

2010

SUSTAINABILITY

REPORT



“GROWING THE FUTURE THROUGH GLOBAL LEADERSHIP IN THE DEVELOPMENT OF SUSTAINABLE FOREST PRODUCTS”



ARAUCO[®]
Growing the Future



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Celulosa Arauco y Constitución S.A. (ARAUCO) has prepared annual Corporate Sustainability Reports since 2004. This report provides a comprehensive review of the economic, environmental and social performance of the company's business operations in Chile, Brazil, Argentina and Uruguay, for the time period January 1 through December 31, 2010.

This report was written following Global Reporting Initiative (GRI) protocols, and uses the GRI G3 Guidelines, which cover a broad range of sustainability topics.



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Chairman's Statement



The year 2010 will remain forever in our company's memory. We were directly hit by the February 27 earthquake and tsunami. This disaster affected our workers and their families, it destroyed part of the communities where we've operated for more than 40 years and it shut down many of our facilities. With grief and sorrow, we had to bear the loss of six of our contract workers.

The earthquake became a call to responsibility for ARAUCO. From the very beginning, we were certain that we would only be able to stand if we did so together with our workers and their communities. We felt the responsibility of working together and acting as a country. The first thing we did was provide people a sense of calm. We knew that whatever ARAUCO did would be taken by others as a sign.

We were able to recover our facilities and resume operations in record time. Ultimately, all of our actions were aimed at responding quickly to the emergency. At the same time, we made sure we generated initiatives for the mid- and long-term that truly supported the country's development. We are very proud of the way we faced this challenge together with the communities and workers, and that we were able to apply the efficiency with which we conduct our business in this difficult situation.

However, not all was adversity. The year 2010 also will be remembered for the consolidation of our internationalization process. Just a few years ago, we decided to build an important part of our future outside our borders, taking on the challenge of globalizing our company to help ensure its economic and social sustainability.

Our decision to join with Stora Enso and invest US\$1.9 billion to build a modern and efficient pulp mill in Uruguay was a concrete step in this direction, as were the steps taken in Brazil to consolidate our forestland and the opening of a sales office in China.



Globalization is having multiple effects on society, changing the way we live, our consumption habits, and the environment. Most of all, it is having a far reaching impact on business organization models. We are aware that the challenges of being a global company include greater transparency and innovation. We are just starting and a long road lies ahead.

During 2010, significant advances were made in the way in which we conduct dialogue with our stakeholders. The decision to seek FSC Forest Management certification for our operations in Chile allowed us to rethink the way in which we relate to communities and to recognize publicly that our growth, as well as the nature of our forestry operations, has generated important benefits as well as a number of impacts. During 2010, we worked diligently to align ourselves with the Forest Stewardship Council (FSC) international standard – a standard that promotes forest management which is environmentally responsible, socially beneficial and economically viable.

We are certain that the only way to achieve our goal of FSC certification is to embrace a broad, inclusive, transparent consultation process that encourages stakeholder participation.

During the coming year, we will implement new training programs for our personnel and our suppliers, not only to share daily work, but also to share a unique business vision that is characterized by a call to growth and the incorporation of practices and standards of excellence.

In the end, 2010 left us feeling optimistic and prepared to face the challenges ahead and the responsibilities we have undertaken. We are committed to the United Nations Global Compact and its principles regarding labor regulations, the environment, human rights and the fight against corruption. These are world-class standards that have been added to policies and commitments that are a part of the growth and globalization process we are conducting.

Without a doubt, much remains to be done, and there will be new learning processes and challenges along the way. Nevertheless, we are proud of what has been accomplished, and of being able to breathe new life into our vision and policies through initiatives that fulfill our commitments with the country, people and the environment.

We know that to achieve sustainable results over time, we need to count on a team of highly trained people who are committed for the long term. The labor of our workers and contract workers has been essential to the growth of our company, and we are on the right path toward making ARAUCO a global leader in the development of sustainable forest products.



José Tomás Guzmán Dumas
Chairman of the Board of Directors
ARAUCO



CEO's Statement



This Sustainability Report covers one of the most intense periods in the history of ARAUCO. Throughout 2010, the company faced adversity as never before and a challenge that required courage and creativity.

Four issues were particularly relevant for the company's management: business growth; our commitment to our people; our commitment to stakeholders and the environment; and the earthquake that affected all of Chile as well as our company.

Business growth

During 2010, the global demand for pulp and forest products recovered, enabling us to sell US\$3,788 million, 22% more than in 2009. In addition, due to improving market conditions, products in all of our business areas attained higher margins. Our profit for this reporting period was US\$701 million, a 130% increase as compared with 2009.

Many projects were developed during 2010. We submitted an Environmental Impact Statement for a Panel Mill in Teno commune, which was approved. We are currently developing a training program for local workers to be employed by the company.

In Uruguay, we developed the Montes del Plata project in partnership with Stora Enso. This project, the largest production investment in the country, includes the construction of a pulp mill with an annual production capacity of 1.3 million tons.

As part of our globalization process, we opened a business office in China, allowing us to provide better service for our customers in one of our fastest growing markets, and one which we have served for more than 30 years.

Responding to our sustainability strategy by meeting global standards, ARAUCO offers a wide variety of products to customers in more than 70 countries around the world.



In 2010, we also changed the name of our subsidiary, Arauco Generación (Arauco Generation), to Arauco Bioenergía (Arauco Bioenergy). This business concentrates all the initiatives and projects aimed at the sale of biomass-based clean energy. The new name expresses our commitment to non-conventional renewable energies, which are the key power sources for our operations and through which we supply an energy surplus of 180 MW to the Central Interconnected System (SIC in Spanish), Chile's energy grid.

In addition, we conducted two bond placements in the national market and in the United States. These placements were noteworthy for having the lowest interest rate of any ARAUCO offering.

Commitment to our people

ARAUCO made important progress regarding the occupational development and well-being of our people, and deepened our support to contracting and service-providing businesses, strengthening and improving our labor-relations model. We also structured a Wellness program to benefit workers and their families and launched a campaign covering key work rules in an effort to improve our safety standards.

Finally, we continued our successful Operational Excellence plan in all of our business areas, with the forestry area joining the program in 2010. We are proud to say that, this year, ARAUCO's Nueva Aldea Pulp Mill received the highest recognition in the country's first Operational Innovation Awards (PIO in Spanish), a program jointly organized by the Catholic University, Operational Excellence Center (CEOP), the Chamber for Production and Commerce and the Chilean Safety Association.

Commitment to our stakeholders and the environment

As a company that is committed to society, to communities and to the environment, ARAUCO maintains engagement programs with neighboring communities in all of the countries in which we operate. These programs are presented throughout this report. In 2010, we ratified this commitment by officially committing to the United Nations Global Compact and its ten principles on labor rights, environmental protection, human rights, and anticorruption. Beginning with this report, we will fulfill the responsibility of publishing annual progress reports on the implementation of these principles in our company.

Fundación Educacional Arauco (Arauco Educational Foundation), known for its openness and dialog, has continued to develop highly committed, quality programs to improve public-school education in the areas of Chile in which ARAUCO operates. In addition, schools in Chile that are funded directly by ARAUCO once again were recognized for their quality and excellent academic results.

In response to the needs of the communities in which our company has industrial and forestry operations, ARAUCO has developed and maintains a variety of social-investment initiatives. In addition, ARAUCO has developed a robust housing program for its workers. We also continue to move forward with the FSC certification process through innovative work, dialog and engagement with diverse groups of stakeholders. We are committed as a company to success in earning FSC certification.

The earthquake

I cannot help but mention the impact suffered by Chile and by our company from the earthquake and tsunami on February 27. With great sorrow, we had to bear the loss of six of our contract workers. We were witness to the devastation of the areas in which we operate, and that were the epicenter of the disaster.

We suffered great damage. Of our 35 production units, 30 were located in the areas most affected by the earthquake and tsunami, and where more than 20,000 of our workers and contract workers live. One of our sawmills was completely destroyed and 34 of our facilities were paralyzed.

Our main concern was the safety and well-being of our workers, contract workers and their families. We developed multiple initiatives to aid affected communities, covering basic needs such as water, food, and supplies. We also contributed to broader initiatives such as the "Chile helps Chile" campaign, the Master Plan for the Sustainable Reconstruction of Constitución (PRES), the reconstruction of Arauco's cultural center, a joint initiative with SERVIU to provide land donations for the construction of new housing for affected families, providing support for small businesses through entrepreneurship in the community of Arauco, the "Sea of Hope" program for fishing communities, and Arauco Foundation's Crisis Support Program.

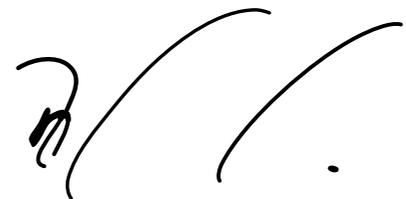
With the exception of the Mutrún sawmill, which was completely destroyed, all of our facilities are operating at present. This includes Line 2 at our Arauco mill, which resumed operations in January 2011.

Although the experience was tough, it allowed us to confirm the deep ties we have with the communities in which we operate, and the responsibility we have for their well-being.

Late in the year, ARAUCO was awarded the 2010 Pulp & Paper International Award in recognition of the manner in which we helped Chile recover from this disaster. Organized by RISI, these international awards honor businesses in the pulp and paper industry that show leadership, vision, innovation and strategic achievements. We were given this award for the comprehensive and strategic approach shown in the reconstruction of our operations and nearby communities.

ARAUCO's achievements in such a difficult year are fruit of the effort and commitment of our workers and contract workers. It is to them that I wish to express our gratitude and special recognition.

We look forward to achieving important goals in 2011. In particular, we want to keep growing and moving forward as we face the challenge of becoming a global business and a global leader in the development of sustainable forest products.



Matías Domeyko Cassel
President & CEO
ARAUCO

ARAUCO's business model is designed to address the challenges of globalization, to meet or surpass global standards, and to attain objectives that balance the operational, commercial, environmental and social aspects of doing business.



“ARAUCO’s vision is to be a global leader in the development of sustainable forest products”

1.



Sustainability Strategy

ARAUCO's sustainability strategy is based on the certainty that a responsible company, while maximizing value generation for its shareholders, must also generate value for people and their communities and protect the environment.

ARAUCO's vision is to be a global leader in the development of sustainable forest products. This vision is expressed in the search for opportunities for sustainable growth, investment in plantations and leading technology, expansion into new markets, broadening product offerings to respond to our customers' needs, and maintaining a team of highly trained people and efficient management that demonstrates its concern for the environment, our people and their communities and the needs of future generations.

There are several important components to ARAUCO's strategy. These include the company's globalization; its ability to adapt to change; production diversification; adoption of the most-stringent international standards; innovation as a core value; and a focus on the development of people. A key component in implementing its strategy during 2010 was redefining ARAUCO's relationship with its stakeholders. During 2010, ARAUCO adopted a stakeholder engagement model that is based on dialog and openness with the community, redefining the company's relationship with its surroundings. The new model requires working within a network of people representing a broad range of experience and perspectives to innovate and share knowledge in solving identified problems.

ARAUCO believes that engaging all stakeholders is fundamental to achieving its goals. Stakeholder engagement requires building trust, reaching consensus, considering diverse points of view, and promoting joint initiatives and projects through a constructive, participatory process that focuses on the common good.

A key element in this collaborative work model is the identification of best ideas and practices. This is accomplished through the inclusion of persons from inside and outside the company, such as scientists, academics, professionals, and laypersons who bring to the table national and international experience, and different areas of knowledge.

Business Model

ARAUCO's business model is designed to address the challenges of globalization and to meet or surpass international standards. It defines objectives that balance the operational, commercial, environmental and social aspects of doing business. The key elements of ARAUCO's business model include:

- Improving the growth rates and quality of our plantations through advanced forest management techniques.
- Executing an investment plan designed to strengthen competitive advantages through economies of scale and differentiation, improve the efficiency and production of our industrial assets, and optimize the use of our forest resource through biomass-based energy generation.
- Developing production, transportation, loading/unloading facilities, and a product storage and distribution network that will allow ARAUCO to serve the greatest possible number of countries around the world.
- Expanding internationally into new regions that present competitive advantages in the forestry sector.
- Focusing on people by creating employment, stimulating production development, providing opportunities for local suppliers, and improving labor skills and education to generate social and economic development which creates programs that improve quality of life.
- Serving our customers by offering a wide variety of products according to each market's needs, continuously searching for new opportunities, and accurately identifying changes and opportunities in the market.

- Meeting the objectives established in the company's MACSSO (Environmental, Quality and Occupational Health) policy, and the criteria and parameters defined in established management systems and procedures.
- Increasing environmental research and training, and carefully managing the company's ecosystem services and High Conservation Value Forests.

There are several important components to ARAUCO's strategy. These include the company's globalization; its ability to adapt to change; production diversification; adoption of the most-stringent international standards; innovation as a core value; and a focus on the development of people.

Innovation

To be a global leader in the forestry industry and in the development of sustainable forest products, ARAUCO must maintain its leadership in product development, operational excellence and the management of its environmental and social programs.

In order to sustain and enhance its leadership position, ARAUCO invests in efficiency, high-performance teams and innovation. ARAUCO defines innovation as any new product, service, or process (operational or managerial), that generates value for current and future markets, and generates incremental revenue for the company.

ARAUCO supports the development of innovation through the use of a Strategic Innovation Model that is focused on three key areas: New Value Offers, Operational Efficiency and Sustainability and Social Impacts.

- **New Value Offers:** This area includes new products, services and business models focused on wood and wood treatments, wood applications; and on developing business models based on ARAUCO's knowledge and expertise in value generation in the market.
- **Operational Efficiency:** This area of focus includes process innovations, work organization, and the development of strategies aimed at cost reduction, improving product quality, strengthening the supply chain, advancing technology, and product differentiation, among others.
- **Sustainability and Social Impact:** The objective of this area of focus is to improve significantly the sustainability of operations and the quality of life of our workers, their families and the communities in which the company operates.

ARAUCO's vision for innovation allows us to:

- Renew our value proposition and stimulate long-term growth.
- Strengthen ARAUCO's reputation for quality products and for environmental and social responsibility.
- Support the development of innovative and ingenious people.



ARAUCO's Commitments

As part of its sustainability strategy, ARAUCO has made commitments to the environment and to society. These commitments apply to all of the company's operations, and have an effect on the company's decision-making processes.

The most significant commitments are:

- A commitment to the development of human potential that is manifested through occupational health and safety, training, talent management and leadership development programs.
- A commitment to invest in the best available technologies for our production facilities.

- A commitment to comply with or surpass the stringent environmental and social standards that are a part of the globalization process.

- A commitment to protect and conserve biodiversity; and to develop marketable Non-Conventional Renewable Energy (NCRE) sources.

ARAUCO's commitments are translated into objectives and goals. Progress toward achieving these objectives and goals is reported annually.

Fulfillment of 2010 Commitments	
Commitment	Compliance Level
Apply corrective actions suggested by Woodmark in the FSC pre-assessment in order to comply with the standards required by the Forest Stewardship Council for the certification of 1.1 million hectares (2.7 million acres) of forests in Chile.	In process. Work began in 2009 with the pre-assessment audit conducted by Woodmark. During 2010, a stakeholder consultation process (using the Hybrid Forum Model) was launched, and technical teams were assigned to address gaps identified by the pre-assessment audit. This process will continue in 2011.
Communicate ARAUCO's Corporate Environmental Occupational Health and Safety Standards throughout the organization.	Accomplished. The standards were communicated by the management of each business unit. Regular communication of these standards throughout the organization will continue in Chile during 2011.
Strengthen the internal work done in the company's wetlands in Chile in order to engage with the environmental authorities and social agents to develop specific action plans. A 2010 priority will be projects in coastal wetlands associated with ARAUCO's forestland located in the estuaries of the Mataquito and Itata rivers near their confluence with the Pacific Ocean.	Accomplished. Work on the coastal wetlands was completed in 2010. For example, the physical, chemical and biological variables in the Vegas Wetland area of the Itata River were assessed. In addition, studies of the Mataquito River coastal wetland were performed. These studies included an analysis of the disappearance of a 10 kilometer (6 mile) sandbar at the mouth of the Mataquito River after the February earthquake and tsunami.
In Brazil, work will be done to certify 33,000 hectares (81,500 acres) of Vale do Ribiera (Tunas) to the FSC Forest Management Standard for Brazil. Also, the company's plantations in Campo do Tenente region will be monitored to identify and inventory existing flora and fauna.	Accomplished. The Institute of Forestry and Agricultural Management and Certification (Imaflora) was commissioned to conduct a follow-on to assess conservation value attributes in this area and subsequently conduct an inventory of existing flora and fauna.
Designate new High Conservation Value Forest (HCVF) in Argentina as part of the FSC certification process for the Alto Paraná forestry unit.	In process. Work initiated in 2006 to define HCVFs is nearing completion. The Proyungas Foundation is evaluating the company's remaining ownership of native forest and natural vegetation in Misiones Province.
Conduct a study of the carbon drain capacity found in the Ciénegas del Name wetland in Chile.	Accomplished. The study "Quantification and Carbon Flow in Ciénegas del Name Wetland" was commissioned during 2010. Work will continue in the area in 2011.
Establish a key Safety Rules system.	Accomplished. A campaign was developed and launched in June. This safety program has two key rules for the forestry business and five key rules for the industrial operations. Standards reflecting these new rules are now included in workers' contracts and also have been adopted by ARAUCO's service providers for their workers.
Establish Corporate Operational Standards for ARAUCO.	Accomplished. Seven operational standards were developed and communicated throughout the organization.

ARAUCO's main challenges are centered on innovation, maintaining continuous growth of all our businesses, nurturing people's talents and leadership skills, ensuring continued compliance with environmental, social and occupational health and safety standards to maintain and strengthen the business model by meeting or surpassing global standards.

Risk Analysis Related to ARAUCO's Sustainability

ARAUCO has identified and assessed different risks that could result from changes in economic, political, social and competitive conditions in its main markets.

Following is a list of risk factors for ARAUCO and the forestry industry. If these events were to occur, the company's business, financial position and operational results could be affected.

- Changes in economic conditions, trade agreements or tariffs in our key export markets.
- Damage to our assets in Chile from recurring seismic activity and its consequences.
- Changes in environmental regulations or in the cost of compliance.
- Environmental issues related to the start-up and operation of the Valdivia pulp mill.
- Significant tax increases in Argentina.
- Disruption in production facilities resulting from natural disasters including power supply interruption, equipment failure, interruption in raw material supply, labor- related issues and other operational problems.
- Global climate change and its consequences.
- Fluctuations in the market price of our products.
- Increased competition in global markets.
- Economic developments, particularly in Asia and the United States, that could result in a reduction in product demand.



Challenges and Commitments for 2011

ARAUCO's main challenges for 2011 are to:

- Maintain and strengthen the business model by meeting or surpassing global standards.
- Ensure continued compliance with global occupational health and safety standards.
- Maintain the continuous growth of all our businesses.

ARAUCO'S 2011 Commitments

Commitment	Objective
Thermal co-generation power plant in Viñales, Chile.	This new US\$105 million power plant will generate 41 MW of electricity for the company's own energy requirements, and an energy surplus that will be sold to the Chilean energy grid, SIC. This facility is being built in Constitución, in Chile's Maule Region.
Particleboard Panel Mill in Teno, Chile.	US\$110 million will be invested in the construction of a new particleboard mill with a melamine line. The mill will have an annual panel capacity of about 300,000 cubic meters. The melamine line will have an estimated capacity of 150,000 cubic meters.
Montes del Plata, Conchillas, Uruguay.	<p>ARAUCO and Stora Enso corporation will begin building a pulp mill in Conchillas, in the Colonia Department of Uruguay. The US\$1.9 billion investment includes:</p> <ul style="list-style-type: none"> • A pulp mill with an annual production capacity of 1.3 million tons (ADMT). • A 700-meter-long (0.4 miles) port facility and an access channel connected to Martín García channel for ocean shipping. • An energy-generation plant fueled by renewable resources, with a capacity of between 160 and 180 MW. <p>The company estimates that this new mill will be operational during the first half of 2013.</p>
Second Production Line at MDF (Medium Density Fiberboard) mill in Jaguariava, Brazil.	<p>A second production line will be built at the MDF mill in Jaguariava, in Paraná State, Brazil. The mill will have an annual production capacity of 500,000 cubic meters and will include a melamine line with an estimated annual capacity of 125,000 cubic meters.</p> <p>ARAUCO expects this second line to be operational during the second quarter of 2012.</p>
Corporate Standards for Environmental and Occupational Health and Safety performance.	Implement corporate standards throughout the organization.
Corporate Operational Standards (COS).	Develop and provide training on the Corporate Operational Standards established in 2010.
Academic Excellence Scholarship Program.	Add 45 new scholarships in 2011 to the 100 scholarships offered in 2010.
Professional Engineer / Trainee Program	Incorporate young professionals into the Professional Engineer / Trainee Program.
Performance Management Program	Implement this management tool at all levels in the company to help align each employee's objectives with those of the company.



- Nurture people's talents and leadership skills.
- Maintain permanent, positive relations with the communities in which the company operates, based on engagement and mutual collaboration.
- Maintain industry leadership through efficiency, high-performance technologies and innovation.

Commitment	Objective
Talent Program.	Provide a training and development program to strengthen and improve the skills of the 113 workers selected in 2010.
Leadership Training Program.	Provide the next level of training for the 500 workers, identified as leaders in their areas, who successfully completed the first cycle of training.
Integrated Model for Sustainable Development (MIDES).	Implement the MIDES program and assess the contributions made by the program in the locations in which the company operates.
Local Economic Development Councils.	Continue to support and strengthen Local Economic Development Councils in the locations in which the company operates. Continue to develop local suppliers for the company.
Housing Program for Workers (HPW).	Publicly announce the HPW program, and continue two pilot projects to construct about 1,000 houses at a cost of CLP\$11.8 million (US\$23,000) in the Constitución and Curanilahue Communes. These wood houses will be built to high technical standards, and the project will engage all interested stakeholders.
FSC Forest Management Certification Process.	Using the Hybrid Forum Model with support from technical teams, continue and expand the consultations already under way in order to generate joint solutions that can be implemented in preparation for a formal FSC certification assessment in Chile.
ARAUCO Sustainable Solutions Program.	Register more than 35,000 people as members at www.araucosoluciones.com . In addition, launch the web site in Brazil and Argentina, create 14 new "How To" projects, and add 89 new stores to the Point-of-Sale program.
Coastal wetlands in Chile.	Create a network of interested parties, including the academic sector and non-governmental organizations, to consolidate and communicate the results of work on coastal wetlands.
Native Forest Program.	Use innovative tools to develop a program that generates a value proposition for ARAUCO's native forest holdings.
ARAUCO's Innovation Model.	Develop initiatives for all three Innovation Model program areas: New Value Offers, Efficiency in Operations, and Sustainability and Social Impact.
Operational Excellence Program.	Implement the Operational Excellence Program in Argentina and Brazil, consolidating the programs developed by ARAUCO's various businesses in Chile.

Corporate Overview

ARAUCO was established 40 years ago with the vision of becoming a global leader in the development of sustainable forest products. As a result of this clear focus, the company is now one of the major forestry businesses in Latin America in terms of forest ownership and plantation performance. Today, ARAUCO is a global leader in the manufacture of market pulp, sawn timber, remanufactured wood products and panels.



Organizational Structure

Board of Directors

Chairman
José Tomás Guzmán

Vice Chairman
Roberto Angelini
Manuel Enrique Bezanilla

Board Members
Jorge Andueza
José Rafael Campino
Carlos Croxatto
Alberto Etchegaray
Eduardo Navarro
Timothy C. Purcell

Management

Chief Executive Officer
Matías Domeyko

Woodpulp Business
Managing Director
Franco Bozalla

Legal Affairs Managing
Director
Felipe Guzmán

Management and
Development Director
Cristián Infante

Corporate Affairs and
Marketing Director
Charles Kimber

Sawn Timber Business
Managing Director
Antonio Luque

Forestry Business
Managing Director
Álvaro Saavedra

Comptroller Managing Director
Robinson Tajmich

Financial Managing Director
Gianfranco Truffello

Panel Business
Managing Director
Gonzalo Zegers





Legal Form

Celulosa Arauco y Constitución S.A. is a closely held corporation, organized under Chilean legislation and subject to regulations applied by the Chilean Government, including Law N° 20.382, which was implemented in 2009. This law modified various legal bodies and made changes to regulations on corporate governance, including the Chilean Securities Market Law and the Chilean Corporation Law.

The company was established on September 14, 1979, through the merger of two companies, Celulosa Arauco S.A. and Celulosa Constitución

S.A., each of which was created in the late 1960s by CORFO, the Chilean Economic Development Agency.

Nature of Ownership

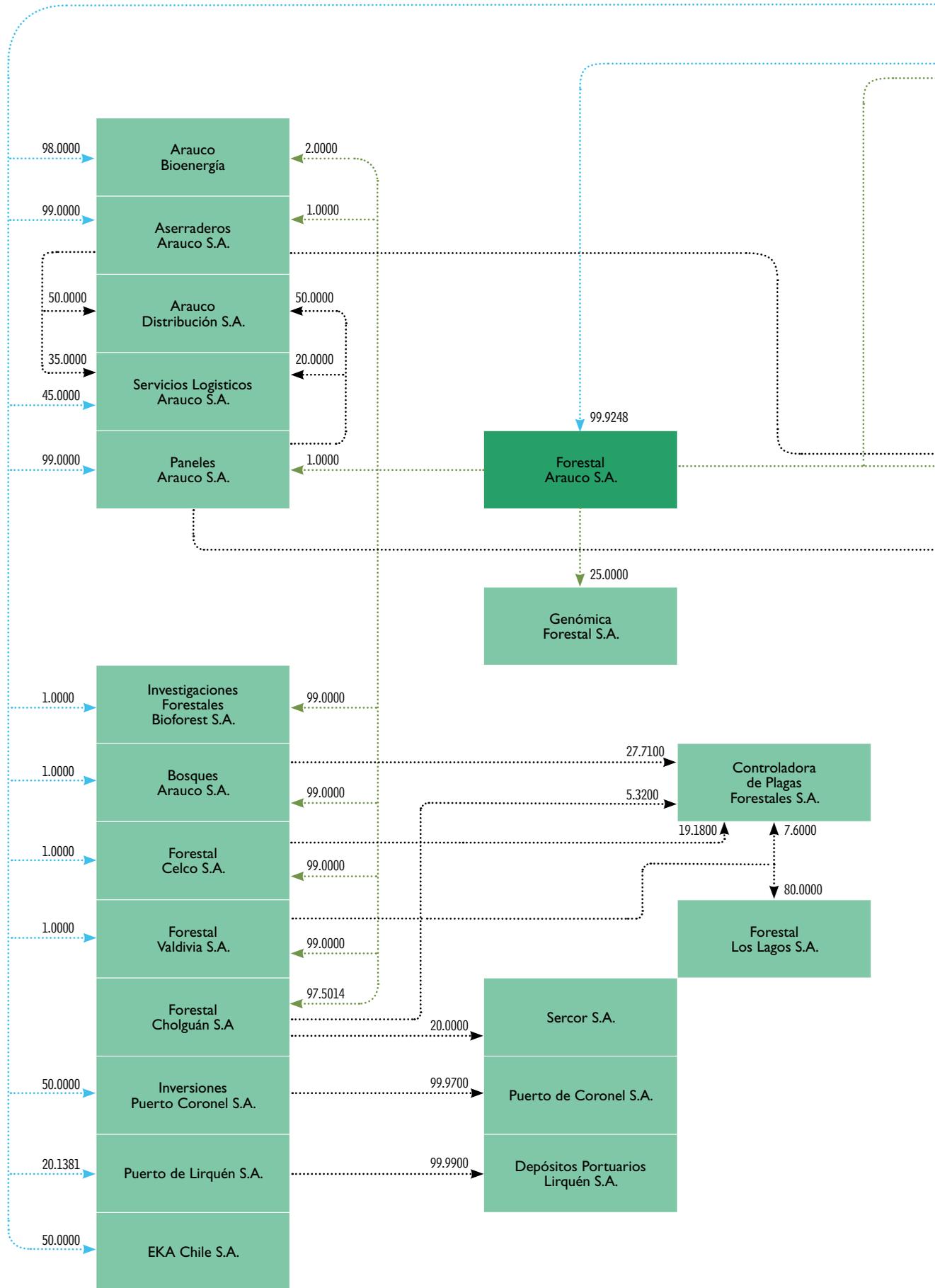
ARAUCO's primary owner is Empresas COPEC S.A., a publicly held company with 8,647 shareholders that is listed on the Santiago Stock Exchange, Valparaíso Stock Exchange and the Electronic Stock Exchange. COPEC is a holding company with primary interests in ARAUCO, in fuel distribution businesses, and in the fishing and mining sectors. A 61% share of COPEC is owned by Antarchile S.A., a business in which the Angelini Group holds a 74% share.

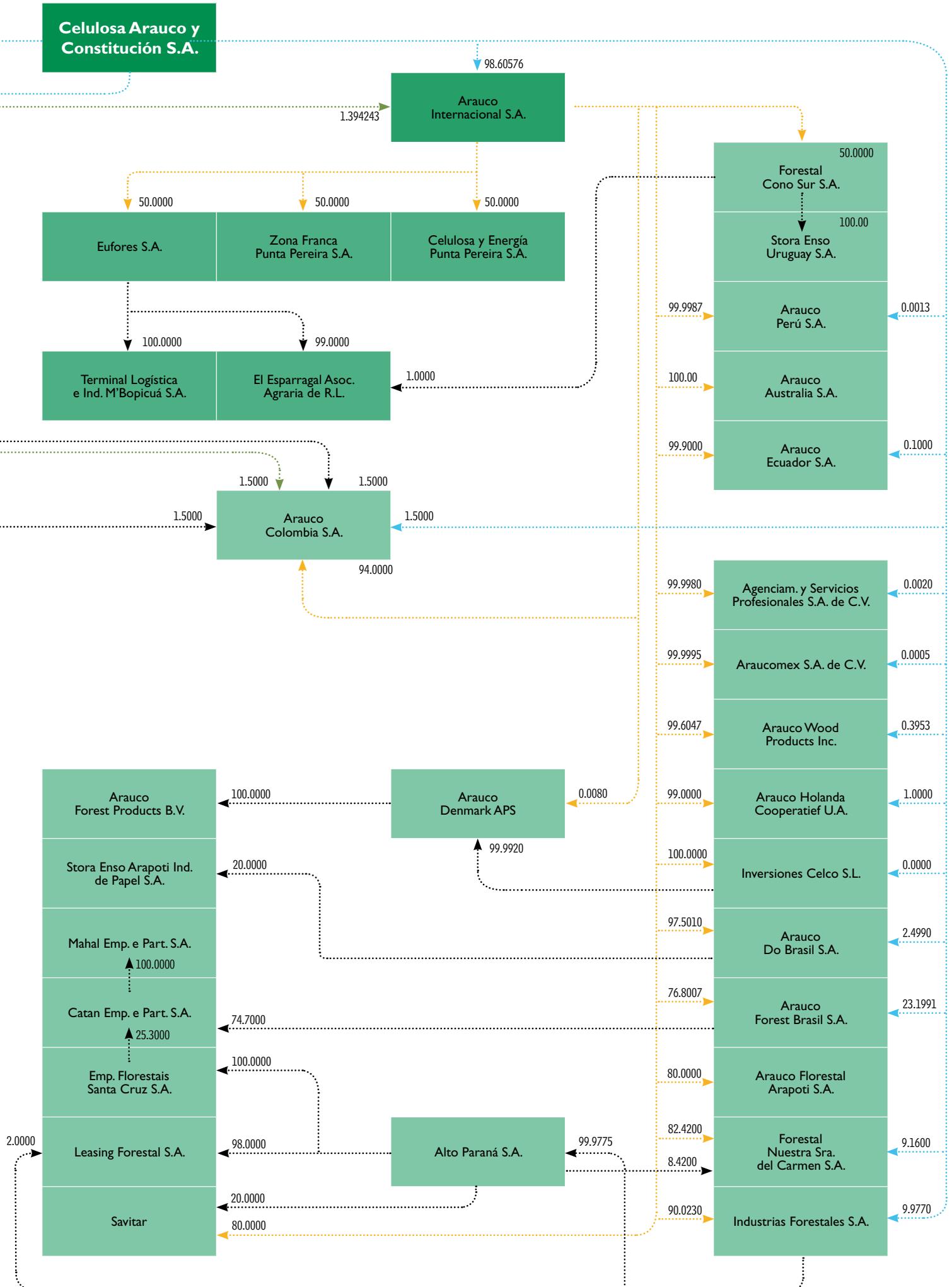
ARAUCO Shareholders

	Number of Shares	Ownership Percentage
Empresas Copec S.A.	113,127,452	99.97791
Chilur S.A.	24,746	0.02187
Sucesión Cruchaga Montes María Raquel	153	0.00014
Antarchile S.A.	95	0.00008
TOTAL	113,152,446	100.00000



Subsidiaries and ARAUCO'S Participation







Relative Size of Arauco's Businesses

Today, ARAUCO is:

- The second largest producer of market pulp in the world.
- One of the world leaders in the manufacture and sale of wood-based panels.
- The largest producer of wood products in the Southern Hemisphere.
- The largest landowner in Latin America.
- One of the largest generators of biomass-based clean energy in Latin America.

ARAUCO's Key Economic Indicators for 2010

Sales	US\$ 3,788 million
Assets	US\$ 12,506 million
Debt	US\$ 3,450 million
EBITDA ¹	US\$ 1,406 million
Net Income	US\$ 701 million
Number of Direct and Indirect Jobs	35,704

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



Significant Changes in ARAUCO's Size and Structure During 2010

ARAUCO registered the following changes regarding its structure, ownership and installed capacity during 2010.

• A new business office was opened in China

In January 2010, ARAUCO opened an office in Shanghai, China, its eleventh business office abroad. This new office will help the company foster a closer relationship with its woodpulp customers in China.

• The Montes del Plata Corporation was established

During 2010, ARAUCO and the Swedish-Finnish company, Stora Enso, established the Montes del Plata Corporation, which is owned in equal shares by each partner. (The joint venture was established in May 2009.) This new business will manage forest assets acquired by the joint venture, and will construct a state-of-the-art pulp mill in Punta Pereira, in the Colonia Department (Province) of Uruguay. Representing an investment of US\$1.9 billion, the mill's annual production capacity will be approximately 1.3 million tons. Montes del Plata

also will feature port facilities and a biomass-based energy plant. During 2010, the company prepared a Feasibility Study and an Investment Contract. It also obtained the primary required environmental authorization from the Housing, Territorial Planning, and Environment Ministry of Uruguay.

• Investments were made in the Forestry business

During 2010, ARAUCO invested US\$222 million in forest plantations, facilities, housing, machinery, equipment and other fixed assets, maintenance activities and the purchase of 35,000 hectares (86,500 acres) of land and plantations in Chile, Argentina, Brazil and Uruguay.

• A fourth power boiler began operation at the Arauco mill site

During the first half of 2010, a fourth power boiler was brought on-line at the Arauco mill site. This new power boiler has a production capacity of 210 tons/hour of forest biomass-based steam and 31 MW of electricity from its turbine generator. Once fully operational, this facility will contribute an estimated total of 32 MW to Chile's national energy grid (known as the SIC).

- **Arauco Generación changes its name to Arauco Bioenergía**

Arauco Generación (Arauco Generation) changed its name to Arauco Bioenergía (Arauco Bioenergy). The name reflects the consolidation of all of the company's biomass-based clean energy initiatives and projects, and a strengthening of ARAUCO's commitment to the use of sustainable, natural resources.

- **Dynea Brasil was acquired**

In April 2010, ARAUCO's subsidiary, Arauco do Brasil, acquired 50% of the shares of Dynea Brasil S.A. for US\$15 million and now owns 100% of its shares. This business has an annual production capacity of 150,000 tons of resins (urea formaldehyde, phenol formaldehyde and melamine formaldehyde). These resins are used in the production of panel products.

- **The Mutrún Sawmill was destroyed by the February 27 tsunami**

As a result of the tsunami caused by the February 27 earthquake in southern Chile, the Mutrún sawmill, located in the city of Constitución, was destroyed. At the time of its destruction, this facility accounted for 6% of ARAUCO's sawn timber production in Chile.

in 2011, the sawmill's capacity will be 334,000 cubic meters, an increase of 100,000 cubic meters of lumber per year.

- **Construction was started on the Viñales Thermal Cogeneration Facility**

In June 2010, construction began on the Viñales Thermal Cogeneration facility, on land adjacent to ARAUCO's Viñales sawmill. This new facility will include a biomass-fueled power boiler with a production capacity of 210 tons/hour of steam and a turbine generator with a capacity of 41 MW of electricity. Once completed and online, this facility is expected to contribute up to 31 MW to Chile's national energy grid, the Central Interconnected System (SIC).

- **The Nueva Aldea Pulp Mill capacity expansion was more than 50% complete**

Through a series of investments, capacity at the Nueva Aldea Pulp Mill in Chile will be increased to more than one million tons (ADMT) per year. This project includes updating existing equipment and the addition of new equipment to allow the use of pine or eucalyptus on existing production lines. By year-end, about 55% of the planned work had been completed.



- **The Horcones II Sawmill was reopened**

In July 2010, ARAUCO resumed operation of its Horcones II Sawmill, located in Chile's Arauco Commune. This production unit was closed in December 2009 due to reduced demand caused by the global economic crisis. The Sawmill has a monthly production capacity of 14,500 cubic meters of green wood. These products are sold primarily in Chile and in Middle Eastern, Asian and Central American markets.

- **The Viñales Sawmill was expanded**

ARAUCO made an investment of US\$17 million to expand capacity at the Viñales Sawmill, located in the Constitución Commune in Chile's Maule Region. When fully operational

- **ARAUCO made two successful bond placements**

During 2010, the company made two successful bond placements at the lowest interest rates in the company's history. In September 2010, ARAUCO made a ten-year bond placement in the Chilean market for UF5 million (about US\$210 million) at an annual interest rate of UF + 3.18. (UF, Unidad Fomento, is a Chilean Unit of Account indexed to inflation.) That same month, the company issued an additional US\$400 million in bonds in the United States, with a ten-year term and an annual interest rate of 5.115%.

ARAUCO's Businesses

ARAUCO has five businesses: Forestry, Woodpulp, Panels, Sawn Timber and Energy.

Following is a brief description of the company's activities, assets and facilities, main products and production for each business:



	Forestry	Pulp	Panel	Sawn Timber	Energy
Chile	737,939 hectares (1,783,000 acres)	5 Mills 2.86 million ADMT	3 Mills Plywood : 800,000 m ³ MDF : 515,000 m ³ HB : 60,000 m ³	8 Sawmills 2.45 million m ³ 5 Remanufacturing Facilities 409,000 m ³	9 Plants 569 MW 180 MW energy surplus
Argentina	127,290 hectares (314,500 acres)	1 Mill 350,000 ADMT	2 Mills MDF : 300,000 m ³ PB : 260,000 m ³	1 Sawmill 320,000 m ³ 1 Remanufacturing Facility 65,000 m ³	2 Plants 78 MW 3MW energy surplus
Brazil	73,561 hectares (181,750 acres)		3 Mills ⁽²⁾ MDF : 715,000 m ³ PB : 530,000 m ³		
Uruguay	67,870 hectares ⁽¹⁾ (167,700 acres)				
Total	1,006,660 hectares⁽¹⁾ (2,635, 750 acres)	6 Mills 3.21 million ADTM	8 Mills 3.18 millions m³	9 Sawmills 2.77 million m³	11 Plants 647 MW 183 MW energy surplus

Source: ARAUCO (December 2010)

(1) Includes total forest plantations and 50% of forestland in the Montes del Plata joint venture with Stora Enso.

Forestry

ARAUCO is the largest owner of forestland in Latin America, with 1,006,660 hectares (2,635,700 acres) of plantation forests in Chile, Argentina, Brazil and Uruguay.

ARAUCO Land Ownership by Country ⁽¹⁾ ⁽²⁾

Country	2008		2009		2010	
	h	a	h	a	h	a
Chile	1,090,627	2,695,000	1,099,846	2,717,800	1,101,963	2,723,000
Argentina	256,083	632,800	257,722	636,845	257,705	636,800
Brazil	122,659	303,100	126,616	312,800	155,445	384,100
Uruguay	39,374	97,300	126,786	313,300	127,234	314,400
Total	1,508,743	3,728,200	1,610,970	3,980,800	1,642,347	4,058,300

ARAUCO Land Ownership by Use ⁽¹⁾ ⁽²⁾

Forest Use	2009		2010	
	h	a	h	a
Plantation Forest	993,794	2,307,450	1,006,660	2,487,500
Native Forest	326,975	808,000	373,573	923,100
Other Uses	226,707	560,200	201,594	498,100
Land to be planted	63,424	156,700	60,520	149,550

(1) Includes 80% of Forestal Los Lagos in Chile, 50% of land and forests of Monte del Plata in Uruguay, and 80% of Florestal Arapotí in Brazil.

(2) h = hectares, a = acres.

During 2010, ARAUCO's forestry operations harvested 42,981 hectares (106,200 acres) of plantation forests and planted 62,893 hectares (155,600 acres) of pine and eucalyptus seedlings in Chile, Brazil, Argentina and Uruguay.

Area Harvested and Planted by Year (hectares [h] and acres [a])

Forestry Activity	2008		2009		2010	
	h	a	h	a	h	a
Harvested	37,667	93,100	38,754	95,800	42,981	106,200
Planted	44,156	109,100	43,165	106,700	62,893	155,400

ARAUCO's forestry business is responsible for supplying the company's industrial facilities with wood fiber for a wide variety of applications, including: woodpulp; sawn timber; remanufactured products; panels; mouldings; and clean energy production.

In 2010, ARAUCO processed 24.8 million cubic meters of wood fiber in its industrial facilities and sold 2.9 million cubic meters to third-party sawn timber and plywood producers, primarily in Chile. Forestry Business sales accounted for 4.1% of ARAUCO's total sales in 2010.

About 75% of the total fiber consumed and sold was sourced from the company's plantation forests.

In 2010 ARAUCO's Forestry Business invested US\$222 million in the countries in which it operates

to finance maintenance and land-protection activities, manage plantations, and purchase land, machinery and equipment.

Genetic Material

As part of the research it conducted during 2010, the Forestry Business identified genetic material and developed clonal plantations in Chile, Argentina and Brazil. The company established 9,130 hectares (22,500 acres) of Radiata pine clonal plantations in Chile. In Argentina 4,000 hectares (9,900 acres) were planted with high-genetic-value Taeda pine plants, produced through plant propagation. In Brazil, 75,000 Taeda pine mother plants were established for Arauco do Brasil. In the next few years, these plants will begin to generate high-genetic-value plants. During 2010, Eucalyptus clones also were planted on 90% of the area available for forestation by Arauco do Brasil.

Bioforest

Bioforest is ARAUCO's scientific-technology research center. For two decades, Bioforest has been active in the development of leading biotechnology procedures for the company's forestry and woodpulp business. Bioforest's objectives are to:

- Increase the quality, production and performance of ARAUCO's plantations, with a focus on soil enhancement;
- Improve pulp-production processes; and
- Develop methodologies for biodiversity conservation.

Bioforest employs highly qualified personnel and uses the latest equipment, techniques and technologies in its labs, nurseries and greenhouses. In addition, Bioforest conducts field work to develop applied forestry technology. Bioforest's research areas include pulp production, wood fiber products, genetics, site productivity, ecosystem management, wood properties, phytosanitary protection and other strategic projects. Examples of Bioforest's accomplishments during 2010 include:

- Introducing new, precision, silvicultural techniques, including programs for preparing sites for plantations, controlling weeds, and optimizing initial plantation density.
- Developing new road-construction practices to reduce sediment run-off into water courses. The effect of harvesting machinery on soil and future plantation growth was also quantified.

- Initiating suppression programs for the fungus *Neonectria fuckeliana*.
- Developing a suppression strategy for wood wasps (*Sirex*) in Chile's Region VIII (Bío Bío). This strategy was developed jointly by ARAUCO and several other forestry companies.
- Restructuring the Bioforest Pulp division into three divisions: Pulp Production, Fiber Products and Industrial Environment. Like Bioforest's other existing divisions (Genetics, Phytosanitary Protection, Site Productivity, Properties of Wood, and Ecosystem Management), each of these three divisions will be managed by a specialist holding a post-graduate degree in the respective area.
- Initiating mid- and long-term research programs on woodpulp. Bioforest Pulp began research to reduce chemical use in the pulp bleaching process, to reduce water consumption in the pulp production process, and to increase fiber yield in the pulp cooking process.
- Bioforest Pulp is preparing to launch a world-class pulp research lab in 2011. During 2010, research was conducted to optimize wood consumption in the pulp production process and wood fiber analysis began to better understand the fiber that ARAUCO produces.



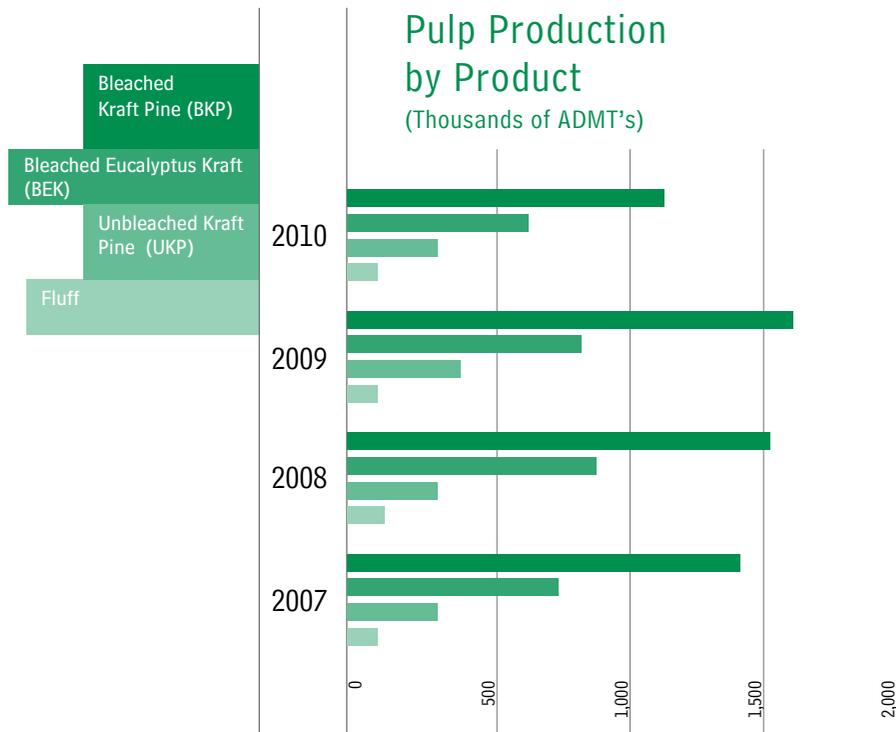
Woodpulp

ARAUCO is the second-largest market pulp producer in the world. The company has a 7.8% share of Pine Bleached Softwood Kraft pulp, a 3.6% share of Eucalyptus Bleached Hardwood Kraft pulp, and about a 16.9% share of the Unbleached Softwood Kraft pulp market.

The company operates six pulp mills, five in Chile and one in Argentina, and has a total rated annual capacity for market pulp of 3.2 million metric tons. ARAUCO's pulp is produced from wood fiber coming from sustainably managed pine and eucalyptus plantations.

As a result of the damage caused by the February 27 earthquake and tsunami, Line 2 at the Arauco pulp mill remained closed through the end of this reporting period. This production line resumed operation in January, 2011.

Production in 2010 was 23.6% less than in 2009. The main reason for this reduction was the earthquake, which affected all of ARAUCO's mills to differing degrees, and the subsequent tsunami which affected only the Constitución pulp mill.



ARAUCO 2010 Pulp Capacity by Mill

Mill	Country	Capacity	Type Pulp
Arauco	Chile	790,000 ADMT	BKP & BEK
Constitución	Chile	355,000 ADMT	UKP
Licancel	Chile	140,000 ADMT	BKP & BEK
Valdivia	Chile	550,000 ADMT	BKP & BEK
Nueva Aldea	Chile	1,027,000 ADMT	BKP & BEK
Alto Paraná	Argentina	350,000 ADMT	BKP & Fluff
Total		3,212,000 ADMT	

ADMT: Air Dried Metric Ton.

During 2010, ARAUCO's woodpulp business invested a total of US\$322 million in operational, environmental and energy improvements and in occupational health and safety initiatives.

Panels

ARAUCO is a world leader in the manufacture and sale of wood-based panels, operating eight facilities in Chile, Argentina and Brazil, with a combined installed capacity of more than 3.18 million cubic meters of panels and 326,000 cubic meters of MDF moulding.

The company currently operates three facilities in Chile, two in Argentina and three in Brazil. It also owns two resin plants located in Argentina and Brazil.

Plywood and Hardboard production variations between 2010 and 2009 levels can be attributed to the effects of the February earthquake. The increase in MDF and Particleboard production was due to increased capacity that resulted from the purchase of Tafisa Brazil in 2009.

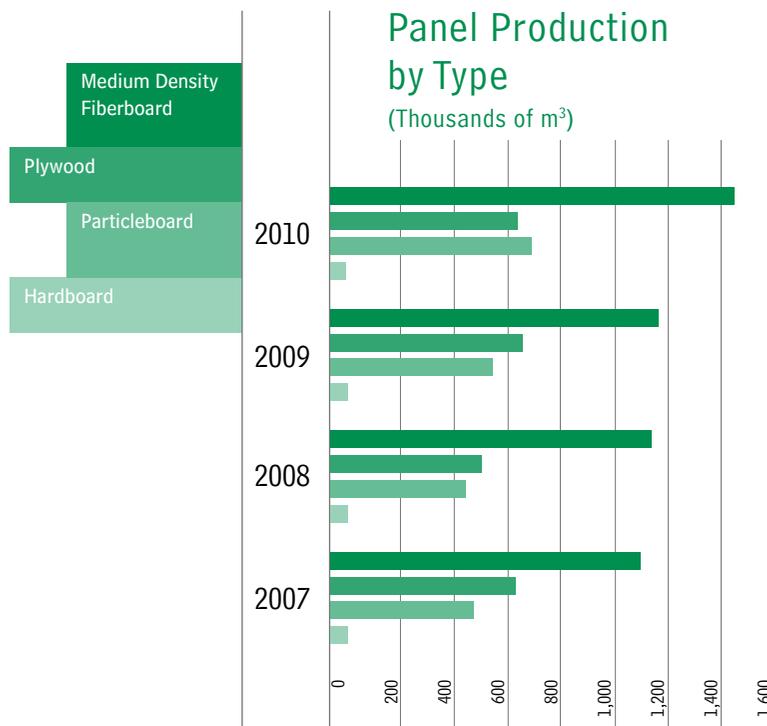
In 2010, ARAUCO's panel business invested a total of US\$80 million in operational and environmental improvements.

ARAUCO Panel Mills by Country

Country	Panel Mill
Chile	Arauco Plywood Mill
	Nueva Aldea Plywood Mill
	Trupán-Cholguán MDF and Hardboard Mill
Argentina	Piray MDF Mill
	Zárate Particleboard Mill
Brazil	Curitiba Particleboard Mill
	Jaguaraiva MDF Mill
	Pien MDF and Particleboard Mill

ARAUCO 2010 Panel Capacity by Production Line (m³)

Production Line	Quantity (in m ³ /year)
Plywood Panels	800,000
Medium Density Fiberboard (MDF) Panels	1,530,000
Hardboard (HB) Panels	60,000
Particleboard (PB) Panels	790,000



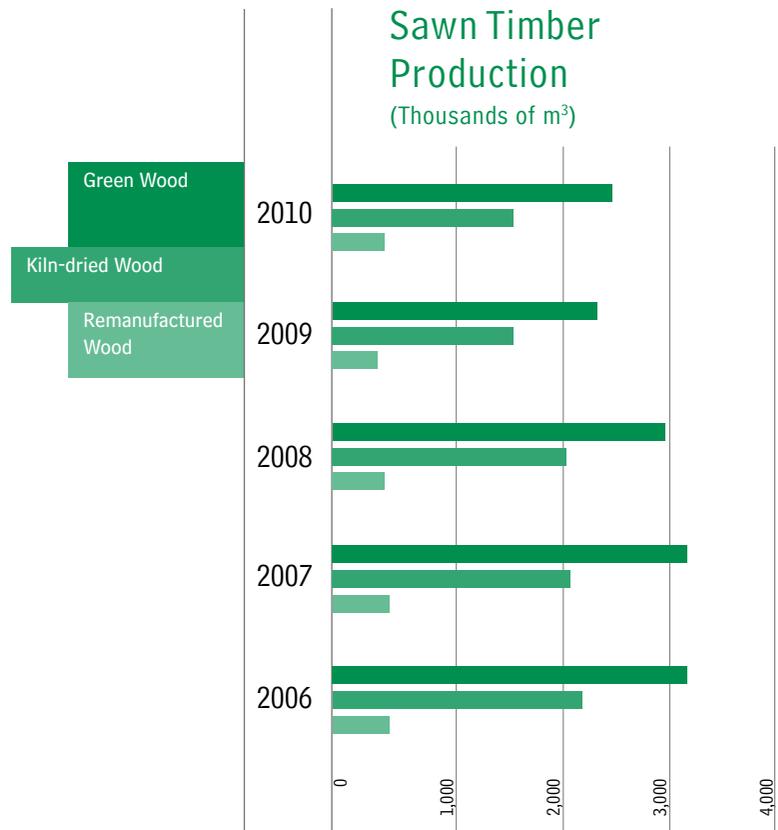
Sawn Timber

ARAUCO is a major timber producer in the Southern Hemisphere. The Sawn Timber Business produces a wide variety of wood and remanufactured lumber products with various finishes, appearances and value-added processes.

The company operates eight sawmills in Chile and one in Argentina, with a combined rated capacity of more than 2.77 million cubic meters of green lumber and 2.3 million cubic meters of kiln-dried lumber. In addition, ARAUCO owns six remanufacturing facilities – five in Chile and one in Argentina – that produce 474,000 cubic meters of high-quality remanufactured lumber and millwork, including solid and finger-joint mouldings and pre-cut pieces.

In 2010, ARAUCO's Mutrún Sawmill was completely destroyed by the earthquake and tsunami of February 27. However, the company was able to reopen the Horcones II Sawmill, which had been closed in December 2009 due to reduced demand caused by the global recession.

In 2010, ARAUCO's Sawn Timber Business invested a total of US\$55 million in operational and energy-related improvements.





Bioenergy

Arauco Bioenergía (Arauco Bioenergy) is ARAUCO's energy business, selling clean biomass-based energy from Non-Conventional Renewable Energy (NCRE) sources.

ARAUCO operates nine electric-energy co-generation power plants: seven of these co-generation facilities (facilities that simultaneously generate electricity and process steam) use biomass and/or black liquor as fuel to produce energy. (The company also has two backup turbines that burn diesel oil for fuel.) The company's power plants have a total installed capacity of 569 MW, providing energy for ARAUCO's own industrial processes and contributing an energy surplus of up to 180 MW to Chile's energy grid, the Central Interconnected System (SIC).

In Chile during 2010, the company generated 2329 GWh and consumed 1817 GWh in its operations, producing a net surplus of which 640 GWh was sold to Chile's SIC.

In 2010, profit from the sale of energy surplus to Chile's SIC increased by 14% over the 2009 level. This increase was mainly a result of an increase in the price of energy in the spot market.

The production of energy surplus through Arauco Bioenergía accounted for 1.5% of the total energy production flowing through Chile's SIC.

ARAUCO operates two cogeneration plants in Argentina with a total installed capacity of 77.5 MW. These facilities, in Piray and Esperanza, provide electric and thermal energy for the company's operations in Argentina.

Arauco Bioenergy Capacity by Facility

Plant	Maximum Installed Capacity (MW)	Average Power Generated	Average Power Used by ARAUCO	Available to the SIC Grid
CHILE				
Arauco	127	90	81	9
Constitución	40	30	22	8
Cholguán/Trupán*	29	28	15	13
Licancel	29	18	14	4
Valdivia*	140	106	45	61
Horcones	24	24	0	24
Nueva Aldea I*	30	29	15	14
Nueva Aldea II	10	10	0	10
Nueva Aldea III*	140	100	63	37
Total	569	435	255	180
ARGENTINA				
P. Piray	38	23	14	8
P. Esperanza	40	35	40	-5**
Total Argentina	78	58	55	3

Contributions to the SIC may vary according to CDEC-SIC requirements, based on a daily schedule.

The installed capacity of Arauco facilities includes a new 31MW turbine generator that began operating during November 2010. Its commercial operation is expected to begin during the first quarter of 2011.

* Kyoto Protocol CDM registered facilities.

** The Esperanza facility consumes energy from the network. This is offset by clean energy produced at the Piray facility. In addition, surplus energy from the Piray facility is sold to the Argentine electric grid.



Kyoto Protocol

The company has four power plants registered as emission-reduction projects with the Clean Development Mechanism of the Kyoto Protocol. ARAUCO has obtained revenue through the sale of 1,070,788 Certified Emission Reduction credits (CERs) since it began selling them in 2007. No CERs were sold in 2010.



ARAUCO Around the World

ARAUCO serves customers in 71 countries around the world, offering a wide variety of woodpulp, sawn timber, panel and moulding products through its sales offices and sales agents.



ARAUCO maintains sales offices in eleven countries: Argentina, Australia, Brazil, Chile, China, Colombia, Holland, Japan, Mexico, Peru, the United States and Canada. The company also has sales agents operating in India, Indonesia, Korea, Malaysia, the Middle East, Norway, the Philippines, South Africa, Taiwan, Thailand, and Venezuela.

-  Sales Offices
-  Operational Centers
-  Sales Agents

Norway



China



Korea



Japan



Middle East



India



Thailand



Taiwan



Philippines



Malaysia



Indonesia



South Africa



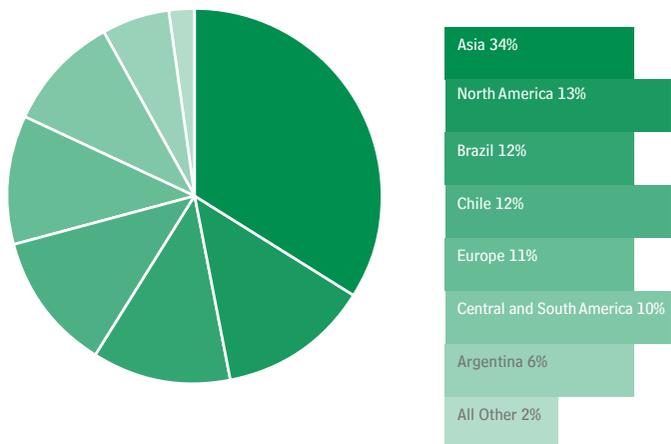
Australia



ARAUCO's Main markets

The company has four operational centers, located in Argentina, Brazil, Chile and Uruguay. Of ARAUCO's totals assets, 75.4% of its properties, facilities, equipment and forestry assets are located in Chile, and Chilean operations account for 73.8% of the company's 2010 income. Argentina has 10.8% of the company's properties, facilities, equipment and forestry assets, accounting for 14.6% of the company's 2010 income. Brazil has 13.8% of ARAUCO's properties, facilities, equipment and forestry assets, accounting for 11.6% of the company's 2010 income.

Consolidated Sales by Market (US\$3,788 billion)

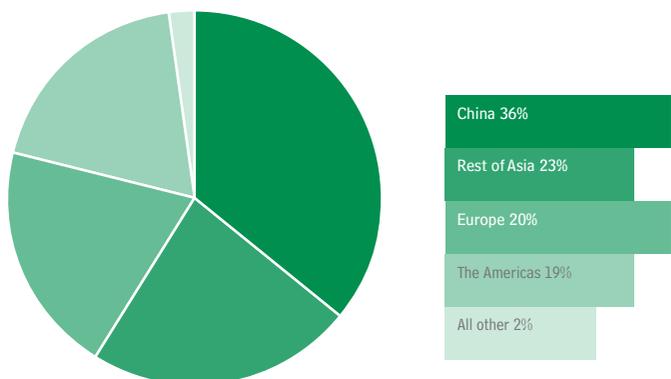


Woodpulp market

ARAUCO sells woodpulp in 43 countries. Woodpulp sales in 2010 totaled US\$1,790 million, and accounted for 47% of ARAUCO's total sales for the year. The Asian market accounts for 59% of total woodpulp sales.

China is the single largest market for ARAUCO woodpulp, and accounted for 36% of the company's total woodpulp sales in 2010. ARAUCO is China's leading woodpulp supplier; has been serving this market for 33 years, and has more than 300 customers.

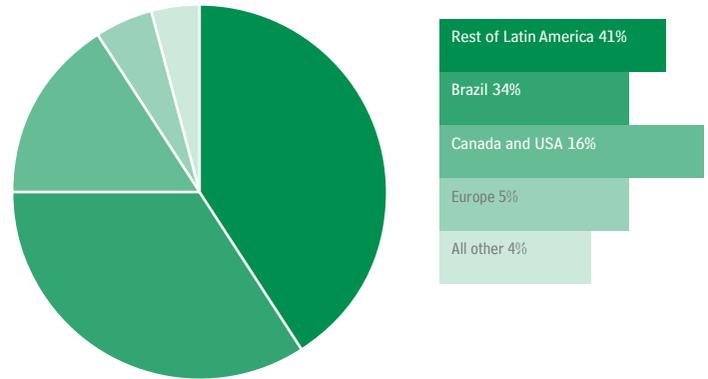
2010 Pulp Sales by Market (US\$1,790 billion)



Panel Market

In 2010, panel sales of US\$1.109 billion accounted for 29% of the company's consolidated sales. Panel products were marketed in 59 countries, with Latin America accounting for 75% of ARAUCO's total panel sales.

2010 Panel Sales by Market
(US\$1,109 billion)

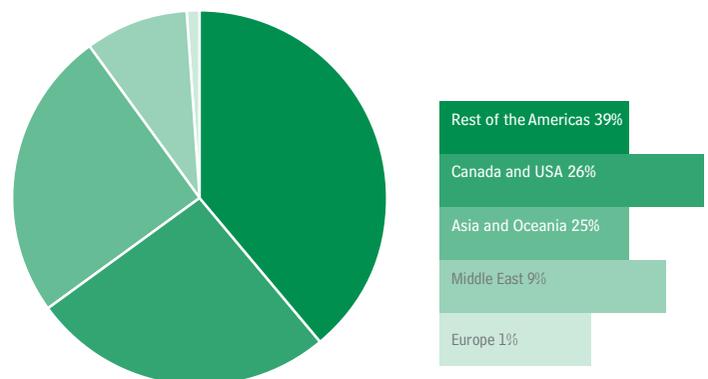


Sawn Timber Market

ARAUCO's wood and remanufactured lumber products are sold in more than 38 countries, finding application in furniture, construction, remodeling and packaging.

Sawn timber and remanufactured product sales during 2010 were US\$621 million, and accounted for 16% of the company's consolidated sales. ARAUCO's primary market for wood and remanufactured products is Latin America.

2010 Sawn Timber Sales by Market
(US\$621 million)



ARAUCO's Participation in International Trade Fairs

In 2010, ARAUCO participated in a number of international trade fairs, expositions and conferences (shown in the following table) to help raise awareness of the company and its products. The company also developed educational seminars for customers, preparing informative materials with a multicultural focus and publishing them in Spanish, English, Chinese and Portuguese.

In June 2010, the company celebrated ARAUCO Week in Asia. More than 800 woodpulp, panel and sawn timber customers were invited to participate in various activities during the Shanghai Expo.

In November 2010, the company held ARAUCO Week for its European customers. This event took place in London, where 36 customers were given highlights of the company's accomplishments during 2010 and its challenges for the future.



ARAUCO's Participation in 2010 Trade Fairs, Expositions & Conferences

Fair	Date and Location	Description
EDIFICA	May / Santiago, Chile	EDIFICA is an international trade fair for the construction industry, it is held every two years. More than 25,000 people attended this fair in 2010.
ENELA	August / Temuco, Chile	ENELA is an annual business conference for businessmen, union leaders, sector association members, Government authorities, members of Congress, and academicians.
EESUR	August / Valdivia, Chile	EESUR is a business conference intended to foster business growth by developing new relationships and alliances between business and the public sector. Sponsored by ARAUCO, this conference focuses on business in southern Chile.
FITAL	October / Talca, Chile	FITAL is an international trade fair that promotes business opportunities in the Maule Region. It is one of the most important trade events held in Chile.
XVII Bienal de Arquitectura	November / Santiago, Chile	Held at the Chilean Historical and Military Museum, Architecture Biennial is regarded as the most significant architecture exposition in Chile. Its theme for 2010 was "8.8 Reconstruction."

FIMAR	April / Córdoba, Argentina	FIMAR, a trade fair for carpenters, furniture makers, designers and architects, attracted 125,000 visitors in 2010. ARAUCO sponsored the event and introduced Nature, a new Faplac brand particleboard product.
BATIMAT	June / Argentina	BATIMAT, a trade fair focused on architects and furniture makers, attracted some 116,000 visitors in 2010. ARAUCO sponsored an exhibit featuring the new Faplac melamine product Nature, and a new surface design, Terrarum.
Expomueble	September / Buenos Aires, Argentina	Expomueble is an international furniture exposition for promoting new business, including exports. ARAUCO's new Faplac Nature product line was featured in designs by Michael Thonet Furniture, which won First Place in the Design category.
ESTILOPILAR	October / Buenos Aires, Argentina	ESTILOPILAR attracts some of the best architects, decorators, and landscape designers in the northern part of Argentina. ARAUCO provided MSD material and Faplac Nature panels for the construction of a "Dock House," designed by architect Adriana Piarrellini.
FORMOBILE	July / Sao Paulo, Brazil	FORMOBILE, the largest forestry and furniture supply exposition in Latin America, featured 750 exhibitors and attracted more than 60,000 attendees from Central and South America.
International Woodworking Fair	August / Atlanta, USA	The annual International Woodworking Fair focuses on furniture design and manufacturing. ARAUCO featured its AraucoPly products.
AMD	October / USA	The Associated Millwork Distributors Show is an annual convention for moulding, millwork and door distributors. ARAUCO exhibited its line of TruChoice products.
EXPO DECONARQ 10	May / Riviera Maya, Mexico	EXPO DECONARQ is targeted at developers, builders, architects, contractors, and engineers along the Mexican Riviera. ARAUCO exhibited its Sustainable Solutions program.
EXPO TECNOMUEBLE	August / Guadalajara, Mexico	An international exposition for furniture makers and suppliers, EXO TECNOMUEBLE drew more than 3,000 visitors from Mexico, Brazil, Italy and Spain. ARAUCO participated with an exhibit at this show.
M&M	March / Bogotá, Colombia	The M&M trade fair is focused on wood industry technology and is the most important show in Colombia and the Andean Region. ARAUCO exhibited at this show in 2010.
EXCON	October / Lima, Peru	EXCON is the largest exhibition for housing, construction, architecture, and design in Peru, and attracted about 35,000 visitors in 2010.
POLLUTEC	November - December / Lyon, France	A leading international trade fair, POLLUTEC focuses on equipment, technology and services for environmental preservation. The country of Chile was a guest of honor in 2010. ARAUCO had an exhibit and presented information on the company's biomass-based energy business.
EXPO SHANGHAI	May - October / Shanghai, China	The theme of the 2010 Shanghai Expo international world exposition was "Better City, Better Life" (a focus on urbanization). ARAUCO was an official sponsor; and donated the wood for the construction of the Chilean Pavilion, which received more than 3,000,000 visitors during the fair's six-month run.

Our Products

ARAUCO's vision – to be a global leader in the development of sustainable forest products – demands the manufacture of high-quality products. This requires maintaining excellence and efficiency in our operations while fulfilling our commitment to our stakeholders and the environment, and meeting or surpassing the highest international standards.

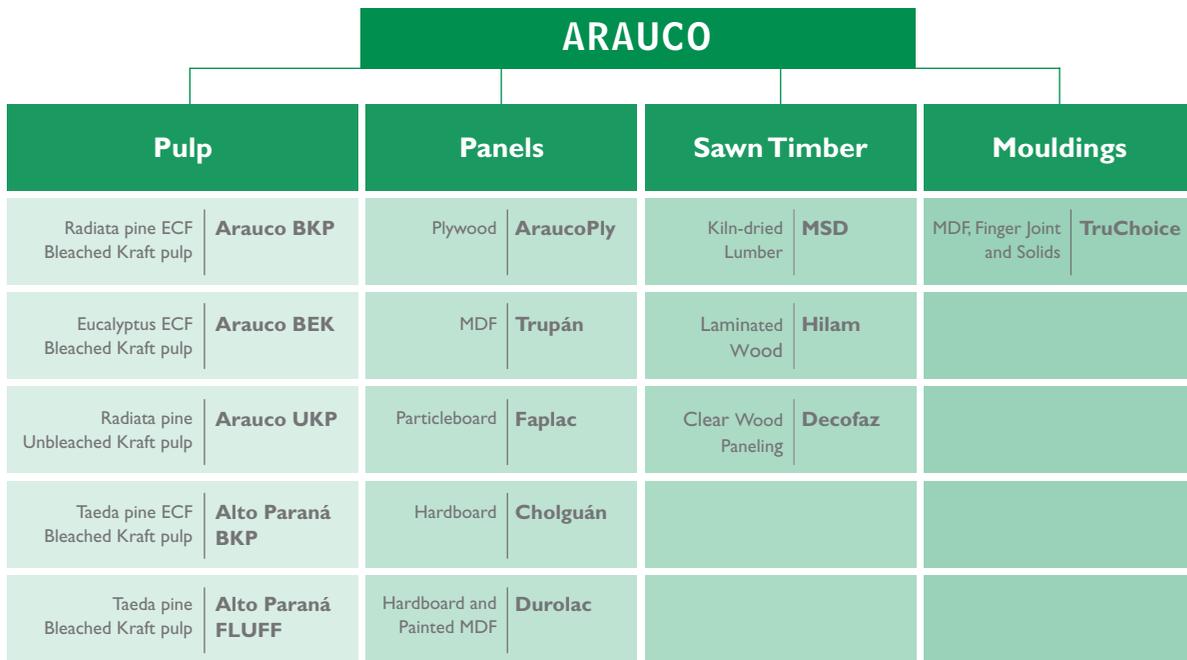
ARAUCO seeks to be recognized as a global supplier specializing in quality sustainable forest products for the paper and packaging, furniture and construction industries.

The company complies with standards that ensure product traceability based on its sustainably managed forests, and the measurement and reduction of its carbon footprint.

ARAUCO's wood products for the construction and furniture sectors provide builders and manufacturers with quality, high-performance, environmentally responsible materials. The company also assists its customers providing them with technical data and product-use information.

ARAUCO's Global Brands

ARAUCO's corporate brand provides leadership, credibility, innovation, quality, sustainability and reliability to its product brands.



Sub-brands generate product differentiation, extending the parent brand, ARAUCO, to a new and significant segment.

Sub-brands represent the value-benefit proposition, adding associations that are relevant to the customer, providing differentiation, and guiding the decision to purchase.

The objective of ARAUCO's Brand System and its products is to create a virtuous circle between the company's brand, which must provide reliability, and its products, which seek differentiation within the competitive global market.



ARAUCO's Main Products by Business

Each of ARAUCO's businesses develops a broad variety of products, according to the needs of the different markets they serve.

ARAUCO's Principal Products by Business

Product	Description
Forestry Business	
Pruned Saw Logs	Radiata pine logs in different diameters, starting at 24 cm (9 inches). Sourced from a sustainable plantation forest management regime that produces a significant portion of knot-free fiber.
Standard Saw Logs	Radiata pine logs in different diameters, starting at 18 cm to 40 cm (7 to 16 inches). Lengths range from 3.2 m to 12 m (10 to 40 feet).
Posts	Debarked Radiata pine and Eucalyptus posts, up to 24 m (79 feet) long. Available in treated and untreated form.
Pine Pulp Logs	Radiata pine logs in different diameters up to 14 cm (5.5 inches) and a length of 2.4 m (8 feet).
Eucalyptus Pulp Logs	Eucalyptus logs in different diameters. Length: 2.4 m (8 feet).
Woodpulp Business	
BKP	Bleached Kraft Pine pulp used to manufacture writing and printing paper.
BEK	Bleached Eucalyptus Kraft pulp used to manufacture writing and printing paper.
FLUFF	Bleached Kraft pine pulp used to manufacture the absorbent cores of diapers and feminine hygiene products.
UKP	Unbleached Kraft Pine pulp used to manufacture a wide variety of specialty products such as filter papers, packaging roll stock and electric insulation papers.
Panel Business	
AraucoPly	Plywood panels.
Trupán	Medium Density Fiberboard (MDF) panels.
Faplac	Particleboard panels.
Cholguán	Hardboard panels.
TruChoice	Ultralight Medium Density Fiberboard (MDF) Mouldings.
Sawn Timber Business	
MSD	Kiln-dried lumber for use in furniture and construction.
TruChoice	Mouldings, door frames, edge-glued panels.
Hilam	Laminated beams.
Sawn Timber	Lumber products available in various sizes and grades for use in furniture, packaging, pallets, construction and the remanufacturing industry.
Bioenergy	
ARAUCO generates clean biomass-based energy to power its operations. The company also sells surplus electric energy to Chile's central grid (SIC).	

ARAUCO Sustainable Solutions

The company developed its “ARAUCO Sustainable Solutions” program to promote the benefits of wood use among architects, builders, furniture makers and the general public. The program provides product feature and benefit information, installation and finishing instructions, technical reference, and other insights so that customers can use ARAUCO’s wood products safely, reliably and successfully in a variety of applications.

During 2010, the Arauco Sustainable Solutions program enhanced its content and explored new ways to communicate with its audience by:

- Redesigning its web site www.araucosoluciones.com to provide easier access to information. The site now has more than 14,000 registered members. In addition, the site is accessible on four of the leading social networks: Facebook, Twitter, YouTube and Flickr. The goal for 2011 is to reach 35,000 members and to launch the site in Brazil and Argentina.
- Responding to the needs generated by the earthquake in Chile, the company’s “How To” series emphasized issues related to Do-it-Yourself



construction through the addition of new housing projects complete with floor plans and materials lists. In addition, the program produced a series of videos on how to build the floors, walls and roof of a wood-framed house. In the area of furniture making, information was added on working with ARAUCO panels. Plans for easy-to-assemble furniture projects also were added. The “How To” series is currently divided into four categories: construction; furniture; projects and suggestions. The current series includes 26 projects. The goal for 2011 is to have 40 projects in the series.

- Training 13,000 store salespeople, furniture makers, builders, professionals and students. This surpassed the number trained in 2009;
- Developing and roll-out of a Point-of-Sale project for customers in Latin America, to provide better information on the ARAUCO Sustainable Solutions program. The project includes display-counter materials, technical information, training, support for the point-of-sale layout, and advice on communicating the program. During 2010, the point-of-sale project was launched in 77 stores throughout Argentina, Brazil, Colombia, Mexico and Peru. The goal for 2011 is to add 89 additional stores.
- Publishing a book entitled, “Technology and Construction in Wood.” The book is divided into six chapters: The Forest Resource; Technical Description of Products; Properties of Wood; Technologies for Construction in Wood; The Framing System; and Tables and Charts. Published in Argentina by ARAUCO, and authored by architects Jorge Barroso and Diego García Pezzano, it is an adaptation of the Chilean version of the book, “Engineering and Construction in Wood.”

ARAUCO Sustainable Solutions Value Proposition



Sustainable

We use wood fiber sourced from responsibly managed plantations, ensuring forest resources that are permanent in time.



Quality

Our products are manufactured under stringent international standards that ensure the highest quality.



Savings

Wood is more efficient in both cost and construction time.



Safety

Building with wood is the safest choice in case of earthquakes.



Energy

Houses built with wood save up to 50% in heating energy compared to homes built with cement.



Product Variety

We offer a broad wood and panels product mix.



Experiments



ICM Book



“How To” Series



Construction Details



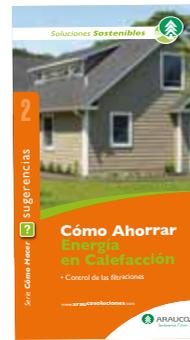
Metalwork



Energy Demand

Promoting Solutions for Construction and Furniture Manufacturing

To promote efficient construction and furniture projects that use responsibly produced wood, ARAUCO published a “How To” series divided into four categories: construction; furniture; projects; and suggestions. This content was presented as flyers or books that were distributed in different stores through the point-of-sale program, and through training workshops and fairs. This material is also available online and can be downloaded at www.arauco.cl.



Customer Health and Safety

ARAUCO sells woodpulp and forest products that are designed not to harm people's health and safety.

The company meets stringent formaldehyde-emissions standards in order to sell its panel products in different markets. In the United States, for example, ARAUCO complies with regulations established by the State of California Air Resources Board (CARB), which regulates formaldehyde emissions from composite wood products and finished goods that contain this substance. Similar standards exist in Europe, Australia and Japan.



ARAUCO's TruChoice brand MDF moulding products have been in compliance with the first phase of the CARB requirements since January 2009. This means that the formaldehyde emissions from the MDF are below 0.21 parts per million as determined by the ASTM E1333 Chamber Test.

The panel business has an active research and development program to ensure that its products stay ahead of anticipated changes in regulations. The company's TruChoice brand MDF products met the Phase-Two CARB formaldehyde emission requirements (emissions below 0.11 ppm using the ASTM E1333 test method) in advance of the January 2011 production phase-in date called for in the regulations.

In addition, ARAUCO has the capacity to manufacture MDF panels that meet EU (European Union) emissions regulations, ANZ regulations (Australia and New Zealand) and JAS regulations (Japan) on customer request.



Customer Satisfaction

ARAUCO offers high-quality products that have become a reference point in the market. To ensure that product quality is maintained, ARAUCO conducts customer satisfaction surveys on a periodic basis. Although the company did not conduct formal surveys during 2010, ARAUCO received feedback regarding quality and other issues through direct meetings with customers.

Marketing Communications and Product Labeling



ARAUCO complies with each country's legislation and regulations regarding communication about and marketing of its products. The purpose of ARAUCO's product labeling is to identify products, designate the customers at which the product is targeted, and transparently communicate product benefits, attributes and technical specifications.

ARAUCO's compliance with product regulations and sale



During 2010, ARAUCO was in compliance with regulations on products and product sales. ARAUCO did not receive notices of any of the following events during 2010:

- Non-compliance with regulations and voluntary codes concerning health and safety impacts of its products.
- Non-compliance with regulations and voluntary codes concerning product labeling and information.
- Substantiated complaints regarding breaches of customer privacy and loss of customer data.
- Non-compliance with regulations concerning marketing communications, including advertising, promotion and sponsorship.
- Significant fines for non-compliance with laws and regulations concerning the provision and use of ARAUCO's products and services.



So that ARAUCO can better understand the perceptions, interests, and expectations of its stakeholders, the company has created a number of permanent, formal vehicles for engagement, and encourages all stakeholders to participate.



“The realization of ARAUCO’s vision and commitments is at the core of the company’s economic, environmental and social engagement with its stakeholders.”

2.

Corporate Governance

The realization of ARAUCO's vision and commitments is at the core of the company's economic, environmental and social engagement with its stakeholders.

Our Vision

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

Our Business

To sustainably maximize the value of our forests, combining excellence in forestry production with efficient industrial transformation of value-added products for their worldwide distribution in accordance with our customers' needs.

Our Commitments

- To guarantee shareholders maximum return, through the efficient and responsible management of all our processes, by applying systems and procedures that maximize that value of our business.
- To promote the sustainable use of natural resources, investing in research, technological innovation and training in order to gradually, continuously and systematically prevent and reduce the environmental impacts of our activities, products and services.
- To provide all customers with quality products and services and to motivate our suppliers to become part of our value-chain and commitment to quality.
- To ensure occupational health and safety for our employees and contractors, continuously reducing the safety risks of our operations and services.
- To foster a working environment that supports the career advancement of every employee by providing a workplace based on respect, honesty, professionalism, training and teamwork.
- To build permanent, collaborative relationships with the communities where we operate by incorporating their concerns and needs in our decision making, and by supporting their development.
- To maintain open and honest communications with all stakeholders.
- To comply with all legal requirements and other societal obligations that regulate our business and, where possible, perform to a higher level than the established standards.
- To apply systems and procedures that will allow us to manage our business risks, continuously evaluating our performance in all processes, applying the necessary corrective measures on time, and providing transparent and timely information about our progress.
- To make these commitments known to our employees, contractors and suppliers, involving and training them in order to implement our policy through everyone's effort and collaboration.

Code of Ethics

During 2010, ARAUCO's Board of Directors approved and updated version of the company's Code of Ethics, adding two new sections: "Company Representation" and "Free Competition." The first section defines situations in which ARAUCO employees have the power to act on behalf of the company. The second section pro-

vides guidance on complying with current regulations to promote free competition and fair business practices. The addition of these sections helps round-out a framework for action that also addresses: Conflicts of Interest; Gifts and Gratuities; Relationship with Suppliers; Relationship with Customers; Relationship with the Environment; Management of Confidential Infor-

mation; Accuracy of Information; and Personal Integrity.

All employees working for ARAUCO and its subsidiaries are obligated to comply with the company's Code of Ethics, current policies and regulations. The Code of Ethics is made available to every employee when hired.

Principles

• Precautionary Principle

In 2010, ARAUCO announced its commitment to the United Nations Global Compact and its ten principles. Among these is Principle 7, the Precautionary Principle, which is based on Article 15 of the Río Declaration on Environment and Development. Adoption of the Precautionary Principle commits ARAUCO to "support a precautionary approach to environmental challenges," to act according to this principle in all its areas of influence, and to firmly maintain this commitment.

• "One Principle a Month" Campaign

During 2010, ARAUCO launched its "One Principle a Month" campaign to support the work underway in the FSC certification process. The objective of this campaign is to familiarize management and employees with the language and intent of the Forest Stewardship Council's (FSC) 10 Principles and 56 Criteria for responsible forest stewardship.

The campaign features educational materials such as posters, handouts, workshops and presentations, and interactive monthly meetings among working teams and direct collaborators at which the "principle of the month" is discussed.

ARAUCO's Organizational Structure

The Board of Directors of Celulosa Arauco y Constitución S.A. (ARAUCO) is the corporation's highest governance body. Its primary mission is to maximize the company's value over the long term for its shareholders, customers, suppliers, workers, contract workers and their families, ensuring the future viability and the competitiveness of the company.

The Board governs in accordance with the corporation's laws, which state that the Board will

be comprised of nine members, none of whom can simultaneously hold executive positions within the company. All of ARAUCO's directors are designated by the primary shareholder.

ARAUCO's current Board was appointed in April 2010, and will continue to serve for three years.

The Board does not have specific procedures for:

- Determining the qualifications and experience of members of the Board regarding guidance of the organization's strategy on economic, environmental and social aspects; or
- Assessing the Board's own performance with respect to economic, environmental and social aspects.

ARAUCO has not established procedures or a schedule for the Board to assess the company's economic, environmental and social performance. However, the company's CEO reports on the company's performance in these areas during the Board's monthly meetings.

ARAUCO is subject to the Chilean Securities and Insurance Supervisor's regulations, and submits financial results to this institution every three months. Financial results as of June 30 and December 31 are third-party-audited.

ARAUCO's Code of Ethics and its Guide for Information of Interest to the Market delineate situations that are likely to cause conflicts of interest for Board members. In addition, the General Policy for Customary Operations sets limits for the company's operations in dealing with related parties. For more detail, see the Corporate Governance section of the company web site: www.arauco.cl.

Ethics Committee

ARAUCO's Board has established an Ethics Committee that meets periodically. It is responsible for ensuring the communication and application of the company's Code of Ethics. The Committee's members are designated by ARAUCO's Board. Currently, there are four members of this Committee: the company's Second Vice President, the Chief Executive Officer, the Legal Affairs Managing Director and the Management and Development Director.

GRI
4.11GRI
4.7/4.9/4.10GRI
4.2/4.3GRI
4.6GRI
4.1

The Ethics Committee functions are to:

- Promote the values and behaviors that appear in the Code of Ethics;
- Provide consultative services;
- Direct inquiries to appropriate areas for action;
- Approve corrections that guarantee the Code's consistency;
- Review employee requests for clarification;
- Update and modify the Code of Ethics;
- Research, register and direct cases to appropriate areas; and
- Promote consistency throughout the organization in the interpretation and application of the Code of Ethics.

ARAUCO's Board designates the company's senior management team members. The senior management team, in turn, is responsible for implementing the company's economic, environmental, social and occupational health and safety programs.

ARAUCO has grown significantly over time, and its organization has become more complex. As a result, the company now requires a high degree of specialization in its various functions, while requiring that these functions be aligned with the vision, commitments and business objectives established by the company.

The company is committed to continue investing in its people through occupational health and safety programs, and training, as well as talent, leadership and management development. This investment is essential for ARAUCO to meet its globalization objective.



Fraud Reporting Procedure

The Fraud Reporting Procedure is a mechanism that allows employees and others to directly communicate with ARAUCO's Board in reporting non-compliance with the Code of Ethics.

To facilitate reporting, the company has put in place a confidential, electronic reporting platform, which can be viewed only by the Board's secretary.

The Procedure to report, investigate and solve possible violations guarantees the reporter's anonymity, avoids information leaks, avoids involving innocent people and guarantees action (including legal action) if warranted.

Reports can be made directly or anonymously by workers, customers, suppliers, shareholders and third parties. Reports may concern compliance with Business Principles, Ethical Conduct Regulations, Conflicts of Interest, and any other issue related to non-compliance of regulations, internal controls, alteration of Financial Statements, and situations or facts that require the attention of Senior Management and/or the Board.

The Fraud Reporting Procedure includes the following elements: Protection for People who Report; Fraud Reporting Channels; Reception, Registration, Treatment and Resolution of a Fraud Report; Confidentiality; and an Investigation Report.

ARAUCO's Senior Management

ARAUCO's management model is based on a matrix scheme that measures performance and efficiency.

ARAUCO's Senior Management Positions

Chief Executive Officer
Woodpulp Business Managing Director
Management and Development Director ¹
Financial Managing Director ²
Sawn Timber Business Managing Director
Forestry Business Managing Director
Panel Business Managing Director
Legal Affairs Management Director
Corporate Affairs and Marketing Director ³
Comptroller Director

- (1) As of April 1, 2011, departments reporting to this position are: Management; People Management; Bioenergy; Logistics Services; Argentina; Arauco do Brasil; and Montes del Plata in Uruguay.
- (2) As of April 1, 2011. Previously, this position reported to the Corporate Management Director; now titled Corporate Manager for Management and Development.
- (3) As of April 1, 2011, includes Environmental and Occupational Health and Safety Corporate Management (MASSO).

Senior Management Compensation

Compensation for directors, managers and assistant managers consists of a fixed monthly salary. ARAUCO occasionally awards annual bonuses, at its own discretion, in addition to the established compensation.

There is no established relationship between compensation for members of the company's highest governance body, senior managers and executives and ARAUCO's economic, environmental and social performance.



Relationship with Stakeholders



ARAUCO's Stakeholders

ARAUCO's stakeholders include its shareholders, workers, contract workers, service providing businesses, suppliers, local communities, social organizations, authorities, local government, government agencies, nongovernment organizations, unions and trade associations, educational and scientific institutions, the media, opinion leaders and the general public.

ARAUCO and its Stakeholders



Stakeholder Engagement

So that the company can better understand the perceptions, interests, and expectations of its stakeholders, ARAUCO has created a number of permanent, formal vehicles for engagement and encourages all stakeholders to participate.

During 2010, ARAUCO adopted a new consultation process known as the Hybrid Forum Model. This formal process brings together people with different experiences, expertise and education to discuss a variety of issues and areas of concern in an effort to develop new insights and to reach consensus-based solutions.

THE MEANS TO AN END: FSC and an Innovative Methodology for Dialog

In May 2009, ARAUCO decided to pursue FSC Forest Management certification for its forest holdings in Chile. To facilitate this effort, the company made a commitment to conduct a transparent, rigorous and participatory implementation process, abandoning its unidirectional model for relating to stakeholders. ARAUCO adopted a solutions-focused consultation process, called the Hybrid Forum Model, to facilitate dialog and systematically address issues raised by stakeholders.

During 2010, the Hybrid Forums focused on addressing stakeholder concerns that had been identified during a pre-assessment conducted by the FSC-accredited certification body, Woodmark, in late 2009, identifying 82 areas within Arauco's forest management practices that required improvement prior to undergoing a full certification assessment.

In order to move ahead with the solutions developed through the Hybrid Forums, the company created a Steering Committee to facilitate quick decision making and the implementation of needed changes.

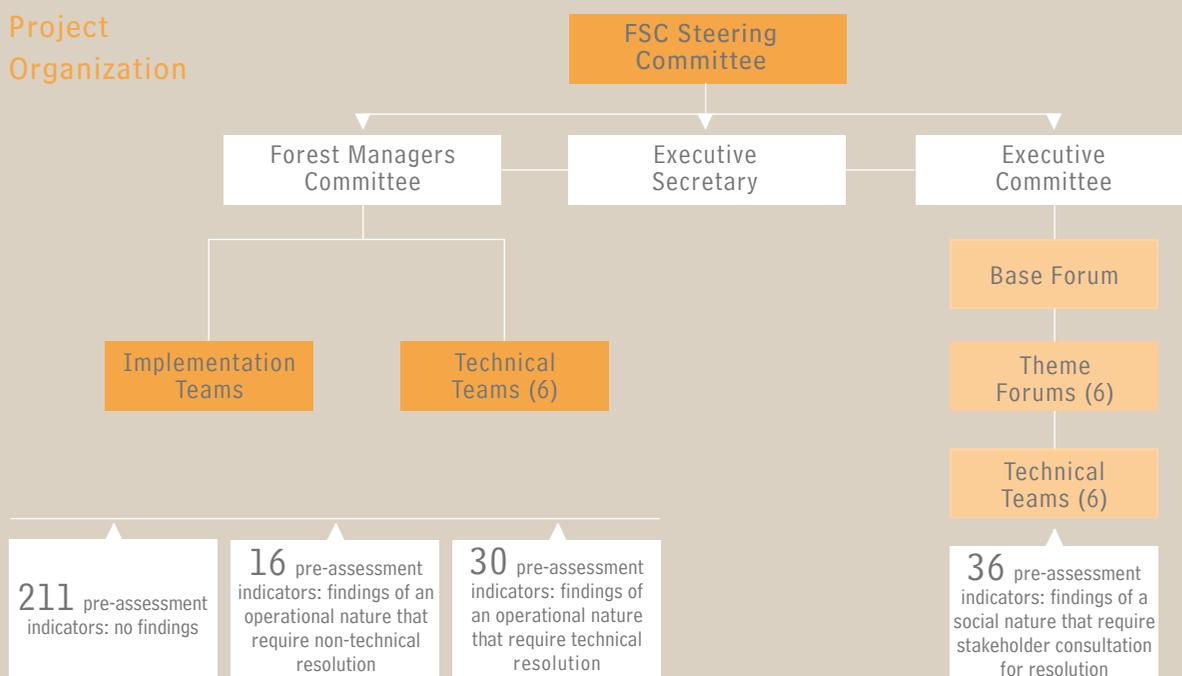
In July 2010, the Hybrid Forum Model was announced internally, and the process of forming the forums began. A Base Forum was established to generate the basic operating rules, define the specific issues or themes to be discussed, propose members for specific theme forums, and analyze the solutions proposed for each area of concern. The Base Forum is comprised of 17 people from inside and outside the company.

The Base Forum held a total of six meetings during the year, and established four Theme Forums: Labor Relations; Mapuche Communities; Local Development; and High Conservation Value Forests.



On September 23, the first Theme Forum, Labor Relations, was launched. Its objectives were to: analyze labor relations between ARAUCO, its workers and contract workers; establish mechanisms to develop specific labor skills; and conduct an in-depth study of the career of a forestry worker. After a total of nine meetings, the Labor Theme Forum arrived at concrete proposals that were submitted to the Base Forum for review.

Project Organization



During the last quarter of 2010, ARAUCO launched the Theme Forums on Mapuche Communities, Local Development and High Conservation Value Forests. Each of the Theme Forums developed a number of proposals and visions regarding issues under consideration. These proposals were enriched through the inclusion of stakeholder points-of-view. The company acquired a better understanding of stakeholder concerns through this open dialog.



The Theme Forums also benefited from the participation of community members and other interested parties. Stakeholder opinions could be expressed freely through a web site, www.foroabierto.cl that was set up for this purpose. Since its launch in mid-2010, the site has received more than 3,500 visits.

Concurrent with the Hybrid Forum work, ARAUCO conducted an internal education program focusing on the philosophical underpinnings of the FSC standards. In August 2010, ARAUCO launched its "One Principle a Month" campaign to familiarize management and employees with the language and intent of the Forest Stewardship Council's 10 Principles and 56 Criteria for responsible forest stewardship. The campaign uses educational material and workshops to increase awareness and understanding of this standard, and to challenge management and employees to integrate the spirit of the FSC into their work.



Approximately 400 managers and employees attended ten FSC-focused events during 2010. Topics of discussion included: legislation applicable to the forestry sector; land use and tenure rights; indigenous people's rights; worker's rights; and benefits derived from the forest.

As an example, the company held seminars in six cities on the topic, "An Approach to the History and Characteristics of the Mapuche People." These seminars, which were proposed by the Mapuche Communities Theme Forum, allowed people in Constitución, Chillán, Arauco, Concepción, Valdivia and Santiago to learn more about this indigenous culture's world vision.

FSC: Not Just Requirements, but Opportunities

The Theme Forums are supported by 12 ARAUCO technical groups that are working on the implementation of the FSC standard. Comprised of 60 people, these technical groups have been working for 14 months to arrive at solutions that will resolve issues found in Woodmark's pre-assessment of ARAUCO's forest management practices.



Initiated in March 2010, these technical groups will continue their work during 2011, reporting on progress made and remaining challenges through a series of internal and public meetings.



Proceso de Certificación Manejo Forestal FSC

EL VALOR DE COLABORAR



Expanded Use of the Hybrid Forum Model

ARAUCO launched its Hybrid Forum Model in 2010 to support the process of obtaining FSC Forest Management Certification for its forest holdings in Chile. (See FSC Forest Management Certification Process in Chile.)

A Base Forum was created to begin this process. The Base Forum held six meetings during the year to define the issues to be discussed in the Theme Forums, forum membership and work rules. In late 2010, four Theme Forums were established. These four groups met a total of 25 times.

FSC Implementation Project: Theme Forums

Theme Forum	Nº of Meetings (September - December 2010)
Labor Relations	9
Mapuche Community	6
Local Development	6
High Conservation Value Forests	4

The Hybrid Forum Model also was utilized after the earthquake and tsunami destroyed the city of Constitución, in Maule Province. Following the Hybrid Forum protocols, theme forums were created to help to design, in 90 days, a master plan for the rebuilding of the city. Launched by ARAUCO, the Municipality of Constitución and the Chilean Housing Ministry, each stage of the Sustainable Reconstruction Plan for Constitución (PRES), has been embraced by community members and the more than 50 experts that are working on the initiative. (See sections Earthquake and Reconstruction, Sustainable Reconstruction Plan for Constitución (PRES)).

Communication and Feedback Mechanisms

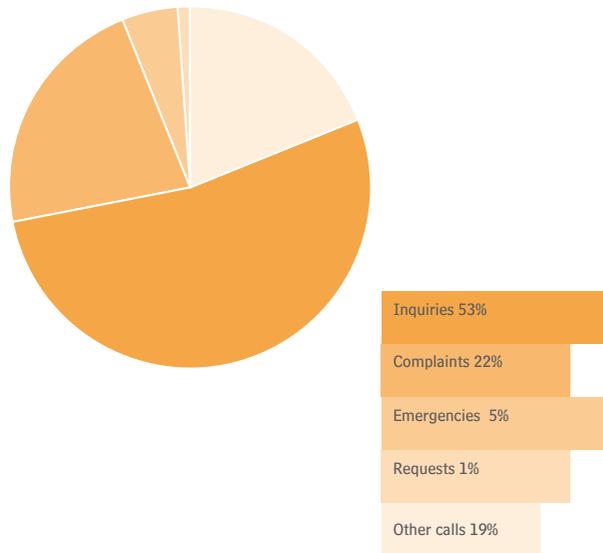
ARAUCO maintains a number of different channels that stakeholders can use to communicate with the company and to provide feedback.

• 800 Toll-free Telephone Line

Stakeholders can contact ARAUCO by telephone to make inquiries, requests, complaints, reports, or address other issues. ARAUCO maintains toll-free "800 numbers" in Chile and Argentina.

A total of 941 calls were made by stakeholders to ARAUCO's 800 numbers during 2010. The majority of these (53%) were general inquiries.

800 Line (941 calls)



• ARAUCO Website

ARAUCO's website is updated regularly to provide current information to all stakeholders. The company website receives 360,000 visits annually.

The company also maintains a product-specific website, www.araucosoluciones.com. To date, 14,000 visitors have registered through this site to receive information about the company's products.

Site traffic also has benefited from the use of social networks. Today, ARAUCO has 4,750 fans on Facebook, as well as a presence on other social networks such as YouTube, Flickr and Twitter.

• **Guided tours**

Since 2006, ARAUCO has offered guided tours of the company's facilities to members of the community, allowing people to see first-hand how the plants operate. The visitor program is based on an open-door policy intended to strengthen and maintain trusting relationships with the communities in which the company operates.

In 2010, a total of 7,811 visitors toured ARAUCO's facilities in Chile, Argentina and Brazil.

• **2010 Corporate Reputation Survey**

In 2010, ARAUCO participated in the Fifth Corporate Reputation Assessment in Chile, conducted by the Reputation Institute and the Faculty of Communications of the Pontifical Catholic University of Chile. The assessment was conducted using RepTrak™ Pulse methodology.

The report shows reputation level by company and sector at the national and global levels, measured according to the Pulse methodology. The national assessment was conducted in July 2010. In addition, ARAUCO received a report, based on a simplified application of the RepTrak™ model, showing the effect of the seven dimensions of the company's reputation and brand.

2010 Visits

Location	Number of Visitors
CHILE	
Constitución	3,259
Licantén	102
Cholguán	315
Nueva Aldea	1,865
Arauco	751
Los Ríos	299
ARGENTINA	
Zárate Industrial Park	65
Chemical Division	73
Piray Sawmills	157
Piray MDF	57
Forestry Operation	266
BRAZIL	
Arapoti	122
Campo do Tenente	74
Curitiba	37
Jaguariaíva	274
Tunas do Paraná	95
TOTAL	7,811



ARAUCO'S Commitment to External Initiatives



Adherence to International Principles

ARAUCO supports international principles and participates in a number of external social, environmental and economic programs and initiatives.

United Nations Global Compact

In September 2010, ARAUCO formally committed to supporting the United Nations Global Compact and its ten principles regarding respect for human rights, labor rights, environmental protection and anti-corruption.

In a letter addressed to United Nations Secretary-General Ban Ki-moon, ARAUCO's Chief Executive Officer stated, "through this letter we are expressing our intention of supporting and developing these principles in our areas of influence. It is our intention to make the Global Compact and its Principles part of the strategy, culture and daily actions of our company, and to work to ensure that our company, our employees, our partners and customers all fulfill this commitment. Further, we commit ourselves to business transparency and to reflect our adoption of the compact in our annual reports and other public documents."

FSC Forest Management Certification Process

In May 2009, ARAUCO decided to pursue FSC Forest Management certification of its forest holdings in Chile. The company developed a transparent, rigorous and participatory process in order to better engage its stakeholders. (See section Stakeholders Engagement: "The Means to an End: FSC and an Innovative Methodology for Dialog".)

ARAUCO supports international principles and participates in a number of external social, environmental and economic programs and initiatives.

Certifications

During 2010, ARAUCO continued its program of compliance with international standards by obtaining and maintaining its third-party certifications and international seals. This program is a tool to meet the company's commitments and to continuously improve its operations (See Certifications Annex).

Support of External Initiatives

During 2010, ARAUCO supported the following external initiatives:



External Initiatives Supported by ARAUCO during 2010

Initiative	Description
World Exposition Shanghai 2010.	In keeping with the Shanghai Exposition theme, Better City, Better Life, the Chilean Pavilion used a Radiata pine seed as a focal point, since trees are a renewable resource that store carbon. ARAUCO's wood products were the predominant raw material used in the construction of the Chilean pavilion.
Environmental Expo POLLUTEC 2010.	Chile was a guest of honor at this international exposition on the environment, which was held November 30 through December 3. ARAUCO made a presentation about environmental management, highlighting company programs to protect biodiversity and combat climate change.
The Center for Global Change of the Pontifical Catholic University of Chile.	In November 2010, ARAUCO signed an "agreement for consultancy and research development services related to climate change" with the Center for Global Change of the Pontifical Catholic University of Chile. The objective of the partnership is to conduct joint research on environmental issues, primarily those related to global climate change. A study on carbon capture in the El Name wetland was conducted and a study on the Mataquito River Basin was initiated in 2010.
The Faculty of Biological Sciences of the Pontifical Catholic University.	In December 2010, ARAUCO signed an agreement with the faculty of Biological Sciences of the Pontifical Catholic University of Chile to prepare a lecture on Environmental Ethics. The objective of this lecture was to generate discussion about how society addresses this environmental ethics and what specific initiatives should be launched.
Chilean Society for Ocean Sciences.	ARAUCO provided support for the Ocean Sciences Annual Congress.
National Oceanographic Society and Committee.	Through a sponsorship, ARAUCO supported the preparation of courses on ocean pollution.
Engineers Institute of Chile.	ARAUCO participated in the institute's environmental group and collaborated on climate change issues.
Domeyko Group University of Chile.	ARAUCO provided support for seminars on biodiversity.
EULA Center for Environmental Sciences of Concepción University.	ARAUCO provided support for the monitoring of fresh water systems and coastal wetlands.
Pontifical Catholic University of Chile.	ARAUCO participated in cooperative for research and monitoring of fresh-water bodies and the ocean.
Concepción University.	ARAUCO participated in cooperative marine research and for monitoring and training programs.
Catholic University of Holy Conception.	ARAUCO participated in cooperative marine research and monitoring.
University of Chile (Science Faculty).	ARAUCO participated in cooperative which undertakes bird monitoring and research on land biodiversity.



Membership in Associations

ARAUCO actively participates in more than 60 industry-sector and social organizations. In addition, the company works with seven universities, 50 scientific centers and a large number of non-governmental organizations, media, government insti-

tutions and local government organizations, playing an active role in the community and society, and contributing to the accomplishment of mutual goals.

Following is a partial list of international associations and organizations to which ARAUCO belongs.

Membership in Associations

Country	Associations
Chile	<ul style="list-style-type: none"> • Fundación Accion RSE 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.chicic.cl • Cámara Chileno Norteamericana de Comercio www.amchamchile.cl • Cámara de Comercio e Industria de Valdivia www.cci.cl • Centro de Estudios Públicos, Comisión de Medio Ambiente www.cep.cl • Centro para el Fomento del Mercado del Carbono www.chile-co2.cl • Cooperativa de Mejoramiento Genético Forestal • Centro Educacional de Alta Tecnología www.ceat.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 por el Desarrollo de Valdivia www.codeproval.cl • Corporación Industrial para el Desarrollo Regional del Bío-Bío www.cidere.cl • Fundación Belén Educa www.beleneduca.cl • Fundación Integrare www.integrare.cl • Icare www.icare.cl • Red Pacto Global Chile www.pactoglobal.cl • Sociedad de Fomento Fabril www.sofofa.cl • Un Techo para Chile www.untechoparachile.cl • Corp Arauco • Visión Valdivia www.visionvaldivia.cl • Corporación para el Desarrollo Productivo de La Araucanía www.corparaucania.cl • Facultad de Ciencias Universidad de Chile • Pontificia Universidad Católica de Chile • Universidad Austral de Chile • Universidad Católica de la Santísima Concepción • Universidad de Concepción

Argentina	<ul style="list-style-type: none"> • Asociación Forestal Argentina (AFOA) • Asociación de Fabricantes de Celulosa y Papel, Argentina (AFCP) • Federación Argentina de la Industria de la Madera y Afines (FAIMA) • Cámara Argentina de la Industria de la Madera Aglomerada (CAIMA) • Cámara Argentina de Aserraderos de Maderas, Depósitos y Afines • Instituto Argentino de Responsabilidad Social Empresaria • Feria Forestal Argentina (concurso Modelando Futuro) • Consorcio de Protección Forestal Iguazú • Guardaparques del Parque Provincial Cruce Caballero • Parque Provincial Araucaria • Parque Provincial Teyú Cuaré • Grupo de Fundaciones y Empresas (GDFE) • Mesa Ministerio de Trabajo de la Nación • Fundación Compromiso • Grupo Solidario: ONG de la Provincia de Misiones • Facultad de Arte Universidad Nacional de Misiones • Facultad de Ciencias Forestales de la Universidad Nacional de Misiones
Brazil	<ul style="list-style-type: none"> • Associação das Empresas da Cidade Industrial de Araucária Associação das Empresas da Cidade Industrial de Curitiba • Associação Paranaense de Empresas de Base Florestal • Conselho Regional de Engenharia, Arquitetura e Agronomia do Paraná • Cooperativa de Recursos Genéticos de Coníferas da América Central y México, Brasil • Fundação de Estudos e Pesquisas Florestais do Paraná • Fundo Nacional de Controle da Vespa da Madeira (Funcema) • Fundação Projeto Pescar • Instituto de Pesquisa e Estudos Florestais • Sindicato das Industrias da Madeira do Estado do Paraná
United States	<ul style="list-style-type: none"> • Association of Millwork Distributors • Moulding & Millwork Producers Association • The Chilean-American Chamber of Commerce of the South
Mexico	<ul style="list-style-type: none"> • Asociación Nacional de Importadores y Exportadores de Productos Forestales A.C. • Cámara Nacional de la Industria Maderera de México • Cámara Mexicana Chilena de Comercio e Inversión • Consejo Nacional de la Madera de Construcción
Colombia	<ul style="list-style-type: none"> • Fedemaderas • Cámara Colombo-Chilena de Comercio • Consejo Colombiano de Construcción Sostenible
Australia	<ul style="list-style-type: none"> • Australia-Chile Chamber of Commerce



2010 Awards and Acknowledgements

In 2010, ARAUCO received numerous awards for its performance in various sustainability programs and activities, as detailed in the following table.

2010 Awards

Award	Basis for the Award
Pulp & Paper International (RISI) "Business Strategy of the Year" Award	<p>ARAUCO received the Business Strategy of the Year award from Pulp & Paper International (PPI) for 2010. Organized by RISI, an information service for the forestry products industry, the PPI Awards distinguish pulp and paper businesses at the global level for their leadership, vision, innovation and strategic achievements.</p> <p>ARAUCO was given this award for the strategy it implemented in the reconstruction of its operations and nearby communities after the earthquake and tsunami that struck Chile on February 27, 2010.</p>
Gold Award at Shanghai Exposition from BIE	<p>The Chile Pavilion at the 2010 Shanghai World Expo, which was built with ARAUCO's support, was given a Gold Award in the "Theme Development" category for pavilions up to 3,000 square meters by the Bureau International des Expositions (BIE).</p> <p>In addition, the pavilion received the "Most Human Pavilion" Award, by the Shanghai Morning Post, and was awarded second place as Outstanding Project in the "Public-Private Cooperation" category by the Chilean business newspaper, Diario Financiero.</p>
First place at the national level in PEC certification	<p>For the second consecutive year, Consultora Bosques Ltda, a company that manages Forestal Celco's Quivolgo nursery, received the highest awards to be given in Chile to businesses certified in risk-prevention management programs. Awards were earned in two categories: "PEC Competitive Business Award" and "PEC Standard". These annual awards are sponsored by the Safety Mutual (Mutual de Seguridad).</p>
Three Chilean National Safety Council Safety awards	<p>The Arauco Plywood mill received three awards at the 47th National Safety Contest. This contest is organized annually by the Chilean National Safety Council (CNS in Spanish). The awards were the following:</p> <ul style="list-style-type: none"> • "Excellence in Risk Prevention," given to businesses that achieve zero accident frequency for two or more consecutive years; • "National Safety Council," awarded to businesses with the lowest accident frequency rate in their group category and whose value is significant; • "Effort in Risk Prevention," given to companies that reduce their accident frequency rate by 25% or more during participating given year; as compared to the average rate attained during the two previous consecutive years of participation in the contest.



<p>Highest Distinction Award in the First National Operational Excellence Contest in Chile</p>	<p>Nueva Aldea Sawmill earned the Operational Innovation Award (PIO), the highest distinction in Chile's First National Operational Excellence Contest, for its project "Risk rate reduction in log inventory." This contest was organized by the Catholic University, the Center for Operational Excellence, the Chamber of Production and Commerce and the Chilean Safety Association.</p>
<p>The Chilean Chamber of Construction's Safety Mutual Award</p>	<p>The Arauco pulp mill won an award for achieving outstanding occupational health and safety results in 2010. The Chilean Chamber of Construction's Safety Mutual award was made through the Certified Business Program (PEC in Spanish),</p>
<p>Chilectra's "Women's Energy" Award</p>	<p>Arauco Educational Foundation Manager Angélica Prats received the "Women's Energy" award, given by Chilectra, for her contribution to education.</p>
<p>Security and Emergency Response Training Center, SERTC, Award</p>	<p>The Arauco Pulp Mill was given an award for its successful post-earthquake emergency control regarding chemical product management. The Security and Emergency Response Training Center, SERTC, based in the United States made the award.</p> <p>This was the first time the award was given to a company outside the US. The Arauco Pulp Mill was nominated by TTCL (Transportation Technology Center, Inc.) due to the magnitude of the field work carried out by the mill.</p>
<p>Misiones On Line Award (Argentina)</p>	<p>Arauco Argentina was given an award for job creation in Misiones Province by Misiones On Line, an online media site (www.misionesonline.net). ARAUCO generated more than 4,000 direct jobs and directly or indirectly supported more than 700 small and medium businesses benefiting 50,000 people in the area.</p>
<p>"Protagonistas" TV Show Award (Argentina)</p>	<p>Arauco Argentina employees were given an award for their on-the-job commitment to their neighboring communities. The award was made by the cable television news program, "Protagonistas," which airs in Misiones Province.</p>
<p>Community School Program Award (Curitiba, Brazil)</p>	<p>Arauco do Brasil received the Community School Program Award, given by the Municipality of Curitiba, for the company's contribution to local development.</p>



Earthquake and Reconstruction

On February 27, 2010, a Richter-scale magnitude 8.8 earthquake struck the central and southern areas of Chile. The quake spawned a series of tsunamis that devastated the coastal areas of three regions: O'Higgins, Maule and Bío Bío. Thousands of people were affected, their homes destroyed, and social services, communications and production infrastructure were damaged as a result of this disaster.

The earthquake and tsunami resulted in significant losses for ARAUCO:

- Six workers and contract workers were killed
- 162 families were affected; including 133 which suffered the total loss of their homes
- More than 20,000 company workers in the area were affected
- Of the company's 35 production facilities, 30 were located in the devastated area
- Five pulp mills were shut down; two of these were severely damaged
- One saw mill was completely destroyed by the tsunami

Despite the serious impact on ARAUCO and its workers, the company made an effort to maintain labor stability and wages for all its workers and contract workers. In order to address the emergency, work was organized in four stages defined as Catastrophe, Emergency, Reconstruction, and Reflection.

Catastrophe

Efforts in this stage were focused on people. Work was done to re-establish communications and begin a registry of the condition of our workers and their communities. Personnel from the company's People Management department moved into the affected areas and were able to locate 100% of the company's workers. According to the registry, 1,260 families were left with damaged homes and 95 families lost their belongings.

Work also was done during this stage to assess and quantify the damage to the 30 company production facilities located in the areas that were most affected.

Emergency

The Emergency stage included the following initiatives:

- A welfare action plan, including the distribution of prepared meals; care packages;

In order to address the situation, work was organized in four stages defined as Catastrophe, Emergency, Reconstruction, and Reflection.

clothing, flashlights, blankets, sleeping bags and mats; rolls of plastic sheets to cover tents; diapers; and water barrels. Arauco's gymnasium was made available, as was the Colegio Constitución's school gym, to serve as collection centers for Municipality community aid.

- ARAUCO contributed CLP\$1.5 billion (US\$3,000) to the "Chile helps Chile" Telethon. In addition, ARAUCO worked with Un Techo para Chile (A Roof for Chile) Foundation, providing wood to build more than 20,000 emergency homes before the arrival of the winter season.
- Special assembly plants were installed in Constitución and Coronel to manufacture emergency homes, and about 25,000 homes were built before June 15, providing families with shelter for the winter.
- Psychological support for the company's workers and residents of the Communes

most affected by the earthquake was provided by the Arauco Educational Foundation, ARAUCO's People Management department and the Pontifical Catholic University's department of Psychology Center for the Promotion and Study of Good Treatment. In total, 1,129 people from 20 Communes in the Maule and Bío Bío regions used these services.

- A financial support plan for ARAUCO's workers whose homes were damaged by the earthquake and, in some cases, by the tsunami. The following aid categories were established:
 - Money in advance for total loss
 - Money in advance for homes with significant damage
 - Money in advance for homes with minor damage and/or loss of belongings
 - Money in advance for house rental
 - Psychological support
- Provision of company land for use in the construction of temporary housing. Land was made available in the Communes of Puertas Verdes, Constitución, Fundo el Coihueco de Penco, Fundo el Molino de Dichato, Tomé, La Araucana in Los Álamos, Reserva Los Ríos, El Descabezado 2 and Herrera in Curanilahue.
- Provision of heavy machinery to clear streets and remove rubble; corporate volunteer work; an alliance with Aramark to provide two camp kitchens and prepare 7,000 rations of food in Constitución; and support from the contractor, COMIN, to assess the condition of 4,500 houses and 25 sheds and conduct necessary clearance work.

Reconstruction

The Reconstruction stage included the following initiatives:

- **“Sea of Hope” campaign in support of Bío Bío fishermen**

The artisan fishing sector is very important in the regions in which ARAUCO maintains operations. The company signed an agreement with the Artisan Fishermen Federation of Bío Bío Region (Ferepa), Concepción University, and Radio Bío Bío to develop the “Sea of Hope” program to support artisan fishermen affected by the earthquake and tsunami, a disaster that destroyed at least 500 fishing boats.

This strategic alliance was successful in raising CLP\$283,285,513 (US\$556,000). Funds were donated by companies, organizations, unions, national and foreign institutions and people in general. ARAUCO donated CLP\$100 million (US\$197,000).

These donations were invested in 35 fully equipped boats that were given to fishermen in the affected regions, directly benefiting 140 families.

- **Support for the cities of Arauco and Constitución**

Given the critical situation, ARAUCO took on a key role in the reconstruction of Constitución and Arauco, two cities that were most affected by the earthquake and tsunami.

- **Constitución:** The Sustainable Reconstruction Plan for Constitución (PRES), a public-private alliance to guide the reconstruction process was established by ARAUCO, the



Housing Ministry of Chile and the Municipality of Constitución.

- **Arauco:** The company supported fundraising efforts for the reconstruction of the cultural center, which will be achieved through US\$2 million in donations from ARAUCO's customers. The company also donated land (in partnership with SERVIU) for the construction of housing for affected families, and provided support for small businesses.
- **Curanilahue:** A technical roundtable was established to manage reconstruction issues such as finding solutions for people affected by the disaster; a support fund for small businesses (seed capital); and financial support for the demolition of a public school, Liceo de Curanilahue.

- **Resuming operations in ARAUCO's production facilities**

During April 2010, most of ARAUCO's facilities resumed operations, except for the pulp mill in Constitución and Line 2 of the Arauco pulp mill.

The Constitución pulp mill resumed production on May 20, an event marked by a ceremony attended by hundreds of its workers, the Chilean minister of Labor and Social Welfare Camila Merino, the mayor of Constitución Hugo Tillería, and ARAUCO's CEO, Matías Domeyko.

Repairs to Line 2 at the Arauco pulp mill continued through 2010, and the mill resumed operation in January 2011.

Reflection

ARAUCO deemed it important to leave historic testimony about the disaster for future generations, honoring the memory of victims as well as the integrity and fortitude of people who participated in the reconstruction efforts.

Following are some of the actions undertaken by ARAUCO to document the impacts of the February 27 disaster and Chile's recovery:

- In 2010, ARAUCO supported the production of the movie, "Mauchos." Directed by Ricardo Larraín and Sebastián Moreno, the documentary, filmed in Constitución, shows the long and hard process the "maucho" people (residents of the Maule basin) have experienced in rebuilding their homes, streets and schools and in continuing the lives they led before the earthquake. The movie was first shown on January 5, 2011 at Plaza Arturo Prat in Constitución. This event was attended by 3,500 people.
- ARAUCO provided support for the book, "Our Earthquake," by Alfredo Sepúlveda and Francisco Aravena of Alberto Hurtado University. The book gives an account of the experiences of a few ARAUCO workers before and after the earthquake and tsunami. The book will be published in 2011.

Despite the serious impact on ARAUCO

and its workers, the company made an effort to maintain labor stability and wages for all its workers and contract workers.

- A video entitled, "Chile, Seismic Country," was produced with support from the Arauco Education Foundation. The video was officially presented to the Education Ministry in October 2010, and was distributed nationally. In addition, the Foundation supported the coordination and distribution of a donation of more than 4,000 books to 21 public libraries in 21 Communes in regions Maule, Bío Bío and Los Ríos.

ARAUCO's 2010 financial support of these initiatives totaled about CLP\$3,5 billion (US\$6,9 million).



Sustainable Reconstruction Plan **PRES Constitución**

On March 18, 2010, ARAUCO signed a private-public alliance with the Municipality of Constitución and the Housing and Urbanism Ministry of Chile to develop a Sustainable Reconstruction Plan (PRES) for the city of Constitución. The first objective was to generate and agree upon a Master Plan within a 90-day time period.

A team of professional and technical people from the Chilean architecture firm, Elemental, the UK engineering and urban development firm, ARUP, Talca University, Chile Foundation and Marketek were called on to develop the reconstruction plan.

How did we do it?

PRES based its operation on three pillars:

Operating Principles

Excellence

Integrated Design

1. Architecture
2. Urban Design
3. Landscaping
4. Engineering
5. Energy Efficiency
6. Tourism

Viability

Sense of reality

1. Identifying pre-existing or ongoing projects
2. Existing covenants and restrictions
3. Establishing a Public Sector Strategic Committee
4. Prioritizing and Programming (Gantt Charts)
5. Contingency Coordination
6. Cost
7. Implementation Plan

Participation

With and for the people

1. Transparent
2. Not differentiated, not segmented
3. Multichannel and multi-scale
4. Binding



Citizen Participation

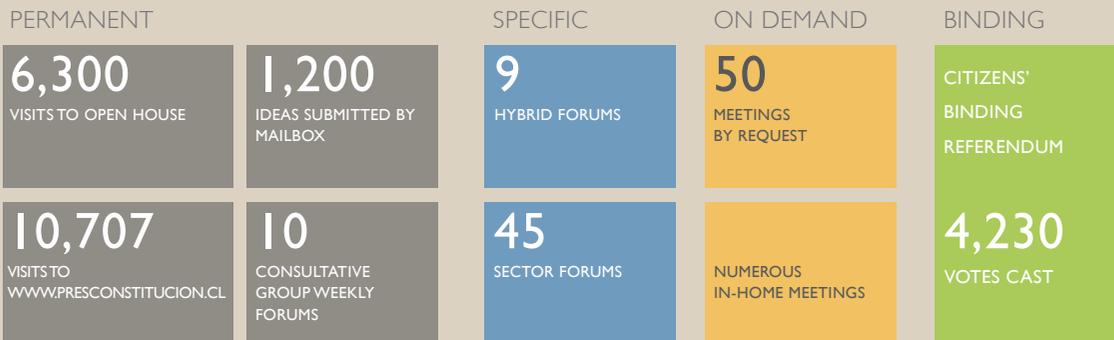
PRES required coordinating the work of experts and authorities, while incorporating the opinions and contributions of the residents of Constitución. A Consulting Committee, with a membership representing neighborhood associations, union organizations and sector associations, was established and held weekly meetings. The concerns and opinions of the stakeholder participants were channeled through initiatives generated in Open House meetings. These became the place to listen to, talk about and debate plans for the city's future, and to offer ideas for inclusion in the technical team's projects and proposals.

In total, 45 sector forums were held, with an additional 50 meetings held at the request of community citizens. Dozens of home meetings, nine open forums, and two binding civic

referendums also were held. During the initial 90-day planning period, 6,300 visitors attended Open House meetings, and the project website (www.presconstitucion.cl) received more than 10,700 hits. More than 1,200 ideas were submitted through the project mail box and 4,230 votes were cast in the binding civic referendums.

During this same period, more than 100 meetings were held with public and private sector actors to verify the technical, social and economic viability of proposed projects. The key throughout this process was citizen participation. The original proposal was adjusted and enriched through the inclusion of input from community citizens about specific problems, and by incorporating their views on the future and their priorities for the various projects once the reconstruction process began.

Citizen Participation



Maule River Park Project

Projects Prioritized by the Community



1 Fire Station



2 Bus Terminal



Sustainable Reconstruction Plan **PRES Constitución**

Strategy/Projects

PRES generated projects and proposals in five areas sharing a common theme, Sustainability:

- **Safety infrastructure:** The plan proposes a solution to mitigate the river's overflow and the impact of possible tsunamis, while developing the riverfront area as a center for city activity.
- **Public-area infrastructure:** The plan includes manufacturing and tourism infrastructure development in strategic areas to boost existing fishing and shipyard activities. It also includes a new market, tourism docks and recreational areas.
- **Economic diversification:** During the citizen-participation process, residents stated the need to diversify the city's manufacturing base. Community members wanted to address the city's long-standing aspiration to reactivate tourism, while taking advantage of the reconstruction to add a forestry-related identity to Constitución.
- **Energy:** Three areas of energy development are addressed in the plan. One is related to waste generated by the city, another to new non-conventional renewable energy technologies, and a third to existing energy sources that are currently not being used efficiently.
- **Housing:** Seven types of houses and apartments were designed as part of the plan. These are tied into existing subsidies and to the different geographic areas available for reconstruction.

PRES Conclusions

In addition to reconstructing public buildings and housing using designs that reflect the city's characteristics, PRES includes:

1. Creating a city with 'anti-tsunami DNA' by building a coastal mitigation park.
2. Changing the city's axis towards the riverbank, and capitalizing on the city's natural and founding heritage.
3. Reducing Constitución's urban density to 6.6 square meters per resident (from 2.2 square meters before the earthquake) by creating a new public area. (The World Health Organization recommends as a standard 9 square meters per resident. Ñuñoa Commune in Santiago city has 7.2 square meters per resident).
4. The opportunity to develop the city's tourism potential, helping to diversify its traditional manufacturing-based economy.
5. Provisions for dealing with the flooding of estuaries, which was a priority for the community.



Municipal Theatre



Tourism Plaza

ARAUCO seeks to maximize the value of its forests, finding opportunities for growth through sustainable management that is responsive to the environment, to people and their communities, and to the needs of future generations.



“ARAUCO’s profits are distributed as compensation to personnel and service providers, repayment to financial creditors, returns to shareholders, taxes to the government, and reinvestment in our businesses.”

3.

Financial Results

ARAUCO seeks to maximize the value of its forests, finding opportunities for growth through sustainable management that is responsive to the environment, to people and their communities, and to the needs of future generations.



ARAUCO's sustainable forest products are efficiently produced in response to customer demand and sold in the global market.

ARAUCO's Financial Corporate Management administers the company's capital and secures financing for the company's projects and operations from various sources. In addition, this department plans and controls the company's finances to guarantee adequate liquidity levels. It also provides assistance to ARAUCO's various businesses through its treasury, credit and collection, and financial planning services.

During 2010, ARAUCO generated a profit of US\$700.7 million, 130.1% more than in 2009. This was due primarily to higher margins obtained by all of the company's businesses as a re-

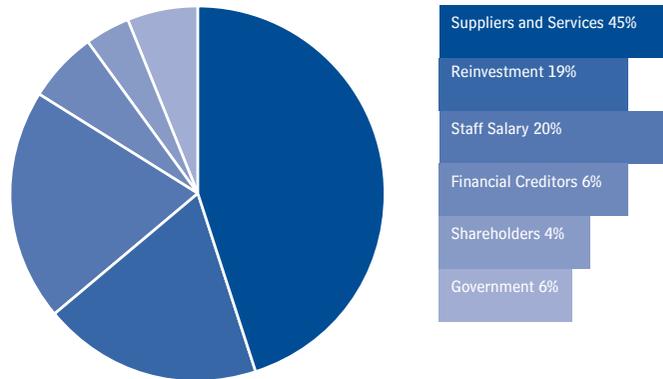
sult of improved market conditions. This also explains the 21.7% increase from 2009 sales levels to total 2010 sales of US\$3.788 billion. EBITDA for 2010 was US\$1.406 billion, 92.9% greater than in 2009. The increase in EBITDA was due primarily to a 55.1% increase in the net margin as compared to 2009, resulting primarily from higher average selling prices for all products.

Investments in 2010 totaled US\$688.3 million, 4.7% less than in 2009. These were primarily focused on maintenance of operations and on repairs related to the earthquake that struck Chile on February 27, 2010. A small portion of our investment was used to purchase equipment for a new MDP plant being built in Teno, a plant that is expected to begin operating early in 2012.

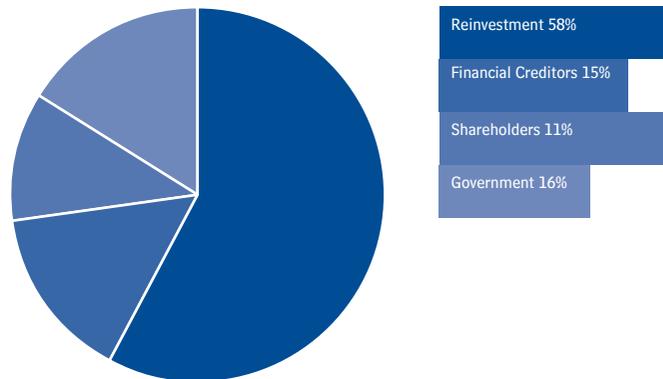
Direct Economic Value Generated and Distributed (in US\$ Million)

	2008	2009	2010
Sales	3,714	3,113	3,788
EBITDA	1,169	729	1,406
EBITDA Margin	31.5%	23.4%	37.1%
Net Income	405	305	701
Financial Debt	2,652	3,203	3,450
Net Financial Debt	2,485	2,669	2,406
Financial Costs	175	194	214
Investments	460	722	688
Total Debt/EBITDA	2.3	4.4	2.5
Net Debt/EBITDA	2.1	3.7	1.7
EBITDA/Interest	6.7	3.8	6.6

Resources Generated and Distributed in 2010 (Sales US\$3,788 million)



Resources Generated and Distributed in 2010 (EBITDA US\$1,406 million)



Financial Risks and Opportunities Related to Climate Change

Financial Opportunities

Since 2007, ARAUCO and its biomass-based energy-generation projects have benefited from provisions in the Clean Development Mechanism (CDM) of the Kyoto Protocol. The objective of this international agreement was to verify and certify greenhouse gas (GHG) emission reductions. The CDM was established as a mechanism to accomplish this objective through projects carried out in developing countries. Emission reductions resulting from these projects are expressed in terms of Certified Emission Reduc-

tion credits (CERs) that are sold in global carbon markets. Each CER represents one metric ton of carbon dioxide equivalent that was not emitted into the atmosphere.

To date, ARAUCO has issued 1,070,788 CERs, and has received a total of US\$21.4 million from the sale of these credits. No CERs were sold in 2010.

Financial Risks

ARAUCO has identified several potential risks to the company's activities due to climate change. Should these events occur, they could have a negative effect on the company's financial re-

sults. The magnitude of possible economic impacts has not been assessed (since it is difficult to predict phenomena related to climate change). However, the major risks that have been identified include:

- Increased costs for energy, transportation, and raw materials, due to new international laws and regulations, and (at the local level) due to efforts to reduce the company's carbon footprint.
- Additional investments for facilities and equipment necessary to reduce GHG emissions.
- Negative impacts on the company's forest plantations located in Chile, Argentina, Brazil or Uruguay, and on plantations in other regions and countries, which currently have ideal conditions for short growing cycles. Changes in climate patterns could reduce forest growth rates, negatively impact plantation quality and increase production costs.



ARAUCO's Presence in the Market

Minimum wage for workers and contractor company employees

ARAUCO has adopted wage policies for its workers and the employees of contractors for each of the countries in which the company operates. These policies seek to guarantee basic wage standards for all workers. As of November 2010, and as a result of this policy, ARAUCO pays its workers in Chile a taxable net minimum wage of CLP\$280,000 per month (US\$550). The legal minimum monthly wage in Chile is CLP\$172,000 (US\$337).

Development of Local Suppliers

During 2009, ARAUCO launched its Local Supplier Development Program to strengthen the forest-industry supply chain. The program focuses on increased purchasing from local suppliers to support their economic development and social well being.

The company has established Local Development Councils to identify, train, equip and manage local suppliers for the company. The Council's members are representatives of different businesses and institutions focused on supplier development, such as CORFO, the Chilean Economic Development Agency.

In 2010, the Local Supplier Development Program achieved outstanding results in Arauco province, where the company's purchases from local suppliers increased from 30% to 40% of total purchases.

Following the same concept, ARAUCO participates in a business initiative with the Chilean non-profit organization, Integrare Foundation, which promotes an integrated platform for corporate purchases from small and micro-businesses. Through this mechanism, ARAUCO made purchases of US\$936,000 from small businesses in 2010. (See chapter Society: Integrare Foundation).





Local Hire

ARAUCO favors local hires in its staff-selection process. Each time the company begins operations in a new area, it engages relevant community agencies and actors -- such as Municipal Employment Offices, universities, professional institutes, technical education centers and public schools -- to create a formal job-application mechanism for the positions to be offered in the area.

Indirect Economic Impacts



Investments in infrastructure

Since its beginnings, ARAUCO has made large investments in infrastructure to support its production activities. Many of these investments also provide public benefits. For example, many of the roads and bridges built by the company for forestry operations are available for public use.

During 2010, the company invested US\$49.5 million in Chile for the construction of 2,500 kilometers (1,500 miles) of roads. In addition, ARAUCO's forestry units make regular investments to improve road conditions. The forestry business spent US\$9.6 million on road maintenance in 2010, including repairs to bridges, sewers and road signs. Of this amount, US\$1.9 million was invested in improvements for public roads and for access to these roads.

The local economic development impact of these investments has not been measured.

Other Indirect Economic Impacts

ARAUCO's indirect economic impacts on the communities in which it operates and the markets it serves result from such activities as improving local infrastructure, increasing purchases from local suppliers, and providing products that offer environmentally responsible solutions for housing and other construction applications. All of these activities help improve the quality of life in local communities.

ARAUCO has not yet measured the scope of these economic impacts. However, during 2011, ARAUCO will begin to identify and systematize its direct and indirect economic impacts on communities, through the implementation of an Integrated Model for Sustainable Development.



ARAUCO's Environmental, Quality and Occupational Health Policy spells out the company's, commitment to environmental protection and the sustainable use of natural resources. Implementation of this policy focuses on prevention and on continuous, systematic reduction of environmental impacts.



“Generation of biomass-based Non-Conventional Renewable Energy, reduction of the company’s carbon footprint, and the conservation of biodiversity are at the core of ARAUCO’s environmental management strategy.”

4.

Environmental Policy

ARAUCO's Environmental, Quality and Occupational Health Policy (MACSSO) spells out the company's commitment to environmental protection and the sustainable use of natural resources. This policy must be observed in all of the company's plants, facilities and activities.

Implementation of this policy focuses on prevention, on continuous, systematic reduction of environmental impacts related to the company's

activities, products and services, and on the need to safeguard the occupational health and safety of employees and contract workers.

ARAUCO's Environmental, Quality, and Occupational Health and Safety Policy (MACSSO)

Environmental protection, product quality, and occupational health and safety are necessary conditions for sustainable development. With this in mind, ARAUCO developed the MACSSO policy, which commits all of the company's personnel and businesses to:

- **Comply** with environmental, quality, and occupational health and safety laws, regulations and pertinent commitments in all of the company's activities, products and services. This includes adherence to FSC and CERTFOR principles and criteria for forest management;
- **Meet** or surpass customer requirements as a part of developing long-term relationships.
- **Establish and assess** goals and objectives to reduce occupational health and safety risks through continuous-improvement protocols. In addition, use the best-available technology to reduce adverse environmental

impacts resulting from the company's activities, products and services.

- **Avoid accidents**, work-related illnesses and environmental pollution in the company's activities, products and services.
- **Ensure** that all employees and contract workers receive adequate training to perform their responsibilities, and provide them with the means to conduct safe and responsible work in meeting quality, environmental and occupational health and safety goals.
- **Communicate** these concepts and commitments to company personnel, service providers, relevant suppliers and other interested parties.

All of ARAUCO's personnel are responsible for meeting the requirements of the company's Environmental, Quality, and Occupational Health and Safety policy and for making sure that others meet it as well. Complying with this policy should be an integral part of their behavior and daily decision-making.

Environmental Management

Environmental responsibility at ARAUCO falls on every person at all levels of the organization. The company has an Environmental and Occupational Health and Safety (MASSO) corporate management function to which MASSO Managers of the Pulp, Panel, Sawn Timber and Forestry businesses report.

The MASSO management area helps ensure compliance with the commitments required by ARAUCO's MACSSO policy, as well as the criteria and parameters defined in the company's management systems and procedures.

In addition, ARAUCO promotes science-based environmental research and training to better understand and manage ecosystem services in its plantations and its forest areas containing high conservation values. This training is delivered by the company through its own initiatives and through partnerships with educational centers and other specialized organizations.

Corporate Standards for Performance in Environment and Occupational Health and Safety

During 2010, ARAUCO developed Corporate Standards for performance in Environment and Occupational Health and Safety. These provide a framework for administration and evaluation that is complementary to the international standards used within the company, such as ISO 14001 and OHSAS 18001.

These new Corporate Standards were developed to attain two objectives: defining the criteria needed to audit performance; and promoting continuous improvement in the implementation of the policy.

The new standards were disseminated to senior managers in all of the company's businesses during 2010, and will be implemented throughout the company during 2011.



International Standards and Certifications

ARAUCO uses a number of international, third-party protocols to certify its environmental management and to communicate the results transparently.

ARAUCO's forest plantations and industrial operations are certified to the following schemes:

- International Standards Organization Environmental Management Systems (ISO 14001)
- Occupational Health and Safety Assessment Series (OHSAS 18001)
- Chilean System for Sustainable Forest Management (CERTFOR)
- Brazilian National Forest Certification Program (CERFLOR)
- Forest Stewardship Council (FSC) Forest Management, for certain forests in Brazil, Argentina and Uruguay, and Chain of Custody and Controlled Wood for ARAUCO's various forestry units and facilities.

(See detail by business units in Certifications Annex)

Environmental Permit Management

During 2010, ARAUCO submitted eight Environmental Impact Assessments for projects to improve the efficiency of its industrial operations at various company facilities.

During the year, five Environmental Impact Assessments and 13 Environmental Impact Statements were approved. (See detail in ANNEX "2010 Processed and approved environmental permits, by country").

Input Management

Material Inputs, by Business Area

Business	Input	Units	2008	2009	2010
Panel	Wood Fiber	Million m ³ SUB ⁽²⁾	4.17	5.57	5.90
	Urea Formaldehyde Resin	Metric Ton/year	140,252	185,214	213,199
	Paraffin	Metric Ton/year	NA	NA	8,379
	Methanol ⁽¹⁾	Metric Ton/year	NA	NA	73,622
	Urea ⁽¹⁾	Metric Ton/year	NA	NA	72,550
	Formol 37% ⁽¹⁾	Metric Ton/year	NA	NA	72,503
	Urea ⁽¹⁾	Metric Ton/year	NA	NA	2,703
	Formic Acid ⁽¹⁾	Metric Ton/year	NA	NA	33
	Pulp	Fiber (Wood Chips)	Millions of ADMT	-	-
Sulfuric Acid		kg/ADMT	26.43	22.90	21.60
Limestone		kg/ADMT	15.09	11.94	9.68
Oxygen		kg/ADMT	16.98	19.67	25.18
Liquid Oxygen		kg/ADMT	4.28	2.66	2.34
Soda		kg/ADMT	23.10	23.87	20.04
Sodium Chlorate		kg/ADMT	25.16	24.87	25.68
Hydrogen Peroxide		kg/ADMT	2.87	2.79	2.81
Sawn Timber		Wood Fiber	Million m ³ SUB ⁽²⁾ / year	5.65	4.62

(1) Refers to chemical plants in Argentina and Brazil. Brazil reported 44% Formol, which was changed to 37% to be able to consolidate data.

(2) "SUB" is "solid under bark" (debarked wood).

NA: Not Available.

Use of Recycled Material

Since pulp production is essentially a closed process (the only losses stem from system failures and thermodynamic balance failures), soda and limestone are almost entirely recycled, except for material that is added to maintain the system's condition and balance.

Energy Management

Direct Energy Consumption by Business Area

Business Area	Unit	2008	2009	2010
Panel ⁽¹⁾	GWh	NA	NA	639
Pulp	GWh	1,701	1,812	2,015
Sawn Timber ⁽²⁾	GWh	161	127	134

(1) Data reported in 2009 was corrected due to recalculated information.

(2) Data reported refers only to Chile.





Energy Efficiency

The company's energy efficiency model responds to ARAUCO's vision and its core sustainability strategy of making full use of the forest resource, which includes reusing forest biomass as carbon-neutral cogeneration fuel. This model has allowed the company to increase its contribution to Chile's energy grid (the SIC) by 14% in 2010, as compared to 2009.

At the same time, ARAUCO has used the additionality provision of the Clean Development Mechanism (CDM) of the Kyoto Protocol as the basis for expanding its capacity to generate clean electric energy at some of its industrial facilities. This shift away from fossil fuels results in a reduction of greenhouse gas (GHG) emissions.

The company has registered four facilities Clean Development Mechanism (CDM) provisions of the Kyoto Protocol, and in past years has generated revenue from the sale of carbon credits based on the generation of biomass-based clean energy. The company began selling Certified Emission Reduction credits (CERs) in 2007, and has sold 1,070,851 CERs to date. (Each CER represents one metric ton of carbon dioxide equivalent that is not emitted

through the burning of fossil fuel.) No CERs were sold in 2010.

In addition, a number of business units developed specific initiatives during 2010 to reduce energy consumption. For example, Arauco's Panel business implemented awareness campaigns promoting the responsible use of electric energy, Operational Excellence projects to reduce consumption on production lines (e.g., adding controls to stop idle equipment), and changes in plant layouts to make better use of natural light. Through these initiatives, the Panel business met the Chilean Production Agreement's reduced-energy consumption commitments set for this program.

Renewable Energy

ARAUCO invests in the latest technology to produce renewable, biofuel-based clean energy and to contribute to climate change mitigation. The company operates seven electricity cogeneration plants in Chile and two in Argentina. These plants produce energy from industrial biomass residue and forestry waste, providing a sustainable supply of energy for most of the company's production facilities, and contributing surplus energy to national electric grids.



Biomass-based Energy Generation

Facility	Start date for Surplus Energy sales to the grid	Installed capacity		Production (GWh)				
		MW	% of total	2006	2007	2008	2009	2010
Arauco ⁽¹⁾	1996	127	23,7%	653	586	622	631	372
Constitución	1996	40	7,5%	229	223	223	231	171
Licancel	2004	29	5,4%	127	56	121	120	110
Valdivia	2004	140	26,1%	559	617	597	655	601
Nueva Aldea (Panels)	2004	30	5,6%	208	215	233	230	217
Cholguán	2003	29	5,4%	185	187	219	197	210
Nueva Aldea (Pulp)	2006	140	26,1%	101	522	707	787	648
Total in Chile		535	100%	2,062	2,406	2,722	2,851	2,329
P. Piray	2002	38	49%	200	178	146	178	199
P. Esperanza	N/A	39,5	51%	311	310	311	289	302
Total in Argentina		78	100%	510	488	456	407	500

(1) Installed capacity at the Arauco facility includes a new 31MW turbine generator, which began operating in November 2010. Its commercial operation is expected to begin during the second quarter of 2011.

ARAUCO's Energy Consumption and Net Energy Surplus in 2010, by Facility (GWh)

	Chile	Argentina
Total Generation in Facilities ¹	2,329	500
Total Consumption in Facilities ²	1,817	441
Energy Surplus³	512	60
Total Sales to the grid	640	70
Total Purchases from the grid	128	45
Net Surplus	512	25
ARAUCO Total Energy Consumption	1,689	397

(1) Does not include diesel-fueled energy generation in Chile by Horcones and Nueva Aldea Phase 2 facilities.

(2) Includes energy consumption by internal customers at each facility (in Chile).

(3) In Argentina, consumption by a few internal customers was not deducted.

Water Management

Water Consumption, by Business (in millions of m³)

Business	2008	2009	2010
Panel	3.11	4.29	6.00
Woodpulp	52.47	50.32	52.34
Sawn Timber	0.79	0.72	0.89



There is no record or background information on any impacts on water sources of ARAUCO's consumption of water.



Several of ARAUCO's facilities have developed water recycling and reuse initiatives for their production processes. Examples include:



- Plywood mills in Chile use reclaimed process water to maintain log deck and to prepare logs for peeling.
- Sawmills in Chile reclaimed 13% (113,700m³) of the water used in the drying kilns.
- In Argentina, water consumption is optimized by using reclaimed process water to maintain log decks. In 2010, 61,320m³ of reclaimed water was utilized.

During 2010, Bioforest began a process to identify and update potable water supply sources for all of ARAUCO's forestland, on a case-by-case basis. More than 1,200 supply sources in ARAUCO's forestland were identified. These sources can be managed to mitigate changes in the quality and quantity of water provided by these sites. In addition, Bioforest measured the hydrography of inlets and rivers that could be affected by the 2010-2011 harvest to identify potential issues.

Bioforest also analyzed the drainage work done by road and planning units to fully grasp the environmental implications of the planned road system.

Bioforest's Ecosystem Management Division has a Water and Soil program that develops tools to maintain water quality and quantity. The program also addresses soil conservation from an ecosystem perspective.

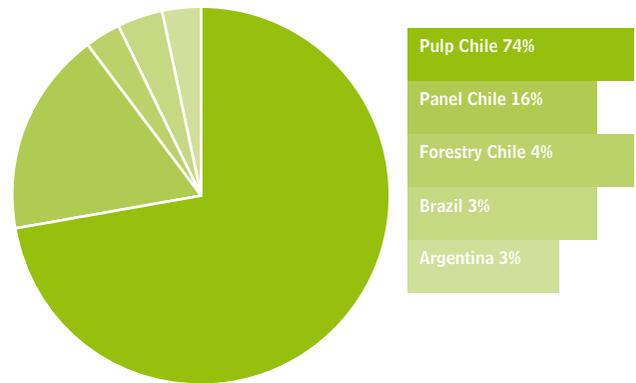


Environmental Investments

During 2010, ARAUCO invested US\$45 million in various environmental projects. In 2009, the company had invested 35% more (US\$69 million), primarily for construction of new infrastructure. The company's focus in 2010 was to maintain existing infrastructure.

2010 Environmental Investments

(US\$45 million)



Biodiversity Management



High Value Biodiversity Areas in ARAUCO's Forestland

ARAUCO owns 373,573 hectares (923,100 acres) of native forest, which account for 23% of its forestland. This area is designated for biodiversity conservation management, since a great number of flora and fauna species occurring therein have been identified as high-value conservation species, and many of these are classified as rare, threatened or endangered.

ARAUCO's Native Forest by Country

Country ¹	Native Forest Area (in hectares/acres)	Native Forest as a % of ARAUCO's forestland, by Country
Chile ²	194,165/479,800	17.6%
Argentina	112,513/278,000	43.7%
Brazil	59,825/147,800	38.5%
Uruguay ³	7,070/17,500	5.6%
Total	373,573/923,100	22.7%

(1) Includes Alto Paraná S.A. in Argentina and FAPLAC plantations in Brazil.
 (2) Includes 80% of Forestal Los Lagos which represents ARAUCO's ownership share.
 (3) Includes 50% of Montes del Plata land and plantations, which represent ARAUCO's share in the joint venture.



Programs for Biodiversity Protection

ARAUCO's environmental management programs are strategically focused on biodiversity protection. The company implements various methodologies, programs and initiatives in each of the four countries where it operates.

During 2010, ARAUCO participated in a number of programs to protect high-value biodiversity habitats and protected species.

ARAUCO's 2010 Conservation Programs

Program Name	Program Description	Participating Stakeholders	Protected Land Area (hectares/acres)
CHILE			
Nahuelbuta Mountain	Protection for forestry ecosystems and native forests in Bío Bío Region.	Chilean forestry companies, National and international NGO's, Government of Chile, Local communities.	23,800/58,800
Parque Oncol	Protection of wild area, located on the Valdivian Coastline, Los Ríos Region.	Local community, Scientific community.	745/1,800
Nonguén National Reserve	Support of the conservation of this area.	Community groups, Social organizations, Concepción University, Concepción Natural History Museum, Government of Chile.	3,055/7,550
ARGENTINA			
Integrated Management of Drainage Basins in Misiones	Agreement for the recovery of riparian areas, ongoing since 2003. ARAUCO was admitted to the project in 2008. In 2010, 230 hectares (565 acres) were restored.	Misiones Ministry of Ecology, Renewable Natural Resources and Tourism.	2,500/6,200
Conservation Program for the Araucaria angustifolia Ecosystem in Misiones	Fire management training for park rangers.	Misiones Ministry of Ecology, Renewable Natural Resources and Tourism and the Temaiken Foundation.	N/A
Native Trees Sponsorship Program	4,800 native trees were given to 14 educational and government institutions	Municipalities, National Guard, and the Misiones Ministry of Ecology, Renewable Natural Resources and Tourism.	N/A
Research on protection of flora and fauna in high-value biodiversity reserves	Support for a number of research projects.	National Commission for Scientific and Technical Research, Atlantic Forest Research Center.	N/A
BRAZIL			
Senges, Flora and fauna monitoring program	Identification of flora and fauna biodiversity in forest management units.	Arauco do Brasil	12/30
Campo do Tenente	Identification of flora and fauna biodiversity in forest management units.	Arauco do Brasil	17,208/42,500
Arapoti	Identification of flora and fauna biodiversity in forest management units.	Arauco do Brasil	3,650/9,000
URUGUAY			
M'Bocua Biopark	Native fauna breeding station, Fray Bentos.	Montes del Plata	160/400
Partnership with NGO	Survey of Monte Nativo Capilla Vieja - Paysandú	Gensa (NGO)	1,921 /4,750



Strategy for Protecting High Value Environmental Areas

In addition to setting aside large areas of native forest for conservation, ARAUCO maintains an information system to identify and protect High Value Environmental Areas (abbreviated as AAVA in Spanish) which are part of its forest holdings.

Protection of these ecosystems requires the surveying of water, soil and biodiversity resources during harvesting operations; monitoring the

quality of water during work at forestry sites; monitoring forest dynamics and structure; monitoring machinery in transit; rehabilitating land; controlling weeds; and managing chemicals. The company also patrols its forestland to prevent illegal hunting, fishing and habitation, as well as to prevent fires.

ARAUCO utilizes specific management strategies in each country and in each forestry unit to protect High Value Environmental Areas.

Chile

During 2003, ARAUCO began to identify high-value sites for biodiversity conservation based on the Systematic Conservation Planning model (abbreviated "PSC" in Spanish), and classified these sites into seven categories: Threatened Flora; Priority Fauna Habitats; Native Ecosystem Nuclei; High Connectivity Corridors; CONAMA Priority Sites; Wetlands; and Forest Types. The PSC model identifies effective types of programs and three stages of implementation: Identification of the conservation category; Management practices; and Monitoring.

To date, this initiative has identified and protected 32 High Value Environmental Areas. These areas are managed according to specific conservation plans that include programmed activities (which are revised periodically) and provisions for stakeholder input.

The company maintains information on threatened flora species (endangered, vulnerable and rare) in the company's Forestland Information System.

Argentina

In Argentina, ARAUCO implemented the FSC methodology for identifying high-value biodiversity sites, termed High Conservation Value Forests (HCVF).

The company owns 110,000 hectares in Misiones Province that are part of the Paranaense Rainforest, an eco-region included in WWF's "Global 200 Hotspots" list. This area is mainly covered by native forests and is set aside for conservation. More than 46,000 hectares are grouped in five large conservation blocks that considerably strengthen the network of protected areas in Misiones Province. In the 46,000 hectares of Alto Paraná's native forestland, a little more than 19,000 hectares (47,000 acres) are considered HCVF. The remaining 64,000 hectares (163,000 acres) constitute an important network of corridors that connect the large blocks of conservation areas and protect waterways.

During 2006, the Faculty of Forestry Sciences of Misiones National University identified high conservation value attributes in the large conservation blocks. Beginning in 2008, the University and Misiones Province Ecology Ministry initiated

a "Integrated Management of Drainage Basins" program. By the end of 2010, the program had restored 230 hectares (565 acres) of forestland.

Brazil

In Brazil, Arauco Forestal Arapotí owns 49,987 hectares (123,500 acres) of forestland, which is certified as compliant with the FSC forest management standard. Of this area, 16,906 hectares (41,800 acres) are native forest and 218.5 hectares (540 acres) are considered High Conservation Value Forest (HCVF). During 2010, a program was established to monitor the flora and fauna in this region.

Arauco Forest Brazil owns 35,225 hectares (87,000 acres) of native forest. Of these, 12,000 hectares (29,600 acres) are classified as HCVF.

During 2010, as part of the Jaguariáiva plant expansion, ARAUCO prepared an environmental control plan that identified the main environmental impacts of the facility on the region's flora, fauna and population. As part of this effort, about 65,000 square meters (16 acres) of preservation area was restored after being damaged by rain-fall-caused erosion.

Uruguay

In Uruguay, Montes del Plata designated two areas as High Value Conservation and Preservation Areas (AAVC) after identifying and classifying Uruguay's main ecosystems. The AAVC consists of 1,921 hectares (4,700 acres) located in Capilla Vieja and 110 hectares (272 acres) of wetlands and palm trees in Santo Domingo. During 2011, Montes del Plata will monitor the flora and fauna in these areas and will develop an eco-area program through which to study and classify Montes del Plata forestland.

Conservation Areas by Country

Reserve	Surface (hectares)
CHILE (*)	
Ruiles de Huelón	14
Ruiles de Los Calzoncillos	21
Ruiles y Pitaos de Quivolgo	54
Ruiles de Agua Buena	22
Ruiles de Porvenir y El Fin	71
Queules de Ralbún y Copiulemu H5	113
Queules y Pitaos de Loma de la Madera (Queules de Tomé y Penco)	11
Ciénagas del Name	58
Pajonal de Tilicura	171
Humedal de Santa Elena	18
Huemules de Ñuble	293
Palmas de Hualañé	21
Costilla de los Corrales	50
Queules de Caramávida	36
Pitaos y Cipreses del Río Lías	9
Pitaos de La Isla	9
Michay de Cuyinco Alto	120
Chauras de Laraquete	140
Humedal Tubul-Raqui	110
Bosques Costeros Lebu	65
Bosques Rucapehuén	242
Cipreses y Lleuques de Rucapillán y San Antonio	49
Michay araucano de Lleulleu	1
Planta del León de San Gabriel	47
Araucarias de Carahue	52
Bosques de Estancilla	338
Bosques Pantanosos Caupolicán	254
Bosques Entre Ríos	226
Alerzal Las Trancas	185
Alerzales de Naguilán	50
Alerzal y Cipresal de Isla del Rey	10
Planta del León de Mariquina	1
ARGENTINA	
Reserva Forestal San Jorge	6,650
Área de conservación Los Palmitos	2,036
Área de conservación Valle de la Alegría	4,106
Área conservación Piray-San Pedro	6,975
BRAZIL	
Reserva Particular de Patrimonio Natural Barra Mansa	219
URUGUAY (*)	
Capilla Vieja	1,921
Santo Domingo	110

High Value Environmental Areas in Chile



AAVA	Significance	Conservation Purpose
1. Pajonal de Tilicura (Tilicura Grassland)	Wetland close to the shoreline of the Vichuquén complex.	Wetland
2. Palmas de Hualañe (Hualañe Palm Trees)	Southern border of the Chilean palm tree.	Chilean palm tree
3. Ruiles de Huelón (Ruiles of Huelón)	Populations of this species are in danger in the northern border.	Ruil
4. Ruiles de Los Calzoncillos (Underwear Ruiles)	Populations of this species are in danger in the northern border.	Ruil
5. Ruiles de Agua Negra (Black Water Ruiles)	Populations of this species are in danger in the northern border.	Ruil
6. Costilla de Los Corrales (Barnyard Rib)	A relict fragment of Maule Forest.	Bosque Maulino (Maule Forest)
7. Quivolgo Ruiles and Pitaos	Ruil population near Maule, with a northern border of pitaos.	Ruil
8. Ruiles of Porvenir and El Fin	Southern population of ruil.	Ruil
9. Name Swamps	Wetland in Chile's longitudinal valley, with populations of endemic bird and fish species.	Wetland
10. Queules of Rablún and Copiulemu	Populations found at the species' northern border.	Queule
11. Huemules of Ñuble	Population at the species' northern border.	Huemul
12. Queules of Tomé and Penco	Diverse populations of this specie are endangered.	Queule
13. Santa Elena Wetland	Wetland in Chile's longitudinal valley, habitat of the cuca heron.	Wetland
14. Tubul-Raqui Wetland	Coastal wetland, a stopover for migrating birds.	Wetland
15. Chauras de Laraquete	Only known populations of this species, which has an extremely limited distribution.	Chaura de Laraquete
16. Pitaos of La Isla	Pitao southern border.	Pitao
17. Lebu Coastal Forests	Olivillo forest, a relict forest with a large llama population.	Bosque Olivillo Costero (Coastal Olivillo Forest)
18. Pitaos and Cypresses of the Lías River	Abundant populations of pitao and northern border of the coastal mountain cypress.	Pitao
19. Rucapehuén Forests	Darwin fox habitat, coastal araucaria, connection to Nahuelbuta Park.	Darwin's Fox
20. Queules of Caramávida	Southern border of this species.	Queule
21. Michay of Cuyinco Alto	Populations of threatened red michay, a native liana species.	Red Michay
22. Lleuques and Cypresses of Rucapillán and San Antonio	Populations of cypress in the mountains and Lleuques in the coastal mountain range; Bullock's frog habitat.	Bullock's Frog
23. Michay Araucano of Lleulleu	Southern border of the Michay Araucano.	Michay araucano
24. Araucarias of Carahue	Southern coastal border of this species, a genetically special population.	Araucaria
25. Caupolicán Swamp Forests	Northern border of huillín populations.	Huillín
26. Mariquina Lion Plant	Northern border of this endangered species.	Valdivia gayana
27. Entre Ríos Forests	Valdivian rainforest relicts located in the longitudinal valley, possible coastal-Andes ecological connection.	Valdivian rainforest
28. Forests of Estancilla	Valdivian rainforest.	Valdivian rainforest
29. Fitzroya and Cypress areas of Isla del Rey (King's Island)	Northern border of the fitzroya and gaitecas cypress (pilgerodendron) on the coastline.	Alerce (Fitzroya)
30. Fitzroya area of Naguilán	Northern population of Fitzroya and connection to other protected areas.	Alerce (Fitzroya)
31. San Gabriel Lion Plant	Abundant population of Valdivia gayana.	Valdivia gayana
32. Las Trancas Fitzroya area	Coastal forests of fitzroya and valdivian rainforest.	Alerce (Fitzroya)

During 2010, no reportable negative impacts (such as spills or significant forest fires) resulted from ARAUCO's activities and operations.

Marine Research Program on the Itata River's Ecosystem (PIMEX – Nueva Aldea)

The Marine Research Program of Excellence on the Estuary of the Itata River (PIMEX-Nueva Aldea), was launched in 2006. This program was designed to investigate areas of concern expressed by stakeholders during the environmental impact assessment process for the Nueva Aldea industrial forestry complex. The studies performed by PIMEX are supplemental to the monitoring requirements of Chile's environmental laws.

PIMEX has a staff of 33 researchers and a Board of Directors representing all of the stakeholder groups participating in the Nueva Aldea Round Table. This discussion group, which has been working together for four years, includes representatives from artisan fishing communities, ARAUCO, the Regional Government, and Concepción University.

To develop a deep understanding of ecosystem structure and functioning, PIMEX Nueva Aldea established two main areas of research: Ecology and Physical and Chemical Oceanography.

During 2010, PIMEX published 10 scientific papers, made three presentations in international congresses, 17 presentations in Chilean seminars and congresses, and served as an advisor for four graduate- and post-graduate thesis papers. ARAUCO supported the reconstruction of PIMEX facilities at the Marine Biology Station of Concepción University in Dichato, which were severely damaged by the tsunami that struck the area on February 27, 2010.

Wetland Protection

ARAUCO is committed to the conservation and protection of wetlands and participated in a number of programs during 2010 to contribute to their sustainability.

ARAUCO's Participation in Wetland Conservation Programs in Chile, 2010

Name and Description	Region	Situation and Action
Mataquito River Wetland Coastal wetland located in the Mataquito river estuary; Home to an important number of avifauna.	Maule Region	The flora and fauna of this wetland were impacted by the earthquake and tsunami. ARAUCO commissioned research conducted by the Catholic University of Holy Conception (UCSC)
Ciénagas del Name Wetland Superficial lagoon where water levels depend on rainfall; Habitat for black-neck swans, egrets, red-gartered coots, ducks, coruros, coypu and a number of fish species such as the Chilean silverside.	Maule Region Cauquenes Area	A study on "Carbon Quantification and Flow in the Ciénagas del Name Wetland" was conducted by the Pontifical Catholic University, the EULA Environment Center of Concepción University and the Pontifical Catholic University of Chile Center for Global Change. The study also assessed the biological, physical and chemical components of the wetland.
Vegas del Itata Wetland Coastal wetland located in the estuary of the Itata river.	Bío-Bío	PIMEX and professionals from Austral and Concepción Universities conducted assessments linked to the wetland's physical-chemical and biological variables. Studies were conducted in 2010 to understand the wetland's function and structure, using both biological and hydrological measures.
Tubul-Raqui Wetland Considered one of the highest conservation value wetlands in Chile's central coast	Bío-Bío	This wetland was damaged by the earthquake and tsunami, which raised the coastal area by 1.6 meters (5.2 feet). After the earthquake, ARAUCO supported a preliminary assessment by the University of Concepción EULA Center, with follow-up field visits and assessments throughout the remainder of the year.

Academic Extension and Training Activities

In October of 2010, the Chilean Environmental Ministry sponsored a conference to “promote the private sector’s participation in the conservation and responsible use of wetlands”, a stated goal of the RAMSAR Convention on Wetlands. ARAUCO, along with three other businesses, supported this conference, entitled the “First Business Management Meeting for Wetlands.” Attendees included representatives of the World Wildlife Fund (WWF), Wildlife Conserva-

In Uruguay, Montes del Plata sponsored a series of speeches by conservation experts on the need to classify the “Queguay Forests.”

Finally, a series of speeches was presented in rural schools located near the Santo Domingo conservation area in Uruguay. These speeches, along with the reintroduction of 20 coatis (*Nasua nasua*) into their native forest habitat, were carried out in support of the United Nations International Year of Biodiversity initiative.



tion Society (WCS), the International Union for the Conservation of Nature (IUCN), business, academia, and the science community.

In Santiago, ARAUCO, working with the Domeyko Foundation of University of Chile, organized a seminar entitled, “Innovative Approaches for the Conservation of Biological Diversity.”

ARAUCO supported three workshops in Chile to assess the physical, chemical, biological and social natural effects of the earthquake and tsunami of February 27, 2010. The company, together with the Ocean Sciences Chapter of the Cruz del Sur (Southern Cross) Network, issued scientific bulletins which were distributed to interested stakeholders and decision makers at the national level. Cruz del Sur Network members supporting this activity were the Pontifical Catholic University of Chile and Concepción University.

ARAUCO also participated in the Ocean Sciences Congress in Chile. During the Congress, the company and the Ocean Sciences Chapter of the Cruz del Sur Network organized and supported a seminar on Climate Change and its effects on the Marine Environment.

Endangered Species

Native ecosystems in Chile that are part of ARAUCO’s forestland are home to a variety of species included in the Red Book for Land Flora and the Red Book for Land Vertebrates. The company has identified 21 species of threatened flora and fauna. .

Darwin’s fox (*Pseudalopex fulvipes*) was found in ARAUCO’s forestland in Chile. This wild species inhabits the Nahuelbuta Mountain Range. The company has an active biodiversity conservation program in this mountain range. The program includes monitoring activities to quantify the species’ population and to better understand this species’ behavior.

Members of the Zoology Institute of the Faculty of Science of Austral University of Chile and Concepción University reported their rediscovery of adult individuals of the amphibian species *Alsodes vanzolinii* in ARAUCO forestland. The discovery took place in the Ramadillas area southeast of Arauco commune, in the Nahuelbuta mountain range. No sightings of adults of this critically endangered species had been reported since it was first discovered in the 1970s.



In Argentina, 42 IUCN Red List species inhabit ARAUCO's forest areas. Of these, the species considered most critically endangered is a tree, *Araucaria angustifolia*. This species and *Aspidosperma polyneuron* are protected by Misiones Province law as Natural Monuments. Another 25 animal species and 14 plant species also are protected in Misiones Province.

Of the 231 bird species identified in the company's forestlands in Brazil, 12 have been classified as threatened by the State of Paraná. ARAUCO's forests also include more than 275 hectares (680 acres) of native *araucaria*, a protected tree species.

In order to comply with the FSC forest management standard in Brazil, the company conducts studies and develops projects for areas rich in flora and fauna. These studies identify threatened or vulnerable species and establish measures for their protection.

During 2010, the company conducted studies which identified 27 threatened species: nine in the Arapoti region (mostly mammals); three threatened species in the Morungavá region; and a total of 15 species in the Campo do Tenente region.



Emissions

Greenhouse Gas Emissions

ARAUCO's most recent measurement of direct and indirect greenhouse gas emissions was conducted for the 2008 operations.

Total GHG emissions were calculated by business unit and were expressed in tons of CO₂ equivalent (CO₂e):

- Forestry : 32,900 tons
- Pulp : 707,700 tons
- Panels : 141,300 tons
- Sawn Timber : 35,000 tons

A study of 2009 emissions will be conducted in 2011.

Due to the impact on operations of the 2010 earthquake and tsunami, the company has decided not to measure emissions for that year.

Initiatives to Reduce Greenhouse Gas Emissions

ARAUCO uses renewable sources of fuel, such as forestry biomass, to generate power for its operations, thereby reducing the level of greenhouse gas emissions related to its production activities. Biomass-based cogeneration has high thermal efficiency, and supplies steam and electric power for ARAUCO's plants.

In Chile, ARAUCO's power plants provide almost all of the company's energy needs and generate an energy surplus that is sold to the Central Interconnected System (SIC), which distributes this electricity to the south-central area of the country.

In Brazil, ARAUCO generates steam using energy from the panel manufacturing process. Emissions only occur when the Formol plant is shut down for maintenance.

Discharges

New Pipelines

In December 2009, the Nueva Aldea pulp mill began a trial of its 52 km (32 mile) wastewater pipeline, which discharges treated wastewater into the sea. The planned six-month trial was interrupted by the earthquake on February 27, 2010. Damage to a few places on the overland section of the pipeline was repaired. The pipeline trial resumed in July 2010 and was to be completed by January of 2011.

During 2010, the Valdivia pulp mill's request for a permit to use an underwater pipeline to discharge its treated wastewater into the sea was approved by the Regional Environmental Commission of the Los Ríos Region. ARAUCO had submitted this project to the Environmental Assessment System on February 19, 2009. During 2010, work was done on project engineering and sector permits.



Effluents, by Business Area

Business	Description	Unit	2008	2009	2010
Panel ⁽¹⁾		m ³ /year	NA	NA	1,099,850
Woodpulp	Liquid Effluents	m ³ /ADMT	46.57	44.94	45.51
	Total suspended solids	Kg/ADMT	1.82	1.62	2.30

(1) Data is reported only for Argentina and Brazil. Panel mills in Chile consolidate effluent through the pulp mill in their industrial complexes. NA: Not Available.

Total Solid Waste by Business Area

Business	Unit	2008	2009	2010
Forestry	Metric Ton/year	NA	NA	2,049
Panel ⁽¹⁾	Metric Ton/year	52,072	59,159	72,793
Woodpulp	Kg/ADMT	107.68	91.50	105.00
Madera Aserrada	ton/year	7,159	5,694	3,927

(1) 163,551.7 liters of hazardous waste generated in Argentina is not included in this table.
NA: Not Available.



Spills and Affected Water Bodies

During 2010, no reportable spills or negative impacts on bodies of water or nearby habitat were caused by ARAUCO's operations.



Solid Waste Management

ARAUCO's business units use a variety of methods to dispose of non-hazardous solid waste. More than 60% of this waste was taken to landfill sites.

The company began to develop initiatives to recycle paper, cardboard, cans and plastic waste, as well as awareness and education campaigns.

ARAUCO does not transport, use or dispose of waste deemed hazardous under the terms of the Basel Convention.



Management of Environmental Impacts from Products and Packaging

ARAUCO's high quality Pulp, Sawn Timber, Panel and Energy products are the result of sustainably focused management and certified production processes that have a minimal impact on the environment. ARAUCO products meet or surpass customer expectations in 71 countries around the world.

All of ARAUCO's products are manufactured using fiber sourced from sustainably managed forest plantations, which serve as natural stores for carbon.

In general, ARAUCO does not reclaim its products or packaging at the end-of-life. However, in Chile, the Sawn Timber business is implementing an initiative to recover metal strapping for reuse in the handling of wood within the plant.

Compliance with Environmental Regulations

In 2010, ARAUCO received the following fines and non-monetary sanctions for non-compliance with environmental laws and regulations:

- **Mitigation for damage caused to Araucaria trees**

On November 5, 2010, the Court of Concepción in Chile decided that Bosques Arauco S.A. must institute mitigation measures for damage caused to 33 Araucaria trees in 2003. The affected trees were located in the "Los Morros" forest site, owned by Bosques Arauco.

The 33 trees had regenerated naturally and had attained an estimated height of between 0.30 and 2 meters (1 foot to 6.5 feet). They were accidentally damaged during harvesting activities in pine plantations owned by Bosques Arauco.

The court required that ARAUCO: plant more than 300 araucarias; fence the area to ensure exclusion of livestock; restore vegetation in ravines; modify water courses to avoid run-off; and install adequate signage. Other measures required by the court included: planting 2.36 hectares (5.8 acres) in addition to a buffer area, with a density of 1,000 plants per hectare; using plants grown in a nursery from seeds gathered in the Nahuelbuta area; controlling competition from other species through hand-clearing; and restoring areas populated by araucaria trees. To a large extent, these measures had already been added to the company's mitigation plan, which began in 2003. Corrective actions were included to avoid similar accidents in the future.



- **A fine of CLP\$600 million for pollution of the Mataquito River**

On September 7, 2007, ARAUCO was sued for damage caused by a spill of untreated industrial liquid waste into the Mataquito river. The State Defense Council (representing the Chilean Treasury Department) filed the civil lawsuit, requesting that the company be required to make an indemnity payment for alleged damage caused to State-owned assets located in Licancel commune, in the Maule Region.

On January 29, 2010, the litigants reached a settlement, ending the trial. The company agreed to a payment of CLP\$600 million (US\$1,175,000).



Management of Environmental Impacts from Transport

ARAUCO strives to optimize transportation of its raw materials, finished goods and work force to reduce the impacts of its operations on the environment and neighboring communities. The company uses Geographic Information System (GIS) technology to help design roads and transportation schedules that will minimize inconvenience to local residents and prevent environmental risks.

Fire Prevention and Suppression

Forest fires are a constant threat to the forestry industry and to biodiversity conservation. During 2010, ARAUCO successfully suppressed 1,630 fires that occurred on its forestlands. The company invested US\$16.1 million on implementation of its fire prevention and suppression programs during the year.

Since 70% of wildland fires occur outside the company's forestlands, ARAUCO's fire prevention and suppression programs seek to inform and create awareness on this issue, as well as to strengthen relations and maintain a continuous dialog with the communities in the company's area of influence. During 2010, ARAUCO developed the following initiatives:

- **“Living Forest” program:** A series of workshops and speeches were given in 150 rural schools in Chile to promote environmental awareness. Some 3,500 students in the Araucanía and Los Lagos regions attended these programs.
- **“Living Without Forest Fires” program:** A series of workshops were held at rural schools and neighborhood associations. These workshops are designed to create awareness of the hazards of forest fires, and of the fact that they have no borders, and can impact the forestry business as well as people living nearby.

- **Silvicultural Prevention Program:** Speeches were given to encourage residents of areas near ARAUCO's forestland in the Maule and Bío Bío regions to help reduce the risk of fires.
- **Firefighter Training:** In Brazil, 13 fire simulation activities and six training workshops were held during 2010.
- **Awareness speeches:** In Argentina, speeches on fire prevention and suppression were delivered in seven elementary schools in Puerto Libertad and Puerto Piray.
- **Workshops:** The company, along with Temaiken Foundation, held a training workshop on Fire Management for provincial park rangers in Cruce Caballero Provincial Park in Misiones, Argentina. A second Fire Management workshop was held in the Iguazú Park area at the request of the National Program for Fire Management, the Provincial Program for Fire Management and local businesses.

The mission of ARAUCO's People Management department is to foster a working environment that supports the career advancement of every employee and a workplace based on respect, honesty, professionalism, training and teamwork.



“Through the vision, commitment and work of ARAUCO employees, we can accomplish our goals and meet the challenges ahead”.

5.

Our People

During 2010, ARAUCO People Management department was focused on retaining talent, developing leadership skills and attracting young professionals. Results in these areas will begin to show in 2011.

ARAUCO's workers are the driver for sustainable growth. Thousands of people – workers and contract workers alike – breathe life into the company and make it possible for us to accomplish our goals.

The company's mission is to foster a working environment that supports the career advancement of every employee and a workplace based on respect, honesty, professionalism, training and teamwork.

ARAUCO approaches people-related issues from a comprehensive perspective. This includes increasing minimum wages, subsidizing the purchase of homes by workers, maximizing each person's career potential through Performance Management and providing specific training programs.

During 2010, ARAUCO, working with the HAY Group, established a "People Services" area.

This new service area offers workers comprehensive support in five key areas: education; health; welfare; sports; and family. An Organizational Climate Survey conducted in 2008 identified the need for these services.

The People Management staff focused on retaining talent, developing leadership skills and attracting young professionals during the year.



Employment

During 2010, the company launched a scholarship program in Chile to provide recognition and financial support for children of ARAUCO workers who pursue higher education.



ARAUCO's Workforce

During 2010, ARAUCO provided 35,704 jobs worldwide through direct and indirect employment. Most of the company's operations are located in Chile, accounting for more than 27,000 total jobs (5,259 employees and 22,028 contract workers).

Number of Employees and Contract Workers at ARAUCO

	2008	2009	2010
Employees	7,815	8,095	9,034
Contract workers	26,460	26,893	26,670
Total	34,275	34,988	35,704

Workforce by Type of Employment⁽¹⁾

Employment Category	2009	2010	Variación %
Executives	298	302	1%
Professionals and Technicians	2,606	3,086	18%
Workers	5,191	5,646	9%
Total	8,095	9,034	12%

(1) Includes ARAUCO's subsidiaries or businesses in which it owns more than a 50% share.



Average Employee Turnover

During 2010, ARAUCO's average employee turnover was 7%. In Chile, employee turnover was 2%. The turnover rate among women was 8%, and turnover among men was at 2%.

In Argentina, average employee turnover was -0.4%. The highest turnover was among women, at -4%, while turnover among male employees averaged -0.1%. A negative turnover rate indicates a net gain in employee count, and is calculated as:

$$\frac{(\text{Number of New Hires}) - (\text{Number of Attritions \& Terminations})}{\text{Total Employees}}$$

Average employee turnover in Brazil was 28%, due to changes in legislation which required the company to hire 500 people who were previously contract workers. The highest average

turnover, 29%, occurred among men, while turnover among women averaged 18%.

Social Benefits for Employees

ARAUCO provides a number of social benefits for its full-time workers, based on country of employment. Benefits include a wage policy, education benefits, food, catastrophic health insurance, and life insurance.

Minimum Wage

During 2010, ARAUCO increased the minimum wage in Chile for its workers and for contract workers employed by service-providing businesses to guarantee basic wage standards in excess of the national minimum. In Brazil, ARAUCO pays the legal minimum wage established in Paraná province, which is 22% more than the national minimum wage. In Argentina, employee wages always exceed the national minimum wage.



Food

In Chile, the company provides meals for employees in company cafeterias or through cash allowances. In Argentina and Brazil, ARAUCO provides employee meals in compliance with relevant legislation.

Health and Life Insurance

ARAUCO provides its employees in Chile with company-paid life insurance. It also offers employees medical insurance and catastrophic health insurance that require co-payments on the part of the employee.

In Brazil, the company provides life insurance coverage for employees. However, employees are required to contribute the equivalent of 0.035% of their wages toward this coverage. It also offers employees medical insurance and catastrophic health insurance that require co-payments on the part of the employee.

In Argentina, the company reimburses workers for money spent on pharmaceuticals.

In Chile and Brazil, ARAUCO provides free annual influenza vaccinations to help prevent illness during the winter flu season.

Academic Excellence Scholarship for Children of Workers

During 2010, the company launched a scholarship program in Chile to provide recognition and financial support for children of company workers who pursue higher education. The criteria for ARAUCO's Academic Excellence Scholarship award include: outstanding scholarship, economic situation, worker seniority and family health. The scholarship covers tuition for the entire school year and includes an annual stipend for students enrolled in technical and university programs. One hundred students received the Academic Excellence Scholarship in 2010.



Company-Worker Relations and Freedom of Association

So that new workers can make informed decisions about union affiliation, ARAUCO provides them with information about union representation and about the company's free-association policy.



Collective Bargaining

A large part of ARAUCO's workers are covered by collective bargaining agreements.

Percentage of Workers Covered by Collective Bargaining Agreements

Country	Percentage of Workers Covered
Chile	55.4
Argentina ⁽¹⁾	50.8
Brazil	100.0

(1) All of Argentine workforce covered under various collective bargaining agreements.



Freedom of Association

During 2010, there were no reports that ARAUCO or any of its service providers engaged in activities that might impinge upon workers' rights to freedom of association or collective bargaining.

In Argentina, ARAUCO implemented a number of actions to protect workers' rights to freedom of association. In addition, ARAUCO observes a mediation agreement with labor organizations to resolve disputes.

Workers from the Bossetti Sawmill who were part of the Wood Industry Union agreement were transferred to other facilities in Argentina. This decision was approved by the labor authority, to avoid damage from employer's right to make unilateral changes to non-essential aspects

of a work contract and damage to union representation. In compliance with the Union Associations Law, the company provided an area within the facility for meetings and activities of the Union Board Commission.

Also, a commitment to "Work Relations in Good Faith" was established, and communicated throughout the company. The commitment calls for mutual respect; leaders' responsibility; truth; transparency; honesty, full validity of labor collective bargaining; positive outlook; and a mutual commitment to resolve conflict through dialog.

In Brazil, each business unit has an internal commission of union representatives and maintains open and continuous dialog between management and labor.

Minimum Notice Procedures Regarding Organizational Changes

ARAUCO's collective bargaining agreements do not require advance-notice periods regarding organizational changes. However, under current labor legislation, a 30-day advance notice of layoff is required, and a penalty of one-month's additional pay is due the employee if no advance notice of layoff is made.

Employee notice on changes in job function are handled on a case-by-case basis. Employees directly involved in such changes are informed in advance.



Health and Safety at Work

New workers and contract workers receive formal training during the orientation period. ARAUCO also conducts annual training programs for all workers and contract workers.

Maintaining optimal safety conditions is essential to the occupational health of every ARAUCO employee and contract worker. Through its Environment and Occupational Health and Safety corporate management area, the company develops programs and strategies to minimize accident risks in its industrial facilities and forestry subsidiaries. This effort has resulted in a significant reduction in accident frequency and severity rates.

Corporate Operational Standards (COS)

During 2010, ARAUCO developed and implemented seven Corporate Operational Standards (COS). This program is intended to improve the safety of all of the company's production processes, thereby helping to reduce the frequency and severity of industrial incidents. These standards were derived from an examination of several years of the company's accident statistics.

ARAUCO's COS seeks to reduce accidents among workers performing the following activities: working at height; using mobile industrial equipment; working in confined spaces; working with hazardous machinery and equipment; isolating and powering-down equipment or systems; transporting materials; and transporting people.

Percentage of Workers Represented in Health and Safety Committees

ARAUCO maintains joint management-worker committees for Health and Safety in all of its operations. The objective of these committees is to find and assess accident- and work-related-illness risks.

Percentage of Workers Represented in Safety and Health Committees

Country	Percentage of Workers Represented
Chile ⁽¹⁾	100.0 %
Argentina ⁽²⁾	91.0 %
Brazil ⁽³⁾	100.0 %

(1) Joint Committees and Joint Labor Committees in forestry facilities and subsidiaries include company workers and workers from service-providing businesses.

(2) Safety committees in forestry facilities and subsidiaries include company workers and workers from service-providing businesses.

(3) Includes ARAUCO employees only.

Health and Safety Indicators

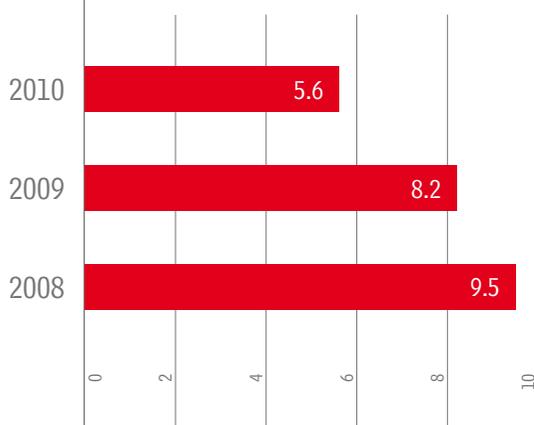
ARAUCO's safety performance showed marked improvement during 2010. The number of lost-time days due to accidents was 29.3% less than in 2009. At the same time, accident severity and frequency rates were 29.3% and 31.5% less than in 2009, respectively.



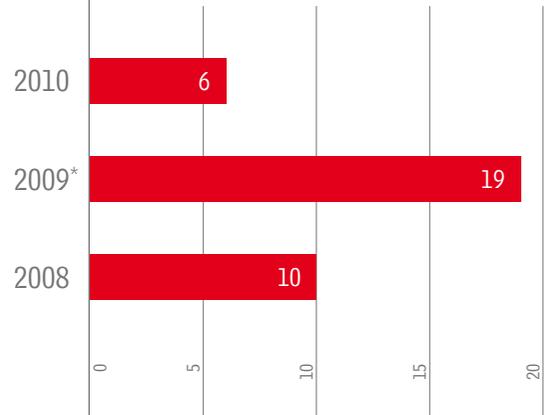
Accident Lost-Time Rate
(Number of lost-time days per million hours worked)



Accident Frequency Lost Time Rate ^(*)^()**
(Number of accidents with lost time per million MH)



N° of Fatalities

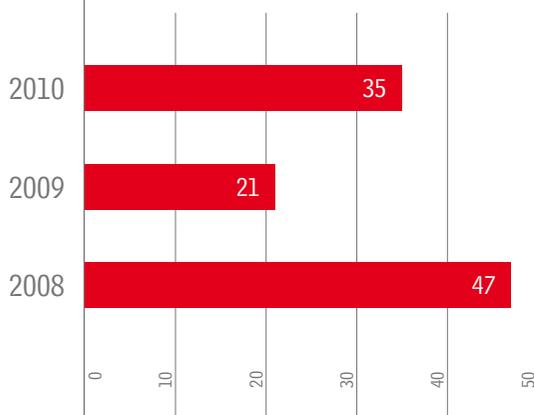


(*) A helicopter crash in 2009 resulted in the death of the pilot and 12 firefighters who were on board. The helicopter, operated by Flight Service, crashed into a hill while combating a forest fire near Chanco in the Maule Region.

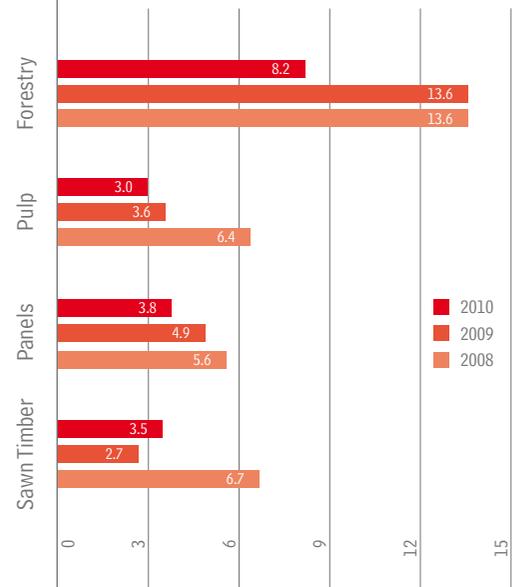
N° of Work Accidents



N° of Work Related Illnesses ^(*)**



Accident Frequency Rate by Business
(Number of accidents with lost-time days per million hours worked)



* Figures include only industrial operations in Chile, Argentina and Brazil. The accident frequency rate is the number of accidents with lost-time days per million hours worked.

** The company's average accident frequency rate for 2009 was corrected by reducing the number of accidents stated as labor accidents and their lost days. The figure includes Bioforest, Arauco Distribution and the Engineering and Construction Management Unit.

*** The 2009 figure has been adjusted, as the previous figure was incorrect.

Accident Severity Rate by Business*

(Number of days lost per million man hours)

	2008	2009	2010	Percent change between 2010 and 2009
Forestry	483.5	546.9	396.5	-28
Pulp	144.5	99.2	87.5	-12
Panels	161.8	150.0	104.3	-30
Sawn Timber	230.1	144.4	100.3	-31
Total	321.4	317.1 **	224.3	-29

* Industrial operations in Chile, Argentina and Brazil.

** The company average accident frequency rate for 2009 is corrected by reducing the number of accidents stated as labor accidents and their lost-time days. The figure includes Bioforest, Arauco Distribution and the Engineering and Construction Management Unit.



Corporate Safety Education Programs

In order to improve safety skills and reduce risks related to on-the-job safety, ARAUCO developed a number of education and training programs for workers, their families and community members during 2010. The main initiatives were:

Key Safety Rules Campaign

ARAUCO developed the Key Safety Rules program for all of its businesses to emphasize the importance of accident prevention and to help protect the health and safety of its workers. The campaign's slogan is "Key rules that save your life are simple and clear, like soccer rules." Key, universally applicable, safety rules were developed to help workers avoid hazardous actions that could put their lives or physical health at risk.

In Brazil, this safety initiative was included in the "Annual Safety Agreement." All workers and contract workers sign-on annually to this agreement.

All new workers and contract workers are formally trained during their induction period at work. ARAUCO annually conducts a continuous training campaign for all workers and contract workers.

Training for Corporate Operational Standards

During 2010, ARAUCO launched two Corporate Operational Standards training programs, "Working at Heights" and "Isolating and Powering-Down Systems," for its staff in Chile, Argentina and Brazil. The training programs include a



handbook and information on procedures and specific work permits.

In Brazil, each employee that is potentially exposed to risks is annually trained and new employees performing highly exposed jobs are trained during their induction period.

Hygiene and Ergonomics

In Argentina, Alto Paraná offered a 40-hour course entitled, *"Ergonomics and Biomechanics for the Prevention of Skeletal Muscle Damage."* Twenty-three risk- prevention professionals and two Alto Paraná professionals participated in this course.

Industrial Hygiene programs were developed to identify, assess and apply strategies to control pollution agents in the workplace. The company also developed a program of pre-employment physical examinations for new hires.

At Alto Paraná, an *"Industrial Hygiene Diagnosis"* course was developed. In addition, the company developed its *"Handbook for Hygiene at Work,"* which established strategies to assess contaminating agents in compliance with Argentinean Laws.

In Brazil, MASSO teams are re-trained annually and are responsible for leading the company's internal committees on ergonomics. These committees have been set up in all of the business units.

Risk-Prevention Expert Program

During the past two years, Concepción University has worked closely with MASSO management in the development of a Risk-Prevention Expert postgraduate degree for ARAUCO employees. Completed in 2010, the program's objective is to provide accreditation for ARAUCO professionals that attain a higher level of skills concerning occupational health and safety issues.

ARAUCO continued its safe driving skills training program in Brazil (known as BTW - Behind the Wheel). During 2010, 67 drivers were trained on how to safely drive light vehicles and 4x4s.

Health and Safety Issues Covered in Formal Agreements with Unions

None of ARAUCO's formal agreements with unions address worker health and safety issues.



Workers Training and Education

ARAUCO's Operational Excellence Management Program (OEMP) is a continuous improvement program focused on attaining the highest economic, environmental and safety standards for the company.



Average Hours of Training per Employee

During 2010, ARAUCO employees in Chile received a total of 75,657 hours of training. Most of

those trained worked in professional and technical positions. Training statistics for 2010 are shown in the following table:

2010 Training in Chile by Type of Employee

Category	Workforce		Participation		Training Hours	
	Number	%	Courses	%	Hours	%
Executives	173	3%	171	1%	572	1%
Superintendents	41	1%	379	3%	2,074	3%
Unit Leaders	487	9%	1,864	13%	8,436	11%
Professionals	1,388	27%	3,741	27%	19,214	25%
Technicians	1,925	37%	5,580	40%	31,181	41%
Administrators	346	7%	244	2%	1,064	1%
Drivers, Lathe Operators, Dispatchers, Assistants, Storekeepers, Forest Rangers	794	15%	1,835	13%	13,116	17%
Total	5,154	100%	13,814	100%	75,657	100%

ARAUCO conducted 91,022 hours of training in Brazil during 2010, 60% of this was for workers, 35% for technical and administrative professionals, and 5% for executives.

Skills Management and Ongoing Training

During 2010, ARAUCO developed a number of skills-management and continuing education programs.

In Argentina, each employee received an average of 9.1 hours of training during 2010. On average, workers received 12 hours of training each, for a total of roughly 16,000 hours of training for this employment category.



Skills Management and Ongoing Training

Program	Description
Management Teams	<p>The objective of this program is to develop management skills through individual coaching and workshops.</p> <p>During 2010, the MASSO function, the Pulp business, Arauco Trading, Arauco's Educational Foundation and business offices in Mexico, Peru and Columbia were added to this five-year-old program.</p> <p>A total of 594 hours of coaching was provided in 2010 for a total of 2,085 hours since the program was launched.</p>
Leadership Training	<p>This program's purpose is to develop the leadership skills needed in ARAUCO's businesses.</p> <p>The program curriculum covers Personal Efficiency, People Management and Leadership, and Effective Management in the Organization.</p> <p>This program is expected to be made available to 500 leaders of different business units during 2011.</p>
Talent Management	<p>Objectives for this new program include identifying and developing talent to provide the expertise and skills needed to grow ARAUCO's business.</p> <p>During 2010, the Pulp Business piloted this program, identifying 113 talents from about 570 professionals working at the pulp mills.</p> <p>In 2011, selected people will participate in a training and development program to further their strengths.</p>

Labor Competencies

In Chile, ARAUCO and Fundación Chile developed a Labor Competencies Training project to improve workers' performance through ongoing training. Skills-training for workers is focused on work classified as "high-risk", based on accident history. High-risk work includes forest production; harvesting (particularly tower and winch operations); wood transport; and commercial thinning.

During 2010, ARAUCO certified the occupational skills of 286 chain saw operators, 386 agrochemical applicators, 57 fire fighters and 60 harvesting and silviculture supervisors. ARAUCO has been certifying forestry operator labor competency in Argentina since 2007, working with the Argentinean Forestry Association and the Argentinean Union of Rural Workers and Stevedores.

In Brazil, ARAUCO certifies forestry operator labor competency annually, working with technical-education entities such as the National Service for Rural Learning. In the forestry business, ARAUCO certified the occupational skills of 14 chain saw operators, 94 agrochemical applicators, 170 fire fighters, 31 forestry machine operators, 52 log-harvesting-tower operators during 2010. In its manufacturing businesses, ARAUCO certified the occupational skills of 63 electricians, 76 pressure-vessel operators, 213 operators working in confined spaces, 151 elevator operators and 41 heavy machinery (crane and tractor) operators. Certification was conducted in partnership with technical-education entities such as the National Service for Industrial Education. In addition, all of the businesses have emergency-response brigades which receive re-training every year.

Operational Excellence

ARAUCO's Operational Excellence Management Program (OEMP) is a continuous improvement program focused on attaining the highest economic, environmental and safety standards for the company.

OEMP was launched in 2003 to improve the personal growth, confidence and performance of workers in ARAUCO's pulp, panel, and sawn timber businesses.

The Operational Excellence program directly engages workers, and provides a mechanism for continuous

improvement in job performance facilitated by the exchange of best practices within and between businesses. Teams are formed to suggest and implement creative solutions that will improve safety performance, improve environmental performance, enhance product quality, increase productivity, and reduce cost.

In 2010, the OEMP trained 4,931 workers. During its seven years, the program has trained a total of 11,771 workers, generating a culture of continuous improvement in production processes among ARAUCO's workers and contract workers.

2010 Operational Excellence Management Program*

Business	New Ideas Presented	Ideas that Became Projects	Successful Projects	Number of People Trained	People Trained since beginning of OEMP
Forestry	384	99	23	424	625
Woodpulp	81	49	24	15	1,635
Panel	516	101	83	1,158	4,848
Sawn Timber	316	316	154	3,334	4,663
Total ARAUCO	1,297	565	284	4,931	11,771

* Consolidates information from subsidiary Alto Paraná S.A. Panel Area and Chemical Division.

The year-end closing and goal accounting for Operational Excellence in the Pulp Business is November 30. December data is considered part of the next year's reporting, in this case 2011.

Operational Excellence Management Program 2010 Winning Projects

Project Name and Location	Objectives	Proposed Solution	Results
Paneles Arauco S.A.			
Trupán-Cholguán Facility, Chile Painting Production Increase in Tandem for the Moulding Line.	Increase production of tandem line with moulder and reduce MDF substrate consumption in the manufacture of pre-painted TruChoice mouldings.	Place a barrier between the moulder and the tandem. In addition, adjust the transport sensor's variables to improve changeover from one moulding profile to another.	Increased average production by 67% in assessed profiles and 19% in the tandem. Increased cutting performance, saving 8.1 m ³ of MDF boards. Reduced gas consumption by 5.352 m ³ /month and electricity consumption by 9.77 MW/month.
Zárate Mill, Argentina Reclaim the water used to clean the Tocchio Treatment Oven.	Increase dryer throughput and reduce risk of fire from jammed boards.	Reclaim the cleansing wastewater (2.000 lts /day) generated by cleaning the Tocchio Treatment Oven. The wastewater is to be used as processing water, by diluting it in the preparation of resin in the particleboard gluing area. This area was modified as well; a pipeline and pump were added to feed the dosage to the tank.	Water consumption was reduced by 60,000 lts/ month in resin preparation in the particleboard glue cooking area.

Project Name and Location	Objectives	Proposed Solution	Results
Paneles Arauco S.A			
<p>Nueva Aldea Facility, Chile</p> <p>Increase Dryer Throughput by Moistening the Panel Surface.</p>	<p>Increase dryer throughput and reduce risk of fire from jammed boards.</p>	<p>Install an industrial water spraying system at the dryer entrance, increasing the panels' surface moisture.</p> <p>Install six water lines with 3 to 4 sprayer nozzles at each of the dryer's six levels.</p>	<p>Increased panel productivity by 7.2% through the dryers, from 45.43 to 48.69 m³/hour; and eliminated fire risk in the dryers.</p>
Celulosa Arauco S.A.			
<p>Valdivia Mill, Chile</p> <p>Mechanism to Replace Frequency Variators.</p>	<p>Attain a 50% reduction in delivery time of operating equipment and restarting facilities affected by destructive failures.</p> <p>Reduce the number of people required to repair this type of failure.</p>	<p>Develop, manufacture and test (physically and electrically) a mechanism that replaces frequency variators of different sizes and weight.</p>	<p>Reduced lost time by 63%.</p>
<p>Arauco Mill, Chile</p> <p>Improvement in Sheet Formation by Adjusting the Forming Table Angle.</p>	<p>Reduce time at the end of the drying process, without production loss from poor sheet formation. Until July 2009, achieving the management tables' average drying figures was impossible since this generated jams in the cutter and required recycling paper waste generated as a result of poor sheet formation.</p>	<p>Adjust the angle of the forming table to reduce drained water in that area and increase sheet formation activity on the forming fabric.</p>	<p>Reduced steam consumption resulting in reduced consumption of fuel oil in the power boiler.</p> <p>Eliminated the recycling of waste paper at the cutter resulting from poor sheet formation.</p> <p>The increase in steam availability resulted in an increase in pulp capacity.</p>
<p>Arauco Mill, Chile</p> <p>Improve Discharge Chute, Upper Stone Trap in Eucalyptus Line.</p>	<p>Reduce lost time and jamming from bark by at least 30%. Reduce bark flow in clusters to conveyor 255.</p> <p>Eliminate additional water consumption.</p>	<p>Increase the angle of the south wall of the discharge chute from 45° to 60° to avoid jamming that had to be cleared using water.</p>	<p>Eliminated jamming from free-falling bark, branches and stones.</p> <p>Eliminated the need for fresh water to clear jams.</p>



Project Name and Location	Objectives	Proposed Solution	Results
Forestal Arauco S.A.			
Bosques Arauco S.A. Service-providing business: Forestal Araucaria Lientur Harness for chainsaw operators.	Increase safety and improve ergonomics for forestry chainsaw operators by allowing them to move hands-free and with adequately secured work tools.	Redesign the backpack used to transport the chainsaw and its equipment to reduce the risk of falls and accidents. This solution includes a harness to improve safety conditions while the chainsaw operator is moving.	Reduced the risk of falling by improving the balance and weight of the load on the operator's back. 50% reduction in Risk Indicator from falls. 50% reduction in Risk Indicator for severity from falls. Improved ergonomics for chainsaw operator during movement while carrying his equipment. Reduction of possible fuel spills during the chainsaw operator's transport, movement, or falls.
Forestal Celco S.A. Service-providing business: Servicios Especializados Corte Alto Ltda. Use of optional chain stopper in chainsaw (Stihl MS 381 chainsaw).	Guarantee safe production of timber during traditional harvesting activities by chainsaw operators.	Replace the original chain stopper with a more durable component.	Potential for an increase in the number of felled trees. Chainsaw operator will save money by not having to change the chain stopper a number of times each month. Reduced risk of the chain stopper breaking while the worker is operating the chain saw, which should reduce the potential for accidents.
Forestal Valdivia S.A. Service-providing business: Forestal Traverso S.A. Protection of Hose in Front Loader Claw.	Increase production and reduce maintenance costs in harvesting activities performed with Case and John Deere front loaders.	Install a screen to protect the hose inside the front loader's claw from damage by wood being transported.	Reduced oil spills from leaks in damaged hoses. Reduced potential to pollute soil, water, and biodiversity. Reduces the generation of hazardous waste. Improves the company's environmental performance.
Forestal Valdivia S.A. Service-providing business: Katango. Sling Reel to Secure Truck Loads.	Facilitate the use and prolong the shelf life of slings used to tie down forestry truck loads.	Install a reel that permits orderly and quick reeling-in of the slings used to secure the load.	Reduces company Risk Indicator. Reduces potential for accidents (in both the with- and without-lost time categories) due to improved operator position while reeling-in the slings. Reduced time to roll-up the truck's eight slings by 43%.

Project Name and Location	Objectives	Proposed Solution	Results
Aserraderos S.A.			
Horcones II Sawmill 100% Finished Product.	Produce sawn timber that is finished, graded, packaged and strapped at the sawmill. Before this project, 85% of the timber was graded, packaged and strapped offsite.	Incorporate more workers at the grading table and stackers Add a platform at the wrapping station. Modify machine design to be able to install vinyl more quickly, and produce packaging no wider than 900mm. Install mirrors in front of the wrapper operator to enhance visibility and lighting in the grading area.	Offsite grading was eliminated. Reduced company Risk Indicator by 38% at the wrapping station and by 100% at the off site location. Reduced Environmental Risk Indicator by 33%. 100% of timber production is finished at plant. Reduced downtime from backlog at wrapping stations A and B by 65%, which reduces cost.
Nueva Aldea Sawmill Risk Indicator Reduction in Log Inventory.	Reduce risks incurred by control staff while inventorying logs. The goal is to reduce the risk indicator from 20 to 10. Before this project was implemented the log inventory was performed by climbing ladders to walk over the stacked logs in order to mark them. This exposed the workers to the risk of falls and injuries.	Use a common garden sprayer to spray water-based paint from a distance to mark log ends. The inventory is conducted more quickly, and there is no risk of falls. Log counting accuracy was facilitated by the addition of a mechanical counter that indexes every time the spray trigger is pressed.	Risk of falls is reduced by avoiding the use of ladders. Risk of entrapment in the log deck is reduced since there is no physical contact with the logs. Reduced the Risk Indicator from 20 to 5, exceeding the goal. Prevented log counting mistakes by using the mechanical counter. The new marking device is effective, regardless of the height of the worker.
Viñales Remanufacturing Plant Chipping Reduction of Finger-Joint Union.	Improve quality of unions, reduce loss from chipped unions, and increase shelf life of Finger-Joint lugs.	Before this project was implemented, the percentage of moulding repairs from chipped Finger-Joint unions had increased. The project considered changing the direction of the perforation, so that the lug moves over the groove in 2mm. This allows the movement that regulates and maintains tolerance, until the lug's shelf life expires.	Reduced chipping from 7.3% to 4% and tripled the shelf life of Finger-Joint lugs.



Other Training Initiatives

During 2010, ARAUCO re-trained 50 workers in Argentina who were nearing retirement or being laid off. To reach its zero-illiteracy goal, the company also offered all its workers the opportunity to participate in a literacy program.

In Brazil, ARAUCO trained 65 new forestry rescue workers during 2010.

During 2010, 1,319 workers in Chile participated in ARAUCO's Performance Management process. In addition, 105 people in business offices in Mexico, Peru and Colombia participated in the Performance Management process. In Argentina, 33% of the total workforce was trained in the use of this new process. In Brazil, ARAUCO implemented this process for all of its employees.

Compliance with Labor Regulations

ARAUCO was not assessed any significant fines or made subject to any non-monetary sanctions for non-compliance with labor laws and regulations in 2010.

Diversity and Equal Opportunities

The composition of ARAUCO's Board and Senior Management is not determined by diversity factors such as gender, age group or minority groups, but is determined exclusively by the member's suitability to meet the responsibilities and functions required of the position.

ARAUCO's workforce by gender is predominantly male, as shown in the following table.

Workers' Distribution by Gender and Country

Country	Men	Women
Chile	88%	12%
Argentina	91%	9%
Brazil	92%	8%

Once individual performance objectives are established for each worker, an assessment is conducted over a period of about 10 to 12 months. In addition, each worker must conduct a self-assessment, evaluating their performance against set objectives and skills required by his or her job function.

The worker's supervisor must assess the performance of his direct team and present a report of each worker to an assessment committee. The committee is comprised of the Manager and Assistant Managers of the relevant work area and a representative of the company's People Management department.

The committee approves each workers' final evaluation and provides guidelines regarding an action plan to be developed during the next period.



Performance Management

ARAUCO developed a Performance Management process to continually improve the performance of each worker by identifying and assessing his or her current skills and comparing them to the skills required by the present job function.



People working in similar job positions and responsibility levels within the company receive similar wages, regardless of gender.

Human Rights

ARAUCO does not condone any practice relating to child labor or forced labor, as stated by its adherence to the United Nations Global Compact. No practices entailing potential child-labor risk, or forced- or compulsory-labor risk, were identified within the company or among its service-providing companies during the year.



ARAUCO's security staff receives specialized training courses on issues relating to human rights.



ARAUCO's relationship model reflects the company's vision and its commitments to build collaborative relationships with neighboring communities, promote sustainable use of resources, and engage all of society's stakeholders in long-term, transparent dialog.



“ARAUCO’s Integrated Model for Sustainable Development (MIDES) seeks to create social and environmental value by developing lasting, stable, mutually beneficial relationships with the community”.

6.

Community Relations

ARAUCO's relationship model reflects the company's vision and its commitments to build collaborative relationships with neighboring communities, promote sustainable use of resources, and engage all of society's stakeholders in long-term, transparent dialog.

ARAUCO's Integrated Model for Sustainable Development seeks to create social and environmental value by developing lasting, stable, mutually beneficial relationships with the community.

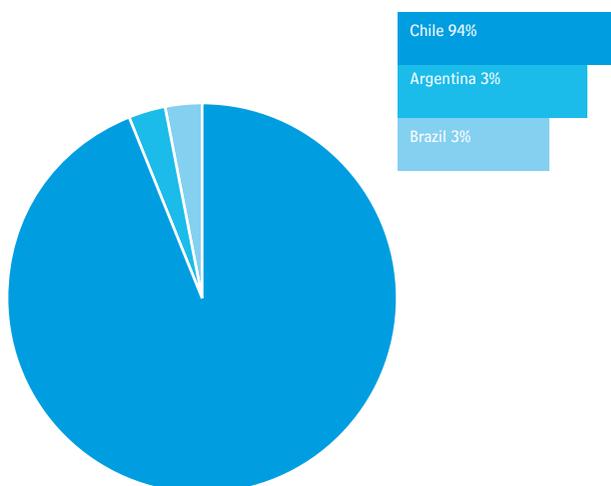


Programs that Contribute to Communities: Social Investment and Involvement

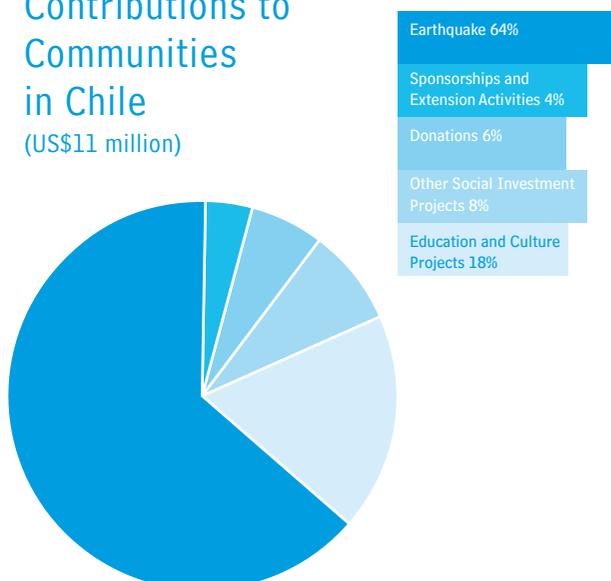
During 2010, ARAUCO invested a total of US\$12 million in social development programs in the countries in which it operates. These programs are designed to improve conditions in communities near ARAUCO facilities, benefiting the company's workers and society in general.

Most of the investments were made in Chile, where ARAUCO's priority in 2010 was to help people affected by the earthquake and tsunami of February 27. Investments in this country totaled US\$11 million.

ARAUCO's 2010 Social Investment



ARAUCO's 2010 Contributions to Communities in Chile (US\$11 million)



Chile

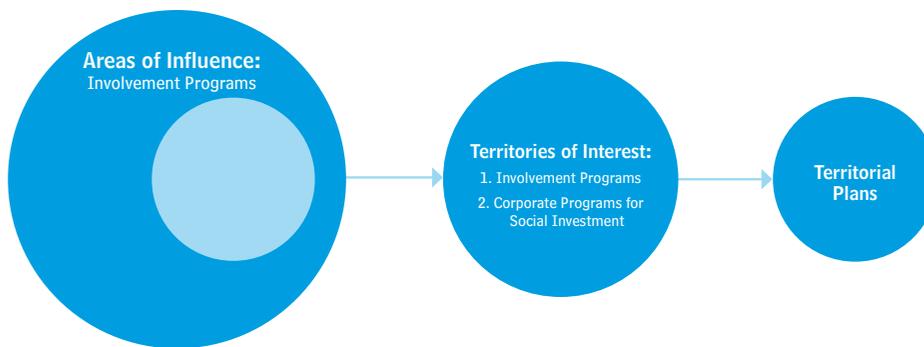
The MIDES program includes a “Territory Management System” through which the company can identify communes affected by its forestry operations. ARAUCO has identified 124 of these “Areas of Influence,” which are distributed throughout Chile’s five regions: Libertador Bernardo O’Higgins; Maule; Bío Bío; Araucanía; and Los Ríos. These Areas of Influence are Communes where the company has forestry operations.

In addition, ARAUCO has used the system to identify 31 communes as “Territories of Interest”. These communes warrant special attention by the company, and are the focus of the largest number of social development activities. In general, Territories of Interest exhibit the following characteristics:

- Presence of ARAUCO industrial facilities;
- High concentration of forest plantations;
- Social vulnerability (high levels of poverty and/or unemployment); and
- History of a relationship between the company and the territory.

The Territory Management System’s Sustainable Coexistence Standard is used to guide the various Involvement Programs (in Areas of Influence) and Corporate Programs for Social Investment (in Territories of Interest) conducted in the communes in which Territory Development Plans are implemented.

Territory Management System



ARAUCO’s 31 “Territories of Interest”:

Region	Territories of Interest
Maule	Hualañé
	Empedrado
	Licantén
	Constitución
	Curepto
	Teno
	Lebu
Bío-Bío	Curanilahue
	Los Álamos
	Cobquecura
	Lota
	Portezuelo
	Coelemu
	Cañete
	Tirúa
	Yungay

Region	Territories of Interest
Bío-Bío	Trehuaco
	Quillón
	Contulmo
	Santa Juana
	Ranquil
	Arauco
	Loncoche
Los Ríos	Mariquina
	Lanco
	La Unión
	Paillaco
	Máfil
	Corral
	Valdivia
	Los Lagos

The Sustainable Coexistence Standard includes the following programs:

Involvement Programs:

These programs provide mechanisms for dialog and open communication, to build long-term relationships with stakeholders in Areas of Influence.

Corporate Programs for Social Investment:

These Corporate Programs create social value within the community through projects that are designed to generate lasting skills and enhance the quality of life in communes classified as Territories of Interest.

Territory Plans:

These plans are the in-field expression of social investment and involvement programs. They are executed with local participation.

Involvement Programs

The Sustainable Coexistence Standard uses the Involvement Programs to facilitate communication, integration mechanisms, transparency and openness in dialog.

Consultation

ARAUCO's Involvement Programs include a stakeholder consultation component, enabling the company to consider community and individual concerns in its decision making. The forestry area, in particular, wants to better understand community needs and concerns in order to foster a closer relationship with each community.

The company employs various mechanisms for dialog, participation and consultation to encourage community involvement. This allows ARAUCO to incorporate the expressed concerns and input them into the process of planning company operations.

The MIDES consultation model is an adaptation of the stakeholder consultation model first used by the company in 2010 to solicit input to its FSC certification process. ARAUCO will expand its use of this model in 2011 to establish a continuous, long-term consultation process in the territories where the company has forestry operations.

Extension Programs

Program Name	Description
Innovation & Entrepreneurship (I&E) Week	In November, ARAUCO sponsored Innovation and Entrepreneurship Week in Santiago, Chile. Throughout the event, the company reported on progress in the reconstruction of Constitución after the earthquake. The I&E Week was organized by the Innovation Forum, Endeavor Chile, the A Roof for Chile (Un Techo para Chile) Innovation Center, and Avina.
2010 Route to Innovation and Entrepreneurship: Lifting Maule through I&E	This event was focused on providing assistance to entrepreneurs in the Maule Region. ARAUCO, Colbún and Corfo's InnoVaChile supported this event.
Creative Industry Fair	During the inauguration of the First Creative Industry Fair in the Los Ríos Region, ARAUCO made a presentation entitled, "Creative Reconstruction: PRES Constitución," which explained the way in which the PRES project was created and implemented.
10 th International Conference for CSR "Reconstruction, Synergy, Entrepreneurship: Transforming the Emergency into Sustainable Business Development"	ARAUCO participated in the Innovation and Sustainable Solutions panel during the conference segment on Reconstruction, and made a presentation on PRES Constitución. This two-day event, organized by Acción RSE, was attended by more than 1,000 participants.
Arauco Educational Foundation Seminar "The Value of Social-emotional Development"	The seminar featured three distinguished speakers: Spanish psychologist Pablo Fernández Berrocal; Andrés Vargas, an Education Ministry representative; and Alejandra Torretti, technical director of the Training Area of Arauco Educational Foundation. This is the third regional seminar organized by the Arauco Educational Foundation.

The Involvement Programs developed by ARAUCO in Areas of Influence will include the sharing of social benefits with the community as a means of developing deeper mutual understanding over time.

Extension Programs

ARAUCO develops a number of extension programs to approach the community.

Guided Tours

ARAUCO has been offering guided tours of its facilities in Chile since 2006, allowing the community to visit the company's industrial complex and operations. A total of 6,591 visits were made in 2010. (For more information see section "Communication and Feedback Mechanisms".)

A total of 150 schools participated in the Environmental Education program "Living the Forest", benefiting 3,395 students during 2010. The program consists of a series of didactical audiovisual presentations for elementary school students in rural areas.

Sports

ARAUCO promotes involvement with the community by organizing sports activities, as well as events for community and company members:

- **Nueva Aldea Soccer Cup:** Twelve teams (240 people) from six communes and/or locations in the areas of influence of the Nueva Aldea Industrial Forestry Complex participated in this soccer tournament.
- **Arauco-Mariquina Soccer Cup:** School soccer tournament played by a total of 270 fourth to eighth grade students of the area's municipal schools.

- **Basketball Camp:** About one hundred children participated in a basketball camp that took place on July 23 and 24 in San José de la Mariquina. The kids were coached by American instructor Matt Logan. A basketball coaching clinic was also offered.

- **Arauco Cup - United by sports:** The soccer tournament's fourth version was held in Arauco province. More than 1,100 students from the province's seven communes participated.

Corporate Programs for Social Investment

In response to needs expressed by communities, ARAUCO has developed programs for social investment in disciplines in which the company can contribute its skills, understanding and capacities.

ARAUCO's Corporate Program Territory Plans have been developed in response to stakeholder input and the particular needs of each territory.

ARAUCO has defined seven categories of corporate programs that include social investment and involvement initiatives:

- Production Chain Development.
- Local Employment Programs.
- Compatibility and Production Diversification.
- Education and Culture Programs.
- Housing Programs.
- Programs for the Development of Indigenous Communities.
- Programs for Native Forests and High Value Environmental Areas.





Production Chain Development

ARAUCO seeks to make a significant contribution to local development by transferring experience, technologies and opportunities to the local business network.

Objective

To enhance the production chain of the forestry market by supporting local suppliers and purchasing their products.

Methodology

ARAUCO established Local Development Councils whose members are companies and institutions specializing in local supplier development. The purpose of these councils is to seek and train local suppliers through local Supplier Development Programs (SDP).

Territory	Results
Arauco	Products and services, such as industrial clothing, machine shop, hardware items and hotel management, were the priority for development during 2010. Purchases of these products and services increased from 30% in 2009 to 42% of the company's total purchases in 2010.
Nueva Aldea	New local suppliers of dehydrated fruit and local traditional foods were among those joining the program in 2010. Herbifrut, a company that produces dehydrated fruit, was added as a supplier to provide healthy snacks. A cafeteria supplier for the pulp business was trained in preparing local traditional foods which were served at a number of ARAUCO events.
Panels SDP	Small- and medium-sized businesses that are members of the SDP were trained during 2010 through a program sponsored by ARAUCO's Panel Business. The 28 small- and medium-sized businesses in the Panels SDP provide employment for 900 workers. Training centered on three objectives: <ul style="list-style-type: none"> • Becoming certified to Chilean Regulation NCh 2909, known as the Chilean regulation for small- and medium-sized business management. This standard is designed to increase the competitiveness of small businesses through the incorporation of systematic processes. • Adopting the Environment and Occupational Health and Safety program, which provides regular training and instruction to reduce accident rates. • Improving human resources management of service-providing businesses through training on compliance with required regulations. During 2010, two courses were completed: "Training of Internal Auditors NCh 2909" and "Labor Legislation and its Modifications."
Forestry SDP	The Forestry Business SDP conducted training for chainsaw operators on harvesting and tree thinning. The training was designed to improve safety standards and labor techniques and is a requirement for work as a chainsaw operator in the forest. Forestal Celco, ARAUCO's subsidiary, is concerned with the safety of its workers and their continuing training. The company maintained support for this training during 2010, even though government support for the program was discontinued.

Rural Forestation

A rural forestation program was launched in Pelluhue Commune, located in Chile's Maule Region. This joint initiative was sponsored by ARAUCO in cooperation with CORMA (Chilean Wood Corporation) and local municipalities. The program's objective is to overcome rural poverty among low-income families by training workers in tech-

niques and new technologies for growing trees, and through the donation of Radiata pine seedlings for them to plant.

During 2010, ARAUCO donated a total of 950,000 seedlings through the Rural Forestation program. The company has donated 6,250,430 plants since the program's creation in 1998.

Integrare Foundation

The non-profit Integrare Foundation promotes and facilitates job opportunities for such minority groups as disabled persons, indigenous persons, immigrants, and female entrepreneurs. The foundation helps members of minority groups increase and improve their participation in the country's economy. The foundation's work also is focused on facilitating interaction among various parties, resulting in the incorporation of registered suppliers' products and services in business supply chains.

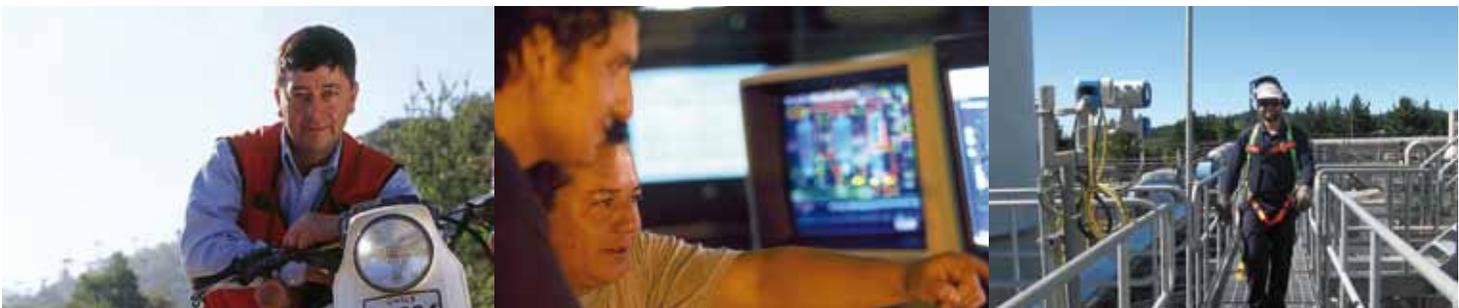
ARAUCO has participated in Integrare since the foundation's establishment in 2008, promoting business opportunities in the Santiago area. Based on the company's positive experience, the program was extended to suppliers in Chile's Bío Bío Region during 2010.

ARAUCO's purchases from Integrare-registered suppliers totaled US\$936,000 during 2010. This surpassed the company's 2010 goal by 87%, and was almost three times the US\$365,000 spent in 2009.

Local Employment Programs

Overcoming poverty depends on a number of factors, among which quality employment and perspective have a key role.

Objective	
To promote employability in areas where ARAUCO operates, supporting training and the development of skills that the company needs for its new projects and ongoing business.	
Territory	Results
Teno	Training at Teno Panel Mill Together with Inacap and the Teno municipal Office for Labor Intermediation (OMIL), ARAUCO created a training program for the 600 local hires it will need for its new Panel Mill in Teno. This plant is estimated to begin operation in late 2011. The five-month training program will begin in March 2011.
Arauco	Agreement with the Technical Training Center in Lebu During 2010, 27 senior-level students participated in a work-study program based on an agreement between ARAUCO and the Technical Training Center in Lebu. This program was designed to give students part-time, real-world work experience to complement their courses of study. During 2010, students pursuing technician-level training in Electricity, Industrial Electronics, Instrumentation, and Industrial Control participated in the program.
Los Ríos Region	Cooperation Agreement with Forestry Schools ARAUCO signed cooperation agreements with Forestry Schools in the Los Ríos region to supplement students' technical education. Among the initiatives were: presentations on technical aspects of plant production, mechanized harvesting, and occupational health and safety; internships for teachers regarding fire protection and occupational health and safety; observation internships at Los Castaños Nursery; field internships on silviculture and fire-fighting techniques; class trips to industrial facilities; and guided tours at Parque Oncol. A total of 150 junior and senior students participated in these programs during 2010.
Maule Region	Tourism Education ARAUCO provided financial support for various courses designed to improve employability in the region. The training courses focused on: Tourism Management; Production of Events; Basic English applied to Tourism; Environmental Education on the Forestry Cycle; Tourist Guide; and Integrated Care of Senior Citizens.



ARAUCO's Technical and Professional Internships

Each year, ARAUCO offers technical and professional internships that contribute to students' professional growth and development. In addition, the company offers advanced-level students the opportunity to work on their theses.

A total of 346 students participated in the internship program during 2010, and 351 students are expected to participate during 2011.

Business	2010	2011
Pulp	185	189
Forestry	32	40
Panel	64	77
Sawn Timber	31	14
Offices	34	31
Total	346	351

Compatibility and Productive Diversification Program

Objective

To contribute to the sustainable development of communities near ARAUCO's operations through support of non-forestry activities that benefit communities at cultural and economic levels.

The company supports activities that provide social and environmental benefits to the community. These include: Artisan Fishing, Tourism, Viticulture, and Crafts.

Methodology

To support this program, ARAUCO organizes roundtables and makes financial donations for infrastructure or working capital. A partial list of the activities undertaken in 2010 follows.

Territory	Activity
Arauco Province	Co-financing of a tourism promotion campaign for Arauco Province.
Nueva Aldea	Participation in a public-private roundtable with fishermen of the area adjacent to the mouth of the Itata River. Also participating in the negotiation were the Government of Chile and Concepción University. The projects supported by ARAUCO in 2010 are grouped into three categories: organizational strengthening; furthering production development; and enhancing quality of life Management Support Program for Women Artisans of Quinchamalí, who participated in a Native Arts Gathering in Santa Cruz. Support for Nueva Aldea Vineyards through CoopAldea.
Los Ríos Region	Roundtable with Artisan Fishermen of Mehuín. In March 2009 ARAUCO organized a roundtable with the Artisan Fishermen Federation of Mehuín and member unions (600 fishermen, divers and gatherers) to begin an ongoing, collaborative dialog between the parties. Following are some of the results of the roundtable discussions: 1.- Strengthening the technical and organizational skills of the Fishermen Federation. ARAUCO financed two professionals who work at the federation, provided technical assistance to improve production conditions and the organizational skills of the unions and their members, proposed ideas, generated projects and attracted resources from public sources to facilitate production improvements. 2.- Improving production in Handling and Extraction Areas of Benthic Resources (AMERB) of the federation's fishermen unions. ARAUCO supported: two surveillance initiatives in 2010 to improve production conditions (Mississippi and Maiquillahue Unions); the installation of collectors as an initiative for production diversification of the Mississippi Union's AMERB; and efforts by the federation's technical consultants to attract public resources to finance base studies and follow-ups in the Handling Areas. 3.- Product diversification. ARAUCO contributed to broadening economic activity through the support of initiatives that complement artisan fishing activities, such as tourism. In November 2010, the company and the Women Workers Sea Products Union began work on the development of joint ecotourism activities for the Río Lingue Wetland.
Bío-Bío Region	Bío-Bío Region Fishermen. ARAUCO participates in a permanent discussion roundtable with regional fishermen to search for ways to combine forestry and fishing activities. Like others in the region, the fishermen at this roundtable had benefited from the Sea of Hope project (aiding fishermen affected by the tsunami in February). The company also provided support for infrastructure and training.
Parque Oncol	For a third year, ARAUCO signed an agreement with CORFO for a Supplier Development Program for Parque Oncol. This program required an investment of CLP\$40 million (US\$78,400) to train park employees and improve the quality of services offered to promote tourism.

Education and Culture Programs

More than 20 years ago, ARAUCO decided that improving the quality of education in Chile was central to the country's sustainability. The company has channeled its resources toward

providing communities with better access to education through: Arauco Educational Foundation; direct support of three schools - Constitución, Cholguán and Arauco; Belén Educa Foundation; and cultural opportunity programs.

Arauco Educational Foundation

Since its creation in 1989, Arauco Educational Foundation has supported municipal education and access to culture to provide children and young adults with better opportunities. The Foundation's objective is to complement and strengthen the work of teachers in municipal schools located in the Maule, Bío Bío and Los Ríos regions of Chile. To meet its objective, the foundation designs, implements and evaluates

various teacher-improvement programs that result in better learning experiences for students.

In 21 years, more than 73 improvement programs have been implemented, primarily addressing preschool and elementary teachers' needs in areas such as oral and written language, mathematical-logical reasoning, self-esteem, psychosocial stimulation, pedagogical management and special education.

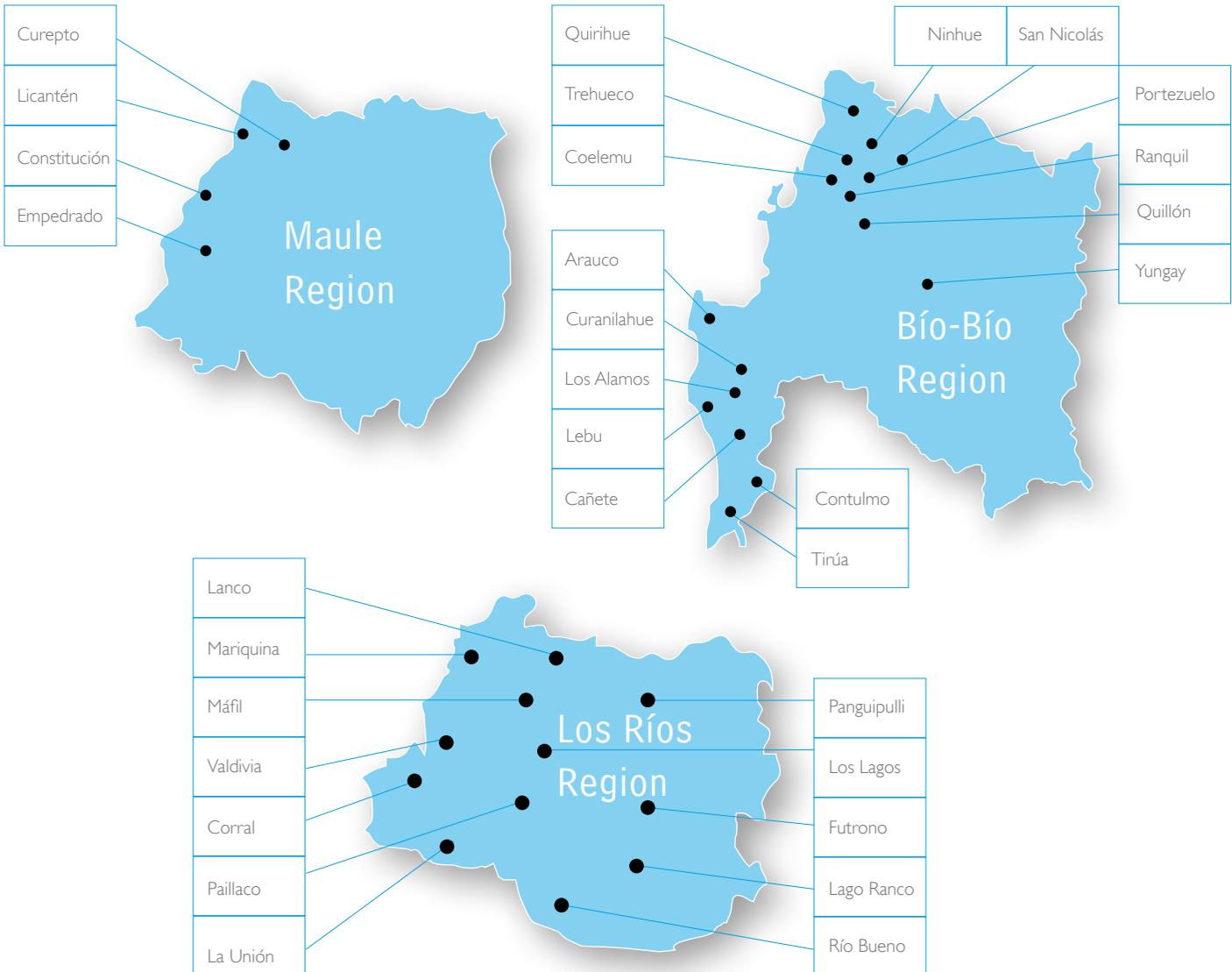


Arauco Educational Foundation's Programs in 2010

Program	Objectives/Activity	Location
Interactive Program for the Development of Rural Elementary Education	Improve oral and written language, mathematical logical reasoning, self-esteem, pedagogical management and pedagogical leadership for school directors.	Constitución and Empedrado, in the Maule Region.
Cultural Support Program	Support for Youth Orchestras in Talca, Arauco and Curanilahue.	Maule, Bío Bío and Los Ríos Regions.
Program for Teacher Teams' Self-esteem and Reinforcement	Boost teachers' self-esteem. Reinforce team work and improve schools' social climate. Provide a model to work on self-esteem that can be transferred to work done with students.	Valdivia, in the Los Ríos Region; and Curepto in the Maule Region.
"Sembrar" (To Grow) Programs	Promote psycho-social development of children up to five years of age.	Quillón-Coelemu, and Ninhue in the Bío-Bío Region.
Early Reading and Writing Lecture Program	Stimulate reading and writing skills.	Valdivia, in the Los Ríos Region.
Raíces - MAT Program for the Development of Mathematical Logical Reasoning	Develop mathematical logical reasoning.	Mariquina, Lanco and Máfil, in the Los Ríos Region.
Arauco Reads program: <ul style="list-style-type: none"> • Reading Plan • Mobile Library 	Promote reading in Chile.	Arauco, Cañete, Contulmo, Lebu, Los Álamos, Tirúa, and Curanilahue, in the Bío-Bío Region.
• Reading Plan	Motivate children living in isolated areas to read at least eight books during the year. The program delivered 12,442 books to 123 schools, 617 teachers and 11,238 students in the province during 2010.	
• Mobile Library	Provide a mobile library with 1,000 to 1,900 books and course materials for students, teachers, parents and the community in general.	

Program	Objectives/Activity
Publications	<p>The following texts were published in 2010:</p> <ul style="list-style-type: none"> • Reading Comprehension Tests and Text Production. <p>Author: Arauco Educational Foundation, Ana María Gajardo and Alejandra Medina. Publisher: Ediciones UC. Year: 2010</p> <ul style="list-style-type: none"> • Final Report for the Crisis Support program. • Distribution of the Final Report for the Mobile Library, Itata Valley. • Final Report for Raíces Development Support Program, Licantén (2006 - 2009).
Seminar "The Value of Social Emotional Development"	<p>In 2010, Arauco Educational Foundation held its third regional conference. The conference featured three distinguished speakers: Spanish psychologist Pablo Fernández Berrocal; Education Ministry representative Andrés Vargas, and Alejandra Torretti, technical director for Arauco Educational Foundation's Training area.</p> <p>This seminar was offered as an invitation to the educational community of the Los Ríos Region, specifically to Communes in which the Foundation offers teacher improvement programs (Valdivia, Lanco, Máfil and Mariquina).</p> <p>In addition, the 2010 Arauco Educational Foundation Awards were presented at the Seminar's closing:</p> <ul style="list-style-type: none"> • Arauco Educational Foundation "Community Award" was given to Lanco Commune in the Los Ríos Region for its commitment to students' reading achievements. • The "Mabel Condemarin Teaching Award" was presented to Ana María González, a teacher of Mariquina commune in the Los Ríos Region. This award distinguishes a teacher who is recognized by the education community.

Arauco Educational Foundation Geographic Coverage



Schools

ARAUCO maintains a firm belief that education is a key factor for national development. This commitment is reflected in the company’s sustained contribution to improve the quality of education and broaden educational access in areas in which the company operates, generating solid projects that benefit students, teachers, their families and the country.

ARAUCO manages and finances three schools -Arauco, Constitución and Cholguán- that provide preschool, elementary and high school education to children and teenagers in their respective communities.

Each of these schools has demonstrated excellent academic performance, as shown by their students’ scores on Chile’s standardized SIMCE and PSU tests. These three schools have consistently been ranked high at the national level.

In the 2009 SIMCE test, the results of which were released in 2010, ARAUCO’s schools appear at the top of the list. Constitución school was ranked in first place in both fourth-grade and eighth-grade categories. Fourth graders of the Arauco and Cholguán schools placed 16th, while eighth graders at the Cholguán School placed 28th. Also, the Arauco, Cholguán and Constitución schools achieved excellent results at the national and regional levels in the 2010 PSU test.

ARAUCO Schools 2010 PSU Average for All Students

School	2010 PSU Average ^(*) ^(**)
Arauco	673
Cholguán	638
Constitución	603

(*) Test results for the 2010 PSU were made available in January 2011.
 (**) The highest possible individual test score in any subject is 850.

Promoting Culture

Complementing the work done by Arauco Educational Foundation, the company invested in a variety of initiatives that support access to culture.

Programs to Promote Cultural Activities

Location	Initiative
Arauco	<ul style="list-style-type: none"> • Promote reading in the province. • Support the Youth Orchestra of Curanilahue. • Conduct a study of the cultural needs and expectations of Arauco Province. • Agreement for support of the Ayekafe Orchestra of Arauco.
Mehuín, Los Ríos Region	<ul style="list-style-type: none"> • Equip a modern Information Center with fifteen computers and high-speed satellite internet access. • Provide a number of training programs on digital literacy, Web 2.0 and Office to community leaders, women entrepreneurs, Mapuche leaders and young people in the area.
Maule	<ul style="list-style-type: none"> • Support the Youth Orchestra of Talca.

Belén Educa Foundation, Chile

ARAUCO, through its primary shareholder Empresas Copec, makes a significant financial contribution each year to Belén Educa Foundation’s eight schools, and also provides scholarships for students wishing to continue their studies. Executives at Empresas Copec play an active role overseeing management of the schools.

The Foundation’s network of eight schools –located in the most economically-vulnerable areas of the Puente Alto, La Pintana, San Joaquín (La Legua-Emergencia), Quilicura, Pudahuel and Maipú Communes– provides education to 10,800 students and employs more than 550 highly motivated teachers.

A charitable program of the Archbishop of Santiago, Belén Educa Foundation provides quality parochial education to children of families with limited resources.

More than half of the students that graduated in 2009 and 2010 went on to higher education.

Housing Programs

More than 30,000 people work at ARAUCO. These workers and their families must develop as the company does. Quality housing is the foundation for their development.

ARAUCO plays a key role in the development of social housing, for its workers, particularly in low-income areas near company operations.

Housing issues have been addressed in three main areas:

Housing for Workers and Contract Workers

In 2009, ARAUCO developed a Housing Plan for Workers with the following goals:

- To provide focused and active support for a housing solution for ARAUCO's workers and service-providing business workers.
- To develop neighborhoods and housing that workers find satisfying, while meeting ARAUCO standards.
- To create and strengthen a circle of trust among workers, contract workers, and ARAUCO.
- To provide a strong value proposition for the use of wood in housing projects being developed.
- To promote initiatives for local economic development in communes where ARAUCO's housing projects are located.

Such a standard must reflect a management model that promotes creativity and efficiency, and encourages and reflects the participation of multiple stakeholders, particularly workers.

This standard is based upon technical excellence, resulting in housing design concepts that defend and protect the value of housing by developing neighborhoods that promote safety, harmonious coexistence, and family values. The standard also must meet financial viability criteria so that the planned housing projects can be financed with available state resources and the effort of the workers who will live there.

In short, ARAUCO's Housing Plan is conceived by and for workers, and the housing built as a result of the plan will reflect a focus on the workers' satisfaction.

During 2010, ARAUCO made progress on the Housing for Workers Program, despite the burdens of earthquake recovery. Housing for Workers and Contract Workers program will continue throughout 2011.

No Improvised Housing in Arauco Province

This program seeks to find a housing solution for families who live in tent cities in Arauco Province. The program was planned, managed and implemented with the NGO Un Techo para Chile, SERVIU and local municipalities. The program's purpose is to provide permanent housing for more than 1,000 families.



A key challenge for the company was to create and develop a standard for housing that would provide a unique, positive image, change attitudes about housing projects, and improve neighborhoods and cities.

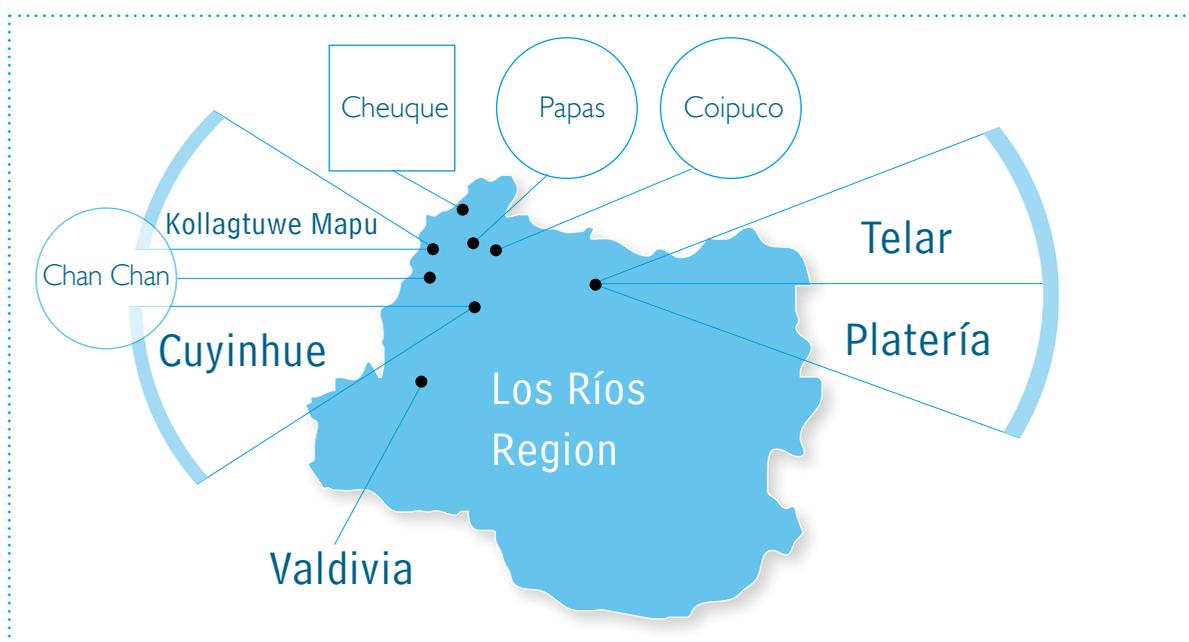
Land for Housing

ARAUCO donated about 37 hectares (91 acres) for the construction of social housing for 1,600 families that had been displaced by the February 2010 earthquake.

Development Programs for the Mapuche People

The Mapuche culture is strong, very much alive and is a source of learning for ARAUCO. The company wants to develop a relationship with Mapuche communities that is based on mutual recognition and teamwork.

Objective	
To preserve the Mapuche culture and contribute to the economic development of communities neighboring ARAUCO's operations	
Location	Initiatives
Arauco Province	<ul style="list-style-type: none"> • Relmu – Witrál Mapuche Loom Weavers: Support for infrastructure, working capital and professional consultancies.
Los Ríos Region	<ul style="list-style-type: none"> • Silver Workshop for the Huilliche Millaray Mapuche Women's Association, in Mariquina Commune: Support for training to revive the silversmith trade, which is a dying tradition in the area. In 2010, training was offered on enhancing jewelry designs by inlaying stones and wood, using elements of the Mapuche world vision to add value to the jewelry and designing and selling the brand. The women artisans designed and manufactured 700 silver brooches with Mapuche native designs which were given to ARAUCO customers at the Shanghai Expo. . • Mapuche loom weaving, language (Mapudungún) and world vision workshop for the Domo-Witrál Association, in Mariquina Commune: In its second year, this initiative focused on perfecting the Mapuche loom weaving technique and enhancing designs through a combination of loom weaving, knitting and crochet techniques. The association received machinery to increase its production, and training in marketing and sales. • Mapuche loom weaving, language (Mapudungún) and world vision workshop for the Kollagtuwe Mapu Indigenous Community, Maiquillahue area, Mariquina Commune: ARAUCO provided support for women in improving Mapuche loom weaving techniques, wool washing, combing, and dyeing with natural products and the production of garments such as "ponchos," sweaters, hats, purses and rugs. • Loom weaving workshop at Martín Tejada School in the area of Cuyinhue, in Mariquina: ARAUCO provided support for resident women who participated in weekly workshops to learn basic Mapuche loom weaving techniques. • Training and consulting for potato growing and nursery construction and management projects for the Coipuco Indigenous Community of Mehuín Bajo, in Mariquina Commune. • Training and consulting for potato growing projects for the Kollagtuwe Mapu Indigenous Community, in the Maiquillahue area, in Mariquina Commune. • Training and consulting for potato growing projects for the Small Farmers Union of Chan Chan, in Mariquina's coastal area. • Improvements to the drinking water collection and distribution system for the Cheuque area, in Mariquina Commune.





Mapuche Forum

The Mapuche Forum was established as part of ARAUCO's stakeholder engagement effort in its FSC certification process. The Forum was set up so that the company could better understand the Mapuche people and their culture and foster relationships that respect each community's special characteristics. The Mapuche Forum provides a participatory and inclusive process to develop a framework and criteria that ARAUCO can adopt to guarantee an open dialog about business decisions that affect these communities. The forum process has helped ARAUCO develop its relationship with Mapuche communities, build trust, and generate mutually beneficial solutions.

During 2010, more than 160 people attended a series of talks entitled, "An approach to the History and Characteristics of the Mapuche People." Launched in November 2010, these presentations were designed to foster a better understanding of FSC Principle 3 (Indigenous People's Rights) as part of the company's "One Principle a Month" campaign. This initiative was one of many activities developed by the company as part of its FSC certification process.

Programs for Native Forests and High Value Environmental Areas

Environmental Education Program "The Living Forest"

Since 2001, ARAUCO's subsidiary Forestal Valdivia and the Chilean Wood Corporation for the Los Ríos and Los Lagos Regions, have sponsored a forestry education program entitled, "The Living Forest," which consists of a series of didactic audiovisual presentations for elementary school students in rural areas.

Some of the issues covered are: benefits of the forest; prevention of forest fires; industrial processing of wood; importance of water, soil and forest resources; and tree planting and harvesting.

The program includes an annual drawing and storytelling contest, and participation in hands-on environmental projects.

In the past ten years, the program has been presented in more than 20 Communes covering an extended area in the Araucanía and Los Lagos Regions. Students in Carahue, Pitrufquen, Tol-tén, Gorbea, Loncoche, Lanco, Panguipulli, Los Lagos, Futrono, Mariquina, Máfíl, Paillaco, Valdivia, Corral, La Unión, San Pablo, Río Negro, Osorno, Purranque, and San Juan de la Costa have participated in Living Forest activities.

During 2010, a total of 3,395 students from 150 schools participated in the program.

Year	Number of:	
	Schools	Students
2001	65	2,272
2002	125	4,000
2003	200	5,956
2004	201	6,228
2005	251	8,101
2006	300	10,000
2007	220	6,341
2008	220	5,270
2009	150	3,500
2010	150	3,395

Environmental Education at Parque Oncol

ARAUCO conducts guided tours through its Parque Oncol reserve to help people better understand biodiversity. During 2010, a total of 34,264 people visited the park and participated in environmental education activities. (More information on Parque Oncol is available in the Environment Chapter.)

Community and Society in Argentina

Using the corporate programs implemented in Chile as a model, ARAUCO developed initiatives for use in Argentina. Topics included Local Employability Programs, Programs for Education and Culture, Health Programs, and Programs for Native Forests and High Value Environmental Areas.

Local Employability Programs in Argentina

Program Name	Objective
Tourism Development	Support for coordinated and efficient development of tourism in Puerto Libertad, Misiones. The program seeks to turn the area into a tourist attraction by leveraging the synergy between tourism and forestry activities.
Support of social organizations "Solidario " Group	Promote sustainable development of the community's social organizations by providing training for their leaders.
Labor Skills Certification	Provide ARAUCO operators with training courses and certify their skills. This also serves as a mechanism to recognize their performance.
Local and Sector Development Program - Triple Helix Node	Advance knowledge, innovation and development in the field of sustainable furniture manufacturing to introduce these products in international markets.

Programs for Education and Culture

In Argentina, ARAUCO works to improve the quality of education in Misiones province through Alto Paraná Foundation. Established in 1985, the Foundation provides ongoing support for preschool, elementary and high school education, as well as training for teachers at two educational institutions in Puerto Piray and Puerto Esperanza.

ARAUCO has developed other educational initiatives in Argentina, such as:

Program Name	Objective
Rural Literacy Program	Provide company operators with elementary- level literacy training.
Modeling the Future Contest	Sponsor contest to motivate elementary- and middle-school students to conduct science research and create art projects on the sustainable use of forest products.

Health Programs in Argentina

Program Name	Objective
Community Solidarity Marathon	Raise funds to benefit hospitals in the northern area of Misiones province and other public health-care organizations and educational institutions in the area.
Alto Paraná Foundation Health and Hygiene Program	Contributions to health centers in Misiones for health services and equipment. This program also provides the community with information about disease prevention through speeches and conferences.

Programs for Native Forests and High Value Environmental Areas in Argentina

Program Name	Objective
Nature Protection	Protect and restore more than 110,000 hectares (272,000 acres) of native ecosystem in preservation areas located in protected strips of land among farms and rivers.
Tree sponsorship	Create awareness among students in Misiones' northern-area schools about the importance of preserving native species through reforestation.
Recovery of Riparian Areas in Alto Paraná	Plant native species to restore 100% of protected areas that had been used previously for commercial forestry.

Community and Society in Brazil

During 2010, ARAUCO Brazil continued its efforts to establish lasting, positive relationships with the communities near its operations.

The company developed programs in three core areas: Local Employability Programs; Programs for Education; and Culture and Health Programs.

Local Employability Programs in Brazil

Program Name	Objective and Results
Pescar Project	Intervene with socially vulnerable young people between 16 and 18 years of age to prepare them for life as productive professionals. Fifty-one students participated in the program during 2010.
Digital Inclusion	Promote digital proficiency of young people and adults. After the program was implemented, family income increased by 45%.
YAI Program – Young Agricultural Intern	Provide training for young people, developing their business vision and entrepreneurial abilities. In 2010, 84 people participated in the program, and family income increased by 14%.
Guaranteed Minimum Price for Sawmills	Guarantee a minimum price for wood residuals purchased from local sawmills. This new pricing policy benefitted 194 individuals.
Apiculture	Provide technical training for apiculture in the Arapotí region. A total of 20 local beekeepers were trained.

Programs for Education and Culture in Brazil

Program Name	Objective and Results
Environmental Education	Advance understanding about environmental and preservation concepts among 2,036 public-school students. In addition, provide an easy-to-understand explanation of forestry practices. After the program's implementation, trash in schools was reduced by 98%.
Incentives for Education	Provide support for 234 young people and adults so that they could complete their elementary- and high-school education. The schooling level among forestry workers increased by 21%.
Education Theatre	Use culture and art as a means of communicating educational concepts to 12,065 public-school students.
Living Environment Award	Promote the creation of school projects that make positive contributions to conservation and environmental preservation. This initiative generated greater environmental awareness among 3,051 students between the ages of seven and ten.
Theatre Workshop	Promote interest in art among young people. These workshops resulted in a 12% improvement in academic performance and a 90% increase in self-esteem. In addition, 86% of participants reported improvement in the family relationships.
Speeches addressing the Municipal Education Network	Train 428 teachers in the municipal education network.
Artisan Crafts Workshop	Train 53 community members in artisan skills to increase household income through the sale of their crafts. Workshop participants increased their contribution to household income by 36%.
"Judo for All" Project	Motivate young people to participate in sports. The program succeeded in motivating 118 socially vulnerable young people to take up judo.

Health Programs in Brazil

Program Name	Objective and Results
Selective Collection	Build a Recycling Center and implement the municipality's selective collection process to reduce the volume of waste transported to dumps.
Oral Hygiene Program	Promote better oral hygiene habits among 1,445 students in the municipal education network. This initiative reduced the cavity indicator in Ouro Verde by 110%.
Family Health Program	Promote healthy habits among community members through guidance on prevention. This initiative helped 8,248 people. It reduced teenage pregnancy by 81%, and reduced AIDS cases by 50%.
School Garden	Establish a public-school garden program. Crops grown in the garden helped 160 students improve their diet.

Land for Livestock Grazing , Montes del Plata, Uruguay

To increase economic, social, and labor opportunities, Montes del Plata Corporation developed a program enabling local livestock farmers to obtain low-cost leases for land suitable for cattle grazing.

To date, about 200 local farmers have signed leases for a total of 100,000 hectares (247,100 acres) of grazing land. Milk production has quadrupled for some farmers, thanks to the availability of additional land.

The program also offers other benefits, including veterinary assistance and technical training.

Cattle production is one of the most important activities in Uruguay. Montes del Plata is using an innovative approach by planting trees on land that can also be used for cattle grazing.

Responsibility towards Society



Indigenous Rights

No incidents regarding violations involving rights of indigenous people were reported during 2010.



Human Rights in Investment Agreements and Incidents of Discrimination

ARAUCO does not include human rights clauses in investment agreements, and no discrimination incidents were reported in 2010.

Corruption Risks

The company seeks to reduce and eliminate any risk of corruption. ARAUCO has established a Fraud Reporting Procedure, and requires all employees to formally acknowledge the company's Code of Ethics annually.



In Chile, the company implemented a comprehensive internal control model that includes:

1. General Controls by Level of Company. These generate a control environment throughout the company addressing issues such as: independence of the Board regarding management; Code of Ethics; Fraud Reporting; internal regulations; work climate; staff selection and performance evaluations.
2. Process Controls. The objective of these controls is to monitor and assess processes that directly affect financial report flows, from the beginning of transactions to their completion.
3. Information Systems (IT) Controls. Addressing Development and Implementation of Systems and Program Maintenance, Operation and Networks, and Safe Access to Databases and Programs, these controls allow management to assess and maintain the integrity, safety, and accuracy of information.

This risk-based internal control model has more than 1,500 points of control among the different subsidiaries. The model is reviewed and assessed annually through internal and external audits. To date, no significant deficiencies, stand-alone or in aggregate, have been reported. A great number of these controls are directly or indirectly related to fraud and corruption issues.

Chilean law 20.393 was enacted in late 2009, establishing criminal penalties for legal entities participating in crimes such as asset laundering, terrorism financing, and bribery of national or foreign public employees. Celulosa Arauco y Constitución S.A. implemented a Crime Prevention Model for the company in late 2010. The Board designated the Assistant Manager of Projects and Risks in the company's Comptroller's office to head this initiative.

The Crime Prevention Model and its corresponding corporate policy were developed in 2010. Both documents are expected to be approved by the Board in March 2011. The model will be launched and implemented during the first half of 2011.

ARAUCO's Anti-corruption Policies and Procedures

All employees hired by the company must sign a document stating they received and read the company's Code of Ethics, which includes information about the company's anti-corruption policies.

This Code is available to anyone through ARAUCO's website, and to employees through the company's intranet. No corruption incidents were reported in 2010.





Public Policy

ARAUCO does not participate in the development of public policies.

No contributions were made to political parties or related institutions in 2010.



Monopoly Practices and Compliance with Regulations

During 2010, there were no reports of any legal actions for anticompetitive behavior, monopoly practices or non-compliance with regulations by the company in any of the countries in which it operates

Celulosa Arauco y Constitución S.A. (ARAUCO) has prepared annual Corporate Sustainability Reports since 2004. This report provides a comprehensive review of the company's economic, environmental and social performance during 2010 according to the Global Reporting Initiative (GRI) protocols and GRI G3 Guidelines.



“The contents of this report were defined according to GRI Reporting Framework principles and guidelines for the preparation of Sustainability Reports.”

7.



About this Report

Celulosa Arauco y Constitución S.A. (ARAUCO) has prepared annual Corporate Sustainability Reports since 2004. This report covers the time period January 1 through December 31, 2010.

This report was written following Global Reporting Initiative protocols, and the contents and indicators were defined by the GRI G3 Guidelines for Sustainability Reports.

The GRI indicators covered in the content are identified throughout the report by their respective codes.

Additional information on the company's economic and financial performance and its corporate governance is published annually, in June, in Form 20-F and in ARAUCO's IFRS (International Financial and Reporting Standards) report. These documents are available online at www.arauco.cl through the Investor Relations link.



Scope and Boundary

The contents of this report were defined according to the principles and guidelines of the GRI Reporting Framework for Sustainability Reports.

This report provides a comprehensive review of the company's management approach and the economic, environmental and social performance of its business operations in Chile, Brazil, and Argentina.

This report also includes background information regarding Montes del Plata Corporation in Uruguay, a joint venture in which ARAUCO holds 50%.

Contents were defined according to principles established by GRI G3, as follows:

- **Materiality**

While preparing this report, emphasis was placed on topics and indicators that reflect ARAUCO's significant economic, social and environmental

impacts and those that could have substantial influence on stakeholders' assessments and decisions. In addition, report content was based on a review of media coverage during 2010 and the relevance of these issues to the company's sustainability.

- **Sustainability Context**

The information on ARAUCO performance is presented within a broad context of sustainability of the industries, countries and markets in which the company operates.

The contents of this report were defined according to the principles and guidelines of the GRI Reporting Framework for Sustainability Reports.

- **Completeness**

This report covers a wide range of sustainability topics. It covers all of the company's operations and corporations in which it exercises significant influence through ownership and management control. The information reported is for the entire time period of this report.

- **Stakeholder Inclusiveness**

Contents and issues are included in this report in consideration of the interests and expectations of stakeholders expressed through various means of communication and engagement, and based on feedback provided by organizations specializing in CSR, as detailed in the following table.



Stakeholders Expectations Regarding ARAUCO's Sustainability Report

Stakeholders	Consultation Mechanisms	Interests and Expectations
ARAUCO's Internal Audience	Online Survey ARAUCO conducted an online survey of a random sample of 82 ARAUCO workers, representing different levels within the organization and various business units, to get feedback on the 2009 Sustainability Report.	People surveyed suggested broader coverage of social issues, including ARAUCO's relationship with the communities and its labor practices.
Civil Society	Benchmarking Reports ARAUCO's 2008 report was included in a study on the sustainability reports of ten Chilean businesses conducted in 2009 by the NGO, Red Puentes' Research Center on Business Behavior. The purpose of the project was to help civil society understand, analyze and assess the information contained in these reports, in order to generate an effective exchange of ideas between society and businesses.	The "Assessment Synthesis of Sustainability Reports of Ten Large Businesses in Chile" was published in August 2010. Among its conclusions are the following: <ul style="list-style-type: none"> • In terms of form and accessibility, the reports do not present shortfalls or areas for improvement. • In terms of the quality of the content, more information is needed in the areas of human rights, fair operational practices and consumer affairs indicators.
	Feedback Workshop ARAUCO participated in a workshop to discuss the results of Survey research with Red Puentes, the Avina Foundation and The Global Compact to identify gaps, ways to improve future reports, and ways to manage the social aspects of business. Attendees included representatives of the businesses whose reports were included in the survey.	The main areas to be improved were: <ul style="list-style-type: none"> • Human Rights: Broaden coverage using the relevant indicators. • Civil Society: Add relevant indicators in addition to those included in GRI. • UN Global Compact: Report on performance in terms of the ten principles of the UN Global Compact.
Accion RSE	Fourth Version - 2010 Best Sustainability Report Award, Acción RSE, Chile ARAUCO received three documents through its participation in Acción RSE's annual sustainability report contest. <ul style="list-style-type: none"> • "Pre-assessment Results", an analysis conducted by representatives of other businesses. • "Jury Report". • "Review of ARAUCO Sustainability Report". 	The main conclusions of Acción RSE were that ARAUCO's report, in comparison to others: <ul style="list-style-type: none"> • Is above average regarding the application of the GRI principles. • Presents an outstanding description of the company's profile and its economic and environmental performance. • Has gaps regarding its strategy and relations with stakeholders. The jury suggested a number of areas for improvement in future reports: Balance and Clarity (for example, the use of visual resources); coverage of Corporate Governance; and coverage of Society, providing more information on the company's indirect impact on society in the areas in which it operates.



ARAUCO did not set limits regarding the scope and boundary of this report. The guidelines were to obtain as much information as possible on the indicators for all businesses, assets and activities directly managed and operated by ARAUCO. However, in some cases, the information for specific indicators was not available, preventing the consolidation of certain data at the corporate level.

The report contains information on businesses and activities that are owned directly by Celulosa Arauco y Constitución S.A. and are directed and managed by its Board and senior management. This includes joint ventures, corporations, subsidiaries and other entities in which the size and impact is material to the company's performance.





In addition, considering its size and significance, ARAUCO included specific information on Montes del Plata Corporation, which is managed and owned in a 50/50 joint venture of ARAUCO and Stora Enso. Montes del Plata was established in 2009 to build and operate a green-field pulp mill. The mill's construction is expected to begin in 2011, and its operation is expected to commence in 2013. Because this project is still in the development phase, there was very little GRI-indicator-related information to report.

No significant changes from previous reporting periods were made in the scope, boundaries or measurement methods applied in this report, except that the information on operations of the Montes del Plata Corporation in Uruguay has been included for the first time.

During 2010, ARAUCO formally affirmed its commitment to the UN Global Compact. This report is intended to fulfill the company's commitment to provide an annual Communication on Progress.

ARAUCO has used an equivalence table tool, "Making the Connection," to link GRI indicators with Global Compact principles. The cross-reference table follows. The report content for each of the GRI indicators referenced therein can be found in the GRI Index that appears later in this section.



Data measurement techniques and the bases of calculations in this report follow the methodologies and management systems that are used by the company, based on specific international standards and regulations for each of the topics and performance areas.



Any corrections in previously reported information are identified and explained.

UN Global Compact Principles - GRI Indicators: Cross Reference Table

Topic	Global Compact Principle	Pertinent GRI Indicators
Human Rights	Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights.	EC5, LA4, LA6 - 9; LA13 - 14, HRI - 9, SO5, RPI - 2, RP8
	Principle 2 - Businesses should make sure that they are not complicit in human rights abuses.	.HRI - 9, SO5
Labor	Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4 - 5, HRI - 3, HR5, SO5
	Principle 4 - Businesses should uphold the elimination of all forms of forced and compulsory labor.	HRI - 3, HR7, SO5
	Principle 5 - Businesses should uphold the effective abolition of child labor.	HRI - 3, HR6, SO5
	Principle 6 - Businesses should uphold the elimination of discrimination in respect of employment and occupation.	EC7, LA2, LA13 - 14, HRI - 4, SO5
Environment	Principle 7 - Businesses should support a precautionary approach to environmental challenges.	EC2, EN18, EN26, EN30, SO5
	Principle 8 - Businesses should undertake initiatives to promote greater environmental responsibility.	EN1 - 30, SO5, RP3 - 4
	Principle 9 - Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5 - 7, EN10, EN18, EN26 - 27, EN30, SO5
Anti-corruption	Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.	SO2 - 6



Application Levels and External Assurance

ARAUCO self-declared this report as an Application Level B report after comprehensive verification of its contents in accordance with GRI Application Levels, as detailed in the following table.

ARAUCO did not request external assurance for this Report.

Report Application Levels		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1- 2.10 3.1- 3.8, 3.10 - 3.12 4.1- 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as required for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social, and Environmental.		Report on a minimum of 20 Performance Indicators, including at least one from each of: Economic, Environmental, Human Rights, Labor, Society, and Product Responsibility		Report on each Core G3 and Sector Supplement Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Final version of the Supplement Sector



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GRI Table

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GRI Table

GRI Indicator	Description	Page
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GRI Indicator	Description	Page
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GRI Table

GRI Indicator	Description	Page
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NA: Not available

Appendices



- Business Offices
- Addresses
- Glossary
- Certifications
- Environmental Permits

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Glossary of Terms

AOX

(Absorbable Organic Halogens)

Measure of the total amount of halogens (chlorine, bromine and iodine) bound to dissolved or suspended organic matter in pulp mill wastewater.

Biodiversity

Refers to the variety of life on three levels: the variety of ecosystems (ecosystem diversity), the variety of species (species diversity) and the variety within species (genetic diversity).

Biomass

Biological material that can be used as fuel or for industrial production.

Biosphere

The part of the earth and atmosphere capable of supporting living organisms.

Black Liquor

An aqueous byproduct (consisting of lignin residues, hemicelluloses, and inorganic chemicals) that is concentrated to recover the chemicals for reuse in the pulping process or burned to create energy.

Bleached Pulp

Pulp in which natural brightness has been improved using chemicals.

Bleaching

A process using chlorine or other inorganic chemical compounds to whiten the color of the pulp used in papermaking.

BOD

(Biochemical Oxygen Demand)

A parameter that identifies the amount of organic compounds found in wastewater that can be decomposed by biological organisms, consuming the oxygen dissolved in the receiving waters as a result. It is often used to gauge the effectiveness of wastewater treatment plants.

Carbon Credits

(see Certified Emission Reduction credits)

Carbon Dioxide (CO₂)

(See also Greenhouse Gases)

A chemical compound composed of two oxygen atoms covalently bonded to a single carbon atom. Carbon dioxide is used by plants during photosynthesis to make sugars. Carbon dioxide is generated as a byproduct of the combustion of fossil fuels or the burning of vegetable matter, among other processes.

Carbon Dioxide Equivalent (CO₂e)

A measure that allows the comparison of the global warming potential of five different gaseous compounds (methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆)) as expressed in equivalence to the global warming effect of carbon dioxide. One of the more widely accepted protocols for this measure was developed by the Intergovernmental Panel on Climate Change.

Carbon Footprint

(see also Greenhouse Gases)

The total set of greenhouse gas (GHG) emissions caused by an organization, event or product. It is often expressed in terms of the level of emissions of carbon dioxide or carbon dioxide equivalent (CO₂e). The carbon footprint of an individual, organization or event can be measured by undertaking a GHG emissions assessment. Once the size of a carbon footprint is known, a reduction strategy that employs technological developments and /or better process and product management can be devised.

Carbon Storage and Carbon Sinks

Trees and other plants absorb carbon dioxide from the atmosphere. Through a process called "photosynthesis," plants store this carbon as cellulose, starches, and sugars. This carbon remains stored (or "bound") until it is released through the burning or decomposition of the wood fiber. A young forest, composed of growing trees, binds carbon dioxide more efficiently than does a mature forest and acts as a repository (or "sink") by storing that carbon for years to come.

CERFLOR

(See also Sustainable Forest Management.)

The Brazilian standard for forest management certification, developed by the Brazilian Association of Technical Standards, a non-governmental organization.

CERTFOR

(See also Sustainable Forest Management.)

The voluntary Chilean national standard for the sustainable management of plantation forests, developed by Fundación Chile, a national technology-transfer NGO.

Certified Emission Reduction Credits (CERs or “Carbon Credits”)

CERs are issued to operators of Clean Development Mechanism-registered projects based on the amount of greenhouse gas reductions achieved. Each credit represents a reduction in emissions of one metric ton of carbon dioxide (CO₂) or carbon dioxide equivalent (CO₂e).

Chain of Custody (CoC)

The step-by-step monitoring process by which a component of a product is traced from its origin through to the final end product.

Chemical Oxygen Demand (COD)

A parameter to determine the amount of organic matter found in effluents. It is used to measure the quality of water.

Chlorine Dioxide (ClO₂)

A heavy, reddish-yellow gas used in solution as a bleaching agent and disinfectant.

Clean Development Mechanism (CDM)

One of the three flexible market mechanisms established by the Kyoto Protocol to incentivize the reduced emission of greenhouse gasses (GHG) in an effort to combat global climate change.

Climate Change

The United Nations Framework Convention on Climate Change defines climate change as "a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods."

CONAMA

Chile's National Environmental Commission

Controlled Wood

A Forest Stewardship Council (FSC) standard which mandates verification that wood from what the FSC considers to be unacceptable sources is not combined with FSC-certified wood in mixed-wood-content products. Adherence to the FSC Controlled Wood (CW) standard is the responsibility of the FSC CoC certificate holder, not the wood supplier or FSC. To ensure CW compliance, an FSC-approved, third-party auditor must verify that the wood has not been obtained illegally, in violation of traditional or civil rights, from high-conservation-value forests, from areas converted from natural-forest ecosystems, or from forests in which genetically-modified trees have been planted.

CORFO

Chilean Economic Development Agency, a government agency promoting investment and small-business development.

CORMA**(Corporación Chilena de la Madera)**

Chile's leading private forest-industry trade association, comprised of companies, executives and professionals related to the forestry business.

CORPARAUCO

Corporation for the Development of Arauco province. This is a private non-profit entity supported by the province's forestry businesses and the Arauco regional government. Its purpose is to further business and entrepreneur growth within the province.

Glossary of Terms

Corporate Social Responsibility (CSR)

Though there is still no single accepted definition, this term generally refers to a vision of business that includes respect for ethical values, people, communities and the environment.

Forest Stewardship Council (FSC)

An international non-profit organization that operates a globally recognized program to promote responsible forest management through third-party certification to its endorsed standards. At the end of 2010, 130 million hectares (320 million acres) of forest were under certification to FSC standards.

Greenhouse Gases (GHG)

(see also Carbon Footprint)

Gases in an atmosphere that absorb and emit radiation within the thermal infrared range that trap heat within the surface-troposphere system causing heating at the surface of a planet. The main greenhouse gases in the Earth's atmosphere are: water vapor; carbon dioxide; methane; nitrous oxide; and ozone. Human industrialization activity since the mid-eighteenth century has increased the levels of greenhouse gases in the atmosphere.

High Conservation Value Forest - HCVF

The concept of High Conservation Value Forests was developed by the Forest Stewardship Council (FSC) and first published in 1999. Over time, this phrase has taken on a more general meaning, referring to forests that contain natural habitats which possess areas that are considered to be of outstanding significance or critical importance.

INNOVA CHILE

The main Chilean public agency charged with supporting research and furthering innovation in entrepreneurial and established businesses alike.

ISO-9001

(International Standards Organization)

An international Quality Management System standard that specifies rigorous requirements that must be met before a facility can be certified as compliant.

ISO-14001

(International Standards Organization)

An international Environmental Management System standard that specifies rigorous requirements that must be met before a facility can be certified as compliant.

Native Forest

According to Chile's National Forestry Corporation, a native forest is an ecosystem in which the arbor stratum is constituted by native species, reaching heights beyond two meters and coverage greater than 25%.

NO₂

(Nitrogen Dioxide)

Chemical compound that occurs when fuels containing nitrogen are burned. Nitrogen dioxide contributes to acid rain and can contribute to producing ozone in photochemical smog.

OHSAS 18001

(Occupational Health and Safety Assessment Series)

An international Occupational Health and Safety standard that specify rigorous requirements which must be met before a facility can be certified as compliant.

PEFC

(Programme for the Endorsement of Forest Certification Schemes)

The international Programme for the Endorsement of Forest Certification Schemes (PEFC) endorses national forest certification schemes as meeting certain threshold requirements. PEFC is the world's largest forest certification endorsement system, recognizing 25 national certification schemes that account for more than 570 million acres (230 million hectares) of certified forests as of December 31, 2010.

SENCE

National Skills-training and Employment Service

Its purpose is to promote the development of labor competencies in order to improve work force and business production, as well as the quality of production processes and products.

Sodium Chlorate

Bleaching chemical used for making chlorine dioxide (ClO₂) to bleach pulp. Chlorine dioxide is the predominant bleaching agent in use today.

Sulfur Dioxide (SO₂)

Chemical compound produced by burning fuel that contains sulfur, typically coal and oil. Sulfur dioxide contributes to acid rain and can contribute to producing ozone in photochemical smog.

Sustainable Development

According to a definition used by the World Bank, sustainable development is "a process of managing a portfolio of assets to preserve and enhance the opportunities people face." Sustainable development includes economic, environmental, and social sustainability, which can be achieved by rationally managing physical, natural, and human capital.

Sustainable Forest Management

Management planning and practices that maintain and enhance the long-term health of forest ecosystems for the benefit of all living things while providing environmental, economic, social and cultural opportunities for present and future generations.

Sustainable Forest Management (SFM) Certification

A market-based instrument aimed at promoting sustainable forest management. SFM Certification typically takes into account a balance of environmental, economic and social values. The more-credible SFM Certification schemes require independent assessment of forest management practices according to internationally and/or nationally accepted standards.

Virgin Fiber

Wood fiber that has not been previously used in the manufacture of pulp, paper or board.

Certifications

Forestry Business: Current Forestry Certifications (Chile) (As of December 31, 2010)

Country / Company	Certification Program	Certification	Certified Area	First Certification Date	Last Re-certification
CHILE					
Forestal Celco & F. Cholguán	CERTFOR	MFS	559,897 ha ⁽²⁾ 1,383,536 acres	2003 - 2008	2008 - 2013
	CERTFOR	CoC	N/A	2004 - 2009	2009 - 2014
	FSC	CoC / CW	N/A	2008 - 2013	N/A
Bosques Arauco	CERTFOR	MFS	288,905 ha ⁽²⁾ 713,900 acres	2003 - 2008	2008 - 2013
	CERTFOR	CoC	N/A	2004 - 2009	2009 - 2014
	FSC ⁽²⁾	CoC / CW	N/A	2009 - 2014	N/A
Forestal Valdivia	CERTFOR	MFS	266,412 ha ⁽²⁾ 658,318 acres	2003 - 2008	2008 - 2013
	CERTFOR	CoC	N/A	2004 - 2009	2009 - 2014
	FSC	CoC / CW	N/A	2009 - 2014	N/A
Forestal Los Lagos ⁽¹⁾	FSC	MF	18,774 ha 46,392 acres	2002 - 2008	2008 - 2013
	FSC	CoC	N/A	2008 - 2013	2008 - 2013
	FSC	CW	N/A	2008 - 2013	2008 - 2013

(1) Certified area includes Forestal Valdivia and Forestal del Sur property.

(2) Total forestland as of December 2010. Includes all forest area managed by ARAUCO (proprietary + FRG + agreement + leased + ABP) does not include any forest owned by Forestal Los Lagos.

Forestry Business: Current Forestry Certifications (Argentina, Brazil and Uruguay) (As of December 31, 2010)

Country / Company	Certification Program	Certification	Certified Area	First Certification Date	Last Re-certification
ARGENTINA					
Alto Paraná (Forestal Misiones)	FSC	MF/MC ⁽¹⁾	120,560 ha 297,910 acres	2008 - 2013	
Alto Paraná (Forestal Misiones)	FSC	MF/CoC ⁽⁴⁾	N/A	2009 - 2014	
FAPLAC, (Bosques)	FSC	FM/CoC	6,396 ha 15,805 acres	2002 - 2007	2008 - 2013
BRAZIL					
Arauco do Brasil	FSC	MF/COC ⁽³⁾	41,140 ha 101,660 acres	2003 - 2008	2008 - 2013
	FSC	CoC			
Florestal Arapoti	FSC	MF	49,430 ha 122,144 acres	2009 - 2014	2014 - 2019
	FSC	CoC	N/A		
	CERFLOR ⁽²⁾	MF	49,430 ha 122,144 acres	2003 - 3008	2008 - 2013
URUGUAY ⁽³⁾					
Montes del Plata (Joint Forestry Business)	FSC	MF/COC	120,966 ha 298,914 acres	2004 - 2009	2009 - 2014
	FSC	CoC	N/A	2004 - 2009	2009 - 2014

(1) Controlled Wood FSC STD 30-010.

(2) CERFLOR / PEFC.

(3) The FSC certified areas (FM /CoC) identified in the table refer to certificates awarded to Eufores (forestry operations purchased from Ence in Uruguay), and which are now part of Montes del Plata. Today, Eufores still exists as a legal entity and these certificates are valid until Montes del Plata is certified as an entity in and of itself. The certified area refers only to ARAUCO-operated forests and does not include any area leased to third parties.

(4) Chain of Custody, for the Pulp mill, managed by GOF. FSC STD 40-004 and FSC STD 40-005.

Other Forestry Business Certifications (As of December 31, 2010)

Country / Company	ISO 14001	OHSAS 18001	ISO 9001
CHILE			
Forestal Celco & Cholguán	X	X	
Bosques Arauco	X	X	
Forestal Valdivia	X	X	
Forestal Los Lagos			
ARGENTINA			
Alto Paraná (Forestry) ⁽¹⁾	X	X	
BRAZIL			
Arauco do Brasil			
Florestal Arapoti	X		
URUGUAY			
Montes del Plata ⁽²⁾ (Joint Forestry Business)			

(1) Only Misiones. Does not include Zárate.

(2) Former Stora Enso Uruguay and Eufores operations are certified as compliant to ISO 14001 and OHSAS 18001. Montes del Plata is a joint-venture company and has not been certified as an entity in and of itself. The integration process of these systems began in late 2009 .

Production Businesses: Current Certifications (Chile) (As of December 31, 2010)

Business / Facility	CERTFOR Chain of Custody	FSC Chain of Custody	ISO 14001	OHSAS 18001	ISO 9001	ISO 17025
Pulp Business						
Arauco Pulp Mill	X	SGS COC 6455	X		X	X
Constitución Pulp Mill	X		X		X	X
Licancel Pulp Mill	X		X		X	
Nueva Aldea Pulp Mill	X	SGS COC 5376	X		X	
Valdivia Pulp Mill	X	SGS COC 6456	X		X	
Sawn Timber Business						
8 Saw Mills	X		X	X		
4 Remanufacturing Facilities	X		X	X		
Panel Business						
Horcones - Plywood	X		X	X		
Nueva Aldea - Plywood	X		X	X		
Trupan (MDF)-Cholguán (Hardboard)	X		X	X		

Production Businesses: Current Certifications (Argentina) (As of December 31, 2010)

Business / Facility	CERTFOR Chain of Custody	FSC Chain of Custody	ISO 14001	OHSAS 18001	ISO 9001
Pulp Business					
Alto Paraná	X	SGS COC 6261	X	X	X
Sawn Timber Business					
Piray - Sawmill			X	X	X
Bossetti - Sawmill			X	X	X
Piray - Remanufacturing			X	X	X
Panel Business					
Alto Paraná - Chemical Plant ⁽¹⁾			X	X	X
Piray - MDF			X	X	
Zárate - Particleboard		SW-COC-000706	X	X	X

(1) The Alto Paraná Chemical Plant also has been certified as compliant with the Program for Responsible Care of the Environment since 1995. This program is managed by the Chemical and Petrochemical Industry Chamber (CIQyP), and is an initiative to achieve continuous improvement in environmental health and safety issues.

Production Businesses: Current Certifications (Brazil) (As of December 31, 2010)

Facility	CERLFOR	FSC Chain of Custody	ISO 14001	OHSAS 18001	ISO 9001	CARB ⁽¹⁾
Panel Business						
Curitiba - Particleboard		SW COC 1150			X	
Jaguariaiva - MDF ⁽²⁾		SW COC 1149	X	X	X	X ⁽²⁾
Piên - MDF and Particleboard ⁽³⁾			X	X	X	X ⁽³⁾
Araucaria - Chemical Plant					X	

(1) California Air Resources Board.

(2) The Jaguariaiva facility is certified as CARB Phase 2 compliant, for all product thicknesses.

(3) The Piên facility is certified as CARB Phase 1 compliant, for all MDF product thicknesses.

Environmental permits, processed and approved in 2010, by country

Investment Project Environmental Permits Filed During 2010			
Country / Project Name	Status as of 12/31/10	Type of Permit	Types of projects
CHILE ⁽¹⁾			
Expansion of El Colorado Sawmill	Sawn Timber	Approved	Environmental Impact Statement (EIS)
New particleboard panel mill in Teno, Chile	Panel	Approved	EIS
Increase capacity of Valdivia Pulp Mill power boiler	Pulp	Approved	EIS
Non-hazardous industrial solid waste disposal site	Pulp	Approved	EIS
Construction of San José Plywood Mill	Panel	Under evaluation	EIS
Increase in capacity through Valdivia Mill optimization	Pulp	Under evaluation	EIS
ARGENTINA			
Revision to project for the construction of an auxiliary pool at Alto Paraná Pulp Mill	Pulp	Approval in process	Environmental Impact Assessment (EIA)
Revision to project for the construction of a solid waste management facility at the Alto Paraná Pulp Mill	Pulp	Approval in process	EIA

Investment Project Environmental Permits Approved During 2010		
Country / Project	Business	Type of Permit
CHILE ⁽¹⁾		
Expansion of El Colorado Sawmill	Sawn Timber	EIS
New particleboard panel mil in Teno, Chile	Panel	EIS
Increase capacity of Valdivia Pulp Mill power boiler	Pulp	EIS
Non-hazardous solid waste disposal site	Pulp	EIS
New black liquor accumulating tank at Valdivia Mill	Pulp	EIS
Increase in capacity through Nueva Aldea Pulp Mill optimization	Pulp	EIS
Increase in extraction and processing of aggregate: Santa Marta Quarry	Forestry	EIS
Increase in extraction and processing of aggregate: Forel Quarry	Forestry	EIS
Increase in extraction and processing of aggregate: Pobre Negro Quarry	Forestry	EIS
Increase in extraction and processing of aggregate: Quirihue Quarry	Forestry	EIS
Increase in extraction and processing of aggregate: Los Pinos Quarry	Forestry	EIS
Extraction and processing of aggregate: El Boldo Quarry	Forestry	EIS
Extraction and processing of aggregate: El Descabezado Quarry	Forestry	EIS
New underwater pipeline for treated effluents for the Valdivia Mill	Pulp	EIA
BRAZIL ⁽²⁾		
New treatment line and panel pressing line 2 at Jaguariaíva	Panel	EIA
New MDF line (#2) at Jaguariaíva	Panel	EIA
URUGUAY ⁽³⁾		
New duty-free port at Punta Pereira	Pulp	EIA
New pulp mill, energy plant and port facilities at Punta Pereira	Pulp	EIA

(1) In Chile there is an Environmental Impact System that allows processing of investment projects. According to their impact, these projects can be presented as Environmental Impact Statements (EIS) or Environmental Impact Assessments (EIA).

(2) The construction permit is approved for both projects. In Brazil, investment projects that generate environmental impact go through three phases. The first phase grants the location permit; the second phase awards technical approval to begin construction and the last stage provides the approval permit with which the environmental authority conducts field assurance of compliance with the environmental and technical requirements requested during the second stage.

(3) The construction permit is approved for both projects. In Uruguay, investment projects that generate environmental impact go through three phases. The first is the location permit; then comes the technical approval that allows the project to begin construction and last, the approval permit with which the environmental authority conducts field assurance of compliance with the environmental and technical requirements requested during the second stage.

Financial Consolidated Statements

As of December 31, 2010 and 2009



- IFRS - International Financial Reporting Standards
- IAS - International Accounting Standards
- IFRIC - Interpretations Committee of the International Financial Reporting Standards
- ThU.S.\$ - Thousands of U.S. dollars

Consolidated Balance Sheets

Assets

	12/31/2010 ThU.S.\$	12/31/2009 ThU.S.\$
Assets		
Current Assets		
Cash and Cash Equivalents	1,043,834	534,199
Other Financial Current Assets	2,909	8,426
Other Current Non-Financial Assets	177,140	118,133
Trade and Other Receivables-Net	774,289	558,441
Related Party Receivables	18,074	16,327
Inventories	727,535	620,058
Biological Assets, Current	344,096	310,832
Tax Receivables	50,131	105,897
Total Current Assets Other Than Assets or Disposal Groups Classified as Held for Sale or as Held for Distribution to Owners	3,138,008	2,272,313
Non-Current Assets or Disposal Groups Classified as Held for Sale	14,108	0
Non-Current Assets or Disposal Groups Classified as Held for Sale or as Held for Distribution to Owners	14,108	0
Total Current Assets	3,152,116	2,272,313
Other Non-Current Financial Assets	65,372	29,078
Other Non-Current and Non-Financial Assets	52,352	35,196
Investment in Associates Accounted for Using Equity Method	498,204	476,101
Intangible Assets	11,127	11,154
Goodwill	66,231	63,776
Property, Plant and Equipment	5,088,745	4,969,753
Biological Assets, Non-Current	3,446,862	3,446,696
Deferred Tax Assets	125,323	109,760
Total Non-Current Assets	9,354,216	9,141,514
Total Assets	12,506,332	11,413,827

Equity and Liabilities

	12/31/2010 ThU.S.\$	12/31/2009 ThU.S.\$
Equity and Liabilities		
Liabilities		
Current Liabilities		
Other Financial Liabilities, Current	554,673	535,557
Trade and Other Payables	362,182	321,892
Related Party Payables	9,209	10,136
Other Provisions, Current	5,842	5,169
Tax Liabilities	62,887	2,202
Current Provision for Employee Benefits	3,312	2,372
Other Current Financial Liabilities	210,956	74,085
Total Current Liabilities Other than Liabilities Included in Disposal Groups Classified as Held for Sale	1,209,061	951,413
Total Current Liabilities	1,209,061	951,413
Non-Current Liabilities		
Other Non-Current Financial Liabilities	2,909,429	2,678,010
Other Non-Current Provisions	7,609	9,463
Deferred Tax Liabilities	1,369,489	1,256,090
Non-Current Provision for Employee Benefits	35,964	25,295
Other Non-Current Financial Liabilities	134,205	111,123
Total Non-Current Liabilities	4,456,696	4,079,981
Total Liabilities	5,665,757	5,031,394
Net Equity		
Issued Capital Stock	353,176	353,176
Accumulated Earnings	6,320,264	5,893,799
Other Reserves	58,754	21,618
Net Equity Attributable to Parent Company	6,732,194	6,268,593
Non-Controlling Interest	108,381	113,840
Total Net Equity	6,840,575	6,382,433
Total Net Equity and Liabilities	12,506,332	11,413,827

Consolidated Statements of Income

	2010 ThU.S.\$	2009 ThU.S.\$
Income Statement		
Revenue	3,788,354	3,113,045
Cost of Sales	(2,298,191)	(2,152,535)
Gross Income	1,490,163	960,510
Other Operating Income	378,188	181,383
Distribution Costs	(379,579)	(388,535)
Administrative Expenses	(323,916)	(249,340)
Other Operating Expenses	(50,642)	(59,681)
Other Income (Loss)	292	64,102
Financial Income	22,154	19,313
Financial Costs	(213,912)	(193,872)
Participation in (Loss) Income in Associates and Joint Ventures Accounted Through Equity Method	(7,693)	6,621
Exchange Rate Differences	(16,288)	17,632
Income Before Income Tax	898,767	358,133
Income Tax	(198,018)	(53,537)
Income from Continuing Operations	700,749	304,596
Net Income	700,749	304,596
Income Attributable to Equity Holders		
Income Attributable to Parent Company	694,750	300,898
Income Attributable to Non-Parent Company	5,999	3,698
Net Income	700,749	304,596

Basic Earnings per Share		
Earnings per Share from Continuing Operations	0.0061399	0.0026592
Basis earnings per share	0.0061399	0.0026592

Earnings per Diluted Shares		
Earnings per Diluted Share from Continuing Operations	0.0061399	0.0026592
Basic Earnings per Diluted Share	0.0061399	0.0026592

Comprehensive Income Statements

	2010 ThU.S.\$	2009 ThU.S.\$
Net Income	700,749	304,596
Other Comprehensive Income, Net of Tax		
Exchange Difference on Conversion		
Gain (Loss) for Exchange Differences, Before Tax	47,070	177,480
Cash Flow Hedges		
Gain (Loss) for Cash Flow Hedges, Before Tax	(11,155)	(5,807)
Participation in Other Comprehensive Income in Associates and Joint Ventures Accounted for Using Equity Method	1,247	1,902
Other Comprehensive Income, Net of Tax	37,162	173,575
Income Tax Related to Other Comprehensive Income		
Income Tax Related to Cash Flow Hedges on Other Comprehensive Income	1,896	987
Other Comprehensive Income	39,058	174,562
Total Comprehensive Income	739,807	479,158

Comprehensive Income Statement Attributable to		
Comprehensive Income Statement Attributable to Parent Company	731,886	461,754
Comprehensive Income Statement Attributable to Controlling Interest	7,921	17,404
Total Comprehensive Income	739,807	479,158

Consolidated Statements of Changes in Net Equity

	Share Capital ThU.S.\$	Conversion Reserves ThU.S.\$	Hedge Reserves ThU.S.\$	Other ThU.S.\$	Other Reserves Total ThU.S.\$	Accumulated Earnings ThU.S.\$	Equity attributable to Parent ThU.S.\$	Non-Controlling Interest ThU.S.\$	Equity Total ThU.S.\$
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
Changes in Equity									
Comprehensive Income Statement									
Net Income	0	0	0	0	0	694,750	694,750	5,999	700,749
Other Comprehensive Income, Net of Tax	0	45,148	(9,259)	1,247	37,136		37,136	1,922	39,058
Comprehensive Income	0	45,148	(9,259)	1,247	37,136	694,750	731,886	7,921	739,807
Dividends	0	0	0	0	0	(268,285)	(268,285)	0	(268,285)
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
12/31/2009									
Opening Balance at 01/01/2009	353,176	(136,223)	0	(3,015)	(139,238)	5,675,616	5,889,554	117,682	6,007,236
Changes in Equity									
Comprehensive Income Statement									
Net Income	0	0	0	0	0	300,898	300,898	3,698	304,596
Other Comprehensive Income, Net of Tax	0	163,774	(4,820)	1,902	160,856		160,856	13,706	174,562
Comprehensive Income	0	163,774	(4,820)	1,902	160,856	300,898	461,754	17,404	479,158
Dividends	0	0	0	0	0	(82,715)	(82,715)	0	(82,715)
Total Changes in Equity	0	163,774	(4,820)	1,902	160,856	218,183	379,039	(3,842)	375,197
Closing Balance at 12/31/2009	353,176	27,551	(4,820)	(1,113)	21,618	5,893,799	6,268,593	113,840	6,382,433

Consolidated Statements of Cash Flows-Direct Method

Flujos de Efectivo por (Utilizados en) Operaciones, Método Directo	12/31/2010 ThU.S.\$	12/31/2009 ThU.S.\$
Cash Flows from (used in) Operating Activities		
Classes of Cash Receipts from Operating Activities		
Receipts from Sales of Goods and Rendering of Services	3,984,173	3,675,727
Receipts from Premiums and Claims, Annuities and Other Policy Benefits	292,240	0
Other Cash Receipts from Operating Activities	172,278	147,533
Classes of Cash Payments		
Payments to Suppliers for Goods and Services	(2,877,218)	(2,785,842)
Payments to and Behalf of Employees	(263,151)	(190,821)
Other Cash Payments from Operating Activities	(2,338)	(3,915)
Dividends Received	6,353	17,084
Interest Paid	(190,351)	(152,343)
Interest Received	6,528	18,601
Income Taxes Refund (Paid)	10,964	8,675
Other (Outflows) Inflows of Cash, Net	(2,203)	16,326
Net Cash Flows from Operating Activities	1,137,275	751,025
Cash Flows from (used in) Investing Activities		
Cash Flows from Losing Control of Subsidiaries or Other Businesses	0	7
Cash Flows Used to Obtain Control of Subsidiaries or Other Businesses	(6,977)	(174,111)
Cash Flows Used to Purchase in Associates	(8,000)	0
Other Cash Payments to Acquire Equity or Debt Instruments of Other Entities	(39,559)	(128,279)
Capital Contributions to Joint Ventures	0	(51,225)
Proceeds from Sale of Property, Plant and Equipment	8,669	4,006
Purchase of Property, Plant and Equipment	(516,001)	(275,151)
Purchase of Intangible Assets	(1,594)	(1,378)
Proceeds from Sale of Other Financial Assets	1,471	2,185
Purchase of Biological Assets	(116,191)	(92,002)
Cash Receipts from Repayment of Advances and Loans Made to Other Parties	10,559	0
Other Outflows of Cash, Net	(1,791)	(1,343)
Cash Flows used in Investing Activities	(669,414)	(717,291)
Cash Flows from (used in) Financing Activities		
Long-term Loans	612,403	1,181,963
Short-Term	212,865	0
Total Loans	825,268	1,181,963
Loan Repayments	(634,146)	(746,531)
Dividends Paid	(158,781)	(135,175)
Other Inflows of Cash, Net	1,511	2,115
Cash flows from (used in) Financing Activities	33,852	302,372
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rate Changes	501,713	336,106
Effect of Exchange Rate Changes on Cash and Cash Equivalents	7,922	30,785
Net Increase (decrease) of Cash and Cash Equivalents	509,635	366,891
Cash and Cash Equivalents, at the Beginning of the Period	534,199	167,308
Cash and Cash Equivalents, at the End of the Period	1,043,834	534,199



PricewaterhouseCoopers

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Av. Andrés Bello 2711 - Pisos 2, 3, 4 y 5
Las Condes
Teléfono: (56) (2) 940 0000
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REPORT OF INDEPENDENT ACCOUNTANTS
(Traslation from the original in Spanish)

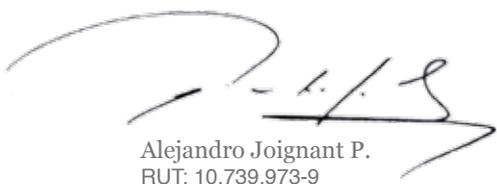
Santiago, March 4, 2011

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

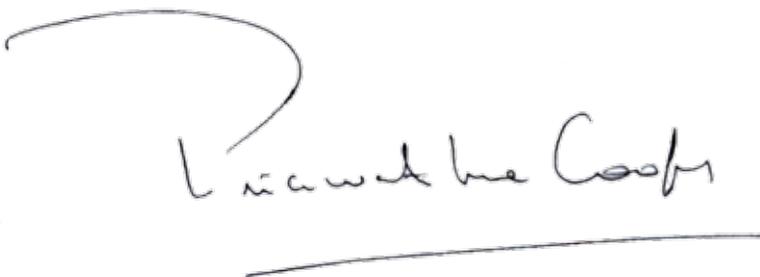
We have audited the accompanying consolidated statements of financial position of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated 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 statement referred to above present fairly, in all material respects, the consolidated financial position of Celulosa Arauco y Constitución S.A. and subsidiaries as of December 31, 2010 and 2009, the related consolidated statements of comprehensive income and cash flows for the years then ended, in accordance with International Financial Reporting Standards.



Alejandro Joignant P.
RUT: 10.739.973-9





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Corporate Legal Information

Name : Celulosa Arauco y Constitución S.A.
Tax Identification N° : 93.458.000-1
Address : Av. El Golf 150, 14th Floor, Las Condes, Santiago, Chile
Type of Entity : Corporation
Inscription in Securities Registry : N° 042 on July 14, 1982

Celulosa Arauco y Constitución S.A. was constituted under Public Act on October 28, 1970 before Public Notary Ramón Valdivieso Sánchez, later modified through Public Act dated May 6, 1971 held before Public Notary Sergio Rodríguez Garcés.

The company's existence was authorized on August 18, 1971 through Resolution N° 300-S of the Chilean Securities and Insurance Supervisor; inscribed in sheet 6,431; N° 2,993 of Santiago's 1971 Real Estate Registry Trade Record. The respective extract was published in the Official Daily on September 4, 1971.