and pick-ups.

SAFETY EQUIPMENT for firefighters



ARAUCO BUDGET for 2011-2012 season (US\$ thousand)



Industrial Area

In the company's industrial area, the environmental impacts of the wood pulp, panels and sawmill businesses are related primarily to energy and water consumption and to emissions, waste, spills and discharges.

Energy

In order to contribute to the mitigation of climate change, ARAUCO has adopted leading technologies for the production of renewable energy through the operation of forest-residual-biomass fueled cogeneration plants. The company operates seven such facilities in Chile and two in Argentina, enabling the company to supply most of its industrial energy needs and contribute a surplus to help meet the countries' energy needs. During 2011, a little more than 80% of the energy used by ARAUCO in Chile and Argentina was generated from forest-residual biomass; the rest was produced in diesel-fired power plants.

Energy Use Reduction Initiatives

ARAUCO's efforts toward optimizing energy use are implemented through individual programs at each facility, some of which are described below.

GRI
EN 5
EN 6

In the Wood Pulp business in Chile, the Licancel mill reduced its use of process steam through improved efficiency from equipment modifications. This resulted in an increase of 7,200 MWh per year of electricity sales to the national Grid.

During 2011, the Panels business in Chile implemented campaigns to increase awareness of the importance of conserving electricity, and operational excellence projects to reduce production-line consumption with shut-off controls and the added use of natural light. These measures enabled the business to meet its commitments under the Clean Production Agreement in Chile. In addition, the Panels business organized activities intended to increase awareness of energy use. These awareness campaigns were implemented in its plants and in neighboring communities and schools.

In Chile, the company's Sawmill business is developing an energy-efficiency program that will reduce consumption of electricity and thermal energy (steam).

In Argentina, the Panels business was able to increase the efficiency of its biofuel power plant by installing equipment to reuse ash with residual energy content. This also resulted in a 40% reduction in ash waste disposal.

In Brazil, the Panels business upgraded equipment at its three plants to reduce energy consumption during peak hours when electricity rates are higher. At Piên, consumption dropped 16.8% compared to 2010; at Jaguariáva, energy consumption showed only a 2.1% increase; and, at the Araucaria plant, consumption was down by 3.4%.



Industrial Area Water Management

ARAUCO continually invests in research to ensure the chemical and biological quality of the water it uses and of its discharges. During 2011, there were no reports or evidence of negative impacts on due to water withdrawals for the company's industrial activities.

Milestones 2011

Water is one of the key inputs for the company's Wood Pulp business in Chile. It is used in the wood yard, the caustic plant, digesters, washers, the bleach plant, and in the chemical plant. Water also is needed to produce energy in the power boilers and the recovery boilers. The ratio of recycled water to fresh water is estimated to be around 3.5 in new plants as compared to between 25% or 30% in mills using older technology. This difference exists, primarily, because new mills have better water recovery and treatment systems, and water use is confined principally to replacing losses from evaporation in production and in wastewater treatment plants.

In Chile, the Panels business has reduced its water consumption since 2007 by 11% at Trupán Cholguán, 5% at the Arauco panel plant and by 21% at the Nueva Aldea panel plant. At the Piên plant in Brazil, ponds were installed to collect rainwater for reuse in the process and treated effluent was reused to adjust the concentration of chemicals. These two initiatives reduced consumption by 1,550 m³/month -- a 5.4% reduction. In both Chile and Brazil, campaigns were implemented to increase awareness of the importance of optimizing water use.

The Sawmill business in Chile completed a project for measuring water consumption at all of its plants. Water consumption had previously been estimated based on equipment operating hours. The new measurements provide more-accurate consumption indicators for each area and plant. In Argentina, the Piray sawmill instituted an improved log-storage system and was able to eliminate the need to spray the logs to keep them moist, reducing water consumption and the generation of effluents.

In 2011, Bioforest conducted research on the potential for reducing water consumption in wood pulp production, and developed protocols for reducing the use of chemicals in the bleaching process. In addition, it developed protocols for operating the Nueva Aldea effluent treatment plant in Chile, and conducted studies for reusing waste from the wood pulp production process.

Discharges

In all of the countries where ARAUCO operates, discharges are regulated by law and are monitored by all the company's facilities to ensure compliance with applicable legislation.

Panel plants, due to the nature of their processes, can recycle only part of the process water used. The remaining water is treated before it is returned to the environment. In Chile, all treatment plant personnel received training during 2011, totaling 1,568 worker-hours. In Brazil, the Panel business implemented operational improvements in its effluent treatment plants to ensure safer operations. In Piên, a centrifugal system was installed to reduce the amount of solids sent to the effluent plant, reducing the cost of waste disposal.

All of ARAUCO's production facilities maintain energy efficiency programs that include:

- **Use of natural light, replacement of inefficient equipment and insulating roofs.**
- **Conserving energy, for example, at Piên, electricity consumption was down by 16%.**
- **Energy Audits, as was undertaken at the Licancel plant in Chile.**



At the Piên plant in Brazil, water consumption reduced by 1,550 m³/month after the implementation of an efficiency program.

Waste Management

The generation of hazardous industrial waste is regulated in all countries in which the company operates, and all of the company's units have waste-management plans. Training is provided to personnel on a regular basis to ensure proper waste management and disposal.

GRI
EN 22

To better manage non-hazardous industrial waste at the company's pulp mills in Chile, ARAUCO implemented diversion projects for boiler ash, dirty bark, and bark containing sulfate or lime. These products were diverted from the waste stream for use in applications such as fertilization, soil improvement, or cement production. The results of these projects are currently being analyzed. In 2012, the industrial land fill site used by the Celulosa Arauco mill, located in the Arauco municipal district, is scheduled to close. This will require a number of modifications to existing waste-stream management to prevent any negative impacts and ensure compliance with the law.

GRI
EN 2
EN 18

The Panels business in Chile has waste-management plans for repurposing its by-products. Examples include: the use of lateral offcuts produced during the squaring process to make packaging materials; the reuse of waste glued veneer in producing panels; and the use of wash-water containing phenol to produce adhesives. During 2011, plastics, metals, paper, cardboard, and batteries were recycled, and the company continues to use aerosols that do not damage the ozone layer. All air-conditioning refrigerants were replaced at the Arauco panel plant and, at Trupán Cholguán, the refrigerant in all but 5% of the air-conditioning units also was replaced. In addition, the company is seeking alternatives for the reuse or recycling of 3,000 metric tons/month of sand and ash waste.

In Brazil, all of the company's plants have procedures for managing solid waste. Particular importance has been given to improving segregation in order to separate recyclable byproducts. The Panels business in Brazil has obtained authorization to send ash from its Piên and Jaguariaíva plants to a cement factory for use in making cement. This will enable Piên to close its landfill site.

The company's sawmills in Chile continue to recycle and sell metals, plastics, paper, and cardboard from its production process and offices. Metal and plastic banding is reused on-site.

In Argentina, all of Alto Paraná's operations separate and collect plastic tops, and send them to the Garrahan Foundation in support of their country-wide campaign. Alto Paraná did not maintain records of the quantities involved.

Emissions

GRI
EN 16
EN 23

At ARAUCO's operations, particulate atmospheric emissions are controlled using gas scrubbers or electrostatic precipitators. Emissions, such as carbon monoxide, are controlled through strict monitoring of operational parameters. Indicators for the emissions of each business are presented in the table at the end of this chapter.

Spills

GRI
EN 23

Three spills occurred during 2011. The first was at the Cholguán Sawmill, where 540 liters of oil were spilled due to the rupture of a hydraulic pipe in a crane. The spill was contained quickly.

The second incident occurred in the Araucaria resin plant in Brazil, where formalin was spilled during maintenance on a reactor pump. According to the internal investigation, an estimated 500 kg of formaldehyde leaked into the soil and nearby bodies of water. The contaminated soil was removed and was properly disposed of immediately. No impact on the bodies of water was detected. The spill was contained and reported to the authorities.

The third incident was the leakage of untreated liquid industrial waste from a collection pond into the Velenunque stream at the Nueva Aldea pulp mill, located in Chile's Bío-Bío Region. At a meeting between the company, the neighborhood association for the La Concepción sector, and the Mayor of the Ránquil municipal district, members of neighboring communities warned of possible pollution of the stream, which is close to the mill. Local authorities and the company each commissioned scientific studies to investigate and measure the environmental impact of this spill. Analysis by the Universidad de Concepción found that, on the day after the leak, conditions in the stream were normal. A working group was created to keep the community informed, and the company committed to develop measures that would prevent a recurrence.

Carbon Footprint and Climate Change

GRI
EN 17

During 2011, the company measured the carbon footprint of its operations in Chile, Argentina, Brazil and Uruguay for the second time. This assessment covered greenhouse gas (GHG) generation during 2009⁴⁹. This initiative, a keystone of ARAUCO's efforts to minimize the environmental impact of its operations, showed the level of gasses generated per unit of output for each of the company's business areas.

Internationally accepted methodologies were used to ensure the credibility of the calculations. In order to validate the results and identify opportunities for improvement, an internal audit was carried out by the Corporate Environment, Safety and Occupational Health area.

(49) Uruguay was included in measurement of the carbon footprint.

Waste-management studies were conducted in advance of the closure of an industrial landfill in Chile.

ARAUCO's Panel business recycles raw-material inputs.



In Argentina, the company participates in a recycling program with the Garrahan Foundation.

Three carbon-emitting processes account for 73% of ARAUCO's carbon footprint: the consumption of heavy oil (Fuel Oil 6) in boilers and lime ovens (26% of emissions); the consumption of Intermediate Fuel Oil (IFO 380) for the sea transport of products (26%); and the consumption of diesel fuel in forestry activities such as harvesting, transport, roads and procurement (21%).

| Emissions by Scope (Percentage of emissions expressed as CO ₂ e) | | |
|---|------|-------|
| Scope | 2008 | 2009* |
| Scope 1: Direct emissions (fixed and mobile sources owned by the company and consumption of fossil fuels). | 39% | 39% |
| Scope 2: Indirect emissions (energy purchases). | 6% | 5% |
| Scope 3: Other indirect emissions (third-party emissions as a result of ARAUCO's activities) | 55% | 56% |

* The company did not measure its 2009 carbon footprint in 2010, but did so in 2011, due mainly to a change in spending priorities as a result of the 2010 earthquake in Chile. In this calculation, the 2008 base line was modified with which the initial result differs by 3% from that reported.

| Summary (Emissions by Business) | | |
|---------------------------------|--|------|
| Business | Emissions Expressed as CO ₂ e | |
| | 2008* | 2009 |
| Wood Pulp | 52% | 53% |
| Sawmills | 11% | 9% |
| Panels | 13% | 14% |
| Forestry | 24% | 24% |

| Business | Unit | Carbon Intensity (kg CO ₂ e/unit) ** | |
|-----------|----------------|---|------|
| | | 2008* | 2009 |
| Wood Pulp | ADt | 358 | 356 |
| Sawmills | m ³ | 93 | 92 |
| Panels | m ³ | 90 | 90 |
| Forestry | m ³ | 23 | 26 |

* Some small corrections were made to the 2008 carbon footprint.

** Average values since this depends on the type of product and the plant where it was produced.

(50) CO₂e: Carbon dioxide Equivalent - As the greenhouse effect is not the same for all GHGs, a mechanism for comparing reductions in different emissions was created. This is called CO₂e, a mechanism under which gases other than CO₂ are calculated as the amount of CO₂ needed to produce a similar effect.

Because forest-residual biomass is considered a fuel that generates neutral CO₂ emissions, ARAUCO has been able to register four of its bioenergy plants under the Clean Development Mechanism of the Kyoto Protocol. In addition to meeting the company's energy needs, these facilities generate a surplus of electrical power.

In 2007, ARAUCO was the first company in Chile to issue carbon credits and, by the end of 2009, had sold 1,070,788 credits. During 2011, the company signed an agreement with Nordjysk Elhandel, Denmark's leading energy trader, for the placement of a further 100,000 CERs, at a total selling price of about US\$ 2 million.

GRI
EC 2

Study of Water Flow in Mataquito River Related to Climate Change

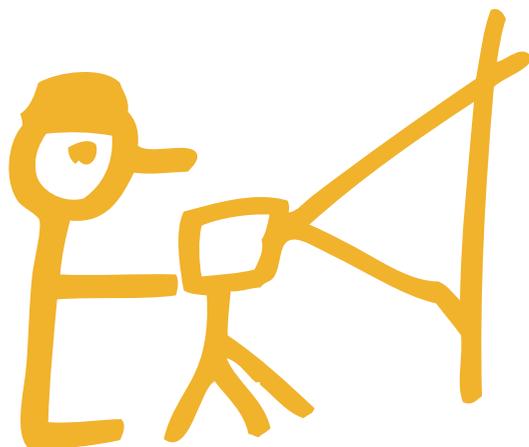
In response to surges in the level of the Mataquito River in 2008⁽⁵¹⁾, which led to serious flood damage, research was conducted to determine whether this effect is attributable to global climate change. Seventeen existing predictive models related to climate change were analyzed, using more than 30 years of accumulated information. The results indicated that there had been a temperature increase of 1°C to 2°C, resulting in a reduction (from 2,200m to 1,500m) in the level of snow feeding the river leading In addition, long summers with very low water flow levels are now anticipated, followed by winters with very heavy rainfall and significant increases in the water flow. The results of this research were presented at an international congress and a scientific paper was submitted to an international journal.

Environmental Research

ARAUCO develops research through public-private organizations in order to improve its operations and increase its knowledge, and the public's, of environmental factors relevant to its business.

Program PIMEX

The Marine Research of Excellence Program (PIMEX) arose as a result of discussions in the Nueva Aldea Fishery Roundtable, which was established in 2006 as part of the Environmental Impact Study for the Nueva Aldea Industrial Forestry Complex. In these discussions, the Fishermen's unions, NGOs, and the public all expressed concern about the lack of basic research on ecological processes in the marine ecosystem. In response, researchers at the Universidad de Concepción suggested, and ARAUCO agreed, that a targeted research program was needed. That program now has been in continuous operation for five years.



ARAUCO was the first company in Chile to issue carbon credits.

Seven scientific research papers were published in 2011.



Results of the River Mataquito study were presented to an international audience during 2011.

(51) The Mataquito River is a short coastal river in the Curicó Province of the Maule Region. It is formed by the confluence of the Teno and Lontué Rivers, some 10 kilometers west of the city of Curicó. It flows into the sea south of the town of Iloca in Licanén.

During 2011, PIMEX published seven scientific papers of international importance. One of the most significant was a study of the degradation of wood pulp molecules in the ocean. This study identified the presence of a type of microscopic marine fungus capable of removing phytosterols (or sterols of animal origin). In order to further investigate this finding, a researcher was sent to the United States to conduct specialized research in the cultivation and identification of aquatic fungi.

Biofuel Program

ARAUCO is a member of Chile's Bioenercel consortium⁵², which was created to develop technologies for the introduction of second-generation biofuels into the country's energy matrix. Initially, two processes were evaluated for the conversion of lignocellulose into biofuels: biotechnological transformation to produce bio-ethanol; and thermochemical transformation to produce bio-oil.

Fuels obtained from lignocellulosic biomass such as wood, forestry and agricultural waste are so-called "second-generation biofuels". These offer an economically viable alternative to conventional biofuels, as they do not compete with the use of land to produce food and have a positive energy balance. The raw materials and processes needed to produce these types of biofuels includes: agricultural-forestry and wood industry waste (material obtained from the thinning of pine forests); waste from agricultural and forestry harvesting (sawdust, forest residuals and small chips produced during sawing and pulping); an increase in the initial density of plantations for woodpulp (resulting in a greater amount of biomass from thinning); and short-rotation plantations.

GRI
EN 1
EN 3
EN 8
EN 19
EN 20
EN 21
EN 22
EN 23

Environmental indicators by Business

| Business | Indicator | Units | 2010 | 2011 |
|-----------|---|----------------------------------|-------|-----------|
| Forestry | Chemical Inputs ⁽¹⁾ | | | |
| | Insecticides | metric tons/year | NA | 56.0 |
| | Herbicides | metric tons/year | NA | 257.8 |
| | Pesticides | metric tons/year | NA | 5.8 |
| | Fertilizers | metric tons/year | NA | 1,787.1 |
| | Total Water Consumption ⁽²⁾ | m ³ /year | NA | 3,081,108 |
| | Surface Water Consumption | m ³ /year | NA | 220,406 |
| | Underground Water Consumption | m ³ /year | NA | 2,863,058 |
| | Total Solid Waste ⁽²⁾ | metric tons/year | 2,049 | 198.7 |
| Wood Pulp | Raw Materials | | | |
| | Wood (Pulpable Chips) | Millions of dry metric tons/year | 5.6 | 6.4 |
| | Wood (Pulpable Chips) | Dry metric tons/ADt | 2.5 | 2.3 |
| | Sulfuric Acid | Kg/ADt | 21.9 | 25.7 |
| | Limestone | Kg/ADt | 12.1 | 16.7 |
| | Oxygen | Kg/ADt | 19.7 | 23.8 |
| | Caustic Soda | Kg/ADt | 25.6 | 25.1 |
| | Sodium Chlorate | Kg/ADt | 21.7 | 22.6 |
| | Hydrogen Peroxide | Kg/ADt | 3.3 | 3.0 |
| | Sodium Sulfate | Kg/ADt | 5.0 | 4.1 |
| | Soda Ash | Kg/ADt | 2.4 | 4.1 |
| | Methanol | Kg/ADt | 2.8 | 2.8 |
| | Steam | metric tons/ADt | 6.9 | 6.5 |
| | Energy Consumption | million GJ | 4.7 | 6.6 |
| | Water Consumption | million m ³ /year | 114.8 | 151.5 |

(52) www.bioenercel.cl

| Business | Indicator | Units | 2010 | 2011 |
|------------------------------|--|------------------------------|-----------|-----------|
| Wood Pulp | | m ³ /ADt | 50.1 | 53.8 |
| | Emissions | | | |
| | SO ₂ | metric tons/year | 1,379 | 1,141 |
| | NO _x | metric tons/year | 2,969 | 3,628 |
| | TRS | metric tons/year | 207 | 424 |
| | MP-10 | metric tons/year | 1,103 | 870 |
| | Discharge of Waste Water | million m ³ /year | 121 | 146 |
| | | m ³ /ADt | 53 | 52 |
| | Total Solid Waste | metric tons/year | 266,100 | 347,100 |
| | | kg/ADt | 91.5 | 151.6 |
| | Spills ⁽³⁾ | | 0 | 1 |
| Panels | Raw Materials | | | |
| | Wood | million m ³ | 5.71 | 6.14 |
| | Urea Formaldehyde Resin | metric tons/year | 233,281 | 221,985 |
| | Melamine Formaldehyde Resin | metric tons/year | N/A | 1,653 |
| | Phenol Formaldehyde Resin | metric tons/year | 49,245 | 56,036 |
| | 37% Formalin | metric tons/year | 60,349 | 65,789 |
| | Paraffin | metric tons/year | 8,921 | 5,802 |
| | Methanol | metric tons/year | 36,993 | 33,256 |
| | Urea | metric tons/year | 73,718 | 76,640 |
| | Melamine | metric tons/year | 2,230 | 2,460 |
| | Melamine Paper | metric tons/year | 2,068 | 5,230 |
| | Caustic Soda | metric tons/year | 702 | 605 |
| | Phenol | metric tons/year | 1,709 | 1,363 |
| | Natural Gas | metric tons/year | 28,245 | 31,039 |
| | Energy Consumption ⁽⁴⁾ | million GJ | 1.25 | 1.20 |
| | Water Consumption | million m ³ | 5.76 | 5.86 |
| | Emissions ⁽⁵⁾ | | | |
| | SO ₂ | ppmv | 41 | 57.70 |
| | NO _x | ppmv | 592.81 | 507.71 |
| | MP ₁₀ | ug/m ³ N | 34.65 | 35.17 |
| | Discharge of Waste Water | m ³ /year | 2,503,587 | 2,790,565 |
| | Total Solid Waste | metric tons/year | 55,389.4 | 55,661.8 |
| Spills ⁽³⁾ | | 0 | 0 | |
| Sawn Timber | Wood Raw Material | million m ³ | 4.56 | 4.70 |
| | Energy Consumption ⁽⁴⁾ | GJ | 482,400 | 511,200 |
| | Water Consumption ⁽⁶⁾ | m ³ /year | 0.79 | 0.65 |
| | Emissions ⁽⁵⁾ | | | |
| | MP ₁₀ | metric tons/year | 873.82 | 775.18 |
| | CO | metric tons/year | 2,063 | 1,830.3 |
| | NO _x | metric tons/year | 227.5 | 201.9 |
| | SO _x | metric tons/year | 12.1 | 10.8 |
| | COV | metric tons/year | 33.38 | 29.6 |
| | CO ₂ | metric tons/year | 312,512.5 | 277,233.3 |
| | Discharge of Waste Water | m ³ /year | 0 | 0 |
| | Total Solid Waste | metric tons/year | 3,850.1 | 3,438.2 |
| | Spills ⁽³⁾ | | 0 | 0 |

(1) Includes Chile and Argentina.

(2) Consolidated for operation of industrial plants and nurseries in Chile, Argentina and Brazil.

(3) GRI considers significant spills. In the case of wood pulp, the leak from the Nueva Aldea mill in Chile into the Velenuque stream is reported.

(4) Does not include biomass consumption.

(5) Only Chile.

(6) Consumption of sawmills in Chile. Previously estimated on basis of consumption of main equipment. Piray sawmill in Argentina does keep records of the consumption of water that is provided by the Piray municipal government under an agreement in which Alto Paraná operates the wastewater treatment plant – for water taken from Paraná River – to supply water to the town and the company's facilities.

Environmental Performance 2011

Sustainability Report



In 2011, the company in Chile expanded its High Conservation Value Areas. In all, ARAUCO invested US\$ 23 million for environmental improvements.





GOOD DESIGN

arquitectura responsable
únicamente de
plantaciones forestales
manejadas de forma
sostenible
biomasa Forestal
Innovación sostenible = diseño de vanguardia
Tecnologías amigas del medioambiente
Innovación sostenible
AHORRO energía
DISEÑO EMOCIONAL
ARAUCO ♥ FUTURO

arquitectura DEMOCRÁTICA
DISEÑOS AMABLES
arquitectura tecnológicamente
avanzada respetuosa con el entorno
Y con el medioambiente
Belleza
CO2
PENSADORES
INNOVADORES

LOS MUEBLES
DE MADERA
AYUDAN A REDUCIR
EL CAMBIO CLIMÁTICO
PLANTACIONES
FORESTALES
SOSTENIBLES

FUTURO CONTEMPORARY DESIGN
RESPONSABLE
CALIDAD DE VIDA
TECNOLOGÍA PUNTA
RESPECTO POR EL MEDIO AMBIENTE
INNOVACIÓN SOSTENIBLE

Procedimientos de vanguardia en biotecnología
herramientas para el cuidado de la biodiversidad
CALIDAD PRODUCTIVIDAD RENDIMIENTO
BIOFOREST
CENTRO CIENTÍFICO TECNOLÓGICO DE
EXCELENCIA MUNDIAL
RESPONSABILIDAD
SOSTENIBLE

INVESTIGAR Laboratorio
Observar Medir Comparar Examinar Probar Analizar Repensar Investigar Resultados
INNOVACIÓN SOSTENIBLE
PRECIO-CALIDAD COMPETITIVA EN EL MERCADO



RESPECTAMOS EL PLANETA
ZONAS que destacan por su
BIODIVERSIDAD
374.000 hectáreas de BOSQUES NATIVOS
Protegidos
conservados

Respetamos el Planeta
ZONAS que destacan por su
BIODIVERSIDAD
374.000 hectáreas de BOSQUES NATIVOS
Protegidos
conservados

PLANTAS DE COGENERACIÓN
ELÉCTRICA MEDIANTE BIOMASA
Registradas bajo el Mecanismo de
Desarrollo Limpio del
Protocolo de Kyoto

nuestras Soluciones SOSTENIBLES son la
nueva forma de enfrentar las necesidades
actuales. RESPONDIENDO EL PLANETA
VALOR AMBIENTAL



BIOMASA
la energía más sostenible en
nuestras plantas industriales es
limpia y renovable a partir de
biomasa forestal

AREAS DE ALTO
VALOR AMBIENTAL
Respetamos a las generaciones futuras

seguridad
SOLUCIONES
SOSTENIBLES
Respetamos a las comunidades vecinas

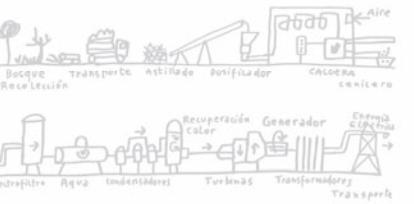
RESPONSABILIDAD
AMBIENTAL
Respetamos a las comunidades vecinas
las mejores prácticas y tecnologías disponibles en la industria



EDUCACIÓN
Y acceso a la cultura
de nuestras comunidades
vecinas

SOLUCIONES SOSTENIBLES
Belleza
Respetamos el Planeta

MÁS construcción en MADERA
MÁS BOSQUES RESPONSABLES DE CRECIMIENTO RÁPIDO
MENOS CO2 EN LA ATMÓSFERA
REDUCCIÓN DEL CAMBIO CLIMÁTICO



ARAUCO ♥ LIFE
CELULOSA RESPONSABLE
CELULOSA SOSTENIBLE
PRINCIPAL PRODUCTOR DE CHILE Y UNO DE
LOS MÁS IMPORTANTES DEL MUNDO.

Respetamos a las generaciones futuras
AHORRO DE ENERGÍA
EN ADQUISICIÓN Y TERMINO
NUESTROS MATERIALES
Fabricados bajo
Procesos de
ALTA TECNOLOGÍA
NUESTRAS MADERAS
Y PANELES
eficiente para
INDUSTRIALIZAR



ALTO VALOR AMBIENTAL
DURABILIDAD
COGENERACION CON BIOMASA
Innovación sostenible GARANTIZADA CON CERTIFICACIONES Y ESTÁNDARES INTERNACIONALES
ARAUCO ♥ PLANET

LA MADERERA
EFICIENTE en la construcción



SOLUCIONES EFICIENTES
material NOBLE
LA MADERA

BOSQUE NATIVO PROTEGIDO CONSERVADO AUTOABASTECIDO
Desarrollados para lograr una mayor RAPIDEZ de construcción

EFICIENTE en la construcción

ARAUCO ♥
ARBOLES
NUESTRAS MADERAS
MADERA

INVESTIGAR Laboratorio
Construir en madera tiene un impacto positivo en el ahorro de energía y ayuda a la reducción del calentamiento global
herramientas comunes CASAS fácilmente Ampliables
CASAS CONFORTABLES

Appendices

Financial Consolidated
Statements

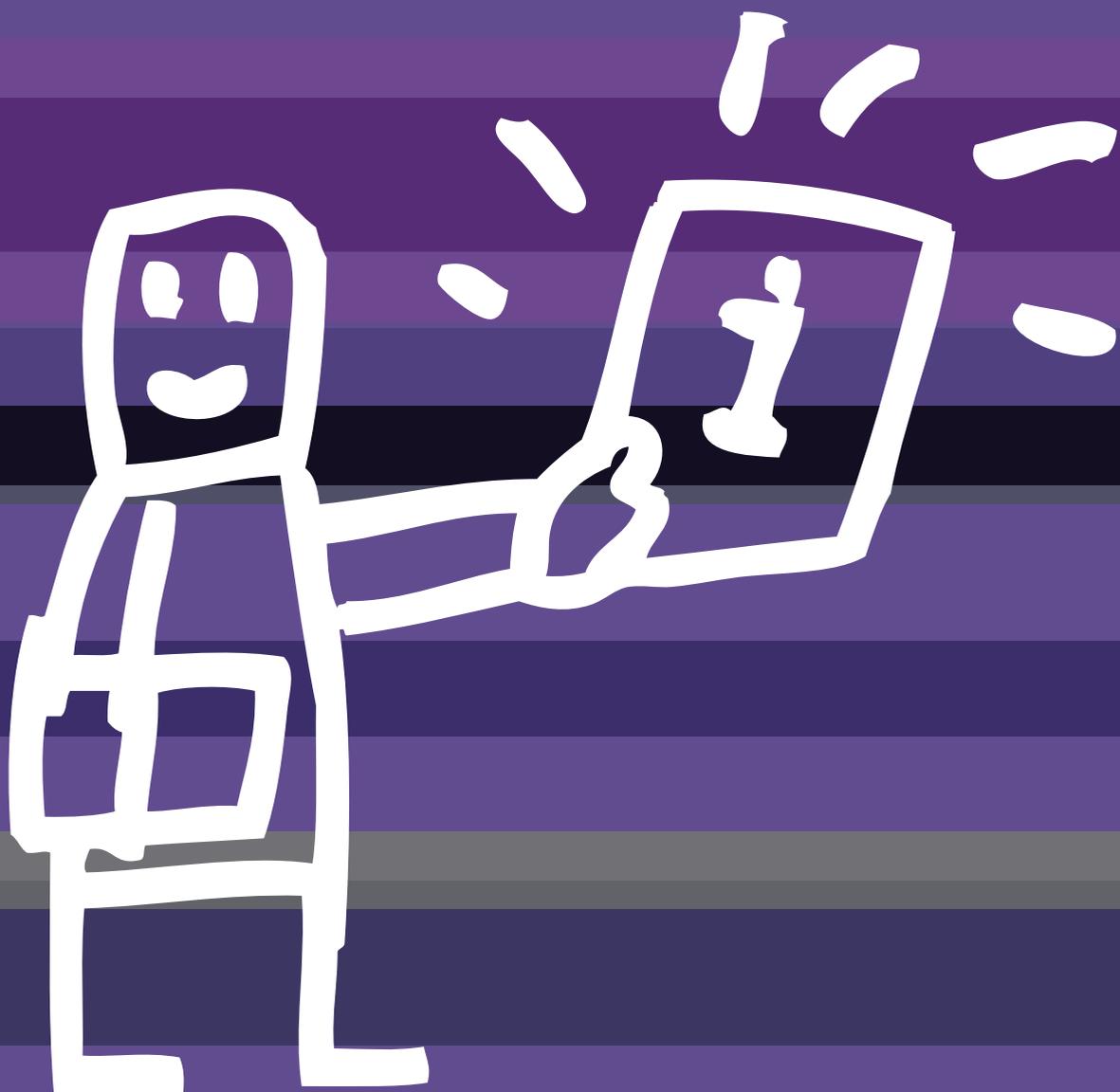
Written Sources
of Information

Memberships and Networks

ARAUCO Corporate
Structure

Certifications

Global Reporting Initiative
(GRI) Index and UN Global
Compact Principles



Financial Consolidated Statements

as of December 31, 2011 and 2010

IFRS • International Financial Reporting Standards

IAN • International Accounting Norms

IFRSIC • International Financial Reporting Standards
Interpretations Committee

US\$ Thousand • Thousand of US dollars

Financial Consolidated Statements

Consolidated Balance Sheet

| | 12-31-2011 ThU.S.\$ | 12-31-2010 ThU.S.\$ |
|--|------------------------|------------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | 315,901 | 1,043,834 |
| Other Financial Current Assets | 0 | 2,909 |
| Other Current Non - Financial Assets | 207,196 | 177,140 |
| Trade and Other Receivables - Net | 740,416 | 774,289 |
| Related Party Receivables | 70,179 | 18,074 |
| Inventories | 795,104 | 727,535 |
| Biological Assets, Current | 281,418 | 344,096 |
| Tax Receivables | 37,153 | 50,131 |
| Total Current Assets Other than Assets or Disposal Groups Classified as Held for Sale or as Held for Distribution to Owners | 2,447,367 | 3,138,008 |
| Non - Current Assets or Disposal Groups Classified as Held for Sale | 15,293 | 14,108 |
| Non - Current Assets or Disposal Groups Classified as Held for Sale or as Held for Distribution to Owners | 15,293 | 14,108 |
| Total Current Assets | 2,462,660 | 3,152,116 |
| Non - Current Assets | | |
| Other Non - Current Financial Assets | 1,162 | 53,407 |
| Other Non - Current and Non - Financial Assets | 99,901 | 52,352 |
| Trade Receivables, Non Current | 7,332 | 11,965 |
| Investment in Associates Accounted for Using Equity Method | 886,706 | 498,204 |
| Intangible Assets | 17,609 | 11,127 |
| Goodwill | 59,124 | 66,231 |
| Property, Plant and Equipment | 5,324,172 | 5,088,745 |
| Biological Assets, Non - Current | 3,463,166 | 3,446,862 |
| Deferred Tax Assets | 135,890 | 125,323 |
| Total Non - Current Assets | 9,995,062 | 9,354,216 |
| Total Assets | 12,457,722 | 12,506,332 |

Consolidated Balance Sheet

| | 12-31-2011 ThU.S.\$ | 12-31-2010 ThU.S.\$ |
|--|------------------------|------------------------|
| Equity and Liabilities | | |
| Liabilities | | |
| Current Liabilities | | |
| Other Current Financial Liabilities | 248,992 | 554,673 |
| Trade and Other Payables | 397,073 | 362,182 |
| Related Party Payables | 9,785 | 9,209 |
| Other Provisions, Current | 8,607 | 5,842 |
| Tax Liabilities | 144,989 | 62,887 |
| Current Provision for Employee Benefits | 3,307 | 3,312 |
| Other Current non Financial Liabilities | 219,192 | 210,956 |
| Total Current Liabilities Other Than Assets Included in Disposal Groups Classified as Held for Sale | 1,031,945 | 1,209,061 |
| Total Current Liabilities | 1,031,945 | 1,209,061 |
| Non-Current Liabilities | | |
| Other Non - Current Financial Liabilities | 2,969,015 | 2,909,429 |
| Other Non - Current Provisions | 9,688 | 7,609 |
| Deferred Tax Liabilities | 1,256,233 | 1,369,489 |
| Non - Current Provision for Employee Benefits | 36,102 | 35,964 |
| Other Non - Current non Financial Liabilities | 124,589 | 134,205 |
| Total Liabilities | 4,395,627 | 4,456,696 |
| Total Liabilities | 5,427,572 | 5,665,757 |
| Net Equity | | |
| Issued Capital Stock | 353,176 | 353,176 |
| Accumulated Earnings | 6,683,252 | 6,320,264 |
| Other Reserves | (96,821) | 58,754 |
| Net Equity Attributable to Parent Company | 6,939,607 | 6,732,194 |
| Non - Controlling interest | 90,543 | 108,381 |
| Total Net Equity | 7,030,150 | 6,840,575 |
| Total Net Equity and Liabilities | 12,457,722 | 12,506,332 |

Financial Consolidated Statements

Consolidated Statements of Income

| | January-December | |
|---|------------------|------------------|
| | 2011 ThU.S.\$ | 2010 ThU.S.\$ |
| Income Statement | | |
| Revenue | 4,374,495 | 3,767,384 |
| Cost of Sales | (2,908,463) | (2,298,191) |
| Gross Income | 1,466,032 | 1,469,193 |
| Other Operating Income | 475,014 | 378,480 |
| Distribution Costs | (451,620) | (360,188) |
| Administrative Expenses | (415,521) | (323,916) |
| Other Operating Expenses | (90,313) | (49,063) |
| Financial Income | 24,589 | 15,761 |
| Financial Costs | (196,356) | (207,519) |
| Participation in (loss) Income in Associates and Joint Ventures Accounted Through Equity Method | (11,897) | (7,693) |
| Exchange Rate Differences | (26,643) | (16,288) |
| Income Before Income Tax | 773,285 | 898,767 |
| Income Tax | (152,499) | (198,018) |
| Income from Continuing Operations | 620,786 | 700,749 |
| Net Income | 620,786 | 700,749 |
| | | |
| Income Attributable to Equity Holders | | |
| Income Attributable to Parent Company | 612,553 | 694,750 |
| Income Attributable to Non - Parent Company | 8,233 | 5,999 |
| Net Income | 620,786 | 700,749 |
| | | |
| Basic Earnings per Share | | |
| Earnings per Share from Continuing Operations | 0.005 | 0.006 |
| Basic Earnings per Diluted Share | 0.005 | 0.006 |
| | | |
| Earnings per Diluted Shares | | |
| Earnings per Diluted Share from Continuing Operations | 0.005 | 0.006 |
| Basic Earnings per Diluted Share | 0.005 | 0.006 |

Consolidated Comprehensive Income Statements

| | January-December | |
|--|------------------|------------------|
| | 2011 ThU.S.\$ | 2011 ThU.S.\$ |
| Net Income | 620,786 | 700,749 |
| Other Comprehensive Income, Net of Tax | | |
| Exchange Difference on Conversion | | |
| Gain (loss) for Exchange Differences, Before Tax | (145,775) | 47,070 |
| Cash Flow Hedges | | |
| Gain (loss) for Cash Flow Hedges, Before Tax | (12,767) | (11,155) |
| Participation in Other Comprehensive Income in Associates and Joint Ventures Accounted for Using Equity Method | (3,502) | 1,247 |
| Other Comprehensive Income, Net of Tax | (162,044) | 37,162 |
| Income Tax Related to Cash Flow Hedges on Other Comprehensive Income | 932 | 1,896 |
| Other Comprehensive Income | (161,112) | 39,058 |
| Total Comprehensive Income | 459,674 | 739,807 |

| Comprehensive Income Statement Attributable to: | | |
|---|----------------|----------------|
| Comprehensive Income Statement Attributable to Parent Company | 456,978 | 731,886 |
| Comprehensive Income Statement Attributable to Non - Controlling Interest | 2,696 | 7,921 |
| Total Comprehensive Income | 459,674 | 739,807 |

Financial Consolidated Statements

Consolidated Statements of Changes in Stockholders' Equity

| | Share Capital ThU.S.\$ | Conversion Reserves ThU.S.\$ | Hedge Reserves ThU.S.\$ | Participation in other Comprehensive Income in Associates and Joint Venture ThU.S.\$ | Other Reserves ThU.S.\$ | Accumulated Earnings ThU.S.\$ | Equity attributable to parent Company ThU.S.\$ | Non - controlling interest ThU.S.\$ | Equity Total ThU.S.\$ |
|--|---------------------------|---------------------------------|----------------------------|---|----------------------------|-------------------------------------|--|---|--------------------------|
| 12/31/2011 | | | | | | | | | |
| Opening Balance at 01/01/2011 | 353,176 | 72,699 | (14,079) | 134 | 58,754 | 6,320,264 | 6,732,194 | 108,381 | 6,840,575 |
| Comprehensive Income Statement | | | | | | | | | |
| Net Income | | | | | | 612,553 | 612,553 | 8,233 | 620,786 |
| Other Comprehensive Income, Net of Tax | | (140,238) | (11,835) | (3,502) | (155,575) | (249,565) | (155,575) | (5,537) | (161,112) |
| Comprehensive Income | | (140,238) | (11,835) | (3,502) | (155,575) | (249,565) | 456,978 | 2,696 | 459,674 |
| Dividends | | | | | | | | | (249,565) |
| Total Changes in Equity | 0 | (140,238) | (11,835) | (3,502) | (155,575) | 362,988 | 207,413 | (17,838) | 189,575 |
| Closing Balance at 12/31/2011 | 353,176 | (67,539) | (25,914) | (3,368) | (96,821) | 6,683,252 | 6,939,607 | 90,543 | 7,030,150 |
| 12/31/2010 | | | | | | | | | |
| Opening Balance at 01/01/2010 | 353,176 | 27,551 | (4,820) | (1,113) | 21,618 | 5,893,799 | 6,268,593 | 113,840 | 6,382,433 |
| Comprehensive Income Statement | | | | | | | | | |
| Net Income | | | | | | 694,750 | 694,750 | 5,999 | 700,749 |
| Other Comprehensive Income, Net of Tax | | 45,148 | (9,259) | 1,247 | 37,136 | (268,285) | 37,136 | 1,922 | 39,058 |
| Comprehensive Income | | 45,148 | (9,259) | 1,247 | 37,136 | (268,285) | 731,886 | 7,921 | 739,807 |
| Dividends | | | | | | | | | (281,665) |
| Total Changes in Equity | 0 | 45,148 | (9,259) | 1,247 | 37,136 | 426,465 | 463,601 | (5,459) | 458,142 |
| Closing Balance at 12/31/2010 | 353,176 | 72,699 | (14,079) | 134 | 58,754 | 6,320,264 | 6,732,194 | 108,381 | 6,840,575 |

Consolidated Statements of Cash Flows - Direct Method

| | 12-31-2011 ThU.S.\$ | 12-31-2010 ThU.S.\$ |
|--|------------------------|------------------------|
| Statements of Cash Flows | | |
| Receipts from Sales of Goods and Rendering of Services | 4,606,542 | 3,984,173 |
| Receipts from Premiums and Claims, Annuities and other Policy Benefits | 270,663 | 292,240 |
| Other Cash Receipts from Operating Activities | 276,650 | 172,278 |
| Classes of Cash Payments | | |
| Payments to Suppliers for Goods and Services | (3,532,728) | (2,877,218) |
| Payments to and Behalf of Employees | (329,158) | (263,151) |
| Other Cash Payments from Operating Activities | (5,151) | (2,338) |
| Dividends Received | 1,720 | 6,353 |
| Interest Paid | (180,046) | (190,351) |
| Interest Received | 14,009 | 6,528 |
| Income Taxes Refund (paid) | (138,621) | 10,964 |
| Other (outflows) Inflows of Cash, Net | (1,643) | (2,203) |
| Net Cash Flows from Operating Activities | 982,237 | 1,137,275 |
| | | |
| Cash Flows Used in Investing Activities | | |
| Cash Flow Used in Obtaining Control of Subsidiaries or Other Businesses | (6,972) | (6,977) |
| Cash Flow Used to Contributions in Associates | (8,306) | (8,000) |
| Cash Flow Used in Purchase of Associates | (234,054) | 0 |
| Capital Contributions to Joint Ventures | (177,397) | (39,559) |
| Loans to Related Parties | (199,666) | 0 |
| Proceeds from Sale of Property, Plant and Equipment | 14,023 | 8,669 |
| Purchase of Property, Plant and Equipment | (591,328) | (516,001) |
| Purchase of Intangible Assets | (7,619) | (1,594) |
| Proceeds from other Long - Term Assets | 5,074 | 1,471 |
| Purchase of Biological Assets | (138,198) | (116,191) |
| Purchase of other Non Current Assets | (1,162) | 0 |
| Cash Receipts from Repayment of Advances and Loans Made to Related Parties | 134,166 | 10,559 |
| Other Outflows of Cash, Net | 2,582 | (1,791) |
| Cash Flows Used in Investing Activities | (1,208,857) | (669,414) |
| | | |
| Cash Flows from (Used in) Financing Activities | | |
| Loans Obtained | 713,624 | 825,268 |
| Repayments of Borrowings | (901,310) | (634,146) |
| Dividends Paid by the Parent Company | (270,767) | (142,273) |
| Dividends Paid by Subsidiaries or Special Purpose Companies | (20,745) | (16,508) |
| Other Inflows of Cash, Net | (1,986) | 1,511 |
| Cash Flows from (used in) Financing Activities | (481,184) | 33,852 |
| Net Increase (decrease) in Cash and Cash Equivalents Before Effect of Exchange Rate Changes | (707,804) | 501,713 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (20,129) | 7,922 |
| Net Increase (decrease) of Cash and Cash Equivalents | (727,933) | 509,635 |
| Cash and Cash Equivalents, at the Beginning of the Period | 1,043,834 | 534,199 |
| Cash and Cash Equivalents, at the End of the Period | 315,901 | 1,043,834 |

Financial Consolidated Statements



REPORT OF INDEPENDENT ACCOUNTANTS

(Translation from the original in Spanish)

Santiago, March 5, 2012

To the Shareholders and Directors
Celulosa Arauco y Constitución S.A.

We have audited the accompanying consolidated statements of financial position of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2011 and 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements (including their related notes) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respect, the consolidated financial position of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2011 and 2010, the related consolidated statements of comprehensive income and cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Renzo Corona Spedaliere

A blue ink signature of Renzo Corona Spedaliere, featuring a large, stylized initial 'R' followed by the name in cursive.

PricewaterhouseCoopers

A blue ink signature of PricewaterhouseCoopers, written in a cursive style.

Written Sources of Information

In the preparation of ARAUCO's 2011 Sustainability Report, 75 internal documents were reviewed, and 89 people provided information to the authors.

| |
|---|
| Progress of FSC Forest Management Certification Process in Forestal Arauco - March 2011 |
| Progress of FSC Forest Management Certification Process in Forestal Arauco - November 2011 |
| Celulosa Arauco y Constitución S.A. Code of Ethics, 2011 |
| Speech at closure of forums, Cristián Infante, President & Chief Operating Officer |
| Speech on FSC Certification Process in Forestal Arauco |
| Speech of Miguel Peredo, Graduate Student, entitled "Challenges of Maturity" |
| Speech of Claudia Wolf, Corporate Human Resources, Graduate Student, entitled "Challenges of Maturity" |
| Survey of Chillán community, reported in 2010 Sustainability Report |
| Results of Work Climate Survey, 2011 |
| Arauco Distribution Brochure |
| Bioforest Brochure |
| Brochure of Chilean Wood Industry Corporation (CORMA), Forestry Cycle. |
| Progress 2011 Brochure on FSC Certification Process |
| Material news, 15 November 2011 |
| Environment, Safety and Occupational Health (MASSO) Bulletin, January-December 2011 |
| Integrated Sustainable Development Model (MIDES) Bulletins, N° 7-18 |
| Report on comments, Best Report Prize, AcciónRSE |
| Report on "800 Toll-Free Hotlines" |
| Report on Forest Fires - Writs of Amparo, 2011-2012 Season |
| Launch of MIDES Brochure - August 2011 |
| Minutes of Hybrid Forum Meetings, November 2011 |
| Intranet News |
| Press news: 2011; Total of 1,824 articles |
| Public Affairs Organizational Chart |
| Teno Challenge Communications Plan |
| FSC Events Spreadsheet, Register of Surveys and Verbal Comments, March 2011 |
| Policy on Relations with Mapuche Communities |
| FAQ on Forestal Arauco's FSC Certification Process, June 2011 |
| Presentation on Bioscience and Corporate Innovation / Seminar: Second SOFOFA Science-Business Meeting |
| Presentation on Local Job Creation Model - Teno Training School |
| Presentation on Public Consultation - Mapuche Communities |
| Presentation on Open House Project, October 2011 |
| Presentation at Regional Meeting of Procurement Areas, Concepción, November 2011 |
| Presentation on Nueva Aldea Expansion, July 2011 |
| Presentation on ARAUCO Internal Communications |
| Presentation on 2011 United-by-Sports Program |
| Presentation on Communications and Outreach Team Meeting, July 2011 |
| Presentation on Wetland Management by Chilean Business Sector |
| Presentation on Climate Change in the River Mataquito Basin and Implications for the Wetland |
| Presentation on Wetland Management by Chilean Business Sector |
| Presentation on ARAUCO and Water at Roundtable on "Water and its Implications for Industry," January 2012 |
| Presentation on Local Communications: Experience in Mariquina and Mehuín |
| Presentation on 2009 Carbon Footprint Results, November 2011 |
| Presentation on Integrated Sustainable Development Model (MIDES), August 2011 |
| Presentation on Local Job Creation Model - Teno Training School |
| Progress Report - Mapuche Communities Hybrid Forum, May 2011 |
| Register of comments at FSC Meetings, March 2011 |

Written Sources of Information

People who participated in the process

Adolf Kortge, Head of Corporate Image; **Alejandra Araya**, Assistant Development and Recruitment Manager; **Alejandra Contreras**, Head of Communications, central zone; **Andrea Cifuentes**, Head of Social Responsibility; **Andrés Camaño**, Corporate Manager for the Environment, Safety and Occupational Health; **Andrés Roasenda**, Assistant Manager for Development, Forestal Arauco; **Ángeles Alonso**, Head of Institutional Communications, Alto Paraná; **Angelina Castillo**, Head of Protection, Forestal Celco; **Aracelly Godoy**, Coordinator for Social Housing Projects; **Beatriz Iturra**, Head of Outreach and Community Relations; **Bruno Gorrini**, Manager for Technologies, Panels; **Camila Merino**, Senior Vice-President Human Resources; **Carlos Mallea**, Corporate Head of Training; **Carlos Rauld**, Manager for Bioenergy; **Carole Pastorini**, Head of Internal Communications; **Carolina Araya**, Development Engineer; **Carolina Moreira**, Manager for Sustainability and Corporate Affairs, Montes del Plata; **Carolina Vargas González**, Environment Advisor; **Carlos Altimiras**, Assistant Administration Manager Wood Pulp; **César Hernández**, Head of Regime, Forestal Celco; **Claudia Aguila**, Head of Consolidation and Reports; **Claudia Alvarez**, Head of Environment, Forestal Valdivia; **Claudia Wolf**, Assistant Manager for Compensation and Benefits; **Christian Patrickson**, Assistant Development Manager, Bioenergy; **Cristián Leighton**, Risk Prevention Advisor; **Charles Kimber**, Senior Vice-President Commercial & Corporate Affairs; **Eduardo Melo**, Assistant Manager for the Environment, Forestal Arauco; **Eliel de Souza**, Manager for Human Resources, Arauco do Brasil; **Esteban Carabelli**, Head of Integrated Management System, Alto Paraná; **Enrique McManus**, Head of Construction in Wood Development; **Fabiola Jacobsen**, Environment Engineer, MASSO Wood Pulp; **Felipe Montes**, Assistant Manager for Marketing, Distribution; **Francisco Lozano**, Manager for Marketing and Innovation; **Francisco Zamorano**, Assistant Manager for Public Affairs, central zone; **Felipe Guzmán**, General Counsel; **Fernando Lorenz**, Director for Corporate Affairs, Arauco do Brasil; **Fernando Toledo**, Hygiene and Occupational Health Advisor; **Francisca Birke**, Planning Engineer, Investor Relations; **Freddy Vargas**, Senior Environment Advisor; **Gabriela Castillo**, Product Manager, Paneles Arauco; **German Neumann**, Head of Protection, Bosques Arauco; **Guillermo Mendoza**, Assistant Manager for Public Affairs, Bio-Bío Norte zone; **Henry Rodríguez**, Head of Human Resource Management, Paneles Arauco; **Héctor Fierro**, Head of Human Resources, Sawmills; **Iván Barrientos**, Protection Operations Center, Bosques Arauco; **Javier Alarcón**, Head of Corporate Labor Management; **Javier Sánchez**, Senior Management Systems Engineer, MASSO Wood Pulp;

José Ignacio Díaz, Assistant Manager for Legal Affairs; **Juan Rosenthal**, Assistant Human Resources Manager, Wood Pulp; **Jorge Horning**, Head of Protection, Forestal Valdivia; **Jorge Mastrocola**, Manager for the Environment, Safety and Occupational Health, Alto Paraná; **José Luis Rosso**, Assistant Manager for Research and Financial Studies, ARAUCO; **Juan Anzieta**, Assistant Manager for Public Affairs, Los Ríos zone; **Luis Felipe Busnardo**, Manager for the Environment, Safety and Occupational Health, Arauco do Brasil; **Macarena Montino**, General Coordinator for Operational Excellence Management, Wood Pulp; **Matías Prieto**, Human Resources Manager, Sawmills; **Margarita Mariscal**, Research Engineer; **María Soledad Vial**, Assistant Manager for Communications; **Mariela Barudy**, Environment Analysis Engineer, Environmental Management System, Forestal Arauco; **Mario de Sousa**, Director for Sustainability and Human Resources, Arauco do Brasil; **Maristela da Silva**, Coordinator for Institutional Relations, Arauco do Brasil; **Marcela Wulf**, Head of Outreach, Los Ríos zone; **Marcelo Dumuihual**, Head of Communications, Los Ríos zone; **Mark Young**, National Sales and Marketing Manager, Arauco USA; **Martín Rivas**, Risk Prevention Advisor, ARAUCO; **Miguel Angel Quiroz**, Head of Organizational Management, FASA; **Nicolás Rodríguez**, Head of Environment, Sawmills; **Oscar Galdames**, Head of Fire Center, Forestal Celco; **Pablo Ruival**, Manager for Corporate and Commercial Affairs, Alto Paraná; **Pamela Sanhueza**, Analyst for Contractor Management; **Paola Sánchez**, Head of Management Control; **Patricia Concha**, Assistant Manager for the Environment, Safety and Occupational Health, Paneles Arauco; **Patricio Eyzaguirre**, Assistant Manager for Public Affairs, Maule; **Patricio Moraga**, Head of Communications Maule; **Paula Balla**, Corporate Coordinator for the Environment, Alto Paraná; **Paulina Alvarez**, Management System Analyst, Forestal Arauco; **Paulina Barrera**, Coordinator for Social Housing Projects; **Ricardo Busch**, Manager for the Environment, Safety, Occupational Health and Projects, Paneles Arauco; **Ricardo Strauszer**, Commercial Manager, Wood Pulp; **Ricardo Rioseco**, Head of Territorial Communications; **Robert Busch**, General Manager, Arauco Australia Pty; **Rodrigo Solís**, Head of Operational Excellence Program, Forestal Arauco; **Rosa Bustos**, Head of Integrated Management System (SGI) and FSC, Forestal Celco; **Pablo Ramírez de Arellano**, Head of Ecosystemic Management Unit, Bioforest; **Roberto Arriagada**, Assistant Safety and Occupational Health Manager, Forestal Arauco; **Rodrigo Monreal**, Commercial Manager, Sawmills; **Tatiana Catalán**, Head of Training and Learning, Paneles Arauco; **Tito Jara**, Manager for Operations, Paneles Arauco

Memberships and Networks

Argentina

- Asociación Forestal Argentina (AFOA), www.afoa.org.ar
- Asociación de Fabricantes de Celulosa y Papel, Argentina (AFCP), www.afcparg.org.ar
- Federación Argentina de la Industria de la Madera y Afines (FAIMA), www.faima.org.ar
- Fundación Vida Silvestre Argentina
- Cámara Argentina de la Industria de la Madera Aglomerada (CAIMA)
- Cámara Argentina de Aserraderos de Maderas, Depósitos y Afines, www.cadamda.org.ar
- Cámara de Comercio Argentino-Chilena, www.ccarch.org.ar
- Centro de Investigaciones del Bosque Atlántico
- Cooperativa de Mejoramiento Genético Camcore, www.camcore.org
- Consejo Empresario Argentino para el Desarrollo Sostenible, www.ceads.org.ar
- Instituto Argentino de Responsabilidad Social Empresaria, www.iarse.org
- Feria Forestal Argentina (concurso Modelando Futuro)
- FSC Internacional e Iniciativa Nacional
- Fundación Temaiken
- Consorcio de Protección Forestal Iguazú
- Guardaparques del Parque Provincial Cruce Caballero
- Ministerio de Ecología y Recursos Naturales Renovables, www.ecologia.misiones.gov.ar
- Parque Provincial Araucaria
- Grupo de Fundaciones y Empresas, www.gdfe.org.ar
- Mesa Ministerio de Trabajo de la Nación, www.trabajo.gov.ar
- Fundación Compromiso, www.compromiso.org
- Grupo Solidario: ONG de la Provincia de Misiones, www.gruposolidario.org.ar
- Facultad de Ciencias Forestales de la Universidad Nacional de Misiones, www.facfor.unam.edu.ar
- Universidad de Buenos Aires, www.uba.ar

Australia

- Australia-Chile Chamber of Commerce, www.chilechamber.com

Brazil

- Associação das Empresas da Cidade Industrial de Araucária, www.aeciar.com.br
- Associação das Empresas da Cidade Industrial de Curitiba, www.aecic.org.br
- Associação Paranaense de Empresas de Base Florestal, www.apreflorestas.com.br
- Conselho Regional de Engenharia, Arquitetura e Agronomia do Paraná, www.crea-pr.org.br
- Fundação de Estudos e Pesquisas Florestais do Paraná, www.fupeq.ufpr.br
- Fundo Nacional de Controle da Vespa da Madeira (Funcema)
- Fundação Projeto Pescar, www.projetopecar.org.br
- Instituto de Pesquisa e Estudos Florestais, www.ipef.br
- Sindicato das Indústrias da Madeira do Estado do Paraná, www.simadeiraspr.com.br
- Sindicato das Indústrias de móveis, Marcenarias, Carpintarias, Artefatos de Madeiras, Serrarias, Madeiras Laminadas e Compensadas de Rio Negro, www.simovem.ind.br
- Diálogo Florestal Paraná - Santa Catarina, www.dialogoflorestal.org.br
- Associação Brasileira de Normas Técnicas, www.abnt.org.br
- Associação de Usuários de Informática e Telecomunicações, www.sucesu.org.br
- Americas SAP users Group, www.sap.com.br
- BRACELPA - Associação Brasileira de Celulose e Papel, www.bracelpa.org.br
- FSC - Forest Stewardship Council, www.fsc.org
- Conselho de Manejo Florestal FSC Brasil, www.fsc.org.br
- PCCF - FPEF - Programa Cooperativo em Certificação Florestal, www.ipef.br/pccf

Memberships and Networks

Colombia

- Fedemaderas, www.fedemaderas.org.co
- Cámara Colombo-Chilena de Comercio, www.colombochilena.com
- Consejo Colombiano de Construcción Sostenible, www.cccs.org.co

Chile

- Fundación AcciónRSE, www.accionrse.cl
- Asociación Técnica de la Celulosa y el Papel, www.atcp.cl
- Asociación de Industriales del Centro, Región del Maule, www.asicent.cl
- Cámara Chilena de la Construcción, www.cchc.cl
- Cámara Chileno Argentina, www.camarco.cl
- Cámara Chileno Británica, www.britcham.cl
- Cámara Chileno-China de Comercio, Industrias y Turismo, www.chicit.cl
- Cámara Chileno Norteamericana de Comercio, www.amchamchile.cl
- Cámara de Comercio e Industria de Valdivia, www.cciv.cl
- Cooperativa de Mejoramiento Genético Camcore, www.camcore.org
- Centro de Estudios Públicos, Comisión de Medio Ambiente, www.cepchile.cl
- Centro para el Fomento del Mercado del Carbono, www.chile-co2.cl
- Consorcio Bioenercel, www.bioenercel.com
- Controladora de Plagas Forestales, www.cpf.cl
- Cooperativa de Mejoramiento Genético Forestal, www.genomica.cl
- Centro Educacional de Alta Tecnología, www.ceat.cl
- Centro de Innovación y Desarrollo de la Madera, www.cidm.cl
- Centro de Transferencia Tecnológica de la Madera, www.ctt.cl
- Corporación de Adelanto y Desarrollo de la Provincia de Arauco, www.corparauco.cl
- Corporación Chilena de la Madera, www.corma.cl
- Corporación Chilena de la Madera Maule
- Corporación Chilena de la Madera Bío-Bío
- Corporación Chilena de la Madera Los Ríos-Los Lagos
- Corporación para el Desarrollo Productivo de La Araucanía, www.corparaucania.cl
- Corporación por el Desarrollo de Valdivia www.codeproval.cl
- Corporación Industrial para el Desarrollo Regional del Bío-Bío, www.cidere.cl
- Forest Biotechnology Industrial Research Consortium (USA), www.ncsu.edu/forbirc
- Forestry and Agricultural Biotechnology Institute, Sudáfrica, www.fabinet.up.ac.za
- Fundación Belén Educa, www.beleneduca.cl
- Fundación Integrare, www.integrare.cl
- Icare, www.icare.cl
- Institute Forestry Biotechnology (USA), www.forestbiotech.org/
- North Carolina State Forest Nutrition Cooperative, USA
- Red Pacto Global Chile, www.pactoglobal.cl
- Sociedad de Fomento Fabril, www.sofofa.cl
- Un Techo para Chile, www.untechoparachile.cl
- Visión Valdivia, www.visionvaldivia.cl
- Commonwealth Scientific y Industrial Research Organisation (CSIRO), Australia, www.csiro.au
- Working on Fire International, www.wof-into.com
- Facultad de Ciencias Universidad de Chile, www.uchile.cl
- Pontificia Universidad Católica de Chile, www.uc.cl
- Universidad Austral de Chile, www.uach.cl
- Universidad Católica de la Santísima Concepción, www.ucsc.cl
- Universidad de Concepción, www.udec.cl

United States

- The Chilean-American Chamber of Commerce of the South, www.caccsouth.com
- The North American Wholesale Lumber Association, www.lumber.org
- The National Association of Trailer Manufacturers, www.natm.com
- Moulding & Millwork Producers Association, www.wmmpa.com
- Association of Millwork Distributors, www.amdweb.com
- The Association of Woodworking & Furnishings Suppliers® (AWFS®), www.awfs.org

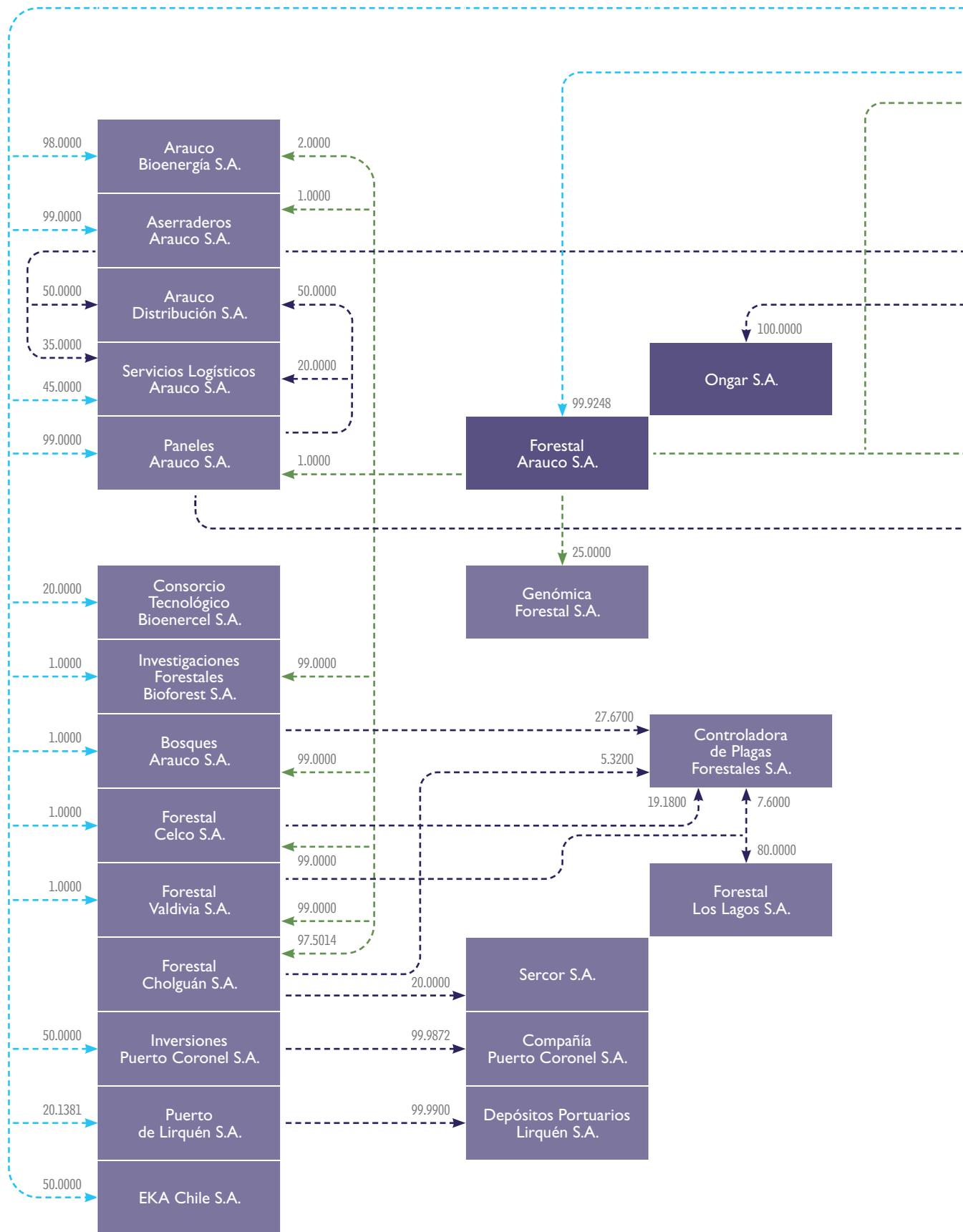
Mexico

- Asociación Nacional de Importadores y Exportadores de Productos Forestales A.C., www.imexfor.com
- Cámara Mexicana Chilena de Comercio e Inversión, www.camaramexicanachilena.com.mx
- Cámara Nacional de la Industria Maderera de México, www.canaimda.com.mx
- Consejo Nacional de la Madera de Construcción, www.comaco.com.mx

Uruguay

- Asociación Cristiana de Dirigentes de Empresa, www.acde.org.uy
- Cámara de Industrias del Uruguay, www.ciu.com.uy
- Cámara de Zonas Francas, www.czfuy.com
- Cámara Nórdica
- Centro de Navegación, www.cennave.com.uy
- Deres, www.deres.com.uy
- Liga Marítima Uruguaya
- Sociedad de Productores Forestales, www.spf.com.uy
- Pacto Global de las Naciones Unidas, www.unglobalcompact.org

ARAUCO Corporate Structure



Certifications

Forestry Business: Current Forestry Certifications (Chile) (As of December 31, 2011)

| COUNTRY / Company | Certification Program | Certification | Area Certified | Date of First Certification | Most Recent Re-certification |
|-----------------------------------|-----------------------|----------------------------|--|-----------------------------|------------------------------|
| CHILE | | | | | |
| Forestal Celco & F. Cholguán | CERTFOR | SFM | 559,897 ha ⁽²⁾ 1,383,535 acres | 2003 - 2008 | 2008 - 2013 |
| | CERTFOR | CoC | N/A | 2004 - 2009 | 2009 - 2014 |
| | FSC | CoC / CW SGS-CoC-005297 | N/A | 2008 - 2013 | N/A |
| Bosques Arauco | CERTFOR | MFS | 288,905 ha ⁽²⁾ 713,900 acres | 2003 - 2008 | 2008 - 2013 |
| | CERTFOR | CdC | N/A | 2004 - 2009 | 2009 - 2014 |
| | FSC | CoC / CW | N/A | 2009 - 2014 | N/A |
| Forestal Valdivia | CERTFOR | MFS | 266,412 ha ⁽²⁾ 658,320 acres | 2003 - 2008 | 2008 - 2013 |
| | CERTFOR | CdC | N/A | 2004 - 2009 | 2009 - 2014 |
| | FSC | CoC / CW | N/A | 2009 - 2014 | N/A |
| Forestal Los Lagos ⁽¹⁾ | FSC | MF | 19,050 ha 47,075 acres | 2002 - 2008 | 2008 - 2013 |
| | FSC | CoC | N/A | 2008 - 2013 | 2008 - 2013 |
| | FSC | CW | N/A | 2008 - 2013 | 2008 - 2013 |

(1) The area certified includes the properties of Forestal Valdivia and Forestal del Sur.

(2) Total property as of December 2011. Includes all the area under management [Company + FRG (Forestal Río Grande) + agreement + leased + ASF (Acquisition of Standing Forest)]; does not include FLL (Forestal Los Lagos).

Forestry Business: Current Forestry Certifications (Argentina, Brazil, and Uruguay) (As of December 31, 2011)

| COUNTRY / Company | Certification Program | Certification | Area Certified | Date of First Certification | Most Recent Re-certification |
|--|------------------------|--------------------------|--------------------------------|-----------------------------|--|
| ARGENTINA | | | | | |
| Forestal Misiones | FSC | CW/FM SW-CW/FM-003652 | 233,630 ha 577,300 acres | 2008 - 2013 | |
| Forestal Delta | FSC | FM SW-FM/CoC-000187 | 6,396 ha 15,800 acres | 2002 - 2008 | 2008 - 2013 |
| BRAZIL | | | | | |
| Arauco Forest do Brasil | FSC | FM SW-FM/CoC-001059 | 40,815 ha 100,850 acres | 2003 - 2008 | 2008 - 2013 |
| | FSC | CoC | | | |
| Arauco Florestal Arapoti | FSC | FM SW-FM/CoC-004511 | 49,362 ha 121,975 acres | 2009 - 2014 | 2009 - 2014 |
| | CERFLOR ⁽¹⁾ | FM | 49,362 ha 121,975 acres | 2003 - 2008 | 2008 - 2013 |
| URUGUAY ⁽²⁾ | | | | | |
| Montes del Plata (Joint Venture) (EUFORES) | FSC | FM SGS-FM/CoC 001941 | 198,229.80 ha 489,835 acres | 2004 - 2009 | 2009 - 2014 (increase in scope in 2011) |

(1) CERFLOR / PEFC.

(2) The FSC (FM and CoC) certificates of Montes del Plata (MdP) are registered under the legal name of Eufores S.A. and their scope includes the forestlands of Eufores S.A. and Stora Enso Uruguay S.A., both of which form part of the Montes del Plata group. The certified area covers the company's own land and the area rented from third parties and managed by MdP.

Other Forestry Business Certifications (As of December 31, 2011)

| COUNTRY / Company | ISO 14001 | OHSAS 18001 | ISO 9001 |
|----------------------------------|-----------|-------------|----------|
| CHILE | | | |
| Forestal Celco & Cholguán | X | X | |
| Bosques Arauco | X | X | |
| Forestal Valdivia | X | X | |
| ARGENTINA | | | |
| Forestal Misiones | X | X | |
| BRAZIL | | | |
| Florestal Arapoti | X | | |
| URUGUAY⁽¹⁾ | | | |
| Montes del Plata (Joint Venture) | - | - | - |

(1) During the integration process, these certifications were allowed to lapse in order that the company could focus exclusively on FSC certification. The Montes del Plata company, as a whole, does not have certification. The process of integrating systems began at the end of 2009.

Production Businesses: Current Certifications (Chile) (As of December 31, 2011)

| Operation | CERTFOR Chain of Custody | FSC Chain of Custody | ISO 14001 | OHSAS 18001 | ISO 9001 | ISO 17025 | Clean Production Certification |
|-----------------------------|--------------------------|----------------------|-----------|-------------|----------|-----------|--------------------------------|
| Pulp Business | | | | | | | |
| Celulosa Arauco Mill | X | SGS-CoC- 006455 | X | | X | X | |
| Celulosa Constitución Mill | X | SGS-CoC-009248 | X | | X | X | |
| Celulosa Licancel Mill | X | SGS-CoC-009245 | X | | X | | |
| Celulosa Nueva Aldea Mill | X | SGS-CoC- 005376 | X | | X | X | |
| Celulosa Valdivia Mill | X | SGS-CoC- 006456 | X | | X | | |
| Sawn Timber Business | | | | | | | |
| 8 Sawmills | X | | X | X | | | |
| 4 Remanufacturing Plants | X | | X | X | | | |
| Panel Business | | | | | | | |
| Arauco Plant | X | | X | X | | | X |
| Nueva Aldea Plant | X | | X | X | | | X |
| Trupán Plant | X | | X | X | | | X |

Certifications

Production Businesses: Current Certifications (Argentina) (As of December 31, 2011)

| Operation | CERTFOR Chain of Custody | FSC Chain of Custody | ISO 14001 | OHSAS 18001 | ISO 9001 |
|-----------------------------------|-----------------------------|--------------------------|--------------|----------------|-------------|
| Pulp Business | | | | | |
| Puerto Esperanza Mill | | CoC/CW SGS-CoC-006261 | X | X | X |
| Sawn Timber Business | | | | | |
| Piray - Sawmill | | | X | X | X |
| Piray - Remanufacturing | | | X | X | X |
| Panel Business | | | | | |
| Chemical Plant ^{(1) (2)} | | | X | X | X |
| Piray - MDF | | | X | X | |
| Zárate - Particleboard | | CoC SW-CoC- 000706 | X | X | X |

(1) The Alto Paraná Chemical Plant has been certified since 1995 under the Responsible Care for the Environment Program, regulated by the Chemical and Petrochemical Industry Chamber (CIQyP). This initiative seeks to achieve continuous improvement in environmental, health and safety matters.

(2) The Alto Paraná Chemical Plant has ISO 9001 certification only for UFC plants I and II.

Production Businesses: Current Certifications (Brazil) (As of December 31, 2011)

| Operation | CERTFOR Chain of Custody | FSC Chain of Custody | ISO 14001 | OHSAS 18001 | ISO 9001 | CARB ⁽¹⁾ |
|---|-----------------------------|-------------------------|--------------|----------------|-------------|---------------------|
| Pulp Business | | | | | | |
| Curitiba - Particleboard: Arauco do Brasil | | CoC SW-CoC-001150 | | | X | |
| Jaguariaíva - MDF: Arauco do Brasil | | CoC/CW SW-CoC-001149 | X | X | X | X ⁽²⁾ |
| Piên - MDF and Particleboard | | | X | X | X | X ⁽³⁾ |
| Araucária - Chemical Plant | | | | | X | |

(1) CARB: California Air Resources Board regulations on formaldehyde emissions in panel products.

(2) The Jaguariaíva plant has CARB Phase 2 certification for all product thicknesses.

(3) The Piên plant has CARB Phase 2 certification for MDF products with thicknesses of >8 mm, and Phase 1 certification for MDF products with thicknesses of <8 mm.

Global Reporting Initiative (GRI) Index and UN Global Compact Principles

| Profile Disclosure | Reporting Level | UN Global Compact Principle | Page |
|--|-----------------|-----------------------------|--|
| Profile | | | |
| I. Strategy and Analysis | | | |
| 1.1. Statement from the most senior decision-maker of the organization. | ● | P2 | 4 - 8 |
| 1.2. Description of key impacts, risks and opportunities. | ● | PI0 | 29 - 30 |
| 2. Organizational Profile | | | |
| 2.1. Name of the organization. | ● | | Inside front cover |
| 2.2. Primary brands, products and services. | ● | | 25, 51 |
| 2.3. Operational structure of the organization. | ● | | 25, 43 |
| 2.4. Location of the organization's headquarters. | ● | | 25, 105 |
| 2.5. Countries where the organization operates. | ● | | 25 |
| 2.6. Nature of ownership and legal form. | ● | | Inside front cover |
| 2.7. Markets served. | ● | | 26 |
| 2.8. Scale of the organization. | ● | | 26 |
| 2.9. Significant changes during the reporting period. | ● | | 32, 42 |
| 2.10. Awards received during the reporting period. | ● | | 34 |
| 3. Report Parameters | | | |
| Report Profile | | | |
| 3.1. Reporting period. | ● | | 10 |
| 3.2. Date of most recent previous report. | ● | | 10 |
| 3.3. Reporting cycle. | ● | | 10 |
| 3.4. Contact point. | ● | | Inside front cover |
| Scope and Boundary | | | |
| 3.5. Process for defining report content. | ● | | 10 y 11 |
| 3.6. Boundary of the report. | ● | | 10 |
| 3.7. State any limitations on the scope or boundary of the report. | ● | | 10 |
| 3.8. Basis for reporting on joint ventures. | ● | | 10 |
| 3.9. Data measurement techniques and bases of calculations. | ● | | Definitions are included in the text. |
| 3.10. Explanation of the effect of any re-statements of information provided in earlier reports. | ● | | Modifications are includes in the text |
| 3.11. Significant changes from previous reporting periods. | ● | | 67 |
| GRI Content Index | | | |
| 3.12. Table indicating location of Standard Disclosures. | ● | | 143 - 147 |
| Assurance | | | |
| 3.13. Policy and current practice with regard to seeking external assurance. | ● | | 11 |
| 4. Governance, Commitments and Engagement | | | |
| Governance | | | |
| 4.1. Governance structure of the organization. | ● | | 30 |
| 4.2. Indicate whether the chair of the highest governance body is also an executive officer. | ● | | 30 |
| 4.3. Number of members of the highest governance body who are independent or non-executive members. | ● | | 30 |
| 4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | ● | | 31 |
| 4.5. Linkage between compensation for members of the highest governance body and senior managers and the organization's performance. | ● | | There is no relation between remunerations and the organization's performance. |
| 4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided. | ● | | 31 |

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| Profile Disclosure | Reporting Level | UN Global Compact Principle | Page |
|--|-----------------|-----------------------------|--|
| 4.7. Process for determining the qualifications and expertise required of members of the highest governance body. | ● | | This procedure does not exist. |
| 4.8. Statements of mission, vision, values, codes of conduct and relevant principles. | ● | | Inside front cover, 31 |
| 4.9. Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance. | ● | | 31 |
| 4.10. Processes for evaluating the highest governance body's own performance. | ● | | This procedure does not exist. |
| Commitment to External Initiatives | | | |
| 4.11. Explanation of how the precautionary approach or principle is addressed by the organization. | ● | P7 | 62 |
| 4.12. Externally developed social, environmental and economic principles or programs | ● | | 62 |
| 4.13. Principal associations to which the organization belongs. | ● | | 62 |
| Engagement | | | |
| 4.14. List of stakeholder groups engaged by the organization. | ● | | 57 |
| 4.15. Basis for identification and selection of stakeholders with whom to engage. | ● | | 57 |
| 4.16. Approaches to stakeholder engagement, including frequency of engagement. | ● | | 59 |
| 4.17. Key topics and concerns that have been raised through stakeholder engagement. | ● | | 58 |
| Economic Performance | | | |
| Aspect: Economic Performance | | | |
| EC1. Direct economic value generated and distributed. | ● | | 41, 42 |
| EC2. Financial implications and other risks due to climate change. | ◐ | P7 | 117 |
| EC3. Coverage of the organization's defined benefit plan obligations. | ○ | | |
| EC4. Significant financial assistance received from government. | ○ | | |
| Aspect: Market Presence | | | |
| EC5*. Range of ratios of standard entry level wage compared to local minimum wage. | ○ | P1 | |
| EC6. Policy, practices and proportion of spending on locally-based suppliers. | ● | P9 | 94 |
| EC7. Procedures for local hiring and proportion of senior management hired from the local community. | ○ | P6 | |
| Aspect: Indirect Economic Impacts | | | |
| EC8. Development and impact of infrastructure investments and services provided primarily for public benefit. | ● | | 94 |
| * Additional indicators | | | |
| Environmental Performance | | | |
| Aspect: Materials | | | |
| EN1. Materials used. | ● | P8 | 106, 118 |
| EN2. Percentage of materials used that are recycled input materials. | ◐ | P8, P9 | 106, 114 |
| Aspect: Energy | | | |
| EN3. Direct energy consumption by primary energy sources. | ● | P8 | 118 |
| EN4. Indirect energy consumption by primary energy sources. | ○ | P8 | |
| EN5*. Energy saved due to conservation and efficiency improvements. | ● | P8, P9 | 112 |
| EN6*. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | ● | P8, P9 | 112 |
| EN7*. Initiatives to reduce indirect energy consumption and reductions achieved. | ○ | P8, P9 | |
| Aspect: Water | | | |
| EN8. Total water withdrawal by source. | ● | P8 | 118, Rainwater is used in the forestry business. |
| EN9*. Water sources significantly affected by withdrawal of water. | ● | P8 | 113 |
| EN10*. Percentage and total volume of water recycled and reused. | ● | P8, P9 | 113 |

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| Aspect: Biodiversity | | | | |
| EN11. | Description of land adjacent to or in protected areas or areas of high biodiversity value outside protected areas. | ● | P7, P8 | 106 |
| EN12. | Description of the most significant impacts on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | ● | P8 | 106 |
| EN13*. | Habitats protected or restored. | ● | P8 | 106, 108 |
| EN14*. | Strategies, current actions and future plans for managing impacts on biodiversity. | ● | P7, P8 | 106, 108 |
| EN15*. | Number of IUCN Red List species by level of extinction risk. | ● | P8 | 106, 108 |
| Aspect: Emissions, Effluents and Waste | | | | |
| EN16. | Total direct and indirect greenhouse gas emissions by weight. | ● | P8 | 115 |
| EN17. | Other relevant indirect greenhouse gas emissions by weight. | ● | P8 | 115, 116 |
| EN18*. | Initiatives to reduce greenhouse gas emissions and reductions achieved. | ● | P7, P8, P9 | 114 |
| EN19. | Emissions of ozone-depleting substances by weight. | ● | P8 | 118 |
| EN20. | NOx, SOx, and other significant air emissions by type. | ● | P8 | 118 |
| EN21. | Total water discharge by quality and destination. | ● | P8 | 113, 118 |
| EN22. | Total weight of waste by type and disposal method. | ● | P8 | 114, 118 |
| EN23. | Total number and volume of the most significant spills. | ● | P8 | 115, 118 |
| Aspect: Products and Services | | | | |
| EN26. | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | ◐ | P7, P8, P9 | 103 - 115 |
| EN27. | Percentage of products sold and their packaging materials that are reclaimed at the end of their useful life. | ● | P8, P9 | Packing materials are not recovered |
| Aspect: Compliance | | | | |
| EN28. | Monetary value of significant fines for non-compliance with environmental laws and regulations. | ● | P8 | No fines were levied. |
| Aspect: Transport | | | | |
| EN29*. | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | ○ | P8 | |
| Aspect: Overall | | | | |
| EN30*. | Breakdown of environmental expenditures and investments. | ● | P7, P8, P9 | 105 |
| Social Performance: Labor Practices and Decent Work | | | | |
| Aspect: Employment | | | | |
| LA1. | Total workforce by employment type, employment contract and region, broken down by gender. | ● | | 67 |
| LA2. | Total number of employees and rate of employee turnover by age group, gender and region. | ● | P6 | 67 |
| LA3*. | Benefits provided to full-time employees. | ● | | 70 |
| LA15. | Return to work and retention rates after parental leave, by gender. | ● | | 72 |
| Aspect: Labor/management Relations | | | | |
| LA4. | Percentage of employees covered by collective bargaining agreements | ● | P1, P3 | 72 |
| LA5. | Minimum notice period(s) regarding significant operational changes. | ● | P3 | 73 |
| Aspect: Occupational Health and Safety | | | | |
| LA6*. | Percentage of total workforce represented in formal joint management-worker health and safety committees. | ● | P1 | 81 |
| LA7. | Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region. | ● | P1 | 79 |
| LA8. | Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community. | ● | P1 | 79 |
| LA9*. | Health and safety topics covered in formal agreements with trade unions. | ○ | P1 | |
| Aspect: Training and Education | | | | |

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| LA10. Average hours of training per year per employee by gender and employee category. | ● | | 68 |
| LA11*. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | ● | | 68 |
| LA12*. Percentage of employees receiving regular performance and career development reviews. | ● | | 69 |
| Aspect: Diversity and Equal Opportunity | | | |
| LA13. Composition of governance bodies and breakdown of employees according to gender, age group, minority group membership and other indicators of diversity. | ● | P1, P6 | 71 |
| LA14. Ratio of basic salary and remuneration of women to men by employee category. | ● | P1, P6 | 71 |
| Social Performance: Human Rights | | | |
| Aspect: Investment and Procurement Practices | | | |
| HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening. | ○ | P1, P2, P3, P4, P5, P6 | |
| HR2. Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening. | ○ | P1, P2, P3, P4, P5, P6 | |
| HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | ○ | P1, P2, P3, P4, P5, P6 | |
| Aspect: Non-Discrimination | | | |
| HR4. Total number of incidents of discrimination and actions taken. | ◐ | P1, P2, P6 | 31 |
| Aspect: Freedom of Association and Collective Bargaining | | | |
| HR5. Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights. | ◐ | P1, P2, P3 | 31 |
| Aspect: Child Labor | | | |
| HR6. Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. | ● | P1, P2, P5 | 31 |
| Aspect: Forced and Compulsory Labor | | | |
| HR7. Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor. | ● | P1, P2, P4 | 31 |
| Aspect: Security Practices | | | |
| HR8*. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. | ○ | P1, P2 | |
| Aspect: Indigenous Rights | | | |
| HR9*. Total number of incidents of violations involving rights of indigenous people. | ● | P1, P2 | There were no incidents. |
| Aspect: Assessment | | | |
| HR10. Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments. | ○ | | |
| Aspect: Remediation | | | |
| HR11. Number of grievances related to human rights addressed and resolved through formal mechanisms. | ● | | There were no complaints. |
| Social Performance: Society | | | |
| Aspect: Local Communities | | | |
| SO1. Percentage of operations with implemented local community engagement, impact assessments and development programs. | ● | P1 | 58, 87 |
| SO9. Operations with significant potential or actual negative impacts on local communities. | ● | | 87, 97 |
| SO10. Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities. | ● | | 87 |

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| Aspect: Corruption | | | | |
| SO2. | Percentage and total number of business units analyzed for risks related to corruption. | ● | P10 | 32 |
| SO3. | Percentage of employees trained in the organization's anti-corruption policies and procedures. | ○ | P10 | |
| SO4. | Actions taken in response to incidents of corruption. | ● | P10 | There were no incidents of corruption. |
| Aspect: Public Policy | | | | |
| SO5. | Public policy positions and participation in public policy development and lobbying. | ● | P1, P2, P3, P4, P5, P6, P7, P8, P9, P10 | 62 |
| SO6*. | Total value of financial and in-kind contributions to political parties. | ● | P10 | No contributions were made to political parties. |
| Aspect: Compliance | | | | |
| SO8. | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | ● | | No fines were levied |
| Social Performance: Product Responsibility | | | | |
| Aspect: Customer Health and Safety | | | | |
| PR1. | Life cycle stages in which products and services are assessed for health and safety impacts for customers. | ● | P1 | 44 |
| PR2*. | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products. | ● | P2 | 44 |
| Aspect: Product and Service Labeling | | | | |
| PR3. | Type of product and service information required by procedures in force and regulation. | ● | P1, P8 | 48 - 49 |
| PR4*. | Total number of incidents of non-compliance with regulations and voluntary codes concerning products and service information and labeling. | ● | P8 | No cases of non-compliance were recorded. |
| Aspect: Marketing Communications | | | | |
| PR6. | Programs for adherence to laws, standards, and voluntary codes related to marketing communications. | ● | | 49 |
| PR7*. | Total number of incidents of non-compliance with regulations concerning marketing communications. | ● | | No cases of non-compliance were recorded. |
| Aspect: Customer Privacy | | | | |
| PR8*. | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | ● | P1 | No complaints were recorded. |
| Aspect: Compliance | | | | |
| PR9. | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | ● | | No fines were levied. |

* Indicates those indicators that are additional to GRI guidelines. Those indicators considered not material were not included in this Index.

● Fully reported.

◐ Partially reported.

○ Not reported.

In general, indicators that are not applicable (N/A) were not included in the Index. However, as some indicators correspond to UN Global Compact Principles, it was decided to include these indicators so as to explain that they were not reported due to the nature of the company's business.

Legal information:

Celulosa Arauco y Constitución S.A. was established by public deed issued on October 28, 1970 by Santiago Public Notary Ramón Valdivieso Sánchez and modified by public deed issued on May 6, 1971 by Santiago Public Notary Sergio Rodríguez Garcés. The company's existence was authorized by Chile's Securities and Insurance Superintendency (SVS) through Resolution N°300-S, issued on August 18, 1971. Extracts of these deeds were recorded at Folio 6.431, N° 2.993 of the Commercial Register for 1971 of the Santiago Real Estate Registry Office and published in the Official Gazette on September 4, 1971.

Company Name:

Celulosa Arauco y Constitución S.A.

Chilean Tax N° (RUT):

93.458.000 -I

Address:

Av. El Golf 150, 14th Floor, Las Condes, Santiago, Chile

Type of Company:

Corporation

Securities Register:

N° 042, July 14, 1982.

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ARAUCO archive.

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